

SEAT No. \_\_\_\_\_



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Eng.**SARDAR PATEL UNIVERSITY****B.com. Examination, II<sup>nd</sup> Semester****Saturday, Date :30<sup>th</sup> April 2022.****Session: Morning, Time: 09:00 A.M. to 11:00 A.M.****Subject/ Course Code: UB02DCOM72****Subject/ Course Title: Advanced Accounting -IV.****Total Weightage/Marks: 70****Note:** (1). From the following eight questions, write any four question's answer.

(2). All question carry equal marks.

**Que.1.** The following is the balance sheet of MK ltd. as on 31<sup>st</sup> March 2021. (17.5)

Liabilities	Rs.	Assets	Rs.
<b>Share Capital:</b>	60,000	Goodwill	16,800
10% pref. shares of Rs. 10 each, fully paid			
Equity share of Rs. 10 each, Fully paid	2,40,000	Building	1,74,000
debentures of each Rs.100	1,20,000	Machinery	1,80,000
Reserves and Surplus	72,000	Furniture	15,000
Worker 's profit sharing fund	9,000	<b>Investments :</b>	
		Shares in Subsidiary company	15,000
		Other 10% investment(Face Value Rs.45,000, Interest is tax free)	36,000
Creditors	84,000	Current Assets	1,62,000
Provident Fund	15,000	Discount on Debentures	1,200
	<b>6,00,000</b>		<b>6,00,000</b>

You are required to compute the value of the Goodwill of the company, at four years purchase of its Super profits taking in to account the following particulars.

(1). The present market value of the Building and Machinery is ascertained at Rs. 2,70,000 and Rs. 1,56,000 respectively and the remaining assets are to be taken at their book values.

(2). The Market price of the shares of the company doing similar business and giving dividend at 20%, is twice its paid up value.

(3). The profit of the company before providing for tax at 50% for the last four years are as under:

Year	Profit Rs.
2017-18	1,05,600
2018-19	1,15,200
2019-20	1,10,400
2020-21	1,20,000

Que.2. (A). What are the factors affecting the valuation of Goodwill ? Describe. (10)

(B). Explain various methods used for computing the value of Goodwill. (7.5)

Que.3. The following is the balance sheet of PK Ltd. as on 31<sup>st</sup> March 2021. (17.5)

Liabilities	Rs.	Assets	Rs.
<b>Share Capital:</b>	8,00,000	Goodwill	60,800
80,000,10% pref. shares of Rs. 10 each.			
80,000 ,Equity share of Rs. 10 each.	8,00,000	Land and Building 10,80,000	
		Less: Dep. 40,000	10,40,000
Reserves and Surplus	2,56,000	Machinery 10,00,000	
		Less: Dep:40,000	9,60,000
Profit and Loss Account	64,000	Furniture 51,200	
		Less: Dep: 3,200	48,000
15 % Debentures	3,20,000	<b>Investments :</b>	
		10 % investment against P.F.	80,000
		12% Debentures of RK Ltd.(Face Value Rs.96,000, Interest is taxable)	91,200
Creditors	64,000	Stock	64,000
Provident Fund	80,000	Debtors 48,000	
		Less: B.D.R. 3,200	44,800
Bills payable	28,000	Cash and Bank Balance	23,200
	<b>24,12,000</b>		<b>24,12,000</b>

**Additional Informations:**

- (1). The present market value of Land and Building is Rs. 11,39,200.
- (2). The company's average annual profit before deducting tax at 50 % is 4,48,000.
- (3). The expected rate of return on capital employed in this type of business is considered to be 10 %.
- (4). The value of Goodwill of the company has been ascertained at Rs.1,21,600.

From the above particulars ascertain the fair value of Equity Share of the company.

**Que.4.** The following informations are extracted from the book of SK Ltd. (17.5)

1. Equity share capital (2,00,000 Shares, each of Rs. 10 ),Rs. 20,00,000
2. 18,000, 10 % Preference share Capital, each of Rs. 100, Rs.18,00,000
3. General Reserve Rs.9,00,000
4. 10 % debentures of Rs. 100 each Rs. 5,00,000
5. Profit and Loss A/C (Debit balance) Rs.1,40,000
6. Average Profit of last 3 years , Before Interest and Tax Rs.10,50,000
7. Average Corporate Tax Rate of last 3 years 35 %.
8. Expected Rate of Return 10 %.
9. Company transfers 20 % of profit (profit after tax) to General Reserve every year.

From the above informations, Calculate Yield Value of Equity Shares.

**Que.5.** Fire occurred on 25-7-2021 in Godownof AK Traders as a result of which (17.5)

stock of goods was destroyed. Prepare a Statement of claim from the following informations.

