Seat No. 13-5-17

MAY-2017

BCOME201(Semester-II)

FINANCIAL ACCOUNTING-II

Time: 3 Hrs **Max marks: 70**

Instructions: ***(1) All questions are compulsory. (2) All questions contain equal marks.***

Q.1 (A) Aryan Ltd. purchased a partnership firm on 1-4-2015. 1500 equity shares of Rs. 100 each at a premium of 10%, 700, 15% debentures of Rs.500 at 10% discount and cash of Rs.85000 are to be given as purchase consideration. Aryan Ltd. purchased assets and liabilities [Expect debtors and creditors] as under **7**

	Rs.
Land and Building	2,75,000
Machinery	1,30,000
Furniture	70,000
Bills payable	55,000
Stock	98,000

The company agreed to collect the Debtors of Rs. 200000 at the rate of 5% commission and agreed to pay creditors of Rs. 1,00,000 at the rate of 2% commission . Bad debts amount to Rs. 15000 and debtors were allowed 5% discount . Debtors of 25000 are not yet to be collected. All the creditors are paid at a discount of 5%.

From the above information, you are required to prepare;

(1) Calculation of purchase consideration

(2) Journal entries in the books of Aryan Ltd.

OR

(A) The balance sheet of Smit and Vabhu on 31-3-2016 is as follows:

Liabilities	Rs.	Assets	Rs.
Capital :Smit 500000		Land and building	6,24,000
Vabhu 460000		Machinery	400000
	960000	Investments	104000
Bank Loan	451200	Stock	158400
Creditors	768000	Debtors	192000
		Bank balance	4000
		Cash balance	5600
	14,88000		14,88000

Manthan Co. Ltd was incorporated to take over the above business-the terms of purchase of business are as follows:

(i) Machinery is to be valued at Rs. 425000

(ii) The company agreed to collect the debtors and pay off the creditors on behalf of the vendors. The company is entitled to 10% commission on amount collected and paid off.

(iii) Bad debt amounted to Rs. 4000 out of the debtors and they were allowed 10% discount. Debtors to the tune of Rs. 16000 are yet to be collected. Creditors were paid off at 10% discount.

(iv) Purchase consideration is to be paid in 960 equity shares of Rs.10 each at a price of Rs. 12.50 each

(v) The company takes over all assets and liabilities except debtors, creditors and bank loan.

Prepare Vendor's Debtors A/C, Creditors A/C, Vendors suspense A/C.

(B) Attempt the following questions (Any one) 7

(i) Discuss the concept and utility of Accounting standards.

(ii) Explain in short the different methods for measurement of inventories under AS-2

(iii) Accounting standard No.6. Depreciation Accounting.

Q.2 (A) A company issued 1015000, 15% debentures of 100 each. The issue was underwritten as follows. 7

John- 40%, Jani- 35%, Janardan-25%

The under writers made application for firm under writing as under:
John 101500 debentures Jani 60900 debentures, Janardan 40600 debentures.

The total subscription excluding firm underwriting but including marked application were for 609000 debentures.

The marked applications were as under.
John 101500, Jani 121800, Janardan 1,82,700

Benifit of firm undrewriting is not given to the underwriters. Calculate the liabilities of each underwriter.

OR

(A) Bhumi company issued 160000 share of Rs.10 each. The whole issue was fully underwritten by Anja, Shitu and Kaju as follows:
Anja 960000 shares, Shitu 400000 shares and Kaju 240000 shares.

In addition to the above underwriting, there was a firm underwriting as follows.
Anja 128000 share, Shitu 48000 shares and kaju 160000 shares.
The total subscriptions including marked application were for 1200000 shares.
The marked application were as follows:
Anja, 160000 shares, Shitu 320000 shares and kaju 800000 shares.
Determine the liabilities of individual underwriters. If credit for firm underwriting is given to underwriters.

Q.2 (B) Rutwa company issued 30000, 5% debentures of Rs. 100 each at 5% discount. On 1st January, 2015. it was stated at the time of debenture issue that debentures of Rs. 120000 would be redeemed annually either by purchase in the open market or by drawing lots. During 2015-16, debenture discount of Rs. 24000 per annum was written off. During the year 2016, the company purchased debentures of Rs. 36000 at Rs. 95 and debentures of 84000 at Rs. 93 from open market and cancelled them. 7
Give journal entries for redemption.

OR

(B) Mention the methods of redeeming the debentures and explain the method of buy-stock

Q.3 (A) Pass entries regarding capital reduction. 7

(1) Debenture holders of the company holding debentures of 7,50,000 agreed to take over in part settlement of their dues a building of the company at Rs. 4,50,000 appearing in the books of the company at Rs. 3,60,000.

(2) The directors returned the fees of Rs. 80,000 received by them to the company.

(3) A company was called upon pay a contingent liability of Rs. 40,000 when the scheme of capital reduction was implemented. This amount was recovered from a Director who was advanced a loan of Rs.

(ii) The administration expenses of Rs. 650000 to be dived between five and marine in the proportion of Net premium received.

(iii)Premium outstanding as following.

Date	Fire Department	Marine Department
31-12-15	650000	364000
31-12-16	520000	390000

Prepare Revenue Accounts of both the departments.

