



NUC – 04

B.Com. (Semester – V) Examination, October 2015
ACCOUNTING MAJOR – I (New Course)
Advanced Accounting – I

Duration : 2 Hours

Total Marks : 80

- Instructions :** 1) Question No. 1 is **compulsory**.
2) Attempt **any three** questions from the remaining.
3) **Each** question carries **20** marks.
4) Working note required **whenever** necessary.

1. The following is the Balance Sheet of Weak Co. Ltd. as on 31st March 2015 : **20**

Particulars	Note No.	Amount (Rs.)
I. Equity and Liabilities		
1) Share holder's Fund		
a) Share Capital	1	10,00,000
b) Reserves and Surplus	2	(5,50,000)
2) Current Liability		
a) Trade Payables		1,73,000
Total		6,23,000
II. Assets		
1) Non-current assets		
a) Fixed assets		
i) Tangible assets	3	3,98,000
2) Current assets		
a) Inventories		1,50,000
b) Trade Receivables		70,000
c) Cash and Cash Equivalentents	4	5,000
Total		6,23,000

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Notes			
Note No.	Particulars		Amount (Rs.)
1	Share Capital		
	Authorised		?
	Issued, Subscribed and paid up		
	100000 Equity shares of Rs. 10/ each		<u>10,00,000</u>
2	Reserves and Surplus Profit and loss account (Dr.)		<u>(5,50,000)</u>
3	Tangible asset		
	Plant and Machinery		2,30,000
	Land		1,00,000
	Furniture and Fittings		<u>68,000</u>
			<u>3,98,000</u>
4	Cash and Cash equivalents		
	Balance with Bank		<u>5,000</u>

The approval of the court was obtained for the following scheme of reduction of capital

- The Equity shares to be reduced to Rs. 4 per share
- Plant and Machinery to be written down to Rs. 1,50,000
- Inventories to be valued to at Rs. 1,40,000
- The provision on trade receivables for doubtful debt to be created Rs. 2,000
- Land to be revalued at Rs. 1,42,000

Pass journal entries in the books of Weak Ltd. and prepare Capital reduction account and revised Balance Sheet after reconstruction as on 31st March 2015.

2. The statement of Assets and Liabilities drawn on 31st March 2015 disclosed the following position. 20

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
10000 Shares of Rs. 10 each fully paid	1,00,000	Land and Building	84,000
Profit and Loss account	20,000	Plant and Machinery	60,000
Debentures	15,000	Furniture and fittings	5,000
Trade Creditors	20,000	5% Tax free Govt. Bonds	20,000
Provision for Taxation	9,000	Stock	2,000
Proposed Dividend	15,000	Book Debts	6,000
		Cash	2,000



The net profit of the company after charging depreciation and taxes were as follows :

2010-11 Rs. 17,000/
2011-12 Rs. 19,000/
2012-13 Rs. 18,000/
2013-14 Rs. 20,000/
2014-15 Rs. 19,000/

On 31st March 2015, the Land Building were revalued at Rs. 95,000, Plant and Machinery Rs. 71,000, and Furniture and Fittings Rs. 4,000. 10% represents a fair commercial rate of return on investment in the company.

Find out value of Goodwill based on :

- a) Five years purchase of super profits of the company
 - b) Capitalisation of super profit
 - c) Capitalisation of Future maintainable profits
3. Under the articles of a private company dealing in Wines and Tobacco, you as an auditor, have to fix annually the fair value of the equity shares. On 31st March, 2015, Company's Balance Sheet was as follows :

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Particulars	Note No.	Amount (Rs.)
I. Equity and Liabilities		
1) Shareholder's Fund		
a) Share Capital	1	5,00,000
b) Reserves and Surplus	2	7,05,000
2) Current Liabilities		
a) Trade Payables		48,000
Totals		12,53,000
II. Assets		
1) Non-current assets		
a) Fixed assets		
i) Tangible	3	88,000
2) Current Assets		
a) Current Investments	4	3,75,000
b) Inventories		4,50,000
c) Trade Receivables	5	2,80,000
d) Cash and Cash Equivalents	6	60,000
Totals		12,53,000



Notes			
Note No.	Particulars		Amount (Rs.)
1	Share Capital		
	Authorised		?
	Issued, Subscribed and Paid up		
	10000, 14% Preference Share of Rs. 10		1,00,000
	Each fully paid up		
	40000 Equity shares of Rs. 10 each		4,00,000
	fully paid up		5,00,000
2	Reserves and Surplus		
	General Reserve		1,55,000
	Profit and loss account (1-4-14)	20,000	
	Profit for 2014-15 before tax	5,30,000	5,50,000
			7,05,000
3	Tangible asset		
	Building		85,000
	Furniture		3,000
4	Current Investments		88,000
	10% Government Bonds		
	(Face Value Rs. 4,00,000)		3,75,000
5	Trade Receivables		
	Debtors		3,00,000
	Less : Provision for bad and doubtful debt		20,000
			2,80,000
6	Cash and Cash Equivalents		60,000

Additional information :

- The company's prospects for 2015-16 are equally good
- The buildings are now worth Rs. 5,65,000
- Public companies doing similar business show a profit earning capacity of 20% on market value of their shares
- Profits for the last three years have shown an increase of Rs. 50,000 annually
- Rate of tax is 30% and company transfers 15% of its profit to reserves.



