

FACULTY OF COMMERCE**B.Com. III – Semester (CBCS) Examination, June/July 2019****(Common Paper for General / Computers / Computer Applications / Advertising / Foreign Trade and Taxation Courses)****Subject: Advanced Accounting****Paper Code – BC – 304****Time: 3 Hours****Max.Marks: 80****PART – A (5x4 = 20 Marks)
[Short Answer Type]****Note: Answer any five of the following questions.**

- 1 What do you mean by Gaining Ratio?
- 2 Write a short note on Garner Vs. Murray Case.
- 3 Radha and Rani carrying on business in partnership sharing profits in the ratio of 5:3 admitted Rukmini into partnership. Their new profit sharing ratio is 8:5:3. Find the Sacrificing Ratio of Radha and Rani. Distribute the Goodwill Rs. 9,000 bought by Rukmini.
- 4 Dhanush Ltd. issued 2,000 shares of Rs. 10 each, payable Rs 3 on application, Rs. 4 on allotment and Rs. 3 on first and final call. All the shares were duly subscribed and amount received. Pass Journal entries in the books of the Company.
- 5 Following items appear in the Trial Balance of S Ltd. as on 31st March, 2018.

Particulars	Cr Amount (Rs.)
4,500 Equity Shares of Rs. 100 each	4,50,000
Capital Reserve (including Rs. 40,000 being Profit on Sale of Plant)	90,000
Securities Premium Account	40,000
Capital Redemption Reserve	30,000
General Reserve	1,05,000
Surplus Account (Cr. Balance)	65,000

The company decided to issue to equity shareholders bonus shares at the rate of one share for every three shares held. Pass journal entries in the books of 'S' Ltd.

- 6 Kalyan Ltd decided to purchase a business. The profits for the last four years are:
2015 – Rs. 60,000, 2016 – Rs. 75,000, 2017 – Rs. 72,000 and 2018 – Rs. 69,000.
The business was looked after by the management. Remuneration from alternative employment if not engaged on the business comes to Rs. 9,000 p.a. Find the amount of goodwill, if it is valued on the basis of 3 year purchase of the average net profit for the last four years.
- 7 In an organization there were 25 workers before incorporation and they were paid wages at Rs. 1,000 p.m. each. After incorporation there were 35 workers and they were paid Rs. 1,250 each per month. Find out the pre-incorporation, and post incorporation Wages.
- 8 What is Reserve Capital?

PART – B (5x12 = 60 Marks)
[Essay Answer Type]

Note: Answer the following questions in not exceeding 4 pages each.

- 9 a) What do you mean by Partnership Deed? Distinguish between admission and retirement of a partner.

OR

- b) A, B and C are partners in a business, sharing profits and losses in 3:2:1. Their Balance Sheet as on 30th June 2017 was as follows:

Liabilities	Rs.	Assets	Rs.
Sundry Creditors	1,600	Cash in Hand	600
Reserve Fund	6,000	Cash at Bank	1,000
Capitals:		Sundry Debtors	9,000
A	10,000	Stock in Hand	7,000
B	10,000	Machinery	6,000
C	10,000	Building	14,000
	37,000		37,600

On that date 'C' retires from business. It is agreed to adjust the values of assets as follows:

- To make a provision of 5% on Sundry Debtors for Doubtful debts.
- To depreciate Stock by 5% and Machinery by 10%
- Buildings to be revalued at Rs. 15,100.

Prepare Revaluation Account, Partners Capital Accounts and Balance Sheet of the continuing partners on July 1, 2017.

- 10 a) Define Dissolution of a Firm. What are the steps involved on dissolution of partnership firms.

OR

- b) X, Y and Z were partners sharing profits and losses equally. Balance Sheet of the firm stood as follows on 31-03-2017.

