B.V. Patel Institute of Business Management, Computer & Information Technology

UkaTarsadia University

2nd Internal Examination, MCOM 1st Semester

Advanced Accounting

Marks: 50

Date:9/10/2017 **Time: 2 hrs.**

Q-1 Answer the following. (Any Eight) **[16]**

1. Define goodwill.
2. State the modes of winding up of company.
3. A,B& C are equal partners in a firm. Goodwill is to be computed on the retirement of A. it is provided in the partnership agreement that on the retirement of a partner, goodwill should be calculated on the basis of three years' purchase of the average profit. the profit and losses for the five years were as follows:
   2007: profit Rs. 10000
   2008: profit Rs. 12000
   2009: profit Rs. 13000
   2010: loss Rs. 5000
   2011: profit Rs. 15000
   Calculate the amount of goodwill payable to A.
4. List out any six factors affecting the value of goodwill.
5. What percentage of profit must be transferred to general reserve before declaring the dividend under section 205 of company act?
6. Define profit.
7. List out any six current asset mentioned in balance sheet.
8. Define liquidation. Step out the process of liquidation.
9. The liquidator has cash on hand of Rs. 20,400 to pay creditors. The liquidator is entitled to remuneration at 2% on the amount distributed to unsecured creditors. What would be the remuneration of the liquidator and payment to creditors?

Q-2 Answer the following. (Any Two) **[20]**

1. The following is the balance sheet is abstracted from Megha ltd. as on 31-3-2012.

Liabilities	**Rs.**	**Assets**	**Rs.**
2000 10% pref. share of Rs. 100 each	2,00,000	Building at cost	2,60,000
80,000 equity shares of Rs. 10 each	8,00,000	Furniture at cost	20,000
General reserve	3,00,000	Stock at market value	9,00,000
Profit & loss a/c Bal. from 2010-11 1,60,000 Profit for 2011-12 8,60,000	10,20,000	5% Govt. security (face value Rs. 8,00,000)	7,60,000
Depreciation fund Building 40,000 Investment 70,000	1,10,000	Debtors 5,00,000 Less: BDR 40,000	4,60,000
creditors	70,000	Bills receivable	20,000
		Cash & bank	70,000
		Preliminary exp.	10,000

	25,00,000		25,00,000

1. The building is now worth Rs.450000.
2. The company doing similar business show a profit earning capacity 20% on market value of their shares.
3. The profits for past 3 years have shown an increase of Rs.60000 annually.
4. Profit for 2011-12 shown above is before tax, assume tax at 50%.
5. For the computation of average profit, weights to be used are1,2,3respectively.

You are required to compute the value of goodwill of the company at the 3 years purchase of its super profit method.

2. The following are the balances have obtained from the trial balance of the Yuvraj Co. Ltd for the year ended 31st December, 2006.

Debit	Rs.	Credit	Rs.
Stock	1,86,420	Sales	11,69,900
Purchase	7,18,210	Return	9,850
Return	12,680	18% bank loan (secured)	50,000
Manufacturing Wages	1,09,740	Creditors	62,220
Sundry Manufacturing expenses	19,240	P&L A/c on 1st April,2005	38,640
Carriage inward	4,910	Share capital	4,00,000
Interest on bank loan	4,500		
Office salaries & exp.	17,870		
Auditor’s fees	8,600		
Director’s remuneration	26,250		
Preliminary Expenses	6,000		
Freehold premises	1,64,210		
Plant & Machinery	1,28,400		
Furniture	5,000		
Loose tools	12,500		
Debtors	1,05,400		
Cash on hand	19,530		
Cash at bank	96,860		
Advance payment of tax	84,290		
Total	17,30,610	Total	17,30,610

Additional Information :

1. On 31-03-2006 outstanding manufacturing wages & outstanding salaries are Rs. 1,890

&Rs. 1,200 respectively. On the same date the stock was valued at Rs.1, 24,840 & loose tools at Rs. 10,000.

2. Provide for interest on bank loan for 6 months.
3. Write off 1/3 of the balance of preliminary expenses.
4. Calculate the depreciation on plant & machinery @ 15% and furniture @ 10%.
5. Make provision for income tax @ 50%.
6. The director's recommend the dividend @15% after a transferring of 5% of net profit to general reserve.

Prepare the final accounts in the books of Yuvraj Co. Ltd.

3. 1. Mahavir Limited went into voluntary liquidation on 31-12-2010 The Balances in its books on that date were :

Liabilities	Rs.	Assets	Rs.
2,500 Equity Shares of Rs. 100	2,50,000	Land & Buildings	3,00,000
5,000, 6% Pref. Shares of Rs.		Machinery & Plants	6,00,000
100 each Fully paid	5,00,000	Patents	1,25,000
7,500 Equity Shares of Rs. 100		Stock	1,50,000
each 60 paid	4,50,000	Debtors	2,25,000
5% Mortgaged Debentures	2,50,000	Cash	75,000
Interest Outstanding	12,500	Profit and Loss A/c	3,50,000
Creditors	3,62,500		
	18,25,000		18,25,000

The liquidator is entitled to a commission of 3% on all assets realised except cash and 2% on amount distributed to unsecured creditor other than preferential creditors. The assets realised as follows :

Land and Building	5,00,0000
Machinery	4,00,0000
Stock	1,25,0000
Patents	80,000
Debtors	2,25,000

The expenses of liquidation amounted to Rs. 30,000

Creditors include preferential creditors of Rs. 37,500 and a loan of Rs. 1,25,000 secured by a mortgage land and building. The Preference dividends were in arrears for two years.

Prepare the liquidator's Final Statement of Account.

Q-3 Answer the following in detail. (Any Two) **[14]**

1. Explain in detail the factors affecting the value of goodwill.

2. Explain in detail the modes of liquidation.

3. The balance sheet of Hetvi ltd. was as under.

Balance as on 31/03/2012

Liabilities	Rs.	Assets	Rs.

Equity share capital (each of Rs.10)	1,80,000	Goodwill	10,000
Reserve & surplus	20,000	Plant	1,20,000
Creditors	50,000	Furniture	5,000
Bills payable	20,000	Stock	80,000
Expenses outstanding	5,000	Debtors	40,000
		Prepaid expanses	3,000
		Cash & bank	17,000
	2,75,000		2,75,000

Additional information is as below:

The assets were valued as follows:
Plant Rs. 110000
Furniture Rs. 6000
Stock Rs. 87000
Debtors Rs. 36000
The profits after tax for last 3 years and appropriate weights to be used are as under:

year	Profits (Rs..)	Weight
31-3-2010	30000	1
31-3-2011	33000	2
31-3-2012	31000	3

The reasonable returns on capital invested in such type of business are 10%.

Ascertain the amount of goodwill on the basis of 3 years' purchase of super profit on the basis on the weighted average profit of past three years.