



**WEST BENGAL STATE UNIVERSITY**  
B.Com. General PART-III Examination, 2020

**ADVANCED ACCOUNTING**

**PAPER-ADAG-IV**

**OLD SYLLABUS**

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.*

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

**Answer any *three* questions from the following**

16×3 = 48

1. (a) What do you mean by 'Goodwill'?

1+15

‘সুনাম’ বলতে কি বোঝো ?

(b) The Ledger A/c Balances of A. Ltd. As on 31.03.2014 is given below:

Particulars	Rs.
Profit & Loss A/c- Debit Balance as on 01.04.2013	1,60,000
Preliminary Expenses	8,000
Plant & Machinery (W.D.V.)	80,000
Furniture & Fixtures (W.D.V.)	16,000
Motor Car (W.D.V.)	12,000
Sales	16,00,000
Miscellaneous receipts	96,000
Opening Stock	2,40,000
Bank Overdraft	80,000
Purchases	11,20,000
Securities Premium	2,90,000
Share Capital- 5,000 shares @ Rs. 100 each (Authorized, issued and fully paid up)	5,00,000
Unsecured Loans	2,40,000
Debtors	5,60,000
Salaries and Wages	1,60,000
Office and Administrative expenses	3,20,000
Selling and Distribution expenses	1,20,000
Creditors	3,32,000
Income tax paid in advance	2,40,000
Miscellaneous expenses	32,000
Interim dividend	50,000
Cash in hand	20,000

**Additional Information:**

- (i) Closing stock Rs. 4,80,000
- (ii) Depreciation is to be charged for the year on written down value basis at 10% on Plant & Machinery and Furniture & Fixtures and @ 20% on motor car.
- (iii) The unsecured loan was taken on 01.01.2013 at 18% p.a. interest.
- (iv) Office and Administrative expenses include Auditor's fee Rs. 4,000 (including fee for taxation services Rs. 800) and Directors fees Rs. 2,400.
- (v) Provision for taxation is to be made for Rs. 2,80,000.
- (vi) Preliminary expenses are to be written off.
- (vii) The directors have proposed a dividend of 15% on share capital.

Prepare Profit and Loss Account of A. Ltd. For the year ended 31.03.2014 and Balance Sheet as on that data according to the requirements of Scheduled VI of the Companies Act, 1956.

2. (a) Mention three points of difference between Equity share and Preference share. 16
- (b) Write short notes on the following:
- (i) What is Articles of Association
  - (ii) Define 'Interim dividend'.
- (c) What is Accounting Theory? Write the similarities and difference between accounting theory and Accounting practice.

3. (a) Internal Reconstruction 4+12
- (b) Narayana Trading Limited invited applications for 10,000 Equity Shares of Rs. 100 each to be payable as follows:

	Rs.
On application	20
On allotment	25
On First Call	30
On Final Call	25

The applications were received for 14,000 shares. Application money on 1,000 shares were refunded and allotment was made to the remaining applications on pro-rata basis. Excess application money to be adjusted with allotment. All the shareholders paid the allotment and calls except the following:

- (i) Rony to whom 1,000 shares were allotted failed to pay the first call money.
- (ii) Johny to whom 500 shares were allotted failed to pay the final call money.

All those shares were forfeited after the final call was made. All these shares were re-issued to Sony at a discount of Rs. 3 per share.

Show the necessary Journal Entries in the Books of Narayana Trading Limited.

4. (a) What is the difference between 'Amalgamation' and 'Absorption' of companies?  
কোম্পানির 'একত্রীকরণ' ও 'গরসন' এর মধ্যে পার্থক্য কি ?
- (b) The Balance Sheet of A. Ltd. as on 31st December 2013 was as follows:

Liabilities	Rs.	Assets	Rs.
Issued and paid up capital 10,000 Equity shares of Rs. 10 each	1,00,000	Goodwill	20,000
10,000, 7.5% Preference Shares of Rs. 10 each	1,00,000	Other Fixed Assets	1,00,000
Sundry Creditors	20,000	Stock	25,000
		Debtors	30,000
		Profit & Loss A/c	45,000
	<b>2,20,000</b>		<b>2,20,000</b>

It was resolved that, Equity shares of Rs. 10 each be reduced to shares of Rs. 6 each and 7.5% Preference shares of Rs. 10 each be reduced to 8% Preference shares of Rs. 7 each. The number of shares in each case was to remain the same. It was also resolved that the proposal of the creditors reducing their claim by 25% be accepted. It was further resolved that the amount so available be used for writing off the debit balances of Profit & Loss Account and Goodwill Account and to write down the other Fixed Assets as far as possible.

Give necessary Journal entries in the books of the company to record the above transactions.

5. (a) Define Accounting Standard. 1+1+2+12  
হিসাবনিকাশ মানের সংজ্ঞা দাও।
- (b) Define 'Holding Company'.  
হোল্ডিং কোম্পানীর সংজ্ঞা দাও।
- (c) What is profit prior to Incorporation?  
নিবন্ধনের পূর্বের মুনাফা কাকে বলে ?
- (d) From the information given below, compute the 'Net Asset Value' of an equity share of X. Ltd.

