

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

P. Pages : 5

Time : Three Hours



**GUG/S/24/10593**

Max. Marks : 80

- 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 1,00,000 shares of Rs. 10 each at a discount of 6% payable as follows: **8**
- On Applications Rs. 2.50  
On Allotment Rs. 3.40 (after deducting discount)  
On First & Final Call Rs. 3.50
- The application/s were received for 90,000 shares and all of these were accepted. All money due was received except the first and final call on 1,000 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 25,000 shares of Rs. 10 each. The company issued 20,000 shares at par. All the shares issued were applied for and the amounts were called as under: **16**
- 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. 40,000, Rs. 42,000, Rs. 45,000, Rs. 46,000 and Rs. 47,000. The capital employed in the business is Rs. 4,00,000 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. **8**

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

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Balance Sheet

Liability	Amount	Assets	Amount
Paid up Capital (1,00,000 shares of Rs. 10 each)	10,00,000	Goodwill at cost	1,00,000
Profit & Loss A/c.	2,26,600	Land & Building at cost	4,40,000
Bank Overdraft	2,33,400	Plant & Machinery at cost	4,00,000
Sundry Creditors	3,62,000	Stock at cost	6,00,000
Provision for taxation	78,000	Book debts less provision For bad debts	3,60,000
	19,00,000		19,00,000

The company commenced operation in the year 1993 with an authorized capital of Rs. 30,00,000. The profits earned before providing for taxation have been as

2016	Rs. 2,44,000
2017	Rs. 2,56,000
2018	Rs. 2,86,000
2019	Rs. 3,12,000
2020	Rs. 3,40,000

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 31<sup>st</sup> March 2020 of Vaesha Ltd.

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Balance Sheet

Liability	Amount	Assets	Amount
Issued & Subscribed Capital (1,00,000 shares of Rs. 10 each)	10,00,000	Premises	5,60,000
General Reserve	2,50,000	Plant	5,30,000
Profit & Loss A/c.	1,65,000	Stock (Market Value Rs. 7,50,000)	7,25,000
Bank Overdraft	1,50,000	Debtors	2,25,000
Creditors	2,25,000		
Provision for Taxation			
Depreciation Fund:	1,00,000		
Plant Workmen Saving	50,000		
Account	1,00,000		
	20,40,000		20,40,000

The following are the revalued amounts of assets:

Goodwill Rs. 7,75,000, Plant Rs. 5,50,000 and Premises Rs. 6,00,000. 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. 3,50,000
For the year ended 31-3-2019	Rs. 4,25,000
For the year ended 31-3-2020	Rs. 5,00,000

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 1<sup>st</sup> January 2018, But Princy Co. Ltd. was incorporated on 1<sup>st</sup> 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. 2,40,000.

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. 60,000.

3) Salaries Rs. 6,000.

4) Bad Debts Rs. 2,400

5) Rent and Taxes Rs. 3,000.

6) Interest on purchase price was paid to Cherry brothers on 1<sup>st</sup> August 2018 Rs. 2,100.

7) Interest on loan Rs. 1,000.

8) Advertisement Rs. 1,800.

9) Rent from tenants Rs. 1,800.

10) Expenses exclusively related to the company Rs. 8,900.

- b) Janu Co. Ltd. was incorporated on 1<sup>st</sup> February 2015. Certificate of commencement of business was issued on 1<sup>st</sup> March 2015. Janu Co. Ltd. purchased running business of M/s. Khooshi & Co. From 2<sup>nd</sup> November 2014. Total sales of the business for the year ended 31<sup>st</sup> October 2015 amounted to Rs. 6,00,000. This amount is spread over the months of the year equally. 8

From the following other information relating to the year ended 31<sup>st</sup> October 2015.

Prepare a statement showing division of profit for pre-incorporation and post-incorporation period.

Gross profit Rs. 1,80,000.

Interest on Debenture Rs. 5,000.

Audit fees Rs. 1,500.

Depreciation Rs. 24,000.

Advertisement Rs. 18,000.

Commission on sales Rs. 6,000

Interest to Vendor Co. (for the period upto 1<sup>st</sup> May 2015) Rs. 3,000

Rent & Salaries Rs. 24,000

Directors fees Rs. 4,800

Discount allowed Rs. 3,600

General Expenses & Stationary Rs. 8,400.

Bad Debts (Rs. 500 relate to debts prior to incorporation) Rs. 1,500.

**OR**

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

Profit & Loss Account

Particular	Amount	Particular	Amount
To, Commission (Sale)	2,625	By Gross Profit	98,000
To, Advertisement	5,250	By Bad Debts Realised	500

To, M.D. Remuneration	9,000		
To, Depreciation	2,800		
To, Salaries	18,000		
To, Insurance	600		
To, Preliminary Expenses Written off	700		
To, Rent & Taxes	3,000		
To, Discount	350		
To, Bad Debts	1,250		
To, Net Profit	54,925		
	98,500		98,500

Additional Information:

- 1) The average monthly sales from 1<sup>st</sup> July 2020 onwards was double than that of the previous months.
  - 2) 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.
  - 3) Bad debt to Rs. 350 related only to the period after 1<sup>st</sup> September 2020 and the balance related to the sales made up to 1<sup>st</sup> September 2020.
  - 4) 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:
  - a) 1,000, 6% Preference shares of Rs. 100 each fully paid.
  - b) 40,000 'A' Equity shares of Rs. 10 each fully paid.
  - c) 30,000 'B' Equity shares of Rs. 10 each, Rs. 08 paid.
  - d) 20,000 'C' Equity shares of Rs. 05 each, Rs. 03 paid up.
- 2) Debentures of Rs. 50,000.
- 3) Creditors:
 

Preferential Creditors Rs. 20,000  
 Unsecured Creditors Rs. 70,000  
 The preference dividends were in arrears for 02 years but yet not declared.  
 The assets realized of Rs. 3,20,000.  
 Cost of liquidation amounted to Rs. 4,000 and the liquidators remuneration is fixed at 5% on assets realised.

- b) From the following particulars, calculate liquidators total remuneration. 8

- 1) Assets realized by the liquidator (including the securities in the hands of fully secured creditors) Rs. 51,000.
  - 2) Liquidation expenses Rs. 252
  - 3) Fully secured creditors Rs. 20,000
  - 4) Preferential creditors Rs. 6,000
- Unsecured creditors Rs. 30,500  
 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 1<sup>st</sup> July 2020. The Balance Sheet as on that date was as follows: 16

Particular	Amount	Amount
Plant		2,00,000
Debtors		1,50,000
Stock		1,00,000
Cash at Bank		3,000
		4,53,000
Less 5% Debentures	60,000	
Creditors	1,03,000	1,63,000
		2,90,000
12,000, 10% Preference shares of Rs. 10 each		1,20,000
20,000, Ordinary shares of Rs. 10 each		2,00,000
		3,20,000
Less Deficiency on Profit & Loss A/c.		30,000
		2,90,000

The dividends on the preference shares had been paid upto June 2019. The liquidator sold plant and stock for Rs. 2,75,000 and realized all the debts except one of Rs. 25,000 as it is irrecoverable. She admitted the claim of all creditors, of these Rs. 5,000 were preferential.

Expenses of liquidation amounted to Rs. 1,600. Debentures were repaid on 31<sup>st</sup> December 2020. The liquidator's remuneration was at the rate of 2% on the amounts realized (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

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