

LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034



B.Com.DEGREE EXAMINATION –COMMERCE

FIFTH SEMESTER – APRIL 2018

C 551– ADVANCED FINANCIAL ACCOUNTS

Date: 02-05-2018

Dept. No.

Max. : 100 Marks

Time: 09:00-12:00

Section: A

Answer All Questions:

10 x 2 = 20

- 1) What is Rebate on Bills Discounted?
- 2) What is Reinsurance?
- 3) Write a short note on Reversionary Bonus/
- 4) What is meant by Double Account System?
- 5) Define Holding Company.
- 6) What is purchase Consideration according to AS14?
- 7) From the following data, compute the amount to be charged to Revenue Account:
Present cost of replacing the old works Rs.1,80,000
Amount realised on the sale of old materials Rs.10,000
Value of old Materials use in the reconstruction Rs.250
- 8) Shares of A Ltd are to be considered as worth Rs.12 each (of which shareholders are to be paid one quarter in cash and the balance in Rs.100 shares of B Ltd which are to be issued at 25% premium. Total shares were 10,000 in B Ltd and 20,000 in A Ltd. Ascertain the number of shares to be issued by B Ltd.
- 9) What do you understand by Dissolution of firm?
- 10) Write a short note on Cost of Control.

Section – B

Answer any five only:

5 x 8 = 40

- 11) Explain the following terms in detail: a) Amalgamation, b) Absorption and c) External Reconstruction.
- 12) Write a note on a) Capital Base, b) Clear Profit, C) Development Reserve.
- 13) Describe the advances usually made by banks and shown under schedule 9.
- 14) On 31st March, 1998 a bank held the following bills discounted by it earlier:

Date of Bills 1998	Term of Bills (Months)	Discounted @% p.a	Amount of Bill Rs.
January, 17	4	17	7,30,000
February, 7	3	18	14,60,000
March, 9	3	17.5	3,64,000

You are required to calculate the rebate on bills discounted also show the necessary journal entry for the rebate.

15) The Revenue account of Life Insurance Company showed the life fund at Rs.73,17,000 on 31.03.2006 before taking into account the following items:

Claims intimated but not admitted Rs.98,250

Bonus utilized in reduction of premium Rs.13,500

Interest accrued on investment 29,750

Outstanding premiums Rs.27,000

Claims covered under reinsurance Rs.40,500

Provision for taxation Rs.31,500

Pass journal entries giving to the effect to the above adjustments and show the adjusted life fund.

16) The Balance Sheets of H Ltd., and S Ltd., as on 31/12/2015 were given below:

Liabilities	H Ltd. Rs.	S Ltd. Rs.	Assets	H Ltd. Rs.	S Ltd. Rs.
Share Capital	2,00,000	40,000	30,000 shares in S	60,000	64,000
Reserves	40,000	10,000	Ltd.		
Profits	25,000	14,000	Assets	2,05,000	
	2,65,000	64,000		2,65,000	64,000

S Ltd had the credit balance of Rs.10,000 in the reserves when H Ltd. acquired shares in S Ltd. S Ltd capitalized its Rs.10,000 (all out of profits earned after the acquisition of its shares by H Ltd) by making a bonus issue of one share for every four shares held. You are required to calculate cost of goodwill before and after the declaration of bonus issue. Also prepare the consolidated balance sheet after the declaration of bonus issue.

17) A Life insurance Company gets its valuation made once in every two years. Its Life Assurance Fund on 31.03.06 amounted to Rs.63,84,000 before providing Rs.64,000 for the shareholders' dividend for the year 2005-06. Its actuarial valuation due on 31.03.06 disclosed a net liability of Rs.60,80,000 under assurance annuity contracts. An interim bonus of Rs.80,000 was paid to the policy holders during the two years ending 31.03.2006. Prepare a statement showing the amount now available as bonus to policy holders.

18) Distinguish between dissolution of partnership and dissolution of firm. Explain the accounting procedure for distribution of amount realized to partners at the event of dissolution of firm.

