DE-2860 | **24**

DISTANCE EDUCATION

B.C.S. DEGREE EXAMINATION, MAY 2008.

ADVANCED ACCOUNTANCY

(1999 onwards)

Time : Three hours | Maximum : 100 marks

PART A — ($5 \times 8 = 40$ marks)

Answer any FIVE questions and answers to theory questions not to exceed 200 words.

All questions carry equal marks.

1. What are the different methods treating joint life policy premium payment in partnership?

2. Explain the decision in Garner Vs Murray and its applicability in India.

3. Write notes on Issue of shares at a premium and at a discount.

4. What are the different methods of redemption of debentures?

5. Explain Minimum rent, Short working, Landlord and lessee; Recoupments of short workings.

6. A fire occurred on 15th Sep. 2000 in the godown of a company. From the following figures , ascertain the claim to be lodged :

Stock (1.4.2000) Rs. 1,05,300

Purchases from 1.4.2000 to the date of fire Rs. 3,50,400

Manufacturing expenses and wages Rs. 2,60,000

Sales from 1.4.2000 to the date of fire Rs. 6,76,000

Goods taken by the owners for personal use (at cost) Rs. 10,750

The rate of gross profit is 30% on cost. The stock salvaged and valued at Rs. 36,000.

7. A and B are partners sharing profits and losses in the ratio of 3 : 2. They admit C as partners who is unable to bring goodwill in cash but pays Rs. 48,000 as his capital. The goodwill of the firm is to be valued at two years' purchase of three years' profit. The profits for the last three years were Rs. 15,000, Rs 12,000 and Rs. 12,000 and Rs. 13,500. The new ratio will be 5 : 2 : 3. Pass journal entries.

8. P Ltd. issued a prospects inviting applications for 1,00,000 equity shares of Rs. 10 each, payable as to Rs. 2 on application. Rs. 3 on allotment and the balance in the first and final call. Applications were received for 80,000 shares only. All the applications were accepted in full. The call was also made in due course of time.

Pass the necessary journal entries including cash transactions.

PART B — ($4 \times 15 = 60$ marks)

Answer any FOUR questions.

9. X Ltd. has the following balances as on 31.3.2003 :

	Rs.		Rs.
Share capital		Fixed assets	24,00,000
Issued, subscribed and fully paid		Current assets :	
10,000 equity shares of		Stock	5,00,000
Rs. 100 each	10,00,000	Debtors	50,000
5000 preference shares		Cash	50,000
of Rs. 100 each	5,00,000		
Capital reserve	1,00,000		
Securities premium a/c	1,00,000		
General reserve	2,00,000		
Profit and loss a/c	1,00,000		
Current liabilities	10,00,000		
	30,00,000		30,00,000

The preference shares are to be redeemed at 10% premium on 1st Jan 2004. Fresh issue of equity shares is to be made to the extent it is required under the Companies Act for the purpose of this redemption. The shortfall in funds for the purpose of the redemption after utilizing the proceeds of the fresh issue is to be met by taking a bank loan the cash balance of Rs. 50,000 being the minimum the company requires for its trading operations. Show journal entries and balance sheet after redemption.

10. The following is the Trial Balance of Lakshmi Co. Ltd. as at 30th June 2005 :

Debit Balance	Rs.	Credit Balances	Rs.
Opening stock	75,000	Sales	3,50,000
Purchases	2,45,000	Discount received	5,000
Wages	50,000	Profit and loss a/c balance	15,030
Furniture	17,000	Share capital	1,00,000
Salaries	7,500	Creditors	17,500
Rent	4,950	Reserve	15,500
Sundry expenses	7,050		
Dividend paid	9,000		
Debtors	37,500		
Plant and machinery	29,000		
Cash at bank	16,200		
Patents and trade marks	4,830		
TOTAL	5,03,030	TOTAL	5,03,030

Prepare Trading /ac, profit and loss a/c, P/L appropriation a/c and a balance sheet for the year ending 30th June 2005 after taking into a/c the following adjustments :

(a) Closing stock was valued at Rs. 82,000

(b) Depreciate plant and machinery and patents and trade marks @ 10%

(c) Make a provision of 50% for income tax.

