

FYBfm Sem II
17/04/17

Financial Accounting II . Q.P. Code :05949

4 pages

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[Time: 2 ½ Hours]

[Marks:75]

Please check whether you have got the right question paper.

- N.B: 1. Solve all questions. Q. Nos. 2,3,4 and 5 have internal options.
2. Working notes should form part of your answer.

Q.1 A Fill in the blanks: (Any 8 out of 10)

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- The money received in excess of face value is known as _____.
- _____ Shares are issued by capitalization of reserves.
- The amount of debtors due for more than _____ months should be shown separately in company final accounts.
- Net block of assets is difference between Gross block and _____.
- Super profit is excess of average profit over _____.
- _____ method of share valuation is based on the assumption that the company is going to be liquidated.
- Maximum buy back in a year can be _____%
- The post buyback Debt-equity ratio cannot exceed _____.
- The profit on cancellation of own debentures is _____ profit.
- Accounting standards are issued by _____.

B State whether following statements are true or false: (Any 7 out of 10)

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- Stock is valued at cost or market price whichever is higher.
- Every transaction must have an evidence.
- Public deposit is secured loan.
- Dividend is calculated on market price of a share.
- Sweat equity shares are issued to existing shareholders.
- Rights issue increases share capital.
- A company can buyback partly as well as fully paid up shares.
- The shares must be cancelled and destroyed after buyback.
- Capital reserve is a divisible profit.
- Issue of bonus shares increases shareholder's funds.

Q.2 A

Tata Ltd. invited application for 10000 shares of Rs. 100 each at a premium of Rs.25 per share and payable as follows:
On application Rs.25
On allotment Rs.75 (including premium)
On final call Rs.25

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Applications were received for 15,000 shares and the company made a pro-rata allotment. Miss. Mona holding 200 shares failed to pay the share final call money. Her shares were forfeited. These shares were reissued at Rs. 60 per share.

Show the entries in the books of the company and also the balance sheet of the company.

OR

TURN OVER

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B A company wants to issue 10% debentures of Rs. 5,00,000. Pass journal entries for the issue if the debentures are issued 15

- a) at par and redeemable at par.
- b) at a discount of 10% and redeemable at par.
- c) at a premium of 5% and redeemable at par
- d) at par and redeemable at 10% premium.
- e) at a discount of 5% and redeemable at 10% premium.

Q.3 A NES Ltd has an authorized capital of Rs.1,00,00,000 divided into 10,00,000 equity shares of Rs.10 each. Trial balance of the company as on 31st March, 2017 was as follows: 15

Debit	Rs.	Credit	Rs.
Premises	2250000	Equity share capital	4550000
Plant & machinery	1745860	Profit & Loss A/c	101200
Debtors	608900	Gross Profit	1058190
Furniture	67500	Reserve for bad debts	45000
Bad Debts	14250	General Reserve	325000
Rent, Rates & Taxes	141970	Creditors	255150
Advertising	97540	Transfer fees	550
Cash in hand	47200	Accrued wages	64150
Cash at Bank	205000	12% Debentures	289500
Closing stock	723200		
Director's fees	18000		
Sundry expenses	39980		
Salaries	159140		
Vehicles	400000		
Discount on issue of shares	75200		
Interim Dividend	95000		
	6688740		6688740

Prepare statement of Profit & Loss for the year ending 31st March, 2017 and Balance Sheet as on that date in the prescribed form after considering and following:

- a) Depreciate Plant & Machinery at 10% and Furniture at 5%
- b) Create reserve for bad debts at 10% on debtors.
- c) Make provision for taxation to the extent of Rs.100000.
- d) Write Off 20% of Discount on Issue of shares.

OR

B Mr. Kamath holds 600 12% debentures of Rs.100 each in SMT Ltd as on 1st April, 2016 at a cost of Rs.70000. Interest is payable on 30th June and 31st December every year. On 1st June 2016, 200 debentures were purchased ex-interest at Rs.20400. On 30th November, 2016 300 debentures were sold at Rs.32250 cum-interest. 08

Prepare Investment A/c for the year 2016-17.

TURN OVER

C The balance sheet of KMT Ltd. as on 31st March, 2017 is as follows:

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Liabilities	Rs.	Assets	Rs.
10000 shares of Rs 10 each fully paid	100000	Land & Building	84000
Profit & Loss A/c	20000	Plant & Machinery	60000
Debentures	15000	Furniture & Fittings	5000
Trade Creditors	20000	5% tax free Government Bonds	20000
Provision for taxation	9000	Stock	2000
Proposed Dividend	15000	Book debts	6000
	179000	Cash	2000
			179000

The net profits of the company after charging depreciation and taxes for the years ending 31st March were as follows:

2013- Rs 17000; 2014- Rs.19000; 2015- Rs.18000; 2016- Rs.20000 and 2017 – Rs.19000.

On 31st March, 2017, assets were valued as under:

Land & Building- Rs.95000, Plant & Machinery- Rs. 71000, Furniture & Fittings- Rs 4000

10% return on investment can be considered fair for the business.

You are required to find value of goodwill on the basis of five years purchase of super profits

Q.4 A Following is the Balance Sheet of a company as on 31st March, 2017
Balance Sheet

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Liabilities	Rs.	Assts	Rs.
8% preference Shares of Rs. 100 each	100000	Building	308000
Equity shares of Rs 100 each	600000	Machinery	133000
General Reserve	100000	Stock	490000
Profit and Loss A/c	44200	Debtors	217000
Bank Overdraft	28000		
Creditors	107800		
Provision for Income Tax	63000		
Proposed Dividend	105000		
	1148000		1148000

The profit of the company for the years 2013 to 2017, after charging all expenses, depreciation but before taxation was Rs. 238000, Rs.268800, Rs.252000, Rs.280000, Rs.266000. On 31st March 2017 Building and Machinery were taken as worth Rs.350000 and Rs.210000 respectively. Income Tax can be taken at 50%. Goodwill may be taken worth Rs.100000. In this business, 8% is considered reasonable return on capital employed.

Fine out value of equity share under fair value Method, after taking into account revised values of assets.

OR

TURN OVER

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B Following is the Balance Sheet of Larsen Ltd. as on 31st March, 2017

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Liabilities	Rs.	Assets	Rs.
200000 Equity shares (Rs. 10 each)	2000000	Fixed Assets	2800000
Securities Premium	200000	Investments	1600000
General reserves	800000	Current Assets	2400000
Profit & Loss A/c	1000000		
14.5% Debentures	1600000		
Creditors	1200000		
	6800000		6800000

The boards of directors are proposing to buyback equity shares. You are requires to:

- Calculate maximum number of equity shares that can be bought back.
- Maximum price the company can offer.
- Pass journal entries

Q.5 A List out items under the head 'Reserves & Surplus' as per schedule III.

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B What is the procedure for formulation of Accounting Standards?

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OR

C Write short notes on any three of the following:

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- Ex-interest & Cum-interest
- Sources of buyback of shares
- Methods of valuation of shares
- Notes to Accounts
- Secured and Unsecured Debentures