



B.COM. Part-I (HONS.)

Sub. : CORPORATE AND FINANCIAL ACCOUNTING

MODAL PAPER-I

Time Allowed: 3 Hour

Max. Marks: 100

Q.1 Write short notes on the following:

- (i) Fundamental Accounting Assumptions; (ii) Functions of accounting data;
- (i) Going Concern Concept; (iv) Convention of Full Disclosure
- (v) Convention of Consistency; (vi) Concepts of Accounting;
- (vii) Generally Accepted Accounting principles.

Or

Tirupati Ltd. invited applications for 1,00,000 of its Equity Shares of rs.100 each at a premium of rs.20 per share, payable rs.30 on application, rs.70 on allotment including premium and the balance on first and final call.

Applications for 1,25,000 shares were received, it was decided to (a) Refuse allotment to the applicants for 5,000 shares; (b) allot in full to applicants for 20,000 shares; (c) Allot the balance of available shares pro-rata among the other applicants; and (d) Utilise the excess application money in part payment of allotment moneys.

Mr. Ram holding 1,000 shares to whom shares had been allotted on pro-rata basis failed to pay the amount due on allotment and call and Mr. Shyam holding 500 shares to whom full allotment was made, failed to pay the amount due on call only, these shares were forfeited.

800 forfeited shares of Mr. Ram and 200 forfeited shares of Mr. Shyam were reissued at a discount of rs.10 per share to Mr. Krishna. Show the necessary journal entries including cash in the books of Tirupati Ltd.

Q.2 What are the different methods of redemption of debentures? Describe their characteristics.

Or

RajasthanUdyog limited incorporated on August1, 2014. It had acquired a running business from Messrs Gupta & Co. with effect from April 1, 2014. The purchase consideration was rs.5, 00,000 of which rs.1, 00,000 was to be paid in cash and rs.4, 00,000 in the form of fully paid shares.

The company also issued shares rs4, 00,000 for cash. Machinery costing rs.2, 50,000 was installed at the end of the year. Assets acquired from the Vendors were: Machinery rs3, 00,000; Stock rs.60, 000; Patents rs.40, 000.

During the year 2014-15 the total sales were rs.18, 00, 000, the sales per month in the first half year were one-half of what they were in the later half year. The net profit of the company, after charging the following expenses, was rs.1, 00, 000; Depreciation rsw.54, 000; Audit fees rs.7, 500; Directors' fees rs.25, 000; preliminary expenses rs.6, 000; office expenses rs.39,000; selling expense rs.36,000; Interest to vendors upto August 31, 2014 rs.2500. Ascertain the pre-incorporation and post-incorporation amounts of profits and prepare balance sheet of the company as on March 31, 2015. Closing Stock was valued at rs.70, 000.

Q.3 Using imaginary figures prepare balance sheet of a company as given in Schedule III Part-I of the Companies Act, 2013.

Or

The following is the trial balance of Modern Textile Ltd. as at 31st March, 2015:

Trial Balance as at 31st March, 2015

Name of ledgers accounts	L.F.	Dr. Balance	Cr. Balance
Stock		75000	-
Purchases and Sales		245000	350000
Wages (Manufacturing)		50000	-
Discount		7000	5000
Salaries		7610	-
Rent		4950	-
General Expenses		17010	-
Surplus(2013-14)		-	15606
Dividend paid (including tax on dividend for 2013-14)		5000	-
Interim Dividend paid(On 1-10-2104)		4000	-

Tax on Interim dividend (19.994% of 4s.4000)	800	-
Equity shares capital (1000 shares of rs.100 each)	-	100000
Debtors and creditors	37500	17500
Plant and machinery	29000	-
Cash in hand and at bank	15906	-
General reserve	-	15500
Loan to director	3250	-
Bad debts	1580	-
Total	503606	503606

Prepare statement of profit & loss for the year ended 31st March and a Balance Sheet as on that date after considering the following:

1. Charge depreciation on machinery @ 10% p.a.
2. Provide 5% discount on debtors.
3. Outstanding rent rs.450.
4. Prepaid insurance premium (included in general expenses) for six months @ rs.750 p.a.
5. Closing stock rs.82000.
6. Directors are entitled for 5% commission on Net Profit before charging such commission.

