

EXAMS IMPORTANT QUESTIONS FOR IPCC STUDENTS

TIME ALLOWED :-3HRS.

NOTE:-ALL QUESTIONS ARE COMPULSARY

Question 1

From the following balance sheets of Sneha Ltd. as on 31.3.2003 and 31.3.2004 prepare a statement of sources and applications of fund and a schedule of changes in working capital for the year ending 31.3.2004:

Balance Sheets					
Liabilities	31.3.2003	31.3.2004	Assets	31.3.2003	31.3.2004
	Rs.	Rs.		Rs.	Rs.
Equity share capital	13,00,000	16,90,000	Goodwill	65,000	42,500
Profit and loss account	4,90,100	8,77,500	Building	11,70,000	11,37,500
10% Debentures	16,25,000	13,00,000	Machinery	16,18,500	21,38,500
Creditors	9,00,000	10,00,000	Non-trade investments	5,07,000	3,93,250
Bills payable	42,500	1,70,000	Debtors	4,16,000	11,70,000
Provision for tax	2,60,000	9,75,000	Stock	5,07,000	7,99,500
Dividend payable	—	42,250	Cash	2,60,000	2,92,500
			Prepaid expenses	42,250	52,000
			Debenture discount	<u>31,850</u>	<u>29,000</u>
	<u>46,17,600</u>	<u>60,54,750</u>		<u>46,17,600</u>	<u>60,54,750</u>

The following additional information is given:

(i)		Building	Machinery
		Rs.	Rs.
	Accumulated depreciation	4,87,500	15,92,500
	31.3.2003		
	Accumulated depreciation	5,20,000	15,66,500
	31.3.2004		
	Depreciation for 2003-2004	32,500	1,36,500

(ii) Profit and loss account for 2003-2004 is as follows:

	Rs.
Balance as on 31.3.2003	4,90,100
Add: Profit for 2003-2004	<u>4,71,900</u>
	9,62,000
Less: Dividend	<u>84,500</u>
	<u>8,77,500</u>

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(iii) During 2003-2004 machinery costing Rs. 2,92,500 was sold for Rs. 97,500.

(iv) Investments which were sold for Rs. 1,17,000 had cost Rs. 97,500.

(v) Provision for Taxation and Dividend are to be taken as Non-current liabilities.

(20 marks) (PE-II–Nov. 2004)

Question 2

The following is the Balance Sheet of the retail business of Sri Srinivas as at 31st December, 1998:

Liabilities	Rs.	Assets	Rs.
Sri Srinivas's capital	1,00,000	Furniture	10,000
Liabilities for goods	20,500	Stock	70,000
Rent	1,000	Debtors	25,000
		Cash at bank	14,500
		Cash in hand	2,000
	<u>1,21,500</u>		<u>1,21,500</u>

You are furnished with the following information :

(1) Sri Srinivas sells his goods at a profit of 20% on sales.

(2) Goods are sold for cash and credit. Credit customers pay by cheques only.

(3) Payments for purchases are always made by cheques.

(4) It is the practice of Sri Srinivas to send to the bank every weekend the collections of the week after paying every week, salary of Rs. 300 to the clerk, Sundry expenses of Rs. 50 and personal expenses Rs. 100.

Analysis of the Bank Pass–Book for the 13 weeks period ending 31st March, 1999 disclosed the following :

	Rs.
Payments to creditors	75,000
Payments of rent upto 31.3.99	4,000
Amounts deposited into the bank	1,25,000
(include Rs. 30,000 received from debtors by cheques)	

The following are the balances on 31st March, 1999 :

	Rs.
Stock	40,000
Debtors	30,000
Creditors for goods	36,500

On the evening of 31st March, 1999 the Cashier absconded with the available cash in the cash box. There was no cash deposit in the week ended on that date.

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You are required to prepare a statement showing the amount of cash defalcated by the Cashier and also a Profit and Loss Account for the period ended 31st March, 1999 and a Balance Sheet as on that date.

(12 marks)(Intermediate–May 1999)

Question 3

Exe Limited was wound up on 31.3.2004 and its Balance Sheet as on that date was given below:

Balance Sheet of Exe Limited as on 31.3.2004

Liabilities	Rs.	Assets	Rs.
Share capital:		Fixed assets	9,64,000
1,20,000 Equity shares of Rs. 10 each	12,00,000	Current assets:	
	0	Stock	7,75,000
Reserves and surplus:		Sundry debtors	1,60,000
Profit prior to incorporation	42,000	Less:	
		Provision for bad and doubtful debts	<u>8,000</u> 1,52,000
Contingency reserve	2,70,000	Bills receivable	30,000
Profit and loss A/c	2,52,000	Cash at bank	12,86,000
			<u>3,29,000</u>
Current liabilities:			
Bills payable	40,000		
Sundry creditors	2,26,000		
Provisions:			
Provision for income tax	<u>2,20,000</u>		<u> </u>
	<u>22,50,00</u>		<u>22,50,000</u>
	<u>0</u>		

Wye Limited took over the following assets at values shown as under:

Fixed assets Rs. 12,80,000, Stock Rs. 7,70,000 and Bills Receivable Rs. 30,000.

