

GLS UNIVERSITY
FACULTY OF COMMERCE [SMPIC]
B.COM. [HONOURS] SEM - 3
ADVANCED CORPORATE ACCOUNTING -1
ASSIGNMENT 2021-22

**UNIT 1: FINANCIAL STATEMENT ANALYSIS & INTERPRETATION –
RATIO ANALYSIS**

Sum- 1

The following are the balance-sheets of Virani Limited as or 31-3-2020 and 31-3-2021.

Liabilities	31-3-20	31-3-21	Assets	31-3-20	31-3-21
Equity Share of ₹ 100 each	4,00,000	5,00,000	Land & Buildings	4,00,000	4,50,000
10% Pref shares of Rs.100 each	2,00,000	2,00,000	Plant & Machinery	3,00,000	2,60,000
10% Debentures	1,00,000	1,00,000	Furniture	1,00,000	90,000
General reserve	1,15,000	2,00,000	Stock	1,00,000	2,00,000
Profit and Loss A/c	50,000	1,00,000	Debtors	1,50,000	3,00,000
Creditors	75,000	1,20,000	Bills receivable	20,000	40,000
Bills Payable	25,000	30,000	Cash and Bank balance	30,000	60,000
Bank overdraft	1,00,000	1,50,000			
	11,00,000	14,00,000		11,00,000	14,00,000

Additional in formation :

Particulars	31-3-'20	31-3-'21
Total Purchases (cash purchases are 2/5 of credit purchese)	7,00,000	8,40,000
Net profit (After interest and tax, tax rate is 50%)	85,000	1,21,000

From the above information, calculate the following accounting ratios and interpret in short the first two ratios:

- (1) Current ratio.
- (2) Long term funds to fixed assets.
- (3) Creditors ratio (360 days to be taken for the year).

- (4) Rate of return on capital employed.
- (5) Rate of return on equity shareholders' funds.
- (6) Gearing ratio.

Sum- 2

Opening stock	29,000
Purchase	2,42,000
Sales	3,20,000
Gross Profit	33 1/3% on cost

Calculate stock turnover ratio.

Sum-3

Write Notes on:

- [1] Explain Ratio Analysis, its advantages and Limitations and Classification with examples
- [2] Discuss various methods of Financial Statement Analysis in short.

UNIT-2 ACCOUNTING STANDERS

LONG QUESTION:

- 1. Explain (1) Accounting treatment of financial lease in the books of lessor and (2) Disclosure to be made by lessor in Finance Lease as per AS -19 Accounting for Leases.

SHORT QUESTION:

- 1. Explain the calculations weighted Average Number of Equity share s per AS-20 Earning Per Share
- 2. Write Note on:
 - 1. Explain the concept of AS 12
 - 2. Discuss the concept of AS 13

UNIT -3 VALUATION OF GOODWILL

LONG SUM:

Sum-1 Following is the Balance sheet of Kajal Ltd as on 31-03-2021

Liabilities	₹	Assets	₹
Equity shares Capital	5,00,000	Goodwill	80,000
10% preference share Capital	10,00,000	Land & Building	10,00,000
General Reserve	5,00,000	Plant & Machinery	10,00,000
10% Debentures	6,00,000	12% Govt Securities (FV ₹2,00,000)	1,20,000
Current Liabilities	3,00,000	Stock	4,00,000
Employee's Profit Sharing Fund	1,00,000	Debtors	3,00,000
Depreciation Fund :Plant & Machinery	2,00,000	Cash and Bank Balance	2,44,000
		Preliminary expenses	56,000
	32,00,000		32,00,000

Additional Information

1. The Market Price of Land and Building is 20% more than the book value, while that of Plant and Machinery is 20% less than the book value.
2. The Market price of 20% stock is 20% more than the book value.
3. Profit after tax (at 50%) for the last three years were ₹ 2,00,000, ₹ 6,00,000 and ₹ 4,00,000 respectively.
4. The expected rate of return is 15%

From the above information,

[i] ascertain the Value of Goodwill at three years' purchase of super profit

[ii] Find the value of Goodwill by using Annuity method. The present value of annuity is 2.28.

