SRN – 09

B.Com. (Semester – V) Examination, October 2013
ADVANCED ACCOUNTING – I
Major – I : Financial Accounting, Auditing and Taxation

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 ***whenever*** *necessary.*

1. The following are the extracts of the Balance Sheet of Moonlight Ltd. **20**

Paid-up share capital :		
50,000 equity shares of Rs. 10 each fully paid		5,00,000
1,000 10% redeemable preference shares of Rs. 100 each fully called	1,00,000	
Less : calls in arrears at the rate of Rs. 20 each	1,000	99,000
Share premium A/c		20,000
Profit and Loss A/c		60,000
General reserve		70,000
Bank balance		90,000
Investments (Cost Rs. 10,000)		12,000

The preference shares whose calls were in arrears paid the call money before redemption. The preference shares were due for redemption at a premium of 10%. The following further information is made available to you :

a) Further 4,500 equity shares were issued at a premium of 10%.

b) Expenses of fresh issue of shares are Rs. 5,000.

c) The company sold investments at a profit of 5% over the cost.

d) Share premium a/c was used in full for the purpose of premium on redemption.

e) After redemption the company issued fully paid bonus shares of Rs. 10/ each in the ratio of one share for every 5 shares held (including the fresh issue). The redemption was duly carried out.

Pass the necessary journal entries for redemption and prepare the Bank A/c after redemption.

2. With the help of the following information made available to you by Sewings Ltd., calculate the value of inventory using the weighted average method (perpetual system) and last in first out method (perpetual system). **20**

Date	Particulars		
September 1	Opening balance	240 units	@ Rs. 75 per unit
September 1	Purchased	440 units	@ Rs. 76 per unit
September 1	Issued	100 units	
September 5	Issued	160 units	
September 12	Issued	240 units	
September 13	Purchased	100 units	@ Rs. 78 per unit
September 18	Issued	240 units	
September 22	Purchased	500 units	@ Rs. 80 per unit
September 28	Issued	300 units	
September 30	Issued	220 units	

3. Chennai Express Ltd., issued on 1st April, 2008 debentures of the face value of Rs. 75,000 at par, repayable at a premium of 2%, at the end of five years. In terms of the trust deed, a sinking fund was to be created for the purpose of accumulating sufficient funds. Investments were made yielding 5% interest received at the end of each year. All investments, including re-investments of interest received, were made at the end of the year. All investments were sold at a profit of 3% at the end of five years. You are required to show for 5 years, the **20**

a) Sinking fund account;

b) Sinking fund investment account

c) Debentures account

d) Debenture holders account.

Note : Rs. 2.71462 invested at the end of each year at 5% compound interest will amount to Rs. 15 at the end of 5 years.

4. Mr. Tato commenced business on 1st January, 2012, with a capital of Rs. 45,000. He immediately purchased furniture of Rs. 24,000. During the year he received from his uncle a gift of Rs. 3,000 and he borrowed from his father a sum of Rs. 5,000. He had withdrawn Rs. 600 per month for his household expenses. He had no Bank account and all dealings were in cash. He did not maintain any books but the following information is given. **20**

Sales (including cash sales Rs. 30,000)	1,00,000	Discount allowed to debtors	800
Purchases (including cash purchases Rs. 10,000)	75,000	Salaries	6,200
Carriage inwards	700	Bad debts written off	1,500
Wages	300	Trade expenses	1,200
		Advertisements	2,200

He used goods worth Rs. 1,300 for personal purposes and paid Rs. 500 to his son for examination and college fees.

On 31st December, 2012, his debtors were worth Rs. 21,000 and creditors Rs. 15,000. Stock in trade was valued at Rs. 10,000. Furniture to be depreciated by 10% per annum.

Prepare trading and profit and loss account for the year ended on 31st December, 2012 and the balance sheet as at 31st December, 2012.

5. A) Show by means of journal entries how you will record the following issues : **10**

1) Issue of 14% debentures of the nominal value of Rs. 2,50,000 to Sun Ltd. for purchase of machinery of Rs. 2,00,000.
2) Issue of 5,000 10% debentures of Rs. 100 each at a discount of 5%, redeemable at the end of 5 years at par.
3) Issue of 5000, 11% debentures of Rs. 100 each at par, redeemable at the end of 5 years at a premium of 5%.
4) Issue of 5,000, 12% debentures of Rs. 100 each at a discount of 5%, redeemable at the end of 5 years at a premium of 5%.
5) Issue of 5,000, 13% debentures of Rs. 100 each at a premium of 5%, redeemable at the end of 5 years at a premium of 5%.

B) The statement of Affairs of Ms. Ruby as on 1st April, 2012 is given below : 10

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Sundry creditors	16,500	Cash	7,450
Accrued expenses	3,500	Sundry debtors	25,350
Capital	50,000	Stock	30,300
		Furniture	6,900
	70,000		**70,000**

During the year ended 31st March, 2013 her drawings amounted to Rs. 15,000. She also withdrew goods worth Rs. 600 for her personal use. On 1st July, 2012, Ms. Ruby transferred some of her household furniture to the business at a value of Rs. 2,100. Her assets and liabilities as on 31st March, 2013 were :

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Sundry creditors	18,600	Cash	6,580
Accrued expenses	4,300	Sundry debtors	36,900
		Stock	40,320
		Furniture	9,000
		Prepaid rent	400

Furniture is to be depreciated @ 10% p.a. and a provision is to be created on debtors @ 5%. Interest at the rate of 5% to be allowed on capital as at the beginning of the year. Ascertain the profit or loss for the year ended 31st March, 2013.

6. Write short notes on the following :

1) Adjustments required to be made to ascertain the value of stock if stock taking is done after the date of the balance sheet. **4**

2) Limitations of single entry system. **6**

3) Provisions of the Companies Act 1956 regarding redemption of preference shares. **4**

4) Own debentures-purchase and cancellation. **6**
