

B.B.A. (CBCS Pattern) Semester-II
UCB2C05 - Financial Accounting - II

P. Pages : 5

Time : Three Hours



GUG/W/24/10593

Max. Marks : 80

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- Notes : 1. All questions are compulsory.
2. All questions carry equal marks.

1. a) Discuss the Methods of redemption of Redeemable preference shares. **8**
- b) Sharvari Ltd. Invited applications for 100000 shares of Rs. 10 each at a discount of 6% **8**
payable as follows:
On Application Rs. 2.50
On Allotment Rs. 3.40 (after deducting discount)
On First & Final Call Rs. 3.50
The applications were received for 90000 shares and all of these were accepted. All money due was received except the first and final call on 1000 shares. These shares were forfeited by the directors.
Pass journal entries in the books of company.
- OR**
- c) Rishal Ltd. Company having an authorized capital of 25000 shares of Rs. 10 each. The **16**
company issued 20000 shares at par. All the shares issued were applied for and the amounts were called as under:
On application Rs. 1.25 per share
On allotment Rs. 1.25 per share
On first call Rs. 2.50 per share
The balance to be called up as and when required.
All moneys up to allotment were duly received but one shareholder, who held 250 shares did not pay first call. Another shareholder, held 200 shares, paid balance in advance along with first call.
The directors forfeited 250 shares on which the first call was not paid.
These shares were re-issued at Rs. 4 per share as Rs. 5 per share paid.
Show necessary journal entries in the books of the company and prepare a Balance Sheet.
2. a) The net profit of a company after provision for taxation for the past five years are Rs. 40000, **8**
Rs. 42000, Rs. 45000, Rs. 46000 and Rs. 47000. The capital employed in the business is Rs. 400000 on which a reasonable rate of return of 10% is expected. It is expected that the company will be able to maintain its super profits for the next five years.
Calculate the value of Goodwill at 3 years purchase of average super profit.

- b) Ascertain the value of Goodwill of Suman Co. Ltd. Carrying on business as retail traders from the following information, adopting capitalization method. 8

Balance Sheet

Liability	Amount	Assets	Amount
Paid up Capital (100000 shares of Rs. 10 each)	1000000	Goodwill at cost	100000
Profit & Loss A/c	226600	Land & Building at cost	440000
Bank Overdraft	233400	Plant & Machinery at cost	400000
Sundry Creditors	362000	Stock at cost	600000
Provision for taxation	78000	Book debts less provision for bad debts	360000
	1900000		1900000

The company commenced operation in the year 1993 with an authorized capital of Rs. 3000000. The profits earned before providing for taxation have been as

2016	Rs. 244000
2017	Rs. 256000
2018	Rs. 286000
2019	Rs. 312000
2020	Rs. 340000

You may assume that income tax @ 50% is payable on these profits. The average dividend paid by the company for the last four years is 10%, which is take as reasonable return expected on the capital invested in the business.

OR

- c) The following is the summarized Balance Sheet as at 31st March 2020 of Vaesha Ltd. 16

Balance Sheet

Liability	Amount	Assets	Amount
Issued & Subscribed Capital (100000 shares of Rs. 10 each)	1000000	Premises	560000
General Reserve	250000	Plant	530000
Profit & Loss A/c	165000	Stock (Market Value Rs. 750000)	725000
Bank Overdraft	150000	Debtors	225000
Creditors	225000		
Provision for Taxation			
Depreciation Fund:	100000		
Plant	50000		
Workmens Saving Account	100000		
	2040000		2040000

The following are the revalued amounts of assets:

Goodwill Rs. 775000, Plant Rs. 550000 and Premises Rs. 600000. Net profits of the company after providing for taxation but before deduction of amount of dividends were:

For the year ended 31-3-2018 Rs. 350000

For the year ended 31-3-2019 Rs. 425000

For the year ended 31-3-2020 Rs. 500000
Normal profit in this type of business is 10%.
Calculate fair value of each share of the company.

3. a) Princy Co. Ltd. purchased a running business of Cherry Brothers from 1st January 2018. But Princy Co. Ltd. was incorporated on 1st April 2018. From the following details, find out the profits earned by the company prior to and after incorporation period. **8**

1. From January 2018 to December 2018 total sales was Rs. 240000.

The trend of sales was as follows:

January, February, November and December half the average sales in each month.

May, June, July and October average sales in each month.

2. Cost of goods sold Rs. 60000.

3. Salaries Rs. 6000.

4. Bad Debts Rs. 2400.

5. Rent and Taxes Rs. 3000.

6. Interest on purchase price was paid to Cherry brothers on 1st August 2018 Rs. 2100.

7. Interest on loan Rs. 1000.

8. Advertisements Rs. 1800.

9. Rent from tenants Rs. 1800.

10. Expenses exclusively related to the company Rs. 8900.

- b) Janu Co. Ltd. was incorporated on 1st February 2015. Certificate of commencement of business was issued on 1st March 2015. Janu Co. Ltd. purchased running business of M/s Khooshi & Co. from 2nd November 2014. Total sales of the business for the year ended 31st October 2015 amounted to Rs. 600000. This amount is spread over the months of the year equally. **8**

From the following other information relating to the year ended 31st October 2015. Prepare a statement showing division of profit for pre-incorporation and post-incorporation period.

