

SARDAR PATEL UNIVERSITY
S.Y. B.Com. (External) Examination
Wednesday, 5th March 2014
2.30 pm - 5.30 pm
AA 202 - Advanced Accounting & Auditing II

Total Marks: 100

Note : All questions carry equal marks.

Q.1 Sunayana Ltd was registered on 31-7-2012 to acquire the business of Soham Bros. With effect from 1-4-2012. At the end of the year on 31st March 2013, the following particulars were obtained. (20)

- (1) The turnover for the first three months were 12.5% than that of remaining period. From July 2012 to March 2013, the sales were equal every month, But during the month of august, Sales were not made due to strike.
- (2) The credit sales were Rs. 40000 and Rs. 60000 for pre and post incorporation respectively.
- (3) The purchase price was paid on 31-1-2013.
- (4) Investments were sold on 31-7-2012.
- (5) The Items appeared in P&L A/c.

	Rs.
Advertisement Expenses (Rs. 250 p.m. fixed)	4800
Insurance and Taxes	3000
Salaries (Includes directors' Fee) Rs. 12000 p.a.	23000
Bad debts.	500
Preliminary Expenses	1000
Interest on Debenture	2000
Discount to customers	550
Selling Exps. (60% Variable)	6000
Depreciation	3300
Audit Fees	630
Interest on purchase price	4800
Loss on sale of Investments	2400
Gross Profit	72000
Interest on Investment	1400
Share Transfer fees	400
Rent received (from 1-7-12)	1800

Prepare statement showing pre and post incorporation profit or loss.

OR

Q.1 (A) Charan Ltd has purchased the business of Paduka on 1-1-2012. Company (20)

agreed to collect the debtors of Rs. 900000, to pay off the creditors of Rs. 450000 on behalf of the vendors and also to get 3% commission on the amount collected and 10% commission on the amount forgo by creditors. Bad debts was for Rs. 100000 and 5% Discount allowed to Debtors and Rs. 100000 is yet to be collected; while creditors were written off by Rs. 50000 and discount was allowed at 2%. The company paid Rs. 100000 in cash and rest by issuing shares for the settlement of account. Write entries in the books of charan Ltd. with necessary calculations.

(B) Write note on "Profit Prior to Incorporation".

Q.2 Balance sheets of Ram Ltd. and Krishna Ltd as at 31-3-2013 were as follows :

(20)

Liabilities	Ram Ltd. Rs.	Krishna Ltd. Rs.	Assets	Ram Ltd. Rs.	Krishna Ltd. Rs.
Equity share of Rs. 100 each	200000	100000	Good will	20000	--
8% Pref. Shares of Rs. 100 each	100000	--	Land & Building	120000	60000
Profit & Loss A/c.	--	16000	Plant & Machinery	60000	20000
Workmen compensation fund	--	24000	Investments	20000	4000
12% Debentures	40000	--	Stock	50000	30000
Loan	30000	--	Debtors	60000	40000
Creditors	30000	20000	Bank Balance	34000	6000
			Preliminary Exps.	36000	--
	400000	160000		400000	160000

R.K. Ltd was incorporated on 1-4-2013 with the Authorised capital of 4000 equity shares of Rs. 100 each and 12%, 1000 Pref. Shares of Rs.100 each for Amalgamation of both companies. All Assets except Investment of Ram Ltd and Rs. 2000 cash of Krishna Ltd and Liabilities were taken over. The Market value of Fixed Assets in both companies were 10% more than their book value.

Terms are as follows :

- (1) Six equity shares were to be issued in exchange of 5 equity shares at 10% premium to both company.
 - (2) Four pref. share were to be issued in exchange of five pref. shares in Ram Ltd and Rs. 10000 in cash to be given.
 - (3) 10% Debentures were to be issued to the debenture holders of Ram Ltd., So that they should not loss of interest amount.
 - (4) Cash of Rs. 10000 to Ram Ltd.
 - (5) R.K. Ltd issued the remaining equity shares at Premium of Rs. 10 per share to public, which were fully accepted.
 - (6) Preliminary Expense of Rs. 7000 incurred of new company.
- Prepare Journal entries and Balance Sheets in the Books of R.K. Ltd. with necessary calculations.

OR

Q.2 Prepare Realisation A/c, Share holders A/c, R.K. Ltd (Purchasing Co.) A/c in the books of Krishna Ltd, with necessary calculations from above information.

(20)

Q.3 Balance sheet of X Ltd as on 31-3-2013 was as follows :

(20)

Liabilities	Rs.	Assets	Rs.
7.5% Cum Pref. shares of Rs. 10 each	500000	Patents	150000
Equity share capital of Rs. 100	800000	Free hold Assets	270000
Security Premium	25000	Plant 400000	
General Reserve	10000	Depre. - 50000	350000
10% Debentures	150000	Leasehold property	220000
Interest on debentures	6000	Investment	120000
Creditors	200000	Stock	180000
Bank Loan	130000	Debtors	260000
		Preliminary Exps.	10000
		P & L A/c	231000
		Advertisement	
		Suspence a/c	30000
	1821000		1821000

Additional Information :

- (1) Pref. share are to be reduced to Rs. 7 and Equity shares are to be reduced by Rs. 40 per share.
- (2) Dividend on Pref. Shares in not declared and paid for Last three years. 60% of arrears of dividend were waived and for remaining amount was paid by issuing equity shares.
- (3) The debenture holders agreed to have their accrued and due interest paid in cash and to take over freehold property (Book Value Rs. 60000) at valuation of Rs. 90000 in part Payment of their claim.
- (4) Remaining freehold property is valued at Rs. 250000.
- (5) Investments are sold at a profit of Rs. 40000.
- (6) The creditors agreed to have 75% in Equity Share, 15% in cash and balance 10% being waived.
- (7) Invisible assets and Loss to be written off.
- (8) The remaining amount is to be utilised in witting down debtors, stock and plant in proportion of 1 : 2 : 4 respectively.

