



B.Com. (Semester – VI) Examination, April 2016
Major – I : Financial Accounting, Auditing and Taxation (Old Course)
ADVANCED ACCOUNTING – II

Duration : 2 Hours

Total Marks : 80

Instructions : 1) Question No. 1 is compulsory.

2) Attempt **any three** questions from the remaining.

3) **Each** question carries **20** marks.

4) Working notes required **whenever** necessary.

1. The following balances appeared in the books of the Phoenix Limited as at 31st March, 2016.

20

	Rs.
Share capital (Authorized and issued) 60000 shares of Rs. 10 each	6,00,000
General reserve	3,00,000
Furniture	20,000
Book debts	1,78,380
Investments	2,88,950
Trade creditors	1,27,858
Buildings	1,00,000
Plant and Machinery	2,00,000
Cash at bank	1,92,240
Advance payment of income tax	80,000
Interim dividend	70,200
Net profit the year 2015-16 (before tax)	2,41,092

P.T.O.



From the above balances and the following information, prepare the company's balance sheet as at 31st March 2016 along with the necessary accounting notes forming the part of balance sheet.

- 1) The stock on 31st March 2016 was valued at Rs. 1,48,680.
 - 2) The depreciation provided on the basis written down value of fixed assets at the following rates : Building @ 5%; Plant and machinery @ 15%; Furniture @ 10%.
 - 3) Interest accrued on investment amounted to Rs. 27,500.
 - 4) A claim of Workman's compensation is being disputed by the company for Rs. 10,000.
 - 5) Transfer 3% to general reserve.
 - 6) Make a provision for Income Tax @ 31%.
2. Providence Ltd. Provides you the following balances as on 31/03/2016. 20

Liabilities	Amount	Assets	Amount
Equity shares of Rs. 10 each	2,00,000	Fixed assets	2,40,000
Reserves and surplus	60,000	Current assets	2,30,000
10% Debentures	1,20,000	Preliminary expenses	10,000
Current liabilities	1,00,000		

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Sales	3,60,000	4,40,000	5,60,000	3,20,000	6,40,000
Operating costs	1,40,000	2,32,000	2,40,000	1,24,000	3,20,000
Interest on loans	8,000	16,000	20,000	24,000	8,000
Interest on debentures	12,000	12,000	12,000	12,000	12,000

It is the usual practice of the company to transfer Rs. 12,000 every year to general reserve. Normal rate of return is 12.5%. Rate of taxation is 50%. Compute the value of equity share on yield basis and net assets basis.



3. The following is the summarized Balance Sheet of P Ltd. and V Ltd. as on 31st March, 2016.

20

Liabilities	P Ltd.	V Ltd.	Assets	P Ltd.	V Ltd.
Equity shares of			Land and		
Rs. 10 each	50,00,000	30,00,000	building	25,00,000	15,50,000
14% Preference shares of			Plant and		
Rs. 100 each	22,00,000	17,00,000	machinery	32,50,000	17,00,000
General reserve	8,00,000	5,50,000	Furniture and		
Profit and loss A/c	7,50,000	5,00,000	fittings	5,75,000	3,50,000
13% Debentures of			Stock	12,50,000	9,50,000
Rs. 100 each	5,00,000	3,50,000	Debtors	9,00,000	10,30,000
Trade creditors	4,50,000	3,50,000	Cash and bank	7,25,000	5,20,000
Other current liabilities	2,00,000	1,50,000	Investments	7,00,000	5,00,000

P Ltd. takes over V Ltd. P Ltd. discharges the purchase consideration as follows :

- 1) Issues 350000 equity shares of Rs. 10 each at par to equity shareholders of V Ltd.
- 2) Issued 15% preference shares of Rs. 100 each to discharge the preference shares of V Ltd. at 10% premium.
- 3) The debentures of V Ltd. to be converted into equal number of debentures of P Ltd.

You are required to prepare in the books of V Ltd. :

- a) Realization account
- b) Equity shareholders account
- c) Preference shareholders account
- d) P Ltd. account and
- e) Journal entries in the books of P Ltd.