Purchase consideration was settled by Wye Limited as under:

Rs. 5,10,000 of the consideration was satisfied by the allotment of fully paid 10% Preference shares of Rs. 100 each. The balance was settled by issuing equity shares of Rs. 10 each at Rs. 8 per share paid up.

Sundry debtors realised Rs. 1,50,000. Bills payable was settled for Rs. 38,000. Income tax authorities fixed the taxation liability at Rs. 2,22,000.

Creditors were finally settled with the cash remaining after meeting liquidation expenses amounting to Rs. 8,000.

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You are required to:

- (i) Calculate the number of equity shares and preference shares to be allotted by Wye Limited in discharge of purchase consideration.
- (ii) Prepare the Realisation account, Cash/Bank account, Equity shareholders account and Wye Limited account in the books of Exe Limited.
- (iii) Pass journal entries in the books of Wye Limited. (16 marks) (PE-II May 2005)

Question 4

The Balance Sheet of Y Limited as on 31st March, 2003 was as follows:

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
5,00,000 Equity Shares of Rs. 10 each fully paid	50,00,00 0	Goodwill	10,00,000
		Patent	5,00,000
9% 20,000 Preference shares of Rs. 100 each fully paid	20,00,00 0	Land and Building	30,00,000
		Plant and Machinery	10,00,000
10% First debentures	6,00,000	Furniture and Fixtures	2,00,000
10% Second debentures	10,00,00 0	Computers	3,00,000
Debentures interest outstanding	1,60,000	Trade Investment	5,00,000
Trade creditors	5,00,000	Debtors	5,00,000
Directors' loan	1,00,000	Stock	10,00,000
Bank O/D	1,00,000	Discount on issue of debentures	1,00,000
Outstanding liabilities	40,000	Profit and Loss Account	<u>15,00,000</u>
Provision for Tax	1,00,000	(Loss)	
	<u>96,00,00</u> 0		<u>96,00,000</u>

Note: Preference dividend is in arrears for last three years.

A holds 10% first debentures for Rs. 4,00,000 and 10% second debentures for Rs. 6,00,000. He is also creditors for Rs. 1,00,000. B holds 10% first debentures for Rs. 2,00,000 and 10% second debentures for Rs. 4,00,000 and is also creditors for Rs. 50,000.

The following scheme of reconstruction has been agreed upon and duly approved by the court.

- (i) All the equity shares be converted into fully paid equity shares of Rs. 5 each.

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- (ii) The preference shares be reduced to Rs. 50 each and the preference shareholders agree to forego their arrears of preference dividends in consideration of which 9% preference shares are to be converted into 10% preference shares.
- (iii) Mr. 'A' is to cancel Rs. 6,00,000 of his total debt including interest on debentures and to pay Rs. 1 lakh to the company and to receive new 12% debentures for the Balance amount.
- (iv) Mr. 'B' is to cancel Rs. 3,00,000 of his total debt including interest on debentures and to accept new 12% debentures for the balance amount.
- (v) Trade creditors (other than A and B) agreed to forego 50% of their claim.
- (vi) Directors to accept settlement of their loans as to 60% thereof by allotment of equity shares and balance being waived.
- (vii) There were capital commitments totalling Rs. 3,00,000. These contracts are to be cancelled on payment of 5% of the contract price as a penalty.
- (viii) The Directors refund Rs. 1,10,000 of the fees previously received by them.
- (ix) Reconstruction expenses paid Rs. 10,000.
- (x) The taxation liability of the company is settled at Rs. 80,000 and the same is paid immediately.
- (xi) The assets are revalued as under:

	Rs.
Land and Building	28,00,000
Plant and Machinery	4,00,000
Stock	7,00,000
Debtors	3,00,000
Computers	1,80,000
Furniture and Fixtures	1,00,000
Trade Investment	4,00,000

Pass Journal entries for all the above mentioned transactions including amounts to be written off of Goodwill, Patents, Loss in Profit & Loss Account and Discount on issue of debentures. Prepare Bank Account and working of allocation of Interest on Debentures between A and B.

