

## Integ.LL.B Sem-5 Examination

## IL B.Com 301

## Company Accounting-I

Time : 2-00 Hours]

August 2021

[Max. Marks : 60

❖ From the following 06 questions attempt any 03: (60 Marks)

Q1. The following is the balance sheet of Dhara Ltd as on 31/3/12.

liabilities	Amount	Assets	Amount
10% pref. shares of Rs 10 each, fully paid	200000	Goodwill	
Equity shares of Rs. 10 each fully paid	230000	Land and building	202000
General reserve	80000	(-) Depreciation	<u>10000</u>
Profit and loss A/c	40000	Machinery	346000
12% Debenture of Rs. 100 each	250000	(-) Depreciation	<u>58000</u>
Creditors	194000	Furniture	20000
Bills payable	8000	(-) Depreciation	<u>5000</u>
Provident fund	40000	10% Investment against	
Outstanding Expenses	3000	Provident Fund	40000
		10% Debenture of Priyam Ltd. (Face Value Rs. 100000 and interest is taxable)	90000
		Stock	152000
		Debtors	240000
		(-) B.D.R.	<u>14000</u>
		Bills Receivable	44000
		Cash & Bank	24000
		Prepaid Expenses	6000
		Preliminary Expenses	3000
	<u>1095000</u>		<u>1095000</u>

Additional Information:

- The present market value of land building and machinery are Rs. 288000 and Rs. 216000 respectively, while remaining assets are to be taken at their book values.
- The expected rate of return on capital employed in this type of business is considered to be 15%.
- The profits of the company, after deducting tax at 50% for the last three years and appropriate weights to be used are as under:

Year	Profit	Weight
1	80200	1
2	84400	2
3	98800	3

From the above particulars, you are required to compute the value of the goodwill of the company on the basis of four years purchase of its super profit, calculated on weighted average profits of the last three years.

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E129-2

Q2. The following is the balance sheet of Prakash Ltd. as on 31/3/2012.

Liabilities	Amount	Assets	Amount
40000 10% preference shares of Rs. 10 each	400000	Goodwill	30400
40000 equity shares of Rs 10 each	400000	Land and building 540000	
Reserves and surplus	128000	Less: depreciation 20000	520000
Profit and loss A/c	32000	Machinery 500000	
15% debentures	160000	Less: depreciation 20000	480000
Provident fund	40000	Furniture 25600	
Creditors	32000	Less: depreciation 1600	24000
Bills payable	14000	Investments:	
		10% investment against provident fund 40000	
		12% debentures of spandan ltd. 45600	85600
		(face value Rs. 48000 and interest is taxable)	
		Stock	32000
		Debtors 24000	
		Less: B.D. Res. 1600	22400
		Cash and bank balance	11600
	1206000		1206000

Additional Information:

- 1) The present market value of land and building is Rs. 569600.
- 2) The company's average annual profit (before deducting tax at 50%) is Rs. 224000.
- 3) The expected rate of return on capital employed in this type of business is considered to be 10%
- 4) The value of goodwill of the company has been ascertained at Rs. 60800.

From the above particulars, ascertain the fair value of equity share of the company.

Q3. Shyam Ltd. went into voluntary liquidation on 31<sup>st</sup> December, 2010. Th balance sheet as on that date was as under:

Liabilities	Amount	Assets	Amount
Share capital:		Land and building	112000
1000 7% preference shares of Rs. 100 each	100000	Machinery	74000
1000 'A' equity shares of Rs 100 each (Rs.80 paid up)	80000	Investments	68000
700 'B' equity shares of Rs 100 each (Rs. 60 paid up)	42000	Stock	15000
800 'C' equity shares of Rs 100 each (Rs. 40 paid up)	32000	Debtors	36000
5% mortgage debentures	20000	Cash & bank balance	27500
o/s interest on debentures	1000	Profit and loss A/c	70000
creditors	135000	Preliminary expenses	7500
	410000		
			410000

Assets realised: land and building Rs. 84,400; machinery Rs. 36000; stock Rs. 9,100; debtors Rs. 28,500.

Creditors include preferential creditors of Rs. 5000. Investment were mortgaged with creditors of Rs. 65000 who realised Rs. 71000 of the same. The excess was given to liquidator. Creditors of Rs. 25000 were paid 3% less and creditors of Rs. 10,000 were paid 35% less. Remaining creditors were paid fully.

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Debenture holders were paid on 30/6/2011. Liquidation expenses were Rs. 6795. Liquidator is entitled to a remuneration of 3% on the assets realised by him and 2% on the amount distributed to unsecured creditors other than preferential creditors.

Prepare final statement of Liquidator. Show necessary calculations.

Q4. Vadodra Ltd. and Surat Ltd. carry on business of a similar nature and it is agreed that they should amalgamate and form a new company Ahmedabad Ltd. the position of the two companies was as follows:

Particulars	Note No.	Vadodra Ltd.	Surat Ltd.
<b>[A] Equity and Liabilities:</b>			
<b>[1] Shareholders fund:</b>			
<b>(a) Share capital:</b>			
900 Eq. shares of Rs. 100 each		90000	----
6000 Eq. shares of Rs. 10 each		----	60000
<b>(b) Reserves &amp; Surplus:</b>			
Profit & Loss A/c.		15000	10000
<b>[2] Non-current Liabilities:</b>			
Debentures		40000	----
<b>[3] Current Liabilities:</b>			
Creditors		20000	20000
<b>Total</b>		165000	90000
<b>[B] Assets:</b>			
<b>[1] Non-current Assets:</b>			
<b>(a) Fixed Assets:</b>			
Goodwill		10000	----
<b>[2] Current Assets:</b>			
Stock		60000	60000
Debtors		75000	30000
Bank		20000	----
<b>Total</b>		165000	90000

The average profit of the vadodra Ltd. and surat Ltd. has been Rs. 15000 and Rs. 10000 respectively. The new company agrees to take over both companies for Rs. 195000 and in addition to discharge all liabilities, to pay Rs. 5000 in cash and the balance in shares.

It was agreed that profit on the conversion was to be divided between the shareholders of vadodra Ltd. and surat Ltd. in the same proportion as the profit previously earned by them.

Write opening entries in the books of Ahmedabad Ltd. and prepare its balance sheet. Also show the realization account and the shareholders account in the books of vadodra Ltd. and surat Ltd.

Q5. Explain the following terms:

- Capital employed in business
- Super profit
- Intrinsic value of shares
- Fare value of shares

Q6. Discuss the factors affecting valuation of goodwill.

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