

Credit Based V Semester B.Com. Examination, Nov./Dec. 2018
(2016-17 Batch Onwards)
FINANCIAL ACCOUNTING – V

Time : 3 Hours

Max. Marks : 120

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

SECTION – AAnswer **any four** questions :**(4×6=24)**

1. Ashwini Ltd. has the following preference shares :

- 4,000, 6% preference shares of ₹ 100 each fully paid and
- 1,000, 7% preference shares of ₹ 100 each, ₹ 90 paid up

The Co. decided to redeem both of its preference shares at par. For this purpose, it made a fresh issue of 4,000 equity shares of ₹ 100 each at 10% premium. The Co. has sufficient profits.

Pass the Journal Entries.

2. On 1st January 2014, Arun Ltd. issued 2,000, 5% debentures of ₹ 100 each repayable at the end of 4 years. It has been decided to set up a sinking fund for the purpose. The annual amount to be invested is ₹ 49,453. Show the sinking Fund A/c for 4 years. Assuming the rate of interest on investments to be 4% p.a.

3. How do you treat the following items in the Final Accounts of a Joint Stock Company ?

- Prepaid insurance
- Proposed dividend
- Debenture interest.



4. Following is the Balance Sheet of Manohar Ltd. as on 31-3-2018 :

Liabilities	₹	Assets	₹
Share capital :		Fixed assets	1,50,000
20,000 Equity shares of ₹ 10	2,00,000	Stock	2,00,000
8%, 5,000 Preference shares		Debtors	2,00,000
of ₹ 10 each	50,000	Bank	1,00,000
General reserve	1,00,000		
Profit and Loss A/c	1,00,000		
Creditors	1,00,000		
Provision for tax	1,00,000		
	6,50,000		6,50,000

The fixed assets were valued at ₹ 2,00,000 and there is a RBD at 10%. Compute the intrinsic value of the share.

5. Briefly explain the various methods of valuation of goodwill.
6. What is meant by consolidated Balance Sheet ? How is it prepared ?

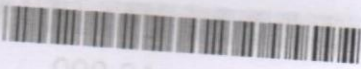
SECTION – B

Answer **any four** questions.

(4×12=48)

7. Following is the Balance Sheet of Kalpana Ltd. as on 31-3-2018 :

Liabilities	₹	Assets	₹
Share capital :		Cash at bank	2,00,000
40,000 equity shares of		S. Assets	6,25,000
₹ 10 each	4,00,000		
15,000, 6% red. preference			
shares of ₹ 10 each	1,50,000		



10,000, 7% red. preference shares of ₹ 10 each, ₹ 7 paid	70,000
Profit and Loss A/c	1,75,000
Creditors	30,000
	8,25,000

8,25,000

On the above date preference shares are Redeemed to the extent possible at a premium of 10%. For this purpose, the Co. issues 1,000 fresh equity shares of ₹ 10 each at a premium of 10%.

Pass Journal Entries and redraft Balance Sheet.

8. Aravind Ltd. has ₹ 60,000, 5% debentures outstanding on 1st Jan. 2016. On that date, the debenture redemption fund stood at ₹ 50,000 represented by ₹ 59,000, 3% Govt. securities. The annual installment added to the debenture redemption fund is ₹ 8,230.

On 31st Dec. 2016, the balance at bank (After interest on investment has been received) was ₹ 1,56,200. On that date, the investments were sold at 83% net and the debentures were paid off.

Prepare for the year 2016 :

- a) 5% Debentures A/c
- b) Debenture Fund A/c
- c) Debenture Fund Investment A/c
- d) Bank A/c.

9. From the following Balances, prepare Profit and Loss A/c of Nava Bharath Co. Ltd. on 31st March 2018 :

Balances	Amt.
	₹
Sales	9,00,000
Discount received	10,000
Purchases	6,00,000
Wages	60,000
Stock on 1-4-2017	2,00,000
Purchase returns	20,000
Stock on 31-3-2018	1,80,000



Depreciation	10,000
Provision for doubtful debts	1,000
S. Expenses	12,000
Salaries and wages	24,000
Interest on debentures	1,000
Cost of material consumed	10,000

Note : Make provision for tax at the rate of 50% of profit before tax.

10. The following particulars are available in relation to White Co. Ltd.
- Capital** : 500, 6% preference shares of ₹ 100 each fully paid, 5,000 equity shares of ₹ 10 each fully paid.
 - Liabilities** : Creditors ₹ 5,000, bills payable ₹ 2,000, O/s expenses ₹ 2,000.
 - Reserves and surplus ₹ 5,000.
 - The average normal profit (after tax and reserve) by the Co. ₹ 10,000.
 - The normal rate of return on the same type of Co. is 10%.

Calculate the fair value of share assuming that out of the total assets worth ₹ 500 are fictitious.

11. The Balance Sheet of Hari Prasad Ltd. as on 31-3-2018 is as follows :

Liabilities	₹	Assets	₹
30,000 Equity shares of ₹ 10 each	3,00,000	Goodwill	20,000
General reserve	1,80,000	Fixed assets	3,60,000
Provision for tax	20,000	Investments	
5% Debentures	1,00,000	5% Govt. bonds	40,000
Creditors	50,000	Current Assets	2,00,000
		Preliminary exp.	20,000
		Discount on debentures	10,000
	6,50,000		6,50,000

The average profit of the Co. after deducting interest in debentures and taxes is ₹ 32,000. The market value of the machinery included in fixed assets ₹ 10,000 and current assets ₹ 5,000 are more. Expected rate of return is 10%. Compute the value of goodwill of the Co. at four times in super profits.



