Reg. No. : ....

Name : ....

Second Semester M.Com. Degree (Reg./Supple./Imp.) Examination, March 2017
(2014 Admn. Onwards)
COM2C09 : ADVANCED BUSINESS ACCOUNTING

Time : 3 Hours   Max. Marks : 60

SECTION – A

Answer **any four** questions in this Section. **Each** question carries **1** mark for Part (**a**), **3** marks for Part (**b**) and **5** marks for Part (**c**) :

1. a) What do you mean by net asset value ? 1

   b) Discuss the circumstances warranting valuation of shares. 3

   c) From the following Balance Sheet you are required to value the equity share : 5

	Rs.		Rs.
2,000 6% preference shares of Rs. 100 each	2,00,000	Assets at book value	6,00,000
30,000 equity shares of Rs. 10 each	3,00,000		
Liabilities	1,00,000		
	6,00,000		**6,00,000**

The market value of ½ of the assets is considered at 10% more than the book value and that of remaining ½ at 5% less than the book value. There was a liability of Rs. 5,000 which remained unrecorded. Assume preference shares have no priority as to repayment of capital or dividend.

2. a) What is an accounting standard ? 1

b) Discuss the importance of Accounting Standards. 3

c) Examine the merits and demerits of setting Accounting Standards. 5

3. a) What do you mean by address commission ? 1

b) Write notes on : Bunker cost : Passage money : Primage. 3

c) Following details are furnished by a shipping company in connection with voyage No. 45 which was commenced from Port A on 1st February, 2015. The ship arrived at port D on 31st March, 2015 when the voyage was completed. 5

2,000 tons and 500 tons were loaded at port A for port D and C respectively. Another 300 tons were loaded at C for D.

The freight charges were :

A to D Rs. 100 per ton ;

A to C Rs. 80 per ton ;

C to D Rs. 50 per ton.

The freight is subject to 10% primage, 5% address commission and 3% brokerage. The freight was insured at ½%. The Hull was insured for the voyage @ 1%. Depreciation is provided @ 5% p.a. Cost of the ship is Rs. 12 lakhs. The expenses at different ports were as under :

	A	B	C	D
Port changes (Rs.)	5,000	1,000	3,000	3,000
Coal	18,000	–	4,000	–
Captains' expenses	1,200	800	600	900
Harbour wages	4,000	–	3,000	2,500

Stores purchased at commencement amounted to Rs. 8,000. Opening stock of stores was Rs. 5,000 and closing stock is estimated at Rs. 2,000. Stock of coal at close is estimated at Rs. 4,500 as against stock of Rs. 1,500 at the beginning. Salaries and wages of Sailors etc. amount to Rs. 12,000 per month. Prepare Voyage Account for the period ending 31st March, 2015.

4. a) Define accounting for price level changes. 1

b) Examine the need for inflation accounting. 3

c) A firm purchased a machinery for Rs. 2 lakhs on 1-1-2012. It has an expected life of 10 years without any scrap value. The price indices for the asset were as follows : 1-1-2012 – 100, 1-1-2015 – 160, 31-12-2015 – 175. 5

You are required to value the machinery on 1-1-2015 and 31-12-2015 both according to Historical Cost Accounting and Current Cost Accounting System, charging depreciation on straight line basis. Also find the amount which needs to be adjusted for appreciation during 2015.

5. a) What do you mean by Human Resource Accounting ? 1

b) State the objections against HRA. 3

c) Briefly describe any three valuation methods of HRA. 5

6. a) What is consolidation fund ? 1

b) Explain the role of treasuries in Government Accounting. 3

c) Explain the compilation of Government Accounts. 5

(4×9=36)

SECTION – B

Answer the **two** questions in this Section. **Each** carries **12** marks :

7. a) From the following particulars, calculate the fair value of an equity share assuming that out of the total assets, those amounting to Rs. 41,00,000 are fictitious.

   i) Share capital : 5,50,000, 10% preference shares of Rs. 100 each, fully paid. 55,00,000 equity shares of Rs. 10 each, fully paid.

   ii) Liability to outsiders Rs. 75,00,000.

   iii) Reserves and surplus Rs. 45,00,000.

   iv) The average normal profit after taxation earned every year by the company during the last five years Rs. 85,05,000.

   v) The normal profit earned on the market value of fully paid equity shares of similar companies is 12%.

