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**T.Y.B.Com Semester VI (CBCS) Ordinance
EXAMINATION NOVEMBER 2023
Accounting Major V-Advanced Company Accounts**

[Time: 2 Hours]

[Max. Marks:80]

Instructions:

- 1) Q. No. 1 is compulsory.
- 2) Answer any three questions from Q.No.2 to Q.No.6
- 3) Each question carries 20 marks
- 4) Figures to the right indicate maximum marks allotted.
- 5) All working notes to form part of the answer.

Q1 The following is the Balance Sheet of AMAZON LTD. as at 31st March 2019

(20 Marks)

LIABILITIES	AMOUNT(Rs.)	ASSETS	AMOUNT(Rs.)
Share Capital; 2,00,000 Equity shares of Rs.10 each fully paid up	20,00,000	Plant and machinery	9,00,000
6000 ,8% preference shares of Rs. 100 each	6,00,000	Furniture and fixtures	2,50,000
9% Debentures	12,00,000	Patents and copyrights	70,000
Bank overdraft	1,50,000	Long-Term Investments (at cost) (market value Rs.55,000)	68,000
Sundry creditors	5,92,000	Stock	14,00,000
-----	-----	Sun dry debtors	14,39,000
-----	-----	Cash and bank balance	10,000
-----	-----	Profit and Loss account	4,05,000
TOTAL	45,42,000	TOTAL	45,42,000

The following scheme of Reconstruction was finalised;

- a) Preference shareholders would give up 30% of their capital in exchange for allotment of 11% debentures to them.
- b) Debenture holders having charge on Plant and machinery would accept plant and machinery in full settlement of their dues.
- c) Stock equal to Rs. 5,00,000 in book value will be taken over by sundry creditors in full settlement of their dues.
- d) Investment value to be reduced to market price.
- e) The company would issue 11% debentures for Rs.3,00,000 and augment its working capital requirement after settlement of bank overdraft. Pass necessary Journal entries and prepare capital reduction account and balance sheet of the company after internal reconstruction.

- Q2 The statement of Assets and Liabilities drawn on 31st March 2019 disclosed the following particulars of VISION INDIA LIMITED. (20 Marks)

LIABILITIES	AMOUNT (Rs.)	Assets	AMOUNT(Rs.)
1000 Equity shares of Rs.100 each fully paid	1,00,000	Land & buildings	84,000
Profit & Loss account	20,000	Plant & machinery	60,000
Debentures	15,000	Furniture & fittings	5,000
Trade creditors	20,000	5% Govt. securities	20,000
Provision for Taxation	9,000	Stock	2,000
Outstanding Expenses	15,000	Debtors	6000
-----	-----	Cash	1000
-----	-----	Cash at bank	1000
Total	1,79,000	Total	1,79,000

The net profit after charging depreciation and taxation were as under;

2014-15- -----	Rs. 17,000
2015-16- -----	Rs. 19,000
2016-17- -----	Rs. 18,000
2017-18- -----	Rs. 20,000
2018-19- -----	Rs. 19,000

On 31st March 2019 the Land & buildings were revalued at Rs.95,000 and Plant & Machinery Rs.71,000 and Furniture and Fittings Rs.4,000. 10% represents a fair commercial rate of return on investment in the company. Assume that the entire profit during the year is withdrawn from business.

Find out the value of goodwill based on ;

1. Five years' purchase of super profits of the company
2. Capitalisation of super profit
3. Capitalisation of future maintainable profit.

- Q3 The summary of assets and liabilities of RELIANCE LIMITED as on 31st March 2019 is as follows: (20 Marks)

LIABILITIES	Amount (Rs.)	ASSETS	Amount (Rs.)
Share capital ; 1000 preference shares of Rs.100 each fully paid	1,00,000	Goodwill	40,000
2000 Equity Shares of Rs. 100 fully paid	2,00,000	Buildings	1,30,000
8 % Debentures	20,000	Plant & Machinery	80,000
Creditors	10,000	Stock	60,000
General Reserve	50,000	Debtors	30,000
-----	-----	Bills receivables	35,000
-----	-----	Cash	5,000
TOTAL	3,80,000	TOTAL .	3,80,000

On this day, Reliance Limited is absorbed by Premier Limited and agreed the following:

- To issue six preference shares of Rs.100 each in Premier Limited for every eight preference shares in Reliance Limited.
- To issue to the Debenture holders in Reliance Limited, Mortgage Debentures at Rs. 96 in lieu of 8% Debentures in Reliance limited which are to be redeemed at a premium of 20%.
- 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 Reliance limited.
- To take over all assets and liabilities.

You are required to prepare the following in the books of Reliance Limited :

- Realisation account
- Premier limited account
- Equity shareholders account
- Cash and Bank account

Also, pass opening journal entries in the books of Premier Limited. (Apply Purchase Method).

