SYAF 3/3/15 Fin. Acctg - IV

(L)

N03ADO

Time= 2 ½ hours Total = 75

Q.1. Objectives (15 Marks)

A. Fill in the Blanks. (Any 8) (8 Marks)

1. Interest accrued on Debentures is shown under ________. (Current Liabilities / Non-Current Liabilities)
2. ______ paid Preference share cannot be redeemed. (Fully / Partly)
3. Interest to vendor is a ______ incorporation expenditure. (pre/ post)
4. Audit fees are divided in the ratio of ________. (sales/ time)
5. Short Term loans ~~are~~ have been defined vide Schedule VI as those which are due for ______ than 1 year as at the date of Balance Sheet. (less/ more)
6. Interest on Sinking Fund is credited to _______ account. (Debenture redemption Reserve / Sinking Fund)
7. Revaluation Reserve is a _______ __ profit. (divisible / non-divisible)
8. Share issue expenses is a _______ Asset. (Non-current / Current)
9. Preference Shares redeemable within _____ years can be issued. (5/ 10)
10. Bills Receivable are shown under _______. (Trade Receivables / Other Current Assets)

B. True or False. (Any 7) (7 Marks)

1. Debenture Redemption Reserve is created when debentures are redeemed out of capital.
2. Securities Premium is a divisible profit.
3. Preference Share can be converted through conversion.
4. Capital Redemption Reserve can be used to write off Share issue expenses.
5. Preference Share can be redeemed only out of profits of the company.
6. Advance Tax is adjusted with provision for Tax.
7. Debtors are classified as (i) due for more tha 6 months and (ii) others.
8. Preliminary expenses are allocated on the basis of sales ratio.
9. Loss prior to incorporation is charged to Profit & Loss A/C
10. Profit after incorporation are Capital Profits.

Q.2.X Ltd. issued 2000, 16% Debentures of Rs.100 each on 1.1.2010 at a discount of 10% redeemable at a premium of 10% fully out of profits. Give Journal Entries both at the time of issue and redemption of Debentures if the Debentures are redeemable in lump sum at the end of 4th year from the date of issues. The company, as a prudent financial measure, plans to redeem the debentures, entirely out of profits and to create a Debenture Redemption Reserve, for this purpose every year. (Ignore the treatment of Interest. The Calendar year is the accounting year of X Ltd.) (15 Marks)

OR

NO3ADO

Q.2. V.K. Pvt Ltd. was incorporated on 1st Aug 2012.This company agreed to take over the business of M/S J.V. & Co. as going concern , effective from 1st April 2012. The agreement also provided that vendors are entitled to 60% profits for period upto 1st Aug 2012. The Profit & Loss A/C for the year ended 31st March, 2013 is as follows:- (15 Marks)

Particulars	Rs.	Particulars	Rs.
To Stock	30000	By Sales	300000
To Materials Consumed	120000	By Closing Stock	42000
To Wages	30000		
To Factory expenses	42000		
To Gross Profits	120000		
	342000		342000
To Salaries	30000	By Gross Profit b/d	120000
To Rent	9000	By Profit on sale of Investment	20000
To Office expenses	6000		
To Sales Commission	15000		
To Bad Debts	5000		
To Director's Fees	8000		
To Depreciation	18000		
To Debentures Interest	8000		
To Interest to Vendors	6000		
To Net Profit	35000		
	140000		140000

Additional Information:

i) Monthly Sales for Oct 2012 to March 2013 is 150% of monthly sales for April2012 to Sept 2012.

ii) Bad Debt is in respect of sales effected 2 years ago.

iii) Investment was sold on 1st Nov 2012.

iv) Consideration to vendors was paid on 1st Oct 2012

v) Rent was increased from Rs.500 per month to Rs.1000 per month effective from 1st Oct 2012.

Prepare Profit & Loss A/C and show Profit Prior to Incorporation.

Q.3.The following items appear in the Balance Sheet of D Ltd. As on 31st March 2014. (15 marks)

a. Share Capital:

Equity – Authorised – 500000 Shares of Rs.10 each – Issued, Subscribed, called and paid up – 400000 Shares of Rs.10 each.

Preference Shares – Authorised, Issued and Subscribed – 60000, 12% Preference Shares of Rs.20 each, fully paid.

b. Investments – Rs.350000

c. Profit & Loss A/C (Cr. Balance) – Rs.700000

It was decided to redeem the preference shares at a premium of 5% as on 31st March, 2014.It was decided to:

1. Sell investments for Rs.300000.
2. Finance part of the redemption fully out of profits, subject to leaving a balance of Rs.200000 in the Profit & Loss A/C.
3. Issue sufficient no. of Equity shares at a premium of Rs.2 per share to raise the balance of the funds required. The above decisions have been carried out and the preference shares redeemed. Give Journal entries to record the above transactions.

