

DISTANCE EDUCATION  
B.C.S. DEGREE EXAMINATION, DECEMBER 2010.  
ADVANCED ACCOUNTANCY  
(1999 onwards)

Time : Three hours

Maximum : 100 marks

PART A — (5 × 8 = 40 marks)

Answer any FIVE questions.

All questions carry equal marks.

1. Distinguish between Sacrificing ratio and gaining ratio.
2. How are accounts settled between partners after the dissolution of firm?
3. Explain Forfeiture and Reissue of shares.
4. Describe the “Sinking Fund Method” of redeeming debentures in detail.
5. Raman Ltd., agrees to purchase the business of Krishna Ltd., on the following terms :
  - (a) For each of the 10,000 shares of Rs. 10 each in Krishna Ltd., 2 shares in Raman Ltd. of Rs. 10 each will be issued at an agreed value of Rs. 12 per share. In addition, Rs. 4 per share cash also will be paid.
  - (b) 8% debentures worth Rs. 80,000 will be issued to settle the Rs. 60,000 9% debentures in Krishna Ltd.
  - (c) Rs. 10,000 will be paid towards expenses of winding up.Calculate the purchase consideration.
6. The following scheme of reconstruction was approved by Royal Ltd.
  - (a) The shareholders to receive in lieu of their present holding of 50,000 shares of Rs. 10 each, the following :
    - (i) Fully paid ordinary shares equal to  $\frac{2}{5}$  of their holdings
    - (ii) 5% preference shares to the extent of  $\frac{1}{5}$  the above ordinary shares
    - (iii) Rs. 60,000, 6% debentures.
  - (b) The goodwill which stood at Rs. 3,00,000 was written down to Rs. 1,50,000

- (c) Plant and building were written down by Rs. 20,000 and Rs. 30,000 respectively. Pass Journal entries.

7. From the following details, prepare departmental trading accounts.

	Department	
	A	B
	Rs.	Rs.
Opening Stock	9,000	8,400
Total Purchases	27,000	21,600
Total Sales	42,000	36,000
Closing Stock	10,800	4,800
Credit Purchases	17,000	10,600
Credit Sales	5,000	6,000

8. From the following data prepare departmental trading and profit and loss a/c. and thereafter the combined income account revealing the concern's true results for the year ended 31.12.1999.

	Dept. A	Dept. B
	Rs.	Rs.
Stock (January 1)	40,000	-
Purchases from outside	2,00,000	20,000
Wages	10,000	1,000
Transfer of goods from Dept A	-	50,000
Stock (December 31 <sup>st</sup> at cost to the Dept)	30,000	10,000
Sales to Outsiders	2,00,000	71,000

B's entire stock represents goods from Dept. A which transfers them at 25% above.

Administrative expenses came to Rs. 15,000 to be allocated to A and B in the ratio of 4:1 respectively.

PART B — (4 × 15 = 60 marks)  
 Answer any FOUR questions.  
 All questions carry equal marks.

9. A, B and C were in partnership sharing profit and losses equally. On 1.1.03. A retired when the firm's balance sheet was as under :

Liabilities	Rs.	Assets	Rs.
Creditors	6,928	Land and Buildings	4,200

Capital a/c.	Plant and	
A	8,000 Machinery	6,980
B	6,800 Sundry Debtors	8,915
C	7,800 Investments	8,000
	Cash	1,433
	<u>29,528</u>	<u>29,528</u>

According to the Partnership deed, assets were agreed to be revalued on A's retirement as under :

Land and Building Rs. 5,800, Plant and Machinery Rs. 6,584 ;  
Investment Rs. 8,400, Goodwill was then revalued at Rs. 9,600.

Pass necessary Journal entries, prepare Revaluation A/c.

10. The following was the Balance Sheet of A and B on 31.12.03

Liabilities	Rs.	Assets	Rs.
Sundry		Cash at Bank	11,500
Creditors	38,000	Stock in trade	6,000
Mrs. A's loan	10,000	Debtors	20,000
B's loan	15,000	(-) Provision	<u>1,000</u> 19,000
Reserve fund	5,000	Fixtures and	
A's Capital	10,000	Fittings	4,000
B's Capital	8,000	Plant and	
		Machinery	28,000
		Investments	10,000
		P and L a/c.	<u>7,500</u>
	<u>86,000</u>		<u>86,000</u>

The firm was dissolved on 31.12.03 and the following was the results :

- A took over the investment at an agreed value of Rs. 8,000 and agreed to pay off the loan to Mrs. A
- The assets realised as follows :  
Stock Rs. 5,000, Debtors Rs. 18,500, Fixtures and Fittings Rs. 4,500 and  
Plant and Machinery  
Rs. 25,000.
- The expenses were Rs. 1,100

(d) The Sundry creditors were paid off less  $2\frac{1}{2}\%$  discount.

