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2008-04

[35 &amp; A-34]

**SARDAR PATEL UNIVERSITY****BBA-ITM (4 YEARS) (Third Semester) (NC) CBCS Examination****20<sup>th</sup> November, 2017, Monday****2.00 to 4.00 p.m.****Corporate Accounting (UM03CBB102) – II****Total Marks: - 60****Note: Figures to the right indicate marks**

**Q.1) Prepare Profit and loss account with necessary notes forming a part of it in vertical format as per revised schedule of Companies Act. (15)**

**OR**

**Q.1) Anil finance Ltd. as registered with a nominal capital of Rs.10, 00,000 divided in to 10,000 equity share of Rs.100 each. From the following information, prepare the profit & loss account y for the year ended as on 31<sup>st</sup> December 2004 in vertical from along with necessary Notes and prepare Note-2 of Reserve & Surplus of Balance sheet (15)**

| <b>Particulars</b>              | <b>Amount<br/>Rs</b> | <b>Particulars</b>        | <b>Amount<br/>Rs</b> |
|---------------------------------|----------------------|---------------------------|----------------------|
| Plant and Machinery             | 30000                | Salaries                  | 20000                |
| Insurance                       | 3000                 | Printing & stationary     | 4000                 |
| Sales                           | 410000               | <b>Stock 1-1-2004</b>     |                      |
|                                 |                      | Raw material              | 30000                |
|                                 |                      | Finished goods            | 20000                |
| Audit fees                      | 2000                 | Rent                      | 6000                 |
| Purchases                       | 205000               | Rates & taxes             | 3000                 |
| Purchase return                 | 5000                 | Trade expenses            | 4000                 |
| Sales return                    | 10000                | Interest & bank charges   | 8000                 |
| Travelling expenses             | 10000                | Carriage inward           | 9000                 |
| General expenses                | 1000                 | Bad debts provision       | 5000                 |
| Furniture & fittings            | 12000                | Advertisement             | 6000                 |
| Trade receivable                | 200000               | Legal charges             | 1000                 |
| Bad debts                       | 2000                 | Profit & loss A/c (Cr.)   | 300000               |
| Manufacturing wages             | 70000                | 5% debenture              | 500000               |
| Share premium                   | 50000                | Debenture interest        | 12500                |
| Capital reserve                 | 60000                | Debenture redemption fund | 300000               |
| Interest on investment received | 10000                | General reserve           | 200000               |

The following additional information are also available:

- 1) Prepaid expense – insurance Rs. 500
- 2) Outstanding (unpaid) expense – Rent Rs .1000, Salaries Rs.200 & Debenture interest for 6 Months.

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- 3) Depreciation to be provided at @ 10% on plant & Machinery & Furniture & fittings.
- 4) A provision for bad & Doubtful Debts is to be created at @ 5% on sundry Debtors.
- 5) Stock on 31<sup>st</sup> December 2004 was valued at Raw material 50000, Finished goods 50000
- 6) The Board of Directors has decided to make the following appropriations:
  - i. Provision for Taxation : Rs.30000
  - ii. Proposed Equity dividend : Rs. 150000
  - iii. Transfer to General Reserve : Rs.120000
  - iv. Transfer to Debenture Redemption Fund Rs.50000

**Q.2) (A) Write a detailed note on amalgamation and purpose of the same. (05)**

**(B)** Shanker Ltd. and Jaykishan Ltd. decided to amalgamate on 1<sup>st</sup> July, 2015. A new company called Mukesh Ltd. was formed to take over the business of both the companies. The Balance sheets of the two amalgamating companies as on 30<sup>th</sup> June, 2015 were as follows: **(10)**

**Shanker Ltd**

| Liabilities                         | Rs.             | Assets                | Rs.             |
|-------------------------------------|-----------------|-----------------------|-----------------|
| <b>Share Capital:</b>               |                 | Land & Building       | 40,000          |
| 2,000 Equity Shares of Rs. 100 each | 2,00,000        | Machinery             | 60,000          |
| Creditors                           | 50,000          | Stock                 | 20,000          |
| Creditors for outstanding Rent      | 1,000           | Debtors               | 70,000          |
|                                     |                 | Cash                  | 11,000          |
|                                     |                 | Profit & Loss Account | 50,000          |
|                                     | <b>2,51,000</b> |                       | <b>2,51,000</b> |

