

**GOVERNMENT COLLEGE OF COMMERCE AND ECONOMICS
BORDA, MARGAO-GOA**

**B. Com. (Sem. VI) SEMESTER END EXAMINATION, JULY 2021
(Under OS-1 COVID-19 Pandemic)**

Accounting Major V- Advanced Company Accounts

Duration	Answering	02 Hours	Max. Marks: 30	No. of Pages: 05
	Online Submission	01 Hour		

Instructions: (i) Answer **any 3** from Q.1 to Q.5

(ii) Figures to the right indicate full marks.

(iii) Students need to submit **Handwritten** answer paper scanned in whiteboard mode in a single PDF file only.

1. Following is the Trial Balance of Archies Limited as on 31st March 2021. **(10)**

Particulars	Rs.	Particulars	Rs.
Stock (at cost)	1,50,000	Equity shares of Rs. 100 each	2,00,000
Sundry Debtors	1,10,000	5% Preference share capital	1,00,000
Land and Building	2,00,000	General Reserve	45,000
Plant and Machinery	1,00,000	Capital Reserve	10,000
Furniture and Fixture	10,000	Profit and Loss Account	1,06,000
Staff Advances	10,000	6% Debentures	1,00,000
Investments (at cost)	50,000	Sundry Creditors	89,000
Advance Tax	20,000	Unclaimed Dividend	18,000
Bills Receivable	20,000	Interim Dividend	15,000
Preliminary Expenses	20,000	Provision for Taxation	17,000
Cash and Bank balance	10,000		
	<u>7,00,000</u>		<u>7,00,000</u>

P. T. O.

Additional information:

- 1) Transfer to General Reserve Rs. 10,000.
- 2) Out of Debtors, debts due to more than six months were Rs. 80,000.
- 3) Market value of Investments is Rs. 35,000 while its face value is Rs. 40,000.
- 4) Charge depreciation on Land and Building @ 10 %, Plant and Machinery @ 5% and Furniture and Fixtures @ 10%.
- 5) Preliminary expenses to be written off by Rs. 4,000.

Prepare Balance Sheet of Archies Limited as on 31st March 2021 as per the provisions of the Companies Act and also prepare necessary schedules.

2. Following is the summarised Balance Sheet of Akash Limited as on 31st March 2021. (10)

Liabilities	Rs.	Assets	Rs.
12,000, 6% Preference shares of Rs. 100 each	12,00,000	Goodwill	1,20,000
1,00,000 Equity shares of Rs. 10 each	10,00,000	Patents	80,000
Capital Reserve	1,00,000	Building	6,00,000
8% Debentures of Rs. 100 each	6,00,000	Plant & Machinery	6,00,000
Interest due on Debenture	1,00,000	Furniture	2,00,000
Creditors	3,60,000	Stock	3,00,000
		Debtors	1,50,000
		Bank & Cash balance	2,50,000
		Discount on issues of Debentures	60,000
		Profit & Loss A/c (Debit Balance)	10,00,000
	<u>33,60,000</u>		<u>33,60,000</u>

Note: Preference Dividend is in Arrears for three years.

The following scheme of reconstruction was prepared and duly approved by the court:

- i. The assets were revalued as follows: Building Rs. 7,00,000; Stock Rs. 2,00,000; Plant & Machinery Rs. 5,00,000; Debtors Rs. 1,40,000 and Furniture Rs. 1,60,000.
 - ii. Intangible Assets, Fictitious Assets and Profit & Loss A/c (Debit balance) to be written off.
 - iii. Arrears of Preference dividend is foregone and the balance for one year should be paid immediately.
 - iv. Equity shares shall be reduced to Rs. 3 each fully paid.
 - v. 6% Preference shares shall be converted into equal number of 7% Preference shares of Rs. 50 each fully paid.
 - vi. 8% Debentures shall be converted into equal number of 12% Debentures of Rs. 75 each. The Debenture holders also agreed to waive 50% of the accrued interest.
 - vii. Creditors agreed to waive 30% of their claims and to accept equity shares for Rs. 60,000 in part settlement of renewed claim.
- You are required to pass necessary journal entries in the books of Akash Limited and prepare Capital Reduction Account.

