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Bachelor of Commerce 4th Semester
(2053)

ADVANCED ACCOUNTING

Paper : BCM-402

Time Allowed : Three Hours] [Maximum Marks : 80

- Note :—(1) Attempt **four** short answer type questions from Section A. All questions carry equal marks.
- (2) Attempt **two** questions each from Sections B and C respectively.

SECTION—A

1. Write short note on Memorandum Trading Account. 5
2. What are 'List-B' contributories in Liquidation ? 5
3. H Ltd. acquired all the shares in S Ltd. on 1st January, 2022 and the Balance Sheets of the two companies on 31st March, 2022 were as follows :

	H Ltd. Rs.	S Ltd. Rs.
Share Capital	50,000	30,000
General Reserve (1-4-2021)	20,000	15,000
Profit and Loss A/c	25,000	10,000
Creditors	20,000	15,000
	1,15,000	70,000

	H Ltd. Rs.	S Ltd. Rs.
Sundry Assets	65,000	70,000
Shares in S Ltd. at Cost	50,000	-
	1,15,000	70,000

The Profit and Loss A/c of S Ltd. had a credit balance of Rs. 3,000 on 1-4-2021. The profits of S Ltd. accrued evenly throughout the year. Prepare consolidated B/S as on 31st March, 2022.

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4. A Ltd. agrees to take over the business of B Ltd. on the following terms :

- (i) The Shareholders of B Ltd. are to be paid Rs. 25 in cash and the offer of four shares of Rs. 10 each in A Ltd. for every share of B Ltd. B Ltd. has 50,000 equity shares outstanding.
- (ii) The Debentureholders holding 5,000 debentures of Rs. 100 each are to be redeemed at a premium of 10%.
- (iii) Costs of liquidation amounting to Rs. 25,000 are to be borne by A Ltd.

Compute the purchase consideration.

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5. Mr. Wiseman has invested a sum of Rs. 2,00,000 in his own business which is a very profitable one. The annual profit earned from his business is Rs. 45,000 which includes a sum of Rs. 10,000 received as compensation of a part of his business premises.

As an alternative to his engagement in his business, he could have invested the money in long-term deposit with Bank earning a normal rate of interest of 10% and also could engage himself in employment thereby getting an annual salary income of Rs. 7,200.

Considering 2% as fair compensation for the risk involved in the business, calculate the value of Goodwill of his business on *capitalisation of super-profits* at the normal rate of interest. 5
Ignore taxation.

6. Ram purchased a machine under Hire Purchase from Yuvraj on Jan. 1, which provided for an initial payment of Rs. 1,500 and balance in 4 equal half-yearly installments of Rs. 2,000 each the first falling due on 30th June. Assuming a rate of interest 6% p.a., compute cash price. 5

SECTION—B

7. Describe two methods of valuation of shares and discuss which method in your view is most appropriate in valuing a minority and a majority holding. 15
8. Explain the distinction between Hire Purchase System and Instalment System. Discuss the accounting treatment in the books of purchaser and vendor. 15
9. 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.

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10. B Finance Ltd. held on 1-4-2021, Rs. 1,00,000 of 12% units of UTI at Rs. 95,000. Three months interest has accrued as interest was receivable half yearly on 30th June and 31st December. On 31st August, 2021 the company purchased a further Rs. 40,000 of the units at Rs. 96 (net) cum interest. On 31st October, 2021, Rs. 30,000 of the units were sold at Rs. 94 (net) ex-interest. On 28th February, 2022, Rs. 20,000 of the units were sold at 96 (net) cum interest.

On 31st March, 2022, the market price of the units was Rs. 96. The face value of each unit was Rs. 100. Prepare the 12% units account for the year ended 31st March, 2022.

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SECTION—C

11. Define Purchase consideration. State the accounting procedure in the books of acquiree company in case of amalgamation.

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12. Explain the following in the context of holding company accounts :

(a) Minority shareholder's interest

(b) Amount of goodwill for consolidated Balance Sheet

(c) Inter company transactions.

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13. The following was the Balance Sheet of Gloria Ltd. as at 31st March, 2022 :

Liabilities	Rs.
Share Capital :	
1,20,000 Equity Shares of Rs. 10 each	12,00,000
Less : Calls-in-Arrears (Rs. 3 per share on 30,000 shares)	90,000
	11,10,000
Sundry Creditors	1,54,250
Provision for Taxation	40,000
	13,04,250

Assets	Rs.
Goodwill	1,00,000
Machinery	5,08,500
Furniture	1,02,750
Stock	2,05,000
Debtors	1,50,000
Cash at Bank	15,000
Preliminary Expenses	15,000
Profit and Loss A/c	2,20,000
<i>Less : Profit for the year</i>	<u>12,000</u>
	2,08,000
	13,04,250

The directors have had a valuation made of the machinery and find it overvalued by Rs. 1,00,000. It is proposed to write down this asset to its true value and to extinguish the deficiency in the Profit and Loss Account and to write off Goodwill and Preliminary Expenses, by the adoption of the following course :

- (i) Forfeit the shares on which the call is outstanding.
- (ii) Reduce the paid-up capital by Rs. 3 per share.
- (iii) Re-issue the forfeited share as fully paid shares of Rs. 7 each at Rs. 5 per share.
- (iv) Utilise the provision for Taxation, if necessary.

The shares on which the calls were in the arrear were duly forfeited and re-issued on payment of Rs. 5 per share.

You are required to :

- (a) Draft the necessary Journal entries; and
- (b) Draw the company's Balance Sheet immediately after the implementation of the scheme of reconstruction.

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14. The Capital of the Datar Company Limited was as follows :

- (i) 4,000 equity shares of Rs. 100 each fully paid
- (ii) 3,000 equity shares of Rs. 100 each, Rs. 80 per share paid up
- (iii) 1,000 preference shares of Rs. 100 each fully paid (these shares have preference as to capital); and
- (iv) 1,000 deferred shares of Rs. 100 each, Rs. 80 per share paid-up (these shares, under the articles are to be paid after satisfying the claims of equity shareholders).

The various creditors amounted in all to Rs. 1,00,000 including the liquidator's remuneration Rs. 2,500. The liquidator made a call of the remaining Rs. 20 on the deferred shares which was paid in full. He also realised all the assets amounting to Rs. 1,91,000.

A call of Rs. 15 per share was made on the equity shares which were partly paid up. This was paid in full with the exception of that on 100 shares.

Prepare the liquidator's account showing the return to the shareholders.

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