12. H Ltd. acquires the shares of S Ltd. on 31st Dec. 2017 when the Balance Sheet of the two companies are as under :

Liabilities	H Ltd.		S Ltd.		Assets	
	₹	₹	₹	₹	H Ltd.	S Ltd.
Share capital (in ₹ 10 shares)	20,000	10,000	F. Assets	20,000	10,000	
General reserve	5,000	3,000	C. Assets	13,000	12,000	
Profit and Loss A/c	3,000	2,000	Shares in S Ltd. (750 Shares at cost)	10,000	-	
10% Debentures	10,000	5,000				
S. Creditors	5,000	2,000				
	43,000	22,000		43,000	22,000	

You are required to prepare the consolidated Balance Sheet as on 31-12-2017.

SECTION – C

Answer any two questions :

(2x24=48)

13. The Balance Sheet of Bhaskar Co. Ltd. as on 31-3-2018 was as follows :

Liabilities	₹		Assets	
	₹	₹	₹	₹
8%, Preference shares of ₹ 10 each	15,00,000		Land and buildings	23,00,000
Equity shares of ₹ 10 each	27,00,000		Plant	9,00,000
Share premium	3,00,000		Furniture	6,00,000
General reserve	6,00,000		Investments	8,40,000
Profit and Loss A/c	7,50,000		Stock	9,00,000
Current liabilities	8,40,000		Debtors	4,50,000
	66,90,000		Bank	7,00,000
				66,90,000

The Co. decided to redeem its preference shares at a premium of 5% on the following terms :

- 1) A fresh issue of equity shares to the extent required was made at 20% premium.
- 2) All the investments were sold at ₹ 8,10,000.



- 3) The directors wish that P/L A/c be fully utilised and ₹ 1,00,000 be left in General Reserve A/c.
- Pass the Journal Entries.
 - Prepare Equity Share Capital A/c, Share Premium A/c and Bank A/c.
 - Balance Sheet after redemption.
14. Voltas Ltd. issued ₹ 2,00,000 in 10% debentures of ₹ 100 each at par on 1-4-2013 repayable at the end of 5 years at a premium of 6%. A debenture redemption fund at 4%. Compound interest is created for the redemption of debentures. The investments were made multiplies of ₹ 10 in Govt. bonds. The investments realised 10% below book value and the debentures were redeemed on 31-3-2018. On 31-3-2018, the co. had a bank balance of ₹ 90,000 (Before interest on investment).

Note : ₹ 1 per year at 4% compound interest at the end of 5th year would become ₹ 5.4163.

Prepare in the books of Voltas Ltd.

- 10% Debenture A/c
 - Debenture Redemption Fund A/c
 - Debenture Redemption Fund Investment A/c
 - Bank A/c
 - Debenture Holders A/c.
15. Below is given the Balance Sheet of ABC Co. Ltd. as at 31st March 2016 :

Liabilities	₹	Assets	₹
Share Capital :		Land and building	2,70,000
6000 shares of Rs. 100 each		Plant and machinery	1,00,000
fully paid	6,00,000	Stock	3,60,000
Profit and Loss A/c	40,000	Sundry debtors	1,60,000
Bank Overdraft	10,000		
Creditors	80,000		
Provision for taxation	1,60,000		
	8,90,000		8,90,000



The net profits of the Company after deducting usual working expenses but before providing for taxation were as under :

Year	₹
2011-12	1,70,000
2012-13	2,10,000
2013-14	1,80,000
2014-15	2,20,000
2015-16	2,00,000

On 31st March 2016, Land and Buildings were valued at ₹ 2,80,000 and Plant and Machinery at ₹ 1,20,000, Sundry Debtors on the same day included ₹ 4,000 as irrecoverable.

Keeping in mind the nature of business a 10% return on the net tangible capital invested considered reasonable.

You are required to calculate the intrinsic value of the share. Your own valuation of goodwill may be based on 5 years purchase of the annual super profits (The tax rate is to be assumed at 50%).

16. 'H' Ltd. acquired 80% of the shares of 'S' Ltd. on 1st Jan. 2017 at a total cost of ₹ 4,25,000. The Balance Sheet of the two Co.'s as on 31st Dec. 2017 is given below :

Liabilities	H. Ltd.	S. Ltd.	Assets	H. Ltd.	S. Ltd.
	₹	₹		₹	₹
Share capital :			Land and buildings	4,65,000	1,85,000
Shares of ₹ 10 each	5,00,000	2,50,000	Plant and machinery	1,50,000	1,09,000
Preference shares of ₹ 100 each	2,00,000	-	Stock	1,55,000	70,800
General reserve	3,50,000	15,000	Investments	4,25,000	-
P & L A/c	3,00,000	1,50,000	Debtors	1,20,000	62,700
Creditors	70,000	65,000	Bank	1,05,000	52,500
	14,20,000	4,80,000		14,20,000	4,80,000



The following further information is to be considered :

- a) Creditors in 'H' Ltd. include ₹ 20,000 for goods purchased from 'S' Ltd. on which 'S' Ltd. made a profit of ₹ 5,000.
- b) Half of the goods sold as above were still included in the stock of 'H' Ltd.
- c) The General Reserve of 'S' Ltd. represents the Balance on 1st Jan. 2017, Profit and Loss A/c Balance on 1st Jan. 2017 was ₹ 50,000 out of which dividend at the rate of 10% was paid for the year 2016.

Prepare consolidated Balance Sheet of 'H' Ltd. as at 31st Dec. 2017.