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T.Y.B.Com Semester VI (CBCS) Ordinance
EXAMINATION MAY 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 summary of assets and liabilities of REVLON LTD. as at 31st March 2019; **20 Marks**

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
12,000, 10 % Preference shares of Rs.100 each	12,00,000	Goodwill	90,000
24,000, Equity shares of Rs.100 each	24,00,000	Land & buildings	12,00,000
10% Debentures	6,00,000	Plant & machinery	18,00,000
Bank overdraft	6,00,000	Stock	2,60,000
Sundry Creditors	3,00,000	Debtors	2,80,000
-----	-----	Cash	30,000
-----	-----	Profit & Loss account	14,00,000
-----	-----	Preliminary expenses	40,000
Total	51,00,000	Total	51,00,000

On the above date the company adopted the following scheme of reconstruction;

- (a) The equity shares are to be reduced by changing the face value to Rs.40 each fully paid.
- (b) The preference shares are to be reduced by changing the face value to Rs. 75 each fully paid.
- (c) The debenture holders took over stock and debtors in full satisfaction of their claims.
- (d) The Land & Building to be appreciated by 30%.
- (e) Plant & Machinery to be depreciated by 30%.

(f) The fictitious and intangible assets are to be eliminated.

(g) Expenses of reconstruction amounted to Rs. 5,000.

Pass journal entries and prepare the reconstructed Balance Sheet in the books of **REVLON LTD.**

Q2 GAMON LTD Co.'s Balance sheet as on 31st March 2019 is as follows:

20 Marks

Liabilities	Amount (Rs.)	Assets	Amount(Rs.)
Share Capital: 87,500 Equity shares of Rs.100 each fully paid	8,75,000	Goodwill	87,500
Profit & Loss account	1,98,275	Land & Buildings	3,15,000
Bank overdraft	1,40,000	Plant & machinery	1,70,000
Sundry creditors	3,15,000	Furniture	75,000
Bills payable	64,000	Motor vehicles	1,75,000
Unpaid bills	1,975	Stock	2,10,000
Provision for Taxation	68,250	Sundry debtors	3,00,000
		Cash & Bank balance	3,30,000
TOTAL	16,62,500	TOTAL	16,62,500

The profits earned by the company in the past five years as on 31st March have been as follows:

2015	Rs.2,17,000
2016	Rs.2,24,000
2017	Rs.2,48,500
2018	Rs.2,73,000
2019	Rs. 2,96,500

Income Tax to be taken at 50%.

The company has been paying dividend averaging around 12.5% which is the reasonable rate of return on capital invested in this line of business.

It should be assumed that the entire profit during the year is withdrawn from the business. You are required to value the goodwill under;

- 1 Super profit method
- 2 3 year's purchase of super profit method
- 3 Capitalisation of FMP
- 4 Capitalisation of super profit method

Q3 The balance sheet of Phoenix limited as on 31st March 2019 was as follows:

20 Marks

Particulars	Note No.	Amount (Rs.)
1. Equity and Liabilities		
1. Shareholders' funds		
a) share capital---5000 Equity Shares of Rs.100 each		5,00,000
b) Reserves & surplus		
-- Reserve (General reserve)		10,000
--- Profit & loss account		(1,65,000)
2. Share application money pending allotment		-----
3. Non-current liabilities --long term borrowings (9% Debentures)		1,00,000
4. Current liabilities:		-----
a) Short term borrowings		90,000
b) Trade payables (Creditors)		
TOTAL		5,35,000
1.Non-current assets		
a) Fixed Assets :		
(i) Tangible assets:		
Buildings		2,00,000
Plant & Machinery		1,60,000
2. Current Assets:		
a) Inventories		30,000
b) Trade Receivables (Debtors)		1,20,000
c) Cash & Cash equivalents ---- Bank balance		25,000
TOTAL		5,35,000

On 1st April 2019 EAGLE LIMITED was formed to take over the business of PHOENIX LIMITED on the following terms;

- 9% Debentures will be discharged by the issue of sufficient number of 12% Debentures of EAGLE LIMITED as would bring the same amount of interest.
- Shareholders will be issued 2400 Equity shares of Rs.100 each of EAGLE LIMITED.
- Liquidation expenses of Rs. 2,000 will be paid by EAGLE LIMITED.
- The assets and liabilities were taken at following values;
Building - Rs.1,50,000; Plant & Machinery - Rs. 1,20,000; Inventories - Rs.22,500; Debtors - Rs. 90,000.

The other assets and liabilities are taken over at book values.

Prepare necessary ledgers in the books of PHOENIX LIMITED and also pass the opening journal entries in the books of EAGLE LIMITED. (Apply Purchase Method).

