



B.Com. (Semester – V) Examination, October/November 2016
Accounting – Major – I (New Course)
ADVANCED ACCOUNTING – I

Duration : 2 Hours

Total Marks : 80

- Instructions :**
- 1) Question No. I is compulsory.
 - 2) Attempt any 3 questions from Question No. II to Question No. VI.
 - 3) Each question carries 20 marks.
 - 4) Working note required wherever necessary.

I. The following is the summarized Balance Sheet of Kesari Ltd. as on 31-3-2016 **20**

Particulars	Note	Amount (Rs.)
I) <u>Equity and Liabilities :</u>		
1) Shareholders' Funds		
a) Share Capital	1	3,50,000
b) Reserves and Surplus		(52,500)
2) <u>Current Liabilities :</u>		
Trade Payables		1,75,000
Total		<u>4,72,500</u>
II) <u>Assets :</u>		
1) <u>Non Current Assets :</u>		
<u>Fixed Assets</u>		
Tangible	2	2,62,500
Intangible	3	63,000
2) <u>Current Assets :</u>		
Inventories		87,500
Trade Receivables		59,500
Total		<u>4,72,500</u>

**Notes :**

Particulars	Amount (Rs.)
1) <u>Share Capital</u>	
3500 Shares of Rs. 100 each	<u>3,50,000</u>
2) <u>Tangible Fixed Assets :</u>	
Building	1,05,000
Machinery	1,57,500
	<u>2,62,500</u>
3) <u>Intangible Fixed Assets</u>	
Goodwill	63,000

On the above date, the following scheme of Reconstruction was agreed upon

- 1) A new company to be formed called Veena Ltd. with an Authorized capital of Rs. 8,75,000 in shares of Rs. 100 each to take over the assets and liabilities of Kesari Ltd.
- 2) 3500 shares of Rs. 100 each, Rs. 60 paid up in Veena Ltd. to be issued to shareholders in the Old Company.
- 3) The Goodwill to be written off fully and Machinery and stock to be written down by 10% each.
- 4) The balance of Rs. 40 per share to be paid in cash by the shareholders.
- 5) The creditors to be satisfied by payment to them of Rs. 70,000 in cash and debentures to be issued for the remaining balance by Veena Ltd.

Pass necessary Journal entries in the books of Veena Ltd. and prepare their opening Balance Sheet as per Schedule III. Also show the calculation of Purchase Consideration.

- II. Following is the summarized Statement of Assets and Liabilities of Neptune Ltd. as on 31st March, 2016.

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Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Share Capital		Plant and Machinery	9,00,000
200000 Equity Shares of			
Rs. 10 each fully paid up	20,00,000	Furniture and Fixtures	2,50,000
6000, 8% Preference Shares		Patents and Copyrights	70,000



of Rs. 100 each	6,00,000	Investments (at cost)	68,000
9% Debentures	12,00,000	(Market value Rs. 55,000)	
Bank Overdraft	1,50,000	Stock	14,00,000
Sundry Creditors	5,92,000	Sundry Debtors	14,39,000
		Cash and Bank balance	10,000
		Profit and Loss A/c	4,05,000
	45,42,000		45,42,000

The following scheme of Reconstruction was finalized :

- 1) Preference Shareholders would give up 30% of their capital in exchange for allotment of 11% Debentures to them.
- 2) Debenture holders having charge on Plant and Machinery would accept Plant and Machinery in full settlement of their dues.
- 3) Stock worth Rs. 5,00,000 will be taken over by Sundry Creditors in full settlement of their dues.
- 4) Investment value to be reduced to market price.
- 5) The company would issue 11% Debentures of Rs. 3,00,000 to pay its bank overdraft and raise working capital.

You are required to pass Journal Entries, prepare Capital Reduction account and Bank account in the books of Neptune Ltd.

III. Following is the summarized statement of Assets and Liabilities of Samrat Ltd. as on 31st December 2016.

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Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Share capital		Goodwill	50,000
10000 equity shares of		Land and Building	1,50,000
Rs. 10 each	1,00,000	Plant and Machinery	1,00,000
1000 12% Preference		Investment in 10%	
Shares of Rs. 100 each	1,00,000	Govt. Bonds (Nominal value	
Reserve Fund	60,000	Rs. 50,000; Market value	
Profit and Loss A/c	40,000	Rs. 52,000)	47,425



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15% debentures	1,00,000	Stock in trade	60,000
Trade creditors	80,000	Trade debtors	40,000
		Cash at bank	10,000
		Preliminary expenses	22,575
	4,80,000		4,80,000

Additional Information :

1) Assets are revalued as under –

Land and Building	Rs. 3,20,000
Plant and Machinery	Rs. 1,80,000
Stock in trade	Rs. 45,000
Trade debtors	Rs. 36,000

2) Average profit of the company before tax is Rs. 1,20,000 and 12½% of profit is transferred to Reserve Fund, rate of Taxation being 50%.

