Seat No. _____

GANPAT UNIVERSITY

B.Com. Examination April 2014

B.Com. Semester 2 (CBCS)

Time: 3 Hours. **IIAO2FA2 Financial Accounting-2** **Total Marks: 70**

Instructions:

(1) Use separate answer books for Section I and Section II.
(2) Q1 in Section I and Q4 in Section II are compulsory.
(3) Figures to the right indicate marks of each question.

SECTION – I

Q1 Explain Accounting Standard No. 10 Accounting for Fixed Assets in brief. **(11)**

Q2 The balance sheet of Ram and Shyam on 31-3-2012 is as under: **(12)**

Liabilities	Rs.	Assets		Rs.
Capital of Ram	60,000	Goodwill		8,000
Capital of Shyam	40,000	Building		90,000
General Reserve	22,000	Machinery		25,000
Ram's Loan	12,000	Stock		35,000
Bank Loan	50,000	Debtors	35,000	32,000
		- B.D.R.	3,000	
Creditors	35,000	Bills Receivable		17,000
Workmen Saving Bank A/C	6,000	Investments		14,000
Provident Fund	14,000	Cash & Bank		24,000
Workmen's Compensation Fund	6,000			
TOTAL	2,45,000			2,45,000

Raghav Limited was incorpotaed to be take over the above business with an unauthorized capital of 30,000 Equity shares of Rs. 10 each. The terms of Purchase of business are as under:

(1) Goodwill of the firm to be valued at Rs.10,500
(2) All the liabilities except Ram's loan are to be accepted by the company.
(3) The company took over all the assets of the firm except cah balance Rs. 8000.
(4) Fixed Assets were to be purchased at 20% more than the book value.
(5) Stock to be purchased at 20% less than the book value.
(6) Debtors to be taken over with a provision of Bad-Debt Reserve at 10%.
(7) Firm's Dissolution expenses Rs.1000 which was borne by the company.
(8) Purchase consideration is to be paid in 10,000 fully paid up Equtiy Share at 10% premium, 12%400 Debentures each of Rs. 100 at 10% discount and the rest of amount in cash.
(9) The remaining shares are issued to the public at a premium of 10% which were taken up and paid for.
(10) Preliminary expenses of the company amounted to Rs. 1200.

Pass journal entries in the books of Raghav Ltd. And prepare opening Balance sheet of the new company.

OR

Q2 The business of Vishnu was acquired by Laxmi Company Ltd. With effect from 1st January ,2011. All the assets were taken over with the exception of book debts Rs. 60000 which the undertook to collect on behalf of the vendor. The company also undertook to pay off the creditors of the vendor of Rs. 20000 out of the realization from his debtors. For this service the company is to charge a commission of 3% on amount realized from debtors and 1% on amount paid to creditors. **(12)**

The company had realized total book debts for Rs. 58,000 while creditors were paid at a cash discount of 5%. The company had paid amount due to vendor in cash.

You are required to pass necessary Journal Entries and to show the relevant ledger accounts in the books of the company.

Q3(A) Surat Textiles Ltd. Issued 50,000 equity shares of Rs.20 each. M/s Amichand and Sons entered into an underwriting agreement for underwriting the whole of the issue to the public at a commission of 5%. The company received applications for 47,000 shares, hence the balance was taken up by the underwriters. **(12)**

Pass necessary entries in the books of the company, assuming that all the amount has been received in full.

OR

Q3(A) Golmal Ltd. Makes a public issue of 1,50,000 shares of Rs. 10 each at a premium of 10%. Underwriters Mr. Agdam, Bagdam and Tigdam underwrite whole issue on equal basis. Company received total applications for 1,40,000 shares .Particulars regarding applications received are as under: **(09)**

Particulars	Applications regarding firm underwriting	Marked Applications	Total
Agdam	5,000	40,000	45,000
Bagdam	5,000	45,000	50,000
Tigdam	3,000	34,000	37,000
Unmarked Applications	-----	--------	8,000
TOTAL	13,000	1,19,000	1,40,000

The underwriters settled their accounts. **You are required to prepare:**

(1)A statement showing the liability of underwriters.

(2) **Journalise the above transactions in the books of Golmal Limited.**

Q3(B) R Ltd. Issued 80000 share of Rs. 10 each, out of which 60,000 shares have been underwritten by Bhailal and Sons. Applications were received for 64,000 shares of which marked applications were 45,000 shares. **(03)**

Ascertain the liability of the underwriter.

SECTION – II

Q4 The Balance Sheet of Rahul Co. as on 31-3-2011 is as under: **(11)**

Balance Sheet

Liabilities	RS.	Assets	Rs.
4000 6% Cumulative Pref.share of Rs. 100 each	4,00,000	Freehold Property	4,25,000
75,000 Equity Shares of Rs. 10 each	7,50,000	Plant	50,000
6% Secured Debentures	3,75,000	Patents	37,500
Accrued Int. on Debentures	22,500	Goodwill	1,30,000
Bank Overdraft	1,95,000	Trade Investments	55,000
Creditors	3,00,000	Debtors	4,85,000
Director's Loan	1,00,000	Stock	4,25,000
		Preliminary Expenses	1,00,000
		Profit and Loss A/c	4,35,000
TOTAL	21,42,500		21,42,500

The Tribunal approved a scheme of re-organization to take effect on 1st April,2011 whereby,

