



WEST BENGAL STATE UNIVERSITY

B.Com. Honours Part-III Examination, 2020

FINANCIAL ACCOUNTING

PAPER-FACA-V

Time Allotted: 2 Hours

Full Marks: 50

*The figures in the margin indicate full marks.
Candidates should answer in their own words
and adhere to the word limit as practicable.*

*প্রান্তিক সীমার মধ্যস্থ সংখ্যাটি পূর্ণমান নির্দেশ করে।
পরীক্ষার্থীরা নিজের ভাষায় যথা সম্ভব শব্দসীমার মধ্যে
উত্তর করিবে।*

All symbols are of usual significance.

GROUP-A

Answer any *two* questions from the following

15×2=30

1. XY Ltd. is formed to take over X Ltd. and Y Ltd. for Rs 4,00,000 and Rs. 3,00,000 payable in equity shares of Rs. 10 each. The Balance Sheet of two companies is given below: 15

Particulars	Note. No.	X Ltd. (Rs.)	Y Ltd. (Rs.)
I. EQUITY AND LIABILITIES			
1. Shareholders Fund:			
(a) Share Capital - Equity Share of Rs. 10 each fully paid up		3,75,000	3,00,000
(b) Reserve and Surplus - Reserve		1,00,000	12,500
2. Share Application Money Pending Allotment			
		-	-
3. Non-Current Liabilities			
		-	-
4. Current Liabilities:			
(a) Short-term borrowings		-	-
(b) Trade Payables:			
Sundry Creditors		1,50,000	50,000
Bills Payable		25,000	37,500
TOTAL		6,50,000	4,00,000
II. ASSETS			
1. Non-current Assets:			
(a) Tangible Assets:			
Land & Buildings		1,00,000	50,000
Plant & Machinery		1,12,500	37,500
2. Current Assets:			
(a) Current Investment		1,75,000	75,000
(b) Inventories		-	-
(c) Trade Receivables:			
Sundry Debtors		2,00,000	1,00,000
Bills Receivables		37,500	50,000
(d) Cash and Cash Equivalent - Cash at Bank		25,000	87,500
TOTAL		6,50,000	4,00,000

Note: Bills Discounted by Y Ltd. not yet matured Rs. 7,500

Additional Information:

- (i) Sundry Debtors of Y Ltd. include Rs. 25,000 due from X Ltd.; and
- (ii) Bills Payable of X Ltd. include Rs. 20,000 acceptances in favour of Y Ltd. But Bills Receivables of Y Ltd. includes Rs. 12,500 accepted by X Ltd.

You are required to:

- (i) Pass the journal entries in the books of X Ltd. and Y Ltd.
- (ii) Prepare the Balance Sheet of XY Ltd.

2. Roy and Roy Pvt. Ltd. was formed by taking over the existing business of Roy Bros., on 1st April, 2018. But the Company was incorporated on 1st July, 2018. No entries were made relating to the transfer till 31st March, 2019, on that day, the balances were: 15

Gross Profit - Rs. 90,000; Carriage outwards - Rs. 3,300; Travellers Commission - Rs. 7,500; Office Salaries - Rs. 21,000; Administrative Expenses - Rs. 19,900; Rent & Rates - Rs. 12,000; Directors Fees - Rs. 18,000; Preliminary Expenses - Rs. 5,200 and Depreciation on fixed Assets - Rs. 25,000.

Other Information:

- (i) Closing Stock - Rs. 44,000
- (ii) The gross profit is constant and monthly sales in April, 2018, February, 2019 and March, 2019 respectively are double the average monthly sales of remaining months of the year.
- (iii) Preliminary Expenses are to be written off.

You are required to prepare Statement of Profit & Loss for the year ended 31st March, 2019, appropriating the profit or loss of the periods before and after incorporation.

