

280323

VCD/ SYBCOM SEM IV ACCOUNTANCY & FINANCIAL MANAGEMENT 3 HRS 100 MARKS

Q.1 A] State True or False: (any 10).

[10 Marks]

1. Depreciation on delivery van is divided in sales ratio.
2. A company is an artificial legal entity.
3. Debentures represent debt capital.
4. Plant and Machinery is classified as Non current asset.
5. Debentures can be redeemed by payments in annual installments.
6. Directors fees is divided in Time ratio.
7. Debenture holders are the owners of the Company.
8. Profits after incorporation are Capital profits.
9. Final and interim dividend are the same.
10. Sweat equity shares are issued by the Company to the public.
11. Preliminary expenses are divided in Sales ratio.
12. A Company can redeem partly paid up preference shares.

Q.1 B] Multiple choice questions: (any 10)

[10Marks]

1. Debentures may be issued _____.
 - a) Only at par
 - b) Only at par or premium
 - c) Only at discount
 - d) At par or premium or discount without any restrictions.
2. Redeemable preference shares can be redeemed _____.
 - a) Only out of proceeds of fresh issue of shares
 - b) Only out of divisible profits
 - c) Both a and b
 - d) None of the above
3. The balance of debenture redemption reserve is transferred to _____.
 - a) Profit & Loss Account
 - b) General reserve
 - c) Capital reserve
 - d) Securities premium account
4. For computing Pre incorporation profits, depreciation is _____.
 - a) Treated as pre period item
 - b) Treated as post period item
 - c) Allocated in Time ratio
 - d) Allocated in Sales ratio
5. Preliminary expenses written off should be charged to _____.
 - a) Pre incorporation profit
 - b) Post incorporation profit
 - c) Trading account
 - d) None of the above
6. _____ represents debt.
 - a) Bank Loan
 - b) Equity shares
 - c) Preference shares
 - d) General reserve

7. _____ is also called as Nominal Capital
 a) Authorized capital b) Issued capital
 b) Subscribed capital d) Paid up capital
8. _____ is an example of Non-current asset.
 a) Land & Building b) Debtors
 c) Stock d) Cash
9. _____ is an example of Non-current liability
 a) Debentures b) Creditors
 b) Stock d) Outstanding expenses.
10. _____ can be Registered or Bearer.
 a) Debentures b) Equity shares
 c) Preference shares d) Fixed asset.
11. _____ is an example of Profits not divisible.
 a) Capital reserve b) General reserve
 d) Profit & loss account d) Dividend equalization reserve.
12. Bonus shares are issued to _____
 a) Debenture holders b) Creditors
 b) Equity shareholders d) Preference shareholders

Q.2 A] Following is the Balance Sheet of Prakash Ltd. As on 31st March, 2022 [20 Marks]

Liabilities	Rs.	Assets	Rs.
40,000 Equity Shares of Rs. 10 each.	4,00,000	Fixed Assets	7,00,000
3,000 8% Redeemable Preference Shares of Rs. 100 each Rs. 80 paid up	2,40,000	Investment	4,00,000
General Reserve	3,60,000	Current Assets	3,40,000
Profit & Loss A/c	1,60,000		
6% Debentures	1,20,000		
Trade Payable	1,60,000		
	14,40,000		14,40,000

On the above date, 8% Preference Shares were redeemable at a premium of 10%. For this purpose the company-

- Made a final call of Rs. 20 per share on 8% Redeemable Preference share which was paid by all the shareholders.
- Sold investments at a profit of 10%.
- The company issued 10,000 Equity shares of Rs. 10 at a premium of Rs. 2 per share. This issue was fully subscribed and all the monies were duly received.
- Issued bonus shares to the Equity shareholders in the ratio of one bonus shares for every two shares held. (Excluding new issue)

Journal entries to record the above transaction in the books of the company.

OR

Q.2 B] Following is the Balance Sheet of Gora Ltd. As on 31st March, 2022 [20 Marks]

Liabilities	Rs.	Assets	Rs.
Equity Shares of Rs. 10 each.	13,50,000	Sundry Assets	25,00,000
9% Redeemable Preference Shares of Rs. 10 each, fully paid up	13,50,000	Investment (Market Value Rs. 513,000)	4,05,000
Security Premium A/c	40,500	Trade Receivable	1,20,000
Profit & Loss A/c	13,50,000	Bank Balance	10,50,000
Bank Loan	1,50,000	Other Current Assets	4,00,000
Trade Payable	2,34,500		
	44,75,000		44,75,000

The 9% Redeemable Preference Shares are to be redeemed at 10% premium. For this purpose the company issued 67,500 equity shares at a premium of 10%. This issue was fully subscribed and all the monies were duly received. All the investment are to be sold off the market value.

The company redeemed 9% Redeemable Preference share on 1st April, 2022 except in case of one shareholder holding 675 shares who could not be traced. Subsequently the company issued bonus shares in the ratio of one equity shares for every four shares held including new issue. Temporary bank overdraft to be arranged in case of shortage of funds.

Give journal entries to record the above transaction in the books of Gora Ltd.

[20 Marks]

Q.3 A] M/s PQR Ltd. was formed to take over a running business with effect from 1st April, 2016. The company incorporated on 1st October, 2016. The following Profit & Loss Account has been prepared for the year ended 31st March, 2017.

