

**GUJARAT NATIONAL LAW UNIVERSITY  
GANDHINAGAR**

Course: Advanced Accounting  
Semester-III (Batch: 2014-19)

Mid Semester Test: August-2015

Date: 25<sup>th</sup> August, 2015

Duration: 2 hours

Max. Marks: 30

**Instructions:**

- Read the questions properly and write the answers in the given answer book.
- The respective marks for each question are indicated in-line.
- Do not write any thing on the question paper.
- Indicate correct question numbers in front of the answers.
- No questions or clarifications can be sought during the exam period, answer as it is, giving reason, if any.
- Use of simple calculator is allowed.

**Part-A (Compulsory)**

Marks

- Q.1 Mr. Harischandra is a lawyer. The Receipts and Payments Account of his profession for the year ending 31.3.2015 is as follows. (08)

Receipts	Rs.	Payments	Rs.
To Balance b/d	2,00,000	By Rent	30,000
To Fees from Clients	5,00,000	By Salaries	20,000
To Fees as Liquidator	30,000	By Annual Subscription to Manupatra	5,000
To Advisory Fees	10,000	By Stipend to Internees	10,000
To Honorarium from Lectures	30,000	By Installation of Accounting Software	15,000
To Commission	10,000	By Investment	3,00,000
		By Drawings for Personal Expenses	30,000
		By Balance c/d	3,70,000
<b>Total</b>	<b>7,80,000</b>	<b>Total</b>	<b>7,80,000</b>

The Opening Balance Sheet of the profession is presented below.

Liabilities	Rs.	Assets	Rs.
Capital	2,00,000	Furniture	40,000
Loan	1,60,000	Computer	60,000
Creditors for Expenses	40,000	Law Books	30,000
		Investment	70,000
		Cash	2,00,000
<b>Total</b>	<b>4,00,000</b>	<b>Total</b>	<b>4,00,000</b>

**Additional Information:**

- a. Rs.20,000 is accrued as fees from clients.
- b. An expense of Rs.5,000 belonging to the profession has not been entered in the Receipts and Payments Account.
- c. A new computer was purchased on 31.3.2015, for Rs.20,000. An old computer of book value of Rs.30,000 has been sold at a gain of Rs.3,000 on the same day.
- d. The Installation of Accounting software will serve the profession for at least 3 years. The installation cost is inclusive of Rs.3,000 as maintenance cost for the first year.

- e. The lawyer spent Rs.3,000 for creating awareness on Alternative Dispute Resolution mechanisms.
- f. Publishers of Manupatra offered 2 months of extra subscription free of cost on the annual subscription.

You are required to prepare Profit and Loss Account for the year and Balance Sheet of the profession as on 31.3.2015.

- Q.2 The Income and Expenditure Account of Maruti Club for the year ended on 31.03.2015 is as follows. (08)

Particulars	Amt.	Particulars	Amt.
To Salaries of staff	2,000	By Subscriptions	3,000
To Club Maintenance Exp	300	By Interest	500
To Depreciation	1,600	Deficit of Income over Expenditures	900
To Electricity Charges	400		
To Stationery	100		
<b>Total</b>	<b>4,400</b>	<b>Total</b>	<b>4,400</b>

Consider the following information.

Balances	31.03.2014	31.03.2015
Accrued Subscriptions	30	40
Subscription received in advance	20	10
Outstanding Salary	15	25
Prepaid Salary	45	35
Assets	6,000	7,200
Maintained Stock of Stationery	100	100
Cash	1,200	-
Long term Donations	1,000	1,500

Prepare Receipts & Payments Account and for the year ended 31.03.2015 and Balance Sheet as on 31.03.2015.

**Part B (Answer any two questions)**

- Q.3 The following are the balance sheets of J Ltd. And K Ltd. as on 31<sup>st</sup> December 2014. (07)

Liabilities	J Ltd.	K Ltd.	Assets	J Ltd.	K Ltd.
10,000 equity shares of Rs.100 each	60,000	3,00,000	Land & Building	1,00,000	3,50,000
12% Debentures	65,000	1,50,000	Plant & Machinery	25,000	70,000
Profit & Loss Account	30,000	30,000	Stock	35,000	10,000
General Reserve	40,000	1,70,000	Debtors	10,000	2,50,000
Creditors	10,000	2,10,000	Bank	35,000	1,70,000
			Preliminary Expenses		10,000
<b>Total</b>	<b>2,05,000</b>	<b>8,60,000</b>	<b>Total</b>	<b>2,05,000</b>	<b>8,60,000</b>

On 1<sup>st</sup> January 2015, K Ltd. took over the business of J Ltd. Ltd. with the condition that J Ltd. will be liquidated and K Ltd. will continue to exist. K Ltd. issued 10,000 equity shares of Rs.6 at par to 80% shareholders of J Ltd. and paid Rs.30,000 of cash to remaining shareholders. K Ltd. took over the debentures and then redeemed the debentures at 10% premium. K Ltd. took over all the assets and liabilities at book value except fixed assets at 10% depreciation and creditors at 10% appreciation. K Ltd. paid Rs.10,000 as expenses of amalgamation.

Prepare journal entries and Opening Balance Sheet in the books of K Ltd. after amalgamation according to purchase method of accounting.

- Q.4 Beta Ltd. and Theta Ltd. merged together to form Gamma Ltd. The following are balance sheets of those as on 31<sup>st</sup> March 2015. (07)

Liabilities	Beta Ltd.	Theta Ltd.	Assets	Beta Ltd.	Theta Ltd.
Equity Shares of Rs.100 each.	5,00,000	3,00,000	Plant & Machinery	2,00,000	1,00,000
10% Debentures of Rs.10 each	2,00,000	1,00,000	Land & Buildings	2,40,000	70,000
8% Long term Loan	60,000	50,000	Furniture	1,20,000	60,000
Profit & Loss A/c	40,000	10,000	Trademark	60,000	80,000
General Reserve	20,000	-	Stock	40,000	40,000
Creditors	40,000	50,000	Debtors	20,000	30,000
Employee's Provident Fund	70,000	20,000	Cash and Bank	2,50,000	1,50,000
<b>Total</b>	<b>9,30,000</b>	<b>5,30,000</b>	<b>Total</b>	<b>9,30,000</b>	<b>5,30,000</b>

On 1<sup>st</sup> April 2015, the two companies agreed to amalgamate and form a new company Gamma Ltd. The purchase consideration was agreed at Rs.5,30,000 for Beta Ltd. (a non-cash exchange of 50,000 shares of Gamma Ltd. of Rs.10 each at a premium of 6%) and Rs.3,18,000 for Theta Ltd. (a non-cash exchange of 30,000 shares of Gamma Ltd. of Rs.10 each at a premium of 6%). Debenture holders in Beta Ltd. and Theta Ltd. were issued debentures in Gamma Ltd. for full amount and denomination. Beta Ltd. and Theta Ltd. undertook to bear the cost of Liquidation of Rs.6,000 equally.

Give journal entries to close the books of Beta Ltd. and Theta Ltd. upon amalgamation and prepare the Realization Account according to Pooling of Interests Method.

- Q.5 (a) How is Merger different from Purchase? Discuss strategies to avoid hostile takeover. (4+3=07)  
 (b) Discuss different legal options available to form non-profit organizations in India. (07)

\*\*\*\*