[iii] Find the value of Goodwill by Capitalisation of Super Profit method

SHORT SUMS:

Sum-1 Find Capital Employed from the following for valuation of Goodwill:

Narendra's firm's average net profit (after tax) is ₹ 14,40,000. Goodwill is valued at 3 years' purchase of the super profit of firm is ₹ 7,20,000. Expected rate of return on capital employed in this type of business is 20%.

Sum-2 Calculate Future Maintainable Profit (Average Annual Profit) for valuation of Goodwill from the following details:

Profit of last four years was as under:

$$\text{Profit of 2018} = \text{Profit of 2017} + 25\% = ₹ 1,60,000$$

$$\text{Profit of 2017} = \text{Profit of 2016} + 60\%$$

$$\text{Profit of 2016} = \text{Profit of 2015} + 25\%$$

Use Weighted Average Method.

UNIT-4 VALUATION OF SHARES

LONG SUM:

Sum-1 Balance sheet of S Ltd. as on 31-3-19 is given below:

Liabilities	₹	Assets	₹
Equity shares Capital	26,00,000	Goodwill	2,50,000
10% Preference share Capital	6,00,000	Land & Building	15,26,000
General Reserve	6,00,000	Plant & Machinery	8,50,000
10% Debentures	7,00,000	Current Assets	19,74,000
Current Liabilities	3,00,000	12% Govt. Securities	2,00,000
	<u>48,00,000</u>		<u>48,00,000</u>

Additional Information

1. The Market Price of Land and Building and Plant and Machinery is Rs.12,00,000 and Rs.2,00,000
2. Profit before tax (at 50%) for the last three years were ₹ 3,80,000, ₹ 5,00,000 and ₹ 6,80,000 respectively. Use Weighted average method
3. The expected rate of return is 10%
4. Goodwill is to be valued at three years' purchase of super profit.

From the above information, ascertain the Intrinsic Value of shares.

SHORT SUMS:

Sum-1 If the fair value of a company's share is Rs.10, the paid up value of that equity share is Rs.5, expected rate of return is 10% (5% less than the actual rate of earning), then what will be the intrinsic value of the share? If the total number of the shares of the company is 3,00,000, what will be the value of net assets of the company?

Sum-2 Total assets (miscellaneous expenditure and losses unwritten off Rs.6,00,000) are Rs.38,00,000 of X Ltd. 11% Preference share 20,000 each of Rs.20 fully paid, Equity shares 20,000 each of Rs. 20 fully paid. Expected rate of return is 10%. Liabilities are Rs.10,00,000. Find out the Intrinsic value of equity share.

UNIT -5 ACCOUNTING OF INSURANCE COMPANIES

LONG SUM:

Sum-1 From the following information, Prepare Revenue Account of Secure Insurance Company Ltd. Of its Fire Insurance, for the year ended on 31/3/2021.

Sr. No	Particulars	Amount Rs.
1	Out Standing Premium on 31/3/2020	2,000
2	Reserve For Unexpired Risk on 31/3/2020	10,00,000
3	Additional Reserve on 31/3/2020	2,00,000
4	Claims Paid	12,80,000
5	Outstanding Commission: On 31/3/2020	1,30,000
	On 31/3/2021	1,80,000
6	Management Expenses	5,60,000
7	Premium on Re- Insurance Ceded	1,50,000
8	Re- Insurance Recoveries	40,000
9	Out Standing Premium on 31/3/2021	4,000
10	Premium Received	22,40,000
11	Gratuity	5,000
12	Bad Debts	1,000
13	Depreciation on Furniture and Motor	10,000
14	Commission on Re-Insurance Ceded	1,000
15	Interest and Dividends	1,49,040
16	Income Tax on Above	13,040
17	Commission on Direct Business	3,00,000
18	Premium on Re-Insurance Accepted	40,000
19	Commission on Re-Insurance Accepted	40,000

You are require to keep a reserve for unexpired risk at 50% of the Net Premium and an Additional Reserve of Rs. 2,00,000.

