

(i) Printed Pages: 7

Roll No.

(ii) Questions : 14

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Exam. Code :

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Bachelor of Commerce 4th Semester

1048

ADVANCE ACCOUNTING

Paper : BCM-402

Time Allowed : Three Hours]

[Maximum Marks : 80

Note :— Attempt any **FOUR** questions from Section A; each carries **5** marks. Attempt any **TWO** questions each from Sections B and C. Each carries **15** marks.

SECTION—A

- I. Compute the value of Goodwill on the basis of 3 years purchase of super profits of the business calculated on the average profits of last four years. The particulars of a concern are :
- (i) Capital invested Rs. 50,000.
 - (ii) Trading results : 2014 Rs. 12,200, 2015 Rs. 15,000, 2016 Rs. 2000 loss, 2017 profits Rs. 21,000.
 - (iii) Market rate of interest on investments 8%.

- (iv) Rate of risk return on capital invested in business 2%.
- (v) Remuneration from alternative employment of proprietor Rs. 3,600 p.a.

II. Mr. X holds 12,000 equity shares in Peas Ltd, the nominal and paid up capital of which consists of :

- (i) 40000 equity shares of Re. 1 each
- (ii) 25000, 8% preference shares of Re. 1 each

It is ascertained that (a) the normal annual net profit of such a company is Rs. 12,000. (b) the normal return by way of dividend on this paid up value of equity share capital for the type of business carried out by the company is 15%. Mr. X requires you to value his shareholding.

III. A fire occurred on 15th Sep., 2017 in the godown of M/s XYZ.

Ascertain the claim to be lodged.

Stock on 1st April, 2017 is Rs. 1,05,300.

Purchases from 01.04.17 to date of fire is Rs. 3,50,400.

Manufacturing expenses and wages are Rs. 2,60,000.

Sales from 01.04.17 to date of fire is Rs. 6,76,000.

Goods used by partners themselves (at cost) are Rs. 10,500.

The rate of gross profit is 30% on cost. The stock salvaged was valued at Rs. 36,000.

IV. On 1st June, 2016. Mr. Ram purchased Rs. 9,000, 5% debentures of Rs. 100 each in the Engineering Works Ltd. at Rs. 105 cum interest. Interest being payable on 31st March and 30th September each year. Expenses on stamps incurred amounted to Rs. 80. On 1st November, 2016, he sold Rs. 3,000 debentures at Rs. 107 cum-interest. Brokerage is payable on each transaction @ $1/8\%$ on nominal value. Calculate the profit on sale of investment.

V. Purchase consideration.

VI. 'B' List of Contributories.

$4 \times 5 = 20$

SECTION—B

VII. A fire occurred in the premises of Aditya on 12th Jan, 2018 when a large part of the stock was destroyed. Salvage was Rs. 1,50,000. Aditya gives you the following information for the period from 1st April, 2017 to 12 Jan., 2018 :

(i) Purchase Rs. 8,05,000

(ii) Sale Rs. 9,00,000

(iii) Goods costing Rs. 5,000 were taken away by Aditya for his personal use.

- (iv) Cost price of stock on 1st April, 2017 was Rs. 4,00,000. Over the past few years, Aditya has been selling goods at a consistent gross profit margin of $33\frac{1}{3}\%$. The insurance policy was for Rs. 5,00,000. It included an average clause also. Aditya asks you to prepare a statement of claim to be made on the insurance company. 15

VIII. Decor Investments Ltd. holds 2000, 15% Debentures of Rs. 100 each in Becor Industries Ltd. as a April 1, 2016 at a cost of Rs. 2,10,000. Interest is payable on June 30 and December 31, each year. On May 1, 2016, 1000 debentures were purchased cum interest at Rs. 1,07,000. On November 1, 2016, 1200 debentures were sold ex-interest at Rs. 1,14,600. On November 30, 2016, 800 debentures were purchased at Rs. 76,800 ex-interest. On December 31, 2016, 800 debentures were sold cum interest for Rs. 1,10,000. Prepare Investment Account valuing unsold investments on March 31, 2017 at cost (FIFO method is to be applied.) 15

IX. What do you understand by Hire Purchase System ? Differentiate it from Instalment System from accounting point of view. 15

X. What is meant by Goodwill ? Under what circumstances goodwill is valued and recorded ? Also discuss the various methods for the valuation of Goodwill. 15

SECTION—C

XI. The following is the Balance Sheet of Ryat Ltd. as on 31st March, 2017 :

Liabilities	Rs.	Assets	Rs.
20000 equity shares of Rs. 100 each	20,00,000	Goodwill	2,50,000
12% Debentures	5,00,000	Plant & Machinery	3,80,000
Outstanding		Land & Building	1,50,000
Interest on		Stock	2,70,000
Debentures	1,20,000	Sundry Debtors	60,000
Sundry Creditors	3,00,000	Cash and Bank	35,000
		Surplus A/c	17,55,000
		Preliminary expenses	20,000
	29,20,000		29,20,000

The following scheme of reconstruction is executed :

- (i) Equity shares be reduced by Rs. 95 per share and then consolidated into 10000 shares of Rs. 10 each.
- (ii) Debenture holders agree to forego outstanding interest, as a compensation 12% Debentures converted into 14% Debentures.
- (iii) Sundry creditors are given the option, either to accept 50% of their claims in cash in full settlement or to convert their claims into equity shares of Rs. 10 each. Creditors for Rs. 2,00,000 opted for shares and balance for cash.

(iv) To make payment to creditors opting for cash and to supplement working capital, the company issued 50,000 equity shares of Rs. 10 each at par. The issue was fully subscribed and paid for full on application.

(v) Following revaluations were made :

Land and Building Rs. 2,00,000

Plant and Machinery Rs. 2,90,000 and

Debtors are subject to provision of Rs. 5,000.

Pass Journal entries recording the above scheme of reconstruction and draw the Balance Sheet thereafter. 15

XII. Chand Ltd. went into voluntary liquidation. The details regarding liquidation are as follows :

Share capital :

(1) 2000, 8% Preference Shares of Rs. 100 each (fully paid up)

(2) Class A – 2000 equity shares of Rs. 100 each (Rs. 75 paid up)

(3) Class B – 1600 equity shares of Rs. 100 each (Rs. 60 paid up)

(4) Class C – 1400 equity shares of Rs. 100 each (Rs. 50 paid up)

Assets including machinery realized Rs. 4,20,000. Liquidation expenses amounted to Rs. 15,000. Chand Ltd. has borrowed

a loan of Rs. 50,000 from Brothers Ltd. against the mortgage of machinery (which realized Rs. 80,500). In the books of the company, salaries of four clerks for four months at a rate of Rs. 300 pm and salaries of four peons for three months at the rate of Rs. 150 pm are outstanding. In addition to this, the company's books show the creditors worth Rs. 87,400.

Prepare Liquidator's statement of Receipts and Payments.

15

XIII. What accounting entries should be passed in the books of transferor and transferee companies in the event of amalgamation ?

15

XIV. Explain the following terms in reference to a holding company :

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|---|---|
| (i) Holding Company | 5 |
| (ii) Wholly owned and Partly owned subsidiaries | 5 |
| (iii) Consolidated Balance Sheet. | 5 |