



SUB - 09

B.Com. (Semester – VI) Examination, April 2013
ADVANCED ACCOUNTING – II
Major – I : Financial Accounting, Auditing and Taxation

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 notes required **wherever** necessary.

1. The following balances have been extracted from the books of Aryans Ltd. as on 31st March 2013. 20

You are required to prepare Profit and Loss A/c for the year ended 31-3-2013 and Balance Sheet on that date (vertical format)

	(Rs.)
Profit and Loss Account – Debit Balance as on 1-4-2012	2,00,000
Preliminary expenses	10,000
Plant and Machinery	1,00,000
Furniture and Fixtures	20,000
Computer	15,000
Sales	20,00,000
Miscellaneous Receipts	1,20,000
Opening stock of finished goods	3,00,000
Consumption of Raw materials	9,00,000
Closing stock of material at cost	5,00,000
Bank overdraft (secured)	1,00,000

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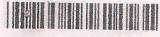


Share premium	3,60,000
Share capital (Rs. 100 each)	6,00,000
Unsecured loan	3,00,000
Sundry debtors	7,00,000
Salaries and wages	2,00,000
Office and Administration expenses	4,00,000
Selling and Distribution expenses	1,50,000
Sundry creditors	4,00,000
Outstanding expenses	15,000
Advance payment of Income Tax	3,40,000
Interim Dividend	60,000

Information :

- 1) Closing stock of finished goods at cost is Rs. 6,00,000/-
- 2) Original cost of Fixed Assets were :
Plant and Machinery Rs. 2,00,000; Furniture and Fixtures Rs. 30,000/- and computer Rs. 25,000/-
- 3) Depreciation is to be charged on written down value @ 10% on Plant and machinery and Furniture and Fixtures; and 20% on computer
- 4) The unsecured loan was taken on 1-1-2013 @ 18% Interest per annum
- 5) Provision for Income Tax Rs. 3,50,000
- 6) The Directors have proposed Final Dividend of Rs. 6/- on each equity shares in addition to interim dividend already declared.

Also prepare necessary schedule.



2. Rathor Ltd. is absorbed by Sardar Ltd. The following is the balance Sheet of Rathor Ltd. as on 31-3-2013.

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Share Capital :		Goodwill	40,000
2000 Equity shares of Rs. 100		Buildings	1,30,000
each fully paid	2,00,000	Machinery	80,000
1,000 preference shares of		Stock	60,000
Rs. 100 each fully paid	1,00,000	Sundry debtors	30,000
General Reserve	50,000	Bills Receivable	35,000
8% Debentures	20,000	Cash	5,000
Sundry Creditors	10,000		
	3,80,000		3,80,000

Sardar Ltd. has agreed :

- 1) To issue six preference shares of Rs. 100 each in Sardar Ltd. for every eight preference shares in Rathor Ltd.
- 2) To issue to the debenture holders in Rathor Ltd. Mortgage Debentures at Rs. 96 in lieu of 8% debentures in Rathor Ltd. which are to be redeemed at a premium of 20%.
- 3) To pay Rs. 25 per share in cash and to issue five equity shares of Rs. 100 each in exchange for every four equity shares held in Rathor Ltd.
- 4) To take over the Sundry creditors.

You are required to prepare in the book of Rathor Ltd.

- a) Realisation A/c
- b) Sardar Ltd. a/c
- c) Equity Shareholders Account
- d) Cash account and

Pass the opening entries in the books of Sardar Ltd.



3. On 31st March 2013, the Balance Sheet of Bigdeal Ltd. disclosed the following positions :

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capital in shares of		Goodwill	40,000
Rs. 10 each fully paid	4,00,000	Other Fixed Assets	5,00,000
General Reserve	1,90,000	Current Assets	4,00,000
Profit and Loss A/c	1,20,000		
14% Debentures	1,00,000		
Current Liabilities	1,30,000		
	9,40,000		9,40,000

On the above mentioned date, tangible fixed assets were independently valued at Rs. 3,50,000 and goodwill at Rs. 50,000.

The net profits for the three years were :

2010-11 – Rs. 1,03,200/-

2011-12 – Rs. 1,04,000/-

2012-13 – Rs. 1,03,300/-

of which 20% was placed to General Reserves. This portion being considered reasonable in the industry in which the company is engaged and where a fair return on investments may be taken at 18%. Ignore Taxation.

