

2020

## FINANCIAL ACCOUNTING – III — HONOURS

Fifth Paper

(A-31-A)

[Accounting and Finance Group]

Full Marks : 100

*The figures in the margin indicate full marks.**Candidates are required to give their answers in their own words as far as practicable.*

Group - A

Answer *any one* question

20×1

1. Prepare a Common-size Balance Sheet from the following information of NPC Ltd.

Particulars	2018 Amount ( ₹ )	2019 Amount ( ₹ )
<b>I. Equities and Liabilities :</b>		
Share Capital	2,50,000	3,00,000
Reserves and Surplus	4,00,000	4,80,000
Non-current Liabilities	8,00,000	10,00,000
Current Liabilities	2,00,000	2,70,000
	<b>16,50,000</b>	<b>20,50,000</b>
<b>II. Assets :</b>		
Property, Plant and Equipment	8,00,000	10,00,000
Non-current Investments	2,00,000	2,00,000
Inventories	3,00,000	4,00,000
Trade Receivables	2,00,000	3,50,000
Cash and Cash Equivalent	1,50,000	1,00,000
	<b>16,50,000</b>	<b>20,50,000</b>

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*Or,*

Briefly discuss five techniques of Financial Statement Analysis.

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Please Turn Over

2. Compute funds from operation from the following information :

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	Amount (₹)
Profit as per Profit & Loss Statement	2,50,000
Depreciation	1,05,000
Loss on Sale of Plant	20,000
Goodwill written off	50,000
Interest on Debenture Paid	60,000
Dividend Received	6,000

### Group - B

Answer *any two* questions

25×2

3. On 01.04.2016 IFL Ltd. held 1000, 10% Debentures of B Ltd. The cost price was ₹ 97 each and the nominal value was ₹ 100 each. Interest on the debentures become due on 30th June and 31st December every year.

On 01.05.2016 it purchased 500 Debenture-cum-Interest at ₹ 96.50 each. On 01.08.2016, it sold 1400 Debenture-cum-Interest at ₹ 99 each. On 01.02.2017 it again purchased 800 Debentures ex-Interest at ₹ 97.50 each. On 01.03.2017 it sold 500 Debenture ex-Interest at ₹ 99 each.

Prepare Investment Account for the year ended 31.03.2017.

(Assume that the prices given above are after adjustment for applicable brokerage and the company follows weighted Average method for stock valuation) 25

*Or,*

Amin and Anis are partners sharing profits and losses in the ratio of 2 : 1. The Balance Sheet of the firm as on 31.03.2019, is given below :

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Accounts :			
Amin	6,60,500	Property, Plant and Equipment	7,55,000
Anis	5,41,500	Investment	2,34,000
Bank Loan	80,150	Inventory	2,00,500
Trade Payables	1,58,100	Trade Receivables	1,38,225
		Cash and Cash Equivalent	1,12,525
	<b>14,40,250</b>		<b>14,40,250</b>

The partners agree to convert the partnership firm into a limited company on the date of the Balance Sheet on the following terms and conditions :

- (i) The authorised capital of the company will be ₹ 50,00,000 consisting of 5,00,000 equity shares of ₹ 10 each.

(ii) All assets and liabilities to be taken over by the company at the following figures :

	₹.
Property, Plant and Equipment	8,00,000
Investments	2,20,000
Inventory	1,90,000
Trade Receivables	1,00,000
Cash and Cash Equivalents	1,12,525
Bank Loan	80,000
Trade Payables	1,50,000

(iii) The purchase consideration is to be discharged by the issue 100000 equity shares of ₹ 10 each at a premium of ₹ 5 each.

Calculate the Purchase Consideration and prepare the opening Balance Sheet in the books of the new company. 10+15

4. The Capital structure of Mohan Ltd. is given below :

	₹.
Equity Shares of ₹ 10 each	5,00,000
10% Preference Shares of ₹ 100 each	1,00,000
Reserves and Surplus	4,00,000
10% Debentures	13,50,000

The average profit of the company before payment of interest and tax is ₹ 9,10,000. The income tax rate is 25%. Calculate the value of Equity Share of the company assuming Price-earning Ratio is 8. 25

**Or,**

From the following particulars calculate the value of Goodwill of a company under

(a) Annuity Method and (b) Capitalisation Method :

(i) Capital Employed ₹ 5,00,000

(ii) Normal Return 8%

(iii) Net Profits of last 3 years (after depreciation and tax) - ₹ 50,000; ₹ 55,000 and ₹ 90,000

(iv) Present value of ₹ 1 for 3 years at 8% is ₹ 2.577. 25

5. (a) Distinguish between Accounting Theory and Accounting Practice.

