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**Bachelor of Commerce 4th Semester
(2054)**

ADVANCED ACCOUNTING

Paper : BCM-402

Time Allowed : Three Hours] [Maximum Marks : 80

Note :—Attempt any **FOUR** questions from Section A. Each question in this section carries **5** marks. Attempt any **TWO** questions each from Sections B and C respectively. Each question in these sections carries **15** marks.

SECTION—A

1. Who are Preferential Creditors ?
2. Explain the method for calculation of claim of Loss of Stock.
3. Bumrah & Co. decided to purchase a business. The profits for the last four years are :

2019 – Rs. 60,000; 2020 – Rs. 75,000; 2021 – Rs. 72,000;
and 2022 – Rs. 69,000.

The business was looked after by the management. Remuneration from alternative employment if not engaged on the business comes to Rs. 9,000 p.a. Find the amount of goodwill, if it is valued on the basis of 3 year purchase of the average net profit for the last four years.

4. On 1st December, 2022, A purchased 200, 6% Debentures of, Rs. 100 each at Rs. 104 ex-interest. He paid 1/2 % brokerage in this connection. Interest on these debentures is payable on 30th June and 31st December each year. Show Journal entries in the books of A. He closes his books on 31st December each year.

5. A Ltd. and B. Ltd. decided to amalgamate on 31-3-2022. On that date the position was :

A Ltd. : Net Assets Rs. 38,700; Net Liabilities Rs. 12,900

B Ltd. : Net Assets Rs. 28,440; Net Liabilities Rs. 7,440

The Share Capital of the combined company is to be 2,400 Preference Shares of Rs. 10 each and balance in Equity Shares of Rs. 5 each fully paid. The allocation of Shares between A Ltd. and B Ltd. is equal except that the surplus capital of any company is to be discharged in Preference Shares. Calculate purchase consideration and show the details of distribution of shares.

6. Pass Journal entries related to internal reconstruction for the following transactions :

(1) Conversion of 2 lakh fully paid Equity Shares of Rs. 10 each into stock of Rs. 1,00,000 and balance into 12% fully convertible Debentures.

- (2) Consolidation of 40 lakh fully paid Equity Shares of Rs. 2.50 each into 10 lakh fully paid Equity Shares of Rs. 10 each.
- (3) Sub-division of 10 lakh fully paid 11% Preference Shares of Rs. 50 each into 50 lakh fully paid 11% Preference Shares of Rs. 10 each.
- (4) Conversion of 12% Preference Shares of Rs. 5,00,000 into 14% Preference Shares Rs. 3,00,000 and remaining balance as 12% Non-cumulative Preference Shares.

SECTION—B

7. Given below is a list of balances taken from the books of Arora Ltd. as on 31-3-2022 :

Credit Balances	Rs.
1,000 8% Preference Shares of Rs. 100 each fully paid	1,00,000
2,000 Equity Shares of Rs. 100 each fully paid	2,00,000
General Reserve	1,00,000
Surplus Account	40,000
Creditors	1,00,000
	5,40,000

Debit Balances		Rs.
Building	1,55,000	
Less : Depreciation	25,000	1,30,000
Machinery	1,60,000	
Less : Depreciation	40,000	1,20,000
Furniture	25,000	
Less : Depreciation	5,000	20,000
Investments in 6% Govt. Securities (Face Value Rs. 1,00,000)		90,000
Stock		1,00,000
Debtors	65,000	
Less : Bad Debt Provision	5,000	60,000
Cash and Bank Balances		20,000
		5,40,000

You are given the following information :

- (1) The present value of the Building is Rs. 1,80,000 and that of Machinery is Rs. 80,000.
- (2) Companies doing similar business show profit earning capacity of 10% on market value of their shares.
- (3) The average annual profit after 50% tax of last three years is Rs. 48,000.
- (4) The company has held 6% Govt. Securities for last 3 years and the interest on the Govt. Securities is liable to tax.

(5) Goodwill of the company is to be taken at 5 years' purchase of super profits.

(6) It is considered necessary to transfer Rs. 10,000 to general reserve before declaring any dividend.

Calculate the fair value of the share of the company.

8. (a) Distinguish between Hire Purchase and Instalment System.

(b) Explain the terms 'Cum-Interest' and 'Ex-Interest' in relation to Investment Account with the help of suitable examples.

9. What are the factors which affect the value of Goodwill ? Explain and illustrate any three methods of calculating Goodwill.

10. A fire occurred in the premises of a businessman on 30th June, 2022. From the following data, compute a consequential loss claim :

Financial year ends on 31st December.

Turnover Rs. 2,00,000.

Net Profit Rs. 18,000.

Standing charges Rs. 42,000 out of which Rs. 10,000 have not been insured.

Indemnity period 6 months.

Period of interruption – 1st July to 31st October.

Sum assured Rs. 50,000.

Standard turnover Rs. 65,000.

Turnover in the period of interruption Rs. 25,000 out of which Rs. 6,000 was from a place rented at Rs. 600 a month. Saving in standing charges Rs. 4,725 per annum. Annual Turnover preceding the date of fire Rs. 2,40,000. Date of fire – 30th June.

It was agreed between the insurer and the insured that the business trends would lead to an increase of 10% in the turnover.

SECTION—C

11. Prepare Liquidator's final statement of account from the following information as on 31-12-2023 :

Assets realized Rs. 1,50,000.

Expenses of Liquidation Rs. 2,700.

Unsecured Creditors (excluding preferential Rs. 4,500) Rs. 15,900.

6% Preference Share Capital Rs. 45,000.

General Reserve Rs. 36,000.

Surplus Account Rs. 6,000.

3,000 Equity Shares of Rs. 10 each, Rs. 9 paid up Rs. 27,000.

Dividend on Preference Shares is in arrears for one year and are payable on liquidation. Liquidator is entitled to remuneration @ 3% on assets realised and 2% on amount distributed to Shareholders. Preference Shares are participating and under the Articles have the right to receive one-third of the surplus remaining after paying the Equity Shareholders.

12. What is Alteration of Capital ? Explain the various provisions of alteration of Share Capital as given in the Companies Act, 2013. Also give accounting entries.
13. What is Purchase Consideration ? What are the various methods of purchase consideration ? Explain with the help of examples.
14. From the Balance Sheet and information given below, prepare consolidated Balance Sheet :

Balance Sheet

as on 31-3-2022

Liabilities	H Ltd.	S Ltd.
Shares of Rs. 10 each fully paid	5,00,000	1,00,000
Reserves	60,000	30,000
Surplus A/c	2,00,000	60,000
Bills Payable	—	15,000
Creditors	1,10,000	60,000
	8,70,000	2,65,000

Assets	H Ltd.	S Ltd.
Fixed Assets	4,00,000	60,000
Stock	3,00,000	1,20,000
Debtors	75,000	85,000
Bills Receivable	20,000	—
7,500 shares in S Ltd. at cost	75,000	—
	8,70,000	2,65,000

Additional Information :

- (i) The Bills accepted by S Ltd. are all in favour of H Ltd.
- (ii) The stock of H Ltd. includes Rs. 25,000 bought from S Ltd. at a profit to latter of 20% of sales.
- (iii) All the surplus of S Ltd. has been earned since the shares were acquired by H Ltd. but there was already the reserve of Rs. 30,000 at that date.