

Answer Key.

QPCODE-66488

EXAM:-S.Y.B.COM(Accounting &Finance) Sem-IV DATE:- 03/05/2019

SUBJECT:- Financial Accounting (Special Accounting Areas)

1A) STATE WHETHER THE FOLLOWING STATEMENTS ARE TRUE OR FALSE
(ANY 8) (1MARK EACH)

True →2, 3, 4, 5, 6, 7, 9,

False →1, 8, 10,

B)MATCHTHE FOLLOWING (ANY7) (1MARK EACH)

1. Premium payable on redemption of debenture----written off from accumulated profits
2. Preliminary expenses -----post incorporation period
3. Advertisement -----sales ratio
4. Closing inventory -----closing rate
5. Unclaimed dividend -----current liability
6. Irredeemable preference shares -----cannot be issued
7. Redemption of preference shares-----does not result in reduction of authorised capital of the company
8. Provision for taxation-----short term provision
9. Call in arrears-----shareholders funds
10. Reserves and surplus-----sinking fund

2A) Balance sheet of Munich Ltd as on 31/3/17

Particulars	Note	Rs	Marks
I)Equity and liabilities			
Shareholders funds			
Share capital	1	4002000	0.5
Reserves and surplus	2	880000	3
Non current liabilities			
Long term borrowings	3	600000	0.5
Current liabilities			
Short term borrowings		100000	0.5
Trade payables	4	280000	2
Other current liabilities	5	10000	0.5
Short term provisions	6	<u>22000</u>	0.5
Total		<u>5894000</u>	0.5
II)Assets			
Non current assets			
Fixed assets			

Tangible assets		2470000	0.5
Non current investments		152000	0.5
Other non current assets	7	53200	0.5
Current assets			
Inventories		1000000	0.5
Trade receivables	8	916000	2
Cash and cash equivalent	9	1108000	2
Short term loans and advances	10	<u>194800</u>	0.5
Total		<u>5894000</u>	0.5

Notes to accounts

Particulars	Rs
1 Share capital	
Equity Share capital	4002000
2 Reserves and surplus	
GR	140000
Transfer from p&l	<u>100000</u>
	240000
P&l	200000
+ surplus	<u>540000</u>
Available for appropriation	740000
Less appropriation	
Transfer to GR	<u>100000</u>
Total	<u>880000</u>
3 Long term borrowings	
Loan bank secured against stock	600000
4 Trade payables	
Creditors for goods	210000
Creditors for expenses	<u>70000</u>
Total	<u>280000</u>
5 Other current liabilities	
Unclaimed dividend	10000
6 Short term provisions	
Provision for tax	22000
7 Other Non current assets	
Share issue expenses	53200
8 Trade receivables	
<u>Debtors</u>	
Outstanding more than 6 mts	104000
Others	<u>696000</u>
Bill receivable	<u>116000</u>
Total	<u>916000</u>
9 Cash and cash equivalent	
Balance with bank	988000
Cash on hand	<u>120000</u>
Total	<u>1108000</u>
10 Short term loans and advances	
Staff advance	194800

Note –no liability for proposed dividend is to be created

Full marks are to be allotted on proper preparation of notes to accounts

2A) Statement of profit and loss for the year end 31st March 2016

Particulars	Rs	Marks
<u>Incomes</u>		
Revenue from operations	2600	1
Other income	40	1
Total revenue	2640	0.5
<u>Expenses</u>		
Cost of material consumed	1000	1
Change in inventories	(300)	1
Employee benefit	800	1
Finance cost	20	1
Depreciation	100	1
Total expenses	1620	0.5
Profit before tax	1020	

&

2B)Notes to accounts

Land and building, plant& machinery ,motor vehicles,furniture- -1.5 marks each

1 mark for total

Particulars	Gross block			Depreciation			Net Block	
	Opening	Additi onal	Closing	Opening	During the year	Closing	Opening	closing
1)Land and building	3,00,000	-	3,00,000	50,000	9000	59000	250000	241000
2)Plant and machinery	4,00,000	-	4,00,000	1,00,000	20000	120000	300000	280000
3)Motor vehicles	20,000	-	20,000	4,000	2000	6000	16000	14000
4)Furniture	2,40,000	-	2,40,000	2,400	24000	26400	237600	213600
	960000		960000	156400	55000	211400	803600	748600

Q3A) Trial balance in books of Orange as on 30/9/17 7 marks

Particulars	Rate	Dr (Rs)	Cr(Rs)
Head Office account	Given		90000
Sales	72		1166400
Goods sent from head office	Given	646000	
Opening stock	70	105000	
Furniture	60	120000	
Cash	74	15540	
Bank	74	14060	
Creditors	74		14800
Salaries	72	187200	
Taxes	72	3600	
Rent	72	14400	
Debtors	74	181300	
Exchange difference			15900
		1287100	1287100

Trading and profit and loss account for the year end 30/9/17

4 marks

Particulars	Rs	Particulars	Rs
To opening stock	105000	By sales	1166400
To goods from head office	646000	By closing stock	66600
To gross profit	<u>482000</u>		
	<u>1233000</u>		<u>1233000</u>
To salaries	187200	By gross profit	482000
To taxes	3600	By exchange	15900
To rent	14400	difference	
To depreciation	12000		
To Net profit	280700		
	497900		497900