(b) Write a short note on Fair Value Accounting. 12+13

**Please Turn Over**

**Group - C**Answer *any one* question

30×1

6. The Balance Sheets of SS Ltd. and SC Ltd. as on 31.03.2019 are given below :

Particulars	SS Ltd. Amount ( ₹ )	SC Ltd. Amount ( ₹ )
<b>I. Equity and Liability :</b>		
1. <i>Shareholders Funds :</i>		
Equity Shares of 10 each	10,00,000	15,00,000
Reserves and Surplus	3,00,000	4,00,000
2. <i>Non-current Liabilities :</i>		
8% Debentures	4,00,000	5,00,000
3. <i>Current Liabilities :</i>		
Bank Overdraft	—	3,00,000
Trade Payable	1,50,000	2,50,000
<b>Total</b>	<b>18,50,000</b>	<b>29,50,000</b>
<b>II. Assets :</b>		
1. <i>Non-current Assets :</i>		
Property, Plant and Equipment	2,00,000	9,00,000
Intangible Assets	12,00,000	8,00,000
2. <i>Current Assets :</i>		
Inventory	1,50,000	10,00,000
Trade Receivables	30,000	2,00,000
Cash and Cash Equivalent	2,70,000	50,000
<b>Total</b>	<b>18,50,000</b>	<b>29,50,000</b>

The companies decide to amalgamate on 01.04.2019 and form Icon Ltd. on the following terms :

- (i) All Assets and Current Liabilities of the old companies are taken over by the Icon Ltd. The net worths of SS Ltd. and SC Ltd. have been determined at ₹ 20 lakhs and ₹ 15 lakhs respectively.
- (ii) The purchase considerations have been discharged by issuing sufficient numbers of Equity Shares of ₹ 10 each at a premium of ₹ 40 each.

Show the Journal Entries in the books of Icon Ltd. and the opening Balance Sheet of Icon Ltd. 30

*Or,*

The Balance Sheet of Roll Ltd. as on 31.03.2019 is as under :

	<b>Amount (₹)</b>
<b>I. Equity and Liability</b>	
1. <i>Shareholders Funds :</i>	
(a) Share Capital – 30000 Equity Shares of ₹ 100 each.	30,00,000
(b) Reserves and Surplus :	
Statement of Profit & Loss	(12,00,000)
2. <i>Non-current liabilities :</i>	
10% Debentures	10,00,000
3. <i>Current Liabilities :</i>	
Interest Due on Debentures	1,00,000
Term Loan	5,00,000
Trade Payables	3,00,000
	<b>37,00,000</b>
	<b>37,00,000</b>
<b>II. Assets</b>	
1. <i>Non-current Assets :</i>	
(a) Property, Plant and Equipment	
(i) Tangible Assets	25,00,000
(ii) Intangible Assets (Goodwill)	4,00,000
2. <i>Current Assets :</i>	
(a) Inventories	3,00,000
(b) Trade Receivables	4,00,000
(c) Cash and Cash Equivalents	1,00,000
	<b>37,00,000</b>
	<b>37,00,000</b>

The following scheme of reconstruction has been passed and approved by the Court :

- (i) The Equity Shares are to be subdivided into shares of ₹ 10 each and each shareholder shall surrender 80% of his/her holdings.
- (ii) The company issues 100000 Equity Shares of ₹ 10 each at a premium of ₹ 5 each.
- (iii) 50% of 10% Debentures are redeemed.

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- (iv) The claims of Trade Payables are to be reduced by 40%.
- (v) Outstanding Interest on Debenture is paid off.
- (vi) The remaining surrendered shares are cancelled.
- (vii) Intangible Assets and Statement of Profit & Loss are to be written off completely and the balance of capital reduction A/c are utilised to write off Tangible Assets as maximum as possible.
- (viii) Expenses of reconstruction is ₹ 50,000.

You are required to prepare journal entries and a Balance Sheet after effecting the scheme in the books of Roll Ltd. (Narration not required). 30

7. Grand Ltd. acquired 80% of Equity Shares of Fairy Ltd. on 01.04.2018 for ₹ 5,00,000. The statement of Assets and Liabilities of Grand Ltd. and Fairy Ltd. as on 31.03.2019 were as follows :

Particulars	Grand Ltd. Amount ( ₹ )	Fairy Ltd. Amount ( ₹ )
<b>I. Equity and Liabilities :</b>		
1. <i>Equity Shareholder Fund :</i>		
(a) Share Capital - Equity Shares of ₹ 10 each	8,00,000	4,00,000
(b) <i>Reserves and Surplus :</i>		
General Reserve	4,00,000	2,00,000
Balance of Profit & Loss (Cr.)	2,00,000	1,00,000
2. <i>Non-current Liabilities :</i>		
8% Debentures	3,00,000	–
3. <i>Current Liabilities :</i>		
Trade Payables	1,00,000	50,000
<b>Total</b>	<b>18,00,000</b>	<b>7,50,000</b>
<b>II. Assets :</b>		
1. <i>Non-current Assets :</i>		
Property, Plant and Equipment	9,00,000	4,00,000
<i>Non-current Investment (Shares in Fairy Ltd.)</i>	5,00,000	–
2. <i>Current Assets :</i>		
Inventory	2,00,000	1,00,000
Trade Receivables	50,000	1,75,000
Cash and Cash Equivalents	1,50,000	75,000
<b>Total</b>	<b>18,00,000</b>	<b>7,50,000</b>

**Additional Information :**

- (i) Balance of Profit & Loss and General Reserves of Fairy Ltd. stood at ₹ 1,20,000 and ₹ 60,000 as on 01.04.2018 respectively.
- (ii) Trade payables of Fairy Ltd. include ₹ 15,000 due to Grand Ltd.
- (iii) The stock of Fairy Ltd. includes goods worth ₹ 20,000 purchased from Grand Ltd. The cost of the goods is ₹ 15,000.

