

Vidya Vikas Mandal's
Shree Damodar College of Commerce & Economics, Margao-Goa
TY B.Com, Semester-VI(OC-66), Semester End Examination, June 2022
Accounting -DSE-5
Advanced Company Accounts (COD117)

Max Marks: 80

Duration: 2hrs

Instructions:

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

1. Following is the Trial Balance of RANGARANG Ltd as on 31st March 2021

(20 marks)

Particulars	Amount	Particulars	Amount
Closing Stock	5,00,000	Loan from Bank	3,00,000
Fixed assets(net block)	12,35,000	General reserve	70,000
Sundry debtors	4,00,000	Provision for taxation	11,000
Staff advance	85,400	Equity share capital(share of Rs 100 each)	20,00,000
Cash on hand	60,000	Net profit for the year	2,70,000
Bank balance	4,94,000	Profit and loss A/c	1,00,000
Preliminary Expenses	26,600	Unsecured loans	50,000
Advance Tax	12,000	Sundry creditors	1,40,000
Bills receivables	8,000	Unclaimed dividend	5,000
Investments	75,000		
	29,46,000		29,46,000

Additional information

- a. Transfer to General reserve Rs 50,000.
- b. Out of debtors, debts due for more than six months were Rs 52,000.
- c. Sundry creditors included creditors for goods Rs 1,05,000 while the remaining are for expenses.
- d. Directors recommended 8% dividend .
- e. Market value of investments is Rs. 1,00,000.

Prepare Balance sheet as on 31st March 2021 after considering the above adjustments.

2. Following is the summarized Balance Sheet of PATANG Ltd. as on 31st March 2021:

(20 marks)

Particulars	Amount	Particulars	Amount
80,000 Equity shares of Rs 10 each fully paid	8,00,000	Plant & Machinery	5,00,000
12% Preference Shares of Rs. 10 each fully paid	4,00,000		
	12,00,000	Land	3,00,000
10% 4,000 Debentures of Rs 100 each	4,00,000	Furniture & Fittings	2,10,000
Unsecured loans	1,75,000	Intangible assets	6,50,000
Trade payable	1,60,000	P&L A/c	3,00,000
Other current liabilities-	1,00,000	a)Inventories	75,000

Debenture Interest	65,000		
Bank overdraft		b) Trade Receivables	65,000
	21,00,000		21,00,000

A scheme of reconstruction has been agreed amongst all the stakeholders of PATANG Ltd. And approved by the court, which is as follows:

- i) Land is appreciated by 300%.
- ii) Equity shares to be reduced to Rs. 3 each fully paid.
- iii) Debentureholders waived 50% of the outstanding interest on debentures.
- iv) Debtors are reduced by 20% of the book value.
- vi) Furniture & fittings to be reduced by Rs. 90,000.
- viii) There was an unrecorded asset which was sold for Rs. 80,000.
- ix) 40% of the sundry creditors are reduced to the extent of 50% of their book value.

Pass journal entries and prepare Balance Sheet assuming that the above scheme of reconstruction has been implemented by the company.

3. Following are the details of assets and liabilities of a company:

Liabilities		Assets	
30,000 Equity shares of Rs 10 each fully paid	5,00,000	Goodwill at cost	1,75,000
General reserve	2,50,000	Land and building (at cost)	1,80,000
Depreciation fund		Plant and Machinery (at cost)	2,40,000
Building 10,000		Investments	1,00,000
Plant and mach 40,000	50,000	Stock at cost	2,00,000
Debentures	2,00,000	Debtors 3,00,000	
Workmen's profit sharing fund	45,000	Less Provision 20,000	2,80,000
Workmen's compensation fund	25,000	Cash at bank	1,88,000
P&L A/c	1,50,000	Discount on issue of shares	20,000
Sundry creditors	1,48,000		

The following information is provided:

- a) The buildings are valued at Rs 2,00,000 and that Plant and Machinery worth Rs 2,10,000
- b) The net profit after providing for taxation for the past five years are Rs 1,80,000, Rs 1,85,000, Rs 1,52,000, Rs 1,35,000 and Rs 1,98,000.
- c) Liability under Workmen's Compensation Fund was Rs.2,000.
- d) The normal rate of return expected in this business is 10%.
- e) It is expected that the company will be able to maintain its super profit for the next 5 years .

