

Marks: 75

Q.1 A. Select the most appropriate alternative : (Any Eight)

(08 marks)

1. Unclaimed dividend is shown under _____.
a) current liability b) secured loans
c) provisions d) reserves
2. As per AS-1, disclosure should be made of _____.
a) all accounting principles b) all accounting policies
c) all accounting concepts d) all significant accounting policies
3. In Balance Sheet, securities premium should be shown under _____.
a) share capital b) reserves & surplus
c) current liabilities d) fixed assets
4. The premium payable on redemption can be provided out of _____.
a) statutory reserve b) capital redemption reserve
c) security premium d) insurance premium
5. Capital redemption reserve is to be created to the extent redemption is out of _____.
a) bank account b) new issue of share
c) capital profits d) divisible profit
6. Securities premium may be used for _____.
a) payment of dividend b) issue of fully paid bonus shares
c) issue of partly paid bonus shares d) none of the above
7. Debentures Redemption Reserve Investment should be made atleast _____ of the amount of debentures maturing during the year.
a) 18% b) 15%
c) 20% d) 25%
8. The interest on investment representing sinking fund should be credited to _____.
a) Profit & Loss Account b) Sinking Fund Account
c) Debentures Account d) Capital Reserve
9. Profit upto date of incorporation is _____.
a) capital reserve b) capital profit
c) security premium d) statutory reserve
10. The share transfer fee received is related to period _____.
a) post-incorporation b) pre-incorporation
c) both d) none

B. Select whether following Statements are True or False : (Any Seven)

(07 marks)

1. The company's final accounts should be prepared in the form prescribed under Companies Act,
2. The Companies Act does not prescribe form of Profit & Loss Account
3. Company cannot issue preference shares, which are redeemable.
4. Premium on redemption can be provided out of security premium.
5. The debentures can be redeemed at discount.
6. Debentures may be redeemed at par.
7. The period of revenue account always shows for one year.
8. The preliminary expenses written off should be allocated to pre-incorporation period.
9. Loss prior to incorporation is debited to Goodwill Account.
10. A Purchase order is issued by the seller.

Q2. M/S. Namita Ltd. Was incorporated on 1st August, 2012 to take over the business of Mr. Akash with effect from 1st April, 2012.

The following Profit & Loss Account was prepared for the year ended 31st March, 2013:

Dr.

Cr.

Particulars	Rs.	Particulars	Rs.
To Office Salaries	36,000	By Gross Profit	1,50,000
To Akash's Salary	3,000	By Share Transfer Fees	3,000
To Advertisement	27,000		
To Printing & Stationery	2,250		
To Travelling Expenses	6,000		
To Office Rent	14,400		
To Electricity Charges	7,650		
To Director's Fees	1,800		
To Auditor's Fees	900		
To Bad Debts	1,800		
To Commission on Sales	10,500		
To Preliminary Expenses	3,000		
To Debenture Interest	3,450		
To Interest on Capital	1,200		
To Depreciation	3,150		
To Net Profit	30,900		
TOTAL	1,53,000		1,53,000

Additional Information:

- Total sales for the year amounted to Rs.12,00,000 arose evenly per month upto 30-09-2012 where after they recorded an increase of two-third per month during the rest of the period.
- Office Rent was paid @ Rs.12,600 p.a. upto 30th September, 2012 and thereafter, it was paid @ Rs.16,200 p.a.
- Travelling expenses include Rs.2400 towards sales promotion. The balance of the travelling expenses are fixed in the nature.
- Bad Debts written off were:
 - A debt of Rs.600 taken over from the vendor
 - A debt of Rs.1200 in respect of goods sold in September 2012
- Mr. Akash agreed to get his accounts audited.
- Depreciation include Rs. 900 for assets acquired in the post incorporation period.
- Allocate other expenses and incomes in an appropriate manner.

Prepare Profit and Loss Account showing separately Pre and Post Incorporation profits for the year ended 31-03-2013.

(15 marks)

OR

Q2. Kiran Ltd. Took over the business of M/S. Arjuna from 1st April 2012. Kiran Ltd. Was registered on 1st September 2012.

Profit and Loss Account for the year ended 31st March 2013 was as under:

Dr.

Cr.

Particulars	Rs.	Particulars	Rs.
To Salaries	18,000	By Gross profit b/d	1,12,500
To Rent and Taxes	14,400		
To Carriage outward	11,250		
To Audit Fees	1,800		
To Travelling Expenses	9,900		
To Printing & Stationery	3,600		
To Electricity Charges	4,500		
To Commission on Sales	7,200		
To Depreciation	12,000		
To Advertising	3,600		
To Debenture Interest	1,200		
To preliminary Expenses	1,350		
To Net Profit c/d	23,700		
TOTAL	1,12,500		1,12,500

- Trend of sales during April 2012 to March 2013 was as under:
April, May- Rs. 12750 per month
June, July- Rs.15750 per month
August, September- Rs.18000 per month
October, November- Rs.21000 per month
December onwards- Rs. 22500 per month
- Out of travelling expenses, Rs.4500 were incurred by office staff while remaining expenses were incurred by salesman.
- Kiran Ltd. took over a machine worth Rs.1,08,000 from M/S. Arjuna while it purchased a new machine on 1st February 2013 for Rs.72,000. It provided depreciation @ 10% p.a.
- Audit fees are paid for the whole year.

