

**B.A.B.COM. Semester - V (Repeat) / One Time Opportunity  
EXAMINATION OCTOBER 2019  
Accounting Major 1 : Advance Accounting - I**

[Duration : Two Hours]

[Max. Marks : 100]

Instructions:

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

1. Surya Ltd absorbed the business of Usha Ltd as a going concern as on 31<sup>st</sup> March 2018. The following is the summarized balance sheet of Usha Ltd as on that date.

	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	(2,40,000)
<b>2</b>	<b>Current Liabilities</b>		
	a. Trade Payable		1,00,000
	b. Short term borrowings	3	1,00,000
	<b>TOTAL</b>		<b>5,60,000</b>
<b>B</b>	<b>ASSETS</b>		
<b>1</b>	<b>Noncurrent assets</b>		
	a. Fixed assets		
	i. Tangible	4	1,50,000
	ii. Intangible		1,00,000
<b>2</b>	<b>Current assets</b>		
	a. Inventories		1,10,000
	b. Trade receivables		2,00,000
	<b>TOTAL</b>		<b>5,60,000</b>

**Notes to Account**

<b>1</b>	<b>Share capital</b>	
	60,000 Equity shares of Rs 10 each fully paid	6,00,000
<b>2</b>	<b>Reserves and surplus</b>	
	Profit and Loss a/c debit balance	(2,40,000)
<b>3</b>	<b>Short term borrowings</b>	
	Bank overdraft	1,00,000
<b>5</b>	<b>Fixed Assets</b>	
	<b>Tangible</b>	
	Plant and Machinery	1,50,000
	<b>Intangible</b>	
	Goodwill	1,00,000

The purchase consideration was agreed upon at Rs. 4,00,000 payable as to Rs. 2,00,000 in cash and the balance by issue of 16,000 equity shares of Rs. 10 each fully paid at a premium in Surya Ltd. The sale was completed and then Usha Ltd went into liquidation. You are

required to prepare Realization A/c, Equity Share Transfer A/c, Surya Ltd. A/c, Equity shares in Surya Ltd A/c, and Cash A/c, to close the books of Surya Ltd and pass opening journal entries in the books of Surya Ltd. (20 M)

2. The following is the summarized balance sheet of Ebony Ltd as at 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	7,00,000
	b. Reserves and surplus	2	1,44,200
<b>2</b>	<b>Current Liabilities</b>		
	a. Short term borrowings	3	28,000
	b. Trade Payable		1,07,800
	c. Short term provisions	4	1,68,000
	<b>TOTAL</b>		<b>11,48,000</b>
<b>B</b>	<b>ASSETS</b>		
<b>1</b>	<b>Noncurrent assets</b>		
	a. Fixed assets		
	i. Tangible	5	6,41,000
<b>2</b>	<b>Current assets</b>		
	a. Inventories		2,90,000
	b. Trade receivables		17,000
	c. Cash and cash equivalent		2,00,000
	<b>TOTAL</b>		<b>11,48,000</b>

#### Notes to Account

<b>1</b>	<b>Share capital</b>	
	70,000 Equity shares of Rs 10 each fully paid	7,00,000
<b>2</b>	<b>Reserves and surplus</b>	
	Profit and Loss A/c	44,200
	General reserves	1,00,000
		<b>1,44,200</b>
<b>3</b>	<b>Short term borrowings</b>	
	Bank overdraft	28,000
<b>4</b>	<b>Short term Provisions</b>	
	Provision for Taxation	63,000
	Proposed Dividend	1,05,000
		<b>1,68,000</b>
<b>5</b>	<b>Tangible Fixed Assets</b>	
	Land and Building	3,08,000
	Plant and Machinery	3,33,000
		<b>6,41,000</b>

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

2013-14 Rs 2,38,000	2014-15 Rs 2,68,800	2015-16 Rs 2,52,000
2016-17 Rs 2,80,000	2017-18 Rs 2,66,000	

On 31<sup>st</sup> March 2018 Land and Building was taken as worth Rs. 3,50,000 and Plant and Machinery Rs 4,10,000. Income tax to be taken at 50% looking to the nature of business 10% is considered reasonable return on capital employed.

Find out the value of goodwill based on:

- Five year purchase of super profit.
- Capitalization of future maintainable profits.

The following balances appeared in the books of Pramit Ltd on 1<sup>st</sup> April 2016:

5% Debentures	Rs. 15,00,000
Debenture Redemption Fund	Rs. 11,63,600
Debenture Redemption Fund Investments: 5% Government Securities	Rs. 11,63,600

The annual contribution to Debenture Redemption Fund was Rs. 1,30,800 made on 31<sup>st</sup> March each year. On 31<sup>st</sup> March 2018, the investments were sold at a loss of Rs. 51,009 and the debentures were duly redeemed.

