

SYBAF/SEM IV/REG/FA-IV

Time: 2½ hrs.

Marks:75

- Note:**
1. All questions are compulsory with internal options.
 2. The figures to the right indicate full marks.
 3. Draw a neat diagram wherever necessary.

Q. 1 (A) Fill in the blanks with the correct answer from the alternatives given below. (08)

(Attempt any 8)

- (1) Which of the following should be deducted from the share capital to find out paid up capital? _____
(a) Calls-in-arrears (b) Calls-in-advance
(c) Securities Premium (d) Bonus
- (2) Under the schedule III, calls-in-advance should be disclosed under _____
(a) Other current liabilities (b) Share Capital
(c) Non-current liabilities (d) Loans and advances
- (3) Which of the following balance is not available for transfer to capital redemption reserve? _____
(a) General reserve (b) Dividend equalisation fund
(c) Revaluation reserve (d) Profit and loss account
- (4) The term 'Divisible Profit' means _____
(a) Profit available to shareholders for distribution as dividend (b) Profit as per P & L Account
(c) Profit as per P & L appropriation Account (d) None of the other options
- (5) Loss on sale of sinking fund investments is debited to _____
(a) Profit and loss account (b) Sinking fund account
(c) Sinking fund investment account (d) General reserve account
- (6) For redemption of debentures, sinking fund is created out of _____
(a) Capital reserve (b) Share capital
(c) Secured loans (d) Current year profits
- (7) For computing pre-incorporation profit, depreciation _____
(a) is treated as pre-incorporation expenditure (b) is treated as post-incorporation expenditure
(c) is allocated in time ratio (d) is allocated in sales ratio
- (8) Profits prior to incorporation should be transferred to _____
(a) Profit and loss account (b) Capital reserve
(c) General reserve (d) None of the other options
- (9) Which of the following is not a monetary item? _____
(a) Bills receivable (b) Cash
(c) Inventory (d) Bills payable
- (10) Non-monetary items are valued at _____
(a) Market price (b) Current price
(c) Historical cost (d) Fluctuating price

(B) State whether the following statements are True or False. (Attempt any 7) (07)

- (1) Opening inventory should be translated at closing rate.
- (2) Cost of tangible fixed asset is translated at the exchange rate on the date of purchase.
- (3) Profit prior to incorporation is available for dividend.
- (4) Gross profit should be distributed in the ratio of time.
- (5) The debentures can be redeemed at different points of time.
- (6) Capital redemption reserve and debentures redemption reserve means same.

- (7) Preference shareholders have voting rights.
- (8) Dividend equalisation reserve is a divisible profit.
- (9) Unclaimed dividend is shown under 'Reserves'.
- (10) Separate schedules are not necessary under vertical format.

Q.2 (a) The following are the balances of M/s. Bharat Ltd. as on 31.3.2017. (15)

Debit balances	Amount (Rs.)	Credit balances	Amount (Rs.)
Premises	30,72,000	Share capital	40,00,000
Plant	33,00,000	12% Debentures	30,00,000
Stock	7,50,000	Profit and loss account	2,62,500
Debtors	8,70,000	Bills payable	3,70,000
Goodwill	2,50,000	Creditors	4,00,000
Bank	4,06,500	Sales	41,50,000
Calls-in-arrears	75,000	General reserves	2,50,000
Interim dividend paid	3,92,500	Bad debts provision on 1.4.2017	35,000
Purchases	18,50,000		
Share issue expenses	50,000		
Wages	9,79,800		
General expenses	68,350		
Salaries	2,02,250		
Bad debts	21,100		
Debenture interest paid	1,80,000		
	1,24,67,500		1,24,67,500

Additional information:

1. Stock on 31.3.2017 was Rs. 9,50,000.
 2. Depreciate plant by 15%.
 3. Write off Rs. 5,000 from share issue expenses.
 4. Interest on debentures is due for 6 months.
 5. Create 5% provision for doubtful debts.
 6. Provide for income tax @ 50%.
- Prepare final account of the company.

OR

Q.2 (p) From the following particulars furnished by Elegant Ltd. Prepare the Balance sheet as on 31st March, 2019 as required by Companies Act, 2013. (15)

Particulars	Debit (Rs.)	Credit (Rs.)
Equity share capital (Face value of Rs. 100 each)		50,00,000
Calls in arrears	5,000	
Land and building	27,50,000	
Plant and machinery	26,25,000	
Furniture	2,50,000	
General reserve		10,50,000
Loan from State Financial Corporation		7,50,000
Stock:		
- Raw materials	2,50,000	
- Finished goods	10,00,000	
Provision for taxation		3,40,000
Sundry debtors	10,00,000	
Advances	2,80,000	
Proposed dividend		3,00,000
Profit and loss account		5,00,000

Cash at bank	1,50,000	
Preliminary expenses	12,35,000	
Unsecured loan		6,05,000
Sundry creditors (for goods and expenses)		10,00,000
	95,45,000	95,45,000

The following additional information is also provided:

1. Preliminary expenses included Rs. 25,000 for audit fees and Rs. 3,500 for out of pocket expenses paid to auditors.
2. 10,000 equity shares were issued for consideration other than cash.
3. Debtors of Rs. 2,60,000 are due for more than 6 months.
4. The cost of the assets is:
Building Rs. 30,00,000, Plant and machinery Rs. 35,00,000 and Furniture Rs. 3,12,500.

