



B.Com. (Semester - VI) Examination, April 2014
Major - I : Financial Accounting, Auditing and Taxation
ADVANCED ACCOUNTING - II

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 whenever necessary.**

1. The Trial Balance of Arbaz Limited as on 31st March 2014 is given below : **20**

Particulars	Amount (Rs.)	Amount (Rs.)
Stock on 1 st April 2013	75,00,000	
Purchases and Sales	2,35,00,000	3,40,00,000
Trade Debtors and Creditors	27,50,000	17,50,000
Wages	30,00,000	
Discount Earned		3,00,000
Carriage Inward	95,000	
Furniture and Fixtures	17,00,000	
Salaries	7,50,000	
Rent	4,00,000	
Sundry office expenses	7,05,000	
Profit and Loss appropriation account on 1 st April 2013		16,53,000
Dividend paid for 2012-13	9,00,000	
Directors fees	1,53,000	
Equity Share Capital (shares of Rs.10 each)		1,00,00,000
Plant and Machinery	29,00,000	
Balance with bank	46,20,000	
General reserve		15,50,000

P.T.O.



Patent and Trade marks	4,80,000	
Bills Receivable and Payable	5,00,000	7,00,000
Total	4,99,53,000	4,99,53,000

Prepare :

- a) Accounting note for reserve and surplus
 - b) Profit and loss statement for the year ended as per revised schedule VI, part II along with necessary accounting notes forming the part of profit and loss after taking into consideration the following adjustments :
 - 1) Stock on 31st March 2014 was valued at Rs. 79,24,000.
 - 2) Make a provision for Income tax at 31%.
 - 3) Depreciate Plant and Machinery @ 15%; Furniture and Fittings @ 10% and Patents and Trademarks @ 5%.
 - 4) On 31st March 2014, Outstanding Rent was Rs. 80,000 and Salaries Rs. 65,000.
 - 5) Provide for managerial remuneration @ 10% of net profit before tax and before such managerial remuneration.
 - 6) Transfer 10% of net profit after tax to General Reserve.
 - 7) The directors proposed a dividend @ 10% for the year 2013-14.
2. The following is the summary of assets and liabilities of Sundew Company Ltd. as at 31st March, 2014.

20

Liabilities	Amount (Rs.)	Asset	Amount (Rs.)
2,000 equity shares of Rs. 100 each	2,00,000	Premises	50,000
150 6% preference shares of Rs. 100 each	15,000	Machinery	45,000
General Reserve	60,000	Stock	25,000
100 5% Debentures of Rs. 100 each	10,000	Debtors	10,000
Sundry Creditors	15,000	Cash in hand	55,000
		Preliminary expenses	10,000
		Investment in 5% bonds	50,000
		Bank Balance	55,000



Additional Information :

- 1) Goodwill is valued at Rs. 38,000.
- 2) Premises and Machinery are to be revalued at Rs. 60,000 and Rs. 65,000 respectively.
- 3) 10% p.a. may be considered as a fair return on capital employed in the industry to which Sundew Company Ltd. belongs.
- 4) Taxation rate is 50%.
- 5) Profits after tax for the last five years were Rs. 35,000; Rs. 33,000; Rs. 37,000; Rs. 39,000 and Rs. 36,000.

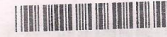
Calculate the value per equity share by :

- i) Asset Backing Method
- ii) Dividend Yield Method.

Also find out fair value per equity share.

3. The summarised Balance Sheet as on 31st March, 2014 of XYZ Limited is given below :

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
1000, Equity Shares of 100 each fully paid	1,00,000	Land and Building	65,000
8% Debentures	40,000	Machinery	22,000
Creditors	6,000	Furniture	3,000
		Stock	25,000
		Debtors	15,000
		Cash	4,000
		Profit and Loss Account	12,000
	1,46,000		1,46,000



It was decided to reconstruct the company and for this purpose a new company called ABC Limited was formed with a nominal Capital of Rs. 1,00,000 divided into 500 Cumulative Preference shares of Rs. 100 each and 500 Equity shares of Rs. 100 each to take over the Assets and Liabilities of the XYZ Ltd. on the following terms and conditions :

- 1) The debenture holders of XYZ Ltd. are to accept 400 Cumulative Preference Shares.
- 2) The shareholders of XYZ Ltd. are to receive one equity share in ABC Ltd. for every two shares held by them.
- 3) The cost of liquidation amounting to Rs. 600 is paid by the ABC Ltd.

The balance of Cumulative Preference shares have been issued to the public and were fully subscribed and paid.

You are required to prepare :

- A) In the books of XYZ Ltd.,
 - i) Realisation Account
 - ii) Equity Shareholders Account
 - iii) ABC Ltd. Account
- B) Journal in the books of ABC Ltd.

4. The summarised Balance Sheet of Lucky Ltd. is as follows :

20

Capital and Liabilities	Amount
12000, 13% Preference Shares of Rs. 50 each fully paid up	6,00,000
15000 Equity shares of Rs. 50 each, fully paid up	7,50,000
Preliminary Expenses	(10,000)
Debit balance in Profit and Loss A/c	(4,40,000)
Unsecured Loans	5,73,000
Trade Payables	2,42,000
Total	17,15,000



Assets

Building	4,00,000
Plant	2,68,000
Furniture	1,98,000
Goodwill	1,20,000
Inventories	4,00,000
Trade receivables	3,29,000
Total	17,15,000

Note : Preference dividend has been in arrears for five years.

The company had been incurring losses for a number of years. The following scheme of reconstruction has, therefore, been passed by the company and approved by the court :

- i) Equity shareholders have agreed that their Rs. 50 shares be reduced to Rs. 10 per share and they have agreed to subscribe in cash for 3 equity share of Rs. 10 each for every share held.
- ii) The preference shareholders have agreed to cancel the arrears of preference dividend and to accept for each Rs. 50 preference share, 3 new 14% preference shares of Rs. 10 each and 2 equity shares of Rs. 10 each all credited as fully paid up.
- iii) Lenders to the company amounting to Rs. 2,00,000 have agreed to convert their loan into 10000 14% preference shares of Rs. 10 each and equal number of equity shares of Rs. 10 each all credited as fully paid up.
- iv) 50% of the remaining amount of the loans and 50% of trade payable are discharged by payment in cash.
- v) The reduction in equity share capital is to be applied to write off goodwill, preliminary expenses and debit balance of Profit and Loss A/c; balance amount left if any in Capital Reduction A/c to be used to write down the value of plant.

You are required to

- 1) Pass Journal entries to implement the above mentioned scheme;
- 2) Prepare the company Balance Sheet as per revised Schedule VI (only with relevant items) immediately after reconstruction.