



B.Com. (Semester - V) Examination, April 2018
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 Q. No. 2 to Q. No. 6.
 - 3) **Each** question carries **20** marks.
 - 4) Mention working note required **wherever** necessary.

1. The following is the position of Assets and Liabilities as per the Balance Sheet of Peterson Ltd. as at 31st March 2017.

| Liabilities | Amount (Rs.) | Assets | Amount (Rs.) |
|----------------------|------------------|-------------------------|------------------|
| Equity share capital | 5,00,000 | Land and Building | 3,50,000 |
| Reserves | 1,70,000 | Plant and Machinery | 2,00,000 |
| Secured loans | 2,00,000 | Furniture | 50,000 |
| Short term loans | 1,00,000 | Stock | 1,50,000 |
| Creditors | 50,000 | Debtors | 1,45,000 |
| | | Less : R.D.D. | <u>20,000</u> |
| | | | 1,25,000 |
| | | Bills Receivables | 75,000 |
| | | Bank Balance | 50,000 |
| | | Preliminary Expenses | 10,000 |
| | | Underwriting Commission | 10,000 |
| Total | 10,20,000 | Total | 10,20,000 |

The company's profit before income tax were :

| Year ended 31 st March | Rs. |
|-----------------------------------|---|
| 2013 | 1,80,000/- |
| 2014 | 1,90,000/- |
| 2015 | 2,60,000/- (including Rs. 40,000/- from Speculation) |
| 2016 | 2,50,000/- (including Rs. 10,000/- on sale of Fixed Assets) |
| 2017 | 2,80,000/- |

P.T.O.



- a) Companies engaged in a similar business normally earn 15% p.a.
- b) Rate of tax may be taken at 30%.
- c) The value of Freehold property is to be ascertained on the basis of 10% return. The rental value is Rs. 50,000/-. Ignore depreciation.
- d) A claim of Rs. 8,250/- were omitted to be provided in the year 2012-13.

Calculate value of Goodwill by using the following method :

- i) Five years purchase of super profit
- ii) Capitalization of Super Profit
- iii) Capitalization of future maintainable profit.

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2. The following is the summarized position of Assets and Liabilities as per Balance Sheet of Indica Limited as on 31st March 2017.

| Liabilities | Amount (Rs.) | Assets | Amount (Rs.) |
|------------------------------|-----------------|----------------------|-----------------|
| 7500 shares of Rs. 10/- each | 75,000 | Land and Buildings | 42,000 |
| General Reserve | 15,000 | Plant and Machinery | 48,000 |
| Taxation Reserve | 22,500 | Trademarks | 7,500 |
| Workmen's Savings A/c | 11,250 | Stock | 18,000 |
| Profit and Loss A/c | 12,000 | Debtors | 33,000 |
| Sundry Creditors | 36,750 | Cash at Bank | 19,500 |
| | | Preliminary Expenses | 4,500 |
| Total | 1,72,500 | Total | 1,72,500 |

The Plant and Machinery is worth Rs. 45,000/- and Land and Buildings have been valued at Rs. 90,000/- by an independent valuer. Rs. 3,000/- of the Debtors are bad.

The profits of the company before tax have been as follows :

2014-15 — Rs. 30,000/-; 2015-16 —Rs. 33,750/-; 2016-17 — Rs. 39,750/-.

It is the practice of the company to transfer 25% of the profits to reserve. The rate of Taxation may be taken at 30%. Ignore Depreciation.

Similar companies give a return of 10% on the market value of their shares. Goodwill may be taken to be worth Rs. 60,000/-.

Find out the Yield value, Intrinsic value and the Fair value of Equity Shares. 20



3. On 1st April 2012, Reliance Ltd., issued 2000, 12% Debentures of Rs. 100/- each at a discount of 5%. These debentures were repayable on 31st March 2017 and for the purpose, a Sinking Fund was created out of profits by setting aside an amount of Rs. 15,900/- on 31st March every year which was invested in 5% Government Bonds of Government of India.

On 31st March 2017, Reliance Ltd., sold investments at a loss of Rs. 5,000/-.

You are required to prepare :

- a) Sinking Fund Account for five years
- b) 5% Government Bonds Account for five years
- c) 12% Debenture Holders account for 2016-17.

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4. Following is the summarized position of Assets and Liabilities as per Balance Sheet of Donal Limited as at 31st March 2017.

| Liabilities | Amount (Rs.) | Assets | Amount (Rs.) |
|--|------------------|----------------------|------------------|
| 2,00,000 Equity shares of Rs. 10/- each fully paid | 20,00,000 | Goodwill | 50,000 |
| Profit prior to incorporation | 25,000 | Land and Buildings | 1,50,000 |
| 12% Debentures | 5,00,000 | Plant and Machinery | 3,00,000 |
| Outstanding Debenture interest | 1,20,000 | Furniture | 80,000 |
| Loan from Bank | 55,000 | Stock | 3,50,000 |
| Creditors | 3,00,000 | Debtors | 60,000 |
| | | Cash at Bank | 10,000 |
| | | Preliminary expenses | 20,000 |
| | | Profit and Loss A/c | 19,80,000 |
| Total | 30,00,000 | Total | 30,00,000 |

The following scheme of reconstruction was executed for which the necessary sanctions were obtained from the authorities :

- 1) Equity shares are reduced to Re. 0.50 paise per share. They were then consolidated into 10,000 equity shares of Rs. 10/- each.
- 2) Debenture holders agree to forgo outstanding debenture interest. As compensation 12% debentures then were converted into 14% debentures, the amount remaining the same.



