

Reg. No. : .....

Name : .....

**Second Year B.Com. Degree Examination, April 2021**

**Part III**

**Paper VIII – ADVANCED FINANCIAL ACCOUNTING**

**(2006 Admission Onwards)**

Time : 3 Hours

Max. Marks : 100

**SECTION – A**

Answer **any ten** questions. Each question carries **2** marks.

1. What do you mean by retirement of a partner?
2. What is dissolution of partnership?
3. What is realisation account in partnership?
4. What is oversubscription?
5. What is Employee Stock Option Scheme?
6. What is redemption of debentures?
7. What is a contingent liability?
8. What is purchase consideration?
9. What is internal reconstruction?
10. What are Non banking assets?

P.T.O.

11. What is Consideration for Annuities Granted?

12. What is Down Payment?

(10 × 2 = 20 Marks)

SECTION – B

Answer **any eight** questions. Each question carries **5** marks.

13. M/s Sundar and sons earn an average profit of ₹ 1,20,000 with a capital of ₹ 8,00,000. The normal rate of return is 10%. Using capitalization of super profits method, calculate the value the goodwill of the firm.

14. Amar and Akbar are partners in a firm sharing profits in the ratio of 3:2. They admitted Antony as a new partner for 1/4 share. The new profit sharing ratio between Amar and Akbar will be 2:1. Calculate their sacrificing ratio.

15. Best Ltd, forfeited 800 equity shares of ₹ 20 each, (issued at a premium of ₹ 2 per share which was included in the allotment money), for non payment of first and final call ₹ 2 and ₹ 3 per share respectively. Half of these shares were reissued as fully paid at ₹ 11 per share. Pass necessary journal entries to show the forfeiture and reissue of shares.

16. A life insurance company disclosed a fund of ₹ 7,50,000 on March 1, 2019 before taking the following into consideration:

- (a) A claim of ₹ 5,000 was intimated and admitted but not paid during the year
- (b) A claim of ₹ 2,000 outstanding in the books for 8 years is written back
- (c) Premium of ₹ 250 is payable under reinsurance
- (d) Reinsurance recoveries ₹ 7,500
- (e) Bonus utilised in reduction of premium ₹ 2,000
- (f) Agents commission to be paid ₹ 1,750.

Pass the necessary journal entries for the above and recompute the fund.

17. Following are the extracts from the draft balance sheet of Big Ltd as on 31<sup>st</sup> March 2019.

	₹
Authorised capital	
4,00,000 Equity shares of ₹ 10 each	40,00,000
Issued and subscribed capital	
1,00,000 Equity shares of ₹ 10 each	10,00,000
Reserve fund	2,00,000
Profit and Loss.A/c	1,60,000

A resolution was passed during the issue of bonus shares of 20% on equity shares to be provided as to ₹ 1,20,000 out of Profit and Loss A/c and ₹ 80,000 out of reserve fund. The bonus shares were to be issued by issuing fully paid equity shares.

You are required to pass journal entries to give effect to the resolution and show how they would affect the balance sheet.

18. Brave co. Ltd. Issued 1000 shares of ₹ 100 each at ₹ 90 (at a discount of ₹10 per share) payable ₹ 50 on application, ₹ 20 on allotment and ₹ 20 on first and final call. All the money was received.

Pass necessary journal entries and show how they would appear in company's balance sheet.

19. Mind Ltd. had issued 8,000, 12% Redeemable preference shares of ₹ 100 each, repayable at premium of 10%. These shares are to be redeemed now out of the accumulated reserve which are more than the necessary sum required for redemption. Show the necessary entries in the books of the company assuming that premium on redemption of shares have to be written off against the company's Securities Premium Account.
20. A Ltd. has agreed to issue one share of ₹ 10 each for every three shares in B Ltd. There are 10,000 shares of ₹ 10 each in the B Ltd. The shares of A Ltd. are quoted at ₹ 24 in the market. Calculate the amount of purchase consideration.
21. What are the special features of bank accounting?

22. Distinguish between Hire purchase system and Instalment system
23. How will you create reserve for unexpired risk in case of fire and marine insurance?
24. Differentiate between internal and external reconstruction.

(8 × 5 = 40 Marks)

### SECTION – C

Answer **any two** questions. Each question carries **20** marks.

