

AA-158

April-2019

**S.Y. M.B.A. Integrated, Sem.-IV
Advanced Financial Accounting-II**

Time : 2:30 Hours]

[Max. Marks : 70

Note : Show necessary calculations as the part of your answer.

1. Explain how a company may alter its share capital. Also give the journal entries that a company have to pass for altering the share capital.

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OR

Following is the Balance Sheet of Ram Ltd. as on 31-03-2019 :

Particulars	Note Number	Amt (₹)
(I) EQUITY AND LIABILITIES :		
(1) Shareholder's funds		
(a) Share capital	1	15,00,000
(b) Reserves and surplus	2	7,50,000
(2) Share application Money Pending Allotment		
(3) Non-current liabilities		–
(4) Current liabilities		
(a) Trade payables	3	50,000
TOTAL		23,00,000
(II) ASSETS :		
(1) Non-current assets		
(a) Fixed assets		
(i) Tangible assets	4	21,90,000
(b) Investments		20,000
(2) Current assets		
(a) Inventories		30,000
(b) Trade receivables	5	50,000
(c) Cash and cash equivalents	6	10,000
TOTAL		23,00,000

NOTES :

Particulars	₹
(1) Share capital	
Issued, subscribed and paid up :	
Fully paid Equity shares of Rs 10 each	10,00,000
12% Redeemable Preference Shares of Rs. 10 each	<u>5,00,000</u>
	<u>15,00,000</u>
(2) Reserves and surplus	
General reserve	4,50,000
Profit and Loss Account	<u>3,00,000</u>
	<u>7,50,000</u>
(3) Trade Payables	
Creditors	<u>50,000</u>
	<u>50,000</u>
(4) Tangible Assets	
Land and buildings	15,00,000
Plant and machinery	5,00,000
Furniture	<u>1,90,000</u>
	<u>21,90,000</u>
(5) Trade receivables	
Debtors	<u>50,000</u>
	<u>50,000</u>
(6) Cash and cash equivalents	
Balance with bank	<u>10,000</u>
	<u>10,000</u>

On 1st April, 2019, Ram Ltd. decided to redeem its 50,000, 12% Redeemable Preference shares of ₹ 10 each at 10% premium.

In order to facilitate the redemption, it was decided:

- (1) The investments will be sold by charging 1/3 profit on sales value of the investment.
- (2) Company will keep closing Cash and Bank balance at ₹ 60,000 after redemption of Preference shares.
- (3) Company will issue required number of Equity shares of ₹ 10 each at ₹ 15 to the public.

Required :

Pass necessary journal entries in the books of the company to record above transactions and prepare Balance Sheet after redemption.

2. The Balance sheet of Shivam Ltd., as at 31st March, 2019 is as under :

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Particulars	Note Number	Amt (₹)
(I) EQUITY AND LIABILITIES :		
(1) Shareholder's funds		
(a) Share capital	1	17,50,000
(b) Reserves and surplus	2	(5,50,000)
(2) Share application money pending allotment		
(3) Non-current liabilities		
(a) Long term borrowings	3	5,00,000
(4) Current liabilities		
(a) Trade payables	4	2,00,000
(b) Other Current liabilities	5	50,000
TOTAL		19,50,000
(II) ASSETS :		
(1) Non-current assets		
(a) Fixed assets		
(i) Tangible assets	6	10,00,000
(ii) Intangible assets	7	4,50,000
(2) Current assets		
(a) Inventories		2,50,000
(b) Trade receivables	8	2,00,000
(c) Cash and cash equivalents	9	50,000
TOTAL		19,50,000

NOTES :

Particulars	₹
(1) Share capital	
Issued, subscribed and paid up :	
Fully paid Equity shares of ₹ 10 each	10,00,000
Fully paid 9% Preference shares of ₹ 100 each	7,50,000
	<u>17,50,000</u>
(2) Reserves and surplus	
Workmen's Accident Compensation Fund	2,50,000
Less : Profit and Loss Account (Dr)	(5,00,000)
Less: preliminary expenses	(3,00,000)
	<u>(5,50,000)</u>
(3) Long-term borrowings	
10% Debentures	5,00,000
	<u>5,00,000</u>
(4) Trade payables	
Creditors	2,00,000
	<u>2,00,000</u>
(5) Other Current liabilities	
Unpaid interest on Debentures	50,000
	<u>50,000</u>
(6) Tangible Assets	
Land and buildings	6,00,000
Plant and machinery	4,00,000
	<u>10,00,000</u>
(7) Intangible Assets	
Goodwill	2,50,000
Patents	2,00,000
	<u>4,50,000</u>
(8) Trade receivables	
Debtors	2,15,000
Less : bad- debts	(15,000)
	<u>2,00,000</u>
(9) Cash and cash equivalents	
Balance with bank	50,000
	<u>50,000</u>

The scheme of Capital Reduction sanctioned by the Tribunal is as under:

- (1) Each preference share to be reduced to ₹ 80 each Equity share to be reduced to ₹ 2
- (2) Dividend on preference shares is in arrears for 2 years. The whole amount of dividend is waived by preference shareholders.
- (3) The debenture-holders agreed to waive their outstanding interest on debentures and to take over a plant and machinery having a book-value of ₹ 2,00,000 at a valuation of ₹ 1,50,000 in part payment of their holding.
- (4) The company has accepted a claim of ₹ 50,000 for workmen's accident compensation.
- (5) All invisible and fictitious assets to be written off. Debtors by ₹ 30,000 and stock to be written off to ₹ 2,00,000.
- (6) Land and building should be shown at market value. The book value of land and building is 25% less than its market value.

