



B.Com. (Semester – V) Examination, October 2012
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. New Light Ltd. has issued share capital of 60,000, 8% redeemable preference shares of Rs. 20/- each and 4,00,000 equity shares of Rs. 10/- each. The preference shares are redeemable at a premium of 5% on 1st January 2012. The Balance Sheet as on 31/12/2011 is given below :

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Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Issued capital		Plant and Machinery	25,00,000
60,000, 8% redeemable preference shares of Rs. 20/- each fully paid up	12,00,000	Furniture and Fixture	9,00,000
4,00,000 equity share of Rs. 10/- each fully paid	40,00,000	Stock	15,00,000
Profit and Loss Account	7,00,000	Debtors	14,00,000
Sundry creditors	11,00,000	Investments	3,50,000
		Cash at Bank	3,50,000
	70,00,000		70,00,000

In order to facilitate the redemption of preference shares, it was decided :

- a) To sell the investments for Rs. 3,00,000/-
- b) To finance part of redemption from company's funds subject to leaving a balance in Profit and Loss Account of Rs. 2,00,000/-
- c) To issue sufficient equity shares of Rs. 10/- each at a premium of Rs. 2/- per share to raise the balance of funds.
- d) The preference shares are redeemed on due date and equity shares are fully subscribed.

P.T.O.



You are required to prepare :

- a) Journal of New Light Ltd. to record redemption of preference shares.
 - b) Balance sheet after redemption.
2. Prepare the Stones ledger and calculate the value of inventory on 31st January 2012, using 20
- a) FIFO method (FIRST IN FIRST OUT)
 - b) Weighted Average Method.

2012, January 1. Opening balance	500 units @ Rs. 4/- each
" 5. Purchases	200 units @ Rs. 4.25 each
" 12. Purchases	150 units @ Rs. 4.10 each
" 20. Purchases	300 units @ Rs. 4.50 each
" 25. Purchases	400 units @ Rs. 4.00 each

Issues of the materials are as follows :

2012, January 4. Issued	200 units
" 10. Issued	400 units
" 15. Issued	100 units
" 19. Issued	100 units
" 26. Issued	200 units
" 30. Issued	250 units

3. The following balances were disclosed by the books of Mr. Anil. 20

Particulars	31/12/10	31/12/11
	Amount (Rs.)	Amount (Rs.)
Cash at bank	3,000	19,100
Cash in hand	400	850
Stock in trade	22,000	25,000
Sundry debtors	?	35,000
Sundry creditors	23,400	18,500
Fixtures and fittings	2,000	—
Computer	1,000	—



The cash book analysis showed the following :

Receipt from customers Rs. 1,35,000/-

Further capital introduced Rs. 2,000/-

Salaries Rs. 11,000/-

Office rent Rs. 2,200/-

Advertising Rs. 900/-

General expenses Rs. 600/-

Postage expenses Rs. 1,350/-

Printing and stationery Rs. 800/-

Drawings Rs. 6,600/-

Payment to creditors Rs. 1,12,000/-

Travelling expenses Rs. 1,000/-

No ready figures were available for cash and credit sales, but Anil maintains a steady gross profit rate of 25% on sales. Discount allowed to debtors was Rs. 1,400/- whereas discount allowed by creditors was Rs. 1,200/-. Purchases are only on credit.

Prepare Anil's Trading and Profit / Loss account for the year ended 31/12/11 and balance sheet as on that date. (Ignore depreciation on fixed assets and provide 5% reserve for doubtful debts).

4. Trishul Ltd. issued 10% debentures of the face value of Rs. 90,000/- on January 1st 2005 at par payable also at par at the end of 5 years.

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The terms of Trust deed stipulate that a Sinking Fund should be created to accumulate sufficient funds for the purpose of redeeming the debentures. From the Sinking Fund table, it is ascertained that an amount of Re. 0.180975 invested at the end of each year at 5% compound interest would fetch an amount of Re. 1/- at the end of five years.

All investments including re-investment of interest-received were utilised for redemption of debenture. At the end of the 5th year Investments were sold for Rs. 92,000/-.

You are required to prepare the following ledger accounts for 5 years.

- a) Sinking Fund Account
- b) Sinking Fund Investment Account.

Note : Calculations to be made to the nearest multiple of rupee.



5. a) From the following information relating to the business of Mr. Mehta who keeps books under Single Entry System, prepare a Statement of Profit or Loss for the year ending 31-3-2011. 10

Assets and Liabilities	Amount (Rs.)	
	1-4-2010	31-3-2011
Plant and Machinery	10,000	10,000
Furniture	6,000	6,000
Stock	11,000	9,000
Debtors	4,000	4,500
Bank balance	200	1,800
Creditors	5,000	3,500

Mehta withdrew Rs. 3,000/- during the year to meet his household expense and deposited Rs. 10,000/- in bank account the gift received from his, father Machinery and Furniture are depreciated at 10% and 5% p.a. respectively.

- b) Journalise the following transactions to record the issue of debentures : 10
- i) Issue of Rs. 50,000/-, 8% debentures at par.
 - ii) Issue of Rs. 50,000/-, 8% debentures at discount of 5% and redeemable at 5% premium.
 - iii) Issue of Rs. 3,00,000/-, 4% debentures at a discount of 10% but redeemable at par.
 - iv) 2000, 7% debentures of Rs. 100/- each issued to a vendor of premises costing Rs. 1,80,000/-.
 - v) 1000, 8% debentures, of Rs. 100/- each issued at par and redeemable at a premium of 10%.

6. Answer the following :

- a) Write short note on LIFO method of inventory valuation. 4
- b) What is Single Entry System of book-keeping ? Explain the main features of Single Entry System. 6
- c) Write short note on Capital Redemption Reserve. 4
- d) What is a debenture ? List out the different types of debentures. 6