

M.Com. (Semester—I) Examination
ADVANCED FINANCIAL AND COST ACCOUNTING
Paper—103

Time : Three Hours]

[Maximum Marks : 80

- N.B. :—** (1) All questions are compulsory.
 (2) All questions carry equal marks.
 (3) Give working notes wherever necessary.

1. While preparing the Final Accounts and balancing the books of a Trader, it was found that there is difference in Trial Balance of Rs. 8,700. This difference was taken to the debit of suspense Account. Following mistakes are observed :
- (i) Goods purchased from a Trader Rs. 550, credited to his account as Rs. 5,500.
 - (ii) Dishonoured bills Rs. 20,000 returned by the bank were credited to Bank Account and debited to bills receivables account.
 - (iii) A Transaction of Rs. 1,000 recorded in Sales Return Book debited to the Customer's Account who returned the Goods.
 - (iv) Plant sold Rs. 26,000 recorded in Sales Book and posted in the Sales Account.
 - (v) A customer from whom Rs. 6,000 was receivable, was not included in the list of Debtors.
 - (vi) Discount Rs. 250 received from a creditor, debited to his account but not credited to discount account.

Pass necessary Journal entries to rectify above errors and prepare Suspense Account. 16

OR

On 31st March, 2017, the Balance Sheet of Gaurav Company Limited disclosed the following position :

| Liabilities | Rs. |
|-----------------------------------|-----------------|
| Issued Capital @ Rs. 10 per share | 4,00,000 |
| Reserve | 50,000 |
| Profit and Loss A/c | 20,000 |
| 5% Debentures | 1,00,000 |
| Current Liabilities | 1,30,000 |
| | 7,00,000 |
| Assets | Rs. |
| Fixed Assets | 5,00,000 |
| Current Assets | 2,00,000 |
| | 7,00,000 |

On 31st March, 2017, the Fixed Assets were independently valued at Rs. 6,00,000. The Net Profit for three years was Rs. 51,600 in 2015, Rs. 52,000 in 2016 and Rs. 51,650 in 2017. Out of this, 20% was placed in reserve, this proportion being considered reasonable in the industry in which the company is engaged and where a fair investment return may be taken at 10% p.a.

Compute the value of the Company Share by (a) The Asset Method (b) The Yield Method.

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2. Manganese Ore Co. Ltd. was formed on April 1, 2016 with an Authorised Capital of Rs. 6,00,000 in Shares of Rs. 10 each. Of these 52,000 Shares were issued and subscribed but there were Calls in arrears on 100 Shares. From the following Trial Balance as on March 31, 2017, prepare the Trading and Profit and Loss Account and the Balance Sheet as per Companies Act, 1956 Schedule VI (Section 211).

Trial Balance as on 31.3.2017

| Particulars | Debits (Rs.) | Credits (Rs.) |
|-------------------------------------|-------------------------|--------------------------|
| Cash at Bank | 1,05,500 | — |
| Share Capital | — | 5,19,750 |
| Plant | 40,000 | — |
| Sale of Silver | — | 1,79,500 |
| Mines | 2,20,000 | — |
| Promotion Expenses | 6,000 | — |
| Interest on F.D. upto Dec. 31 | — | 3,900 |
| Dividend on Investment less 22% Tax | — | 3,200 |
| Royalties Paid | 10,000 | — |
| Railway Track & Wages | 17,000 | — |
| Wages of Mines | 74,220 | — |
| Advertisement | 5,000 | — |
| Carriage on Plant | 1,800 | — |
| Building & Furniture | 20,900 | — |
| Administrative Expenses | 28,000 | — |
| Repairs to Plant | 900 | — |
| Coal and Oil | 6,500 | — |
| Cash in hand | 530 | — |
| Investments (Shares of Tin Mines) | 80,000 | — |
| Brokerage on above investments | 1,000 | — |
| 6% F.D. in Indusind Bank | 89,000 | — |
| | 7,06,350 | 7,06,350 |

Additional information :

- Depreciate (a) Plant by 10%, (b) Railway Track and Wagons by 10%, (c) Furniture and Building by 5%.
- Write off one-third of the promotion expenses.
- Value of Silver on March 31, 2017 was Rs. 15,000.
- The Directors forfeited on December 10, 2016, 100 Shares on which only Rs. 7.50 has been paid.

