

2071  
Bachelor of Commerce  
Fourth Semester  
BCM-402: Advanced Accounting

Time allowed: 3 Hours

Max. Marks: 80

**NOTE:** Attempt four short answer type questions from Section-A. Attempt two questions each from Section B and C respectively.

x-x-x

**SECTION – A**

I. Attempt any four of the following:-

a) On 31<sup>st</sup> March 2020, liabilities and assets of A Ltd. and B Ltd. stood as follows:

Liabilities	A Ltd.	B Ltd.	Assets	A Ltd.	B Ltd.
	₹	₹		₹	₹
Share Capital of ₹10 each fully paid up	12,50,000	5,00,000	Sundry Assets	12,94,000	7,60,000
Reserves & Surplus	2,50,000	1,10,000	60% Shares in 'B' Ltd. acquired on 1 <sup>st</sup> July, 2019 (cost)	4,06,000	-----
Current Liabilities	2,00,000	1,50,000			
	17,00,000	7,60,000		17,00,000	7,60,000

**Additional Information:**

At the time of acquisition Surplus Account in the books of 'B' Ltd., showed a debit balance of ₹75,000.

Prepare a Consolidated Balance Sheet as at 31<sup>st</sup> March, 2020.

- b) A runs a chemist's shop. His net assets as on 31-3-2020 amount to ₹20,00,000. After paying a rent of ₹ 45,000 a year and salary of ₹ 30,000 to the manager/employee, he earns a profit of ₹2,10,000. His landlord, who happens to be an expert chemist, is interested in purchasing the shop. 10% is considered to be reasonable return on capital employed. What can A expect as payment of goodwill? Assume the value of building ₹1,00,000 and goodwill is valued at 3 years' purchase.
- c) Shyam purchased a machine on hire purchase system. He pays ₹20,000 down and ₹16,300, ₹14,200 and ₹12,100 in three installments respectively at the interval of two years. Rate of interest is 10% p.a. at yearly rest. Determine the cash price of machine.

**P.T.O.**

(2)

- d) From the following particulars, related to a liquidated company, calculate the amount of unsecured creditors and preferential creditors:-

Creditors other than secured creditors of a liquidated company were:

	₹		₹
Trade Creditors	4,26,600	Salary of peon for four months	18,000
Provident fund of workers	33,000	Director's fees for four months	24,000
Gas board for gas supplied	1,260	Income tax due	30,000
Dues to city corporation for local taxes	30,000	Compensation under workmen's compensation Act	27,000
Salary of Clerk for six months	50,000		

- e) Discuss the nature and purpose of investment account.  
 f) Distinguish between amalgamation, absorption and reconstruction. (4×5)

### SECTION - B

- II. Define goodwill. Why there is need for the valuation of goodwill. Discuss the various types of goodwill and methods of calculating goodwill. Support your answer with suitable examples. (15)
- III. Explain the distinction between hire purchase system and installment system. Discuss the accounting treatment in the books of purchase and vendor. (15)
- IV. From the following information, you are required to work out claim under the Loss of Profit Insurance Policy.
- (1) Cover-Gross Profit- ₹1,00,000.
  - (2) Indemnity period—Six months.
  - (3) Damage—due to a fire accident on 28<sup>th</sup> December—accounting year ends on 31<sup>st</sup> December.
  - (4) Net Profit plus all standing charges in the prior accounting year— ₹1,50,000.
  - (5) Standing charges uninsured— ₹25,000.
  - (6) Turnover of the last accounting year was ₹5,00,000, the rate of gross profit being 25%.
  - (7) The annual turnover, namely, the turnover for 12 months immediately preceding the fire - ₹5,20,000.
  - (8) As a consequence of fire, there was a reduction in certain insured standing charges at the rate of ₹25,000 per annum.

Contd.....P/3

(3)

- (9) The standard turnover ₹2,60,000.
- (10) Increased cost of working during the period of indemnity was ₹20,000.
- (11) Turnover during the period of indemnity was ₹1,00,000 and out of this turnover of ₹80,000 was maintained due to increased cost of working. (15)

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

- i) Share capital:  
5,50,000 10% Preference shares of ₹100 each, fully paid-up.  
55,00,000 Equity shares of ₹10 each, fully paid-up.
- ii) Liability to outsiders, ₹75,00,000.
- iii) Reserves and surplus ₹45,00,000.
- iv) The average normal profit after taxation earned every year by the company during the last five year, ₹85,05,000.
- v) The normal profit earned on the market value of fully paid equity shares of similar companies is 12%. (15)

### SECTION - C

VI. Bekar Limited went into voluntary liquidation. The details regarding liquidation are as follows :

- 1. 2,000 8% preference shares of ₹ 100 each (fully paid-up)
- 2. Class A-2,000 equity shares of ₹100 each (₹75 paid-up)
- 3. Class B-1,600 equity shares of ₹100 (₹ 60 paid-up)
- 4. Class C-1,400 equity shares of ₹100 each (₹ 50 paid-up)

Assets including machinery realized ₹4,20,000. Liquidation expenses amount to ₹15,000.

Bekar Limited has borrowed a loan of ₹ 50,000 from Patel Brothers against the mortgage of machinery (which realized ₹80,500). In the books of the company salaries of four clerks for four months at a rate of ₹300 per month and salaries of four peons for three months at a rate of ₹150 per month, are outstanding. In addition to this, the company's books show the creditors worth ₹87,400. Prepare liquidator's statement of receipts and payments. (15)

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(4)

VII. Following is the balance sheet of Sick Ltd. as on 31.3.2020.

<b>I. Equity and liabilities</b>	₹
(1) Shareholder's funds	
(a) Share Capital:	
Equity Shares of ₹ 10 each	7,00,000
13% Cum. Pref. Shares of ₹100 each	1,00,000
(b) Reserves and Surplus:	
Surplus A/c (Negative Balance)	(-) 3,00,000
Shareholders' Funds	5,00,000
(2) Non-current Liabilities	
8% Debentures	3,00,000
(3) Current Liabilities	
Current Liabilities	39,00,000
Provision for Taxation	3,00,000
<b>Total</b>	<b>50,00,000</b>
<b>II. Assets</b>	
(1) Non-current Assets	
Fixed Assets	15,00,000
(2) Current Assets	35,00,000
<b>Total</b>	<b>50,00,000</b>

Following scheme of reorganization is sanctioned:

1. All existing equity shares are reduced to ₹5 each.
2. All Preference shares are reduced to ₹75 each. Preference Shareholders decide to forego their right to arrears of dividend which are in arrears for three years.
3. The rate of interest on debentures is increased to 11%. The debentureholders surrender their existing debentures of ₹100 each and exchange the same for fresh debentures of ₹75 each.
4. One of the creditors of the company, to whom the company owes ₹25,00,000, decides to forego 50% of his claim. He is allotted 1,00,000 equity shares to ₹5 each in part satisfaction of the balance of his claim.
5. The taxation liability of the company is settled at ₹4,00,000.
6. Fixed assets are to be written down by  $33\frac{1}{3}\%$ .
7. Current assets are to be revalued at ₹27,00,000.

Pass Journal Entries and show balance sheet of the company after giving effect to the above.

(15)

(5)

VIII. Explain the treatment of the following items in the account of a holding company:-

- a) Monthly interest
- b) Treatment of unrealized profits
- c) Capital profits and revenue profits (15)

IX. Define purchase consideration. State the accounting procedure in the books of acquire company in case of amalgamation. (15)

x-x-x