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BCMCMC 364

**Credit Based VI Semester B.Com. Degree Examination, July/August 2023
(2020 – 21 and Earlier Batches)
FINANCIAL ACCOUNTING – VI**

Time : 3 Hours

Max. Marks : 120

Instruction : Show working notes wherever necessary.

SECTION – A

Shri Dharmasthata Manipalatheshwara
College of Business Management Library
MANGALORE - 575 003

Answer **any four** questions.

(4×6=24)

1. An analysis of the bills discounted by Canara Bank Limited shows the following :

Amount	Due Date	Rate of Discount
1,50,000	May 20 th 2023	9% p.a.
1,20,000	June 12 th 2023	7.5% p.a.
1,00,000	June 19 th 2023	8.25% p.a.
80,000	July 9 th 2023	9.5% p.a.

Calculate the rebate on bills discounted as on 31-3-2023.

2. The following information about a company is given.

Current ratio	2.5 : 1
Acid test ratio	1.5 : 1
Current liabilities	₹ 6,00,000

Find out :

- Current Assets
- Liquid Assets
- Inventory.

P.T.O.



3. Explain the two forms of internal reconstruction of companies.
4. Megha Limited went into liquidation with the following liabilities.

Secured Creditors	40,000	(Securities realised ₹ 50,000)
Preferential Creditors	1,200	
Unsecured Creditors	61,000	
Liquidation expenses	500	

The liquidator is entitled to a remuneration of 3% on the amount realized (including secured assets) and 1.5% on the amount distributed to unsecured creditors. The various assets (excluding the securities in the hands of secured creditors) realized are ₹ 52,000.

Show Liquidator final statement of account.

5. Following is the Balance Sheet of X Limited.

Particulars	Note No.	Amount (₹)
Equity and Liabilities		
I) Shareholders funds		
a) Share capital	1	6,00,000
b) Reserves and surplus	2	
General Reserve		3,00,000
Profit and Loss A/c		1,00,000
II) Share application money pending on allotment	-	-
III) Non-current liabilities		
10% Debentures	3	3,00,000
IV) Current liabilities		
Sundry Creditors	4	3,20,000
		16,20,000



Assets

I) Non-Current Assets	5	
Goodwill		1,00,000
Plant and Machinery		5,00,000
Furniture		1,00,000
II) Current Assets	6	
Stock		6,00,000
Debtors		2,00,000
Bank		1,00,000
Preliminary expenses		20,000
		16,20,000

Y Limited agreed to take over the business of X Limited on the following terms :

- a) Goodwill is valued at ₹ 2,00,000. Other assets are considered worth their book value.
- b) Y Limited does not take over the balance at bank.
- c) X Limited agrees to redeem its debentures by itself.
- d) Consideration is to be discharged in the form of 90,000 fully paid equity shares of ₹ 10 each, valued at par and balance in cash.

Calculate the purchase consideration and show the mode of payment.

6. Distinguish between amalgamation in the nature of purchase and in the nature of merger.



SECTION – B

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

(4×12)

7. The Position of Vidya Limited on liquidation is as follows :

Issued Share Capital :

1,000, 6% preference shares of ₹ 100 each fully paid. (Arrears of dividends for one year) and it is payable on liquidation.

1,000 Equity shares of ₹ 50 each fully paid.

1,000 Equity shares of ₹ 40 each, ₹ 30 paid

Calls in arrears ₹ 4,000 and calls in advance ₹ 6,000

Cash left after making payments of the creditors, but before making any calls was ₹ 1,16,000. You are required to prepare Liquidators Final Statement of Accounts.

8. From the following information, prepare the Profit and Loss Account of Laxmi Bank for the year ended 31-3-2016 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 (credit)	16,800



Salaries	1,08,000
Discount on bills discounted	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
Director's fees	6,000
Auditors fees	2,400
Interest on savings bank deposits	1,36,000
Postage and stamps	2,800
Printing and stationery	5,800
Sundry charges	3,400

Bad debts written off amounted to ₹ 80,000. Balance of Profit from last year was ₹ 2,40,000. The directors have recommended a dividend of ₹ 40,000 for the year. Make provision for statutory reserve at 20%.

