

SYBAF sem IV Reg. & A.T.K.T. Exam March-2020

Class : SYBAF Sem – IV Subject : Financial Accounting paper Iv

Duration : 2 and half hour Marks : 75

7/3/20

Note : All questions are compulsory , subject to internal choice.

: Figures to the right indicate full marks.

: Use of simple calculator is allowed



Q-1 (a) Fill ups (any-8)

(8)

- 1) Interest accrued on Investments is required to be shown under \_\_\_\_\_ (Fixed assets/current assets) in the balance sheet of a company.
- 2) Dividend \_\_\_\_\_ (is / is not) paid on amounts paid by shareholders as calls in advance
- 3) Preference shares redeemable within \_\_\_\_\_ years can be issued Capital redemption reserve may be used for issuing \_\_\_\_\_ shares (bonus/rights)
- 4) Debentures Redemption reserve is \_\_\_\_\_ (to/not to) be created if debentures are redeemed through conversion.
- 5) Loose tools are required to be shown under \_\_\_\_\_ (Fixed assets/ current assets) in the balance sheet of a company.
- 6) Share application money pending allotment is a \_\_\_\_\_ (Current /non-current liability)
- 7) Audit fees are divided , for computing pre-incorporation profits in the ratio of \_\_\_\_\_
- 8) Salary of salesmen is divided , for computing pre-incorporation profits, in the ratio of \_\_\_\_\_
- 9) Bills receivable are required to be shown under \_\_\_\_\_ (fixed assets/ current assets) in the balance sheet of a company.
- 10) Depreciation is divided , for computing pre-incorporation profits , in the ratio of \_\_\_\_\_

Q-1 (b) State Whether True or False ( Any 7 )

(7)

- 1) Capital profits realized in Cash be used for paying dividend .
- 2) Unclaimed dividends are shown under provisions in the balance sheet.
- 3) Trade receivables are always shown under current assets
- 4) Partly paid Pref. shares cannot be redeemed.
- 5) A company can redeem only fully paid preference shares
- 6) Transfer to CRR account on redemption of preference shares can be made from security premium account.

- 7) Profit on sale of debenture redemption fund investments in the first instance is credited to General reserve.
- 8) Debenture cannot be redeemed during the life time of the company.
- 9) Salary to salesmen is divided for computing pre-incorporation profits, in the ratio of time.
- 10) Depreciation is divided, for computing pre-incorporation profits, in the ratio of sales.

Q-2 (a) Following is the extract of Balances of Ameya Ltd. as on 31<sup>st</sup> March, 2017. (15)

Particulars	Rs.
Sales	1,20,00,000
Opening stock of Raw material	10,00,000
Opening stock of Finished goods	5,00,000
Purchase of Raw material	27,00,000
Purchase Returns	2,00,000
Sales Returns	20,00,000
Interest received on Fixed Deposits	5,00,000
Miscellaneous Income	4,00,000
Freight on Raw material	30,000
Salaries and wages	4,00,000
Bonus to Employees	80,000
Directors Remuneration	8,00,000
Depreciation on :	
Land and Building	5,00,000
Plant and Machinery	3,00,000
Furniture	1,00,000
Interest paid on Debentures	5,00,000
Interest On Loan from Bank of Baroda	2,00,000
Repairs and Maintenance expenses	80,000
Insurance premium of Office premises	30,000
Electricity charges	40,000
Rent, Rates and Taxes	20,000
Audit fees	50,000
Advertisement expenses	1,20,000
Sundry expenses	10,000

Additional Information :

- a) Closing stock of Raw Material and Finished goods was Rs.5,00,000 and 6,00,000 respectively.
  - b) Outstanding electricity charges and Rent, Rates and Taxes were Rs.10,000 and Rs.30,000 respectively.
  - c) Miscellaneous income receivable was Rs.10,000.
  - d) Rs.50,000 to be provided for Bad and Doubtful debts.
  - e) Prepaid advertisement expenses were Rs.20,000
  - f) Make a provision for Income tax of Rs. 2,00,000
- Prepare statement of Profit and loss for the year ended 31<sup>st</sup> March, 2017 as per the provisions of the Companies Act.

OR



Q-2 (a) Raghani Galvanising co. Ltd. had an authorized equity capital of Rs.20 lakhs divided (15)

into shares of Rs100 each. The paid up capital was Rs.12,50,000. Besides this, the company had 9% Redeemable Cumulative Preference shares of Rs.10 each for Rs. 2,50,000 . Balances on other accounts were :Securities premium Rs28,000 , Profit and loss account Rs.72,000 and General Reserve Rs.3,40,000. Included in Sundry assets were investments of the face value of RS.30,000 carried in the books at a cost of Rs.34,000.

The company decided to redeem the Cumulative Preference shares at 10% premium , partly by the issue of equity shares of face value of RS.1,20,000 at a premium of 10% . Investments were sold at 105% of their face value . All preference shareholders were paid off except 3 holders holding 250 shares.

After redemption of the Cumulative Preference shares fully paid bonus shares were issued in the ratio of 4:1.

Give necessary Journal entries bearing in mind that the Directors wanted a minimum reduction in free reserves , while effecting the above transactions . Working should form part of your answer.

Q-3 (a) Redemption Ltd. issued 10,000, 14% Debentures of Rs.100 each on 1<sup>st</sup> April,2009 ; (8)

at a discount of 5% repayable at a premium of 10% after 5 years out of profits. On 31<sup>st</sup> march, 2014; the balance in Debenture Redemption Reserve is Rs.2,00,000 . Give necessary journal entries .

AND

Q-3 (b) On 1<sup>st</sup> January, 2013, following balance appeared in the books of the company : (7)

14% Debentures : Rs 16,00,000 , Debenture Redemption Reserve ;Rs .12,00,000.

