



SHRI S. H. KELAKAR COLLEGE OF ARTS, COMMERCE AND SCIENCE DEVGAD

CLASS: FYBBI

SEMESTER EXAMINATION- 2022-2023

SEM-II

COURSE: - FINANCIAL ACCOUNTING-II

MARKS- 75

MAX. MARKS: 75

DURATION : 2.30. Hrs.

**Q. 1 A) Solve the following multiple-choice questions.**

**(08)**

1. Goodwill is paid for obtaining.....  
a) Future benefit    b) Present benefit    c) Past benefit    d) None of the above
2. Preference shares can be redeemed by .....  
a) Issue of Preference shares    b) Transfer of investments  
c) Sale of fixed assets    d) Set off Deferred Revenue Expenditure
3. Normal profit is .....  
a) Average profit earned    b) Profit earned by similar Co. in the same industry  
c) A and B    d) None of the above
4. Securities premium may be used for .....  
a) Payment of dividend    b) issue of fully paid bonus shares  
c) Issue of partly paid bonus shares    d) None of the above
5. Yield value depends on.....  
a) Future maintainable Profit    b) Normal Rate of Return  
c) Paid up equity Capital    d) All of the above
6. Forfeiture of shares is the action taken by a company for .....  
a) Issue of bonus shares    b) Cancellation of shares  
c) Issue of rights shares    d) None of the above
7. After completion of buyback, Buyback Return must be filed with .....  
a) Registrar of companies    b) SEBI  
c) Registrar and SEBI    d) Registrar of Stock Exchange
8. Goodwill as per purchase of average profit method  
a) Average Profit    b) Average profit x Amount of purchases v  
b) Average Profit x No of years purchases    d) All of the above
9. Capital employed at the beginning of the year is ₹ 5, 20,000 and the profit earned during the year is ₹ 60,000. Average capital employed during the year is  
A) ₹ 5, 50,000    b) ₹ 5, 20,000    c) ₹ 5, 80,000    d) ₹ 4, 60,000
10. Goodwill as per purchase of super profit method is equal to .....  
a) Super Profit    b) Super Profit x amount of Purchases  
c) Super Profit x No of year's Purchases    d) None of the above

**(B) State whether following statements are true or false.( Any 7 out of 10)**

**(7)**

1. Goodwill is an intangible fixed asset which has a realizable value.
2. A company can buy back any security.
3. The debentures can be redeemed whenever company desires.
4. Goodwill is fictitious asset.
5. Buy Back of security is governed by Section 68 of Companies Act.
6. The terms of redemption should be specified when debentures are allotted
7. Goodwill depends on personal reputation of the enterprise.
8. Directors can authorize buy back of 15% of capital.
9. The debentures can be redeemed at different points of time.
10. Company cannot issue preference shares, which are redeemable



Q. 2 (A) The Balance of the Jindal Ltd. as on 31 March 2016, revealed the following. (15)

LIABILITIES		ASSETS	
Share Capital (Issued)		Fixed Assets	9,00,000
Equity Share of 10 each	8,00,000	Less:- Depreciation	7,00,000
Reserves	2,00,000	<u>1,10,000</u>	80,000
Profit and Loss Account	20,000	Goodwill	90,000
10% debentures	1,00,000	Current Assets	10,000
Current Liabilities	2,50,000	Discount on Debentures	4,00,000
	13,70,000	Bank Balance	13,70,000

- 1) The Fixed Assets and Goodwill were revalued at Rs. 7,50,000 and Rs. 1,00,000 respectively.
- 2) The net profit after tax for the immediately preceding three years were Rs. 1,10,000, Rs. 1,05,000 and Rs. 1,45,000 of which 25% transferred to reserves.
- 3) A fair return in the industry in which the company is engaged is considered to be 10%. Compute the value of the company's share by:

- i) Net Assets Method
- ii) Yield Value Method

OR

Q.2 (B) Following particulars are available in respect of the business carried on by a trader:

Profit earned after 30% tax for five years:

2011-12	Rs. 80,000	2012-13	Rs. 85,000
2013-14	Rs. 95,000	2014-15	Rs. 92,000
2015-16	Rs. 1,00,000		

Average Capital Employed Rs. 3,50,000 Normal Rate of Return 15%

Calculate Goodwill at five years purchase of Super Profits computed on the basis of past three years (15)

Q. 3 (A) The Balance Sheet of Modern Marble Ltd. As at 31<sup>st</sup> March 2018 is as follows: (15)

LIABILITIES	RS.	ASSETS	RS.
Share Capital of Rs. 10	50,00,000	Fixed Assets	66,00,000
General Reserve	6,50,000	Investments	18,00,000
Securities Premium	5,40,000	Stock	11,87,000
Profit and Loss A/c	3,75,000	Sundry Debtors	9,60,000
Revaluation Reserve	25,00,000	Cash	7,10,000
Term Loan	13,25,000		
Current Liabilities	8,67,000		
	1,12,57,000		1,12,57,000

The shareholders adopted the resolution to

- i) Buyback 20% of paid-up capital at Rs. 15 each.
- ii) Issue 13% Debentures of Rs. 5,00,000 at a premium of 10% to finance the Buyback.
- iii) Maintain a balance of Rs. 3,00,000 in General Reserve.
- iv) Sell investment worth Rs. 8,00,000 for Rs. 6,50,000

Pass journal entries to record Buyback of shares.

OR



Q. 3. (B) ABC company gave notice of its intention to redeem its outstanding 50,000 10% Debentures of 100 each at a premium of 5% and offered the holders the following options: (15)

1. To accept 12% Cumulative preference Shares of 20 each 25 per share.
2. To accept 10% Debentures stock at 96%
3. To have their holding redeemed for cash accordingly.
  - i) 25,000 Debentures holders accepted the proposal 1.
  - ii) 20,000 Debentures holders accepted the proposal 2.
  - iii) Remaining Debentures holders accepted the proposal 3.



Pass the Journal Entries in the books of the company to record only the above transactions.

Q. 4 (A) RK Ltd issues Rs. 2,00,000 Redeemable Preference shares at par on 1<sup>st</sup> January 2010 Redeemable at the option of the company on or after 31<sup>st</sup> December 2015 in whole or in part. The company made following redemption out of profit:

Year	Profit
30 <sup>th</sup> June 2016	Rs. 80,000
30 <sup>th</sup> June 2017	Rs. 60,000

The company decided to redeem all the preference shares on 31<sup>st</sup> December 2017 & issued equity shares of the face value of Rs. 40,000 at premium of 10% on the same date. Pass journal entries to record above transactions. (15)

OR

q. 4 (B) Vijay Enterprise Ltd issues 2000 9% Debentures of Rs. 100 each. You are asked to give journal entries on issue if:

1. The debentures are issued at par and redeemable at par.
2. The debentures are issued at a discount of 5% and redeemable at par.
3. The debentures are issued at premium of 5% but redeemable at par.
4. The debentures are issued at a discount of 10% but redeemable at premium of 5%.
5. The debentures are issued at par but redeemable at 10% premium.

Journalise the above. (15)

Q. 5 (A) Explain the difference between Buyback of shares and Redemption of Preference shares (8)

(B) Explain different types of Debentures. (7)

OR

(C) Write short notes on any three. (15)

1. Capital Redemption Reserve
2. Intrinsic Value Method
3. Security Premium Account
4. Benefits of Buyback
5. Valuation of Goodwill