9/10/19

Class: SYBAF **sub: Financial Accounting** **SEM: IV**

Q1. (a) State whether the following is True or False. (Any 8) (8)

1. Rent is allocated on the basis of time.
2. Preliminary expenses are post incorporation expenditure.
3. Debentures can be redeemed partly paid.
4. Preference shares can convert into new debentures.
5. Capital should be used to redeem debentures.
6. Suspense account contents exchange difference of non-integral foreign operation.
7. Debenture Redemption Reserve is created if debentures are redeemed through conversion.
8. Current investments are trade investment.
9. Every business had different operating cycle.
10. Interest to suppliers is allocated in the purchase ratio.

Q1. (b) Match the Following. (Any 7) (7)

Group A	Group B
1. Schedule 1	a. Current Assets
2. Pre-incorporation	b. Directors fees
3. Rent	c. Shareholders fund
4. Post-incorporation	d. Interest to vendor
5. Bad debts	e. Time ratio
6. Credit to P/L a/c	f. Sales ratio
7. Creditors	g. Redemption of Debentures
8. DRR	h. Fixed assets
9. Schedule 6	i. Current liability
10. Cash	j. Balance of CRR after redemption

Q2. Following is the Balance sheet of Goldberg Ltd.

Balance sheet of Goldberg ltd.

As at 31^{st} march, 2018

Liabilities	**Rs.**	**Assets**	**Rs.**
8 % Redeemable preference share		Fixed assets	25,00,000
of Rs. 10 each fully paid up		Investments	10,00,000
Equity shares of Rs. 10 each fully	15,00,000	Debtors	5,00,000
paid up		Bank balance	5,00,000
Securities premium	10,00,000		
General reserve	5,00,000		
Profit and loss account	4,00,000		
Creditors	6,00,000		
	5,00,000		
TOTAL	45,00,000	TOTAL	45,00,000

The company exercises the option to redeem 8% redeemable preference shares at 10% premium and for this purpose the company issued 1,35,000 Equity shares of Rs 10 each at a premium of Rs 10 per share. The Equity shares were fully paid in cash.

The company also sold out the investment of Rs 10, 26,000. All payments were made to the Redeemable Preference shareholders except those holdings 1,350 shares who could not be traced.

The directors then issued bonus shares to the then shareholders after issue of new shares, at the rate of 2 shares for every 3 shares held.

Pass necessary journal entries in the books of Glad rag Ltd. For the above transaction and also prepare the Balance Sheet of the company after redemption.

OR

Q2 The Balance Sheet of Monica Ltd. As on 31st March, 2010 as follows. (15)

Liabilities	Amt	Assets	Amt
4,000 12% redeemable preference Shares of Rs.10 each fully paid up	40,000	Sundry assets	1,21,500
6,000 Equity Shares of Rs.10 each fully paid up	60,000	Bank	65,000
Securities Premium	18,000		
Profit & Loss A/c	16,400		
Sundry Creditors	52,100		
	1,86,500		**1,86,500**

The company decided to redeem the preference shares at a premium of 5% together with one month's dividend thereon. Other information is as under:

1. The company issued for cash Rs.12,000, 14% debentures at par.
2. The company issued at par for cash a minimum number of equity shares of Rs.10 each necessary to provide for redemption of 12% preference shares after utilizing available divisible profits.
3. The company made a bonus issue to equity shareholders of one fully paid share of Rs.10 each for every five share held.

Pass necessary Journal Entries and draft a Balance Sheet after redemption and bonus issue.

Q3. Company give notice of its intention to redeem its outstanding Rs.400000, 2% debentures stock at Rs.102 percent, and offered the holders the following options: (15)
To apply the redemption money for subscribing:
(a) 8 % cumulative preference shares of Rs.20 each at Rs.22.50 per share.
(b) 10% debentures stock at 96 percent.
(c) To have their holding redeemed for cash.
Holders of RS.1,71,000 stock accepted the proposal (a).
Holders of RS.1,44,000 stock accepted the proposal (b).
Pass the journal entries to record the above transactions. Requiement of depositing or investing the amount at the beginning of the year may be ignored

OR

Q3. Pragati Enterprises Ltd. issued 35,000, 6.5% debentures of Rs. 100 each on October 1, 2009 redeemable in five equal installments starting with march 31, 2015. The Board of decides to transfer to debenture Redemption Reserve RS. 50,000 and Rs. 4,00,000 on March 31, 2012 and 2013 and balance required to be transferred to Debenture Redemption Reserve on March 31, 2012. Record necessary journal entries. Ignore entries for payment of interest. Investment as required by law was made in fixed deposit of the bank. (15)

Q4. Wide Ltd. took over the business of M/s Narrow & Sons w.e.f. 1st April, 2017. Wide Ltd. was registered on 1st September, 2017.