SHORT SUMS:

Sum-1 Prepare Schedule 1 Net Premium Earned of Everest Insurance Co. Ltd. of Fire Dept. from the following for the year ended on 31st March 2021:

Sr. No.	Particulars	Rs.
1	Reserve for Unexpired Risk(on 31/3/2020)	20,00,000
2	Additional Reserve (on 31/3/2020)	10,00,000
3	Premium Received	60,00,000
4	Premium on re-insurance ceded	8,00,000

5	Premium on re-insurance accepted	12,00,000
6	Outstanding Premium: On 31/3/2020 On 31/3/2021	8,00,000 8,00,000

Maintain the Reserve for Unexpired Risk as per The Code of Conduct and also maintain Additional Reserve of Rs. 12,00,000.

Sum-2 Prepare Schedule 2 Net Claims Paid of Desire Insurance Co. Ltd. of FireDept. from the following for the year ended on 31st March 2021:

Sr. No.	Particulars	Rs.
1	Claims Paid	40,00,000
2	Claims on re-insurance ceded	20,00,000
3	Claims on re-insurance accepted	40,00,000
4	Re-Insurance Recoveries	20,00,000
5	Legal Expense of Claims	40,00,000
6	Outstanding Premium: On 31/3/2020 On 31/3/2021	10,00,000 20,00,000

UNIT 6 BANK ACCOUNT

LONG QUESTION:

Sum-1 From the following balances of 'Rajasthan Bank Ltd.' as on 31-3-2018, prepare Profit and Loss Account (Form 'B') and schedules 13 to 16.

Particulars	₹
1. Interest on Fixed Deposits	6,20,000
2. Audit fees	1,20,000
3. Interest on Loans	30,00,000
4. Repairs of Assets	90,000
5. Interest on Overdraft	8,00,000
6. Interest on Current Accounts	30,000
7. Rebate on Bills discounted (1-4-2017)	24,000
8. Credit Balance of Profit & Loss Account (1-4-2017)	10,00,000

9. Commission and Exchange	1,50,000
10. Salaries and allowances	3,60,000
11. Rent of Safe Deposit Vaults	64,000
12. Rent and Taxes paid	54,000
13. Sundry incomes	36,000
14. Director's fees	1,30,000
15. Interest on Savings Accounts	2,40,000
16. Share capital	1,50,00,000
17. Law Charges	70,000
18. Interest on Cash credits	5,00,000
19. Administrative expenses	1,80,000
20. Sundry expenses	46,000
21. Discount received on Bills	1,30,000
22. Interest received on Investments	1,36,000
23. Revenue Stamps	4,000
24. Profit on sale of investments	40,000
25. Printing and Stationery	6,000
26. Depreciation on Assets	6,60,000

Additional Information :

1. The balance of rebate on bills discounted as on 31-3-2018 is ₹ 30,000.
2. Transfer of ₹ 4,40,000 for bad debt reserve and make provision for taxation at 50% on net profit.
3. Maintain Statutory reserve as per law.

SHORT SUMS:

Sum-1 The following are some balances appearing in the trial balance of Vijaya Bank as on 31-3-18

Bills Discounted	₹ 5,03,500
Rebate on bills discounted (1-4-17)	₹ 16,000
Interest received	₹ 2,54,122

An analysis of bills received shows following information

Due date in 2018	Discount Rate	Bill Amount
April30	8%	1,09,500
May 14	9%	73,000
May 30	7%	1,46,000
June 12	6%	1,75,000

Sum-2 While closing the books of accounts of the AU Small Bank on 31-3-18, it was found that the loan ledger of TH Stores shows debit balance of ₹ 40,00,000. The interest was charged on the same amount at 15% p.a. Interest is outstanding from 15th June 2017. The firm's financial position was reported to be bad and doubtful. The bank is in possession of shares worth ₹ 48,00,000 of TH stores. The firm was declared insolvent on 3-4-18. The bank obtained ₹ 16,00,000 from sale of shares and ₹ 10,85,000 were received from receiver. Pass journal entries and prepare necessary accounts in the books of bank.

