

B.Com. (Semester – V) Examination, October/November 2017
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** from Question No. 2 to Question No. 6.
 - 3) **Each** question carries **20** marks.
 - 4) Working note required **wherever** necessary.

1. The following is the summarized position of Assets and Liabilities of ABC Limited as at 31st March 2017 :

Liabilities	Amount Rs.	Assets	Amount Rs.
20,000 equity shares of Rs. 10/- each fully paid	2,00,000	Buildings	1,50,000
5,000, 10% Cumulative Preference shares of Rs. 10/- each fully paid	50,000	Machinery	1,30,000
8% Debentures	1,00,000	Furniture	50,000
Creditors for Goods	3,30,000	Patents	40,000
Creditors for Expenses	20,000	Stock	80,000
		Debtors	55,000
		Preliminary Expenses	10,000
		Profit and Loss Account	1,85,000
Total	7,00,000	Total	7,00,000

With the view to reconstruct the Company, it was proposed that :

- a) To reduce :
 - i) Equity shares by Rs. 9/- each
 - ii) 10% Preference shares by Rs. 4/- each
 - iii) 8% Debentures by 10%
 - iv) Trade creditor's claims by 1/3rd
 - v) Machinery to Rs. 70,000/- and
 - vi) Inventories by Rs. 10,000/-
- b) To provide Rs. 15,000/- for bad debts.
- c) To write off all the Intangible assets, preliminary expenses and profit and loss account.
- d) To raise the rate of Preference dividend to 14% and the rate of Debenture interest to 12.5%.

Assuming that the aforesaid proposal was duly approved and sanctioned by the Court, Pass the journal entries to give effect to the above transactions and prepare capital reduction account.

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2. On 1st April 2013, Fair Deal Company Ltd., issued 12% Debentures for Rs. 5,00,000/- at par redeemable at a premium of 2% after 4 years on 31st March 2017. To collect the funds for redemption the Company decided to establish a Sinking fund. Investments were made to the nearest rupee in order to earn interest @ 10% per annum. Sinking fund tables show that Rs. 0.2155 invested every year for four years @ 10% per annum will accumulate Re. 1/-.
- On 31st March 2017, the investments were sold at a loss of 1% and the Debentures were duly redeemed.
- Prepare the following ledgers for the four accounting years from 1st April, 2013 up to 31st March 2017.
- Debenture redemption fund account
 - Debenture redemption fund investment account
 - 12% debentures account for 2016-17.

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3. Ledger balances of Assets and Liabilities taken from the books of Agency Limited as on 31st March 2017 were as under :

Liabilities	Amount Rs.	Assets	Amount Rs.
10,000 6% Preference Shares of Rs. 10/- each	1,00,000	Goodwill	30,000
20,000 Equity shares of Rs. 10/- each	2,00,000	Fixed Assets	3,00,000
Reserve	10,000	Stock	80,000
Surplus A/c	20,000	Debtors	70,000
6% Debentures	1,20,000	Bank Balance	15,000
Sundry Creditors	50,000	Preliminary Expenses	5,000
Total	5,00,000	Total	5,00,000

A new company named Principal Limited was formed to acquire the business of Agency Limited, which was to be wound up.

Principal Ltd., acquired the assets of Agency Limited with the exception of Bank and took over 6% Debentures and Creditors. The creditors were paid off immediately by Principal Ltd., after the acquisition was over.

The purchase consideration was to be satisfied as follows; the Preference shareholders of Agency Limited were to be allotted six preference shares of Rs. 10/- each in Principal Ltd., for every five shares held and the Equity shareholders of Agency Ltd., were to be allotted five Equity shares of Rs. 10/- each credited as Rs. 9/- paid for every four shares held.

The expenses of Liquidation were Rs. 5,000/- were paid by Agency Ltd.

Prepare the following accounts to close the books of Agency Limited :

- Realization Account
- Equity Share holders account
- Preference Share holders account
- Principal Ltd., account.