Compute the value of the company's share by

- Intrinsic value method
- Yield method
- Fair value method



4. The Balance Sheet of Improving Ltd. at 31st December 2012 was as follows : 20

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Share Capital		Goodwill at cost	15,000
2000, 5% cumulative preference shares of Rs. 100 each	2,00,000	Freehold premises	2,00,000
4000 equity shares of Rs. 100 each	4,00,000	Plant and Machinery	3,00,000
9% Mortgage debentures	1,00,000	Stock in trade	50,000
Bank overdraft	50,000	Debtors	40,000
Creditors	1,00,000	Profit and loss account	2,40,000
		Cash	5,000
	8,50,000		8,50,000

The company got the following scheme of capital reduction approved by the court :

- 1) The preference shares to be reduced to Rs. 75 per share fully paid up and equity shares to Rs. 40 fully paid up
- 2) The debenture holders took over stock in trade and book debts in full satisfaction of the amount due to them
- 3) The Goodwill account is to be eliminated
- 4) The value of freehold premises is to be increased by 30%
- 5) The value of plant and machinery is to be depreciated by $33\frac{1}{3}\%$
- 6) Expenses of reconstruction amounted to Rs. 3,000

Give the Journal Entries for the above and prepare the revised Balance Sheet in the books of Improving Ltd.



5. A) The following are the balances of Jodha Akbar Co. Ltd. as on 31st March 2013. 10

Debit	Amount (Rs.)	Credit	Amount (Rs.)
Premises	30,72,000	Share capital	40,00,000
Plant	33,00,000	12% debentures	30,00,000
Stock	7,50,000	Profit and Loss Account	2,62,500
Debtors	8,70,000	Bills Payable	3,70,000
Goodwill	2,50,000	Creditors	4,00,000
Cash and Bank	4,06,500	Sales	41,50,000
Interim Dividend paid	3,92,500	General Reserves	2,50,000
Calls in arrears	75,000	Bad debts provision 1-4-2012	35,000
Purchases	18,50,000		
Preliminary expenses	50,000		
Wages	9,79,800		
General expenses	68,350		
Salaries	2,02,250		
Bad debts	21,100		
Debenture interest paid	1,80,000		
	1,24,67,500		1,24,67,500

Additional Information :

- a) Depreciate plant by 15%
- b) Write off Rs. 5,000 preliminary expenses
- c) Create 5% provision on debtors for doubtful debts
- d) Provide for Income Tax @ 50%
- e) Stock on 31st March 2013 was Rs. 9,50,000 at cost. Market value of it was Rs. 10,00,000
- f) Transfer Rs. 30,000 to General Reserve

Prepare Profit and Loss account for the year ended 31-3-2013 in vertical format.



B) The following were the Balance Sheets as on 31st December 2012 of Swati Ltd. and Bhakti Ltd. 10

Liabilities	Swati Ltd.	Bhakti Ltd.	Assets	Swati Ltd.	Bhakti Ltd.
	(Rs.)	(Rs.)		(Rs.)	(Rs.)
Equity share capital (Rs. 100 per share)	10,00,000	6,00,000	Land and Building	3,00,000	-
6% debentures of Rs. 10 each	2,00,000	-	Plant and Machinery	11,00,000	5,00,000
Reserve Fund	3,40,000	-	Stock	1,60,000	80,000
Employees Provident Fund	70,000	-	Debtors	1,40,000	90,000
Creditors	1,00,000	80,000	Cash	30,000	10,000
Profit and Loss A/c	20,000	-			
	17,30,000	6,80,000		17,30,000	6,80,000

The two companies agreed to amalgamate and form a New company called Deepti Ltd. which takes over the assets and liabilities of both the companies.

- 1) The Authorised capital of Deepti Ltd. is Rs. 1,00,00,000 consisting of 10,00,000. Equity shares of Rs. 10 each.
- 2) The assets of Swati Ltd. are taken over at book value less 10% with the exception of land and buildings which are accepted at book values.
- 3) Both the companies are to receive 5% of the net valuation of their respective business as goodwill.
- 4) The entire purchase consideration is to be paid by Deepti Ltd. in its fully paid shares. In return for debentures in Swati Ltd. debentures of the same amount and denomination are to be issued by Deepti Ltd.

Calculate purchase consideration of both the companies and show opening Balance Sheet of Deepti Ltd.

6. Write short notes :

- a) Final dividend 4
- b) Future Maintainable Profit 6
- c) Pooling interest and purchase method of Amalgamation 6
- d) Capital reduction. 4

