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BCMCMC 364

Credit Based VI Semester B.Com. Examination, Sept./Oct. 2020

(Common to all Batches)

COMMERCE

Financial Accounting – VI

Time : 3 Hours

Max. Marks : 120

Instructions : Show working notes *wherever* necessary.

SECTION – A

Answer **any four** questions.

(6×4=24)

1. Sadashiva Ltd. went into voluntary liquidation following was the position :
- Assets realized Rs. 3,80,000 (excluding securities given to secured creditors)
 - Share capital (of Rs. 100 each) Rs. 1,00,000.
 - Secured creditors Rs. 35,000 (securities realized Rs. 45,000)
 - Preferential creditors 26,000.
 - Unsecured creditors Rs. 1,85,000.
 - Debentures having floating charges on assets Rs. 2,00,000.
 - Liquidation expenses Rs. 6,250 and liquidators remuneration Rs. 8,750.

Prepare the liquidators final statement of account.

2. Explain the methods of amalgamation.

P.T.O.



3. Kavitha Ltd., agreed to acquire the business of Dinesh Ltd., as on 31-03-2020.

The Balance Sheet of the Dinesh Ltd., on that date is given below.

Liabilities	Rs.	Assets	Rs.
Share Capital		Goodwill	50,000
15000 Preference share of Rs. 10 each	1,50,000	Land and Buildings	3,20,000
15000 equity shares of Rs. 10 each	1,50,000	Stock	84,000
General Reserve	85,000	Debtors	18,000
P/L Account	55,000	Bank	28,000
6% Debentures	50,000		
Creditors	10,000		
	5,00,000		5,00,000

Purchase consideration is to be calculated as follows :

- a) Preference shares are to be paid at 6% premium by issuing equity shares in Kavitha Ltd.
- b) Nine equity shares in Kavitha Ltd. are to be issued for every five equity shares held in Dinesh Ltd. The face value of equity shares of both the companies are same.

Calculate Purchase Consideration.

4. Explain the different forms of Internal Reconstruction of companies.



5. Given below is an extract from the Trial Balance of Jayalakshmi Bank, as on 31-12-2019

	Dr. (Rs.)	Cr. (Rs.)
Bills discounted	7,50,000	—
Rebate on Bills discounted on 1-1-2019	—	2,670
Interest and discount	—	45,730

An analysis of the bills discounted shows the following :

Rs.	Due Date 2020	Rate of Discount % per annum
72,500	6 th March	5%
2,15,500	15 th March	6%
1,45,000	31 st March	4%
1,99,000	14 th April	3%
1,18,000	14 th April	4%

Calculate the rebate on bills discounted.

6. The following information of XYZ Company Ltd. is given :

Current ratio → 2.5 : 1

Acid test ratio → 1.5 : 1

Working capital Rs. 60,000

Bank overdraft : Rs. 10,000

Find out :

- a) Current Assets
- b) Current Liabilities
- c) Liquid Assets
- d) Closing stock.



SECTION – B

(12×4=48)

Answer **any four** questions.

7. From the following information prepare P & L A/c Manorama Bank Ltd. for the year ended 31-03-2019.

	Rs.
Interest on loan	5,18,000
Interest on Fixed Deposits	5,50,000
Rebate on Bill discounted required	98,000
Commission (Cr.)	16,800
Salaries	1,08,000
Discount on Bills Discounted	3,90,000
Interest on cash credit	4,46,000
Interest on current accounts	84,000
Rent and taxes	36,000
Interest on overdrafts	3,08,000
Directors fees	6,000
Audit fees	2,400
Interest on SB Deposits	1,36,000
Postage and stamps	2,800



Printing and stationery	5,800
Sundry charges	3,400

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.

8. Nirmala Ltd., went into voluntary liquidation on 1st January 2020. The liquidator is to be paid commission at 3% on the amount realized on sale of assets and 2% on the amount distributed to share holders.

On 31-12-2019 the position of the company was as follows :

	Rs.
Cash realized on sale of assets	3,50,000
Liquidation Expenses	6,300
Creditors (including salaries for one month Rs. 4,200)	47,600
3500 Preference shares of Rs. 30/- each. (on which dividend is in arrear for one year)	1,05,000
7000 Equity shares of Rs. 10/- each	
Rs. 9/- called up and paid up	63,000

General Reserve Rs. 84,000, P & L A/c Rs. 1,00,000. The preference shareholders have the right to receive 1/3 of the surplus remaining after repaying the equity share capital.

Prepare Liquidator Final Statement of Accounts.



9. The following are the Balance Sheets of A Ltd. and B Ltd. as on 31-12-2019

Liabilities	A Ltd.,	B Ltd.,	Assets	A Ltd.,	B Ltd.,
	Rs.	Rs.		Rs.	Rs.
Equity Share Capital (Rs. 100 per share)	1,00,000	60,000	Land and Buildings	30,000	—
6% Debentures of Rs. 10 each	20,000	—	Plant and Machinery	1,10,000	50,000
Reserve Fund	34,000	—	Stock	16,000	8,000
Dividend Equalisation Fund	4,000	—	Cash	3,000	1,000
Employee's Provident Fund	3,000	—	Debtors	14,000	9,000
Trade Creditors	10,000	8,000			
Profit and Loss A/c	2,000	—			
	1,73,000	68,000		1,73,000	68,000

The two companies agree to amalgamate and form a new company called C Ltd., which takes over the assets and liabilities of both the companies. The authorized share capital of C Ltd., is Rs. 10,00,000 in equity shares of Rs. 10 each.

