# Gujarat University

# M.Com Semester-3

## Solved Question Paper of

## Financial Accounting & Auditing 2

# Year – 2018

HELLO EVERYONE

We are happy to share this Solution with you. We have tried our best to provide correct and fair answers, still if there is any mistake or need any corrections you can draw our attention to that. Your suggestions are valuable to make a Solution error free.

**-Genius Guruji**

**Q1(A)** **X Limited and Y Limited**

**Calculation of Intrinsic value**

| Particulars | X Ltd. | Y Ltd. |
|---|---|---|
| Fixed Assets | 1464000 | 856000 |
| Investments | 192000 (1600 X 120) | - |
| Stock | 504000 | 224000 |
| Debtors | 300000 | 400000 |
| Cash and Bank | 68000 | 80000 |
| | 2528000 | 1560000 |
| Less Liabilities | | |
| 10% Debenture | 400000 | 320000 |
| Creditors | 108000 | 160000 |
| Bills Payable | 100000 | 120000 |
| Net Assts | 1920000 | 960000 |
| ÷No. of Equity Share | 12000 | 8000 |
| Intrinsic value → | 160 | 120 |

**Calculation of Purchase consideration**

Net Assets of Y. Ltd. = 960000

÷ IV of X Ltd. = 160

No of equity share = 6000

Less pre holding $\left[\frac{1600}{8000} \times 100\right]_{20\%} = \frac{1200}{4800}$ (6000 x 20%)

Equity share capital (4800 X 100) = 480000

+ Security Premium (4800 X 60) = 288000

Purchase Consideration = 768000

Investment

Book Value = 144000 BV < Actual payable = Capital reserve

(-) Actual Payable = 192000 BV > Actual payable = Goodwill

Capital Reserve = 48000

**Journal Entries in the books of X Ltd.**

| Particulars | | Amount (Rs.) | Amount(Rs.) |
|---|---|---|---|
| (1) Fixed Assets A/c | Dr | 856000 | |
| Stock A/c | Dr | 224000 | |
| Debtors A/c | Dr | 400000 | |
| Cash and Bank A/c | Dr | 80000 | |
| Investment A/c | Dr | 200000 | |
| To 10% Debenture A/c | | | 320000 |
| To Creditors | | | 160000 |
| To Bill Payable | | | 120000 |
| To Liquidators of Y Ltd | | | 768000 |
| To Investment of Y Ltd | | | 192000 |
| (2) Liquidator of Y Ltd A/c | Dr | 768000 | |
| To equity share capital a/c | | | 480000 |
| To Security premium | | | 288000 |
| (3) Creditors A/c | Dr | 35000 | |
| To Debtors A/c | | | 35000 |

## Balance Sheet

| Liabilities | Amount (Rs.) | Assets | Amount (Rs.) |
|---|---|---|---|
| Equity Shares Capital | | Fixed Assets | |
| X - 1200000 | | X 1464000 | |
| + Y - 4800000 | 1680000 | +Y 856000 | 2320000 |
| General Reserve (X) | 370000 | Stock X 504000 | |
| | | + Y 224000 | 728000 |
| Profit and Loss A/c (X) | 382000 | Debtors X 300000 | |
| | | + Y 400000 | |
| Security Premium | 288000 | 700000 | |
| Capital Reserve | 48000 | (-) 35000 | 665000 |
| 10% Debentures | 720000 | Stock& Bank | |
| Creditors X 108000 | | X 68000 | |
| +Y 160000 | | + Y 80000 | 148000 |
| 268000 | | Preliminary Exp. (X) | 30000 |
| (-) 35000 | 233000 | | |
| Bills payable X 100000 | | | |
| + Y 120000 | 220000 | | |
| | 3941000 | | 3941000 |

**Q1(A)(II) A Limited and B Limited**

**(1) Calculation of Net Assets**

| Particulars | A Ltd. | B Ltd. |
|---|---|---|
| Assets | | |
| Fixed Assets (Twice) (x 2) | 2000000 | 600000 |

| | | |
|---|---|---|
| + Current Assets (Twice) (x 2) | 2400000 | 400000 |
| Total Assets | 4400000 | 1000000 |
| Less Liabilities | - | - |
| Net Assets | 4400000 | 1000000 |

→ **Suppose the total of NA of A Ltd. = a**

→ **Suppose the total of NA of B Ltd. = b**

$a = 4400000 + 0.33\, b \left[\frac{40000}{120000}\right]$ ..................... (1)

$b = 1000000 + 0.20\, a \left[\frac{48000}{240000}\right]$ ..................... (2)

Put the value of (b) in 1st equation.

