



B.Com. (Semester - V) Examination, April/May 2019
ACCOUNTING - MAJOR - 1 (New Course)
Advanced Accounting - I

Duration : 2 Hours

Total Marks : 80

- Instructions :**
- 1) Question No. 1 is **compulsory**.
 - 2) Attempt **any three** questions from Question No. 2 to Question No. 6.
 - 3) **Each** question carries **20** marks.
 - 4) Mention working note required **wherever** necessary.

1. The Balance Sheet of Pushkar Ltd. as on 31-3-2018 is as under :

	Particulars	Note No.	Amount (Rs.)
A	Equity and Liabilities		
1	Shareholders Fund		
	a. Share capital	1	7,00,000
	b. Reserves and surplus	2	(2,95,000)
2	Non-current Liabilities		
	Long -Term Borrowings	3	3,00,000
	Current Liabilities		
	a. Trade Payable		1,50,000
	b. Other Current Liabilities	4	30,000
	Total		8,85,000
B	Assets		
1	Noncurrent assets		
	Fixed assets	5	
	i. Tangible		3,85,000
	ii. Intangible		70,000
2	Current assets		
	a. Inventories		2,00,000
	b. Trade receivables		1,80,000
	c. Cash and cash equivalent		50,000
	Total		8,85,000

Notes to Account

1	Share capital	
	5,000 Equity shares of Rs. 100 each fully paid	5,00,000
	2,000 10% Preference Shares of Rs. 100 each	2,00,000
		7,00,000

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2	Reserves and surplus	
	Profit and Loss A/c debit balance	(2,95,000)
3	Long term borrowings	
	15% Debentures	2,00,000
	Bank Loan	1,00,000
		3,00,000
4	Other current liabilities	
	Accrued interest on 15% Debentures	30,000
5	Fixed Assets	
	Tangible	
	Freehold Premises	2,50,000
	Machinery	1,35,000
		3,85,000
	Intangible	
	Patents	70,000

The following scheme of reconstruction was passed and approved by the court :

- 1) A new company Aman Ltd. to be formed to take over the entire business of Pushkar Ltd.
- 2) Aman Ltd. to issue one Equity Share of Rs. 100, Rs. 60 paid up in exchange for every two Equity Shares in Pushkar Ltd. to the shareholders who agree with the scheme. Shareholders who do not agree with the reconstruction scheme are to be paid @ Rs. 20 per share in cash. Such shareholders held 400 Equity Shares.
- 3) Preference Shareholders to get 15, 11% Preference Shares of Rs. 10 each in exchange of 2 Preference Shares of Pushkar Ltd.
- 4) Liability in respect of 15% Debentures and accrued interest thereon to be taken over and discharged directly by Aman Ltd. by issue of Equity Shares of Rs. 100 each fully paid.
- 5) The Creditors of Pushkar Ltd. will get from Aman Ltd. 50% of their dues in cash and 25% in Equity Shares of Rs. 100 each and the balance to be forgone by them.
- 6) The Freehold Premises to be revalued at 20% more. The value of Machinery to be reduced by 33.33% and that of Debtors by 10%. The value of Stock to be reduced to Rs. 1,60,000 and Patents to have no value.
- 7) The Preliminary expenses of Aman Ltd. amounted to Rs. 5000.

Prepare :

- a) Realisation Account
- b) Equity Shareholders Account
- c) Preference Shareholders Account
- d) Aman Ltd. Account
- e) Opening Journal Entries in the books of Aman Ltd.



2. The following is the Balance Sheet of Ankush Ltd. as on 31st March 2018 :

Particulars	Note No.	Amount (Rs.)
A Equity and Liabilities		
1 Shareholders Fund		
Share Capital	1	8,50,000
2 Non-Current Liabilities		
Long -Term Borrowings	2	4,00,000
3 Current Liabilities		
a. Trade Payable		6,00,000
b. Other Current Liabilities	3	1,50,000
Total		20,00,000
B Assets		
1 Non- current assets		
Fixed assets	4	
i. Tangible		8,00,000
ii. Intangible		2,00,000
2 Current assets		
a. Inventories		3,00,000
b. Trade receivables		4,00,000
c. Cash and cash equivalent		3,00,000
Total		20,00,000
Notes to Account		
1 Share capital		
85,000 Equity shares of Rs. 10 each fully paid		8,50,000
2 Long term borrowings		
Bank Loan		4,00,000
3 Other current liabilities		
Liabilities for expenses		1,50,000
4 Fixed Assets		
Tangible		
Land and building		4,00,000
Plant and machinery		4,00,000
		8,00,000
Intangible		
Goodwill		2,00,000



Nilkamal Ltd. is interested in buying the business of Ankush Ltd. The average return from the particular line of business is estimated at 20%.