Q4 The Balance sheet of ALCON LOGISTICS LTD. As on 31st March 2019 is as under **20 Marks**

LIABILITIES	AMOUNT(RS.)	ASSETS	AMOUNT(RS.)
8% Preference shares of Rs.100 each fully paid	1,00,000	Buildings	3,08,000
Equity shares of Rs.100 each fully paid	6,00,000	Machinery	1,33,000
General reserve	1,00,000	Stock	4,90,000
Profit and Loss account	44,200	Debtors	2,17,000
Bank overdraft	28,000	-----	-----
Creditors	1,07,800	-----	-----
Provision for tax	63,000	-----	-----
Expenses payable	1,05,000	-----	-----
Total	11,48,000	Total	11,48,000

The profits of the company after charging all expenses and depreciation but before tax were as under:

For 2014-15 ----- RS. 2,38,000

For 2015-16----- Rs.2,68,500

For 2016-17-----Rs.2,52,000

For 2017-18-----Rs.2,80,000

For 2018-19-----Rs.2,66,000

On 31-03-2019 Building was taken as worth Rs.3,50,000 and Machinery Rs.2,10,000.

Income tax to be taken at 50% and 10% is to be transferred to general reserve.

Looking at the nature of business 10% is considered to be a reasonable rate of return on capital employed.

Profit for the year 2016-17 includes speculative loss of Rs. 5,000.

The profit of the year 2018-19 is arrived at without considering outstanding expenses of Rs. 5,000.

Find out the value of equity share under the following methods;

(a) Intrinsic value method (b) Yield value and (c) Fair value after taking into account the revised value of fixed assets and value of Goodwill to be Rs.1,70,650.

- Q5 The balances as per the ledgers of JK ELECTRONICS LTD as at 31st March 2019 were as follows **20 Marks**

Particulars	Amount(Rs.)	Particulars	Amount (Rs.)
Premises	6,00,000	Cash at bank	79,800
Plant and machinery	7,20,000	Wages	1,69,600
Interim dividend paid	15,000	General expenses	33,800
Purchases	3,70,000	Salaries	29,000
Preliminary expenses	10,000	Debenture interest (up to 30-9-2018)	18,000
Freight inwards	26,200	Sales	8,30,000
Directors fees	11,480	Provision for bad debts (old Provision)	7,000
Bad debts	4,220	Share Capital	9,05,000
6% debentures	6,00,000	-----	-----
Profit & loss appropriation account (Cr)(opening balance)	29,000	-----	-----
4% government securities	1,20,000	-----	-----
Stock (1-4-2018)	1,50,000	-----	-----
Furniture	14,400	-----	-----
Sundry debtors	1,74,000	-----	-----
Goodwill	50,000	-----	-----
Cash in hand	1,500	-----	-----

Prepare profit & Loss statement for the year ended 31-3-2019 taking into account the following

- Depreciate Plant & machinery @10% and Furniture @5%
- Write off 1/5th of the Preliminary expenses
- Provide provision for doubtful debts at 5% on Sundry Debtors.
- Directors proposed final dividend at 5%.
- Transfer Rs. 20,000 to general reserve.
- Make provision for taxation to the extent of Rs. 50,000
- The stock at 31-3-2019 was Rs. 2,02,000.
- Rs. 20,000 wages were incurred for adding rooms for the premises. However, the amount was wrongly included in salaries and wages.

- (i) Interest on 4% Govt. securities needs to be calculated.

Q6 **STAR Limited** was wound up on 31 March 2019 and its summary of assets and liabilities is given below;

20 Marks

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Share capital: 1,20,000 Equity shares of Rs.10 each	12,00,000	Fixed assets	9,64,000
Reserve and Surplus:	42,000	Current assets:	
Capital reserve	2,70,000	Stock	7,75,000
Contingency Reserve	2,52,000	Sundry debtors 1,60,000	
Profit and Loss account		Less: Provision for doubtful debts 8,000	1,52,000
		Bills Receivables	30,000
		Cash at bank	3,29,000
Current Liabilities:	40,000		
Bills payable	2,26,000		
Sundry creditors	2,20,000	-----	-----
Provision for tax			
TOTAL	22,50,000	TOTAL	22,50,000

GALAXY Limited took over the following assets at values shown as under;

Fixed assets - Rs.12,80,000; stock -Rs. 7,70,000; and Bills Receivable Rs. 30,000

Purchase consideration was settled by **GALAXY Limited** as under;

- Rs.5,10,000 of the consideration was satisfied by allotment of fully paid 10% Preference shares of Rs.100 each.
- The balance was settled by issuing equity shares of Rs. 10 each, Rs.8 per share paid up.
- Sundry debtors realised Rs.1,50,000; Bills payable was settled for Rs. 38,000.
- Income tax authorities fixed the taxation liabilities at Rs.2,22,000.
- Creditors were finally settled with the cash remaining after meeting Liquidation expenses amounting to Rs. 8,000.

You are required to prepare the following ledgers;

- Realisation account
- Galaxy Limited account
- Equity shareholders account

Also show the opening entries in the books of **GALAXY Limited**. (Apply Purchase Method)