25. Ram, Gopi, and Karun are partners sharing profits in the ratio of 3:2:1. Karun retires on 31.3.2019. The Balance Sheet and other information are as under:

Balance Sheet as at 31.03.2018

Liabilities		₹	Assets		₹
Sundry creditors		50,000	Cash in hand		40,000
Reserve fund		60,000	Bank		50,000
Capitals			Debtors		70,000
Ram	1,20,000		Stock		60,000
Gopi	80,000	2,40,000	Fixed assets		1,30,000
Karun	40,000				
		<u>3,50,000</u>			<u>3,50,000</u>

Ram and Gopi agree to share future profits and losses equally. The value of Goodwill is ₹ 30,000. The Goodwill is not to appear in books. Increase the value of fixed assets by ₹ 18,000. Decrease the value of the stock by ₹ 5,000. Record a bill receivable of ₹ 2,000. Ram and Gopi agree to bring in the cash to pay Karun and keep capitals in proportion to their profit sharing ratio. They also decide to maintain the bank balance at ₹ 70,000.

Pass necessary journal entries. Also, prepare Revaluation A/c, Partners Capital A/c and Balance Sheet after Karun's retirement.

26. From the following balances of Kailas Bank Ltd., as on 31st March 2019, prepare Profit and Loss A/c for the year ended 31<sup>st</sup> march 2019 and Balance sheet as on that date.

Particulars	₹
Equity share capital of ₹ 100 each	
₹ 50 paid up (Authorised and Issued 40,000 shares)	20,00,000
Profit and Loss A/c (Cr. on 1-4-2018)	8,00,000
Current Deposit A/c	68,20,000
Fixed Deposit A/c	78,00,000
Saving Bank A/c	51,30,000
Director's fees	90,000
Audit fees	20,000
Furniture (Cost ₹ 20,00,000)	17,40,000
Interest and discount received	42,00,000
Commission and exchange	20,00,000
Reserve fund	7,00,000
Printing and Stationery	80,000
Salary (including Manager's ₹ 4,00,000)	14,00,000
Building (Cost ₹ 60,00,000)	45,00,000
Cash in hand	3,20,000
Cash with RBI	70,00,000
Cash with Other Bank	65,00,000
Law charges	30,000
Investment at cost	24,00,000
Loans, cash credit and overdraft	60,00,000
Bills discounted and purchased	28,00,000
Interest paid	3,00,000
Borrowing from Laxmi Bank Ltd	40,00,000
Branch Adjustment A/c (Cr.)	26,00,000
Rent and Taxes	1,70,000

Following additional information is available:

- (a) The Bank has accepted on behalf of the customers bills worth ₹ 30,00,000 against the securities or ₹ 38,00,000 lodged with the Bank.
- (b) Rebate on bills discounted to ₹ 1,10,000
- (c) Provide depreciation on building by 10% and on furniture by 5% on cost.
- (d) Provide ₹ 30,000 for bad and doubtful debts.

27. On 1-4-2015 Shan Traders acquired two Motor Cycle each costing ₹ 37,300/- for M/s. Indus Motors Ltd. On hire purchase. Payment to be made ₹ 20,000 down and the balance in three equal instalments of ₹ 20,000 each at the end of each year. The interest is charged at 5% pa. Depreciation to be provided is at 10% pa. on reducing balance method.

M/s. Shan Traders after having paid the advance and the first instalment at the end of first year failed to pay the second instalment because of financial difficulties. Indus Motors took the possession of both the Motor cycle and sold them for ₹ 46,500/- after spending ₹ 2,800/- for repairs.

Write up necessary ledger accounts in the books of both the parties.

28. Following are the abridged Balance Sheets of Dear Company Limited and Darling Company Limited as on 31<sup>st</sup> March, 2020.

Liabilities	Dear Ltd	Darling Ltd	Assets	Dear Ltd	Darling Ltd
Share capital			Fixed assets	6,60,000	2,83,000
equity share of			Current assets	2,40,000	1,19,000
₹ 10 each	4,80,000	1,80,000			
12% preference share					
capital of ₹ 100 each	—	60,000			
General reserve	2,76,000	58,800			
Statutory reserve	23,400	7,500			
Profit and loss a/c	33,780	21,300			
13% debentures	—	15,000			
Current liabilities	86,820	59,400			
	<u>9,00,000</u>	<u>4,02,000</u>		<u>9,00,000</u>	<u>4,02,000</u>

On 1<sup>st</sup> April 2020 Dear Limited takes over Darling Limited on the following terms:

- (a) Dear Limited will issue 21,000 shares of ₹ 10 each at par to the equity shareholders of Darling Ltd.
- (b) Dear Ltd. will issue 660 12% Preference shares of ₹ 100 each at par to the preference Shareholders of Darling Ltd.
- (c) The debentures of Darling Ltd. will be converted into equal no. of 14% debentures of the same denomination.

You are informed that the statutory reserves of the Darling Ltd. are to be maintained for two more years. You are required to show the Balance Sheet of Dear Ltd. immediately after the scheme of the amalgamation has been implemented assuming that:

- (i) The amalgamation is in the nature of merger and
- (ii) The amalgamation is in the nature of purchase.

**(2 × 20 = 40 Marks)**