

Fin Acc-I 6/10/15

QP Code : 13839

(2 1/2 Hours)

[Total Marks : 75

- N.B. : (1) All questions are compulsory
 (2) Figures to the right indicate full marks.
 (3) Use of simple calculator is allowed.
 (4) Working notes should form part of your answers.

1. (A) Match the columns (Any 8)

'A'		'B'	
1. Computers	(a)	Fixed income bearing security	
2. Computer Software	(b)	Credited to Capital Reduction Account.	
3. Discount on issue of shares not written off	(c)	Variable income bearing security	
4. Equity shares	(d)	Contingent Liability	
5. Debentures	(e)	Employee benefit expenses	
6. Increase in the value of building	(f)	Debited to Capital Reduction account	
7. Decrease in the value of Investments	(g)	Tangible Fixed asset	
8. On Amalgamation, Preliminary expenses appearing in the Balance sheet of the Vendor company is	(h)	Ignored while calculating Purchase consideration by Net payment method.	
9. On Amalgamation, Liquidation expenses of Vendor company agreed to be paid by Purchasing company is	(i)	Considered while calculating Purchase consideration by Net payment method.	
10. Office Salaries	(j)	Intangible Fixed asset	
	(k)	Fictitious assets	
	(l)	Debited to Equity shareholders account	
	(m)	Debited to Realisation account.	

(B) State whether the following statements are True or False: (Any 7)

- Dividend on shares is calculated on the cost of shares.
- Disputed Income tax liability is a contingent liability.
- Bonus shares are shares which are issued free of cost to the existing equity shareholders.
- IFRS stands for International Financial Reporting Standards.
- Investment Accounting is governed by AS 11.
- Amalgamation of Companies is governed by AS 13.
- Copy rights is shown under the head Tangible Fixed Assets in the Balance sheet of Limited company.
- There is no difference between Internal and External Reconstruction of companies.
- Reduction in Creditors is debited to Capital Reduction account.
- Balance in Capital Reduction account is transferred to Capital Redemption Reserve account.

2. Following is the Summarised Balance Sheet of Kartik Ltd. as on 31st March 2015

Liabilities	Rs.	Assets	Rs
Equity Share Capital (Rs.10 each)	10,00,000	Intangible Assets	1,00,000
General Reserve	20,000	Tangible Fixed Asset	8,40,000
Debentures	2,00,000	Current Assets	2,20,000
Creditors	1,00,000	Profit & Loss A/c (Dr. Balance)	1,60,000
	13,20,000		13,20,000

On the above date, Ganesh Ltd agreed to take over the business Kartik Ltd., on the following terms:

1. The intangible assets, tangible fixed assets & current assets of Kartik Ltd. are taken over at Rs. 10,00,000. The liabilities (including Debentures) are taken over at book value.
2. The purchase price is to be paid one-quarter in cash and the balance in equity shares of Rs. 10 each at par.
3. Liquidation expenses amounted to Rs. 600, agreed to be paid by Kartik Ltd.
4. The take over is in the nature of purchase.

You are required to :

- (a) Calculate Purchase Consideration &
- (b) Prepare necessary Ledger accounts to close the books of Kartik Ltd.

2. Ram Ltd. took over the business of Ravan Ltd. as on 1st April 2015 at book value. Following is the summarised Balance Sheet of Ravan Ltd. as on 31/3/2015.

Liabilities	Rs.	Assets	Rs
40,000 Equity Shares of Rs. 10/- each	4,00,000	Plant & Machinery	2,50,000
Reserves & Surplus	3,00,000	Furniture & Fixtures	2,25,000
Creditors	50,000	Investments	1,00,000
Bills payable	50,000	Stock	50,000
		Debtors	1,00,000
		Cash & Bank Balance	25,000
		Preliminary Expenses	50,000
	8,00,000		8,00,000

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Ram Ltd. issued one equity share of Rs. 10/- each at a premium of Rs.2 per share for every share in Ravan Ltd.
Calculate Purchase Consideration & also prepare Balance sheet of Ram Ltd after acquisition.
Acquisition is in the nature of Purchase.

3. On 1st April, 2014; Mr. Mohandas held 400; 6% debentures of Rs. 100 each of Best Ltd., cost being Rs. 36,400.
Best Ltd. pays interest on 30th June and 31st December every year.
The following other transactions were entered by Mr. Mohandas during the year ended 31st March, 2015 in regard to these debentures.

Date	No. of Debentures	Transaction	Rate (Rs.)
1st April, 2014	200	Sale	98 cum-Interest
1st October, 2014	200	Purchase	104 ex- interest.
1st December, 2014	400	Purchase	97 cum-interest
1st February, 2015	200	Sale	97 ex- interest

You are required to prepare investment in 6% debentures in Best Ltd. Account for the year ended 31st March, 2015, as it would appear in the books of Mr. Mohandas. Market value of his entire investments as on 31/3/2015 was Rs. 36,200

OR

- Q 3. Following is the Trial Balance of Neelam Electronics Ltd. as on 31st March, 2015.

