

Duration: - 2 ½ Hours C411A23FA

Note :- All questions are Compulsory.  
Figures to the right indicate full marks.  
Use of Simple Calculator is allowed.

**Q.1 a) Select the most appropriate option and rewrite the sentence. (8)**

- (1) After the debentures are redeemed the balance in Sinking fund Account is transferred to **CO3(R)**
  - a) Capital Reserve
  - b) Capital Redemption Reserve
  - c) General Reserve
  - d) Profit / loss Account
- (2) When Debentures are canceled, any profit of cancellation is transferred to **CO3(R)**
  - a) Capital Reserve
  - b) General Reserve
  - c) Profit / Loss Account
  - d) Capital Redemption Reserve
- (3) Profit on sale of own debentures is transferred to **CO3(R)**
  - a) Profit / loss Account
  - b) General Reserve,
  - c) Capital Reserve
  - d) Capital Redemption Reserve
- (4) To the extent redemption takes place from out of profits an equal amount should be transferred to: **CO2(R)**
  - (a) Capital Reserve.
  - (b) Capital Redemption Reserve.
  - (c) General Reserve.
  - (d) Debenture Redemption Reserve.
- (5) The company cannot issue: **CO2(R)**
  - (a) Non-redeemable preference shares
  - (b) Redeemable preference shares.
  - (c) Preference shares redeemable at premium.
  - (d) Cumulative redeemable preference shares.
- (6) For computing pre-incorporation profits, Share issue Expenses w/o **CO4(R)**
  - (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
- (7) Exchange difference of Non-integral Foreign Operation is **CO5(R)**
  - (a) transferred to suspense account
  - (b) transferred to profit and loss account
  - (c) transferred to foreign currency Fluctuation reserve
  - (d) transferred to "Net investment in Integral foreign operation Account"
- (8) Short term loan is the loan due for not more than **CO1(R)**
  - a) 2 years
  - b) 1 year
  - c) 5 years
  - d) 3 years

**Q.1 b) State whether the following statements are true or false :- (7)**

- (1) Annual appropriation made to built up the Debenture Redemption fund is debited to the Profit/Loss Account above the line. **CO4(R)**
- (2) Interest received on Debenture Redemption Fund Investment is credited to Debenture Redemption Fund Account. **CO4(R)**
- (3) Profit on cancellation of debenture is transferred to the Capital Reserve. **CO4(R)**
- (4) Profit after Incorporation is capital profit. **CO4(R)**
- (5) Accounting policies adopted by a company should be disclosed as per AS-1. **CO4(R)**
- (6) Immovable property can be included as investments. **CO4(R)**
- (7) Depreciation of assets is to be provided as, per the Companies Act, 2013. **CO4(R)**

**Q.2 Following is the Trial Balance of RRR Ltd. as on 31st March, 2022:- (15)**

| Debit Balance            | Rs.       | ° Credit Balance | Rs.       |
|--------------------------|-----------|------------------|-----------|
| Stock (at cost)          | 5,00,000  | Share Capital    |           |
| Fixed Assets (Net Block) | 12,25,000 | (Equity Share of | 20,00,000 |
| Sundry Debtors           | 4,00,000  | Rs. 100 each)    |           |
| (good and unsecured)     |           | General Reserves | 70,000    |
| Staff Advance            | 85,400    | Loan from State  | 3,00,000  |

|                       |           |                             |           |
|-----------------------|-----------|-----------------------------|-----------|
| Cash on hand          | 60,000    | Finance Corporation         |           |
| Bank balance          | 4,94,000  | Provision for Taxation      | 11,000    |
| Preliminary Expenses  | 26,600    | Net Profit for the year     | 2,70,000  |
| Advance Tax           | 12,000    | Profit & Loss Appropriation | 1,00,000  |
| Bills Receivable      | 58,000    | Account (opening balance)   |           |
| Investments (at cost) | 75,000    | Unsecured Loan              | 50,000    |
|                       |           | Sundry Creditors            | 1,40,000  |
|                       |           | Unclaimed Dividend          | 5,000     |
|                       | 29,46,000 |                             | 29,46,000 |

**Additional Information :**

- (1) Loan from State Financial Corporation is secured against stock.  
(2) Market value of investments is Rs. 78,000 while face value is Rs. 60,000.  
Prepare Balance Sheet as on that date in vertical form, as per Schedule VI requirements.

