

**AVINASHILINGAM INSTITUTE FOR HOME SCIENCE AND HIGHER
EDUCATION FOR WOMEN, COIMBATORE- 43
MASTER'S DEGREE EXAMINATION – NOVEMBER 2017
SEMESTER – I**

**Class : I PG
MAJOR: M.com/M.com CA**

**Time: 3 HOURS
Max Marks : 60**

17MCOC03/17MCCC03-ADVANCED ACCOUNTING

PART – A

(10*1/2=5)

Choose the correct answers:

1. Share allotment is a ----- account.
a) Personal b) Real c) Nominal d) None.
2. The minimum share application money is -----.
a) 5% of the face value of shares b) 10% of the issue price of the shares.
c) Re. 1 per share d) 15% of the face value of the shares.
3. Transfer to capital redemption reserve is not allowed from -----.
a) P&L A/c b) Debenture redemption fund
c) Workmen's accident fund d) Profit prior to incorporation
4. Debenture holders are the ----- of the company.
a) Owner b) Creditor c) Customer d) None.
5. Divisible profit do not include -----.
a) Reserve fund b) P&L a/c Balance c) Revaluation Reserve d) Insurance fund.
6. The maximum remuneration payable to a Part time director (without MD, Manager, or whole time director) should not exceed-----.
a) 1% of the annual profits. b) 3% of the profits
c) 5% of the profits d) 10% of the profits.
7. The excess of purchase consideration over the net assets is debited to-----account.
a) business purchases b) goodwill c) net assets d) creditors
8. For calculating the value of an equity share by net assets method, it is essential to know-----.
a) Normal rate of return b) Net equity c) Expected rate of return d) Super profit.
9. Super profit is the difference between-----.
a) Capital employed and average capital employed b) Average profit and normal profit
c) Current year profit and last year profit d) None of the above.
10. Money advanced by a director to the company to pay wages to the workers_____.
a) Preferential creditor b) Unsecured creditor c) Partly secured creditor d) Fully secured creditor

Answer the following**Each answer should not exceed 200 words or one page.**

11. a) A company issued 10,000 equity shares of Rs.10 each at a premium of Rs.3 Per share payable Rs.5 on application, Rs.5 (including premium) on allotment and the balance on call. All the shares offered were applied for and allotted. All the moneys due on allotment were received except on 200 shares., Call was made. All the amount due thereon was received except on 300 shares. Directors forfeited 200 shares on which both allotment and call money was not received. Pass the necessary journal entries to record the above and also show how. This will appear in the balance sheet of the company.

(or)

11. b) XYZ Ltd issued 25,000 shares of Rs. 100 each. The whole issues were underwritten by Arvind. In addition, there is a firm underwriting of Rs.3,000 shares were received by the company. Calculate the liability of Arvind.

12. a) Redeemable preference shares to be redeemed Rs. 10,000. Premium on redemption 10%
Divisible profit available Rs. 2,000

Fresh issue of equity shares is to be made at 25% premium.

From the above particulars you are required to ascertain:

- (a) The minimum issue of shares
- (b) The necessity of applying formula.
- (c) The amount of issue.

(or)

12. b) A company incorporated on 1st April, 2000 took over a running business from 1st Jan 2000. The company prepared its first final accounts on 31st Dec, 2000. From the following information, you are required to calculate the sales ratio of pre- and post-incorporation periods.

a) Sales from Jan, 2000 – Dec, 2000 Rs. 3, 60,000.

b) Sales for the month of Jan twice the average sales; for the month of Feb- equal to average sale; sales for four months from May to Aug – 1/4 th of the average sale of each month; and sales for Oct and Nov three times the average sale.

13a) Nathiya Ltd., has a credit balance on P&L a/c of Rs. 3, 00,000 on 1.4.2000 and the net profit for the year 2000-01 is Rs. 30,00,000. It was decided that the following decision be carried out regarding provisions, reserves and dividends:

- i. General Reserve Rs. 3,50,000
- ii. Investment allowance Reserve Rs.3,50,000
- iii. Provision for Taxation @ 50%
- iv. Dividend Equalisation Fund a/c Rs. 2,00,000

- v. Dividend on 10% preference shares of Rs. 20,00,000
- vi. Dividend at 15% on 3, 00,000 equity shares of Rs. 10 each fully paid.

