



**Credit Based V Semester B.Com. Degree Examination, Oct./Nov. 2017
(2016-17 Batch)**

**FINANCIAL ACCOUNTING – V
Commerce**

Time : 3 Hours

Max. Marks : 120

Instruction : Provide working notes **wherever** necessary.

SECTION – A

Answer **any four** questions.

(4×6=24)

1. State the conditions laid down in Companies Act for redeeming preference shares.
2. Explain the average profits method and super profits method of valuing goodwill.
3. From the following determine minimum number of fresh issue of shares of ₹ 10 each for the redemption of preference shares at a premium of 5%

Fully paid preference shares	80,000
General reserve	39,000
P/L A/c (Cr.)	8,000
Security premium	3,000

4. What is minority interest ? How do you calculate the minority interest ?

5. Profits of a Business for last 5 years :

2008	–	₹ 53,000
2009	–	₹ 50,000
2010	–	₹ 42,000
2011	–	₹ 45,000
2012	–	₹ 40,000

Normal rate of return is 10%

Assuming that additional managerial remuneration of ₹ 6,000 will have to be incurred in future.

Calculate value of Goodwill under Purchase of Average profit, if number of years of purchase is four.



6. Jaya holds 5000 equity shares in Kamath Ltd. The paid up capital of which is 30000 shares of rupee 1 each. It is ascertained that

- Normal annual profit is ₹ 5,000
- Normal rate of return is 8%

Jaya request you to value her shares based upon the above information.

SECTION – B

Answer **any four** questions.

(4×12=48)

7. Balance Sheet of Vikas Ltd. as on 31-12-2016

₹		₹	
Preference shares of ₹ 100 each	50,000	Buildings	1,00,000
Equity shares of ₹ 10 each	90,000	Machinery	30,000
Security premium	10,000	Furniture	2,000
Reserve	20,000	Stock	30,000
P & L A/c	25,000	Debtors	15,000
Current liability	30,000	Bank	20,000
		Investments	28,000
	2,25,000		2,25,000

Company decided to redeem its preference shares at a premium of 5%. On 31-12-2016 fresh issue of 1000 equity shares of ₹ 10 each was to be made at a premium of ₹ 2 per share. All the investments were sold at ₹ 27,000. Directors decided that only minimum deduction should be made in reserve.

Journalise the Transactions.

8. Srinivas Ltd. has ₹ 3,00,000, 8% debentures outstanding on 1-1-2016. On that date Debenture Sinking Fund showed a balance of ₹ 2,50,000 invested in ₹ 2,65,000 6% Govt. Bonds. The annual appropriation of profit is ₹ 41,150.

On 31-12-2016 interest on investment has been collected and the bank balance was ₹ 78,200 (excluding interest on investment) debentures were redeemed on 31-12-2016 by realising the bonds at 87% Net.

Prepare :

- 1) Debenture Sinking Fund A/c
- 2) Debenture Redemption Fund Investment A/c
- 3) Debenture A/c and
- 4) Bank A/c.



9. Prajwal Ltd. is operating a business and its assets and liabilities on 31-12-2016 as follows :

Liabilities	₹	Assets	₹
Current liabilities	60,000	Stock	30,000
Loan	40,000	Debtors	40,000
O/S expenses	15,000	Bank	30,000
Capital	85,000	Machinery	60,000
		Building	40,000
	2,00,000		2,00,000

Prasanth Ltd. is intend to purchase this business normal rate of return is 20%. Profit before tax for the last 5 years.

2016	-	₹ 33,000
2015	-	₹ 30,000
2014	-	₹ 32,000
2013	-	₹ 30,000
2012	-	₹ 40,000

Profit of 2013 included a capital profit of ₹ 10,000 and profit of 2016 is before an adjustment of ₹ 7,500 towards loss due to fire.

On an average 40% of the profit is to be provided for Income Tax. Ascertain value of Goodwill payable by Prasanth Ltd. under capitalisation of average profit.

10. Following is the Balance Sheet of Krishi Ltd. as on 31-12-2016.

Liabilities	₹	Assets	₹
10000 Equity shares of ₹ 10	1,00,000	Building	70,000
Reserves	30,000	Machinery	65,750
Work men's compensation fund	20,000	Patent	14,250
P & L A/c	35,000	Stock	17,500
Creditors	45,000	Debtors	47,500
		Cash	9,250
		Preliminary expenses	5,750
	2,30,000		2,30,000

Assets revalued as follows :

Machinery ₹ 60,000, Building ₹ 1,00,000, ₹ 2,500 of debtors is taken as bad. The profits for the 3 previous years are : ₹ 34,625, ₹ 24,875 and ₹ 33,000. The company transfers 20% of the profits to reserve every year. The normal rate of return is 12%. A Sales tax liability of ₹ 1,000 is likely to arise. Find out fair value of shares.



11. Balance Sheet of 'H' Ltd. and 'S' Ltd. as on 31- December – 2017.

Liabilities	H Ltd.	S Ltd.	Assets	H Ltd.	S Ltd.
	₹	₹		₹	₹
Share capital (Shares of ₹ 10 each)	2,50,000	1,00,000	Fixed Assets	1,50,000	50,000
			Investment (6000 shares)	81,200	—
Reserve	50,000	25,000	Current Assets	1,38,800	1,22,500
P & L A/c	30,000	17,500			
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 P & L A/c of 'S' Ltd. had a Balance of ₹ 20,000 and ₹ 4,000 respectively.

