

**SARDAR PATEL UNIVERSITY**

SYBBA ITM (3 YEARS) (NC)

**External Examination** *January - 2021*Day: *Monday*Date: *04-01-2021*

Session: Morning

Time: 10:00 A.M. TO 12:00 P.M.

Subject Code: UM03CBB122

Semester III

Subject Title: Corporate Accounting –II

Total Marks: 60

Note:

Write any Four out of Eight.All questions carry equal marks.

- Q. 1 (a) Explain meaning & objectives of Amalgamation.  
(b) Write short note on Accounting Treatment of Amalgamation.

- Q. 2 LUV Ltd. and KUSH Ltd. Doing similar type of business have agreed to amalgamate on 01/04/2019 and form a New Company LUV- KUSH Limited. The Authorized Capital of the New Company is Rs. 30,00,000 divided into 10,000 6 % Preference Shares of Rs. 100 each and 20,000 Equity Shares of Rs. 100 each. Their Balance Sheets as on 31/03/2019 stood as under:

**LUV Limited**  
**Balance Sheet as on 31/03/2019**

Liabilities	Rs.	Assets	Rs.
<b>Authorised Capital:</b>		Premises	8,00,000
30,000 Equity Shares of Rs. 100 each	<u>30,00,000</u>	Machinery	5,67,250
<b>Issued Capital:</b>		Stock	1,04,000
18000 Equity Shares of Rs. 100 each, Rs. 75 per Share paid up	13,50,000	Debtors	41,900
Securities Premium A/c	1,68,750	Cash	46,550
Reserves	30,000	Advertising Suspense A/c	17,500
Profit & Loss A/c	17,850		
Creditors	10,600		
<b>Total</b>	<b>15,77,200</b>	<b>Total</b>	<b>15,77,200</b>

**KUSH Limited**  
**Balance Sheet as on 31/03/2019**

Liabilities	Rs.	Assets	Rs.
<b>Authorised Capital:</b>		Goodwill	75,000
20,000 Equity Shares of Rs. 100 each	<u>20,00,000</u>	Premises	2,00,000
<b>Issued Capital:</b>		Machinery	5,41,000
10,000 Equity Shares of Rs. 100 each fully paid	10,00,000	Furniture and Fittings	20,500
Profit and Loss A/c	600	Stock	2,54,000
5% Debentures	1,00,000	Debtors	60,250
Interest Account on Debentures	5,000	Cash	7,250
Creditors	52,400		
<b>Total</b>	<b>11,58,000</b>	<b>Total</b>	<b>11,58,000</b>

The conditions of amalgamation are as under:

1. The new company is to take over the assets as well as the liabilities in respect of creditors of both the companies at book values.
  2. To issue two equity shares at 10 % premium and one 6 % preference shares of the new company as fully paid in exchange of every three shares of LUV Ltd.
  3. To issue two equity shares at 10 % premium and two 6 % preference shares of the new company as fully paid in exchange of every five shares of KUSH Ltd.
  4. The new company is also to issue 7.5 % debentures of Rs. 100 each at Rs. 105 of such an amount so as to pay off the claims (including interest accrued) of the debenture-holders of KUSH Ltd.
  5. The expenses of amalgamation Rs. 40,000 are paid by the new company.
- Prepare Balance Sheet in the books of the new company.

**Q.3**

Following is the summarized balance sheet of Atharv Ltd.

LIABILITIES	2014	2015	ASSETS	2014	2015
Equity Capital	3,00,000	4,00,000	Fixed Assets	6,20,000	7,10,000
10% Pref. Capital	1,00,000	1,00,000	Stock	1,50,000	1,30,000
Reserve	1,24,000	1,10,000	Debtors	1,10,000	1,25,000
10% Debenture	2,00,000	2,00,000	Bills Receivables	15,000	25,000
Creditors	1,20,000	90,000	Cash	5,000	10,000
Bills Payables	26,000	40,000	Preliminary Expenses	20,000	10,000
Bank Over Draft	50,000	70,000			
<b>Total</b>	<b>9,20,000</b>	<b>10,10,000</b>	<b>Total</b>	<b>9,20,000</b>	<b>10,10,000</b>

**Additional Information:**

1.

Particular	2014	2015
Total sales (cash sales=1/5 <sup>th</sup> of credit sales)	9,60,000	12,00,000
Net Profit Before Int. & Tax at 50%	1,64,000	2,60,000
Gross profit	2,40,000	3,60,000

2. Stock as on 1/1/2014 was 1,30,000.

4. Consider 360 days in a year.

From the above given data calculate

**Current Ratio, Net Profit Ratio, Stock turnover Ratio, Liquid Ratio, Debt Equity Ratio, Return on Capital Employed, and Return on shareholders' Fund**

- Q.4** (a) If credit sales is Rs. 4,00,000 and Gross Profit Ratio of Vimal Ltd is 25% of COGS, credit sales are twice of its cash sales so find out gross profit ratio.
- (b) From the following data find out Return on Investment.

Equity Capital	4,00,000
Preference Capital	1,00,000
General Reserve	1,89,000
10% Debenture	4,00,000
Current Liability	1,00,000
Discount On Sale	5,000
Net Profit After Interest But Before Tax	80,000

Q. 5

From the following are the comparative Balance Sheet of Diva Ltd., you are required to prepare Schedule of Changes in Working Capital, Fund From Operations and Fund Flow Statement.

