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BCMCMC 364

VI Semester B.Com. Degree Examination, April/May 2019

(Credit Based Semester Scheme)

(2016-17 batch onwards)

COMMERCE

Financial Accounting – VI

Time : 3 Hours]

[Max. Marks : 120

Instructions : Provide working notes wherever necessary.

SECTION – A

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Answer **any four** of the following questions :

(4 × 6 = 24)

1. Explain purchase consideration and state different methods of calculating purchase consideration.
2. State the differences between internal reconstruction and external reconstruction of companies.
3. Aroma Ltd went into voluntary liquidation. The following was its position :

Assets realized 4,00,000 (excluding securities given to secured creditors)

Share capital Rs. 1,00,000

Secured creditors Rs. 35,000 (securities realized Rs. 45,000)

Preferential creditors Rs. 10,000

Unsecured creditors Rs. 1,50,000

Debentures having floating charge on assets, Rs. 2,50,000

Liquidation expenses Rs. 5,000

Liquidator's remuneration Rs. 10,000

Prepare Liquidator's Final Statement of Account allowing for his remuneration at 2% on the amount realised and 2% on the amount distributed to unsecured creditors other than the preferential creditors.



4. From the following Balance Sheet of Raman Ltd. calculate Current Ratio, Debt Equity Ratio and Proprietary Ratio :

Liabilities	₹	Assets	₹
Share capital	1,80,000	Fixed Assets	3,90,000
Reserves and surplus	1,20,000	Stock	90,000
Secured loans (long term)	2,10,000	Debtors	1,05,000
Creditors	90,000	Cash	15,000
	<u>6,00,000</u>		<u>6,00,000</u>

5. Sonu Ltd. agreed to take over the business of Mona Ltd. The Balance Sheet of Mona Ltd. as on December 31, 2018 is as follows :

Liabilities	₹	Assets	₹
Share capital :		Goodwill	1,00,000
5% preference shares		Land and Buildings	6,40,000
of Rs. 10 each	3,00,000	Stock	1,68,000
Equity shares of Rs. 10 each	3,00,000	Debtors	36,000
General Reserve	1,70,000	Bank	56,000
Profit and Loss A/c	1,10,000		
6% Debentures	1,00,000		
Creditors	20,000		
	<u>10,00,000</u>		<u>10,00,000</u>

Purchase consideration is calculated as follows :

- Equity shares are to be redeemed at 5% premium by issuing equity shares in Sonu Ltd.
- Nine preference shares in Sonu Ltd are to be issued for every 5 preference shares in Mona Ltd. The face value of the preference shares issued is of Rs. 10 each.

Calculate Purchase Consideration.

6. The Mithra Ltd is having the following paid up share capital :

- 30,000 Preference shares of Rs. 10 each Rs. 3,00,000
- 1,00,000 equity shares of Rs. 5 each Rs. 5,00,000

The resolution was passed to reduce the share capital as under :

The preference shares are to be reduced to shares of Rs. 5 each

Equity shares are to be reduced to shares of Rs. 1 each

The balance of capital reduction account is used to write off Profit and Loss Account Rs. 1,75,000 and Goodwill Rs. 2,00,000 and land and building by Rs. 1,00,000. Pass required journal entries.

SECTION - B

Answer **any four** of the following questions :

(4 × 12 = 48)

7. What is ratio analysis? What are its uses and limitations?
8. Suman Ltd has just recovered from a great financial difficulty. Its Balance Sheet as on 31-12-2018 is as follows :

Liabilities	₹	Assets	₹
Equity Share capital	6,00,000	Buildings	4,00,000
5% Preference Share capital	4,00,000	Plant and Machinery	2,00,000
Creditors	1,50,000	Debtors	2,00,000
		Profit and Loss A/C	3,50,000
	<u>11,50,000</u>		<u>11,50,000</u>

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Rajan Ltd is formed to take over buildings at Rs. 3,00,000, Plant and machinery at Rs. 1,40,000 and Stock at Rs. 60,000. Purchase consideration is to be satisfied by the issue of 7% Preference shares and Equity Shares (Rs. 10) in Rajan Ltd in the ratio of 3 : 2. Preference shareholders are to be settled in full by allotment of the new preference shares.

Sundry debtors realized Rs. 1,50,000. Rs. 1,10,000 was paid to creditors in full settlement. Cost of winding up amounted to Rs. 5,000

Show Realisation Account, Rajan Ltd Account, Preference Shareholders Account, Creditors Account and Equity Shareholders Account in the books of Suman Ltd.