You are required to prepare the following accounts for the years 2016-17 and 2017-18:

- 5% Debentures Account
- Debenture Redemption Fund Account
- Debenture Redemption Fund Investment Account

(20 Marks)

4.. The following is the extract of the balance sheet of Zen 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	8,00,000
	b. Reserves and surplus	2	(3,00,000)
<b>2</b>	<b>Non Current liabilities</b>		
	a. Long term borrowings	3	3,00,000
<b>3</b>	<b>Current Liabilities</b>		
	a. Trade Payable		39,00,000
	b. Short term provisions	4	3,00,000
	<b>TOTAL</b>		<b>50,00,000</b>
<b>B</b>	<b>ASSETS</b>		
<b>1</b>	<b>Noncurrent assets</b>		
	a. Fixed assets		
	i. Tangible		15,00,000
<b>2</b>	<b>Current assets</b>		35,00,000
	<b>TOTAL</b>		<b>50,00,000</b>

#### Notes to Account

<b>1</b>	<b>Share capital</b>	
	Equity shares of Rs 10 each	7,00,000
	13% Cumulative Preference shares of Rs 100 each	1,00,000
		<b>8,00,000</b>
<b>2</b>	<b>Reserves and surplus</b>	
	Profit and Loss a/c debit balance	(3,00,000)
<b>3</b>	<b>Long term borrowings</b>	
	8% Debentures of Rs 100 each	3,00,000
<b>4</b>	<b>Short Term Provisions</b>	
	Provision for Taxation	3,00,000

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 lowered to 10%. The debenture holders surrender their existing debenture of Rs 100 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)

- The following is the summarized balance sheet of M/s Birla Ltd as at 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	8,00,000
	b. Reserves and surplus	2	2,20,000
<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		1,00,000
	b. Short term provisions	4	1,50,000
	<b>TOTAL</b>		<b>13,70,000</b>
<b>B</b>	<b>ASSETS</b>		
<b>1</b>	<b>Noncurrent assets</b>		
	a. Fixed assets	5	
	i. Tangible		7,90,000
	ii. Intangible		80,000
<b>2</b>	<b>Current assets</b>		
	a. Inventories		1,50,000
	b. Trade receivables		1,00,000
	c. Cash and cash equivalent		2,50,000
	<b>TOTAL</b>		<b>13,70,000</b>
<b>Notes to Account</b>			
<b>1</b>	<b>Share capital</b>		
	Equity shares of Rs 10 each, Rs 8 paid		8,00,000
<b>2</b>	<b>Reserves and surplus</b>		
	Profit and Loss a/c		20,000
	General Reserve		2,00,000
<b>3</b>	<b>Long term borrowings</b>		
	10% Debentures		2,20,000
<b>4</b>	<b>Short Term Provisions</b>		
	Provision for Taxation		1,50,000
<b>5</b>	<b>Fixed assets</b>		
	<b>Tangible</b>		
	Machinery		4,00,000
	Furniture		3,90,000
	<b>Intangible</b>		
	Goodwill		80,000

Additional Information:

1. Machinery and Goodwill were revalued at Rs. 3,60,000 and Rs 1,00,000 respectively.
2. The net profit before tax for the immediately preceding three years were Rs. 2,20,000; Rs. 2,10,000; and Rs. 2,90,000.
3. Income tax is @50%
4. 25% of the net profits were transferred to reserves.
5. A fair return in the industry in which the company is engaged is considered to be 10%

(20 Marks)

Calculate the fair value of equity share

6. On 1<sup>st</sup> July 2018 the summary of assets and liabilities of Amrit Ltd was as under:

	Particulars	Note no	Amount
<b>A</b>	<b>EQUITY AND LIABILITIES</b>		
<b>1</b>	<b>Shareholders Fund</b>		
	a. Share Capital	1	4,75,000
	b. Reserves and surplus	2	(1,90,000)
<b>2</b>	<b>Non Current liabilities</b>		
	a. Long term borrowings	3	50,000
<b>3</b>	<b>Current Liabilities</b>		
	a. Trade Payable		25,000
	<b>TOTAL</b>		<b>3,60,000</b>
<b>B</b>	<b>ASSETS</b>		
<b>1</b>	<b>Noncurrent assets</b>		
	a. Fixed assets	4	
	i. Tangible		2,90,000
	ii. Intangible		60,000
<b>2</b>	<b>Current assets</b>		
	a. Cash and cash equivalent		10,000
	<b>TOTAL</b>		<b>3,60,000</b>

**Notes to Account**

<b>1</b>	<b>Share capital</b>	
	8,000 Equity shares of Rs 50 each fully paid	4,00,000
	3,000 6% Preference shares of Rs 25 each fully paid	75,000
		<b>4,75,000</b>
<b>2</b>	<b>Reserves and surplus</b>	
	Profit and Loss a/c debit balance	(1,90,000)
<b>3</b>	<b>Long term borrowings</b>	
	6% Debentures	50,000
<b>4</b>	<b>Fixed assets</b>	
	<b>Tangible</b>	
	Land and Building	1,20,000
	Plant and Machinery	1,10,000
	Furniture	60,000
		<b>2,90,000</b>
	<b>Intangible</b>	
	Goodwill	60,000

Preference dividend was in arrears for two years

A scheme of reconstruction was agreed upon as under:

1. A new company to be formed called Anmol Ltd with an authorized capital of Rs. 5,00,000 all in equity shares of Rs 100 each.
2. One equity share of Rs 100 each fully paid in the new company to be issued in exchange of four preference shares in the old company.
3. One equity share of Rs 100 each fully in the new company to be exchanged for five equity shares in the old company.
4. Arrears of preference dividend to be cancelled.
5. Debenture holders to receive 500 equity shares in the new company as fully paid.
6. Trade payable to be taken over by the new company and immediately paid off.
7. The new company to issue remaining equity shares for public subscription.
8. The new company to take over all the assets of the old company subject to revaluation of Land and Building at Rs 1,40,000, Plant and Machinery at Rs 90,000 and Furniture at Rs 10,000.

Prepare Realization A/c, Equity shareholders A/c, Preference Shareholders A/c, Anmol Ltd A/c Equity shares in Anmol Ltd A/c to close the books of Amrit Ltd and opening entries in the books of Anmol Ltd.

(20 M)