Seat No. : 01873

MR-103

December -2016

B.Com., Sem. I

CE-101(A) : Financial Accounting-I

Time : 3 Hours] **[Max. Marks : 70**

1. (A) Vandana, Shalu and Bindu are in partnership sharing profit and loss in the ratio of 5 : 3 : 2. They decided to dissolve the partnership and to distribute the proceeds from the sale of assets as and when realized.

The partners' capitals were : Vandana ₹ 1,00,000, Shalu ₹ 90,000 and Bindu ₹ 50,000. Loan of Vandana (Cr.) amounted ₹ 30,000. Sundry Creditors amounted to ₹ 60,000.

Cash balance was ₹ 10,000 in the books of firm at the time of dissolution. A bill receivable of ₹ 5,000 maturing on 1st March was discounted in the bank.

The details of assets realized & dissolution expenses are mentioned below :

Month	Stock (₹)	Fixed Assets (₹)	Debtors (₹)	Expenses of Dissolution (₹)
January	30,000	3,000	20,000	5,000
February	35,000	1,000	–	2,000
March	15,000	–	30,000	3,000
April	17,000	13,000	15,000	2,000

Prepare a statement showing Piecemeal Distribution of cash among the partners according to "Surplus Capital Method". 7

(B) Misari Ltd. was incorporated on 1-5-2015, to take over the business of Rupal & Sons, from 1-1-2015. The certificate of commencement of business was issued on 1-6-2015. The final accounts of the company were prepared for the first time on 31-10-2015.

Taking the following information into account, prepare a statement showing profit or loss prior to and after incorporation. 7

	₹
Commission on sales (1%)	60,000
Gross Profit of 25% of sales	–
Bad debts Reserve	24,000
Salaries	2,40,000
Rent	50,000
General expenses	30,000
Preliminary expenses	40,000
Share transfer fee	4,000
Audit fee	30,000
Interest paid to vendor	32,000
Bad debts	40,000
Salesman allowance	20,000
Depreciation	90,000
Salesman salary	32,000
Advertisement expenses	16,000

Additional Information :

(1) Bad debts of ₹ 10,000 are related to the Debtors of Pre Incorporation period.

(2) Purchase value is paid, to the vendor on the date of incorporation.

(3) The sales of pre-incorporation period was ₹ 15,00,000.

(4) Rent per month was ₹ 5,000 upto 1-5-2015, then after it was ₹ 6,000 per month.

(5) Building was purchased by the company on 1-10-2015.

OR

(A) Discuss in brief "Maximum Loss Method" of Piecemeal Distribution of cash. 7

(B) What do you mean by Profit Prior to Incorporation ? Can dividend be paid from the same ? Explain in brief. 7

2. Saurabh company issued 1,60,000 equity shares of ₹ 10 each at 20% premium. Amount payable per share was as under : **14**

	₹
On Application	4
On Allotment	5 (Including Premium)
On Final Call	3

The company received applications for 2,80,000 shares. Allotment of shares was made as under :

No. of Applications	**No. of Shares Allotted**
1,00,000	1,00,000
1,60,000	60,000

Excess money received on application was applied towards sums due on allotment and call money.

Jigar fails to pay anything on his 600 shares after paying his application money. He was allotted shares on pro rata basis.

Shares of Jigar were forfeited after asking for the final call by the company. The company reissues 80% of the forfeited Shares to Kartik at ₹ 7 per share.

Pass required Journal entries from the above transactions in the book of company and also prepare share forfeiture account.

OR

(A) Mansi Ltd. issued 5,000 equity shares of ₹ 10 each at a premium of 20%, to public, payable ₹ 6 on application (including premium) ₹ 5 on allotment and the balance on final call. The company received applications for 7,500 shares and allotment was made on pro-rata basis. Manali, to whom 1,500 shares were allotted, failed to pay the amount due on allotment. All her shares were forfeited after final call was made. The forfeited shares were reissued to Nidhi at ₹ 7 per share. Pass Journal entries for the forfeiture & reissue of shares and for the amount to be transferred to Capital Reserve. **7**

(B) Write short notes on the following: **7**

(i) Potential equity shares.

(ii) Buy back of the shares.

