Seat No. : _______________

DE-122

December-2013

5 Years MBA Integrated (KS) SY MBA
Advanced Financial Accounting - I

Time : 3 Hours] **[Max. Marks : 100**

Instructions : (1) Figures to the right indicates marks.
(2) Show necessary calculations as a part of your answer.

1. Friends Co. Ltd. issued 10,000 Equity Shares of ₹ 10 each at a premium of ₹ 2 per share. Amount payable as follows : **20**

On Application ₹ 2, On Allotment - ₹ 5 (including premium), On First call - ₹ 3, and On Final Call - ₹ 2.

Application were received for 15,000 shares and allotment was made on pro-rata basis to the applicants of 12,000 shares. Money overpaid on application was employed on account of sums due on allotment.

Remaining applications were rejected and the amount received on those applications was refunded.

Ross, to whom 250 shares were allotted, failed to pay the allotment money and on his subsequent failure to pay the first call his shares were forfeited before the final call was made.

Monica, the holder of 300 shares failed to pay the two calls, her shares were also forfeited after making the final call.

Of the shares forfeited, 400 shares (including 250 shares of Ross) were sold to Chandler as fully paid for ₹ 9 per share.

You are required to pass journal entries in the books of Friends Co. Ltd.

OR

(a) The Simon Ltd. has issued 25,000 Equity shares of ₹ 10 each at a premium of 20%.The amount called up per share was as under : **16**

On application ₹ 4

On Allotment ₹ 5 (including premium)

On First/Final Call ₹ 3

Applications were received for 50,000 Equity Shares, out of which

Applications for 5,000 shares were fully sanctioned.

Applications for 5,000 shares were fully rejected and pro-rata allotment was made to remaining applicants. The additional amount received on application was adjusted to share allotment account and calls in advance account.

Sasha had paid entire amount of installments at the time of allotment on his fully allotted 500 Equity Shares.

Sam, who applied for 1,000 Equity Shares, could not pay first/final call on his allotted shares. His shares were forfeited.

Half of the shares forfeited were reissued to Rose at ₹ 8 per share and remaining shares were reissued to Moses at ₹ 12 per share.

Pass necessary Journal Entries in the books of the company.

(b) Explain the Difference between Capital Reserve and Reserve Capital **4**

2. (a) What do you mean by "Debenture" ? Explain the difference types of Debentures. **5**

(b) Cyclone Ltd. issued 2,000, 10% Debentures each of ₹ 100 on 1^{st} April, 2008 at a discount of 5%. ₹ 50,000 debentures are annually redeemable by drawings, the first redemption occurring on 31^{st} March, 2009. **5**

Answer the following questions :

(1) Calculate the amount of discount to be written off accounting year assuming that the company decides to write off the debenture discount during the life of debentures.

(2) Prepare the 'Discount on issue of Debentures Account' for all four years.

(c) On 1^{st} April, 2010 Mona Ltd. issued 5,000, 12% debentures of ₹ 100 each repayable at the end of three years at a premium of 10%. It was decided to create a sinking fund for the redemption of debentures. Investments were made yielding 10% interest received at the end of each year. All investments, including re-investments of interest received, were made at the end of the year.

Company transfers ₹ 1,66,163 every year to the Sinking Fund Account. At the end of three years. The investments were sold at ₹ 6,35,000 and the debentures were redeemed.

Prepare Debentures account, Sinking fund account, and Sinking fund investment account for the three years. **10**

OR

(c) Answer the following questions :

(a) Perfect Co. Ltd. issues ₹ 4,00,000, 12% Debentures on 1st April, 2010, which are to be redeemed after 3 years. The company purchases an insurance policy for the redemption of debentures. Annual premium payable at the beginning of each year is ₹ 1,24,000. At the end of the third year the policy amount (₹ 4,00,000) is realized.

You are required to pass necessary Journal Entries for all three years in the books of Perfect Co. Ltd. **6**

(b) Pass necessary Journal Entries for the following transactions. **4**

(1) James Ltd. issued 6,000, 15% Debentures of ₹ 100 each at a discount of 10%, redeemable at the end of 5 years at a premium of 5%.

(2) Messy Ltd. issues 3,000, 13% Debentures of ₹ 100 each at a premium of 10%, redeemable at the end of 5 years at par.

3. (a) What is buy-back of shares ? Explain objective and sources of buy-back. **10**

(b) ABS Ltd. invited applications for 2,00,000 equity shares of ₹ 10 each at a premium of ₹ 5 per share. The entire issue was underwritten by the underwriters P, Q, R and S to the extent of 30%, 30%, 20% and 20% respectively with the provision of firm underwriting of 6000, 4000, 2000 and 2000 shares respectively. The underwriters were entitled to get the commission of 2.5%.

The company received applications for 1,40,000 shares from public out of which application for 38,000, 20,000, 42,000 and 16,000 shares were marked in favour of P, Q, R and S respectively.

Calculate the liability of each underwriters. Also ascertain the underwriting commission payable to the different underwriters. **10**

OR

(a) The Balance Sheet of Sun Ltd. as at 31st March, 2013 is as follows : **14**

Liabilities	**Amount ₹**	**Assets**	**Amount ₹**
Share capital of ₹ 10 each	25,00,000	Fixed assets	33,00,000
General Reserve	3,25,000	Investments	9,00,000
Securities premium	2,70,000	Stocks	5,93,500
Profit and Loss account	1,87,500	Debtors	4,80,000
12% debentures	12,50,000	Cash balance	3,55,000
Term loans	6,62,500		
Current liabilities and provisions	4,33,500		
	56,28,500		**56,28,500**

The share holders adopted the resolution on the date of the above mentioned balance sheet to :

(1) Buy back 20% of the paid-up capital at ₹ 15 each.

