

**Biyani's Think Tank**

*Concept based notes*

# **Corporate and Financial Accounting**

*(B. Com. Part-I)*

***Dr. Pawan Kumar Patodiya***

*Associate Professor*

*Dept. of Commerce & Management*

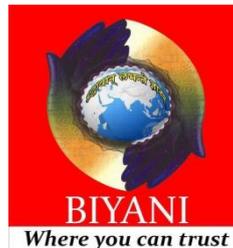
*Biyani Group of Colleges, Jaipur*

***Lokesh Tilwani***

*Lecturer*

*Dept. of Commerce & Management*

*Biyani Girls College, Jaipur*



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**Biyani Shikshan Samiti**, Sector-3, Vidhyadhar Nagar, Jaipur-302 023 (Rajasthan)

Ph : 0141-2338371, 2338591-95 | Fax : 0141-2338007

E-mail : [acad@biyanicolleges.org](mailto:acad@biyanicolleges.org)

Website : [www.gurukpo.com](http://www.gurukpo.com); [www.biyanicolleges.org](http://www.biyanicolleges.org)

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# Preface

I am glad to present this book, especially designed to serve the needs of the students. The book has been written keeping in mind the general weakness in understanding the fundamental concepts of the topics. The book is self-explanatory and adopts the “Teach Yourself” style. It is based on question-answer pattern. The language of book is quite easy and understandable based on scientific approach.

Any further improvement in the contents of the book by making corrections, omission and inclusion is keen to be achieved based on suggestions from the readers for which the author shall be obliged.

I acknowledge special thanks to Mr. Rajeev Biyani, *Chairman* & Dr. Sanjay Biyani, *Director (Acad.)* Biyani Group of Colleges, who are the backbones and main concept provider and also have been constant source of motivation throughout this Endeavour. They played an active role in coordinating the various stages of this Endeavour and spearheaded the publishing work.

I look forward to receiving valuable suggestions from professors of various educational institutions, other faculty members and students for improvement of the quality of the book. The reader may feel free to send in their comments and suggestions to the under mentioned address.

Author

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**Syllabus**  
**B.Com. Part-I**  
**Corporate & Financial Accounting**

Unit 1

Accounting principles, Conventions and concepts. General introduction of Indian accounting standards as 1 and as 9 issue of shares issue of right shares buy back of shares ESOS in present scenario

Redemption of preference share

Unit 2

Issue & redemption of debenture underwriting of shares & debentures. Acquisition of business , pre and post incorporation profit

Unit 3

Final Accounts of companies including managerial remuneration. Disposal of profits and issue of bonus shares.

Unit 4

Valuation of goodwill & valuation of shares

Unit 5

Hire Purchase and installment sale transaction valuation of inventory AS-2 insurance claims

Note: The candidate should be permitted to use battery operated pocket calculator that should not have more than 12 digits, 6 functions and 2 memories and should be noiseless and cordless.

## Content

<b>S. No.</b>	<b>Name of Topic</b>
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## Chapter-1

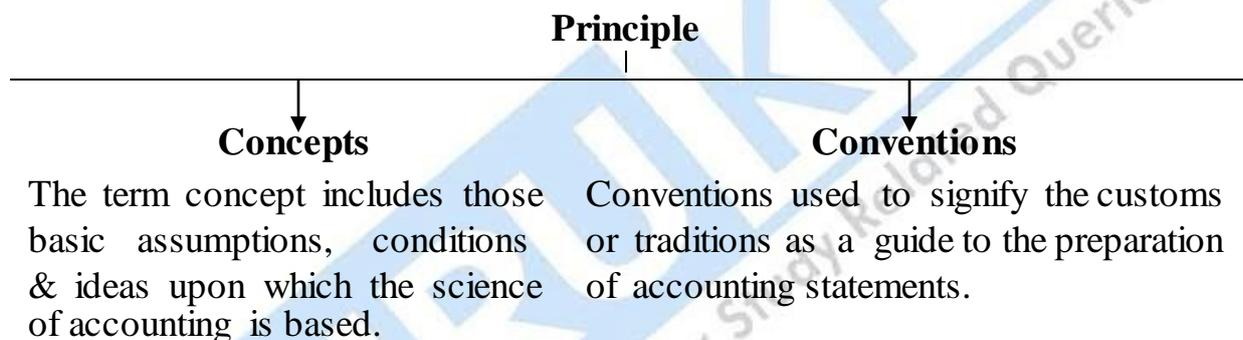
### Accounting: Principles, Concepts and Conventions

Q.1. Define Accounting? What is GAAP (Generally accepted Accounting Principles)? Explain briefly the Accounting Principles.?

Ans Accounting may be defined as the process of recording, classifying, summarizing and interpreting the financial transactions and communicating the results thereof to the persons interested in such information.

GAAP (Generally Accepted Accounting Principles): It is a technical concept that describes the basic rules, concepts, conventions and procedures that represent accepted accounting practices at a particular time.

Accounting principles can be divided into two parts:



Accounting Concepts :

- (1) **Entity Concept:** According to this concept business is treated as a separate unit and distinct from its proprietors.
- (2) **Dual Aspect Concept:** According to this concept every transaction has two sides at least. If one account is debited, any other account must be credited. Every business transaction involves duality of effects. (i) Yielding of that benefit (ii) The giving of that benefit.
- (3) **Going Concern Concept:** This concept assumes that the business will continue to exist for a long period in the future. There is neither the necessity nor the intention to liquidate it.
- (4) **Accounting Period Concept:** According to this concept the entire life of the concern is divided in time intervals for the measurement of profit at frequent intervals.
- (5) **Money Measurement Concept:** Only those transactions and events are recorded in accounting which is capable of being expressed in terms of money.

- (6) **Cost Concept** : According to this concept:
- (a) An asset is ordinarily entered in the accounting records at the price paid to acquire it.
  - (b) This cost is the basis for all the subsequent accounting for the asset.
- (7) **Matching Concept**: In determining the net profit from business operations all cost which is applicable to revenue of the period should be charged against that revenue.
- (8) **Accrual Concept**: This concept helps in relating the expenses to revenue for a given accounting period.
- (9) **Realization Concept**: According to this concept, revenue is recognized when sale is made and sale is considered to be made when a goods passes to the buyer and he becomes legally liable to pay for it.
- (10) **Verifiable objectivity Concept**: This concept means that all accounting transactions that are recorded in the books of accounts should be evidenced and supported by business documents.

Conventions: Accounting conventions are of following types:-

- (1) **Convention of Disclosure**: According to this convention accounting reports should disclose fully and fairly the information they purport to represent. The information which are of material interest to proprietors.
- (2) **Convention of Materiality**: The accountant should attach importance to material details and ignore insignificant details.
- (3) **Convention of Consistency**: This convention describes that accounting principles and methods should remain consistent in order to enable the management to compare the results of the two periods. These principles should not be changed year after year.
- (4) **Convention of Conservatism**: According to this convention, in the books of accounts all anticipated losses should be recorded and all anticipated gains should be ignored.

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## Chapter-2

### Accounting Standard

Q.1. Define Accounting Standards and discuss important features of AS-I, AS-9, AS-14, AS-20.

Ans.: Accounting Standard: Accounting standards are the policy documents issued by the recognized expert accountancy body relating to various aspects of measurements, treatment and disclosure of accounting transactions and events.

**AS-I : Disclosure of Accounting Policies :** The standard issued by Accounting standard Board (ASB) deals with the disclosure of significant accounting policies followed in preparing and presenting financial statements. Such disclosure would facilitate a meaningful comparison between financial statements of different enterprise. Following points are considered in this disclosure:

Going concern, consistency and accrual have been generally accepted as fundamental accounting assumptions.

The accounting policies refer to the specific accounting principles and the methods of applying those principles adopted by the enterprise in the preparation and presentation of financial statements.

The areas in which different accounting policies may be adopted are :-

- Methods of depreciation, depletion and amortization.
- Valuation of Inventories, Investments, Goodwill, fixed assets.
- Treatment of Contingent liabilities, retirement benefits.
- The basis for the selection of accounting policies is that they should represent a true and fair view of the state of affairs of the enterprise.
- Prudence, Substance over form and Materiality are the major consideration governing the selection of accounting policies.
- Any change in an accounting policy which has a material effect should be disclosed and the significant accounting policies should normally be disclosed in one place.

**AS-9: Revenue Recognition:** Revenue recognition is mainly concerned with the timing of recognition of revenue in the statement of profit and loss of an enterprise. The amount of revenue arising on a transaction is usually determined by agreement between the parties involved in the transaction. The statement is concerned with the bases for recognition of revenue in the statement of profit and loss account of an enterprise.

The statement is concerned with the recognition of revenue arising in the course of the ordinary activities of the enterprise from:-

- The sale of goods;
- The rendering of services; and
- The use by others of enterprise resources yielding interest, royalty and dividends.

**Sale of Goods** : A key criterion for determine when to recognize revenue from a transaction involving the sale of goods is that the seller has transferred the property in the goods to the buyer for a consideration. The transfer of property in goods, in most cases, results in or coincides with the transfer of significant risk and rewards of ownership to the buyer.

**Rendering of Services**: Revenue from service transaction is usually recognized as the services is performed, either by the proportionate completion method or by the completed service method

- I. **Proportionate completion method**: - Performance consists of the execution of more than one act. Revenue is recognized under this method would be determined on the basis of contract value, associated costs, number of acts or other suitable basis.
- II. **Completed service method**: - Performance consists of the execution of a single act. Revenue is recognized when the sale of final act takes place.

The use by others of Enterprise Resources Yielding interest, Royalties and Dividends.

- I. **Interest accrues** (for the use of cash resources) is recognized on the time basis determined by the amount outstanding.
- II. **Royalties accrue** (for the use of know how, patents, trade marks) in accordance with the terms of relevant agreement.
- III. **Dividends** – rewards (from the holding of investment in shares) is recognized when a right to receive payment is established.

Recognition of revenue requires that revenue is measurable and that at the time of sale of goods, or the rendering of services it would not be unreasonable to expect ultimate collection.

**AS-14 : Accounting for Amalgamations (Come into effect from 1 -4-1995):**

This Statement deals with accounting for amalgamations and the treatment of any resultant goodwill or reserves. This statement is directed principally to companies although some of its requirements also apply to financial statement of other enterprise.

The following terms are used in this statement with the meaning specified :-

- a. Amalgamation means an amalgamation present to the provision of the companies act 1956 or any other statute which may be applicable to companies.
- b. Transferor Company means the company which is amalgamated into another company.
- c. Transferee Company into which a transferor company is amalgamated. An Amalgamation may be either: (a) in the nature of merger, or (b) in the nature of purchase.

In case of an amalgamation in the nature of merger following conditions should be satisfied:-

- a. All assets and liabilities will be the assets and liabilities of Transferee Company.
- b. Share holders holding not less than 90% of the face value of the equity shares of the transferor company will be the shareholder of Transferee Company.
- c. Payment will be made in equity shares to the equity share holders except cash may be paid in respect of any fractional shares.
- d. Business of the transferor company will be continued by the Transferee Company.
- e. Book values will be same in the books of Transferee Company.

When any one or more above conditions are not satisfied, an amalgamation should be considered to be an amalgamation in the nature of purchase.

For an amalgamation in the nature of merger, pooling of interest method is applied and for an amalgamation in the nature of purchase – purchase method is applied.

**AS-20: Earning Per Share (Come into effect from 1 -4-2001) :** It is mandatory in nature, from that date, in respect of enterprise whose equity shares are listed on a recognized stock exchange in India.

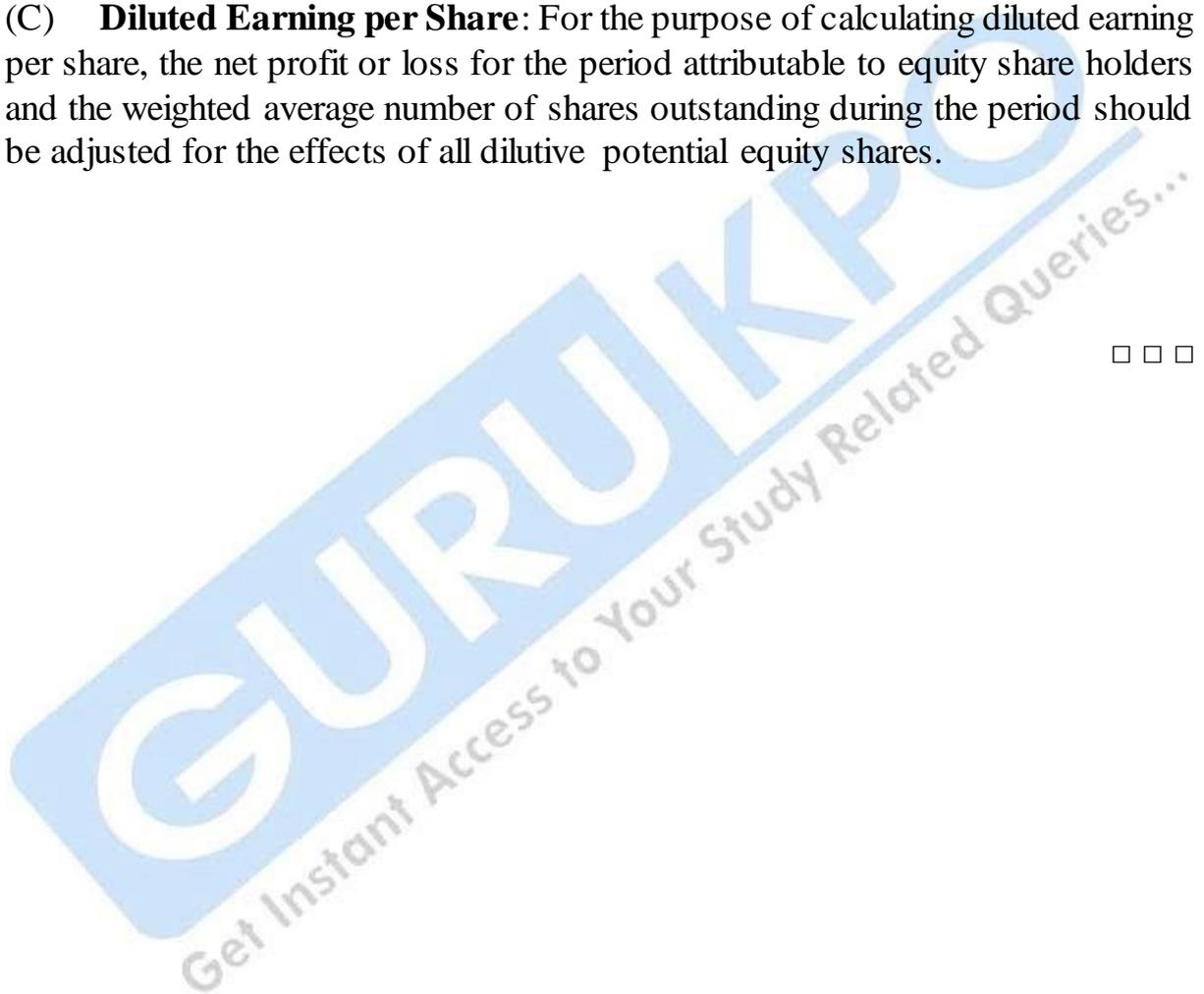
The objective of this statement is to prescribe principles for the determination and presentation of earning per share which will improve comparison of performance among different enterprises for the same period and among different accounting periods for the same enterprise. An enterprise should present basic and diluted earnings per share on the face of the statement of profit and loss for each class of equity shares that has a different right to share in the net profit for the period.

(A) **Basic Earning per Share:** Basic earnings per share should be calculated by dividing the net profit or loss (after deducting preference dividend and any attributable tax there to) for the period, attributable to equity share holder by the weighted average number of equity shares outstanding during the period.

(B) **Fair Value per Share:** Fair value per share is calculated by adding the aggregate fair value of the shares immediately prior to the exercise of the rights to the proceeds from the exercise of the rights, and dividing by the number of shares outstanding after the exercise of the rights.

(C) **Diluted Earning per Share:** For the purpose of calculating diluted earning per share, the net profit or loss for the period attributable to equity share holders and the weighted average number of shares outstanding during the period should be adjusted for the effects of all dilutive potential equity shares.

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(vii) **Irredeemable Preference Shares:** The capital of which can not be refunded before winding up of the company.

(viii) **Non-Participating Preference Shares:** Shares which do not carry the right of sharing in the surplus left after paying equity dividend.

(ix) **Cumulative Convertible Preference Shares:** Which are cumulative as well as convertible having both the rights.

(2) **Equity shares:** They are such shares which carry no special rights as regards receipt of dividends and return of capital at the time of liquidation. According to sec. 5(2) of companies Act, 1956, equity shares are those which are not preference shares.

Q.3.Explain the meaning of Share Capital and Its Categories.

Ans.: Share Capital: Capital raised by the company from issue of shares.

(1) **Authorized Capital:** This is the maximum limit of capital which is authorized to raise.

(2) **Issued Capital:** It is that part of authorized capital which the company has issued to the public.

(3) **Subscribed Capital:** It is that part of the issued capital which is actually subscribed by the public.

(4) **Called Up Capital:** It is that amount on the shares subscribed, demanded from the public by the company.

(5) **Paid-Up Capital:** The part of called-up capital which is actually paid by shareholders.

(6) **Reserve Capital:** The company may decide by passing a special resolution that a portion of the uncalled amount shall not be called up by the company except in case of winding up or liquidation. This is called reserve capital.

Q.4. Explain the Accounting Treatment in case of Issue of Shares.

Ans. A company can issue shares in two ways - (i) for cash and (ii) for consideration other than cash. These shares may be issued at par or at premium or at discount.

Accounting Entries for Issue of Shares :







(b) On issue of shares to vendors at premium:

Vendors A/c      Dr.      (With the Purchase Price)  
                     To Share Capital A/c      (With the Nominal Value of Shares)  
                     To Security Premium A/c (With the Amount of premium)

(c) On issue of shares to vendors at discount:

Vendors A/c      Dr.      (With the Purchase Price)  
 Discount on issue of share      Dr.      (With the nominal value of shares)  
   To Share Capital a/c

Q.5. What is meant by Forfeiture of Shares? Explain the Accounting Treatment of Forfeiture of Shares and their Reissue?

Ans.: Forfeiture of Shares: Forfeiture of shares means the cancellation of allotment to defaulting shareholders (who has fail to pay one or more installment) and to treat the amount already received on such shares as forfeited.

Accounting Entries on Forfeiture of Shares:

Condition	Journal Entry	Amount
Forfeiture of shares issued at par	Share Capital A/c To Share Allotment A/c To Share First Call A/c To Share Second Call A/c To Share Forfeited A/c	Dr. Called up amount Arrears on allotment Arrears on I call Arrears on II call Amount received on these shares
Forfeiture of shares issued at premium which also remains unpaid	Share Capital A/c Securities Premium A/c To Share Allotment A/c To Share First Call A/c To Share Call A/c To Share Forfeited A/c	Dr. Dr. Called up amt. for capital Called up amt. for premium Arrears on Allotment Arrears on I call Arrears on Final call Amount received on these shares
Forfeiture of shares issued at premium which is received	Share Capital A/c To Share Allotment A/c To Share First Call A/c To Share Second Call A/c To Share Forfeited A/c	Dr. Amount called up Arrears on I Allotment Arrears on I call Arrears on final call Amount received on shares forfeited excluding Premium

Forfeiture of shares issued at discount	Share Capital A/c To Disc. on Issue of Share To Shares Allotment To Shares First call A/c To Shares Second call A/c To Share Forfeiture A/c	Dr.	Amt. called up with disc. Amount of Discount Arrears on Allotment Arrears on I call Arrears on II call Amount received on shares forfeited.
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Reissue of Forfeited Shares : A company can reissue the forfeited shares (being the property of the company) in accordance with the provisions contained in the articles of company. The maximum amount of discount which may be allowed on reissue is as :-

- (i) When shares were originally issued at par or at premium –the amount credited to forfeited shares account.
- (ii) When shares were originally issued at discount:- amount credited to forfeited share account plus the amount of original discount.

Entries for Reissue of Forfeited Shares:

Condition	Journal Entry		Amount
Reissue at par	Bank A/c To Share Capital A/c	Dr.	Actual amount received Called up amount
Reissue at premium	Bank A/c To Share Capital A/c To Securities Premium A/c	Dr.	Total amount received Amount credited as paid Amount of premium
Reissue at Disc. originally issued at par or at Premium	Bank A/c Share Forfeited A/c To Share Capital A/c	Dr. Dr.	Amount received Discount on reissue Amount credited as paid

Q.6) Write short notes on the following :-

- (1) Use of amount of premium
- (2) Over-subscription of shares
- (3) Under subscription of shares

Ans.: (1) **Use of amount of premium** : According to section 78 of the companies Act, 1956 :-

- (i) To issue fully paid bonus shares to the members
  - (ii) To write off preliminary expenses of company
  - (iii) To write off the expenses or the commission paid or discount allowed on the issue of shares or debentures of the company.
  - (iv) To provide premium on redemption of preference shares and debentures of the company.
  - (v) To utilize at the time of buy-back of shares.
- (2) **Over Subscription of shares:** Shares are said to be over-subscribed when the number of shares applied for is more than the shares offered for the issue. Board of directors may make the allotment of shares as under in case of over-subscription:-
- (i) Pro-rata or proportional allotment to all the applications. Excess money received is not refunded but retained and of adjusted towards sums due for allotment.
  - (ii) Some of the applicants may be rejected fully while remaining applicants be allotted shares in full. In such a case, the application money to non allottees is refunded along with a letter of regret.
- (3) **Under Subscription:-** Share are said to be under-subscribed when the number of share applied for is less than the number of shares offered.

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## Chapter-4

### Issue of Debentures

Q.1. Define the meaning of Debentures and its various types.

