B.COM. CBCS
SEM-IV (MAY 2019)

Duration : 3 Hours

Maximum Marks : 75

1. (*a*) The books of Essex Ltd. showed the following balances on 31st March, 2017:

	₹
(*i*) 30,000 Equity Shares of ₹ 10 each fully paid	3,00,000
(*ii*) 5,000, 10% Redeemable Preference Shares of ₹ 100 each fully paid	5,00,000
(*iii*) 1000, 8% Redeemable Preference Shares of ₹ 100 each, ₹ 70 paid up	70,000
(*iv*) General Reserve	1,50,000
(*v*) Profit and Loss Account	3,20,000
(*vi*) Securities Premium	30,000
(*vii*) Investment	2,40,000
(*viii*) Cash at Bank	79,200

On 1st April, 2017 the Board of Directors decided to redeem 10% Preference Shares at a premium of 8%. In order to pay off Preference Shareholders the company decided to sell the investments, utilise company's fund and to raise the balance by the issue of sufficient number of Equity Shares of ₹ 10 each at a premium of Re. 1 per share subject to leaving a cash balance of ₹ 19,200 after such redemption. Investments were sold for ₹ 2,16,000. Show necessary Journal Entries to record the transactions. (10)

(*b*) Explain the provisions of Companies Act, 2013 regarding conditions for Buy-Back of Shares. (5)

Or

(*a*) On 1st April, 2017 AG Ltd. had 1,000, 12% Debentures of ₹ 100 each. The interest is payable on 30th September and 31st March every year. The company acquired in the open market the following Debentures for immediate cancellation:

(*i*) June 30th, 2017, 200 Debentures @ ₹ 98 (cum-interest);

(*ii*) November 1st, 2017, 100 Debentures @ ₹ 100.25 (cum-interest)

(*iii*) February 1st, 2018, 100 Debentures @ ₹ 98.50 (ex-interest).

Write necessary journal entries in books of the company, ignoring brokerage and income-tax. (10)

(*b*) What do you mean by 'Book Building' method in context of issue of shares? What are its advantages? (5)

2. The following is the Trial Balance of PQR Ltd. as on 31st March 2018:

Particulars	**Debit (₹)**	**Credit (₹)**
Equity Share Capital (₹ 10 per share fully paid up)		10,00,000
12% Bank Loan		2,00,000
Surplus Account		3,70,000
Trade Creditors		1,60,000
Sales		58,40,000
Sales and Purchase Returns	24,000	30,000
Provision for bad debts		40,000
Building (at cost)	5,00,000	
Machinery (at cost)	15,00,000	
Stock	1,20,000	
Trade Receivables	5,00,000	
Bad debts	21,000	
Cash and Bank	49,000	
Interim Dividend Paid @ 5%	50,000	
Corporate Dividend Tax on interim dividend	10,000	
Purchases	41,00,000	
Salaries	7,49,000	
Manufacturing Expenses	2,30,000	
Auditor's Fees	60,000	
Provision for depreciation on building		80,000
Provision for depreciation on Machinery		2,90,000
Bills Receivables	35,000	
Director's Sitting fees	50,000	
Preliminary Expenses	12,000	
	80,10,000	80,10,000

From the abovementioned balances and the following information prepare the year end Statement of Profit and Loss and Balance Sheet of the company as per Schedule III of Companies Act, 2013—

(i) Stock on 31st March 2018 was valued at ₹ 2,00,000.

(ii) Provide 5% for depreciation on cost for Building and 10% for depreciation on cost for Machinery.

(iii) Maintain provision for bad debts at 2% on debtors.

(iv) Make a provision of 40% for income tax.

(v) Transfer ₹ 27,000 to general reserve.

(vi) Write off preliminary expenses.

(vii) Bank loan was raised on 15th October 2017.

(viii) The company is disputing a claim of ₹ 10,000 for workmen's compensation. (15)

Or

Balance sheet of Diamond Ltd. as on 31st March 2017 is :

	Particulars		Amount (₹)
I.	**Equity and Liabilities**		
	1. Shareholder's funds		
	(a) Share Capital- 3000 shares of ₹ 100 each		3,00,000
	(b) Reserves and Surplus-		
	General Reserve		1,50,000
	Profit and Loss A/c		30,000
	2. Current Liabilities		
	(a) Trade Payables- Sundry Creditors		1,28,000
		Total	6,08,000
II.	**Assets**		
	1. Non-current Assets		
	(a) Fixed Assets		
	(i) Tangible Assets		
	Land and Building		1,50,000
	Plant and Machinery		1,80,000
	(ii) Intangible Assets-		
	Patents and Trademarks		78,000
	2. Current Assets		
	(a) Inventories		48,000
	(b) Trade receivables		90,000

	(c) Cash and Cash Equivalents- Bank Balance	62,000
	Total	6,08,000

Or

(a) The expert valuer valued the Land and Building at ₹ 3,00,000; Goodwill at ₹ 1,60,000 and Plant and Machinery at ₹ 1,70,000. The profits of the company are as follows:

2014-15 : ₹ 80,000;

2015-16 : ₹ 90,000;

2016-17 : ₹ 1,30,000.