(1) The 6% Cum. Preference shares to be written down to Rs. 75 each and equity shares to Rs. 2 each.
(2) Of the Cum. Preference shares dividend which are in arrears for 4 years,3/4 to be waived and equity shares of Rs. 2 each to be allotted for the remaining.
(3) Accrued interest on Debentures to be paid in cash.
(4) Debenture holders agreed to take over freehold property, book value of Rs. 1,00,000 at a valuation of Rs. 1,20,000 in part payment of their holding and to provide additional cash of Rs. 1,30,000 secured by a floating charge on company's assets at an interest rate 8%.
(5) Patents goodwill and preliminary expenses to be written off.
(6) Stock to be written off by Rs. 65,000.
(7) Amount of Rs. 68,500 of be provided for bad-debt.
(8) Remaining freehold property to be revalued at Rs. 3,87,500
(9) Trade Investments be sold for Rs. 1,40,000.
(10) Directors to accept settlement of their loan as to 90%thereof by allotment of equity shares of Rs. 2 each and as to 5% in cash the balance 5% being waived.
(11) There were capital commitments totaling Rs. 2,50,000. These contracts are to be cancelled on payments of 5% of the contract price as a penalty.

You are required to show Journal entries relating to the above Transactions and prepare the Balance Sheet of the company after completion of scheme.

Q5 Following is the information of the Fire Department of New India Insurance Co. Ltd as on 31-3-2012 **(12)**

Particulars	Rs.
Reserve for unexpired risk on 31-3-2011	6,40,000
Liability for outstanding claims on 31-3-2011	80,000
31-3-2012	1,20,000
Fire Extinguishing Expenses	8,000
Claims Paid	5,60,000
Re-insurance Premium	36,000
Re-insurance Recoveries	12,000
Premium Received	14,40,000
Commission on Direct Business	2,00,000
Commission on Re-insurance accepted	18,000
Commission on Re-insurance ceded	10,000
Interest and Dividend	1,20,000
Tax Deducted on above income	56,000
Profit on sale of investments	14,000
Additional Reserve on 31-3-2011	4,80,000

(1) Management Expenses of Rs. 5,40,000 and Legal Expenses of Rs. 21,000.

(2) Additional Reserve of fire department is to be increased by 10% on premium less Re-insurance. Reserve for unexpired risk for Fire Department should be 50% of the premium less Re-insurance .

Prepare Revenue Account from the above information.

OR

Q5(A) The Revenue Account of Fire Insurance Department of The Star General Insurance Company shows the profit of Rs. 10,00,000 for year ending 31st March, 2012 before taking into account the following items: **(08)**

No.	Particulars	Rs.
1)	Interest accrued on securities	40,000
2)	Outstanding premiums	70,000
3)	Reinsurance recoveries outstanding	60,000
4)	Claims intimated but not paid	90,000
5)	Agent's commission outstanding	30,000
6)	Bonus utilized in reduction of premium	20,000

Pass necessary journal entries.

Q5(B) For each of the following sub-questions, more than one answers are given, out of which only one answer is correct. You are requested to select the correct answer. **(04)**

(1) Insurance Business in India is regulated by-

(a) SEBI

(b) Reserve Bank

(c) IRDA

(d) Insurance Companies

(2)In fire business, reserve for unexpired risk is kept at ___of Net Premium.

(a) 100%

(b) 50%

(c) 15%

(d) 25%

(3) Premium on re-insurance ceded is shown as _____the premium received.

(a) Added to

(b) Deducted from

(c) No Entry

(4) Legal Expenses incurred in connection with claims will be shown under the head____

(a) Claims Paid

(b) Administrative Expenses

Q6(A) The Gujarat Traders Ltd. Purchased a running business of Partnership frm as on 1st January 2010. The company was incorporation on 1st May,2010. The following are the particulars for the year ended 31st December,2010. **(12)**

(1) The turnover for the whole year ended on 31-12-2010 amounted to Rs. 24,00,000 out of which Rs. 4,00,000 related to the period from 1-1-2010 to 1-5-2010.

(2) The Trading Account showed a gross profit of Rs. 9,60,000.

(3) The following items appear in Profit and Loss Account.
Director's fees Rs. 15,000,Auditor's fees Rs. 7500; Rent and Rate are Rs. 48,000; Staff Salaries Rs. 1,20,000; Bad debts Rs. 20,000(out of which Rs. 7000 related to debtors before 1-5-2010); Debenture interest Rs. 60000; Depreciation on Plant and Machinery Rs.36,000;Preliminary Expenses Rs. 24,000; General Expenses Rs. 18,000;Commission on sales Rs. 36,000; Printing and Stationery Rs. 24,000.

From the above information, prepare a statement showing Pre and post incorporation profit.

OR

Q6 Tata Co. Ltd was incorporated on 1st April 2010 to purchase a running business of a firm from 1st January 2010. The accounts of the year 2010 present following position: **(12)**

(1) The gross profit for the year ending on 31-12-2010 was Rs. 7,20,000.

(2) The sale for the year was Rs. 28,80,000 of which the sales for the first six months was Rs. 5,76,000 on uniform monthly basis.

(3) The expenses during the year 2010 were as under:
Director's fees Rs. 36,000; Bad debts Rs.8640; Salary and General Expenses Rs. 1,53,600; Preliminary Expenses written off Rs. 12,000;Advertisement (Under contract at the rate of Rs.2400 per month) Rs. 28,800; Donation to Political PartyRs.12,000.

From the above information prepare statement showing profit or loss prior to and after incorporation.

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