

FYBBI sem II Reg. Exam May-2022
M. K. S. COLLEGE OF COMMERCE & ECONOMICS

F.Y.B.B.I. (SEM. - II) 1915/22

Name : _____
 Roll No. : _____ Subject : **FINANCIAL ACCOUNTING**

SECTION - B

Note :

- a) All Questions are Compulsory, however each Question has internal choice.
- b) Out of Q. no. 1 (A) & 1 (B) - attempt any one; Out of Q. no. 2 (A) & 2 (B) - attempt any one; Out of Q. no. 3 (A) & 3 (B) - attempt any one And Out of Q. no. 4 (A) & 4 (B) - attempt any one
- c) All Questions have equal marks.
- d) All workings must be part of your answer else your answer will be considered as incomplete and marks may be deducted.

Q. 1 (A) :

From the information given below, find the value of shares by Intrinsic Value method :

Balance sheet as on 31.03.2022

Liabilities		Assets	
1,00,000 Equity Shares of Rs. 10 each, fully paid	10,00,000	Land & Building (Cost)	10,00,000
Capital Reserve	3,00,000	Plant & Machinery (cost)	4,00,000
General Reserve	4,00,000	Patents and Copyrights	2,00,000
Profit and Loss account	2,00,000	Investments (at cost)	1,00,000
Dividend Equalisation Reserve	1,00,000	Closing Stock	6,00,000
Securities Premium	5,00,000	Sundry Debtors	8,00,000
Sundry Creditors	5,10,000	Bank	1,60,000
Worker's Compensation Fund	60,000	Preliminary Expenditure	40,000
Prov. For Depreciation on Plant & machi.	2,00,000		
Prov. For Bad & Doubtful Debts	30,000		
	33,00,000		33,00,000

The Balance sheet does not contain Provision for unassessed taxes, which are estimated to be Rs. 75,000.

The present market value of assets are as follows -

Land & Building	15,00,000
Plant & Machinery	13,00,000
Patents and Copyrights	1,00,000
Investments	1,80,000

Current assets are valued at their book values but bad debt provision should be maintained at 2% of Sundry Debtors.





Q. 1 (B) :

Balance sheet of Diamond Ltd. as on 31.03.2022

Liabilities		Assets	
2,000 Equity shares of Rs. 100 each, fully paid	2,00,000	Land & Building	1,10,000
General Reserve	40,000	Plant & Machinery	2,30,000
Profit & Loss account	32,000	Patents & Trade marks	20,000
Sundry Creditors	2,28,000	Stock	48,000
Income tax Reserve	60,000	Debtors	88,000
		Bank Balance	52,000
		Preliminary Exp.	12,000
	5,60,000		5,60,000

The expert valuer valued the Land & building at Rs. 2,40,000; Goodwill at Rs. 1,60,000 and Plant & Machinery at Rs. 1,20,000. Out of the total Debtors, It is found that Debtors of Rs. 8,000 are bad.

Profits of the company, in past were -

Year Ended 31.03.2020	80,000
Year Ended 31.03.2021	90,000
Year Ended 31.03.2022	1,06,000

The company follows practice of transferring 25% of profits to General Reserve. Similar types of Companies earn at 10% of the value of their shares.

Ascertain the Fair value of shares.

Q. 2 (A) :

Following is the Balance sheet of Surya Ltd. As on 31.03.2022 :

Liabilities		Assets	
<u>Share Capital</u>		Land & Building	60,000
16,000 Equity shares of Rs. 10 each, Rs. 8 paid up	1,28,000	Plant & Machinery	60,000
Profit & Loss account	1,20,000	Furniture	44,000
Security Premium	40,000	Investments	30,000
10% Debentures	40,000	Debtors	94,000
Bank Term Loan	40,000	Bank Balance	1,00,000
Creditors	2,00,000	Stock	40,000
	5,68,000	Bills Receivables	1,40,000
			5,68,000

The Company decides to buy back maximum number of equity shares as may be permitted at a price of Rs. 20 per share; being the current market price.

Pass necessary Journal entries.