Prepare Profit and Loss Account showing separately Pre and Post Incorporation profits for the year ended 31-03-2013. (15 marks)

Q3. Following is the summary balance sheet of Priyush Ltd. as on 31st march,2013:

Liabilities	Rs.	Assets	Rs.
8% Redeemable Preference Share Capital(Rs. 10 each)	40,50,000	Fixed Assets	75,00,000
Equity Share Capital(Rs.10 each)	40,50,000	Investments(Long term)	12,15,000
Securities Premium	1,21,500	Bank Balance	9,00,000
Profit and Loss Account	40,50,000	Other Current Assets	31,50,000
Directors Loan(Long Term)	1,50,000	Trade Receivables	60,000
Sundry Creditors	4,03,500		
TOTAL	1,28,25,000		1,28,25,000

The company exercised the option to redeem the Preference shares at 10% premium .For this purpose it issued 2,02,500 equity shares of Rs.10 each at a premium of Rs.10 per share. The right shares were fully subscribed and cash was received. Investments were sold for Rs. 15,39,000. All payments were made to preference shareholders, except to a person holding 2025 shares were not traceable.

Pass necessary Journal Entries and prepare the Balance sheet immediately after the redemption is carried out. (15 marks)

OR

Q3. A) A company issued Rs.90,000 Redeemable preference Shares at par on 1st January, 2007, redeemable at the option of the company on or after 31st December,2011 in whole or in part. The following redemption were made out of profits:

On 30th June, 2012 -Rs. 30,000

On 30th June, 2013- Rs.20,000

In December, 2013 the company issued equity shares of the Face value of Rs.30,000 at a premium of 3% and on 31st December in the same year, it redeemed the balance of Preference Shares. Pass required Journal Entries to record the above transactions. (08 marks)

Q3. B) Manas Ltd. issued Rs.19,00,000 , 8% Debentures of Rs. 100 each on 1st April, 2013 . The terms of issue stated that the debentures were to be redeemed at a premium of 6% on 30th June,2015. The company decided to transfer out of profits Rs.2,75,000 to Debenture Redemption Reserve on 31st March, 2014 and Rs.2,00,000 on 31st March, 2015 and make the necessary investments in time.

Pass the necessary Journal Entries regarding the issue and redemption of debentures , without providing for either the interest or loss on issue of debentures. (07 marks)

Q4. Following is the Trial Balance of Manisha Ltd. as on 31st March,2012:

Debit Balance	Rs.	Credit Balance	Rs.
Stock(at cost)	20,00,000	Equity Share Capital(Rs.100each)	40,00,000
Fixed Assets(Net Block)	14,70,000	General Reserve	1,40,000
Sundry Debtors	7,00,000	Loan (Long term)	6,00,000
Staff Advance	2,94,800	Provision for taxation	22,000
Cash on hand	1,20,000	Net Profit for the Year	5,40,000
Bank Balance	9,88,000	Profit and Loss(opening balance)	2,00,000

Share Issue Expenses	53,200	Short Terms Loans	1,00,000
Bills Receivable	1,16,000	Sundry Creditors	2,79,000
Investments(at cost)	1,50,000	Unclaimed Dividend	2,000
	58,92,000		58,92,000

Additional Information:

1. Transfer to General Reserve Rs.50,000.
2. Directors recommended 6% dividend.
3. Out of debtors, debts due for more than six months were Rs.1,04,000.
4. Long term loan is secured against stock.
5. Market Value of investments is Rs.1,75,000 and face value is Rs.1,20,000.

Prepare Balance Sheet as on 31/03/2012 as per legal requirements after considering the above adjustments. (15 marks)

OR

Q4. Vijaya Ltd. ask you to prepare statement of Profit and Loss for the year ending on 31-03-2014 and the Balance Sheet as on that date is prescribed form. The trial balance of the company as at 31st march, 2014 was as follows:

Particulars	Debit(Rs.)	Credit(Rs.)
Equity Share Capital(Rs. 10 each)		3,00,000
Securities Premium		30,000
General Reserve		66,000
6% Debentures		20,000
Land and Building	1,60,000	
Plant and Machinery	2,72,000	
Investments(Long Term)	40,000	
Stock(31-03-2014)	28,000	
Balance at Bank	9,200	
Cash in Hand	320	
Profit and Loss Account(Credit Balance)		10,000
Sundry Creditors		24,000
Income Tax Deducted at Source	480	
Administrative Expenses	20,800	
Rent and Taxes	960	
Debentures Interest	600	
Audit Fees	2,200	
Directors Fees	1,400	
Sundry Expenses	3,480	
Dividend		4,480
Gross Profit		84,960

Additional Information:

1. Authorised Capital of the company is Rs.4,00,000.
2. Depreciation is to be provided 5% on Land and Building and 15% on Plant and machinery.
3. Provision for taxation to be made at 50% of net profit.
4. Transfer Rs.400 to General Reserve.
5. Ignore previous year figures. (15 marks)

Q.5 a) Explain Fundamental Accounting Assumptions as per AS-1 (07 marks)
b) What is profit Prior to incorporation (08 marks)

OR

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

- a) 5 legal provisions relevant for Redemption of Preference Shares
- b) Sales Order
- c) Delivery Notes
- d) Debenture Redemption Reserve
- e) Purchase Order