

2021

BUSINESS ADMINISTRATION — HONOURS

Fourteenth Paper

(Financial Group)

(Advanced Financial Accounting & Reporting)

Full Marks : 100

The figures in the margin indicate full marks.

*Candidates are required to give their answers in their own words
as far as practicable.*

Answer *any five* questions, taking *at least two* from each group.

Group-A

1. A Ltd. and B Ltd. amalgamated on and from 31st March, 2021. A new Company C Ltd. was formed to take over the businesses of the existing two companies.

Balance Sheet as on 31.03.2021

(Rupees in)

Liabilities	A Ltd.	B Ltd.	Assets	A Ltd.	B Ltd.
Equity Shares of Rs. 100 each	60,000	70,000	Sundry Fixed Assets	85,000	75,000
General Reserve	15,000	20,000	Investments	10,500	5,500
Profit and Loss A/c	10,000	5,000	Stock	12,500	27,500
Investment			Debtors	18,000	40,000
Allowance reserve	5,000	1,000	Cash and Bank	4,500	4,000
Export Profit Reserve	500	1,000			
12% Debentures	30,000	40,000			
Sundry Creditors	10,000	15,000			
	1,30,500	1,52,000		1,30,500	1,52,000

C Ltd. issued requisite number of equity shares to discharge the claims of the equity shareholders of the transferor companies. The total shares issued as consideration is to be aggregate of paid-up capital of A Ltd. and B Ltd.

Please Turn Over

Compute the Purchase Consideration and mode of discharge thereof and draft the Balance Sheet of C Ltd. after amalgamation on the assumption that the Amalgamation is in the nature of MERGER 20

2. X Ltd. issued 10,000 Equity Shares of Rs. 100 each payable as follows:

	<u>Rs.</u>
On Application	20
On Allotment (including Premium of Rs. 10)	40
On 1st call	20
On 2nd & final call	30
	<u>110</u>

Application for 18,000 Shares were received and 10,000 Shares were allotted to the applicants of 15,000 Shares on prorata basis and balance shares were refunded. All the money were received except Mr. A, who was allotted 500 Shares, failed to pay the allotment money and Mr. B, who was allotted 300 Shares, failed to pay the 1st and final call.

All the shares were forfeited of Mr. A and Mr. B. Subsequently, forfeited shares were reissued @ Rs. 100 per Share.

Give journal entries to record the above transactions (including cash transaction) and show how share capital would appear in Balance Sheet of the company in accordance with Part-I of Schedule III of companies Act, 2013. 20

3. (a) Write the differences between Shares and Debentures.
(b) On 01.04.17, P Ltd. issued 1,000, 15% Debentures of Rs. 100 each at a discount of 10% redeemable at par.

Show the Discount on Issue of Debentures A/c if

- (a) such debentures are redeemable after 4 years, and
(b) such debentures are redeemable by equal annual drawings in 4 years.

A Ltd. follows financial year as its accounting year. 20

4. The following are the balance sheet of P Ltd. and its subsidiary Q Ltd., as at 31 March, 2021:

I. EQUITY AND LIABILITIES	P Ltd.	Q Ltd.
Equity Shares of Rs. 100 each	16,00,000	4,00,000
Profit and Loss A/c	2,00,000	80,000
External Liabilities	30,00,000	19,20,000
Total	48,00,000	24,00,000

II. ASSETS	P Ltd.	Q Ltd.
Equipment	10,00,000	3,80,000
Investment: 3600 Equity Shares in Q Ltd. on 1st April, 2020	5,60,000	—
Other Assets	32,40,000	20,20,000
Total	48,00,000	24,00,000

On 1 April, 2020 P&L A/c of Q Ltd. showed a credit balance of Rs. 32,000 and equipment of Q Ltd., was revalued by P Ltd., 20% above its book value of Rs. 4,00,000 (but no such adjustment effected in the books of Q Ltd.). Creditors of P Ltd. includes Rs. 50,000 owned from Q Ltd. for supply of goods by Q Ltd. at a profit on 20% on sales. The said stocks are still lying in the hands of P Ltd. Prepare a consolidated balance sheet as at 31st March, 2021. 20

5. The Balance Sheet of V Ltd. on 31st March, 2021 is as follows:

I. Equity & Liability:	Rs.
A. Equity Shares of Rs. 100 each	200,00,000
B. Reserve & (deficit)	(12,00,000)
C. 6% cumulative preference	100,00,000
D. 5% Debenture @ Rs. 100 each	80,00,000
E. Current Liabilities	120,00,000
	<u>4,88,00,000</u>
II. A. Non-current Assets:	
(i) Fixed Assets	3,50,00,000
(ii) Investment (Market value Rs. 19,00,000)	20,00,000
B. Current Assets	1,18,00,000
	<u>4,88,00,000</u>

The following Scheme of Reconstruction is sanctioned:

- (1) All the Existing Equity shares are reduced by Rs. 40 each
- (2) All the Preference Shares are reduced by Rs. 60 each
- (3) The Rate of Interest on Debentures increased to 6%. The Debenture holders surrender their existing debentures of Rs. 100 each and exchange the same for fresh Debentures of Rs. 70 each for every Debentures held by them.

- (4) Fixed Assets are to be written down by 20%.
- (5) Current Assets are to be revalued at Rs. 90,00,000.
- (6) Investments are to be brought at their market value.
- (7) One of the Creditors of the company to whom the company owes Rs. 40,00,000 decides to forego 40% of his claim. The Creditor is allotted 60,000 Equity Shares @ Rs. 40 each in full and final settlement of his claim.
- (8) The Taxation Liability which is included in current liabilities is settled at Rs. 3,00,000.

Pass Necessary Journal Entries and Balance Sheet of the Company after giving effect to the above.

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Group-B

6. (a) What are the objectives of FINANCIAL REPORTING?
(b) What is MDA report?
(c) What are the challenges of Corporate Financial Reporting? 7+7+6
 7. (a) What do you mean by Financial Statement Analysis? Discuss its utility. Who are the users of Financial Statements?
(b) What is a Cash Flow Statement? 12+8
 8. (a) What is meant by a Reportable Segment? How are Reportable Segments identified as per AS-17?
(b) What are the provisions in AS-14 regarding Amalgamation? 10+10
 9. (a) What are the objectives of Accounting Standard Board?
(b) Discuss the Benefits and Limitations of Ratio Analysis? 10+10
 10. Write short notes on: 5×4
 - (a) Return on Investment (ROI)
 - (b) GAAP
 - (c) Comparative Financial Statement
 - (d) Capital Gearing Ratio.
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