Required :

- (1) Pass necessary journal entries to implement above scheme and
- (2) Prepare Balance Sheet after Capital Reduction.

3. Attempt any **two** : (7 marks each)

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- (A) Explain preferential creditors with example.
- (B) Define liquidator. Discuss the powers and duties of liquidator.
- (C) The Laxmi Ltd.. went into liquidation. Its assets realised ₹ 35,00,000. The following was the position :

Particulars	₹
Share capital : 5,00,000 shares of ₹ 10 each	
Surplus from Secured creditors	50,000
Preferential creditors	60,000
Unsecured creditors	14,00,000
Debentures having a floating charge on the assets of the company	25,00,000
Liquidation expenses	50,000
Liquidator's remuneration	75,000

Required :

Prepare the liquidator's Final Statement of Account.

4. Discuss in detail the factors affecting Goodwill and Shares.

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OR

The following is the Balance Sheet of Parvati Ltd.. as at 31-03-2019.

Particulars	Note Number	Amt (₹)
(I) EQUITY AND LIABILITIES :		
(1) Shareholder's funds		
(a) Share capital	1	52,00,000
(b) Reserves and surplus	2	13,00,000
(2) Share application money pending allotment		—
(3) Non-current liabilities		—
(4) Current liabilities		—
(a) Trade payables	3	4,00,000
TOTAL		69,00,000
(II) ASSETS :		
(1) Non-current assets		
(a) Fixed assets		
(i) Tangible assets	4	50,00,000
(2) Current assets		19,00,000
TOTAL		69,00,000

NOTES :

Particulars

₹

(1) Share capital

Issued, subscribed and paid up :

Fully paid Equity shares of ₹ 10 each

40,00,000

Fully paid 10% Preference shares of ₹ 10 each

12,00,000

52,00,000

(2) Reserves and surplus

General reserve

8,00,000

Profit and Loss Account

6,00,000

Less : Preliminary expenses

(1,00,000)

13,00,000

(3) Trade Payables

Creditors

4,00,000

4,00,000

(4) Tangible Assets

Land and buildings

30,00,000

Plant and machinery

20,00,000

50,00,000

Additional information :

- (1) The present market value of Land and Building, Machinery and Current Assets are ₹ 40,00,000, ₹ 16,00,000 and ₹ 18,00,000 respectively.
- (2) The market price of the equity shares of the company, doing similar business and giving dividend at 16%, is two times of its paid up value.
- (3) The profits of the company, before providing tax at 50% for the last three years and appropriate weights to be used are as under:

Year	Profit (PBT)	Weight
2016-17	₹ 10,00,000	1
2017-18	₹ 11,50,000	2
20018-19	₹ 13,00,000	3

Required :

From the above particulars, find out the value of Goodwill of the company at three year's purchase of its super profits.

5. Radha Ltd. and Shyam Ltd. carry on business of similar nature and it is agreed that they should amalgamate and form a new company Vraj Ltd.. The position of the two companies was as follows :

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Particulars	Note number	Amount as at 31-03-2019	
		Radha Ltd.	Shyam Ltd.
(I) EQUITY AND LIABILITIES :			
(1) Shareholder's funds			
(a) Share capital	1	90,000	60,000
(b) Reserves and surplus	2	15,000	10,000
(2) Share application money pending allotment		—	—
(3) Non-current liabilities			
(a) Long term borrowings	3	40,000	—
(4) Current liabilities			
(a) Trade payables	4	20,000	20,000
TOTAL		1,65,000	90,000
(II) ASSETS :			
(1) Non-current assets			
(a) Fixed assets			
(i) Tangible assets	5	1,15,000	40,000
(2) Current assets			
(a) Inventories		50,000	50,000
TOTAL		1,65,000	90,000

NOTES :

Particulars	Radha Ltd..	Shyam Ltd..
(1) Share capital		
Issued, subscribed and paid up :		
Fully paid Equity shares of ₹ 100 each	90,000	60,000
	<u>90,000</u>	<u>60,000</u>
(2) Reserves and surplus		
Profit and Loss Account	15,000	10,000
	<u>15,000</u>	<u>10,000</u>
(3) Long-term borrowings		
Debentures	40,000	—
	<u>40,000</u>	<u>—</u>
(4) Trade payables		
Creditors	20,000	20,000
	<u>20,000</u>	<u>20,000</u>
(5) Tangible Assets		
Land and buildings	90,000	35,000
Plant and machinery	25,000	5,000
	<u>1,15,000</u>	<u>40,000</u>

The average profit of the Radha Ltd. and Shyam Ltd. have been ₹ 15,000 and ₹ 10,000 respectively. The new company agrees to take over both the companies for ₹ 1,95,000 and in addition to discharge all liabilities and to pay ₹ 15,000 in cash (by taking overdraft from a bank) and the remaining purchase price in fully paid shares.

It was agreed that profit on the conversion was to be divided between the shareholders of Radha Ltd. and Shyam Ltd. in the same proportion as the profit previously earned by them. The above cash ₹ 15,000 was to be divided between them according to their purchase price.

Required :

- (1) Identify the nature of Amalgamation
- (2) Prepare balance sheet immediately after the amalgamation.