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4. The following is the summarized list of Assets and Liabilities of Sukumar Ltd., as on 31st March 2017 :

Liabilities	Amount Rs.	Assets	Amount Rs.
Equity share capital	1,64,000	Land and Building	36,000
General Reserve	40,000	Plant	54,000
Creditors	38,040	Investments (6% Govt. Bonds)	30,000
		Stock	26,850
		Bank	75,990
		Debtors	19,200
Total	2,42,040	Total	2,42,040

The following were the net profits of the company of last three years :

For the year ended 31 st March 2015	Rs. 32,280/-
For the year ended 31 st March 2016	Rs. 36,870/-
For the year ended 31 st March 2017	Rs. 43,350/-

The above profits include income from investments Rs. 1,800/- each year. The standard / normal rate of return on Capital employed in such type of business as 10%. A casual income of Rs. 2,500/- was included in the profits of 2015 which can never be expected in the future. The profits of 2016 were reduced by Rs. 1,000/- as result of an extra ordinary loss by fire.

It was expected that due to change in the tax structure of the country, an additional amount of Rs. 2,500/- would be incurred in the future on various financial transactions. You are required to value the Goodwill of the above business with the help of the following methods. Ignore taxation.

- a) Three year's purchase of super profit
- b) Capitalization of future maintainable profit
- c) Capitalization of super profit method.

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5. The summarized position of Assets and Liabilities of Monaco Company Limited as on 31st March 2017 was as under :

Liabilities	Amount Rs.	Assets	Amount Rs.
Equity shares of Rs. 10 each fully paid	2,00,000	Goodwill	60,000
Equity shares of Rs. 5 each fully paid	1,00,000	Fixed Assets	1,00,000
General Reserve	40,000	Stock	1,20,000
Profit and Loss Account	10,000	Debtors	1,45,000
Gratuity fund	15,000	Cash	10,000
Workmen's P.F.	5,000	Prepaid Expenses	2,000
Depreciation Fund	10,000	Preliminary Expenses	3,000
Trade creditors	25,000		
Liabilities for Expenses	5,000		
Bank overdraft	30,000		
Total	4,40,000	Total	4,40,000



Mr. A holding 500 shares of Rs. 10/- and 300 shares of Rs. 5/- wants to dispose of all the shares.

Normal expectation is 10%.

Fixed assets are worth Rs. 80,000/-

Goodwill is valued at Rs. 56,866/-. Debtors are considered good except for Rs. 3,000/-. Liabilities for expenses are no longer required. On the other hand there is a claim for bonus amounting to Rs. 10,000/- and it is likely to be paid for.

Profit for the three years ending 31st March 2015, 2016 and 2017 after taxation were Rs. 35,000/-, Rs. 48,000/- and Rs. 46,000/- respectively. The rate of tax is 30%.

Find out the Intrinsic value, Yield Value and Fair Value of the above two types of shares.

6. The balances of Assets and Liabilities drawn from the final balance sheet of Delton Ltd. as on 31st March 2017 is as under :

Liabilities	Amount Rs.	Assets	Amount Rs.
1,20,000 Equity shares of Rs. 10/- each	12,00,000	Plant and Machinery	9,00,000
Capital Reserve	20,000	Furniture and fixtures	1,50,000
Bank Loan	3,60,000	Stock	4,00,000
Sundry Creditors	3,00,000	Debtors	2,20,000
		Cash at Bank	1,00,000
		Profit and Loss A/c	1,10,000
Total	18,80,000	Total	18,80,000

A new company Suraj Limited was incorporated which took over fixed assets and stock of Delton Limited for Rs. 12,60,000/- payable as to Rs. 9,00,000/- in the form of 1,80,000/- equity shares of Rs. 5/- each and Rs. 3,60,000/- in the form of 3,600, 12% mortgage debentures of Rs. 100/- each. Loan creditor accepted the debentures in Suraj Limited in discharge of the loan Sundry Debtors realized Rs. 2,05,000/-. Expenses of liquidation amounted to Rs. 8,000/- and were met by Suraj Ltd. The available cash distributed among sundry creditors in full satisfaction of their claim. Suraj Ltd. also issued 1,00,000 Equity shares of Rs. 5/- each at a premium of Rs. 2/- per share to the public of which 90,000/- shares were subscribed and fully paid up. Pass the necessary journal entries in the books of Suraj Ltd., and prepare their Balance Sheet as per schedule III of the Companies Act, 2013 showing the relevant Assets and Liabilities.