

# Financial Accounting.

Marks : 75

Note :

☺ Attempt the Questions as follow :

Q. 1 (A)	Marks 08	ATTEMPT BOTH	MARKS 15
Q. 1 (B)	Marks 07		
Q. 2 (A)	Marks 15	ATTEMPT ANY ONE	MARKS 15
Q. 2 (B)	Marks 15		
Q. 3 (A)	Marks 15	ATTEMPT ANY ONE	MARKS 15
Q. 3 (B)	Marks 15		
Q. 4 (A)	Marks 15	ATTEMPT ANY ONE	MARKS 15
Q. 4 (B)	Marks 15		
Q. 5 (A) & Q. 5 (B)	08 & 07 Marks	ATTEMPT - EITHER BOTH - Q. 5 (A) & 5 (B) OR <u>ONLY Q. 5</u>	MARKS 15
Q. 5	MARKS 15		

☺ All the workings must be part of your answer else your answer may be considered incomplete.

☺ Write legibly and maintain neatness and clarity else the answer may not be assessed or marks may be deducted.

**Q. 1 (A) :** State whether the following statements are True or False - any Eight (Rewrite the whole sentence)

- 1 Preference Shares can be Redeemed within twenty years of their issue.
- 2 Dividend to Shareholders can not be given out of Securities Premium.
- 3 Fully paid Bonus shares can be issued by using 'Capital Redemption Reserve'.
- 4 Fair Value of Share is mean of the Intrinsic Value and Yield value of Share.
- 5 Partly paid Preference Shares can be Redeemed to the extent of the amount paid up on those shares.
- 6 Premium payable on Redemption of Debentures is an Asset of the Company.
- 7 Super Profit is excess of Future Maintainable Profit over the Normal Profits of the Company.
- 8 Debentures are Secured Capital of a Company.
- 9 Buy Back is possible out of the Securities Premium balance of the Company.
- 10 Preference Shares can be Redeemed out of the proceeds of fresh issue of Debentures.

**Q. 1 (B) :** Fill in the Blanks - any Seven

(Rewrite the whole sentence)

- 1 Companies are governed by the \_\_\_\_\_.
- 2 Loss on issue of Debentures (to the extent not written off), will be shown on the \_\_\_\_\_ side of the Balance sheet.
- 3 Net Assets available for one share is known as \_\_\_\_\_ value of the Share.
- 4 Interest received on Sinking Fund Investment will be credited to \_\_\_\_\_.
- 5 Sinking Fund account shows a \_\_\_\_\_ balance.
- 6 IPO means \_\_\_\_\_.
- 7 Premium payable on Redemption of Preference Shares, should be set off against \_\_\_\_\_.

- 8 Fully paid Shares can be issued as Bonus out of the \_\_\_\_\_ .
- 9 Buy Back of Equity shares can be done out of Proceeds of fresh issue of \_\_\_\_\_ Shares.
- 10 Debt Equity Ratio after the Buy Back should be less than or equal to \_\_\_\_\_ .

<b>Options :</b>	<i>Credit</i>	<i>The Companies Act</i>	<i>Two</i>	<i>Asset</i>
	<i>Intrinsic</i>	<i>Sinking Fund a/c</i>	<i>Profits of the Company</i>	
	<i>Initial Public Offer</i>	<i>Preference Shares</i>	<i>Securities Premium</i>	

**Q. 2 (A) :**

From the information given below, find the value of shares by Intrinsic Value method :

Balance sheet as on 31.03.2022

Liabilities		Assets	
1,00,000 Equity Shares of Rs. 10 each, fully paid	10,00,000	Land & Building (Cost)	10,00,000
Capital Reserve	3,00,000	Plant & Machinery (cost)	4,00,000
General Reserve	4,00,000	Patents and Copyrights	2,00,000
Profit and Loss account	2,00,000	Investments (at cost)	1,00,000
Dividend Equalisation Reserve	1,00,000	Closing Stock	6,00,000
Securities Premium	5,00,000	Sundry Debtors	6,00,000
Sundry Creditors	5,10,000	Bank	1,60,000
Worker's Compensation Fund	60,000	Preliminary Expenditure	40,000
Prov. For Bad & Doubtful Debts	30,000		
	31,00,000		31,00,000

The Balance sheet does not contain Provision for unassessed taxes, which are estimated to be Rs. 75,000.

