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BCMCMC 364

**Credit Based VI Semester B.Com. Degree
Examination, September/October 2021
COMMERCE
(Common to all Batches)
Financial Accounting – VI**

Time : 3 Hours

Max. Marks : 120

Instruction : Give working note *wherever* necessary.

SECTION – A

(4×6=24)

Answer **any 4** questions :

1. State the difference between External and Internal Reconstruction.
2. Explain different methods of calculating purchase consideration.
3. Write a note on :
 - 1) Money at call and short notice.
 - 2) Non-performing Assets.
4. The following particulars relate to a limited company which went into voluntary liquidation :

Preferential creditors	Rs. 1,00,000
Unsecured creditors	Rs. 2,32,000
7% Debentures	Rs. 1,20,000
The assets realized	Rs. 3,20,000

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The expenses of liquidation amounted to Rs. 6,000 and the liquidator's remuneration was agreed at 2.5% on the assets realized and 2% of the amount paid to unsecured creditors excluding the preferential creditors. Show the Liquidator's final statement of account.

5. The following information of a company is given.

Current ratio – 2.5 : 1

Quick Ratio – 1.5 : 1

Current liabilities – Rs. 8,00,000

Find out :

- a) Current assets
- b) Liquid assets
- c) Inventory.

P.T.O.



6. The following is the balance sheet of Gangu Company Ltd. as on 31-3-2018.

Liabilities	Rs	Assets	Rs.
Share Capital	2,00,000	Fixed Assets	3,00,000
Reserve Fund	75,000	Current Assets	1,00,000
P & L A/c	25,000	Preliminary Expenses	50,000
8% Debentures	50,000		
Current liabilities	1,00,000		
	4,50,000		4,50,000

B Co. Ltd. takes over the business of Gangu Co. Ltd. The purchase price has to be paid in cash to the extent of Rs. 50,000 and balance in fully paid equity shares of Rs. 10 each. Calculate the amount of purchase consideration and show the mode of payment.

SECTION – B

Answer any 4 questions.

(4×12=48)

7. Shwetha Ltd. was formed with an authorized capital of Rs. 20,00,000 divided into equity shares of Rs. 10 each, to acquire the business of L and M whose balance sheet on the date of acquisition was as follows.

Liabilities	Rs.	Assets	Rs.
Capital	10,00,000	Freehold premises	14,00,000
General Reserve	7,00,000	Stock	2,00,000
Sundry Creditors	3,00,000	Sundry Debtors	2,70,000
		Less: prov. for bad debt	<u>20,000</u>
		Cash at Bank	1,50,000
	20,00,000		20,00,000

The purchase price was agreed upon at Rs. 23,00,000 to be paid in 2,00,000 equity shares of ₹10 each at ₹11 and the balance in cash.

You are required to journalize and prepare the balance sheet in the books of Shwetha Ltd.

8. Following is the Balance sheet of A Ltd. as on 31-3-2018.

Liabilities	Rs.	Assets	Rs.
Subscribed and paid up capital		Plant and Machinery	42,200
7500 Preference Shares of		Lease hold premises	1,30,800
Rs. 100 each	7,50,000	Patent	8,50,000
5,000 Equity shares of		Stock	55,000
Rs. 100 each	5,00,000	Debtors	76,500
Bank overdraft	20,000	Cash	500
Sundry Creditors	30,000	Preliminary Exps.	12,000
		Discount on issue of shares	18,000
		P & L A/c	1,15,000
	13,00,000		13,00,000



The company suffered a loss and a scheme of reconstruction was adopted as following :

- a) Preference Shares to be reduced to an equal number of fully paid shares of Rs. 50 each.
- b) Equity Shares to be reduced to an equal number of fully paid shares of Rs. 25 each.
- c) The amount available to be used to write off Rs. 30,800 of lease hold premises, Rs. 15,000 of stock, 20% of plant and debtors and the balance available to write off the patent.

Pass Journal entries and prepare Balance Sheet after reconstruction.

