

(i) Printed Pages: 7

Roll No.

(ii) Questions : 9

Sub. Code :

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Exam. Code :

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Bachelor of Commerce 4th Semester
(2042)

ADVANCED ACCOUNTING

Paper : BCM-402

Time Allowed : Three Hours]

[Maximum Marks : 80

Note :—Attempt **FOUR** short answer type questions from Section A. Attempt **TWO** questions each from Section B and C respectively.

SECTION—A

- I. (a) Distinguish between Cum Interest and Ex Interest. 5
- (b) Write a note on Average clause in Insurance claim. 5
- (c) Pooja and Company decided to purchase a business for Rs. 80,000. Its profits for the last 4 years are 2016 Rs. 20,000, 2017 Rs. 25,000, 2018 Rs. 24,000 and 2019 Rs. 23,000. The business was looked after by the Management. Remuneration from alternative employment, if not engaged in the business, for the management comes to Rs. 3,000 p.a. Find out the amount of goodwill if it is valued on the basis of three year's purchase of the average net profit for the last four years. 5

- (d) A machine was purchased for Rs. 17,200 on hire purchase system. Payment was made as follows — Rs. 4,000 at the time of agreement, Rs. 4,600 at the end of the first year, Rs. 4,400 at the end of the second year and Rs. 4,200 at the end of the third year. Interest was charged @ 5%. Calculate the cash price of the machine.

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- (e) H. Ltd. acquired the shares of S. Ltd. on 31st March, 2020. You are required to prepare consolidated Balance Sheet as on 31st March, 2020 from the following Balance Sheets.

Balance Sheets

As on 31st March, 2020

	H. Ltd. (Rs.)	S. Ltd. (Rs.)		H. Ltd. (Rs.)	S. Ltd. (Rs.)
Share Capital in Re. 1 fully paid shares	15,000	6,000	Sundry Assets	20,000	12,000
Reserves	3,000	2,000	Investments :		
Profit & Loss A/c	2,000	1,000	6000 shares		
Sundry Liabilities	10,000	3,000	in S. Ltd.	10,000	—
	30,000	12,000		30,000	12,000

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- (f) The abstract of the Balance Sheet of the AXE Ltd. as at 31st March, 2020, is as follows :

Liabilities — Equity Share Capital (Rs. 100 each) Rs. 15,00,000 12% Preference Share Capital (Rs. 100 each) Rs 8,00,000 13% Debentures Rs. 3,00,000.

On 31st March, 2020, BXE Ltd. agreed to take over AXE Ltd. on the following terms :

- (1) For each preference share in AXE Ltd. Rs. 10 in cash and one 9% preference share of Rs. 100 in BXE Ltd.
- (2) For each equity share of AXE Ltd. Rs. 20 in cash and one equity share in BXE Ltd. for Rs. 100 each. It was decided that the shares of BXE Ltd. will be issued at market price Rs. 140 per share.
- (3) Liquidation expenses of AXE Ltd. are to be reimbursed by BXE Ltd. to the extent of Rs. 10,000. Actual expenses amounted to Rs. 12,500.

You are required to compute the amount of purchase consideration. 5

SECTION—B

- II. Define goodwill. Why there is a need for the valuation of goodwill ? Explain and illustrate the different methods of calculating goodwill. 15
- III. Explain the meaning of Hire purchase system and make its comparison with instalment system. Discuss stock and debtor system of keeping record of goods sold under hire purchase system along with journal entries. 15

IV. From the following particulars, calculate the fair value of an equity share assuming that out of the total assets, those amounting to Rs. 41,00,000 are fictitious :

(i) Share Capital :

5,50,000 10% Preference shares of Rs. 100 each, fully paid-up.

55,00,000 Equity shares of Rs. 10 each, fully paid-up.

(ii) Liability to outsiders, Rs. 75,00,000.

(iii) Reserves and surplus Rs. 45,00,000.

(iv) The average normal profit after taxation earned every year by the company during the last five year, Rs. 85,05,000.

(v) The normal profit earned on the market value of fully paid equity shares of similar companies is 12%. 15

V. From the following information, compute a consequential loss claim :

Financial year ends on 31st December;

Turnover Rs. 2,00,000;

Indemnity period — 6 months

Period of dislocation — 1st July to 31st October

Net profit — Rs. 18,000

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

Sum assured — Rs. 50,000

Turnover in the period of interruption — Rs. 25,000, out of which Rs. 6,000 was from a rented place at Rs. 600 per month.

Standard turnover Rs. 65,000

Annual turnover Rs. 2,40,000

Savings in standard charges Rs. 4,725 per annum.

Date of fire — Night of 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.

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SECTION—C

VI. Define Purchase Consideration. State the accounting procedure in the books of acquiree company in case of amalgamation.

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VII. Explain the treatment of the following items in the accounts of Holding company :

(a) Minority Interest

(b) Treatment of unrealised profit

(c) Capital profits and revenue profits.

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VIII. V. Ltd. went into voluntary liquidation on 31st March, 2020. The details regarding liquidation are as follows :

(a) 3,000 9% Preference Shares of Rs. 100 each fully paid up.

- (b) 3,000 'A' Equity Shares of Rs. 100 each Rs. 75 paid up.
 2,400 'B' Equity Shares of Rs. 100 each Rs. 60 paid up.
 2,100 'C' Equity Shares of Rs. 100 each Rs. 50 paid up.
 V. Ltd. has borrowed a loan of Rs. 75,000 from B Ltd. against the mortgage of Machinery which realised Rs. 1,20,750. Books of the company show outstanding salaries of four clerks for four months @ Rs. 450 p.m. per clerk and of four workers for three months @ Rs. 225 p.m. per worker. In addition to this the company's books show the creditors worth Rs. 1,31,100. Other assets realised Rs. 4,86,750.

Prepare Liquidator's Statement of Account. 15

IX. Following is the Balance Sheet of Nipun Ltd. as on 31-2-2020 :

Liabilities	Rs.	Assets	Rs.
Equity share capital of Rs. 10 each	2,50,000	Land and Building	1,40,000
8% Pref. Share Capital of Rs. 10 each	50,000	Machinery	37,500
General Reserve	20,000	Furniture	15,000
Surplus A/c (Negative Balance)	(-) 1,25,000	Goodwill	90,000
6% Debenture of Rs. 100 each	20,000	Discount on shares	1,000
Creditors	40,000		
Bank Overdraft	28,500		
	2,83,500		2,83,500

On the above date, the company adopted the following scheme of reconstruction :

- (i) The debentureholders are to be given 8% debenture of Rs. 50 and Preference shares of Rs. 10 each of equal amount, for the remaining amount of Rs. 50.
- (ii) The value of all Preference shares including the preference shares given to debentureholders as shown above, is to be reduced to Rs. 6 and dividend rate to be increased upto 9%.
- (iii) The value of equity shares to be reduced to Rs. 2.
- (iv) The existing equity shareholders are to purchase additional equity shares of Rs. 1,00,000 for cash, to payoff the bank overdraft.
- (v) The fictitious and intangible assets are to be eliminated. Machinery and furniture are to be written off in proportion of book values with the help of General Reserve and Capital Reduction Account.

Give Journal Entries incorporating the above scheme of reconstruction and prepare there constructed Balance Sheet.

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