Q.4 Write short notes on the following:

(i) Average Clause (ii) Increased Cost (iii) Loss of Profit Insurance

(i) Stock Insurance

Or

Suresh keeps self balancing ledgers. Prepare personal accounts, General Ledger Adjustment Account and Trial balance in sales ledger from the following transactions:

2015

April, 1 Received rs.1475 from X in full settlement of rs.1500.

April, 2 Received rs.12000 from Y towards his dues in full.

April, 3 Goods supplied to T rs.1700 and received rs.1300 after adjusting the advance of

Rs.400.

April, 4 Bad debts recovered from Q rs.2000.

April, 5 Goods sold to A rs.11000, B rs.11500, C rs.12000.

April, 8 Sold old furniture to Z for rs.11000 on credit

April, 15 Received from P rs.1750 in part payment of a balance of rs.2000

April, 25 Amount received from A rs.7500, B rs.10000 and C rs.12000

April, 30 Advance received from R for supply rs.5000.

Q.5 (a) What do you mean by Hire Purchase System? What are its main characteristics.

(b) What is Installment Payment System and how does it differ from Hire Purchase System?

Or

The details of receipts and issues of a particular commodity in X Ltd. are as follows:

2015

Receipts

Jan 1	Opening Stock	400 units @ rs.7 per unit
Jan 8	Purchases	2200 units @ rs.8 per unit
Jan 23	Purchases	600 units @ rs.9 per unit
Jan 30	Purchases	800 units @ rs.10 per unit

Issues:

Jan 6 - 200 units; Jan 9 - 800 units; Jan 27 - 1200 units

You are required to calculate the value of the stock on 31st January, 2015 according to

- (i) FIFO method (ii) LIFO method (iii) Weighted Average method
If the company keeps continuous record for receipt and issues of materials.



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Q1. Discuss the salient features of A.S.-1 & A.S.-9.

Or

The Balance Sheet of Shah Ltd. as at 31st March, 2015 was as under:

Particulars	Amount
I. EQUITY AND LIABILITIES:	
A. Shareholders' Fund	
(a) Share Capital	
Issued & Subscribed Capital:	
20,000 Equity Shares of rs.100 each fully paid up	20, 00, 000
10,000 6% preference Shares of rs.100 each fully paid up	10, 00, 000
(b) Reserves and Surplus:	
Capital Reserve	1, 50, 000
General Reserve	4, 50, 000
Securities Premium	1, 00, 000
B. Non- Current Liabilities:	

Long-term Borrowings:

Secured loan : 8% Debentures 3,00,000

C. Current liabilities:

(a) Trade payables 1,88,000

(b) Other Current Liabilities: Accrued Interest on Debentures 12,000

Total 42,00,000

II. ASSETS:

A. Non-Current Assets:

(a) Fixed Assets 22,00,000

B. Current Assets:

(a) Inventories: Stock 6,00,000

(b) Trade Receivables 5,50,000

(c) Cash & Cash Equivalents: Cash at Bank 8,50,000

Total 42,00,000

Board of directors passed a resolution to buy back equity shares up to the maximum limit permitted under section 68(2) out of free reserves @ rs.125 per equity share. Pass entries to buy back of equity shares assuming it was completed on 1st April, 2015. Also prepare balance sheet after carrying out buy back.

Q.2 What is meant by 'profit prior to and post-incorporation'? Explain the method of ascertaining them. How such profits and losses are dealt with in company accounts?

Or

On 1st April, 2012 Bajaj Gas Ltd. issued 6,000, 12 % Debentures of rs.100 each, repayable at the end of three years.

As per the terms of issue the company will create a Non-cumulative sinking fund for redemption. The annual allocation to the sinking fund is rs.2, 00,000. The amount of this fund should be invested in securities.

Investment was sold for rs.4, 10,000 and debentures were paid off.

Prepare necessary ledger accounts for three years to record the above transactions in the books of the company.

Q.3 What do you mean by divisible profits? How are they computed? Explain.

