



K20P 0370

Reg. No. : .....

Name : .....

II Semester M.Com. Degree (CBSS – Reg./Suppl./Imp.) Examination, April 2020  
(2014 Admission Onwards)

COM2C09 : ADVANCED BUSINESS ACCOUNTING

Time : 3 Hours

Max. Marks : 60

SECTION – A

Answer any 4 questions in this Section. Each question carries 1 mark for Part a, 3 marks for Part b, 5 marks for Part c. (4x9=36)

1. a) What is earnings capacity method ? 1  
b) State the steps in the calculation of net asset value. 3  
c) The following particulars are available in relation to a company  
a) Capacity 450, 6% preference shares of Rs. 100 each, fully paid  
b) External liabilities Rs. 7,500/-  
c) Reserves and surplus Rs. 3,500/-  
d) The average normal profit (after taxation) earned every year by the company Rs. 8,505  
e) The normal profit earned on the market value of equity shares, fully paid, of the same type of companies is 9%  
f) Calculate the intrinsic value of each equity share under asset-backing method – assuming that out of the total assets, those worth Rs. 350 are fictitious ? 5
2. a) What is consolidation fund ? 1  
b) Explain the role of treasurers in Government Accounting. 3  
c) Explain the compilation of Government Accounts. 5

P.T.O.



3. a) What is a address commission ? 1
- b) Explain the preparation of Voyage account. 3
- c) Kaveri commenced a Voyage on 1<sup>st</sup> January 2017 from Mumbai to London. The Voyage was completed on 28<sup>th</sup> Feb. 2017. It carried consignment of textiles on its outward journey and of machinery on its return journey. Prepare the Voyage account from the following particulars.
- |  | Rs.    |
|--|--------|
| Wages and salaries   | 30,000 |
| Port dues  | 10,000 |
| Stores   | 20,000 |
| Bunker   | 40,000 |
| Sundry expenses  | 4,166  |
| Lighterage charges   | 10,000 |
| Depreciation-annual  | 60,000 |
| Insurance-annual   | 24,000 |
| Address commission – 5% on outward and 4% on return freight.             |        |
| Primage 5% on freight  |        |
| Freight earned – outward   | 80000  |
| Freight earned – inward  | 40000  |
| Passage money received   | 14000  |
| Stores and coal on hand on 28 <sup>th</sup> Feb. 2017 were valued at Rs. | 4000   |
- The manager is entitled to 5% commission on the profit after charging such commission. 5



4. a) What is Farm accounting ? 1
- b) Explain the characteristics of Farm accounting. 3
- c) From the information given below, prepare Farm accounts :
- |               | Opening stock | Closing stock |
|---------------|---------------|---------------|
|               | Rs.           | Rs.           |
| Crops         | 4,000         | 5,000         |
| Growing crops | 3,000         | 4,500         |
| Seeds         | 2,000         | 2,500         |
| Cattle        | 75,000        | 1,05,000      |
| Cattle food   | 10,000        | 5,500         |
| Poultry       | 9,000         | 13,500        |
| Poultry food  | 1,000         | 2,000         |
| Fish          | 2,000         | 3,200         |
| Fertilizers   | 5,000         | 3,000         |
- Purchases during the year :
- Poultry Rs. 15,000, Seeds Rs. 1,500, Cattle; Rs. 40,000, Fish Rs. 1,000, Cattle food Rs. 14,000; Fertilizers Rs. 3,500; Poultry food; Rs. 3,000.
- Sales during the year :
- Butter Rs. 1,500; Milk Rs. 9,000; Eggs Rs. 13,000; Crops Rs. 21,000; Flowers Rs. 1,500; Fruits Rs. 4,000; Cattle Rs. 36,000; Poultry Rs. 14,000; Fish Rs. 6,000; Vegetables Rs. 5,000.
- Expenses during the year :
- Wages Rs. 23,500; Insurance Rs. 1,500; Depreciation Rs. 2,000; Repairs Rs. 1,200; Proprietor of the farm has consumed the following products of the farm; Butter Rs. 400; Poultry Rs. 200; Milk Rs. 2,500; Fish Rs. 100; Egg Rs. 500; Fruits Rs. 300; Vegetables Rs. 600. 5
5. a) Define accounting standards. 1
- b) What is the main function of ASB ? 3
- c) What are the limitations of accounting standards ? 5



6. a) Define inflation accounting. 1
- b) Explain the advantages of CCA method. 3
- c) From the following data related to XY Co. Ltd., find
- 1) Gearing adjustment ratio
  - 2) Current cost adjustment after taking gearing adjustment.