You are required to give P&L appropriation A/C and give journal entries for payment of dividend. **(or)**

13. b) From the following particulars, determine the maximum remuneration available to a full time director of a manufacturing company. The P&L Account of the company showed a net profit of Rs. 40,00,000 after taking into account the following items:

Rs.

1. Depreciation (including special depreciation of Rs.40,000)	1,00,000
2. Provision for income tax	2,00,000
3. Donation to the political parties	50, 000
4. Ex- gratia payment to a worker	10,000
5. Capital profit on sale of assets	15,000

14. a) Sujan Co. Ltd. has been suffering heavy losses in the past years. So, it has decided to for reconstruction scheme by reducing 22,000 Equity shares of Rs. 100 each into Rs. 50 each so as to write off accumulated losses of Rs. 10,70,000. Give journal entries to record the above transaction. **(or)**

14. b) Explain the various methods of calculating purchase consideration?

15. a) A firm earned net profits during the last years as follows

	Rs.
I year	36, 000
II year	40, 000
III year	44, 000

The capital invested of the firm is Rs. 1,00,000.

A fair return on the capital, having regard to the risk involved, is 10%.

Calculate the value of good will on the basis of year's purchase of super profit.

(Or)

15. b) What are the accounting concepts ?

Answer the following**Each answer should not exceed 600 words or three pages**

16. a) A Ltd invited applications for 10, 000 shares of Rs. 100 each at a discount of 5% payable as follows: On applications Rs.25

On allotment Rs.34

On first and final call Rs.36

Applications were received for 9,000 shares and all of these were accepted. All the moneys due were received except the first and final call of 100 shares were reissued at the rate of Rs. 90 fully paid. Show the journal entries in the books of the company.

(or)

16. b) Bharath Ltd., issued 1, 50, 000 equity shares. The whole of the issue was underwritten as follows:

A- 50%; B- 25%; C- 25%

Applications for the 1, 20, 000 shares were received in all, out of which applications for 30, 000 shares had the stamp of A, those for 15, 000 shares that of B and those for 30, 000 shares that of C. The remaining applications for 45, 000 shares did not bear any stamp. Determine the liability of the underwriters.

17. a) Axmon ltd., issued 75,000 equity shares of Rs. 10 each and 5,000 Redeemable preference shares of Rs. 100 each all shares being fully called and paid up on 31.3.2001. profit& loss account showed undistributed profits of Rs.3,00,000 and General reserve stood at Rs.2,50,000. On 1.4.2001, the directors decided to redeem the existing preference shares at Rs.105 utilising as much would require for the purpose. You are required to pass journal entries in the books of the company. **(or)**

17. b) A Company issued 6% debentures of Rs. 6, 00,000 with a condition that they should be redeemed after 3 years at 10% premium. The amount set aside for the redemption of debenture is invested in 5% Government securities. The Sinking fund table shows that 0.31720856 at 5% compound interest in three years will become Re.1. You are required to give journal entries and open ledger accounts for recording the transactions for three years.

18. a) Explain the law relating to calculation of "Managerial remuneration".

(or)

18. b) Ellora Ltd is a company with an authorised capital of Rs. 5, 00,000 divided into 5, 000 equity shares of Rs. 100 each on 31. 12. 2004 of which 2, 500 shares were fully called up. The following as on 31. 12. 2004.

Trial balance of Ellora Co. Ltd.

