

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

Time : Three Hours]

[Maximum Marks : 80

N.B. :— (1) All questions are compulsory. Section A and Section B both should be solved.

(2) The figures to the right indicate marks to the question.

(3) Give working notes wherever necessary.

SECTION—A

1. Sales is recorded in :
(a) Trading Account – Cr. Side
(b) Profit and Loss Account – Cr. Side
(c) P & L Appropriation Account
(d) Balance Sheet 1
2. Creditors will appear on :
(a) Assets side of Balance Sheet
(b) Liabilities side of Balance Sheet
(c) Debit side of Trading Account
(d) Debit side of P & L Account 1
3. Share means :
(a) A part of Share Capital
(b) One part of Furniture
(c) Part of Liability
(d) None of these 1
4. Goodwill is the difference between the value of a business enterprise and the sum of the above :
(a) Current fair value
(b) Fair value
(c) Market value
(d) All above 1
5. On a particular date, the Assets of a business are worth Rs. 2,00,000 and its Capital is Rs. 70,000. Its Liabilities on that date shall be :
(a) Rs. 2,70,000
(b) Rs. 1,30,000
(c) Rs. 70,000
(d) Rs. 1,10,000 1
6. Calls-in advance is a :
(a) Long Term Liability
(b) Current Liability
(c) Contingent Liability
(d) None of the above 1
7. Which section of the Companies Act requires the Indian Companies to maintain proper Books of Accounts ?
(a) Section 209
(b) Section 211
(c) Section 214
(d) Section 217 1
8. Absorption means :
(a) Purchasing an existing company
(b) Liquidating one company
(c) Acquiring shares in other company
(d) None of these 1
9. Overhead cost covers :
(a) Indirect Materials
(b) Indirect Labour
(c) Indirect Expenses
(d) All of the above 1

10. Labour turnover means :
(a) Turnover generated by labour
(b) Rate of change in composition of labour force during a specified period
(c) Either of the above
(d) Both of the above 1
11. Raw Materials are directly identifiable as part of the final product and are classified as :
(a) Period Costs (b) Fixed Costs
(c) Direct Material (d) Any of the above 1
12. Inventory held for sale in the ordinary course of business is known as :
(a) Finished Goods (b) Raw Materials
(c) Work in progress (d) Miscellaneous inventory 1
13. Service costing is used by :
(a) Power Generation (b) Hospitals
(c) Transport Companies (d) All of the above 1
14. Which of the following "Cost Unit" is not used by the organization engaged in providing services ?
(a) Tonne Km (b) Passenger Km
(c) Kilowatt hour (d) Per meter 1
15. A Machine worked 360 hours in a month and standing charges are Lighting Rs. 97.50, Rent and Rates Rs. 400, Supervision Charges Rs. 100, what is a per hour standing charge ?
(a) 16.6 (b) 1.01
(c) 1.66 (d) None of these 1
16. Concepts that can be attributed to machine hour rate :
(a) Ordinary machine hour rate (b) Composite machine hour rate
(c) Both (a) and (b) (d) None of the above 1
17. Which of the following industries uses process costing method ?
(a) Food Processing (b) Chemicals and Drugs
(c) Textiles (d) All of the above 1
18. Any loss caused by unexpected carelessness accident is regarded as :
(a) Estimated loss (b) Abnormal loss
(c) Actual loss (d) Normal loss 1
19. Work certified is valued at :
(a) Cost Price (b) Market Price
(c) Cost or Market Price whichever is less (d) Estimated Price 1
20. Cash received on contract is credited to :
(a) Contract Account (b) Plant Account
(c) Work-in-Progress Account (d) Contractee's Account 1

SECTION—B

1. A Book-keeper finds the difference in the Trial Balance amounting to Rs. 2,000 and puts it in the Suspense Account. Later on, he detects the following errors :
 - (i) An item of Rs. 3,645 in respect of purchases returns had been wrongly entered in the purchase book.
 - (ii) Old furniture sold for Rs. 54,000 had been entered as Rs. 45,000 in Sales Account.
 - (iii) Purchases Day Book for the month of April, 2015 was undercast by Rs. 1,000.
 - (iv) Sales Day Book of October, 2015 was overcast by Rs. 10,000.
 - (v) A Furniture purchased for Rs. 8,100 was entered in the Furniture Account as Rs. 810.
 - (vi) A Bill for Rs. 10,000 drawn by Ganesh was not entered in the Bills Receivable Book.
 - (vii) A Machinery purchased for Rs. 10,000 was entered in the purchases day book.
- Give rectifying Journal entries with full narration and prepare Suspense Account. 12