9. Following is the Balance Sheet of Moon Limited which was absorbed by Sun Limited on 31-3-2022.

Equity and Liabilities

Note No. ₹

A) Shareholder funds :

a) Share capital

1

Paid up capital : 30,000 equity shares of ₹ 10 each

3,00,000

1000 preference shares of ₹ 100 each

1,00,000

Reserves and surplus

2

—



B) Share application money pending on allotment	-	-
C) Non-current liabilities	3	-
D) Current liabilities	4	-
Sundry creditors		30,000
Bills payable		50,000
		4,80,000
		₹
Assets		
A) Non-current assets	5	
Goodwill		50,000
Land		2,00,000
Plant		1,00,000
B) Current assets	6	
Sundry debtors		50,000
Stock		30,000
Bank		35,000
Preliminary expenses		5,000
P and L A/c		10,000
		4,80,000

Terms agreed between two companies were as follows :

- For every 10 equity shares of Moon Limited, Sun Limited issued 12 fully paid shares of ₹ 10 each and paid ₹ 10 in cash.
- The preference shareholders of Moon Limited were paid at a premium of 5% by the issue of 6% preference shares of Sun Limited at par.



- c) All assets and liabilities were taken over except cash to the extent of ₹ 3,000 which was left for meeting realization expenses.
- d) Plant was revalued at ₹ 1,83,000, other assets and liabilities taken at respective book values.

You are required to prepare Realization A/c, and Shareholders A/c in the books of Moon Limited.

- 10. What is ratio Analysis ? What are the limitations Ratio Analysis ?
- 11. Mustard Limited decided to reconstruct the company on 31st March 2021. On this date the Balance Sheet of the company was as follows :

Liabilities	Note No.	₹
A) Shareholders funds		
a) Share Capital : Equity Share Capital (of ₹ 10 each)	1	10,00,000
b) Reserves and Surplus	2	-
B) Share application money pending on allotment	-	-
C) Non-Current Liabilities	3	-
D) Current liabilities	4	20,000
		10,20,000

Assets		₹
A) Non-current assets	5	
Fixed assets		6,90,000
B) Current Assets	6	
Stock		50,000
Debtors		1,00,000
Cash		10,000
Profit and Loss A/c		1,70,000
		10,20,000



The scheme of reconstruction was as follows :

- A new company called Nutan Limited is to be established with a capital of ₹ 10,00,000 divided into 1,00,000 equity shares of ₹ 10 each.
- The new company was to purchase all assets and liabilities of Mustard Limited expect cash for ₹ 7,70,000.
- The Nutan Limited issued 1,00,000 shares of ₹ 10 each, ₹ 7.70 paid up to satisfy purchase consideration.
- Reconstruction expenses amounted to ₹ 10,000 paid by Mustard Limited.
- The Nutan Limited made a final call of ₹ 2.30 per share which was paid in full.
- Expenses of liquidation amounting to ₹ 17,500 will be paid by C Limited.

The scheme was approved by all concerned. Prepare necessary Ledger accounts in the books of Mustard Limited.

12. From the following data calculate :

- a) Gross Profit Ratio
- b) Net Profit Ratio
- c) Stock Turnover Ratio
- d) Current Ratio
- e) Liquid Ratio
- f) Proprietary Ratio.



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

SECTION – C

Answer any two questions.

(2x24=48)

13. From the following information, you are required to prepare a Profit and Loss Account and Balance Sheet of Speedup Bank Limited.

Particulars	Debit (₹)	Credit (₹)
Share capital (10,000 shares of ₹ 100 each)	–	10,00,000
Cash in hand	3,00,000	–
Statutory Reserve Fund	–	5,00,000
Deposits	–	15,00,000
Cash at bank	5,00,000	–



Loan from Vijaya Bank	-	7,00,000
Money at call and short notice	3,00,000	-
Securities Premium	-	50,000
Government Securities	8,00,000	-
Loans and Cash credits	18,30,000	-
Bills discounted	1,50,000	-
Commission	5,000	35,000
Interest and discount	-	7,25,000
Interest paid on deposits	1,55,000	-
Premises	3,60,000	-
Director's fees	10,000	-
Audit fees	10,000	-
Salaries	60,000	-
Depreciation on property	15,000	-
Printing and stationery	6,000	-
Postage and stamps	6,000	-
Other expenses	3,000	-
	45,10,000	45,10,000

- Provide ₹ 25,000 for doubtful debts.
- Make provision for income tax ₹ 30,000.
- Transfer 20% to statutory reserve fund.



