

FINANCIAL ACCOUNTING- VI

Time:- 2hrs.30mins

[Marks: 75]

1. All questions are compulsory & carry equal marks.
2. Working note should be part of answer.

**Q.1. A Fill in the blanks & re-write the sentence. (Any 8)**

1. Profit or loss on sale of short-term investment is calculated by deducting \_\_\_\_\_ cost of investment from the amount realized on sale of investment.
2. As-13 deals with \_\_\_\_\_ Accounting
3. \_\_\_\_\_ currency is the currency used in presenting the financial statements.
4. Foreign Fluctuation Account is \_\_\_\_\_ Type of Account.
5. Monetary items are translated at the \_\_\_\_\_ rate at year-end.
6. \_\_\_\_\_ refers to insuring same assets with two insurance companies.
7. Provision for sub-standard assets is to be made at \_\_\_\_\_%.
8. Contingent liabilities are disclosed in schedule \_\_\_\_\_ in Banking Company Final Accounts.
9. DPIN stands for \_\_\_\_\_.
10. Profits made by LLP fully distributed in \_\_\_\_\_ ratio amongst the partners.

**B. State whether following statements are true or false (Any 7)**

1. On the purchase of bonus shares, cost of bonus share is considered nil.
2. On the sale of bonus shares, the whole sale consideration is considered as profit as the cost of acquisition of bonus shares is nil.
3. At the end of accounting year, investments held as current assets are valued at the lower of cost or market price.
4. Accounting standard 11 deals with accounting for foreign currency transactions.
5. LLP has no designate partner.
6. Inter Branch adjustment credit balance is disclosed in schedule 7.
7. Proposed dividend by banking company cannot be disclosed in accounts unless it is approved by shareholders.
8. Dental insurance is an example of General insurance.
9. Profit & Loss Account is presented by insurance companies to record incomes & expenses of individual divisions of business.
10. Balance sheet of LLP is prepared in LLP-BS format.

- Q.2.** On 1<sup>st</sup> April 2014, Dhoni had 2,00,000 shares in CSK Ltd. The face value was ₹ 10 each but the book value was ₹ 18 per share. On 1<sup>st</sup> June, 2014 he purchased 10,000 more shares in the company at a premium of ₹ 2 per share. On 30<sup>th</sup> June 2014 the directors of the company issued a bonus & right issue. Bonus was declared at the rate of one share for every ten shares held & these shares were received on 5<sup>th</sup> August 2014.

The terms of right issue were.

- a) Right shares to be issued to the existing holders on 12<sup>th</sup> August 2014.
- b) Right issue would entitle the holder to subscribe to additional shares in the company at the rate of one share per five shares held at ₹ 15 per share – the whole sum being payable on 30<sup>th</sup> September 2014.
- c) Existing shareholders may, to the extent of their entitlement, either wholly or in part, transfer their rights to outsiders.

He exercised his option of 40% of his entitlements under the issue & the balance of rights he sold for a consideration of ₹ 2 per share. Dividend for the year ending on 31<sup>st</sup> March, 2014 at a rate of 15% was declared by the company & received on 21<sup>st</sup> October 2014. On 1<sup>st</sup> November, 2014, he sold 78,000 shares at a premium of ₹ 5 per share. Each transaction was subject to Brokerage of 5% on nominal value. Show Investment Account as it would appear in the books of Dhoni for the year ending on 31<sup>st</sup> March, 2015.

**OR**

**Q.2.** From the following information Pass Journal entries & Prepare Foreign Fluctuation Account for the year ended on 31<sup>st</sup> December, 2015

- i. 10<sup>th</sup> Jan, 2015 goods worth \$ 10,000 exported to Gini & Company of Germany (\$1 = ₹ 65.50)
- ii. 20<sup>th</sup> June, 2015 payment received from G & company of Germany \$ 8,000 (\$1 = ₹ 67)
- iii. 16<sup>th</sup> August, 2015 raw material imported worth \$ 5,500 from Sin ki & Company of South Korea (\$1 = ₹ 64)
- iv. 31<sup>st</sup> August, 2015 payment made to S of South Korea \$ 5,000 (\$1 = ₹ 59.25)
- v. 10<sup>th</sup> October, 2015 \$ 20,000 received from Sin ki of South Africa as advance (\$1 = ₹ 65)
- vi. 15<sup>th</sup> October, 2015 goods worth \$ 20,000 exported to SA of South Africa (\$1 = ₹ 64.50)
- vii. 3<sup>rd</sup> November, 2015, a machine worth \$ 12,000 imported from UK industries of UK (\$1 = ₹ 64.35).

Exchange rate was ₹ 63 per \$ on 31<sup>st</sup> December 2015.

**Q.3.** The following balance have been extracted from the books of B Bank Ltd. as on 31<sup>st</sup> March, 2015.

Prepare the relevant Profit & Loss Account & Extract of Schedule – 2

<b>Particulars</b>	<b>₹</b>
Interest on Fixed Deposits	2,00,000
Profit on Sale of Investment	80,000
Interest on saving Deposits	4,00,000
Loss on sale of Fixed Asset	20,000
Commission & Brokerage (cr)	50,000
Dividend Received	10,000
Interest & Discount	15,00,000
Interest on Investments	40,000
Salaries, Allowances	1,02,000
Salary to General Manager	48,000
Director's fees	10,000
Rent & Rates	40,000
General Expenses	6,000
Stationery & printing	10,000
Audit fees	4,000

Rebate on bills discounted for unexpired term amounted to ₹ 10,000 Create provision for taxation ₹ 2,00,000 & for doubtful debts ₹ 60,000. ₹15,000 to be transferred to General Reserve.

