

Note:- All questions are compulsory.

Marks:-100

Question 1

The Washington branch of XYZ Limited, Mumbai sent the following trial balance as on 31st December, 2007:

	\$	\$
Head office A/c	—	22,800
Sales	—	84,000
Debtors and creditors	4,800	3,400
Machinery	24,000	—
Cash at bank	1,200	—
Stock, 1 January, 2007	11,200	—
Goods from H.O.	64,000	—
Expenses	<u>5,000</u>	<u>—</u>
	<u>1,10,200</u>	<u>1,10,200</u>

In the books of head office, the Branch A/c stood as follows:

Washington Branch A/c

	Rs.		Rs.
To Balance b/d	8,10,000	By Cash	28,76,000
To Goods sent to branch	<u>29,26,000</u>	By Balance c/d	<u>8,60,000</u>
	<u>37,36,000</u>		<u>37,36,000</u>

Goods are sent to the branch at cost plus 10% and the branch sells goods at invoice price plus 25%. Machinery was acquired on 31st January, 2002, when \$ 1.00 = Rs.40.

Rates of exchange were:

1 st January, 2007	\$ 1.00	=	Rs.46
31 st December, 2007	\$ 1.00	=	Rs.48
Average	\$ 1.00	=	Rs.47

Machinery is depreciated @ 10% and the branch manager is entitled to a commission of 5% on the profits of the branch.

You are required to:

- Prepare the Branch Trading & Profit & Loss A/c in dollars.
- Convert the Trial Balance of branch into Indian currency and prepare Branch Trading & Profit and Loss A/c and the Branch A/c in the books of head office.

(16 Marks) (PE II- May, 2008)

Question 2

S and T were carrying on business as equal partners. Their Balance Sheet as on 31st March, 2007 stood as follows:

<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
<i>Capital accounts:</i>		<i>Stock</i>	<i>2,70,000</i>
<i>S</i>	<i>6,40,000</i>	<i>Debtors</i>	<i>3,65,000</i>
<i>T</i>	<i><u>6,60,000</u></i>	<i>Furniture</i>	<i>75,000</i>
<i>Creditors</i>	<i>3,27,500</i>	<i>Joint life policy</i>	<i>47,500</i>
<i>Bank overdraft</i>	<i>1,50,000</i>	<i>Plant</i>	<i>1,72,500</i>
<i>Bills payable</i>	<i><u>62,500</u></i>	<i>Building</i>	<i><u>9,10,000</u></i>
	<i><u>18,40,000</u></i>		<i><u>18,40,000</u></i>

The operations of the business was carried on till 30th September, 2007. S and T both withdrew in equal amounts, half the amount of profits made during the current period of 6 months after 10% p.a. had been written off on building and plant and 5% p.a. written off on furniture. During the current period of 6 months, creditors were reduced by Rs.50,000, Bills payables by Rs.11,500 and bank overdraft by Rs.75,000. The Joint life policy was surrendered for Rs.47,500 on 30th September, 2007. Stock was valued at Rs.3,17,000 and debtors at Rs.3,25,000 on 30th September, 2007. The other items remained the same as they were on 31st March, 2007.

On 30th September, 2007 the firm sold its business to ST Ltd. The goodwill was estimated at Rs.5,40,000 and the remaining assets were valued on the basis of the balance sheet as on 30th September, 2007. The ST Ltd. paid the purchase consideration in equity shares of Rs.10 each. You are required to prepare a Realisation account and Capital accounts of the partners.

(16 Marks) (PE II- May, 2008)

Question 3

Following information is furnished to you by Sound Bank Ltd. for the year ended 31st March, 2008:

	<i>(Rs. in thousands)</i>
<i>Interest and discount - (Income)</i>	<i>8,860</i>
<i>Interest on public deposits – (Expenditure)</i>	<i>2,720</i>
<i>Operating expenses</i>	<i>2,662</i>
<i>Other incomes</i>	<i>250</i>
<i>Provisions and contingencies (it includes provision in respect of Non-performing Assets (NPAs) and tax provisions)</i>	<i>2,004</i>
<i>Rebate on bills discounted to be provided for as on 31.3.2008</i>	<i>30</i>

Classification of Advances:

<i>Standard Assets</i>	<i>5,000</i>
<i>Sub-standard Assets</i>	<i>1,120</i>
<i>Doubtful Assets – fully unsecured</i>	<i>200</i>
<i>Doubtful assets – fully secured</i>	

Exams important questions for IPCC students

<i>Less than 1 year</i>	50
<i>More than 1 year but less than 3 years</i>	300
<i>More than 3 years</i>	300
<i>Loss assets</i>	200