3) Normal dividend expected on equity shares is 8%, whereas fair return on capital employed is 10%.

4) Goodwill may be considered at Rs. 31,575.

Calculate the value of each equity share as per Intrinsic, Yield and Fair value method.

IV. Abhir Ltd. agrees to absorb the business of Sai Ltd. as on 31st March 2016 and to take over the Assets and Liabilities in exchange for which it is to issue 7 shares of Rs. 10 each fully paid for every share of Rs. 50 each in Sai Ltd. The expenses of absorption of Rs. 11,000 are paid by Abhir Ltd.

The following is the summarized Balance Sheet of Sai Ltd. as on 31st March 2016.

Particulars	Note	Amount (Rs.)
I) <u>Equity and Liabilities</u>		
1) Shareholder's Funds		
Share Capital	1	4,40,000
Reserves and Surplus	2	1,21,000



2) Current Liabilities

Trade Payables	3	88,000
Others	4	55,000
Total		<u>7,04,000</u>

II) **Assets**

3) Non-Current Assets

Fixed Assets

Tangible	5	4,62,000
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4) Current Assets

Inventories		1,10,000
Trade Receivables	6	1,21,000
Cash and Cash Equivalent		11,000
Total		<u>7,04,000</u>

Notes :

Particulars	Amount (Rs.)
1) <u>Share Capital</u>	
8800 Equity Shares of Rs. 50 each fully paid	<u>4,40,000</u>
2) <u>Reserve and Surplus</u>	
Reserve Fund	66,000
Profit and Loss A/c	33,000
Contingency Reserve	22,000
	<u>1,21,000</u>
3) Trade Payables – (Creditors)	<u>88,000</u>
4) <u>Other Current Liabilities</u>	
Employee Saving Bank Deposits	<u>55,000</u>
5) <u>Tangible Fixed Assets</u>	
Building	3,30,000
Machinery	1,32,000
	<u>4,62,000</u>



6) <u>Trade Receivables</u>	88,000
Sundry Debtors	33,000
Bills Receivable	
	<u>1,21,000</u>

In the books of Sai Ltd., prepare :

- 1) Realization A/c
- 2) Abhir Ltd. A/c
- 3) Equity Share in Abhir Ltd. Account
- 4) Equity Shareholders A/c.

Also show calculation of Purchase Consideration.

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V. Following are the balances of Assets and Liabilities extracted from the Final Balance Sheet of Vijaya Ltd., as at 31st March 2016.

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
3750 Equity Shares of Rs. 100 each fully paid	3,75,000	Goodwill at Cost	52,500
Profit and Loss A/c	90,000	Land and Building	1,50,000
Sundry Creditors	1,35,000	Plant and Machinery	1,40,000
Provision for Taxation	90,000	Stock	2,40,000
Bank Overdraft	30,000	Sundry Debtors	1,27,500
		Bank	10,000

The Company commenced its operation in the year 2011.

The Profits earned before providing for Taxation are :

2011-12 – Rs. 93,000

2012-13 – Rs. 97,500

2013-2014 – Rs. 1,05,000

2014-2015 – Rs. 1,25,000

2015-2016 – Rs. 1,52,500

Assuming the tax rate is 40% and 15% is the fair return on capital employed in such type of Industry, find out the value of goodwill of the business by

- 1) Capitalization of FMP
- 2) 3 years purchase of super profits.



VI. The following balances appeared in the books of Bharat Ltd. on 1st April 2015. **20**

9% Debentures Rs. 2,50,000

Debentures Redemption Reserve Rs. 1,80,000

(represented by Rs. 2,00,000, 10% Government Stock)

The annual contribution to the Debenture Redemption Reserve was Rs. 50,000 made on 31st March each year. On 31st March 2016, balance at Bank before the receipt of interest was Rs. 70,000.

On the same date, all the investments were sold at Rs. 1,90,000 and the debentures were duly redeemed.

Prepare :

- 1) Debentures Redemption Reserve A/c.
 - 2) Debentures Redemption Reserve Investment A/c
 - 3) 9% Debentures A/c
 - 4) Debentures holders A/c and
 - 5) Bank A/c.
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