

Financial Accounting

Q.P. Code : 01508

[Time : 2½ Hours]

[ Marks : 75 ]

Please check whether you have got the right question paper.

- N.B:
1. Figures to the right indicate full marks.
  2. Working notes should form part of your answers.
  3. Use of simple calculator is allowed.

1. A) State whether the following statements are True or False. Rewrite the statement. 8  
(Any Eight) :

1. AS 14 deals with translation of foreign currency transactions.
2. 'Water Deposit' with Municipality is shown under the head 'Current Asset' in the Balance Sheet of Co-operative Housing Society.
3. Balance Sheet of a Cooperative Housing Society should be prepared in Form B.
4. Salary to partners is allocated in time ratio while calculating profits for the Pre and the Post incorporation period.
5. Asset - Backing method is a method for valuation of goodwill.
6. A Company cannot buy back more than 25% of its paid up equity capital in any financial year.
7. Discount on Issue of shares written off, is charged only to the Post incorporation period while calculating profits for the Pre and the Post incorporation period.
8. Exchange Rate is the ratio for Exchange of two currencies.
9. Buy Back of Shares can be done out of free reserves of the company.
10. Average Rate is the mean of the exchange rates in force during a period.

B) Match the following (Any Seven) :

A	B
1) Discount to debtors, while calculating Profits prior to incorporation	• Profit & Loss Account
2) Office Rent, while calculating Profits prior to incorporation	• Capital Reserve Account
3) Intrinsic Value Method	• Allocated to Post incorporation period
4) Transfer fees received is disclosed in the Balance Sheet of Co-operative Housing Society under the head	• Allocated In Time Ratio
5) Fixed Deposits with Banks made by Co-operative Housing Society is disclosed under the head	• Method of Valuing Shares
6) Cash is an example of	• Method of valuing Goodwill
7) Investments is an example of	• Allocated in Sales Ratio
8) Profits earned prior to Incorporation is transferred to	• Reserve Fund
9) Balance in Foreign Exchange Fluctuation account is transferred to	• Investments
10) Super Profit Method	• Non - Monetary Item
	• Fixed Assets
	• Share Capital
	• Monetary Item

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TURN OVER

2. Following is the Trial Balance of Giriraj Co-operative Housing Society Ltd. as on 31<sup>st</sup> March 2017 : 15

Debit	₹	Credit	₹
Cash in Hand	500	Contribution from Members	2,00,000
Cash at Bank	51,000	Interest on Bank A/c	5,000
Security Expenses	61,000	Repair Fund (01/04/2016)	1,10,000
Building	8,00,000	Reserve Fund (01/04/2016)	3,00,000
Electricity Charges	18,000	Sinking Fund (01/04/2016)	3,00,000
Miscellaneous Expenses	1,900	5,000 Equity Shares of ₹50 each fully paid	2,50,000
Salary	85,800	Income and Expenditure Account	2,35,000
Printing and Stationery Expenses	6,500		
Insurance Premium	7,100		
Furniture	2,00,000		
Conveyance Expenses	13,400		
Accounting Charges	15,000		
Depreciation	48,800		
Property Tax	91,000		
<b>Total</b>	<b>14,00,000</b>	<b>Total</b>	<b>14,00,000</b>

**Additional Information :**

- 1) Collection from Members, given in the Trial balance is towards :
  - a) Maintenance ₹1,50,000
  - b) Sinking Fund ₹25,000
  - c) Repair Fund ₹24,000
  - d) Entrance Fees ₹1,000
- 2) Provide for the following Outstanding Expenses:
  - a) Audit Fees ₹6,000
  - b) Electricity Charges ₹2,000
  - c) Security Expenses ₹14,000
  - d) Salary ₹4,200

Prepare Income and Expenditure account for the year ended 31<sup>st</sup> March 2017 and Balance Sheet as on that date in the format required under, the Maharashtra Cooperative Societies Act.

OR

TURN OVER

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2. Aparna Ltd. imported goods from Zen Ltd. of USA worth US\$ 10,00,000 on 1st November 2015 when the exchange rate was ₹63 per US \$. The amount was paid to Zen Ltd. in five equal installments on the following dates :

Date	Exchange Rate Per US\$ (₹)
01-12-2015	62
15-01-2016	64
10-02-2016	61
30-04-2016	66
20-06-2016	65

Aparna Ltd. closes the books on 31<sup>st</sup> March every year. On 31<sup>st</sup> March 2016 the exchange rate was ₹63 per US\$.

You are required to pass Journal Entries in the books of Aparna Ltd. for the years ended 31<sup>st</sup> March 2016 and 31<sup>st</sup> March 2017.

