

Dr. Babasaheb Ambedkar Open University
Term End Examination April-2011

Course : Diploma in Advance Accounting (DAA)

Roll No.: _____

Subject : Basics of Accounting (DAA-01)

Date : 20-04-2011

Time : 11.00 to 2.00

N.B. : All Questions carry equal Marks

Total Marks : 70

Que.1 Write short notes (Any Two) (14)

- (a) Conservation concept
- (b) Cost concept
- (c) Periodicity concept
- (d) Matching concept

Que.2 Explain the concept of accounting standards? (14)

OR

State the usefulness and Scope of accounting standards?

Que.3 Explain Accounting standard-2 (AS-2) Valuation of Inventories. (14)

OR

Explain Accounting standard-6 (As-6) Depreciation Accounting.

Que.4 Explain Accounting standard (AS-10) Accounting for fixed Assets. (14)

OR

Explain Accounting standard (AS-12) Government Grants.

Que.5 Explain Accounting standards-13 : Accounting for Investments. (14)

OR

Explain Accounting standard (AS)-14 Amalgamation.

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Roll No.: _____

Subject : Analytical Accounting (DAA-02)

Date : 20/04/2011

Time : 03.00 to 06.00

N.B. : All questions carry equal Marks.

Total Marks : 70

Q.1 Write a short note on the various accounts needed to prepare fund flow Statement. (14)

OR

Describe the utility of Fund Flow statement.

Q.2 Describe the concept of cash flow statements and state how it differs from fund flow statement. (14)

OR

State the limitations of cash flow statements.

Q.3 From the following details of Ajit Mills Ltd. Calculate the cash inflow from operations for the year 2008-09. (14)

Profit during the year Rs. 90,000

| | 31/03/2008 | 31/03/2009 |
|----------------------|------------|------------|
| | Rs. | Rs. |
| Debtors | 40,000 | 36,000 |
| Creditors | 16,000 | 22,000 |
| Bills Receivable | 8,000 | 10,500 |
| Bills payable | 6,000 | 5,000 |
| Outstanding Expenses | 1,200 | 1,600 |
| Accrued Income | 1,500 | 1,700 |
| Stock | 25,000 | 30,000 |

OR

Calculate cash flow from operating activities from the following details:

| | 01/04/2008 | 31/03/2009 |
|-------------------------------------|------------|------------|
| | Rs. | Rs. |
| Profit and Loss A/C | 60,000 | 70,000 |
| General Reserve | 20,000 | 30,000 |
| Provision for depreciation on plant | 60,000 | 70,000 |
| Expenses outstanding | 10,000 | 6,000 |
| Goodwill | 40,000 | 20,000 |
| Debtors | 80,000 | 70,000 |

One item of plant costing Rs. 40,000 having book value Rs. 28,000 was sold for Rs. 36,000 during the year.

Q.4 Write about the usefulness and limitation of Ratio Analysis. (14)

OR

Explain various type of Balance Sheet Ratio.

Q.5 From the following ratio calculated from the accounts of a company and standard ratios, Comment on the financial position and Operational efficiency of the Company. (14)

Ratio

| | | Actual | Standard |
|---|----------------------|---------|----------|
| 1 | Current Ratio | 5 | 2.5 |
| 2 | Liquid Ratio | 2 | 1.2 |
| 3 | Proprietary Ratio | 60% | 70% |
| 4 | Debtor's velocity | 35 days | 45 days |
| 5 | Stock velocity | 10 | 12 |
| 6 | Fixed Asset velocity | 6 | 8 |
| 7 | Net profit Ratio | 14% | 20% |

OR

The details of Marmik Ltd. are as under:

| | |
|------------------------------------------------|-----------|
| Sales (40% Cash Sales) | 15,00,000 |
| Cost of goods Sold | 7,50,000 |
| Office Exp. (including interest on debentures) | 1,25,000 |
| Selling Exp. | 1,25,000 |
| Tax | 50% |
| Opening stock | 3,25,000 |
| 360 days of the year. | |

Balance Sheet

| Liabilities | Rs. | Assets | Rs. |
|---------------------------|-----------|-------------------|-----------|
| Equity share capital | 20,00,000 | Fixed Assets | 55,00,000 |
| 10% preference share Cap. | 20,00,000 | Stock | 1,75,000 |
| Reserves | 11,00,000 | Debtors | 3,50,000 |
| 10% Debentures | 10,00,000 | Bills receivable | 50,000 |
| Creditor | 1,00,000 | Cash | 2,25,000 |
| Bank-overdraft | 1,50,000 | Fictitious Assets | 1,00,000 |
| Bills payable | 45,000 | | |
| Outstanding Exp. | 5,000 | | |
| | 64,00,000 | | 64,00,000 |

Calculate the following Ratio : (1) Gross Profit Ratio (2) Stock Turnover Ratio (3) Operating Ratio (4) Current Ratio (5) Liquid Ratio (6) Debtors Ratio (7) Rate of return on capital employed.