GLS UNIVERSITY

FACULTY OF COMMERCE

SMPIC (BCOM HONS.)

SEMESTER- 3

SUBJECT-COST ACCOUNTING-1

ASSIGNMENT 2021

UNIT 1 ELEMENTS OF COST

LONG QUESTION

1. Varun Ltd. Produced and sold 5,000 mobile phones during 2019. The particulars are as under. Selling Price per unit is Rs 780.

Particulars	Amount
Materials	13,00,000
Direct Wages	7,00,000
Direct expenses	1,00,000
Factory expenses (40% variable)	7,00,000
Office expenses (fixed)	2,80,000
Selling expenses (70% variable)	3,20,000
Total amount	34,00,000

During the year 2020, production and sale is estimated at 25,000 mobile phones. The additional information is as under:

- (1) Direct wages per unit will decrease by 20%.
- (2) Fixed factory expenses will increase by Rs 3,00,000
- (3) Office expenses will increase by 25%

(4) Variable selling expense will rise by Rs 1.60 per unit.

(5) 25% profit is estimated on cost

Prepare:

(a) Statement of cost per unit and total cost of 2019.

(b) Estimated cost sheet of 2020.

SHORT QUESTIONS

1. Material Rs 6,000

Wages Rs 4,000

Factory expenses 50% of direct wages; Administration overheads 20% of Factory cost and Sales Distribution expenses are 10% of Production cost are charged. Find out the selling price to earn 10% profit on cost.

2. What would be the conversion cost if Direct Expenses Rs 5,000; Direct Materials Rs 60,000; Direct wages Rs 22,000 and other factory overhead expenses Rs 33,000?

UNIT 2 OPERATING COSTING

LONG QUESTION

1. From the following data, compute the cost per running mile for a vehicle:

	Rs.		Rs.
Cost of vehicle	50,000	Estimated Life	
Garage Rent (Annual)	1,200	(miles)	1,50,000
Insurance (Annual)	400	Miles run per litre	
Road Tax (Annual)	500	(miles)	5
Driver's Wages (Monthly)	400	Estimated mileage	
Cost of Petrol (per litre)	1.40	per annum (miles)	10,000

Sundry expenses-including tyres and maintenance per mile 0.20

Ignore interest on capital.

SHORT QUESTIONS

1. From the following information, calculate daily rent for each room. Total room days are 43,200 and total cost is Rs. 86,40,000. Profit to be added 50% on Rent income.
2. Pavan Transport Company has following fleet of vehicles :

No. Vehicles	40	30	20	10
Capacity (tons)	10	8	6	5

On an average each truck makes 5 trips a day and each trip covers an average distance of 20 kms. (one way). Each truck carries weights which is only 80% of the capacity. Taking an annual average 10% of the trucks are laid down for repairs every day. Trucks runs every day in the month April. Total ton-kms. in this month.

UNIT 3 MATERIAL AND LABOUR ACCOUNTS:

LONG QUESTION

- 1.The following information relates to November 2020, Find out the labours turnover rate as per
(i) Separation method (ii) Joint method.

No. of workers at the beginning of the month	1800
No. of workers at the end of the month	2200

During the month 10 workers left, 40 workers discharged and 150 workers newly appointed of which 25 workers in place of workers who left during the year and remaining workers were employed due to expansion scheme.