The pre-tax profit of the latest five years ending 31st March are :

2014- Rs. 4,00,000, 2015- Rs. 3,00,000, 2016 - Rs. 3,20,000,

2017- Rs. 3,00,000, 2018- Rs. 3,30,000

Profits for the year ended 31st March 2015 include a capital profit of Rs. 1,00,000 and for the year ended 31st March 2018 are after adjustment of Rs. 75,000 being loss by fire. An average rate of 40% is payable as income Tax.

Find out the goodwill payable by Nilkamal Ltd. based on :

- Capitalizing the Future Maintainable profits
- Five years purchase of super profit.

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3. On 1-4-2017 the following balances appeared in the books of Titanium Ltd.

Particulars	Amt.(Rs.)
10% Debentures	20,00,000
Debenture Redemption Fund	16,00,000

Debenture Redemption Investments

i) 3600 10% EDC Bonds of Rs.100 each	3,80,000
ii) 4000 12% Zuari Bridge Bonds of Rs.100 each	4,20,000
iii) 3200 15% Mandovi Bridge Bonds of Rs.100 each	3,40,000
iv) 4000 13% GED Bonds of Rs.100 each	4,60,000
Income received on Debenture Redemption Fund Investments	1,48,000
Annual contribution to Debenture Redemption	4,00,000

Titanium Ltd. sold investments during the year as follows :

- 10% EDC Bonds at par.
- 12% Zuari Bridge Bonds at Rs. 140.
- 15% Mandovi Bridge Bonds at Rs. 90.
- 13% GED Bonds at Rs,110.

On 31-3-2018 Titanium Ltd. redeemed Debentures of Rs. 16,00,000 at 5% premium. On the same date, the company purchased GIDC Bonds of Rs. 4,00,000 at a premium of 10%.

Prepare ignoring interest :

- 10% Debentures Account
- Debenture Redemption Fund Account
- Debenture Redemption Fund Investment Account.

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4. Monty Ltd. agreed to acquire the business of Lupin Ltd. as on 31-3-2018. The Balance Sheet of Lupin Ltd. as on that date was as follows :

Particulars	Note No.	Amount (Rs.)
A Equity and Liabilities		
1 Shareholders Fund		
a. Share Capital	1	6,00,000
b. Reserves and surplus	2	2,80,000
2 Non-Current Liabilities		
Long - Term Borrowings	3	1,00,000
3 Current Liabilities		
Trade Payable		20,000
Total		10,00,000
B Assets		
1 Non-current assets		
Fixed assets	4	
i. Tangible		6,40,000
ii. Intangible		1,00,000
2 Current assets		
a. Inventories		1,68,000
b. Trade receivables		36,000
c. Cash and cash equivalent	5	56,000
Total		10,00,000

Notes to Account

1 Share capital	60,000 Equity shares of Rs. 10 each fully paid	6,00,000
2 Reserves and surplus	General Reserves	1,70,000
	Profit and Loss A/c	1,10,000
		2,80,000
3 Long term borrowings	6% Debentures	1,00,000
4 Fixed Assets		
Tangible		
Land and building		3,00,000
Plant and machinery		3,40,000
		6,40,000
Intangible		
Goodwill		1,00,000
5 Cash and cash equivalent		
Cash in hand		6,000
Cash at bank		50,000
		56,000



The purchase consideration payable by Monty Ltd. was agreed as follows :

- a) A cash payment of Rs. 2.50 per share in Lupin Ltd.
- b) The issue of 90,000 Equity Shares of Rs. 10 in Monty Ltd. having an agreed value of Rs. 15 per share.
- c) The issue of such an amount of fully paid 8% Debentures of Monty Ltd. at 96% as is sufficient to discharge the 6% Debentures of Lupin Ltd. at a premium of 20%.

While computing the purchase consideration the directors of Monty Ltd. valued Land and Building at Rs. 6,00,000; Plant and Machinery at Rs. 6,00,000; Stock at Rs. 1,42,000 and Debtors at their face value subject to a reserve of 5% to cover doubtful debts.

