



B.Com. (Semester – V) Examination, October 2014
Major – I : Financial Accounting, Auditing, and Taxation
ADVANCED ACCOUNTING – I

Duration : 2 Hours

Total Marks : 80

- Instructions :** 1) Question No. 1 is **compulsory**.
2) Attempt **any three** questions from the **remaining**.
3) **Each** question carries **20** marks.
4) Working notes required **wherever** necessary.

1. Sun Moon Ltd. Decided to redeem their preference shares on 31st March, 2014.
On that date their balances showed the following :

2000 equity shares of		Investments (Market	
Rs. 100 each fully paid	2,00,000	Price 1,00,000	75,000
1000 8% Redeemable		Bank Balance	70,000
preference shares of		Capital Redemption Reserve	45,000
Rs.100 each fully called up	1,00,000	General Reserve	55,000
Less : Calls in arrears		Profit and Loss A/c	25,000
(final call of Rs. 20 per		Securities premium A/c	6,000
shares)	<u>2,00</u> 98,000		

On getting a reminder about payment of calls-in-arrears, preference shareholders holding 25 preference shares paid their dues. The remaining preference shareholders were not able to pay. Consequently, the directors forfeited those preference shares and re-issued them as fully paid on receiving Rs. 1,500.

To enable the redemption to be carried out, the company decided to issue 500 equity shares of Rs. 100 each at a premium of 10%. The company sold the investments at market price.

Thereafter, the preference shares were redeemed at a premium of 5%. The whereabouts of the holders of 50 preference shares could not be known and payment due to them could not be made.

After the redemption, the board of directors decided to issue one share as bonus for every two equity shares held (as increased by new issue). The bonus shares so issued were of Rs. 100 each at par.

You are required to :

Pass necessary Journal Entries to record the above transactions and prepare a Bank A/c.

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2. The following are the details regarding the receipts and the issues of material in respect of a Firm for the month of January 2014.

Receipts

- Jan. 1 Balance 150 units @ Rs. 3.30 per unit
Jan. 5 Purchase 140 units @ Rs. 3.50 per unit as per Order No. 10
Jan. 8 Purchase 90 units @ Rs. 4.60 per unit as per Order No. 12
Jan. 15 Purchase 85 units @ Rs. 5.25 per unit as per Order No. 11
Jan. 25 Purchase 45 units @ Rs. 6.75 per unit as per Order No. 13

Issues

- Jan. 10 Material Requisition No. 4 for 70 units
Jan. 12 Material Requisition No. 5 for 110 units
Jan. 20 Material Requisition No. 6 for 95 units
Jan. 28 Material Requisition No. 4 for 87 units
Jan. 31 Shortages 15 units

The firm follows the perpetual system for maintaining its store records. You are required to calculate the value of inventory on 31st January 2014 according to :

a) LIFO

b) Weighted Average

3. On 1st April 2009, Old Guards Limited issued 12% Debentures for Rs. 5,00,000 at par, redeemable at a premium of 2% after four years on 31st March 2013. To collect funds for redemption, the company decided to establish a sinking fund. The investments were made to the nearest rupee were to earn interest @ 10% per annum. Sinking fund table show that Rs. 0.2155 invested every year for four years @ 10% per annum will accumulate Re. 1.

On 31st March, 2013, the investment were sold at a loss at 1% and the debentures were duly redeemed. Ignore interest on debentures and loss on issue on debentures while preparing the Ledger Accounts.

You are required to prepare the following accounts :

- a) 12% Debenture Holders Account
b) Debenture Sinking Fund Account for four years
c) Debenture Sinking Fund Investment Account for four years.



4. A retail merchant provides you the following information of his business for the year ending on 31st December, 2013.

He deposits cash from time to time into his Bank Account and Cheques thereon are drawn both for business and private purposes. He has a van which he uses for personal purpose also and should be charged with 2/3 of the expenses and depreciation related to the van for his private use.

Any difference in the cash book may be treated as private expenditure :

Cash paid into bank (received from debtors)	22,500
Private dividend paid into bank	300
Business payments out of bank	18,300
Private payments out of bank	3,900
Cash sales	37,500
Payments for goods by cash	24,000
Direct expenses	6,000
Indirect expenses (including van expenses of Rs. 900)	2,190

Assets and Liabilities at the beginning and at the end of the period are as follows :

	1-1-2013	31-12-2013
Stock	3,000	2,250
Van	7,500	?
Trade debtors	2,100	3,000
Creditors	4,095	4,500
Cash in hand	45	60
Cash at bank	1,200	1,800

Depreciate van at 20% per annum. Expenses outstanding in respect of van Rs. 300. Included in indirect expenses are personal expenses of the proprietor amounting to Rs. 90 paid to the tailor.

Prepare Trading Profit and Loss A/c and the Balance Sheet for the financial year ending on 31st December, 2013.



5. A) Show by means of Journal Entries, how you will record the following transactions on issue and redemption :

- 1) P Ltd. issued 500, debentures of Rs. 100 each at a discount of 5%, redeemable at the end of 5 years at par.
- 2) Q Ltd. issues 500, debentures of Rs. 100 each at par redeemable at the end of 5 years at a premium of 5%.
- 3) R Ltd. Issues 500, debentures of Rs. 100 each at a discount of 5%, redeemable at the end of 5 years at a premium of 5%.
- 4) S Ltd. Issues 500, debentures of Rs. 100 each at a premium of 5%, redeemable at the end of 5 years at a premium of 5%.
- 5) T Ltd. Issued 14% debentures of Rs. 2,20,000 for cash and of Rs. 80,000 in exchange of machinery.

B) Ravi keeps his books on the Single Entry System. His statement of Assets and Liabilities as at 31st December, 2013 is as follows :

Liabilities	Amount	Assets	Amount
Sundry creditors	65,000	Land and building	20,000
Loan from Laxmibai	56,600	Furniture and fixture	3,000
Outstanding liabilities	13,400	Plant and machinery	55,000
		Stock	9,200
		Sundry debtors	75,500
		Cash	8,300

His drawings during the year amounted to Rs. 3,000, land and building are to be depreciated by 2%, furniture and fixtures by 5% and plant and machinery by 10%. Sundry debtors are to be reduced by 2%. He has used Rs. 800 worth of the stock of his business for private purposes. During the year 2013, he sold some of his household furniture for Rs. 1,000 and paid this into his business bank account. His capital at the beginning of the year was Rs. 30,000.

Prepare his statement of profit or loss for the year ended 31st December, 2013.

6. Answer the following questions :

- 1) Write a short note on "Standard Cost Method" of stock valuation. 4
- 2) Distinguish between "Single Entry System and Double Entry System". 6
- 3) Provisions of the Companies Act regarding redemption of debentures. 4
- 4) What are debentures ? Briefly explain the different types of debentures. 6