3. The Balance Sheet of Dinesh Ltd. as on 31-3-2016 was as under : 14

Liabilities		₹	Assets	₹
2000 Equity shares of ₹ 100 each fully paid up		2,00,000	Land & Building	1,05,000
			Machinery	2,10,000
12% Redeemable preference shares of ₹ 100 each	1,00,000		Investments	25,000
			Stock	60,000
Less : Calls in Arrears	1,600	98,400	Debtors	40,000
Workmen's accident compensation fund		50,000	Cash and Bank	1,00,000
General Reserve		62,000		
Profit & Loss A/c.		10,000		
Securities Premium		2,000		
Bank Loan		12,000		
Creditors		1,05,600		
		5,40,000		**5,40,000**

The Redeemable Preference Shares were to be redeemed at 10% premium as per the provisions of the act.

- Before redemption, the preference shareholders whose calls were in arrears, were given notice to pay the arrears of money.
- Calls in arrears for Redeemable Preference Shares were in respect of final call ₹ 20 per share.
- The holders of 40 shares duly paid the final Call Money and the rest of the shareholders did not. The Company has forfeited such shares before redemption of preference shares & these forfeited shares are yet not reissued.
- For redemption, company is issuing 500 new equity shares of ₹ 100 at ₹ 110, money is received on all these shares.
- For redemption procedure the company is using its "General Reserve" first from the available free reserves and then all other free reserves if required.
- At the time of payment to preference shareholder, the holders of 500 shares were not traceable and their payment is yet not made.
- Company is utilizing entire Capital Redemption Reserve for giving Bonus to equity share holders.

Journalize the above transactions in the books of the Company and prepare a new Balance Sheet as per Schedule-III of Companies Act.

OR

(A) Following are the balances of "ARTI" Ltd. 7

Particulars	₹
2,000 Equity shares of ₹ 10 each, per share ₹ 8 paid up	16,000
General Reserve	4,000
Capital Redemption Reserve	16,000
Securities Premium	2,000
Profit from the revaluation of fixed assets	2,000

- It was resolved in the annual general meeting of the company to make their partly paid shares as fully paid shares from free reserves.
- After making it fully paid up, company issues 1 share as "Right Share" against 5 shares held by the shareholder, Each of ₹ 10 at ₹ 12. All the shareholders are exercises their right.
- After such right issue company is using all "Usable Reserves" for declaring fully paid up bonus shares of ₹ 10 each.

Pass required Entries from the above-mentioned transactions.

(B) Manroop company wants to redeem its 15% Redeemable Preference Share capital of ₹ 10,00,000 at a premium of 10%. The company was having Cash & Bank balance of ₹ 1,50,000 before selling the investments. There was a credit balance of General Reserve ₹ 10,00,000. Company is selling its Investment costing ₹ 50,000 by charging 20% profit on its Sales Value. The new share of ₹ 10 are to be issued at ₹ 15 in required numbers so as to keep closing cash and Bank of the company at ₹ 2,00,000 after the redemption of preference shares. 7

Pass Journal entries arising from the above information in the book of company, also show the closing balance of Securities Premium, General Reserve, and Profit & Loss Account after the redemption.

4. The Trial Balance of Hardik Ltd. as on 31-3-2016 is as follows : 14

Debit Balance	₹	Credit Balance	₹
Land and Building	36,00,000	Equity share Capital	51,00,000
Plant and Machinery	30,00,000	Share forfeiture account	30,000
Furniture	6,00,000	Securities Premium	54,000
Purchases	27,00,000	Capital Reserve	1,65,000
Cash and Bank	1,44,000	General Reserve	3,60,000
Long term investment	15,000	Provident Fund	2,10,000
Bad debts	45,000	10% debentures	6,00,000
Contribution to Provident Fund	18,000	Sales	55,50,000
Office expenses	2,40,000	Creditors	9,00,000
Salary	1,80,000	Bills Payable	60,000
Audit fees	75,000	Profit and Loss A/c. (1-4-2015)	2,40,000
Direct fees	4,50,000	Public deposits	1,80,000
Interest on debentures	30,000	Sundry Income	27,000
Preliminary expense	45,000	Bad debt Reserve	24,000
Advertisement expense	48,000		
Income tax paid in advance	1,50,000		
Debtors	15,00,000		
Bills receivable	90,000		
Stock (1-4-2015)	1,50,000		
Goodwill	4,20,000		
	1,35,00,000		**1,35,00,000**

After considering the following information's, prepare Final accounts as per Schedule-III of the Company Act 2013 :

(1) The closing stock on 31-3-2016 was ₹ 2,25,000, out of which Stock Costing ₹ 50,000 is having Market value of ₹ 65,000, Stock Costing ₹ 20,000 is having market value of ₹ 10,000 remaining stock requires repairing expenses of ₹ 20,000.

