Reg. No. | | | | | | | | | |

BCMCMC 364

Credit Based VI Semester B.Com. Examination, April/May 2017
(2016 – 17 Batch Scheme)
COMMERCE
Financial Accounting – VI

Time : 3 Hours — Max. Marks : 120

Instruction : *Provide working note **wherever** necessary.*

SECTION – A

Answer **any four** questions. (4×6=24)

1. Briefly explain the different modes of liquidation of a company.

2. State the differences between amalgamation in the nature of purchase and amalgamation in the nature of merger.

3. State the differences between internal reconstruction and external reconstruction.

4. The following information of a Co. is given.

   Current ratio – 2.5 : 1, Acid test ratio – 1.5 : 1, Current liabilities – ₹ 4,00,000.

   Find out :

   a) Current Assets

   b) Liquid Assets

   c) Inventory.

5. Natesh Ltd. went into voluntary liquidation. The following were its position

	Rs.
Preferential creditors	6,000
Unsecured creditors	1,40,000
Liquidation Expenses	5,000
Liquidator's remuneration	7,500
Debentures having floating charges on Assets	2,00,000
Assets realised	3,00,000

Prepare liquidator's Final Statement of Account.

P.T.O.

6. Moon Ltd. agreed to acquire the business of Sunset Ltd. as on 31-03-2016. The Balance Sheet of the Sunset on that date is given below :

Liabilities	₹	**Assets**	₹
Share Capital :			
30,000 preference shares of ₹ 10 each	3,00,000	Goodwill	1,00,000
30,000 equity shares of ₹ 10 each	3,00,000	Land and building	6,40,000
General Reserve	1,70,000	Stock	1,68,000
P/L Account	1,10,000	Debtors	36,000
6% Debentures	1,00,000	Bank	56,000
Creditors	20,000		
	10,00,000		**10,00,000**

Purchase consideration is to be calculated as follows.

1) Equity shares are to be redeemed at 6% premium by issuing equity shares in Moon Ltd.
2) Nine preference shares in Moon Ltd. are to be issued for every five preference shares held in Sunset Ltd. The face value of preference shares of both the companies same.

Calculate Purchase Consideration.

SECTION – B

Answer **any four** questions. **(4×12=48)**

7. Following was the Balance Sheet of Goodluck Co. Ltd. as on 31-3-2016.

Liabilities	₹	**Assets**	₹
Share Capital :		Goodwill	30,000
20,000 shares of ₹ 10 each	2,00,000	Building	25,000
Partly secured Creditors	29,180	Machinery	37,400
Trade creditors	97,600	Stock	58,000
Bank overdraft (unsecured)	1,100	Debtors	46,000
Salary for six months	6,300	Cash	500
Taxes due to Government	800	Profit and Loss Account	1,38,080
	3,34,980		**3,34,980**

The company went into liquidation and the Assets realised as follows.

Building which was used in the first instance to pay partly secured creditors. Pro Rata – ₹ 18,000, Machinery – ₹ 25,000, Stock – ₹ 31,000, Debtors – ₹ 43,500, Expenses of liquidation amounted to ₹ 1,100.

The liquidators remuneration was agreed at 3% on the amount realised (except cash) and 2% on the amount paid to unsecured creditors other than preferential.

Prepare Liquidators Final Statement of Account.

8. Using the figures given below calculate following ratios for the years 2015 and 2016.
   a) Current ratio
   b) Liquidity ratio
   c) Debt equity ratio
   d) Proprietary ratio
   e) Working capital ratio.

Assets and Liabilities as at 31st March

Liabilities	**2015** ₹	**2016** ₹	**Assets**	**2015** ₹	**2016** ₹
Paidup capital	1,00,000	1,00,000	Fixed Assets	2,17,200	2,19,810
Reserves and surplus	67,250	84,500	Stock	56,160	49,460
Debentures	1,00,000	1,00,000	Debtors	11,260	11,710
Bills payable	12,750	6,500	Cash	15,380	26,020
Creditors	20,000	16,000			
	3,00,000	**3,07,000**		**3,00,000**	**3,07,000**

Sales for 2015 and 2016 were ₹ 1,80,000 and ₹ 1,95,000 respectively.

9. From the following information. Prepare the Profit and Loss Account of Laxmi Bank Ltd. for the year ended on 31-3-2016.

	₹
Interest on loan	2,59,000
Interest on fixed deposits	2,75,000
Rebate on bills discounted required	49,000
Commission (cr.)	8,200
Establishment Expenses	54,000
Interest on current account	42,000
Interest on balances with RBI	50,000
Profit on sale of land	2,000
Profit on exchange transaction	10,000
Interest on RBI borrowings	12,000
Discount on bills discounted (Net)	1,95,000
Interest on cash credits	2,23,000
Rent and taxes	18,000
Interest on overdrafts	1,54,000
Directors fees	3,000
Auditors fees	1,200
Sundry charges (Cr.)	1,700
Interest on borrowings from other Banks	10,000
Employees salaries	20,000
Interest on S.B. deposits	68,000
Postage and telegrams	1,400
Printing and stationery	2,900

Provision for taxation may be made @ 35% transfer 25% to statutory reserve and 5% to general reserves.

