

VCD- 9/10/13

Class : SYFMG Sem IV

Sub: Financial Accounts

Marks : 75

Duration = 2 ½ Hours

Q – 1 A ] State whether the following statement is True / False (Any 08)

(08)

1. No company can issue non-redeemable preference shares.
2. Subscribed capital is always less than issued capital.
3. Share forfeited account is added to share capital.
4. Debentures can be issued at premium and repayable at discount.
5. The face value of debentures should always be Rs. 100/-.
6. The unpaid interest on debentures should be shown as contingent liability.
7. The unpaid amount to shareholders is to be disclosed as share capital.
8. The redemption of preference shares results in reduction of capital.
9. The debentures can be redeemed at different point of time.
10. The debentures cannot be exchange for new shares.

B] Match the following (Any 07)

(07)

| Group "A"   | Group "B"  |
|---|--|
| 1. Interest on sinking fund investment  | a. Liability side                                    |
| 2. Pre-incorporation profit   | b. on the basis of time                              |
| 3. AS 1   | c. on the basis of sales                             |
| 4. Premium on redemption of debentures appears in the balance sheet till the date of redemption | d. Nominal value of preference shares to be redeemed |
| 5. Arrears of preference dividend   | e. Used to adjust premium redemption                 |
| 6. Rent   | f. sinking fund account                              |
| 7. Redemption reserve equal to  | g. Disclosure of Accounting Policies                 |
| 8. Securities premium   | h. Contingent liability                              |
| 9. Bad debts  | i. 50% of the issue size                             |
| 10. Nominal value of fresh issue  | j. Capital   |

Q – 2 Following is the trial balance as on 31.3.2018

(15)

|  | Dr.      | Cr.      |
|--|----------|----------|
| Equity shares of Rs.100                        | --       | 8,00,000 |
| 10% Preference share of Rs.100                 | --       | 6,00,000 |
| Share forfeiture                               | --       | 30,000   |
| Debentures of X Co. Ltd. (Face value 1,00,000) | 1,20,000 | --       |
| Staff Provident Fund                           | --       | 20,000   |
| Unpaid Dividend                                | --       | 45,000   |
| Public Deposit                                 | --       | 30,000   |
| Shares of Rs.10 each, Rs.8 paid                | 80000    | --       |
| Workman Compensation Fund                      | --       | 2,80,000 |
| Bank Loan                                      | --       | 1,20,000 |
| Customers deposit                              | --       | 50,000   |



|   |                  |                  |
|---|------------------|------------------|
| Provision for tax(2017-2018)                          | --               | 1,80,000         |
| Provision for tax(2016-2017) & Advance tax(2016-2017) | 2,00,000         | 1,00,000         |
| Land and Building                                     | 12,00,000        | --               |
| Copyrights  | 50,000           | --               |
| Debtors   | 1,20,000         | --               |
| Interest Receivable                                   | 60,000           | --               |
| Capital Redemption Reserve                            | --               | 2,00,000         |
| Government Bonds                                      | 55,000           | --               |
| Furniture   | 65,000           | --               |
| Securities premium                                    | --               | 70,000           |
| Bank fixed deposit                                    | 1,35,000         | --               |
| Bills receivable & Bills payable                      | 1,15,000         | 25,000           |
| Loose Tools   | 38,000           | --               |
| Preliminary expenses                                  | 12,000           | --               |
| Profit and Loss A/c. balance                          | --               | 1,50,000         |
| Plant and Machinery                                   | 4,00,000         | --               |
| Stock   | 50,000           | --               |
|   | <b>27,00,000</b> | <b>27,00,000</b> |

**Additional Information:**

1. Debtors of Rs.60,000 are due for more than 6 months.
2. Authorized share capital of the company is Rs.50 Lakhs consisting of Rs.30 lakh in Equity Share and balance in Preference shares.
3. The Preference Share are due for redemption on 31.3.2025 at 10% premium.
4. Details of Fixed assets are as under:

|                     | Cost      | depreciation up to 31.3.2018 |
|---------------------|-----------|------------------------------|
| Land and Building   | 15,00,000 | 1,00,000                     |
| Plant and Machinery | 10,00,000 | 1,20,000                     |
| Furniture           | 2,00,000  | 15,000                       |

5. The market value of investment on 31.3.2018 is Rs.3,00,000.
6. All the investment held by the company are quote and marketable.
7. The stock is valued at cost or market price whichever is less .Market value Rs.2,00,000.

