Seat No._____

MAY- 2017

BCOMS205 (Semester-II)

Financial Accounting-II

Time: 3 Hrs. **Max. Marks: 70**

Q.1 The following is Balance sheet of M/S. Dholka Bros. as on 31/03/2017 **14**

Balance Sheet

Liabilities	Rs.	Assests	Rs.
Capital Account:		Goodwill	10,000
Sim : 1,00,000		Land & Building	1,25,000
Sol: 80,000	1,80,000	Plant & Machinery	26,200
Genral Reserve	14,000	Stock	29,400
P.& L. A/C	10,000	Debtors	72,000
Creditors	51,500	Bill Receivable	11,400
Bill Payable	8,000	Investments	17,000
Bank Loan	36,500	Cash on Hand	9,000
	3,00,000		3,00,000

On the above date, a new company Vadodara Ltd. was incorporated with an authorized Capital of Rs. 2,40,000 divided into 2,400 equity shraes of Rs. 100 each to take over the running business, of the firm. The company also agreed to collect debtors and make payments to creditors on behalf of the firm. The other terms are as under:

(1) The goodwill of the firm is to be valued at equal to the total profit of the last five year. The average profit of the last five years was Rs. 6,000.

(2) All the assets and liabilities were taken over by the company.

OR

(A) Explain any two: **7**

(1) A net asset of a partnership firm is Rs. 25 Lakh and debts payable is Rs. 5 Lakh. Company has purchased this business and in consideration paid 50,000 equity shares of Rs. 20 each at 25% premium. 12% 6000 debentures each of Rs. 100 at 10% discount and balance in cash. Pass necessary Journal Entries in the books of the company for business purchase and payment of consideration.

(2) Rahim Ltd. Purchased the business of Ram Brothers. Purchase consideration was paid by 15000 equity shares of Rs. 100 each at 50% premium. Goodwill arrived at Rs. 2,50,000. If the value of total liabilities taken over was Rs.05 Lakh then the value of total assets taken over would be.

(3) AS-2: Valuation of Inventories OR AS-6 Depreciation Accounting.

(B) Explain any one: **7**

(1) Usefulness of Accounting standards.

(2) The provisions of companies Act relating to Accounting standards.

Q.2. (A) Bharat Ltd. issued 1,50,000 equity shares. The whole issue was written as follows: **8**

Chhagan:50%, Magan: 25% & Gagan:25%

Application for 1,20,000 Equity shares were recieved in all, out of which marked. Applications were as under.

Chhagan:30,000 shares, Magan:15,000 shares & Gagan : 30,000 shares.

Remaining applications were unmarked. Prepare a statement

showing liabilities of each underwriters.

OR

(A) Ascertain the liabilities of underwriter:
Gujarat Ltd. issued 1,60,000 shares of Rs.10 each, out of which 1,20,000 shares have been underwritten by Amirchand.

Applications were received for 1,28,000 shares of which marked applications were for 90,000 shares.

(B) Sanksar Ltd.issued 4000, 14% Debentures of Rs. 100 each at a discount of 5% repayable after 10 years at a premium of 10%. 6

you are required to show-Journal entries both at the time of issue and at the time of redemption of debentures.

OR

(B) Explain Any two:

(1) Debenture Redemption Methods.
(2) Types of Debentures
(3) Advantages of Underwriting of sale of shares.

Q.3 The balance sheet of Sambhav Ltd. as on 31/03/2017 was as follows: 14

Liabilities	Rs.	Assets	Rs.
Share Capital:	4,00,000	Land-Building	55,0000
4000 6% cumulative preference shares of Rs.100 each		(Market Value Rs.5,60,000)	
		Plant & Machinery	2,00,000
50,000 Equity shares of Rs.10 each	500000	Goodwill	55000
		Patents	40000
Securities Premium	60,000	Stock	52,000
General Reserve	40,000	Debtors	73,000
Creditors	100,000	Bills	54,000
Bill payable	50,000	P,& L. A/C	45,000
		Priliminary Expenses	25,000
		Advt. suspense A/C	35,000
		Cash/Bank Balance	21,000
	11,50,000		11,50,000

A Scheme of capital reduction as approved by the court was as under:

(1) Preference shares are to be written down to Rs.30 each.
(2) Equity shares are to be written down by Rs. 04 each
(3) The amount of securities premium & General Reserve to be utilized in reducing the values of assets. The invisible and intengible assets are to be written off. Land-Building should be shown at Market value.
(4) The value of plant & Machinery to be reduced upto Rs. 70,000
(5) One equity shares of Rs. 06 to be issued for each Rs. 10 of prefernce dividend arrears which is in arrears for the last two years.