Calculate the value of goodwill on the basis of

- a) 5 years purchase of super profit method
- b) Capitalization of FMP method

4. Following is the summarised Balance Sheet of ATRANG Ltd. as on 31st March 2021.

(20 marks)

Liabilities	Amt(Rs.)	Assets	Amt(Rs.)
Authorised, Issued, Subscribed Capital:		Goodwill	5,000
1,000 Equity shares of Rs, 100 each, fully paid	1,00,000	Land & Building	1,05,000
1,000 Redeemable Pref. Shares of Rs. 100 each fully paid	1,00,000	Machinery	55,000
General Reserve	15,000	Stock(at cost)	45,000
Dividend Equalisation Reserve	5,000	Sundry debtors	20,000
Employees Compensation Fund	5,000	Cash in hand	5,000
Provision for taxation	5,000	Cash at Bank	1,15,000
Employees Savings Account	10,000	Investment in National Plan Certificate	5,000
Sundry Creditors	20,000	Preliminary expenses	5,000
Profit & Loss Account	1,00,000		
	3,60,000		3,60,000

Additional information:

- Goodwill to be taken at Rs. 50,000.
- Sundry debtors of 10% are bad.
- A compensation of Rs. 2,000 has been reimbursed to the employee.
- Machinery taken over at Rs. 70,000.
- The net profits after tax for the last five years were as follows: 2016-17 -Rs. 90,000; 2017-18 -Rs. 10,500; 2018-19 -Rs. 1,20,000; 2019-2020 -Rs. 1,32,000 and 2020-2021 -Rs. 1,40,000.
- Transfer 25% to general reserve.
- Preference dividend paid Rs. 12,000.
- The normal rate of return is 12%.

You are asked to ascertain the intrinsic value of each of the Equity Shares under Asset Backing Method, Yield value method and fair value method.

5. The following is the extract of Trial Balance of Vishal Ltd as on 31st March 2021

(20 marks)

Particulars	Rs.
Sales	1,20,00,000
Opening stock of raw materials	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 and wages	4,00,000
Bonus to employees	80,000
Directors' remuneration	8,00,000

Depreciation on plant and machinery	3,00,000
Depreciation on land and 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 and 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:

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

Prepare statement of Profit and loss for the year ended 31st March 2021 as per Schedule III of Companies Act, 2013.

6. A. Following is the Balance Sheet of TARANG Ltd. As on 31st March 2021:

(10 marks)

Particulars	Cr	Particulars	Dr
Share capital 10,000, 14%- preference shares of Rs 100 each	1,00,000	Tangible assets	15,00,000
70,000 equity shares of Rs 100 each	7,00,000	Stock in trade	31,00,000
12% Debentures	3,00,000	Cash and cash equivalents	4,00,000
Trade creditors	39,00,000	P&L A/c	3,00,000
Provision for taxation	3,00,000		
	53,00,000		53,00,000

The following scheme of reconstruction is approved by the court:

- Fixed assets to be written down to Rs. 10,00,000.
- Inventories are written down by Rs. 8,00,000.
- One of the trade creditors whom company owns Rs. 25,00,000 decides to forego 50% of his claim.
- The taxation liability is settled at book value.
- All existing shares are reduced to Rs. 4/- each and preference shares to Rs. 7/- each.

Prepare Capital Reduction Account.

And

B. Patang Ltd. took over the business of Satsang Ltd. at the following agreed values:

(10 marks)

Liabilities	Patang	Satsang	Assets	Patang	Satsang
Share Capital			Assets		
Equity shares of Rs. 100 each	1,00,000	1,20,000	Furniture	60,000	38,000
General Reserve	-	50,000	Stock	18,000	15,000
Creditors	25,000	20,000	Debtors	12,000	12,000
Profits & loss A/c	-	10,000	Buildings	70,000	1,00,000
Loan	50,000	-	Cash and Bank	15,000	35,000
	1,75,000	2,00,000		1,75,000	2,00,000

They agreed to amalgamate and new company Sang Ltd. Is formed to take over the entire business of both the amalgamating companies. The purchase consideration agreed Rs. 1,20,000 for Patang Ltd. And Rs. 1,65,000 for Satsang Ltd. To be paid Rs. 15,000 in cash to both amalgamating companies and balance by fully paid shares of Rs. 100 each.

- Determine Purchase Consideration
- Pass necessary journal entries in the books of Sang Ltd.