

Exams important questions for IPCC students

Question 1

Red and Co. of Mumbai started a branch at Bangalore on 1.4.2006 to which goods were sent at 20% above cost. The branch makes both cash sales and credit sales. Branch expenses are met from branch cash and balance money remitted to H.O. The branch does not maintain double entry books of account and necessary accounts relating to branch are maintained in H.O. Following further details are given for the year ending on 31.3.2007:

	Rs.
<i>Cost of goods sent to branch</i>	<i>1,00,000</i>
<i>Goods received by branch till 31.3.2007 at Invoice price</i>	<i>1,08,000</i>
<i>Credit sales for the year</i>	<i>1,16,000</i>
<i>Closing debtors on 31.3.2007</i>	<i>41,600</i>
<i>Bad debts written off during the year</i>	<i>400</i>
<i>Cash remitted to H.O.</i>	<i>86,000</i>
<i>Closing cash on hand at branch on 31.3.2007</i>	<i>4,000</i>
<i>Cash remitted by H.O. to branch during the year</i>	<i>6,000</i>
<i>Closing stock in hand at branch at invoice price</i>	<i>12,000</i>
<i>Expenses incurred at branch</i>	<i>24,000</i>

Draw up the necessary Ledger Accounts like Branch Debtors Account, Branch Stock Account, Goods sent to Branch Account, Branch Cash Account, Branch Expenses Account and Branch Adjustment A/c for ascertaining gross profit and Branch Profit and Loss A/c for ascertaining Branch profit. (16 Marks) (PE II- May, 2007)

Question 2

A, B and C carried on business in partnership, sharing Profits and Losses in the ratio of 1:2:3. They decided to form a private limited company, AB (P) Ltd. and C is not interested to take over the shares in AB (P) Ltd. The authorized share capital of the company is Rs.12,00,000 divided into 12,000 ordinary shares of Rs.100 each.

The company was incorporated and took over goodwill as valued and certain assets of the partnership firm on 31.3.2006. The Balance Sheet of the partnership firm on that date was as follows:

<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
<u><i>Capital Accounts:</i></u>		<u><i>Fixed Assets:</i></u>	
<i>A</i>	<i>1,00,000</i>	<i>Machinery</i>	<i>1,20,000</i>
<i>B</i>	<i>2,00,000</i>	<i>Land</i>	<i>1,74,000</i>
<i>C</i>	<i>3,00,000</i>	<i>Motorcycles</i>	<i>30,000</i>
<u><i>Current Accounts:</i></u>		<i>Furniture & fittings</i>	<i>11,000</i>
<i>A</i>	<i>39,420</i>	<u><i>Current Assets:</i></u>	
<i>B</i>	<i>60,580</i>	<i>Stock</i>	<i>2,35,000</i>
<i>A's Loan A/c</i>	<i>28,000</i>	<i>Debtors</i>	<i>43,000</i>
<i>(+) Interest accrued</i>	<u><i>2,000</i></u>	<i>Cash in hand</i>	<i>87,000</i>
<i>Current Liability:</i>		<i>C's overdrawn</i>	<i>1,00,000</i>

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<i>Creditors</i>	<u>70,000</u>	<u>8,00,000</u>
	<u>8,00,000</u>	<u>8,00,000</u>

C, who retired was presented by the other partners (A and B) with one motorcycle valued in the books of the firm Rs.9,000. The remaining motorcycles were sold in the open market for Rs.13,000. C also received certain furniture for which he was charged Rs.2,000. The debtors which were all considered good, were taken over by C for Rs.40,000. A and B were charged in their profit sharing ratio for the book value of Motorcycle presented by them to C.

It was agreed that C who is not willing to take the shares in AB (P) Ltd. was discharged first by providing necessary cash. A and B should bring cash, if necessary.

AB (P) Ltd. took over the remaining furniture and fittings at a price of Rs.13,000, the machinery for Rs.1,25,000, the stock at an agreed value of Rs.2,00,000 and the land at its book value. The value of the goodwill of the partnership firm was agreed at Rs.88,000. The creditors of the firm were settled by the firm for Rs.70,000. A's loan account together with interest accrued was transferred to his capital account.

The purchase consideration was discharged by the company by the issue of equal number of fully paid up equity shares at par to A and B.

Prepare Realisation A/c, Capital A/cs of the partners and Cash A/c. Also draw the Balance Sheet of AB (P) Ltd.
(20 Marks) (PE-II – May, 2007))

Question 3

The following are the figures extracted from the books of New Generation Bank Limited as on 31.3.2008:

	Rs.
<i>Interest and discount received</i>	37,05,738
<i>Interest paid on deposits</i>	20,37,452
<i>Issued and subscribed capital</i>	10,00,000
<i>Salaries and allowances</i>	2,00,000
<i>Directors fee and allowances</i>	30,000
<i>Rent and taxes paid</i>	90,000
<i>Postage and telegrams</i>	60,286
<i>Statutory reserve fund</i>	8,00,000
<i>Commission, exchange and brokerage</i>	1,90,000
<i>Rent received</i>	65,000
<i>Profit on sale of investments</i>	2,00,000
 <i>Depreciation on bank's properties</i>	 30,000
<i>Statutory expenses</i>	40,000

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Preliminary expenses	25,000
Auditor's fee	5,000

The following further information is given:

- (i) A customer to whom a sum of Rs.10 lakhs has been advanced has become insolvent and it is expected only 50% can be recovered from his estate.
- (ii) There were also other debts for which a provision of Rs.1,50,000 was found necessary by the auditors.
- (iii) Rebate on bills discounted on 31.3.2007 was Rs.12,000 and on 31.3.2008 was Rs.16,000.
- (iv) Provide Rs.6,50,000 for Income-tax.
- (v) The directors desire to declare 10% dividend.

