

TIME ALLOWED:-3HRS.

NOTE:-ALL QUESTIONS ARE COMULSARY.

Question 1

The following is the Balance Sheet of Sanjay, a small trader as on 31.3.96 :

(Figures in Rs. '000)			
Liabilities	Rs.	Assets	Rs.
Capital	200	Fixed Assets	145
Creditors	50	Stock	40
		Debtors	50
		Cash in Hand	5
		Cash at Bank	10
	<u>250</u>		<u>250</u>

A fire destroyed the accounting records as well as the closing cash of the trader on 31.3.97. However, the following information was available :

(a) Debtors and creditors on 31.3.97 showed an increase of 20% as compared to 31.3.96.

(b) Credit Period :

Debtors – 1 month Creditors – 2 months

(c) Stock was maintained at the same level throughout the year.

(d) Cash sales constituted 20% of total sales.

(e) All purchases were for credit only.

(f) Current ratio as on 31.3.97 was exactly 2.

(g) Total expenses excluding depreciation for the year amounted to Rs. 2,50,000.

(h) Depreciation was provided at 10% on the closing value of fixed assets.

(i) Bank and cash transactions :

(1) Payments to creditors included Rs. 50,000 by cash.

(2) Receipts from debtors included Rs. 5,90,000 by way of cheques.

(3) Cash deposited into the bank Rs. 1,20,000.

(4) Personal drawings from bank Rs. 50,000.

(5) Fixed assets purchased and paid by cheques Rs. 2,25,000.

You are required to prepare :

(a) The Trading and Profit & Loss Account of Sanjay for the year ended 31.3.97 and

(b) A Balance Sheet on that date.

For your exercise, assume cash destroyed by fire is written off in the Profit and Loss Account

(20 marks) (Intermediate–May 1997)

Question 2

The following are the changes in the account balances taken from the Balance Sheets of PQ Ltd. as at the beginning and end of the year. :

	Changes in Rupees in debt or [credit]
Equity share capital 30,000 shares of Rs. 10 each issued and fully paid	0
Capital reserve	[49,200]
8% debentures	[50,000]
Debenture discount	1,000
Freehold property at cost/revaluation	43,000
Plant and machinery at cost	60,000
Depreciation on plant and machinery	[14,400]
Debtors	50,000
Stock and work-in-progress	38,500
Creditors	[11,800]
Net profit for the year	[76,500]
Dividend paid in respect of earlier year	30,000
Provision for doubtful debts	[3,300]
Trade investments at cost	47,000
Bank	<u>[64,300]</u>
	<u>0</u>

You are informed that.

- Capital reserve as at the end of the year represented realised profits on sale of one freehold property together with surplus arising on the revaluation of balance of freehold properties.
- During the year plant costing Rs. 18,000 against which depreciation provision of Rs. 13,500 was lying, was sold for Rs. 7,000.
- During the middle of the year Rs. 50,000 debentures were issued for cash at a discount of Rs. 1,000.
- The net profit for the year was after crediting the profit on sale of plant and charging debenture interest.

You are required to prepare a statement which will explain, why bank borrowing has increased by Rs. 64,300 during the year end. Ignore taxation. (15 marks)(Final Nov. 1998)

Question 3

ABC Ltd. sells goods on Hire-purchase by adding 50% above cost. From the following particulars,

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prepare Hire-purchase Trading account to reveal the profit for the year ended 31.3.2005:

		Rs.
1.4.2004	Instalments due but not collected	10,000
1.4.2004	Stock at shop (at cost)	36,000
1.4.2004	Instalment not yet due	18,000
31.3.2005	Stock at shop	40,000
31.3.2005	Instalments due but not collected	18,000

Other details:

Total instalments became due	1,32,000
Goods purchased	1,20,000
Cash received from customers	1,21,000

Goods on which due instalments could not be collected were repossessed and valued at 30% below original cost. The vendor spent Rs. 500 on getting goods overhauled and then sold for Rs. 2,800.
(15 marks) (PE-II – May 2005)

Question 4

On 1.4.96, Sundar had 25,000 equity shares of 'X' Ltd. at a book value of Rs. 15 per share (Face value Rs.10). On 20.6.96, he purchased another 5,000 shares of the company at Rs. 16 per share. The directors of 'X' Ltd. announced a bonus and rights issue. No dividend was payable on these issues. The terms of the issue are as follows:

Bonus basis 1:6 (Date 16.8.96).

Rights basis 3:7 (Date 31.8.96) Price Rs. 15 per share.

Due date for payment 30.9.96.

Shareholders can transfer their rights in full or in part. Accordingly Sundar sold 33.33% of his entitlement to Sekhar for a consideration of Rs. 2 per share.

Dividends: Dividends for the year ended 31.3.96 at the rate of 20% were declared by X Ltd. and received by Sundar on 31.10.96. Dividends for shares acquired by him on 20.6.96 are to be adjusted against the cost of purchase.

On 15.11.96, Sundar sold 25,000 equity shares at a premium of Rs. 5 per share.

You are required to prepare in the books of Sundar.

- (1) Investment Account
- (2) Profit & Loss Account.