Ans.: Debentures: A debenture is written acknowledgement of debt by a company under its common seal, generally secured by floating charge on company's assets. Interest is paid to debenture holders at a fixed rate at regular intervals.

Types of Debentures:

- (a) **Registered Debentures:** Debentures which are transferable only by transfer deed.
- (b) **Bearer Debentures:** Debentures which are transferred by mere delivery and the company does not keep the record of debenture holders.
- (c) **Redeemable Debentures:** Debentures which are redeemed after specified period of time.
- (d) **Irredeemable Debentures:** Such debentures are payable after a long period of time (not pre decided) or on winding up of the company.
- (e) **Convertible Debentures:** Debentures which are convertible into shares or new debentures.
- (f) **Non-Convertible Debentures:** Debentures which can not be converted into shares or new debentures.
- (g) **Secured or Mortgage Debentures:** Debentures which are secured on particular assets or on general assets of the company.
- (h) **Unsecured or Naked Debentures:** The debentures which are not secured on any asset.
- (i) **Zero Interest Debentures:** Debentures on which no interest is paid by the company. Such debentures are either issued at heavy discount or such debentures are converted into equity shares offered at low rate.

Q.2. Explain the issue of Debentures as Collateral Security.

Ans.: A collateral security is an additional or secondary but contingent security for the performance of an obligation. Sometime, a company deposits its debentures as additional security to secure loan from the bank. So the debentures are deposited to provide security for the loan. There are two methods of dealing with such debentures in the books of accounts of the company:-

First : In this method no entry need to passed, entry is passed only for taking a loan and on liabilities side of balance sheet a note is given below the loan that the loan is secured by the issue of debentures.

Second :

(i) On issuing the debentures as collateral security -

Debentures suspense A/c      Dr.

    To % Debentures A/c

(ii) On repayment of loan -

Debenture A/c      Dr.

    To Debenture Suspense A/c

Q.3. Distinguish between Share and Debenture.

Ans.: Difference between Shares and Debentures

S.No.	Shares	Debentures
1.	Share is a part of Capital	Debenture is an acknowledgment of debt
2.	Share holders are owners of the company	Debenture holders are creditors of the company.
3.	Dividend is paid on shares if company earns profit	Interest always paid whether profit or loss to company
4.	On liquidation shareholders are paid after debenture holders	On liquidation Debenture holders are paid before shareholder

Q.4. Explain the Accounting Treatment of Issue of Debentures according to the condition of Redemption.

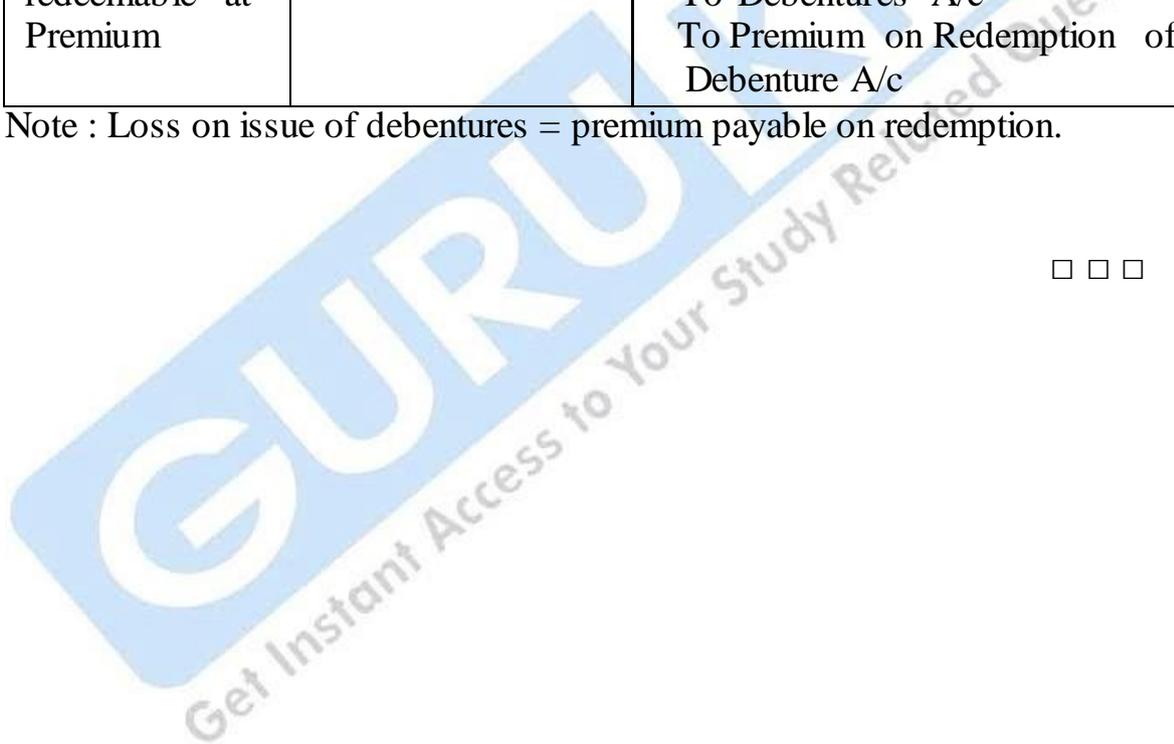
Ans:

Condition	On Receipt of Application	Allotment of Debentures
Debentures issued at par and to be redeemed at par	Bank A/c      Dr. To Debenture Application A/c	Debenture Application A/c      Dr. To Debentures A/c

Debentures issued at par and to be redeemed at premium	Bank A/c Dr. To Debenture Application A/c	Debenture Application A/c Dr. Loss on issue of Debenture A/c Dr. To Debentures A/c To Premium on Redemption of Debentures A/c
Debentures issued at premium and redeemable at premium	Bank A/c Dr. To Debenture Application A/c	Debenture Application A/c Dr. Loss on issue of Debenture A/c Dr. To Debentures A/c To Securities Premium To Premium on Redemption of Debenture A/c
Debentures issued at Discount and redeemable at Premium	Bank A/c Dr. To Debenture Application A/c	Debenture Application A/c Dr. Loss on issue of Debenture A/c Dr. Disc. on issue of Debenture A/c Dr. To Debentures A/c To Premium on Redemption of Debenture A/c

Note : Loss on issue of debentures = premium payable on redemption.

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## Chapter-5

### Redemption of Preference Shares

Q.1. What are Redeemable Shares? Discuss the different methods of redeeming the redeemable preference shares. Also give necessary journal entries under each method.

Ans.: Redeemable Preference shares are those shares, the capital of which is refunded by the company after a specified duration. The redemption of such shares is made in accordance with the provisions of section 80 of the companies Act.

Preference shares can be redeemed when they are fully paid up. In case a company has partly paid preference shares, it must see that they are made fully paid up before they are redeemed.

Accounting of Redemption of Preference shares: The preference shares can be redeemed by the following methods, according to the provision of section 80 of companies Act :-

- (1) Redemption Out of Profit
- (2) Redemption Out of Fresh Issue of Shares
- (3) Redemption Out of Profits and Fresh Issue of Shares
- (4) Redemption by Conversion

(1) **Redemption Out of Profits** : When company is redeeming the preference shares out of profits which are otherwise available for distribution of dividend, the accounting entries will be as follows :-

- (i) On Redemption of Preference Shares :

Preference Share Capital A/c   Dr. (Face value)

Premium on Redemption of Preference Shares A/c Dr. (Premium payable)

To Preference Shareholders A/c (Being Preference share capital transferred)

- (ii) Write Off of Premium Payable on Redemption:

Securities Premium A/c   Dr. ( First Preference)

Revenue Profit A/c       Dr. ( Second preference)

To Premium on Redemption of Preference Shares A/c

(iii) Transfer to Capital Reserve Account :

Revenue Profits A/c      Dr.  
    To Capital Redemption Reserves A/c

(Being amount transferred according to section 80 of the companies Act.)

(iv) On Payment :

Preference Share Holders A/c    Dr.  
    To Bank A/c

(Being payment made on redemption)

(2) **Redemption Out of Proceeds of Fresh Issue** : When a company is interested to redeem the preference shares out of proceeds of fresh issue the all above entries mentioned in (1) will be passed except amount transferred to capital redemption reserve account. In addition, the entries for fresh issue of shares will be passed.

(3) **Redemption Out of Profits Available for Dividend and Proceeds of New Issue of Shares** : In that case, accounting will be same as above (1) and (2). Here the total of the amount transferred to CRR (Capital Redemption Reserve) and proceeds of fresh issue excluding securities premium should no be less than by the nominal value of redeemable preference shares. Entries will be as follows:-

(i) First following entries for the issue of new shares will be passed :-

- (a) Bank A/c    Dr.  
    To Share Application A/c (Application money on shares received)
- (b) Share Application A/c    Dr.  
    To Share Capital A/c (Amount transferred to share capital on allotment)

(ii) Redemption Out of Profits :

General Reserve A/c or P & L A/c    Dr.  
    To Capital Redemption Reserve A/c

(Amount transferred to capital Redemption Reserve)

(iii) Provision for Premium on Redemption :

P & L A/c or General Reserve A/c or Securities Premium A/c    Dr.  
    To Premium on Redemption of Preference shares A/c

(Provision made for Premium on Redemption of preference shares)

Redeemable Preference Share Capital A/c                      Dr.  
Premium on Redemption of Preference Shares A/c                      Dr.  
    To Preference Share Holders A/c

(Being Amount transferred to preference shareholder A/c)

Preference Shareholder A/c                      Dr.  
    To Bank A/c

(Being payment made)

(4) **Redemption by Conversion of Shares** : Company can convert the preference shares into equity shares new preference shares or debentures if articles permit. In this method of Redemption first of all number of shares to be issued will be calculated by dividing the amount payable to preference shareholders by the issue price of shares or debentures to be issued on conversion, then following entries will be passed:-

Preference Share Capital A/c                      Dr.  
Premium on Redemption A/c                      Dr.  
    To Preference Share Holders A/c  
(Being amount transferred to on redemption.)

Preference share holders A/c                      Dr.  
    To Equity Share Capital A/c  
    To Preference Share Capital A/c  
    To Debentures A/c  
(Being Preference Shares converted)

(If redeemed at premium)

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## Chapter-6

### Redemption of Debentures

Q.1. What are different method of Redemption of Debentures? Explain with Accounting entries.

Ans.: The following are the important methods of redemption of debentures :-

- (1) By payment in one lump sum
  - (i) Out of capital or issue of new debentures or shares
  - (ii) Out of accumulated profits
- (2) By annual drawings
- (3) By purchase in open market, and
- (4) By conversion in shares and Debentures

#### **(1) By Payment in One Lump-Sum**

(i) **Redemption Out of Capital:** When the amount of debentures to be redeemed is small, this method of redemption out of capital is followed. In this method company issue new shares or debentures for making arrangement of funds for redemption. Journal entries for issuing shares and debentures will be passed as discussed earlier.

Journal entries for redemption are as follows :-

#### **Redemption at par:**

Debentures A/c      Dr.  
                             To Bank A/c (Debentures redeemed at par)

#### **Redemption at premium:**

- 1) Debentures A/c      Dr.  
                             Premium on Redemption Of Debenture A/c    Dr.  
   To Bank
- 2) P&L or Securities premium A/c  
   To Premium on Redemption of Debentures A/c  
 (Premium on redemption of Debentures written off)

**Redemption at discount:**

1) Debentures A/c Dr.

To Bank A/c

To Profit on Redemption of Debentures A/c

(Debentures redeemed at discount)

2) Profit on Redemption of Debentures A/c Dr.

To Capital Reserve A/c (Profit on redemption transferred)

(ii) **Redemption Out of Profits** : When adequate amount of profits is transferred from P&L A/c to the debenture redemption reserve account, at the time of redemption of debentures. Such redemption is known as redemption out of profits. In addition to the entries explain in case of redemption out of capital, the following entry is passed every year for the transfer to redemption reserve.

Profit & Loss Appropriation A/c Dr.

To Debenture Redemption Reserve A/c

(Annual Installment transferred)

Note: A Company has to create DRR in case of Issue of debenture with maturity of more than 18 month, equivalent to 50% of the amount of debenture issue before debenture redemption commences).

This reserve is transferred to General Reserve after the redemption of debentures is completed:-

Entry :

Debenture Redemption Reserve (DRR) A/c Dr.

To General Reserve A/c

(Balance of debenture redemption fund transferred to general reserve after redemption)

(2) **Redemption by Annual Drawings**: If debentures are to be redeemed by Annual drawings the debentures for redemption are selected by lottery or drawings. Debenture account is debited with the amount of face value of debentures and debenture holder account is credited. On actual payment debenture holders account is debited and Bank account is credited.

(3) **Redemption of Debentures by Purchasing in Open Market:** If a company has right to purchase its own debentures under the terms and conditions of issue, then the company may purchase its own debentures for :-

(i) Direct Cancellation      (ii) for investment in debentures

(i) **Purchase of Own Debentures for Cancellation:** Following entry will be passed :-

Debentures A/c      Dr.

    To Bank A/c

    To Profit on Redemption of Debentures A/c (Own debentures cancelled by purchases in the open market) This profit is capital profit and transferred to capital reserve.

(ii) **Purchase of Company's Own Debentures for Investment:** When adequate additional funds are accumulated in the company; which are not deployed profitably the company may purchase its own debentures so that interest payable on such debentures may be saved. This decision will be taken by company if its debentures are available in open market at discount:-

(A) Journal Entry for Purchase of Own Debentures:

Own Debentures A/c      Dr. (with the purchase price)

    To Bank A/c

(B) Resale of Own Debenture kept for Investment at a Profit :

(a) Bank A/c      Dr.

    To Own Debentures A/c

    To Profit on Resale of Own Debentures A/c

(b) In case of loss, "Loss on Resale of own debenture A/c" will be debited.

(C) Cancellation of Own Debentures kept for Investment (at a Profit) :

(a) Debentures A/c      Dr.

    To Own Debentures A/c

    To Profit on Cancellation of Own Debentures A/c

(b) In case of loss, loss on cancellation of own debentures A/c will be debited.

(4) **Redemption of Debentures by Conversion:** Redemption by conversion means redeeming the debentures by converting them into new class of debentures or shares:

The following entries are passed :-

(i) Debentures A/c Dr.

To debenture holders A/c

(Transfer of the balance of debentures to debenture holder on conversion)

(ii) At Par:

Debenture Holder A/c Dr.

To Share Capital A/c or To New Debenture A/c or To Bank A/c

(Debentures converted and paid off at par)

At Premium

Debenture Holder A/c Dr.

To Securities Premium A/c

To Share Capital A/c or To New Debentures A/c

At Discount:

Debenture Holders A/c Dr.

Discount on Issue of Share A/c Dr.

Discount on Issue of Debenture A/c Dr.

To Share Capital A/c or To New Debentures A/c

(Debentures converted into shares and debentures at discount)

Q.2. Explain Redemption of Debentures by Creative Sinking Fund. Also show the Accounting Entries.

Ans.: Debentures has to be redeemed after the expiry of specified period. If proper provision is not made, then there will be no strain on working capital and the company may face liquidity crises.



Last Year (When Debentures are to be Redeemed) :

(i) Interest of Accumulated Investment Received :

Bank A/c Dr.

To Debenture Sinking Fund A/c

(ii) Transfer of Annual Installment :

Profit & Loss Appropriation A/c Dr.

To Debenture Sinking Fund A/c

(iii) Sale of Sinking fund Investment :

Bank A/c Dr.

To Debenture Sinking fund investment A/c

(iv) Profit on Sale of Investment :

Debenture Sinking Fund Investment A/c Dr.

To Debenture Sinking Fund A/c

In case of loss reverse entry will be passed :-

(v) Payment of Debentures :

Debentures A/c Dr.

To Bank A/c

(vi) Balance of Sinking Fund Transferred :

Debenture Sinking fund A/c Dr.

To General Reserve A/c

(2) **Non-Cumulative Sinking Fund** : Under this method of Sinking fund, the amount is appropriated when there are adequate profits. The amount so appropriation will be uniform each year.

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## Chapter-7

### Acquisition of Business

Q.1. what do you understand by “Purchase Consideration”? How is it ascertained? What journal entries are passed in the books of Purchasing Company for the purchase of business and payment of purchase consideration?

Ans.: Purchase Consideration: Whenever any running business is purchased by any newly established company it is known as “Purchase of Business”. The concern selling its business is known as „Vendor“. The amount paid by purchaser to vendor in consideration of purchase of business is known as purchase consideration.

Ascertainment of Purchase Consideration: It can be decided by following two methods:-

- (1) Net Payment Method: According to this method purchase consideration is equal to amount paid by purchaser in consideration of purchase of business which also includes shares or debentures issued by purchasing company.
- (2) Net Assets Method: If no purchase consideration has been decided between purchaser and seller or only a part of it has been decided, then purchase consideration can be decided by net assets method.

Computation of Net Assets: Total of assets of vendor taken over at revalued price (If revalued price is not given then book value) less total of Liabilities of vendor taken over at revalued price (If revalued price is not given then book value.)

Calculation of Value of Good will or Capital Reserve :

Goodwill = Purchase Consideration – Net Assets

Capital Reserve = Net Assets – Purchase Consideration

Note: Either there will be goodwill or capital reserve, both cannot arise in the same question.

Journal Entries in the Books of Purchaser when Assets & Liabilities are Purchased:

Sundry Assets A/c Dr. (Show each assets separately)

To Sundry Liabilities A/c (Show each liability separately)

To Vendor's A/c (By purchase consideration) (Sundry assets and liabilities taken over)

Note : If total of Debit side is less, balance amount will be shown in the debit side as Goodwill. If total of Credit side is less balance amount will be shown as capital reserve in credit side.

Final Amount is paid to Vendor :

Vendor's A/c      Dr. (By purchase Consideration)

    To Equity Share Capital A/c

    To Preference Share Capital A/c

    To Debentures A/c

    To Bank A/c      (Purchase Consideration discharged)

If there is any delay in payment to vendors, interest will be paid to vendors and following entry will be passed :-

Interest to Vendor A/c    Dr.

    To Bank A/c

(Being interest paid for delay in payment of)

Q.2. What would be accounting treatment if purchasing company collect and pays the amount of debtors and creditors respectively of vendor?

Ans.: Following entry will be passed when amount is recovered from debtors or vendors :-

(i)   Cash A/c                      Dr. (Net amount realized)

        To Vendor's Adjustment A/c

Note : No entry will be passed for discount or bad debts of Vendor.

(ii)   Following entry will be passed when any amount is paid to creditors of Vendors :

    Vendors Adjustment A/c Dr. (Total amount paid)

        To cash A/c

(iii)   If any commission is accrued for providing such service :

    Vendors Adjustment A/c Dr.

        To Commission A/c

(iv) For making final payment to Vendors :-

Vendors Adjustment A/c Dr.

To cash A/c

Q.3. What is "Profit Prior to and Post Incorporation"? Explain the method of ascertaining them.

Ans.: According to the companies Act, 1956 a company comes into existence only from the date on which certificate of incorporation is obtained by it. If any company has purchased a running business and certificate of incorporation is obtained later on, then profit earned till the date of such certificate will be known as profit prior to „incorporation“ rest of the profit will be known as profit of post incorporation.

Profit prior to incorporation is a capital profit and transferred to capital reserve. If it is a loss it can be transferred to goodwill account.

Steps to Ascertain Profit Prior To and Post Incorporation :

(i) At first, Trading Account will be prepared to ascertain gross profit for the period. Trading account is prepared for whole of the year, the word „for the period ending“ will be used instead of for the year ending. So, Trading Account may be prepared for a period less than or more than 12 months.

(ii) Time ratio will be determined between profit prior to incorporation and post incorporation. All expenses shown in P&L account related to time such as rent, salary, insurance premium, depreciation etc. will be apportioned on the basis of time ratio.

(iii) Sales ratio will be determined on the basis of sales prior to incorporation and post incorporation. Gross profit for the period will be apportioned on this basis. All expenses related to sales such as advertisement expenses, commission, expenses on agents, bad debts, packing expenses etc. will be apportioned on this basis.

(iv) Some expenses are of different nature which can neither be apportioned on time basis nor it can be apportioned on sale basis. Such expenses can be apportioned as follows:

a) Some expenses are related to post incorporation period only e.g. vendor is an individual or firm then salary to owner, interest on capital, drawing etc. are

purely expenses of prior period and no part of it will be apportioned to post incorporation period.

b) Some expenses are related to post incorporation period only e.g., purchases is company and vendor is not a company then interest on debentures, directors fee, share transfer fee (income) and amortization of preliminary expenses relates to post incorporation. No part of it can be charged against profit prior to incorporation.

Note: In case vendor and purchaser both are company Ltd. Then it cannot be said that expenses relates to post incorporation period only. So, in that case such expenses related to company form should be apportioned on time basis.

c) For some type of expenses, specific information is provided either directly or indirectly. In such a situation expenses should be apportioned accordingly.

After following steps aforesaid steps profit & loss account is prepared in columnar form. Two columns are prepared for the pre-incorporation items and post incorporation items. All the pre- incorporation items and past incorporation items will be shown in these two columns separately. The difference of debit and credit side will be the net profit or loss prior to incorporation and post incorporation. Pre-incorporation profit is revenue profit and post incorporation profit is capital profit

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## Chapter-8

### Underwriting of Shares and Debentures

Q.1. What do you understand by Under Writing Agreement?

Ans.: Underwriting of shares and debentures is an agreement between company and a person or a group of persons to provide guarantee that in case shares or debentures are not fully subscribed by the public they will purchase balance of shares and debentures.

Q.2. Describe the following

- (A) Sub-Underwriting Agreement                      (B) Pure Underwriting  
(C) Firm Underwriting                                      (D) Partial Underwriting

Ans:-

(A) **Sub-Underwriting Agreement:** If underwriters feel that there is big risk in underwriting of particular company then they can transfer such risk to other person by sub-under writing agreement.

