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BCMCMC 314

**Credit Based V Semester B.Com. Degree Examination, April/May 2022
(Credit Based Semester Scheme)
(2020-21 and Earlier Batches)
COMMERCE
Financial Accounting – V**

Time : 3 Hours

Max. Marks : 120

Instruction : Provide working notes *wherever* necessary.

SECTION – A

Answer **any four** questions :

(4×6=24)

1. State the various methods of valuation of Goodwill.
2. State the provisions for the redemption of Preference Shares.
3. What is Minority Interest ? How do you calculate the Minority interest ?
4. Sunrise Ltd. has 50,000, 8% Preference shares of Rs. 10 each and 40,000, 7% Preference shares of Rs. 10 each. The company transfers 10% of divisible profits to General reserve every year. The expected profits before tax is Rs. 10,00,000 and rate of tax is 65% . Normal Rate of Returns is 16%.
Find out the market value of each equity shares.
5. The net profit of Disha Ltd. for the past five years are :
Rs. 84,000, Rs. 94,000, Rs. 86,000, Rs. 82,000 and Rs. 94,000. The capital employed in the business is Rs. 8,00,000 on which a reasonable return of 10% is expected. Compute the value of goodwill as per Capitalization of super profit method.

P.T.O.



6. A company has 40,000, 12% redeemable shares of Rs. 100 each, fully paid. The company decides to redeem the shares on December 31st 2016 at a premium of 5%.

The company makes the following issues :

- a) 1,00,000 equity shares of Rs. 10 each at a premium of 10%
- b) 10,000, 14% Debentures of Rs. 100 each.

The issue was fully subscribed and all the amounts were received. The redemption was duly carried out. The company has sufficient Profit. Give journal entries.

SECTION – B

Answer **any four** questions :

(4×12=48)

7. The Balance Sheet of Dhrathi Ltd. as on 31-3-2012 was as follows :

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

The company decided to redeem its Preference shares at a premium of 5% on the following terms :

- a) A fresh issue of equity shares to the extent required was made at 20% premium.
- b) All the investments were sold at Rs. 8,10,000.
- c) The directors wish that Profit and Loss A/c fully utilized and Rs. 1,00,000 be left in General Reserve A/c.

Pass Journal entries and prepare Balance Sheet after redemption.



8. Arun Company Ltd. had issued 6% Debentures for Rs. 2,00,000. They were redeemable at 5% premium on 31st December 2020. On that date the other concerned ledger accounts showed following balance :

	Rs.
Debenture Redemption Fund	2,10,000
Debenture Redemption Fund Investment :	
(5% Govt. Loan face value of Rs. 1,85,000)	1,81,000
Bank A/c (after interest on investment)	2,21,500
Premium on redemption of debentures	10,000

On 31st December 2020, the investments were sold at 101 % and all the debentures were duly redeemed. Write up the concerned ledger accounts.

9. Balance Sheet of H Ltd. and S Ltd. on 1-12-2017 was as follows :

Liabilities	H Ltd. Rs.	S Ltd. Rs.	Assets	H Ltd. Rs.	S Ltd. Rs.
Share capital (Shares of Rs. 10 each)	2,50,000	1,00,000	Fixed Assets	1,50,000	50,000
Reserves	50,000	25,000	Investments (6000 shares)	81,200	-
Profit and Loss A/c	30,000	17,500	Current Assets	1,38,800	1,22,500
Creditors	40,000	30,000			
	3,70,000	1,72,500		3,70,000	1,72,500

H Ltd. acquired the shares on 1-4-2016 on which date the Reserve and Profit and Loss A/c of S Ltd. had a Balance of Rs. 20,000 and Rs. 4,000 respectively.

Prepare Consolidated Balance Sheet.

10. Following is the Balance Sheet of Kavya Ltd. as on 31-3-2020.

Liabilities	Rs.	Assets	Rs.
Share capital		Fixed assets	1,70,000
30,000 equity shares of Rs. 10 each	3,00,000	Stock	3,10,000
General Reserve	1,60,000	Debtors	2,03,000
Profit and Loss A/c	1,20,000	Bank	1,17,000
Creditors	1,00,000		
Income tax liabilities	1,20,000		
	8,00,000		8,00,000



Net profits after taxation for the last 3 years were : Rs. 69,000, Rs. 91,500 and Rs. 98,000. It is the practice of the company to keep 20% of the profit after taxation to the reserve. The average yield in this type of business is 15% on capital employed. The fixed assets were valued at Rs. 3,00,000 and there is a necessary to provide RBD at 10%.

Compute the Fair value of each share.

11. The Balance Sheet of Ajith Company Ltd. discloses the following position as on 31-3-2021.

Liabilities	Rs.	Assets	Rs.
Share capital			
50,000 shares of Rs. 10 each	5,00,000	Land	3,00,000
General Reserve	2,00,000	Plant	5,00,000
Profit and Loss A/c	50,000	Stock	5,00,000
5% Debentures	5,00,000	Debtors	3,00,000
Creditors	4,50,000	Bank	1,00,000
	17,00,000		17,00,000

You are asked to compute the value of goodwill on the basis of one years purchase of super profits of the company. The following information is supplied to you :

- a) The market value of plant is Rs. 8,00,000.
- b) The profits of the company for the last three years were :

2019	Rs. 1,01,000
2020	Rs. 1,50,000
2021	Rs. 1,72,000
- c) The reasonable return on the capital invested in this type of business is 8%.



