Seat No. : _______________

XX-121

Five Years M.B.A. Integrated (K.S.)
S.Y. M.B.A.
April -2013

Advanced Financial Accounting – II

Time : 3 Hours] **[Max. Marks : 100**

1. Balance Sheet of KBL Co. Ltd. as on 31-3-2013 is as under : **20**

Liabilities	Amount (₹)	Assets	Amount (₹)
Equity share capital of ₹ 10 each, paid up amount ₹ 9 per share	49,50,000	Fixed Assets	1,07,25,000
		Investments	11,00,000
10% Red. Preference share capital of ₹ 10 each, paid up amount ₹ 8 per share	22,00,000	Cash at Bank	27,50,000
		Current Assets	44,00,000
12% Redeemable Preference shares capital of ₹ 10 each fully paid	16,50,000		
General Reserve	33,00,000		
Profit & Loss A/c.	27,50,000		
Share Premium	27,50,000		
Creditors	13,75,000		
	1,89,75,000		**1,89,75,000**

It was decided to redeem 10% Redeemable Preference Shares at a Premium of 10% & 12% Redeemable Preference Shares at a premium of 5% on the date of Balance Sheet after abiding by necessary provisions of Companies Act.

Investments were sold at ₹ 8,25,000. The Bank Balance to be maintained in the business is ₹ 2,75,000. For this purpose 16% cumulative preference shares were issued at a premium of 10% in adequate number.

On the same date one bonus shares for two equity shares held to be given and bonus was declared for converting partly paid shares into fully paid up.

Pass Journal Entries in the books of the Co. and also prepare Balance Sheet.

2. The Balance Sheet of Edge Co. Ltd. as on 31-12-2012 is as follows : **20**

Liabilities	**Amount (₹)**	**Assets**	**Amount (₹)**
Share Capital 2000 6% cumulative preference shares of ₹ 100 each, fully paid up	2,00,000	Freehold property Plant Trade Investments (at cost)	3,50,000 50,000 60,000
75,000 equity shares of ₹ 10 each fully paid up	7,50,000	Debtors Stock	4,00,000 2,00,000
6% Debentures (secured by freehold property) 3,75,500 Accrued Int. 22,500	3,97,500	Deferred Advertising Expenses P & L A/c.	1,50,000 3,50,000
Creditors	12,500		
Directors Loan	2,00,000		
	15,60,000		**15,60,000**

The Court approved a scheme of re-organisation to take effect on 1-1-2013 whereby

(1) Preference Shares to be written down to ₹ 75 each and equity shares of ₹ 2 each.

(2) Preference dividends-in-arrears for 4 years, 75% to be waived and equity shares of ₹ 2 each to be allotted for the remaining quarter.

(3) Accrued Debenture interest to be paid in cash.

(4) Debenture holders agreed to take over freehold property (Book value – ₹ 1,00,000) at a valuation of ₹ 1,50,000 in part repayment of their holdings and to provide additional cash of ₹ 1,30,000 secured by a floating change on the company's assets at an interest rate of 10% p.a.

(5) Deferred advertising to be written off.

(6) Stock to be written off fully.

(7) ₹ 2,33,000 to be provided as Bad Debts.

(8) Remaining freehold property to be revalued at ₹ 4,00,000.

(9) Investments sold out for ₹ 1,50,000.

(10) In settlement of their loans, directors are to be accept equity shares of ₹ 2 each for 90% of their loans, waiving 10% of the balance of their loan amount.

Show Journal Entries reflecting the effect of the above transactions (including cash transactions) and drawn up Balance Sheet after reduction.

OR

2. Write a note on : **20**

(1) List of statements maintained by liquidator.

(2) Concept of share surrender.

(3) Provisions to Issue Bonus Shares.

(4) Consolidation of Equity Shares.

3. Balance Sheet of Diamond Ltd. as on 31/03/2013 : **20**

Liabilities	**Amount (₹ in lakhs)**	**Assets**	**Amount (₹ in lakhs)**
Fully paid up shares of ₹ 100 each	700	Land & Building	385
General Reserve	140	Plant & Machinery	455
Profit & Loss A/c.	112	Patent & Trademarks	70
Sundry Creditors	448	Stock	168
Provisions for income-tax	210	Debtors	308
		Bank Balance	182
		Preliminary expenses	42
	1,610		**1,610**

The expert valuer valued the Land & Building at ₹ 840 lakhs, goodwill at ₹ 560 lakhs and Plant & machinery at ₹ 420 lakhs. Out of the total debtors, it is found that debtors for ₹ 28 lakh are bad. The profits of the company have been as follows :

For the year	2010-11	322 lakhs
	2011-12	308 lakhs
	2012-13	336 lakhs

The company follows the practice of transferring 25% of profits to General Reserve. Similar type of companies earn at 10% of the value of their shares Plant & Machinery and Land & Building have been depreciated at 15% & 10% respectively. Ascertain the value of shares of the company under (1) Intrinsic value method (2) Yield value method (3) Fair value method.

OR

3. (a) The Balance Sheet of Honey Trading Co. Ltd. as on 31-03-2013 is as under : **12**

Balance Sheet

Liabilities	Amount (₹)	Assets	Amount (₹)
Paid up capital 1,50,000 shares of ₹ 10 each fully paid	15,00,000	Goodwill	4,50,000
		Land & Building	3,60,000
		Plant & Machinery	6,00,000
Bank overdraft	3,48,000	Stock	6,00,000
Creditors	5,43,000	Debtors 6,00,000	
Provision for taxation	1,17,000	– BDR 60,000	5,40,000
Profit & Loss A/c.	3,42,000	Bank Balance	3,00,000
	28,50,000		**28,50,000**

(1) The company commenced business on 30th June 2007 with a paid up capital of ₹ 15,00,000 Profit & Loss earned during last 5 years before providing taxation have been as follows :

Year	**₹ (Profit /Loss)**	
2008-09	1,20,000	(loss)
2009-10	2,64,000	(profit)
2010-11	3,69,000	(profit)
2011-12	3,84,000	(profit)
2012-13	3,90,00	(profit)

There was a long time strike during the year 2008-09 in the company.