Prepare consolidated Balance Sheet.

12. Prepare a Balance Sheet in vertical form of Oscar Ltd. as on 31-3-2017.

	Debit	Credit
	₹	₹
Share capital :		
100000 Equity shares of ₹ 10		10,00,000
8000 Preference shares of ₹ 100		8,00,000
Security premium		8,00,000
General reserve		32,00,000
Secured loans		18,00,000
Unsecured loans		3,10,000
Fixed assets	50,00,000	
Goodwill	2,60,000	
Investment	2,50,000	
Closing stock	14,00,000	
Sundry debtors	14,20,000	
Cash and 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	
P & L A/c (Loss)	4,00,000	
	96,60,000	96,60,000

Provide for

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



SECTION - C

Answer any two questions.

(2x24=48)

13. Following is the Balance Sheet of Krishna Ltd. as on 31-3-2017.

Liabilities	₹	Assets	₹
10000 Equity shares of ₹ 100 each	10,00,000	Fixed assets	22,00,000
5000 Preference shares of ₹ 100	5,00,000	Current assets	5,00,000
Capital reserve	2,00,000	Cash at bank	4,00,000
Security premium	1,00,000		
General reserve	2,00,000		
P & L A/c	1,00,000		
Current liability	10,00,000		
	31,00,000		31,00,000

Preference shares had to be redeemed at 10% premium. Fresh issue of equity shares to be made to the extent required as per the Companies Act for the purpose of redemption subsequently the company decided to issue bonus shares in the ratio of one equity share for every four shares held.

Pass Journal entries and prepare Balance Sheet after redemption.

14. On 1-1-2012 Shankar Ltd. issued 1000 9% debentures of ₹ 100 each at par redeemed at the end of four years at a premium of 5%. It was decided to install a Debenture Redemption Fund for the purpose of redemption and investment being expected to earn 4% interest. Sinking fund table shows that 0.235490 invested annually amounts to rupee 1 at 4% in 4 years. Investments made in multiples of ₹ 100 only. The investments realised at ₹ 76,000.

Prepare :

- 1) Debenture Redemption Fund A/c
- 2) Debenture Redemption Fund Investment A/c
- 3) Debenture A/c and
- 4) Debenture Holders A/c.



15. 'H' Ltd. acquired 12000 shares of 'S' Ltd. for ₹ 1,70,000 on 1-4-2016, on which date 'S' Ltd.'s P & L A/c showed a Credit Balance of ₹ 50,000.

Balance Sheet of 'H' Ltd. and 'S' Ltd. on 31-3-2017

	H Ltd.	S Ltd.		H Ltd.	S Ltd.
	₹	₹		₹	₹
Share capital			Machinery	2,50,000	—
shares of ₹ 10	5,00,000	2,00,000	Goodwill	30,000	20,000
Reserve as			Furniture	85,000	50,000
at 31-3-2016	1,30,000	55,000	Investment	1,70,000	—
P/L A/c	1,60,000	65,000	Stock	2,10,000	2,30,000
Creditors	1,00,000	75,000	Debtors	65,000	58,000
			Bank	80,000	37,000
	8,90,000	3,95,000		8,90,000	3,95,000

Creditors of 'S' Ltd. include ₹ 20,000 due to 'H' Ltd. stock of 'S' Ltd. ₹ 2,30,000 includes ₹ 50,000 goods purchased from 'H' Ltd. which has charged profit at 25% on cost.

Prepare consolidated Balance Sheet as at 31-3-2017.

16. Following is the Trail Balance of Excellent Ltd. as on 31-3-2017.

	Debit	Credit
	₹	₹
Machinery	30,000	—
Interim dividend	5,000	—
Debtors	25,000	—
Investments	25,000	—
Depreciation on Machinery	4,000	—
on Building	1,600	—
Wages	8,000	—
Salaries	9,400	—
Bad debts	700	—
Directors fee	2,000	—
Debenture interest (upto 30-9-2016)	900	—



Insurance	600	-
Cash at Bank	3,000	-
Buildings	80,000	-
Office expenses	16,000	-
Carriage inwards	2,500	-
Discount on debentures	1,500	-
Purchases	64,400	-
Goodwill	30,000	-
Opening stock	12,500	-
Paid-up capital	-	1,00,000
Unclaimed dividend	-	200
Debenture sinking fund	-	25,000
Sales	-	1,24,000
Bills payable	-	1,000
Interest on debenture Sinking Fund Investment A/c	-	800
General reserve	-	5,000
6% Debentures	-	30,000
Reserve for doubtful debts	-	2,500
Profit and Loss A/c	-	11,500
Transfer fee	-	100
Creditors	-	22,000
	3,22,100	3,22,100

Adjustments :

- a) Maintain 6% Reserve for doubtful debts.
 - b) ₹ 300 insurance paid is for one year upto 30-6-2017.
 - c) Transfer ₹ 2,000 to debenture sinking fund.
 - d) Write-off half of discount on debentures.
 - e) Provide for tax ₹ 5,000.
 - f) Final dividend proposed at 10%.
- Prepare statement Profit and Loss and Balance sheet of the company in the prescribed form.