12. Prepare a Balance Sheet in Vertical Form of Neha Ltd. as on 31-3-2021 :

Particulars	Dr.	Cr.
Share Capital :	Rs.	Rs.
1,00,000 Equity shares of Rs. 10 each	—	10,00,000
8,000 Preference shares of Rs. 100 each	—	8,00,000
Securities premium	—	8,00,000
General reserve	—	32,00,000
Secured loan	—	18,00,000
Unsecured loans	—	3,10,000
Fixed assets	50,00,000	—
Goodwill	2,60,000	—
Investments	2,50,000	—
Closing Stock	14,00,000	—
Sundry Debtors	14,20,000	—
Cash at Bank	3,40,000	—
Loans and Advances	5,30,000	—
Creditors	—	12,50,000
Bills Payable	—	3,00,000
Provision for taxation	—	2,00,000
Miscellaneous Expenditure	60,000	—
Profit and Loss A/c (Loss)	4,00,000	—
	96,60,000	96,60,000

Provide for

a) Depreciation on fixed assets Rs. 6,00,000

b) Provision for doubtful debts Rs. 40,000.



SECTION – C

Answer **any two** questions :

(2×24=48)

13. Rajesh Ltd. issued 5,000 Debentures of Rs. 100 each at par on 1-4-2016 redeemable on 31-3-2021. A Debenture Redemption Fund was established for the purpose. It was expected that investments would earn 5% net. The table shows that Re. 0.180975 amounts to Re. 1 at the end of five years at 5%.

On 31-3-2011, the investments were sold for Rs. 3,90,000. On that date the company's Bank balance stood at Rs. 1,45,600. The Debentures were duly redeemed. Prepare necessary Ledger Accounts.

14. Following are the Balance Sheet of A Ltd. and its subsidiary B Ltd. as on 31-3-2013 :

Liabilities	A Ltd. Rs.	B Ltd. Rs.	Assets	A Ltd. Rs.	B Ltd. Rs.
Share capital			Machinery	3,00,000	1,00,000
Shares of Rs. 10 each	6,00,000	2,00,000	Furniture	70,000	45,000
General Reserve	1,50,000	70,000	Stock	1,75,000	1,89,000
Profit and Loss A/c	70,000	50,000	Debtors	55,000	30,000
Creditors	90,000	60,000	70% shares in B Ltd.	2,60,000	—
			Bank	50,000	10,000
			Preliminary expenses	—	6,000
	9,10,000	3,80,000		9,10,000	3,80,000

A Ltd. acquired the shares in B Ltd. on 30th June 2012 . On 1-4-2012 B Ltd's General Reserve and Profit and Loss A/c stood at Rs. 60,000 and Rs. 20,000 respectively. The Creditors of A Ltd. includes Rs. 20,000 for the goods supplied by B Ltd., on which B Ltd. made a profit of Rs. 2,000 , 50% of the goods were still in stock on 31-3-2013.

Prepare the Consolidated Balance Sheet.



15. The Balance Sheet of Mamatha Ltd. as on 31st March 2021 was as under;

Liabilities	Rs.	Assets	Rs.
40,000 Redeemable Preference shares of Rs. 10 each fully paid	4,00,000	Sundry Assets	8,40,000
20,000 Equity shares of Rs. 10 each	2,00,000	Cash at Bank	3,00,000
Securities Premium A/c	50,000		
Profit and Loss A/c	2,80,000		
Current Liabilities	2,10,000		
	11,40,000		11,40,000

The company decided to redeem the preference shares at a premium of 5%. For this purpose it issued for cash as many equity shares of Rs. 10 each at a premium of Rs. 2.50 per shares as were necessary to provide for redemption, so as to leave a balance of Rs. 50,000 in Profit and Loss A/c. The directors then issued bonus shares at the rate of one for every two shares held at par value of Rs. 10 (excluding fresh issue). The new equity shares were fully subscribed and the preference shares were redeemed.

Pass Journal Entries and draw up the revised Balance Sheet.

16. The following Balance appear in the books of Ramdev Company Ltd. on March 2021.

	₹ (Dr.)	₹ (Cr.)
Stock	51,000	—
Purchases	8,10,000	—
Manufacturing Expenses	1,80,000	—
Salaries and wages	26,400	—
General charges	11,000	—
Directors Fees	400	—
Dividend for 2019-20	18,000	—
Buildings	1,01,000	—
Plant and Machinery	70,400	—
Furniture	10,200	—
Motor vehicles	40,800	—



Stores and spare parts	30,000	-
B/R	45,000	-
Book Debts	1,14,000	-
Investments	8,000	-
Cash at Bank	1,06,600	-
Share capital	-	1,44,000
Creditors	-	2,48,000
Sales	-	11,10,000
Profit and Loss A/c	-	30,000
Interest	-	2,600
Pension Fund	-	46,000
Excess provision of taxation of earlier years	-	17,000
Dividend Equalization Fund	-	20,000
Unclaimed Dividend	-	2,000
Deposits	-	3,200
	16,22,800	16,22,800

From the above balance and following information prepare company's Profit and Loss A/c for the year ended 31st March 2021 and Balance Sheet as on that date in the vertical form.

Additional Information :

- a) Stock on 31-3-2021 Rs. 73,200.
- b) Outstanding expenses : Manufacturing Rs. 45,000 and Wages Rs. 3,000.
- c) Interest accrued on securities Rs. 200.
- d) General charges prepaid Rs. 1,660.
- e) Provide Depreciation on Buildings at 2%, Plant at 10%, and Furniture at 10% and Motor vehicles at 20%.
- f) The directors propose of dividend @ 20%.
- g) Provide taxation at 60% of net profit.