

B. Com 5th Semester (Honours) Examination – 2021 (CBCS)

Subject: FINANCIAL ACCOUNTING – III

Paper: CC-11 (5.1 CH)

Time: 3 hours

Full Marks :60

The figures in the margin indicate full marks. Candidates are required to give their answers in their own words as far as practicable.

দক্ষিণ প্রান্তস্থ সংখ্যাগুলি পূর্ণমান নির্দেশক। পরীক্ষার্থীদের যথাসম্ভব নিজের ভাষায় উত্তর লিখতে হবে।

(1) Answer any six questions:

5 x 6 = 30

যে কোনো ছয়টি প্রশ্নের উত্তর দাও:

(a) Papia holds 200 shares of Rs.10 each on which she has paid Rs. 2 as application money. Moyna holds 400 shares of Rs.10 each on which she has paid Rs.2 per share as application money and Rs. 3 per share on allotment money. Bulbul holds 300 shares of Rs. 10 each and has paid Rs. 2 on application, Rs. 3 on allotment and Rs. 3 on first call. They all have failed to pay their arrears on the second and final call of Rs. 2 per share. The directors, therefore, have forfeited their shares. The shares have been issued subsequently for Rs. 12 per share fully paid up.

Give the journal entries relating to the forfeiture and the re-issue of shares.

ইংরেজি প্রশ্ন অনুসরণ করো

(b) Megha Ltd. granted 1000 options at Rs. 40 to its employees under Employees Stock Option Scheme (ESOS). The face value of each option was Rs. 10 and its market price at that time was Rs. 120. Two years were vesting period. All the employees exercised their options fully.

Show the journal entries.

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(c) The following particulars of a company are available:

1. Equity share capital : 10,000 equity shares of Rs. 10 each. Preference share capital :1000 12% preference share of Rs. 100 each fully paid.

2. Reserve and Surplus: Rs. 15,000

3. External liabilities :

Creditors : Rs. 12,000

Bills payable : Rs. 6,000

4. The average normal profit (after taxation) earned each year by the company is Rs. 28,500. Assets of the company include one fictitious item of Rs. 800. The fair or normal rate of return in respect of the equity share of this type of company is ascertained at 10%.

Calculate the fair value of each equity share.

ইংরেজি প্রশ্ন অনুসরণ করো

(d) The Balance sheet of Rocky Ltd. as at 31st March 2021 stood as follows:

I. <u>Equities and Liabilities:</u>	<u>Rs.</u>
(i) Shareholders' funds :	
Share capital (20,000 Equity shares of Rs. 10 each)	2,00,000
(ii) 25000 10% Preference shares of Rs. 10 each fully paid up	2,50,000
(iii) Reserves and Surplus (Deficit in the Statement of Profit & Loss)	(-),28,750
(iv) Non- current liabilities :	
10% Debentures of Rs. 100 each	1,12,750
(v) Current liabilities :	
Trade Creditors	92,500
	4,26,250

II. <u>Assets</u>	
(i) Non Current Assets:	<u>Rs.</u>
Property, Plant and Equipment:	
(a) Building	1,10,000
(b) Plant & Machinery	1,30,000
(c) Furniture & Fixture	25,000
(ii) Current Assets:	
(a) Inventories- Stock in trade	50,000

(b) Trade Receivables – Debtors	35,000
(c) Cash and cash equivalents: Cash at bank	76,250

4,26,250

The company prepared the following scheme of re-construction and it was approved by the court:

- (i) 10% Preference shares will be converted into 12% Preference shares of Rs. 5 each.
- (ii) The Equity shares will be reduced to Rs. 5 per share, Rs. 3 paid up. The call was to be made immediately for acquiring cash.
- (iii) 10% Debentures will be converted into 12% debentures of Rs. 75 each.
- (iv) Trade creditors agreed to waive 40% of their claims in consideration of immediate payments of their dues.
- (v) The assets were revalued as : Building-Rs. 14,000; Plant and Machinery : Rs. 1,20,000 , Furniture : Rs. 38,000; Stock in Trade- Rs. 61,000; Sundry Debtors : Rs. 30,000.

Pass journal entries for the completion of the scheme.