9. The following is the Balance Sheet of Amar Ltd as on 31.12.2018.

Liabilities	₹	Assets	₹
Share capital	6,00,000	Goodwill	1,00,000
General Reserve	3,00,000	Plant	3,00,000
Profit and Loss Account	1,00,000	Furniture	1,00,000
6% Debentures	3,00,000	Land and Buildings	2,00,000
Trade Creditors	3,20,000	Stock	6,00,000
		Sundry Debtors	2,00,000
		Cash at Bank	1,00,000
		Preliminary expenses	20,000
	<u>16,20,000</u>		<u>16,20,000</u>



Ajay Ltd takes over the business of Amar Ltd. On the following terms :

- (a) Goodwill is valued at Rs. 2,00,000 and other assets are considered worth their book values
- (b) Ajay Ltd does not take over Cash at Bank
- (c) Purchase consideration is to be discharged by issuing 90,000 Equity shares of 10 each at par and the balance in cash.

Calculate Purchase Consideration and Pass necessary journal entries in the books of Amar Ltd.

10. From the following data calculate :

- (a) Gross profit ratio
- (b) Net profit ratio
- (c) Stock turnover ratio
- (d) Current Ratio
- (e) Liquid Ratio
- (f) Proprietor Ratio

Sales	Rs. 25,20,000
Cost of Sales	Rs. 19,20,000
Net Profit	Rs. 3,60,000
Inventory	Rs. 8,00,000
Other Current Assets	Rs. 7,60,000
Fixed Assets	Rs. 14,40,000
Net Worth	Rs. 15,00,000
Debt	Rs. 9,00,000
Current liabilities	Rs. 6,00,000

11. X Ltd. went into voluntary liquidation on 1st July 2018. The Balance Sheet of the Company on this date was as follows :

Liabilities	₹	Assets	₹
Share capital :		Plant	2,00,000
12000 10% preference shares of Rs. 10 each	1,20,000	Stock	1,00,000
20000 Equity Shares of Rs. 10 each	2,00,000	Sundry Debtors	1,50,000
5% Debentures	60,000	Cash	3,000
Trade Creditors	1,03,000	P & L A/c	30,000
	<u>4,83,000</u>		<u>4,83,000</u>

Preference dividend was in arrears for one year and payable on liquidation. Plant and stock realized Rs. 2,75,000. Debtors worth Rs. 25,000 were bad. Creditors include Rs. 5,000 preferential. Liquidation expenses amounted Rs. 1,600. Liquidators remuneration was agreed at 2% on amount realized except cash and 2% on the amount distributed to the Equity Shareholders. Debenture holders were paid on 31.12.2018. Prepare Liquidators Final Statement of A/c.

12. From the following information, prepare the Profit and Loss Account of Bhagalaxmi Bank Ltd. as on 31st March 2018 and show the necessary schedules :

Interest on Loan	5,18,000
Interest on Fixed Deposits	5,50,000
Rebate on bills discounted required	98,000
Commission received	16,800
Salaries	1,08,000
Discount on bills	3,90,000
Interest on cash credits	4,46,000
Interest on current accounts	84,000
Rent and taxes	36,000
Interest on overdrafts	3,08,000
Directors Fees	6,000
Auditors Fees	2,400
Interest on Savings Bank Deposits	1,36,000
Postage and Stamp	2,800
Printing and Stationary	5,800
Sundry charges	3,400

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Bad debts written off amounted to Rs. 80,000. Balance of profit from last year was Rs. 2,40,000. The directors have recommended a dividend of Rs. 40,000 for the year. Make a provision for Statutory Reserve at 20%.

SECTION - C

- Answer **any two** of the following : (2 × 24 = 48)

13. Xylo Ltd. Decided to reconstruct the Company as 31.03.2018. On this date the Balance Sheet of the Company was as follows :

Liabilities	₹	Assets	₹
Share capital : 1,00,000		Fixed Assets	6,90,000
shares of Rs. 10 each	10,00,000	Stock	50,000
Current liabilities	20,000	Debtors	1,00,000
		Cash	10,000
		P & L Account	1,70,000
	<u>10,20,000</u>		<u>10,20,000</u>



The scheme of Reconstruction was as Follows :

- (a) A new Company called New Xylo Ltd is to be established with a capital of Rs. 10,00,000 divided into 1,00,000 shares of 10 each
- (b) The new Company has to purchase all liabilities and assets of the Old Company except cash for Rs. 7,70,000
- (c) The new Company issued 1,00,000 shares of Rs. 10 each, Rs. 7.70 paid up to satisfy the purchase consideration
- (d) Reconstruction expenses amounted to Rs. 10,000.

