

N26-130

December-2014

**Second Year M.B.A. (KS) Integrated
Advanced Financial Accounting - I**

Time : 3 Hours]

[Max. Marks : 100

1. Rajiv Co. Ltd. issued for public subscription 140000 Equity Shares of ₹ 10 each at a discount of 5%, for which applications for 230000 shares were received.

Shares were allotted as under:

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- (1) To refuse allotment to applications for 60000 shares.
- (2) To give full allotment to applicants for 20000 shares.
- (3) To allot the remaining shares pro-rata among other applicants.

Money overpaid on applications was employed on account of sums due on allotment. The company called up the amount per share as under:

On application ₹ 2, on allotment ₹ 2.50, on first call ₹ 3 and on final call ₹ 2.

Karan who was allotted 4800 shares on pro-rata; did not pay the allotment and first call money. The board of directors forfeited the share, after the first call was made and reissued them to Nishita for ₹ 8.80 per shares as fully paid.

Aksh who applied for 4000 shares and who was allotted shares on pro-rata basis did not pay the first and final call. The board of directors forfeited the shares after final call was made and were re-issued at discount of 10 %.

Pass necessary journal entries to record the above transactions in the books of the company.

2. (A) Explain the various types of debentures.

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OR

Process of issue of Debenture.

- (B) Give journal entries for the issue and redemption of debentures.

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- (i) Narayan Ltd. issued 10000,12% Debenture of ₹ 100 each at par but redeemable at ₹ 110 on 1-1-2014.
- (ii) Win Ltd. issued 10000,10% Debenture at 100 each at discount of 5% redeemable at a premium of 10% after 10 years.

- (C) The following were the balances in the books of a company as on 1st January, 2014 :

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12% Debentures	₹ 600000
Debenture Redemption Fund	₹ 450000
8% D.R.F. Investments	₹ 450000

Company transfers ₹ 50,000 every year to debenture redemption fund account. After receiving interest on investments, company sold out the said investments at 20% profit on 31-12-2014 and debentures amounting to ₹ 480000 were redeemed at 10% premium.

Prepare ledger accounts in the books of the company on 31-12-2014.

3. (A) Explain conditions of Buy-Back.

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- (B) Apple Ltd. issued a prospectus inviting applications for 400000 Equity shares of ₹ 10 each at a premium of 10%.

The whole issue was fully underwritten by P, Q, R and S as follows :

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P	160000 Shares
Q	120000 Shares
R	80000 Shares
S	40000 Shares

Applications were received for 350000 shares of which marked applications were as follows:

P	170000 shares
Q	80000 shares
R	85000 shares
S	5000 shares

It was agreed that underwriters be paid commission at 5% on the issue price. From the above information, find out the liabilities of individual underwriters and give journal entries in the books of the company.

4. Awesome Ltd. was promoted with an authorised capital of ₹ 3500000 divided into 35000 shares of ₹ 100 each. Following were the balance in the books of company on 31/03/2014 :

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Particulars	₹	Particulars	₹
25000 equity shares of ₹ 100	2500,000	Land and Building	1050,000
10% Debentures redeemable after 5 years	250,000	Stock on 1/4/2013	100,000
Other income	350,000	Cash on hand	82,500
Fixed deposits	87,500	Goodwill	500,000
General reserve	400,000	Investments	542,500
Share premium	37,500	Plant and machinery	1125,000
Profit and loss account	77,500	Debtors	295,000
P.F.	100,000	Bills receivable	75,000
Unpaid expenses	27,500	Loose tools	35,000
Unpaid dividend	25,000	Salary	200,000
Interest accrued on loan	7,500	Contribution to P.F.	45,000
Creditors	250,000	Interest on debentures	12,500
Interest on investments	25,000	Insurance premium	20,000
Sales	1170,000	Rents and taxes	100,000
		Furniture	137,500
		Audit fees	25,000
		Repairs	32,500
		Motor car	220,000
		Disc. On debenture	25,000
		Custom deposits	57,500
		Postage and telegram	10,000
		Directors fees	50,000
		Underwriters commission	37,500
		Carriage out-word	10,000
		Wages	20,000
		Purchases	500,000
	53,07,500		53,07,500

Additional information :

- (1) Closing stock was valued at ₹ 120,000 at the end of the year.
- (2) Reserve 5% on debtors for bad and doubtful debts.
- (3) Depreciate plant and machinery @ 10%, furniture & motor car @ 5%.
- (4) Provide ₹ 93,750 for income tax provision.
- (5) Outstanding interest on investments ₹ 18,750.
- (6) 1/5th of underwriting commission is to be written off.
- (7) Transfer ₹ 87,500 to General reserve.
- (8) Directors has been recommended 5% dividend on equity shares.

Prepare Annual Account in the books of company as per revised schedule VI of Companies Act.

5. The balance sheet of Aan & Baan partnership firm as on 31/3/2014 is as follows :

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Liabilities	₹	Assets	₹
Capital A/c's		Goodwill	72000
Aan 540000			
Baan <u>360000</u>	900000		
General reserve	198000	Building	810000
Worker's compensation fund	54000	Machinery	225000
Aan's loan	108000	Stock	315000
Bank loan	450000	Debtors 315000	
		-Bad debts <u>27000</u>	288000
Creditors	315000	Bills receivable	153000
Workmen saving bank	54000	Investments	126000
Provident fund	126000	Cash	216000
	2205000		2205000

Aan Baan Shaan ltd. Was incorporated to takeover the above business with .an authorised capital of 270,000 equity shares of ₹ 10 each. The term of purchase of business are as follows :

- (1) Goodwill of the firm to be valued at ₹ 94,500.
- (2) All liabilities except Aan's loan are to be accepted by the company.
- (3) The company took over all assets of the firm except cash balance of ₹ 72,000.
- (4) The assets were to be valued as follows :
 - (a) Fixed assets to be taken over @20% more than book value.
 - (b) Stock to be taken over @20% less than book value.
 - (c) Debtors to be taken over @10% BDR.
- (5) Dissolution expenses of the firm amounted to ₹ 9,000 which were borne by company.
- (6) Preliminary expenses amounted to ₹ 10800.
- (7) Purchase consideration to be paid is 90000 fully paid equity shares @10% premium, 12% 3600 debentures of ₹ 100 each at 10% discount & balance in cash.
- (8) Remaining shares were issued to public 10% premium, which were fully subscribed.

Pass journal entries in the books of company and prepare initial balance sheet.