**CO1(A)**

**OR**

Q.2 a) The Balance sheet UK Ltd. showed the following items on 31st March, 2018.

|  |           |
|--|-----------|
| 7.5% Preference Share Capital (₹ 100 each) | 12,00,000 |
| Securities Premium                         | 90,000    |
| General Reserve A/c                        | 8,00,000  |

The Company redeemed the preference shares at a premium of 10% on 1st April, 2018. For redemption 60,000 Equity Shares of ₹ 10 each issued at a premium of 10%. Show journal entries in the books of the company

**CO2(A)**

(8)

Q.2 b) On 1.1.19 B. Ltd. Issued 10,000, 10% debentures of ₹ 100 each at a discount of 9% repayable in 3 years by annual equal installments out of profits. Show Journal Entries **CO3(A)**

(7)

Q.3 XYZ Limited was incorporated on 1st July, 2021 to acquire the business from 01-04-21. It received a certificate of commencement of business on 01-04-21. Its Profit and loss account for the year ending 31-03-22 is as under:

**CO4(A)**

(15)

| Particular                 | ₹               | Particular          | ₹               |
|----------------------------|-----------------|---------------------|-----------------|
| To Office Salaries         | 60,000          | By Gross Profit b/f | 5,20,000        |
| To Selling Commission      | 78,000          |                     |                 |
| To Carriage outward        | 42,250          |                     |                 |
| To Rent and Taxes          | 1,20,000        |                     |                 |
| To Debenture Interest      | 25,400          |                     |                 |
| To Printing and Stationery | 15,000          |                     |                 |
| To Advertising Expenses    | 65,000          |                     |                 |
| To Net Profit              | 1,14,350        |                     |                 |
|                            | <b>5,20,000</b> |                     | <b>5,20,000</b> |

Sales for the pre-incorporation period & Post – incorporation period was in the ratio 3:10  
Prepare Profit and Loss Account in the Columnar form for the year ending 31st March, 2017 allocating various items on suitable basis in the pre- incorporation and post-incorporation period.

**OR**

Q.3 ICL Ltd. was incorporated to take over the running business of BC and CI Brothers with effect from 1st April 2021. The Company was incorporated on 1st August 2021. The Following information was available from the books of accounts, which were closed on 31st March 2022 **CO4(A)**

(15)

| Particulars                            | ₹        | ₹        |
|--|----------|----------|
| Gross Profit                           | 7,00,000 |          |
| Share Transfer Fees Received Expenses: | 10,000   | 7,10,000 |



|                        |  |          |
|------------------------|--|----------|
| Office Salaries        |  | 2,10,000 |
| Partners' Salaries     |  | 60,000   |
| Advertising            |  | 63,000   |
| Printing Stationery    |  | 15,000   |
| Traveling Expenses     |  | 40,000   |
| Office Rent            |  | 96,000   |
| Auditors' Remuneration |  | 6,000    |
| Directors' Fees        |  | 10,000   |
| Bad Debts              |  | 12,000   |
| Sales Commission       |  | 49,000   |
| Preliminary Expenses   |  | 7,000    |
| Debenture Interest     |  | 16,000   |
| Interest on Capital    |  | 18,000   |
| Depreciation           |  | 21,000   |

**Additional Information:**

- (a) Monthly sales were ₹ 5,00,000, for pre-incorporation period, while total sales for the year were ₹ 70,00,000. The sales arose evenly throughout the concerned periods.

