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**BCMCMC 364**

**Credit Based VI Semester B.Com. Examination, September 2022
(2020-21 and Earlier Batches)
FINANCIAL ACCOUNTING – VI**

Time : 3 Hours

Max. Marks : 120

Instruction : Show working notes *wherever* necessary.

SECTION – A

Answer **any four** questions.**(6×4=24)**

1. Explain different methods of purchase consideration.
2. Write a note on “Rebate on bills discounted”.
3. The Zeenith Ltd. went into liquidation. Its assets realised ₹ 3,50,000 excluding amount realised by sale of securities held by the secured creditors. The following was the position.

	₹
Share Capital :- 50,000 shares of ₹ 10 each	– 5,00,000
Secured creditors [Securities realised ₹ 40,000]	– 35,000
Preferential creditors	– 6,000
Unsecured creditors	– 1,40,000
Debenture having a floating charges on all assets of the company	– 2,50,000
Liquidation Expenses	– 5,000
Liquidator remuneration	– 7,500

Prepare liquidator final statement of account.

4. From the following Balance Sheet of Raman Ltd., calculate current ratio, debt equity ratio and proprietary ratio.

Balance Sheet			
Liabilities	₹	Assets	₹
Share capital	2,00,000	Fixed assets	4,00,000
Reserves and surplus	1,00,000	Stock	1,00,000
Secured loan (long term)	3,00,000	Debtors	1,00,000
Creditors	1,00,000	Cash	1,00,000
	7,00,000		7,00,000

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5. Uplift Ltd. has just recovered from a great financial difficulty. Its balance sheet as on 31st March 2022 is as follows.

Liabilities	₹	Assets	₹
Equity Share Capital	6,00,000	Buildings	4,00,000
8% preference share capital	4,00,000	Plant and Machinery	2,00,000
Creditors	1,50,000	Current assets	2,00,000
		Profit and Loss A/c	3,50,000
	11,50,000		11,50,000

Prosperous Ltd. is formed to take over building @ ₹ 3,00,000, plant and machinery at ₹ 1,40,000 and stock at ₹ 60,000. Purchase consideration is to be satisfied by 7% preference shares and equity shares of ₹ 10 of Prosperous Ltd. in the ratio of 3 : 2 preference shareholders are to be settled in full by the allotment of the new preference shares. Debtors realised ₹ 1,50,000 and ₹ 1,10,000 was paid to creditors in full settlement. There is no other current asset except stock and debtors.

Prepare realisation a/c and share holder a/c in the book of uplift Ltd. a/c.

6. The following is an extract from the trial balance of Punjab Bank Ltd. as on 31st March 2022.

	₹
Bills discounted	6,32,000
Rebate on bills discounted on 1/4/2021	11,080
Discount received	52,854

An analysis of the bills discounted is as follows :

Amount (₹)	Duedate	Rate of discount
70,000	5 th June 2022	14% p.a.
2,18,000	12 th June 2022	14% p.a.
1,41,000	25 th June 2022	14% p.a.
2,03,000	6 th July 2022	16% p.a.

Compute rebate on bills discounted and amount to be credited to profit and loss a/c.



SECTION – B

Answer **any four** of the following questions.

(4×12=48)

7. What is ratio analysis ? What are its uses and limitations ?

8. Following is the balance sheet of M/s Weldone Ltd. as on 31-3-2022.

Liabilities	Amount (₹)	Assets	Amount (₹)
Equity Share Capital	3,00,000	Land	50,000
8% preference share capital	4,00,000	Building	3,00,000
General Reserve	50,000	Plant and Machinery	3,00,000
Profit and Loss a/c	50,000	Furniture	40,000
12% Debentures	2,00,000	Debtors	2,00,000
Trade Creditors	60,000	Stock	1,50,000
Outstanding Expenses	15,000	Cash	40,000
Provision for tax	20,000	Prepaid expenses	10,000
Proposed dividend	30,000	Preliminary expenses	35,000
	11,25,000		11,25,000

You are required to calculate :

- 1) Current ratio.
- 2) Debt to equity ratio.
- 3) Capital gearing ratio.
- 4) Liquid ratio.
- 5) Proprietary ratio.

9. Sun Ltd. absorbed the business of Moon Ltd. as a going concern on 31st March 2022. The assets and liabilities of Moon Ltd. on that date were as follows.

