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BCMCMC 314

**Credit Based V Semester B.Com. Degree Examination, Oct./Nov. 2016
(2016-17 Batch Onwards)
COMMERCE
Financial Accounting – V**

Time : 3 Hours

Max. Marks : 120

Instruction : Provide working note wherever necessary.

SECTION – A

Answer any four questions :

(4×6=24)

1. Explain the various methods of Redemption of Debentures.
2. Explain intrinsic and market value methods of determining value of equity share.
3. What is minority interest and cost control in holding company accounts ?
4. Sunrise Ltd. has 50,000, 8% Preference shares of ₹ 10 each and 50,000 Equity shares of ₹ 10 each, ₹ 8 paid up. The company transfers 10% of divisible profits to general reserve every year. The expected profit before tax is ₹ 1,00,000 and Rate of tax is 40%. Normal rate of Dividend is 12%. Find out the value of Equity Share by Yield method.
5. Emami Ltd. wishes to redeem its Preference Shares amounting to ₹ 1,00,000 at a premium of 5% and for this purpose issues 5,000 Equity Shares of ₹ 10 each at a premium of 5%. The company has also a balance of ₹ 1,00,000 in Profit and Loss Account. Journalise the above.
6. The following information is given to you :
 - a) Capital employed ₹ 1,50,000.
 - b) Normal rate of profit 10%.
 - c) Net profit for last five years ₹ 14,400, ₹ 15,400, ₹ 16,900, ₹ 17,400, ₹ 17,900.
 - d) The profits include a non-recurring profits on an average basis of ₹ 1,000.

You are required to calculate Goodwill under five years purchase of Super Profit Method and Capitalisation Method.

P.T.O.



SECTION – B

Answer **any four** questions :

(12×4=48)

7. The Balance Sheet of Amardeep Ltd. as on 31-3-2016 was as follows :

Liabilities	₹	Assets	₹
6500, 12% Red. Pref. shares of ₹ 10 each	65,000	Fixed Assets	3,45,000
4500 Equity Shares of ₹ 50 each	2,25,000	Investments	22,500
Profit and Loss Account	48,000	Bank	30,500
Creditors	60,000		
	3,98,000		3,98,000

In order to redeem the preference shares at 10% premium the company decided to :

- Sell investments for ₹ 20,000.
- Leave a balance of ₹ 12,000 in Profit and Loss Account.
- Issue sufficient number of Equity shares of ₹ 50 each at a Premium of ₹ 12 per share to raise the balance of funds required for redemption. The equity shares were fully subscribed. Pass Journal Entries and Redraft Balance Sheet.

8. On 1 Jan. 2012 Ajantha Ltd. Issued 2000, 9% Debentures of ₹ 100 each repayable at the end of 4 years at a premium of 5%. It has been decided to institute a sinking fund for the purpose. The investments being expected to earn 4% Net. Sinking fund table shows that ₹ 0.234590 annually amounts to ₹ 1 at 4% in four years on 31 Dec. 2015. The Balance at Bank ₹ 75,000 (before receiving interest) and Investments realised ₹ 1,65,000. The debentures were paid off.

Prepare :

- Sinking fund account.
- Sinking fund investment account.



9. Following is the Balance Sheet of Godavari Ltd. as on 31 Dec. 2015.

Liabilities		Assets	
	₹		₹
Share capital 10000		Buildings	1,30,000
Shares of ₹ 10 each	1,00,000	Plant	65,750
Reserve	80,000	Debtors	47,500
Workmen savings account	40,000	Stock	31,750
Profit and Loss account	45,000	Cash	29,250
Creditors	45,000	Preliminary expenses	5,750
	3,10,000		3,10,000

Plant and Buildings valued at ₹ 60,000 and ₹ 1,70,000 respectively. Out of Debtors, ₹ 2,500 are taken as bad. The profits for the company for three years are 2013 – ₹ 35,000 2014 – ₹ 40,000 2015 – ₹ 47,500.

Company transfers 20% of the profits to reserve every year. Normal rate of return in similar companies is 12% and Sales Tax Liability of ₹ 1,000 is likely to arise. Find of value of equity.

Share : a) Net Asset Method.

b) Yield Method.