Pass necessary journal entries and prepare Balance Sheet after reconstruction.

OR

Q.3 The unlucky Ltd. Went into Voluntary Liquidation on 31st March 2009, on that date Balance sheet of Co. was as follows :

(20)

Liabilities	Rs.	Assets	Rs.
1200 Equity shares of Rs. 100 each. Rs 80 paid up	96000	Plant & Machy	118000
800 Equity shares of Rs 100 each. Rs 60 paid up	48000	Land & Building	155000
6% Pref. Share of Rs. 100 fully paid up	100000	Debtors	94000
6% Debentures	50000	Stock	33000
Sundry Creditors	140000	Cash & Bank	14630
		Profit & Loss a/c	19370
	434000		434000

Prepare Liquidators final statement after considering the following :

- (1) The Liquidation expenses amounted Rs. 5925.
- (2) The Liquidator is entitled to a remuneration at 3% on assets realised, except cash & Bank and also at 2% on amount paid to unsecured creditors other than preferential creditors.
- (3) Pref. Dividend were in arrears for Last two years. It is to be paid at the time of winding up of a company as per Articles of Association.
- (4) Interest on debenture has been paid up to 30th sept, 2008. The Debenture holder were paid on 30th Sept, 2009.
- (5) Creditors includes preferential creditors of Rs. 26000
- (6) Amount realised :
Land & Building Rs. 110000
Plant & Machy. Rs. 130000
Stock Rs. 30000
Debtors Rs. 85000

Q.4 From the following balances, Prepare Balance Sheet of Anand Bank Ltd as

(20)

on 31-3-2012.

Particulars	Debit Balance (Rs. in Lacs)	Credit Balance (Rs. in Lacs)
Equity share capital of Rs. 10 each	--	188.00
Statutory reserve	--	241.00
Net profit (before appropriation)	--	140.00
Profit loss A/c.	--	422.00
Cash Credit	812.00	--
Cash on hand	160.25	--
Fixed Deposits	--	510.00
Saving Deposits	--	457.00
Term Loans	792.68	--
Furniture	70.12	--
Premises	155.70	--
Currant A/c	48.00	520.00
Borrowing form other Banks	--	110.12
Bills payable	--	0.02
Branch Adjustments	--	0.08
Balance with R.B.I.	37.88	--
Cash with Dena Bank	155.87	--
Money at call	210.03	--
Gold	35.23	--
Silver	0.09	--
Government Securities	100.37	--
Non Banking assets	10.00	--
	2688.22	2588.22

Additional Information :

- (1) Bills for collection Rs. 18.10
- (2) Acceptance & endorsement Rs. 14.12
- (3) Claims against Bank, not acknowledged as debt Rs. 0.55
- (4) Authorised Capital : Equity share of Rs. 10 each Rs. 21200000

OR

- Q.4 Write note on: (A) Rebate on bill discounted
(B) Reserve for un-expired Risk
(C) Preferential Creditors

(20)

- Q.5 Sun Ltd. acquired 80000 equity shares of Moon Ltd. as on 1st July 2012.

(20)

Balance Sheets of two companies as on 31-3-2013 were as follows:

Liabilities	Sun Ltd. Rs.	Moon Ltd. Rs.	Assets	Sun Ltd. Rs.	Moon Ltd. Rs.
Equity share of Rs. 10 each paidup	2000000	1000000	Land & Building	500000	300000
General Reserve	400000	200000	Plant	500000	600000
Profit & Loss a/c	200000	60000	Investment (in		
Creditors	100000	100000	Shares of		
			Moon Ltd)	1000000	
Bills payable	130000	90000	Stock	150000	100000
			Debtors	100000	120000
			Bills receivable	80000	10000
			Cash Balance	500000	320000
	2830000	1450000		2830000	1450000

Additional information:

- (1) Sun Ltd acquired Share of Moon Ltd on that date, Moon Ltd's General Reserve a/c and Profit & Loss a/c shown credit balance of Rs. 100000 and 40000 respectively.
- (2) Debtors of SUN Ltd. includes Rs. 50000 due from Moon Ltd for Credit sale of goods.
- (3) Bills of Rs. 20000 accepted by Moon Ltd in favour of SUN Ltd., Out of which Bills of Rs. 10000 was discounted by Sun Ltd.

Prepare Consolidated Balance sheet with necessary all calculations.

OR

Q.5 The Books of Jay Bharat Insurance Co. Ltd. disclosed the following information in respect of fire Insurance as at 31st March, 2010.

(20)

Particulars	Rs.
Provision for unexpired Risk on 31-3-2009	80000
Additional Reserve on 31-3-2009	60000
Estimated Liabilities regarding unpaid claims :	
On 1st April 2009	Rs. 10000
	Rs. <u>15000</u>
Medical Expenses related to Claims	25000
Claim paid	1000
Re-Insurance Premium paid	70000
Re-Insurance recoveries	14500
Commission on direct business	1500
Commission on Re-Insurance ceded	25000
Commission on Re-Insurance accepted	3000
Refund for double Taxation	1000
Management Expenses	600
Premiums	55000
Interest and Dividend	190000
Legal charges regarding claims	8000
Profit on sale of old plant	1500
	1750

Additional Reserve is to be increased by 10% of the net premium income.
Prepare Revenue account of Insurance company.