Its Profit & Loss Account for the year ended 31st March, 2018 was as under:

Particulars	Rs.	Particulars	Rs.
To Salaries	12,000	By Gross Profit b/d	75,000
To Rent & Taxes	9,600		
To Carriage Outward	7,500		
To Audit Fees	1,200		
To Travelling Expenses	6,600		
To Printing & Stationary	2,400		
To Electricity Charges	3,000		
To commission on Sales	4,800		

o Depreciation	8,000		
To Advertising	2,400		
To Debentures Interest	800		
To Preliminary Expenses	900		
To Net Profit c/d	15,800		
	75,000		75,000

Additional Information:

1. Trend of sales during April 2017 to March 2018 was as under :

April, May	Rs. 8,500 per month
June, July	Rs. 10,500 per month
August, September	Rs. 12,000 per month
October, November	Rs. 14,000 per month
December, onwards	Rs. 15,000 per month

2. Out of travelling expenses Rs. 3,000 were incurred by office staff while remaining expenses were incurred by salesman.
3. Wide Ltd. took over a machine worth Rs. 72,000 from Narrow & Sons while it purchased a new machine on 1st February 2018 for Rs. 48,000. It provided depreciation @ 10% p.a.
4. Audit fees are paid for the whole year.

Prepare Profit & Loss Account for the year ended 31st March, 2018 showing profits for pre and post incorporation periods separately.

OR

Q4. The following balances have been extracted from the books of Sure-Success Ltd. as on 31st Dec, 2018

Debit	Rs.	Credit	Rs.
Land at cost	67,250	Share capital	2,00,000
Building (cost less dep.)	1,50,000	General reserve	80,000
Plan t(cost less dep.)	80,000	Share premium	20,000
Furniture (cost less dep.)	15,000	Gross Profit	1,02,250
Selling expenses	2,000	Prov. for Tax.(Op. Bal.)	15,000
Directors fees	2,400	Bad Debts realized	1,500
Administration expenses	18,000	6% Deb.(Unsecured)	2,00,000
Sinking Fund Investment	40,800	P & L A/c.(Op. Bal.)	5,000
Calls in arrears	3,000	Sinking Fund for Deb.Red.	40,800
Bad Debts	2,000	Sundry creditors	23,000
Sundry debtors	1,45,000	Int. in Sinking Fund Invt.	2,500
Audit fees	1,000	Miscellaneous Receipts	3,000
Adv. Payment of I.T. for 2017	12,000	Liabilities for Expenses	4,000
Income Tax for 2018	8,000		
Closing stock	65,000		
Cash at Bank	5,600		
Cash in Hand	68,000		
Debenture Interest	12,000		
	6,97,050		**6,97,050**

The following further particulars are as follows:

1. The basis of valuation of closing stock has been changed from this year resulting into an additional profit of Rs.3000 as compared to valuation on old basis.
2. Administrative expenses include Rs. 6000 paid to the M.D as an advance against his remuneration. He is entitled only for Rs. 5400 as remuneration
3. Sinking fund is to be creditor with Rs. 20000 which together with the interest received would be invest on1 january 2019
4. Income- tax assessment for 2017 has been completed on 20 dec, 2018 on a gross demand of Rs. 14000 but no effect has been given in the books.

5. At a meeting held on 25 november, 2018 the board of director decided to allot one fully –paid bonus share against two shares held by a member. This was sanctioned by the member on 18 december 2018 but no effect has been given to it. Bonus on shares where there is call in arrear is to be kept as bonus suspense.
6. Provision for taxation are to be made as follows:
   Income tax at 45 percent of net profit.
7. Special surcharge at 5 percent on income tax.
   Out of sundry debtor Rs 40000 are due for more than six months. There is no doubtful amt.
8. Depreciation written off upto last year at rates mentioned against each are as follows:

Building	Rs. 5000 at 2 ½ %
Plant	Rs. 45000 at 15%
Furniture	Rs.5000 at 10 %

9. Market value of sinking fund investment on 31 dec, 2018 Rs. 42000.
10. Calls in arrears are due on 1000 shares out of 20000 shares of 10 each fully called up.
    You are required to prepare the profit and loss account for the year ended 31 december 2018 and a balance sheet as on that date

Q5. A. Explain the provision of the Companies Act, 2013 regarding preparation of Balance Sheet (08)
Q5. B. Write difference between contingent liability & current liability. (07)

OR

Q5. Write Short Notes. (Any 3) (15)
1. Provision for redemption of preference shares
2. Basis of allocation for expenses in profit prior to incorporation
3. Methods of redemption of debentures.
4. Schedules of Profit and loss accounts as per companies Act.
5. Schedule of Fixed Assets as per companies Act.