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Reg. No. :

Name :

Second Year B.Com. Degree Examination, March 2009
(New Scheme – 2006 Admn.)
Part – III : Paper – VIII : ADVANCED FINANCIAL ACCOUNTING

Time : 3 Hours

Max. Marks : 100

Instruction : Answers may be written either in English or in Malayalam.

SECTION – A

Answer **any ten** questions. **Each** question carries **2** marks.

1. Define Goodwill.
2. What do you mean by Sacrificing Ratio ?
3. Define firm underwriting.
4. Define Debenture.
5. What do you mean by absorption ?
6. What is the meaning of the term ex-interest ?
7. What do you mean by pro-rata allotment of shares ?
8. What is meant by piece meal distribution of cash ?
9. What is right share ?
10. What is down payment ?
11. What is Valuation Balance Sheet ?
12. What is rebate on bills discounted ?

(10×2=20 Marks)

SECTION – B

Answer **any eight** questions. **Each** question carries **5** marks.

13. Explain the principle of Garner Vs. Murray in dissolution of partnership firms.
14. Distinguish between Amalgamation and External reconstruction.

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15. Explain the methods of calculating purchase consideration.
16. What are the guidelines for the issue of Bonus shares ?
17. How the profit or loss prior to incorporation be ascertained ?
18. Differentiate between Hire purchase system and Installment system.
19. A and B are sharing profits equally. They admit a new partner C with $\frac{1}{5}$ share in profits. The new profit sharing ratio being 2:2:1. The value of firm's goodwill is Rs. 10,000. C brings his share of goodwill in cash. Pass the necessary journal entries.
20. A Ltd. issued 1,00,000 equity shares. The whole of the issue was underwritten as follows :

X -40%; Y-30%; and Z-30%

Applications for 80,000 shares were received in all, out the which applications for 20,000 shares had the stamp of X; those for 10,000 shares that of Y; and 20,000 shares that of Z. The remaining applications for 30,000 shares did not bear any stamp.

Show the liability of the underwriters.

21. A Limited company has part of its share capital in 2000, 8% redeemable preference shares of Rs. 100 each, fully paid. These shares have now become ready for redemption and is decided to redeem the whole amount out of the divisible profits of the company. The Company's profit and loss account has a credit balance of Rs. 1,00,000 and general reserve amounted to Rs. 1,50,000. The bank balance is sufficient to pay-off the redeemable preference shareholders. Show journal entries and the effect of redemption on the balance sheet of the company.
22. X purchased from Y a motor cycle on hire purchase system and agreed to pay Rs. 3,750 down and three instalments of Rs. 3,750 each at the end of the year. The cash price of the motor cycle was Rs. 14,000 and the interest involved was 5% per annum on outstanding balance. X depreciated the motor cycle at 10% per annum on written down value.
X paid the down payment and the instalment due at the end of the first year but could not pay the instalments thereafter, Y took possession of the motor cycle. Show Hire Vendor Account and motor cycle account in the books of X.



23. The following particulars are extracted from the (Trial balance) books of the M/s Karuna Bank Ltd. for the year ending 31st March 2007 :

| | Rs. |
|-----------------------------------|-------------|
| a) Interest and discounts | 1,92,62,400 |
| b) Rebate on bills discounted | 65,040 |
| c) Bills discounted and purchased | 67,45,400 |

It is ascertained that proportionate discount not yet earned on the bills discounted which will mature during the year amounted to Rs. 92,760. Pass the necessary journal entries to adjust the above.

24. A Life Insurance Company gets its valuation made once in every two years. Its Life Assurance Fund on 31st March 2007 amounted to Rs. 63,84,000 before providing Rs. 64,000 for the shareholders dividend for the year 2007-2008. Its actuarial valuation due as 31st March 2007 disclosed a net liability of Rs. 60,80,000 under assurance annuity contracts. An interim bonus of Rs. 80,000 was paid to the policy holders during the two years ending 31st March 2007. Prepare a statement showing the amount now available as bonus to policy holders. **(8×5=40 Marks)**

SECTION – C

Answer **any two** questions. **Each** question carries **20** marks.

25. Hope, Faith, Wisdom and Courage, carrying on business in partnership sharing profits and losses in the ratio of 3 : 2 : 1 : 1, decided to dissolve the partnership.

| Liabilities | Rs. | Assets | Rs. |
|-------------------------|-----------------|-------------------|-----------------|
| Capital Accounts: | | Premises | 60,000 |
| Hope 50,000 | | Furniture | 20,000 |
| Faith 30,000 | 80,000 | Stock | 50,000 |
| General Reserve | 28,000 | Debtors | 20,000 |
| Capital Reserve | 7,000 | Cash | 4,000 |
| Creditors | 10,000 | Capital Account : | |
| Mortgage loan | 40,000 | Wisdom 5,000 | |
| | | Courage 6,000 | 11,000 |
| | 1,65,000 | | 1,65,000 |



