



SS – 06

B.Com. (Semester – V) Examination, October/November 2017
ACCOUNTING – MAJOR – I (New Course)
Advanced Accounting – I

Duration : 2 Hours

Total Marks : 80

- Instructions :**
- 1) Question No. 1 is **compulsory**.
 - 2) Attempt **any three** from Question No. 2 to Question No. 6.
 - 3) **Each** question carries **20** marks.
 - 4) Working note required **wherever** necessary.

1. The following is the summarized position of Assets and Liabilities of ABC Limited as at 31st March 2017 :

Liabilities	Amount Rs.	Assets	Amount Rs.
20,000 equity shares of Rs. 10/- each fully paid	2,00,000	Buildings	1,50,000
5,000, 10% Cumulative Preference shares of Rs. 10/- each fully paid	50,000	Machinery	1,30,000
8% Debentures	1,00,000	Furniture	50,000
Creditors for Goods	3,30,000	Patents	40,000
Creditors for Expenses	20,000	Stock	80,000
		Debtors	55,000
		Preliminary Expenses	10,000
		Profit and Loss Account	1,85,000
Total	7,00,000	Total	7,00,000

With the view to reconstruct the Company, it was proposed that :

- a) To reduce :
 - i) Equity shares by Rs. 9/- each
 - ii) 10% Preference shares by Rs. 4/- each
 - iii) 8% Debentures by 10%
 - iv) Trade creditor's claims by 1/3rd
 - v) Machinery to Rs. 70,000/- and
 - vi) Inventories by Rs. 10,000/-
- b) To provide Rs. 15,000/- for bad debts.
- c) To write off all the Intangible assets, preliminary expenses and profit and loss account.
- d) To raise the rate of Preference dividend to 14% and the rate of Debenture interest to 12.5%.

Assuming that the aforesaid proposal was duly approved and sanctioned by the Court, Pass the journal entries to give effect to the above transactions and prepare capital reduction account.



2. On 1st April 2013, Fair Deal Company Ltd., issued 12% Debentures for Rs. 5,00,000/- at par redeemable at a premium of 2% after 4 years on 31st March 2017. To collect the funds for redemption the Company decided to establish a Sinking fund.

Investments were made to the nearest rupee in order to earn interest @ 10% per annum. Sinking fund tables show that Rs. 0.2155 invested every year for four years @ 10% per annum will accumulate Re. 1/-.

On 31st March 2017, the investments were sold at a loss of 1% and the Debentures were duly redeemed.

Prepare the following ledgers for the four accounting years from 1st April, 2013 up to 31st March 2017.

- Debenture redemption fund account
- Debenture redemption fund investment account
- 12% debentures account for 2016-17.

20

3. Ledger balances of Assets and Liabilities taken from the books of Agency Limited as on 31st March 2017 were as under :

Liabilities	Amount Rs.	Assets	Amount Rs.
10,000 6% Preference Shares of Rs. 10/- each	1,00,000	Goodwill	30,000
20,000 Equity shares of Rs. 10/- each	2,00,000	Fixed Assets	3,00,000
Reserve	10,000	Stock	80,000
Surplus A/c	20,000	Debtors	70,000
6% Debentures	1,20,000	Bank Balance	15,000
Sundry Creditors	50,000	Preliminary Expenses	5,000
Total	5,00,000	Total	5,00,000

A new company named Principal Limited was formed to acquire the business of Agency Limited, which was to be wound up.

Principal Ltd., acquired the assets of Agency Limited with the exception of Bank and took over 6% Debentures and Creditors. The creditors were paid off immediately by Principal Ltd., after the acquisition was over.

The purchase consideration was to be satisfied as follows; the Preference shareholders of Agency Limited were to be allotted six preference shares of Rs. 10/- each in Principal Ltd., for every five shares held and the Equity shareholders of Agency Ltd., were to be allotted five Equity shares of Rs. 10/- each credited as Rs. 9/- paid for every four shares held.

The expenses of Liquidation were Rs. 5,000/- were paid by Agency Ltd.

Prepare the following accounts to close the books of Agency Limited :

- Realization Account
- Equity Share holders account
- Preference Share holders account
- Principal Ltd., account.

20