Stock on 1-4-2020	Rs. 1,40,000
Stock on 31-3-2021	Rs.1,70,000
Purchase for 2020-21	Rs.5,80,000
Sales for 2020-21	Rs.6,32,000
Purchase from 1-4-2021 to 25-7-2021	Rs.83,000
Sales from 1-4-2021 to 25-7-2021	Rs.1,54,500

During the year 2020-21, sales clerk Satyam has misappropriated Rs. 1,800 from cash sales. This is not noted in the books.

Fire extinguishing expenses Rs. 2,900.

Goods saved from the fire value at Rs.5,600.

On 16-4-2021 Goods of Rs. 1,600 cost price were given to relief fund.

On 1-4-2021, Goods of Rs. 1,200 cost price were drawn for personal use and during this period goods valued Rs.2,100 were distributed as samples. All these transactions were not entered in the books.

**Que.6.** Fire occurred in the premises of Hatbhangi Ltd. on 1-7-2021. The company (17.5)

had taken a loss of profit Policy of Rs. 81,600. The indemnity period as per policy was 3 months.

Sales during the previous financial year ending on 31-3-2021, were Rs. 6,00,000 whereas Net Profit was Rs. 1,00,000 and Fixed expenses were Rs.20,000 during this period.

Particulars of Sales were as under:

- (A). From 1-04-2020 to 30-06-2020 Rs. 3,68,000  
 (B). From 1-04-2021 to 30-06-2021 Rs.2,94,400  
 (C). From 1-07-2020 to 30-09-2020 Rs.2,24,000  
 (D). From 1-07-2020 to 30-06-2021 Rs.6,80,000  
 (E). From 1-07-2021 to 30-09-2021 Rs.99,200

As a result of introduction of new techniques, Profit is likely to decline by 4 %, in current year. Consider the change in sales in current year over previous year, before the date of fire, Find out amount of claim for loss of profit.

**Que.7.** From the following balances as on 31<sup>st</sup> March 2021 in the books of General (17.5)

insurance Co. Ltd., prepare Revenue Account in respect of their Marine Insurance Business.

Claims Paid	Rs.2,40,000
Claims outstanding on 1-04-2020	Rs.20,000
Claims intimated and accepted, but not paid on 31-03-2021	Rs.35,000
Medical expenses regarding Claims	Rs.2,500
Expenses of Management	Rs.1,51,000
Legal expenses regarding claim	Rs. 2,000
Bad debts	Rs. 1,250
Interest and Dividend (Gross)	Rs.4,000
Income tax deducted on Interest and Dividend	Rs.750
Refund on double taxation	Rs.2,250
Rent on Staff Quarters deducted from salaries	Rs.1,200
Premium received	Rs.6,00,000
Re-Insurance premium paid	Rs.60,000
Commission on Direct business	Rs.1,00,000
Commission on Re-Insurance Caded	Rs.4,000
Commission on Re-Insurance accepted	Rs.2,000
Re- Insurance recoveries of Claims	Rs.4,000
Loss on sales of Motor car	Rs. 1,750
Provision for Un-expired risk on 1-04-2020	Rs.2,00,000
Additional Provision for Un-expired risk on 1-04-2020	Rs.10,000
Profit on Sale of Investment	Rs.1,750

You are required to provide for usual Reserve for the Un-expired risk as per the code of conduct and also increase additional reserve for Un- expired risk by 1 % of Net Premium received during the year.

**Que.8.** General Insurance Co. Ltd. presents the following information regarding (17.5)

Fire and Marine insurance for the year ended 31<sup>st</sup> March 2021

Particulars	Fire Rs.	Marine Rs.
Reserve for Un-expired risk 31-03-2020	10,50,000	13,50,000
Claims paid	6,00,000	4,50,000
Liabilities for outstanding Claims as on:		
31-03-2020	75,000	90,000
31-03-2021	1,20,000	60,000
Premium Received	18,00,000	12,00,000
Premium on Re- Insurance accepted	2,25,000	1,50,000
Premium on Re- Insurance Caded	1,50,000	1,20,000
Re- Insurance recoveries	90,000	75,000
Interest and Dividend	75,000	60,000
Taxes on interest and dividend	30 %	30 %
Other Incomes	30,000	37,500
Commission on direct business	1,05,000	97,500
Commission on Re-Insurance accepted	45,000	30,000
Commission on Re-Insurance Caded	30,000	24,000

#### Other Informations:

- (1). Every year additional reserve is maintained at 50 % of reserve for unexpired risk.
- (2). The administration expenses of Rs.1,50,000 and legal expenses Rs. 60,000 are to be divided between Fire and Marine in the proportion of net premium received.
- (3). Premium outstanding :

On 31-03-2020 Fire Rs. 2,25,000, Marine Rs.60,000

On 31-03-2021 Fire Rs. 1,50,000, Marine Rs.30,000

Prepare Revenue Accounts for both the departments.

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