- 1) The assets realized the following amounts : debtors Rs. 12,000; stock Rs. 30,000; furniture Rs. 8,000; premises Rs. 45,000.
 - 2) Expenses of dissolution amounted to Rs. 2,000
 - 3) Further creditors of Rs. 6,000 had to meet.
 - 4) General Reserve, unlike Capital Reserve, was built up by appropriation of profits. Draw up the Realisation Account, Partners' Capital Accounts and the Cash Account assuming that Wisdom became insolvent and nothing was realized from his private estate. Apply the principles laid down in Garner Vs. Murray.
26. From the following figures taken from the books of New Moon Insurance Co. Ltd. doing fire underwriting business, prepare final account for the year 2004-05.

| | Rs. |
|--|------------|
| Fire fund (as on 1-4-2004) | 9,30,000 |
| General Reserve | 4,50,000 |
| Investments | 36,00,000 |
| Premium | 27,01,533 |
| Share capital divided into equity Share of Rs. 100 each | 9,00,000 |
| Additional Reserve | 3,30,000 |
| Profit and loss account (Cr.) | 75,000 |
| Reinsurance premium | 1,12,525 |
| Claims recovered from reinsurers | 21,119 |
| Commission on reinsurance ceded | 48,016 |



| | |
|--|----------|
| Advance income tax paid | 2,50,000 |
| Commission on direct business | 2,99,777 |
| Commission on reinsurance accepted | 60,038 |
| Outstanding premium | 22,300 |
| Claims intimated but not paid (1-4-2004) | 60,000 |
| Expenses on management | 4,31,947 |
| Audit fees | 36,000 |
| Rates and Taxes | 5,804 |
| Rent | 67,500 |
| Income from investments | 1,53,000 |
| Sundry creditors | 22,500 |
| Agent's balances (Dr.) | 20,000 |
| Cash in hand and bank balance | 1,82,462 |

The following further information may also be noted :

- a) Expenses of management include survey fees and legal expenses of Rs. 36,000 and Rs. 20,000 relating to claims
- b) Claims intimated but not paid on 31st March 2005, Rs. 1,04,000
- c) Income tax to be provided at 50%
- d) Transfer of Rs. 2,00,000 to be made from current profit to general reserve
- e) The company maintains a reserve, excluding additional reserve for unexpired reserve at 40% of net premium income.



27. Swadeshi Bank Ltd. with an authorized capital of Rs. 10,00,000 in Rs. 10 shares presents you the following balances as on 31st March 2005. You are asked to prepare its balance sheet in the prescribed form (all figures in rupees)

| | Rs. |
|--|------------|
| Subscribed and called up share capital | 10,00,000 |
| Profit balance on 1 st April 2004 | 1,10,000 |
| Cash credit and overdraft | 40,00,000 |
| Term loans | 50,00,000 |
| Bills purchased and discounted | 10,00,000 |
| Current deposits | 30,00,000 |
| Savings bank deposits | 32,00,000 |
| Fixed deposits | 48,00,000 |
| Cash in hand | 3,00,000 |
| Calls in arrears | 10,000 |
| Cash with Reserve Bank of India | 5,00,000 |
| Money at call and short notice | 8,00,000 |
| Investment in Govt. securities | 12,00,000 |
| Land and building | 10,30,000 |
| Furniture | 50,000 |
| Interest accrued on loans | 1,50,000 |
| Stamps and stationery | 3,000 |
| Rebate on bills discounted | 12,000 |
| General reserve | 60,000 |



| | |
|---|----------|
| Statutory reserve | 7,00,000 |
| Profit of current year before appropriation under Sec. 17 | 6,00,000 |
| Borrowing from banks | 4,53,000 |
| Unclaimed dividend | 8,000 |
| Balance with banks | 5,00,000 |
| Bills payable | 6,00,000 |

Claims against the bank not acknowledged as debt amounted to Rs. 80,000. The bank's acceptance on behalf of customers amounts to Rs. 3,00,000. Bills for collection amounts to Rs. 1,30,000.

28. The following is the Balance Sheet of Beta Company Limited as at 31st March, 2005.

| Liabilities | Rs. | Assets | Rs. |
|-------------------------|-----------------|---------------------|-----------------|
| Share capital : | | Buildings | 2,00,000 |
| 24,000 shares of Rs. 10 | | Plant and Machinery | 80,000 |
| each fully paid | 2,40,000 | Stock of Goods | 30,000 |
| Sundry Creditors | 60,000 | Sundry Debtors | 42,000 |
| Bank Loan | 52,000 | | |
| | 3,52,000 | | 3,52,000 |

The company went into liquidation and the assets were sold to Alpha Company Ltd. for Rs. 2,94,000. The consideration was payable as follows :

Rs. 1,14,000 in cash (which sufficed to discharge the liabilities and to pay the costs of winding up Rs. 2,000) and the balance Rs. 1,80,000 by the allotment of 24,000 shares of Rs. 10 each, Rs. 7.50 per share paid up to the shareholders of Beta Company Ltd.

Close the books of Beta Company Limited and give necessary entries for recording the transactions in the books of Alpha Company Limited. **(2×20=40 Marks)**