OR

Q- 2 Prepare the Balance Sheet of Hopeful Ltd. As at 31.3.2018 from the following information:

**Trial Balance as on 31.3.2018**

(15)

|                                       | Dr.      | Cr.       |
|---------------------------------------|----------|-----------|
| Preliminary expenses                  | 30,000   | --        |
| Debtors and Creditors                 | 3,00,000 | 2,00,000  |
| Equity share capital of Rs.10         | --       | 15,00,000 |
| 6% Preference share capital of Rs.100 | --       | 10,00,000 |
| Goodwill                              | 6,00,000 | --        |
| Outstanding expenses                  | --       | 20,000    |
| Investment                            | 8,00,000 | --        |
| Stock                                 | 80,000   | --        |
| Provision for Tax                     | --       | 85,000    |
| Calls in Arrears(Equity share)        | 50,000   | --        |



|                              |                  |                  |
|------------------------------|------------------|------------------|
| Patents                      | 2,00,000         | --               |
| Proposed dividend            | --               | 65,000           |
| Bank Overdraft               | --               | 85,000           |
| Land                         | 10,00,000        | --               |
| Bank Loan                    | --               | 2,10,000         |
| 10% Debentures               | --               | 3,00,000         |
| Building                     | 4,00,000         | --               |
| General Reserve              | --               | 4,00,000         |
| Profit and Loss A/c. balance | --               | 2,00,000         |
| Directors loan               | --               | 1,00,000         |
| Share issue expenses         | 50,000           | --               |
| Plant and Machinery          | 2,50,000         | --               |
| Cash on hand                 | 1,00,000         | --               |
| Balance with SBI             | 3,00,000         | --               |
|                              | <b>41,60,000</b> | <b>41,60,000</b> |

**Additional Information:**

1. Calls in Arrears are on 25,000 Equity Shares which includes 5,000 Equity shares held by Directors.
2. Debentures are fully secured on Land.
3. Authorized share capital of company is Rs.5 crores which includes Preference Shares of Rs.3 crores.
4. Market value of stock is Rs.1, 00,000. Market value of investment is Rs.20, 00,000.
5. 40,000 Equity shares were issued against purchase of Plant and Machinery.
6. Bank overdraft is upto a limit of Rs.4 lakhs. Preference dividend is not paid for last 3 years.
7. Rs.20, 000 bills discounted but not matured.
8. Details of fixed assets are:

|                     | Cost       | depreciation up to 31.3.2018 |
|---------------------|------------|------------------------------|
| Land                | 10, 00,000 |                              |
| Building            | 5, 00,000  | 10,000                       |
| Plant and Machinery | 4, 00,000  | 50,000                       |
| Patents             | 2, 50,000  | 10,000                       |

Q-3 Akansha enterprises Ltd. issued 12,000, 6% debentures of RS. 100 each on September 1 2011 redeemable at a premium of 7% as under: (15)

On March 31, 2017 4000 debentures

On March 31, 2018 4000 Debentures

On March 31, 2019 4000 debentures

The Board of Directors has also decided to transfer the required amount to Debenture redemption Reserve in four equal annual installments starting with March 31, 2013. Record necessary journal entries. Ignore interest. Investment as required by law was made in fixed deposit of the bank.

OR

Q – 3 Following is the balance sheet of Zakat Auto Ltd as on 31-03-2019 (15)



| Liabilities   | Amt              | Assets                                  | Amt              |
|---|------------------|---|------------------|
| 3,000-9% Redeemable Preference Shares of Rs.100 each, Rs.80 paid up | 2,40,000         | Fixed Assets                            | 12,00,000        |
| 1,20,000 Equity Shares of Rs.10 each, fully paid                    | 12,00,000        | Own Debentures (face value Rs.1,00,000) | 90,000           |
| Securities Premium  | 50,000           | Investment (at cost)                    | 2,00,000         |
| Revenue Reserve   | 1,00,000         | Bank Balance                            | 1,70,000         |
| 8% Debentures   | 2,00,000         | Other Current Assets                    | 4,00,000         |
| Current Liability   | 2,70,000         |   |                  |
|   | <b>20,60,000</b> |   | <b>20,60,000</b> |

On the above date 9% Preference Shares were redeemable at a premium of 5%.

1. The company made final call of Rs.20 per share on these shares. All the shareholders paid the call money.
2. The company issued 20,000 equity shares of Rs.10 each at a premium of Rs.2 per share for cash consideration. The issue was fully subscribed and paid for.
3. Part of the investments were sold for 1,32,000 at a profit of 10% on cost.
4. The company cancelled Own Debentures held as investments.
5. The company redeemed the preference shares as per the terms. One reference share holder holding 100 shares was traceable, hence payment could not be made to him.

You are required to: Pass necessary journal entries in the books of Zakat Auto ltd to record the above transaction. Prepare the revised balance sheet of the company.

Q – 4 Baneshwar Ltd. was incorporated on 1<sup>st</sup> September, 2018 to take over the business of Ekta & Gomati, a partnership firm with effect from 1<sup>st</sup> April, 2018.

