

**B.Com. (Semester – V) Examination, October/November 2018**  
**ACCOUNTING (Major – I)**  
**Advanced Accounting – I**

Duration : 2 Hours

Total Marks : 80

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

1. The extract of the Balance Sheet of Archana Industries Ltd. on 31-3-2018 was as follows :

	Particulars	Note no.	Amount
<b>A</b>	<b>Equity and Liabilities</b>		
<b>1</b>	<b>Shareholders Fund</b>		
	a) Share Capital	1	6,00,000
	b) Reserves and surplus	2	(2,45,000)
<b>2</b>	<b>Non Current Liabilities</b>		
	a) Long term borrowings	3	1,00,000
<b>3</b>	<b>Current Liabilities</b>		
	a) Trade payable		75,000
	b) Other current liabilities		1,00,000
	<b>Total</b>		<b>6,30,000</b>
<b>B</b>	<b>ASSETS</b>		
<b>1</b>	<b>Non current assets</b>		
	a) Fixed assets	4	
	i) Tangible		5,00,000
	ii) Intangible		15,000
<b>2</b>	<b>Current assets</b>		
	a) Inventories		50,000
	b) Trade receivables		40,000
	c) Cash and cash equivalent		25,000
	<b>Total</b>		<b>6,30,000</b>

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## Notes to Account

1	<b>Share capital</b>	
	4,000 Equity shares of Rs. 100 each	4,00,000
	2,000 5% preference shares of Rs. 100 each	2,00,000
		<b>6,00,000</b>
2	<b>Reserves and surplus</b>	
	Profit and Loss A/c (debit balance)	<b>(2,45,000)</b>
3	<b>Long term borrowings</b>	
	6% Mortgage debentures	1,00,000
4	<b>Fixed assets</b>	
	<b>Tangible assets</b>	
	Freehold property	2,00,000
	Plant and Machinery	3,00,000
		<b>5,00,000</b>
	<b>Intangible assets</b>	
	Goodwill	<b>15,000</b>

The following scheme of capital reduction was approved by the court of law :

- 1) The 5% preference shares to be reduced by Rs. 25 per share.
- 2) Equity shares to be reduced to Rs. 37.50 per share.
- 3) The debenture holders took over inventories and trade receivable in full satisfaction of the amount due to them.
- 4) The goodwill and Profit and Loss A/c are to be eliminated.
- 5) The freehold properties to be depreciated by 50%.
- 6) The value of plant and machinery to be increased by Rs. 50,000.

Pass necessary journal entries in the books of Archana Industries Ltd. and prepare Capital Reduction Account and Balance Sheet after reduction. 20

2. The following is the summarized Balance Sheet of Prospect Ltd. as on 31<sup>st</sup> March 2018.

A	Particulars	Note no.	Amount
	<b>Equity and liabilities</b>		
1	<b>Shareholders Fund</b>		
	a) Share Capital	1	12,00,000
	b) Reserves and surplus	2	4,20,000

<b>2</b>	<b>Non Current Liabilities</b>		
	a) Long term borrowings	<b>3</b>	2,00,000
<b>3</b>	<b>Current Liabilities</b>		
	a) Trade payable		1,50,000
		<b>Total</b>	<b>19,70,000</b>
<b>B</b>	<b>ASSETS</b>		
<b>1</b>	<b>Non current assets</b>		
	a) Fixed assets		
	i) Tangible	<b>4</b>	9,00,000
<b>2</b>	<b>Current assets</b>		
	a) Current investments	<b>5</b>	1,20,000
	b) Inventories		4,60,000
	c) Trade receivables		3,90,000
	d) Cash and cash equivalent		1,00,000
		<b>Total</b>	<b>19,70,000</b>

**Notes to Account**

<b>1</b>	<b>Share capital</b>	
	Equity shares of Rs. 100 each	<b>12,00,000</b>
<b>2</b>	<b>Reserves and surplus</b>	
	Profit and Loss A/c	1,20,000
	General Reserve	3,00,000
		<b>4,20,000</b>
<b>3</b>	<b>Long term borrowings</b>	
	6% debentures	<b>2,00,000</b>
<b>4</b>	<b>Fixed assets</b>	
	<b>Tangible</b>	
	Building	4,00,000
	Plant and Machinery	3,50,000
	Furniture	1,50,000
		<b>9,00,000</b>
<b>5</b>	<b>Current Investments</b>	
	6% Government Securities FV 1,00,000	<b>1,20,000</b>

Average annual profit before taxation for the immediately preceding year is Rs. 5,12,000. Rate of income tax is 50%. Normal return is 10% of capital employed. All assets are worth book value, except building which is valued at Rs. 5,40,000.

