

2125  
B,Com. (Accounting and Finance) FYUP  
Third Semester  
Paper: Advanced Accounting

Time allowed: 3 Hours

Max. Marks: 80

**NOTE:** Attempt four short answer type questions from Section-A carry 5 marks each.  
Attempt two questions each from Section B and C respectively carry 15 marks each.

x-x-x

Section – A

1. What do you mean by loss of stock insurance? Discuss the various steps to calculate claim under such policy.
2. Write a short note on 'B' list of contributories at the time of liquidation of a company
3. A purchased B's business on 1<sup>st</sup> January 2001. The profits of B's business for the last three years were as follow:  
1998 – Rs 40,000 (including abnormal gain of Rs 5,000)  
1999 – Rs 50,000 (after charging abnormal loss of Rs 10,000)  
2000 – Rs 45,000 (excluding Rs 5000 as insurance premium of business property now to be insured)  
Calculate the value of firm's goodwill on the basis of 2 years purchase of average profits of last three years.
4. On 1st June 2020, Mr. A purchased Rs 9,000 5% debentures of Rs. 100 each in Patel Engineering Works Limited at Rs 105 cum-interest. Interest being payable on 31st March and 30th September each year. Expenses on stamps amounting Rs 80. On 1st November 2020, he sold Rs 3,000 debentures at Rs 107 cum-interest. Brokerage is payable on each transaction at the rate 1/8 percent on nominal value. Make investment accounts in the books of A as on 31st December 2020.
5. Following are the liabilities and assets of M/s Desai Bros. as on 31<sup>st</sup> March, 2020.

Liabilities	Rs	Assets	Rs
Capital	42,500	Freehold Premises	25,000
Bank Loan	20,000	Furniture	3,500
Bills payable	6,700	Motor Van	12,800
Creditors	10,800	Stock	13,200
		Bills Receivable	5,400
		Debtor	18,700
		Cash	1,400
	80,000		80,000

On the above date the entire business was taken over by Ding Dong Bells Ltd. While recording the assets, the company valued the premises and stock at 10% and 20% above their book values respectively. Find out the amount of purchase consideration.

(2)

6. The paid-up capital of Toy Ltd. amounted to Rs 250,000 consisting of 25,000 equity shares of 10 each.

Due to losses incurred by the company continuously, the directors of the company prepared a scheme for reconstruction which was duly approved by the court. The terms of the reconstruction were as follows:

- (i) In lieu of their present holdings, the shareholders are to receive:
- (a) Fully paid equity shares equal to two-fifth of their holding.
- (b) 5% preference share fully paid up to the extent of 20% of the above new equity shares.
- (c) 3,000 6% second debenture of Rs 10 each.
- (ii) An issue of 2,500 5% first debenture of Rs 10 each was made and fully subscribed in cash.
- (iii) The assets were reduced as follows:
- (a) Goodwill from Rs 1,50,000 to Rs 75,000.
- (b) Machinery from Rs 50,000 to Rs 37,500.
- (c) Leasehold premises from Rs 75,000 to Rs 62,500.

Show the journal entries to give effect to the above scheme of reconstruction.

### Section-B

7. What are the factors that should be considered in valuing goodwill. Explain and illustrate the different methods of calculating goodwill. (Marks 5+10)

8. (a) Explain the terms 'Cum-interest' and 'Ex-interest' in relation to Investment account with the help of suitable examples. (Marks 5)

(b) Briefly explain the methods of valuation of shares. (Marks 10)

9. The premises of a company were partly destroyed by fire, which took place on 1st March, 2020, and as a result of which business was disorganized from 1st March to 31st July, 2020. Accounts are closed on 31st December every year. Company is insured under a loss of profit policy for Rs. 750,000. The period of indemnity specified in the policy is 6 months. From the following information, you are required to compute the amount of claim under loss of profit policy:

Turnover for the year 2019	Rs 40,00,000
Net profit for the year 2019	Rs 2,40,000
Insured standing charges	Rs 4,80,000
Uninsured standing charges	Rs 80,000
Turnover during the period of dislocation (i.e. from 1st March 2020 to 31st July 2020)	Rs 8,00,000
Standard turnover for the corresponding period in the preceding year (i.e. from 1st March 2019 to 31st July 2019)	Rs 20,00,000

(3)

Annual turnover for the year immediately preceding the fire (i.e. from 1st March 2019 to 28 <sup>th</sup> February 2020)	Rs 44,00,000
Increased cost of working	Rs 1,50,000
Savings in insured standing charges	Rs 30,000
Reduction in turnover avoided through increase in working cost	Rs 4,00,000

Owing to reasons acceptable to the insurer, the special circumstances clause stipulates for:

(a) Increase of turnover standard and annual by 10%

(b) Increase of rate of gross profit by 2%

10. Jain and Company have a Hire Purchase Department. Goods are sold on hire purchase at cost plus 33.33%. From the following particulars prepare Shop Stock Account, Hire Purchase Debtors Account, Hire Purchase Stock Account and Hire Purchase Adjustment Account January 1, 2020:

Stock out with hire-purchase customer at selling price	Rs 4000
Stock at shop at cost	Rs 500
Instalments due	Rs 300
December 31, 2020:	
Cash received from customer	Rs 8000
Goods repossessed (instalment due Rs 2000) valued at Rs 500 which has been included at the end at Rs 500	
Instalment due, customers paying	Rs 500
Stock at shop at cost	Rs 1200
Stock out with Hire Purchase customers at selling price	Rs 4600

Verify your results by preparing Hire Purchase Trading Account.

### Section-C

11. Explain amalgamation under AS-14. What entries are passed by transferee company in its books when amalgamation is: (a) In the nature of Purchase (b) in the nature of Merger

(Marks 5+5+5)

12. What do you understand by internal reconstruction? Discuss the legal procedure involved in internal reconstruction. Also, explain the accounting procedure followed at the time of internal reconstruction.

(Marks 5+5+5)

(4)

13. From the ledger balances and information given below, prepare Consolidated Balance Sheet of H and S:

**Ledger Balances as on 31-03-2012**

Credit balances	H Ltd. (Rs)	S Ltd. (Rs)	Debit balances	H Ltd. (Rs)	S Ltd. (Rs)
Equity shares of Rs 10 each fully paid	5,00,000	1,00,000	Fixed assets	4,00,000	60,000
Surplus account	2,00,000	60,000	Stock	3,00,000	1,20,000
Reserves	60,000	40,000	Debtors	75,000	85,000
Bills payable	-	15,000	Bills receivable	20,000	-
Creditors	1,10,000	60,000	Shares in S Ltd, 7500 shares at cost	75,000	-
			Preliminary Expenses	-	10,000
<b>Total</b>	<b>8,70,000</b>	<b>2,75,000</b>		<b>8,70,000</b>	<b>2,75,000</b>

Additional information:

- (a) The bills accepted by S Ltd. are all in favour of H Ltd.
- (b) The stock of H Ltd. includes Rs 25,000 bought from S Ltd. at a profit to latter of 20% of sales
- (c) All the profits of S Ltd. have been earned since the shares were acquired by H Ltd. but there were already the reserves of Rs 30,000 at that date.

14. A company went into liquidation with the following details:

Assets realized Rs 7 lakhs. Liquidation expenses Rs 12,60,000. Creditors (including salaries of the staff Rs 8,400) Rs 95,200. Share capital consists of 7,000, 6% preference shares of Rs 30 each (one year dividends are in arrear) Rs 2,10,000; 14,000 equity shares of 10 each, 9 called up and paid up Rs 1,26,000. Commission is 3% on assets realized and 2% on amount paid to shareholders. Under the articles arrears of preference dividends are payable and preference shareholders have the right to receive one-third of the surplus remaining after repaying the equity share capital. Show liquidator's final statement of accounts.