	1-1-2015	31-12-2015
	Rs.	Rs.
Creditors	80,000	56,000
Net long term borrowings	2,80,000	2,80,000
Bank overdraft	1,00,000	1,12,000
Taxation	30,000	28,000
Cash	(1,00,000)	(1,68,000)
<b>Net Borrowings :</b>	<b>3,90,000</b>	<b>3,08,000</b>
Share capital and reserve from current cost		
Balance Sheet	7,41,600	9,41,120
Proposed dividend	10,000	12,000
<b>Total shareholders interest</b>	<b>7,51,600</b>	<b>9,53,120</b>
Current cost adjustment		
Depreciation		34,000
Disposal of fixed assets		36,000
Monetary working capital adjustment		22,400
Cost of sales adjustment		32,400
		<b>1,24,800</b>

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## SECTION – B

Answer either **a** or **b**. Each carries 12 marks.

7. a) Sagar shipping Ltd., of Kochi acquired a new ship, Ratna at a cost of Rs. 20,00,000. The ship was ready for service on October 1, 2017. An insurance policy was taken out at 2½% p.a. on the ship, freight was insured at a premium of Rs. 10,000 p.a. During 3 months ended on 31<sup>st</sup> December 2017, the ship had made two complete Voyages one to London and back and was half way through the next to London. The ship carried the following freight.

To London	6000 tonnes@ Rs. 20 per tonne
From London	7000 tonnes@ Rs. 18 per tonne
Unfinished Voyage	7500 tonnes@ Rs. 18 per tonne

5% commission was paid to agents in addition to 1% address commission. The expenses incurred were as follows :

	Rs.
Salaries and wages of crew	60,000
Fuel	30,000
Sundry stores	6,000
Port dues (Kochi Rs. 6,000, London Rs. 4,000)	10,000
Storedoring @ Rs. 2 per tonne	41,000
Share of overhead for the ship for the period	25,000

Prepare the Voyage a/c for the period of 3 months ending on 31-12-15. 12

OR

- b) An investor furnishes the following details relating to his holdings in 6% Govt. Bonds on 1-1-2017 opening balance face value Rs. 60,000 – Cost Rs. 59,000

1-3-2017	– 100 units purchased ex-interest at Rs. 98
1-7-2017	– Sold 200 ex-interest out of the original holdings at Rs. 100
1-10-2017	– Purchased 50 units at Rs. 98 cum-interest
1-11-2017	– Sold 200 units ex-interest

Interest dates are 31<sup>st</sup> March and 30<sup>th</sup> September, Mr. Investor closes his books every 31<sup>st</sup> December.

Show investment account as it would appear in his books.

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8. a) The following Balance Sheets were presented by X Ltd. and Y Ltd. as on 31<sup>st</sup> Dec. 2017

**Balance Sheet as at 31<sup>st</sup> Dec. 2017**

	X Ltd.	Y Ltd.
	Rs.	Rs.
<b>Equity and Liabilities :</b>		
1. Shareholder's fund :		
Share capital : 5,00,000 equity	5,00,000	—
Shares of Rs. 10 each	—	1,00,000
Reserves and surplus :		
General reserve	2,00,000	
Profit and loss a/c	3,00,000	
Long-term borrowings		
Debenture :	1,00,000	—
Current liabilities		
Trade payable	1,00,000	50,000
	<b>12,00,000</b>	<b>1,50,000</b>
<b>Assets :</b>		
1. Non-current assets		
Tangible asset :		
Fixed assets	7,00,000	1,00,000
Non-current interest :		
Investment	3,00,000	—
Current assets :		
Current assets	2,00,000	50,000
	<b>12,00,000</b>	<b>1,50,000</b>

X Ltd. agrees to take over Y Ltd. Find out the ratio of exchange of shares on the basis of the intrinsic values.

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OR



- b) Prepare the Fire Insurance Revenue Account as per IRDA regulations for the year ended 31<sup>st</sup> March, 2017 from the following details :

	Rs.	
Claim paid	4,90,000	
Legal expenses regarding claims	10,000	
Premium received	13,00,000	
Re-insurance premium fund	1,00,000	
Commission	3,00,000	
Expenses of management	2,00,000	
Provision against unexpired risk on 1 <sup>st</sup> April 2017	5,50,000	
Claims unpaid on 1 <sup>st</sup> April 2017	50,000	
Claims unpaid on 31 <sup>st</sup> March 2018	80,000	12
		<b>(2x12=24)</b>