Reg. No. | | | | | | | | | |

BCMCMC 354

Credit Based VI Semester B.Com. Degree Examination, May/June 2016
COMMERCE
Financial Accounting – VI

Time : 3 Hours Max. Marks : 120

***Instruction** : Give working note **wherever** necessary.*

SECTION – A

Answer **any four** questions. **(4×6=24)**

1. Write a note on Net Assets method of calculation of Purchase Consideration.

2. State the meaning and modes of liquidation of a Joint Stock Company.

3. Write a note on intercompany debts with examples in case of Holding Company Accounts.

4. The Unfortunate Ltd. went into voluntary liquidation when its liabilities were as under :

	₹
Secured Creditors	2,00,000
Preferential Creditors	40,000
Unsecured Creditors	5,00,000

The liquidator realized ₹ 2,50,000 from the securities held by secured creditors and ₹ 60,000 from other assets. Cash in hand amounted to ₹ 11,000.

The cost of liquidation amounted to ₹ 19,900 and liquidators remuneration was fixed at 3% on the amount realized (except cash) and 2% on the amount distributed to unsecured creditors.

Prepare Liquidators Final Statement of Account.

5. From the following Balance Sheet of Vanila Ltd., calculate the (a) Current Ratio (b) Debt-Equity Ratio and (c) Proprietary Ratio.

Liabilities	₹	**Assets**	₹
Share Capital	1,80,000	Fixed Assets	3,90,000
Reserve and Surplus	1,20,000	Stock	90,000
Secured Loans (long term)	2,10,000	Debtors	1,05,000
Creditors	90,000	Cash	15,000
	6,00,000		**6,00,000**

6. The Deccan Chargers Ltd. is having the following paid up Share Capital
   a) 2000 Preference Shares of ₹ 100 each ₹ 2,00,000
   b) 4000 Equity Shares of ₹ 100 each ₹ 4,00,000

   The resolution was passed to reduce the capital as under
   a) Preference shares were reduced to ₹ 80 per share fully paid up
   b) Equity shares were reduced to ₹ 50 per share fully paid up.

   The balance in the Capital Reduction Account is used to write-off Goodwill ₹ 80,000, Debit balance in P & L Account ₹ 1,50,000.
   Pass required Journal entries.

SECTION – B

Answer **any four** questions. **(4×12=48)**

7. What is Ratio Analysis ? What are its advantages and limitations ?

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

9. The following is the Balance Sheet of Major Ltd. on 31st March 2016.

Liabilities	₹	**Assets**	₹
2000 shares of ₹ 10 each		Goodwill	4,000
fully paid	20,000	Fixed assets	16,500
Profit and Loss A/c	7,000	Current assets	19,500
Debentures	10,000		
Creditors	3,000		
	40,000		**40,000**

Minor Ltd. agreed to take over the assets of Major Ltd. (exclusive of one fixed asset of ₹ 4,000 and cash ₹ 1,000 included in current assets) at 10% more than book value. It agreed to take over creditors also. The purchase price was to be discharged by the issue of 2000 shares of ₹ 10 each at the market value of ₹ 15 each and the balance in cash. Liquidation expenses amounted to ₹ 400.

Major Ltd. sold the fixed assets of ₹ 4,000 and realised the book value to pay off its debentures and liquidation expenses.

You are required to prepare Realisation Account, Shareholders Account and Debenture holders Account.

10. Following are the Balance Sheets of H Ltd. and its subsidiary S Ltd. drawn up at 31st March 2016. H Ltd. acquired shares in S Ltd. on 1st April 2015 on which date general reserve of 'S' Ltd. amounted to ₹ 20,000 and the Profit and Loss balance ₹ 40,000 (credit).

Liabilities	H Ltd.	S Ltd.	Assets	H Ltd.	S Ltd.
	₹	₹		₹	₹
Share capital			Property	2,00,000	–
Equity shares of			Plant	2,50,000	2,00,000
₹ 10 each	10,00,000	4,00,000	Shares in S Ltd.		
Reserve	1,00,000	20,000	(30000 shares of		
P and L A/c	1,50,000	60,000	₹ 10 each)	4,00,000	–
Creditors	1,50,000	40,000	Stock	1,50,000	2,00,000
			Debtors	2,00,000	20,000
			Bank	2,00,000	1,00,000
	14,00,000	**5,20,000**		**14,00,000**	**5,20,000**

Prepare the Consolidated Balance Sheet.

