

## Faculty of Commerce

## B.Com. II Year, CBCS - III Semester Examinations, Dec 2017

(For all streams of B.Com.)

## Advanced Accounting

Time: 3 Hours

Max Marks: 80

## Section-A

I. Answer any Five of the following questions (5x4=20 Marks)

1. Explain fixed and fluctuating capital accounts.
2. What is Sacrificing Ratio?
3. What is Realization Account?
4. What is meant by Insolvency of a partner?
5. What is Forfeiture of shares and Reissue of forfeited shares?
6. What are the differences between share and Debenture?
7. What are profits prior to Incorporation? How are such profits determined?
8. Define Goodwill. Explain the need for valuation and factors affecting the value of goodwill.

## Section-B

II. Answer all of the following questions (5x12=60 Marks)

9. (a) The following Balance sheet of Anil and Sunil who share profits and losses in the ratio of 3:2.

Balance Sheet

Liabilities	Rs.	Assets	Rs.
Anil's Capital	10,000	Debtors	11,000
Sunil's Capital	8,000	Building	8,000
Creditors	12,000	Plant	10,000
General Reserve	16,000	Stock	12,000
Workmen's compensation fund	4,000	Cash	9,000
	50,000		50,000

They agreed to admit Vinil on the following terms:

- a) The value of Buildings to be increased to Rs. 18,000
- b) The value of Stock to be increased to Rs. 16,000
- c) There is a liability of Workmen's compensation fund to an extent of Rs. 2,000.
- d) Vinil contributes Rs. 10,000 in cash as his share of Goodwill.
- e) Vinil has to bring further cash as would make his capital equal to 20% of the combined capitals of Anil and Sunil after all adjustments.

- 2) Expenses of realization amounted to Rs. 100.

- 3) The liabilities were paid off.

- 4) A sum of Rs. 430 is received from Z's estate in full settlement of his indebtedness to the firm. Partners were paid off.

Write necessary Ledger Account to close books of the firm.

- 11.(a) Porsperous Company Limited; issued 10,000 shares of Rs. 100 each payable Rs. 30 on Application, Rs. 20 on Allotment, Rs. 20 on First Call and Rs.30 on Final Call. The public subscribed for 15,000 shares. The allotment was made as under:

To the applicants of 8,000 shares: Full

To the applicants of 5,000 shares: 2,000

To the remaining applicants : Nil

Subsequently the first and final calls were made. Under the terms of issue the surplus application money could be kept against allotment and subsequent calls. All amounts due on calls were received. Give Journal entries and prepare Opening Balance Sheet of the company.

(OR)

- (b) The Balance Sheet of Aditya Co. Ltd. as on 31.03.2010 was as follows.

Liabilities	Assets
Equity share capital	Fixed Assets
(1,00,000 shares of Rs. 10/- each, but Rs.7.50 paid)	Current Assets
General Reserve	7,50,000
Share Premium	4,00,000
Profit & Loss Account	2,00,000
Creditors	2,50,000
	4,00,000
	20,00,000
	20,00,000

The company decided to make partly paid shares into fully paid, out of profit and loss account. It was decided to issue one fully paid bonus share for every two shares held and for this purpose, the share premium was to be fully used first and later General Reserve.

Give necessary journal entries and propose Post Bonus Balance Sheet.

- 12.(a) From the following particulars of Ayush Company Limited, prepare statement of Profit and Loss for the year ended 31.03.2015.

	Rs.
Purchase of Raw Materials	6,37,000
Sale of products	13,58,000
Salaries and Wages	1,20,000

Show the necessary ledger account in the books of the firm and New Balance Sheet after admission of Vinil.

(OR)

(b) A, B and C were in partnership. C died on 31.03.2008. The Balance Sheet of the firms as on 31.12.2007 was as follows:

Balance Sheet as on 31.12.2007

Liabilities	Rs.	Assets	Rs.
Sundry Creditors	31,200	Cash at Bank	8,000
Reserve	12,000	Sundry Debtors	36,000
Investment Reserve	4,200	Stock	56,000
Provision for Doubtful debts	3,600	Investments	16,000
Capital :		Freehold property	60,000
A	60,000	Goodwill	27,000
B	50,000		
C	42,000		
	2,03,000		2,03,000

On the date of death, freehold property is valued at Rs. 1,14,000.

- i) Investments are valued at 15,000 and Stock is valued at Rs. 50,000 provision for a doubtful debt is no more necessary. Liability for workmen's compensation Rs. 6,000 to be brought into account.
- ii) Goodwill is to be valued at one year purchase of the average profit of the past three years.
- iii) C's share of profit to the date of his death to be calculated on the basis on preceding years profit.

The profits of last three years are given below:

Year	Rs.
2005	16,000
2006	20,000
2007	24,000

Show 'C's capital account and balance sheet of the continuing partners.

10. (a) The following is the Balance Sheet of P, Q, R on 31.12.2005. The partners share profits and losses in the ratio of 5:3:2.

