

[Total No. of Questions : 6]

B.Com. (Semester - V) Examination, October - 2011
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 whenever necessary.

Q1) Following is the Balance Sheet of Matrix Ltd. as on 31st March 2011. [20]

Liabilities	Rs.	Assets	Rs.
20,000 Equity shares of Rs.100 each fully paid	20,00,000	Fixed Assets	39,20,000
10,000 6% Redeemable Preference shares of Rs.100 each fully paid	10,00,000	Investments (Market value Rs.4,40,000)	4,00,000
Sinking Fund	2,00,000	<u>Current Assets</u>	
Share Premium	1,60,000	Stock	7,00,000
General Reserves	4,00,000	Debtors	7,00,000
Profit and Loss a/c	1,60,000	Bank balance	2,00,000
Secured Loan	10,00,000		
Unsecured Loan	3,80,000		
Current Liabilities	6,20,000		
	<u>59,20,000</u>		<u>59,20,000</u>

6% Redeemable Preference shares are to be redeemed at a premium of 10%. Fresh issue of equity shares of Rs. 100 each to be made at par to the extent required after taking into account reserves which in law are available for the purpose of redemption.

All investments to be sold at market value. Temporary Bank Overdraft was to be arranged in case of shortage of funds. Matrix Ltd redeemed its Preference shares on 1st April 2011. The payments were duly made except in case of one shareholder holding 200 Preference shares who could not be traced.

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Subsequently the company issued fully paid bonus shares in the ratio of one equity share for every four equity shares held to the existing shareholders as increased by the new issue.

Draft necessary Journal entries recording the above transactions and prepare a Balance sheet after giving effect of above transactions.

Q2) The following records of the receipts and issues of materials in a factory are obtained during the month of May 2011. [20]

1.5.11	Opening balance	1000 tons @ Rs. 20
4.5.11	Issues	400 tons
6.5.11	Receipts	1200 tons @ Rs. 14
8.5.11	Issues	1000 tons
10.5.11	Receipts	1600 tons @ Rs. 10
12.5.11	Issues	800 tons
17.5.11	Refund of surplus	400 tons @ Rs. 22
20.5.11	Shortage	200 tons
22.5.11	Issues	1600 tons
27.5.11	Refund of surplus	400 tons @ Rs. 20
31.5.11	Issues	400 tons

You are required to prepare the stores ledger in respect of the above materials for the month of May 2011 using :

- FIFO Method.
- Weighted Average Method.

Q3) Ms. Doris Reeps her books under single Entry system. An abstract of her cash transactions for the year ended 31.3.2011 was as follows : [20]

	Rs.		Rs.
To Balance b/d	10,000	By cash purchases	15,000
To Cash sales	40,000	By Wages	20,000
To Collection from Debtors	60,000	By Payment to Creditors	28,000
To Capital-further introduction	10,000	By Bills Payable paid	14,000
To Bills Receivable collected	20,000	By Salaries	8,000
		By General Expenses	4,000
		By Drawings	15,000
		By Plant purchased	10,000
		By Balance c/d	26,000
	1,40,000		1,40,000

Other particulars of her assets and liabilities as on 01.04.2010 and 31.03.2011 were as follows :

	01.04.2010	31.03.2011
	Rs.	Rs.
Plant	20,000	30,000
Furniture	2,000	2,000
Bills Payable	8,000	10,000
Bills Receivable	9,000	13,000
Sundry Debtors	22,000	25,000
Sundry Creditors	15,000	16,000
Stock in trade	20,000	15,000

You are required to prepare a Trading and Profit and Loss Account for the year ended 31.03.2011 and a Balance sheet as on that date after providing for 5% interest on initial capital and 2½% interest on further capital introduced, 5% reserve for doubtful debts, 2½% reserve on Bills Receivable, 10% depreciation on Plant and 6% depreciation on Furniture. Additional Plant purchased on 1.10.2010.