A and B shared profit and losses in the ratio of 3:2. Journalise the entries to be made on dissolution.

11. The summarized Balance Sheet of Gaur Ltd. on 31<sup>st</sup> Dec. 1997 was as follows :

Liabilities	Rs.	Assets	Rs.
Share Capital :		Sundry Assets	9,80,000
2000 9% Redeemable Preference shares of Rs. 100 each fully paid	2,00,000	Cash at Bank	4,20,000
80,000 equity shares of Rs. 10 each, fully paid	8,00,000		
Profit and Loss a/c.	2,60,000		
Creditors	1,40,000		
	<u>14,00,000</u>		<u>14,00,000</u>

On the above date, the preference shares were redeemed at a premium of 10%. You are required to pass journal entries and give the amended Balance Sheet.

12. Goutham Ltd., issued 15,000 8% debentures of Rs. 100 each at a discount of 5% payable after 5 years at a premium of 5% . You are required to show (a) journal entries at the time of issue and redemption of debentures (b) show the “loss on issue of debentures a/c.” over the period.

13. Banu Ltd., is to absorb Sobha Ltd. The Purchase consideration is the issue of 5 shares of Rs. 10 each at 10% premium for every 4 shares held in Sobha Ltd. The Balance Sheets on the date of absorption were as under :

Liabilities	A Ltd.	B Ltd.	Assets	A Ltd.	B Ltd.
	Rs.	Rs.		Rs.	Rs.
Share Capital			Fixed assets	16,00,000	8,00,000
(Rs. 10 each)	20,00,000	12,00,000	24,000 shares		

Reserves	2,00,000	1,60,000	in Shoba Ltd.	3,20,000	–
Creditors	4,00,000	2,40,000	20,000 shares		
			in Banu Ltd.	-	2,40,000
			Current assets	6,80,000	5,60,000
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	26,00,000	16,00,000		26,00,000	16,00,000
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Prepare Ledger Accounts in the books of Sobha Ltd and Journal entries in the books of Banu Ltd. along with Balance Sheet after the absorption.

14. The following was the Balance Sheet of Flora Ltd., as on 31<sup>st</sup> March 2007.

Liabilities	Rs.	Assets	Rs.
24,000 equity shares of Rs. 10 each		Machinery	1,80,000
General Reserve	2,40,000	Furniture	30,000
Bank Loan	4,000	Stock	80,000
Trade Creditors	72,000	Trade Debtors	44,000
	60,000	Cash at Bank	20,000
		Profit and Loss a/c.	22,000
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	3,76,000		3,76,000

Suman Ltd. was formed to take over the fixed assets and stock of Flora Ltd. for Rs. 2,52,000 payable Rs. 1,80,000 in the form of equity shares of Rs. 10 each and Rs. 72,000 in the form of 12% debentures of Rs. 100 each. The bank loan was settled by transferring the debentures.

Flora Ltd realised the debtors at Rs. 41,000. Expenses of liquidation amounted to Rs. 1,600. The remaining cash was paid to the creditors in full satisfaction of their claim.

Give ledger accounts to close the books of Flora Ltd. and the journal entries along with the initial balance sheet in Suman Ltd.

15. Arun Agencies Opened a branch in Vellore on 1<sup>st</sup> January 2005. Goods were invoiced at selling price which was at cost plus 25%. From the following particulars relating to the year 2005 you are required to prepare different accounts under, the stock and debtors system.

	Rs.
Goods sent to branch	30,000

Sales :	
Cash	10,000
Credit	14,000
Goods returned by customers	300
Cash received from customers	8,000
Discount allowed	100
Cash remitted to branch for	
Rent and Rates	150
Salaries	600
Sundry expenses	100
Defective goods written off	100
Goods returned by branch	1,200
Stock at the end	5,000

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