Gross profit Rs. 180000

Interest on Debenture Rs. 5000

Audit fees Rs. 1500

Depreciation Rs. 24000

Advertisements Rs. 18000

Commission on sales Rs. 6000

Interest to vendor Co. (for the period upto 1st May 2015) Rs. 3000

Rent & Salaries Rs. 24000

Directors fees Rs. 4800

Discount allowed Rs. 3600

General Expenses & Stationary Rs. 8400

Bad Debts (Rs. 500 relate to debts prior to incorporation) Rs. 1500

OR

- c) Sony Pvt. Ltd. was incorporated on 1st July 2020, to takeover the running business of Mony Co. Ltd. with effect from 1st April 2020. The following Profit & Loss Account for the year ended 31st March 2021 was drawn up. 16

Profit & Loss Account

Particular	Amount	Particular	Amount
To, Commission (sale)	2625	By, Gross Profit	98000
To, Advertisement	5250	By, Bad Debts Realised	500
To, M.D. Remuneration	9000		
To, Depreciation	2800		
To, Salaries	18000		
To, Insurance	600		
To, Preliminary Expenses written off	700		
To, Rent & Taxes	3000		
To, Discount	350		
To, Bad Debts	1250		
To, Net Profit	54925		
	98500		98500

Additional Information:

- The average monthly sales from 1st July 2020 onwards was double than that of the previous months.
 - Rent, which was paid for the first three months at Rs. 200 per month and thereafter increased by Rs. 50 per month for the period.
 - Bad debt of Rs. 350 related only to the period after 1st September 2020 and the balance related to the sales made up to 1st September 2020.
 - The bad debts realized belonged to the bad debts which were written off in 2018.
- Ascertain the profits earned prior to and after incorporation of the company.

4. a) From the following information relating to Akash Ltd. prepare liquidators final statement of account. 8

1. Share Capital:

- 1000, 6% Preference shares of Rs. 100 each fully paid.
- 40000 'A' Equity shares of Rs. 10 each, fully paid.
- 30000 'B' Equity shares of Rs. 10 each, Rs. 08 paid.
- 20000 'C' Equity shares of Rs. 05 each, Rs. 03 paid up.

2. Debentures of Rs. 50000.

3. Creditors:

Preferential Creditors Rs. 20000.

Unsecured Creditors Rs. 70000.

The preference dividends were in arrears for 02 years but yet not declared.

The assets realized of Rs. 320000.

Cost of liquidation amounted to Rs. 4000 and the liquidators remuneration is fixed at 5% on assets realised.

- b) From the following particulars, calculate liquidators total remuneration. 8
1. Assets realised by the liquidator (including the securities in the hands of fully secured creditors) Rs. 51000
 2. Liquidation expenses Rs. 252
 3. Fully secured creditors Rs. 20000
 4. Preferential creditors Rs. 6000
- Unsecured creditors Rs. 30500

The liquidator is entitled to a remuneration of 3% on assets realized (including the securities in the hands of secured creditors) and 1.5% on the amounts distributed to unsecured creditors, other than preferential creditors.

OR

- c) Vrunda Company Ltd. went into voluntary liquidation on 1st July 2020. The Balance Sheet as on that date was as follows: 16

Particular	Amount	Amount
Plant		200000
Debtors		150000
Stock		100000
Cash at Bank		<u>3000</u>
		453000
Less 5% Debentures	60000	
Creditors	103000	<u>163000</u>
		290000
12000, 10% Preference shares of Rs. 10 each		120000
20000 Ordinary shares of Rs. 10 each		<u>200000</u>
		320000
Less Deficiency on Profit & Loss A/c		<u>30000</u>
		290000

The dividends on the preference shares had been paid upto June 2019. The liquidator sold plant and stock for Rs. 275000 and realised all the debts except one of Rs. 25000 as it is irrecoverable. She admitted the claim of all creditors, of these Rs. 5000 were preferential.

Expenses of liquidation amounted to Rs. 1600.

Debentures were repaid on 31st December 2020. The liquidator's remuneration was at the rate of 2% on the amounts realised (except cash) and 2% on the amount distributed to the ordinary shareholders. Prepare Liquidators Final Statement of Accounts.

5. Write short note.

- a) Distinction between private & public companies. 4
- b) Necessity for the valuation of Goodwill. 4
- c) Methods of ascertain the pre-incorporation profit. 4
- d) Functions of Liquidator. 4
