

Seat No. : \_\_\_\_\_

# AA-113

April-2023

Int. MBA, Sem.-IV

## Advanced Financial Accounting – II

Time : 2:30 Hours]

[Max. Marks : 70

- Instructions :** (1) Show necessary calculations as the part of your answer.  
(2) Use of non-scientific calculator is allowed.

1. The Balance Sheet of Radhe Ltd. as on 31<sup>st</sup> March, 2023 is as follows :

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Particulars	Note Number	Amount (₹)
<b>[I] EQUITY AND LIABILITIES:</b>		
<b>(1) Shareholder's funds</b>		
(a) Share capital	1	34,80,000
(b) Reserves and surplus	2	7,20,000
<b>(2) Share application money pending allotment</b>		
<b>(3) Non-current liabilities</b>		
<b>(4) Current liabilities</b>		
(a) Trade payables	3	6,00,000
<b>TOTAL</b>		<b>48,00,000</b>
<b>[II] ASSETS :</b>		
<b>(1) Non-current assets</b>		
(a) Fixed assets		
(i) Tangible assets	4	30,10,000
(b) Non-current investments		4,20,000
<b>(2) Current assets</b>		
(a) Inventories		5,00,000
(b) Trade receivables	5	5,40,000
(c) Cash and cash equivalents	6	3,30,000
<b>TOTAL</b>		<b>48,00,000</b>

**NOTES :**

<b>Particulars</b>	<b>Amount (₹)</b>
<b>1. Share capital</b>	
Issued, subscribed and paid up :	
24,000 Equity shares of ₹ 100 each fully paid up	24,00,000
6,000 10% Red. Pref. Shares of ₹ 100 each, ₹ 80 paid up	4,80,000
11% Pref. Shares of ₹ 100 each fully paid	6,00,000
	<u><b>34,80,000</b></u>
<b>2. Reserves and surplus</b>	
General Reserve	4,50,000
Profit & Loss A/C	2,10,000
Securities Premium	60,000
	<u><b>7,20,000</b></u>
<b>3. Trade payables</b>	
Sundry creditors	6,00,000
	<u><b>6,00,000</b></u>
<b>4. Tangible Assets</b>	
Land	12,90,000
Building	10,20,000
Plant & Machinery	7,00,000
	<u><b>30,10,000</b></u>
<b>5. Trade receivables</b>	
Debtors	5,40,000
	<u><b>5,40,000</b></u>
<b>6. Cash and cash equivalents</b>	
Cash and Bank balance	3,30,000
	<u><b>3,30,000</b></u>

On this date the company decided to redeem both the classes of pref. shares at 10% premium after complying with the provision of companies act, 2013.

For this purpose, necessary number of equity shares of ₹ 100 each are issued at par, keeping cash balance of ₹ 1,80,000 in the business. All investments are sold for ₹ 3,60,000. All pref. shareholders were paid the amount.

Pass necessary journal entries in the books of the company and prepare a Balance Sheet.

**OR**

Attempt the following :

- (1) Discuss reasons and sources for issue of bonus shares.
- (2) Explain procedure for issuing bonus share.

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2. Answer the following :

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- (1) Discuss the provisions of Companies Act, 2013 for capital reduction in detail.
- (2) Discuss methods of reducing share capital in detail.

**OR**

The Balance Sheet of Karma Ltd. as on 31<sup>st</sup> March, 2023 is as follows :

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Particulars	Note Number	Amount (₹)
<b>[I] EQUITY AND LIABILITIES:</b>		
<b>(1) Shareholder's funds</b>		
(a) Share capital	1	24,00,000
(b) Reserves and surplus	2	1,00,000
<b>(2) Share application money pending allotment</b>		
<b>(3) Non-current liabilities</b>		
(a) Long term borrowings	3	6,00,000
<b>(4) Current liabilities</b>		
(a) Trade payables	4	5,00,000
<b>TOTAL</b>		<b>36,00,000</b>
<b>[II] ASSETS :</b>		
<b>(1) Non-current assets</b>		
(a) Fixed assets		
(i) Tangible assets	5	12,80,000
(ii) Intangible assets	6	4,70,000
(b) Non-current investments		3,00,000
(c) Other Non-Current Assets	7	4,26,000
<b>(2) Current assets</b>		
(a) Inventories		5,00,000
(b) Trade receivables	8	6,24,000
<b>TOTAL</b>		<b>36,00,000</b>

**NOTES :**

Particulars	Amount (₹)
<b>1. Share capital</b>	
Issued, subscribed and paid up :	
Equity shares of ₹ 100 each fully paid up	16,00,000
9% Cum. Pref. Shares of ₹ 10 each fully paid up	8,00,00
	<u>24,00,000</u>
<b>2. Reserves and surplus</b>	
Securities Premium	40,000
General Reserve	60,000
	<u>1,00,000</u>
<b>3. Long-term borrowings</b>	
15% Debentures	6,00,000
	<u>6,00,000</u>