10. What is ratio analysis ? What are its uses and limitations ?

11. Sun Ltd. absorbed the business of Moon Ltd. as a going concern on 31-3-2016. The Assets and liabilities of Moon Ltd. on that date were as follows :

Liabilities	₹	Assets	₹
Share Capital :		Goodwill	50,000
30,000 shares of ₹ 10 each	3,00,000	Land	2,00,000
1,000 preference shares of ₹ 100 each	1,00,000	Plant	1,00,000
Creditors	30,000	Debtors	50,000
Bills payable	50,000	Stock	30,000
		Bank	35,000
		Preliminary Exps.	5,000
		Profit and Loss A/c	10,000
	4,80,000		**4,80,000**

The terms agreed between two Co.s were as follows :

i) For every 10 equity shares of Moon Ltd., Sun Ltd. issued 12 fully paid shares of ₹10 each and paid ₹ 10 in cash.

ii) The preference shareholders of Moon Ltd. were paid at a premium of 5% by the issue of 6% preference shares of Sun Ltd. at par.

iii) All Assets and liabilities were taken over except cash. Realisation expenses Rs. 2,000 paid by the Sun Ltd.

iv) Plant was revalued at ₹ 1,83,000; other Assets and liabilities taken at respective book values.

You are required to prepare Realisation A/c and Shareholders A/c in the books of Moon Ltd.

12. The following is the Balance Sheet of Bharathi Co. Ltd., on 31-12-2016.

Liabilities	₹	Assets	₹
Authorised Capital :			
10,000 preference shares of ₹ 100 each	10,00,000	Patents	8,50,000
10,000 equity shares of ₹ 100 each	10,00,000	Leasehold premises	1,30,800
Subscribed Capital :			
7,500 preference shares of ₹ 100 each	7,50,000	Plant and Machinery	42,200

5,000 equity shares of ₹ 100 each	5,00,000	Cash	500
Sundry creditors	30,000	Stock	55,000
Bank overdraft	20,000	Debtors	76,500
		Discount on issue of shares	18,000
		Preliminary expenses	12,000
		P/L A/c	1,15,000
	13,00,000		**13,00,000**

The company suffered huge losses and therefore it was decided to reconstruct the company. The following scheme was adopted.

1) That preference shares be reduced to an equal number of fully paid shares of ₹ 50 each.
2) That the equity shares be reduced to an equal number of fully paid shares of ₹ 25 each.
3) The amount thus received available for the reduction of Assets be apportioned as follows.
   Preliminary expenses, Profit and Loss A/c and discount on issue of shares to be written off entirely. Further, write off ₹ 30,800 on leasehold premises ; ₹ 15,000 on stock, 20% of the plant and machinery and sundry debtors and the Balance available to write off patents. Pass the journal entries and prepare the Balance Sheet giving effect to the above.

SECTION – C

Answer **any two** questions. **(2×24=48)**

13. 'A' Ltd. and 'B' Ltd. carrying on business agree to amalgamate and form a new co. called 'C' Ltd. The Balance Sheets of two companies on the date of transfer were as follows :

Liabilities	**A Ltd.** ₹	**B Ltd.** ₹	**Assets**	**A Ltd.** ₹	**B Ltd.** ₹
Equity shares of ₹ 100 each	5,00,000	3,00,000	Land	4,65,000	2,55,000
6% preference shares of ₹ 100 each	5,00,000	2,50,000	Plant	5,60,000	3,58,000
			Furniture	79,000	34,000
General reserve	2,00,000	70,000			
Profit and Loss A/c	1,15,000	55,000	Stock	81,500	52,000
5% Debentures	–	40,000	Debtors	56,000	24,600
Creditors	75,000	35,000	Bank	87,000	22,500
			Cash	6,400	3,900
			Preliminary Expenses	55,100	–
	13,90,000	**7,50,000**		**13,90,000**	**7,50,000**

The terms of agreement were as follows :

a) The purchase consideration consists of

i) The assumption of liabilities of both the companies.

ii) The discharge of the debentures in B Ltd. at a premium of 5% by the issue of 7% debentures in C Ltd.

iii) The issue of 10 equity shares of ₹ 10 each at a premium of ₹ 2 per share for each preference share held in both the companies.

iv) The issue of 10 equity shares of ₹ 10 each at a premium of ₹ 2 per share and ₹ 22 in cash for each equity share in A Ltd. and 5 equity shares of ₹ 10 each at a premium of ₹ 2 per share and ₹ 80 in cash for every equity share in 'B' Ltd.

b) All the Assets and liabilities of the two companies were taken over at their book values except that a provision of 5% on debtors.

c) In order to raise working capital and to pay the purchase consideration, C Ltd. decided to issue 30,000 equity shares of ₹ 10 each at a premium of ₹ 2.50 per share.

