

TIME ALLOWED:-3HRS.

NOTE:-ALL QUESTIONS ARE COMULSARY.

Question 1

‘A’ and ‘B’ are in partnership sharing profits and losses equally. They keep their books by single entry system. The following balances are available from their books as on 31.3.2006 and 31.3.2007

	31.3.2006	31.3.2007
	Rs.	Rs.
Building	1,50,000	1,50,000
Equipments	2,40,000	2,72,000
Furniture	25,000	25,000
Debtors	?	1,00,000
Creditors	65,000	?
Stock	?	70,000
Bank loan	45,000	35,000
Cash	60,000	?

The transactions during the year ended 31.3.2007 were the following:

	Rs.
Collection from debtors	3,80,000
Payment to creditors	2,50,000
Cash purchases	65,000
Expenses paid	40,000
Drawings by ‘A’	30,000

On 1.4.2006 an equipment of book value Rs.20,000 was sold for Rs.15,000. On 1.10.2006, some equipments were purchased.

Cash sales amounted to 10% of sales.

Credit sales amounted to Rs.4,50,000.

Credit purchases were 80% of total purchases.

The firm sells goods at cost plus 25%.

Discount allowed Rs.5,500 during the year.

Discount earned Rs.4,800 during the year.

Outstanding expenses Rs.3,000 as on 31.3.2007.

Capital of ‘A’ as on 31.3.2006 was Rs.15,000 more than the capital of ‘B’, equipments and furniture to be depreciated at 10% p.a. and building @ 2% p.a.

You are required to prepare:

- (I) Trading and Profit and Loss account for the year ended 31.3.2007 and
(ii) The Balance Sheet as on that date. (PE II- Nov. 2007)(20 Marks)

Question 2

Computer point sells computers on Hire-purchase basis at cost plus 25%. Terms of sale are Rs.5,000 down payment and eight monthly instalments of Rs.2,500 for each computer.

The following transactions took place during the financial year 2006-07:

Number of instalments not yet due as on 1.4.2006 = 25

Number of instalments due but not collected as on 1.4.2006 = 5

During the financial year 240 computers were sold. Out of the above sold computers during the year the outstanding position were as follows as on 31.3.2007:

Instalments not yet due:

- (i) Eight instalments on 50 computers.
(ii) Six instalments on 30 computers.
(iii) Two instalments on 10 computers.

Instalments due but not collected:

Two instalments on 5 computers during the year. Two computers on which five instalments were due and two instalments not yet due were repossessed out of sales effected during current year. Repossessed stock is valued at 50% of cost. All instalments have been received. You are asked to prepare Hire-Purchase Trading Account for the year ending on 31.3.2007.

(PE II- Nov. 2007)(16 Marks)

Question 3

The following was the Balance Sheet of 'A' and 'B', who were sharing profits and losses in the ratio of 2:1 on 31.12.2006:

Liabilities	Rs.	Assets	Rs.
Capital Accounts		Plant and machinery	12,00,000
A	10,00,000	Building	9,00,000
B	5,00,000	Sundry debtors	3,00,000
Reserve fund	9,00,000	Stock	4,00,000
	4,00,000	Cash	1,00,000
Sundry creditors			
Bills payable	<u>1,00,000</u>		<u> </u>
	<u>29,00,000</u>		<u>29,00,000</u>

They agreed to admit 'C' into the partnership on the following terms:

- (i) The goodwill of the firm was fixed at Rs.1,05,000.

- (ii) That the value of stock and plant and machinery were to be reduced by 10%.
- (iii) That a provision of 5% was to be created for doubtful debts.
- (iv) That the building account was to be appreciated by 20%.
- (v) There was an unrecorded liability of Rs.10,000.
- (vi) Investments worth Rs.20,000 (Not mentioned in the Balance Sheet) were taken into account.
- (vii) That the value of reserve fund, the values of liabilities and the values of assets other than cash are not to be altered.
- (viii) 'C' was to be given one-fourth share in the profit and was to bring capital equal to his share of profit after all adjustments.

