

DISTANCE EDUCATION
B.C.S. DEGREE EXAMINATION, MAY 2010.
ADVANCED ACCOUNTANCY

Time : Three hours

Maximum : 100 marks

PART A — (5 × 8 = 40 marks)

Answer any FIVE questions.

All questions carry equal marks.

1. What is retirement of a partner? What are the accounting adjustments needed at the time of retirement?
2. Explain the rule laid down in “Garner Vs Murray” case.
3. Define “Share” and Explain its types.
4. Explain the different methods of redemption of debentures.
5. S Ltd. was taken over by R Ltd. The following position was mutually agreed upon :

	S Ltd.	R Ltd.
	Rs.	Rs.
No. of shares	60,000	90,000
Face value of share	100	10
Net assets	3,60,00,000	72,00,000

Ascertain Intrinsic value of the shares, ratio of exchange of shares and No. of share to be issued.

6. The following scheme of reconstruction had been approved for A Ltd.
 2. (a) The shareholders to receive in lieu of their present holding of 1,20,000 shares of Rs. 10 each, the following :
 - (i) Fully paid ordinary shares of Rs. 10 each. Rs. 5 paid up equal to 1/3 of their holding.
 - (ii) 15% preference shares of Rs. 100 each equal to half the amount of the above new ordinary shares.

(iii) Rs. 3,00,000, 16% debentures of Rs. 100 each.

(b) The goodwill which stood at Rs. 4,00,000 was written down to Rs. 2,50,000.

(c) Rs. 70,000 in the debit of Profit and Loss a/c was written off and the balance in the capital reduction was transferred to capital reserve a/c. Give Journal entries.

7. Mehta Ram of Ram Nagar purchased goods for his three production departments as follows :

Dept A	- 200 units	} Total cost Rs. 5,100
Dept B	- 1400 units	
Dept C	- 400 units	

Sales of the three departments were as follows :

Dept A 180 units @ Rs. 15 per unit

Dept B 1500 units @ Rs. 18 per unit

Dept C 450 units @ Rs. 6 per unit

Other information about stock in the beginning was as follows :

Dept A 100 units

Dept B 400 units

Dept C 60 units.

Mehta Ram informs you that the rate of gross profit is the same in all departments. You are required to prepare Departmental Trading a/c.

8. A fire occurred on 25th April 2005 in the premises of a company. From the following particulars ascertain the claim to be lodged with insurers for loss of stock.

	Rs.	
Stock on 1.1.05	1,25,000	The Gross Profit
Purchases		Ratio is 20%
(from 1.1.05 to		The stock
the date of fire)	5,00,000	Salvaged was
Wages	1,00,000	estimated as Rs. 35,000
Manufacturing exp.	50,000	
Sales (from 1.1.05		
to the date of firm)	7,50,000	

PART B — (4 × 15 = 60 marks)

Answer any FOUR questions.

All questions carry equal marks.

9. Sunil, Devan and Ravi are equal partners in a firm and their Balance Sheet as on 31.12.90 is given below :

Liabilities	Rs.	Assets	Rs.
Creditors	40,500	Machinery	43,500
Reserve	4,500	Furniture	1,500
Capital :		Debtors	30,000
Sunil	15,000	Stock	15,000
Devan	12,000		
Ravi	18,000		
	<u>90,000</u>		<u>90,000</u>

Ravi retired on 31.12.90 and assets were revalued as under.

Machinery Rs. 51,000,

Furniture Rs. 1,200,

Debtors Rs. 28,500,

Stock Rs. 14,700,

Goodwill of the firm is valued at Rs. 9,000 and

Ravi's share of goodwill is to be adjusted to continuing partners capital without raising goodwill account.

Give Journal entries, prepare necessary ledger accounts and new balance sheet.

10. X, Y and Z sharing profits in the proportion of 3 : 2 : 1 decided to dissolve partnership on 31.12.90. Their Balance Sheet on that date was an under :

Liabilities	Rs.	Assets	Rs.	Rs.
Capital a/c		Leasing premises		12,500
X	30,000	Goodwill		20,000
Y	10,000	Machinery		30,520
Z	10,000	Stock		7,550
Bank loan	11,500	Investments		6,330
Leasehold		Joint life policy		12,000

Liabilities	Rs.	Assets	Rs.	Rs.
Redemption fund	6,000	Sundry Debtors	5,800	
Life policy fund	12,000	Less : Reserve	<u>500</u>	5,300
Sundry creditors	<u>16,200</u>	Cash at bank		<u>1,500</u>
	<u>95,700</u>			<u>95,700</u>

The Joint Life Policy is surrendered for Rs. 10,000. The Investments are taken over by Y for Rs. 8,000. X agreed to discharge the bank loan. The remaining assets are sold for Rs. 86,700. The expenses of realization amount to Rs. 850.