DEBIT	RS	CREDIT	RS
Opening stock	50, 000	Sales	3, 25, 000
Purchases	2, 00,000	Discount	3, 150
Wages	70,000	Profit & loss A/C	6, 220

Discount allowed	4, 200	Creditors	35, 200
Insurance (upto 31.3.05)	6, 720	Reserves	25, 000
Salaries	18, 500	Loan from MD	15, 700
Rent	6, 000	Share capital	2, 50, 000
General expenses	8, 950		
Printing	2, 400		
Advertisement	3, 800		
Bonus	10, 500		
Debtors	38, 700		
Plant	1, 80, 500		
Furniture	17, 100		
Bank	34, 700		
Bad debts	3, 200		
Calls- in –arrears	5, 000		
	6, 60,270		6, 60, 270

You are required to prepare Profit & loss Account for the year ended 31.12. 2004 and the Balance sheet as on that date. The following further information is given:

1. Closing stock was valued at Rs. 1, 91, 500
2. Depreciation on plant @15% and on furniture @ 10% should be provided.
3. A tax provision of Rs.8,000 is considered necessary.
4. The directors declared an interim dividend on 15.8.04 for 6 months ending june 30, 2004 @6%.

19. a) The following is the balance sheet of united industries Ltd., on 31st Dec 2000.

Liabilities	Rs.	Assets	Rs.
Share capital: 6000 6% preference shares of Rs. 100 each	6, 00,000	Goodwill	45, 000
12, 000 Equity shares of Rs. 100 each	12, 00, 000	Land & Building	6, 00 ,000
8% Debentures	3, 00, 000	Plant & Machinery	9, 00, 000
Bank overdraft	3, 00,000	Stock	1, 30, 000
Sundry creditors	1, 50, 000	Debtors	1, 40, 000
		Cash	15, 000
		Profit & Loss a/c	7, 00, 000
		Preliminary expenses	20, 000
	25, 50, 000		25, 50,000

On the above date, the company adopted the following scheme of reconstruction:

- i. The Equity shares are to be reduced to shares of Rs. 40 each fully paid and the preference shares to be reduced to fully paid shares of Rs.75 each.
- ii. The debentureholders took over stock and debtors in full satisfaction of their claims.
- iii. The Land & Building to be appreciated by 30% and Plant & Machinery to be depreciated by 30%.
- iv. The fictitious and intangible assets are to be eliminated.
- v. Expenses of reconstruction amounted to Rs. 5, 000.

Give journal entries incorporating the above scheme of reconstruction Balance sheet.

(or)

19. b) The following is the balance sheet of X Ltd. As on 31. 3. 2006

Liabilities	Rs.	Assets	Rs.
Share capital: 2, 00,000 shares of Rs.10 each	20, 00, 000	Land & Building	10, 00, 000
General reserve	2, 50, 000	Plant & Machinery	15, 00,000
Dividend equalisation Fund	2, 00, 000	Furniture	25, 000
Profit & Loss a/c	51,000	Stock	6, 00, 000
12% Debentures	10, 00, 000	Work – in- Progress	3, 00, 000
Sundry creditors	3, 00,000	Sundry debtors	2, 50, 000
		Cash at Bank	1, 26, 000
	38, 01, 000		38, 01, 000

The company was absorbed by A ltd. On the above date. The consideration for the absorption is the discharge of the debentures at a premium of 5%, taking over the liability in respect of sundry creditors and a payment of Rs. 7 in cash and one share to Rs. 5 in A ltd. At the market value of Rs.8 per share for every share in X ltd. The cost of liquidation of Rs. 15, 000 is to be met by the purchasing company. Close the books of X Ltd.

20. a) On 31st Dec. 2008, the balance sheet of a limited company disclosed the following position.

Liabilities	Rs.	Assets	Rs.
Issued capital in Rs. 10 shares	8,00,000	Fixed assets	10,00,000
Profit & Loss A/c	40,000	Current assets	4,00,000
5% Debentures	2,00,000	Goodwill	80,000
Reserves	1,80,000		
Current liabilities	2,60,000		
	14,80,000		14,80,000

Dec 2008, the fixed assets were independently valued at Rs. 7,00,000 and the goodwill at Rs. 1,00,000 . The net profit for the three years were: 2006- Rs. 1,03,200, 2007- Rs. 1,04,000, 2008- Rs. 1,03, 300 of which 20% was placed to reserve, this proportion being considered

reasonable in the industry in which the company is engaged and where a fair return on investment may be taken at 10%. Compute the value of company's share by a) The net assets method and b) The yield method. (or)

20. b) What do you mean by goodwill ? what are the different methods of calculating goodwill?