You are required to prepare Realisation A/c and Shareholders A/c in the books of 'A' Ltd. and show the opening Balance Sheet of 'C' Ltd.

14. Following is the Trial Balance of Vikas Bank Ltd. as on 31-03-2015.

	Debit ₹	Credit ₹
Paid -up Capital : 50,000 equity shares		5,00,000
Reserve fund		2,50,000
Loans, cash credit and overdrafts	2,85,000	
Premises	50,000	
Indian Govt. securities	4,00,000	
Current deposits		1,00,000
Fixed deposits		1,25,000
Savings Bank Deposits		50,000
Recurring Deposits		20,000
Salary	28,000	
General Expenses	27,000	
Rent, Rates and Taxes	3,000	
Directors fees	2,000	
P & L Account on 1-4-2014		16,000
Interest and discount		1,20,000

Bills purchased and discounted	46,000	
Stock of stationery	8,000	
Commission and exchange		8,000
Interim dividend	17,000	
Investment	50,000	
Cash in hand and with R.B.I.	1,93,000	
Money at call and short notice	50,000	
Balance with other Banks	30,000	
	11,89,000	**11,89,000**

Additional Information :

1) Provision for bad and doubtful debts required is amounting Rs. 1,500.
2) Interest accrued on investment Rs. 6,000.
3) Rebate on bills on discounted Rs. 2,000.
4) Outstanding Rent amounted to Rs. 500.
5) Endorsement made on behalf of customers totalled Rs. 1,15,000.
6) Provide statutory reserve at 25%.

Write the necessary schedules and prepare Profit and Loss Account for the year 31-3-2015 and a Balance Sheet as on that date in the prescribed form.

15. Following was the Balance Sheet of Tiny Ltd. as on 31-3-2016 and it resolved to reconstruct company on that date.

Liabilities	₹	**Assets**	₹
Share Capital :		Fixed Assets	6,90,000
Equity shares of ₹ 10 each	10,00,000	Stock	50,000
Current liabilities	20,000	Debtors	1,00,000
		Bank	10,000
		Profit and Loss A/c	1,70,000
	10,20,000		**10,20,000**

A new co. called Shiny Ltd. To be formed with an authorised capital of rupees ten lakhs, divided into shares of ₹ 10 each. Shiny Ltd. to purchase the whole business of Tiny Ltd. except cash and issued one lakh equity shares, ₹ 7.70 each paid up towards purchase price.

Reconstruction expenses amounted to ₹ 10,000. The new Co. made a final call of ₹ 2.30 per share, which was paid in full.

Pass Journal entries and prepare the Realisation Account, Shareholders Account in the books of Tiny Ltd. and, also pass journal entries and prepare opening Balance Sheet in the books of Shiny Ltd.

16. Paradise Limited which had experienced trading difficulties decided to re-organise its finance on 31st March 2015. A final Balance Sheet prepared by the company on the eve of capital re-organisation was as follows :

Liabilities	Rs.	Assets		Rs.
Share Capital :		Goodwill at cost		50,000
1,500 6% cumulative preference shares of Rs. 100 each	1,50,000	Leasehold property at cost	80,000	
		Less : provision for Depreciation	30,000	50,000
2,000 equity shares of Rs. 100 each	2,00,000	Plant and machinery at cost	2,10,000	
Capital Reserve	36,000			
Trade Creditors	42,500	Less : provision for depreciation	57,500	1,52,500
Bank overdraft	51,000			
		Stock-in-Trade		79,175
		Debtors		30,200
		Preliminary expenses		7,250
		P & L Account		1,10,375
	4,79,500			**4,79,500**

The approval of the court was obtained for the following scheme of reduction of capital :

1) The preference shares to be reduced to Rs. 75 per share.
2) The equity shares to be reduced to Rs. 12.50 per share.
3) One Rs. 12.50 equity share to be issued for each Rs. 100 of gross preference dividend arrears. Dividend had not been paid for three years.
4) The balance in capital reserve account to be utilised.
5) Plan and Machinery to be written down to Rs. 75,000
6) The Profit and Loss Account balance and all intangible assets to be written off.

At the same time as the resolution to reduce capital was passed another resolution was approved restoring the total authorised capital to Rs. 3,50,000 consisting of 1,500 6% cumulative preference shares of Rs. 75 each and the balance in equity shares of Rs. 12.50 each.

As soon as the above resolutions had been passed, 5,000 equity shares were issued at par, for cash, payable in full upon application. The same were fully subscribed and paid.

You are required :

a) To show the journal entries necessary to record the above transactions in the company's books and capital reduction account and

b) To prepare the Balance Sheet of the company, after the completion of the scheme.
