

CHRIST UNIVERSITY, BANGALORE-560029
IV B.Com (P) End Semester Examination March 2011

Code: COP434
Sub:Advanced Financial Accounting

Max. Marks: 100
Duration: 3 Hrs

SECTION - A

Answer all Questions. Every incorrect answer carries 0.25 negative marks.

15 x 1 =
15

- 1 Dividend received by holding company out of pre-acquisition profits of subsidiary
. a) is credited to profit and loss account
b) is reduced from cost of investment to calculate goodwill
c) is added to the cost of investment
d) is not adjusted anywhere

- 2 Capital reserve on consolidation of accounts refers to
. a) the excess of acquisition cost over the paid up value of shares
b) the excess of acquisition cost over the paid value of shares and proportionate shares in reserves & surplus and profit & loss account
c) the excess of paid value of shares over acquisition cost
d) the excess of paid up value of shares and proportionate shares in reserves & surplus and profit & loss account over acquisition cost

- 3 Cost of control in consolidation of accounts refers to
. a) the excess of acquisition cost over the paid up value of shares
b) the excess of acquisition cost over the paid value of shares and proportionate shares in reserves & surplus and profit & loss account
c) the excess of paid up value of shares over acquisition cost
d) the cost incurred by company for acquiring controlling interest in subsidiary company

- 4 The provisioning required for standard asset is
. a) 1% b) 0.25% c) 10% d) 30%

- 5 The provisioning required for substandard asset is
. a) 10% b) 2.5% c) 0.25% d) 1%

- 6 Prudential accounting norms relating to advances issued by RBI consists of
. a) norms for income recognition b) norms for asset classification
c) norms for investments classification d) norms for appropriation of profits

- 7 The format of revenue account of life insurance company is prescribed in
. a) Form B-RA b) Form C-RA c) Form R-RA d) Form A-RA

- 8 Claims on re-insurance accepted is
. a) included in operating expense b) reduced from claims paid
c) added to claims paid d) shown under other liabilities

- 9 Premium on re-insurance ceded is
. a) added to premium received b) deducted from premium received
c) classified as other asset d) added to claims paid

- 1 Under double account system the financial statements are
 0 a) prepared in consolidated format b) prepared with abstract format
 . c) prepared in greater detail divided into different parts d) not prepared
 1 Double account system of presenting final accounts is followed by
 1 a) Electricity and water supply companies b) Statutory Companies
 . c) Government companies d) Infrastructure companies
 1 The fixed assets of electricity companies are shown in the receipts and payments on capital
 2 account
 . a) at market value b) at cost c) at replacement cost d) at depreciated value
 1 The accounting Standard which deals with accounting for inventories is
 3 a) AS- 9 b) AS- 10 c) AS – 13 d) AS – 20
 .
 1 Long term investments are carried in the books at
 4 a) cost or fair value which ever is less b) cost value
 . c) fair value d) replacement value
 1 An investment is classified as current investment
 5 a) if it is intended to be held for longer period
 . b) if it intended to be held for 2 years
 c) if it intended to be held for less than 12 months
 d) if it intended to be held till the balance sheet date

SECTION - B

Answer any FOUR Questions.

4 x 5 = 20

1 From the following information calculate cost of control or capital reserve. H Ltd acquired
 6 8,000 equity shares of 10 each in S Ltd at Rs.13 per share, on 1st Jan 2009. On the same day
 . it also acquired 750 preference shares of 100 each at Rs. 95 per share. The paid up capital
 of S Ltd consisted of 10,000 equity shares of Rs.10 each Rs. 9 paid up and 1000 preference
 shares of Rs.100 each full paid. S Ltd had balance of Rs. 45,000 and Rs. 20,000 in its
 general reserve and profit and loss account respectively as on 1st April 2008. The balance in
 General Reserve and profit and loss account as on 31st March 2009 was Rs. 75,000 and
 Rs.32,000 respectively. S Ltd closes in books on 31st March each year.

1
 7 What is NPA? State the norms of provisioning of assets as per RBI guidelines

1 From the following calculate the claims incurred to be charged to revenue account for the
 8 year ending 31.3.2008

Claims paid for the year	26,50,000
Claims outstanding as on 01.04.2007	48,000
Claims outstanding as on 31.3.2008	72,000
Claims on re-insurance accepted	7,15,000
O/s claims on re-insurance accepted on 31.3.2008	22,000
Claims on re-insurance ceded	3,00,000
O/s claims on re-insurance ceded on 01.04.2007	22,000
O/s claims on re-insurance ceded on 31.03.2008	18,000

1 What is double account system. State the features of double accounts system

9

2 Ant purchased 4,000 debentures of Rs.100 each at Rs. 98.50 cum interest on 1st July 2008 &
0 2,500 debentures at Rs. 103 cum interest on 1st Nov 2008. Interest is received on 30th
. June and 30th September. Calculate cost of investment to be capitalised.

