

Seat No. : _____

AN-108

April-2022

MBA, Sem.-IV

Advanced Financial Accounting-II

Time : 2 Hours]

[Max. Marks : 50

- Instructions :** (1) All questions in Section-I carry equal marks. Attempt any **Three** questions in Section-I.
(2) All sub-questions in Section-II carry equal marks. Attempt any **Four** sub-questions in Section-II.
(3) Show necessary calculations as a part of the answer.
(4) Use of non-scientific calculator is allowed.

Section-I

Answer any **three** questions out of **five** questions :

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1. The Balance Sheet of Sun Co. Ltd. as at 31-03-2022 is as under :

Particulars	Note Number	Amount (₹)
[I] Equity and Liabilities :		
(1) Shareholder's funds		
(a) Share capital	1	4,00,000
(b) Reserves and surplus	2	3,30,000
(2) Share application money pending allotment		—
(3) Non-current liabilities		
(a) Long term borrowings	3	1,00,000
(4) Current liabilities		—
Total		8,30,000
[II] Assets :		
(1) Non-current assets		
(a) Fixed assets		
(i) Tangible assets	4	4,00,000
(2) Current assets		
(a) Inventories		1,50,000
(b) Trade receivables	5	80,000
(c) Cash and cash equivalents	6	2,00,000
Total		8,30,000

Notes :

	Particulars	Amount (₹)
1. Share capital	Issued, subscribed and paid up :	
	40,000 Equity shares of ₹ 10 each fully paid up	4,00,000
		4,00,000
2. Reserves and surplus	Profit and Loss Account	1,50,000
	General Reserve	1,80,000
		3,30,000
3. Long-term borrowings	10% Debentures	1,00,000
		1,00,000
4. Tangible Assets	Land and buildings	4,00,000
		4,00,000
5. Trade receivables	Debtors	80,000
		80,000
6. Cash and cash equivalents	Cash and Bank balance	2,00,000
		2,00,000

Additional Information :

It was resolved at annual general meeting :

- (1) To pay dividend of 10%.
- (2) To issue one bonus share for every four shares held.
- (3) To repay the debentures at a premium of 3%.

Pass necessary journal entries and prepare the balance sheet of the company after the above transactions have been given effect to.

2. The following is the balance sheet of Weak Limited as at 31-3-2022 :

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Particulars	Note number	Amount (₹)
[I] Equity and Liabilities :		
(1) Shareholder's funds		
(a) Share capital	1	18,00,000
(b) Reserves and surplus	2	(7,00,000)
(2) Share application money pending allotment		—
(3) Non-current liabilities		
Long term borrowings	3	3,00,000
(4) Current liabilities		
(a) Trade payables	4	1,50,000
(b) Other current liabilities	5	3,00,000
Total		18,50,000
[II] Assets :		
(1) Non-current assets		
Fixed assets		
(i) Tangible assets	6	15,00,000
(ii) Intangible assets	7	65,000
(2) Current assets		
(a) Inventories		1,30,000
(b) Trade receivables	8	1,40,000
(c) Cash and cash equivalents	9	15,000
Total		18,50,000

Notes :

	Particulars	Amount (₹)
1. Share capital :		
	Issued, subscribed and paid up :	
	12,000 Equity shares of ₹ 100 each	12,00,000
	6,000 10% Preference shares of ₹ 100 each	6,00,000
		18,00,000
2. Reserves and Surplus :		
	Profit and Loss Account (Dr.)	(7,00,000)
		(7,00,000)
3. Long-term Borrowings :		
	Bank Loan	3,00,000
		3,00,000
4. Trade payables :		
	Sundry creditors	1,50,000
		1,50,000
5. Other-Current Liabilities :		
	Bank Overdraft	3,00,000
		3,00,000
6. Tangible Assets :		
	Land and buildings	6,00,000
	Plant and machinery	9,00,000
		15,00,000
7. Intangible Assets :		
	Goodwill	65,000
		65,000
8. Trade receivables :		
	Debtors	1,40,000
		1,40,000
9. Cash and cash equivalents :		
	Cash and Bank balance	15,000
		15,000

The company prepared the following scheme of Reconstruction :

- (1) The new equity shares are to be valued at ₹ 40 each and the preference shares are to be valued at ₹ 75 each.
- (2) The bank accepted stock and debtors in full satisfaction of their claims.
- (3) The assets are to be re-valued as follows :
Land & Building ₹ 7,80,000, Plant & Machinery ₹ 6,30,000
- (4) The intangible assets and profit & loss account is to be written off
- (5) The expenses of reconstruction amounted to ₹ 2,500

Pass necessary journal entries and prepare the Balance Sheet of the company after the scheme has been implemented.

