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**BCMCMC 314**

**Credit Based V Semester B.Com. Examination, April 2021**  
**(Common to all Batches)**  
**COMMERCE**  
**Financial Accounting – V**

Time : 3 Hours

Max. Marks : 120

**Instructions :** Answer *all* the questions.

Provide working notes *wherever* necessary.

**SECTION – A**

Answer **any four** questions :

**(4×6=24)**

1. State the legal provisions for the redemption of preference shares.
2. Explain the various methods of redemption of debentures.
3. Nobita holds 5000 equity shares in Doraemon Ltd., the paid up capital which is 30,000 shares of ₹ 10 each. It is ascertained that :
  - a) Normal annual profit of such company is ₹ 5,000.
  - b) The NRR for the type of business carried out by the company is 8%.Nobita request you to value his shares based upon the above information.
4. How do you treat the following items in the Final Accounts of companies ?
  - a) Fixed Assets.
  - b) Bills payable.
  - c) Debentures.
  - d) Closing stock.
  - e) Salaries.
  - f) General Reserve.

**P.T.O.**



5. The net profits of a business before tax for the last years is

₹ 96,000

₹ 1,10,000

₹ 1,12,000

₹ 1,26,000

₹ 1,40,000

Profit for all the years includes ₹ 1,000 as income from investment.

The Average Capital employed in the business is ₹ 4,50,000. Normal Rate of return expected in this type of business is 12%. It is expected the Co. will be able to maintain super profits for the next 4 years. Calculate value of Goodwill under

a) 4 years purchase of Super Profit.

b) Capitalizing Super Profit.

6. What is minority interest ? How it is calculated and treated in the consolidated Balance Sheet of a holding company ?

SECTION – B

Answer **any four** questions :

(12×4=48)

7. Following was the Balance Sheet of A Ltd. on 31-12-2020 :

<b>Liabilities</b>	₹	<b>Assets</b>	₹
Capital	1,64,000	Land	36,000
Reserve	40,000	Plant	54,000
Creditors	38,040	Investment	30,000
		Stock	26,850
		Debtors	19,200
		Bank	75,990
	<b>2,42,040</b>		<b>2,42,040</b>

Profit for

2018 – ₹ 32,000

2019 – ₹ 36,000

2020 – ₹ 43,000



The above profit includes income from investment ₹ 1,800 each year.

The revalued value of land is ₹ 46,000, plant is ₹ 56,000.

Calculate value of goodwill based on 2 years purchase of 3 years average profit. Under

- Super profit method.
- Average profit method.
- Capitalisation method.

8. Following is the B/S of Kudla Ltd., on 31-03-2020 :

	₹		₹
10,000 equity shares of ₹ 10 each	1,00,000	Building	70,000
General Reserve	30,000	Machinery	65,750
Workmen compensation fund	20,000	Patent	14,250
Profit and Loss A/c	35,000	Stock	17,500
Creditors	45,000	Debtors	47,500
		Cash	9,250
		Preliminary Exp.	5,750
	<b>2,30,000</b>		<b>2,30,000</b>

Assets revalued as follows :

Machinery – ₹ 60,000. Building – ₹ 1,00,000

The profit for the 3 previous years is ₹ 34,000, ₹ 24,000, and ₹ 32,000.

Tax rate is 30%.

The Co. transfers 20% of the profit to Reserve every year. The Normal rate of return is 12%. Find the fair value of shares.

9. Balance Sheet of H Ltd., and S Ltd., as on 31-03-2020 :

Liabilities	H Ltd.	S Ltd.	Assets	H Ltd.	S Ltd.
	₹	₹		₹	₹
Share capital		2,00,000	Fixed asset	3,00,000	1,00,000
Shares of ₹ 10 each	5,00,000		Investment (60% of shares of S Ltd.)	1,62,400	
Reserve	1,00,000	50,000	Current Asset	2,77,600	2,45,000
P & L A/c	60,000	35,000			
Creditors	80,000	60,000			
	<b>7,40,000</b>	<b>3,45,000</b>		<b>7,40,000</b>	<b>3,45,000</b>





H Ltd. acquired the shares on 1-04-19 on which date the reserve and P & L A/c balance of S Ltd. had a balance of ₹ 40,000 and ₹ 8,000 respectively. Prepare the consolidated Balance Sheet.

