



K18P 0200

Reg. No. : .....

Name : .....

**Second Semester M.Com. Degree (Regular/Supplementary/Improvement)  
Examination, March 2018  
(2014 Admn. Onwards)  
COM 2C09 : 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 is yield method of share valuation ? 1
- b) Critically evaluate the yield method. 3
- c) From the following information, calculate the value of an equity share. 5
  - i) The subscribed share capital of a company consists of 10 lakh 13% preference shares of Rs. 10 each and 20 lakh equity shares of Rs. 10 each. All the shares are fully paid up.
  - ii) The average annual profits of the company after providing depreciation but before taxation are Rs. 1,80,00,000. It is considered necessary to transfer Rs. 34,50,000 to general reserve before declaring any dividend. Rate of taxation is 30%.
  - iii) The normal return expected by investors on equity shares from the type of business carried on by the company is 20%. Ignore dividend distribution tax.

P.T.O.



2. a) What do you mean by fundamental accounting assumptions ? 1
- b) Briefly describe the fundamental accounting assumptions. 3
- c) Discuss the areas in which different accounting policies may be encountered. 5
3. a) What do you mean by Farm Accounting ? 1
- b) State the objectives of Farm Accounting. 3
- c) From the information given below, prepare "Cattle Account" to ascertain the profit made by the cattle division :

	No.	Value
Opening stock of livestock	50	90,000
Closing stock of livestock	60	1,10,000
Purchases of cattle during the year	110	2,05,000
Sales of cattle during the year	95	2,12,000
Sales of slaughtered cattle	6	12,000.
Sales of carcasses	4	1,000
Cattle food		18,000
Wages for rearing		4,500
Slaughter house expenses		500

Crop with Rs. 5,000 grown in the farm was used for feeding the cattle.

Out of the calves born, 2 died and their carcasses realised Rs. 100.

5



4. a) What is CCA ? 1
- b) Distinguish between CCA and CPP. 3
- c) A firm purchased a machinery for a sum of Rs. 2 lakhs on January 1, 2012. It has an expected life of 10 years without any scrap value. The price indices for the asset were as follows :
- |                   |     |
|-------------------|-----|
| January 1, 2012   | 100 |
| January 1, 2015   | 160 |
| December 31, 2015 | 175 |
- You are required to value the machinery on January 1, 2015 and December 31, 2015, both according to historical cost accounting system 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
5. a) Define human resource accounting. 1
- b) Examine the need for HRA. 3
- c) Explain the Lev and Schwartz method of human resource valuation. 5
6. a) What is 'revenue' in Government accounting ? 1
- b) Distinguish between Government accounting and Commercial accounting. 3
- c) Briefly explain the structure of Government accounting in India. 5

(4×9=36)





## SECTION – B

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

7. a) Strong Ltd. have approached you for a valuation of their shares in the context of their forthcoming share issue. The company was incorporated on 1-4-2011. The following information is extracted from their annual reports for the last 3 years.

	(Rs. Lakhs)		
	Year ended 31 <sup>st</sup> March		
	2012	2013	2014
Gross fixed assets	200	700	750
Accumulated depreciation	20	80	150
Net current assets	300	600	750
Loans		500	400
Share capital :			
Equity shares of Rs. 10 each	400	500	500
Profit before tax	20	60	120
Preliminary expenses C/F	30	20	10

It is understood that the company has implemented a major project in 2013 which has started yielding results in 2013-14.

Practices of merchant bankers indicate that an average of values based on net assets and on yield, is normally adopted in such cases. The normal industry - expectation of yield is 15%. Tax rate is 40%.

You are required to compute the value of equity share of Strong Ltd., showing workings as necessary.

OR



b) Vishal Shipping Co. Ltd., of Mumbai acquired a new ship at a cost of Rs. 56,00,000. The ship was ready for service on 1<sup>st</sup> January, 2012. An insurance policy was taken out at 2% p.a. on the ship, freight was insured at Rs. 15,000 per annum. During 3 months ended 31<sup>st</sup> March, 2012, the ship completed one round trip to Kolkata and was half way through the second trip (single way) to Kolkata.

The ship carried the following Cargo :

From Mumbai to Kolkata 9000 tons @ Rs. 450 per ton (on first trip)

From Kolkata to Mumbai 10000 tons @ 405 per ton

From Mumbai to Kolkata 12000 tons @ Rs. 375 per ton (on second trip, being in progress on 31<sup>st</sup> March, 2012).

5% commission was paid to agents in addition to 1% address commission.

The expenses were as follows :

	Rs.
Salaries and wages of crew	12,00,000
Fuel	6,00,000
Sundry stores	1,20,000
Port dues (Mumbai Rs. 1,05,000; Kolkata Rs. 75,000)	1,80,000
Steve doing @ 30 per ton	9,30,000
Share of overheads for the ship for the period	3,75,000
Provide depreciation on the ship for the period at 5% per annum	3,75,000

Prepare the consolidated voyage account for the period of three months ended 31<sup>st</sup> March, 2012





8. a) The balance sheet of A Ltd. as on 1<sup>st</sup> January, 2000 and the income statement for the year ending 31<sup>st</sup> December, 2000 are set out below :

**Balance Sheet as on 1<sup>st</sup> January, 2000**

	Rs.		Rs.
Share Capital	10,000	New machine	15,000
10% debentures	6,000	Stock	2,400
Creditors	3,600	Debtors	1,200
		Cash	1,000
	<b>19,600</b>		<b>19,600</b>

**Income Statement for the year ending 31<sup>st</sup> December, 2000**

	Rs.	Rs.	
Sales		10,000	
Cost of goods sold :			
Opening stock (FIFO)	2,400		
Purchases (net)	<u>4,600</u>		
Cost of goods available for sale	7,000		
Less : Closing Stock (FIFO)	<u>2,000</u>	<u>5,000</u>	
Gross Profit on sales		5,000	
Operating expenses	800		
Depreciation	1,500		
Interest on debentures			
paid on 31-12-2000	<u>600</u>	<u>2,900</u>	
Retained earnings		<u>2,100</u>	

Debtors and creditors balances remained constant throughout the year.  
General price indices were as given below :

On 1 <sup>st</sup> January, 2000	200
Average for the year	240
On 31 <sup>st</sup> December, 2000	300

You are required to prepare the final accounts for the year 1980 after adjusting for price level changes under CPP method.

OR



b) On 1<sup>st</sup> August, 2011 a fire occurred in the premises of ABC Ltd. The company has a loss of profit for Rs. 12,00,000. Sales from 1<sup>st</sup> August, 2010 to 31<sup>st</sup> July, 2011 were Rs. 1 crore, the sales from 1<sup>st</sup> August, 2010 to 30<sup>th</sup> November, 2010 being Rs. 30,00,000. During the indemnity period, which lasted four months, sales amounted to Rs. 4,00,000 only. The company closes its books of account every year on 31<sup>st</sup> March. The profit and loss account for the year ended 31<sup>st</sup> March, 2011 is given below :

**Profit and Loss Account**

	Rs.		Rs.
To Opening Stock	10,00,000	By Sales	95,00,000
To Purchases	60,00,000	By Closing Stock	5,00,000
To Manufacturing Expenses	6,70,000		
To Selling Expenses	9,05,000		
To Fixed Expenses	7,25,000		
To Net Profit	7,00,000		
	<b>1,00,00,000</b>		<b>1,00,00,000</b>

As compared with the sales for the first four months of the accounting year 2010-2011, the sales for the first four months of the accounting year 2011-2012 were found to be up by 20%.

Calculate the amount of claim for loss of profit assuming that the policy has 'average clause'.

(2×12=24)