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Roll No.: _____

Subject : Accounting in Special situations for companies (DAA-03)

Date : 23/04/2011

Time : 11.00 to 02.00

N.B. : All questions carry equal Marks.

Total Marks : 70

Q.1 (14)

ABC Ltd. acquired 1500 shares of Rs. 100 each of PQR Ltd. 30-06-2009 at a price of Rs.26,00,000 out of total of 2000 shares. There was general reserve of Rs. 1,25,000 and profit and loss account of Rs. 10,000 in the books of PQR Ltd. on that date PQR Ltd. issued bonus share for at the rate of 1 share every 2 share held out of its general reserve. The credit balance of Profit and Loss account on 31-03-2009 was Rs. 30,000.

Show necessary details for preparing consolidated balance sheet.

OR

Ram limited acquired share of Rs. 100 each out of 4,000 share of Krishna limited on 01-01-2001 the profit of A Ltd. For the last four years were Rs. 50,000, Rs. 60,000, Rs 45,000 and Rs. 56,000.

There was a credit balance of Rs. 30,000 of profit and loss account and general of Rs. 10,000 on 01-01-2001 in the book of Krishna Ltd. Krishna Ltd. had declared dividends at 10%, 12.5%, 9% and 10% respectively for these years. The financial year of Krishna Ltd. ends on 31 December.

How will you show in the capital account of Niki Ltd on 31-03-2004 the profit Krishna Ltd. 'dealt with' and not dealt with in accordance with section 212 of the Indian companies act ?

Q.2 A Ltd. acquired all share of B Ltd. on 01-04-2008 the balance sheet of both the corporate as on 31-03-2009 are as : (14)

| Liabilities | A | B | Assets | A | B |
|------------------------------|----------|----------|---------------------------|----------|----------|
| Share capital | 1,00,000 | 60,000 | Assets | 1,20,000 | 1,30,000 |
| General reserve (01-04-2009) | 50,000 | 30,000 | Share of B Ltd. (at cost) | 1,10,000 | - |
| Profit and loss | 50,000 | 20,000 | | - | - |
| Creditors | 30,000 | 20,000 | | - | - |
| | 2,30,000 | 1,30,000 | | 2,30,000 | 1,30,000 |

On 01-04-2008 the profit and loss account of B Ltd. showed a credit balance of Rs. 6,000 prepare a consolidated Balance sheet as on 31-03-2009.

OR

Amar Ltd. acquired 4,500 shares of Rs. 10 each of Kamal Ltd. on 01-04-2009. (14)
The balance sheet of both the corporate as on 31-03-2009 are as follows.

Balance sheet as on 31-03-2009

| Liabilities | Amar | Kamal | Assets | Amar | Kamal |
|----------------------|----------|--------|---------------|----------|----------|
| Share of Rs. 10 each | 1,00,000 | 60,000 | Sundry Assets | 1,20,000 | 1,10,000 |
| General reserve | 50,000 | 30,000 | Stock | 30,000 | 20,000 |

| | | | | | |
|-----------|----------|----------|----------------------|----------|----------|
| P & L A/C | 50,000 | 20,000 | Share of Krishna Ltd | 80,000 | - |
| Creditors | 30,000 | 20,000 | | - | - |
| | 2,30,000 | 1,30,000 | | 2,30,000 | 1,30,000 |

When share were acquired by Amar Ltd. As Kamal Ltd. On 1st April 2009 Kamal Ltd. had Rs. 20,000 General reserve and Rs. 12,000 credit balance at P & L A/C Prepare consolidated balance sheet as at 31-03-2009.

Q.3 **Balance sheet as at 31-03-2009** (14)

| Liabilities | A Ltd. | B Ltd. | Assets | A Ltd. | B Ltd. |
|----------------------------------------|----------|----------|--------------------------------|----------|----------|
| Equity share of Rs. 10 each fully paid | 5,00,000 | 2,00,000 | Sundry Assets | 4,90,000 | 2,60,000 |
| Reserve | 1,00,000 | - | 100% share in B Ltd. (at cost) | 1,90,000 | - |
| Creditors | 80,000 | 60,000 | | - | - |
| | 6,80,000 | 2,60,000 | | 6,80,000 | 2,60,000 |

Prepare a consolidated balance sheet as at 31-03-2009.