Particular	Dr.	Cr.
Cash in hand	39,000	
Cash at Bank	8,600	
Share Capital		18,40,000
9% Debentures		6,00,000
Bank Overdraft (Union Bank)		4,00,000
Investments (long term)	20,000	
Bills Receivables-Trade	2,80,000	
Sundry Debtors	11,00,000	
Sundry Creditors		4,80,000
Security Deposit (long term)	8,000	
Profit and Loss A/c		5,80,000
Securities premium		1,80,000
Interest on Debentures accrued and due		13,500
Goodwill	1,30,000	
Land & Building (Cost Rs. 5,00,000)	3,80,000	
Plant & Machinery (Cost Rs. 10,00,000)	6,00,000	
Furniture (Cost Rs. 1,60,000)	90,000	
Provision for Taxation		2,41,000
Advance Tax	2,00,000	
Bills Payable		60,000
General Reserve		2,00,000
Stock in Trade	16,98,900	
Capital Reserve		20,000
	46,14,500	46,14,500

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Additional Information:

- The Authorised Share Capital of the company was Rs 60,00,000/- divided into 6,00,000 Equity Shares of Rs 10/- each.
- Sundry Debtors, which are all unsecured and considered good, include Rs 1,80,000 due for more than six months.
- Investments represent 5000 Equity Shares in X Ltd. of Rs 10/- each, Rs 4/- per share called and paid up.
- Bills Receivable discounted with the bank, not matured till the Balance Sheet date, amounted to Rs 15,000/-.

You are required to prepare Balance Sheet of Neelam Electronics Ltd. as on 31st March, 2015 as per the provisions of the Companies Act. Ignore previous year figures.

4. Following is the Summarised Balance Sheet of Risky Ltd. as on 31st March 2015.

Liabilities	Rs.	Assets	Rs
10% Preference Shares of Rs.10 each	4,80,000	Premises	6,40,000
Equity Shares of Rs. 10 each	8,00,000	Plant & Machinery	10,40,000
5% Debentures of Rs. 100 each	9,60,000	Investments	2,40,000
Sundry Creditors	4,00,000	Stock	2,88,000
Bank Overdrafts	2,40,000	Debtors	1,92,000
Other Liabilities	3,20,000	Deposits & Advances	80,000
		Preliminary expenses	3,20,000
		Profit & Loss Account	4,00,000
		(Dr. Balance)	
	32,00,000		32,00,000

Note: Preference Dividend is in arrears for 3 years.

A scheme of reconstruction is prepared and approved by all the authorities. The salient features of the scheme are:

- Plant and Machinery having book value of Rs. 1,60,000 is obsolete. This is sold as scrap for Rs. 32,000.
- The depreciation on plant & machinery is to be provided to the extent of Rs. 80,000/-
- Stock includes items valued at Rs. 96,000 which are sold at a loss of 50%.
- The present realizable value of investments is Rs.1,12,000.
- Arrears of Preference dividend is not payable.
- Reconstruction expenses were Rs. 16000

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7. The paid up value of equity shares is to be reduced to Rs.2 per share and preference shares to Rs. 5 per share. However, the face value of both equity & preference shares remain unchanged .
8. The creditors dues are settled as:
 - a. 20% immediate payment in cash.
 - b. 40% amount is cancelled.
 - c. 40% paid by issue of 6% debentures.
9. Other liabilities of Rs. 80,000 is to be cancelled.
10. A call of Rs.3 per share on equity shares is made and received.
You are required to pass Journal Entries In the Books of Risky Ltd. to record the above transactions.

OR

4. Following is the extract of Trial Balance of Ameya Ltd. as on 31st March 2015.

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Particular	Rs	
Sales		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 & Wages		4,00,000
Bonus to employees		80,000
Directors Remuneration		8,00,000
Depreciation on:		
Land & Building	5,00,000	
Plant & Machinery	3,00,000	
Furniture	1,00,000	9,00,000
Interest paid on Debentures		5,00,000
Interest on Loan from Bank of Baroda		2,00,000
Repairs & 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 & Finished goods was Rs. 5,00,000 & Rs.6,00,000 respectively.

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- b) Outstanding Electricity charges and Rent, Rates & taxes were Rs. 10,000 & Rs, 30,000 respectively.
- c) Miscellaneous income receivable was Rs. 10,000.
- d) Rs 50,000 to be provided for Bad & 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 & loss for the year ended 31st March 2015 as per the provisions of the Companies Act.

5. (a) What is Purchase Consideration? Explain the different methods of calculating Purchase Consideration.
- (b) Explain the term Tangible fixed Assets, Intangible fixed Assets & Fictitious Assets giving suitable examples.

OR

Q5. Write Short Notes on any three of the following :

- (a) IFRS.
- (b) Internal Reconstruction of Companies.
- (c) Sub Division & Consolidation of shares .
- (d) Amalgamation Adjustment Account.
- (e) Ex- Interest transactions in Investment Accounting :

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