11. The following are the summarized Profit and Loss Account of Jyothi Ltd. for the year ending 31st March 2016 and the Balance Sheet as on that date.

		₹			₹
To Opening Stock		99,500	By Sales		8,50,000
To Purchases		5,45,250	By Closing Stock		1,49,000
To Direct Expenses		14,250			
To Gross Profit		3,40,000			
		9,99,000			**9,99,000**
To Operating Expenses			By Gross Profit		3,40,000
Selling Expenses	45,000				
Administration Exp.	1,50,000	1,95,000	By Non Operating Income		
To Non Operating Expenses			Interest	3,000	
			Profit on sale		
Loss on sale of assets		4,000	of Shares	6,000	9,000
To Net profit		1,50,000			
		3,49,000			**3,49,000**

Balance Sheet as on 31st March 2016

Liabilities	₹	Assets	₹
Share Capital	2,00,000	Buildings	1,50,000
Reserves	90,000	Machinery	80,000
Profit and Loss A/c	60,000	Stock	1,49,000
Current Liabilities	1,30,000	Debtors	71,000
		Bank	30,000
	4,80,000		**4,80,000**

Calculate (a) G.P. Ratio (b) Net Profit Ratio (c) Operating Profit Ratio (d) Operating Ratio (e) Current Ratio and (f) Acid Test Ratio.

12. Sinchana Ltd. had the following Balance Sheet as on 31st March 2016.

Liabilities	₹	Assets	₹
1500 8% Preference shares of		Goodwill	40,000
₹ 100 each	1,50,000	Buildings	2,00,000
3000 Equity shares of ₹ 100		Patents	70,000
each	3,00,000	Stock	1,00,000
9% Debentures	1,00,000	Debtors	80,000
Creditors	35,000	Profit and Loss A/c	95,000
	5,85,000		**5,85,000**

The following scheme of reconstruction was adopted :

a) 8% Preference shares were to be reduced to a share of ₹ 50 each.

b) Equity shares were to be reduced to a share of ₹ 40 each.

c) Debenture holders have agreed to accept 800, 10% Debentures of ₹ 100 each in full satisfaction of their claims.

d) All the fictitious assets including Goodwill and Patents were to be eliminated.

e) Buildings to be reduced by 20% and stock by 25%.

f) A provision of 5% on Debtors for doubtful debts was to be created.

Pass the Journal entries and prepare Reconstruction Account after the reconstruction has been carried out.

SECTION – C

Answer **any two** questions. **(2×24=48)**

13. The summarised Balance Sheet of Alfa Ltd. as on 31st March 2016 being the date of voluntary winding up is as under.

Liabilities	₹	**Assets**	₹
12% Cumulative Preference shares of ₹ 100 each	10,00,000	Buildings	3,86,000
5000 Equity shares of ₹ 100 each, ₹ 60 paid up	3,00,000	Machinery	8,21,000
5000 Equity shares of ₹ 100 each, ₹ 50 paid up	2,50,000	Stock in trade	1,84,000
15% Debentures	4,00,000	Book Debts	13,37,000
Preferential Creditors	1,05,000	P & L A/c	3,72,000
Bank O.D.	3,03,000		
Trade Creditors	7,42,000		
	31,00,000		**31,00,000**

Preference Dividend is in arrears for two years and as per articles, it is payable in the event of Company's winding up. By 31st March 2016 the assets realised were as follows :

	₹
Buildings	9,84,000
Stock	1,63,000
Machinery	7,12,000
Book Debts	11,91,000

Expenses of liquidation are ₹ 54,000. The remuneration to the liquidator is 3% of the amounts realised from the assets, 2% on the amount paid to unsecured creditors. Income tax payable on liquidation is ₹ 44,500.

Assuming that the final payments are made on 31st August 2016, prepare the Liquidator's Final Statement of Account.