Q4 The following is the summary of Balance Sheet of AIRTEL LIMITED as on 31ST March 2019 (20 Marks)

LIABILITIES	AMOUNT (Rs.)	ASSETS	AMOUNT (Rs.)
25,000 Equity shares of Rs.10 each fully paid	2,50,000	Plant & Machinery	1,20,000
Capital Reserve	20,000	Furniture	50,000
Share premium	20,000	Stock	3,10,000
General reserve	1,19,700	Debtors	1,03,000
Profit and loss account	78,800	Cash in hand	1,700
Sinking fund	10,000	Cash at bank	2,17,000
Creditors	2,04,700	-----	-----
Provision for Tax	98,500	-----	-----
Total	8,01,700	Total	8,01,700

Additional information:

The company transfers 20% of its profits after tax to general reserve.

The net profits before taxation of the last 3 years have been as follows;

31-3-2017	Rs.1,67,500
31-3-2018	Rs.1,83,000
31-3-2019	Rs.1,97,000

Rate of taxation is 50% and the normal rate of dividend is 10%

Machinery is valued at Rs.1,40,000.

Goodwill will be valued at Rs.20,000.

Calculate the following;

1. Intrinsic value of equity share.
2. Yield value of equity share.
3. Fair value of equity share.

Q5 Following is the Trial balance of GODWIN LIMITED as on 31st March 2019.

(20 Marks)

Particulars	Debit (Rs.)	Particulars	Credit (Rs.)
Stock at cost	10,00,000	Share capital (Equity shares of Rs. 100 each)	40,00,000
Plant and Machinery	10,00,000	General reserve	1,40,000
Land & building	8,00,000	Loan from SBI (Long Term)	6,00,000
Furniture and fixtures	6,70,000	Provision for taxation	22,000
Sundry debtors	8,00,000	Net profit for the year	5,40,000
Staff advance (short term)	1,70,800	Profit & loss account(opening balance)	2,00,000
Cash in hand	1,20,000	Unsecured loans (long term)	1,00,000
Bank balance	9,88,000	Sundry creditors	2,80,000
Preliminary Expenses (to the extent not written off)	53,200	Unclaimed dividend	10,000
Advance tax	24,000	-----	-----
Bills receivables	1,16,000	-----	-----
Long term Investments (at cost)	1,50,000	-----	-----
Total	58,92,000	Total	58,92,000

Additional information;

- Transfer to general reserve Rs.60,000 and Dividend Equalisation Reserve Rs. 40,000
- Directors recommend 6% dividend.
- Sundry creditors include creditors for goods Rs.2,10,000, while remaining are for expenses.
- Loan from SBI is secured against stock.
- Market value of Investments is Rs.1,68,000 while its face value is Rs.1,20,000.
- Ignore previous year's figures and corporate dividend tax.
- Out of debtors, debts due for more than six months were Rs.1,50,000.

Prepare Balance sheet of GODWIN LIMITED as on 31st March 2019 as per the schedule III of Companies Act.

Q6 The summary of assets and liabilities of P Limited as at 31st March 2019 is as follows. (20 Marks)

Liabilities	Amount (Rs.)	Assets	Amount(Rs.)
Share capital ;5000 equity shares Rs.100 each	5,00,000	Freehold premises	2,50,000
2000 10 % preference shares of Rs.100	2,00,000	Plant & machinery	1,35,000
Reserves & surplus ; Profit & Loss account	(2,95,000)	Patent rights	70,000
15% Debentures	2,00,000	Inventories	2,00,000
Short – term borrowings (unsecured loans)	1,00,000	Debtors	1,80,000
Creditors	1,50,000	Cash at bank	50,000
Accrued interest on debentures	30,000		
TOTAL	8,85,000	TOTAL	8,85,000

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

- A new company was formed called PK limited to take over the entire business of P limited
 - PK limited to issue one equity share of Rs.100, RS.60 paid up in exchange of every two shares in P limited to the shareholders who agree with the scheme. Shareholders who do not agree with the scheme are to be paid @Rs.20 per share in cash. Such shareholders hold 400 equity shares.
 - Preference shareholders to get 15,11% preference shares of Rs.10 each in exchange of 2 preference shares of P Limited.
 - Liability in respect of 15% debentures and interest accrued thereon to be taken over and discharged directly by PK Limited by issue of equity shares of Rs.100 each fully paid up.
 - The creditors of P Limited will get from PK Limited 50% of their dues in cash and 25% in equity shares of Rs.100 each and the balance to be forgone by them
 - 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.
 - The preliminary expenses amounted to Rs,5000.
- You are required to prepare;
- Realisation account and PK Limited account in the books of P limited
 - Opening journal entries in the books of PK limited. (Apply Purchase Method)