Section – C

Answer any two only:

2 x 20 = 40

19) Balance Sheet of K Ltd is given below as on 31st March, 2011

Liabilities	Rs	Assets	Rs.
10,000 Equity shares of Rs.100 each	10,00,000	Fixed Assets	8,00,000
Capital Reserve	2,00,000	Current Assets	4,00,000
Bank Loan	2,00,000	Cash	2,00,000
Creditors	3,00,000	Profit and Loss A/c	3,00,000
	17,00,000		17,00,000

M Ltd was incorporated to take the fixed assets and 60% of the current assets at an agreed value of Rs.9,00,000 to be paid as to Rs.7,40,000 in equity shares of RS.10 each and the balance in 9% debentures/ The debentures were accepted by bank in settlement of loan. Remaining current assets realized Rs.90,000. After meeting Rs.20,000 expenses of liquidation all the remaining cash was paid to the creditors in full settlement. Give Journal entries in the books of both companies to account the amalgamation

20) The following is the trial Balance of BCD Bank Ltd as on 31/12/15

Particulars	Debit Rs.	Credit Rs.
Share Capital 7500 shares of Rs.100 each		7,50,000
Loans and advances	80,20,000	
Bank premises	5,32,500	
Govt. Securities	15,30,000	
General Reserve		4,50,000
Deposits		96,46,000
Interest and discounts		8,00,000
Interest on deposits and borrowings	2,00,000	
Balance with other banks	1,00,500	
Money at call and short notice	85,500	
General expenses	82,500	
Rent, rates and taxes	6,900	
Directors' fees	4,200	
Auditors' fees	1,200	

Bills discounted	90,000	
Furniture (Depreciation up to (01.01.15 20,000))	80,000	
Borrowings from other banks		1,05,000
Salaries and allowances	85,500	
Computer	35,000	
Profit & Loss A/c 01.01.15		37,500
Miscellaneous income		300
Commission		10,000
Interim dividend	30,000	
Cash in hand with RBI	9,15,000	
	1,17,98,800	1,17,98,800

Consider the following information furnished to prepare Profit and Loss Account for the year ending 31.12.15 and balance sheet as on that date.

- 1) Bills worth Rs.50,000 were received for collection.
- 2) Interest accrued on investment Rs.12,000
- 3) Rebate on bills discounted Rs.15,000
- 4) Debts amounting to Rs.65,000 were doubtful and provision to be made for the same.
- 5) Depreciation to be charged at 10% on the original cost of the furniture.

21) X Ltd purchased 750 shares in Y Ltd on 01.07.2004. The following were their Balance Sheets on 31.12.2004.

Liabilities	X Ltd	Y Ltd	Assets	X Ltd	Y Ltd
Share Capital (Rs.100 each)	3,00,000	1,00,000	Buildings	2,05,000	1,25,000
Reserves	1,00,000	70,000	Stock	1,00,000	80,000
Profit & Loss A/C	1,00,000	60,000	Debtors	1,00,000	40,000
Creditors	80,000	40,000	Investment in Y Ltd.	1,00,000	-----
Bills Payable	50,000	20,000	Bills Receivable	40,000	45,000
Current A/C - X Ltd	-----	20,000	Bank	60,000	20,000
			Current A/C-Y Ltd	25,000	
	6,30,000	3,10,000		6,30,000	3,10,000

Additional Information:

- a) Bills receivable of X ltd include Rs.10,000 accepted by Y Ltd.
- b) Debtors of X Ltd include Rs.20,000 payable by Y Ltd.
- c) A cheque of Rs.5,000 sent by Y Ltd on 28th December was not yet received by X Ltd on 31st December 2004.
- d) Profit and loss a/c of Y Ltd showed a balance of Rs.20,000 on 1st Jan, 2004.

You are required to prepare a consolidated Balance Sheet of X Ltd and Y Ltd.