(2) Make provision for taxation at ₹ 4,20,000.

(3) Provide 10% bad debts & 5% bad debts reserve on debtors.

(4) Provide depreciation @ rate of 10% on land and building and 5% on other Tangible Fixed assets.

(5) Write off 20% of preliminary expenses.

(6) ₹ 50,000 is required to be transferred to General Reserve from the current year's profit.

OR

(A) Prepare a Balance Sheets of a Company using imaginary figures in accordance with Companies Act 2013, Schedule-III. 7

(B) The following items appeared in the trial balance of Jitendra Limited on 31-3-2016 : 7

Particular	Debit Balance	Credit Balance
	₹	₹
Provision for Income-tax (1-4-2015)	–	60,000
Advance payment of Income-tax (1-4-2015)	50,000	–
Advance payment of Income-tax (paid during the year 2015-16)	65,000	–

Assessment for the year 2014-15 has been completed during the current year and tax liability is determined at ₹ 53,000.

Provision for income tax is to be made at ₹ 75,000 for the year 2015-16.

How would you show the above information in final accounts of Jitendra Ltd. ?

5. For each of the following sub-questions, more than one answer are given, You are requested to select the correct answer with necessary calculations or explanation for it. (any **seven**) 14

(1) Trial Balance of Swati Ltd. for the year ending 31-03-2016 shows following details :

Particulars	Debit	Credit
	₹	₹
6% Bank Loan Account	–	3,00,000
Interest on Bank Loan Account	6,000	–

Which amount of interest is required to be debited in the profit & loss account for the year ending 31-03-2016.

(a) ₹ 6,000 (b) ₹ 12,000

(c) ₹ 18,000 (d) ₹ 24,000

(2) A company forfeits 2,000 shares of ₹ 10 each held by Mr. Pawan for non-payment of call money of ₹ 4 per share. The called up value per share was ₹ 9. On forfeiture, the amount debited to share capital will be ?

(a) ₹ 20,000 (b) ₹ 8,000

(c) ₹ 2,000 (d) ₹ 18,000

(3) A Company has issued 10,000 shares each of ₹ 10 at ₹ 12. The company has allotted 1 share to the applicant of 5 shares, Excess money received on application is to be transferred to next calls, Company is asking ₹ 6 with applications & remaining money with call money, Darshan was allotted 100 shares, which of the following sentences is correct with reference to Darshan ?

(a) Company will call for ₹ 600 from him

(b) Company will return ₹ 600 to him

(c) Company will return ₹ 1,800 to him

(d) Company will call ₹ 1,200 from him

(4) "A newly formed company can issue shares at 5% discount." The statement is
(a) True
(b) False
(c) Can issue with permission of Central Government & State Government both.
(d) Can issue if Articles of Association & Memorandum of association both permits.

(5) From the following what will be the correct order of payment "for their dues" at the time of Piecemeal Distribution of cash.
(a) Creditors – Fully Secured Loan – Partner's Loan – Capital.
(b) Fully Secured Loan – Partners' Loan – Creditors – Capital.
(c) Fully Secured Loan – Creditors – Partner's Loan – Capital.
(d) Partner's Loan – Capital – Creditors – Fully Secured Loan.

(6) After the issue of bonus shares,
(a) Cash balance and share capital increase.
(b) Cash balance decreases while share capital increases.
(c) Reserves decrease while share capital increases.
(d) Reserves and Share capital both increase.

(7) The maximum rate of interest received by a company on call-in-arrears as per Table 'F' :
(a) 6% (b) 10%
(c) 12% (d) 5%

(8) For the purpose of redemption of 5000 Redeemable Preference Shares of ₹ 100 each at premium of 10%, Rohit Ltd. issued 1000 equity shares of ₹ 100 at a premium of 10%. What amount will be to transferred to Capital Redemption Reserve A/c. with this reference.
(a) ₹ 1,70,000 (b) ₹ 3,90,000
(c) ₹ 1,00,000 (d) ₹ 4,00,000

(9) With reference to Profit Prior to Incorporation "Preliminary expenses" are to be apportioned according to :
(a) Time ratio (b) Turnover ratio
(c) Prior to Incorporation period (d) Post Incorporation period