<b>4. Trade payables</b>	
Sundry creditors	5,00,000
	<u>5,00,000</u>
<b>5. Tangible Assets</b>	
Land & Building	8,00,000
Plant & Machinery	4,80,000
	<u>12,80,000</u>
<b>6. Intangible Assets</b>	
Goodwill	3,20,000
Patents	1,50,000
	<u>4,70,000</u>
<b>7. Other Non-current Assets</b>	
Advertisement Suspense Account	4,26,000
	<u>4,26,000</u>
<b>8. Trade receivables</b>	
Debtors	6,24,000
	<u>6,24,000</u>

A scheme of capital reduction as approved by the tribunal was as follows:

- (1) Equity shares are to be written down upto ₹ 60 each.
- (2) Preference shares are to be written down by ₹ 4 each.
- (3) Dividend on preference shares is not declared and paid from 1-4-2021. They will be given equity shares against accrued preference dividend.
- (4) Investments are sold for 3,60,000.
- (5) The creditors accept settlement of their amount as to 75% thereof by allotment of equity shares as to 15% in cash and the balance being waived.
- (6) Debenture holders will accept 80% of their amount in the form of preference shares in full settlement.
- (7) The balance of securities premium and General Reserve were to be utilized for reconstruction.
- (8) Goodwill, Patents and Advertisement Suspense A/C are to be written off.
- (9) The remaining amount is to be utilized in writing down plant-machinery and stock in proportion of 3:1.

Pass necessary journal entries in the books of Karma Ltd. and prepare Balance Sheet after reconstruction.

3. Jamfal Ltd. went into voluntary liquidation on 30-06-2022, when its balance sheet was as under :

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Particulars		Note number	Amount (₹)
<b>[I] EQUITY AND LIABILITIES:</b>			
<b>(1) Shareholder's funds</b>			
(a)	Share capital	1	3,00,000
(b)	Reserves and surplus	2	3,000
<b>(2) Share application money pending allotment</b>			
<b>(3) Non-current liabilities</b>			
(a)	Long term borrowings	3	50,000
(b)	Long term provisions	4	3,000
<b>(4) Current liabilities</b>			
(a)	Trade payables	5	2,36,500
(b)	Other current liabilities	6	17,500
<b>TOTAL</b>			<b>6,10,000</b>
<b>[II] ASSETS :</b>			
<b>(1) Non-current assets</b>			
(a)	Fixed assets		
(i)	Tangible assets	7	3,78,000
(ii)	Intangible assets	8	25,000
<b>(2) Current assets</b>			
(a)	Inventories		1,70,000
(b)	Trade receivables	9	25,000
(c)	Cash and cash equivalents	10	12,000
<b>TOTAL</b>			<b>6,10,000</b>

**NOTES :**

Particulars	Amount (₹)
<b>1. Share capital</b>	
Issued, subscribed and paid up :	
3,000 equity shares of ₹ 100 each fully paid	3,00,000
	<u>3,00,000</u>
<b>2. Reserves and surplus</b>	
Profit and Loss Account	3,000
	<u>3,000</u>
<b>3. Long-term borrowings</b>	
8% Debentures	50,000
	<u>50,000</u>

<b>4. Long-term provisions</b>	
Provident Fund	3,000
	<u>3,000</u>
<b>5. Trade payables</b>	
Sundry creditors	2,36,500
	<u>2,36,500</u>
<b>6. Other current liabilities</b>	
Outstanding interest on debentures	4,000
Two month's salary of three clerks	13,500
	<u>17,500</u>
<b>7. Tangible Assets</b>	
Land and buildings	2,10,000
Machinery	1,65,000
Furniture	3,000
	<u>3,78,000</u>
<b>8. Intangible Assets</b>	
Goodwill	25,000
	<u>25,000</u>
<b>9. Trade receivables</b>	
Debtors	25,000
	<u>25,000</u>
<b>10. Cash and cash equivalents</b>	
Cash and Bank balance	12,000
	<u>12,000</u>

**Additional information :**

- (1) Debenture holders were paid on 31<sup>st</sup> December, 2022
- (2) Liquidation expenses amounted to ₹ 1,000
- (3) The liquidator's remuneration is 2% of the amount realised by him and 4% on the amount paid to preferential creditors and 10% on amount distributed to the equity shareholders.
- (4) The assets realised as follows:

	₹
Land and building	1,50,000
Machinery	1,71,000
Stock	1,55,000
Furniture	4,000
Debtors	23,000

You are required to prepare Liquidator's Account

4. What do you mean by the word 'Goodwill'? Enlist the major factors affecting goodwill. Explain in detail how accounting for Goodwill takes place. 14

**OR**

- (A) What do you mean by 'Valuation of shares' ? What is the need of valuing the shares ? 7