Prepare the Profit and Loss account of New Generation Bank Limited for the year ended 31.3.2008 and also show, how the Profit and Loss account will appear in the Balance Sheet, if the Profit and Loss account opening balance was Nil as on 31.3.2007.

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

Question 4

Prepare the Fire Insurance Revenue A/c as per IRDA regulations for the year ended 31st March, 2008 from the following details:

	Rs.
Claims paid	4,90,000
Legal expenses regarding claims	10,000
Premiums received	13,00,000
Re-insurance premium paid	1,00,000
Commission	3,00,000
Expenses of management	2,00,000
Provision against unexpired risk on 1 st April, 2007	5,50,000
Claims unpaid on 1 st April, 2007	50,000
Claims unpaid on 31 st March, 2008	80,000

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

Question 5

X Electricity Company Limited decides to replace one of its old plants with a modern one in April, 2006. The plant when installed in the year 2000, costed the company Rs.26 lakhs, the components of materials and labour being in the ratio of 7:3. It is ascertained that the cost of labour and materials have risen by 30% and 25% respectively. The cost of new plant is Rs.66 lakhs and in addition old materials worth Rs.92,000 are reused. Old materials worth Rs.1,68,000 are sold. Under double account system compute the following:

- (i) The amount to be written off to Revenue A/c.
- (ii) The amount to be capitalized.

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(iii) Draw up the necessary Journal entries.

(iv) Draw up the Replacement Account.

(10 Marks)(PE II – May, 2007)

Question 6

The position of Valueless Ltd. on its liquidation is as under:

Issued and paid up Capital:

3,000 11% preference shares of Rs. 100 each fully paid.

3,000 Equity shares of Rs. 100 each fully paid.

1,000 Equity shares of Rs. 50 each Rs. 30 per share paid.

Calls in Arrears are Rs. 10,000 and Calls received in Advance Rs. 5,000. Preference Dividends are in arrears for one year. Amount left with the liquidator after discharging all liabilities is Rs. 4,13,000. Articles of Association of the company provide for payment of preference dividend arrears in priority to return of equity capital. You are required to prepare the Liquidators final statement of account. (8 marks) (PE-II–Nov. 2004)

Question 7

Scorpio Ltd. came out with an issue of 45,00,000 equity shares of Rs. 10 each at a premium of Rs. 2 per share. The promoters took 20% of the issue and the balance was offered to the public. The issue was equally underwritten by A & Co; B & Co. and C & Co.

Each underwriter took firm underwriting of 1,00,000 shares each. Subscriptions for 31,00,000 equity shares were received with marked forms for the underwriters as given below:

A & Co.	7,25,000 shares
B & Co.	8,40,000 shares
C & Co.	<u>13,10,000</u> shares
Total	<u>28,75,000</u> shares

The underwriters are eligible for a commission of 5% on face value of shares. The entire amount towards shares subscription has to be paid alongwith application. You are required to:

- (a) Compute the underwriters liability (number of shares)
- (b) Compute the amounts payable or due to underwriters; and
- (c) Pass necessary journal entries in the books of Scorpio Ltd. relating to underwriting.

(16 Marks) (PE-II – Nov. 2005)

Question 8

“Receipt and payment on capital account” and “General Balance Sheet” of a public utility.

(5 marks) (Intermediate–May 2000)

Question 8

Write a short note on Firm underwriting and Partial underwriting along with firm underwriting.

(4 marks) (PE – II–May 2004)

Question 10

Pessimist Ltd. has gone into liquidation on 10th May, 2000. The details of members, who have ceased to be members, within the year ended 31st March, 2000 are given below. The debts that could not be paid

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out of realisation of assets and contribution from present membs ('A' contributories) are also given with their date-wise break up. Shares are of Rs. 10 each, Rs. 6 per share paid up.

You are to determine the amount realisable from each person.

<i>Shareholders</i>	<i>No. of shares transferred</i>	<i>Date of transfer</i>	<i>Proportionate unpaid debts</i>
<i>P</i>	<i>1,000</i>	<i>20.04.1999</i>	<i>3,000</i>
<i>Q</i>	<i>1,200</i>	<i>15.05.1999</i>	<i>5,000</i>
<i>R</i>	<i>1,500</i>	<i>18.09.1999</i>	<i>9,200</i>
<i>S</i>	<i>800</i>	<i>24.12.1999</i>	<i>10,500</i>
<i>T</i>	<i>500</i>	<i>12.03.2000</i>	<i>11,000</i>

(7 marks)(Intermediate Nov. 2000)