**Balance Sheet**

<i>Liabilities</i>	2002 Rs.	2003 Rs.	<i>Assets</i>	2002 Rs.	2003 Rs.
Equity Share Capital	2,00,000	2,00,000	Fixed Assets at Cost	10,00,000	10,00,000
7% Preference Share Capital	2,00,000	3,00,000	Less : Depreciation	2,60,000	3,10,000
				7,10,000	6,90,000
Capital Reserve		20,000	Trade Investments	1,10,000	90,000
General Reserve	1,80,000	2,10,000	Sundry Debtors	1,50,000	2,00,000
Debenture	3,00,000	2,00,000	Bills Receivable	1,70,000	2,50,000
Profit and Loss A/c	70,000	90,000	Preliminary Expenses	30,000	20,000
Sundry Creditors	50,000	50,000			
Bills Payable	30,000	20,000			
Bank Overdraft	50,000	50,000			
Provision for Income Tax	80,000	60,000			
Proposed Dividend	40,000	50,000			
	12,00,000	12,50,000		12,00,000	12,50,000

**Additional Information**

- (1) During the year 2003 depreciation provided for Rs. 1,00,000
- (2) Redeemed the debentures at Rs. 105
- (3) Sold one machine for Rs. 4,00,000 the cost of the machine was Rs. 80,000 and the depreciation provided for it amounted to Rs. 30,000
- (4) Sold some trade investments at profit which was credited to capital reserve
- (5) Decided to value the stock at cost whereas previously the practice was value stock at cost less 10%. The opening stock according to books was Rs. 63,000. The stock on 31<sup>st</sup> December 2003 was correctly valued at cost.

Q.6

From the following Balance sheet of Kautuk & Co. Ltd., you are required to prepare Schedule of Changes in Working Capital, Fund From Operations and Fund Flow Statement.

**Balance Sheet**

<i>Liabilities</i>	2002 Rs.	2003 Rs.	<i>Assets</i>	2002 Rs.	2003 Rs.
Equity Capital	1,00,000	1,00,000	Good Will	6,000	6,000
General Reserve	14,000	18,000	Patents	6,000	6,000
Profit & Loss A/c	16,000	13,000	Building	50,000	46,000
Bank Overdraft	3,000	2,000	Machinery	27,000	26,000
Sundry Creditors	5,000	3,400	Investments	10,000	11,000
Bills Payable	1,200	800	Stock	20,000	13,400
Provision for Taxation	10,000	11,000	Bills Receivable	12,000	13,200
Proposed Dividend	6,000	7,000	Debtors	18,000	19,000
Provision for Doubtful Debts	400	600	Cash at Bank	6,600	15,200
	1,55,600	1,55,800		1,55,600	1,55,800

**Additional Information**

- (1) Depreciation Charged on Machinery Rs. 4,000 and on Building Rs. 4,000.
- (2) Provision for Taxation of Rs. 19,000 was made during the year 2003.
- (3) Interim Dividend of Rs. 8,000 was Paid during the year 2003.

Q.7

The summarized Balance Sheet of M/s Smit Ltd as at March 31, 2005 and 2006 are given below.

Balance Sheet of M/s Smit Ltd. as on March 31, 2005 and 2006

Particulars	2005	2006	Particulars	2005	2006
Share Capital	9,00,000	9,00,000	Fixed Assets	8,00,000	6,40,000
General Reserve	6,00,000	6,20,000	Investments	1,00,000	1,20,000
Profit & loss a/c	1,12,000	1,36,000	Stock	4,80,000	4,20,000
Creditors	3,36,000	2,68,000	Debtors	4,20,000	9,10,000
Provision for tax	1,50,000	20,000	Bank	2,98,000	3,94,000
Mortgage loan	-	5,40,000			
<b>Total</b>	<b>20,98,000</b>	<b>24,84,000</b>	<b>Total</b>	<b>20,98,000</b>	<b>24,84,000</b>

**Additional Information:**

1. Investments costing Rs.16,000 were sold during the year for Rs.17,000
2. Provision for tax during the year Rs.18,000
3. During the year, a part of the fixed assets costing Rs.20,000 was sold for Rs.24,000 and the profit was included in Profit and Loss account
4. Dividends paid amounted to Rs.80,000

You are required to prepare a Cash Flow Statement.

Q.8

From the following Balance sheet of Mayur & Co. Ltd., make out the statement of Cash Flow:

Particulars	2002 Rs.	2003 Rs.
<b>Assets :</b>		
Good Will	5,750	4,500
Land & Buildings	10,000	8,500
Machinery	4,000	10,000
Trade Debtors	8,000	10,000
Stock	3,850	5,450
Bills Receivable	1,000	1,500
Cash in Hand	750	500
Cash at Bank	500	400
	<b>33,850</b>	<b>40,850</b>
<b>Capital &amp; Liabilities :</b>		
Equity Share Capital	15,000	20,000
Preference Share Capital	7,500	5,000
General Reserve	2,000	3,500
Profit and Loss A/c	1,500	2,400
Proposed Dividend	2,100	2,500
Trade Creditors	2,750	4,150
Bills Payable	1,000	800
Provision for Taxations	2,000	2,500
	<b>33,850</b>	<b>40,850</b>

**Additional Information**

- (1) Depreciation on Machinery of Rs. 500 during the year 2003.
- (2) Depreciation on Land and Building of Rs. 1,000 during the year 2003.
- (3) An interim dividend of Rs. 1,000 was paid during the year 2003.
- (4) Income Tax Rs. 1,750 was paid during the year 2003.

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