Prepare Memorandum Revaluation Account, Capital account of the partners and the Balance Sheet of the newly reconstituted firm. (16 Marks) (PE II, Nov. 2007)

Question 4

The following is the Balance sheet of Weak Ltd. as on 31.3.2006:

Liabilities	Rs.	Assets	Rs.
Equity shares of Rs.100 each	1,00,00,000	Fixed assets	1,25,00,000
12% cumulative preference shares of Rs.100 each	50,00,000	Investments (Market value Rs.9,50,000)	10,00,000
10% debentures of Rs.100 each	40,00,000	Current assets	1,00,00,000
Sundry creditors	50,00,000	P & L A/c	4,00,000
Provision for taxation	1,00,000	Preliminary expenses	2,00,000
	<u>2,41,00,000</u>		<u>2,41,00,000</u>

The following scheme of reorganization is sanctioned:

- (i) All the existing equity shares are reduced to Rs.40 each.
- (ii) All preference shares are reduced to Rs.60 each.
- (iii) The rate of interest on debentures is increased to 12%. The debentureholders surrender their existing debentures of Rs.100 each and exchange the same for fresh debentures of Rs.70 each for every debenture held by them.
- (iv) One of the creditors of the company to whom the company owes Rs.20,00,000 decides to forgo 40% of his claim. He is allotted 30,000 equity shares of Rs.40 each in full satisfaction of his claim.
- (v) Fixed assets are to be written down by 30%.
- (vi) Current assets are to be revalued at Rs.45,00,000.
- (vii) The taxation liability of the company is settled at Rs.1,50,000.
- (viii) Investments to be brought to their market value.
- (ix) It is decided to write off the fictitious assets.

Pass Journal entries and show the Balance sheet of the company after giving effect to the above.

(16 Marks) (PE-II – May, 2007)

Question 5

The following figures have been extracted from the Books of X Limited for the year ended on 31.3.2004. You are required to prepare a cash flow statement.

- (i) Net profit before taking into account income tax and income from law suits but after taking into account the following items was Rs. 20 lakhs:
 - (a) Depreciation on Fixed Assets Rs. 5 lakhs.
 - (b) Discount on issue of Debentures written off Rs. 30,000.
 - (c) Interest on Debentures paid Rs. 3,50,000.
 - (d) Book value of investments Rs. 3 lakhs (Sale of Investments for Rs. 3,20,000).
 - (e) Interest received on investments Rs. 60,000.
 - (f) Compensation received Rs. 90,000 by the company in a suit filed.
- (ii) Income tax paid during the year Rs. 10,50,000.
- (iii) 15,000, 10% preference shares of Rs. 100 each were redeemed on 31.3.2004 at a premium of 5%. Further the company issued 50,000 equity shares of Rs. 10 each at a premium of 20% on 2.4.2003. Dividend on preference shares were paid at the time of redemption.
- (iv) Dividends paid for the year 2002-2003 Rs. 5 lakhs and interim dividend paid Rs. 3 lakhs for the year 2003-2004.
- (v) Land was purchased on 2.4.2003 for Rs. 2,40,000 for which the company issued 20,000 equity shares of Rs. 10 each at a premium of 20% to the land owner as consideration.
- (vi) Current assets and current liabilities in the beginning and at the end of the years were as detailed below:

	As on 31.3.2003	As on 31.3.2004
	Rs.	Rs.
Stock	12,00,000	13,18,000
Sundry Debtors	2,08,000	2,13,100
Cash in hand	1,96,300	35,300
Bills receivable	50,000	40,000
Bills payable	45,000	40,000
Sundry Creditors	1,66,000	1,71,300
Outstanding expenses	75,000	81,800

(20 marks) (PE-II – May 2005)

Question 6

Classification of activities (with two examples) as suggested in AS 3, to be used for preparing a cash flow statements.
(5 marks) (Intermediate–May 2001)

Question 7

What are the conditions, which, according to AS 14 on Accounting for Amalgamations, must be satisfied for an amalgamation in the nature of merger?

(4 Marks) (Intermediate–May 2001 and PE-II – Nov. 2006)

Question 8

Distinguish between (i) the pooling of interests method and (ii) the purchase method of recording transactions relating to amalgamation.
(3 marks) (Intermediate–May 2002)