(16 marks) (PE-II–Nov. 2003)

Question 5

The trial balance of Complex Ltd. as at 31st March, 1998 shows the following items :

	Dr.	Cr.
	Rs.	Rs.
Advance payment of income-tax	2,20,000	-
Provision for income-tax for the year ended 31.3.97	-	1,20,000

The following further informations are given :

- (i) Advance payment of income-tax includes Rs. 1,40,000 for 1996-97.

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(ii) Actual tax liability for 1996-97 amounts to Rs. 1,52,000 and no effect for the same has so far been given in accounts.

(iii) Provision for income-tax has to be made for 1997-98 for Rs. 1,60,000.

You are required to prepare (a) provision for income-tax account, (b) advance payment of income-tax account, (c) liabilities for taxation account and also show, how the relevant items will appear in the profit and loss account and balance sheet of the Company.

(10 marks) (Intermediate–Nov. 1998)

Question 6

Manish, Jatin and Paresh were partners sharing Profits/ Losses in the ratio of Manish 40 percent, Jatin 35 percent, and Paresh 25 percent. The draft Balance Sheet of the partnership as on 31st December, 2001 was as follows :

	Rs.		Rs.
Sundry Creditors	30,000	Cash on hand and at Bank	67,000
Bills payable	8,000	Stock	42,000
Loan from Jatin	30,000	Sundry Debtors	34,000
Current Accounts :		Less : Provision for	
Manish	12,000	Doubtful Debts	<u>6,000</u> 28,000
Jatin	8,000	Plant and Machinery	
Paresh	<u>6,000</u> 26,000	(at cost)	80,000
Capital Accounts :		Less : Depreciation	<u>28,000</u> 52,000
Manish	90,000	Premises (at cost)	75,000
Jatin	50,000		
Paresh	<u>30,000</u> 1,70,000		
	<u>2,64,000</u>		<u>2,64,000</u>

Jatin retired on 31st December, 2001. Manish and Paresh continued in partnership sharing Profits/ Losses in the ratio of Manish 60 percent and Paresh 40 percent. 50 percent of Jatin's Loan was repaid on 1.1.2002 and it was agreed that of the amount then remaining due to him a sum of Rs. 80,000 should remain as loan to partnership and the balance to be carried forward as ordinary trading liability. The following adjustments were agreed to be made to the above mentioned Balance Sheet:

- (i) Rs. 10,000 should be written off from the premises.
- (ii) Plant and Machinery was revalued at Rs. 58,000.
- (iii) Provision for doubtful debts to be increased by Rs. 1,200
- (iv) Rs. 5,000 due to creditors for expenses had been omitted from the books of account.
- (v) Rs. 4,000 to be written off on stocks.
- (vi) Provide Rs. 1,200 for professional charges in connection with revaluation.

As per the deed of partnership, in the event of the retirement of a partner, goodwill was to be valued at an amount equal to one year's purchase of the average profits of the preceding three years on the date of retirement. Before determining the said average profits a notional amount of Rs. 80,000 should be charged for remuneration to partners. The necessary profits before charging such remuneration were:

Year ending 30.12.1999	Rs. 1,44,000
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Year ending 31.12.2000	Rs. 1,68,000
Year ending 31.12.2001	Rs. 1,88,200 (As per draft accounts)

It was agreed that, for the purpose of valuing goodwill, the amount of profit for the year 2001 be recomputed after charging the loss on revaluation in respect of premises and stock, the unprovided expenses (except professional expenses) and increase in the provision for doubtful debts. The continuing partners decided to eliminate goodwill account from their books.

You are required to prepare:

- (i) Revaluation Account:
- (ii) Capital Accounts (merging current accounts therein):
- (iii) Jatin's Accounts showing balance due to him; and
- (iv) Balance Sheet of Manish and Paresh as at 1st January, 2002.

(16 marks) (Intermediate–May 2002)

Question 7

On 1.4.2002, Mr. Krishna Murty purchased 1,000 equity shares of Rs. 100 each in TELCO Ltd. @ Rs. 120 each from a Broker, who charged 2% brokerage. He incurred 50 paise per Rs. 100 as cost of shares transfer stamps. On 31.1.2003 Bonus was declared in the ratio of 1 : 2. Before and after the record date of bonus shares, the shares were quoted at Rs. 175 per share and Rs. 90 per share respectively. On 31.3.2003 Mr. Krishna Murty sold bonus shares to a Broker, who charged 2% brokerage.

Show the Investment Account in the books of Mr. Krishna Murty, who held the shares as Current assets and closing value of investments shall be made at Cost or Market value whichever is lower.

(10 marks) (PE-II – Nov. 2003)

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