OR

On 31st March, 2016 the Balance Sheet of Aditya Company Ltd. was as under :

Liabilities		Rs.	Assets		Rs.
Equity Share Capital :			Goodwill		45,000
(30,000 Shares of Rs. 10 each)		3,00,000	Land & Building		1,50,000
Capital Reserve		50,000	Plant		1,80,000
Profit and Loss A/c		25,000	Stock		60,000
Creditors		1,20,000	Debtors		1,00,000
Depreciation Fund :			– RDD		1,000
Land & Building	15,000		Cash and Bank Balance		6,000
Plant	30,000	45,000			
		5,40,000			5,40,000

The Pratik Company Ltd. decided to purchase the business of this company. Using the following information make the valuation of Goodwill of Aditya Company Ltd. using Super Profit Method :

- (i) The normal rate of return on Capital employed in the business of other companies having business similar to that of Aditya Company Ltd. is 10% p.a.
- (ii) After providing 50% of the profit for taxation the average profit of the Aditya Company Ltd. was Rs. 90,000 for the last six years.
- (iii) The present market price of Land and Building is Rs. 1,80,000.
- (iv) Other Assets are to be taken at Book Value.
- (v) A Director of Aditya Company is to be appointed as Director on the Board of Directors of Pratik Co. Ltd. on an honorarium of Rs. 10,000 p.a. However while calculating the profit of Aditya Co., this item was not considered.
- (vi) It is decided that the depreciation on the increased value of Land and Building is to be neglected.
- (vii) The valuation of Goodwill of Aditya Company Ltd. is to be done at 3 years purchase of average super profit of the company. 12

2. Benzo Co. Ltd. has an Authorised Capital of Rs. 20,00,000 in Shares of Rs. 100 each. The Company issued 12,000 Shares.

Trial Balance
As on 31st March, 2017

Particulars	Debits (Rs.)	Credits (Rs.)
Share Capital		12,00,000
Land and Building	10,00,000	
Reserve Fund		3,20,000
Bad Debts	55,000	
Purchases and Sales	19,20,000	35,60,000
Salaries	2,48,000	
Wages	1,84,000	
Preliminary Expenses	1,60,000	
Interest		48,000
Profit and Loss Appropriation A/c		6,45,000
Carriage	84,000	
Stock on (1/4/2016)	6,00,000	
Returns	1,28,000	1,64,000
Audit Fee	84,000	
Freight Charges	82,000	
Interim Dividend	72,000	
Bills Receivable and Bills Payable	2,54,000	2,18,000
Call in Arrears	80,000	
Cash in hand	12,000	
Cash at Bank	92,000	
Goodwill	2,48,000	
Debtors and Creditors	2,82,000	3,46,000
Investment	3,40,000	
Furniture	2,80,000	
6% Debentures		8,00,000
Bank Overdraft		1,04,000
Plant and Machinery	12,00,000	
	74,05,000	74,05,000

Adjustments :

- (i) Closing Stock Rs. 4,32,000.
- (ii) Depreciation : Furniture by 5%, Machinery by 10%.
- (iii) Provide 5% Reserve on Debtors.
- (iv) Write off 1/5 of Preliminary Expenses.
- (v) Transfer Rs. 2,40,000 for Reserve Fund.
- (vi) Provide Debenture interest for one year.

Prepare Final Account of the Company for the year ending on 31st March, 2017 and Balance Sheet as on that date in the books of Benzo Co. Ltd.

12

OR

The Mona Company Ltd. and the Blue Star Co. Ltd. have agreed to amalgamate. A new company Sun Co. Ltd. has been formed to take over the combined concern as on 31st March, 2017; after negotiation, the Assets of the two companies have been agreed as shown in the following Balance Sheet :

Balance Sheet of Mona Co. Ltd.

Liabilities	Rs.	Assets	Rs.
Capital (1,00,000 Equity Shares of Rs. 10 each)	10,00,000	Land and Building	5,00,000
Creditors	80,000	Plant and Machinery	2,00,000
Profit and Loss A/c	50,000	Patents	1,10,000
		Stock	1,50,000
		Debtors	1,20,000
		Cash at Bank	50,000
	11,30,000		11,30,000

Balance Sheet of Blue Star Co. Ltd.