Balance Sheet as at 31st December, 2015

Liabilities	Rs.	Assets	Rs.
1,000 Equity shares of Rs. 100 each fully paid up	1,00,000	Land & Building	40,000
100, 8% Cumulative Preference shares of Rs. 100 each fully paid up	10,000	Plant	40,000
Reserve & Surplus	25,000	Debtors	5,000
Creditors	10,000	Stock	20,000
5% Debentures	10,000	Cash at Bank	35,000
		5% G.P. Notes	10,000
		Preliminary expenses	5,000
	<b>1,55,000</b>		<b>1,55,000</b>

- (i) Fair return on capital employed in this type of business is 10% per annum.
- (ii) Goodwill is to be taken at 5 years purchase value of super profits.
- (iii) Average profits for the last 7 years is Rs. 18,000. There is an outstanding liability for workmen compensation to the extent of Rs. 5,000.

Profit is more or less stable over years and the same trend is expected to be maintained in the near future.

6. (a) What do you mean by Cash Flow from operating ‘activities’? 1+5+10
- (b) Discuss briefly about any two methods of valuation of Goodwill.
- (c) The following is the Balance Sheet of A. Ltd. as at 31.12.2015.

Liabilities	Rs.	Assets	Rs.
Share Capital:		Goodwill	25,000
35,000 Equity shares of Rs. 10 each	3,50,000	Building at cost	2,60,000
Reserve & Surplus	80,000	Plant & Machinery at cost	1,10,000
Depreciation Fund:		Furniture	40,000
Building- 20,000		Sundry debtors- 38,000	
Plant & Machinery- 10,000		Less: Reserve for	
Furniture- 5,000	35,000	Bad Debts- 3,000	35,000
Sundry Creditors	60,000	Stock-in-Trade	40,000
Bills Payable	25,000	Cash at Bank	60,000
Provision for taxation	40,000	Preliminary Expenses	20,000
	<b>5,90,000</b>		<b>5,90,000</b>

The profits earned before providing for taxation, have been as:

Year	Rs.
2011	81,000
2012	1,20,000
2013	1,04,000
2014	99,000
2015	96,000

Compute the value of Goodwill of the company assuming that the normal rate of return for this type of company is 8%. Income tax is payable @ 50% on the above profits.

7. (a) Define ‘Interim dividend’. 1+1+14
- (b) What do you mean by minority Interest?

- (c) From the following Balance Sheets and information given below, prepare a consolidated Balance Sheet:

Liabilities	A. Ltd.	B. Ltd.	Assets	A. Ltd.	B. Ltd.
	Rs.	Rs.		Rs.	Rs.
Share Capital: Rs. 10 per share fully paid	1,00,000	20,000	Fixed Assets	80,000	14,000
Profit & Loss A/c	40,000	14,000	Stock-in Trade	61,000	24,000
Reserve	10,000	6,000	Debtors	13,000	17,000
Creditors	20,000	12,000	Bills Receivable	1,000	-
Bills Payable	-	3,000	Share in B. Ltd.: 1,500 shares at Rs. 10 each at cost	15,000	-
	<b>1,70,000</b>	<b>55,000</b>		<b>1,70,000</b>	<b>55,000</b>

Cash in transit Rs. 100 from B. Ltd. to A. Ltd. These had been entered only in the books of the sending companies. Prepare a consolidated Balance Sheet of A. Ltd. and its subsidiary as at 31st December, 2016.

8. (a) Mention two limitations of Accounting Standards? 3+3+10
- (b) What is Profitability Ratio?
- (c) What is GAAP? What are its advantages and disadvantages?
9. (a) What is Fund-Flow statement? Write the difference between Fund Flow statement and Income Statement. 3+5
- (b) Ashoke Ltd. had a part of its share capital in 1,000 8% Redeemable Preference shares of Rs. 100 each full paid up. When the shares became due for redemption the company had Rs. 65,000 in its General Reserve. The company issued 5,000 equity shares of Rs. 10 each at par specifically for the purpose of redemption and received cash in full. The Redeemable Preference shares were then paid out of the new issue and the balance was met out of General Reserve. 8
- Show necessary Journal Entries recording the above transitions.
- 10.(a) Who are the users of financial statements? 3+5+8
- আর্থিকবিবরণীর ব্যবহারকারীগণ কারা ?
- (b) Explain how are the Balance Sheet and the Income Statement related to each other.
- কিভাবে উদ্বর্ত পত্র এবং আয়ের বিবরণী পরস্পরের সহিত সম্পর্কযুক্ত তা ব্যাখ্যা করো।

- (c) A Chennai head office sends goods to its branch at Kolkata at cost plus 20%. From the following information prepare Branch Stock Account and Branch Adjustment Account in the books of Head Office.

	Rs.
Opening Stock at Branch	9,600
Opening Branch Debtors	30,000
Closing Branch Stock	16,800
Goods sent to Branch	2,89,840
Total Sales	2,58,000
Cash Sales	1,38,000
Cash received from Branch Debtors	1,10,000

**[For neatness 02 marks]**

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