(B) **Pure Underwriting :** In this type of agreement liability of underwrites will arise only if issue of shares or debentures is under-subscribed.

(C) **Firm-Underwriting :** In well established companies, underwriters are interested to get some shares or debentures of company in addition to commission even if issue is oversubscribed. In firm underwriting, under-writers will definitely get shares as agreed between company and underwriters.

(D) **Partial underwriting :** In such underwriting, underwriters make agreement for part of issue of debentures and shares.

Q.3. What is maximum rate of Underwriting Commission on shares and debentures as per Companies Act?

Ans.: According to section 76 of the companies Act, 1956 commission can not exceed 5% of issue price of shares. In case of debentures, commission can not exceed 2.5% of issue price of debentures.

Q.4. How liability of Co-Underwriters will be determined in case of Joint Underwriting?

Ans.: Liability of each underwriter will be decided by following steps :-

- (i) At first, shares or debentures of each underwriters as per agreement is mentioned in each column in a table.
- (ii) Marked shares of each underwriter will be deducted out of shares as per agreement.
- (iii) Unmarked shares will be deducted in proportion of benefit of unmarked shares given to each under writer or the proportion for which under writing agreement is signed.
- (iv) In case of firm under writing, underwriters shares can be treated as marked or unmarked. If nothing is given in this regard, such shares can be treated as marked shares.
- (v) If after deducting marked or unmarked shares balance liability of under writer is negative, then this negative balance will be apportioned to other under-writers in the ratio of their liability for which underwriting agreement was signed or any other given ratio.
- (vi) After adjustment of negative balance liability of each under writer is known as net liability.
- (vii) In underwriters agree to take shares of firm underwriting in addition to under writing shares then in last, shares of firm under writing will be added in net liability. It is known as gross liability of each underwriter.

Q.5 Explain the Accounting Treatment for Under Writing in the books of Company and Underwriters?

Ans.: Following entries will be passed on in the books of company for under writing :-

- (i) For Under Writing Commission :

Underwriting Commission A/c Dr.

To Underwriter`s A/c

(Underwriting commission due to underwriters.)

- (ii) To Issue Balance Shares to Underwriters :

Underwriter`s A/c Dr.

To Equity Share Capital A/c

(Shares allotted to underwriters under underwriting agreement)

(iii) To Receive Final Payment :

Bank A/c Dr.

To Underwriter`s A/c

(Final payment received from underwriters)

Note : If there is no liability of underwriter to purchase shares or amount of commission exceeds amount of gross liability, then following entry will be passed.

(iv) To Make Final Payment :

Underwriter`s A/c Dr.

To Bank A/c

(Final payment made to underwriter.)

(v) To Write Off Commission Account :

Reserve/Securities Premium/ P&L A/c Dr.

To underwriting commission A/c (Commission Account written off)

### **Accounting Treatment in the Books of Underwriter :**

#### **Journal Entries :**

(1) For Underwriting Commission :

X Company A/c Dr.

To Underwriting Commission A/c (Commission due from X Company)

(2) For Share Received From Company :

Shares/Debentures (Investment) in X Company A/c Dr.

To X Company A/c (at issue price only)

(Balance shares received from X Co.)

(3) To Transfer Commission into Share Account :

Underwriting Commission A/c Dr.

To Shares/Debentures (Investment) A/c

(Commission transferred into shares account)

(4) To Make Final Payment :

X Company A/c Dr.

To Bank A/c

(Final payment made to company)

(5) When Underwriters are not Liable to take Shares  
and Commission is Received :

Bank A/c Dr.

To X Company A/c

(Commission received from Company)

Note : If amount payable on shares is less than commission then also this entry  
will be passed for the balance of amount.

(6) To Close Commission A/c when it is not Transferred to Share A/c:

P&L A/c Dr.

To Underwriting Commission A/c (Commission transferred to P&L A/c)

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## Chapter-9

### Final Account of Companies & Managerial Remuneration

Q.1 What do you understand by Final Accounts of a Company?

Ans.: To show the profit earned during the year and financial position of company at a particular date. It is compulsory for a company to prepare Profit and loss account and Balance Sheet – called at the end of the year as per section 209 of the Indian Companies Act, 1956. Such accounts are called final account of a company.

Q.2. What is Managerial Remuneration?

Ans.: The remuneration given to managerial persons including director, managing director, manager for their services is called managerial remuneration.

Q.3. Discuss the Provisions of Companies Act, 1956 regarding Managerial Remuneration.

Ans.: The remuneration to directors is governed by the section 198 and 309 of the companies Act. The amount of remuneration is to be determined by the articles or by a resolution passed by the company in the general meeting of shareholder or by a special resolution if the articles so required.

A whole time or managing director or manager may be paid remuneration by way of monthly pay and /or by way of specified percentage of net profits of the company.

Managerial Remuneration - Maximum Limits :

**(A) For Companies Having Profit :**

(i)	Overall (excluding fees for attending meeting)	11% of net profit in all
(ii)	If there is one whole time/ Managing director/ manager	5% of Net profit
(iii)	If there are two or more whole time directors including managing director	10% of Net profit in all

(iv)	Remuneration to part time directors: <ul style="list-style-type: none"> <li>• If there is no managing or whole time director in the company</li> <li>• If there is a managing or whole time director</li> </ul>	3% of net profit in all  1% of net profit in all
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**(B) For Companies Having No Profit or Inadequate Profit :** In case the company has no profits or its profits are inadequate it may pay remuneration to managerial person as per the following option given in schedule XII of companies Act, 1956, based on effective capital of the company:

Where the Effective Capital of Company is	I Option	II Option
	Monthly Remuneration Shall Not Exceed (Rs.)	Monthly Remuneration Shall Not Exceed (Rs.)
(i) > Rs. 1 Crore	75,000	1,50,000
(ii) 1 Crore ≤ Amount ≤ 5 Crore	1,00,000	2,00,000
(iii) Rs. 5 Crore ≤ Amount < Rs. 25 crores	1,25,000	2,50,000
(iv) Rs. 25 crores ≤ Amount < Rs. 50 crores	1,50,000	3,00,000
(v) Rs. 50 crores ≤ Amount < Rs. 100 crores	1,75,000	3,50,000
(vi) Rs. 100 crores ≤ Amount	2,00,000	4,00,000

Working note:-

(1) Calculation of Effective Capital : Add :

Add:

- i. Total Subscribed Capital
- ii. Balance of Securities Premium A/c
- iii. Reserve and Surplus (Except Revaluation Reserve)
- iv. Long Term Debt
- v. Deposits (Due after one year)

Total :

Less :

- (i) Total Investments (Except Investment in Shares, Debentures and Other Securities in case of a Investment Company)

(ii) Accumulated Loss and Preliminary Expense not Written Off

Total :

(2) Computation of Profit for the Purpose of Managerial Remuneration :

(U/s -349, 350 & 351)

Profit as per Profit and Loss Account (as Company) prepared by the

Add :

(a) For Debit Side of P&L Account (if debited) -

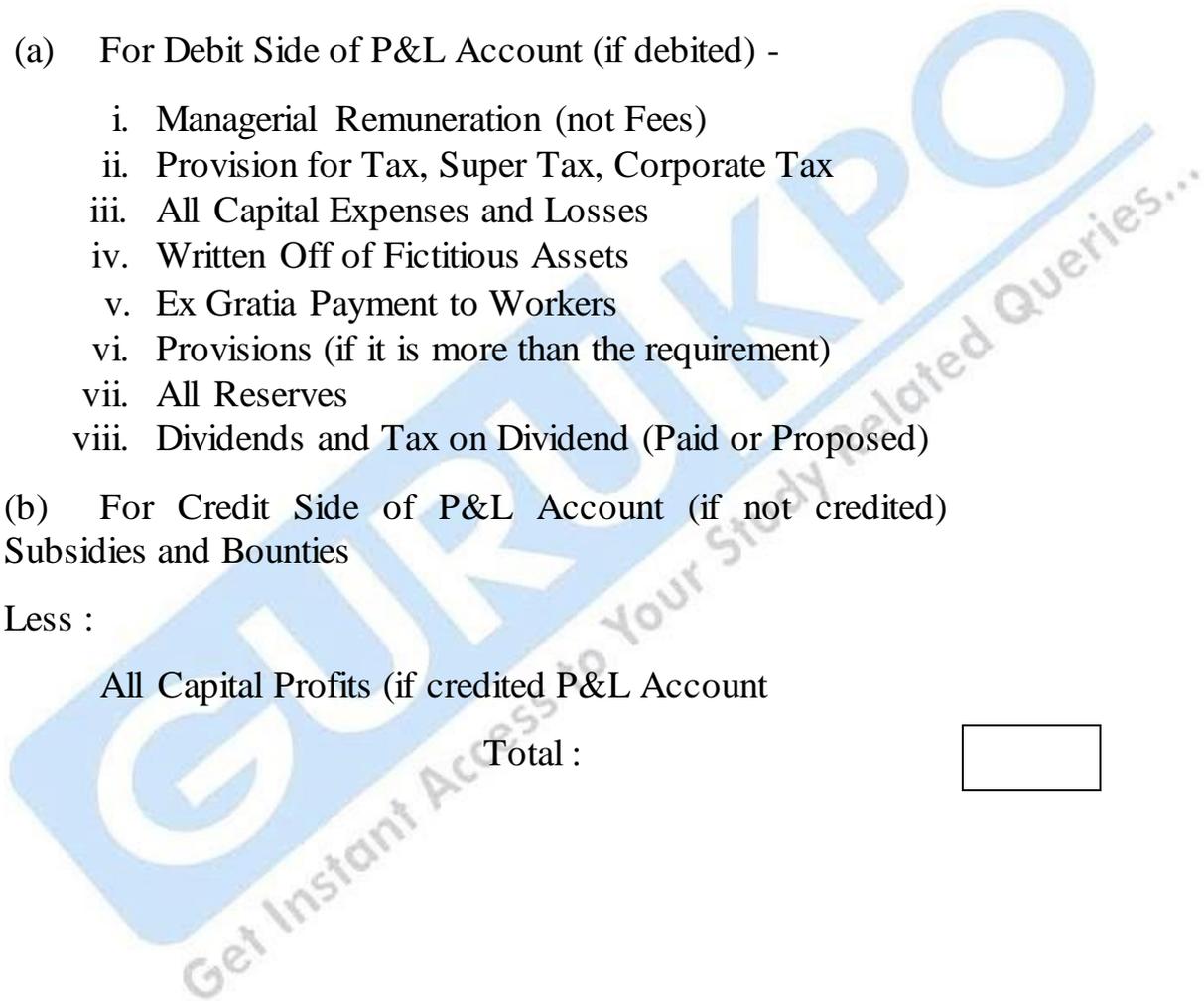
- i. Managerial Remuneration (not Fees)
- ii. Provision for Tax, Super Tax, Corporate Tax
- iii. All Capital Expenses and Losses
- iv. Written Off of Fictitious Assets
- v. Ex Gratia Payment to Workers
- vi. Provisions (if it is more than the requirement)
- vii. All Reserves
- viii. Dividends and Tax on Dividend (Paid or Proposed)

(b) For Credit Side of P&L Account (if not credited)  
Subsidies and Bounties

Less :

All Capital Profits (if credited P&L Account

Total :



## Chapter-10

### Disposal or Appropriation of Profits

Q.1. What is meant by Divisible Profits?

Ans.: Divisible profits are those profits of the company out of which the company has the legal right to distribute and pay the dividend.

Q.2. Give journal entries of Declaration and Payment of Dividend.

Ans.: Journal Entries for Declaration and Payment of Dividend :

(i) Entry on recommending or proposing dividend by directors at the time of preparation of final accounts :

Profit & Loss Appropriation A/c	Dr.
To Proposed Preference Dividend A/c	
To Proposed Tax on Preference Dividend A/c	
To Proposed Equity Dividend A/c	
To Proposed Tax on Equity Dividend A/c	

(Proposal for declaration of dividend)

The balance of both of the proposed accounts will be shown under the heading “current Liabilities & Provision” in the balance sheet.

(ii) Dividend accepted by the shareholders in Annual General Meeting:

Proposed Preference Dividend A/c	Dr.
Proposed Tax on Preference Dividend A/c	Dr.
Proposed Equity Dividend A/c	Dr.
Proposed Tax on Equity Dividend A/c	Dr.

	To Preference Dividend A/c
	To Tax on Preference Dividend A/c
	To Equity Dividend A/c
	To Tax on Equity Dividend A/c (Dividend accepted by the shareholders)

(iii) To open a separate bank account for the payment of dividend :

Dividend Bank A/c	Dr.
To Bank A/c (Being separate bank A/c for payment of dividend)	

(iv) Issue of dividend warrants on special Bank account :

Preference Dividend A/c           Dr.  
Equity dividend A/c               Dr.  
    To Dividend Bank A/c (Dividend warrants issued for payment)

(v) On payment of tax to Government :

Tax on Preference Dividend A/c       Dr.  
Tax on Equity Dividend A/c           Dr.  
    To Bank A/c (Being tax deposited in Govt. treasury)

(vi) After expiry of validity of dividend warrant, on the basis of information from the bank, regarding non-payment of dividend :

Dividend Bank A/c           Dr.  
    To Unclaimed Dividend A/c

(Dividend not claimed transferred to unclaimed Dividend A/c)

(vii) After expiry of validity period of dividend amount, a new bank account will be opened by the amount of dividend not claimed:-

Unpaid Dividend Bank A/c       Dr.  
    To Dividend Bank A/c

(Amount deposited in new bank account as required by Section 205(A) (i) of companies Act)

Note : Unclaimed Dividend Account will be shown in the Balance sheet at liabilities side under the head current liabilities and provisions in part "A". Similarly unpaid Dividend Bank Account will appear at assets side under the head "Current Asset", loan and advances" in part "A".

(viii) Issue of new or fresh dividend warrant on request :

(They can be issued upto 7 years from the date of declaration of dividend)

Unclaimed Dividend A/c           Dr.  
    To unpaid Dividend Bank A/c (Being unclaimed dividend paid)

(ix) After expiry of 7 years from the date of declaration of dividend, the balance in unpaid dividend Bank A/c will be transferred to investor Education and protection fund :

Unpaid Dividend A/c       Dr.  
    To Unpaid Dividend Bank A/c

(Being dividend not claimed transferred to investor education and protection fund after 7 years)

Q.2. What are Bonus Shares? In what circumstances should Bonus Shares be issued? What Accounting Entries are passed for Bonus? Discuss the guidelines of SEBI for Bonus Shares.

Ans.: Bonus Shares : If Company issues fresh shares without charging anything, these shares are called bonus shares.

Circumstances for Issuing Bonus Shares :

- (i) When the amount of accumulated profits and reserves becomes very large.
- (ii) When the rate of dividend of the company is much higher than normal rate of dividend, then to make the rate of dividend equivalent to normal rate of dividend.
- (iii) When the market value of Shares rises so high that sale and purchase of shares is not conducted normally.

Guidelines for Issue of Bonus Shares : The securities and Exchange Board of India (SEBI) by an order on 27th January, 2000 issued the following guidelines for issue of bonus shares:-

- (i) No Company shall, pending conversion of FCDs/PCDs issue any by way of bonus unless similar benefit is extended to the holders of such FCDs through reservation of shares in proportion to such convertible part of FCDs or PCDs.
- (ii) The shares so reserved may be issued at the time of conversion of debentures on the same terms on which the bonus issues were made.
- (iii) The bonus issue is made out of free reserves.
- (iv) Revaluation Profits cannot be used to provide bonus shares.
- (v) The bonus shares can not be issued, in lieu of dividend.
- (vi) The existing shares capital must be fully paid up at the time of bonus issue.
- (vii) No bonus can be take up till the full payment of arrears of interest outstanding, repayment of installment on debentures and or on fixed deposits.
- (viii) No bonus can be made if the company has defaulted in respect of the statutory payment to employees.
- (ix) After declaration of bonus the shares must be issued within 6 months.



(2) To issue fresh fully paid-up bonus shares to the shareholders free of cost :

(i) On declaration of bonus share :

P&L Appropriation A/c or General reserve A/c Or Capital Redemption Reserve A/c  
Dr.

Securities Premium A/c Dr. Or Capital Reserve A/c Dr.

To Bonus to Shareholders A/c (Bonus declared out of .....)

(ii) On issue of bonus shares at par :

Bonus to Shareholders A/c Dr.

To Share Capital A/c (..... Bonus shares issued at par)

(iii) On issue of Bonus shares at premium :

Bonus to Shareholders A/c Dr.

To Share Capital A/c

To Securities Premium A/c (Bonus Shares issued at premium)

Q.3. Explain the term Capitalization of Profits. Give four example of Capital Profit.

Ans.: The process of increasing of the paid up share capital by reducing the balance of profit and reserves is called capitalization of profits.

Examples of Capital Profit :

- (i) Profit Prior to Incorporation
- (ii) Securities Premium
- (iii) Profit on Reissue of Shares
- (iv) Revaluation of Profits
- (v) Capital Redemption Reserve

## Chapter-11

### Valuation of Goodwill

Q.1. Describe the concept of Goodwill.

Ans.: Goodwill is the value of the reputation of the firm judged in respect of its capacity to bring in, unaided profits. Goodwill is an asset that cannot be seen but can be imagined. Hence it is known as an “intangible asset.”

Q.2. What are the bases of Valuation of Goodwill? Explain

For the valuation of Goodwill the following Profits are calculated -

- (1) Actual Average Profit or Future Maintainable Profit
- (2) Super Profit

Ans.: (1) Calculation of Actual Average Profit : It can be calculated by using the following three steps :

Step –I : Calculation of Adjusted Profit :	Rs.
Net Profit Before Tax	xxx
Add :	
Abnormal Expenses & Losses (If debited in P&L A/c)	xxx
Less :	
Abnormal Income and Profit (If credited in P&L A/c)	xxx
Preference Share Dividend	xxx
Provision for Taxation	xxx
Provision for Bad and Doubtful Debt (Due to Accounting Error)	xxx
Income from Non-Trade Investments (If Unequal Income in Every Year)	xxx
Adjusted Profit	xxx

Step II : Calculation of Average Profit :

$$\text{Simple Average Profit} = \frac{\text{Total adjusted profit of given number of year}}{\text{Number of years}}$$

If past adjusted profit show any trend of raising or falling then weighted average profit will be calculated.

$$\text{Weighted Average Profit} = \frac{\text{Total Product of Profits \& Weights}}{\text{Total of Weight}}$$

Step III : Calculation of Actual Average Profit or Future Maintainable Profit

	Rs.
Average Profit	xxx
Add :	
(i) Expenses that will not incur in future	xxx
(ii) Income and Profit that will arise in future	xxx
(iii) Savings in depreciation due to decrease in value of Fixed Assets	xxx
	xxx
Less :	
(i) Expenses that will incur in future	xxx
(ii) Income and profit that will not arise in future	xxx
(iii) Fair remuneration of the owner	xxx
(iv) Income from non-Trading Investment	xxx
(v) Additional depreciation on increased value of assets	xxx
(vi) Provision for bad debts in future	xxx
Future Maintainable Profit or Actual Average Profit	xxx

(2) Super Profit :

$$\text{Super Profit} = \text{Actual Average Profit} - \text{Normal Profit}$$

To calculate normal profit - (a) Average capital employed, and (b) Normal rate of return is computed. These can be calculated as follows :-

$$(A) \text{ Capital Employed} = \text{Total of Assets} - \text{Outside Liabilities}$$

To calculate the total of assets the following points should be kept in mind :-

(b) Fixed assets and intangible assets will be taken at their realizable value otherwise at book value.

(c) Fictitious assets and goodwill given at cost will not be included.

(d) Non-trade investments will not be taken. Average Capital Employed :

Average Capital Employed can be calculated by following three formulae:

- (i) 
$$\frac{\text{Opening Capital Employed} + \text{Closing Capital Employed}}{2}$$
- (ii) Opening Capital Employed +  $\frac{1}{2}$  of current years profit after tax & preference dividend
- (iii) Closing Capital Employed –  $\frac{1}{2}$  of current years profit after tax & preference dividend

(B) Normal Rate of Return : The rate of earnings which normally applies in similar concerns or which is expected by the investor to apply in similar concern is known as normal rate of return.

Q.2. Explain the various methods of Valuation of Goodwill.

Ans.: There are three methods of valuation of goodwill, the selection of method will depend on the circumstance of a particular business.

(1) **Year's Purchase Method** : This method is based on the assumption that the buyer of business will earn certain amount of profit or super profit during the life time of business. So he must pay some of the years profits as goodwill to the seller.

Goodwill = Future Maintainable Profit or Actual Average Profit X Number of years (2 or 3)

Or Goodwill = Super Profit X Number of year (4 to 5)

Goodwill = Normal Capital Employed – Actual Capital Employed

(2) **Capitalization Method** :

(i) **Capitalization of Super Profit Method** : According to this method it is estimated that how much capital will be required to earn super profit at a normal rate of return or profit.

