

FINANCIAL ACCOUNTING

TEST PAPER - I/5/FAC/2008/T3.

- 1 (A) The output of financial accounting is the preparation of financial statements.
- (B) The objective of financial accounting is to provide quantitative information to users of financial statements.
- (C) Information about performance is disclosed by Balance sheet.
- (D) The lessee's right to recover the short working is related to Terms of the Agreement.
- (E) Profit or loss for the period includes All the above.
- (F) The perception of extraordinary events must be made with reference to Both (i) & (ii).
- (G) Prior period items must be shown profit or loss can be perceived as adjustments to reserves.
- (H) A change in the estimated life of the assets, which necessitates adjustment in the depreciation, is an example of Change in the accounting estimate.
- (I) A change in the accounting policy should be made All the above.
- (J) Selling and distribution costs are not included in the cost of inventories because they do not relate to bringing the inventories in their present location and condition.

(2)

3. (a) Conditions of buy-back:-

As per Section 77A(2) of the Companies Act, 1956, the conditions for buy-back are:-

The company's articles should authorize the buy-back. If not, the same has to be amended to include a provision to that effect;

A special resolution should be passed in the general meeting authorizing the buy-back;

(a) The buy-back should be less than 25% of the total paid-up capital and free reserves of the company;

(b) The buy-back of equity shares in any financial year should not exceed 25% of its total paid-up equity capital in that financial year;

(c) The Companies (Amendment) Act, 2001 has authorized the buy-back by means of a resolution at the Company's Board provided the buy-back does not exceed 10% of the total paid-up equity capital and free reserves of the Company. But, there cannot be more than one such buy-back in a period of 365 days;

(d) Debt-equity ratio shall not exceed 2:1 after such buy-back. The Central Government may however, prescribe a higher ratio for a class or classes of Companies;

(e) All the shares or other specified securities are fully paid-up;

(f) The buy-back of the shares or other securities listed on any recognised stock exchange is in accordance with the regulations made by the Securities and Exchange Board of India in this behalf; and

(g) The buy-back of shares or other securities not listed on any recognised stock exchange is in accordance with the guidelines as may be prescribed.

Journal Entries

③

(b)	Particulars	Debit (Rs.)	Credit (Rs.)
	Equity Share Final Call A/c Dr. To Share Capital A/c [Being the balance amount of Rs. 2.50 ^{to be} per share received for 80,000 equity shares through Final Call]	2,00,000	2,00,000
	Bank A/c Dr. To Equity Share Final Call A/c [Being the Equity Share Final Call amount of Rs. 2.50 received for 80,000 shares]	2,00,000	2,00,000
	General Reserve A/c Dr. To Capital Redemption Reserve A/c [Being Transfer of General Reserve to Capital Redemption Reserve for issue of bonus shares @ one share for every two shares]	2,50,000	2,50,000
	Capital Redemption Reserve A/c Dr. To Bonus to Shareholders A/c [Being Bonus declared]	4,00,000	4,00,000
	Bonus to Shareholders A/c Dr. To Equity Share Capital A/c [Being Bonus transferred to Equity Share Capital A/c]	4,00,000	4,00,000

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BALANCE SHEET AS ON 31/03/2009

LIABILITIES	Amount (Rs.)	ASSETS	Amount (Rs.)
Authorised share Capital 1,50,000 Equity shares of Rs.10/- each	15,00,000	Kindly Assets Bank	17,00,000 2,00,000
Issued, Subscribed & Paid-up 80,000 Equity shares of Rs.10/- each — 8,00,000			
Bonus shares of 40,000 @ Rs.10/- — 4,00,000			
	12,00,000		
Capital Redemption Reserve	—		
Plant Revaluation Reserve	20,000		
Securities Premium A/c	1,50,000		
Development Rebate Reserve	2,30,000		
Investment Allowance Reserve	2,50,000		
General Reserve	50,000		
	19,00,000		19,00,000

- (5) (a) When such debentures are redeemable after 4 years:
- A. Total discount allowed $(Rs. 1,00,000 \times \frac{10}{100}) = Rs. 10,000$
- B. Period for which debentures are held = 4 years
- C. Amount of discount to be written-off to P&L A/c every year $(A/B) = Rs. 2,500$

Dr. <u>Discount on Issue of Debentures A/c</u> Cr.					
Date	Particulars	Rs.	Date	Particulars	Rs.
01/04/09	To 15% Debentures A/c	10,000	31/03/10	By P&L A/c	2,500
				" Balance c/d	7,500
		10,000			10,000
01/04/10	To Balance b/d	7,500	31/03/11	By P&L A/c	2,500
				" Balance c/d	5,000
		7,500			7,500
01/04/11	To balance b/d	5,000	31/03/12	By P&L A/c	2,500
				" Balance c/d	2,500
		5,000			5,000
01/04/12	To balance b/d	2,500	31/03/13	By P&L A/c	2,500
		2,500			2,500

(b) When such debentures are redeemable by equal annual drawings in 4 years:

Statement showing the Debentures Discount to be Written-off Every Year

Year ended on A	Face Value of Debentures used B	Period of Use C	Product D = B x C	Ratio E	Amount of Discount to be written-off 10,000 x E/10
31/03/10	1,00,000	12 months	12,00,000	4	4,000
31/03/11	75,000	12 months	9,00,000	3	3,000
31/03/12	50,000	12 months	6,00,000	2	2,000
31/03/13	25,000	12 months	3,00,000	1	1,000

(B) Balance sheet as at 31/03/2009

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capital Fund - 28,700		Sports Goods	10,000
Add: Entrance fees - 1,000	29,700	Books (5000 + 2000)	7,000
Salary o/s	300	Investment (8000 + 6000)	14,000
Subscription Advance	600	Subscription o/s	100
Donations	5,000	Interest Receivable	500
		Cash	4,000
	35,600		35,600

Dr. Cr.

