

Dr. Babasaheb Ambedkar Open University
Term End Examination June – 2017

Course : DAA	Date : 29-Jun-17
Subject Code : DAA-04	Time : 3:00 TO 6:00
Subject Name : Developments in accounts	Duration : 03 Hours
	Max. Marks : 70

1. The following is the Summarized balance sheet of V Ltd. as at March 31, 1987: (14)

Liabilities	Rs.	Assets	Rs.
Share Capital:		Fixed Assets	4,70,000
60,000 equity		Investment	2,30,000
Shares of Rs.10 Each		Current Assets	3,00,000
Fully Paid	6,00,000		
Share Premium A/C	1,00,000		
Creditors	2,45,000		
Bank O/D	55,000		
	10,00,000		10,00,000

The business of the body corporate is taken over by P Ltd. as on that date, on the following terms:

- P Ltd. to take overall assets and liabilities at book values.
- Goodwill is to be valued at weight average of the net profits of V Ltd. for three years ending 31-3-1987. The weights for this purpose for the accounting years 1984-85, 1985-86, 1986-87, are to be assigned as 1,2, and 3 respectively. The profits for these years had been.

Year ending 31-3-1985	40,000
Year ending 31-3-1986	1,60,000
Year ending 31-3-1987	2,40,000
- The Purchase consideration is to be paid by P Ltd. in the form of equity shares of Rs.10 each issued at par. Prepare realization account and Equity shareholders account in the books of V Ltd.

OR

Star Ltd. has assets worth Rs.7,00,000 and its liabilities summed to Rs.1,72,000 its shares capital being divided into 4,800 equity shares of Rs.100 each as on 31-3-02.

Gold Ltd. has total assets worth Rs.18,00,000 and its creditors are Rs.50,000. Its share capital consisted of 14,000 equity shares of Rs.100 each.

Gold Ltd. agrees to absorb Star Ltd. the purchase consideration to be satisfied by issue of 5 equity shares of Gold Ltd. in exchange for every 6 shares

of star Ltd. on the basis of intrinsic value of shares and the balance in cash.

Draft Journal Entries in the books of Gold Ltd. and state what a shareholder holding 6 shares in Star Ltd. will get in shares and in cash.

2. The following is the balance sheet if X Ltd. on 31-3-1987

(14)

Liabilities	Rs.	Assets	Rs.
Share capital 2,00,000 equity Shares of Rs.10 Each, fully Paid	20,00,000	L & B	10,00,000
G.R.	2,50,000	P & M	15,00,000
Dividend Equalization Reserve	2,00,000	F & F	25,000
P & L Appropriation Account	51,000	Stock	6,00,000
12% debentures	10,00,000	Work in progress	3,00,000
Gold dry creditors	3,00,000	Gold dry Debtors	2,50,000
	38,01,000	Cash at bank	1,26,000
			38,01,000

The body Corporate is absorbed by A Ltd. on the above date. The consideration for the absorption is the discharge of the debentures at a premium of 5 percent, taking over the liability in respect of the Gold dry creditors and a Rs. 7 in cash and one share of Rs. 5 in A Ltd. at the market value of Rs.8 per share for every share in X Ltd. the cost of liquidation of Rs. 15,000 is to be met by the buying body corporate.

Prepare Necessary Accounts in the books of X Ltd.

OR

Pass Necessary Journal Entries in the books of A Ltd. in the Above Case.

3. The following is the Balance Sheet of Niki Ltd. as at 31-3-1987:

(14)

Liabilities	Rs.	Assets	Rs.
65,000 Equity Shares of Rs.10 each	6,50,000	F & F	85,000
2000 12% Preference Shares of Rs.100 each	2,00,000	Stock	7,20,000
10% Debentures	1,50,000	Debtors	1,07,000
Bank O/D	5,000	Expenses of issue of Debentures	7,500
Gold dry creditors	2,25,000	P & L A/C	3,10,500
Preference Dividend in Arrears for 3 years	-----		
	12,30,000		12,30,000

P Ltd. takes over the body corporate on the terms that it would:

1. Take furnished & fitting (F & F) after depreciating the same by 10% stock at Rs. 6,86,850 and Debtors subjects to a provision for Bad Debts @ 5 %.
2. Take 10 % Debentures.
3. Discharge the purchase consideration by allotment of 20,000 equity shares of Rs. 10 each at an agreed value of Rs.12 each to P Ltd. and by the payment of the balance in cash.
4. Bear the expenses of liquidation which came to be Rs. 18,000.

Preference shareholders of Niki Ltd. agreed to accept Rs. 1,80,000 in full settlement of their total claim.

Pass necessary Journal Entries in the books of P Ltd.

OR

Prepare Necessary Accounts in the books of Niki Ltd.

4. Discuss about Absorption (14)

OR

Explain the types of Amalgamation.

5. Write Short note (Any two) (14)
1. Index Page
 2. Shareholders Information
 3. Auditor's Reports
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