Liabilities	Amount (₹)	Assets	Amount (₹)
Paid up capital		Goodwill	50,000
30,000 equity shares of ₹ 10 each	3,00,000	Land	2,00,000
1000 preference shares of ₹ 100 each	1,00,000	Plant	1,00,000
Creditors	30,000	Debtors	50,000
Bills payable	50,000	Stock	30,000
		Bank	35,000
		Preliminary Exp.	5,000
		Profit and Loss a/c	10,000
	4,80,000		4,80,000



Terms agreed between two companies were as follows.

- 1) For every 10 equity shares of Moon Ltd., Sun Ltd issued 12 fully paid shares of ₹ 10 each and paid ₹ 10 in cash.
- 2) The preference share holders of Moon Ltd. were paid at a premium of 5% by the issue of 6% preference shares of Sun Ltd. at par.
- 3) All assets and liabilities were taken over except cash to the extent of ₹ 3,000 which was left for meeting realisation expenses.
- 4) Plant was revalued at ₹ 1,83,000 other assets and liabilities taken at respective book values.

You are required to prepare realisation a/c and share holders a/c in the book of Moon Ltd. and opening entries in the books of Sun Ltd.

10. The balance sheet of National Ltd. as at 31st March 2022 was as follows.

Liabilities	₹	Assets	₹
Share Capital :		Goodwill	15,000
2000 preference shares of ₹ 100 each	2,00,000	Freehold property	2,00,000
4000 equity shares of ₹ 100 each	4,00,000	Plant	3,00,000
9% Mortgage Debenture	1,00,000	Stock	50,000
Bank overdraft	50,000	Debtors	40,000
Creditors	1,00,000	Profit and loss a/c	2,45,000
	8,50,000		8,50,000

The Company got the following scheme of reconstruction approved by the court :

- 1) The preference shares to be reduced to ₹ 75 per share.
- 2) The equity shares to be reduced by ₹ 62.50 per share.
- 3) The debenture holders took over the stock and book debt in full satisfaction of the amount due to them.
- 4) The freehold property to be depreciated by 50%.
- 5) The value of plant to be increased by ₹ 50,000.
- 6) The goodwill and profit and loss a/c to be eliminated.

Give the journal entries and prepare the revised balance sheet.



11. Vishal Ltd. went into liquidation. Following was its position, prepare liquidators final statement of accounting allowing for his remuneration at 2% on the amount realised and 2% on the amount distributed to unsecured creditors other than preferential creditors.

	₹
Preferential creditors	10,000
Unsecured creditors	31,000
Debentures	10,000
Assets realised	39,650
Liquidation expenses	1,000

12. The following are the figures extracted from the books of modern Bank Ltd. as on 31-3-2022. Prepare profit and loss a/c in the prescribed form.

	₹
Interest and discount received	6,25,000
Interest paid on deposits	3,25,000
Commission exchange and brokerage	1,20,000
Rent received	20,000
Profit on sale of investment	10,000
Loss on sale of investment	2,500
Salaries and allowances	1,80,000
Directors fees and allowances	15,000
Rent and taxes paid	12,000
Printing and stationery	6,000
Postage and stamps	2,500
Other expenses	2,000
Audit fees	1,500
Depreciation on bank's property	7,500
Balance of profit as on 1-4-2021	1,20,000

Other Information :

- 1) Provide ₹ 7,500 for doubtful debts.
- 2) Provide ₹ 30,000 for taxation.
- 3) Rebate on bills discounted on 31-03-2022 ₹ 20,000.
- 4) Provide 10% dividend proposed on paid up capital of ₹ 5,00,000.
- 5) Provide statutory Reserve at 20% of net profit.



SECTION – C

Answer **any two** questions.

(24×2=48)

13. The Fibres Ltd. is absorbed by Fabrics Ltd. as on 31st March 2022 on which date its balance sheet was as under

Liabilities	Amount (₹)	Assets	Amount (₹)
Paid up capital :		Goodwill	50,000
2000 shares of ₹100 each	2,00,000	Freehold property	1,50,000
Debentures	1,00,000	Plant and Tools	83,000
Creditors	30,000	Stock	35,000
Reserve Fund	50,000	Bills receivable	4,500
Profit and loss a/c	20,000	Debtors	27,500
		Cash at bank	50,000
	4,00,000		4,00,000

Fabrics Ltd. agreed to take over the assets [exclusive of cash and goodwill] at 10% less than the book value, to pay ₹ 75,000 for goodwill and to take over the debentures.