- Q4)** The following balances appeared in the books of Astha Ltd on 1st April 2010: [20]
 12% Debentures - Rs.8,00,000; 12% Debenture Sinking Fund - Rs.6,00,000; 12% Debenture Sinking Fund Investment - Rs. 6,00,000 (represented by 10% Rs.7,20,000 secured bonds of Government of India).

Annual contribution to sinking fund was Rs. 1,28,000 made on 31st March each year. On 31st March 2011 balance at bank was Rs. 4,00,000 after receipt of interest. The company sold the investments at 80% and debentures were paid off.

You are required to prepare the following accounts for the year 2010-11

- 12% Debentures Account.
- 12% Debenture Sinking Fund Account.
- 12% Debentures sinking Fund Investment Account.
- Bank Account.

- Q5) a) Ram and Shyam are partners in a firm sharing profits and losses as 3/5 and 2/5 respectively. They do not keep their books under Double Entry system and their position on 31st March 2010 and 31st March 2011 are given below. [10]

Particulars	On 31.3.2010	On 31.3.2011
	Rs.	Rs.
Plant and Machinery	1,00,000	1,00,000
Sundry Creditors	70,000	60,000
Sundry Debtors	60,900	90,000
Stock	50,000	76,500
Outstanding expenses	2,500	3,000
Furniture and Fittings	45,000	45,000
Cash at bank	10,000	24,000
Prepaid Insurance Premium	5,000	-

You are required to ascertain the profit or loss made by the firm as on 31.03.2011 after taking into consideration the following provisions :

- i) Insurance Policy matured during the year for Rs. 8,000.
 - ii) Plant and Machinery and Furniture and Fittings are to be depreciated at 10% and 6% per annum respectively.
 - iii) A bad debt reserve is to be created at 2½%.
 - iv) During the year 2010-11, Ram and Shyam withdrew from the business Rs. 12,000 and Rs. 8,000 respectively.
 - v) Interest on capital at 5% per annum.
- b) Journalise the following transactions to record the issue of debentures : [10]
- i) Issue of Rs. 6,00,000 7% Debentures at par.
 - ii) Issue of Rs. 3,00,000 4% Debentures at a discount of 10% but redeemable at par.
 - iii) Issue of Rs. 7,00,000 5% Debentures at a premium of 3% but redeemable at par.
 - iv) Issue of Rs. 5,00,000 6% Debentures at par and redeemable at a premium of 5%.
 - v) Issue of Rs. 4,00,000 4% Debentures at a discount of 5% and redeemable at 10% premium.

Q6) Answer the following questions :

- a) Write a short note on "Standard Cost Method" of inventory valuation. [4]
- b) Distinguish between Single Entry System and Double Entry System. [6]
- c) What are the provisions of the Companies Act 1956 regarding redemption of Preference shares? [4]
- d) What is a debenture? List out the different types of debentures. [6]

Q7) Following is the Balance Sheet of Matrix Ltd as on 31st March 2011

Particulars	Rs.	Particulars	Rs.
20,000 Equity shares of Rs 100 each fully paid	20,00,000	Fixed Assets	25,00,000
10,000 6% Redeemable Preference shares of Rs 100 each fully paid	10,00,000	Investments	4,00,000
Trading Stock	2,00,000	Stock	7,00,000
Share Premium	1,50,000	Debtors	3,00,000
General Reserves	4,00,000	Bank Balance	2,00,000
Profit and Loss acc	1,50,000		
Secured Loan	10,00,000		
Unsecured Loan	3,00,000		
Current Liabilities	6,00,000		
	39,20,000		39,20,000

6% Redeemable Preference shares are to be redeemed at a premium of 10%. Fresh issue of equity shares of Rs 100 each to be made at par to the extent required after taking into account reserves which in law are available for the purpose of redemption.

All investments to be sold at market value. Temporary fund arrangement was to be arranged in case of shortage of funds. Matrix Ltd redeemed its preference shares on 1st April 2011. The payments were duly made except in case of those preference holders holding 200 Preference shares who could not be traced.