Prepare

- a) Realisation Account
- b) Equity Shareholders Account
- c) Monty Ltd. Account in the books of Lupin Ltd. and pass journal entries in the books of Monty Ltd.

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5. Jaipan Ltd. decided with the approval of the court upon a scheme of reconstruction as on 31-3-2018. The following is the Balance Sheet as on 31-3-2018 :

Particulars	Note No.	Amount (Rs.)
A Equity and Liabilities		
1 Shareholders Fund		
a. Share capital	1	6,20,000
b. Reserves and surplus	2	(92,500)
2 Non -Current Liabilities		
Long - Term Borrowings	3	5,26,500
3 Current Liabilities		
a. Trade Payable		47,000
b. Other current liabilities	4	10,500
Total		11,11,500
B Assets		
1 Non-current assets	5	
a. Fixed assets		
i. Tangible		4,72,500
ii. Intangible		1,90,000
b. Non-current Investments	6	1,99,000
2 Current assets		
a. Inventories		1,60,000
b. Trade receivables		90,000
Total		11,11,500



Notes to Account

1 Share capital	
41,000 Equity shares of Rs. 10 each fully paid	4,10,000
21,000 6% Preference shares of Rs. 10 each	2,10,000
	6,20,000
2 Reserves and surplus	
Capital Reserves	34,000
Profit and Loss A/c debit balance	(1,26,500)
	92,500
3 Long term borrowings	
1575 8% non-convertible debentures of Rs. 100 each	1,57,500
3190 6% convertible debentures of Rs. 100 each	3,19,000
Bank loan	50,000
	5,26,500
4 Other current liabilities	
Accrued Debenture interest on 8% Non- convertible Debentures	2,975
Accrued Debenture interest on 6% convertible Debentures	7,525
	10,500
5 Fixed Assets	
Tangible	
Fixed Assets	4,72,500
Intangible	
Goodwill	1,90,000
6 Non-current Investments	
6% Investments	1,99,000

The following scheme of reconstruction was finalized :

- 1) Each 6% Convertible Debentures of Rs. 100 each is to be exchanged for Rs. 35 of Non- Convertible 6% Debentures, Rs. 50 of 7% Preference Shares and Rs. 15 of Equity Shares.
- 2) Each existing 6% Preference Shares are to be reduced to Rs. 8 of which Rs. 5 will be represented by 7% Preference Shares and Rs. 3 per Equity Shares.
- 3) Each existing Equity Shares will be written down from Rs. 10 to Rs. 3.
- 4) Both classes of Equity and 7% Preference shares are then sub- divided into shares of Re. 1 each.
- 5) The Industrial Development Corporation has agreed to apply for Rs. 1,87,500 of Equity Shares paying cash in full on application.
- 6) The Bank Loan is to be paid off.
- 7) The reduction of capital and capital reserve to be applied in eliminating fictitious assets and intangible assets; and the balance to be used in writing down Fixed Assets and 6% investments in the ratio of 3: 1.

Pass journal entries and prepare Capital Reduction Account.



6. The following is the Balance Sheet of Confidant Ltd. as on 31-3-2017 :

Particulars	Note No.	Amount (Rs.)
A Equity and Liabilities		
1 Shareholders Fund		
a. Share capital	1	50,00,000
b. Reserves and surplus	2	71,50,000
2 Current Liabilities		4,78,000
Trade Payable		
Total		1,26,28,000
B Assets		
1 Non-current assets		
a. Fixed assets	3	
Tangible		8,30,000
b. Non-current Investments		38,00,000
2 Current assets		42,50,000
a. Inventories		30,50,000
b. Trade receivables		6,98,000
c. Cash and cash equivalents		
Total		1,26,28,000

Notes to Account

1 Share capital		
50,000 Equity shares of Rs. 100 each fully paid		50,00,000
2 Reserves and surplus		
General Reserves		5,50,000
Reserve Fund		15,00,000
Profit and Loss A/c		
Balance as on 1-4-2016	8,00,000	
Profit for the year	43,00,000	51,00,000
		71,50,000
3 Fixed Assets		
Tangible		
Building		8,00,000
Plant and machinery		30,000
		8,30,000

Additional Information :

- Profits for the past five years have shown an annual increase of Rs. 2,00,000.
- The company's prospects for 2017-18 are equally good.
- Companies in similar industry earn a return of 10% on their investment.
- Building is presently worth Rs. 9,80,000 and Plant and Machinery Rs. 50,000.

Considering the above trends shown by profit, calculate the fair value of share. **20**