The new company made a final call of Rs. 2.30 per share which was paid in full.

Prepare necessary ledger accounts in the books of Xylo Ltd and show the opening Journal entries and the Balance Sheet in the books of New Xylo Ltd.

14. X Ltd and Y Ltd carrying on a similar business, agreed to amalgamate by transferring their undertaking to a new Co. called Z Ltd. The Balance Sheet of two companies as on the date of transfer were as follows :

Liabilities	X Ltd ₹	Y Ltd ₹	Assets	X Ltd ₹	Y Ltd ₹
Equity shares of			Fixed assets	2,70,000	1,40,000
Rs. 10 each	3,00,000	1,50,000	Stock	50,000	30,000
General Reserve	60,000	40,000	Debtors	80,000	60,000
Creditors	60,000	40,000	Bills Receivable	15,000	4,000
Bills Payable	5,000	10,000	Bank	10,000	6,000
	<u>4,25,000</u>	<u>2,40,000</u>		<u>4,25,000</u>	<u>2,40,000</u>

The terms of agreement were as follows :

- (a) The shareholder of Z Ltd issued 4 shares of Rs. 10 each at Rs. 12.50 per share in exchange for 3 shares in X Ltd.
- (b) The assets and liabilities of Y Ltd. are to be taken at book values subject to 5% provisions on Debtors and Bills Receivable and 10% depreciation on fixed assets. Goodwill of Y Ltd was valued at Rs. 27,200. The purchase consideration was settled in shares of Rs. 10 each at Rs. 12.50 per share.

Prepare Realisation a/c and equity share holders a/c in the books of X Ltd and Y Ltd show the opening Balance Sheet of Z Ltd under purchase method.



15. The Balance Sheet of Arundathi Ltd. as on 31.12.2018 was as follows :

Liabilities	₹	Assets	₹
Authorized capital :		Goodwill	10,000
20000 equity shares of		Land and Buildings	20,500
Rs. 10 each	2,00,000	Machinery	50,850
Paid up capital : 12000 Equity		Preliminary expenses	1,500
Shares of Rs. 10 each 120000		Stock	10,275
Less calls in arrears 9000	1,11,000	Book debts	15,000
(Rs. 3 per share on 3000 shares)		Cash at Bank	1,500
Trade Creditors	15,425	Profit and Loss A/c	20,800
Provision for tax	4,000		
	<u>1,30,425</u>		<u>1,30,425</u>

The directors had a valuation made of machinery and found it overvalued by Rs. 10,000. It is proposed to write down this asset to its true value and to extinguish the deficiency in the profit and loss and to write off Goodwill and preliminary expenses by the adopting of the following course :

- Forfeit the shares on which the call is outstanding
- Reduce the paid up capital by Rs. 3 per share
- Reissue the forfeited shares at Rs. 5 per share
- Utilize the provision for taxes if necessary.

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The shares on which the calls were in arrears were duly forfeited and reissued on payment of Rs. 5 per share. Give the necessary Journal entries and prepare Capital Reduction A/c. Also prepare the Reconstructed Balance Sheet.

16. The following is the trial balance of Gramya Bank Ltd. As on 31st March 2018 :

	Debit (Rs.)	Credit (Rs.)
Paid up capital : 50,000 equity shares		5,00,000
Reserve fund		2,50,000
Loans, cash credit and overdraft	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



	Debit (Rs.)	Credit (Rs.)
Recurring Deposits		20,000
Salary	28,000	
General Expenses	27,000	
Rent, Rates and Taxes	3,000	
Directors Fees	2,000	
Profit and Loss Account (1-4-2017)		16,000
Interest on Discount		1,20,000
Bills purchased and discounted	46,000	
Stock of stationary	8,000	
Commission and exchange		8,000
Interim dividend	17,000	
Investment	50,000	
Cash in hand and with RBI	1,93,000	
Money at call and short notice	50,000	
Balances with other banks	30,000	
	<u>11,89,000</u>	<u>11,89,000</u>

Additional Information :

- Provision for bad and doubtful debts required amounting Rs. 1,500
- Interest accrued on investment Rs. 6,000
- Rebate on bills discounted Rs. 2,000
- Outstanding rent amounted Rs. 500
- Endorsement made on behalf of customers Rs. 1,15,000
- Provide statutory reserve at 20%

Write necessary Schedules and prepare Profit and Loss Statement and a Balance Sheet in the prescribed form.