SYBAF Sem-IV
May 2019

Paper / Subject Code: 78009 / Financial Accounting (Sepcial Accounting Areas)-IV

Time : 2 ½ Hours **Marks : 75**

NB : 1) Question **no.1** is **Compulsory**.
2) Attempt **Q.2 to Q.5** with internal choice.
3) **Figures** to **right** indicate full **marks**.
4) Use of simple **calculator** is **permitted.**

Q.1A) State if the following statements are true or false **(Attempt any 8)** **8 marks**

1. Capital redemption reserve and debenture redemption reserve are the same.
2. Time ratio is the ratio of number of months before and after incorporation.
3. If foreign operation sales are mainly in currencies other than the reporting currency it is a non integral foreign operation.
4. Dividend equalisation reserve can be used as divisible profits while redeeming preference shares.
5. Operating cycle could be different for each line of business.
6. Partly paid preference shares cannot be redeemed.
7. Monetary items of integral foreign operation at the balance sheet are translated at closing exchange rate.
8. Calls unpaid are added back to authorised capital in the balance sheet .
9. Profits earned by a company prior to its incorporation cannot be considered to have been earned in the ordinary course of business .
10. Debentures cannot be redeemed during the life time of the company .

B) Match the column **(Attempt any 7)** **7 marks**

1. Premium payable on redemption of debenture	a) post incorporation period
2. Preliminary expenses	b) written off from accumulated profits
3. Advertisement	c) cannot be issued
4. Closing inventory	d) does not result in reduction of authorised capital of the company
5. Unclaimed dividend	e) short term provision
6. Irredeemable preference shares	f) shareholders funds
7. Redemption of preference shares	g) closing rate
8. Provision for taxation	h) current liability
9. Call in arrears	i) sinking fund
10. Reserves and surplus	j) sales ratio

Q.2) Following is the trial balance of Munich Ltd as on 31st March 2017 **15 marks**

Debit balances	Rs	Particulars	Rs
Stock (31/3/2017)	10,00,000	Share Capital (equity Shares of Rs 100 each)	40,02,000
Investment	1,52,000	Unclaimed dividend	10,000
Fixed assets (net block)	24,70,000	General Reserve	1,40,000
Debtors	8,00,000	Loan from Bank	6,00,000
Staff advance	1,94,800	Provision for taxation	22,000

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Cash on hand Bank balance Share issue expenses Bill receivable	1,20,000 9,88,000 53,200 1,16,000	Net profit for the year Profit and Loss (1/4/16) Short term loans Creditors	5,40,000 2,00,000 1,00,000 2,80,000
	58,94,000		58,94,000

Additional information

1. Transfer to general reserve Rs 1,00,000
2. Directors recommended 7% dividend
3. Out of debtors, debts due for more than six months were Rs 1,04,000
4. Creditors included creditors for goods Rs 2,10,000 while remaining are for expenses
5. Loan from bank is secured against stock

Ignore previous years figures and corporate dividend tax

Prepare Balance sheet as on 31st March 2017 as per revised schedule requirements

OR

Q2A) From the following information prepare the statement of profit and loss for the year end 31st March 2016 **8 marks**

Particulars	Amount in lakhs
Revenue from operations	2,600
Other income	40
Cost of material consumed	1,000
Change in inventory	(300)
Employee benefit	800
Finance cost	20
Depreciation	100

B) From the following information prepare the notes to accounts **7 marks**

Particulars	Cost	Accumulated depreciation
Land and building	3,00,000	50,000
Plant and machinery	4,00,000	1,00,000
Motor vehicles	20,000	4,000
Furniture	2,40,000	2,400

Depreciation to be provided for 5% p.a. on original cost of plant and machinery, 3% p.a. on original cost of land and building, 10% p.a. on original cost of motor vehicles and 10% p.a. on original cost of furniture.

Q.3) Orange limited has a branch in California and head office in Mumbai. The trial balance prepared as on 31st March 2017 was below. You are required to prepare trial balance in Indian Rupees and trading , profit and loss account for the year ending 31st March 2017 and balance sheet as on that date .