Similar type of company earns at 10% of the value of their shares.

Ascertain the value of shares of the company under:

(i) Intrinsic value Method

(ii) Yield Value Method (10)

(b) What are the factors determining Goodwill of a firm? (5)

3. The Balance Sheet of Apex Ltd. as at 31st March, 2017 is as follows:

Particulars	**Note No.**	**Figures at the end of current reporting period (₹)**
EQUITY AND LIABILITIES		
Shareholders' Funds		
(a) Share capital	1	5,00,000
(b) Reserves and Surplus	2	1,30,000
Non-Current Liabilities	3	2,10,000
Current Liabilities	4	75,000
Total		9,15,000
ASSETS		
Non-Current assets		
Fixed assets		
(a) Tangible assets	5	5,65,000
(b) Intangible Assets	6	60,000
Current Assets		
(a) Inventories		80,000
(b) Trade Receivables		1,80,000
(c) Cash and cash equivalents		30,000
Total		9,15,000

Notes to accounts:		₹
1. Share capital		5,00,000
Equity share capital		
Issued, subscribed and fully paid:		
40,000 of ₹ 10 each	₹ 4,00,000	
10% Preference Share Capital		
Issued, subscribed and fully paid:	₹ 1,00,000	
1,000 of ₹ 100 each		
2. Reserves and Surplus		1,30,000
General Reserve	₹ 50,000	
P&L A/c	₹ 80,000	
3. Non-Current Liabilities		2,10,000
12% Debentures	₹ 165,000	
Staff Provident Fund	₹ 45,000	
4. Current Liabilities		75,000
Trade payables	₹ 75,000	
5. Tangible Assets		5,65,000
Land and Building	₹ 2,25,000	
Plant and Machinery	₹ 3,00,000	
Furniture	₹ 40,000	
6. Intangible assets		
Goodwill	₹ 60,000	

On 1st April, 2016 Aru Ltd. acquired all assets (except cash to the extent of ₹ 12,000) and liabilities of Apex Ltd. on the following terms:

(*i*) The assets of Apex Ltd. to be valued as follows: Goodwill at ₹ 40,000, land and building at 20% more than book value, plant and machinery and furniture at 10% less than book value, sundry debtors at book value subject to a provision of 5% for doubtful debts and other assets at book values.

(*ii*) The purchase consideration to be discharged by issue of 30,000 equity shares of ₹ 10 each at a premium of 10%, 1100 10% preference shares of ₹ 100 each at par and the balance in cash.

(*iii*) Debenture holders of Apex Ltd. be discharged by issue of sufficient 12% debentures of ₹ 100 each at a premium of 10% in Aru Ltd.

(*iv*) The expenses of liquidation of Apex Ltd. amounted to ₹ 12,000.

You are required to prepare (*i*) Realisation Account, (*ii*) Preference Shareholders Account, (*iii*) Equity Shareholders Account, and (*iv*) Bank Account, in the books of Apex Ltd. and Pass Journal Entries in the books of Aru Ltd. (15)

Or

The summarised Balance Sheet of Rathi Ltd. as at 31st March, 2017 was as follows :

Particulars	Note No.	Figures at the end of current reporting period (₹)
EQUITY AND LIABILITIES		
Shareholders' Funds		
(*a*) Share Capital	1	5,00,000
(*b*) Reserves and Surplus	2	(1,42,800)
Non-Current Liabilities	3	80,000
Current Liabilities	4	64,800
Total		5,02,000
ASSETS		
Non-Current assets		
(*a*) Fixed assets		
Tangible assets	5	2,80,000
Intangible assets	6	20,000
(*b*) Non-current investments		24,000
Current Assets		
(*a*) Inventories		54,000
(*b*) Trade Receivables		1,18,000
(*c*) Cash and cash equivalents		6,000
Total		5,02,000

		₹
Notes to accounts:		
1. *Share capital*		5,00,000
Equity share capital:		
40,000 shares of ₹ 10 each amount paid up on each share ₹ 7.50	₹ 3,00,000	
Preference Share Capital:		
2,000 9% Preference Shares of ₹ 100 each fully paid up	₹ 2,00,000	
2. *Reserves and Surplus*		(1,42,800)
Profit and Loss A/c (Deficit in statement of Profit and Loss)		

3. *Non-Current Liabilities*		
Unsecured long term loan		80,000
4. *Current Liabilities*		64,800
Sundry Creditors	₹ 48,000	
Bank overdraft	₹ 16,800	
5. *Tangible Assets*		2,80,000
Land and Building	₹ 1,60,000	
Plant and Machinery	₹ 1,20,000	
6. *Intangible assets*		20,000
Goodwill	₹ 20,000	

Dividend on Preference Shares has not been declared for two years.