9. Following is the balance sheet as on 31-3-2018.

Liabilities	Rs.	Assets	Rs.
Equity share capital	2,00,000	Plant and Machinery	2,00,000
10% pref. share capital	1,00,000	Land and Building	2,00,000
20% debenture	1,00,000	Stock	1,50,000
Reserve	1,00,000	Debtors	50,000
Long term loan	50,000	Cash	1,00,000
Creditors	1,00,000		
Bank overdraft	50,000		
	7,00,000		7,00,000

Calculate current ratio, liquid ratio, proprietary ratio, debt equity ratio, capital gearing ratio.

10. From the following figures, prepare Balance Sheet of Bharath Bank Ltd. as on 31-03-2019 :

	Rs.
Share capital – 2,000 shares of Rs. 100 each	2,00,000
Premises	1,00,000
Rebate on bills discounted	5,000
Traveller's cheques	2,00,000
Deposits	56,00,000



Money at call	9,00,000
Profit and loss a/c (credit)	45,000
Investments	7,00,000
Bills purchased	15,00,000
Acceptances for customers	5,00,000
Loans	22,00,000
Bills for collection	4,00,000
Reserves	3,00,000
Depreciation Fund	10,000
Cash in hand	30,000
Cash at banks	4,50,000
Cash with RBI	5,20,000
Pension Fund	40,000

Adjust the following :

- 1) Traveller's cheques paid Rs. 10,000.
- 2) Money at call recovered Rs. 20,000.

11. Omega Ltd. went into voluntary liquidation on 1st July, 2020. The Balance sheet of the company on this date as follows.

Liabilities	Rs.	Assets	Rs.
Share capital :		Plant	2,00,000
12,000 10% preference shares of Rs. 10 each	1,20,000	Stock	1,00,000
20,000 equity shares of Rs. 10 each	2,00,000	Debtors	1,50,000
5% Debentures	60,000	Cash	3,000
Creditors	1,03,000	Profit and loss a/c	30,000
	4,83,000		4,83,000

Preference Dividend was in arrears for one year and payable on liquidation. Plant and stock realised Rs. 2,75,000. Debtors worth Rs. 25,000 were bad. Creditors include Rs. 5,000 preferential liquidation expenses amounted to Rs. 1,600. Liquidators remuneration was agreed at 2% on amount realised except cash and 2% on the amount distributed to equity share holders. Debenture holders were paid on 31-12-2020.

Prepare liquidator's final statement of a/c.



12. Naman Ltd. decided to sell its business to the Sanman Ltd. on 31-12-2018. On that date its balance sheet as follows :

Liabilities		Rs.	Assets		Rs.
Share Capital :			Freehold property		33,000
4,000 shares of Rs. 10 each	40,000		Stock		7,000
5% Debentures	20,000		Debtors		8,000
Creditors	6,000		Bills Receivable		4,000
Reserve Fund	10,000		Goodwill		8,000
Profit and loss a/c	4,000		Cash at Bank		20,000
	80,000				80,000

The Sanman Ltd. agreed to take over the assets (excluding cash) at the amount stated in the Balance sheet except Goodwill for which the company agreed to pay Rs. 20,000 and discharge the liabilities to sundry creditors. The purchase price was to be discharged by the allotment of 2,400 shares of Rs. 10 each at Rs. 12.50 per share and the balance in cash. The expenses of liquidation amounted to Rs. 600.

Prepare necessary ledger accounts in the books of Naman Ltd. and show Journal entries in the books of Sanman Ltd.

SECTION - C

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Answer any 2 questions.

13. Balance sheet of unreliable Ltd. as on 31-3-2016 :

(2×24=48)

Liabilities		₹	Assets		₹
Share capital			Goodwill		15,000
2,000 5% Pref. shares of			Land and Buildings		2,00,000
₹ 100 each	2,00,000		Machinery		3,00,000
4,000 equity shares of			Stock		50,000
₹ 100 each	4,00,000		Debtors		40,000
6% debentures	1,00,000		Cash		5,000
Bank overdraft	50,000		P/L A/c		2,40,000
Creditors	1,00,000				
	8,50,000				8,50,000



The scheme of reconstruction executed as follows :

- 1) Preference shares reduced to fully paid shares of ₹ 75 each.
- 2) Equity shares reduced to fully paid shares of ₹ 40 each.
- 3) Debenture holders takeover stock and debtors in full satisfaction of their claim.
- 4) Land and Building is increased by 30% and machinery decreased by $33 \frac{1}{3}\%$.
- 5) Expenses of reconstruction amount to ₹ 3,000

Journalise above transaction and prepare reconstructed Balance sheet.