Calculate value of goodwill by using the following methods.

- i) Four years purchase of super profit.
- ii) Capitalization of future maintainable profit.



3. The following balances appeared in the books of Chetan Ltd. on 1<sup>st</sup> April 2017 :

12% debentures	Rs. 7,75,000
Debenture sinking fund	Rs. 6,00,000
Debenture sinking fund investment (represented by 10% secured bonds of Government of India)	Rs. 6,00,000

The annual contribution to debenture sinking fund was Rs. 1,40,000 made on 31<sup>st</sup> March each year. On 31<sup>st</sup> March 2018, balance at bank before receipt of interest on investment was Rs. 3,40,000. On the same date, the company sold the investments at Rs. 5,75,000 and the debentures were duly redeemed.

You are required to prepare the following accounts for the year 2017 –18

- 12% Debentures Account
- Debenture sinking Fund Account
- Debenture sinking Fund Investment Account
- Debenture holders Account
- Bank Account.

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4. Dev Ltd. is absorbed by Anand Ltd. The following is the summarized Balance Sheet of Dev Ltd. as on 31<sup>st</sup> March 2018.

	Particulars	Note no.	Amount
<b>A</b>	<b>Equity and Liabilities</b>		
<b>1</b>	<b>Shareholders Fund</b>		
	a) Share Capital	1	3,00,000
	b) Reserves and surplus	2	50,000
<b>2</b>	<b>Non Current Liabilities</b>		
	a) Long term borrowings	3	20,000
<b>3</b>	<b>Current Liabilities</b>		
	a) Trade payable		10,000
	<b>Total</b>		<b>3,80,000</b>
<b>B</b>	<b>ASSETS</b>		
<b>1</b>	<b>Noncurrent assets</b>		
	a) Fixed assets	4	
	Tangible		2,10,000
	Intangible		40,000
<b>2</b>	<b>Current assets</b>		
	a) Inventories		60,000
	b) Trade receivables		65,000
	c) Cash and cash equivalent		5,000
	<b>Total</b>		<b>3,80,000</b>



**Notes to Account**

<b>1</b>	<b>Share capital</b>	
	2,000 Equity shares of Rs. 100 each fully paid	2,00,000
	1,000 7% preference shares of Rs. 100 each fully paid	1,00,000
		<b>3,00,000</b>
<b>2</b>	<b>Reserves and surplus</b>	
	General reserve	50,000
<b>3</b>	<b>Long term borrowings</b>	
	8% debentures	20,000
<b>4</b>	<b>Fixed assets</b>	
	<b>Tangible</b>	
	Land and building	1,30,000
	Plant and Machinery	80,000
		<b>2,10,000</b>
	<b>Intangible</b>	
	Goodwill	40,000

Anand Ltd. has agreed :

- 1) To issue six 9% preference shares of Rs. 100 each in Anand Ltd. for every eight 7% preference shares in Dev Ltd.
- 2) 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 Dev Ltd.
- 3) To issue to the debenture holders in Dev Ltd. 6% Mortgage Debentures at Rs. 96 in lieu of 8% debentures in Dev Ltd. which are to be redeemed at a premium of 20%.
- 4) To take over the trade payable.

You are required to prepare in the books of Dev Ltd. Realization A/c, Anand Ltd. A/c, Equity Shareholders A/c, Preference Shareholders A/c, Cash A/c and pass the opening entries in the books of Anand Ltd.

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5. The following is the summarized Balance Sheet of Neelam Ltd. as at 31<sup>st</sup> March 2018.