Following is their Profit & Loss Account for the year ended 31<sup>st</sup> March, 2019.

| Expenses                 | Rs.             | Income                       | Rs.             |
|--------------------------|-----------------|------------------------------|-----------------|
| To Salaries              | 39,000          | By Gross Profit              | 1,80,000        |
| To Rent                  | 8,000           | By Interest on Fixed Deposit | 12,000          |
| To Bad Debts             | 11,000          |                              |                 |
| To Office Expenses       | 2,400           |                              |                 |
| To Directors Fees        | 1,000           |                              |                 |
| To Debentures Interest   | 2,800           |                              |                 |
| To Selling Expenses      | 24,300          |                              |                 |
| To Salary to Partners    | 5,000           |                              |                 |
| To Printing & Stationary | 6,000           |                              |                 |
| To Preliminary Expenses  | 1,500           |                              |                 |
| To Net Profit            | 91,000          |                              |                 |
|                          | <b>1,92,000</b> |                              | <b>1,92,000</b> |

**Additional Information :**

1. Average monthly turnover from October 2018 to March 2019 was twice the average monthly turnover from April, 2018 to September, 2018.



2. Rent is doubled from 1<sup>st</sup> December, 2018.
3. Bad Debts include Rs. 2,000 in respect of sales affected two years ago. Remaining Bad Debts are out of sales affected throughout the year.
4. Salaries include salary of three employees at equal monthly remuneration. However one of them was appointed as manager from 1<sup>st</sup> January, 2019. His salary was doubled from that date.
5. In lieu of interest on purchase consideration the vendor would get 40% of the profit earned in Pre-incorporation period.
6. Interest on Fixed Deposit was received for the entire year.

Prepare Trading and Profit and Loss Account of Baneshwar Ltd. for the year ended 31<sup>st</sup> March, 2019 in the columnar form apportioning all the income and expenditure items between Pre-incorporation and Post-incorporation period on suitable basis.

OR

Q - 4 Agni Postal Services was taken over by Vayu Telecom Ltd. on 1<sup>st</sup> June, 2018. However the company was incorporated on 1<sup>st</sup> December, 2018. The following was Profit and Loss Account for the period from 1<sup>st</sup> June, 2018 to 31<sup>st</sup> March, 2019

| Particulars                | Rs.      | Particulars                      | Rs.      |
|----------------------------|----------|----------------------------------|----------|
| To Printing and Stationary | 15,000   | By Gross Profit b/d              | 4,55,000 |
| To Salaries                | 85,000   | By Shares Transfer Fees received | 5,000    |
| To Rent                    | 60,000   | By Commission received           | 40,000   |
| To Delivery Van Expenses   | 42,000   |                                  |          |
| To General Expenses        | 22,000   |                                  |          |
| To Interest paid to Vendor | 77,000   |                                  |          |
| To Advertisement Expenses  | 48,000   |                                  |          |
| To Bad Debts written off   | 22,000   |                                  |          |
| To Directors Meeting Fees  | 8,000    |                                  |          |
| To Preliminary Expenses    | 4,000    |                                  |          |
| To Net Profit c/d          | 1,17,000 |                                  |          |
|                            | 5,00,000 |                                  | 5,00,000 |

**You are further informed that :**

1. Salaries were paid @ Rs.96,000 p.a. upto 31<sup>st</sup> October, 2018 and thereafter @ Rs.1,08,000 p.a.
2. Gross Profit percentage is fixed, average monthly sales were 1/3 rd in July, August and November 2018 and ½ in January and February 2019 as compared to remaining months.
3. Purchase consideration was paid on 1<sup>st</sup> January 2019 along with interest due thereon.
4. Printing and stationary expenses include Rs. 5,000 paid for printing of wedding cards of Miss Ladli, daughter of the proprietor of Agni Postal Services.
5. The company discontinued practice of credit sales from 1<sup>st</sup> February 2019,
6. Advertisement Expenses include Rs. 2,000 p.m. for a hoarding, remaining advertisement expenses are directly proportional to sales.

You are required to prepare Profit and Loss A/c in columnar form for the period from 1<sup>st</sup> June 2018 to 31<sup>st</sup> March 2019, apportioning various incomes and expenses on suitable basis in the Pre and Post incorporation period.

Q – 5 A] Explain the provision for redemption of preference shares. (08)

B] Explain different methods of redemption of debentures. (07)

OR

Q – 5 Write short notes (Any 03) (15)

1. Basis of allocation of expenses for incorporation.
2. Procedure for fresh issue of shares.
3. AS 1 relating to final account.
4. Distinguish between Shares and Debentures.
5. Format of Schedule for Fixed assets.

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