10. Given below is the Balance Sheet of Arvind Ltd. as on 31 March 2016.

Liabilities		Assets	
	₹		₹
Equity share capital 10000		Goodwill	15,000
Shares of ₹ 10 each	1,00,000	Land	40,000
Reserve	45,000	Plant	50,000
Profit and Loss A/c		Investments	60,000
on 1-4-2015	6,000	Stock	50,000
Profit of current year	<u>24,000</u>	Debtors	60,000
8% Debentures	50,000	Cash	20,000
Creditors	30,000	Preliminary Expenses	5,000
Provision for Tax	20,000		
Depreciation Fund (Plant)	25,000		
	3,00,000		3,00,000



Profit for the year includes ₹ 3,000 Income from Investments. Land and Plant are valued at ₹ 1,00,000 and ₹ 20,000 respectively. Investments are all in Govt. Securities.

Compute the value of Goodwill on the basis of 3 years purchase of Super Profits. Normal return on capital employed in this type of business is 10%.

11. From the following Ledger Balances of Kamath Ltd. Prepare a statement of Profit and Loss for the year ended March 31, 2016.

	₹
Stock	38,000
Interim dividend paid	5,000
Machinery	44,000
Patents	8,000
Patterns	10,300
Purchases	1,27,310
Preliminary expenses	1,600
Manufacturing wages	59,000
Repairs	5,000
Coal, Gas and Water	2,400
Rates and Taxes	3,500
Salaries	2,250
Discount allowed	4,040
Travelling expenses	2,150
Directors fees	840
Bad debts	500
Debenture interest	800
4% Debentures	40,000
Profit and loss A/c (1-4-2015)	4,280
Sales	2,47,000
Discount received	2,360
Bad debts reserve	2,500
Royalty received	700
Debtors	55,400

**Additional Information :**

- 1) Provide depreciation on Machinery, Patterns and Patents at 10%.
- 2) Write of ₹ 400 from Preliminary expenses.
- 3) Transfer ₹ 2000 to Debenture Redemption Fund.
- 4) Create reserve for Bad debts at 5% on debtors.
- 5) Provide for half year's Interest on debentures.
- 6) Stock on 31-3-2016 ₹ 16,150.

12. The following are the Balance Sheets of H. Ltd. and S. Ltd. as at 31 March, 2016.

Liabilities	H. Ltd.	S. Ltd.	Assets	H. Ltd.	S. Ltd.
	₹	₹		₹	₹
Share Capital			Machinery	3,00,000	1,00,000
Shares of ₹ 10 each	6,00,000	2,00,000	Furniture	70,000	45,000
General reserve	1,50,000	70,000	70% Shares in S Ltd.	2,60,000	—
Profit and Loss A/c	70,000	50,000	Stock	1,75,000	1,89,000
Creditors	90,000	60,000	Debtors	55,000	30,000
			Cash at Bank	50,000	10,000
			Preliminary Expenses	—	6,000
	9,10,000	3,80,000		9,10,000	3,80,000

H Ltd. requires the Shares of on 1st April 2015 on which date S Ltd. has General Reserve ₹ 60,000 and Profit and Loss Account ₹ 20,000 respectively. No part of Preliminary expenses was written off during the year ended 31st March, 2016.

Prepare the Consolidated Balance Sheet as at 31-3-2016.

SECTION – C

Answer any two questions :

(24×2=48)

13. On 1st January, 2012 Imperial Ltd. issued 10000 6% Debentures of ₹ 100 each repayable at the end of four 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 table shows that ₹ 0.235490 annually amounts to ₹ 1 at 4% in four years. Investments were made in multiples of ₹ 100 only.



The Bank Balance on 31-12-2015 was ₹ 3,00,000 (inclusive of interest on investment for the year) on 31 Dec. 2015, investments realised 96% of their value and the debentures were paid off.

You are required to show :

- i) 6% Debentures A/c
- ii) Sinking Fund A/c
- iii) Sinking Fund Investment A/c
- iv) Bank A/c
- v) Debenture Holders A/c.