Write necessary Journal entries in the books of the company and prepare new balance sheet.

OR

Q.3 (A) Write provisions of the companies Act for "Capital Reductions" 7

OR

Write losses to be written off (utilization of capital Reduction) from Capital Reduction A/C.

(B) Write Journal Entries in the books of the company (Any two): 4

(1) The share capital of the company consists of 30,000 Equity shares of Rs. 100 each. The company has passed re olution to sub-divide its each equity share of Rs. 100 into 02 Equity shares of Rs. 10 each and 01 preference shares of Rs. 10 each.

(2) The company decided to issue equity stock in the following manner in exchange of 5000 equity shares of Rs. 100 each.
(i) At the rate of Rs. 105 for each share.
(ii) At the rate of Rs. 95 for each share.

(3) Preference divided on 8% 50,000 preference shares of Rs. 20 fully paid has not been paid for one year. The preference share holders waived half of the divided and accepted cash for the rest of the amount.

(C) Explain the answer 3

(1) A company has converted its 100 equity shares of Rs. 100 each into Equity stock or Rs. 9600. Write Journal Entry.

(2) A company has converted its 100 equity shares of Rs. 100 each into equity stock of Rs. 12,000. Write Journal Entry.

Q.4 New India Insurance Co. Ltd. presents the following information Marine and Fire Insurance for year ended on 31/03/2017. 14

Particulars	Rs. Marine	Rs. Fire
(1) Reserve for unexpected risk on 31/03/2016	165000	66000
(2) Additional reserve on 31/03/16	16500	33000
(3) Claims paid	99000	132000
(4) Liabilities for outstanding claims:		
on 31/03/2016	9900	13200
on 31/03/2016	19800	16500
(5) Re-insurance premium	3300	6600
(6) Commission on Re-insurance paid	9900	13200
(7) Commission on Re-insurance accepted	6600	9900
(8) Expenses to control fire	-	3300
(9) Re-insurance recoveries	1300	2600
(10) Premium received	264000	297000
(11) Commission on direct business	49500	33000
(12) Interest-divided	16500	19800
(13) Profit on sales of investments	13200	6600
(14) Administrative Expense.	5000	1700

(1) Reserve for unexpired risk should be maintained at 100% of net premium income in case of Marine Insurance and 50% of net premium in case of fire Insurance.

(2) Additional reserve of both departments should be kept 10% of the reinsurance after premium.

Prepare Revenue Accounts of both the Departments.

OR

(A) Explain (Any one): 8

(1) Re-insurance

(2) Reserve for unexpired risks.

(B) Explain: 6

(1) Claims paid

(2) Commission
(3) No claim bonus

Q.5 Choose right answer from given options (Any seven): **14**

(1) The assests of a firm are Rs. 6 lakh. Total liabilities are Rs. 50,000, purchase price is determined at Rs. 6 Lakh. Then what would be ?
(a) Goodwill (b) Capital Reserve
(b) Both capital Reserve & Goodwill (d) None of the above

(2) The accounting standard-6 of Depreciation does not apply to the following:
(a) Plant (b) Good will
(b) Furniture (d) House

(3) On equity shares of Rs. 200 each, issued at Rs. 250 per share, the maximum amount of underwriting commission payable to underwriter on equity share should be:
(a) Rs.10 (b) Rs. 05
(b) Rs. 12.50 (d) Rs. 06.25

(4) Investment in own debentures is recorded in _____of the company.
(a) P.& L. A/C (b) No entry is passed
(b) As a long term debts in balance sheet (d) As a assests in balance sheet.

(5) Under the scheme of capital Reduction, Balance left in capital Reduction A/C, after writing off the accumulated losses, is transferred to
(a) Capital Reserve A/C (b) Capital Redemption Reserve A/C
(b) General Reserve A/C (d) Share capital A/C

(6) When authorized capital is increased_____.
(a) No entry is passed (b) Share Capital Account is debited
(b) Share capital account is credited (d) Bank account is debited

(7) In fire & Marine Insurance business, Insurance agent maximum_____
(a) Give them 50% Commission (b) Not given more than 15%
(C) Give them 20% commission (d) Give them 25% commission

(8) Legal Expenses incurred in connection with claim will be shown under the head
(a) Commission paid (b) Premium
(b) Claim paid (d) Administrative

(9) When purchaser bear the firm's dissolution
(a) Share capital (b) Vendor's A/C
(b) Dissolution expenses (d) Good will