ইংরেজি প্রশ্ন অনুসরণ করে

(e) On 1st April, 2018 Hopeful Ltd. issued 8% debentures of Rs. 6,00,000 on condition that those would be redeemed after 3 years at 10% premium. It also decided to set aside an equivalent amount every year and to invest in 5% Govt. securities. The sinking table showed that 0.3173 at 5% compound interest in three years would become Re. 1. Show the sinking fund account and the sinking fund investment account for the three years assuming that the accounts were closed on 31st March every year. (Calculations are to be made to the nearest rupee).

ইংরেজি প্রশ্ন অনুসরণ করে

(f) Explain the objects of Buyback of shares.

‘Buyback of shares’ এর উদ্দেশ্য ব্যাখ্যা কর.

(g) Distinguish between ‘Brokerage’ and ‘Underwriting commission’.

দালালি এবং ‘দায় গ্রাহকের দস্তুরির মধ্যে পার্থক্য কর.

(h) The following is the Balance Sheet of White Ltd. as on 31.03.2021:

I. Equity and Liabilities

(i) Shareholders’ funds	<u>Rs.</u>
Share capital (20,000 Equity shares of Rs. 10 each)	2,00,000

(ii) Reserves and Surplus :

Depreciation fund:

Building – Rs. 5000

Plant - Rs. 6000 11,000

Surplus balance in the Statement of Profit & Loss 25,320

(iii) Current Liabilities

Trade Payables 1,47,080

Provision for Taxation 7,600

3,91,000

II. Assets

(i) Non-current assets

(a) Building at cost 83,000

(b) Plant at cost 76,000

(c) Goodwill 56,000

(ii) Current assets :

(a) Inventories (Stock in trade) 70,000

(b) Debtors 52,000

(c) Cash at bank 54,000

3,91,000

Further information: The profit of the past five years (before providing for taxation) are as follows:- 2015-16: Rs. 30,800 ; 2016-17: Rs. 37,200 ; 2017-18: Rs. 40,200 ; 2018-19: Rs. 47,400 ; 2019-20: Rs 52,000. Ascertain the value of goodwill of the company assuming that a reasonable rate of return on capital invested for this type of company is 12.5%. Income tax at the rate of 45% is payable on the profits given above.

ইংরেজি প্রশ্ন অনুসরণ করো

2. Answer any three questions:

10 *3 =30

(a) Balance Sheet as at 31.03.2021

	Sun Ltd. (Rs.)	Moon Ltd. (Rs.)
1. Equity and Liabilities		
(i) Shareholders' Funds		
9% Preference share of Rs. 100 each	Nil	300000
Equity shares of Rs. 10 each	400000	500000
Statement of Profit & Loss	500000	(-) 140000
Contingency Reserve	50000	Nil
(ii) Non current liabilities		
4% Debentures	Nil	200000
(iii) Current liabilities		
Trade Payables (Sundry Creditors)	75000	90000
	10,25,000	9,50,000
2. Assets		
i) Non-current assets:		
Plant and Machinery	600000	500000
Building	200000	300000
ii) Current Assets		
Debtors	95000	50000
Stock	65000	60000
Cash at bank	65000	40000
	10,25,000	9,50,000

Other information:

Sun Ltd. and Moon Ltd. agree to amalgamate and form a third company Tara Ltd. which will take over all the assets and liabilities of the two existing companies.

In case of Sun Ltd., the assets and liabilities are to be taken over at book value, for shares in Tara Ltd. at the rate of 5 shares in Tara Ltd. at a premium of 10% for every 4 shares held in Sun Ltd. In the case of Moon Ltd,

(i) The debentures of Moon Ltd. would be paid-off by the issue of an equal number of debentures in Tara Ltd. at a discount of 10%.

(ii) The holders of 9% preference shares of Moon Ltd. would be allotted 4 (four) 7% preference shares in Tara Ltd. for every 5 (five) preference shares in Tara Ltd.

(iii) The equity shareholders would be allotted sufficient shares to cover the balance on their accounts after adjusting asset values by reducing plant and machinery by 10% and providing 5% provision on Sundry Debtors.

Show the journal entries in the books of Moon Ltd. and opening journal entries in the books of Tara Ltd.

ইংরেজি প্রশ্ন অনুসরণ করে

(b) Anand Ltd. invited applications for 20000 Equity shares of Rs. 10 each at a premium of Rs. 2 per share, payable Rs. 3 on application, Rs. 7 on allotment including premium, and the balance on call.