10. Following is the B/S of Kodyala Ltd., as on 31-3-2020 :

<b>Liabilities</b>	₹	<b>Assets</b>	₹
Share Capital		Fixed assets	3,45,000
6,500 12% redeemable preference shares of 10 each	65,000	Investments	18,500
4,500 equity shares of ₹ 50 each	2,25,000	Bank	31,000
P/L A/c	48,000		
Creditors	56,500		
	<b>3,94,500</b>		<b>3,94,500</b>

In order to redeem preference shares the company decided,

- a) To sell all its investments for ₹ 16,000.
- b) To issue 650 equity shares of ₹ 50 each at a premium of ₹ 13 per share.

The equity shares were fully subscribed and the preference shares were redeemed at a premium of 10%. Journalise the transactions and prepare Balance Sheet after redemption.

11. Balance Sheet of Pingara Ltd., disclosed the following information on 31-3-2019.

<b>Particulars</b>	₹
15% Debentures	15,00,000
Debenture Redemption Fund	11,63,600
Debenture Redemption Fund Investment Account (10% Govt. Security)	11,63,600
Annual Contribution to Debenture Redemption Fund	1,30,800

Show Ledger Accounts assuming that securities were realized on 31-3-2020 for an amount of ₹ 13,52,000 and debentures were redeemed. Interest on investment received every year on 31<sup>st</sup> March every year. Prepare

- a) Debenture Redemption Fund A/c.
- b) Debenture Fund Investment A/c.
- c) Debentures A/c.



12. Prepare a Balance Sheet in the vertical form of New Mangalore Co. Ltd., on 31-03-2020 from the following information :

	₹
Share Capital 1,00,000 equity shares of ₹ 10 each	10,00,000
8,000 preference shares of ₹ 100 each	8,00,000
Securities premium	8,00,000
General Reserve	32,00,000
Secured loans	18,00,000
Unsecured loans	3,10,000
Fixed Assets	56,00,000
Goodwill	3,00,000
Investments	2,50,000
Closing stock	14,00,000
Sundry debtors	14,20,000
Cash and Bank balances	3,40,000
Loans and advances	5,30,000
Sundry creditors	12,50,000
Bills payable	3,00,000
Provision for taxation	2,00,000
Miscellaneous expenditure	60,000
P&L A/c (loss)	4,00,000

**Provide for :**

- 1) Depreciation on fixed assets ₹ 6,00,000.
- 2) Provision for doubtful debts ₹ 40,000.

**SECTION – C**

Answer **any two** :

**(24×2=48)**

13. On 1-1-2016 Nalanda Ltd., issued 10,000 6% debentures of ₹ 100 each repayable at the end of 4 years at a premium of 5%. It has been decided to constitute a sinking fund for the purpose, the investment being expected to yield 4% interest. Sinking fund tables shows that ₹ 0.235490 annually amounts to Re. 1 at 4% in 4 years. Investments were made in multiples of ₹ 100 only.





The bank balance on 31-12-2019 was ₹ 3,00,000 (inclusive of interest on investment for the year), On 31-12-2019, investments realised 96% of their value and the debentures were paid off.  
Prepare Necessary Ledger Accounts.