The balance of Rs. 7,50,000 in the loan account with State Finance Corporation is inclusive of Rs. 37,500 for the interest accrued but not due. The loan is secured by hypothecation of Plant and machinery.

Q.3 (a) Following is the balance sheet of Prakash Ltd. as on 31st March, 2017. (15)

Liabilities	Rs.	Assets	Rs.
2,000 – 8% Redeemable Preference shares of Rs. 100 each, fully paid	2,00,000	Fixed assets	15,75,000
1,00,000 Equity shares of Rs. 10 each, fully paid	10,00,000	Bank	2,18,000
Securities premium	35,000	Investments (Market value Rs. 1,90,000)	1,50,000
Profit and loss account	4,50,000		
Sundry creditors	2,58,000		
	19,43,000		19,43,000

On the above date, the directors of the company took following steps to redeem 8% Preference shares at a premium of 5%.

- a) The company issued 4,000 Equity shares of Rs. 10 at a premium of Rs. 2 per share for the purpose of redemption of preference shares.
- b) Investments were sold at market price.
- c) All the payments were made to the Preference Shareholders except those holding 100 shares who could not be traced.

You are required to:

- i. Pass necessary Journal entries in the books of Prakash Limited complying with requirements of Companies Act, 2013.
- ii. Prepare the Balance sheet of the company after redemption of preference shares.

OR

Q.3 (p) ABC Ltd. was incorporated on 1.5.2017 to take over the business of DEF and Co. from 1.1.2017. The profit and loss account as given by ABC Ltd. for the year ending 31.12.2017 is as under: (15)

Profit and Loss Account

Particulars	Rs.	Particulars	Rs.
To Rent and taxes	90,000	By Gross Profit b/d	10,64,000
To Salaries including Manager's salary of Rs. 85,000	3,31,000	By Interest on investments	36,000
To Carriage outwards	14,000		
To Printing and stationery	18,000		

To Interest on debentures	25,000		
To Sales commission	30,800		
To Bad debts (related to sales)	91,000		
To Underwriting commission	26,000		
To Preliminary expenses	28,000		
To Audit fees	45,000		
To Loss on sale of investments	11,200		
To Net profit	3,90,000		
	11,00,000		11,00,000

Prepare a statement showing allocation of pre-incorporation and post-incorporation profit after considering the following information:

- Gross profit ratio was constant throughout the year.
- Sales for January and October were $1\frac{1}{2}$ times the average monthly sales while sales for December was twice the average monthly sales.
- Bad debts are shown after adjusting a recovery of Rs. 7,000 of bad debts for a sale made in July, 2013.
- Manager's salary was increased by Rs. 2,000 per month from 1.5.2017.
- All investments were sold in April, 2017.

- Q.4 (a) TY Ltd. had a branch at US. Trial balance of the Branch as on 31st March, 2017 was as below: (15)

Particulars	Dr. \$	Cr. \$
Head Office account		17,000
Sales		1,22,000
Goods from Head Office	88,000	
Stock on 1 st April, 2016	17,000	
Furniture	18,000	
Cash in hand	500	
Bank Balance	2,500	
Salaries	5,600	
Rent	2,400	
Insurance	300	
Outstanding expenses		1,600
Sundry debtors	6,300	
	1,40,600	1,40,600

The branch account in the books of head office shows debit balance Rs. 4,29,000 and goods sent to branch account shows credit balance Rs. 26,24,000.

Depreciation on furniture @ 10% p.a.

Stock at branch on 31st March, 2017 was \$ 15,000.

Furniture was purchased in 2009 when one \$ = Rs. 40.

Exchange rates were:

On 1.4.2016 - 1\$ = Rs. 44

On 31.3.2017 - 1\$ = Rs. 46

Average rate - 1\$ = Rs. 45

You are required to prepare Branch Trial Balance by converting in Rupees and Prepare Branch Trading and Profit and Loss account for the year ended 31.3.2017 and Balance sheet as on that date.

OR

- Q.4 (p) Sudarshan Ltd. gave notice of its intention to redeem its outstanding Rs. 4,00,000, 8% debentures at Rs. 105 (nominal value Rs. 100) and offered the following options to the (15)

holders:

- a) 11% Preference shares of Rs. 40 each at Rs. 50 per share.
 - b) 10% Debenture at Rs. 100 (at par).
 - c) To have their holdings redeemed for cash (assume redemption out of profit only).
- The holders of Rs. 1,40,000 debentures accepted option (a).
The holders of Rs. 1,60,000 debentures accepted option (b).
The remaining debenture holders accepted option (c).

Pass the necessary journal entries in the books of Sudarshan Ltd. to record the above transactions.

- Q.5** (a) Explain issue of bonus shares with example. (08)
(b) Explain Conversion of trial balance in reporting currency. (07)

OR

- Q.5** (p) Write short notes on (Attempt any 3) (15)
(1) Capital reserve
(2) Sinking fund
(3) Reserves and surplus
(4) Capital redemption reserve
(5) Redemption of Preference shares

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