No provision has been made for Sales Tax liability of ₹ 9000.

The following scheme of reorganisation was approved and confirmed by the court:

(*a*) Uncalled capital is to be called up in full and equity shares are to be reduced to ₹ 5 per share.

(*b*) Sales Tax liability of ₹ 9,000 is to be paid immediately.

(*c*) Land and building are to be shown in the Balance Sheet at full market value of ₹ 2,20,000 and Goodwill is to be written off.

(*d*) Trade creditors have consented for 25% of remission of liability on a condition that 25% of net liability after remission is paid forthwith and the balance is paid within one year.

(*e*) Investments are to be taken over by Bank in full settlement of the overdraft balance.

(*f*) Preference shareholders have agreed to give up their right for the two year dividend and accept 12 fully paid equity shares of ₹ 5 each for each fully paid preference share.

Pass journal entries to bring the scheme into effect and prepare reconstruction account. (15)

4. Following are the balance sheets of H Ltd. and S Ltd. as at 31st March 2016:

Particulars	Note No.	H Ltd.	S Ltd.
EQUITY AND LIABILITIES			
Shareholders' Funds			
(*a*) Share capital	1	20,00,000	5,00,000
Fully paid shares of ₹ 10 each	2	13,00,000	5,00,000
(*b*) Reserves and Surplus		-	-
Non-Current Liabilities	3	10,00,000	5,00,000
Current Liabilities			

Particulars	Note No.	H Ltd.	S Ltd.
Total		43,00,000	15,00,000
ASSETS			
Non-Current assets			
(*a*) Fixed assets			
Tangible assets		16,00,000	12,00,000
(*b*) Non-Current Investments	4	23,00,000	
Current Assets	5	4,00,000	3,00,000
Total		13,00,000	15,00,000

Notes to accounts:

			H Ltd. (₹)	S Ltd. (₹)
1. *Share capital*			20,00,000	5,00,000
Equity share capital				
Fully paid shares of ₹ 10 each				
2. *Reserves and Surplus*			13,00,000	5,00,000
General Reserve	H Ltd.	S Ltd.		
1st April 2015	₹ 3,00,000	₹ 1,00,000		
Surplus:				
Balance on				
1st April 2015	₹ 6,00,000	₹ 3,00,000		
Profit for the year	₹ 4,00,000	₹ 1,00,000		
3. *Current Liabilities*	H Ltd.	S Ltd.	10,00,000	5,00,000
Creditors	₹ 8,00,000	₹ 4,00,000		
Bills payable	₹ 2,00,000	₹ 1,00,000		
4. *Non-Current investments*			23,00,000	
(80% shares of S Ltd. acquired on 151 October 2015)				
5. Current Assets	H Ltd.	S Ltd.	4,00,000	3,00,000
Debtors	₹ 2,00,000	₹ 2,00,000		
Bills receivable	₹ 2,00,000	₹ 1,00,000		

Bills Payable issued by S Ltd. have been accepted in favour of H Ltd.

Prepare Consolidated Balance Sheet of H Ltd. and S Ltd. as at 31st March, 2016. (15)

Or

(*a*) Following are the extracts of Balance Sheets of H Ltd. and S Ltd. as on 31st March 2017 :

	H Ltd. (₹)	S Ltd. (₹)
Equity Shares of ₹ 10 each fully paid up	9,00,000	2,50,000
General Reserve	1,60,000	40,000
Profit and Loss Account	80,000	25,000
Investment (80% Shares of S Ltd.)	1,55,000	

H Ltd. acquired 15,000 shares of S Ltd. for ₹ 1,55,000 on 1st July 2016.

Profit earned during the year amounted to ₹ 20,000 whereas General Reserve has remained unchanged since 31st March 2016.

Calculate Minority Interest and Cost of Control/Goodwill. (8)

(*b*) Explain the following in context of a banking company :

(*i*) Standard Asset; (*ii*) Sub-Standard Asset and (*iii*) Doubtful Assets. (7)

5. (*a*) Zenith Ltd. had the following balances as on 01 April 2017;

	Amount (₹)
Fixed Assets	11,40,000
Less: Depreciation	(3,99,000)
	7,41,000
Inventory and Trade Receivables	4,75,000
Cash and Bank Balance	66,500
Trade Payables	1,14,000
Bills Payable	76,000
Equity Share Capital (Shares of ₹ 100 each)	5,70,000

The Company made the following transactions for the financial year 2017-18:

(*i*) The company paid an income tax of ₹ 25,000 during the year.