**Jaykishan Ltd**

| Liabilities                         | Rs.             | Assets            | Rs.             |
|-------------------------------------|-----------------|-------------------|-----------------|
| <b>Share Capital:</b>               |                 | Goodwill          | 25,000          |
| 3,000 Equity Shares of Rs. 100 each | 3,00,000        | Land & Building   | 1,50,000        |
| Reserve Fund                        | 50,000          | Plant & Machinery | 1,25,000        |
| Dividend Equalization Fund          | 25,000          | Stock             | 50,000          |
| Profit & Loss Account               | 40,000          | Debtors           | 1,00,000        |
| Creditors                           | 37,000          | Prepaid insurance | 2,000           |
|                                     | <b>4,52,000</b> |                   | <b>4,52,000</b> |

The new company issues its Equity Shares of Rs. 100 each in payment of purchase price. You are requested to pass necessary entries and prepare new balance sheet in the books of Mukesh Ltd.

**OR**

**Q.2) The Balance Sheet of Pavan Ltd. and Putra Ltd. as on 31.03.2015 are as under: (15)**

## Balance sheet

| Liabilities           | Pavan    | Putra     | Assets           | Pavan    | Putra     |
|-----------------------|----------|-----------|------------------|----------|-----------|
| 10,000 Equity shares  |          |           | Goodwill         | 50,000   | -         |
| Each of Rs. 100, Rs.  |          |           | Land & Building  | 3,24,000 | 5,00,000  |
| 70 paid up            | 7,00,000 |           | Plant            | 1,80,000 | 3,00,000  |
| 10,000 Equity shares  |          |           | Furniture        | 36,000   | 1,00,000  |
| Of Rs. 100 each       |          | 10,00,000 | Stock            | 1,40,000 | 1,80,000  |
| Shares Premium        | 10,000   | 5,000     | Debtors          | 50,000   | 1,55,000  |
| Profit & Loss Account | 5,000    | 50,000    | Bank             | 20,000   | 60,000    |
| 5% Debentures         | -        | 1,00,000  | Preliminary Exp. | -        | 5,000     |
| Accrued int. on Deb   | -        | 5,000     |                  |          |           |
| Creditors             | 50,000   | 1,00,000  |                  |          |           |
| Bills Payable         | 35,000   | 40,000    |                  |          |           |
|                       | 8,00,000 | 13,00,000 |                  | 8,00,000 | 13,00,000 |

On this date two companies decided to amalgamate and for made a new company Pavanputra Ltd. with an authorized capital of Rs. 25,00,000 which is divided into 15,000 Equity share of Rs. 100 each and 10,000 9% Preference share of Rs. 100 each. The following term are agreed upon for Pavan Ltd.

- (1) The equity shareholders will be given one fully paid equity share with 10% premium and fully paid 9% Preference shares at par of Pavanputra Ltd. for every 4 shares held by them.
- (2) Book value of fixed assets (except Goodwill) is 10% less than the market value. Fixed assets are to be taken up at the market price.
- (3) All current assets and current liabilities are to be taken up at book value.

## For Putra Ltd.

- (1) The equity shareholders will be given 3 fully paid equity share with 10% premium and 2 fully paid 9% Preference shares at par of Pavanputra Ltd. for every 5 share held by them and Rs. 10,000 in cash.
- (2) The 5% Debenture holders will be given 1% Debentures of Rs. 100 each at Rs. 105 of Pavanputra Ltd., to discharge their liability with accrued interest.
- (3) Book value of Stock is 20% more than its market value, Stock is to be taken up at the market price
- (4) All the fictitious assets and current liabilities are to be taken up at the book value.

Determine Purchase Consideration and pass journal entry in the books of Pavanputra Ltd. and Balance Sheet of new company.

