

DISTANCE EDUCATION
B.C.S. DEGREE EXAMINATION, DECEMBER 2011.
ADVANCED ACCOUNTANCY
(1999 onwards)

Time : Three hours

Maximum : 100 marks

PART A — (5 × 8 = 40 marks)

Answer any FIVE questions.

All questions carry equal marks.

1. Define underwriting commission. State the rules relating to payment of under writing commission.
2. B Ltd. Invited applications for 10,000 shares of Rs.100 each at a discount of 5% payable as follows: Application — Rs. 25, Allotment Rs.34 and first and final call Rs. 36. The application received was for 9,000 shares and all of these were accepted. All money due were received except the first and final call on 200 shares which were forfeited. 100 shares were reissued @ Rs.90 as fully paid. Give journal entries.
3. Saravana Ltd. has an authorized capital of Rs. 15, 00,000 divided into equity shares of Rs.10 each and its balance sheet as on 31.12.06 was as follows :

Liabilities	Rs.	Assets	Rs.
Share capital :		Fixed assets	12,00,000
Issued and fully paid	5,00,000	Current assets	4, 20,000
Capital Reserve	1,20,000	Investment in	
General Reserve	2,00,000	own debentures	85,000
P&L a/c	3,50,000	(Nominal value	
6% Debentures	4,00,000	at Rs.1, 00,000)	
Creditors	2,10,000	Cash at bank	75,000
	<u>17,80,000</u>		<u>17,80,000</u>

The 6% debentures are due for payment on 30.6.07 at a premium of 5%. The company decided :

- (a) To issue to the public 25,000 equity shares of Rs. 10 each at Rs. 15 per share. The money was duly received.
 - (b) To redeem out of profits the debentures on 30.6.95 together with interest for 6 months.
 - (c) The debenture holders accept 6% debentures at par for Rs. 1 lakh and the balance in cash.
 - (d) The debentures which the company held as investment were cancelled. You are required to pass journal entries to record the above transactions.
4. A company issued Rs.2, 00,000, 6% debentures of Rs. 100 each at par, repayable at the end of 5 years at a premium of 5%. A sinking fund was to be created for the purpose of accumulating sufficient fund for the purpose. Investments were made yielding 5% interest received at the end of each year. All investments, including reinvestments of interest received were made at the end of the year. Show
 - (a) Sinking Fund a/c
 - (b) Sinking fund investment a/c.
 5. The following was the Balance sheet of Balaram Ltd as On 31.3.2007 :

Liabilities	Rs.	Assets	Rs.
7500 ordinary shares		Fixed Assets	8,00,000

Of Rs.100 each	7,50,000	Debenture	
2000, 15% preference		redemption fund	
Shares of Rs.100 each	2,00,000	investment	88,500
General reserve	6,50,000	Stock	6,00,800
P and L A/c	50,000	Debtors	2,60,700
Deb. Red. Fund	88,480	Cash at bank	3,00,000
12% debentures	1,00,000		
Sundry creditors	2,11,520		
	20,50,000		20,50,000

On this date, the company redeemed at a premium of 5% all its preference shares and debentures. For the purpose, it sold all the investments for Rs. 1, 00,000 and allotted to its equity shareholders 1500 equity shares of Rs. 100 each at par, the entire amount being received immediately.

After redemption of preference shares and debentures, the company issued one fully paid bonus shares of Rs. 100 for every three shares held. Show journal entries.

6. Give an account of

- (a) Cum-Interest and Ex-interest Quotations
- (b) Minimum Rent.

7. Balance sheet of X Ltd., is as follows :

Liabilities	Rs.	Assets	Rs.
Issued share capital		Good will	10,000
10,000 shares @ Rs. 10		other fixed assets	90,000
fully paid up	1,00,000	Stock	25,000
10,000, 7% preference		Debtors	30,000
shares of Rs. 10 each		Profit & Loss a/c	45,000
fully paid up	1,00,000		
	2,00,000		2,00,000

It was resolved that equity shares of Rs.10 each be reduced to fully paid shares of Rs.6 each and 7% preference shares of Rs. 10 each be reduced to 7½ % fully paid preference shares of Rs. 7 each. Number of shares in each case remained the same. It was further resolved that amount so available be used for writing off the debit balance of profit and loss a/c, goodwill a/c completely and other fixed assets as far as possible.

You are required to make journal entries.

8. Mani and Gani sharing profits in the ratio of 5:3 took out a Joint Life Policy of Rs.40,000 on January 1, 2003 for 20 years paying an annual premium of Rs.2,200. The surrender values were :
 2003 — Nil; 2004 — Rs. 500; 2005 — Rs. 1,200;
 2006 — Rs. 2,050.

Gani died on April 20, 2006, and the claim was received on May 25. Show the accounts under :

- (a) Premium written off Method
- (b) Surrender value treated as an asset
- (c) Surrender value treated as an asset and the full premium charged to profit.

PART B — (4 × 15 = 60 marks)

Answer any FOUR questions.

All questions carry equal marks.