Balancesheet as on 30/9/17

4 marks

Liabilities	Rs	Assets	Rs
Head office 90000		Furniture 120000	
Add profit <u>280700</u>	370700	Less dep <u>12000</u>	108000
Creditors	14800	Stock	66600
		Debtors	181300
		Cash	14060
		Bank	15540
	385500		385500

3B)

Statement of profit and loss

Particulars	Basis	Pre	Post	Marks
<u>Incomes</u>				
GP	SR	32000	88000	1
Profit on sale of investment	Given		20000	0.5
Total		<u>32000</u>	<u>108000</u>	1
<u>Expenses</u>				
Salaries	TR	10000	20000	1
Rent	Note	2000	7000	1.5
Office expenses	TR	2000	4000	1
Sales commission	SR	4000	11000	1
Bad debts	Given	5000		0.5
Directors fees	Post		8000	0.5
Depreciation	TR	6000	12000	1
Debenture interest	Post		8000	1
Interest to vendor	Note	4000	2000	1.5
Total		<u>33000</u>	<u>72000</u>	1
Goodwill		(400)		1
Vendor		(600)		1
To Net profit			36000	0.5

Time ratio 4:8 i.e. 1:2

Sales ratio 4:11

Rent april to July 500 i.e 2000 and Aug to March $500 \times 2 + 1000 \times 6 = 7000$

Interest $1000 \times 4 = 4000$ and $1000 \times 2 = 2000$

4A) Journal entries in the books of Pumpkin Ltd as on 31st march 2017

Particulars	Dr (Rs)	Cr (Rs)	Marks
1) Bankdr	190000		2.5
To Investment		150000	
To Profit and Loss		40000	
(Being investment sold at profit)			
2) Bank a/cdr	48000		2.5
To Equity share capital		40000	
To Securities premium		8000	
(Being shares issued at a premium)			
3) Profit and loss a/cdr	160000		2
To capital redemption reserve		160000	
(Being CRR created out of profit and loss)			
4) 6% Preference share capital a/c.....dr	200000		2.5
Premium on redemption of preference shares.....dr	10000		

To preference share holders (Being preference shares redeemed at a premium)		210000	
5) Preference shareholders.....dr	199500		2
To bank (Being payment made to preference shareholders)		199500	
6) Profit and loss a/c.....dr	10000		2
To premium on redemption of preference shares (Being premium on redemption of preference shares adjusted)		10000	

CRR=NV of preference shares to be redeemed –Proceeds from issue of shares

$$200000=40000+160000$$

1.5 marks for working

Or

4B)Journal entries in the books of Sam Ltd

Particulars	Dr(Rs)	Cr (Rs)	Marks
1)8 % Debentures.....dr	800000		3
Premium on redemption.....dr	80000		
To Debenture holders (Being debentures redeemed at a premium)		880000	
2)Debenture holders.....dr	231000		3
To 11 %Preference share capital		220000	
To Security premium		11000	
(Being shares issued at a premium against redemption of debentures)			
3)Debenture holders.....dr	158400		3
Discount on issue of debenturedr	6600		
To 10 % Debentures (Being debentures issued on existing debentures)		165000	
4) Profit and Lossdr	446000		2
To general reserve (Being transfer of amount equal to face value of debentures redeemed in cash)		446000	
5)Security premium.....dr	80000		2
To premium on redemption of debentures (Being premium on redemption of debentures adjusted)		80000	
6) Debenture holdersdr	490600		2
To cash bank (Being amount paid to debenture holders in cash)		490600	

5) A) Redeemable debentures are those which are to be redeemed or repaid at a specified future date. The date of redemption is mentioned on the debenture redemption certificate.

Debentures can be redeemed in the following ways

- Redemption in lump sum
- Redemption in instalments
- Redemption by purchase of own debentures from the open market
- Redemption by conversion

And the sources through which they can be redeemed are out of capital or out of profits

B) Integral operation – activities are integral part of reporting enterprise, business is carried as an extension, business is carried in single foreign currency of the country where it is located, exchange difference is charged to P&L

Non integral –not an integral foreign operation, business is carried independently, business is carried in several foreign currencies, finance is raised independently, exchange difference is accumulated in foreign currency translation reserve

5)

1) Divisible profits

Profits available for dividend to shareholders are known as divisible profits.

Following are some factors that influence the value of divisible profit.

- Transfer to and Creation of reserve
- Creation of Dividend Equalization Reserve
- Working Capital Requirement of the company
- Dividend on Preference Share
- Past Dividend Pay-out History

2) Post incorporation expenses-Fees to directors, interest on debentures, discount on debentures written off, preliminary expenses written off, share issue expenses written off

3) Contingent liabilities --

Contingent liability is a potential liability that may occur, depending on the outcome of an uncertain future event. It can include

Claims against the company not acknowledged as debt

Guarantees

Other money for which the company contingently liable

4) Current assets

It is expected to be realised or intended for sale or consumption in the company's operating cycle

These can be classified into the following categories

Current investment

Inventories

Trade receivable

Cash and cash equivalent

Short term loan and advance

Other current assets

5) Sales ratio-

The items linked with the volume or value of sales i.e. variable expenses, selling distribution overheads like freight outward, commission to salesmen, discount allowed, bad debts are divided in the ratio of sales or turnover of each period