Q.3) Following are summarized Balance-Sheets of Kavni Ltd. as on 31-12-11 and 31-12-12 (15)

| Liabilities      | 2011    | 2012    | Assets             | 2011    | 2012    |
|------------------|---------|---------|--------------------|---------|---------|
| Eq.Sh. Capital   | 1000000 | 1200000 | Fixed Assets       | 1900000 | 2010000 |
| 8% Pref Sh. Cap. | 500000  | 400000  | Stock              | 500000  | 650000  |
| 10% Debentures   | 200000  | 100000  | Bills Rec.         | 130000  | 100000  |
| Reserves         | 500000  | 600000  | Debtors            | 270000  | 350000  |
| P&L A/C          | 300000  | 400000  | Establishment Exp. | 100000  | 50000   |
| Tax Provision    | 175000  | 200000  |                    |         |         |
| Bills Payable    | 125000  | 50000   |                    |         |         |

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|                |                |                |  |                |                |
|----------------|----------------|----------------|--|----------------|----------------|
| Bank Overdraft | 50000          | 60000          |  |                |                |
| Creditors      | 50000          | 60000          |  |                |                |
|                | <b>2900000</b> | <b>3160000</b> |  | <b>2900000</b> | <b>3160000</b> |

Additional Information:

**Particulars**

|  | <b>2011</b> | <b>2012</b> |
|--|-------------|-------------|
| Sales (cash sales is 1/5 <sup>th</sup> ) | 20,00,000   | 25,00,000   |
| Purchase                                 | 15,00,000   | 18,00,000   |
| Profit after Tax (tax rate 50%)          | 50,000      | 75,000      |
| Market Price of Eq. Shares               | 18          | 20          |
| Opening stock                            | 4,50,000    |             |

You are required to calculate:

- (1) Stock Turn-Over Ratio
- (2) Creditors Ratio (300 Days)
- (3) Gearing Ratio
- (4) Gross Profit Ratio
- (5) Current Ratio

OR

**Q.3)**

**(15)**

From the above mentioned question calculate following ratios.

- 1) Debt Equity Ratio
- 2) Debtors Ratio (300 Days)
- 3) Price Earnings Ratio
- 4) Liquid Ratio
- 5) Fixed Asset Turn Over Ratio

**Q.4) The followings are summarized Balance Sheets of Kavni Limited**

**(15)**

| <b>Liabilities</b> | <b>31/3/2011</b> | <b>31/3/2012</b> | <b>Assets</b>    | <b>31/3/2011</b> | <b>31/3/2012</b> |
|--------------------|------------------|------------------|------------------|------------------|------------------|
| Equity sh. Capital | 4,50,000         | 4,50,000         | Machinery        | 4,00,000         | 3,20,000         |
| General Reserve    | 3,00,000         | 3,10,000         | Investments      | 50,000           | 60,000           |
| Profit & Loss A/C  | 30,000           | 35,000           | Stock            | 2,00,000         | 1,95,000         |
| Capital Reserve    | 26,000           | 33,000           | Bills Receivable | 40,000           | 15,000           |
| Debentures         | -----            | 2,70,000         | Debtors          | 2,00,000         | 4,55,000         |
| Creditors          | 90,000           | 75,000           | Bank Balance     | 1,59,000         | 1,97,000         |
| Bills Payable      | 78,000           | 59,000           |                  |                  |                  |
| Taxation Provision | 75,000           | 10,000           |                  |                  |                  |
|                    | <b>10,49,000</b> | <b>12,42,000</b> |                  | <b>10,49,000</b> | <b>12,42,000</b> |

Other Information:

- (1) During the year Machinery of Rs.10,000 sold at profit and the profit of same credited to Capital Reserve. There is no other amount credited to Capital Reserve during the year.
- (2) During the year Investments of Rs.8,000 were sold at Rs.8,500, and new investments of Rs.18,000 was purchased.
- (3) During the year Dividend of Rs.40,000 paid.
- (4) Provide Rs.15,000 for taxation Provision and Rs.50,000 for Depreciation on Machinery.

You are require to prepare Fund-Flow Statement.

OR

**Q.4) From above mentioned question you are require to prepare Cash-Flow Statement. (15)**