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OR

Kiran and Co. agreed to absorb the business of Kanchan and Co. as on 31st March, 2017. The former wish to discharge all the Liabilities of Kanchan and Co. to pay the expenses of absorption Rs. 6,000 and to take over all the Assets of Kanchan and Co. Ltd. at their book value. Kiran and Co. agrees to issue 12 Shares of Rs. 3 each, for every Share of Rs. 30 in Kanchan and Co. The following are the Balance Sheets of the two companies :

Balance Sheet of Kiran and Co. Ltd.

| Liabilities | Amount (Rs.) | Assets | Amount (Rs.) |
|---|-----------------|---------------------|-----------------|
| Authorised Capital (4,00,000 Shares of Rs. 3 each) | 12,00,000 | Fixed Assets | 2,34,000 |
| Issued Capital (2,00,000 Shares of Rs. 3 each) | 6,00,000 | Machinery | 1,73,586 |
| Reserve | 90,000 | Goodwill | 90,000 |
| Creditors | 42,000 | Stock | 64,260 |
| | | Debtors | 1,17,714 |
| | | Bank | 37,440 |
| | | Profit and Loss A/c | 15,000 |
| | 7,32,000 | | 7,32,000 |

Balance Sheet of Kanchan and Co. Ltd.

| Liabilities | Amount (Rs.) | Assets | Amount (Rs.) |
|---|-----------------|--------------|-----------------|
| Share Capital (10,000 Shares of Rs. 30 each) | 3,00,000 | Fixed Assets | 1,36,500 |
| Creditors | 37,386 | Machinery | 89,592 |
| Bills Payable | 28,614 | Stock | 58,302 |
| | | Debtors | 55,386 |
| | | Bank | 26,220 |
| | 3,66,000 | | 3,66,000 |

Give the Journal entries in the books of Kiran and Co. Ltd. and Kanchan and Co. Ltd. and Opening Balance Sheet of Kiran and Co. Ltd. 16

3. "A good system of Costing is an invaluable aid to Management." Enumerate the main points in support of this statement. 16

OR

Usha Company produces and sells two types of fans namely 'Ceiling and Table'. The cost of production for the year was as follows :

| | Rs. |
|----------------------|--------------------|
| Direct Material | 2,40,00,000 |
| Direct Labour | 1,20,00,000 |
| Production Overheads | 1,20,00,000 |
| | <u>4,80,00,000</u> |

Following additional information is provided :

- Direct Material in Ceiling Fan costs twice as much as that of Table Fan.
- Direct Wages and Overheads are to be shared equally between Ceiling and Table Fan.
- Administrative Overheads are to be charged at 200% of Direct Labour Cost in each type of fan.
- Selling and Distribution Overheads are Rs. 200 per fan sold for both types.

Number of fans produced and sold during the year :

| Fan | Produced | Sold |
|-------------|----------|----------|
| Ceiling Fan | 60,000 | 50,000 |
| Table Fan | 1,20,000 | 1,00,000 |

Assume there is no work in progress either at the beginning or at end. Also there is no Opening Stock of finished fans.

You are required to prepare a Statement of Total Cost and Profit for each type of fan. The management wants to fix the selling price in such a way so as to earn a profit of 20% on Selling price.