You are required to prepare a consolidated Balance Sheet of Grand Ltd. and its subsidiary as at 31.03.2019. 30

8. The statement of liabilities and assets of Kapoor Ltd. as on 31.03.2018 and 31.03.2019 is given below :

Particulars	31.03.2018 Amount ( ₹ )	31.03.2019 Amount ( ₹ )
<b>I. Equity and Liabilities :</b>		
1. <i>Shareholder's Fund :</i>		
(a) Equity Share of ₹ 10 each	15,00,000	16,00,000
(b) <i>Reserves and Surplus :</i>		
Securities Premium	4,00,000	5,00,000
General Reserve	2,20,000	2,50,000
Balance of Profit & Loss (Cr.)	4,00,500	4,80,000
2. <i>Non-current Liabilities :</i>		
Term Loan	6,00,000	7,50,000
3. <i>Current Liabilities :</i>		
Trade Payables	3,25,000	4,20,000
Provision for Tax	20,000	15,000
<b>Total</b>	<b>34,65,500</b>	<b>40,15,000</b>
<b>II. Assets :</b>		
1. <i>Non-current Assets :</i>		
Property, Plant and Equipment (Net)	15,00,000	17,00,000
2. <i>Current Assets :</i>		
(a) Short-term Investments	14,00,000	16,50,000
(b) Inventories	2,45,000	3,10,000
(c) Trade Receivables	2,65,000	2,95,250
(d) Cash and Cash Equivalents	55,500	59,750
<b>Total</b>	<b>34,65,500</b>	<b>40,15,000</b>

**Please Turn Over**

**Additional Information :**

- (i) Dividend paid during the year ₹ 3,15,000.
- (ii) A part of the plant was sold for ₹ 1,50,000 on 30.06.2018. The written down value of the plant on 30.06.2018 was ₹ 1,80,000. Depreciation was charged during the year for ₹ 1,20,000 (including depreciation was the plant sold).
- (iii) Investments costing ₹ 1,00,000 were sold for ₹ 1,20,000.
- (iv) Income Tax paid during the year ₹ 60,000.

You are required to prepare :

- (a) The schedule of changes in working capital from 31.03.2018 to 31.03.2019
- (b) The Fund Flow Statement of Kapoor Ltd. for the year ended 31.03.2019.

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**Or,**

Following are the liabilities and assets of Strong Ltd. as on 31.03.2018 and 31.03.19 :

Particulars	31.03.2018 Amount ( ₹ )	31.03.2019 Amount ( ₹ )
<b>I. Equity and Liabilities :</b>		
1. <i>Shareholder's Fund :</i>		
(a) Equity Share of ₹ 10 each	5,00,000	5,75,000
(b) Preference Share of ₹ 100 each	1,25,000	1,25,000
<i>Reserves and Surplus :</i>		
Securities Premium	1,10,000	2,60,000
General Reserve	2,60,000	3,00,000
Balance of Profit & Loss (Cr.)	4,15,000	6,10,000
2. <i>Non-current Liabilities :</i>		
10% Debentures	2,00,000	4,00,000
3. <i>Current Liabilities :</i>		
Trade Payables	1,65,000	1,85,000
Outstanding Interest	10,000	20,000
	<b>17,85,000</b>	<b>24,75,000</b>



Particulars	31.03.2018 Amount ( ₹ )	31.03.2019 Amount ( ₹ )
<b>II. Assets :</b>		
1. <i>Non-current Assets :</i>		
Fixed Assets : Tangible	9,85,000	15,65,000
2. <i>Current Assets :</i>		
Inventories	4,75,000	6,17,500
Trade Receivables	2,12,500	2,62,250
Cash and Cash Equivalent	1,12,500	30,250
	<b>17,85,000</b>	<b>24,75,000</b>

*Additional Information for the year 2018-19 are also given :*

- (i) Dividend paid during the year ₹ 60,000
- (ii) New Debentures were issued on 01.07.2018
- (iii) Income Tax paid during the year ₹ 1,20,000
- (iv) Preference Dividend of ₹ 12,500 paid during the year
- (v) The amount of depreciation charged on fixed assets during the year ₹ 1,60,000

You are required to prepare cash flow statement of Strong Ltd. for the year ended 31.03.2019.

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9. (a) State the limitations of Accounting Ratios.

(b) From the following particulars, prepare a summarised Balance Sheet for the year ended on 31st March, 2019. 10+20

Fixed Assets to Net worth	=	0.8 : 1
Current Ratio	=	3 : 1
Fixed Assets	=	₹ 16,00,000
Reserve included in Proprietor's Fund	=	25%
Quick Ratio	=	3 : 2
Cash and Bank balances	=	₹ 30,000
Long-term Loan	=	?

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