FYBBI Sem II Reg Exam April-2023

Class: FY-BBI Semester: II Subject: Financial Accounting II Time Allowed: 2.30 hours
Total Marks: 75

20/4/23

N.B: 1. All questions are compulsory.

2. Figures to the right-hand side indicate full marks.

3. Suitable assumptions and working notes should form the part of your answers.

4. Use of Basic calculator is allowed.

5. Write questions for all the objectives.

1.A. Fill in the blanks: (any 8) (8)

1. Goodwill is an _______________ asset.
2. Buyback of shares can be of ______________ paid up shares.
3. Discount on buyback is credited to____________ account.
4. Dividend equalization reserve is a _____________ profit.
5. Fund created to provide funds for redemption is called_______________.
6. Convertible debentures can be redeemed by issue of ______________.
7. ________ shares cannot be redeemed except in case of liquidation of a company.
8. The buyback of shares results in reduction of _____________ capital of a company.
9. Intrinsic value of shares is calculated on the basis of _______value of assets.
10. Capital Redemption Reserve can be used for issue of _____________.

1.B. Rewrite the following statements and state whether the following are true or false: (any 7) (7)

1. The debenture can be redeemed at a discount.
2. The premium on redemption can be provided out of security premium.
3. The shares must be cancelled and destroyed after buyback.
4. Goodwill may be purchased or non-purchased.
5. Intrinsic value is also known as Net Asset Value.
6. Investments are non-trading assets.
7. Buyback must be as per RBI guidelines.
8. Preference shareholders have voting rights.
9. Capital Reserves is a divisible profit.
10. The Debentures can be redeemed whenever company desires.

Q2A) I) The following is the balance sheet of Jinita LTD as on 31st march 2018 (8)

Liabilities	Amount	Assets	Amount
Share capital (40000 shares @ 10)	400000	Land and building	220000
General reserves	80000	Machinery at cost (less depreciation)	230000

Work man saving Fund -	60000	Trade mark	40000
Sundry creditors	196000	Stock	96000
Provision for taxation	120000	Debtor	176000
Profit & Loss A/c	64000	Cash	104000
		Preliminary exp	54000
Total	920000		920000

Adjustments

The machinery is worth Rs 240000 and land and building have been valued at Rs 480000 by independent valuer. Rs 16000 of the debts are bad. The profit of the company has been as follows:

2012- Rs160000; 2013 – Rs180000 and 2014 – Rs 212000. It's the company's practise to transfer25% of profits to reserve. Ignoring taxation find out the value of the shares. Similar companies give an yield of 10% on the market value of their shares. Goodwill may be taken to be worth Rs 320000.

(i) Net asset method (ii) Yield method (iii) Fair value

Q2 A) II) From the following information calculate goodwill as per annuity method:

1. Average capital employed is Rs 15,00,000
2. Normal Rate of profit is 10%
3. Profit for 2012 Rs. 1,75,000; 2013 Rs. 1,60,000; and 2014 Rs. 1,80,000.
4. Profit for 2013 has been arrived after writing of abnormal loss of Rs 15,000 and Profit for 2014 included a non-recurring income of Rs. 20,000.
5. Goodwill is to be calculated on the basis of the annuity of 3 years purchase of super profits.
6. The present value of annuity of Re. 1 for 3 years at 10% is Rs 2.4868.

OR

Q2 B) (8)

I) 1,000 -9% redeemable Debentures of Rs.100 each of X Ltd. are due for redemption at 5% Premium on 31st December 2020. On the same date the balance on Debenture Redemption Reserve was Rs.50,000. On 1st December 2020 X Ltd issued 500 Equity shares of Rs.100 each at 20% premium and 450, 8% Redeemable Preferences Shares of Rs.100 each par. The issue has been fully subscribed and with this amount 1,000 9% Redeemable Preferences Shares of Rs.100 are redeemed.

You are further informed that the company pays interest on these debentures on 31st December every year.

Pass necessary Journal Entries in the books of the company.

Q2 B) (7)

II) Following details are available about the business of Mercury Ltd.

Years	2010	2011	2012
Profits	1,00,000	1,25,000	1,40,000

Adjustments:

1.Profits of 2010 have been reduced by Rs. 15000 because goods were destroyed by fire.

2. Non-Recurring income of Rs 10000 is included in the profit of 2011.

3. Profits of 2012 include Rs 10000 income on investment.

4. Goods have not been insured but it is thought prudent to insure them in future. The insurance premium is estimated at Rs 750 per year.

5. Reasonable remuneration of the proprietor of the business is Rs 12000 per year but it has not been taken into account for calculation of above mentioned profits.

Calculate goodwill on the basis of four years purchase of average profit of last three years.

