

**CARMEL COLLEGE OF ARTS, SCIENCE & COMMERCE FOR WOMEN,
NUVEM - GOA**

SEMESTER END EXAMINATION, AUGUST 2020

Semester: VI of B.COM.

Course name & Code: Advanced Company Accounts (DSE 5) – COD117

Total marks: 30 Date:05/08/2020 Duration: 2 hrs. Total No of pages: 03

Instructions: 1. Q. Nos. 1 consist of EIGHT questions. Answer any FIVE.

2. Q. Nos. 2 consist of SIX questions. Answer any FOUR.

Q I. Answer any FIVE of the following: - (2x5=10)

1. Tata Co. Ltd wishes to go for internal reconstruction of its company. Mention the legal aspects that has to be followed by the Company.
2. Mention the items that will appear in Capital Reduction Account.
3. What factors need to be kept in mind while valuing the shares of the company.
4. Explain any one method used in valuation of goodwill.
5. Mahindra Motors Ltd, are facing financial crises due stoppage of business because of Covid 19. The company approaches you for advice. What suggestions would you give to the company for smooth running of its business.
6. Distinguish between pooling of interest method and purchase method.
7. Mention the reasons for mergers and acquisition of firms or companies.
8. Mention the Note (head) where the following item belong: Salaries and Wages, Raw Material Purchased, 8% Debentures, Bank Overdraft.

Q II. Answer any FOUR of the following: - (5x4=20)

1. The following is the summarized list of Assets and Liabilities of Sad Ltd. as on 31st March 2020.

Assets	Amount ₹	Liabilities	Amount ₹
30,000 Equity shares of ₹10 each fully paid up	3,00,000	Goodwill	52,500
General Reserve	21,000	Land & Building	1,27,500
10% Debentures	1,50,000	Plant & Machinery	2,10,000
Loan form B, a Director	60,000	Furniture	30,000
Trade Payables	1,20,000	Inventories	82,500
		Trade Receivables	97,500
		Balance at Bank	51,000
	6,51,000		6,51,000

The business of the company is taken over by Happy Ltd. as on that date, on the following terms.

1. Happy Ltd. To take over all assets except cash; to value the assets at their book values less 10% except goodwill which is valued at ₹1,50,000.
2. Happy Ltd. To take over trade payable which were taken subject to a discount of 5%. Other liabilities which were not taken by the purchasing company were paid by Sad Ltd.
3. The consideration was to be discharged by cash to the extent of ₹2,25,000 and the balance in fully paid equity shares of ₹10 each valued at ₹12.50 per share.

Calculate the purchase consideration and the discharge of purchase consideration.

2. The following is the summarized list of Assets and Liabilities of M/s Sonam Ltd as on 31st March 2020.

Particulars	Amount ₹	Particulars	Amount ₹
Equity shares of ₹10 each	10,00,000	Land & Building	10,00,000
10% Preference shares of ₹10 each	3,00,000	Goodwill	2,00,000
Creditors	2,00,000	Investment	5,00,000
Other current liabilities	7,00,000	Preliminary expenses	1,00,000
		Publicity Campaign Exps.	4,00,000
	22,00,000		22,00,000

The scheme of reconstruction as approved by the court was as under:

- Each existing equity shares will be written down from ₹10 to ₹4.
- Each existing 10% preference share is to be written down ₹10 to ₹8 of which ₹4 will be represented by 12% Preference shares and ₹4 by Equity shares.
- Assets revalued as under:
Land & Building ₹12,00,000. Investments ₹4,80,000.
- Creditors due are settled as: 40% immediate payment; 20% amount cancelled.
- All fictitious and intangible assets written off.

Give the Journal Entries for the above in the books of M/s Sonam Ltd.

3. The following is the summarized list of Assets and Liabilities of Sangam Ltd as on 31st March 2020.

Liabilities	Amount ₹	Assets	Amount ₹
10,000 Equity shares of ₹10 each	1,00,000	Fixed Assets	1,20,000
General Reserve	10,000	Cash at Bank	26,000
Sinking Fund	10,000	Preliminary expenses	6,000
Taxation Provision	20,000		
Profit and Loss A/c	12,000		
	1,52,000		1,52,000

The profits of the company before tax are as follows:

Year	Amount ₹
2018	1,20,000
2019	1,46,000
2020	1,30,000

It is the company's practice to transfer 25% of the divisible profits to reserves. Taxation is at 50%. Similar companies give a yield of 10% on market value of their shares. Find out the value of each equity share on Yield basis.

4. Following is the summarized list of Assets and Liabilities of Infosys Co. Ltd as on 1st April March 2019.

Liabilities	Amount ₹	Assets	Amount ₹
Share Capital	15,00,000	Goodwill	5,00,000
Provision for Depreciation:		Fixed Assets:	
Plant & Machine	1,20,000	Plant & Machine	6,00,000
Land & Building	1,50,000	Fixture & Fittings	3,20,000

Furniture	30,000	Furniture	2,20,000
Motor Vehicle	20,000	Motor Vehicle	1,40,000
Loose Tools	10,000		
		Loose tools	50,000
	18,30,000		18,30,000

Additional Information:

- During the course of the business the company purchased additional furniture worth 60,000 and Plant and Machine worth 80,000 on 1st October 2019.
- Depreciation was charged @ 10% on Furniture and Motor Vehicle and 15% on Plant and Machine.

Prepare accounting note for Tangible Fixed Asset.

5. The following is the summarized list of Assets and Liabilities of Sukumar Ltd as on 31st March 2020. (20mks)

Particulars	Amount ₹	Particulars	Amount ₹
Equity shares capital	1,64,000	Fixed Assets	90,000
General Reserve	40,000	Investments (6% Govt. Bonds)	30,000
Sundry Creditors	38,040	Current Assets	1,22,040
	2,42,040		2,42,040

The following were the net profits of the company of last three years:

For the year ended 31 st March 2018	₹32,280
For the year ended 31 st March 2019	₹36,870
For the year ended 31 st March 2020	₹43,350

The above profits include income from investments ₹1,800 each year. The standard normal rate of return on Capital employed in such type of business as 10%. A casual income of ₹2,500 included in the profits of 2018 which can never be expected in the future. The profits of 2019 were reduced by ₹1,000 as result of an extra ordinary loss by fire.

It was expected that due to change in the tax structure of the country, an additional amount of ₹2,500 would be incurred in the future on various financial transactions.

You are required to value the Goodwill on the basis of 2 years purchases of super profit.

6. Following are the balances extracted from the ledger accounts of the company.

Particulars	Amount ₹	Particulars	Amount ₹
Term Loan	10,00,000	Sundry Creditors	11,45,000
Advances	3,72,000	Cash and Bank balances	2,75,000
Debenture Redemption fund	55,000	Provision for taxes	1,70,000
Security Premium	4,75,000	Loose tools	50,000
Investments	2,25,200	Profit & loss A/c (Dr.)	3,58,000
General Reserve	20,50,000	Security Premium	4,00,000
Share capital	4,00,000	Fixed assets (WDV)	51,50,000

Additional Information:

- Current year profit before transfer to General Reserve and dividend is 5,00,000.
- The company's policy is to declare 10% dividend on share capital and transfer 5% to general reserve.
- Transfer 50,000 to Debenture Redemption fund.

Prepare accounting notes for Reserves and Surplus