15 marks

Particulars	Dr ($)	Cr($)
Head office account		1,800
Sales		16,200
Goods from head office	9,000	
Stock (1st April 2016)	1,500	
Furniture	2,000	
Cash on hand	210	
Cash at Bank	190	
Creditors	-	200
Salaries	2,600	
Taxes	50	
Rent	200	
Debtors	2,450	
	18,200	**18,200**

Additional information

The closing stock at the branch was valued at $ 9,000.The branch account in the books of head office shows a debit balance of Rs 90,000 and goods sent to branch a credit balance of Rs 6,46,000.

The exchange rates are
1st April 2016 1$ = Rs 70
31st March 2017, 1 $ = Rs74
Average Rate 1 $ = Rs 72
Furniture was 1 $ = Rs 60

OR

Q.3) Janvi Ltd was incorporated on 1st August 2016. The company agreed to take over the business of Amar and company from 1st April 2016.

15 marks

The profit and loss account for the year end 31st March 2017 is given below

Particulars	Rs	Particulars	Rs
To salaries	30,000	By gross profit	1,20,000
To rent	9,000	By profit on sale of investment	20,000
To office expenses	6,000		
To sales commission	15,000		
To bad debts	5,000		
To directors fees	8,000		
To depreciation	18,000		
To debenture interest	8,000		
To interest to vendor	6,000		
To net profit	35,000		
	1,40,000		**1,40,000**

Additional information

a) The agreement provided that vendors are entitled to 60% profit or loss for the period upto 1st August 2016.
b) Monthly sales for October 2016 to March 2017 is 150 % of monthly sales for April 2016 to September 2016
c) Bad debts in respect of sales effected 2 years ago
d) Investment was sold on 1st November 2016
e) Consideration to vendors was paid on 1st October 2016
f) Rent was increased from Rs 500 per month to Rs 1000 per month from 1st October 2016

Prepare statement of profit and loss

Q.4) Following is the Balance sheet of Pumpkin Ltd as on 31st March 2017 **15 marks**

Liabilities	Rs	Assets	Rs
2000, 6% Redeemable Preference shares of Rs 100 each fully paid	2,00,000	Fixed Assets	15,40,000
		Bank	2,18,000
1,00,000 Equity shares of Rs 10 each , fully paid	10,00,000	Investment (Market Value Rs 1,90,000)	1,50,000
Profit and Loss account	4,50,000		
Creditors	2,58,000		
	19,08,000		**19,08,000**

1. On the above date directors took the following steps to redeem 6% preference shares at a premium of 5 % .
2. Investments were sold at market price .
3. The company issued 4,000 equity shares of Rs 10 at a premium of Rs 2 per share for the purpose of redemption of preference shares.
4. All payments were made to preference shareholders except those holding 100 shares who could not be traced.

You are required to pass journal entries in the books of Pumpkin Ltd with requirements of Companies Act 2013.

OR

Q.4) Sam Ltd gave notice of its intention to redeem its 8% debentures amounting to Rs 8,00,000 of Rs 100 each at a premium of Rs 10 per debenture and offered the following options to holders. **15 marks**

a) 8% preference shares of Rs 100 each at Rs 105 per share
b) 12% debentures of Rs 100 each at Rs 96 per debenture
c) To have their holdings redeemed for cash

i. The holders of 2,100 debentures accepted option a
ii. The holders of 1,440 debenture accepted option b
iii. The remaining debenture holders accepted option c

Pass the necessary journal entries to record the transactions in the books of the company . The redemption in cash wherever applicable was made fully out of profit.

Q.5 A) Explain the term redemption of debentures and the methods how debentures can be redeemed. **8 marks**

B) Briefly explain integral and non-integral foreign operations. **7 marks**

OR

Q. 5) Short notes **(Attempt any 3)** **15 marks**

1. Divisible profits
2. Give 5 post incorporation expenses
3. Contingent liabilities
4. Current assets
5. Sales ratio