(2) Income tax is to be paid at the rate of 50%.

(3) The expected rate of return on capital employed is 10%.

(4) The present market value of land & building is ₹ 7,20,000. On the basis of this price you have to consider an additional depreciation of ₹ 60,000.

(5) During the next 5 years the company is likely to save material cost of ₹ 1,80,000 every year as per the contract made by the company.

From the above information you have to calculate the value of goodwill on the basis of three year's purchase of super profit of the company.

(b) Discuss different methods of valuation of Goodwill. **8**

4. The Balance Sheet of Ram Ltd. and Krishna Ltd. as on 30-9-2012 are given below : **20**

Liabilities	**Ram Ltd.**	**Krishna Ltd.**	**Assets**	**Ram Ltd.**	**Krishna Ltd.**
Equity share capital (₹ 10 each)	20,00,000	40,00,000	Sundry Assets	31,00,000	60,00,000
Reserves & Surplus	4,00,000	10,00,000	Loan to Krishna Ltd.	3,00,000	–
9% Debentures (₹ 100 each)	10,00,000	–	5,000 shares of Krishna Ltd.	5,00,000	–
Loan from Ram Ltd.	–	3,00,000			
Sundry Creditors	5,00,000	7,00,000			
	39,00,000	**60,00,000**		**39,00,000**	**60,00,000**

Krishna Ltd. proposed to takeover Ram Ltd. on the following terms :

(1) Krishna Ltd. will issue sufficient number of its shares @ ₹ 11 each and pay 50 paise cash per share held by members of Ram Ltd.

(2) 9% Debentures of Ram Ltd. are to be paid at 8% premium by issue of sufficient number of 10% Debentures of Krishna Ltd. @ ₹ 90.

Assuming that the takeover has been completed show Journal Entries in the books of both the companies and draft Balance Sheet in the books of Krishna Ltd.

OR

4. The following are the Balance Sheets of RC Ltd. & DD Ltd. as on 31-3-2013 :

Liabilities	**RC Ltd.**	**DD Ltd.**	**Assets**	**RC Ltd.**	**DD Ltd.**
Share capital :					
Equity shares of ₹ 100 each	8,00,000	5,00,000	Fixed Assets at WDV	4,00,000	5,00,000
Reserves	36,000	2,04,000	800 shares of RC Ltd.	–	1,40,000
Trade Creditors	1,94,000	5,76,000	500 shares of DD Ltd.	50,000	–
			Stock	3,00,000	2,50,000
			Debtors	2,40,000	3,20,000
			Cash at Bank	40,000	70,000
	10,30,000	**12,80,000**		**10,30,000**	**12,80,000**

A new company IP Ltd. was formed to takeover the assets (including cash but excluding investments) and liabilities of both the companies effective from 1-4-2013. It was agreed that IP Ltd. will take over fixed assets of both the companies @ 25% above the written down value and the debtors of both the companies are subject to a provision for Bad Debts at 5%. In the case of RC Ltd. it was further agreed that the stock shall be taken over at 90% of the stated value and the creditors at Book value subject to an additional provision for VAT liability of ₹ 24,000.

In case of DD Ltd. the stock was agreed to be taken over at 110% of the stated value and the creditors at book value except a liability of ₹ 12,000 which was considered no longer required.

IP Ltd. issued 8000 equity shares of ₹ 100 each fully paid up to the liquidator of RC Ltd. and 7000 equity shares of ₹ 100 each fully paid up to the liquidator of DD Ltd. Balance consideration was paid in cash. Registration expenses of IP Ltd. came to ₹ 20,000.

Journalise the above transactions (including for cash) in the books of IP Ltd. and prepare its initial Balance Sheet after amalgamation.

5. The following is the Balance Sheet of XYZ Ltd. as at 31-3-2012 : **20**

Liabilities	**Amount (₹)**	**Assets**	**Amount (₹)**
Share Capital :		Fixed Assets :	
20,000 equity shares of ₹ 100 each ₹ 75 per share paid up	15,00,000	Land & Building	40,00,000
60,000 equity shares of ₹ 100 each, ₹ 60 per share paid up	36,00,000	Plant & Machinery	38,00,000
20,000 10% preference shares of ₹ 100 each fully paid up	20,00,000	Current Assets :	
10% Debentures (having floating charge)	20,00,000	Stock @ cost	11,00,000
Interest accrued on Debentures	1,00,000	Debtors	22,00,000
Sundry Creditors	49,00,000	Cash at Bank	6,00,000
		P & L A/c.	24,00,000
	1,41,00,000		**1,41,00,000**

On the same date the company went into voluntary liquidation. The dividends on Preference Shares were in arrears for the last two years. Sundry creditors include a loan of ₹ 10,00,000 on mortgaged of land and building.

The assets realized as under :

Land & Building ₹ 34,00,000.

Plant & machinery ₹ 36,00,000.

Stock ₹ 12,00,000.

Sundry Debtors 16,00,000.

The expenses of liquidation amounted to ₹ 46,000.

The liquidator is entitled to remuneration of 3% on all the assets realized (except cash balance) and 2% on amount distributed to equity shareholders. Preferential creditors included in Sundry Creditors amounted to ₹ 3,00,000. All the payments were made on 30-06-2012. Prepare Liquidator's final statement of affairs.