3. The following are the balance sheets of A Ltd. and its subsidiary B Ltd. 15

Particulars	A Ltd. ₹	B Ltd. ₹
EQUITY & LIABILITIES		
Shareholders' Funds:		
Share Capital (₹10 each)	1,32,000	48,000
Reserves & Surplus	32,400	15,600
Current Liabilities:		
Trade Payables	11,400	18,000
	1,75,800	81,600
ASSETS		
Non-Current Assets:		
Fixed Assets	70,200	41,400
Investments (4,320 shares in B Ltd. at cost)	46,800	-
Current Assets:		
Inventories	24,000	16,200
Trade Receivables	34,200	18,600
Cash at Bank	600	5,400
	1,75,800	81,600

Notes to accounts:	₹	₹
(i) Reserves and Surplus:		
Securities Premium	15,600	-
General Reserve	-	12,000
Surplus Account	16,800	3,600
	32,400	15,600
(ii) Fixed Assets:		
Land & Buildings	21,000	15,000
Plant & Machinery	42,000	23,400
Furniture	7,200	3,000
	70,200	41,400

You are required to prepare a consolidated balance sheet having regard to the following:

- (i) On the date when A Ltd. acquired the shares of B Ltd. the latter had a reserve of ₹3,000 and a carried forward loss of ₹600 in the surplus account.
- (ii) In determining the value of shares of B Ltd, plant and machinery which then stood in the books at ₹27,000 was revalued at ₹32,400 and furniture standing in the books at ₹3,600 was revalued at ₹2,160. The new values were not incorporated in the books.
- (iii) B Ltd. has purchased goods from A Ltd. of which ₹8,400 are still in stock. A Ltd. sells to B Ltd. at cost plus 25%.
- (iv) Trade receivables of A Ltd. include ₹4,200 due from B Ltd. and trade payables of B Ltd. include similar amount due to A Ltd.

4. The followings are the summarised balance sheets of H Ltd. and S Ltd. as on 31.3.2019

15

Particulars	H Ltd. ₹	S Ltd. ₹
EQUITY & LIABILITIES		
Shareholders' Funds:		
Equity Share Capital (₹10 each fully paid)	4,00,000	1,20,000
Reserves and Surplus	1,21,200	2,07,000
Current Liabilities:		
Trade Payables	1,22,800	67,000
Other Current Liabilities (Loan from H Ltd.)	-	40,000
	6,44,000	4,34,000
ASSETS		
Non-Current Assets:		
Fixed Assets	1,68,000	2,40,000
Investments (7,200 shares in S Ltd. at cost)	2,12,000	-
Current Assets:		
Inventories	1,20,000	1,00,000
Trade Receivables	84,000	90,000
Cash and Bank	20,000	4,000
Other Current Assets (Loan to S Ltd.)	40,000	-
	6,44,000	4,34,000

Notes on accounts:

	H Ltd.	S Ltd.
Reserves and Surplus:	₹	₹
Surplus account		
Balance on 01.4.2018	94,000	1,74,000
Profit for 2018-2019	27,200	33,000
	1,21,200	2,07,000

H Ltd. acquired the shares of S Ltd. on 01.4.2018.

No dividends were paid by either company during 2018-19, but H Ltd. proposes to pay a dividend of ₹20,000 and S Ltd. proposes a dividend of ₹48,000. The effects of these proposals are to be recorded in the finalised balance sheets.

Prepare a consolidated balance sheet of the two companies on 31.3.2019 incorporating the effect of proposed dividends where appropriate.

5. (a) Discuss the need for Financial Statement Analysis. 5
 আর্থিক বিবরণী বিশ্লেষণ এর প্রয়োজনীয়তা বিষয়ে আলোচনা করো।
- (b) From the following extracted figures of the Balance Sheet of X & Co., prepare a Comparative Balance Sheet: 10

Particulars	01.04.2018 ₹	01.04.2019 ₹
Equity Shares Capital	4,00,000	5,00,000
Preference Shares Capital	2,00,000	1,00,000
10% Debenture	1,50,000	1,00,000
Reserve & Surplus	40,000	70,000
Long term loans	2,00,000	3,00,000
Investment	2,20,000	2,50,000
Fixed Assets	5,70,000	6,30,000
Current Assets	2,80,000	3,10,000
Current Liabilities	80,000	1,20,000

6. (a) Distinguish between Comparative Financial Statement and Common Size Financial Statement. 6
 তুলনামূলক আর্থিক বিবরণী ও সাধারণ আকার আর্থিক বিবরণীর মধ্যে পার্থক্য নির্দেশ করো।
- (b) From the following Profit and Loss Accounts, prepare a Common-Size Income Statement of Z Ltd. and also make a brief comment of the profitability 9

Particulars	2018 ₹	2019 ₹	Particulars	2018 ₹	2019 ₹
To Cost of Goods Sold	90,000	85,000	By Net Sales	1,20,000	1,27,000
To Administration Expenses	8,000	10,000			
To Selling Expenses	5,000	4,500			
To Net Profit c/d	17,000	27,500			
	1,20,000	1,27,000		1,20,000	1,27,000