OR

Balance sheet as at 31-03-2009

| Liabilities | P Ltd. | Q Ltd. | Assets | P Ltd. | Q Ltd. |
|---------------------------------|----------|----------|-------------------------------|----------|----------|
| Share of Rs. 10 each fully paid | 5,00,000 | 2,00,000 | Fixed Assets | 3,00,000 | 1,00,000 |
| General reserve | 1,00,000 | 50,000 | 60% share in Q Ltd. (at cost) | 1,62,400 | - |
| P & L Account | 60,000 | 35,000 | Current Assets | 2,77,600 | 2,39,000 |
| Creditors | 80,000 | 60,000 | Preliminary expenses | - | 6,000 |
| | 7,40,000 | 3,45,000 | | 7,40,000 | 3,45,000 |

P Ltd. acquired the shares on 01-04-2007 on which dated of General reserve and Profit and Loss account of Q Ltd. showed balance of Rs. 40,000 and Rs. 8,000 respectively. No part of preliminary expenses was written off during the year ending 31st March 2009.

Prepare the consolidated balance sheet of P Ltd. and Q Ltd. as at 31-03-2009.

Q.4 **Balance sheet as at 31-03-2006** (14)

| Liabilities | A Ltd. | B Ltd. | Assets | A Ltd. | B Ltd. |
|--------------------------------------|-----------|----------|----------------------|-----------|----------|
| Share capital each Rs. 10 fully paid | 10,00,000 | 4,00,000 | Sundry Assets | 6,00,000 | 2,00,000 |
| Reserve | 2,00,000 | 1,00,000 | 60% share B Ltd. | 3,24,800 | - |
| Creditors | 1,60,000 | 1,20,000 | Current assets | 4,35,200 | 4,08,000 |
| | - | - | Preliminary expenses | - | 12,000 |
| | 13,60,000 | 6,20,000 | | 13,60,000 | 6,20,000 |

On 31-03-2006 B Ltd. revaluated its fixed assets at Rs. 2,20,000 Prepare the consolidated balance sheet of A Ltd. and its subsidiary B Ltd as at 31-03-2006.

OR

Balance sheet as at 31-03-2006

| Liabilities | P Ltd. | Q Ltd. | Assets | P Ltd. | Q Ltd. |
|---------------------------|---------------|---------------|------------------------------|---------------|---------------|
| Share capital each Rs. 10 | 2,50,000 | 10,00,000 | Fixed Assets | 1,50,000 | 50,000 |
| General reserve | 50,000 | 25,000 | Box shares in Q Ltd. at cost | 81,200 | - |
| P & L Account | 30,000 | 17,500 | Current Assets | 1,38,800 | 1,19,500 |
| Creditors | 40,000 | 30,000 | Preliminary expenses | - | 3,000 |
| | 3,70,000 | 1,72,500 | | 3,70,000 | 1,72,500 |

P Ltd. acquired the share on 01-04-2003 on which date General reserve and profit and loss account of Q Ltd. showed balance of Rs. 20,000 and Rs. 4,000 respectively. No part of preliminary expenses was written off during year ending 31-03-2005. Prepare the consolidated balance sheet of P Ltd. and its subsidiary Q Ltd. as at 31-03-2005.

- Q.5 Following are the balance sheet of A Ltd. and its subsidiary B Ltd. as at 31st March 2009. (14)

| Liabilities | A Ltd. | B Ltd. | Assets | A Ltd. | B Ltd. |
|--------------------------------------|---------------|---------------|-----------------------------|---------------|---------------|
| Share capital each Rs. 10 fully paid | 6,00,000 | 2,00,000 | Machinery | 3,00,000 | 1,00,000 |
| General Reserve | 1,50,000 | 80,000 | Furniture | 70,000 | 45,000 |
| P & L Account | 70,000 | 50,000 | 70% share of B Ltd. at cost | 2,60,000 | - |
| Creditors | 90,000 | 60,000 | Stock | 1,75,000 | 1,89,000 |
| | | | Debtors | 55,000 | 30,000 |
| | | | Cash at Bank | 50,000 | 10,000 |
| | | | Preliminary expenses | - | 16,000 |
| | 9,10,000 | 3,90,000 | | 9,10,000 | 3,90,000 |

A Ltd. acquired the share on B Ltd. of 30th June, 2008 on 1st April, 2008 B Ltd's General reserve and profit and loss Account stood at Rs. 60,000 and Rs. 20,000 respectively. No part of preliminary expenses was written off during the year ended 31st March, 2009.