3.A) The following is the summary Balance sheet of Abhipraya Limited as on 31st March 2012. (15)

Liabilities	Rs.	Assets	Rs.
<u>Share Capital</u>:		Fixed	24,00,000
5,000, 12% Redeemable Preference shares of ₹ 100 each	5,00,000	Assets	5,00,000
10,000 Equity shares of ₹ 100 each	10,00,000	Stock	50,000
Capital Reserve	1,00,000	Debtors	50,000
Securities Premium	1,00,000	Cash	
General Reserve	2,00,000		
Profit and Loss Account	1,00,000		
Current Liabilities	10,00,000		
TOTAL	**30,00,000**	**TOTAL**	**30,00,000**

The Preference shares are to be redeemed on 1st April 2012, at 10 Percent premium.
On 1st April 2012, a fresh issue of Equity shares was made to the extent it is required under the Companies Act for the purpose of the redemption of preference shares.
The shortfall in cash resources for the purpose of redemption after utilizing the proceeds of fresh issue was met by raising bank loan, the cash balance of ₹ 50,000 being the minimum, the company requires for its trading operation.
Draft Journal Entries in the books of the Company to record these share capital transactions and Prepare Balance Sheet, in the form Prescribed by the Companies Act 1956, immediately after redemption.

OR

Q 3 B) The summary Balance Sheet of AMC Ltd as on 31st March 2013 is given below: (15)

Liabilities	Rs.	Assets	Rs.
<u>Authorized Capital</u>:		Fixed Assets	3,00,000
10,000 Equity shares of Rs.100	10,00,000	Investments	2,00,000
20,000-9% Preference shares of Rs.10	2,00,000	Cash at Bank	10,000
		Othe Current Assets	4,00,000
<u>Issued & Paid up Capital</u>:			
5,000Equity shares of Rs.100	5,00,000		
9% Redeemable Preference shares of Rs.10	2,00,000		
Profit & Loss a/c	1,60,000		
Current Liabilities	50,000		
TOTAL	**9,10,000**	**TOTAL**	**9,10,000**

On 1st April 2013 the company

(1) Redeemed the Preference shares at a Premium of Rs.2 pe shares

(2) Realised Investments at 80% of the cost.

(3) Issued at a premium of Rs.40 per share, such number of equity shares for the purpose of redemption as to ensure that after the compliance with the requirement of the Companies Act, 1956 with regards to redemption of Preference shares, the credit balance in Profit & Loss a/c would be Rs.25,000.

You are required to:

(a) **Show Journal entries to record the above transactions.**

(b) **Prepare Balance Sheet thereafter.**

Q4.A) Following is the Summary Balance Sheet of BTC Ltd. (a non-listed company) as on 31/3/2012. (15)

Liabilities	Amount	Assets	Amount
Share capital		Sundry Assets	1220000
60000 equity shares of Rs 10 each Rs 8 paid up	480000	Cash at Bank	200000
10% Preference Share capital Rs 100 Paid	500000		
Securities premium A/c	15000		
Capital Reserves	15000		
General Reserves	60000		
Profit & Loss A/c	50000		
Trade Payables	300000		
	1420000		1420000

Company took all necessary steps to make the equity shares eligible for buy-back. Then company decided to issue 1,200 preference shares at par in order to buy-back 20% equity capital of the company. The new issue was fully subscribed. The company also issued 1000, 10% Debentures of equity share capital from the open market. Pass journal entries and prepare the Balance Sheet of the company.

OR

Q4. B) The Balance Sheet of Ketan Ltd. (a non-listed company) as on 31st March, 2015 is as follow (15)

Liabilities	Amount	Assets	Amount
Equity shares of Rs. 10 each	600000	Fixed Assets	2090000
10% Preference Shares of Rs. 100 Each	150000	Investments	600000
Securities Premium	120000	Current Assets (Including Bank Balance RS. 125000)	810000
General Reserve	200000		
Profit & Loss A/c	180000		
10% Debentures	1000000		
Term Loan from Dena Bank	800000		
Current Liabilities	450000		
	3500000		3500000

Keeping in view all the legal requirements, ascertain the maximum no. of equity shares that Ketan Ltd. can buy back @ Rs 50 per share. Assume that the buyback is actually carried out. Investing costing Rs 300000 sold for 320000. Pass Journal entries.

Q5 A) Explain difference between buyback of shares and redemption of preference share. (8)B) Explain different types of debentures. (7)

OR

A) Write short notes. (Any Three) (15)

1.Capital Redemption Reserve

2.Distinguish between divisible and Non-divisible profit (five points only)

3.Basic condition of calculating Buybacks of shares if offer price is given.

4.Intrinsic value method.

5.Yield Value Method.