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4. Calculate Machine Hour Rate (Simple and Composite) for a Printing Machine :

| | Rs. |
|--|----------|
| Cost of Printing Machine | 4,00,000 |
| Estimated Scrap Value at end of 10 years | 22,000 |
| Cost incurred in March 2017 : | |
| Repair and Maintenance | 6,300 |
| Power Charge | 2,100 |
| Cost of Printing Ink | 5,250 |
| Cost of Supervision (Allocated) | 1,000 |
| Rent and Rates (Allocated) | 2,100 |
| Insurance Charges | 2,400 |
| Other Fixed Expenses | 2,900 |
| Working Hours for a month : | Hours |
| Normal Hours | 200 |
| Machine Setting Up Hours | 10 |
| Time Lost in machine maintenance | 20 |
| Time Lost due to power failure | 15 |
| Overtime Hours to complete the Job in time | 30 |
| Wage Rate Per Hour | |
| Normal Rs. 30, Overtime Rs. 80 | |
| During power failure Rs. 30 | |

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OR

A person owns a bus which runs between Amravati to Nagpur for 10 days in a month. The distance from Amravati to Nagpur is 150 km. The bus completes the trip from Amravati to Nagpur and back on the same day. The bus goes another 10 days in a month towards Wardha. The distance from Amravati to Wardha is 120 km. This trip is also completed in one day. For the remaining 4 days of its operation in a month, it runs locally in the city. Daily distance covered in the city is 40 km.

Calculate the fare the bus owner should charge from the passengers when he wants to earn a profit of 33.33% on his total takings.

Other information is as follows :

Cost of Bus Rs. 12,00,000

Depreciation 10% p.a.

Salary of the Driver Rs. 7,000 per month

Salary of Conductor Rs. 5,000 per month

Salary of Accountant Rs. 3,200 per month

Insurance Rs. 24,000 p.a.

Diesel consumption 4 km per litre, costing Rs. 60 per litre

Road Tax Rs. 6,000 p.a.

Lubricant Oil Rs. 200 per 100 km

Permit Fee Rs. 3,000 p.m.

Normal capacity 50 persons. The bus is generally occupied 90% of its total capacity when it goes to Nagpur and 80% when it goes to Wardha. It is always full when its runs within the city. Passenger Tax is 20% of his net taking. 16

5. A Factory is engaged in the production of Chemical 'X' and in the course of manufacture, a by-product 'Y' is produced; which, after a separate process, has a commercial value.

Following is the information for the month of March, 2017 :

| | Joint Expenses | Separate Expenses | |
|----------|----------------|-------------------|--------|
| | (Rs.) | 'X' | 'Y' |
| Material | 50,000 | 10,000 | 14,000 |
| Labour | 20,000 | 12,500 | 12,500 |
| Overhead | 12,500 | 7,000 | 5,000 |

The output for the month was 150 tonnes of 'X' and 50 tonnes of 'Y'. The Selling Price of product 'Y' is Rs. 1,000 per tonne. The profit on 'Y' product is $33\frac{1}{3}\%$ on cost price.

Prepare an account to show the cost of 'X' and 'Y' per tonne.

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OR

Mr. Gaurav Kumar undertook a contract for the construction of a building on 1st April, 2016. The contract price being Rs. 15,00,000. The following details are available for the year ended 31st March, 2017 :

| Particulars | Rs. |
|-----------------------------------|------------|
| Material Purchased | 2,40,000 |
| Material supplied from Store | 30,000 |
| Wages | 90,000 |
| Plant installed on site | 1,20,000 |
| Direct Expenses | 60,000 |
| Establishment Expenses | 15,000 |
| Cash received from the Contractee | |
| (80% of the work certified) | 6,00,000 |
| Work uncertified | 1,50,000 |
| Material returned to Store | 15,000 |
| Material in hand on 31.3.2017 | 6,000 |
| Plant in hand on 31.3.2017 | 90,000 |
| Unpaid Wages | 18,000 |
| Unpaid Direct Expenses | 24,000 |

Prepare a Contract Account and show the relevant entries in the Balance Sheet.

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