Value of Goodwill =  $\frac{\text{Super Profit}}{\text{Normal rate of return}} \times 100$

(ii) **Capitalization of Average Profit** : In this method first average profit is capitalized at normal rate of return. This is known as normal Capital Employed

Normal Capital Employed =  $\frac{\text{Actual Average Profit}}{\text{Normal rate of return}} \times 100$

Then value of goodwill will be calculated as follows :-

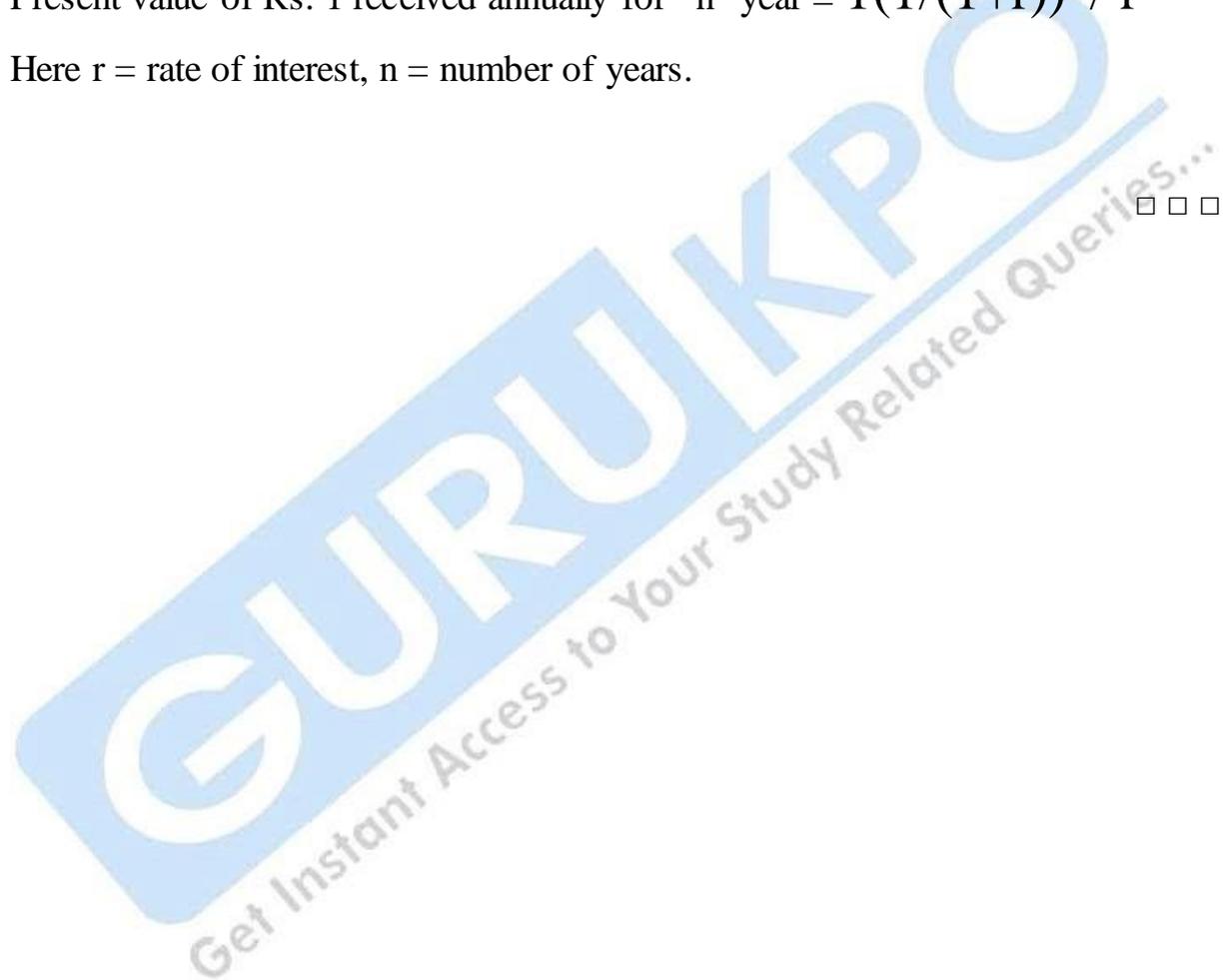
Value of Goodwill = Normal Capital Employed – Actual Capital employed

(3) **Annuity Method** : According to this method the goodwill will be equal to the amount of present value of future super profits because one has to pay goodwill today but the amount of super profit will be earned in future. In this way loss of interest can be compensated.

Value of Goodwill = Super Profit X Present value of Rs. 1

Present value of Rs. 1 received annually for “n” year =  $1/(1+r)^n / r$

Here r = rate of interest, n = number of years.



## Chapter-12

### Valuation of Shares

Q.1. Under which circumstances valuation of Shares is needed?

Ans.: The Shares of a Company are to be valued at different occasions. Such as:

- (i) When shares of one class are to be converted into shares of another class.
- (ii) When shares want to take loan against the shares.
- (iii) When shares are to be bought and sold.
- (iv) When companies are amalgamated and a new company is formed. The new company is to exchange the shares with the shareholder of old companies on the basis of value of shares.
- (v) When one or more existing companies are purchased by another existing company.
- (vi) Acquisition of interest of dissenting shareholders under a scheme of reconstruction.
- (vii) When government wants to compensate the shareholders on the nationalization of a company.
- (viii) When shares of a company is not quoted in stock exchange and holder is interested to value them or wants to dispose them.

Q.2. What do you understand by Valuation of Shares? Discuss the different methods of Valuation of Shares.

Ans.: Generally investors invest in the shares of a company after confirming :-

(i) Whether his investment in shares will be safe or not; and (ii) whether he will receive a fair return by fixed amount or not. To get the reply of these questions investors value the shares and then think to investment. For this purpose the shares can be valued by the following methods :-

(1) **Net Assets Valuation Method** : Under this method of valuation, it is ascertained that what amount of assets is available with the company for every share, so this method is known as “Assets backing Method.” Also known as “Net Assets Method” and “Balance sheet Method” and “intrinsic value method” or break up value method.”

Following procedure will be adopted to value the shares by this method :-

Calculation of Net Assets :

Net Assets = Total Realizable value of assets – total outside liabilities

Note :

- (i) Realizable value of fixed assets is not given then written down value will be taken.
- (ii) Intangible assets will be considered if realizable value is given.
- (iii) Investments (whether trading or not-trading) will be considered at their present value.
- (iv) The current assets will be considered after providing for bad debts and probable loss.
- (v) Fictitious assets will not be considered.

**Alternative Method :** The value of net assets can also be ascertained on the basis of liabilities side of balance sheet.

Share Capital		xxx
Reserve and Surplus		xxx
Profit on Revaluation		xxx
Excess of Provision for Taxation		xxx
Excess of Workman`s Compensation Fund		xxx
		<u>xxx</u>
Less : Fictitious Assets	xxx	
Loss on Revaluation	xxx	
Contingent Liabilities	<u>xxx</u>	<u>xxx</u>
		<u>xxx</u>

Calculation of Value Per Share :

(A) When Capital Structure of Company Consists of equity share Capital only:-

Case (1) : When normal value of all equity shares is equal and fully paid up:

$$\text{Value per Equity Share} = \frac{\text{Value of Net Assets}}{\text{No.of Equity Shares issued by the Company}}$$

Case (2) : If the capital structure of company consists equity shares of different nominal value of shares:

$$\text{Value per share} = \frac{\text{Proportionate net asset of a particular category}}{\text{No.of equity shares of same category}}$$

(B) If capital structure of the company consists of both (Equity and preference shares) type of shares :-

(i) When preference shareholders are having both preferences for payment of dividend and payment of capital :-

Value per Equity Share =  $\frac{\text{Net Asset} - (\text{Preference share capital} + \text{Arrears of Preference share Dividend})}{\text{No. of preference shares}}$

(ii) If Preference Shares are having the preference as regards capital only :-

Value per Equity Share =  $\frac{\text{Net Assets} - \text{Preference share Capital}}{\text{No. of Equity shares}}$

Value per preference Share =  $\frac{\text{Preference Share capital}}{\text{No of Preference shares}}$

(iii) If Preference Shares are having the preference regards dividend only:-

Value per Equity Share =

$\frac{\text{Net Assets} - \text{Arrears of preference share dividend}}{\text{No. of Equity shares} + \text{No. of preference Shares}}$

Value per preference share =

Value per Equity Share +  $\frac{\text{Arrear of preference share dividend s}}{\text{No. of Preference share}}$

(iv) If preference share are not having any preference by the articles, therefore the per share value for equity share and preference will be:-

Value per share =  $\frac{\text{Net Assets}}{\text{No. of Equity Shares} + \text{No. of Preference share}}$

Note : In (iii) and (iv) above, the same formula will be used, when the face value and paid up value of equity shares and preference shares is same. If the paid up value is different, the net assets will be distributed between the preference shares and equity shares in their paid up value ratio and then the such proportionate net assets will be divided by the number of shares of particular category.

(2) Yield Valuation Method : In this method the value of share is based on income received (Dividend) or receivable. To value share by this method, one of the following basis may be used :-

(a) On the Basis of Dividend Rate : Investors who are in minority interested in investing the amount for short period, give weight to the dividend that will be provided by the company in near future. The following formula will be used to value the share:

$$\text{Value per Equity share} = \frac{\text{Rate of Dividend} \times \text{Paid Up Value Per Share}}{\text{Normal Rate of Return}}$$

Explanation of the terms used in above formula :-

(i) Rate of Dividend = 
$$\frac{\text{Amount of Dividend} \times 100}{\text{Total paid up capital}}$$

(ii) Normal Rate of Return = Normal rate of return means the return that is to be earned by the company engaged in similar business.

(b) On the Basis of Expected Rate of Return : Generally companies do not distribute the whole of the profit as dividend to shareholders and hence the value of the share should be based on rate of earning.

$$\text{Value of Equity Share} = \frac{\text{Expected Rate of Return} \times 100}{\text{Normal Rate of Return}}$$

Here the Expected Rate of Return will be calculated as :-

$$\text{Expected Rate of Return} = \frac{\text{Profit available for equity shares} \times 100}{\text{Paid up Equity share Capital}}$$

(c) On the Basis of Earning Capacity or Actual Rate of Return : When amount is invested for a long period, or a huge amount is invested the share should be ascertained on the basis of earning capacity of the company.

$$\text{Value per equity share} = \frac{\text{Actual Rate of Return} \times \text{Paid up value per share}}{\text{Normal Rate of Return}}$$

The actual Rate of Return can be ascertained by the following formula:-

$$\text{Actual Rate of Return} = \frac{\text{Profit Earned} \times 100}{\text{Net Capital Employed}}$$

In above formula we have to ascertain :-

(i) Profit Earned : The term “Profit earned” means the “Profit before interest, transfer to reserve & preference share dividend but after tax.”

(ii) Net Capital Employed :

Net Capital Employed (Assets Approach) = Fixed assets (At revalued Price or at W.D.V.) + Trade Investment + Current Assets – Current Liabilities

Net Capital Employed (Liabilities Approach) = Equity share capital + Preference Share Capital + Reserve & Surplus + Debentures + Long term Loan – fictitious Assets – Non trade investment + Revaluation Profit – Revaluation Loss

Q.3. Write Short notes on the followings-

- (1) Fair Value of Shares
- (2) Value of Shares in case of Bonus Shares
- (3) Valuation of Rights

Ans.: (1) Fair Value of Shares : Fair value of share means the average of intrinsic value of share and yield value of share. Formula :-

$$\text{Fair value per Share} = \frac{\text{Intrinsic Value per Share} + \text{Yield Value per Share}}{2}$$

- (i) Intrinsic Value per Share is the value of share based on the Net Assets Method.
- (ii) Yield Value per Share is the value of share based on dividend, expected rate of return and earning capacity of the concern.

(2) Value of Shares in case of Bonus Shares : After bonus issue the number of shares will increase in company's books but net assets remains same. So, the intrinsic value of share is reduced.

$$\text{Value per Share} = \frac{\text{Net Assets (Existing Equity Fund)}}{\text{No. of Shares (including Bonus Shares)}}$$

(3) Valuation of Rights : As per section 81 of the companies Act, 1956, provides that if a public company increase its paid up capital by issuing new shares within a period of 2 years from its incorporation or within one year of first allotment of shares, whichever is earlier, the existing shareholders have a right to purchase the new equity shares from the company. If such shares are known as Right shares, and this Right is known as "Right of Pre-emption".

The transfer of shares may be of 2 types as following :-

- (i) Ex-Right : The value of right excluded in the market value of share because the existing shareholders have a right to purchase the right share.

(ii) Cum-Right : The value of right included in the market value of share, because the purchaser have a right to purchase the right shares.

$$\text{Value of Rights} = \frac{\text{No. of Right Shares} \times (\text{Market Price} - \text{Issue Price})}{\text{No. of Existing Shares} + \text{No. of Right Shares}}$$



## Chapter-13

### Insurance Claims

Q.1. - What do you mean by average clause? Explain with example.

Ans: Average clauses appear in insurance policies of all types of assets. So, for example, you are insuring your house and you tell the insurer its value, which forms the sum insured under the policy. The premium is based on the declared value and will be lower than what it should be if the true value was given.

Q.2.- What is the formula of average clause?

Ans: If the policy has already been taken for an amount equivalent or more as per requirement then Average clause is not applicable. However, if the policy is less than the required amount policy that should have been taken then average clause will be applicable. In the event of Average clause being applicable, amount of claim is calculated in the following manner:

Application of Average Clause

$$\text{Amount of Claim} = \frac{\text{Loss of Profit} \times \text{Value of Policy}}{\text{Policy to be taken}}$$

NOTE

Policy to be taken = Adjusted Annual Sales  $\times$  Gross Profit Rate

Loss of profit = Short sales  $\times$  Rate of Gross Profit

Q.3.- Explain the accounting for insured loss in the books of insured?

Ans: The actual loss to insured and amount of claim admitted by insure may be differ from each other. The accounting entries regarding to loss of assets, loss of store, loss of profit in the books of insured will be as follows:

Accounting entries in this connection will be made as under

(1) Transfer of loss of stock into Trading a/c

Destroyed Stock a/c	Dr.
Damaged Stock a/c	Dr.
To Trading a/c	

(Value of stocks lost taken into Trading a/c.)

- (2) On claim accepted by Insurance Company

Insurance Company a/c Dr.  
    To Destroyed Stock a/c  
    To Damaged Stock a/c

(Claim admitted by Insurance Company.)

- (3) On sale of damaged stock

Bank/Cash a/c Dr.  
    To Damaged Stock a/c (Damaged stock sold.)

(4) The Profit/Loss on sale of damaged stock will be Transferred to P. & L. a/c /Statement of Profit & Loss.

- (5) Claim regarding fixed assets accepted e.g., Plant, Furniture Building etc.

Insurance Company a/c Dr.  
    To Building a/c  
    To Plant a/c  
    To Furniture a/c

(Claim admitted by Insurance Company for Fixed Assets.)

If there is any difference between the value of assets & accepted claim then profit/loss will be transferred to P & L a/c / Statement of Profit & Loss.

- (6) For loss of profit: claim accepted by Insurance Company

Insurance Company a/c Dr.  
    To Profit & Loss a/c (Related to current year)  
    To Profit & Loss Suspense a/c (Related to next year)

(Claim of loss of profit admitted by Insurance Company.)

- (7) On Fire Expenses incurred:

Fire Expenses a/c Dr.  
    To Bank a/c (Fire Expenses paid.)

- (8) On receipt of amount of claim from Insurance Company:

Bank a/c Dr.  
    To Insurance Company a/c

(Amount of claim received from insurance company.)

## Chapter-14

### Hire Purchase Accounts

Q.1.- Explain Hire Purchase System?

Ans: In the area of business vendors sell goods on hire purchase to increase their sales besides cash also. Hire purchase system is a converted form of credit sales. In hire purchase the purchaser after taking delivery of goods makes his payment in periodical instalments. Till the payment of the last instalment the ownership of the goods remains with the vendor. All instalments paid up to the last instalment are considered as rent and the purchaser gets the ownership on the goods after the last instalment is paid.

Transactions for goods sold and purchased through hire purchase are governed by "Hire Purchase Act 1972. The Hire Purchase Act 1972 was made effective from 1 September, 1973. However, by a Gazette notification dated 30th August, 1973, the implementation of the Act has been postponed. According to this Act Hire Purchase Agreement means an agreement through which the goods are given by the vendor to the purchaser on rent and the option of buying the goods is subject to the conditions vested in the agreement.

For this the purchaser has to pay agreed periodical instalments and he gets the ownership of the goods only after the last instalment is paid. The Purchaser can terminate the agreement at any time before the last instalment is paid. In such a case the vendor can take the goods back and the instalment paid by the purchaser will be forfeited, considering it as rent for use of property.

Definition of Hire Purchase: Different scholars have defined hire purchase accounting system in the following words:

(1) According to J.R. Batliboi, "Under the hire purchase system, goods are delivered to a person who agrees to pay the price of goods to the owner by equal periodical instalments, such instalments to be treated as hire of these goods until a certain fixed amount has been paid, when these goods become the property of the hirer"

(2) According to Carter, "Hire purchase system is a system in which price of the goods is to be paid in periodical instalments for the purpose of purchases, until last instalment is to be paid, each paid instalment is treated as hire"

Q.2.- Explain Characteristics of Hire purchase System?

Ans: Characteristics of Hire Purchase System

- (1) **Handing over of goods:** In hire purchase agreement the vendor hands over goods after agreement is done on rent to the purchaser.
- (2) **At the time of hire purchase agreement,** the purchaser deposits an agreed amount in the form of Down payments.
- (3) **Right of forfeiting the Instalment and taking the goods back:** On default in paying the instalment by the purchaser the vendor has the right to forfeit the instalments paid considering them as rent and with that the vendor has a right to take the goods back.
- (4) **Getting the ownership of the goods and termination of Agreement:** In hire purchase the vendor is bound to sell goods whereas, the purchaser is not bound to purchase them. It depends on his choice, if he so wants then he can pay all the instalments and get the ownership of the goods or during the course of the agreement return the goods and terminate the agreement.
- (5) **Transfer of ownership of goods:** Up to payment of total value of goods the ownership of the goods remains with the vendor. Only on payment of all instalments the ownership of goods is transferred to the purchaser.
- (6) **Responsibility for safety of goods:** It is the duty of the hire purchaser till he pays the last instalment to use the goods with caution and protect them.
- (7) **Goods transferred to Third Party:** The hire purchaser does not have the right to sell or pledge the goods till the last instalment is paid. However, the purchaser can with the permission of vendor transfer goods to a third party.
- (8) **Repair etc. responsibility of the vendor:** Till the last instalment is paid the responsibility of repair and maintenance of the goods is of the vendor, if the purchaser has used the goods with care and caution.

Q.3.- Explain the treatment of Provision for Unrealized Profit in the books of Hire Vendor?

Ans: In the hire purchase system if the total value of goods sold is realized in the same accounting year, then it is treated like credit sale and then the profit earned on that sales is taken in Profit and Loss account of same year. In case the period of instalments to be received is more than one year then it will not be appropriate to consider it as sale in that year in which the hire purchase transaction takes

place. So as per realization concept a provision should be made for unrealized profit in relation to outstanding cash price. The amount of provision is calculated as follows in each year:

$$\text{Provision for unrealized profit} = \frac{\text{Outstanding Cash Price}}{\text{Total Cash Price}} \times \text{Total Profit}$$

$$\text{Total Profit} = \text{Total Cash Price} - \text{Cost Price}$$

Provision for unrealized profit is only made when instalments are payable in more than one year and in the question cost price of the goods are given. In the formula total profit means excess of cash price over cost price of goods sold. Provision for unrealized profit is made only in books of vendor and amount of this provision is shown in Balance Sheet after deducting amount realized from hire purchaser.

Entries regarding provision for unrealized profit

In First Year:

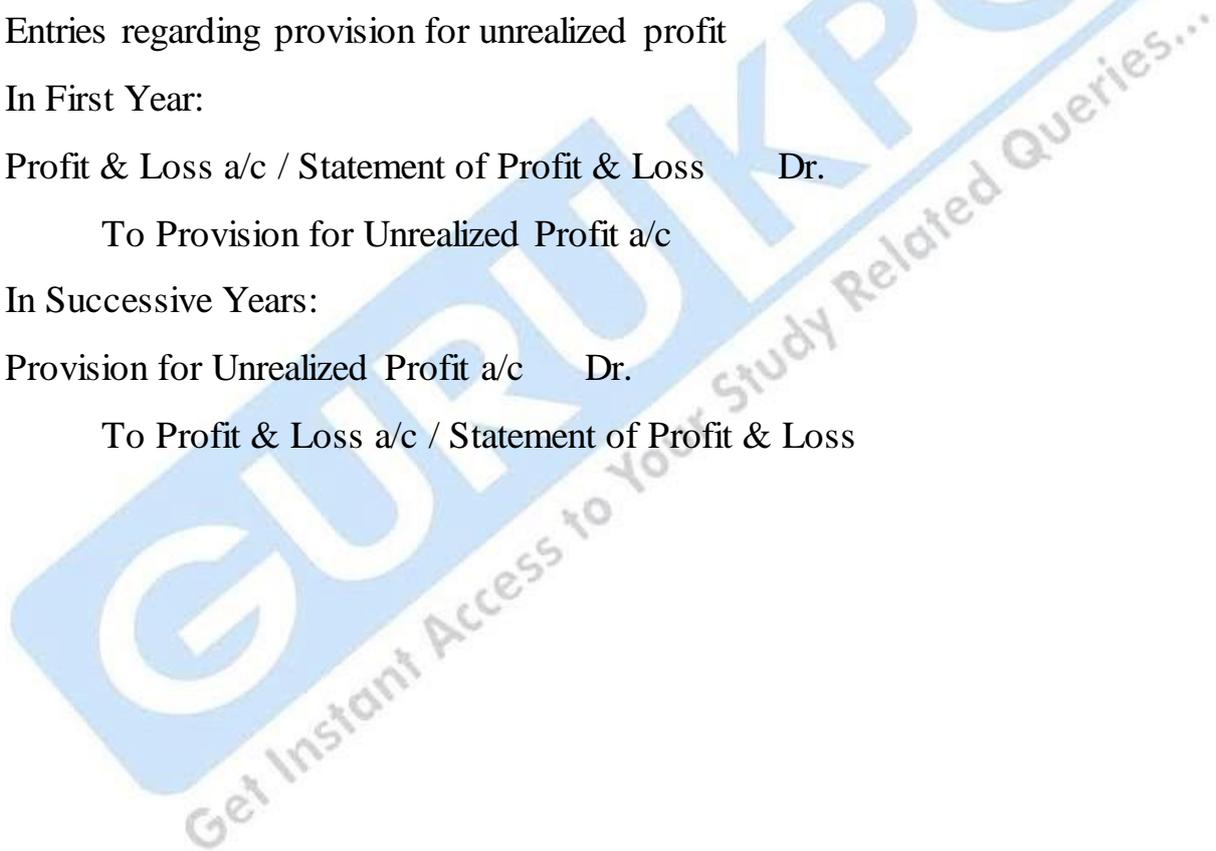
Profit & Loss a/c / Statement of Profit & Loss      Dr.

