

Vidya Vikas Mandal's
Shree Damodar College of Commerce & Economics, Margao-Goa
TY B.Com, Semester-VI(CBCS), Repeat Semester End Examination, November 2022
Advanced Company Accounts(COD117)
Accounting DSE 5

Duration: 2hrs

Max Marks: 80

Instructions:

- 1) Start each question on fresh page.
- 2) Figures to the right indicate maximum marks.
- 3) *Question no.1 is compulsory*
- 4) *Answer any 3 questions from question no.2 to question no.6*

1. Following is the trial balance of ECL Limited as on 31st March 2022.

(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
Fixed Assets (Net Block)	24,70,000	General Reserve	1,40,000
Sundry Debtors	8,00,000	Loan from ICICI Bank (long term)	6,00,000
Staff advances (short term)	1,70,800	Provision for taxation	22,000
Cash in hand	1,20,000	Net profit for the year	5,40,000
Bank balance	9.88.000	Profit & Loss Account (Opening balance)	2,00,000
Marketable Investments	53,200	Unsecured loans (long term)	1,00,000
Advance tax	24,000	Sundry Creditors	2,80,000
Bills Receivables	1,16,000	Unclaimed dividend	10,000
Investments (long term)	1,50,000		
TOTAL	58,92,000	TOTAL	58,92,000

Additional information:

1. Transfer to general reserve Rs.1,00,000.
2. Out of the debtors, debts due for more than six months were Rs. 1,04,000.
3. Sundry creditors included Creditors for Goods Rs. 2,10,000 while the remaining are for expenses.
4. Loan from ICICI Bank is secured against stock.
5. Market value of investments is Rs. 1,56,000 while the face value is Rs. 1,20,000.

Prepare Balance Sheet of ECL Limited for the year ended 31st March 2022.

2. The following is the Balance Sheet of Suchi Ltd. as on 31st March 2022.

Liabilities	Amt (Rs.)	Assets	Amt (Rs.)
10,000 Shares of Rs. 10 each	1,00,000	Land & Building	55,000
General Reserve	10,000	Plant & Machinery	65,000
Sinking Fund	10,000	Bills Receivable	10,000
Profit & Loss A/c	16,000	Stock	24,000
Workmen Saving Account	15,000	Debtors	44,000
Provision for Taxation	30,000	Cash & Bank	26,000
S. Creditors	49,000	Preliminary Expenses	6000
	2,30,000		2,30,000

Further Information:

1. The Plant & Machinery is worth Rs. 60,000 and Land & Building is valued at Rs.1,20,000. Goodwill is valued at Rs. 56,000.
2. Similar companies give a yield of 10% on the market value of their shares.
3. The profits of the company have been as follows: 2019- 60,000, 2020- 65000 & 2021- 73,000.
4. It is the companies practice to transfer 25% of the divisible profits to reserves.
5. Tax is @50%

Find out the value of shares under a. Intrinsic Value Method b. Dividend Yield Method c. Fair Value Method. (20 Marks)

3. The following is the extract of the Balance Sheet of Ben Ltd. as on 31st March 2022.

Liabilities	Amt.(Rs.)	Assets	Amt. (Rs.)
Equity shares of Rs 10 each	7,00,000	Fixed Assets	15,00,000
13% Cumulative Preference shares of Rs 100 each	1,00,000	Current Assets	35,00,000

8% Debentures of Rs 100 each	3,00,000	Profit and Loss A/c	3,00,000
Provision for Taxation	3,00,000		
S. Creditors	39,00,000		
	53,00,000		53,00,000

The following scheme of reconstruction is sanctioned:

- Fixed assets are to be written down by Rs 5,00,000
- Current assets are to be revalued at Rs 27,00,000
- The taxation liability of the company is settled at Rs 4,00,000
- One of the creditors of the company to whom the company owes Rs 25,00,000 decides to forgo 50% of his claim. He is allotted 1,00,000 equity shares of Rs 5 each in part satisfaction of the balance of his claim.
- The rate of interest on debentures is increased to 11%. The debenture holders surrender their existing debenture of Rs 100 each and exchange the same for fresh debenture of Rs 75 each.
- The existing equity and preference shares are reduced to Rs 5 and Rs 75 each respectively.

Pass necessary Journal Entries and prepare Balance Sheet after reconstruction. (20 Marks)

4. Following is the summarized Balance Sheet of Aju Ltd. as on 31st March 2022.

Liabilities	Amt (Rs.)	Assets	Amt (Rs.)
5000 Shares Rs. 100 each	5,00,000	Goodwill	1,25,000
Reserves	1,50,000	Land & Building	180000
Workmen's Compensation Fund	25,000	Less: Depreciation	<u>36000</u>
Workmen's Profit Sharing Fund	45,000	Plant & machinery	240000
Profit & loss Account	150000	Less: Depreciation	<u>40000</u>
Creditors	230000	Investments (to provide for replacement of P & M)	1,00,000

Other Liabilities	1,00,000	Book Debts	360000	
		Less: RDD	<u>30000</u>	3,30,000
		Stock		2,00,000
		Cash at Bank		75,000
		Preliminary expenses		26,000
	12,00,000			12,00,000

Further Information:**(20 Marks)**

The profit earned by the company for the past 3 years were 2019- 310000, 2020-273000, 2021-290000. The profits given are profits before tax, which was 50% throughout.