Show the necessary ledger accounts including the accounts of the partners.

11. The balance sheet of Wallance Ltd. as on 31st Dec. 1997 was as under :

Liabilities	Rs.	Assets	Rs.
Share capital :		Sundry Assets	3,65,000
1000 redeemable		Bank Balance	1,40,000
Preference shares			
of Rs. 100 each	1,00,000		
2000 equity shares of			
Rs. 100 each fully paid	2,00,000		
General Reserve	80,000		
Profits and Loss a/c	50,000		
Sundry creditors	<u>75,000</u>		
	<u>5,05,000</u>		<u>5,05,000</u>

On this date, the preference shares were redeemed at par. Journalise and prepare balance sheet after redemption.

12. A Co. Ltd. has Rs. 4,00,000 5% debentures outstanding on 1.1.06 (redeemable on 31.12.06). On that date the sinking fund stood at Rs. 3,74,500, represented by Rs. 50,000 own debentures purchased at an average price of Rs. 99 and Rs. 3,30,000 3% stock. The annual instalment was Rs. 14,200.

On 31st December 2006 the investments were realized at Rs. 98 and the debentures were redeemed write up the accounts for 2006.

13. Following is the Balance Sheet of K Ltd. as on 31.12.2000.

Liabilities	Rs.	Assets	Rs.
2000 shares of Rs. 10		Goodwill	4,000

each fully paid	20,000	Fixed assets	16,500
Profits and Loss a/c	7,000	Current assets	19,500
Debenture	10,000		
Creditors	3,000		
	<u>40,000</u>		<u>40,000</u>

3. R Limited agreed to take over the assets of K Ltd. (exclusive of one fixed assets of Rs. 4,000 and Rs. 1,000 included in current assets) at 10% more than the book values. It agreed to take over creditors also. The purchase price was to be discharged by the issue of 2000 shares of Rs. 10 each at the market value of Rs. 15 each and the balance in cash. Liquidation expenses came to Rs. 400.
4. K' Ltd. sold fixed asset of Rs. 4,000 and realised the book value. It paid off in debentures and liquidation expenses.
5. You are required to give journal entries in the books of K Ltd. and R Ltd.

14. Lala Co. Ltd. decided to reconstruct and went into liquidation with the following assets and liabilities.

Liabilities	Rs.	Assets	Rs.
Pref. share capital :		Fixed Assets	4,99,200
of Rs. 10 each	2,00,000	Stock	73,500
Equity share capital		Debtors	1,31,000
of Rs. 10 each	8,00,000	Cash	400
General Reserve	12,100	Profit and	
Bank loan	18,600	loss a/c	4,12,700
Creditors	86,100		
	<u>11,16,800</u>		<u>11,16,800</u>

A new company called Bala Co. Ltd. was formed to acquire the fixed assets and stock of Lala Co. Ltd. at Rs. 3,40,000 and Rs. 60,000 respectively. The purchase price is to be paid by issue of 10% preference shares and equity shares of Rs. 10 each for equal amount. Debtors realized Rs. 1,22,750 and the creditors were paid Rs. 81,340 in full satisfaction. Bank loan was paid in full. The expenses of liquidation came to Rs. 10,710.

Close the books of Lala. Co. Ltd. and give the balance sheet of Bala Co. Ltd.

15. A Bombay head office send goods to Madras Branch at 25% profit over cost. From the following details, prepare the necessary ledger accounts in the books of head office under stocks debtors system.

	Rs.
Opening stock of goods at branch at Invoice price	20,000
Goods sent to branch at invoice price	90,000
Loss of goods in transit at invoice price	6,000
Piliterage at branch at the cost of branch	1,200
Closing stock at branch at its cost at branch	16,000
Sales at branch	1,05,000
Salaries and wages at branch	6,000
Other expenses at branch	3,000

Madras branch received Rs. 4,000 from the insurance company in settlement of the claim for the loss of goods in transit.