- 3) Trade payables were given the options to either accept 50% of their claim in cash in full settlement or to convert their claims into Equity shares of Rs. 10/- each. Trade payables for Rs. 2,00,000/- opted for shares in satisfaction of their claims.
- 4) To make payment to trade payables opting for cash payments, to repay bank loan and to augment working capital, the company issues 50,000 Equity shares of Rs. 10/- each at par the entire amount being payable along with applications. The issue was fully subscribed.
- 5) Land and Buildings were revalued at Rs. 2,25,000/- whereas Plant and Machinery is to be written down to Rs. 1,85,000/-. A provision amounting to Rs. 5,000/- is to be made for doubtful debts.
- Pass necessary journal entries in the books of Donald Ltd., and prepare Capital Reduction Account.

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5. Delink Company Ltd., agreed to acquire the business of Western Company Ltd., as on March 31st 2017. Given below is the summarized position of Assets and Liabilities as on 31st March 2017.

| Liabilities | Amount (Rs.) | Assets | Amount (Rs.) |
|--|------------------|------------------------|------------------|
| 60,000 Equity shares of Rs. 10/- each fully paid | 6,00,000 | Goodwill | 1,00,000 |
| General Reserve | 1,70,000 | Land and Buildings | 2,30,000 |
| Profit and Loss A/c | 1,10,000 | Plant and Machinery | 3,60,000 |
| 12% Debentures | 1,00,000 | Furniture and Fittings | 50,000 |
| Creditors | 20,000 | Inventories | 1,68,000 |
| | | Debtors | 36,000 |
| | | Cash at Bank | 56,000 |
| Total | 10,00,000 | Total | 10,00,000 |

The consideration payable by Delink Ltd., was agreed as follows :

- a) A cash payment equivalent to Rs. 2.50 for every Rs. 10/- share in Western Ltd.
- b) The issue of 90,000, Rs. 10/- Equity shares, fully paid in Delink Ltd., having an agreed value of Rs. 15/- per share.

Delink Limited also agreed to discharge the 12% debentures of Western Ltd., at a premium of 20% by allotment of its 14% debentures at 96 percent.

When computing the Purchase consideration, the directors of Delink Limited valued the following assets at values noted against them :

| | |
|------------------------|----------------|
| Land and Buildings | Rs. 7,50,000/- |
| Plant and Machinery | Rs. 3,90,000/- |
| Furniture and Fixtures | Rs. 60,000/- |
| Inventories | Rs. 1,42,000/- |

Trade receivables taken over subject to an allowance of 5% to cover doubtful debts. The cost of the liquidation of Western Limited came to Rs. 5,000/- which was borne by Delink Ltd.

Prepare in the books of Western Ltd., the following accounts :

- 1) Realization account
- 2) Delink Ltd., account
- 3) Equity shareholders account
- 4) Cash Account.

6. On 31st March 2017, the summarized list of Assets and Liabilities as per the Balance Sheet of HD Ltd., was as follows :

| Liabilities | Amount (Rs.) | Assets | Amount (Rs.) |
|--|------------------|-------------------------|------------------|
| | | Fixed Assets | 9,00,000 |
| 50,000, 12% cumulative Preference shares of Rs. 10/- each fully paid | 5,00,000 | Patents | 5,50,000 |
| 1,50,000 Equity shares of Rs. 10/- each fully paid | 15,00,000 | Stock | 4,90,000 |
| 10% Debentures | 3,00,000 | Debtors | 2,55,000 |
| Creditors | 2,00,000 | Bank Balance | 5,000 |
| | | Preliminary Expenses | 20,000 |
| | | Profit and Loss Account | 2,80,000 |
| Total | 25,00,000 | Total | 25,00,000 |



Note : Preference dividends is in arrears for 3 years.

The following scheme of external reconstruction was agreed upon :

- a) A new company to be formed called HP Limited with an authorized capital of 32,50,000/- in Equity shares of Rs. 10/- each.
- b) One Equity share Rs. 5/- paid up in the new company to be allotted for each Equity share in the old company.
- c) Two Equity shares Rs. 5/- paid up in the new company to be allotted for each Preference share in the old company.
- d) Debenture holders to receive 30,000 Equity shares in the new company credited as fully paid.
- e) Trade payables to be taken over by the new company.
- f) The remaining unissued shares to be taken up and paid up in full by the directors.
- g) The new company to take over the old company's assets except Patents subject to writing down Plant and Machinery by 2,90,000/- and Inventories by Rs. 60,000/-
- h) Patents were realized by HD Ltd., for 10,000/-.

Pass the necessary Journal entries in the books of HP Ltd., and prepare their Balance Sheet showing the relevant items of Assets and Liabilities as per Schedule III of the Companies Act, 2013.

| Assets | Amount (Rs.) | Liabilities | Amount (Rs.) |
|-------------------------|------------------|-------------------|------------------|
| Fixed Assets | 9,00,000 | 10% Debentures | 3,00,000 |
| Patents | 5,50,000 | Equity Shares | 1,50,000 |
| Stock | 4,00,000 | Preference Shares | 1,50,000 |
| Debtors | 2,50,000 | Trade Payables | 1,50,000 |
| Bank Balance | 5,000 | Trade Receivables | 1,50,000 |
| Preliminary Expenses | 50,000 | Reserves | 1,50,000 |
| Profit and Loss Account | 2,80,000 | Unissued Shares | 1,50,000 |
| Total | 25,00,000 | Total | 25,00,000 |