14. The following are the Balance Sheets as on 31-12-2015 of X Ltd. and Y Ltd.

Liabilities	X Ltd.	Y Ltd.	Assets	X Ltd.	Y Ltd.
	₹	₹		₹	₹
Equity share capital			Land and Buildings	30,000	–
(₹ 100 per share)	1,00,000	60,000	Plant and Machinery	1,10,000	50,000
6% Debenture of			Stock	16,000	8,000
₹ 10 each	20,000	–	Debtors	14,000	9,000
Reserve Fund	34,000	–	Cash	3,000	1,000
Dividend					
Equalisation Fund	4,000	–			
Employee's					
Provident Fund	3,000	–			
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 Z Ltd. which takes over assets and liabilities of both the companies. The authorised share capital of 'Z' Ltd. is ₹ 10,00,000 consisting of 100000 Equity shares of ₹ 10 each.

The assets of X 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 Z Ltd. in fully paid shares. In return for debentures in X Ltd., debentures of the same amount and denomination are to be issued by 'Z' Ltd.

Pass Journal entries in the books of X Ltd. and Y Ltd. and also prepare the Opening Balance Sheet of 'Z' Ltd.

15. Moon Ltd. acquired 12000 shares in Star Ltd. for ₹ 1,70,000 on 1st July 2015. The Balance Sheets of two companies on 31-3-2016 were as follows.

	Moon Ltd.	Star Ltd.		Moon Ltd.	Star Ltd.
	₹	₹		₹	₹
Share capital :			Goodwill	3,00,000	70,000
(Shares of ₹ 10			Land & Building	4,00,000	1,00,000
each)	10,00,000	2,00,000	Plant & Machinery	5,00,000	1,00,000
General Reserve	4,20,000	1,50,000	Stock	2,00,000	40,000
P & L Account	2,60,000	85,000	Book Debts	3,00,000	85,000
Sundry Creditors	1,90,000	42,000	Investments	1,70,000	–
Bills Payable	80,000	60,000	Loan to Moon Ltd.	–	50,000
Loan from Star Ltd.	50,000	–	Bill Receivable	50,000	30,000
			Cash and Bank	80,000	62,000
	20,00,000	**5,37,000**		**20,00,000**	**5,37,000**

On 1st April 2015 the Profit and Loss Account of Star Ltd. stood at ₹ 40,000 out of which a dividend of 15% on the capital of ₹ 2,00,000 was paid in September 2015.

Bills payable of Star Ltd. represent bills issued in favour of Moon Ltd. which company still held ₹ 40,000 of the bills accepted by Star Ltd. The entire Closing Stock of Star Ltd. represents goods supplied by Moon Ltd. at cost plus 20%.

Prepare the Consolidated Balance Sheet of two companies as on 31-3-2016

16. The assets and liabilities position of Bhavana Co. Ltd. on 31st March 2016, was as follows.

Liabilities	₹	**Assets**	₹
Authorised capital : 80000		Goodwill	20,000
Equity shares of ₹ 10 each	8,00,000	Land & Building	1,60,000
2000, 9% Preference shares		Plant & Machinery	1,20,000
of ₹ 100 each	2,00,000	Investments	24,000
Issued and paid up capital :		Stock	54,000
40000 Equity shares of ₹ 10		Debtors	1,18,000
each, ₹ 7.50 per share paid up	3,00,000	Cash in hand	6,000
2000, 9% Preference shares		Profit & Loss A/c	1,42,800
of ₹ 100 each fully paid up	2,00,000		

Unsecured loans	80,000	
Trade creditors	48,000	
Bank overdraft	16,800	
	6,44,800	**6,44,800**

Note : a) Dividend on Preference shares are in arrears for two years.

b) No provision has been made for sales tax liability of ₹ 9,600.

Following scheme of reconstruction has been prepared and sanctioned.

i) Uncalled capital is to be called up in full and Equity shares are to be reduced to ₹ 5 per share.

ii) Sales tax liability of ₹ 9,000 is to be paid immediately.

iii) Land and buildings are to be shown in the Balance Sheet at full market value of ₹ 2,20,000 and goodwill is to be written off.

iv) Trade creditors have consented to forego 25% of their liability on a condition that 25% of the net liability is to be paid immediately and the balance is to be paid within one year.

v) Investments are to be taken over by bank in full settlement of the overdraft balance.

vi) Preference shareholders have agreed to give up their right for the two years, dividend and accept twelve fully paid equity shares of ₹ 5 each for each fully paid preference shares.

You are required to (a) pass Journal entries to record the above transactions and (b) draw up a fresh Balance Sheet after giving effect to the scheme of reconstruction.