SHORT QUESTIONS

1. If in a factory,
Annual consumption of material is 6,000 units
yearly cost of placing an order is Re 6 (per unit)
Carriage Exp is Rs 0.20 (per unit)
Re ordering time -4 - 6 weeks,
Weekly Maximum Consumption is 200 units & Minimum Consumption 80 units

Find out: 1. Reordering level 2. Minimum level 3.EOQ

2. Write a note on Bin Card.

UNIT 4 ACCOUNTS OF OVERHEADS

LONG QUESTION

1. Kaveri Ltd. has three production departments ; L, M and N and two service departments ; O and P.

The actual costs for a period are as follow:

PARTICULAR	₹
Rent and Rates	3,000
Lightings	360
Indirect Labour	900
Power	900
Miscellaneous Expenses	6,000

Other Information:

Particular	Production Department			Service Department	
	'L'	'M'	'N'	'O'	'P'
Light points	10	15	20	10	5
Area occupied (Sq. Mtr.)	40	30	60	40	10
Direct labour (₹)	1800	1200	1800	900	300
Horse power	60	30	50	10	--

The expenses of service departments are allocated as under:

Service Dept.	Production Dept			Service Dept.	
	'L'	'M'	'N'	'O'	'P'
A	20%	30%	40%	---	10%
B	40%	20%	30%	10%	--

Prepare statement showing apportionment of overheads to various departments and reapportionment of overheads of service department as per Repeated Distribution Method.

SHORT QUESTIONS

- (1) Write a detailed note on 'Machine Hour Rate'.
- (2) The following information is of overheads and machine hours:

Machine hours	Overhead Costs (₹)
3,500	36,750
4,000	40,000
2,000	25,000
3,000	32,500

Find the fixed cost element included in the above data.

UNIT: 5 PROCESS COSTING -1

LONG QUESTION

A Product passes through three different processes 'A', 'B' and 'C' and thereafter it is transferred to finished stock, the information is as under:

Particulars	Process-A	Process-B	Process-C
1. Units introduced (Per unit ₹20)	?	-	-
2. Actual Production (No. of units)	27,900	?	?
3. Normal Wastage (% of inputs)	4%	8%	12%
4. Sales value of wastage (per 50 units)	₹25	₹100	₹150
5. Abnormal wastage (No. of units of cost per unit ₹40)	900	Nil	-
6. Abnormal gain (No. of units)	-	Nil	632
7. Normal cost of normal output (per unit)	-	₹55	-
8. Cost of Abnormal gain (per unit)	-	-	₹80

Additional information :

- 1) Factory Overheads to be distributed as 100 percentage of direct wages in all three processes.
- 2) The abnormal wastage was 75% of the normal wastage in process 'A'.

From the above information prepare Process Accounts, Abnormal Accounts and Abnormal Gain Accounts.

SHORT QUESTIONS

1. Write a note on normal abnormal Loss / gain.
2. Explain the allocation of joint cost in process Accounts by giving example.

UNIT 6 PROCESS COSTING -2**LONG QUESTION**

1. The product of Rooju Ltd. passes through three processes namely A, B and C. Then it is transferred to finished goods stock. The information is given below for the year ended on 31.03.2012.

Particulars	Process A ₹	Process B ₹	Process C ₹	Finished Goods Stock ₹
Opening Stock	20,000	28,000	10,000	60,000
Direct Materials	30,000	42,000	76,000	-
Direct Wages	40,000	30,000	22,000	-
Factory Overheads	24,000	12,000	10,000	-
Closing Stock	10,000	12,000	8,000	30,000
Inter process profit for opening stock	-	4,000	4,000	22,000
Profit percentage on transfer price	25%	20%	20%	-

Stock in process are valued at prime cost and finished goods closing stock has been valued at a price from which it is received from Process C. Sales during the year was ₹8,00,000.

Prepare :

- (1) All Process Accounts
- (2) Finished Goods Stock Account
- (3) Statement of Actual Realised Profit.

SHORT QUESTIONS

1. Statement of equivalent production.
2. Make a three columnar process account (inter process profit) with imaginary figures.