Q. 2 (B) :

Following is the Balance sheet of Divya Paints Ltd. As on 31.03.2022 :

Liabilities		Assets	
<u>Share Capital</u>		Land & Building	6,30,000
3,00,000 Equity shares of Rs. 10 each, fully paid	30,00,000	Plant & Machinery	23,50,000
Securities Premium a/c	7,00,000	Furniture	3,50,000
General Reserve	5,05,000	Non Current Investments	3,70,000
Revaluation Reserve	3,50,000	Stock	12,00,000
Long Term Borrowings (14% Deb.)	14,00,000	Advances	50,000
Trade Payable	4,60,000	Trade Receivables	8,90,000
		Cash and Cash equivalents	5,75,000
	64,15,000		64,15,000

On April 1, 2022 the shareholders of the company have approved the scheme of Buy back of equity shares as follows -

- i) 15% of the equity shares would be bought back at Rs. 18
- ii) General Reserve balance may be utilised for this purpose
- iii) premium paid on buy back of shares should be met from Securities Premium account
- iv) Investments would be sold for Rs. 4,00,000.

Pass necessary Journal entries and prepare Balance sheet after the Buy Back.

Q. 3 (A) :

J Ltd. decided to redeem their Preference Shares as on March 31, 2022. Their B/S on that date :

Liabilities		Assets	
<u>Share Capital</u>		Bank Balance	1,40,000
* 4,000 Equity shares of Rs. 100 each	4,00,000	Fixed Assets	5,60,000
<u>Reserves & Surpluses</u>			
* Securities Premium	20,000		
* Capital Reserve	80,000		
* Dividend Equalisation Reserve	1,10,000		
<u>Current Liabilities</u>	90,000		
	7,00,000		7,00,000

The Company redeem the 8% Preference shares at a premium of 5%. To enable the redemption to be carried out, the company decides to issue, after carrying out the necessary formalities required under the law, minimum number of new equity shares of Rs. 100 each, at a premium of 10%. The redemption is duly carried out.

Show necessary Journal entries.



Q. 3 (B) :

The Balance sheet of AMC Ltd. as on March 31, 2022 s given below :

Liabilities		Assets	
Authorised Share Capital		Fixed Assets	3,00,000
* 10,000 Equity shares of Rs. 100 each	10,00,000	Investments	1,00,000
* 20,000 9% Redeemable Preference shares of Rs. 10 each	2,00,000	Cash at Bank	1,10,000
Issued & Paid up Capital		Other Current Assets	7,00,000
* 5,000 Equity shares of Rs. 100 each fully paid	5,00,000		
* 9% Redeemable Preference Shares of Rs. 10 each, fully paid	2,00,000		
Profit & Loss account	1,60,000		
Current Liabilities	3,50,000		
	12,10,000		12,10,000

On April 1, 2022 the Company :

- Redeemed the Preference Shares at a premium of Rs. 2 per share.
- Realised Investments at 60% of the cost.
- Issued at premium of Rs. 40 per share, such number of Equity shares for the purpose of aforesaid redemption so as to ensure that after the compliance with the legal provisions for redemption, the credit balance in Profit & Loss account would be Rs. 25,000.

Show necessary Journal entries.

Q. 4 (A) :

Bharat Manufacturing Limited gave notice to Debenture holders of its intention to redeem its 6% Debentures, amounting to Rs. 8,00,000 of Rs. 100 each and offered the Debenture holders the following three options :

- To convert their holdings in to 5% cumulative Preference Shares of Rs. 20 each at Rs. 25 per share
- To convert their holdings in to 6% Debentures of Rs. 100 each, at PAR
- To redeem their holdings in Cash.

Accordingly Debenture holders for Rs. 4,00,000 accepted option (a), Debenture holders for Rs. 2,00,000 accepted option (b) and remaining Debenture holders accepted the option (c).

Pass necessary Journal Entries.

Q. 4 (B) :

On April 1, 2017 Bharat Manufacturing Ltd. issued 20,000 10% Debentures of Rs. 50 each, at a Discount of 10%, redeemable at PAR after four years. Show all necessary entries in the books of Bharat Manufacturing Ltd. for four years and how these will be shown in each year's Balance sheet.