3. Ascertain the value of Goodwill of "Prarthana" Ltd. carrying on business as retail traders from the following information :

**Summarized Balance Sheet as on 31<sup>st</sup> March, 2016**

Liabilities	₹	Assets	₹
5,000 Equity Shares of ₹100 each	5,00,000	Goodwill	1,10,000
Profit and Loss Account	2,10,000	Land and Building	7,00,000
Sundry Creditors	1,00,000	Plant and Machinery	2,00,000
Other Current Liabilities	2,90,000	Stock	50,000
		Debtors	30,000
		Cash and Bank Balance	10,000
<b>Total</b>	<b>11,00,000</b>	<b>Total</b>	<b>11,00,000</b>

The Profits earned before providing for taxation were as follows :

Year ended 31 <sup>st</sup> March	₹
2012	80,000
2013	85,000
2014	91,000
2015	98,000
2016	95,000

Income-tax may be taken at 30%.

Normal Rate of Return is 10%.

Profits for the year ended 31<sup>st</sup> March, 2016 include an extraordinary Income of ₹1,000 whereas profit for the year ended 31<sup>st</sup> March, 2014 includes loss by earthquake of ₹4,000.

In future, Rent of ₹9,600 p.a. will no longer be payable.

Goodwill is to be calculated with reference to capitalization of Maintainable Profits Method. Use Simple Average.

OR

TURN OVER

3. Anand Ltd. took over the business of Kapoor Bros., a firm w.e.f 1<sup>st</sup> January, 2016. The Company was Incorporated on 1<sup>st</sup> March, 2016. Summarised Profit & Loss Account for the year ended 31<sup>st</sup> December, 2016 was as under : 15

Expenses	₹	Income	₹
To Salaries	18,00,000	By Gross Profit b/d	90,00,000
To Rates and Insurance	12,00,000		
To Printing & Stationery	6,00,000		
To Audit Fees	1,20,000		
To Director's Fees	2,00,000		
To Carriage Outward	5,40,000		
To Advertising Expenses	8,10,000		
To Electricity Charges	1,35,000		
To Commission on Sales	6,30,000		
To Debenture Interest	1,50,000		
To Depreciation	4,20,000		
To Interest on Purchase consideration	1,00,000		
To Net Profit	22,95,000		
<b>Total</b>	<b>90,00,000</b>	<b>Total</b>	<b>90,00,000</b>

**Additional Information :**

- 1) Sales for each of the months April, May, June, October, November and December were twice the sales for each of the months January, February, March, July, August and September.
  - 2) Anand Ltd. settled purchase consideration on 1<sup>st</sup> November, 2016.
  - 3) Audit fees are payable for the entire year.
- Prepare a statement showing profits for pre-incorporation and post incorporation periods separately.

4. The summarized Balance Sheet of Shreeram Ltd. as on 31<sup>st</sup> March, 2017 is as follows : 15

Particulars	₹
<b>Share Capital :</b>	30,00,000
3,00,000 Equity Shares of ₹10 each fully paid	
<b>Reserves and Surplus</b>	
Securities Premium	2,00,000
Profit and Loss Account	8,00,000
<b>Long Term Borrowings</b>	
10% Debentures	14,00,000
<b>Current Liabilities</b>	
Creditors	4,00,000
<b>Total</b>	<b>58,00,000</b>
<b>Assets</b>	
Fixed Assets	28,00,000
Investments	10,00,000
Current Assets	20,00,000
<b>Total</b>	<b>58,00,000</b>

TURN OVER

Ascertain the maximum number of equity shares the company can buyback at a price of ₹40 per share.

Assuming the buyback is actually carried out,

- Record the journal entries in the books of Shreeram Ltd.
- Prepare Notes to Accounts of Share Capital and Reserves & Surplus as they would appear in Notes to Accounts forming part of the Balance Sheet of Shreeram Ltd. as on 31<sup>st</sup> March, 20 17.

(Do not Prepare Balance Sheet).

OR

4. A) 'Golden' Limited submits the following information as on 31<sup>st</sup> March, 2016 :

	₹
Land and Building	10,00,000
Plant and Machinery	5,00,000
Current Assets	7,00,000
Goodwill	2,00,000
Investments	2,00,000
Share Issue Expenses	10,000
Creditors	4,00,000
Bills Payable	2,00,000

Capital of the company comprises of 10,000 equity shares of ₹100 each fully paid. Calculate the value of Equity share using Net Asset method.

- B) A Company's share capital is ₹10,00,000 divided into 10%, 4,000 Preference shares of ₹100 each & the remaining are equity shares of ₹10 each. The average profit (after tax @30%) earned during the past three years was ₹2,10,000. In future, expenses will increase by ₹10,000 per annum. Normal rate of return is 12%. Find out the value of Equity share by Yield Method.

5. A) Explain the conditions which a company has to comply with, as per the provisions of the Companies Act, regarding Buy Back of shares.
- B) Explain how accounting of foreign currency transaction differs from transaction in home currency.

5. Write Short notes on **any three** of the following :

- Divisible and Non-Divisible Profits.
- Spot Rate vs. Average Rate.
- Yield method of valuing shares.
- Income & Expenditure Account of a Co-operative Housing Society.
- Need for calculating Profits prior to and post Incorporation.

TURN OVER