3. ABC Ltd. went into voluntary liquidation on 31-03-2022, when its Balance Sheet was as follows :

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Particulars	Note number	Amount (₹)
[I] Equity and Liabilities :		
(1) Shareholder's funds		
(a) Share capital	1	6,00,000
(b) Reserves and surplus	2	1,00,000
(2) Share application money pending allotment		—
(3) Non-current liabilities		
Long term borrowings	3	2,00,000
(4) Current liabilities		
(a) Trade payables	4	45,00,000
(b) Other current liabilities	5	2,00,000
Total		56,00,000
[II] Assets :		
(1) Non-current assets		
Fixed assets		
(i) Tangible assets	6	9,00,000
(2) Current assets		
(a) Inventories		24,00,000
(b) Trade receivables	7	22,00,000
(c) Cash and cash equivalents	8	1,00,000
Total		56,00,000

Notes :

	Particulars	Amount (₹)
1.	Share capital :	
	Issued, subscribed and paid up :	
	10,000 Equity shares of ₹ 50 each fully paid	5,00,000
	1,000 Preference Shares of ₹ 100 each fully paid	1,00,000
		6,00,000
2.	Reserves and surplus :	
	General Reserve	1,00,000
		1,00,000
3.	Long-term borrowings :	
	Secured Loan from State Financial Corporation	2,00,000
		2,00,000
4.	Trade payables :	
	Sundry Creditors	45,00,000
		45,00,000
5.	Other Current Liabilities :	
	Govt. dues for taxes	2,00,000
		2,00,000
6.	Tangible Assets :	
	Land and buildings	9,00,000
		9,00,000
7.	Trade receivables :	
	Debtors	22,00,000
		22,00,000
8.	Cash and cash equivalents :	
	Cash and Bank balance	1,00,000
		1,00,000

Other Information :

- (1) The loan from State Financial Corporation is secured by charge on Land & Building.
- (2) Liquidation expenses amounted to ₹ 3,000 and legal charges ₹ 5,000.
- (3) Liquidator's remuneration to be paid at 3% on assets realized and 2% on unsecured creditors.
- (4) Assets realized as follows :
Stock – ₹ 18,00,000, Land & Building – ₹ 20,00,000, Debtors – ₹ 19,10,000

Prepare Liquidator's Final Statement of Account.

4. Clay Ltd. proposes to purchase the business carried on by Skyle Ltd. Goodwill for this purpose is agreed to be valued at three years' purchase of the super profit based on average profit of the past four years. 14

The profits for these years are as follows :

Years	Profit (₹)
2018	10,100
2019	12,400
2020	10,000
2021	15,000

On a scrutiny of the accounts, the following matters are revealed :

- (1) To cover management cost, an annual charge of ₹ 2,400 should be made for the purpose of goodwill valuation.
- (2) The closing stock, for the year 2019 was over-valued by ₹ 1,200
- (3) On 01st September 2020, a major repair was made in respect of the plant incurring ₹ 3,000 which amount was charged to revenue. The said amount is agreed to be capitalised for the purpose of goodwill calculation subject to depreciation at 10% p.a. on reducing balance method.

The appropriate weights are as follows :

Years	Weight
2018	1
2019	2
2020	3
2021	4

Capital employed in the business is ₹ 80,000 and expected rate of return is 10%. Determine the value of Goodwill.

5. You are required to prepare the Balance Sheet of C Ltd. after the amalgamation has been carried out on the basis of :

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- (1) Amalgamation is in the nature of Merger
- (2) Amalgamation is in the nature of Purchase.

The required information is as follows :

A Ltd. and B Ltd. were amalgamated on and from 01-04-2022. A new company C Ltd. was formed to take over the business of the existing companies.

