

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

P. Pages : 4

Time : Three Hours



**GUG/S/25/10593**

Max. Marks : 80

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

1. a) Write in details on incorporation of a company. 8
- b) Sarang Trading Co, Ltd. Has issued share capital of Rs 1,00,000 inequity share of Rs 10 each, on which Rs 7.50 per share was called and Paid. 8  
When the final call of Rs 2.50 per share was made all the Shareholders paid their money in full expecting two shareholders one holding 200 shares and other 100 shares.  
These shares were forfeited in due course and were reissued at Rs 5 Per share fully paid.  
Give the journal entries for  
1) Forfeiture, 2) Reissue and 3) The closure of the share forfeited account.

**OR**

- c) The authorized capital of M/S Prabha Co Ltd was divided into 100,000 share of Rs 10 each on Jan 15<sup>th</sup> 2018. The Company issued a prospectus inviting application for 40,000 share at a premium of Rs 15 per share, payable as follows: 16  
On Application Rs 17 (Including Premium) Per share  
On allotment Rs 5 per share  
On Call Rs 3 per share  
Application was received for 60,000 shares and allotment was made pro-rata to the application for 50,000 shares and the remaining application were rejected. Money over paid on application was employed on account of sums due on allotment.  
Rajesh to whom 120 shares were allotted failed to pay allotment money and on his subsequent failure to pay the call, his share was forfeited.  
Kavita the holder of 200 shares failed to pay the call money on his share were also forfeited.  
OF the share forfeited, 120 shares of Mr. Rajesh were sold to Ramesh, credited as fully paid for Rs 9 per share.  
Give the journal entries in the book of M/S Mahesh Com Ltd. For the above transaction.
2. a) The following particulars are available in respect of a business carried on by Chandrashekhar: 8  
i) Capital Employed Rs 5,00,000.  
ii) Average Trading Profit Rs 1,15,000  
iii) Market rate of interest on investment 16%.  
iv) Rate of risk on capital invested in business 2%.  
You are required to compute the value of goodwill on the basis of 4 years purchase of super profit.
- b) The following particular are available in respect of the business carried on by a trader. 8  
i) Profit earned for the year:  
2020 - Rs 50,000 2021 --- Rs 60,000 2022---- Rs 55,000.  
ii) Normal rate of profit 10%.  
iii) Capital employed Rs 3,00,000  
iv) Present value of an annuity of one rupee for five years at 10% Rs 3.78.  
v) The profit for the year 2021 includes a non-recurring profit of Rs 9,000.

You are required to calculate Goodwill as per

- Five years purchase of super profit.
- Capitalization of super profit method.
- Annuity Method.

**OR**

- c) The following information is disclosed by the Balance Sheet of Narang Co. as on 31<sup>st</sup> March 2021 **16**

Balance Sheet

Liabilities	Amount	Asset	Amount
25000 Equity share of Rs 10 each	2,50,000	Building	1,20,000
Reserves & Surplus	1,00,000	Machinery	2,30,000
Profit & Loss A/c (Including Rs. 1,30,000 for current year Profit after tax)	1,55,000	Furniture	20,000
Provision for tax (for current years profit)	70,000	Stock	1,25,000
Creditors	1,75,000	Debtors	2,50,000
		Less bad debts	<u>10,000</u>
			2,40,000
		Cash at bank	10,000
		Preliminary Exp.	5,000
	7,50,000		7,50,000

The following information is supplied:

- Market value of building, Machinery, furniture and debtors are Rs. 2,00,000 Rs.2,40,000 Rs. 15,000 and Rs. 2,35,000 respectively.
- Other companies doing the same business show a profit of 10% on market value of share.
- Profit before tax for last 3 years have shown an increase of Rs. 35,000 annually.
- Unchanged Tax rate is 35%.
- Goodwill is to be valued at 2 years purchase of super profit (on the basis of simple average)  
Calculate fair value of share.

3. a) Robinson Ltd was incorporated on 1<sup>st</sup> March 2020 and received its certificate for commencement of business on 1<sup>st</sup> April 2020. The company bought the business of M/S Big & Strong with effect from 1<sup>st</sup> Nov 2019. **8**

From the following figures relating to the ending October 31<sup>st</sup> 2020, find out the profit available for distribution of dividends.