9. Following is the trial balance of B Ltd, as on 31.3.1998 :

Debit balances	Rs.	Credit balances	Rs.
Stock, 1.4.1997	75,000	Purchase returns	10,000
Purchases	2,45,000	Sales	3,40,000
Wages	30,000	Discount	3,000
Carriage	950	Profit & Loss A/c	15,000
Furniture	17,000	Share Capital	1,00,000
Salaries	7,500	Creditors	17,500
Rent	4,000	General Reserve	15,500
Sundry Trade expenses	7,050	Bills payable	7,000
Dividend paid	9,000		
Debtors	27,500		
Plant & Machinery	29,000		
Cash at bank	46,200		
Patents	4,800		
Bills receivable	5,000		
	<u>5,08,000</u>		<u>5,08,000</u>

Prepare trading and profit and loss a/c for the year ended 31.3.1998 and a balance sheet as on that date in proper form after considering the following adjustments :

- Stock as on 31.3.1998 Rs. 88,000.
- Provide for income tax at 50%.
- Depreciate Plant and Machinery at 15% furniture at 10% and patents at 5%.
- On 31.3.1998, the outstanding rent amounted to Rs. 800 and Salaries Rs. 900.
- The Board recommends payment of dividend at 15% p.a. Transfer the minimum required amount to General Reserve.
- Provide Rs.510 for doubtful debts.
- Provide for managerial remuneration at 10% on profit before tax.

10. Following in the Balance Sheet of Vishnu Ltd as on 31.3.2005 :

Liabilities	Rs.	Assets	Rs.
Share Capital		Land & Building	1,00,000
20,000 shares of Rs. 10 each		Plant & Machinery	1,50,000
General Reserve	2,00,000	Furniture	2,500
Dividend equalization	25,000	Stock	60,000
Reserve	20,000	Work in Progress	30,000
P & L A/c	5,100	Sundry Debtors	25,000
12% Debentures	1,00,000	Cash at Bank	12,600
Sundry Creditors	30,000		
	<u>3,80,100</u>		<u>3,80,100</u>

The company was absorbed by Rao Ltd. on the above date. The consideration for the absorption in the discharge of the debenture at a premium of 5% taking over the liability in respect of sundry creditor and a payment of Rs.7 in cash and one share of Rs. 5 in Rao Ltd at the market value of Rs.8 per share for every share in Vishnu Ltd.

The cost of liquidation of Rs. 1,500 is to be met by the purchasing company. Close the books of Vishnu Ltd and pass the Journal Entries in the books of Rao Ltd.

11. Vikram & Co. started a hire purchase department on January 1, 2006. Goods are sold on hire purchase at cost plus 25%. From the following particulars find out the profit or loss made in this department.

2006	Rs.
Jan 1 Goods sold on hire purchase during the year (at hire purchase price)	1,00,000
Goods received during the year	50,000
Goods repossessed (Hire Purchase instalments unpaid Rs.4, 000) Valued at	1,000
2007 Goods with hire purchase customers	40,000
Dec. 31 Goods sold on hire purchase	1,50,000
Cash received during the year	1,00,000
Goods repossessed (hire purchase instalments unpaid Rs. 6,000) valued at	2,000
Instalments due but not yet received	10,000

12. P, Q and R were equal partners who decided to dissolve their partnership on June 30, 2004.

Balance Sheet of P, Q, R as on June 30, 2004

Liabilities	Rs.	Assets	Rs.
Sundry creditors	3,000	Sundry debtors	8,000
Reserve	3,000	Furniture	2,000
P's Capital A/C	9,000	Stock	6,000
R's Capital A/C	6,000	Q's Capital A/C	5,000
	<u>21,000</u>		<u>21,000</u>

Debtors realized 80% of the book value and creditors have accepted Rs.2, 400 in full satisfaction. Stock and furniture realized 10% less than the book value. Q became insolvent and of his dues, his estate paid 50 paise in a rupee. Show the Realisation Account, Partner's Capital Accounts and Cash Account. Assume that the capitals are not fixed.

13. The Bombay Head Office sent goods to Madras branch at 25% profit over costs. From the following details, prepare the Branch Account in the Head Office books and ascertain the net profit at the branch.

	Rs.
Opening stock of goods at branch at invoice price	20,000
Goods sent to branch at invoice price	90,000
Loss of goods in transit at invoice price	6,000
Pilferage at branch at cost to branch	1,200
Closing stock at branch at its cost	16,000
Sales at branch	1,05,000
Salaries and wages at branch	6,000
Other expenses at branch	3,000

Madras Branch received Rs. 4,000 from the Insurance Company in settlement of the claim for the loss of goods in transit.

14. Raghava and Veera were partners in a firm sharing profits and losses in the ratio of 3:1 respectively. Their Balance Sheet as on December 31, 2006, was :

Balance Sheet			
Liabilities	Rs.	Assets	Rs.
Sundry Creditors	40,000	Plant and Machinery	75,000
Reserve fund	60,000	Stock	40,000
Raghava's Capital A/C	50,000	Sundry debtors	60,000
Veera's Capital A/C	40,000	Cash at Bank	15,000
	<u>1,90,000</u>		<u>1,90,000</u>

They agree to admit Patel as partner on the following terms :

- (a) The assets of the firm were to be revalued as follows: plant and machinery to be depreciated by 10%; stock to be increased to Rs. 45,000; bad debts reserve to be created in the books at 2½%. The reserve fund of the firm was to be closed to the old partner's Capital Accounts.
- (b) Patel was to introduce Rs. 20,000 as a premium for goodwill for a fourth share of the future profit. He was also required to contribute a capital equal to 1/3 of the combined capitals of the partners, after adjustment.

Prepare the Revaluation Account, Cash Account, Capital Accounts and the Balance Sheet of the new firm.

15. Explain the following :

- (a) Goods in transit
- (b) Cash in transit
- (c) Interdepartmental transfer
- (d) Maximum Loss Method.