For your exercise, assume that the books are closed on 31.12.96 and shares are valued at average cost.
(15 Marks), (Intermediate–May 1997)

Question 5

A, B and C were partners of a firm sharing profits and losses in the ratio of 3 : 4 : 3. The Balance Sheet of the firm, as at 31st March, 1998 was as under :

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Liabilities	Rs.	Assets	Rs.
Capital Accounts :		Fixed Assets	1,00,000
A	48,000	Current Assets :	
B	64,000	Stock	30,000
C	<u>48,000</u>	Debtors	60,000
Reserve	20,000	Cash and Bank	<u>30,000</u>
Creditors	<u>40,000</u>		1,20,000
	<u>2,20,000</u>		<u>2,20,000</u>

The firm had taken a Joint Life Policy for Rs. 1,00,000; the premium periodically paid was charged to Profit and Loss Account. Partner C died on 30th September, 1998. It was agreed between the surviving partners and the legal representatives of C that :

- (i) Goodwill of the firm will be taken at Rs. 60,000.
- (ii) Fixed Assets will be written down by Rs. 20,000.
- (iii) In lieu of profits, C should be paid at the rate of 25% per annum on his capital as on 31st March, 1998.

Policy money was received and the legal heirs were paid off. The profits for the year ended 31st March, 1999, after charging depreciation of Rs. 10,000 (depreciation upto 30th September was agreed to be Rs. 6,000) were Rs. 48,000.

Partners' Drawings Accounts showed balances as under :

- A Rs. 18,000 (drawn evenly over the year)
 B Rs. 24,000 (drawn evenly over the year)
 C (up-to-date of death) Rs. 20,000

On the basis of the above figures, please indicate the entitlement of the legal heirs of C, assuming that they had not been paid anything other than the share in the Joint Life Policy.

(15 marks) (Intermediate–Nov. 2000)

Question 6

Super Express Ltd. and Fast Express Ltd. were in competing business. They decided to form a new company named Super Fast Express Ltd. The balance sheets of both the companies were as under :

Super Express Ltd.

Balance Sheet as at 31st December, 1999

	Rs.		Rs.
20,000 Equity shares of		Buildings	10,00,000
Rs. 100 each	20,00,000	Machinery	4,00,000
Provident fund	1,00,000	Stock	3,00,000
Sundry creditors	60,000	Sundry debtors	2,40,000
Insurance reserve	1,00,000	Cash at bank	2,20,000
		Cash in hand	1,00,000

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	<u>22,60,000</u>		<u>22,60,000</u>
	Fast Express Ltd.		
	Balance Sheet as at 31st December, 1999		
	Rs.		Rs.
10,000 Equity shares of		Goodwill	1,00,000
Rs. 100 each	10,00,000	Buildings	6,00,000
Employees profit sharing		Machinery	5,00,000
account	60,000	Stock	40,000
Sundry creditors	40,000	Sundry debtors	40,000
Reserve account	1,00,000	Cash at bank	10,000
Surplus	1,00,000	Cash in hand	10,000
	<u>13,00,000</u>		<u>13,00,000</u>

The assets and liabilities of both the companies were taken over by the new company at their book values. The companies were allotted equity shares of Rs. 100 each in lieu of purchase consideration.

Prepare opening balance sheet of Super Fast Express Ltd. (10 marks) (Intermediate–May 2000)

Question 7

Green Limited had decided to reconstruct the Balance Sheet since it has accumulated huge losses. The following is the Balance Sheet of the Company on 31.3.2000 before reconstruction :

Balance Sheet of Green Limited as at 31.3.2000

Liabilities	Rs.	Assets	Rs.
Share Capital:		Fixed Assets:	
Authorised:		Goodwill	20,00,000
1,50,000 Equity Shares of Rs. 50 each	75,00,000	Building	10,00,000
Subscribed and Paid up Capital:		Plant	10,00,000
50,000 Equity Shares of Rs. 50 each	25,00,000	Computers	25,00,000
1,00,000 Equity Shares of Rs. 50 each,		Investments	Nil
Rs. 40 per share paid up	40,00,000	Current Assets	Nil
Secured Loans:		Profit and Loss A/c—Loss	20,00,000
12% First Debentures	5,00,000		
12% Second Debentures	10,00,000		

Current Liabilities:

Sundry Creditors	<u>5,00,000</u>	
	<u>85,00,000</u>	<u>85,00,000</u>

The following is the interest of Mr. X and Mr. Y in Green Limited:

	Mr. X	Mr. Y
	Rs.	Rs.
12% First Debentures	3,00,000	2,00,000
12% Second Debentures	7,00,000	3,00,000
Sundry Creditors	<u>2,00,000</u>	<u>1,00,000</u>
	<u>12,00,000</u>	<u>6,00,000</u>
Fully paid up Rs. 50 shares	3,00,000	2,00,000
Partly paid up shares (Rs. 40 paid up)	5,00,000	5,00,000

The following Scheme of Reconstruction is approved by all parties interested and also by the Court:

- Uncalled capital is to be called up in full and such shares and the other fully paid up shares be converted into equity shares of Rs. 20 each.
- Mr. X is to cancel Rs. 7,00,000 of his total debt (other than share amount) and to pay Rs. 2 lakhs to the company and to receive new 14% First Debentures for the balance amount.
- Mr. Y is to cancel Rs. 3,00,000 of his total debt (other than equity shares) and to accept new 14% First Debentures for the balance.
- The amount thus rendered available by the scheme shall be utilised in writing off of Goodwill, Profit and Loss A/c Loss and the balance to write off the value of computers.

You are required to draw the Journal Entries to record the same and also show the Balance Sheet of the reconstructed company.
(10 marks) (Intermediate–Nov. 2000)