Particulars	Rs.	Particulars	Rs.
To Salaries	2,40,000	By Gross Profit b/d	16,00,000
To Printing & Stationery	24,000		
To Travelling Expenses	84,000		
To Advertisement	80,000		
To Insurance	1,89,000		
To Office Rent	1,32,000		
To Electricity Charges	21,000		
To Preliminary expenses	56,000		
To Bad debts	16,000		
To Commission	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		
	16,00,000		16,00,000

Other Information:

1. Total sales during the year, which amounted to Rs. 96, 00,000 arose evenly up to the date of the certificate of incorporation, where after they spurted to record increase of two-thirds during the rest of the year.
2. Rent of the office building was paid @ Rs.1,20,000 p.a. up to September 2016 and thereafter it was increased by Rs.24,000 p.a.
3. Travelling expenses include Rs.24,000 towards sales promotion.
4. Depreciation includes Rs.3,000 for assets acquired in the post-incorporation period.
5. Purchase consideration was discharged by the company on 31st October, 2016 by issuing equity shares of Rs.10 each.

Prepare the Profit & Loss Account in columnar form, showing distinctly the allocation of profits between pre-incorporation and post-incorporation periods, including the basis of allocation.

OR

[10 Marks]

Q.3 B] KIRAN Limited was incorporation on 1st July, 2021 to acquire the business from 1st April, 2021. It commenced its business on 1st August, 2021. Its Profit and Loss Account for the year ending 31st March, 2022 is as under.

Particulars	Rs.	Particulars	Rs.
To Rent and Taxes	1,20,000	By Gross Profit	5,20,000
To Debentures Interest	25,400		
To Printing & Stationery	15,000		
To Advertising Expenses	65,000		
To Office Salaries	60,000		
To Selling Commission	78,000		
To Carriage Outward	42,250		
To Net Profit	1,14,350		
	5,20,000		5,20,000

Additional Information:

Sales for the pre-incorporation period were @ Rs. 5,00,000 per month. Total Sales for the year ended 31st March, 2022 was Rs. 65,00,000

Prepare statement of Profit & Loss Account in columnar form for the year ending 31st March, 2022 allocating various items on suitable basis in the pre-incorporation and post-incorporation periods.

[10 Marks]

Q.3 C] Vivek Ltd. was incorporated on 1st August, 2021 to take over the running business of M/s. Anand Bros, a partnership firm, w.e.f. 1st April, 2021. The company received the certificate of commencement of business on 1st October, 2021. The following Profit and Loss A/c was prepared for the year ended 31st March, 2022.

Profit and Loss Account
For the year ended 31st March 2022

Particulars	Rs.	Particulars	Rs.
To Administration Exp.	71,400	By Gross Profit	1,60,000
To Partner's salaries	16,100	By Share Transfer Fees	2,000
To Selling & Distribution Exp.	24,800		
To Director's Fees	2,000		
To Debentures Interest	3,200		
To Interest on Partner's Capital	3,600		
To Bank Charges	900		
To Preliminary Expenses	2,000		
To Net Profit c/d	38,000		
	1,62,000		1,62,000

Additional Information:

Sales arose evenly up to date of certificate of commencement of business. Therefore they recorded an increase of two-third of the average monthly sales.

Prepare Profit and Loss A/c for the year ended 31st March, 2022, in a columnar form showing the profit or loss during 'Pre' and 'Post' incorporation period separately.

[20 Marks]

Q.4 A] Bharat Ltd. gave notice of its intention to redeem its outstanding Rs. 600000 8% Debentures at Rs. 103 and offered the holders the following options:

- 10% Preference shares of Rs. 20 each at Rs. 25.
- 9% Debentures at Rs. 96.
- To have their holdings redeemed for cash.

- The holders of Rs. 180,000 debentures accepted proposal (a).
- The holders of Rs. 240,000 debentures accepted proposal (b).
- The remaining debentures holders accepted Proposal (c).

For the redemption in cash, Company decided to create debenture redemption reserve @ 10%. Pass necessary journal entries in the books of Bharat Ltd.

OR

[20 Marks]

Q.4 B] Best Limited issued 10,000 – 8% Debentures of Rs. 100 each at par on 01-01-2019 redeemable on 31-12-2022 at par. The company decided to invest money outside business to provide funds for redemption. The outside investments were made @ 5% p.a. on the last day of each year. On 31st December, 2022, the company sold all investments for Rs. 7,25,000 and redeemed the 8% Debentures.

The Sinking Fund value of Rs. 1 @ 5% interest for 4 years is 0.23012.

Prepare for all the four years:

- 8% Debentures Account
- Sinking Fund Account
- Sinking Fund Investment Account

Note: Calculation to be rounded off to the nearest rupee.

Q.5 A] What is a Company? Explain its features.

[10 Marks]

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Q 5 B] Explain the provisions of Redemption of Preference shares.

[10 Marks]

OR

Q 5 Write short notes on: (Any 4).

[20 Marks]

- a) Divisible and Non Divisible profits.
- b) Equity shares and Preference shares.
- c) Final and Interim dividend
- d) Allocation of items for Profits prior to Incorporation
- e) Types of Assets and Liabilities
- f) Redemption of Debentures.