$a = 4400000 + 0.33\,(10000000 + 0.2a)$

$a = 4400000 + 333333 + 0.0666a$

$= 0.93333a + 4733333$

$a = \frac{4733333}{0.93333}$

$\boxed{a = 5071428}$

$b = 1000000 + 0.20\, a$

$= 1000000 + 0.2\,(5071428)$

$= 1000000 + 1014286$

$\boxed{b = 2014286}$

Intrinsic Value of Shares

A Ltd. $= \frac{5071428}{2400000} = 21.31$

B Ltd. = $\frac{2014286}{120000}$ = 16.78

**→ The Value of shares held by outside shareholders of B Ltd.**

120000 X 0.6666 X 16.786 = 1342880

Shares of A Ltd. = $\frac{1342880}{21.13}$ = 63550

Less: holding of B Ltd. = <u>48000</u>

New shares to be issued = <u>15550</u>

**Q.2(A) H & S**

1. Share holding by H Ltd. in S Ltd. = 90%
2. Share holding in minority = 10%
3. Cap.profit (1-4-2017 to 1-10-2017)

General reserve (1-4-2017) 18000

+ P & L A/c. (1-4-2017) 4800

+ P & L A/c. 6000

+ Proposed div. <u>6000</u>

12000 – 4800

7200 x 6/12 = <u>3600</u>

**Capital profit** **<u>26400</u>**

4. Revenue profit = (1-10-17 to 31-3-18)

P & L (7200 x 6/12) 3600

Less: increase in Dep' <u>320</u>

Revenue profit **<u>3280</u>**

Note: Plant – machinery : 1-4-2017 (100) = 33600

90 30240 <u>-Dep' (10) = 3360</u>

100 ? = 33600 31-3-18 (90) = 30240

1-4-2017 = 33600

-Dep'@10% (3360x6/12) <u>= 1680 (</u>take up to 1-10)

WDV 31920

+increase in assets 8080

Revaluation 40000

(1-10-17)

- Increase in dep':

1-4-2017 to 1-10-2017

= 33600 x 10 % x 6/12 = 1680

1-10-2017 to 31-3-2018

: 40000 x 10% x 6/12 = 2000

Increase in dep' = 320

5. Intrinsic value :

Equity share capital (60000 x 90%) = 54000

+capital profit (26400 x 90%) = 23760

+ increase in assets (8080 x 90%) = 7272

IV 85032

6. Investment (equity share) = 72000

-capital dividend = -

NI 72000

Capital reserve = IV – NI

= 85032 – 72000

= Rs.13032

7. Minority interest :

Equity share capital (60000 x 10%) = 6000

+ Capital profit (26400 x10%) = 2640

+ Rev. profit (3280 x 10%) = 328

+ Incr. in assets (8080 x 10%) = 808

MI 9776

8 Share holding in rev. profit =

3280 x 90% = 2952

- capital div -

- profit on stock (20000 x 90%) 1800

From S Ltd. 1152

- Working : SP = cap. + profit

  125 = 100+25

  ∴ SP profit

  125 25

  10000 ? [Rs. 2000]

**Consolidated Balance sheet**

| Liability | Rs. | Assets | Rs. |
|---|---|---|---|
| Eq.share capital(H) | 198000 | Goodwill (H+S cap.reserve) (103200-13032) | 90168 |
| General reserve (H) | 15600 | L & B (H+ S) | 85200 |
| MI | 9776 | P & M (H+S+ 8080-320) | 65000 |
| P&L A/c. | 36000 | Furniture (H+S) | 900 |
| from S Ltd | 1152 | stock (H+S -1800) | 109800 |
| 6% debentures (H+S) | 100000 | Other invest.(H) | 15600 |
| Creditors (H+S – 12000) | 53600 | Debtors (H+S – 12000) | 42000 |
| | | Bank (H+S) | 5460 |
| | **414128** | | **414128** |

**Ans.2(A) Moon Limited**

**(5) Shares held by Sun Limited in Moon Ltld.**

1/1/15 $= \frac{2880}{3600} \times 100$

= 80%

1/1/16 = 80%

1/1/17 = 80%

**(6) Profit dealt with**

Year 2017 = No Dividend

Year 2016 $= \frac{36000 \times 30\%}{10800 \times 80\%} = 8640$

Year 2015 $= \frac{36000 \times 25\%}{9000 \times 80\%} = \underline{7200}$

$= \underline{15840}$

(7) **Profit not dealt with**

Year 2017 = 15000 X 80% = 12000

Year 205 and 2016 = 10800 X 80% = 8640

> <u>**Working :**</u>

- Balances (cl-op)
- General Reserve (31/12/17) = 3000

(-) General Reserve (1/1/15) = <u>1200</u>

Balances 2015 & 2016 = <u>1800</u>

> P & L A/c (31/12/17) = 36000

(-) P&L A/c (1/1/15) = <u>12000</u>

= 24000

(-) Net Profit (2017) = <u>15000</u>

Balances 2015 & 2016 = <u>9000</u>

Total Balance = General Reserve + P&L A/c

(2015 & 2016) 1800 + 9000 = $\boxed{10800}$