

Note:-All questions are compulsory.

Marks:-100

Question 1

Widespread Ltd. invoices goods to its branch at cost plus 20%. The branch sells goods for cash as well as on credit. The branch meets its expenses out of cash collected from its debtors and cash sales and remits the balance of cash to head office after withholding Rs. 10,000 necessary for meeting immediate requirements of cash. On 31st March, 2000 the assets at the branch were as follows :

	Rs. ('000)
Cash in Hand	10
Trade Debtors	384
Stock, at Invoice Price	1,080
Furniture and Fittings	500

During the accounting year ended 31st March, 2001 the invoice price of goods dispatched by the head office to the branch amounted to Rs. 1 crore 32 lakhs. Out of the goods received by it, the branch sent back to head office goods invoiced at Rs. 72,000. Other transactions at the branch during the year were as follows :

	Rs. ('000)
Cash Sales	9,700
Credit Sales	3,140
Cash collected by Branch from Credit Customers	2,842
Cash Discount allowed to Debtors	58
Returns by Customers	102
Bad Debts written off	37
Expenses paid by Branch	842

On 1st January, 2001 the branch purchased new furniture for Rs.1 lakh for which payment was made by head office through a cheque.

On 31st March, 2001 branch expenses amounting to Rs. 6,000 were outstanding and cash in hand was again Rs. 10,000. Furniture is subject to depreciation @ 16% per annum on diminishing balance method.

Prepare Branch Account in the books of head office for the year ended 31st March, 2001.

(16 marks) (Intermediate–May 2001)

Question 2

Avinash, Rohit and Madwesh were carrying on business in partnership sharing Profits and Losses in the ratio of 5 : 4 : 3 respectively. The Trial Balance of the firm as on 31st March, 2002 was the following:

Particulars	Dr. (Rs.)	Cr. (Rs.)
Plant and Machinery @ cost	1,05,000	–
Stock	60,200	–
Sundry Debtors	85,000	–
Sundry Creditors	–	1,05,200

Capital A/cs:

Avinash	–	70,000
Rohit	–	50,000
Madwesh	–	30,000

Drawings A/cs:

Avinash	30,000	–
Rohit	25,000	–
Madwesh	20,000	–

Depreciation on Plant and Machinery	–	35,000
Trading Profit for the year	–	1,29,800
Cash at Bank	<u>94,800</u>	<u>–</u>
	<u>4,20,000</u>	<u>4,20,000</u>

Additional Information:

- (a) Interest on Capital Accounts at 10% on the amount standing to the credit of partners' capital accounts at the beginning of the year was not provided before preparing the above Trial Balance.
- (b) On 31st March, 2002 they formed a Private Ltd. Company Anagha (P) Ltd. to take over the partnership business.
- (c) You are further informed as under:
 - (i) Plant and Machinery is to be transferred at Rs. 80,000.
 - (ii) Equity Shares of Rs. 10 each of the company are to be issued to the partners at par in such numbers to ensure that by reason of their share holdings alone, they will have the same rights of sharing Profits and Losses as they had in the partnership. Balance, if any in their Capital Accounts, will be settled by giving 7½% Preference Shares at par.
 - (iii) Before transferring the business, the partners withdrew by cash from partnership the following amounts over and above the drawings as shown in the Trial Balance:

(a)	Avinash	Rs. 20,000
(b)	Rohit	Rs. 10,600
(c)	Madwesh	Rs. 14,200
 - (iv) All Assets and Liabilities except Plant and Machinery and the Bank Balance are to be transferred at their value in the books of the partnership as at 31st March, 2002.
 - (v) You are required to prepare:
 - (a) Profit and Loss Adjustment Account for the year ending 31st March, 2002.
 - (b) Capital Accounts showing all the adjustments required to dissolve the partnership
 - (c) A statement showing the number of shares of each class to be issued by the company to each of the partners to settle their accounts.

- (d) Prepare Balance Sheet of the company Anagha (P) Ltd. as on 31.03.2002 after take over of the business.
(16 marks) (PE-II – Nov. 2002)

Question 3

From the following information as on 31st March, 2002, prepare the Revenue Accounts of Sagar Bhima Co. Ltd. engaged in Marine Insurance Business:

Particulars	Direct Business (Rs.)	Re-insurance (Rs.)
I. Premium :		
Received	24,00,000	3,60,000
Receivable – 1st April, 2001	1,20,000	21,000
– 31st March, 2002	1,80,000	28,000
Premium paid	2,40,000	–
Payable – 1st April, 2001	–	20,000
– 31st March, 2002	–	42,000
II. Claims :		
Paid	16,50,000	1,25,000
Payable – 1st April, 2001	95,000	13,000
– 31st March, 2002	1,75,000	22,000
Received	–	1,00,000
Receivable – 1st April, 2001	–	9,000
– 31st March, 2002	–	12,000
III. Commission :		
On Insurance accepted	1,50,000	11,000
On Insurance ceded	–	14,000

Other expenses and income:

Salaries – Rs. 2,60,000; Rent, Rates and Taxes – Rs. 18,000; Printing and Stationery – Rs. 23,000; Indian Income Tax paid – Rs. 2,40,000; Interest, Dividend and Rent received (net) – Rs. 1,15,500; Income Tax deducted at source – Rs. 24,500; Legal Expenses (Inclusive of Rs. 20,000 in connection with the settlement of claims) – Rs. 60,000; Bad Debts – Rs. 5,000; Double Income Tax refund – Rs. 12,000; Profit on Sale of Motor car Rs. 5,000.