**OR**

**Q.3. A** Sun Ltd. of Mumbai has purchased goods worth \$ 4,50,000 from Moon Ltd of USA on 15<sup>th</sup> January, 2015.

On 15<sup>th</sup> February 2015, \$45,000 has been paid.

On 31<sup>st</sup> March 2015, \$90,000 has been paid.

On 30<sup>th</sup> April, 2015, \$ 2,10,000 has been paid.

On 31<sup>st</sup> May 2015, balance has been paid

Give the Journal entries in the books of Sun Ltd. for 2014-15 & 2015-16

Accounting year ends on 31<sup>st</sup> March every year.

The exchange rate:

15 <sup>th</sup> January, 2015	\$1 = ₹ 48
15 <sup>th</sup> Feb, 2015	\$1 = ₹ 46.50
31 <sup>st</sup> March 2015	\$1 = ₹ 49
30 <sup>th</sup> April 2015	\$1 = ₹ 47
30 <sup>th</sup> May 2015	\$1 = ₹ 48
31 <sup>st</sup> March 2016	\$1 = ₹ 48.50

**B.** On 31<sup>st</sup> March 2016, the Surat Bank Ltd. held the following bills:

Date of Bill 2016	Amount ₹	Term (Days)	Discounted @ % p.a.
Feb. 11	60,000	73	09
Feb. 21	20,000	90	12
March 09	35,000	60	06

Calculate the Rebate of Bills Discounted & give the necessary journal entry for recording rebate.

**Q.4.** D & R are partners sharing Profits & Losses equally in LLP. From the following Trial Balance of the firm, prepare Income statement & Balance sheet as on 31<sup>st</sup> March, 2015

**Trial Balance as on 31<sup>st</sup> March, 2015**

	₹		₹
Stock	20,000	<b>Capital Accounts</b>	
Purchases	1,30,000	D	15,000
Sales Returns	700	R	15,000
Debtors	20,000	Commission	1,000
Wages	6,000	Rent	1,000
Royalties	1,000	Misc Income	2,000
Furniture	5,000	Sales	1,70,500
Machinery	30,000	Purchase Returns	3,200
Advertisement for 4 years	4,000	Commission	300
Salaries	3,000	Provident Fund	2,000
Provident Fund Investment	2,000	Interest on Provident Fund Investment	200
Contribution to Provident Fund	500	Reserve for Doubtful Debts	500
Insurance	500	Creditors	20,000
Cash	3,000		
<b>Drawings:</b>			
D	3,500		
R	1,500		
<b>Total</b>	<b>2,30,700</b>	<b>Total</b>	<b>2,30,700</b>

**Adjustments:-**

1. Closing Stock price ₹ 25,000; Market price ₹ 30,000.
2. D has taken goods worth ₹ 500 for his personal use.
3. Prepaid Insurance amounted to ₹ 100.
4. Depreciate Furniture by 15% & Machinery by 20%.
5. Write off ₹ 400 as bad debts & maintain the Reserve for Doubtful Debts at 3% on debtors.

**OR**

- Q.4.** From the following balances of Meghdoot General Insurance Company. Prepare Revenue accounts & Profit & loss account for the year ending 31<sup>st</sup> December, 2015. In the case of fire insurance, increase the additional reserve by 7.5% of net premium. This is to be provided in addition to the usual reserves.

	₹
Depreciation	26,500
Interest, dividend, etc received	48,000
Difference in exchange (Cr.)	780
Fire fund (1 January, 2015)	3,75,000
Marine fund (1 January, 2015)	12,30,000
Bad Debts (Fire)	4,500
Bad debts (Marine)	12,000
Auditor's fees	1,800
Director's fees	7,500
Share transfer fees	6,200
<b>Fire Department:</b>	
Outstanding claims as on 1 January, 2015	75,000
Claims paid during the year	2,00,000
Outstanding claims as on 31 December, 2015	1,48,000
<b>Marine Department</b>	
Outstanding claims as on 1 January, 2015	60,000
Claims paid during the year	4,00,000
Outstanding claims as on 31 December, 2015	2,30,000
<b>Commission paid:</b>	
Fire	1,62,000
Marine	1,35,000
Additional Reserve (fire) on 1 <sup>st</sup> January, 2015	75,000
Miscellaneous Receipts	7,500
Premium Received (including fire premium ₹ 9,00,000)	27,00,000

Outstanding Premium on 31<sup>st</sup> December, 2015 for fire business ₹ 25,000 & for Marine business ₹ 48,000. Tax to be provided @ 30%.

- Q.5. A** Write detail note on 'Classification of NPA' & 'Provisions on NPA'.  
**B.** What are the merits & limitations of Limited liability partnership firm?

**OR**

- Q.5.** Write short notes (Any 3)
1. Designated Partner
  2. Ex-Interest & Cum-Interest Investments
  3. 'Loans & Advances' by Banking Company
  4. Features of limited Liability partnership
  5. Reserve for Unexpired Risk in Insurance