The assets of A Ltd., are taken over at a reduced valuation of 10% with the exception of land and buildings which are accepted at book value.



Both the companies are to receive 5% of the net valuation of their respective business as goodwill. The entire purchase price is to be paid by C Ltd., in fully paid shares. Show the calculation of purchase consideration. Pass journal entries in the books of C Ltd., and also prepare the opening Balance Sheet of C Ltd.

10. Amitha Ltd., decided to sell its business to the Pallavi Corporation Ltd., as on 31-12-2019. On that date its Balance Sheet was as follows :

Liabilities	Rs.	Assets	Rs.
Paid up Capital :		Free hold Property	66,000
8,000 shares of Rs. 10 each.	80,000	Stock	14,000
5% Debentures	40,000	Debtors	16,000
Creditors	12,000	Bills Receivable	8,000
Reserve Fund	20,000	Goodwill	16,000
Profit and Loss A/c	8,000	Cash at Bank	40,000
	1,60,000		1,60,000

The Pallavi Corporation Ltd., agreed to take over the Assets (excluding cash) at the amount stated in the Balance sheet except Goodwill for which the Co. agreed to pay Rs. 40,000 and discharge the liabilities to Sundry Creditors. The purchase price was to be discharged by the allotment of 4,800 shares of Rs. 10 each at Rs. 12.50 per share and the balance in cash. The expenses of liquidation amounted to Rs. 1,200. Write up the necessary Ledger Accounts in the book of Amitha Ltd.



11. Following was the Balance Sheet of Sunset Ltd., as on March 31, 2020

Liabilities	Rs.	Assets	Rs.
2000, Equity shares of Rs. 100 each	2,00,000	Goodwill	25,000
1000, 7% Preference shares of Rs. 100 each	1,00,000	Plant and Machinery	75,000
6% Debentures	1,00,000	Land and Buildings	70,000
Sundry Creditors	1,00,000	Patent Rights	20,000
		Stock	80,000
		Debtors	1,07,500
		Cash in Hand	2,500
		Preliminary Expenses	12,500
		Discount on issue of Debentures	7,500
		Profit and Loss A/c	1,00,000
	5,00,000		5,00,000

The following scheme of reconstruction was duly approved :

- a) Equity shares are to be reduced to equal number of fully paid shares of Rs. 50 each.
- b) 7% Pref. shares are to be reduced by 30%.



- c) The value of Land and Building to be increased by 10%.
- d) The Debentures are to be reduced by 20%.
- e) All nominal and fictitious assets are to be eliminated and any balance used to write off patents.
- f) Further, equity shares are to be issued for Rs. 50,000 for cash.

Give the journal entries for the above.

12. Following is the summarized Balance Sheet of XYZ Ltd., as on 31st March 2019.

Liabilities	Rs.	Assets	Rs.
Equity Share Capital	1,25,000	Goodwill	10,000
6% Preference Shares	75,000	Buildings	1,25,000
General Reserve	10,000	Machinery	87,500
P and L Account	7,500	Furniture	5,000
5% Debentures	50,000	Stock	45,000
Creditors	14,000	Debtors	10,500
Bills Payable	6,000	Bank	2,500
		Preliminary Expenses	2,000
	2,87,500		2,87,500



Additional Information :

- a) Total sales Rs. 2,00,000 which 20% is made on credit.
- b) Gross profit for the year amounted to Rs. 40,000 and net profit Rs. 10,000.

Calculate :

- 1) Current ratio
- 2) Liquid ratio
- 3) Debt-Equity ratio
- 4) Gross Profit ratio
- 5) Net Profit ratio
- 6) Capital Gearing Ratio.

SECTION – C

Answer **any two** questions :

(24×2=48)

13. Prepare Liquidators Statement of Account from the following :

The Balance Sheet of Ravi Ltd., as on 31-12-2019

Liabilities	Rs. Assets	Rs.
Share Capital :	Land and Buildings	2,00,000
Authorised and subscribed :	Machinery and Plant	5,00,000
4,000 6% Preference Shares	Patents	80,000
of Rs. 100	4,00,000 Stock at Cost	1,10,000



2,000 Equity shares of Rs. 100 each, Rs. 75 paid	1,50,000	Sundry Debtors	2,20,000
6,000 Equity shares of Rs. 100 each, Rs. 60 paid	3,60,000	Cash at Bank	60,000
5% Debentures having a floating charges on all assets	2,00,000	Profit and Loss A/c	2,40,000
Interest outstanding on above	10,000		
Creditors	2,90,000		
	14,10,000		14,10,000

The company went into liquidation on the above date.