11. A, B and C carry on a business sharing profits and losses in the proportion of 1/2, 3/8 and 1/8 respectively. On 31.3.2001, they agreed to sell their business to a limited company. Their position was as follows :

	Rs.		Rs.
A's capital	40,000	Buildings	48,000
B's capital	30,000	Machinery	42,000
C's capital	26,000	Book debts	15,000
Loan on mortgage	16,000	Stock	23,000
Sundry creditors	18,000	Cash	2,000
	1,30,000		1,30,000

The company agreed to take over the business for Rs. 1,21,100. The expenses of realisation amounted Rs. 1,500. The loan was repaid by the partnership firm. Show the necessary ledger accounts to close the books of the firm.

12. The following was the Balance sheet of D, E and F who were equal partners, as on 1.4.2000 :

Liabilities		Rs.	Assets	Rs.
Bills payable		13,300	Cash	5,600
Creditors		16,000	Debtors	10,800
Capital a/cs	D	36,800	Stock	41,400
	E	32,600	Furniture	17,400
	F	26,000	Buildings	49,500
Total		1,24,700	Total	1,24,700

They admit H for a fourth share in the profits on the following terms :

(a) That H should bring Rs. 9,000 for goodwill and Rs. 25,000 as his capital

(b) That on-half of the goodwill shall be withdrawn by the old partners

(c) That stock and furniture be depreciated by 10%

(d) That a provision of 5% on debtors be created on Sundry debtors

(e) That a liability for Rs. 1,580 be created against bills discounted

(f) That the value of the buildings be appreciated to Rs. 62,000

(g) That the values of liabilities and assets other than cash are not to be altered.

Prepare the profit and loss adjustment a/c, capital a/cs and show the opening balance sheet of the new firm.

13. B and Co. suffered loss of stock due to fire on August 2004. From the following information, prepare a statement showing the claim to be lodged :

	Rs.
Stock on 1.4.2003	38,400
Purchases during the year ended 31.3.2004	1,60,000
Sales during the year ended 31.3.2004	2,02,600
Closing stock on 31.3.2004	31,800
Purchases from 1.4.2004 to 16.8.2004	54,000
Sales from 1.4.2004 to 16.8.2004	61,400

An item of stock purchased in 2002 at a cost of Rs. 10,000 was valued at Rs. 6,000 on 31st March 2003. Half of this stock was sold in July 2003, for Rs. 2,600; and the remaining stock was valued at Rs. 2,400 on 31.3.2004. One-fourth of the original stock was sold for Rs. 1,400 in June 2004. The remaining stock was considered to be worth 60% of the original cost. Salvage was Rs. 12,000. The amount of the policy was Rs. 30,000. There was an average clause in the policy.

14. S.G. Mines Co. Ltd. taken from D a lease of mine for a period of 25 years from 1st April 1996 on a royalty of Rs. 5.00 per ton of material got with a dead rent of Rs. 20,000 and power to recoup short workings during the first five years of the lease :

The annual outputs were as follows :

For the years ended	31.3.1997 - 2,000 tons
	31.3.1998 - 3,000 tons
	31.3.1999 - 4,000 tons
	31.3.2000 - 4,500 tons
	31.3.2001 - 5,000 tons

Give journal entries in the books of the company and in the books of D.

15. The Indo-Gulf Co. Ltd., sells its business to the Continental Co. Ltd., as on 31st March 2000, on which date its Balance Sheet was as under :

Liabilities	Rs.	Assets	Rs.
Paid up capital		Goodwill	50,000
2,000 shares of Rs. 100 each	2,00,000	Freehold property	1,50,000
General Reserve	50,000	Plant and tools	83,000
Profit and loss account	20,000	Stock	35,000
Debentures	1,00,000	Sundry debtors	27,500
Trade creditors	30,000	Cash at bank	50,000
		Bills receivable	4,500
	4,00,000		4,00,000

The continental Co. Ltd. agreed to take over the assets (exclusive of cash at bank and goodwill) at 10 per cent less than the book value, to pay Rs. 75,000 for good will and to take over the debentures.

The consideration was to be discharged by the allotment to the Indo-Gulf Co. Ltd. of 1,500 shares of Rs. 100 each at a premium of Rs. 10 per share and the balance in cash.

The cost of the liquidation amounted t Rs. 3,000. Show the necessary accounts in the books of the Indo-Gulf Co. Ltd. and show the necessary journal entries recording the transactions in the books of the Continental Co. Ltd.