	<b>Particulars</b>	<b>Note no.</b>	<b>Amount</b>
<b>A</b>	<b>Equity and Liabilities</b>		
<b>1</b>	<b>Shareholders Fund</b>		
	a) Share Capital	1	5,00,000
	b) Reserves and surplus	2	4,97,000

2	<b>Current Liabilities</b>		4,09,400
	a) Trade payable		1,97,000
	b) Short term provisions	3	
		<b>Total</b>	<b>16,03,400</b>
<b>B</b>	<b>ASSETS</b>		
1	<b>Noncurrent assets</b>		
	a) Fixed assets		
	i) Tangible	4	3,40,000
2	<b>Current assets</b>		
	a) Inventories		6,20,000
	b) Trade receivables		2,06,000
	c) Cash and cash equivalent		4,37,400
		<b>Total</b>	<b>16,03,400</b>

**Notes to Account**

1	<b>Share capital</b>		
	50,000 Equity shares of Rs. 10 each fully paid		5,00,000
2	<b>Reserves and surplus</b>		
	Profit and Loss A/c		1,57,600
	Share premium		1,00,000
	General reserve		2,39,400
			<b>4,97,000</b>
3	<b>Short term provisions</b>		
	Provision for taxation		1,97,000
4	<b>Tangible Fixed assets</b>		
	Machinery		2,40,000
	Furniture		1,00,000
			<b>3,40,000</b>

The company transfers 20% of its profits (After tax) to General reserve. Net profits before taxation of the latest three years have been as follows :

Year ended 31<sup>st</sup> March 2016 Rs. 3,35,000

Year ended 31<sup>st</sup> March 2017 Rs. 3,66,000

Year ended 31<sup>st</sup> March 2018 Rs. 3,94,000

Rate of taxation is 50% and normal rate of return is 10%. Machinery is valued at Rs. 2,80,000 and Goodwill may be taken at Rs. 40,000.

Calculate fair value of equity share.

6. Geeta Ltd. and Anjali Ltd. agreed to merge by transferring their undertakings to a new company Geetanjali Ltd. formed for that purpose. The summarized balance sheets as on 31<sup>st</sup> March 2018 is given below :

Particulars		Note no.	Geeta Ltd.	Anjali Ltd.
<b>A</b>	<b>Equity and liabilities</b>			
<b>1</b>	<b>Shareholders Fund</b>			
	a) Share capital	1	6,00,000	2,50,000
	b) Reserves and surplus	2	5,00,000	4,30,000
<b>2</b>	<b>Current liabilities</b>			
	a) Trade payable		2,15,800	1,26,800
	<b>Total</b>		<b>13,15,800</b>	<b>8,06,800</b>
<b>B</b>	<b>Assets</b>			
<b>1</b>	<b>Noncurrent assets</b>			
	a) Fixed assets			
	i) Tangible	3	6,80,000	3,00,000
<b>2</b>	<b>Current assets</b>			
	a) Current investment			1,00,000
	b) Inventories		1,11,000	89,500
	c) Trade receivables		88,000	64,000
	d) Cash and cash equivalent		4,36,800	2,53,300
	<b>Total</b>		<b>13,15,800</b>	<b>8,06,800</b>

### Notes to Account

Geeta Ltd.      Anjali Ltd.

<b>1</b>	<b>Share capital</b>		
	60,000 Equity shares of Rs. 10 each fully paid	6,00,000	
	25,000 Equity shares of Rs. 10 each fully paid		2,50,000
<b>2</b>	<b>Reserves and surplus</b>		
	Profit and Loss A/c	1,10,000	1,60,000
	General reserves	3,90,000	1,20,000
	Capital reserve		1,50,000
		<b>5,00,000</b>	<b>4,30,000</b>



### 3 Fixed Assets

#### Tangible

Freehold property	3,60,000	1,20,000
Plant and Machinery	3,20,000	1,80,000
	<b>6,80,000</b>	<b>3,00,000</b>

It is agreed :

- 1) That the freehold properties and plant and machinery be revalued as follows :

	Geeta Ltd.	Anjali Ltd.
Freehold property	4,48,000	1,44,000
Plant and machinery	3,05,700	1,72,950

- 2) That the value of inventories be reduced by 10% and a provision of 12½ % be made on trade receivable for bad and doubtful debts.
- 3) Goodwill is to be valued at Rs. 1,68,400 in case of Geeta Ltd. and Rs. 1,00,000 in case of Anjali Ltd.
- 4) Purchase consideration is to be settled in equity shares.

You are required to :

- Calculate the purchase consideration of Geeta Ltd. and Anjali Ltd.
- Pass necessary journal entries in the books of Geetanjali Ltd.
- Prepare the Balance Sheet of Geetanjali Ltd. after amalgamation. **20**