4. Following is the summarized balance sheet of Fortunate Ltd. as on 31st March, 2016.

20

Liabilities	Amount	Assets	Amount
6000 equity shares of Rs. 60 each,			
Rs. 30 paid up	1,80,000	Fixed assets	3,90,000
5% first debentures	3,00,000	Cash at bank	2,70,000
6% second debentures	6,00,000	Profit and loss A/c	8,70,000
Unsecured creditors	4,50,000		
	15,30,000		15,30,000

Additional information :

- i) Shri Ravi holds the 1st debentures for Rs. 3,00,000 and 2nd debentures for Rs. 3,00,000.
- ii) Shri Ravi is also an unsecured creditor for Rs. 90,000.
- iii) Shri Vasant holds 2nd debentures for Rs. 3,00,000 and is an unsecured creditor for Rs. 60,000.
- iv) Shri Ravi is to cancel Rs. 2,10,000 of the total debt, to advance Rs. 30,000 in cash and to take new 1st debentures (in cancellation of those already issued) for Rs. 5,10,000, in satisfaction of all his claims.
- v) Shri Vasant to accept Rs. 90,000 in cash in satisfaction of all his claims.
- vi) Unsecured creditors (other than Ravi and Vasant) are to accept the allotment of 20000 fully paid equity shares of Rs. 7.50 each in satisfaction of 75% of all their claims, and the balance 25% to be postponed and paid at the end of the 4th year.
- vii) Uncalled capital is to be called up in full and Rs. 52.50 per share cancelled, thus making the shares of Rs. 7.50 each.
- viii) The nominal share capital to be increased accordingly, assuming the scheme is duly approved.

Give the necessary journal entries to carry out the above reduction scheme and prepare the Capital Reduction A/c.



5. A) From the following information, prepare a statement of profit and loss as per revised schedule VI part II for the year ended 31st March, 2016.

10

	Rs.
Stock on 1 st April 2015	7,50,000
Purchases	18,50,000
Wages	8,48,650
General expenses	50,000
Freight and carriage	1,31,150
Salaries	1,45,000
Directors fees	57,250
Debenture interest paid (half year)	1,80,000
Share capital	40,00,000
12% Debentures	30,00,000
Bad debt provision on 1 st April 2015	35,000
Debtors	8,70,000
Sales	50,00,000
Interest on investment	50,000

Other information :

- 1) Provide half year's debenture interest due.
- 2) Create bad and doubtful debt provision at 5% on debtors.
- 3) Stock on 31st March 2016 was Rs. 9,50,000.
- 4) Provide Income Tax at 31%.



B) The following is the Summarised Balance Sheet of Konark Ltd. as on March 31, 2016.

10

Equity and Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
30000 equity shares of Rs. 10 each fully paid up	3,00,000	Goodwill	52,500
General reserve	21,000	Land and Buildings	1,27,500
10% Debentures	1,50,000	Plant and Machinery	2,10,000
Loan from A, a Director	60,000	Furniture	30,000
Trade payables	1,20,000	Inventories	82,500
		Trade receivables	97,500
		Balance at Bank	51,000
	6,51,000		6,51,000

The business of the company is taken over by Ajanta Ltd. as on that date, on the following terms :

- 1) Ajanta Ltd. to take over all assets except cash; to value the assets at their book values less 10% except goodwill which is valued at Rs. 75,000.
- 2) Ajanta Ltd. to take over trade payables which were taken subject to a discount of 5%. Other liabilities which were not taken by the purchasing company were paid by Konark Ltd.
- 3) The liquidation expenses of Rs. 6,000 were paid by Konark Ltd.
- 4) The consideration was to be discharged in cash to the extent of Rs. 2,25,000 and the balance in fully paid equity shares of Rs. 10 each valued at Rs. 12.50 per share.



Prepare in the books of Konark Ltd.

- a) Realisation A/c
- b) Equity Shareholders A/c
- c) Cash A/c.

6. Write short notes on :

- 1) Super profits method of evaluating goodwill. 4
- 2) Any six examples of capital profits. 6
- 3) Methods of purchase consideration. 6
- 4) Consolidation of share capital. 4