The present market value of Fixed Assets are 10% above their book values whereas that of Current Assets are 10% below their book values. Liabilities should be valued at their Book Values.

**Q. 2 (B) :**

Following particulars are available in respect of Good Luck Ltd. -

- Capital :  
450 6% Preference shares of Rs. 100 each, fully paid and  
4,500 Equity shares of Rs. 10 each, fully paid.
- External Liabilities - Rs. 7,500
- Reserves & Surpluses - Rs. 35,000
- The average expected profit (after Tax) earned by the Company - Rs. 8,500
- The normal profit earned, on the market value of equity shares (fully paid) of the same type of companies is 9%
- 10% of the profit after tax is transferred to Reserves
- Out of the total assets, assets worth Rs. 350 are fictitious.

Calculate Intrinsic value of equity shares, value under yield method and fair value.

**Q. 3 (A) :**

Following is the Balance sheet of Surya Ltd. As on 31.03.2022 :

Liabilities		Assets	
<u>Share Capital</u>		Land & Building	60,000
16,000 Equity shares of Rs. 10 each,		Plant & Machinery	60,000
Rs. 8 paid up	1,28,000	Furniture	44,000
Profit & Loss account	1,20,000	Investments	20,000
Security Premium	40,000	Debtors	54,000
10% Debentures	40,000	Bank Balance	1,00,000
Bank Term Loan	40,000	Stock	40,000
Creditors	1,52,000	Bills Receivables	1,42,000
	5,20,000		5,20,000

The Company decides to buy back maximum number of equity shares as may be permitted at a price of Rs. 40 per share; being the current market price.

Pass necessary Journal entries and prepare the Balance sheet after the Buy Back.

**Q. 3 (B) :**

Following is the Balance sheet of Roshni Ltd. As on 31.03.2022 :

Liabilities		Assets	
<u>Share Capital</u>		Land & Building	60,000
16,000 Equity shares of Rs. 10 each,		Plant & Machinery	60,000
Fully paid	1,60,000	Furniture	40,000
Profit & Loss account	1,00,000	Investments	20,000
Security Premium	40,000	Debtors	50,000
10% Debentures	40,000	Bank Balance	1,00,000
Bank Term Loan	40,000	Stock	20,000
Creditors	70,000	Bills Receivables	1,00,000
	4,50,000		4,50,000

The Company decides to buy back maximum number of equity shares as may be permitted at a price of Rs. 40 per share; being the current market price.

For the purpose of Buy Back, the Company has sold its Investments for Rs. 40,000.

Pass necessary Journal entries and prepare the Balance sheet after the Buy Back.

**Q. 4 (A) :**

J Ltd. decided to redeem their Preference Shares as on March 31, 2022. Their B/S on that date :

Liabilities		Assets	
<u>Share Capital</u>		Bank Balance	3,40,000
* 4,000 Equity shares of Rs. 100 each	4,00,000	Fixed Assets	5,60,000
* 8% Preference Share Capital of Rs. 100 each	2,00,000		
<u>Reserves &amp; Surpluses</u>			
* Securities Premium	20,000		
* Capital Reserve	80,000		
* Dividend Equalisation Reserve	1,10,000		
<u>Current Liabilities</u>	90,000		
	9,00,000		9,00,000

The Company redeem the 8% Preference shares at a premium of 5%. To enable the redemption to be carried out, the company decides to issue, after carrying out the necessary formalities required under the law, minimum number of new equity shares of Rs. 100 each, at a premium of 10%. The redemption is duly carried out. Show necessary Journal entries and prepare the Balance sheet after the Redemption.

**Q. 4 (B) :**

On April 1, 2017 Bharat Manufacturing Ltd. issued 20,000 10% Debentures of Rs. 100 each, at a Discount of 10%, redeemable at PAR after five years. Show all necessary entries in the books of Bharat Manufacturing Ltd. for five years and how these will be shown in each year's Balance sheet.

**Q. 5 (A) :**

Explain 'Yield Method' of valuation of Shares.

**Q. 5 (B) :**

Explain the Legal provisions for 'Redemption of Preference Shares'.

**Q. 5 :**

Write Short Notes (Any Three)

- Writing off Premium on Redemption of Preference Shares
- Intrinsic Value of Shares
- Writing off Loss/Discount on issue of Debentures
- Capital Redemption Reserve
- Characteristics of a Company



all the best - always keep on smiling