The purchase consideration was to be discharged by the allotment to the Fibres Ltd. of 1,500 shares of ₹ 100 each at a premium of ₹ 10 per share and the balance in cash. The cost of liquidation of ₹ 3,000.

Show the necessary accounts in the books of Fibres Ltd. and entries in the books of Fabrics Ltd.

14. The balance sheet of Konark Ltd. as on 31st March 2022 is as follows.

Liabilities	₹	Assets	₹
Share Capital :		Patents	24,000
2500 6% preference shares of ₹ 20 each	50,000	Buildings	60,000
3,000 Eq.shares of ₹ 20 each	60,000	Cash	1,000
5% Debentures 10,000		Debtors	12,000
Add : Interest <u>2,000</u>	12,000	Stock	18,000
Creditors	8,000	Profit and loss a/c	15,000
	1,30,000		1,30,000



The following scheme was passed and sanctioned :

- 1) Kotak Ltd. to be formed to take over the business.
- 2) One equity share of ₹ 10 fully paid in the new company to be issued for every three equity shares in the old company.
- 3) Three shares of ₹ 10 fully paid in the new company to be issued for every five preference shares in the old company.
- 4) Debenture holders to be paid in fully by Kotak Ltd.
- 5) The creditors to receive 80% of the sums due to them in fully paid shares of ₹ 10 each in the new company in full settlement.
- 6) Patents and profit and loss a/c to be written off.
- 7) Arrears of preference dividend to be cleared by issuing one ₹ 10 fully paid equity share in Kotak Ltd. for every 20 shares held.
- 8) Any balance available by the scheme to be used in writing down buildings.

Prepare necessary ledger a/c in the book of Konark Ltd. Prepare balance sheet of Kotak Ltd.

15. The following particulars relate to POSCO Ltd., which has gone into voluntary liquidation. You are required to prepare the liquidators final statement of account allowing for his remuneration @ 2½ on all assets realised excluding call money received and @ 2% on the amount paid to unsecured creditors including preferential creditors.

Share Capital issued :

10,000 Preference shares of ₹ 100 each fully paid.

50,000 Equity shares of ₹ 10 each fully paid up.

30,000 Equity shares of ₹ 10 each, ₹ 8 paid up.

Assets realised ₹ 20,00,000 excluding the amount realised by sale of securities held by partly secured creditors.

	₹
Preferential creditors	50,000
Unsecured creditors	18,00,000
Partly secured creditors (Assets realised ₹ 3,20,000)	3,50,000
Debentures having floating charge on all assets of the company	6,00,000
Expenses of liquidation	10,000

A call of ₹ 2 per share on the partly paid equity share was duly received except in case of one share holder owning 1,000 shares.



16. The following is the trial balance of Kaveri Bank Ltd. as on 31st March 2022

	₹	₹
Subscribed Capital [50,000 Equity shares of ₹ 10]		5,00,000
General Reserve		3,00,000
Loans and Advances	62,80,000	
Bank Premises	3,55,000	
Govt. Securities	18,20,000	
Deposits		83,64,000
Cash on hand and with R.B.I.	6,10,000	
Interest, discount etc.		2,00,000
Money at call	1,24,000	
Salaries	57,000	
General Expenses	55,000	
Rent, Rates etc.	4,600	
Directors Fees	3,600	
Bills Discounted	60,000	
Profit and Loss a/c on 1/4/2021		25,000
Miscellaneous income		200
Interim dividend	20,000	
	93,89,200	93,89,200

The following further information is furnished :

- 1) Provide for bad and doubtful debts ₹ 2,000.
- 2) All the bills discounted will mature on an average on 12th June 2022 and they are discounted at 10% p.a.
- 3) Value of government securities is ₹ 17,90,000 and it is to be reduced to this figure.
- 4) Interest accrued on investment ₹ 12,200.
- 5) Make provision for Statutory Reserve at 20% of net profit.

Prepare profit and loss a/c and balance sheet of the bank in the prescribed form.