The preference dividends were in arrears for two years. The arrears are payable automatically on liquidation. Creditors include a loan for Rs. 1,00,000 on the mortgage of land and buildings. The assets were realized as follows :

	Rs.
Loan and Buildings	2,40,000
Machinery and Plant	4,00,000
Patents	60,000
Stock	1,20,000
Sundry Debtors	1,60,000

The expenses of liquidation amounted to Rs. 20,000. The liquidator is entitled to a commission of 3% on all assets realized except cash and a commission of 2% on amount distributed among unsecured creditors including Preferential Creditors. Preferential Creditors amounted to Rs. 30,000. Assume all the payments were made on 30-06-2020.



14. Aruna Ltd., agreed to acquire the Business of Rajesh Ltd., as on 31st December 2019. The Balance Sheet of Beta Ltd., on that date was as follows :

Liabilities	Rs.	Assets	Rs.
30,000 shares of Rs. 10 each fully paid	3,00,000	Goodwill	50,000
General Reserve	50,000	Land and Building	3,00,000
Workmen's Compensation Fund	35,000	Plant	20,000
6% Debentures	50,000	Stock	84,000
Creditors	10,000	Debtors	18,000
Profit and Loss A/c	55,000	Cash	28,000
	5,00,000		5,00,000

The consideration payable was agreed as under :

- a) A cash payment of Rs. 2.50 for every share in Rajesh Ltd.,
- b) An issue of 45,000 fully paid shares of Rs. 10 each at a market value of Rs. 15 per share.
- c) Issue of such an amount of fully paid 8% Debentures in Aruna Ltd., at 96% is sufficient to discharge the 6% Debentures of Rajesh Ltd., at a premium of 20%. While computing the consideration the Directors of Aruna Ltd., valued Land and Buildings at Rs. 5,90,000; Plant at Rs. 10,000; Stock at Rs. 71,000 and Debtors of face value subject to a Reserve of 5% for doubtful debts. The cost of liquidation of Rajesh Ltd., amounted to Rs. 2,500 paid by Aruna Ltd.

Write the ledger accounts in the books of Rajesh Ltd., and draft Journal entries in the books of Aruna Ltd.



15. The following was the Balance Sheet of Namitha Ltd., as on 31-12-2019

Liabilities	Rs.	Assets	Rs.
Share Capital :		Goodwill	80,000
10000 6% Preference Shares		Patents	30,000
of Rs. 10 each fully paid	1,00,000	Sundry Assets	3,29,000
30000 Equity shares of		Bank	1,000
Rs. 10 each fully paid	3,00,000	Profit and Loss A/c	56,000
6% Debentures	60,000	Preliminary Expenses	4,000
Creditors	40,000		
	5,00,000		5,00,000

The following scheme of reconstruction was decided :

- a) A new company Harish Ltd., was to be formed to take over the Business with an authorized capital of Rs. 6,50,000 in equity shares of Rs. 10 each.
- b) One equity share of Rs. 5/- paid up in Harish Ltd., to be issued for every equity share in Namitha Ltd.
- c) Two equity shares of Rs. 5/- paid up in Harish Ltd., to be issued for every preference share in Namitha Ltd.
- d) Debenture holders to receive 6,000 Equity shares as fully paid up in Harish in full satisfaction of their claim.
- e) The creditors to be taken over by Harish Ltd.



f) The remaining unissued shares to be taken up by the directors and paid in full.

g) Harish Ltd., takes over all assets except Patents subject to writing down Sundry Assets by Rs. 70,000.

h) Patents realized Rs. 2,000 and liquidation expenses Rs. 2,000 were paid.

Close the Books of Namitha Ltd., by necessary ledger accounts and show Journal entries and prepare the Balance Sheet of New Company on the basis of above scheme.

16. From the following information you are required to prepare a Profit and Loss Account and the Balance Sheet of Aparna Bank Ltd.

Trial Balance as on 31st December 2019

Particulars	Amount in Rs.	Particulars	Amount in Rs.
Cash in Hand	1,50,000	5,000 Shares of	
Cash at Bank	2,50,000	Rs. 100 each	5,00,000
Money at Call and Short Notice	1,50,000	Statutory Reserve fund	2,50,000
Govt. Securities	4,00,000	Deposits	7,50,000
Loan and Cash credits	9,15,000	Loan from Vijaya Bank	3,50,000
Bills discounted	75,000	Pension Fund	25,000
Commission	2,500	Commission	17,500
Interest paid on Deposits	77,500	Interest and Discount	3,57,500



Premises less depreciation	1,50,000	Profit on sale of Investments	5,000
Furniture less depreciation	30,000		
Directors' Fees	5,000		
Audit Fees	5,000		
Salaries and Allowances	30,000		
Depreciation on Property	7,500		
Printing and Stationery	3,000		
Postage and Telegrams	3,000		
Other Expenses	1,500		
	22,55,000		22,55,000

- a) Provide Rs. 25,000/- for doubtful debts.
 - b) Make provision for income tax Rs. 30,000.
 - c) A claim of Rs. 45,000 for bonus to workers is pending award.
 - d) The average due date of all the bills discounted is 60 days including grace days. Bills have been discounted @ 10% per annum.
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