14. Modern Trading Ltd. decided to reconstruct and consequently went to voluntary liquidation. The balance sheet of the company as on 31-12-2018 was as follows :

Liabilities	Rs.	Assets	Rs.
Capital :	10,00,000	Land and Building	4,50,000
1,00,000 Equity shares of		Plant and Machinery	2,40,000
Rs. 10 each		Sundry Debtors	1,00,000
Sundry Creditors	30,000	Stock	50,000
Bills Payable	20,000	Cash at Bank	10,000
		P and L A/c	2,00,000
	10,50,000		10,50,000

The scheme of reconstruction is as follows :

- The new company was to take over all the assets of the old company, but not the liabilities.
- The capital of the new company was to be Rs. 15,00,000 in Rs. 1,50,000 shares of Rs. 10 each.
- The New company was to purchase the goodwill of the business and assets of the old company for the sum of Rs. 8,00,000 payable as to Rs. 7,00,000/- by the issue of 1,40,000 Equity shares of Rs. 10 each with Rs. 5 per share credited as paid-up and to pay Rs. 1,00,000 in cash.
- The members of the New Company were to pay the balance of Rs. 5 per share due upon the shares issued to them. All the shares were duly paid.
- The expenses of reconstruction amounted to Rs. 5,000/- paid by the New company. Pass journal entries to close the books of the Modern Trading Company Ltd. and show the opening Balance Sheet of the New company Ltd.



15. M. Ltd. and N Ltd. agreed to amalgamate and form a new company called MN Ltd as on 31-3-2018.

Balance sheet as on 31-3-2018

Liabilities	M Ltd.	N. Ltd.	Assets	M.Ltd.	N. Ltd.
Equity share capital (shares of ₹ 100 each)	1,00,000	70,000	Land and Building	30,000	—
Reserve fund	30,000	—	Machinery	1,07,000	55,000
Profit and Loss A/c	12,000	—	Stock	16,000	8,000
6% debenture	20,000	—	Cash	7,000	2,000
Employee's provident fund	3,000	—	Debtors	15,000	14,000
Trade Creditors	10,000	9,000			
	1,75,000	79,000		175,000	79,000

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The New company agreed to take over all the assets and liabilities of both the companies. Its Authorised Capital is 5,000 equity shares of ₹100 each. It was agreed that purchase price of M Ltd. ₹1,35,000 and N Ltd. ₹ 60,000. The entire purchase price is paid in the form of shares of MN Ltd. Prepare Realisation A/c and Equity share holders A/c in the books of M Ltd. and N Ltd.

And Pass Journal entries in the Books of MN Ltd. and draw its Balance sheet under Amalgamation in the nature of purchase.

16. From the following information, you are required to prepare the final accounts of Bangaru bank Ltd. as per the statute.

Trail Balance as on 31-3-2018

	Rs.		Rs.
Cash in hand	30,000	10,000 Shares of Rs. 10, each	1,00,000
Cash at banks	50,000	Reserve Fund	50,000
Money at call and short notice	30,000	Deposits	1,50,000
Govt. Securities	80,000	Loan from Canara bank	70,000
Loan and cash credits	1,83,000	Pension Fund	5,000
Bills discounted	15,000	Commission	500



Commission	3,500	Interest and discount	71,500
Premises	30,000	Profit on sale of investments	1,000
Directors fees	1,000		
Audit fees	1,000		
Salary and allowances	6,000		
Printing and stationery	600		
Postage, etc	900		
Furniture	15,500		
Depreciation	1,500		
	4,48,000		4,48,000

Adjustments :

- Provide Rs. 2,500 for doubtful debts.
- The average due date of all bills discounted is 60 days (2 months). Bills are discounted at 10% p.a.
- A claim of Rs. 4,500 for bonus to workers pending award.
- Make provision for income tax Rs. 3,000
- Transfer 20% of profit to Reserve fund.
