



B.Com. (Semester – V) (Repeat) Examination, April 2015
Major – I : Financial Accounting, Auditing and Taxation
ADVANCED ACCOUNTING – I

Duration : 2 Hours

Total Marks : 80

- Instructions :** 1) *Question No.1 is Compulsory.*
2) *Attempt any three questions from the remaining.*
3) *Each question carries 20 marks.*
4) *Working notes required wherever necessary.*

1. Sun Light Ltd. decided to redeem their preference shares on 31st March, 2014.
On that date their balances showed the following :

4000 equity shares of		Investments	
Rs. 100 each fully paid	4,00,000	(Market Price 2,00,000)	1,50,000
2000 8% Redeemable		Bank Balance	1,40,000
Preference shares of		Capital Redemption Reserve	90,000
Rs. 100 each		General Reserve	1,10,000
fully called up	2,00,000	Profit and Loss A/c	50,000
Less : Calls in arrears		Securities premium A/c	12,000
(final call of			
Rs. 20 per share)	<u>2,000</u>		1,98,000

On getting a reminder about payment of calls-in-arrears, preference shareholders holding 50 preference shares paid their dues. The remaining preference shareholders were not able to pay. Consequently, the directors forfeited those preference shares and re-issued them as fully paid on receiving Rs. 3,000.

To enable the redemption to be carried out, the company decided to issue 1000 equity shares of Rs. 100 each at a premium of 10%. The company sold the investments at market price.



Thereafter, the preference shares were redeemed at a premium of 5%. The whereabouts of the holders of 100 preference shares could not be known and payment due to them could not be made.

After the redemption, the board of directors decided to issue one share as bonus for every two existing equity shares held (including the fresh issue). The bonus shares so issued were of Rs. 100 each at par.

You are required to :

Pass necessary journal entries to record the above transactions and prepare a Bank A/c.

2. The following is the history of the receipts and issues in a factory during February 2014.

Date	Particulars	Quantity in tons	Rate per ton
1	Opening balance	500	25.00
8	Issue	80	
14	Refund of surplus from a work order	15	24
16	Issue	180	
20	Received from vendor	240	24.375
24	Issue	304	
25	Received from vendor	320	24.315
26	Issue	112	
27	Refund of surplus from a work order	12	24.5
28	Received from vendor	100	25

Write a stores ledger in respect of the above materials under (1) Last In First Out method and (2) Weighted Average Price method.

3. Ms. Khursheed commenced business on 1st April, 2013 with the following assets :
- | | |
|--|--------|
| Cash (out of which Rs. 5,000 was deposited in the bank to open new A/c | 8,000 |
| Furniture | 2,000 |
| Stock of goods | 10,000 |

She has not maintained her books of accounts properly. However, she informs you that all the receipts from customers, borrowings from outsiders as well as receipts from cash sales were deposited into the bank at regular intervals leaving no cash in hand.



The following information is available from her records :

1) The total deposits in the bank during the year amounted to Rs. 80,000 which included receipts from customers at Rs. 58,000 as well as loan of Rs. 10,000 taken from Mrs. Salma on 1st October, 2013 at 12% p.a.

2) Payments through the banks :

Paid to suppliers for goods purchased on credits	45,000
Rent paid for 10 months	5,000
Salaries	6,000
Insurance premium paid for 12 months ending 30 th June, 2014	2,400
General expenses	6,000
Drawings effected from bank (for personal use)	6,000

3) On 31st March, 2014, the creditors for goods outstanding were Rs. 15,000. debtors Rs. 22,000 and closing stock was Rs. 15,000.

4) Depreciation on furniture is to be provided at the rate of 10%.

5) The proprietor is entitled to get 10% interest on capital.

Prepare Trading and Profit and Loss A/c for the year ended 31st March, 2014 and Balance Sheet as on that date.

4. On 1st January 2010, Bajaj Auto Limited issued 1000, 8% Debenture of Rs. 100 each at par and repayable at the end of four years at a premium of 5%. It is decided to institute a sinking fund for the purpose, the investment being expected to earn 4% interest. The sinking fund table shows that Re. 0.235490 annually amounts to Re.1 at 4% in 4 years. Investments were made in the multiples of Rs.100.

On 31st December 2013, the bank balance was Rs. 37,000 and the investment realized Rs. 78,400. The debentures were paid off.

You are required to prepare the following accounts :

- 8% Debenture Holders account for the year 2013
- Debenture sinking fund account for four years
- Debenture sinking fund investment account for four years



5. A) Show by means of journal entries, how you will record the following transactions on issue and redemption :
- 1) Pam Ltd. issued 5000, 10% debentures of Rs.100 each at a discount of 5%, redeemable at the end of 5 years at par.
 - 2) Quilt Ltd. issues 5000, 11% debentures of Rs. 100 each at par redeemable at the end of 5 years at a premium of 5%.
 - 3) Right Ltd. issues 5000, 12% debentures of Rs. 100 each at a discount of 5%, redeemable at the end of 5 years at a premium of 5%.
 - 4) Sight Ltd. issues 5000, 13% debentures of Rs. 100 each at a premium of 5%, redeemable at the end of 5 years at a premium of 5%.
 - 5) Tyres Ltd. issued 14% debentures of Rs.1,20,000 for cash and of Rs. 80,000 in exchange of machinery.

- B) Ronil, a trader keeps his books by the single entry method. His financial position on 1st January and 31st December, 2013 were as follows.

	1-1-2013	31-12-2013
Cash in hand	1,500	1,600
Bank balance	(Dr.) 1,200	(Cr.) 1,800
Stock in trade	4,000	4,650
Sundry debtors	3,400	3,800
Sundry creditors	2,400	3,600
Plant and machinery	6,000	8,000
Furniture	1,200	1,600

During the year, Ronil had withdrawn Rs. 75 per month for his household use.

Ascertain his profit or loss on 31st December, 2013 after taking into consideration the following further information.

- 1) Depreciate Plant and Machinery by 15% and Furniture by 12.5% p.a. (assume the additions are made on 30th June, 2013).
- 2) Of the debtors Rs. 100 are bad and are to be written off and provide as reserve for doubtful debts at 5%.
- 3) Allow interest on capital at 5% and charge interest on drawings at 6%.

6. Answer the following :

- 1) Write a short note on "base stock method" of inventory valuation. 4
- 2) Explain the main features of Single Entry System. 6
- 3) Distinguish between Shares and Debentures. 6
- 4) What are divisible profits and which profits are not available for dividend ? 4