OR

Following are the balance sheet of A Ltd. and B Ltd. as 31-12-2009. A Ltd had purchased 8,000 share of Rs. 10 each of B Ltd. on 01-01-2008.

| Liabilities | A Ltd. | B Ltd. | Assets | A Ltd. | B Ltd. |
|------------------------------|---------------|---------------|-----------------|---------------|---------------|
| Share of Rs. 10 each | 1,20,000 | 1,00,000 | Land-Building | 80,000 | 1,20,000 |
| General reserve (01-01-2005) | 24,000 | 20,000 | Share of B Ltd. | 1,04,000 | - |
| P & L A/C | 68,000 | 56,000 | Stock | 24,000 | 30,000 |
| Creditors | 20,000 | 6,000 | Debtors | 20,000 | 40,000 |
| Proposed dividend | - | 10,000 | Bank Balance | 4,000 | 2,000 |
| | 2,32,000 | 1,92,000 | | 2,32,000 | 1,92,000 |

The credit balance of profit and loss Account at B Ltd. as on 01-01-2008 was Rs. 16,000 B Ltd. has paid 10% dividend during the year for the year 2007 A Ltd. has credited dividend received by it to its profit and loss account A Ltd. has not made any entry for the proposed dividend or B Ltd. at 10%.

Prepare consolidated balance sheet as on 31-12-2008.

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Date : 23/04/2011

Time : 03.00 to 06.00

N.B. : All questions carry equal Marks.

Total Marks : 70

Q.1 Explain the Accounting Standard (AS) – 14 Amalgamations. (14)

OR

Give usual Journal entries with imaginary figures in the book of the vendor company on amalgamation.

Q.2 What do you mean by the term ‘Absorption’? Discuss the purposes of absorption. (14)

OR

Give journal entries in the book of the purchasing company on absorption with imaginary figures.

Q.3 Two companies Mahel Ltd. and Madhuli Ltd. amalgamate and form a new company Kutir Ltd. on 01-04-2009. (14)

The position of these two companies was as under:

| Liabilities | Mahel Ltd. Rs. | Madhuli Ltd. Rs. | Assets | Mahel Ltd. Rs. | Madhuli Ltd. Rs. |
|-----------------------------|----------------|------------------|----------|----------------|------------------|
| Paid up capital | 3,00,000 | 2,00,000 | Goodwill | 70,000 | - |
| Equity share of Rs. 10 each | | | | | |
| Profit and loss A/C | 50,000 | 42,000 | Stock | 1,80,000 | 80,000 |
| 15% Debentures | 70,000 | - | Debtors | 2,00,000 | 2,20,000 |
| Sundry Creditors | 30,000 | 58,000 | | | |
| | 4,50,000 | 3,00,000 | | 4,50,000 | 3,00,000 |

The average profit of Mahel Ltd. and Madhuli Ltd. was Rs. 39,000 and Rs. 20,000 respectively. Kutir Ltd. agreed to take over both the companies for the sum Rs. 6,00,000. Moreover to meet all liabilities, the payment of Rs. 1,00,000 is to be made in cash and rest of the amount in equity share capital.

It is agreed to take over the debtors after writing off 10% total debtors of Mahel Ltd. and Madhuli Ltd. Profit due to conversion is to be divided by Mahel Ltd. and Madhuli Ltd. in proportion of the profit they were earning previously.

Prepare shareholders Account in the books of Mahel Ltd. and Madhuli Ltd.

OR

Prepare the opening Balance-sheet in the books of Kutir Ltd. in above example.

- Q.4 Shri Kirit Shah Ltd. of Modasa absorbs the business of Shri Dilip Soni Co Ltd. of Meghraj on 31st March,2009 when the balance sheet of the latter disclosed the following position : (14)

| Liabilities | Rs. | Assets | Rs. |
|------------------------------------------------|----------|---------------|----------|
| Share Capital : 2000 Shares of Rs. 100 each | 2,00,000 | Sundry Assets | 3,50,000 |
| General Reserve | 70,000 | Cash | 50,000 |
| Debentures | 1,00,000 | | |
| Creditors | 30,000 | | |
| | 4,00,000 | | 4,00,000 |

Shri Kirit Shah co Ltd. agrees to take over assets (except cash) at a discount of 10% and also take over the liabilities in respect of debentures and creditors. Purchase price is to be discharged by issue of 1500 shares of Rs. 100 each to be value at a premium of 10% and balance in cash. Liquidation expenses amounted to Rs. 3000. Show necessary Ledger Accounts in the books of Shri Dilip Soni Ltd.

OR

Pass necessary Journal entries in the books of Kirit Ltd. in above example.

- Q.5 Write short note on the following (Any two) (14)
- Shareholder's Information
 - Directors Report
 - Chairman's Statement
 - Auditor's Report.