Profit and Loss appropriation account : Rs. 8,00,000

All Debentures were redeemed out of profit at a premium of 10% on 31<sup>st</sup> Decemeber , 2013. (ignore TDS) Give necessary journal entries .

OR

Q-3 (C) M/S Endromedia Ltd. was formed to take over a running business with effect from (15)

1<sup>st</sup> April, 2016. The company was incorporated on 1<sup>st</sup> October, 2016. The following profit and loss account has been prepared for the year ended 31<sup>st</sup> March, 2017.

Particulars	Rs .	Particulars	Rs.
To, Salaries	2,40,000	By Gross profit	16,00,000
To, Printing and stationery	24,000		
To, Travelling expenses	84,000		
To, Misc. Trade Expenses	1,89,000		
To, Advertisement	80,000		
To Rent (office building)	1,32,000		
To, Electricity charges	21,000		
To, Preliminary expenses	56,000		
To, Bad debts	16,000		
To, commission to selling agents	80,000		
To, Audit fees	30,000		
To, Debentures interest	15,000		
To, Interest paid to vendors	21,000		
To, selling expenses	1,26,000		
To, Depreciation	48,000		
To, Net profit c/d	4,38,000		4,38,000

Relevant information:

- Total sales during the year, which amounted to Rs.96.00.000 arose evenly upto the date of the Certificate of Incorporation , whereafter they spurted to record increase of two –thirds during the rest of the year.
- Rent of the office buiding was paid @ Rs.1,20,000 per annum upto September,2016 and thereafter it was increased by Rs.24,000 per annum.
- Travelling expenses include Rs.24,000 towards sales promotion.
- Depreciation includes Rs. 3,000 for assets acquired in the post incorporation period.
- Purchase consideration was discharged by the company on 31<sup>st</sup> October, 2016 by issuing Equity shares of Rs.10 each.
- Salaries include Rs.40,000 paid to the Director. There were 3 employees upto 30-9-2016 after which the number was increased by six employees. The rate of salary was the same in all cases Prepare the statement of profit and loss in columnar form, showing distinctly the allocation of profits between pre-incorporation and post incorporation periods, indicating the basis of allocation.

Q-4 (a) Bharat Ltd. whose issued share capital on 31-12-2017 , consisted of 12,000 , (8) 8% redeemable preference shares of Rs. 100 each fully paid and 40,000 equity shares of Rs.100 each., Rs.80 Paid up, decided to redeem preference shares at a premium of Rs. 10 per share. The Company's balance sheet as at 31-12-2017 , showed a general reserve of Rs .18,00,000 and a capital reserve of



Rs.1,70,000 .The redemption was effected partly out of profits and partly out of the proceeds of new issue of 6,000 ,7,5% cumulative preference share of Rs. 100 each at a premium of Rs. 25 per share.

You are required to pass necessary journal entries.

And

Q-4 (b) 1,000 ,9% Redeemable Debentures of Rs.100 each of X Ltd, are due for redemption (7)

at 5% premium on 31<sup>st</sup> December, 2011 . On the same date the balance on Debentur Redemption Reserve was Rs. 50,000.On 1<sup>st</sup> December 2011; X Ltd, issued 500 equity shares of Rs.100 each at 20% premium and 450 , 8% Redeemable Preference shares of RS. 100 each at par. The issue has been fully subscribed and with this amount 1,000 ,9% redeemable debentures of Rs.100 are redeemed.

You are further informed that the company pays interest on these debentures on 31<sup>st</sup> December of RS.100 are redeemed.

Or

Q-4 (c) I-can finance has a branch in Sydney ,Austria .At the end 31<sup>st</sup> March, 2017 , the following ledger balances have been extracted from the books of the Sydney office. (15)

Sydney (Australia Dollars thousand )

Particulars	Dr. A \$	Cr. A \$	Particulars	Dr. A \$	Cr. A \$
Plant and machinery (cost)	200	----	Goods sent to Branch	5	
Plant and machinery (Depreciation)	-----	130	Wages and salaries	45	
Debtors/ Creditors	60	30	Rent	12	
Stock (1-4-2016)	20		Office expenses	18	
Cash/bank balances	10		Commission Receipts		100
Purchases /sales	20	123	Branch / H.O. Current a/c		7
				390	390

The following information is also available :

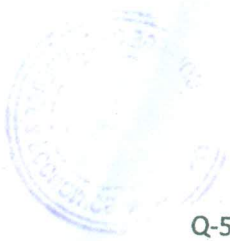
Goods send by H.O .Rs. 100 thousand Branch A/c in H.O Rs. 120 thousand.

Stock at 31-3-2017 , Sydney Branch Australian \$ 3,125 . You are required to convert the Branch Trial balance into rupees. :

(use the following rate of exchange : Opening rate A \$ = Rs 20 , closing rate A \$ = Rs.24

; Average rate A \$ =Rs. 22 ; For Fixed assets A \$ = Rs. 18

Ascertain the exchange loss or gain , according to AS-11 ( Revised 2003 ) assuming that the branch operations are integral to the main operations ( i.e it is a "dependent" branch )



Q-5 (a) Explain Legal Provisions of Companies Act , for Redemption of Preference Shares. (8)

Q-5 (b) Distinguish between Integral Foreign Operations and Non-Integral Operations (7)

Or

Q-5 (C) Write Short Notes on ,(any 3) (15)

- 1) Explain Ex-Interest and Cum-Interest
- 2) Contingent Liabilities
- 3) Disclosure of Long Term Borrowing in Company Balance Sheet
- 4) Sinking Fund
- 5) Redemption of partly paid up Preference shares