    To Provision for Unrealized Profit a/c

In Successive Years:

Provision for Unrealized Profit a/c      Dr.

    To Profit & Loss a/c / Statement of Profit & Loss



## Chapter-15

### Instalment Payment Accounts

Q.1.- What is The Meaning of Instalment Payment System?

Ans: The system in which the property in the goods passes to the purchaser immediately on the signing of the contract and payment is made in instalments is known as Instalment Payment System. In this system the ownership and goods both passes to the purchaser immediately on signing of the contract though the purchaser makes payment in instalments. If the purchaser makes a default in payment of an instalment, the seller can only sue for the balance of the amount unpaid together with interest but he cannot repossess the goods.

Q.2.- Explain Characteristics of Instalment Payment System?

Ans: Characteristics of Instalment Payment System:

1. In this system the price of the goods is not paid lump sum but is paid in periodical instalments.
2. Selling price of the goods is determined by adding interest in the cost price.
3. Amount of instalments and its periodicity is decided at the time or signing the contract.
4. Delivery of the goods and ownership is transferred to the purchaser at the time of sale contract.
5. On default in payment of instalments or non-compliance of the terms and conditions of the contract by the purchaser, the vendor does not have a right of repossession of goods, he can only sue for the balance of amount due against the purchaser.
6. Prior to making payment of all instalments the purchaser has right to sell, mortgage or make alteration in the goods and the other person will have best title over the goods.

Q.3.- Differentiate between Hire Purchase System and Instalment Payment System?

Ans:-

<b>Basis of Difference</b>	<b>Hire Purchase System</b>	<b>Instalment Payment System</b>
Nature of contract	Nature of this agreement is of hire agreement which gets converted to sale agreement on payment of Final instalment	Nature of this agreement is of sale agreement.
Transfer of ownership	Ownership rights are transferred to purchaser on the payment of final instalment.	Purchaser gets right of ownership at the time of sale agreement
Rights of Vendor	On default in payment of instalments the Hire Vendor can take repossession of goods sold and forfeit all previous instalments paid by purchaser.	In case of default in payment the Vendor does not have the right to repossess the goods earlier sold. He can only sue him the court for the amount due to him.
Rights of Purchaser	Vendor has the right to terminate the agreement and repossess the goods but he cannot sell or mortgage the goods.	Purchaser does not have the right to terminate the agreement or returns the goods purchased. He can however sell or mortgage the goods.
Responsibility for repairs	During the hire purchase period it is the responsibility of the Hire Vendor to repair the goods.	Repair responsibility is that of purchaser.
Risk	Till the payment of last instalment risk is that of Vendor as such he can insure his goods to cover the risk.	Risk from the very beginning is that of purchaser as such there is no need of Vendor to insure the goods.
Title of Third Party	Third party cannot get best title when goods have been sold by purchaser to them.	Third party gets the best title when goods are sold to them by the purchaser.

## Chapter-16

### Valuation of Inventory

Q.1.-Explain the meaning of inventory?

Ans: Inventories are unconsumed or unsold goods purchased or manufactured. According to Institute of Chartered Accountants of India (AS-2), "Inventories mean tangible property held:

- (i) for sale in the ordinary course of business, or
- (ii) in the process of production for such sale, or
- (iii) for computation in the production of goods or services for sale, including maintenance supplies and consumables other than machinery spares."

Q.2. - Explain the Component of Inventory?

Ans: Inventories are normally classified in the financial statements as current assets as under:

- (i) Raw Materials;
- (ii) Work-in-process;
- (iii) Finished goods; and
- (iv) Stock of stores and spare parts.

The word 'stores' is used for materials required for consumption by machines, e.g., Lubricants, cleaning materials, spare parts of machines, waste cloth and cotton, coal, petroleum or kerosene etc.

Q .3.- Explain various methods of valuation of inventory?

Ans: "The inventories should be valued at the lower of historical cost and net realizable value." (AS-2)

Historical cost means cost of purchase, cost of conversion and other costs incurred in a normal course of business in bringing the inventories up to their present location and condition. Net realizable value is actual or estimated selling

price in the ordinary course of business less costs incurred in order to make the sale.

The different bases for valuation of closing stock can be the following:

- (i) **First in First out Method:** The FIFO method is based on the assumption that the raw materials/goods first received are the first to be issued/sold. The inventory on a particular date is presumed to be composed of the items which have been acquired most recently. It is usually found that most firms sell oldest merchandise first as a protection against deterioration.
- (ii) **Last in First out Method:** The LIFO method is based on the assumption that the raw material goods purchased last are the first to be issued/sold. So in this system inventory consists of items purchased at the earliest cost.
- (iii) **Weighted Average Cost Method:** This method is based on this assumption that once the materials are put into a common bin; they lose their identity. Weighted average cost is calculated by dividing the total cost of material in stock by the total quantity of material in stock.

Q.4.- Explain the advantage & disadvantage of FIFO Method?

Ans: Advantages of First in First out Method:

- (1) Valuation of closing inventory tends to be nearer to current market prices since stock is presumed to be consisting of the most recent purchases.
- (2) As this method is based on cost, hence no unrealized profit enters into the financial accounts of the company.
- (3) By using this method, valuation of inventory and cost of goods manufactured are consistent and elastic.
- (4) This method is easy to understand and operate, if prices of materials or goods do not fluctuate.
- (5) This method is realistic as it assumes that units sold or issued to production are in order of their purchases.

The main disadvantages of this method are as follows:

- (1) It involves complicated calculations, if there are violent fluctuations of prices of goods or material purchased and hence increases the possibility of clerical errors.

(2) In this method current production is matched with old prices and if the prices of materials are rising rapidly the current production cost is charged at lower cost.

(3) In the periods of declining prices, under this method cost of goods sold is charged at higher rate resulting in lower profits.

(4) Comparison between different jobs executed by the concern is rendered difficult because the prior job might have used the supply of lower priced stock.

(5) FIFO costing is improper if many lots are purchased during the period at different prices.

This method of valuation of inventory is particularly suitable in the following, circumstances:

- (i) the size and cost of raw materials units are large,
- (ii) materials are easily identified as belonging to a particular purchased lot,
- (iii) not more than two or three different receipts of the materials are on hand at one time,
- (iv) where materials/goods are of a perishable nature,
- (v) the frequency of purchases is not large,
- (vi) There are only moderate fluctuations in the prices of materials/goods purchased.

Q.5.- Explain the advantage & disadvantage of LIFO Method?

Ans: Advantages:

- (1) In this method material issued are priced at actual cost.
- (2) Materials cost is charged to production at the latest prices paid.
- (3) It provides a better matching of current costs with current revenues.
- (4) It is generally considered a cheap form of tax avoidance and tax saving by valuing inventory at beginning of period prices and calculating cost of sales at the prices of the period.
- (5) It produces correct profits or losses and financial position.

(6) In a rising market, the gross profit reported is a very low figure because most recent highest priced purchases are matched against sales revenues. This implies saving in tax.

(7) No unrealized profit or loss is usually made by adopting this method since actual costs are taken into account.

Disadvantages:

The following are the limitations or disadvantages of LIFO method:

(1) In this method, the inventory of materials is valued at a price which might have become out of date when compared with the current inventory prices.

(2) It involves considerable amount of clerical work because of the complications in calculating prices.

(3) The profit of a firm can be manipulated with the LIFO method in operation.

(4) Some business enterprises may not be able to use LIFO on certain jobs such as the Cost Accounting Standards Boards of U.S.A, does not permit the use of LIFO for defense contractors.

(5) It is purely a tax-saving device in a rising market. Management may not accept this method in a falling market.

(6) Current ratio and stock turnover ratio calculated becomes irrelevant and the balance sheet does not represent true and fair view of financial affairs.

(7) It is purely a tax-saving device in a rising market. Management may not accept this method in a falling market.

(8) Current ratio and stock turnover ratio calculated becomes irrelevant and the balance sheet does not represent true and fair view of financial affairs.

This question paper contains 8 printed pages.

Roll No. ....

**B.Com. (Pt. I)**

**Accy. & Bus. Stat.-I**

**1138-I**

**316680**

**B.Com (Part-I) EXAMINATION, 2020**

(Faculty of Commerce)

(Three-Year Scheme of 10+2+3 Pattern)

**ACCOUNTANCY AND BUSINESS STATISTICS**

**first Paper**

[Corporate and Financial Accounting]

**Time Allowed : Three Hours**

**Maximum Marks : 100**

**समय : 3 घंटे**

**अधिकतम अंक : 100**

Attempt any **five** questions in all, selecting **one** questions from each unit.

प्रत्येक ईकाई में से एक प्रश्न करते हुए, कुल पाँच प्रश्न हल करने हैं।

No supplementary answer book will be given to any candidate. Hence the candidates should write the answers precisely in the main answer book only.

All the parts of one questions should be answered at one place in the answer book. One complete question should not be answered at different places in the answer book.

किसी भी परीक्षार्थी को पूरा उत्तर-पुस्तिका नहीं दी जाएगी। अतः परीक्षार्थियों को चाहिए कि वे मुख्य उत्तर पुस्तिका में ही समस्त प्रश्नों के उत्तर लिखें।

किसी भी प्रश्न के अन्तर्गत पूछे गए विभिन्न प्रश्नों के उत्तर उत्तर-पुस्तिका में अलग अलग स्थानों पर हल करने बजाय एक ही स्थान पर हल करें।

**UNIT-I/इकाई-I**

1. A Limited has a nominal capital of Rs.2,50,000 divided into 25,000 equity shares of Rs. 10 each. Out of them, 4,000 shares were issued as fully paid to the vendors. 8,000 shares were subscribed for by the public and during the first year on which Rs. 5 per share were called up. On the 8,000 shares subscribed for by the public; following.

एक लिमिटेड कम्पनी की अधिकृत पूँजी रु. 2,50,000 है जो कि रु. 10 वाले 25,000 ईक्विटी अंशों में विभक्त है। इनमें से 4000 पूर्ण प्रदत्त अंश व्यापार विक्रेताओं को निर्गमित कर दिए गए। 8,000 अंश जनता द्वारा प्रार्थित किए गए जिन पर प्रथम वर्ष में रु. 5 मँगवाए गए। प्रथम वर्ष के अंत तक जनता द्वारा प्रार्थित 8,000 अंशों के अंशधारियों से निम्नलिखित धनराशि प्राप्त हुई :

On 6,000 shares the full amount called

On 1250 shares Rs. 4 per shares

On 500 shares Rs. 3 per shares

On 250 shares Rs. 2 per shares

The directors forfeited the 750 shares on which less than Rs. 4 per share has been paid. Give the journal and cash book entries to record above transaction and set out the share capital as it would appear in the company balance sheet at the end of the year.

संचालकों ने 750 अंशों को जब्त कर लिया जिन पर रु. 4 प्रति अंश से कम प्राप्त हुए थे। उपरोक्त व्यवहारों का लेखा करने के लिये जर्नल प्रविष्टियों कीजिए, रोकड़ बही बनाइये तथा प्रथम वर्ष के अन्त में कम्पनी के चिट्ठे में अंश पूँजी दर्शाइये।

**Or/अथवा**

Write short notes on the following :-

- (i) Buy-back of shares
- (ii) D-Mat
- (iii) IFRS
- (iv) Right share

निम्नलिखित पर संक्षिप्त टिप्पणियाँ लिखिए:-

- (i) अंशों की पुनः खरीद
- (ii) डी-मेट
- (iii) आइ.एफ.आर.एस.
- (iv) अधिकार अंश

#### **UNIT-II/इकाई-II**

Three underwriters have signed on underwriting agreement for public issue of 5,00,000 shares of Rajesh limited : X for 3,00,000 shares, Y for 1,25,000 shares and Z for 75,000 shares. There was an agreement for firm underwriting where company has agreed to allot 40,000 shares to X, 15,000 shares to Y and 50,000 shares to Z out of the public issue of 5,00,000 shares.

Company received total applications for 3,55,000 shares (including shares of firm underwriting) againsts 5,00,000 shares offered by the company. Out of total applications received the shares in marked application of underwriters including firm underwriting were X 50,000 shares. Y 100,000 shares, and Z 25,000 shares Determine liability of underwriting if :

- (a) As per underwriting agreement firm underwritten share are not considered as good as marked shares.
- (b) As per underwriting agreement firm underwritten shares are considered as good as marked shares.

राजेश लिमिटेड के 5,00,000 अंशों के सार्वजनिक निर्गम के लिए तीन अभिभावकों से अभिगोपन समझौते किए: 'X' से 3,00,000 अंशों का 'Y' से 1,25,000 अंशों का तथा 'Z' से 75,000 अंशों का सार्वजनिक निर्गम में से 'X' ने 40,000 अंशों का 'Y' 15,000 अंशों का तथा 'Z' ने 50,000 अंशों का फर्म अभिगोपन किया।

कम्पनी द्वारा निर्गमित किए गए 5,00,000 अंशों हेतु फर्म अभिगोपन सहित कुल 3,55,000 अंशों के लिए आवेदन-पत्र प्राप्त हुए। जनता द्वारा आवेदित अंशों के लिए आवेदन पत्र (फर्म अभिगोपन के अतिरिक्त) में 'X' 50,000 अंश, 'Y' के 100,000 अंश, तथा 'Z' के 25,000 अंश के आवेदन-पत्र चिन्हित थे।

अभिगोपकों के दायित्व का निर्धारण कीजिए यदि:

- अभिगोपन समझौते के अनुसार फर्म अभिगोपित अंशों को चिन्हित अंशों के समान नहीं माना जाए।
- अभिगोपन समझौते के अनुसार फर्म अभिगोपित अंशों को चिन्हित माना जाए।

Or/अथवा

- What do you understand by 'Purchase Consideration' ? How is it ascertained ? Explain it.

क्रय प्रतिफल से आप क्या समझते हैं? यह कैसे निर्धारित किया जाता है? समझाइए।

- On 1st April 2019 Shyam limited had outstanding in its books, 1000; 12% debentures of 500 each. In accordance with the terms of issue of debentures, the directors of the company purchased 350 its debentures (own) as follows from the open market for immediate cancellation :

1 अप्रैल 2019 को श्याम लिमिटेड की पुस्तकों में रु. 500 वाले 1,000 12% ऋणपत्र बकाया थे। ऋणपत्र निर्गमन की शर्तों के अनुसार संचालकों ने निम्नलिखित तिथियों को खुले बाजार से अपने रु. 350 ऋणपत्र वस्तु निरस्त करते हेतु क्रय किए:

June -1- 2019, 100 debentures @ Rs. 490 cum-interest

Nov- 1- 2019, 200 debentures @ Rs. 501.25 cum-interst

March- 15- 2020, 50 debentures @ Rs. 492.50 ex-interest

Debenture interest is payable on 30th sep. and 31 march every year. Pass necessary journal entries for the above transactions.

प्रति वर्ष ऋणपत्रों पर अर्द्ध-वार्षिक 30 सितम्बर तथा 31 मार्च को देय है। इन व्यवहारों के लिए आवश्यक जर्नल प्रविष्टियाँ कीजिए।

### UNIT-III/इकाई-III

Explain in brief,

- Intreim dividend
- Final dividend
- Bonus
- Participating peferece shares

निम्न को समझाइए?

- (1) अचरिम लाभांश
- (2) अन्तिम लाभांश
- (3) बोनस
- (4) सहभागी पूर्वाधिकार अंश

Or/अथवा

The followings is the profit and loss statement of CAD Ltd. for the year ending 31 March 2019.  
31 मार्च 2017 को समाप्त होने वाले वर्ष के लिए कैड लिमिटेड का लाभ-हानि निम्न प्रकार है:

Statement of profit and loss of CAD limited :

For the year ended as at 31, march, 2019

Particulars	Figures for the year ended as at
(i) <b>INCOME</b>	31/03/2019
Gross profit (sales less cost of sales)	40,25,365
Rent Recovered for staff Quarter	35,335
Transfer Fees	750
Discount	1500
Profit on sales of plant and Machinery (sales consideration Rs. 57000-WDV Rs. 32000)	25000 <u>40,87,950</u>
(ii) <b>EXPENSES</b>	
Adminsitratve exp	6,25,750
Selling Expenses	3,32,250
Contribution to charitable institutions	32,000
Interest on debentures	4,00,000
Depreciation (as per income tax rules)	3,37,500
Directors fees	32,500
Managerial Remuneration Paid (Rs. 4,60,000 to managing Director and Rs. 8000 to each of five part time directors)	500,000
Total	<u>22,60,000</u>

(iii) Profit before tax (I-II)		18,27,950
Less : Prouision for tax		4,00,000
(iv) Profit After tax		14,27,950
Statement showing appropriations of profit :		
Profit After tax for the year		14,27,950
Add balance of profit brought forward		
From last year		5,02,337
Total		<u>19,30,287</u>
Less Appropriation :		
Transfer to sinking fund	300000	
Transfer to General Reserue	400000	700000
Balance of profit carried to blancesheet		1230287

**Additional Information:**

- (i) Original cost of plant and machinerey sold was Rs. 50,000
- (ii) The company got subsidy during the year from the crownment Rs. 3,350,00 but remained unrecorded in the books of accounts
- (iii) Depreciation on Fixed assets as per schedule II to the companies Act-2013 was, Rs.5,72000 as stated above that company has one Managing Director and Five part-time Directors and that Rs. 4,60,000 were paid to Managing Director and Rs. 8000 to each of the part time directors. Calculate their remuneration by applying maximum permissible limits and state the amount payable to or recoverable from managerial personnel.

**अतिरिक्त सूचनाएँ**

- (i) प्लाण्ट व मशीनरी जिसे बेचा गया है, की वास्तविक लागत रु. 50,000 थी।
- (ii) कम्पनी को सरकार से रु.3,35,000 अनुदान के रूप में वर्ष के दौरान प्राप्त हुए। परन्तु पुस्तकों में इसका लेखा करना रह गया।
- (iii) कम्पनी अधिनियम, 2013 की अनुसूची II के अनुसार ह्रास रु. 5,72,000 था। पूर्व में बताया गया है कि कम्पनी में एक प्रबन्धक संचालक व पाँच अंशकालिक संचालक है तथा प्रबन्ध संचालक में 4,60,000 पारिश्रमिक एवं प्रत्येक अंश कालीन संचालक को रु. 8000 पारिश्रमिक का भुगतान किया गया। स्वीकार्य अधिकतम प्रबन्धकीय पारिश्रमिक का परिकलन कीजिए तथा उनको दिए जाने वाले अथवा उनसे वसूल किए जाने वाले पारिश्रमिक की राशि बताइए।

#### UNIT-IV/इकाई-IV

Suresh and Mahendra are equal partners in a firm. They are interested to sell the business. The price offered by Raman Ltd. is 25,00,000. They are interested to calculate the value of business on the basis of the following information. Kindly assist then advise the price offered by Raman Ltd. is adequate or not.

सुरेश और महेन्द्र एक फर्म में बराबर के साझेदार हैं। वे निम्नलिखित सूचना के आधार पर व्यवसाय का मूल्य ज्ञात करना चाहते हैं। रमन लि. ने रु. 2500,000 की कीमत आँकी है। आप उनको सलाह दीजिए की रमन लि. द्वारा आँकी गई कीमत पर्याप्त है या नहीं।

#### Balance Sheet as at 31.03.2019

Liabilities	Rs.	Assets	Rs. Amount
Crditores	500000	Bank	3,20,000
Profit and loss A/C	500000	Trade investment	1,55,000
Capital : Suresh	12,00,000	Sundry debtors	12,50,000
Mahendra	800000	stock	625000
		Machinery	2,50,000
		Buiding	4,00000
	30,00,000		30,00,000

All asstes are worth their book values except machinery and building, there are presently marketable at Rs. 300,000 and Rs. 5,20,000 respectively. The net profits after tax for the last five years are Rs. 3,50,000, Rs, 370,000, Rs. 390,000, rs.400000 and 420,000 respectively. The fair remuneration of each. Partner may be charged Rs. 1500 per month. The normal rate of return of similar type of business is 12% the goodwill of the firm may be treated as 5 year' purchase of super profits weight of each year's profit respectively 1,2,3,4,5.

सभी सम्पत्तियाँ का पुस्तक मूल्य उचित है सिवाय मशीन एवं भवन के जिनका वर्तमान में बाजार मूल्य क्रमशः रु. 300,000 एवं रु.5,20,000 है। पिछले पाँच वर्षों के कर के पश्चात् शुद्ध लाभ क्रमशः रु. 350,000, रु. 3,70,000, रु. 3,90,000 रु. 400000 एवं रु. 4,20,000 है। प्रत्येक साझेदार का उचित पारिश्रमिक रु. 1500 प्रति माह की दर से माना जा सकता है। इसी प्रकार के व्यवसाय की सामान्य प्रत्याय दर 12% है। फर्म की ख्याति अधिलाभों को 5 वर्षों के क्रय के बराबर मानी जा सकती है। प्रत्येक वर्ष लाभों का भार क्रमशः 1,2,3,4,5.

Or/अथवा

Explain the various. Methods of valuation of shares and also state the circumstances in which share valuation because necessary.

