

DCTs S S Dempo College of Commerce & Economics  
Altinho, Panaji, Goa

SY B.Com Semester End Examination (Sem – III), October 2014  
Accounting III

Time: 2 hours

Max Marks 80

Instructions:

1. Question No 1 is *compulsory*
2. Attempt *any three* questions from Question No 2 to Question No 6
3. Figures to the right indicate full marks
4. Use of non-scientific calculators permitted

Q. 1

Investment Trust Limited has the following transactions in 6% Debentures of ITC during the year ended 30<sup>th</sup> June 2010.

Purchases 2009	Sales 2009
July 1 ₹ 1,00,000 at ₹ 102	Nov 1 ₹ 50,000 at ₹ 104
2010	2010
Feb 1 ₹ 2,50,000 at ₹ 103	Mar 1 ₹ 3,00,000 at ₹ 103.50
	Ex-interest

Interest is payable half yearly on 1<sup>st</sup> January and on 1<sup>st</sup> July every year. Brokerage was paid at 1% on purchase and sales transactions.

You are required to prepare the account of 6% Debentures of ITC in the Ledger of Investment Trust Limited and balance the same. (20)

Q. 2

(a) The Trial Balance of Susegad Hotel which is owned by Rajeev and Suresh as on 31<sup>st</sup> December 2011.

Particulars	Debit (₹)	Credit (₹)
Rajeev's Capital a/c		80,000
Suresh's Capital a/c		100,000
Stock as on 1.1.2011	9,000	
Purchases of Provisions	64,500	
Sales		119,000
Sales returns	2,000	

Particulars	Debit (₹)	Credit (₹)
Wages	16,000	
Lighting	12,000	
Salaries	8,000	
Insurance	1,500	
Postage and telephones	100	
Advertisements	1,000	
Bad debts	300	
Bills payable		12,000
Discount		500
Leasehold premises	90,000	
China, Cutlery & Linen	70,000	
Restaurant Furniture	1,000	
Banquet Debtors	25,400	
Creditors		42,000
Drawings:		
Rajeev	1,800	
Suresh	1,400	
Cash in hand	500	
Cash at bank	49,000	
	353,500	353,500

Rajeev and Suresh share profits and losses equally. Prepare Trading, Profit & Loss Account for the year ended 31<sup>st</sup> December 2011 and also the Balance Sheet as on that date after taking into consideration the following adjustments:

1. Stock as on 31<sup>st</sup> December 2011: 16,000
2. Provide depreciation on leasehold premises @ 5%; on Restaurant Furniture @ 10%; and China, Cutlery and Linen were valued at ₹ 66,500.
3. Outstanding expenses: Salaries ₹ 1,500; Wages ₹ 2,100
4. Insurance paid for 15 months up to March 2012.
5. Write off bad debts of ₹ 400
6. Reserve for doubtful debts @ 5% on Banquet Debtors
7. Goods withdrawn by Rajeev is for personal use, ₹ 2,500

(b) Explain the concept of Visitors Ledger

(5)

Q. 3

Mr Careless filed for his necessary insolvency petition on 31<sup>st</sup> December 2013 and his position as on that date was as follows:

Particulars	₹
Creditors for goods	75,000
Bills payable	5,000
Creditors secured by lien on shares	40,000
Creditors secured by lien on stock	15,000
Liability on bills discounted (Estimated to rank ₹ 3,000)	7,000
Mortgage on Furnitures	10,000
Creditors payable in full	3,000
Book Debts-Good	20,000
Doubtful (Estimated to produce ₹ 2,000)	10,000
Consignments considered good	5,000
Shares (Estimated to realise ₹ 16,000)	15,000
Stock (Estimated to realise ₹ 40,000)	60,000
Cash at Bank	100
Bills of Exchange	1,400
Furnitures (estimated to realise ₹ 11,000)	20,000
Machinery (Estimated to realise ₹ 12,000)	15,000
Fixtures (Estimated to realise ₹ 1,500)	3,000
Cottages (Estimated to realise ₹ 3,000)	6,800

On 1<sup>st</sup> January six years ago, he had capital of ₹ 50,000.