(*ii*) An interim dividend was paid at the rate of 10% (Ignore CDT).

(*iii*) The company acquired fixed assets costing ₹ 1,90,000 after selling one machine for ₹ 38,000 costing ₹ 95,000 and on which depreciation provided amounted to ₹ 66,500.

(*iv*) Inventory and Trade Receivables, Trade Payables and Bills Payables at the end of financial year were ₹ 5,60,500, ₹ 1,48,200 and ₹ 98,800 respectively

(*v*) Profit before tax is ₹ 1,04,500 but after depreciation of ₹ 1,14,000.

Ascertain the cash flows from operating and investing activities for the year 2017-18. (10)

(*b*) Discuss briefly the major classification of cash flows as per AS-3 (Revised). (5)

Or

The following are the summarized Balance Sheets of ABC Company Limited as on 31st March 2017 and 2018 :

	Particulars	Note No.	As at 31st March, 2018 (₹)	As at 31st March, 2017 (₹)
I	**EQUITY AND LIABILITIES**			
	1. *Shareholders' funds*			
	(*a*) Share capital		9,00,000	8,00,000
	(*b*) Reserves and surplus	1	4,32,000	3,62,000
	2. *Non-current liabilities*			
	(*a*) Long-term borrowings	2	-	1,50,000
	3. *Current liabilities*			
	(*a*) Short Term Borrowings		-	-
	(*b*) Trade payables		5,53,000	2,15,000
	(*c*) Other current liabilities		-	-
	(*d*) Short-term provisions	3	55,000	55,000
	Total		19,40,000	15,82,000
II	**ASSETS**			
	1. *Non-current assets*			
	(*a*) Fixed assets			
	(*i*) Tangible assets	4	10,75,000	6,66,000
	(*b*) Non-current investments		36,000	1,78,000
	2. *Current assets*			
	(*a*) Inventories		4,25,000	4,05,000
	(*b*) Trade receivables		3,80,000	2,78,000
	(*c*) Cash and cash equivalents		24,000	40,000
	(*d*) Other Current Assets	5	-	15,000
	Total		19,40,000	15,82,000

Notes to Accounts :

Note No.	Particulars	As at 31st March, 2018 (₹)	As at 31st March, 2017 (₹)
1	Reserves and surplus:		
	Securities Premium	20,000	-
	Surplus	4,12,000	3,62,000
		4,32,000	3,62,000
2	Long-term borrowings:		
	11% Debentures	-	1,50,000

Note No.	Particulars	As at 31st March, 2018 (₹)	As at 31st March, 2017 (₹)
3	Short-term provisions:		
	Provision of Tax	55,000	55,000
4	Fixed Assets :		
	Machinery	13,35,000	9,10,000
	Less: Accumulated Depreciation	(2,60,000)	(2,44,000)
		10,75,000	6,66,000
5	Other Current Assets :		
	Prepaid Expenses	-	15,000

Additional Information:

(*a*) The company paid an interim dividend of ₹ 80,000. Ignore CDT.

(*b*) Purchased a new machinery costing ₹ 5,00,000.

(*c*) Disposed off a fully depreciated machinery having original cost of ₹ 75,000 and no salvage value.

(*d*) New shares were issued during the year at a premium of 20%.

(*e*) Debentures were redeemed on 1st April 2017.

You are required to prepare cash flow statement as per AS-3 (revised) with working notes. (15)

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1. (*b*) Number of equity to be issued : ₹ 24,000
Shares of ₹ 10 each at ₹ 11; CRR : ₹ 2,60,000

1. (*a*) (or) Profit on cancellation of debentures :
₹ 1,000 + ₹ 75 + ₹ 150 = ₹ 1,225

2. Balance Sheet total : ₹ 22,29,000; Profit for the period: ₹ 3,28,200 if loan is assumed to be taken on 1st October and ₹ 3,28,800 if it is taken on 15th October, 2017.

2. (or) Intrinsic value per share : ₹ 260; Yield value per share : ₹ 333.33

3. Purchase consideration : ₹ 6,00,000; Loss on realisation : ₹ 40,000

3. (or) Capital reserve : ₹ 1,73,000; Total of Reconstruction Account : ₹ 3,52,000.

4. Goodwill : ₹ 15,40,000; minority Interest : ₹ 2,00,000; Total of the consolidated Balance sheet : ₹ 49,40,000.

4. (*a*) (or) Capital Reserve on consolidation : ₹ 25,000; minority Interest : ₹ 1,26,000

5. Net Cash inflow from operating activities : ₹ 1,55,000; Net Cash outflow from investing activities : ₹ 1,52,000:

5. (or) Net Cash inflow from operating activities : ₹ 4,52,000;
Net Cash outflow from investing activities : ₹ 3,58,000; Net Cash outflow from financing activities : ₹ 1,10,000.