14. The Balance Sheet of Abhilash Limited as on 31-3-2022 was as under :

Particulars	Note No.	Amount (₹)
I. Equity and Liabilities		
A) Shareholders funds :		
a) Share capital	1	
2000, 5% preference shares of ₹ 100 each		2,00,000
4000 Equity shares of ₹ 100 each		4,00,000
b) Reserves and surplus	2	Nil
B) Share application money pending on allotment		
C) Non-Current Liabilities		
7% Mortgage debentures	3	1,00,000
D) Current liabilities		
Bank overdraft	4	50,000
Creditors		1,00,000
		8,50,000
II. Assets		
₹		
A) Non-current Assets	5	
Goodwill		15,000
Premises		2,00,000
Machinery		3,00,000



B) Current Assets :

6

Stock	50,000
Debtors	40,000
P and L A/c	2,40,000
Cash	5,000
	8,50,000

The company got the following scheme of reconstruction approved by the court :

- The preference shares to be reduced to ₹ 70 per share fully paid up and equity shares to ₹ 30 fully paid up.
- The Debenture holders took over stock and debtors in full settlement of their claims.
- Fictitious assets to be eliminated.
- Premises to be appreciated by 30% and machinery to be depreciated by 20%.
- The expenses of reconstruction amounted to ₹ 3,000.

Give the journal entries for the above and prepare the revised Balance Sheet.

15. Rekha Limited decided to sell its business to the Poornima Corporation Limited as on 31-3-2022. On that date its Balance Sheet was as follows :

I. Equity and Liabilities

Note No. Amount (₹)

A) Shareholders funds :

a) Share capital

1

40,000

4000 Equity shares of ₹ 10 each



b) Reserves and surplus	2	
Reserve fund		10,000
Profit and Loss A/c		4,000
B) Share application money pending on allotment	-	-
C) Non-Current liabilities	3	
5% Mortgage debentures		20,000
D) Current liabilities	4	
Creditors		6,000
		80,000
		Amount (₹)
II. Assets		
A) Non-Current Assets	5	
Goodwill		8,000
Free hold property		33,000
B) Non-Current assets	6	
Stock		7,000
Debtors		8,000
Bills receivable		4,000
Cash at bank		20,000
		80,000

Poornima Corporation Limited agreed to take over the assets (excluding cash) at the amount stated in the Balance Sheet except goodwill for which the Company agreed to pay ₹ 20,000 and discharge the liabilities to sundry creditors. The purchase price was to be discharged by the allotment of 2400 shares of ₹ 10 each at ₹ 12.50 per share and the balance in cash. The expenses of liquidation amounted to ₹ 600. Show the necessary Ledger Accounts in the books of Rekha Limited.



16. Calculate the following for the years 2021 and 2022 using the figures available :

- a) Liquidity Ratio
- b) Current Ratio
- c) Debt-Equity Ratio
- d) Proprietary Ratio
- e) Gross Profit Ratio
- f) Net Profit Ratio
- g) Capital Gearing Ratio
- h) Stock turnover Ratio.

Balance Sheet as at 31st March

	2021	2022
I. Equity and Liabilities		
A) Shareholders funds		
1) Share capital		
Paid up capital	1,00,000	1,00,000
2) Reserves and Surplus	67,250	84,500
B) Share application money pending on allotment	-	-
C) Non-Current Liabilities		
Debentures	1,00,000	1,00,000
D) Current Liabilities		
Bills payable	12,750	6,500
Creditors	20,000	16,000
	3,00,000	3,07,000



II. Assets	2021	2022
A) Non-Current Assets		
Fixed Assets	2,17,200	2,19,810
B) Current Assets		
Stock	56,160	49,460
Debtors	11,260	11,710
Cash	15,380	26,020
	3,00,000	3,07,000

Gross profit for the year 2021 is ₹ 28,000 and for 2022 ₹ 26,000. Net profits of the company for the year 2021 ₹ 12,000 and for 2022 ₹ 9,000. Sales for 2021 and 2022 ₹ 1,80,000 and ₹ 1,95,000 respectively.