OR

b) On 1st April, 2010 Anand held 20,000 fully paid equity shares of Rs. 10 each in P. Ltd. appearing in Anand's books at Rs. 3,05,500. On 1st June, 2010 he acquired 5,000 more equity shares in the company at an all inclusive cost of Rs. 17 per share.

On 30th June, 2010 P. Ltd. announced a bonus issue at the rate of one fully paid equity share of Rs. 10 for every five shares held. Anand received the bonus shares on 4th August, 2010.

P. Ltd. also made a rights issue : the terms being as follows :

   i) The issue would entitle the shareholders to subscribe to one equity share of Rs. 10 in the company for every three shares held as on 9th August, 2010 ; the new shares would be issued at a premium of Rs. 5 per share, the whole amount being payable by 30th September, 2010.

   ii) The shareholders would be entitled to renounce their entitlement either wholly or in part to outsiders.

Anand exercised his option under the issue for 50% of his entitlements and sold the balance of his rights to another person @ Rs. 1.50 per share. P. Ltd. declared a dividend at the rate of 20% for the year ended 31st March, 2010. Anand received the dividend on 3rd October 2010. On 1st December, 2010 Anand sold 15,000 equity shares and received a net sum of Rs. 2,62,500. Prepare Investment Account in Anand's Ledger for the year ended 31st March, 2011. Use Average Cost Method.

8. a) Adjust the following statement of Profit and Loss and Balance Sheet under the 'Current Purchasing Power' (or CPP) method to ascertain the changes in Net Profit and Reserve.

Statement of Profit and Loss (for the year ended 31st December, 2015)

	Rs.	Rs.
Sales		500
Opening stock	80	
Purchases	420	
	500	
Less : Closing stock	70	430
Gross profit		70
Depreciation (buildings)	5	
Administration	25	30
Net profit		**40**

Balance Sheet as at 31st December, 2015

Share capital		200
Reserve		200
	Total	400
Land		140

Building	200	
Less : Depreciation	45	155
Stock	70	
Debtors	40	
Cash	30	
	140	
Less : Creditors	35	
		105
		400

Following data are given :

i) Closing stock was acquired during last quarter of 2015 and opening stock during the last quarter of 2014.

ii) The land and buildings were acquired and the capital issued during 1992. The buildings are depreciated straight line over 40 years.

iii) The relevant retail price indices are :

a) 2005 average 60

b) 2014 last quarter average 108

c) 2014 December 31st 110

d) 2015 last quarter average 116

e) 2015 average 114

f) 2015 December 31st 118

iv) Sales, purchases and administration expenses are assumed to occur evenly over the year and hence at average prices.

OR

b) Cee Ltd., which operates a wholesale warehouse, had a fire on premises on 30th April, 2011, which destroyed most of the building, although stock to the value of Rs. 3,960 was salvaged. The company has an insurance policy (with suitable average clauses) covering stock, for Rs. 6,00,000, building for Rs. 8,00,000 and loss of profits including standing charges for Rs. 2,50,000 with a six month period of indemnity.

The company's last Profit and Loss Account, for the year ended 31st March, 2011, showed the following position :

Dr.	Rs.		Rs. Cr.
To Opening stock	4,12,500	By Sales	20,00,000
To Purchases	18,12,500	By Stock	5,25,000
To Insured standing charges	1,67,500	By Interest	5,000
To Other expenses	80,000		
To Net profit for the year	57,500		
	25,30,000		**25,30,000**

The company's records show that the sales for April, 2011 had been the same as for the corresponding month in the previous year at Rs. 1,00,000, payments made to trade creditors in April were Rs. 1,06,680 and at the end of that month the balances owing to trade creditors had increased by Rs. 3,320. The company's business was disrupted until the end of July, during which period turnover fell by Rs. 1,80,000 compared with the same period in the previous year. It was agreed that three quarters of the value of the building had been lost and that at the time of the fire, it had been worth Rs. 10,00,000.

Ascertain the amount of various claims to be lodged with insurers.

(2×12=24)