N03ADO

OR

Q.3. Ehesaan Ltd. was incorporated on 1st Aug 2012 to acquire a business as on 1st April 2012. The first accounts were closed on 31st March 2013.

The following is the Profit & Loss A/C for the year ended 31st March 2013

Particulars	Rs.	Particulars	Rs.
To Director's Fees	49000	By Gross Profit	960000
To Rent	85500		
To Bad Debts	12000		
To Salaries	183000		
To Interest on Debentures	24000		
To Depreciation	66000		
To Preliminary expenses	42000		
To General expenses	49200		
To Commission on sales	36000		
To Printing & Stationery	93000		
To Advertising	120500		
To Auditor's Fees	58600		
To Carriage Outwards	72800		
To Electricity Charges	44400		
To Insurance premium	24000		
	960000		960000

Additional Information:-

i) Rent is paid on the basis of floor space occupied. Floor space occupied was doubled in the post incorporation period.

ii) Sales for each month of Dec 2012 to March 2013 were double the monthly sales of April to November 2012.

iii) Bad Debts Rs.500 were in respect of sales effected 2 years ago.

iv) Mr.Jay was working partner in the firm entitled to a remuneration of Rs.12000 p.m. From 1st Aug 2012 he was Managing Director of a company entitled to salary of Rs.15000 p.m. The remaining salary is to 2 clerks employed during the period 1st July to 30th Nov 2012.

You are required to prepare Profit & Loss A/C for the year ended 31st March 2013 and show pre and post incorporation period profit or loss.

NO3ADO

Q.4. Following is the Trial Balance of Babar Ltd. as on 31st March 2013 (15 Marks)

Particulars	Debit	Particulars	Credit
Fixed Assets (Net Block)	750000	Equity Share Capital (Rs.10 each fully paid)	440000
Investments	250000	9% Preference Share Capital (Rs.100 each fully paid)	100000
Closing Stock	375000		
S. Debtors	122500		
Share Issue expenses	20000	Profit & Loss A/C	280000
Staff Advance	100000	Securities Premium	30000
Advance Tax	60000	Debenture Redemption Reserve	200000
Pre-paid expenses	45000		
Advance to Suppliers	27500	General Reserve	75000
Cash in Hand	12500	8% Debentures	525000
Bank Balance	110000	Loan from Director Mr. D	10000
		Loan from Subsidiary Co.	70000
		S. Creditors	58500
		Bills Payable	21500
		Provision for Taxation	62500
	1872500		1872500

Additional Information:

1. Transfer to DRR Rs.50000 and General Reserve Rs.25000
2. The company declared dividend on Equity Share Capital at 15% after declaring Preference dividend.
3. Entire authorized share capital has been issued and subscribed.
4. Loan from Director & Subsidiary company are unsecured and short term.
5. Creditors include Creditors for goods Rs.40000 while for expenses Rs.18500.
6. Stock comprises of Raw Materials Rs.250000, work-in-progress Rs.50000 and Finished goods Rs.75000.
7. Of the debtors debts due for more than 6 months is Rs.22500. All debts are unsecured and considered to be good.
8. Profit and Loss A/C in Trial Balance is arrived as under:-

	Rs.
Previous Year's Balance b/d	148500
Net profit for the year	131500
	280000

OR

Q.4. Punjab Ltd. whose issued share capital on 31.12.2013, consisted of 12000 8% redeemable preference shares of Rs.100 each fully paid and 40000 equity shares of Rs.100 each, Rs.80 paid up, decided to redeem preference shares at a premium of Rs.10 per share. The company's Balance Sheet as at 31.12.2013, showed a general reserve of Rs.1800000 and a Capital Reserve of Rs.170000. The redemption was effected partly out of profits and partly out of the proceeds of the new issue of 6000 7.5% redeemable preference shares of Rs.100 each at a premium of Rs.25 per share. The premium payable on redemption was met out of the premium received on the new issue. You are required to pass necessary Journal entries. (15 Marks)

Q.5. Write Short Notes. (Any 3) (15 Marks)

1. Steps to ascertain Profit Prior to Incorporation.
2. Redemption of Debentures out of Capital.
3. Explain Capital Redemption Reserve.
4. Disclosure of Reserves and Surplus.
5. Steps to create a Purchase Order in Tally ERP 9.