Q.4 I Ltd. has a branch in Sydney, Australia. At the end of 31st March, 2022, the following ledger balances have been extracted from the books of the Sydney office:

(15)

Sydney (Australia Dollars thousand)

| Particulars              | Dr. A\$ | Cr. A\$ | Particulars             | Dr. A\$ | Cr. A\$ |
|--------------------------|---------|---------|-------------------------|---------|---------|
| Plant & Machinery (Cost) | 200     | —       | Goods Sent to Branch    | 5       |         |
| Plant & Machinery        | -       | 130     | Wages and Salaries      | 45      |         |
| Debtors/Creditors        | 60      | 30      | Rent                    | 12      |         |
| Stock (1-4-2022)         | 20      |         | Office Expenses         | 18      |         |
| Cash/Bank Balances       | 10      |         | Commission Receipts     |         | 100     |
| Purchases/Sales          | 20      | 123     | Branch/H.O. Current A/c |         | 7       |
|                          |         |         |                         | 390     | 390     |

The following information is also available:

Goods sent by H.O. ₹. 100 thousand. Branch A/c in H.O. ₹. 120 thousand.

Stock at 31-3-2022, Sydney Branch Australian \$ 3,125.

You are required to convert the Branch Trial Balance into rupees and prepare the final accounts of the branch.

(Use the following rate of exchange: Opening Rate A \$ = ₹. 20; Closing Rate A \$ = ₹. 24;

Average Rate A \$ = ₹. 22; For Fixed Assets A \$ = ₹. 18) **CO5(A)**

**OR**

Q.4 The firm Hardik and Co. with its H.O. in Bhopal has a branch in Sydney. At the end of each year (December 31) a Trial Balance sent by the branch in Australian dollar currency is converted into Rupee currency at the head office.

The following Trial Balance for the year has been compiled at the branch as on 31st December, 2022.

| Particulars            | Dr.\$  | Cr.\$  |
|------------------------|--------|--------|
| Bills Receivable       | 2,500  | -      |
| Sundry Debtors         | 3,800  | -      |
| Sundry Creditors       | -      | 1,100  |
| Purchases              | 13,500 | -      |
| Sales                  | -      | 22,800 |
| Furniture and Fixtures | 1,340  | -      |

|  |        |        |
|--|--------|--------|
| Stock (1st January, 2007)              | 2,000  | -      |
| Establishment Expenses                 | 2,000  | -      |
| Salaries                               | 1,400  | -      |
| Rent, Rates and Taxes                  | 400    | -      |
| Sundry Expenses                        | 1,450  | -      |
| Depreciation on Furniture and Fixtures | 128    | -      |
| Remittances to H.O.                    | 1,502  | -      |
| Head Office Account                    | -      | 6,920  |
| Cash on hand and at Bank               | 800    | -      |
| Total                                  | 30,820 | 30,820 |

The stock in hand on December 31st 2022 was \$ 2,500. The rates of exchange were:

From December 31st, 2006 to June 30th, 2007 1\$ = ₹. 34.

From 1st July, 2007 to 31st December, 2007 1 \$ = ₹. 36.

In the Bhopal books the balance of the Sydney Branch Account and of the remittances from Sydney Branch Account appear as ₹. 1,78,847 and ₹. 37,068 respectively. The original Furniture and Fixture were bought when the rate of exchange was \$1 = ₹. 30.

Convert the above Trial Balance into Rupees and prepare the final accounts of the branch. **CO5(A) (15)**

- Q.5 A How will you disclose Current Asset in Balance sheet **CO1(R)** (8)  
 B Explain the Rules for Conversion of foreign Branch Trial Balance **CO5(R)** (7)

**OR**

- Q.5 **Write Short Notes On :-** (Any 3) (15)
1. Capital Redemption Reserve CO2(R)
  2. Disclosure of Current Liability in Balance sheet CO1(R)
  3. Redemption of Debenture out of Profit CO3(R)
  4. Basis for allocation of Expenses in Profit Prior to Incorporation CO4(R)
  5. Integral Foreign Operation CO5(R)

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