- Sales for the year Rs. 6,00,000 out of which sale upto 1<sup>st</sup> March were Rs. 2,50,000 and upto 1<sup>st</sup> April Rs. 3,00,000.
- Gross Profit for the year was Rs. 1,80,000
- The expenses debited to the profit & loss account were:-

Particular	Amount
Rent	9,000
Salaries	15,000
Director's fees	4,800
Interest on debenture	5,000
Audit fees	1,500
Discount on sale	1,600
Depreciation	24,000

General expenses	4,800
Advertising	18,000
Stationery & Printing	3,600
Commission on sale	6,300
Bad debts	

(of Rs 15,00 Rs 500 relate to the debts created prior to incorporation) 1,500

Interested to vendor on purchase consideration upto 1<sup>st</sup> May, 2020 3,000

- b) LKM Com Ltd was incorporated on 30<sup>th</sup> June 2017 to acquire the business of shri Rajesh Deshpande as from 1<sup>st</sup> January 2017. The accounts for the year ended 31<sup>st</sup> December 2017 disclosed the following.

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- i) There was a gross profit of Rs 2, 40,000.
- ii) The sales for the year amounted to Rs 12,00,000 of which Rs 5,40,000 were the first six month.
- iii) The expenses debited to the profit and loss account included:-
 

Director's fees	15,000
Bad debt	3,600
Advertising expenses	12,000
(under a contract amounting to Rs 1,000 per month)	
Salaries & general expenses	64,000
Preliminary expenses write off	5,000
Donation given by the company	5,000

Give the basis on which you will find out the profit prior and after incorporation. Also state to which items they would be applied.

**OR**

- c) Status Ltd. Was incorporated on 1-7-2014. It took over business of a Vendor San Son's w.e.f 14-2014. Following information was made available for the year ended 31-3-2015.

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Gross Profit	98,000
Commission	2,625
Advertisement	5,250
Discount	350
Director's fees	9,000
Salaries	18,000
Depreciation	2,800
Insurance	600
Preliminary Expenses	700
Rent and Taxes	3,000
Bad debts	1,250
Interest to vendor ( upto 1-10-2014)	2,000
Audit and other fees	2,000
Bad debts realized (on 1-5-2014)	500

Additional information:-

- i) Average monthly turnover from September onwards was double than that of average monthly turnover of the first month. However, in August 2014 the turnover was 150% of the turnover in the following month.
- ii) Rent for the first three months was paid @ Rs 200 per month and there after it was increased by Rs 50 per month.
- iii) Bad debt for the period from September 1, 2014 to March 31, 2015 amounted to Rs.350. You are required to find out amount of pre and post incorporation period.

4. a) From the following particulars, calculate liquidator's total remuneration. 8
- |  |        |
|--|--------|
| Asset realized by liquidator                                       | 51,000 |
| (including the securities in the hands of fully secured creditors) |        |
| Liquidation expenses   | 252    |
| Fully secured creditors  | 20,000 |
| Preferential creditors   | 6,000  |
| Unsecured creditors  | 30,500 |
- The liquidators are entitled to a remuneration of 3% on asset realized (including the securities in the hands of secured creditors) and 1.5 % on the amount distributed to unsecured creditors, other than preferential creditors.

- b) Balance of liquidator of company after paying all external liabilities and his own remuneration was Rs. 7,09,500 out of realization amount. Share capital of the company consisted of the following:- 8
- i) 1,000, 8% cumulative Preference share of Rs.100 each fully paid. Dividend on these shares for two years is outstanding.
  - ii) 40,000 Equity share of Rs.10 each fully paid.
  - iii) 40,000 Equity share of Rs.10 each Rs 8 Paid.
- The liquidators made a call for payment of uncalled amount and received the money except on 1,000 shares. These shares were forfeited. Find out the amount payable on each equity share.

**OR**

- c) Rajveer & Com. Ltd. Went into voluntary liquidation on 1<sup>st</sup> Jan. 2019, Their Balance sheet on that date was as follows. 16

Balance Sheet

Liabilities	Amount	Asset	Amount
Share capital:-		Cash	20,000
20,000 5% preferential share of Rs.100 each,	20,00,000	Debtors	8,00,000
20,000 ordinary share of Rs.100 each	20,00,000	Sundry asset	45,18,000
6% debenture	5,00,000	Profit & Loss	2,12,000
Creditors	10,50,000		
	55,50,000		55,50,000

Additional information:

- i) Liquidators recovered Rs 38, 00,000 from debtors and from sale of the entire asset.
  - ii) Dividend on preference share is paid upto 31<sup>st</sup> Dec. 2017
  - iii) Debenture holders were paid on 30<sup>th</sup> June 2019 with interest upto the date of payment
  - iv) Liquidation expenses were Rs 39,000.
  - v) Liquidator is entitled to receive commission at 2% on money collected by him and 2% on the amount refunded to ordinary share holder.
  - vi) Creditors for Rs 50,000 were preferential.
- Prepare Liquidators' Final Statement of account.

5. Write short note. 4
- a) Concept of Initial Public Offering (IPO) and its process. 4
  - b) Factors affect the valuation of goodwill in a business. 4
  - c) What is meant by profit prior to incorporation? 4
  - d) How are assets and liabilities settled during liquidation? 4

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