Balance Sheet as on 31.12.2005

Liabilities	Rs.	Assets	Rs.
Creditors	30,000	Cash at Bank	6,000
Bills Payable	7,000	Debtors	20,000
Loan from P	30,000	Less Provisions	
General Reserve	15,000	for Doubtful Debts 1,000	
Capital		Stock	19,000
P	30,000	Investments	30,000
Q	25,000	Fixtures	10,000
R	15,000	Plant	2,000
		Freehold property	35,000
	1,52,000		50,000
			1,52,000

The partnership was dissolved and the assets realized the following amounts:-

- 1) Stock and Investments realized 10% less than book values
- 2) Debtors realized Rs. 17,500 and Plant realized Rs. 30,000
- 3) Freehold property was sold for Rs. 85,000
- 4) Fixtures were taken over by P at an agreed value of Rs. 1,200
- 5) Creditors were paid off at a discount of 5%
- 6) Q agreed to pay the bills payable. Expenses of realization amounted to Rs. 1,000.

Pass Journal entries and show the necessary Ledger Account.

(OR)

(b) The partnership of X, Y and Z sharing profits and losses in the ratio of 4:3:2 is dissolved on 'Z' becoming bankrupt on 31.12.2005.

Their Balance Sheet on that date is as follows:

Liabilities	Rs.	Assets	Rs.
Sundry Creditors	5,000	Cash	2,000
X's Loan Accounts	3,900	Debtors	6,000
Capital Accounts:		Stock	5,000
X	10,000	Furniture	4,000
Y	5,000	Machinery	10,000
Reserve Fund	3,600	Z's Capital Account	770
Profit and Loss Account	270		
	27,770		27,770

The assets realized:

- 1) Debtors 25% less, Furniture 10% less, Machinery 15% less, Stock is taken over X at an agreed value of Rs. 4,000.

Inventories on 1.4.2014	21,000
Work in progress	1,15,000
Finished goods	52,000
Raw materials	2,500
Repairs and Renewals	13,000
Motor Car expenses	9,000
Travelling expenses	8,000
Printing and Stationery	4,300
Telephone charges	5,000
Interest on debentures paid for 6 months	6,000
Audit fees	9,800
Advertisement	8,700
Directors fees	13,900
Managing Director remuneration	3,500
Miscellaneous income	6,20,000
Fixed assets	70,000
Trade receivables	

Additional information:

- i) Inventories on 31.03.2015
  - Work in progress 25,000
  - Finished goods 1,22,000
  - Raw material 57,000
- ii) Depreciate fixed assets at 10% on diminishing balance method.
- iii) Outstanding Salaries and Wages Rs. 15,000, Outstanding Audit fees Rs. 1,400.
- iv) Provision for Doubtful debts 5% on Trade receivables.
- v) Provision for taxation Rs. 2,30,000.
- vi) Provide for interest on debentures for 6 months.

(OR)

(b) Big Limited Company was incorporated on 1<sup>st</sup> May, 2005 to take over the business of Mehra Bros. as a going concern from 1.1.2005.

The Profit and Loss Account for the year ending 31.12.2005 is as follows.

	Rs.	
To Rent and Taxes	15,000	By Gross Profit
To Insurance	6,000	
To Salaries	30,000	
To Electricity charges	2,400	
To Auditors fees	1,800	
To Office expenses	7,500	
		Rs.
		1,55,000

To Directors fee	3,000		
To Commission	6,000		
To Advertisement	4,000		
To Discount	3,500		
To Carriage outwards	3,000		
To Bank charges	1,500		
To Bad debts	2,000		
To Interest on loan	3,000		
To preliminary expenses	6,300		
To Net Profit	60,000		
	1,55,000		1,55,000

The total turnover for the year ending 31.12.2005 was Rs. 5,00,000 divided into Rs. 1,50,000 for the period upto 1.5.2005 and Rs. 3,50,000 for the remaining period.

Ascertain the Profit earned prior to Incorporation and Post-Incorporation periods.

13. (a) From the following Balance Sheet of XYZ Co. Ltd. as on 31.3.2010 find out the value of Goodwill.

Liabilities	Rs.	Assets	Rs.
Share capital	4,50,000	Goodwill	25,000
General Reserve	20,000	Land & Buildings	1,00,000
Profit and Loss Account	25,000	Plain & Machinery	2,50,000
9% Debentures	1,00,000	Stock	1,80,000
Sundry Creditors	30,000	Debtors	50,000
Provision for Taxation	35,000	Investments (of Rs.	
		25,000 face value @ 5%	30,000
		Cash at Bank	10,000
		Preliminary expenses	15,000
	6,60,000		6,60,000

Goodwill should be valued at 5 years purchase of Super profits. Average profit is Rs. 75,000 for last three years. Expected rate of return on capital employed is 10%.

(OR)

(b) The following is the Balance Sheet of Raju Co. Ltd. as on 31.12.2004

Liabilities	Rs.	Assets	Rs.
5,000 Equity shares of Rs. 100 each	5,00,000	Goodwill	60,000
Fully paid, 1,000 8%		Land and Buildings	2,00,000
		Machinery	1,50,000

Preference Shares of Rs. 100 each fully paid	1,00,000	Furniture	30,000
General Reserve	40,000	Stock	1,20,000
Profit and Loss Account	20,000	Debtors	90,000
Bank Loan	40,000	Cash at Bank	60,000
Creditors	20,000	Preliminary expenses	10,000
	7,20,000		7,20,000

The value of assets:- Goodwill Rs. 70,000, Machinery Rs. 1,76,000, Land & Buildings Rs. 2,25,000, Stock in trade Rs. 1,30,000. Furniture to be depreciated @ 10% and Debtors are expected to realize 80% of book value. Find out the value of each Equity share.

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