OR

(A) Write short note: State the rules of code of conduct for the companies doing business of general insurance. 7

(B) Explain following terms in relation to General Insurance Claims. 7

(i) No claim Bonus (Bonus utilized in reduction of premium)

(ii) Re-insurance

Q.5 Select the most appropriate alternative 14

(1) Commission received by the purchasing company for realizing debtors and paying creditors of vendor firm is used to write off_____

(a) Goodwill (b) Capital Reserve

(C) a or b as the case may be (d) None of these

(2) When a dissolution expense of the vendor firm is paid by the purchasing company._____ is debited in the books of purchasing company.

(a) Dissolution expenses (b) Good will

(b) Capital Reserve (d) Vendor firm

(3) Underwriting agreement is made for_____.

(a) Private placement of shares

(b) Issue of Right shares

(c) Issue of shares or debentures to general public

(d) Above given- a,b, and c

(4) Profit on immediate cancellation of company's own debentures after purchase is transferred to _____.

(a) Capital Reserve (b) General Reserve

(b) Goodwill (d) Profit and loss A/C

(5) Credit balance of capital Reduction Account is transferred to_____

(c) Capital Reserve (b) General Reserve

(d) Goodwill (d) Profit and loss A/C

(6) After implementing the scheme of internal capital reduction, the company is_____

(a) Continued (b)Dissolved

(b) Purchased by other company (d) Merged to another company

(7) Insurance business in India is regulated by_____

(a) SEBI (b) Reserve Bank

(b) IRDA (d) Insurance companies

(8) When purchase price is fixed at Rs. 5,85,000, the good will for

1,60,000 to the company. The balance was paid to him in cash.

(4) Rs.1,40,000 dividend on preference shares not declared and paid. Preference share holders agreed to waive 3/5 dividend and for the 2/5 fully paid equity share are to be alloted. Journalize the above transaction in case of capital reduction.

OR

(A) Write a short note on: The provisions of relating to capital reduction.

(B) Write journal entries in the books of the company. **7**

(1) The share capital of the company consists of 45000. Equity shares of Rs. 100 each. The company has passed resolution to sub – devide its each Equity share of Rs. 100 into, 6 equtiy shares of Rs. 10 each and 8 cu. preference shares of Rs.5 each.

(2) A company has converted its 100 Equity shares of Rs. 100 each into Equity stock of Rs. 9400.

(3) A company has issued 100 equity share of Rs.10 each in exchange of equity stock of Rs. 930.

OR

(B) Write journal entries in the books of the company.

(1) The authorized capital of a company was 5000 shares of Rs.100 each and it was increased to Rs.10,00,000

(2) A company decided to issue equity stock in the following manner in exchange of 5000 equity shares of Rs. 100 each fully paid.

(a) At the rate of Rs. 103 for each share

(b) At the rate of Rs. 96 for each share

(3) The share capital of a company is divided into 50000 fully paid equity of Rs.10 each.]

The company converted its shares into stock by issuing equity stock of Rs.97 in exchange of 10 equity shares f Rs.10 each.

Q.4 Chirag Insurance Co. Ltd presents the following information regarding five and marine insurance for the year ended 31-12-2016. **14**

Particulars	Fire Department	Marine Department
Reserve for unexpected risk (31-12-15)	2080000	2600000
Additional reserve (31-12-15)	416000	520000
Claim Paid	1645800	1346800
Liabilities for outstanding claim as on		
31-12-15	390000	416000
31-12-16	468000	364000
Premium received	3380000	2340000
Premium on re-insurance accepted	650000	520000
Premium on re-insurance ceded	273000	468000
Re insurance recoveries	416000	390000
Interest and divident	390000	364000
Taxes on interest and dividend	30%	30%
Other income	78000	91000
Commission on direct business	208000	19500
Commission on re-insurance accepted	104000	78000
Commission on re-insurance ceded	78000	67600

(i) Every year additional reserve is maintained at 10% of unexpired risk reserve.

purchaser company had arisen Rs. 78,000. If the purchase company wants the capital Reserve of Rs. 78,000 out of this purchase, how much purchase price should be fixed.

(a) 4,29,000 (b)3,90,000
(b) 3,51,000 (d) 4,68,000

(9) On equity shares of Rs. 100 each, issued at Rs.140 per share, the maximum amount of underwriting commission payable to underwriter should be

(a) Rs. 5 (b) Rs. 3.50
(b) Rs. 2.50 (d) Rs. 7

(10) If under the scheme of capital reduction out of the preference dividend in arrears of Rs. 1,87,500 (which was not declared and not paid) Rs. 1,25,000 is waived by preference share holders then

(a) Rs. 1,25,000 would be credited to Capital Reduction account
(b) Rs. 62,500 would be credited to Capital Reduction account
(c) Rs. 62,500 would be debited to Capital Reduction account
(d) No entry will be made

(11) In five and mislanneous business, reserve for unexpired risk is kept at _____of net premium income.

(a) 100% (b) 25%
(b) 50% (d)10%

(12) When old bad debt are recovered it is credited to

(a) bad debt recovery account (b) Vendors-creditors account
(b) Vendors-debitors account (d) Vendors-suspense account

(13) Under the scheme of capital reduction, balance left in capital reduction account after writing off, the accumulated losses, is transffered to

(a) Capital redemption account (b) general reserve account
(b) Capital reserve account (d) Share capital account

(14) _____ can underwrite a public issue of share or debentures

(a) As a individual (b) A finance company
(b) More than individuals (d) a,b,c and all