Anju Ltd. had been carrying on business for the past several years. The company is to be taken over by another company and for this purpose you are required to value goodwill by **Capitalization of Future Maintainable Profits method**. For this purpose the following additional information is available.

- The new company expects to carry on business with its own board of directors, without any addition. The director's fees paid by Anju Ltd. to its directors amounted to Rs. 9000 per year.
 - The new company expects a large increase in volume of business and therefore will have to take an additional office for which it will have to pay extra rent of Rs. 12000 per year.
 - As on 31st March 2022 Land & Building were worth Rs. 300000. Whereas Plant & Machinery were worth only Rs. 180000. There is sufficient provision for doubtful debts. There is no fluctuation in the values of investments and stock.
 - Liability under workmen's compensation fund was only Rs. 5000.
 - The expected rate of return on similar business may be taken at 12%.
- You are required to value goodwill by **Capitalization of Future Maintainable Profits method** according to the above information.

5. The following is the extract of Trial balance of Vishal Limited as on 31st March 2022.

(20 Marks)

PARTICULARS	AMOUNT (Rs.)
Sales	1,20,00,000
Opening stock of raw material	10,00,000
Opening stock of finished goods	5,00,000
Purchase of raw material	27,00,000
Purchase returns	2,00,000
Sales returns	20,00,000
Interest received on fixed deposits	5,00,000

Miscellaneous income	4,00,000
Freight on raw materials	30,000
Salaries & Wages	4,00,000
Bonus to employees	80,000
Directors remuneration	8,00,000
Depreciation on Plant & Machinery	3,00,000
Depreciation on Land & Buildings	5,00,000
Depreciation on furniture	1,00,000
Interest paid on Debentures	5,00,000
Interest on loan from Bank of Baroda	2,00,000
Repairs & maintenance expenses	80,000
Insurance premium paid on office premises	30,000
Electricity charges	40,000
Rent, rates, and taxes	20,000
Audit fees	50,000
Advertisement expenses	1,20,000
Sundry expenses	10,000

Additional Information :

- 1) Closing stock of raw materials & finished goods was Rs. 5,00,000 and Rs. 6,00,000 respectively .
- 2) Outstanding electricity charges and rent, rates & taxes were Rs.10,000 and Rs.30,000 respectively
- 3) Miscellaneous income receivable was Rs. 10,000
- 4) Rs. 50,000 to be provided for bad and doubtful debts
- 5) Prepaid advertisement expenses were Rs.20,000
- 6) Make a provision for income tax of Rs. 2,00,000

Prepare Statement of Profit & Loss for the year ended 31st March 2022 as per the schedule III of Companies Act 2013.

6. A) The extract of the balance sheet of Archana Industries Ltd on 31.3.2022 was as follows:

Liabilities	Amt (Rs.)	Assets	Amt (Rs.)
4,000 Equity shares of Rs 100 each	4,00,000	Goodwill	15,000
2,000 5% Preference shares of Rs 100 each	2,00,000	Freehold Property	2,00,000

6% Mortgage Debentures	1,00,000	Plant & Machinery	3,00,000
Bills Payable	75,000	Stock	50,000
S. Creditors	1,00,000	Bills Receivable	40,000
		Cash & Bank	25,000
		Profit & Loss A/c	2,45,000
	8,75,000		8,75,000

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 & 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.

Prepare Capital Reduction Account.

(10 Marks)

6. B) The following are the Balance Sheets of Pluto Ltd. and Venus Ltd. as on 31st March 2022.

Liabilities	Pluto Ltd. (Rs.)	Venus Ltd. (Rs.)	Assets	Pluto Ltd. (Rs.)	Venus Ltd. (Rs.)
Equity shares of Rs 100 each	1,00,000	1,20,000	Furniture	60,000	38,000
General Reserves	-	50,000	Building	70,000	1,00,000
S. Creditors	25,000	20,000	Stock	18,000	15,000
Profit & Loss A/c	-	10,000	Debtors	12,000	12,000
Loan	50,000	-	Cash & Bank	15,000	35,000
	1,75,000	2,00,000		1,75,000	2,00,000

The two companies agreed to merge and a new company Mars Ltd. is formed to take over the entire business of both the amalgamating companies.

The purchase consideration was agreed at Rs. 1,20,000 for Pluto Ltd. and 1,65,000 for Venus Ltd. to be paid in Equity Shares of Rs. 100 each.

Show the calculation of Purchase Consideration and pass opening journal entries in the books of Mars Ltd. **(10 Marks)**