You are required to prepare:

- (i) *Profit and Loss Account of the Bank for the year ended 31st March, 2008.*
- (ii) *Provision in respect of advances.* (8 Marks) (PE II- Nov. 2008)

Question 4

Heaven Life Insurance Co. furnishes you the following information:

	Rs.
<i>Life Insurance fund on 31.3.2008</i>	52,00,000
<i>Net liability on 31.3.2008 as per actuarial valuation</i>	40,00,000
<i>Interim bonus paid to policyholders during intervaluation period</i>	3,00,000

You are required to prepare:

- (i) *Valuation Balance Sheet;*
- (ii) *Statement of Net Profit for the valuation period; and*
- (iii) *Amount due to the policyholders.* (8 Marks)(PE II- Nov. 2008)

Question 5

'H' Electricity Company earned a profit of Rs.60,00,000 (after tax) after paying Rs.48,000 at 12% interest on debentures for the year ended 31.3.2007. The following further information is supplied to you:

	Rs.
<i>Share Capital</i>	2,50,00,000
<i>Reserve Fund Investment (invested in 8% Government Securities at par)</i>	60,00,000
<i>Contingencies Reserve Fund Investment (7%)</i>	25,00,000
<i>Loan from State Electricity Board</i>	50,00,000
<i>Development Reserve</i>	16,00,000
<i>Fixed Assets</i>	6,00,00,000
<i>Depreciation Reserve on Fixed Assets</i>	60,00,000
<i>Security Deposits of customers</i>	80,00,000
<i>Amount contributed by consumers towards cost of Fixed Assets</i>	4,50,000
<i>Intangible Assets</i>	17,50,000
<i>Tariffs and Dividends Control Reserve</i>	22,00,000
<i>Monthly average of Current Assets including amount due from customers Rs.5,00,000</i>	36,00,000

Show, how the profits of the company will be dealt with under the provisions of the Electricity Act, assuming the bank rate of the year was 8%. All working notes should form part of your answer.

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

Question 6

Classification of advances in the case of a Banking Company.

(5 Marks) (Intermediate–Nov. 1996 and Nov. 2000)

Question 7

Give accounting entries pertaining to re-insurance business ceded to and by an insurance company and also corresponding commission entries?

(4 marks)(Intermediate Nov. 1999)

Question 8

Main features of “Double Accounts” system of presentation of financial information in the case of public utility concern.

(5 marks) (Intermediate–May 1995, Nov. 1997 and May 1999)

Question 9

Overriding preferential payments under section 529A of the Companies Act, 1956.

(4 marks) (Intermediate May 2000)

Question 7

The following particulars relate to a Limited Company which has gone into voluntary liquidation. You are required to prepare the Liquidator’s Statement of Account allowing for his remuneration @ 2½% on all assets realized excluding call money received and 2% on the amount paid to unsecured creditors including preferential creditors.

Share capital issued:

10,000 Preference shares of Rs.100 each fully paid up.

50,000 Equity shares of Rs.10 each fully paid up.

30,000 Equity shares of Rs.10 each, Rs.8 paid up.

Assets realized Rs.20,00,000 excluding the amount realized by sale of securities held by partly secured creditors.

	Rs.
<i>Preferential creditors</i>	<i>50,000</i>
<i>Unsecured creditors</i>	<i>18,00,000</i>
<i>Partly secured creditors (Assets realized Rs.3,20,000)</i>	<i>3,50,000</i>
<i>Debentureholders having floating charge on all assets of the company</i>	<i>6,00,000</i>

Expenses of liquidation

10,000

A call of Rs.2 per share on the partly paid equity shares was duly received except in case of one shareholder owning 1,000 shares.

Also calculate the percentage of amount paid to the unsecured creditors to the total unsecured creditors.
(10 Marks) (PE II - Nov. 2007)

Question 4

Gemini Ltd. came up with public issue of 30,00,000 Equity shares of Rs. 10 each at Rs. 15 per share. A, B and C took underwriting of the issue in 3 : 2 : 1 ratio.

Applications were received for 27,00,000 shares.

The marked applications were received as under:

A	8,00,000 shares
B	7,00,000 shares
C	6,00,000 shares

Commission payable to underwriters is at 5% on the face value of shares.

(i) Compute the liability of each underwriter as regards the number of shares to be taken up.

(ii) Pass journal entries in the books of Gemini Ltd. to record the transactions relating to underwriters. (8 Marks)(PE II- Nov. 2008)