Balance of Fund on 1st April, 2001 was Rs. 26,50,000 including Additional Reserve of Rs. 3,25,000. Additional Reserve has to be maintained at 5% of the net premium of the year.

(16 marks) (PE-II–Nov. 2002)

Question 4

Power Electric Company decides to replace one of its old plant by an improved plant with larger capacity. The cost of the new plant is Rs. 16,00,000.

Materials and Labour earlier and now are in the ratio of 4 : 6.

Original cost of the old plant is Rs. 3,00,000. Materials cost has gone up by $2\frac{1}{2}$ times and Labour cost by 3 times since then. Old materials worth Rs. 10,000 were used in the construction of the new plant and Rs. 20,000 were realised from the sale of old materials.

Give the necessary Journal Entries for recording the above transactions.

(6 marks) (PE-II–Nov. 2004)

Question 5

Bidisha Bank Ltd. had extended the following credit lines to a Small Scale Industry which had not paid any interest since March, 1995.

	Term Loan	Export Credit
Balance outstanding on 31.3.2001	Rs. 70 Lacs	Rs. 60. Lacs
DICGC/ECGC Cover	50%	40%
Securities held	Rs. 30 Lacs	Rs. 25 Lacs
Realisable value of securities	Rs. 20 Lacs	Rs. 15 Lacs

Compute the necessary provisions to be made for the year ended 31st March, 2001

(6 marks) (Intermediate–May 2002)

Question 6

FGH Ltd. has three departments I.J.K. The following information is provided for the year ended 31.3.2004:

	I	J	K
	Rs.	Rs.	Rs.
Opening stock	5,000	8,000	19,000
Opening reserve for unrealised profit	—	2,000	3,000
Materials consumed	16,000	20,000	—
Direct labour	9,000	10,000	—
Closing stock	5,000	20,000	5,000
Sales	—	—	80,000
Area occupied (sq. mtr.)	2,500	1,500	1,000

No. of employees	30	20	10
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Stocks of each department are valued at costs to the department concerned. Stocks of I are transferred to J at cost plus 20% and stocks of J are transferred to K at a gross profit of 20% on sales. Other common expenses are salaries and staff welfare Rs. 18,000, rent Rs. 6,000.

Prepare Departmental Trading, Profit and Loss Account for the year ending 31.3.2004.

(10 marks) (PE-II–Nov. 2004)

Question 7

Liquidation of YZ Ltd. commenced on 2nd April, 2004. Certain creditors could not receive payments out of the realisation of assets and out of the contributions from A list contributories. The following are the details of certain transfers which took place in 2003 and 2004:

Shareholders	No. of Shares transferred	Date of Ceasing to be a member	Creditors remaining unpaid and outstanding on the date of such transfer
A	2,000	1st March, 2003	Rs. 5,000
P	1,500	1st May, 2003	Rs. 3,300
Q	1,000	1st October, 2003	Rs. 4,300
R	500	1st November, 2003	Rs. 4,600
S	300	1st February, 2004	Rs. 6,000

All the shares were of Rs. 10 each, Rs. 8 per share paid up. Show the amount to be realised from the various persons listed above ignoring expenses and remuneration to liquidator etc.

(8 marks) (PE-II–Nov. 2004)

Question 8

A joint stock company resolved to issue 10 lakh equity shares of Rs. 10 each at a premium of Re. 1 per share. One lakh of these shares were taken up by the directors of the company, their relatives, associates and friends, the entire amount being received forthwith. The remaining shares were offered to the public, the entire amount being asked for with applications.

The issue was underwritten by X, Y and Z for a commission @2% of the issue price, 65% of the issue was underwritten by X, while Y's and Z's shares were 25% and 10% respectively. Their firm underwriting was as follows :

X 30,000 shares, Y 20,000 shares and Z 10,000 shares. The underwriters were to submit unmarked applications for shares underwritten firm with full application money along with members of the general public.

Marked applications were as follows:

X 1,19,500 shares, Y 57,500 shares and Z 10,500 shares.

Unmarked applications totalled 7,00,000 shares.

Accounts with the underwriters were promptly settled.

You are required to :

- (i) Prepare a statements calculating underwriters' liability for shares other than shares underwritten firm.*
- (ii) Pass journal entries for all the transactions including cash transactions.*

(16 marks) (Intermediate–May 2001)

Question 9

Unexpired Risks Reserve (6 marks) (Intermediate–May 1995 and PE-II–Nov. 2004)

Exams important for the students of IPCC