3. The following are the balances of assets and liabilities extracted from the Balance Sheet of TISCO Limited as on 31st March 2021. (10)

Liabilities	Rs.	Assets	Rs.
Equity Share Capital	4,00,000	Land & Building	4,00,000
Capital Reserve	2,70,000	Plant & Machinery	1,50,000
Bank Loan	2,00,000	Furniture	1,00,000
Short Term Loan	1,00,000	Stock	1,00,000
Creditors	50,000	Debtors 1,45,000	
		Less: RDD 20,000	1,25,000
		Bills Receivables	75,000
		Bank Balances	50,000
		Preliminary Expenses	10,000
		Underwriting Commission	10,000

The company's profits before taxation are as follows:

2016-17	Rs. 3,20,000
2017-18	Rs. 2,02,000
2018-19	Rs. 2,20,000
2019-20	Rs. 2,50,000
2020-21	Rs. 3,60,000

The companies engaged in similar business normally earn 15% p.a. the rate of income tax may be taken at 50%.

Find out the value of Goodwill based on:

- a) Capitalisation on Super Profits
- b) Capitalisation of Future Maintainable Profits

4. On 31st March 2021 the Balance Sheet of Big Bazaar Limited disclosed the following positions: (10)

Liabilities	Rs.	Assets	Rs.
Equity shares of Rs. 10 each fully paid	3,00,000	Goodwill	40,000
General Reserves	1,90,000	Other Fixed Assets	5,00,000
Profit & Loss A/c	1,20,000	Current Assets	4,00,000
14% Debentures	2,00,000		
Current Liabilities	1,30,000		
	<u>9,40,000</u>		<u>9,40,000</u>

On the above mentioned date Tangible assets were revalued at Rs. 3,50,000 and Goodwill at Rs. 50,000.

The net profits for the three years were:

2018-19	Rs. 2,70,000
2019-20	Rs. 2,30,000
2020-21	Rs. 2,80,000

Out of the profits 20% was placed to General Reserves. The fair return on investments may be taken at 18%. Ignore taxation.

Compute the value of company's share by using Intrinsic Value Method and Yield Value Method.

5. Following are the Balance Sheets as on 31st March 2021 on Indigo Limited and Violet Limited:

(10)

Liabilities	Indigo Ltd. (Rs.)	Violet Ltd. (Rs.)	Assets	Indigo Ltd. (Rs.)	Violet Ltd. (Rs.)
Equity Share Capital (Rs. 100 per share)	2,00,000	1,20,000	Land & Building	70,000	—
12% Debentures	40,000	—	Plant & Machinery	2,20,000	1,00,000
Reserve Fund	76,000	5,000	Stock	35,000	18,000
Employee's Provident Fund	6,000	—	Debtors	25,000	16,000
Sundry Creditors	30,000	16,000	Bank	6,000	2,000
Profit & Loss A/c	4,000	—	Advertisement Expenses not written off	—	—
	<u>3,56,000</u>	<u>1,41,000</u>		<u>3,56,000</u>	<u>1,41,000</u>

The two companies agreed to amalgamate to form new company Rainbow Limited which takes over the assets and liabilities of both the companies. The authorised capital of Rainbow Limited is Rs. 20,00,000 consisting of 2,00,000 equity shares of Rs. 10 each. The assets of Indigo Limited are taken over at 90% of the book value with the exception of Land & Building which are accepted at book value. Both the companies are to receive 10% of the net valuation of their business in Goodwill. The purchase consideration is to be satisfied by Rainbow Limited in its fully paid shares at 10% premium. In return of debentures of Indigo Limited, Debentures of the same amount and denomination are to be issued by Violet Limited.

You are required to show:

- Purchase consideration
- Opening Balance Sheet of Rainbow Limited