14. The following is the Summarised Balance Sheet of Royal Blue Ltd.

Liabilities	₹	Assets	₹
6000, 8% Redeemable Pref. Shares of ₹ 100 each	6,00,000	Sundry Assets	26,20,000
3000, 9% Redeemable Pref. Shares of ₹ 100 each		Cash at Bank	8,25,000
₹ 75 paid up	2,25,000		
1,50,000 Equity shares of ₹ 10 each fully paid	15,00,000		
Capital Reserve	1,00,000		
Securities Premium	60,000		
Revenue Reserve	6,00,000		
Other Liabilities	3,60,000		
	34,45,000		34,45,000

It was decided to redeem both the classes of preference shares at a premium of 5%. The company issued for cash so many equity shares of ₹ 10 each at a premium of 10% as were necessary to provide for redemption of both classes of preference shares which could not otherwise be redeemed. The issue was fully subscribed and all the moneys were received. Then the company made a bonus issue for one share for every three shares for existing equity holders.

Pass Journal Entries and Redraft the Balance Sheet.

15. From the following Balances and Additional Information of Abhilash Ltd. Prepare Statement of Profit and Loss and the Balance Sheet as at 31 March, 2016.

Debit Balances	₹
Investment in Shares	25,000
Purchases	2,65,545



Packing Charges	9,000
Delivery charges	17,700
Stock on 1 April 2015	72,600
Wages	15,000
Salaries	9,000
Directors Fees	2,000
Carriage	4,100
Dividend for 2015	6,000
Preference dividend for half year upto 30-9-2015	3,000
Machinery	12,500
Discount on issue of debentures	1,000
Rates and Taxes	7,750
Preliminary Expenses	500
Bills Receivable	20,750
Interest on Bank loan	2,900
Debenture interest for half year	1,875
Sundry Debtors	25,050
Buildings	1,75,000
Furniture (Cost ₹ 25,000)	17,500
Technical knowhow	75,000
Cash	2,075
	7,70,845
Credit Balances	₹
Creditors	43,925
Preference Capital :	
Shares of ₹ 100 each	1,00,000
Equity Capital :	
Shares of ₹ 10 each	1,00,000
5% Mortgage debentures	75,000
Dividend and Interest	22,420
Profit and Loss A/c on 1-4-2015	14,250
Sales	3,40,250
Bank Loan	75,000
	7,70,845



Additional Information :

- 1) Closing stock ₹ 71,250.
 - 2) Wages include ₹ 1,000 incurred for installation of machinery.
 - 3) Purchases include goods worth ₹ 2,500 distributed as free samples.
 - 4) Depreciate Furniture at 10% on original cost.
 - 5) Write off half of discount on issue of debentures.
 - 6) Provide for remaining half year's preference dividend
 - 7) Technical knowhow is to be write down over 15 years.
 - 8) Provide for Taxation ₹ 5,000.
 - 9) The authorised capital of the company is ₹ 3,00,000 consisting of 1,500, 6% Preference shares of ₹ 100 each and 15000 Equity shares of ₹ 10 each.
16. The following are the Balance Sheets of H Ltd. and its Subsidiary S Ltd.

Balance Sheets as on 31 March, 2016

Liabilities	H. Ltd.	S. Ltd.	Assets	H. Ltd.	S. Ltd.
	₹	₹		₹	₹
Share Capital			Goodwill	60,000	20,000
Shares of ₹ 10 each	10,00,000	4,00,000	Machinery	7,00,000	2,70,000
General Reserve	1,50,000	—	Stock	1,80,000	90,000
Profit and Loss A/c	1,42,000	60,000	Debtors	2,60,000	1,20,000
Creditors	1,20,000	80,000	Cash at Bank	40,000	25,000
Bills payable	20,000	—	Investments		
			(24000 Shares of		
			S Ltd. at Cost)	1,92,000	—
			Bills Receivable	—	15,000
	14,32,000	5,40,000		14,32,000	5,40,000

Prepare a Consolidated Balance Sheet after taking the following into Consideration :

- a) H Ltd. acquired the shares of S Ltd. on 1 October 2015. Profit and Loss A/c in the books of S Ltd. Showed a Debit Balance of ₹ 20,000 on 1 April 2015.
- b) The Bills payable in H Ltd. represented Bills issued in favour of S Ltd. which company got bills of ₹ 5000 discounted.
- c) Included in the stock of S Ltd. are goods of the value ₹ 20,000 which were supplied by H Ltd. at cost plus 25%.
- d) ₹ 30,000 Creditors of H Ltd. due to S Ltd.