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SARDAR PATEL UNIVERSITY

External Examination, January-2021

BBA ITM IIIrd Semester (CBCS)

04/01/2021, Monday

10:00 AM - 12:00 PM (Morning)

Corporate Accounting - II

(UM03CBB152)

Total Marks: 70

Q.1

The following were the balance sheet of Mahendra Ltd. and Singh Ltd. As on 31st March, 2019:

Liabilities	Mahendra Ltd	Singh Ltd	Assets	Mahendra Ltd	Singh Ltd
Paid up Capital			Goodwill	1,00,000	-
Equity shares of Rs. 100 each fully paid up	10,00,000	5,00,000	Land and Building	3,00,000	1,00,000
6% Pref. shares of Rs. 100 each Fully paid up	5,00,000	-	Plant & Machinery	6,00,000	3,00,000
General Reserve	-	1,20,000	Investments	1,00,000	20,000
Bank Loan	1,50,000	-	Stocks	2,50,000	1,50,000
10% Debenture	2,00,000	-	Debtors	3,00,000	2,00,000
Workers' Accident Comp. Fund	-	80,000	Cash and Bank Balance	1,70,000	30,000
Creditors	1,50,000	1,00,000	Preliminary Exps.	30,000	-
			P&L Account	1,50,000	-
Total	20,00,000	8,00,000	Total	20,00,000	8,00,000

On the above date, both the companies decided to amalgamate and form a new company Mahendra-Singh Ltd. with an authorized capital of Rs. 25,00,000 divided into 20,000 equity shares and 5,000 10 % pref. shares of Rs. 100 each. Assets and liabilities of both the companies are to be taken over except investments of Mahendra Ltd. and cash balance of Rs. 10,000 of Singh Ltd.

The market value of fixed assets of both the companies to be taken at 20% more than the book value.

Payment terms are as follows:

- (1) The equity shares of both the companies will be given 6 fully paid equity shares of Mahendra-Singh Ltd. for every 5 equity shares held by them at a premium of 10%.
- (2) The preference shareholders of Mahendra Ltd. will be given 4 fully paid preference shares of Mahendra-Singh Ltd. for every 5 preference shares held by them and Rs.50,000 cash.
- (3) The debenture-holders of Mahendra Ltd. will be given 12% debentures of Rs. 100 each of Mahendra-Singh Ltd. at a discount of 10% to discharge their liability at 8% premium.
- (4) Rs. 14,000 cash to Mahendra Ltd.

Mahendra-Singh Ltd. issued the remaining equity shares to the public at a premium of Rs. 20 per share, which were fully paid up. Preliminary expenses amounted to 10,000.

Pass necessary entries in the books of Mahendra-Singh Ltd. and prepare its Balance Sheet.

Q.2

Mumbai Ltd. And Indians Ltd. are in the similar type of business has agreed to amalgamate on 1st April, 2019 and form a New Company Mumbai- Indians 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:

Mumbai Limited
Balance Sheet as on 31/03/2019

Liabilities	Rs.	Assets	Rs.
Authorised Capital:		Premises	8,00,000
30,000 Equity Shares of Rs. 100 each	30,00,000	Machinery	5,67,250
Issued Capital:		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		
Total	15,77,200	Total	15,77,200

Indians Limited
Balance Sheet as on 31/03/2019

Liabilities	Rs.	Assets	Rs.
Authorised Capital:		Goodwill	75,000
20,000 Equity Shares of Rs. 100 each	20,00,000	Premises	2,00,000
Issued Capital:		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		
Total	11,58,000	Total	11,58,000

Amalgamation terms 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 MUMBAI 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 INDIANS 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 INDIANS 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 Pandya Ltd.

LIABILITIES	2014	2015	ASSETS	2014	2015
Equity Capital	4,00,000	4,00,000	Fixed Assets	5,80,000	6,70,000
10% Pref. Capital	2,00,000	2,00,000	Stock	2,20,000	1,50,000
Reserve	1,20,000	1,12,000	Debtors	1,15,000	1,29,000
12% Debenture	1,00,000	1,00,000	Bills Receivables	25,000	15,000
Creditors	1,10,000	1,00,000	Cash	60,000	16,000
Provision for Tax	40,000	30,000	Preliminary Expenses	20,000	12,000
Bank Over Draft	50,000	50,000			
Total	10,20,000	9,92,000	Total	10,20,000	9,92,000

Additional Information:

1.

Particular	2014	2015
Total sales (cash sales=4/5 th of credit sales)	12,00,000	16,00,000
Net Profit Before Int. & 50% Tax	2,50,000	3,00,000
Gross profit	4,00,000	6,10,000

2. Stock as on 1/1/2014 was 1,80,000.

3. Consider 360 days in a year.

From the above given data calculate **Liquid Ratio, Debt Equity Ratio, Net Profit Ratio, Current Ratio, Stock turnover Ratio, Return on shareholders' Fund.**

Q.4

Define the term Ratio. Also explain utility & limitations of Ratio Analysis in detail.

Q.5

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

Liabilities	2002	2003	Assets	2002	2003
Share Capital	90,000	1,00,000	Goodwill	12,000	10,000
General Reserve	14,000	18,000	Buildings	40,000	36,000
Profit & Loss A/C	19,500	12,000	Machinery	37,000	36,000
Provision for Taxation	16,000	17,000	Stock	30,000	25,400
Sundry Creditors	8,000	5,400	Sundry Debtors	20,000	22,200
Bills Payable	6,200	1,300	Cash at Bank	6,600	15,200
Provision for Doubtful Debts	1,900	2,100	Investments	10,000	11,000
Total	1,55,600	1,55,800	Total	1,55,600	1,55,800

Additional Information

(1) Depreciation on Machinery Rs. 4000 and on building Rs. 4000 charged.

(2) Interim Dividend of Rs. 7500 was paid during.

(3) Provision of Rs. 5000 was made for taxation during the 2003.

Q.6

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

Liabilities	2002	2003	Assets	2002	2003
Equity Share Capital	1,00,000	1,00,000	Goodwill	6,000	6,000
General Reserve	14,000	18,000	Buildings	50,000	46,000
Profit & Loss A/C	16,000	13,000	Machinery	27,000	26,000

Provision for Taxation	10,000	11,000	Stock	20,000	13,400
Sundry Creditors	5,000	3,400	Sundry Debtors	18,000	19,000
Bills Payable	1,200	800	Cash at Bank	6,600	15,200
Bank Overdraft	3,000	2,000	Patents	6,000	6,000
Provision for Doubtful Debts	400	600	Investments	10,000	11,000
Proposed Dividend	6,000	7,000	Bills Receivable	12,000	13,200
Total	1,55,600	1,55,800	Total	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 Shikhar Ltd as at March 31, 2005 and 2006 are given below.

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

Liabilities	2005	2006	Assets	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			
Total	20,98,000	24,84,000	Total	20,98,000	24,84,000

Additional Information:

1. Investments costing Rs.16,000 were sold during the year 2006 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 Mayank & Co. Ltd., make out the statement of Cash Flow:

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

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.