(2) Issue 13% debentures of ₹ 2,50,000 at a premium of 10% to finance the buy back of shares.

(3) Maintain a balance of ₹ 1,50,000 in general reserve account.

(4) Sell investments worth ₹ 400,000 for ₹ 3,25,000

You are required to pass the necessary Journal Entries to record the above transactions and prepare the Balance Sheet after the buy back.

(b) Explain the following term : **6**

(1) Marked applications

(2) Unmarked applications

(3) Firm applications

4. The Balance Sheet of Jay and Dev as on 31-3-2013 was a s under : **20**

Assets	**Amount (₹)**	**Liabilities**	**Amount (₹)**
Capital :		Goodwill	2,16,000
Jay 18,00,000		Building	22,68,000
Dev 15,75,000	33,75,000	Machinery	9,72,000
General Reserve	2,.92,500	Investments	3,24,000
Worker's accident & Compensation fund	1,57,500	Closing Stock	6,14,250
		Debtors	9,90,000
Bank loan	12,60,000	Bills Receivables	1,89,000
Creditors	7,20,000	Cash & Bank	90,000
Provident Fund	2,47,500	Advertisement Suspense Account	3,89,250
	60,52,500		**60,52,500**

Jaydev Ltd. with an authorized capital of ₹ 90,00,000 divided into 9,00,000 equity shares of ₹ 10 each was incorporated to purchase the above business on the following terms.

(1) Goodwill of the firm was valued at ₹6,75,000.

(2) Fixed Assets were shown by 10% less where as stock was valued by 5% more than market value in the firm's book.

(3) All the assets and liabilities except investments, debtors and creditors were taken over by the company.

(4) The company agreed to collect the debtors and to discharge the creditors as an agent for which service the company was to be paid 5% on cash collection from the debtors and 2% on cash payment to the creditors.

(5) The purchase price was to be paid in fully paid 2,70,000 equity shares at a premium of 20% and rest in cash.

(6) The company collected from all the debtors except debtors of ₹ 90,000. The debtors were allowed 5% cash discount. ₹ 45,000 Bad-debts was written off. All creditors were paid at 5% discount.

Pass the Journal Entries in the books of company. Prepare the opening balance sheet of the company. Also the company issued 50% of the remaining shares at 20% premium to the public. All the shares were paid in full.

5. Following is the Trial Balance of Aashima Ltd. as on 31-3-2013 : **20**

Particulars	**Debit (₹)**	**Credit (₹)**
Equity Share Capital		9,00,000
10% Preference Share capital		6,00,000
General Reserve		3,00,000
D.R.F.		1,50,000
Securities premium a/c.		45,000
Profit and Loss a/c. (1-4-2012)		75,000
10% debentures (Redeemable on 31-3-2018)		3,00,000
Discount on debentures	15,000	
12% public deposits		1,50,000
P.F. & P.F. contribution	15,000	75,000
Unclaimed dividend		12,000
Interest accrued but not due on debentures		7,500
Interest on debentures	30,000	
Fixed Assets	23,25,000	
Depreciation Fund on Fixed Assets		8,25,000
Stock (1-4-2012)	8,25,000	
Investments	7,35,000	
Debtors and Creditors	17,13,000	4,50,000
Cash and Bank Overdraft	15,000	21,000
Bills	39,000	37,500
Income Tax Provision (1-4-2012)		3,00,000
Advanced Income Tax (1-4-2012)	2,70,000	
Purchase and Sales	1,11,75,000	1,34,85,000
Returns	1,50,000	1,20,000
Interest on Public Deposit	9,000	
Carriage Inward	2,16,000	
Rent, taxes and insurance	45,000	
Stationary and postage	22,500	
Advertisement	15,000	
Bad-debts and Bad-debt Reserve	6,000	30,000
Preliminary expenses	15,000	
Salary and unpaid salary	2,70,000	22,500
Total :	**1,79,05,500**	**1,79,05,500**

After considering the following, prepare the Final A/cs of company according to the provisions of Companies Act, 1956.

(1) The paid up capital of company is 50% of its authorized capital. The shares are of ₹ 100 each.

(2) The value of a stock is ₹ 9,90,750.

(3) Company provides depreciation as per written down value method.

The details of fixed assets are as under :

Particulars	**Cost**	**Depreciation upto 31-3-2012**	**Rate of Depreciation**
Building	3,75,000	1,50,000	10%
Machinery	1,50,000	4,50,000	25%
Vehicles	3,00,000	1,50,000	20%
Furniture	1,50,000	7,50,000	10%

(4) Write off preliminary expenses by 10%.

(5) Write off ₹ 3,000 as Bad-debt and provide bad-debt reserve @ 2% on debtors.

(6) The Directors have proposed the following appropriations.

(1) General Reserve ₹ 1,50,000

(2) D.R.F. ₹ 75,000

(3) Dividend on Equity 15%

(7) Provision for income tax is to be made @ 50% of net profits.