अंशों के मूल्यांकन की विभिन्न विधियों को समझाइए तथा उन परिस्थितियों को बताइए जिनमें अंशों का मूल्यांकन आवश्यक हो जाता है।

**UNIT-V/इकाई-V**

5. On 24 September 2019 the stock in the godown of R.K Ltd. was destroyed by fire and stock of the cost of Rs. 9000 only could be salvaged. The records of the company. Revealed the following particulars:

24 सितम्बर-2019 को आर. के, लिमिटेड के गोदाम में रखा माल अग्नि से नष्ट हो गया तथा मात्र रु. 9000 लागत का माल ही बचाया जा सका। कम्पनी के दस्तावेज से निम्न विवरण ज्ञात हुए:-

	2017-18	2018-19
Opeing stock on 1 April	73000	74000
Cls. stock on 31 March	74000	184000
Purchase less return	150000	250,000
Sales less return	252000	283500
Brokerage on purchase of goods	2%	2%
Commission sales of goods	2.5%	2.5%

Purchase and sales from 1/4/2018 to 24 September 2018 were Rs. 60,000 and 240,000 respectively. The buying as well as selling commission during this period was 2%.

In valuing stock on 31/03/2017 Rs. 8000 were written off in relation to certain goods whose cost was Rs. 25000. 60 % of this goods was sold during the year 2017-18 at 80% of its original cost. The remaining 40% of goods was valued at Rs. 9000 on 31/03/2018. Half the above stated remaining was sold at a loss of Rs. 1500 during the year 2018-19 and the balance half goods was valued on 31/03/2019 at Rs. 4000 : For the purpose of ascertainment of claim for loss of stock insurer agreed the following:

- Weighted aavage gross profit rate of preceding two years by assigning 2 and 3 weights.
- The unsold abnormal goods is to be valued at 75% of their respective costs.

1 अप्रैल 2019 से 24 सितम्बर 2019 की अवधि में कम्पनी के क्रय रु. 60,000 तथा विक्रय रु. 2,40,000 के थे। क्रय एवं विक्रय पर 2% कमीशन देय था।

31 मार्च 2017 के स्टॉक का मूल्यांकन करते समय रु. 25000 लागत वाले माल की लागत में से रु. 8000 अपलिखित कर मूल्यांकन किया। लेखा वर्ष 2017-18 में इस माल का 60% भाग मूल लागत के 80% मूल्य पर बेच दिया तथा शेष 40% माल 31 मार्च, 2018 को रु. 9000 मूल्य पर मूल्यांकित किया। 1 वर्ष 2018-19 में इससे से आधा माल रु. 1500 की हानि बेच दिया तथा शेष बचे हुए 20% माल को रु. 4000 वा मूल्यांकित किया गया। स्टॉक की हानि के दावे की राशि के परिकलन करने की दृष्टि से बीमा कम्पनी निम्नलिखित के लिए सहमत हुई:

- (i) गत दो वर्षों की सकल लाभ की दरों को क्रमशः 2 एवं 3 भार देते हुए भारित औसत लाभ की दर।
- (ii) बिना बिके हुए असामान्य माल का मूल्यांकन उसकी लागत के 75% स्टॉक की हानि के दावे की राशि का परिकलन कीजिए। गोदाम में रखे माल का रु. 100,000 का बीमा करवाया हुआ था।

Or/अथवा

Write short notes on the following

- (i) Provision for unrealised profit
- (ii) Goods repossed account
- (iii) LIFO method [last in first out]
- (iv) FIFO method [first in first out]

निम्नलिखित पर संक्षिप्त टिप्पणियाँ लिखिए।

- (i) न वसूल हुए लाभ के लिए आयोजन।
- (ii) पुनर्ग्रहीत माल खाता
- (iii) लीफो विधि
- (iv) फिफो विधि।

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B.Com. (Pt. I)

Accy. &amp; Bus. Stat. I

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B.Com. (Part I) EXAMINATION, 2019

08

(10+2+3 Pattern) (Faculty of Commerce)

## ACCOUNTANCY AND BUSINESS STATISTICS

First Paper

[Corporate and Financial Accounting]

Time Allowed : Three Hours

Maximum Marks : 100

*Attempt any five questions in all selecting one question from each unit.**प्रत्येक इकाई में से एक प्रश्न करते हुए कुल पाँच प्रश्न हल करने हैं।**No supplementary answer book will be given to any candidate. Hence the candidates should write the answer precisely in the main answer book only.**All the parts of one question should be answered at one place in the answer book. One complete question should not be answered at different places in the answer book.**किसी भी परीक्षार्थी को पूरा उत्तर-पुस्तिका नहीं दी जायेगी। अतः परीक्षार्थियों को चाहिए कि वे मुख्य उत्तर पुस्तिका में ही समस्त प्रश्नों के उत्तर लिखें।**किसी भी एक प्रश्न के अन्तर्गत पूछे गये विभिन्न प्रश्नों के उत्तर उत्तर-पुस्तिका में अलग अलग स्थानों पर हल करने के बजाय एक ही स्थान पर हल करें।*

## UNIT - I / इकाई - I

1. Write Short Notes :

संक्षिप्त टिप्पणियाँ लिखिये—

- Going Concern Concept (निरन्तरता की अवधारणा)
- Convention of Consistency (एकरूपता की परम्परा)
- Demat Account (डीमेट खाता)
- Employee Stock option plan (कर्मचारी स्टॉक विकल्प योजना)

20

OR / अथवा

The following particulars are given from the books of Ankita Ltd. relating to issue of equity shares during April to June, 2018. The amount per share was payables as : ₹ 3 on application, ₹ 5 on allotment (including ₹ 2 as premium) ₹ 4 on first and final call.

निम्नलिखित विवरण अंकिता लिमिटेड के अप्रैल से जून 2018 के इक्विटी अंश निर्गमन से सम्बन्धित हैं। प्रति अंश देय राशि : आवेदन पर ₹ 3, आवंटन पर ₹ 5 (₹ 2 प्रीमियम सहित); प्रथम व अंतिम माँग पर ₹ 4 देय थी।

	No. of Shares allotted	No. of shares applied for
Category A	40,000	60,000
Category B	20,000	20,000
Category C	—	10,000

(Application money refunded)

Allotment made pro-rata in category A. Kamal who applied for 900 shares in category A failed to pay allotment and call money and his shares were forfeited. Subsequently 400 forfeited Shares were reissued to Suresh as fully paid for ₹ 9 per share. Show the Journal and Cash Book entries to record the above transactions.

A श्रेणी में आवंटन आनुपातिक आधार पर किया गया। कमल, जिसने A श्रेणी में 900 अंशों के लिए आवेदन किया था, के आवंटन व माँग राशि न देने पर उसके अंशों को जब्त कर लिया गया। इसमें से 400 अंश सुरेश को ₹ 9 प्रति अंश पूर्ण प्रदत्त मानकर निर्गमित किये गये। उपर्युक्त लेनदेनों को जर्नल एवं रोकड़ पुस्तक में दर्ज कीजिए। 20

## UNIT - II / इकाई - II

2. What do you mean by debentures? Explain its various types. Differentiate between share and debenture.

ऋणपत्र से आप क्या समझते हैं? इसमें विभिन्न प्रकारों को समझाइये। अंश व ऋणपत्र में अन्तर स्पष्ट कीजिए। 4+8+8

OR / अथवा

Charu Pvt. Ltd. was incorporated on. 1.7.2017. It took over the proprietary business of Charu Enterprises with effect from 1.4.2017. The balance sheet of Charu Enterprises as at 31.3.2017 was as follows :

चारू प्राइवेट लिमिटेड का समामेलन 1.7.2017 को हुआ जिसने 1.4.2017 से चारू एन्टरप्राइजेज एक एकल स्वामी का व्यापार अधिग्रहित किया। 31.3.2017 को चारू एन्टरप्राइजेज का चिट्ठा अग्रलिखित था—

### Balance Sheet as at 31st March, 2017

Liabilities		₹	Assets		₹
Capital	10,00,000		Buildings		3,00,000
Add : Profit	78,750	10,78,750	Machinery		7,50,000
Mrs. X's Loan		21,250	Debtors		64,250
Trade Creditors		42,500	Cash		34,500
Outstanding Expenses		6,250			
		11,48,750			11,48,750

It was agreed to pay ₹ 11,25,000 payable in equity shares of ₹ 100 each at ₹ 125 to the Charu Enterprises. The Company decided to close its first year's accounts on 31st March, 2018. The following are the further details for the year finished to you :

चारू एन्टरप्राइजेज को ₹ 11,25,000 भुगतान करने के लिए सहमति हुई जो ₹ 100 वाले ईक्विटी अंशों का ₹ 125 प्रति अंश का आधार पर निर्गमन द्वारा किया जाएगा। कम्पनी ने पहले वर्ष के खाते 31 मार्च, 2018 को बन्द करने का निश्चय किया वर्ष से संबंधित आपको निम्नलिखित विवरण उपलब्ध है—

Sales ₹ 7,50,000, Purchases ₹ 3,50,000, Salaries ₹ 1,00,000, General Expenses ₹ 80,000, Interest ₹ 20,000, Carriage inward ₹ 11,750, Closing Stock ₹ 61,750, Depreciation on all assets @ 10% p.a. A new machine was acquired for ₹ 1,00,000 on 1.7.2017.

You are required (i) to pass journal entries to take over business (ii) to prepare Statement of profit and loss, and (iii) Charu's Capital a/c.

आपको (i) व्यापार-क्रय पर लेखा प्रविष्टियाँ, (ii) लभ-हानि का विवरण तथा (iii) चारू का पूंजी खाता बनाना है। 20

**UNIT - III / इकाई - III**

3. (a) The Statement of Profit and Loss of X Ltd. is given ahead. Determine Net Profit for the purpose of calculating Managerial Remuneration and also calculate the maximum remuneration payable to the directors under the Indian Companies Act, 2013 in the following cases :

‘एक्स’ लि० के लाभ-हानि का विवरण आगे दिया हुआ है। प्रबन्धकीय पारिश्रमिक की गणना हेतु लाभ का निर्धारण कीजिए तथा भारतीय कम्पनी अधिनियम, 2013 के अन्तर्गत संचालकों को देय पारिश्रमिक ज्ञात कीजिए—

12

- (i) When there is no managing or whole-time director in a company;

यदि कम्पनी में प्रबन्धक या पूर्णकालिक संचालक न हो;

- (ii) When there is one whole-time director in a company;

यदि कम्पनी में एक पूर्णकालिक संचालक हो;

- (iii) When there are two whole-time directors.

यदि कम्पनी में दो पूर्णकालिक संचालक हों।

**Statement of Profit & Loss (for the year ended 31st March, 2018)**

	Particulars	Amount (₹)
I.	Revenue from Operations	20,80,000
II.	Other Income :	
	Profit on Sale of Building (Cost ₹ 1,80,000. W.D.V. ₹ 90,000 Sold for ₹ 1,92,000)	1,02,000
	Subsidy from Government	18,000
III.	Total Revenue (I + II)	22,00,000
IV.	Expenses :	
	Purchases of Stock-in-Trade	12,00,000
	Changes in Inventories of Stock-in-Trade	
	Opening Stock	1,00,000
	Closing Stock	(1,50,000)
	Employees Benefit expenses :	
	Salaries	33,000
	Debenture trustee remuneration	3,000
	Directors Remuneration (by way of Setting Fees)	30,000
	finance Cost :	
	Interest	15,000
	Depreciation & Amortisation :	
	Depreciation (Including development rebate ₹ 9,000)	60,000
	Scientific Research (New laboratory set-up)	57,000
	Other expenses :	
	Repairs	12,000
	Sundry expenses	9,000
	Loss on sale of investment	6,000
	Donation	15,000
	<b>Total Expenses</b>	<b>13,90,000</b>
V.	Profit Before Tax (III-IV)	8,10,000
	Less : Provision for Taxation	2,50,000
	Net Profit After Tax	5,60,000
	Less : Appropriation of Profit :	
	Proposed Dividend	3,00,000
	Proposed Corporate Dividend Distribution Tax @ 20.35765%	61,073
	Balance of Profit Carried to Balance Sheet	1,98,927

- (b) In Gujarat Pharmaceutical Ltd. there are two whole-time directors and three part time directors. The whole-time directors are entitled to a commission @ 10% of the profit remaining after charging commission of the part-time directors. The part-time directors are entitled for a commission @1% of the profits after charging the commission of the whole-time directors.

The net profit of the company before charging any commission of all the directors is ₹ 20,00,000 You are asked to find out the total remuneration payable to the whole-time directors and part-time directors.

गुजरात फार्म्युसिटिकल लिमिटेड में दो पूर्णकालिक संचालक व तीन अंशकालिक संचालक हैं। पूर्णकालिक संचालकों को अंशकालिक संचालकों को पारिश्रमिक देने के बाद शेष लाभ का 10 प्रतिशत पारिश्रमिक मिलेगा जबकि अंशकालिक संचालकों को पूर्णकालिक संचालकों को पारिश्रमिक देने के बाद बचे शेष लाभ का 1% पारिश्रमिक मिलेगा। संचालकों को किसी प्रकार का पारिश्रमिक देने से पूर्व कम्पनी का शुद्ध लाभ ₹ 20,00,000 है।

आपको पूर्णकालिक व अंशकालिक संचालकों को देय पारिश्रमिक की गणना करनी है।

8

OR / अथवा

State briefly the law and the procedure regarding declaration and payment of dividend by a company.

एक कम्पनी द्वारा लाभांश की घोषणा एवं उसके भुगतान संबंधी कानून एवं प्रक्रिया का संक्षेप में वर्णन कीजिए। 10+10

#### UNIT - IV / इकाई - IV

4. Purnima Ltd is interested to purchase the business of Bhawani Ltd and ready to make the payment of goodwill on the basis of five years' purchase of actual average profits. The profits of Bhawani Ltd. of preceding four years were as follows :

पूर्णिमा लि० भवानी लि० का व्यवसाय क्रय करना चाहती है एवं ख्याति का भुगतान वास्तविक औसत लाभों के 05 वर्षों के क्रय के आधार पर करने को तैयार है। भवानी लि० के पिछले चार वर्षों के लाभ इस प्रकार थे—

20

Year	Profit (₹)
2014-15	2,60,000
2015-16	3,00,000
2016-17	3,60,000
2017-18	4,00,000

On scrutiny of accounts the following points were noted :

- On 1st November, 2016 Bhawani Ltd. purchased an old car for ₹ 60,000 but it was treated as purchase of that year. No depreciation was charged on car. The allowable rate of depreciation is 20% p.a. by W.D.V. method.
  - The closing stock for 2015-16 was over-valued by ₹ 30,000.
  - Purnima Ltd. will run the business in a rented office, while Bhawani Ltd. runs in his own premises. The estimated rent for Purnima Ltd. will be ₹ 18,000 per annum.  
Calculate the value of goodwill of Bhawani Ltd.
- 01 नवम्बर, 2016 को भवानी लि० ने ₹ 60,000 में एक पुरानी कार खरीदी और उसके उस वर्ष का क्रय मान लिया गया। कार पर कोई मूल्य ह्रास नहीं लगाया गया। मूल्य ह्रास की स्वीकृत दर अपलिखित मूल्य पर 20 प्रतिशत वार्षिक है।
  - 2015-16 का अंतिम स्टॉक ₹ 30,000 से अधि० मूल्यांकित था।
  - पूर्णिमा लि० किराये के भवन में व्यवसाय चलायेगी जबकि भवानी लि० अपने भवन में व्यवसाय चलाती है। पूर्णिमा लि० अनुमानित किराया ₹ 18,000 वार्षिक होगा।

भवानी लि० की ख्याति का मूल्य ज्ञात कीजिए।

**OR / अथवा**

Explain the various methods of valuation of shares and also state the circumstances in which share valuation becomes necessary.

अंशों के मूल्यांकन की विभिन्न विधियों को समझाइए तथा उन परिस्थितियों को बताइए जिनमें अंशों का मूल्यांकन आवश्यक हो जाता है।

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**UNIT - V / इकाई - V**

5. What points are taken into consideration while calculating claim for loss of stock in case of fire insurance ? Explain.

अग्नि बीमा में स्टॉक की हानि के दावे की गणना करते समय कौन-कौन सी बातों का ध्यान रखा जाता है? समझाइए।

20

**OR / अथवा**

On 1st April, 2016 Sharma & Co. purchased a Machine on hire purchase whose cash price was ₹ 1,20,000. The hire-purchase price of the machine is ₹ 1,50,000 ₹ 30,000 was payable on down and balance amount was to be paid in three equal annual installments. Books are closed on 31st March, every year. The company charges depreciation on Machine @ 10% p.a. on fixed installment method. Calculate interest in each installment and prepare Machine a/c and Vendor's A/c in the books of Purchaser for 3 years.

शर्मा एण्ड कम्पनी ने 01 अप्रैल, 2016 को किराया-क्रय पर एक मशीन खरीदी जिसका रोकड़ी मूल्य ₹ 1,20,000 था। मशीन का किराया-क्रय मूल्य ₹ 1,50,000 है। ₹ 30,000 तुरन्त देय था तथा शेष राशि तीन समान वार्षिक किस्तों में भुगतान करना निश्चित हुआ। पुस्तकें प्रतिवर्ष 31, मार्च को बन्द की जाती हैं। कम्पनी मशीन पर 10% वार्षिक दर से स्थायी किस्त विधि पर मूल्य ह्रास लगाती है। प्रत्येक किस्त में ब्याज की गणना कीजिए तथा क्रेता की पुस्तकों में तीन वर्षों के लिए मशीन खाता एवं किराया विक्रेता का खाता बनाइए।

20

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421

B.Com. (Hons.) (Pt.-I)

ABST-I

**B.Com. (Hons.) (Part-I) Examination, 2019**

(10+2+3 Pattern)

(Faculty of Commerce)

ABST

PAPER-I

**(Corporate Accounting)**

Time Allowed : Three Hours]

[Maximum Marks : 100

**Note:** (i) No supplementary answer-book will be given to any candidate. Hence the candidates should write the answer precisely in the main answer-book only.

किसी भी परीक्षार्थी को पूरक उत्तर-पुस्तिका नहीं दी जायेगी। अतः परीक्षार्थियों को चाहिये कि वे मुख्य उत्तर-पुस्तिका में ही समस्त प्रश्नों के उत्तर लिखें।

(ii) All the parts of one question should be answered at one place in the answer-book. One complete question should not be answered at different places in the answer-book.

एक प्रश्न के सभी भागों के उत्तर, उत्तर-पुस्तिका में एक ही स्थान पर लिखें। एक सम्पूर्ण प्रश्न का उत्तर, उत्तर-पुस्तिका में अलग-अलग स्थानों पर न लिखें।

((iii) If there is any difference in English and Hindi version, the English version will be considered authentic.

यदि प्रश्न के अंग्रेजी एवं हिन्दी रूपान्तरण में कोई अन्तर हो तो अंग्रेजी रूपान्तरण को ही सही माना जाये।

(iv) Attempt any five questions in all selecting one question from each Unit. All questions carry equal marks.

प्रत्येक इकाई में से एक प्रश्न का चयन करते हुए, कुल पाँच प्रश्नों के उत्तर दीजिए। सभी प्रश्नों के अंक समान हैं।

**Unit-I / (इकाई-I)**

1. What considerations are necessary in the selection of Accounting Policies? Give requirements of the disclosure of Accounting Policies as per Accounting Standard-I.

लेखांकन नीतियों के चयन में किस प्रकार के सोच-विचार की आवश्यकता है? लेखांकन मानक-I के अनुसार लेखांकन नीतियों के प्रकटीकरण की आवश्यकताएँ बताइये।

**OR / (अथवा)**

What journal entries will be passed in each of the following cases for issue and redemption of debentures:

निम्नलिखित परिस्थितियों में से प्रत्येक में ऋणपत्रों के निर्गमन और शोधन की क्या जर्नल प्रविष्टियाँ करनी होंगी:

(a) 1,000 7% Debentures of ₹ 100 each issued at par and redeemable at par.

1,000 7% ऋणपत्र ₹ 100 प्रत्येक, निर्गमन सम-मूल्य पर तथा शोधन सम-मूल्य पर।

(b) 1,000, 7% debentures of ₹ 100 each issued at ₹ 98 and redeemable at par.

1,000 7% ऋणपत्र ₹ 100 प्रत्येक, निर्गमन ₹ 98 प्रति एवं शोधन सम-मूल्य पर।

(c) 1,000 7% debentures of ₹ 100 each issued at par and redeemable at ₹ 102.

1,000 7% ऋणपत्र ₹ 100 प्रत्येक, निर्गमन सम-मूल्य पर शोधन ₹ 102 प्रति ऋणपत्र ।

(d) 1,000 7% Debentures of ₹ 100 each issued at ₹ 98 and redeemable at ₹ 102.

1,000 7% ऋणपत्र ₹ 100 प्रत्येक, निर्गमन ₹ 98 प्रति ऋणपत्र एवं शोधन ₹ 102 प्रति ऋणपत्र।

(e) 1,000 7% Debentures of ₹ 100 each issued at ₹ 102 and redeemable at par.

1,000 7% ऋणपत्र ₹ 100 प्रत्येक, निर्गमन ₹ 102 प्रति ऋणपत्र एवं शोधन सम-मूल्य पर।

**Unit-II / (इकाई-II)**

2. On 1st April, 2013 Surendra Limited issued debentures worth ₹ 5,00,000 repayable at the end of third year at par. It was decided to set up a Sinking fund for the purpose of redeeming the above debentures. Sinking Fund tables reveal that an amount of ₹ 0.30803 set aside at the end of every year invested in 8% securities will amount to ₹ 1.00 at the end of third year. On 31st March, 2016 all investments were sold for ₹ 3,20,357 and on the maturity date ₹ 5,00,000 debentures of the Company were redeemed at par.

Give journal entries (Ignoring Debenture Interest) and prepare Debenture Account, Debenture Sinking Fund Account and Debenture Sinking Fund Investment Account for three years.