7. From the following summarised information relating to Balance Sheets of JP International, prepare a Cash Flow Statement for the year ended 31st March, 2019 as per AS-3:

Liabilities	2017-18 (Rs.)	2018-19 (Rs.)	Assets	2017-18 (Rs.)	2018-19 (Rs.)
Equity Shares Capital	150	350	Goodwill	75	60
Redeemable Preference Shares Capital	100	150	Fixed Assets	355	620
Reserve & Surplus	40	50	Inventories	110	70
Debentures	150	100	Debtors	120	75
Long term loan	100	50	Bank	-	25
Bank Overdraft	60	-	Prepaid expenses	30	20
Sundry Creditors	80	100	Miscellaneous expenditure	40	30
Proposed Dividend	30	60			
Provision for taxation	20	40			
	730	900		730	900

Additional information as on 31st March 2019:

- Accumulated depreciation on Fixed Assets amounting to Rs. 1,60,000 and Rs. 1,85,000 as on 31.03.2018 and 31.03.2019 respectively; and a plant costing Rs. 30,000 (25% depreciation) was sold for Rs. 50,000.
 - Land of Rs. 1,50,000 and Stock of Rs. 40,000 were purchased for a consideration of Rs. 2,00,000 paid in for shares.
 - Dividend for 2017-18 was paid along with an interim dividend of 5% on opening equity capital.
 - Tax liabilities for 2017-18 were settled at Rs. 28,000.
8. The Balance Sheet of XY Ltd. as on 31st March, 2018 and 2019 are as under:

Particulars	31.03.2018 (Rs.)	31.03.2019 (Rs.)
I. EQUITY AND LIABILITIES		
1. Shareholders' Fund:		
(a) Equity Share Capital	3,00,000	5,00,000
(b) 10% Redeemable Preference Share Capital	3,00,000	2,00,000
(c) Reserve & Surplus:		
General Reserve	40,000	60,000
Capital Reserve	-	50,000
Profit & Loss Balance	36,000	54,000
2. Non-Current Liabilities	-	-
3. Current Liabilities:		
Trade Payable	88,000	1,30,000
Provision for Taxation	56,000	64,000
Proposed dividend	54,000	66,000
TOTAL	8,74,000	11,24,000

II. ASSETS		
1. Non-Current Assets:		
(i) Fixed Assets:		
(a) Tangible:		
Land & Building	2,00,000	1,50,000
Plant & Machinery	1,80,000	3,82,000
(b) Intangible: Goodwill	1,20,000	94,000
(ii) Non-Current Investment	20,000	70,000
2. Current Assets:		
Inventory	1,70,000	1,56,000
Trade Receivables	1,50,000	2,16,000
Cash & Cash Equivalent	34,000	56,000
TOTAL	8,74,000	11,24,000

The following further particulars are given:

- (i) In 2018-19, depreciation of Rs. 36,000 has been written off from Plant & Machinery and no depreciation has been charged on Land & Building.
- (ii) A piece of land has been sold out and profit on such sale has been transferred to Capital Reserve.
- (iii) A plant was sold for Rs. 24,000 (W.D.V. Rs. 30,000)
- (iv) Dividend received amounted to Rs. 4,200 which included pre-acquisition dividend of Rs. 1,200.
- (v) An interim dividend of Rs. 20,000 has been paid in 2018-19.

You are required to prepare:

- (I) Statement of Changes in Working Capital for the year ended 31st March, 2019; and
- (II) Fund Flow Statement.

GROUP-B

Answer any *one* question from the following

10×1 = 10

9. The following is the position as on 31.3.2019 of P Ltd., which goes into voluntary liquidation as on that date: 10

Liabilities	₹	Assets	₹
Share Capital:			
10,000 Equity Shares of ₹50 each	5,00,000	Fixed Assets	9,00,000
1,000 Preference Shares of ₹100 each	1,00,000	Stock	24,00,000
General Reserve	1,00,000	Debtors	18,00,000
Loan (Secured)	2,00,000	Cash at Bank	1,00,000
Bank Loan (Secured)	38,00,000	Loans and Advances	4,00,000
Creditors	9,00,000		
	56,00,000		56,00,000

The following information is given:

- (i) The Loan (secured) is secured by first charge on Fixed Assets.
- (ii) The Bank Loan is secured by hypothecation of all Current Assets and by second charge on Fixed Assets.
- (iii) Creditors include Preferential Creditors of ₹2,00,000. On 15.01.2020, stocks were sold for ₹4,00,000. On 31.01.2020, expenses of liquidation amounting to ₹4,000 were met and Fixed Assets were sold for ₹13,00,000. On 15.02.2020 all other Current Assets realised for ₹19,10,000 and stock in godown further realised ₹15,00,000. Liquidator's remuneration of ₹7,000 was paid on 17.02.2020.