SECTION - C

Answer any THREE Questions.

3 x 15 = 45

21.

The balance sheets of Gold Ltd and its subsidiary Silver Ltd as on 31st Dec 2008 are as follows

	Gold	Silver		Gold	Silver
Share Capital (Rs.10)	4,00,00	2,00,000	Sundry Assets	2,65,000	3,16,400
General Reserve	0	40,000	Investments –		
Profit and loss	36,000	32,000	18,000 shares		
Profit for the year	34,000	14,000	in Silver Ltd	2,80,000	
Creditors	15,000	30,400			
	60,000				
	5,45,00	3,16,400		5,45,500	3,16,400
	0				

In case of Silver Ltd the profit for the year is Rs.24,000 before transfer of Rs.10,000 to General Reserve. Sundry assets of Silver Ltd of amounting to Rs.12,400 to be written off against current year's profit. Prepare consolidated balance sheet with relevant workings

22.

State in detail the classification of assets of a banking company and the norms of provisioning of these assets.

23.

The following figures are from the books of Fire Control Insurance Ltd as at the end of the financial year 31st March 2008

Fire fund	6,20,000
General Reserve	3,00,000
Investments	20,00,000
Premiums	18,01,022,
Claims paid	4,01,877
Share capital	6,00,000
Additional reserve	2,20,000
Profit and loss account	50,000
Re-insurance premium paid	75,017
Claims recovered from re insurers	14,079
Commission on re-insurance ceded	32,011
Commission on direct business	1,99,777
Commission on re-insurance accepted	40,100
Outstanding premiums	14,865
	40,000

Claims intimidated but not paid on	2,87,965
1 st Apr 07	12,000
Expenses of management	12,000
Audit fees	3,869
Directors fees	45,000
Rates and taxes	1,00,000
Rents	2,000
Income form investments	4,00,000
Share transfer fees	15,000
Loans (Dr)	1,80,000
Sundry Creditors	20,155
Agents Balance (Dr.)	1,01,487
Cash in hand	
Cash at bank	

Prepare revenue account and profit and loss account

24.

Jaipur Electric Supply company ltd re-built and re-equipped a power station and the connecting lines during the year 2004. for this purpose they purchased materials of Rs.10,85,000 and used stores worth Rs.4,90,000 from their existing stocks. The cost of labour came to Rs.5,22,000. The estimated supervisor over heads attributed to this project were Rs.13,000. The station was erected in 1972 at a cost of Rs.5,00,000 and the index of cost in this line stood in 2004 at 385 taking 1972 as base year. Discarded materials of old station fetched Rs.12,000. Show journal entries to record the above transaction with relevant working notes and prepare Electric station account.

25.

Mr.Sharp furnishes the following details relating to his holding in 6% Government bonds.

01.01.2008 opening balance face value Rs.60,000 – Cost Rs.59,000,

01.03.2008 100 units purchased ex-interest at Rs. 98, bank charges Rs.100

01.07.2008 sold 200 units ex-interest at Rs.100.

01.10.2008 purchased 50 units at Rs.98 cum interest, brokerage paid @ 2%

01.11.2008 Sold 200 units ex-interest at Rs.99, brokerage paid @ 2%

Interest paid on 30th June and 31st Dec every year. Market value of each bond as at 31st Dec 2008 was Rs. 96.50. Prepare investment account for the year 2008.

SECTION - D

Compusory Question.

1 x 20 =20

26.

X Ltd acquired 1,600 ordinary shares of 100 each of Y Ltd on 1st July 2008. On 31st December 2008 the balance sheets of two companies were as given below:

Liabilites	Rs.	Rs.	Assets
Capital (shares of Rs.100 each fully paid)	5,00,000	2,00,000	Land & buildings Plant & machinery Investments in

Reserves	2,40,000	1,00,000	Ltd at cost
Profit & Loss a/c	57,200	82,000	Stock
Bank overdraft	80,000	-----	Sundry Debtors
Bills payable	-----	8,400	Bills receivable
Creditors	47,100	9,000	Cash
	9,24,300	3,99,400	

The profit and loss account of Y Ltd, showed a credit balance of Rs.30,000 on 1st January 2008 out of which a dividend of 10% was paid on 1st August. X Ltd has credited the dividend received to its profit and loss account. The plant and machinery which stood at Rs.1,50,000 on 1st January, 2008 was considered as worth for Rs.1,80,000 on 1st July 2008; this figure is to be considered while consolidating the balance sheet. Prepare consolidated balance sheet.