Particulars	Note number	A Ltd. Amount (₹)	B Ltd. Amount (₹)
[I] Equity and Liabilities :			
(1) Shareholder's funds			
(a) Share capital	1	28,08,000	21,60,000
(b) Reserves and surplus	2	11,76,000	7,72,800
(2) Share application money pending allotment		—	—
(3) Non-current liabilities			
Long term borrowings	3	1,20,000	67,200
(4) Current liabilities			
(a) Trade payables	4	3,48,000	1,50,000
(b) Other current liabilities	5	1,08,000	30,000
Total		45,60,000	31,80,000
[II] Assets :			
(1) Non-current assets			
Fixed assets			
Tangible assets	6	20,64,000	12,84,000
(2) Current assets			
(a) Inventories		7,80,000	6,45,600
(b) Trade receivables	7	7,92,000	6,48,000
(c) Cash and cash equivalents	8	9,24,000	6,02,400
Total		45,60,000	31,80,000

Notes :

	Particulars	A Ltd. Amount (₹)	B Ltd. Amount (₹)
1.	Share capital :		
	Issued, subscribed and paid up :		
	Fully paid Equity shares of ₹ 100 each	20,40,000	17,40,000
	12% Preference shares of ₹ 100 each fully paid	7,68,000	4,20,000
		28,08,000	21,60,000
2.	Reserves and surplus :		
	General reserve	5,76,000	3,84,000
	Revaluation reserve	3,00,000	1,92,000
	Investment allowance reserve	1,20,000	72,000
	Profit and Loss Account	1,80,000	1,24,800
		11,76,000	7,72,800
3.	Long-term borrowings :		
	13% Debentures	1,20,000	67,200
		1,20,000	67,200
4.	Trade payables :		
	Sundry creditors	3,48,000	1,50,000
		3,48,000	1,50,000
5.	Other current liabilities :		
	Bills payable	1,08,000	30,000
		1,08,000	30,000
6.	Tangible Assets :		
	Land and buildings	11,04,000	6,60,000
	Plant and machinery	9,60,000	6,24,000
		20,64,000	12,84,000
7.	Trade receivables :		
	Debtors	7,92,000	6,48,000
		7,92,000	6,48,000
8.	Cash and cash equivalents :		
	Cash and Bank balance	9,24,000	6,02,400
		9,24,000	6,02,400

Additional information :

- (1) 13% Debentures of A Ltd. and B Ltd. are discharged by C Ltd. by issuing such number of its 15% debentures of ₹ 100 each so as to maintain the same amount of interest.
- (2) C Ltd. will issue 4 equity shares for each equity share of A Ltd. and 3 equity shares for each equity share of B Ltd. The shares are to be issued at ₹ 35 each, having face value of ₹ 10 each.
- (3) Preference shareholders of the two companies are issued equivalent number of 14% Preference shares of C Ltd. each of ₹ 100 at a price of ₹ 125 per share.
- (4) Statutory reserve is to be maintained for 2 more years.

Section-II

Attempt any **four** questions out of five questions :

6. In the following sub-questions, more than one answer is given. You are required to select correct answer with necessary calculations. 8

- (1) A company's Share Capital consists of 8,000 shares of Rs.100 each. The company decided to give existing shareholders, 'Option shares' to purchase one share of ₹ 10 at ₹ 12.50 per share for every four shares held. All the shareholders took their option. The amount of Premium given will be –
 - (a) ₹ 20,000
 - (b) ₹ 5,000
 - (c) ₹ 25,000
 - (d) ₹ 22,500
- (2) The issued share capital of a company is ₹ 3,20,000 (Shares of ₹ 10 each, ₹ 8 per share paid up). The company decided to convert partly paid shares into fully paid up as a form of Bonus. The amount of Bonus will be ₹ _____.
 - (a) 80,000
 - (b) 32,000
 - (c) 64,000
 - (d) 40,000
- (3) If the fair value of the share of the company is ₹ 150 and its market value is ₹ 140, then the intrinsic value of share is ₹ _____.
 - (a) 145
 - (b) 160
 - (c) 220
 - (d) 215

(4) XYZ Ltd.'s Purchase Consideration is ₹ 12,345 and Net Assets ₹ 3,568, then _____.

- (a) Goodwill ₹ 15,913 (b) Goodwill ₹ 8,777
(c) Capital Reserve ₹ 8,777 (d) Capital Reserve ₹ 15,913

(5) Debenture holders of the company holding debentures of ₹ 5,00,000 agreed to take over in full settlement of their dues, a building of the company at ₹ 3,00,000. The correct journal entry will be :

(a)	Debentures A/c	Dr.	5,00,000	
	To Building A/c			3,00,000
	To Capital Reduction A/c			2,00,000
(b)	Debentures A/c	Dr.	5,00,000	
	To Building A/c			2,00,000
	To Capital Reduction A/c			3,00,000
(c)	Building A/c	Dr.	3,00,000	
	Capital Reduction A/c	Dr.	2,00,000	
	To Debentures A/c			5,00,000
(d)	Building A/c	Dr.	2,00,000	
	Capital Reduction A/c	Dr.	3,00,000	
	To Debentures A/c			5,00,000