1 अप्रैल, 2013 को सुरेन्द्र लिमिटेड ने जनता में ₹ 5,00,000 के ऋण-पत्र जारी किये जो तीसरे वर्ष के अन्त में सम-मूल्य पर शोधनीय हैं। ऋणपत्रों के शोधन के लिए यह निश्चित किया गया कि सिंकिंग फण्ड का निर्माण कर दिया जाये। सिंकिंग फण्ड तालिकाएँ यह बताती हैं कि यदि ₹ 0.30803 का धन प्रत्येक वर्ष के अन्त में 8% प्रतिभूतियों में विनियोग किया जाये तो तीसरे वर्ष के अन्त में यह राशि ₹ 1.00 हो जायेगी। 31 मार्च, 2016 को समस्त विनियोगों को ₹ 3,20,357 में बेच दिया गया तथा कम्पनी के ₹ 5,00,000 अंकित मूल्य के ऋणपत्रों का उनकी परिपक्वता तिथि पर सम-मूल्य पर शोधन कर दिया गया।

आवश्यक जर्नल प्रविष्टियाँ (ऋणपत्रों पर ब्याज के अलावा) कीजिए तथा डिबेन्चर खाता, डिबेन्चर सिंकिंग फण्ड खाता तथा डिबेन्चर सिंकिंग फण्ड इन्वेस्टमेन्ट खाता तीन वर्षों का तैयार कीजिए।

OR / (अथवा)

What do you understand by Redeemable Preference Shares? State the Provisions of Companies Act, 2013 regarding redemption of preference shares.

शोधनीय अधिमान अंशों से आप क्या समझते हैं? ऐसे अंशों के शोधन सम्बन्धी कम्पनी अधिनियम, 2013 के प्रावधान बताइये।

Unit-III / (इकाई-III)

3. Write explanatory notes on:

विस्तृत टिप्पणियाँ लिखिये:

(a) Underwriting

अभिगोपन

(b) Sub-underwriting

उप-अभिगोपन

(c) Firm underwriting

सुदृढ़ अभिगोपन

(d) Co-underwriting

सह-अभिगोपन

OR / (अथवा)

Sohan and Virendra, sharing profits and losses equally, decided to convert their business into a limited liability Company on 31st March, 2016 when their Balance Sheet stood as follows:

सोहन व वीरेन्द्र जो बराबर-बराबर लाभ-हानि बाँटते हैं, 31 मार्च, 2016 को अपने व्यवसाय को एक सीमित दायित्व वाली कम्पनी में बदलने का निश्चय करते हैं, उस तिथि को उनका चिह्न अग्र प्रकार था :

Balance Sheet as on 31st March, 2016

Liabilities	Amount	Assets	Amount
	₹		₹
Sundry Creditors	48,000	Sundry Debtors	60,000
Loan Creditors	40,000	Bills Receivable	10,000
Bank Overdraft	16,000	Stock-in-trade	36,000
Reserve Fund	6,000	Patents	8,000
Capital: Sohan	40,000	Plant & Machinery	16,000
Virendra	40,000	Land and Buildings	60,000
	<b>1,90,000</b>		<b>1,90,000</b>

- (a) To Goodwill of the firm was to be valued at two years purchase of the simple profit of the preceding three years;
- (b) The loan creditor has agreed to accept 7.5% Redeemable preference shares of ₹ 100 each in settlement of his claim.
- (c) Land and Buildings and Plant and Machinery were to be valued at ₹ 1,00,000 and ₹ 24,000 respectively.
- (d) The Bank overdraft was to be redeemed by the vendors.
- (e) The vendors were to be allotted fully paid equity shares of ₹ 100 each at a premium of 13% in full settlement of purchase consideration.
- (f) The past working results of the firm showed that they had made profits of ₹ 30,000 in the year 2013-14, ₹ 36,000 in the year 2014-15 and ₹ 42,000 in the year 2015-16 after setting aside ₹ 2,000 to reserve fund each year.

You are required to prepare:

- (i) A statement showing how the purchase consideration was arrived at; and
  - (ii) The opening Balance Sheet of the Company and also give necessary journal entries to record acquisition of business.
- (अ) फर्म की ख्याति गत तीन वर्षों के साधारण औसत लाभ के दुगने पर आँकी गई।
  - (ब) ऋण लेनदार अपने ऋण के लिए 7.5% शोधनीय अधिमान अंश लेने पर राजी हो गया।
  - (स) भूमि व भवन तथा प्लाण्ट एवं मशीन क्रमशः ₹ 1,00,000 व ₹ 24,000 के मूल्य पर आँकी गई।
  - (द) बैंक अधिविकर्ष का भुगतान व्यवसाय विक्रेताओं द्वारा किया जाना था।
  - (य) व्यवसाय विक्रेताओं को प्रतिफल के पूर्ण भुगतान में ₹ 100 वाले पूर्ण प्रदत्त ईक्विटी अंश 13% प्रीमियम पर जारी किये गये।
  - (र) फर्म के पिछले कार्यशील परिणाम बताते हैं कि उनके द्वारा संचय कोष में ₹ 2,000 प्रति वर्ष ले जाने के बाद लाभ थे: वर्ष 2013-14 ₹ 30,000, वर्ष 2014-15 36,000 तथा वर्ष 2015-16 ₹ 42,000

आपको तैयार करना है:

- (i) क्रय प्रतिफल ज्ञात करने हेतु विवरण-पत्र तथा
- (ii) कम्पनी का प्रारम्भिक चिह्न तैयार करना है तथा व्यवसाय अधिग्रहण को दर्ज करने हेतु आवश्यक जर्नल प्रविष्टियाँ भी देनी हैं।

#### Unit-IV / (इकाई-IV)

4. The following is the statement of profit and loss of Mudra Advertising Ltd. for the year ended 31st March, 2018. Compute net profit for the purpose of calculating managerial remuneration.  
31 मार्च, 2018 को समाप्त वर्ष के लिए मुद्रा एडवर्टाइजिंग लिमिटेड का लाभ-हानि का विवरण निम्नलिखित है। प्रबन्धकीय पारिश्रमिक की गणना हेतु शुद्ध लाभों की गणना कीजिए।

**Statement of Profit and Loss (For the Year ended on 31st March, 2018)**

Particulars	Amount
	₹
<b>I. Revenue From Operations</b>	95,00,000
<b>II. Other Income:</b>	₹
Subsidies Received from Government	2,32,560
Interest on Investments	15,643
Transfer fees	722
Profit on sale of machinery:	
	₹
Amount realised	55,000
Less-written down value	<u>30,000</u> <u>25,000</u>
<b>III. Total Revenue (I + II)</b>	<b>97,73,925</b>
<b>IV. Expenses:</b>	
Purchases of stock-in-trade	56,00,000
Changes in Inventories of stock-in-trade:	
Opening Stock	3,50,000
Closing Stock	<u>(5,65,000)</u>
Employees Benefit Expenses:	
Wages	80,000
Managerial Remuneration	2,85,350
Director's Remuneration (by way of setting fees)	66,750
Finance Cost:	
Interest on Debentures	31,240
Depreciation and Amortisation Expenses:	
Depreciation (As per Schedule II)	5,22,543
Compensation for breach of contract	<u>42,530</u>
Other Expenses:	
Carriage Inwards	9,635
Administration, Selling & Distribution Exp.	8,22,542
Donation to Charitable Funds	<u>25,500</u>
Total Expenses	<b>72,71,090</b>
<b>V. Profit Before Tax (III-IV)</b>	<b>25,02,835</b>
Less-Provision for Taxation	7,73,400
Net Profit After Tax for the year 2017-18	17,29,435
Add-Balance brought forward from last year	5,72,350
Total profits Available for Allocations & Appropriations	<b>23,01,785</b>
Less: Allocation and Appropriations:	
Transfer to General Reserve	4,00,000
Investment Fluctuation Reserve	<u>12,500</u>
Balance of Profit Carried to Balance Sheet	<b>18,89,285</b>

**Additional Informations:**

Original cost of the machinery sold was ₹ 40,000. You are required to comment on the managerial remuneration in the following situations:

- (a) There is only one whole-time director.
- (b) There are two whole-time directors.
- (c) There are two whole-time directors, a part time director and a manager.

अतिरिक्त सूचनाएँ:

जो मशीन बेची गई है, उसकी मूल लागत ₹ 40,000 है। निम्नलिखित परिस्थितियों में प्रबन्धकीय पारिश्रमिक पर अपने विचार दीजिए:

- (अ) वहाँ केवल एक पूर्णकालिक संचालक है।
- (ब) वहाँ दो पूर्णकालिक संचालक हैं।
- (स) वहाँ दो पूर्णकालिक संचालक, एक अंशकालिक संचालक व एक प्रबन्धक है।

**OR / (अथवा)**

When does internal reconstruction necessary involve reduction of Capital? Discuss the legal procedure of it.

आन्तरिक पुनर्निर्माण में आवश्यक रूप से पूँजी में कटौती कब की जाती है? इसकी वैधानिक प्रक्रिया का वर्णन कीजिए।

**Unit-V / (इकाई-V)**

5. How do you create the company in Tally? Explain in detail.

आप टैली में कम्पनी कैसे बनायेंगे? विस्तार से वर्णन कीजिए।

**OR / (अथवा)**

How do you create the single and multiple groups in tally? Explain with the help of example.

आप टैली में एकल तथा बहुल समूह को किस प्रकार बनायेंगे? उदाहरण की सहायता से स्पष्ट कीजिए।

—x—

This question paper contains 8 printed pages.

Roll No. ....

B.Com. (Pt. I)

Accy. & Bus. Stat. I

**1138-I**

**B.Com. (Part-I) EXAMINATION, 2018**

**109438**

(10+2+3 Pattern) (Faculty of Commerce)

**ACCOUNTANCY AND BUSINESS STATISTICS - I**

[Corporate and Financial Accounting]

Time Allowed : Three Hours

Maximum Marks : 100

*Attempt any five questions in all selecting one question from each unit.*

*प्रत्येक इकाई में से एक प्रश्न करते हुए कुल पाँच प्रश्न हल करने हैं।*

*No supplementary answer-book will be given to any candidate. Hence the candidates should write the answer precisely in the main answer-book only.*

*All the parts of one question should be answered at one place in the answer-book. One complete question should not be answered at different places in the answer-book.*

*किसी भी परीक्षार्थी को पूरा उत्तर-पुस्तिका नहीं दी जायेगी। अतः परीक्षार्थियों को चाहिए कि वे मुख्य उत्तर-पुस्तिका में ही समस्त प्रश्नों के उत्तर लिखें।*

*किसी भी एक प्रश्न के अन्तर्गत पूछे गये विभिन्न प्रश्नों के उत्तर, उत्तर-पुस्तिका में अलग-अलग स्थानों पर हल करने के बजाय एक ही स्थान पर हल करें।*

*Write your roll number on question paper before start writing answers of questions.*

*प्रश्नों के उत्तर लिखने से पूर्व प्रश्न पत्र पर रोल नम्बर अवश्य लिखें।*

**UNIT - I / इकाई - I**

1. What do you mean by accounting concepts and conventions ? Explain briefly various accounting concepts and conventions. 3+3+8+6=20

लेखांकन अवधारणाओं तथा परम्पराओं से आप क्या समझते हैं? विभिन्न लेखांकन अवधारणाओं एवं परम्पराओं का संक्षेप में वर्णन कीजिये।

**OR / अथवा**

Kavita chemicals Ltd. has an issued capital of 1300, 8% preference shares of ₹ 100 each and 9,000 Equity shares of ₹ 50 each. The preference shares are redeemable at a premium of 7.5% on April 1, 2017. The company's balance sheet as on March 31, 2017 was as follows : 14+6=20

कविता केमिकल्स लिमिटेड की निर्गमित पूँजी 1300, 8% अधिमान अंश ₹ 100 वाले तथा 9,000 ईक्विटी अंश ₹ 50 वाले है। 1 अप्रैल, 2017 को अधिमान अंशों का शोधन 7.5% प्रीमियम पर होना है। 31 मार्च, 2017 को कम्पनी का चिट्ठा निम्न प्रकार है :

Balance sheet as at 31-03-2017

Particulars		Amount (₹)
<b>I EQUITY AND LIABILITIES</b>		
(1) Shareholder's Fund		
(a) Share capital :		
Issued and Subscribed Capital :		
1300, 8% preference shares of ₹ 100 each fully paid up		1,30,000
9,000 Equity shares of ₹ 50 each fully paid up		4,50,000
(b) Reserves and Surplus :		
surplus		96,000
(2) Current Liabilities :		
(a) Trade Payables		1,00,000
(b) Other Current Liabilities, : outstanding Expenses		13,000
Total		<u>7,89,000</u>
<b>II ASSETS</b>		
(1) Non-current Assets :		
(a) Fixed Assets		6,90,000
(b) Non-current Investments : Investment		37,000
(2) Current Assets :		
(a) Cash and Cash Equivalents : Cash at Bank		<u>62,000</u>
Total		<u>7,89,000</u>

In order to facilitate the redemption of preference shares, the company decided :

- to sell all the investments for ₹ 32,000 ;
- to finance part of the redemption from company's funds, subject to leaving a balance of ₹ 24,000 in the Profit and Loss Account ; and
- to issue sufficient number of equity shares of ₹ 50 each at premium of ₹ 13 per share to raise the balance of fund required.

The issue of Equity shares was fully subscribed and preference shares were redeemed on due date. Pass necessary Journal entries to record the above transactions and prepare the balance sheet as on completion of redemption.

अधिमान अंशों के शोधन हेतु निम्नलिखित निर्णय लिए गए -

- समस्त विनियोगों को ₹ 32,000 में बेच दिया जाए ;
- लाभ - हानि खाते में ₹ 24,000 का शेष छोड़ते हुए शेष का उपयोग शोधन हेतु किया जाए; तथा
- शोधन हेतु उचित मात्रा में ₹ 50 वाले इक्विटी अंशों का ₹ 13 प्रति अंश प्रीमियम पर निर्गमन किया जाए।

समस्त निर्गमित अंशों के लिए आवेदन प्राप्त हुए तथा देय तिथि पर अधिमान अंशों का शोधन किया गया।

उक्त व्यवहारों को दर्ज करने हेतु आवश्यक जर्नल प्रविष्टियाँ दीजिए तथा शोधन के पश्चात् कम्पनी का चिट्ठा बनाइए।

2. (a) Metal Ltd. issued 1,25,000 shares of ₹ 10 each to public. The issue was underwritten by Gold, Silver, Bronze and Copper as under :

Gold - 30%

Silver - 25%

Bronze - 25%

Copper - 20%

The issue was firm underwritten by the underwriters as under :

Gold : 4,000 shares ; Silver : 6,000 shares ; Bronze : Nil ; Copper : 15,000 shares.

Public subscription excluding firm underwriting but including marked applications were 90,000 shares. The applications were marked as under :

Gold : 24,000 shares

Silver : 20,000 shares

Bronze : 12,000 shares

Copper : 24,000 shares

Ascertain the liability of each underwriter, assuming firm underwriting shares be treated as unmarked applications.

मैटल लिमिटेड ने ₹ 10 वाले 1,25,000 अंश जनता को निर्गमित किये। इस निर्गमन को गोल्ड, सिल्वर, ब्रॉन्ज तथा कॉपर द्वारा इस प्रकार अभिगोपित किया गया था :

गोल्ड - 30 %

सिल्वर - 25 %

ब्रॉन्ज - 25 %

कॉपर - 20 %

इस निर्गमन में अभिगोपकों द्वारा सुदृढ़ अभिगोपन इस प्रकार किया गया :

गोल्ड : 4,000 अंश ; सिल्वर : 6,000 अंश ; ब्रॉन्ज : शून्य ; कॉपर : 15,000 अंश।

सुदृढ़ अभिगोपन को छोड़ते हुए किन्तु चिह्नित आवेदनों को सम्मिलित करते हुए, जनता द्वारा 90,000 अंशों हेतु अभिदान किया गया।

चिह्नित आवेदन इस प्रकार थे :

गोल्ड : 24,000 अंश

सिल्वर : 20,000 अंश

ब्रॉन्ज : 12,000 अंश

कॉपर : 24,000 अंश

सुदृढ़ अभिगोपन अंशों को अचिह्नित आवेदन के रूप में मानते हुए, प्रत्येक अभिगोपक का दायित्व निर्धारित कीजिए।

- (b) Explain briefly the various methods and sources of redemption of debentures.

8+4=12

ऋणपत्रों के शोधन की विभिन्न रीतियों तथा साधनों को संक्षिप्त में स्पष्ट कीजिये।

OR / अथवा

- (a) X Ltd. was incorporated on 1<sup>st</sup> July, 2016 to acquire a running business of Varsha and Co. with effect from 1<sup>st</sup> April, 2016. During the year 2016-2017, the total sales were ₹ 36,00,000 of which ₹ 7,20,000 were for the first six months. The Gross profit of the company was ₹ 5,86,000. The expenses debited to the profit and loss account included :

- (i) Directors fee ₹ 50,000
- (ii) Bad debts ₹ 7,200
- (iii) Advertising ₹ 36,000 (under a contract amounting to ₹ 3,000 per month)
- (iv) Salaries and General Expenses ₹ 2,40,000
- (v) Preliminary Expenses written off ₹ 10,000

Prepare a statement showing pre-incorporation and post-incorporation profit for the year ended 31<sup>st</sup> March, 2017.

वर्षा एण्ड क. के चालू व्यापार को 1 अप्रैल, 2016 से हासिल करने के लिए 1 जुलाई, 2016 को एक्स लि. बनाई गई। वर्ष 2016-17 के दौरान कुल विक्रय ₹ 36,00,000 था जिसमें ₹ 7,20,000 पिछले छः महीनों का था। कम्पनी का सकल लाभ ₹ 5,86,000 था। लाभ-हानि खाते में डेबिट किये गये व्यय में सम्मिलित है :

- (i) संचालकों की फीस ₹ 50,000
- (ii) डूबत ऋण ₹ 7,200
- (iii) विज्ञापन ₹ 36,000 ( ₹ 3,000 प्रति माह के करार के तहत)
- (iv) वेतन व सामान्य खर्चे ₹ 2,40,000
- (v) अपलिखित प्रारम्भिक खर्चे ₹ 10,000

31 मार्च, 2017 को सम्मेलन के पूर्व और पश्चात् के लाभों को दर्शाता हुआ एक विवरण तैयार कीजिए।

- (b) X Company Limited offered 4,000 debentures of ₹ 100 each to public for subscription. Applications for the purchase of 5,000 debentures were received. The debentures were allotted proportionately to the applicants and excess application money was retained for adjustment towards allotment money. The debenture money was payable as follows :

12

₹ 30 on application, ₹ 40 on allotment, ₹ 20 on first call and ₹ 10 on second call. A person who held 100 debentures failed to pay the amount due at the time of allotment. He, however, paid that amount with first call money, another person who held 200 debentures, paid all the calls in advance at the time of allotment.

Pass necessary journal entries (including transactions of cash) in the books of the company. X कम्पनी लिमिटेड ने अभिदान के लिए ₹ 100 वाले 4,000 ऋण-पत्र जनता को निर्गमित किये। कम्पनी के कार्यालय में 5,000 ऋण-पत्रों को खरीदने के लिए प्रार्थना-पत्र आये। प्रार्थियों को ऋण-पत्र यथानुपात बंटित कर दिये गये। ऋण-पत्रों पर विभिन्न राशियाँ निम्न प्रकार देय थी :

प्रार्थना-पत्र के साथ ₹ 30, बंटन पर ₹ 40, प्रथम माँग पर ₹ 20 और द्वितीय माँग पर ₹ 10 । एक व्यक्ति ने जिसके पास 100 ऋण-पत्र थे, बंटन के समय देय राशि का भुगतान नहीं किया। उसने बंटन पर देय राशि का प्रथम माँग के साथ भुगतान कर दिया। दूसरे व्यक्ति ने जिसके पास 200 ऋण-पत्र थे, बंटन राशि के साथ ही भविष्य की माँगों का भी भुगतान कर दिया।

कम्पनी की पुस्तकों में (नकद व्यवहारों सहित) आवश्यक जर्नल प्रविष्टियाँ दीजिए।

UNIT - III / इकाई - III

3. The following is the statement of Profit and Loss of Ram Ltd. for the year ended 31<sup>st</sup> March, 2017 : 20  
 राम लिमिटेड का 31मार्च, 2017 को समाप्त वर्ष के लिए लाभ-हानि का विवरण निम्नलिखित है :

Statement of Profit and Loss  
 (For the year ended 31<sup>st</sup> March, 2017)

	Particulars	Amount (₹)
I	Revenue from operations : <span style="float: right;">₹</span>	
	Gross profit	43,00,000
	(Revenue from operations-cost of Revenue from operations)	
II	Other Income :	
	Subsidy from Government	3,35,000
	Interest on Investment	15,000
	Transfer Fees	12,000
	Profit on sale of fixed Assets	33,000
	(Selling price ₹ 60,000 - W.D.V. ₹ 27,000)	
	Profit on sale of forfeited shares	5,000
		4,00,000
III	Total Revenue (I+II)	47,00,000
IV	Expenses :	
	Employees Benefit Expenses :	
	Salaries and Wages	2,00,000
	Workmen compensation	
	(including ₹ 5,350 paid voluntarily)	27,893
	Managerial Remuneration	2,80,000
	Directors remuneration (by way of sitting fees)	66,792
	Finance Cost :	
	Interest on Debentures	32,000
	Depreciation and Amortisation :	
	Depreciation	5,00,000
	Compensation for Breach of Contract	43,290
	Other Expenses :	
	Administrative Expenses	8,22,000
	Rent	26,000
	Loss on sale of Investment	10,025
	Total Expenses	20,08,000
V	Profit Before Tax (III-IV)	26,92,000
	Less : Provision for Taxation	8,31,900
	Net Profit after Tax	18,60,100
	Add : Balance of profit brought forward from last year	5,70,000
	Total profits available for Allocations and Appropriations	24,30,100
	Less : Allocations and Appropriations :	
	Transfer to General Reserve	4,42,000
	Transfer to Investment Allowance Reserve	50,000
	Balance of profit carried to Balance sheet	19,38,100

Additional Information :

- (i) Original cost of fixed Assets sold was ₹ 40,000.  
(ii) Depreciation on fixed Assets as per schedule II of the companies Act, 2013 was ₹ 5,73,000.  
Calculate the amount of managerial remuneration if there is one whole-time director and four part-time directors.