14. Balance Sheet of B Ltd., as on 31-12-2010 as follows :

<b>Liabilities</b>	₹	<b>Assets</b>	₹
Equity share capital 1,00,000 equity shares of ₹ 10 each	10,00,000	Land and Buildings	16,00,000
3000, 9% redeemable Preference shares of ₹ 100 each, ₹ 80 paid up	2,40,000	Cash at Bank	6,60,000
4000, 10% preference shares of ₹ 100 each fully paid up	4,00,000	Investment	2,00,000
Security premium	50,000		
P & L A/c	5,00,000		
Creditors	2,70,000		
	<b>24,60,000</b>		<b>24,60,000</b>

The company decided to redeem both the classes of preference shares on the following terms.

- a) Redemption is at a premium of 5%.
- b) Sell all its investment at its book value.
- c) Issue for cash so many equity shares of ₹ 10 each which are necessary to provide for redemption of both the classes of preference.

After redemption company made a bonus issue of one share for every two to the existing shareholders (excluding fresh issue) Pass journal entries and prepare Balance Sheet after redemption.

15. H Ltd., acquired 15,000 shares in S Ltd., for ₹ 1,55,000 on 1-07-19. The Balance Sheet of two companies on 31-3-2020 is as follows :

<b>Liabilities</b>	<b>H</b>	<b>S</b>	<b>Assets</b>	<b>H</b>	<b>S</b>
	₹	₹		₹	₹
Equity Shares of ₹ 10 each	9,00,000	2,50,000	Debtors	60,000	35,000
			Bills receivable	25,000	20,000



General	40,000	Cash in hand	90,000	40,000
Reserve on 1-04-2019	1,60,000			
P & L A/c	80,000	25,000 Machinery	7,00,000	1,50,000
Bills payable	40,000	20,000 Furniture	1,00,000	70,000
Creditors	50,000	30,000 Investment	1,55,000	-
		Stock	1,00,000	50,000
	<b>12,30,000</b>	<b>3,65,000</b>	<b>12,30,000</b>	<b>3,65,000</b>

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The following additional information is provided to you

- 1) Profit of S Ltd., on 1-04-19 amounted to ₹ 20,000.
- 2) During the year H Ltd., sold to S Ltd., goods costing ₹ 8,000 and made a profit of 2,000. 25% of these goods remained unsold with S Ltd., on 31-3-2020 creditors of S Ltd., include ₹ 4,000 due to H Ltd., on account of these goods.

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You are required to draw a consolidated Balance Sheet as at 31.3.2020.

The following is the Trial Balance of National Co. Ltd., as at 31-03-2019.

Prepare Final Accounts in vertical form with relevant notes :

24)

<b>Trial Balance</b>	<b>Dr. (₹)</b>	<b>Cr. (₹)</b>
Authorised Capital (50,000 shares of ₹ 10 each)		<u>5,00,000</u>
Subscribed Capital (10,000 shares of ₹ 10 each)		1,00,000
Calls-in-arrears	6,400	
Land	10,000	
Building	25,000	
Machinery	15,000	
Furniture	3,200	
Carriage	2,300	
Wages	21,400	
Salaries	4,600	
Bad debts reserve		1,400
Sales		80,000
Sales returns	1,700	
Bank charges	100	
Coal, Gas and Water	700	

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Rent and Rates	800	
Purchases	50,000	
Purchases returns		3,400
Bills Receivable	1,200	
General expenses	1,900	
Debtors	42,800	
Creditors		13,200
Stock	25,000	
Insurance	400	
Cash at Bank	13,000	
Cash in hand	2,500	
Securities premium		6,000
General Reserve		24,000
<b>Total</b>	<b>2,28,000</b>	<b>2,28,000</b>

**Adjustments :**

- 1) Change Depreciation on Buildings at 2%, on machinery at 10%, furniture at 10%.
  - 2) Provide a reserve of 5% on debtors.
  - 3) Carry forward the following unexpired amount Insurance ₹ 120.
  - 4) Outstanding wages ₹ 3,200, salaries ₹ 500, rent and rates ₹ 200.
  - 5) Value of stock as on 31-03-2019 ₹ 30,000.
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