Profits made during the first four years totaled ₹ 45,500 and losses incurred during the last two years amounted to ₹ 25,000 after allowing ₹ 2,500 per year as interest on capital throughout the period. Withdrawals amounted to ₹ 77,200

Prepare Statement of Affairs and Deficiency Account of Mr. Careless

Q. 4

(a) Bright Ltd. issued 10,00,000 equity shares of ₹10 each at par. 4,00,000 shares were issued to promoters and the balance offered to the public which was underwritten by X, Y, Z equally.

Firm underwriting was 20,000 each. Underwriters were to get credit for their individual firm underwriting.

Subscriptions totaled 4,50,000 shares excluding firm underwriting but including marked forms which were:

X – 1,80,000 shares

Y – 1,00,000 shares

Z – 80,000 shares

The underwriters had applied for shares covered by firm underwriting.

The amounts payable on application and allotment were ₹3 and ₹2 respectively.

The agreed commission was 5%.

You are required to:

- (i) Prepare statement of individual underwriters liability
- (ii) Statement of amount receivable from/payable to underwriters
- (iii) Pass necessary journal entries in the books of Bright Ltd.

(b) Briefly explain different types of underwriting. (5)

Q. 5

(a) On 1.4.2013, Ajit has 25,000 equity shares of X Ltd. at a book value of ₹15 per share (Face value ₹10). On 20<sup>th</sup> June, he purchased another 5,000 shares of the company @ ₹16 per share. The directors of X Ltd. announced a bonus and rights issue. No dividend is payable on these issues. The terms of the issue are as follows:

Bonus issue – 1 bonus share for every 6 held (Date August 16)

Rights issue – 3 rights shares for every 7 held (Date August 31). Price ₹15 per share.

Due date for payment – September 30.

Shareholders can transfer their rights in full or in part. Accordingly, Ajit sold 1/3<sup>rd</sup> of his entitlement for consideration of Rs.2 per share.

Dividends for the year ended March 31, 2013 @20% were declared by X Ltd. and received by Ajit on October 31<sup>st</sup>, 2013. Dividends to be apportioned into capital and revenue components.

On November 30, 2013. Ajit sold 2000 equity shares of X Ltd. ₹20 per share. Prepare Investment Account for equity shares in X Ltd for the year ending 31.3.2014. (15)

(b) Explain the procedure for valuation of investments. (5)

**Q. 6**

(a) A & B are partners in AB & Co. They filed petition in insolvency on 31.3.2014 when their balance sheet position was as under:

Liabilities		Amount ₹	Assets		Amount ₹
Capital			Furniture		1250
A	6200				
Less: Drawings	3100	3100			
B	2100		Stock		7100
Less: Drawings	1500	600			
Bills Payable		2500	Cash		700
Bank Overdraft		15000	Debtors		14750
Sundry Creditors		33200	Machinery		9000
			Speculation loss		10150
			Investments		6400
			Profit and Loss A/c		5050
<b>Total</b>		<b>54400</b>	<b>Total</b>		<b>54400</b>

Bank overdraft was secured by charge on Machinery which is expected to realize ₹6000. Other assets are expected to realize as follows: Furniture – Rs.1000; Stock – ₹6000; Investments – ₹8250. Of the debtors, ₹2500 are considered as doubtful.

Sundry creditors include ₹600 towards taxes and claim of ₹2700 by a creditor who has agreed to waive it off.

A's private estate showed a deficit of ₹5000 while B's private estate showed a surplus of ₹500.

You are required to prepare Statement of Affairs and Deficiency Account of the partnership firm. (15)

(b) Distinguish between Statement of Affairs and Balance Sheet. (5)

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