REALIZATION A/c			
PARTICULARS	Amount Rs.	PARTICULARS	Amount Rs.
To Land	1,00,000	By Current Liabilities	1,40,000
" Building	5,00,000	" Loan from HSBC	10,00,000
" Office equipment	2,50,000	" Bank:	
" Computers	1,40,000	Land	2,00,000
" Debtors	8,00,000	Building	6,00,000
" Stock	6,00,000	Office equipment	2,50,000
" Other Current Assets	45,200	Computers	98,000
" Bank (Current Liabilities)	1,40,000	Debtors	7,60,000
" Bank (HSBC)	9,90,000	Stock	5,40,000
(1% of 10,00,000)		Other Current Assets	45,200
" Profit:			
F (4/10) - 27,200			
S (4/10) - 27,200			
R (1/10) - 6,800			
B (1/10) - 6,800	68,000		
	36,33,200		36,33,200

Working Notes:(i) Sports Goods Consumed: (Rs.)

Opening Stock	—	3,000
Add: Purchases	—	9,000
		<u>12,000</u>

Less: Closing stock	—	10,000
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Sports Goods Consumed	—	<u>2,000</u>
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(ii) Capital Fund as on 31/03/2009:Assets as on 01/04/2008 (Rs.)

Sports Goods	—	3,000
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Books	—	2,000
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Investment	—	6,000
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Subscription o/s	—	500
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opening balance	—	3,000
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(A)		<u>14,500</u>
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Liabilities as on 01/04/2008	— Nil
(B)	

Capital Fund as on 01/04/2008	— 14,500
(A) - (B)	

Add: Surplus for the year ended 31/03/09	— 14,200
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Capital Fund as on 31/03/09	<u>— 28,700</u>
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Discount on Issue of Debentures Account					
Dr.			Cr.		
Date	Particulars	Rs.	Date	Particulars	Rs.
01/04/09	To 15% Debentures A/c	10,000	31/03/10	By P&L A/c	4,000
				" Balance c/d	6,000
		10,000			10,000
01/04/10	To Balance b/d	6,000	31/03/11	By P&L A/c	3,000
				" Balance c/d	3,000
		6,000			6,000
01/04/11	To Balance b/d	3,000	31/03/12	By P&L A/c	2,000
				" Balance c/d	1,000
		3,000			3,000
01/04/12	To Balance b/d	1,000	31/03/13	By P&L A/c	1,000
		1,000			1,000

6.

Bakers Club			
(A) Income & Expenditure A/c as at 31/03/2009			
Dr.		Cr.	
EXPENDITURE	AMOUNT RS.	INCOME	AMOUNT RS.
To Salaries & Rent - 1,500		By Subscription - 20,000	
Add: o/s - 300	1,800	Add: o/s - 100	
" Electric Charges	300	for 2008-09	20,100
" Sports Expenses	1,000	Less: 2007-08 - 500	
" Misc. Expenses	700	2009-10 - 600	19,000
" Sports Goods Consumed	2,000	By Interest - 100	
" Surplus (Income over Expenditure)	14,200	Add: o/s - 500	600
		Income from Charity:	
		Receipts - 2,400	
		Less: Expenses - 2,000	400
	20,000		20,000

PARTNERS' CAPITAL A/Cs

Particulars	F Rs.	S Rs.	R Rs.	B Rs.	Particulars	F Rs.	S Rs.	R Rs.	B Rs.
To balance b/d				1,74,800	By balance b/d	1,00,000	3,00,000	2,20,000	—
" B's Capital	42,000	42,000	—	—	" Realization Profit	27,200	27,200	6,800	6,800
" Bank	4,85,200	6,85,200	4,26,800	—	" Bank (50% deficiency paid)	—	—	—	84,000
					" F's Capital	—	—	—	42,000
					" S's Capital	—	—	—	42,000
					" Capital A/cs	4,00,000	4,00,000	2,00,000	—
	5,27,200	7,27,200	4,26,800	1,74,800		5,27,200	7,27,200	4,26,800	1,74,800

BANK A/c

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Opening balance	1,50,000	By Current Liabilities	1,40,000
" Realization of Assets	24,93,200	" HBC	9,90,000
" B's Capital (bal. fig.)	84,000	" F's Current A/c	4,85,200
(50% deficiency)		" S's " "	6,85,200
		" R's " "	4,26,800
	27,27,200		27,27,200

Working Notes:

B's Current A/c

Rs.

opening balance — 1,74,800 (Dr.)

less: Realization profit — 6,800

Deficiency — 1,68,000

50% of deficiency — Rs. 84,000/-

B should bear Rs. 84,000/- and the balance Rs. 84,000/- to be borne by F & S in equal proportion, (ie) Rs. 42,000/- each.

Rs.

F's Capital A/c Dr. 42,000

S's Capital A/c Dr. 42,000

To B's Capital A/c

Rs. 84,000

(5,27,200 - 42,000) F's Capital A/c Dr. 4,85,200

(7,27,200 - 42,000) S's Capital A/c Dr. 6,85,200

R's Capital A/c Dr. 4,26,800

To Bank A/c

15,97,200