अतिरिक्त सूचनाये :

- (i) बेची गई स्थायी सम्पत्तियों की मूल लागत ₹ 40,000 थी।  
(ii) कम्पनी अधिनियम, 2013 की अनुसूची II के अनुसार स्थायी सम्पत्तियों पर मूल्य ह्रास ₹ 5,73,000 था।  
प्रबन्धकीय पारिश्रमिक की गणना कीजिए यदि एक पूर्णकालिक संचालक हो एवं चार अंशकालिक संचालक हो।

OR / अथवा

Write short notes on the followings :

10+10=20

निम्नलिखित पर संक्षिप्त टिप्पणियाँ लिखिए :

- (i) Issue of Bonus Shares  
बोनस अंशों का निर्गमन  
(ii) Provisions regarding Managerial Remuneration under the Companies Act, 2013.  
कम्पनी अधिनियम, 2013 के प्रबन्धकीय पारिश्रमिक सम्बन्धित प्रावधान

UNIT - IV / इकाई - IV

4. (a) The following informations are given :

6+6=12

निम्नलिखित सूचनाएँ प्रस्तुत हैं -

profit after tax	₹ 1,00,000
12% preference shares of ₹ 100 each	₹ 1,00,000
Equity shares of ₹ 100 each	₹ 5,00,000
Normal Rate of Return	15%

80% of profits are distributed as dividend by the company, Ignore tax. calculate the value per equity share by :

- (i) Dividend Rate Method ; and  
(ii) Expected Rate of Return Method

कम्पनी लाभों का 80% भाग लाभांश के रूप में वितरित करती है। कर का ध्यान नहीं रखा जाता है। निम्न से प्रति ईक्विटी अंश मूल्य ज्ञात कीजिए :

- (i) लाभांश दर विधि ; एवं  
(ii) आशान्वित प्रत्याय दर विधि  
(b) The fair value of equity share is ₹ 113.50 and yield value is ₹ 120. Find out the intrinsic value of share and net assets, if 50,000 equity shares of ₹ 10 each issued by the company. 4+4=8  
ईक्विटी अंश का उचित मूल्य ₹ 113.50 एवं प्रतिफल मूल्य ₹ 120 है। अंश का आन्तरिक मूल्य एवं शुद्ध सम्पत्तियाँ ज्ञात कीजिए यदि कम्पनी ने ₹ 10 वाले 50,000 ईक्विटी अंश निर्गमित कर रखे हो।

OR / अथवा

- (a) Calculate the value of goodwill by :
- 3 year's purchase of actual averages profits ;
  - 10 year's purchase of super profits ; and
  - Capitalisation method from the following information :
    - Average Capital employed ₹ 4,00,000.
    - Net trading profits of past four years :  
₹ 68,000 ; ₹ 75,000 ; ₹ 80,000 and ₹ 92,000.
    - Normal rate of return in similar type of business is 15% .
    - Net profits of last two years include the income from non-trade investment ₹ 3,000 per annum.
    - The fair remuneration of owner for his services ₹ 15,000 per annum.

निम्नलिखित सूचना से :

- वास्तविक औसत लाभों के 3 वर्षों के क्रय द्वारा;
  - अधिलाभों के 10 वर्षों के क्रय द्वारा; एवं
  - पूँजीकरण विधि द्वारा ख्याति का मूल्य ज्ञात कीजिए -
    - औसत विनियोजित पूँजी ₹ 4,00,000 ।
    - पिछले चार वर्षों के शुद्ध व्यापारिक लाभ :  
₹ 68,000 ; ₹ 75,000 ; ₹ 80,000 एवं ₹ 92,000 ।
    - इसी प्रकार के व्यवसाय में सामान्य प्रत्याय की दर 15 प्रतिशत।
    - पिछले दो वर्षों के लाभों में गैर व्यापारिक विनियोगों से ₹ 3,000 की वार्षिक आय सम्मिलित है।
    - स्वामी का उसकी सेवाओं के लिए उचित पारिश्रमिक ₹ 15,000 वार्षिक है।
- (b) Describe the concept of goodwill and explain briefly the various methods of its valuation. 4+6=10  
ख्याति की अवधारणा का वर्णन कीजिए तथा उसके मूल्यांकन की विभिन्न विधियों को संक्षिप्त में समझाइए।

#### UNIT - V / इकाई - V

5. From the following information calculate the amount of claim under loss of profit policy : 20

- Indemnity period : 5 months i.e. from 01.05.2017 to 30.09.2017.
- Insurance policy : ₹ 1,50,000.
- Turnover, Net profit, standing charges in the last financial accounting year (ended on 31.03.2017) amounted to ₹ 8,00,000, ₹ 48,000 and ₹ 1,00,000 respectively.
- Insured standing charges ₹ 80,000.
- Sales from 1<sup>st</sup> May, 2016 to 30<sup>th</sup> September, 2016 ₹ 2,80,000.
- Sales from 1<sup>st</sup> May, 2017 to 30<sup>th</sup> September, 2017 ₹ 1,08,000.
- Sales from 1<sup>st</sup> May, 2016 to 30<sup>th</sup> April, 2017 ₹ 9,60,000.
- There were upward trend of business by 10% every year.

निम्नांकित सूचनाओं से लाभ की हानि पॉलिसी के अन्तर्गत दावे की राशि का परिकलन कीजिए :

- क्षतिपूर्ति अवधि : 5 माह जो 01.05.2017 से 30.09.2017 तक है।
- बीमा पॉलिसी : ₹ 1,50,000 ।
- गत वित्तीय लेखा वर्ष (31.03.2017 को समाप्त हुए) में बिक्री, शुद्ध लाभ, एवं स्थिर व्यय क्रमशः ₹ 8,00,000, ₹ 48,000 एवं ₹ 1,00,000 ।
- बीमित स्थिर व्यय ₹ 80,000 ।
- 1 मई, 2016 से 30 सितम्बर, 2016 तक बिक्री ₹ 2,80,000 ।
- 1 मई, 2017 से 30 सितम्बर, 2017 तक बिक्री ₹ 1,08,000 ।
- 1 मई, 2016 से 30 अप्रैल, 2017 तक बिक्री ₹ 9,60,000 ।
- व्यवसाय में प्रतिवर्ष 10% की दर से वृद्धि की प्रवृत्ति है।

OR / अथवा

(a) What do you mean by Hire purchase system ? What are its main characteristics ? 4+6=10

किराया-क्रय पद्धति से क्या आशय है ? इसकी प्रमुख विशेषताएँ क्या हैं ?

(b) Differentiate between Hire purchase system and Installment payment system. 6

किराया क्रय प्रणाली एवं किस्त भुगतान प्रणाली में अन्तर कीजिए।

(c) A Fire damaged the godown of Sunil on 1<sup>st</sup> October, 2017 and indemnity period is 3 months. The sales from 1<sup>st</sup> Oct., 2017 to 31<sup>st</sup> Dec., 2017 was ₹ 70,000. The standard sales of the previous year for the same period were ₹ 2,50,000. The sales are expected to increase by 20% every year. Calculate the amount of short-sales. 4

1 अक्टूबर, 2017 को सुनील के गोदाम में आग लग गई एवं क्षतिपूर्ति की अवधि 3 माह है। 1 अक्टूबर, 2017 से 31 दिसम्बर, 2017 तक की बिक्री ₹ 70,000 थी। इसी अवधि के लिए पिछले वर्ष की प्रमाण बिक्री ₹ 2,50,000 थी। विक्रय में प्रति वर्ष 20% की वृद्धि अनुमानित है। बिक्री में कमी की गणना कीजिए।

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B.Com. (Pt.-I)

Acc. & Bus. Sta. I

1138-I

109904

B.Com. (Part-I) EXAMINATION, 2017

(10+2+3 Pattern) (Faculty of Commerce)

ACCOUNTANCY AND BUSINESS STATISTICS - I

[Corporate and Financial Accounting]

Time allowed : Three Hours

Maximum Marks : 100

Attempt any five questions in all selecting one question from each unit.

प्रत्येक इकाई में से एक प्रश्न करते हुए कुल पाँच प्रश्न हल करने हैं।

No supplementary answer-book will be given to any candidate. Hence the candidates should write the answer precisely in the main answer book only.

All the parts of one question should be answered at one place in the answer book. One complete question should not be answered at different places in the answer-book.

किसी भी परीक्षार्थी को पूरा उत्तर-पुस्तिका नहीं दी जायेगी। अतः परीक्षार्थियों को चाहिए कि वे मुख्य उत्तर-पुस्तिका में ही समस्त प्रश्नों के उत्तर लिखें।

किसी भी एक प्रश्न के अन्तर्गत पूछे गये विभिन्न प्रश्नों के उत्तर, उत्तर-पुस्तिका में अलग-अलग स्थानों पर हल करने के बजाय एक ही स्थान पर हल करें।

Write your roll number on question paper before start writing answers of questions.

प्रश्नों के उत्तर लिखने से पूर्व प्रश्न पत्र पर रोल नम्बर अवश्य लिखें।

UNIT - I / इकाई - I

1. Explain the meaning of 'Revenue'. How are the different types of revenues recognised in accounting ?

'रेवेन्यू' का अर्थ समझाइये। विभिन्न प्रकार की रेवेन्यू की लेखांकन में किस प्रकार पहचान की जाती है ?

5+15

OR / अथवा

What entries will be passed in each of the following cases in the books of X Limited for the redemption of 90,000 9% Redeemable Preference shares of ₹ 10 each at 15% premium assuming that there is sufficient credit balance in the Profit and Loss Account :

5+5+5+5

- If preference shares are redeemed out of profit.
- If preference shares are redeemed partly out of profits and partly out of the proceeds of issue of 12,000 equity shares of ₹ 10 each at par.
- If preference shares are redeemed by commission into ₹ 10 equity shares at 20% premium.
- If preference shares are redeemed by connecting them into 10% Preference shares of ₹ 20 each issued at ₹ 30 each.

एक्स लिमिटेड अपने ₹ 10 वाले 90,000 9% अधिमान अंशों का शोधन 15% प्रीमियम पर करने हेतु निम्नलिखित प्रत्येक स्थिति में क्या प्रविष्टियाँ करेगी यह मानते हुए कि कम्पनी के लाभ-हानि खाते में पर्याप्त क्रेडिट शेष है :

- यदि अधिमान अंशों का शोधन लाभों में से करें।
- यदि आंशिक अधिमान अंशों का शोधन लाभों में से तथा आंशिक का ₹ 10 वाले 12,000 समता अंशों को सममूल्य पर निर्गमन से प्राप्त राशि में से करें।
- यदि अधिमान अंशों का शोधन उन्हें ₹ 10 वाले समता अंशों को 20% प्रीमियम पर परिवर्तित कर करें।
- यदि अधिमान अंशों का शोधन उन्हें ₹ 20 वाले 10% अधिमान अंशों को ₹ 30 प्रति अंश की दर पर निर्गमन कर करें।

## UNIT - II / इकाई - II

2. The Underwriters Private Limited agreed to underwrite the public issue of 50,000 equity shares of ₹ 100 each of Lucky Limited. The agreed commission was 2% payable as to 40% in cash and the rest in fully paid up equity shares issued at par. The public subscribed for 30,000 equity shares and the rest had to be taken up by the Underwriters Private Limited. These shares were subsequently quoted in the market at 10% discount.

Pass the necessary Journal entries in the books of Lucky Limited and the Underwriters Private Limited. Also, open the necessary accounts in the books of Underwriter Private Limited.

दी अण्डरराईटर्स प्राइवेट लिमिटेड ने लक्की लिमिटेड के ₹ 100 वाले 50,000 ईक्विटी अंशों के सार्वजनिक निर्गम के अभिगोपन का अनुबन्ध किया। कमीशन 2 प्रतिशत तय हुआ जिसका भुगतान 40 प्रतिशत नकद में देय है तथा शेष राशि ₹ 100 वाले सम मूल्य पर निर्गमित पूर्ण प्रदत्त ईक्विटी अंशों में चुकानी थी। जनता ने 30,000 ईक्विटी अंशों के लिए प्रार्थना पत्र भेजे तथा बाकी अंश अण्डरराईटर्स प्राइवेट लिमिटेड को लेने पड़े। बाद में इन अंशों का बाजार मूल्य 10 प्रतिशत बट्टे पर उद्घत किया गया।

लक्की लिमिटेड तथा अण्डरराईटर्स प्राइवेट लिमिटेड की पुस्तकों में आवश्यक जर्नल प्रविष्टियाँ कीजिये। अण्डरराईटर्स प्राइवेट लि. की पुस्तकों में आवश्यक खाते भी खोलिए।

OR / अथवा

Write short notes on the following :

5+5+5+5

निम्नलिखित पर संक्षिप्त टिप्पणियाँ लिखिए :

- (i) Conversion of debentures into shares  
ऋणपत्रों का अंशों में परिवर्तन
- (ii) Redemption of debentures by purchase from the open market  
खुले बाजार से क्रय कर ऋणपत्रों का शोधन
- (iii) Debenture Redemption Reserve  
ऋणपत्र शोधन संचय
- (iv) Cum-interest and Ex-interest Price Quotations  
ऋणपत्रों का ब्याज सहित तथा ब्याज रहित मूल्य उद्धरण

## UNIT - III / इकाई - III

3. Below is given the Profit and Loss Statement of X Limited. Determine net profit for the purpose of calculating managerial remuneration and calculate the maximum permissible amount of remuneration payable to its directors under the provisions of the Companies Act 2013 in each of the following circumstances :

- (i) When there is neither manager nor managing director nor whole time director
- (ii) When there is one whole time director
- (iii) When there are two whole time directors

एक्स लिमिटेड का लाभ-हानि का विवरण नीचे दिया हुआ है। प्रबन्धकीय पारिश्रमिक का परिकलन करने हेतु शुद्ध लाभ का निर्धारण कीजिए तथा कम्पनी अधिनियम 2013 के अनुसार निम्नलिखित परिस्थितियों में संचालकों को देय अधिकतम पारिश्रमिक का परिकलन कीजिए :

- (i) यदि कम्पनी में प्रबन्धक या प्रबन्ध संचालक या पूर्णकालिक संचालक में से कोई भी नहीं हो
- (ii) यदि कम्पनी में एक पूर्णकालिक संचालक हो
- (iii) यदि कम्पनी में दो पूर्णकालिक संचालक हो।

Profit and Loss Statement of X Limited for the year ended as at 31<sup>st</sup> March, 2016.

31 मार्च, 2016 को समाप्त होने वाले वर्ष के लिए X लिमिटेड का लाभ-हानि विवरण है।

	Figures for the year ended as at 31 <sup>st</sup> March 2016
	₹
<b>I. Income</b>	
Sales	17,00,000
Profit on Sale of Buildings (cost ₹ 1,80,000 accumulated Depreciation ₹ 90,000 and sold at ₹ 1,92,000)	1,02,000
Subsidy from Government	18,000
<b>Total Revenue</b>	<b>18,20,000</b>
<b>II. Expenses</b>	
Cost of Goods sold	7,70,000
Repairs and Renewals	12,000
Salaries	33,000
Depreciation	60,000
Sundry Expenses	9,000
Loss on Sale of Investments	6,000
Expenditure on Scientific Research (for establishment of New Laboratory)	6,015
Contribution to Charitable Funds	15,000
Interest on Debentures	15,000
Debenture Trustees Remuneration	3,000
<b>Total Expenses</b>	<b>9,29,015</b>
<b>III. Profit Before Tax (I-II)</b>	<b>8,90,985</b>
Less : Tax on Profit	3,00,000
<b>Profit after Tax</b>	<b>5,90,985</b>
<b>IV. Less : Appropriations</b>	
Proposed Dividend	(2,91,610)
Provision for corporate Dividend Tax @ 20-36% (round off)	(59,375)
<b>V. Balance of Profit carried to Balance Sheet</b>	<b>2,40,000</b>

OR / अथवा

State briefly the law and the procedure regarding declaration and payment of dividend by a company. What accounting entries are passed at the time of declaration and payment of dividend ?

20

एक कम्पनी द्वारा लाभांश की घोषणा एवं उसके भुगतान सम्बन्धी कानून एवं प्रक्रिया का संक्षेप में वर्णन कीजिए। लाभांश की घोषणा एवं भुगतान पर क्या-क्या लेखांकन प्रविष्टियाँ की जाती हैं ?

UNIT - IV / इकाई - IV

4. Mahesh keeps his ledger on Self Balancing System. From the following particulars, required to write up the individual Accounts of Debtors and the General Ledger Adjustment Account in sales ledger for the month of January, 2016. Also prepare a trial balance of sales ledger. 20

महेश अपनी पुस्तकें स्वकीय संतुलन प्रणाली से रखता है। जनवरी, 2016 माह के उसकी विक्रय खाता बही में देनदारों के व्यक्तिगत खाते एवं सामान्य खाताबही समायोजन खाता बनाइए विक्रय खाताबही में तलपट भी तैयार कीजिए।

- (i) Individual Debtors balance on 1.1.2016

देनदारों के व्यक्तिगत शेष 1.1.2016 को

A ₹ 1,53,000 ; B ₹ 1,62,000 ; C ₹ 1,89,000 ; D ₹ 1,17,000

- (ii) Transactions during the month

माह के दौरान व्यवहार

On		₹	On		₹
2.1.16	Sold goods to A	1,71,000	19.1.16	Received from A, a B/R accepted by X, payable on 25.1.16	1,20,000
9.1.16	Received from B on a/c	30,000	22.1.16	Received from B	90,000
11.1.16	Received from A in full settlement of his balances on 1.1.16	1,50,000	25.1.16	X's bill received which was from A returned dishonoured	
12.1.16	Sold goods to B	60,000	28.1.16	D became insolvent 30% is received as final settlement	
14.1.16	B returned goods (damaged in transit)	18,000			
18.1.16	Received from C and allowed discount ₹ 9,000	1,80,000	30.1.16	Sold goods to C	1,02,000

OR / अथवा

What is consequential loss insurance ? How the amount of claim is calculated under consequential loss insurance policy ? Explain with example. 20

परिणामी हानि बीमा क्या होता है ? परिणामी हानि बीमा पॉलिसी के अन्तर्गत दावे की राशि का परिकलन किस प्रकार किया जाता है ? उदाहरण सहित समझाइये।

**UNIT - V / इकाई - V**

5. X commenced business on 1<sup>st</sup> April, 2016. He effected sales in cash as well as on hire purchase basis. During the year, his purchases were amounting to ₹ 15,500 and his cash sales were for ₹ 13,000. The following items were sold by him on hire purchase basis as per particulars given below :

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एक्स ने 1 अप्रैल 2016 से व्यापार प्रारम्भ किया। वह नकद व किराया क्रय पद्धति दोनों से बिक्री करता है। वर्ष में उसके क्रय ₹ 15,500 के थे। नकद विक्रय ₹ 13,000 का था। निम्न विवरण के अनुसार, निम्नलिखित माल किराया क्रय पद्धति पर बेचा गया :

Article (वस्तु)	Cost (लागत) ₹	Hire Sales Price (किराया विक्रय मूल्य) ₹	Down Payment (तुरन्त भुगतान) ₹	Instalment paid during the year (वर्ष में भुगतान हुई किस्तें) ₹
Radio (रेडियो)	200	350	50	125
Cycle (साईकल)	210	350	75	125
Camera (कैमरा)	400	600	100	150
	810	1,300	225	400

The instalment on camera could not be kept up and the same was repossessed on 30<sup>th</sup> November, 2016. The closing stock excluding the camera amounted to ₹ 5,000.

Prepare the Hire Purchase Trading Account, Memorandum Hire Purchase Debtor's Account and the General Trading Account for the year ended 31<sup>st</sup> March, 2017. The value of goods repossessed may be taken at cost equivalent.

कैमरा की शेष किस्ते प्राप्त नहीं की जा सकी और इसलिए 30 नवम्बर, 2016 को कैमरा वापस प्राप्त कर लिया गया। वापस लिये गये कैमरा रहित अन्तिम रहतिया (closing stock) ₹ 5,000 का था।

किराया-क्रय व्यापारिक खाता, किराया क्रय देनदार स्मरण खाता तथा सामान्य व्यापारिक खाता 31 मार्च, 2017 को समाप्त होने वाले वर्ष के लिए बनाइये। वापस लिये माल का मूल्य लागत के बराबर लगाइये।

**OR / अथवा**

The details regarding receipt and issue of materials are made available to you. Find out the value of closing stock of materials under (i) LIFO method and (ii) Weighted Average method assuming that perpetual inventory system is adopted. 10+10

सामग्री के प्राप्ति तथा निर्गमन से सम्बन्धित विवरण आपको उपलब्ध किये गये हैं। यह मानते हुए कि 'निस्तर स्टॉक पद्धति' अपनाई जाती है तो सामग्री के अन्तिम स्टॉक का (i) लीफो विधि तथा (ii) भारित औसत विधि से मूल्य ज्ञात कीजिए।

Date	Receipts of Material	Date	Issue of Material
2016		2016	
April 1	Opening stock 400 units @ ₹ 10 per unit	April 7	200 units
April 5	Receipts 300 unit @ ₹ 11 per unit	April 12	100 units
April 18	Receipts 200 unit @ ₹ 12 per unit	April 20	200 units
April 25	Receipts 400 unit @ ₹ 13 per unit	April 24	200 units
		April 28	100 units
		April 30	300 units

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