4. The following are the Balance Sheets of X Ltd. and Y Ltd. as on 31st March 2015. 20

Particulars	Note No.	Amount (Rs.)	
		X Ltd.	Y Ltd.
I. Equities and Liabilities			
1) Shareholder's Fund			
a) Share Capital	1	15,00,000	6,00,000
b) Reserves and Surplus	2	7,99,360	(81,530)
2) Non-Current Liabilities			
a) Long term borrowings	3		2,00,000
3) Current Liabilities			
a) Trade Payables		2,33,070	1,01,630
Total		25,32,430	8,20,100
II. Assets			
1) Non-current assets			
a) Fixed assets			
i) Tangible assets	4	16,03,500	4,49,500
2) Current assets			
a) Inventories		5,37,340	2,52,410
b) Trade Receivables	5	2,80,630	97,850
c) Cash and Cash Equivalents	6	1,10,960	20,340
Totals		25,32,430	8,20,100

Notes

Note	Particulars	X Ltd.	Y Ltd.
1	Share Capital		
	Issued, subscribed and paid up- Equity shares of Rs. 10 each	15,00,000	6,00,000
2	Reserves and Surplus		
	Capital Reserve	-	1,50,000
	Security Premium	1,50,000	-
	General Reserve	4,70,000	-
	Cost of issue of shares (10,000)	4,60,000	-
	Profit and loss account	1,89,360	(68,470)
		7,99,360	(81,530)



3	Long term borrowings		
	10% Debentures	-	2,00,000
4	Tangible assets		
	Land and Building	5,60,000	-
	Plant and Machinery	9,42,000	-
	Machinery	-	3,60,000
	Furniture	1,01,500	89,500
		16,03,500	4,49,500
5	Trade Receivables		
	Total Trade Receivables	2,80,630	1,03,000
	Provision for Bad debt	-	(5150)
		2,80,630	97,850
6	Cash and Cash equivalents	1,10,960	20,340

The two companies agree to amalgamate and form a new company called Z Ltd. which takes over all the assets and liabilities of both the companies on 1st April 2015. The consideration is agreed at Rs. 19,50,000 and Rs. 4,80,000 for X Ltd. and Y Ltd respectively and entire amount being payable by Z Ltd. in the form of fully paid Equity shares of Rs. 10 each. Y Ltd.'s 10% Debentures are converted into indetical numbers of Z Ltd.'s 11% debentures for Rs. 2,00,000. Expenses of amalgamation amounting to Rs. 15,000 are borne by Z Ltd. Pass the necessary journal entries in the books of Z Ltd. and prepare the Balance Sheet after amalgamation.

5. The Indo Gulf Co. Ltd. sells its business to the continental Co. Ltd. as on 31st March 2015 on which date their Balance Sheet was as under. 20

Particulars	Note No.	Amount (Rs.)
I. Equity and Liability		
1) Share holder's Fund		
a) Share Capital	1	2,00,000
b) Reserves and Surplus	2	70,000
2) Non-Current Liabilities		
a) Long term borrowings	3	1,00,000
3) Current Liabilities		
a) Trade Payables		30,000
Total		4,00,000



II. Assets

1) Non-current assets		
a) Fixed assets		
i) Tangible assets	4	2,33,000
ii) Intangible assets	5	50,000
2) Current assets		
a) Inventories		35,000
b) Trade Receivables	6	32,000
c) Cash and Cash Equivalents	7	50,000
Total		4,00,000

Notes

Note No.	Particulars	Amount (Rs.)
1	Share Capital Authorised Issued, Subscribed and paid up 20000 equity shares of Rs. 10 each	 <u>2,00,000</u>
2	Reserves and Surplus General Reserve Profit and loss account (Cr) balance	 50,000 20,000 <u>70,000</u>
3	Long term borrowings 10% Debentures	<u>1,00,000</u>
4	Tangible assets Plant and tools Furniture	 1,50,000 83,000 <u>2,33,000</u>
5	Intangible assets Goodwill	 <u>50,000</u>
6	Trade Receivables Debtors Bills receivables	 27,500 4,500 <u>32,000</u>
7	Cash and cash equivalents Balance with bank	 <u>50,000</u>



The continental Company Ltd. agreed to take over all the assets except Bank and Goodwill at 10% less than the book value, to pay Rs. 75,000 for goodwill and to take over 10% Debentures and Creditors of Indo Gulf Co. Ltd. Company.

The consideration was to be discharged by the allotment to the Indo Gulf Co. Ltd. Of 15000 shares of Rs. 10 each at a premium of Rs.1 per share and the balance in cash.

The cost of the liquidation amounted to Rs. 3,000, was paid by Indo Gulf Co. Ltd.

You are require to prepare in the books of Indo Gulf Co. Ltd.

- a) Realisation account
- b) Equity share holders account
- c) Bank account
- d) Continental Co. Ltd. account

And show the calculation of purchase consideration.

6. XYZ Ltd. issued Rs. 2,00,000, 8% Debentures of Rs. 100 each at Rs. 99 on 1st July 2013. Provision has been made for a sinking fund to be established with an annual contribution of Rs. 4,000 to be made on 30th June beginning in 2014. This amount together with the income from investment received in the preceding year is to be invested annually on 1st July.

On 31st December, 2015, investments which had cost Rs. 3040 were sold realising the sum of Rs. 3,100.

The income received from sinking fund investments for the year ended 30th June 2015 and 2016 was Rs. 210 and 380 respectively.

You are required to prepare 8% Debentures account, Sinking Fund account and Sinking Fund Investments account. Ignore Debenture interest.