Applications for 25000 shares were received. It was decided:

- (i) To refuse allotment to the applicants for 1000 shares.
- (ii) To allot in full to applicants for 4000 shares.
- (iii) To allot the balance of the available shares pro rata among the other applicants.

Mr. Suchand, who applied for 250 shares (on pro rata basis) failed to pay the allotment and call and Mr. Premchand, holding 100 shares, to whom full allotment was made, failed to pay the amount due on call only. These shares were forfeited.

160 forfeited shares of Mr. Suchand and 40 forfeited shares of Mr. Premchand were re-issued at a discount of 20%.

Show the necessary journal entries in the books of Anand Co. Ltd.

ইংরেজি প্রশ্ন অনুসরণ করে

(c) What do you mean by dividend? Explain the rules regarding dividend according to the Companies Act 2013.

লভ্যাংশ বলতে কি বোঝ? লভ্যাংশ সম্পর্কে কোম্পানি আইনের (2013) নিয়মগুলি ব্যাখ্যা কর.

(d) From the following Balance Sheets of Arun Ltd. and its subsidiary Uday Ltd. drawn up at 31.03.2021, prepare a consolidated balance sheet as at that date, having regard to,

- (i) Reserves and Profit & Loss Account (Cr.) of Uday Ltd. stood at Rs. 25,000 and Rs. 15,000 respectively, on the date of acquisition of its 80% shares held by Arun on 01.04.2020; and
- (ii) Machinery (Book Value Rs. 1,00,000) and Furniture (Book Value Rs. 20,000) of Uday Ltd. were revalued at Rs 1,50,000 and Rs. 15,000 respectively, for the purpose of fixing the price of its shares. There was no purchase or sale of these assets since the date of acquisition.

Balance Sheet of Arun Ltd. and Uday Ltd. as on 31.3.2021

Equities and Liabilities:	Arun Ltd.	Uday Ltd.
(1) Shareholders' Funds :		
(a) Equity shares of Rs. 100 each	500000	100000
(b) Reserves	200000	75000
(c) Profit and Loss A/C	100000	25000
(2) Current Liabilities		
Sundry Creditors	150000	50000
	950000	250000
Assets		
(1) Non-current assets		
Machinery	300000	90000
Furniture	50000	17000
(2) Investment		
Shares in Uday Ltd. 800 at Rs. 200 each	160000	-
(3) Current Assets	440000	143000
	950000	250000

(e) Discuss the steps involved in 'Book Building Method' regarding issue of shares. Distinguish between Book Building Method and Fixed Price Method.

শেয়ার বিলির ক্ষেত্রে 'Book-Building' পদ্ধতির ধাপগুলি বর্ণনা কর।

Book Building Method ও Fixed Price Method এর মধ্যে পার্থক্য লেখো।

5+5=10

(f) The following is the Trial Balance of Libra Ltd. as on 31st March 2021:

Particulars	Dr. Rs	Cr. Rs
Building at Cost	1,96,000	----
Accumulated Depreciation – Building	----	39,200
Land	1,40,000	
Equipment at cost	2,80,000	---
Accumulated Depreciation – Equipment	---	56,000
Profit on Sale of Land	---	50,000
Retained Earnings	---	3,56,000
Repair and Maintenance	38,000	---
Purchase	13,80,000	---
Discount Received	---	20,000
Discount Allowed	29,000	---
Inventory	1,78,000	---
Debtors	2,12,000	---
Provision for Bad debts	---	12,000
Cash and Bank Balance	5,07,200	---
Share Capital (Rs. 10 each)	---	6,00,000
Creditors	---	98,000
Sales	---	22,00,000
Return Inward	35,000	---

Interim dividend paid	60,000	---
Salaries to staff	4,64,000	---
Selling Expenses	68,000	---
Salaries payable	---	36,000
Bond payable	---	2,00,000
Bills payable	---	1,40,000
Bills receivable	2,20,000	---
Total	38,07,200	38,07,200

Additional information:-

- i. Provide depreciation @ 5% on building and 20% on equipment.
- ii. Inventory was valued at Rs. 1,28,000 on 31.3.2021.
- iii. Authorised capital of Rs. 20,00,000 divided into equity shares of Rs. 10 each.
- iv. Bonds were issued on 1.10.20. 12% interest is payable half -yearly.
- v. Income Tax rate is 35%. Ignore corporate dividend tax.

Prepare profit and loss statement for the year ended 31.03.21 and balance sheet as on that date as per schedule III of Companies Act 2013.