Or

Provisional Balance Sheet of P Ltd. as at 31st March, 2015 was as under:

Particulars	Amount
I.EQUIT AND LIABILITIES :	
A. Shareholders' Fund	
(a) Share Capital	
Issued & Subscribed Capital	
50,000 Equity Shares of rs.10 each, rs.7 per share called up	350000
Less: Calls in Arrears on 10,000shares @ rs.2per share	20000
	330000
20,000 10% Redeemable preference shares of rs.10 each, fully paid up	200000
(b) Reserve and surplus	
General Reserve	270000
Surplus i.e. Balance in Statement of Profit & Loss	300000
B.Current Liabilities	
Trade payables	280000
Other current liabilities: Calls in advance on rs.40000 shares @rs.3 per shares	120000
Total	1500000

II. ASSETS:		
A. Non- Current Assets		
(a) Tangible Assets		700000
Fixed Assets (at cost less depreciation)		
B. Current Assets		500000
(a) Trade Receivables		300000
(b) Cash & Cash Equivalents: Cash & Bank Balance		1500000
Total		

Calls in arrear are outstanding for 6 months. Calls in advances were also paid 6 months back. Interest @ 12% p.a. on calls in advance and 10% p.a. on calls in arrear are allowed. The Board of Directors have recommended that:

- (i) Dividend for the year 2014-15 be allowed @20% on equity shares.
- (ii) Money on calls in advance be refunded and partly paid equity shares be converted as fully paid up by declaring bonus dividend to shareholders.
- (iii) The preference shares, which are redeemable at a premium of 10% any time after 31st March, 2015 may be redeemed by issue of 10% Debentures of Rs.100 in cash.

Show journal entries to give effect to the above proposals including payment and receipt of cash and redraft the Surplus and Balance Sheet of P. Ltd. Corporate Dividend Tax are Payable @ 19.994%.

Q.4 What is Self-Balancing of ledgers? Give its working and state as how it differs from Sectional Balancing System of Ledgers.

Or

Raghwan Ltd. gives you the following Trading and Profit & Loss Account for the year ending December 31, 2014:

Particulars	Amount	Particulars	Amount
To Opening stock	25000	By Sales	400000
To Purchases	150000	By Closing Stock	35000
To Wages	80000		

To Manufacturing exp.	60000		
To Gross Profit c/d	120000		
	435000		435000
To Office Expenses		By Gross Profit b/d	
	30000		120000
To Advertising		By Interest on Securities	
	18000		2000
To Selling Expenses(fixed)			
	20000		
To Commission on sale			
	16000		
To Carriage outward			
	8000		
To Net Profit			
	30000		
	122000		122000

The company had taken out a consequential loss policy for rs.1, 00,000. Fire occurred on 1st May, 2015 as a result of which sales were seriously affected for a period of 4 months. You are given following further information:

- (a) Sales figures were as follows: from 1st January, 2014 to 30th April, 2014 rs.1,50,000; From 1st May, 2014 to 31st August, 2014 rs.1,80,000; From 1st May, 2015 to 31st August, 2015 rs.30,000; From 1st January, 2015 to 30th April, 2015 rs.1,20,000.
- (b) Due to rise in material prices, net profit during 2015. was expected to decline by 2% on sales
- (c) Standing charges to the extent of rs.4, 000 were not insured. Ascertain the claim for loss of profits.

Q.5 Discuss, in brief, the method of valuation of the following-

- (a) Raw material at the end of the year; (b) Work-in-process at the end of the year; and (c) Finished goods at the end of the year.

Or

On 1st April, 2012 X Ltd. purchased on instalment payment system a machine from Y Ltd. at a cost price of rs.60, 000. The cost price is payable as to r.25, 000 down and the balance in three annual installments of rs.15, 250; rs8750 and rs.23, 000 respectively on 31st March each year. These installments include 15 % interest per annum. Y Ltd. also creates a provision for doubtful debts @ 5 % on debtors. X Ltd. writes off 10% per annum as depreciation on the cost of the machine on the basis of straight line method. Prepare necessary ledger accounts in the books of purchaser and vendor.