(B) From the following information of Vijay Ltd., you are required to compute the value of Goodwill on the basis of 5 year's purchase of its super profits, taking into account following particulars :

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- (1) The total assets and total liabilities of the company amounted to ₹ 4,12,000 and ₹ 3,00,000
- (2) The market price of the shares of the company, doing the similar business and giving dividend at 20%, is twice its paid up value.
- (3) The profit before tax for last four years was as follows: ₹ 70,400; ₹ 76,800, ₹ 73,600 and ₹ 80,000 respectively.
- (4) The balance sheet of the company included the 10% Investments [having face value of ₹ 30,000] at ₹ 24,000.  
The balance sheet also included the investment in subsidiary company ₹ 10,000.
- (5) The balance sheet included the Preference share capital of ₹ 40,000 paying dividend at the rate of 10%.
- (6) The company is supposed to pay the tax at the rate of 30%.

5. Justin Ltd. and Selena Ltd. were amalgamated on 1<sup>st</sup> April, 2023. A new company Jelena Ltd. was formed to take over the business of both the companies. The balance sheets of Justin Ltd. and Selena Ltd. as on 31<sup>st</sup> March, 2023 are given as under :

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Particulars		Note number	Justin Ltd. Amount (₹)	Selena Ltd. Amount (₹)
<b>[I] EQUITY AND LIABILITIES:</b>				
<b>(1) Shareholder's funds</b>				
(a)	Share capital	1	8,80,000	7,60,000
(b)	Reserves and surplus	2	3,36,000	2,64,000
<b>(2) Share application money pending allotment</b>				
<b>(3) Non-current liabilities</b>				
(a)	Long term borrowings	3	48,000	24,000
<b>(4) Current liabilities</b>				
(a)	Trade payables	4	3,36,000	1,52,000
<b>TOTAL</b>			<b>16,00,000</b>	<b>12,00,000</b>
<b>[II] ASSETS :</b>				
<b>(1) Non-current assets</b>				
(a)	Fixed assets			
(i)	Tangible assets	5	7,20,000	5,20,000
(b)	Non - current investments		1,20,000	40,000
<b>(2) Current assets</b>				
(a)	Inventories		2,80,000	2,00,000
(b)	Trade receivables	6	2,40,000	2,80,000
(c)	Cash and cash equivalents	7	2,40,000	1,60,000
<b>TOTAL</b>			<b>16,00,000</b>	<b>12,00,000</b>

**NOTES :**

<b>Particulars</b>	<b>Justin Ltd. Amount (₹)</b>	<b>Selena Ltd. Amount (₹)</b>
<b>1. Share capital</b>		
Issued, subscribed and paid up :		
Fully paid Equity shares of ₹ 10 each	6,40,000	6,00,000
12% Preference shares of ₹ 100 each fully paid	2,40,000	1,60,000
	<b>8,80,000</b>	<b>7,60,000</b>
<b>2. Reserves and surplus</b>		
General reserve	2,56,000	2,00,000
Investment allowance reserve	40,000	40,000
Profit and Loss Account	40,000	24,000
	<b>3,36,000</b>	<b>2,64,000</b>
<b>3. Long-term borrowings</b>		
10% Debentures	48,000	24,000
	<b>48,000</b>	<b>24,000</b>
<b>4. Trade payables</b>		
Sundry creditors	3,36,000	1,52,000
	<b>3,36,000</b>	<b>1,52,000</b>
<b>5. Tangible Assets</b>		
Land and buildings	7,20,000	5,20,000
	<b>7,20,000</b>	<b>5,20,000</b>
<b>6. Trade receivables</b>		
Debtors	2,40,000	2,80,000
	<b>2,40,000</b>	<b>2,80,000</b>
<b>7. Cash and cash equivalents</b>		
Cash and Bank balance	2,40,000	1,60,000
	<b>2,40,000</b>	<b>1,60,000</b>

**Additional information :**

- (1) 10% Debentures of Justin Ltd. and Selena Ltd. are discharged by Jelena Ltd. by issuing such number of its 15% debentures of ₹ 100 each so as to maintain the same amount of interest.
  - (2) Jelena Ltd. will issue 1 equity share for each 2 equity shares of Justin Ltd. and 2 equity shares for each 5 equity shares of Selena Ltd. The shares are to be issued at ₹ 30 each, having face value of ₹ 10 each.
  - (3) Preference shareholders of the two companies are issued equivalent number of 14% Preference shares of Jelna Ltd. each of ₹ 100 at a price of ₹ 140 per share.
  - (4) Investment Allowance Reserve is to be maintained for 2 more years.
- You are required to prepare the Balance Sheet of Jelena Ltd. after the amalgamation has been carried out on the basis of following assumptions:
- (A) Amalgamation is in the nature of Merger.
  - (B) Amalgamation is in the nature of Purchase.