

AU-1538

M.Com. (Semester-I) Examination

(Old)

ADVANCED FINANCIAL & COST ACCOUNTING

Time : Three Hours]

[Maximum Marks : 80

Note :— (1) **ALL** questions are compulsory.

(2) All questions carry equal marks.

(3) Give working notes wherever necessary.

1. Rectify the following errors. Calculate difference in trial balance. Prepare suspense account and find out effect of these errors on profit :
 - (1) Purchased goods from Manju ₹ 300. Passed through sales book.
 - (2) Received one bill from Keshav ₹ 500. Passed through bills payable book.
 - (3) An item of ₹ 150 relating to prepaid rent account was omitted to be brought forward.
 - (4) An item of ₹ 40 in respect of purchases returns, instead of being debited to the personal account from returns outward book, had been wrongly entered in the purchases book and posted to the debit of personal account.
 - (5) ₹ 500 paid to Mehta Bros. against our acceptance were debited to Malhotra Bros. Account.
 - (6) Received final dividend of ₹ 20 from Ajit, whose account had already been written off as bad debt, was credited to a newly opened account and was included in the list of creditors.
 - (7) Bill received from Janki Dass for repairs done to radio ₹ 150 and radio supplied for ₹ 950 was entered in the invoice book as ₹ 1,000.

16

OR

The net profits of a business after providing for taxation, for the past five years are, ₹ 40,000, ₹ 42,500, ₹ 46,000, ₹ 52,000 and ₹ 59,000. The capital employed in the business is ₹ 4,00,000. The normal rate of return expected in this type of business is 10%.

It is expected that the company will be able to maintain its super profit for the next five years.

Calculate the goodwill on the basis of :

- (i) Five year's purchase of super profits.
- (ii) Annuity method, taking the present value of annuity of ₹ 1 for five years at 10% as 3.78, and
- (iii) Capitalisation of super profits. 16

2. Following is the Trial Balance of Sunlight Company Ltd. as on 31st March, 2017 :

Particulars	Dr. ₹	Cr. ₹
Share Capital (Authorised 60,000 Shares of ₹ 10 each)		6,00,000
General Reserve		2,50,000
Unclaimed Dividend		6,526
Sundry Creditors		36,858
Building	1,00,000	
Purchases & Sales	5,00,903	9,83,947
Wages	3,59,000	
Salary	26,814	
General Charges	31,078	
Machinery	2,00,000	
Motor Vehicle	1,15,000	
Furniture	5,000	
Opening Stock	1,72,058	
Book Debts	2,23,380	
Investments	2,88,950	

Particulars	Dr. ₹	Cr. ₹
Cash	72,240	
Bad Debt Reserve		71,000
Directors Fees	1,800	
Bad Debt	15,000	
Interest on Investment		8,544
P&L Appropriation A/c 1-4-2016		16,848
Debenture		1,37,500
	<u>21,11,223</u>	<u>21,11,223</u>

Adjustments :

- (i) Closing Stock ₹ 1,48,680
- (ii) Provide ₹ 10,000 for depreciation on building
- (iii) Interest on investments accrued ₹ 2,750
- (iv) Provide for taxation ₹ 8,000
- (v) Dividend at 4% is proposed
- (vi) ₹ 60,000 considered to be bad.

Prepare :

- (1) Final Account and
- (2) Balance Sheet.

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OR

On 31st March, 2017 Sun Co. Ltd. and Deep Co. Ltd. were amalgamated into Sandeep Co. Ltd. on the basis of following Balance Sheets :

Balance Sheets as on 31-3-2017

Liabilities	Sun Co.	Deep Co.	Assets	Sun Co.	Deep Co.
	₹	₹		₹	₹
Authorised Capital			Goodwill	80,000	30,000
(Equity Shares of			Building	50,000	60,000
₹ 10 each)	<u>2,24,000</u>	<u>2,00,000</u>	Plant	41,000	10,000

Liabilities	Sun Co.	Deep Co.	Assets	Sun Co.	Deep Co.
	₹	₹		₹	₹
Paid up Capital	2,24,000	1,75,000	Stock	42,000	33,000
Creditors	5,000	6,000	Debtors	23,000	40,000
Reserve	8,000	10,000	Cash	12,000	22,000
P & L A/c					
(31 March, 2016)	11,000	4,000			
	<u>2,48,000</u>	<u>1,95,000</u>		<u>2,48,000</u>	<u>1,95,000</u>

It was agreed that, in respect of both companies, 10% should be written off from building and 5% be provided for bad and doubtful debts. Goodwill is to be valued at three years purchase of last two year's average profits. The profit of Sun Co. Ltd. and Deep Co. Ltd. for 31st March, 2017 were ₹ 13,000 and ₹ 6,000 respectively.