Liabilities	Rs.	Assets	Rs.
Sundry Creditors	50,000	Cash at Bank	5,000
Bank Loan	20,000	Debtors	20,000
Capitals		Stock	60,000
X	50,000	Investments	10,000
Y	40,000	Plant	50,000
	90,000	Furniture	5,000
		Y's Capital Account (Over drawn)	10,000
	1,60,000		1,60,000

The firm was dissolved on 31-03-2017. The firm assets realized as follows:

Plant Rs. 32,000, Stock Rs. 33,500 and Debtors Rs. 18,000.

'X' agreed to take over Investments at Book value and 'Z' took over Furniture at Rs. 14,000. The cost of realization amounted to Rs. 5,00. 'Y' is insolvent, but his partners recover Rs. 3,500 from his private estate. Close the books of the firm in accordance with the decision Garner Vs. Murray.

- 11 a) What do you mean by Bonus Shares? What are the various sources from which these are issued?

OR

- b) A company invited the public to subscribe for 1,00,000 Equity Shares of Rs. 10 each at a premium of Rs. 1 per share payable on allotment, payments are to be made as follows:

On application Rs. 3; On allotment Rs. 3(including premium); On first call Rs. 3; and on final call Rs. 2.

Applications were received for 1,30,000 shares; applications for 20,000 shares were rejected and allotment was made proportionately of the remaining applicants. Both the calls were made and all the moneys due were received except the final call on 3,000 shares which are forfeited after due notice. Later all these shares were re-issued as fully paid at Rs. 8.50 per share. Pass Journal entries.

- 12 a) How the profit prior to incorporation is ascertained and for what purpose can it be utilized.

OR

- b) The following is the Trial Balance of 'R' Ltd as on December 31st, 2017.

	Dr. (Rs)	Cr. (Rs)
Stock	12,500	
Sales	--	40,000
Purchases	34,500	
Wages	5,000	
Discount	700	
Salaries	750	
Rent	495	
General Expenses	1,705	
Surplus Account as at 1-1-17		2,003
Dividend paid	900	
Capital, 1000 shares of Rs. 10 each		10,000
Debtors and Creditors	3,750	1,750
Machinery	2,900	
Cash	1,620	
Reserve		11,550
Bad debts	483	
	65,303	65,303

Prepare Statement of Profit & Loss and Balance Sheet after taking into account the following information:

- a) Closing Stock Rs. 30,000
- b) Purchases include Rs. 500 machinery purchased on 1-7-17.
- c) On 31-12-2017 goods worth Rs. 3,000 were sold to a customer. He has taken away the goods. But no entry is recorded.
- d) Directors declared 10% as final dividend.
- e) Income Tax Rs. 3,000.
- f) Transfer to Reserve Fund Rs. 2,000.

13 a) What is the importance of valuation of shares? Discuss various methods for valuation of shares. <https://www.osmaniaonline.com>

OR

b) Following is the Balance Sheet of ICM Co. Ltd. as on 31-12-2016.

	Rs.	Rs.
I Equity and Liabilities:		
1 Shareholder's Funds:		
a) Share Capital 10,000 Equity shares of Rs. 10 each		1,00,000
b) Reserves and Surplus:		
i) General Reserve		10,000
ii) Surplus Account:		
Balance as on 1-1-2016	5,000	
Profit Before Tax	40,000	
		45,000
2 Non-Current Liabilities:		
6% Debentures		25,000
3 Current Liabilities		
a) Creditors		10,000
b) Provision for Taxation		5,000
Total		1,95,000

	Rs.
II Assets:	
1 Non-Current Assets	
a) Fixed Assets:	
i) Tangible Assets:	
Land & Buildings	45,000
Plant	40,000
ii) Intangible Asset:	
Goodwill	20,000
b) Investment (Long term)	20,000
2 Current Assets	
Stock	25,000
Debtors	20,000
Bank	25,000
Total	1,95,000

The assets were revalued as under:

Plant Rs. 50,000; Land & Building Rs. 40,000; Investment Rs. 25,000; Profit includes Rs. 1,000 Income from Investment.

Calculate the value of Goodwill on the basis of three years purchase of super profit. Normal rate of return in this type of business 12%. Tax rate is 50%, Depreciation on Plant is 5% and on Building is 10%.

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