Liabilities	Rs.	Assets	Rs.
Capital (50,000 Shares of Rs. 10 each)	5,00,000	Land and Building	3,00,000
Creditors	50,000	Plant and Machinery	2,50,000
Reserve Fund	50,000	Goodwill	50,000
Profit and Loss A/c	50,000	Stock	20,000
		Debtors	20,000
		Cash at bank	10,000
	6,50,000		6,50,000

Show the amount payable to each company. Prepare Journal entries of each company and amalgamated Balance Sheet of the new company. 12

3. "Cost has no usefulness in itself. Its value depends wholly upon the action which management is able to take in the light of the information they receive." Comment on the above statement and bring out fully the managerial uses of Cost Accounting. 12

OR

The books and records of a factory present the following information for the month of August, 2017 of a product :

Direct Expenses	4,000
Direct labour being 180% of factory overhead	18,000
Cost of Goods sold	70,000

Stock Accounts show the following position :

	1 st Aug. 2017	31 st Aug. 2017
Raw Materials	10,800	12,600
Work in progress	10,000	13,200
Finished Goods	14,000	18,000

Other information :

Selling Expenses	3,600
[Office expenses (10% of factory overhead)]	
Sales	85,000

You are required to prepare a statement showing Cost and Profit for the month. 12

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

Number of Buses	5
Cost of each Bus	Rs. 2,00,000
Salary of Manager (per month)	Rs. 6,000
Salary of Accountant (per month)	Rs. 5,000
Salary of Cleaner (per month)	Rs. 2,000
Salary of Mechanic (per month)	Rs. 4,000
Garage Rent (per month)	Rs. 6,000
Insurance Premium (per annum)	5%
Annual Tax (per bus)	Rs. 6,000
Driver's Salary (per month per bus)	Rs. 2,000
Annual Repairs (per bus)	Rs. 10,000

Total life of a Bus is about 2,00,000 km. A Bus runs in all 30,000 km in a month of which 30% it runs empty. Petrol consumption is one litre for 10 km @ Rs. 80 per litre. Oil and other sundries are Rs. 50 per 100 km.

Calculate the cost of running a Bus per k.m.

12

OR

The following annual charges are incurred in respect of a machine where manual labour is almost nil and where the work is done by means of five machines of exactly similar type and specification :

	Rs.
(i) Rent and Rates (proportional to the floor space occupied) for the shop	96,000
(ii) Depreciation on each machine	10,000
(iii) Repairs and maintenance for five machines	20,000
(iv) Power (as per meter) @ Rs. 20 per 16 units consumed for the shop	75,000
(v) Electric charges for light in the shop	10,800
(vi) Attendants : There are two attendants for the five machines and they are each paid Rs. 1,200 per month	
(vii) Supervision : For the five machines in the shop there is one Supervisor whose emoluments are Rs. 5,000 per month	
(viii) Sundry supplies such as lubricants and cotton waste etc. for the shop	9,900
(ix) Hire-Purchase instalment payable for the machines (including Rs. 6,000 as interest)	24,000
(x) The machine uses 10 units of power per hour	

Calculate the machine hours rate for the year.

12

5. In a manufacturing concern a certain Product 'A' yields By Products 'B' and 'C'. The Joint Expenses are :

Material	10,850
Labour	11,500
On Cost	9,500
	<u>31,850</u>

Individual Expenses are as follows :

	A	B	C
	(Rs.)	(Rs.)	(Rs.)
Materials	2,800	1,800	1,300
Labour	1,950	1,600	2,100
On Cost	1,450	800	2,050
	<u>6,200</u>	<u>4,200</u>	<u>5,450</u>

Selling Prices are 'A' Rs. 32,000, 'B' Rs. 22,000 and 'C' Rs. 15,000. Estimated Profits on Selling Prices are 'A' 40%, 'B' 25%, and 'C' 20%.

Show how would you apportion the Joint Expenses of manufacture and also prepare the Process Accounts. 12

OR

The following information is available in respect of a Contract No. 91 undertaken by Vijay & Anil Building Contractor on 1st April, 2016. The Contract Price was for Rs. 29,00,000. The Expenses incurred during the year ended 31st March, 2017 were as under :

Material issued	75,000
Wages Paid	1,10,000
General Charges	4,000
Plant installed at site on 1 st Oct. 2016	20,000
Material at Hand on Close	4,000
Wages Accrued due	4,000
Work Certified by Architect	2,00,000
Work completed but not certified by Architect	6,000
Cash Received	1,50,000
Material Transferred to Other Contracts	4,000
Material Received from Other Contracts	1,000

Depreciation on Plant is to be provided at 10% per annum.

Prepare Contract Account and show what part of the contract should be taken credit of 2017, Profit and Loss Account. Also prepare Work-in-Progress Account, show how the value of Work-in-Progress would appear in Balance Sheet as on 31st March, 2017. 12