From the above information pass the necessary journal entries in the books of Sundeep (New) Co. Ltd. and prepare its opening Balance Sheet. 16

3. "Cost Accounting is a system of foresight and not a post-mortem examination, it turn losses into profits, speeds up activities and eliminates wastes." Elaborate this statement. 16

OR

The following details are available from the books of Morbi Ceramics Ltd. for the year ending 31st March, 2017 :

	₹
Purchase of Materials	8,30,000
Material for packing of Raw Material	35,000
Direct Wages	7,20,000
Wages for foremen and store keepers	50,000
Indirect Wages	6,000
Cost of Research and Experiments	30,000
Office Manager's Salary	72,000

	₹
Depreciation of Plant	2,000
Power, Fuel and Haulage	36,000
Income Tax	10,000
Printing & Stationery	3,000
Sales	20,52,000
Stock—1 st April, 2016 :	
Raw Material	1,20,000
Work-in-Progress	28,800
Finished Product (6000 Units)	—
Stock—31 st March, 2017 :	
Raw Material	1,34,000
Work-in-Progress	96,000
Finished Products (12000 Units)	—
Carriage on Purchases	4,000
Depreciation of Furniture	600
Counting House Salary	10,000
Cost of Lubricating (For Machinery)	10,000

Selling and Distribution Expenses are to be charged at ₹ 1.00 per unit. During the year units produced were 1,00,000.

Prepare a Statement of Cost showing the different elements of cost and the profit. 16

4. A new machine was purchased in April, 2017 for ₹ 5,00,000. The total cost of all machinery inclusive of the new machinery was ₹ 75,00,000. The following further particulars are available :
 - (i) Expected life of the machine 10 years.
 - (ii) Scrap value at the end of 10 years ₹ 5,000.
 - (iii) Repairs and maintenance for the machine during the year ₹ 2,000.

- (iv) Expected number of working hours of the machine per year is 4000 hours.
- (v) Insurance premium annually for all the machines ₹ 4,500.
- (vi) Electricity consumption for the machine per hour (@ ₹ 7.50 per unit) 5 units.
- (vii) Area occupied by this machine 100 sq.ft.
- (viii) Area occupied by the other machines 1500 sq.ft.
- (ix) Rent per month of the Department ₹ 8,000.
- (x) Lighting charges for 20 points for the whole department out of which 3 points are for the machine ₹ 1,200 p.m.

Compute the Machine Hour Rate for the new machine on the basis of above information. 16

OR

Mr. Prabhakar owns a fleet of taxis and following information is available from the records maintained by him :

Number of Taxi	10
Cost of each Taxis	₹ 8,00,000
Salary of Manager	₹ 6,000 p.m.
Salary of Accountant	₹ 5,000 p.m.
Salary of Cleaner	₹ 2,000 p.m.
Salary of Mechanic	₹ 4,000 p.m.
Garage Rent	₹ 6,000 p.m.
Insurance Premium	5% per annum
Annual Tax	₹ 6,000 per taxi
Driver Salary	₹ 6,000 p.m. per taxi
Annual Repair	₹ 10,000 per taxi

Total life of a taxi is about 2,00,000 km. A taxi runs in all 3,000 km. in a month of which 30% it runs empty. Petrol consumption is one litre for 20 km. @ ₹ 80 per litre. Oil and Other Sundries are ₹ 50 per 100 km.

Calculate the cost of running a taxi per km.

16

5. In a manufacturing concern a certain Product 'X' yields by-products 'Y' and 'Z'. The joint expenses of manufacture are :

	₹
Material	1,00,000
Labour	20,000
Factory & Office Overhead	80,000
Total	<u>2,00,000</u>

Separate expenses are as follows :

Particulars	Main Product	By—Products	
	X	Y	Z
	₹	₹	₹
Material	15,000	13,000	10,000
Labour	2,000	1,500	1,000
Factory & Office Overhead	8,000	5,500	4,000
Total	<u>25,000</u>	<u>20,000</u>	<u>15,000</u>
Sales	2,00,000	1,50,000	1,00,000
Estimated Profit on Sales	30%	25%	20%

Assume that selling and distribution expenses are in proportion to sales.

Show how you would propose to apportion the joint expenses of manufacture and prepare the necessary accounts of 'X', 'Y' and 'Z'. 16

OR

Define Cost Audit. Explain the difference between Financial Audit and Cost Audit. 16