Prepare Liquidator's Final Statement of Affairs presuming that all payments were made in order of preference on earliest availability of cash.

- 10.(a) What do you mean by Standard Asset, Sub-standard Asset, Doubtful Asset and Loss Asset? 2+2+2+2

স্ট্যান্ডার্ড অ্যাসেট, সাব-স্ট্যান্ডার্ড অ্যাসেট, সন্দেহজনক সম্পত্তি এবং লোকসান সম্পদ বলতে কী বোঝায়?

- (b) Discuss in brief about the provisions of the Reserve Bank of India regarding writing off the loss arising out of Non-Performing Asset. 2

অ-সম্পাদনযোগ্য সম্পদ থেকে প্রাপ্ত ক্ষয়ক্ষতি রোধে রিজার্ভ ব্যাঙ্কের বিধান সম্পর্কে সংক্ষেপে আলোচনা করো।

11. What do you mean by GAAP? Discuss its merits and demerits. 2+(4+4)

সাধারণভাবে গ্রহণ হিসাবনিকাশকরণ নীতি বলতে কি বোঝায়? ইহার সুবিধা ও অসুবিধা গুলি আলোচনা করো।

12. What is Historical Cost Concept? State its limitations. 4+6

ঐতিহাসিক ব্যয় ধারণা কাকে বলে। ইহার সীমাবদ্ধতাগুলি বিবৃত করো।

- 13.(a) Discuss the limitation of ratio analysis. 5

অনুপাত বিশ্লেষণের সীমাবদ্ধতা আলোচনা করো।

- (b) From the following information, compute Current Assets and Current Liabilities: 5

- (i) Current ratio = 3:1
- (ii) Quick ratio = 1:1
- (iii) Closing Stock - Rs. 60,000
- (iv) Bank overdraft - Nil

14. From the following information, prepare a Statement of Profit & Loss and Balance Sheet of X Co. Ltd.: 10

Current ratio = 2.2:1; Liquid ratio = 1.7:1; Gross profit ratio = 16%; Net profit ratio = 7%; Debtors turnover = 6 times; Stock turnover = 5.6 times; Proprietors' fund to Equity share capital 1.2:1; Working Capital = Rs. 1,44,000; Equity share capital = 65,000 shares of Rs. 10 each.

GROUP-C**Answer any one question from the following**

8×1 = 8

15. Calculate goodwill as per (a) Annuity Method; (b) Five years' purchase of Super Profit Method and (c) Capitalisation Method of Average Profits from the following information:

8

- (i) Capital Employed Rs. 6,30,000
- (ii) Normal rate of profit @ 10%
- (iii) Present value of annuity of Re. 1 for 5 years @ 10% - Rs. 3.77545
- (iv) Net profits before taxation (tax rate @ 50%)
1st Year - Rs. 1,05,000; 2nd Year - Rs. 1,45,000; 3rd Year - Rs. 1,75,000;
4th Year - Rs. 2,00,000; and 5th Year - Rs. 1,50,000
- (v) Non trading income of Rs. 5,000 and Debenture interest of Rs. 10,000 on an average included in the Profit balance.
- (vi) Fixed Assets revalued by Rs. 20,000 more than existing book value of the assets.

16. Following are the information of two companies for the year ended 31.3.2019

4+4

Particulars	Company-X (₹)	Company-Y (₹)
Equity Shares of ₹10 each	8,00,000	10,00,000
10% Pref. Shares of ₹10 each	6,00,000	4,00,000
Profit after tax	3,00,000	3,00,000

Assume that the market expectation is 18% and 80% of the profits are distributed.

What is the value of Equity Shares of the companies if

- (i) You are buying a small lot to earn dividend?
- (ii) You are buying controlling interest shares?

[For neatness 2 marks]

—x—