

FINANCIAL ACCOUNTING- VII

Time:- 2hrs.30mins

[Marks: 75]

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

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

1. Any exchange difference arising due to translation is charged to _____.
2. Loose Tools should be disclosed under _____.
3. Quoted shares are those shares which are _____.
4. Preliminary Expenses can be treated as _____.
5. The exchange difference on settlement of liability specially for purchase of fixed asset is transferred _____.
6. Interest on Debentures is shown as _____.
7. Fair value is the _____ value of asset.
8. The company earns a net profit of ₹ 24,000 with a capital of ₹ 1,20,000. The NRR is 10%. Under capitalization of super profit, goodwill will be _____.
9. Lease rent is based on the _____ up area of the flat.
10. IFRS 1 was issued in _____.

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

1. The first phase of implementation of IFRS was for those companies having net worth over ₹ 500 Crores.
2. Cost of tangible fixed asset is translated at the exchange rate on the date of purchase.
3. Goodwill consists of the super earning power.
4. Depreciation is shown in the Trading A/c.
5. Income & Expenditure A/c is to be formed in form N.
6. Fixed asset should be translated at the rate on the date of the transaction.
7. Sale of energy is Debited to P & L statement.
8. Valuation of shares from the point of view of majority shareholders is based on dividend.
9. IND AS-32 prescribes treatment for presenting financial instruments.
10. Balance sheet shows surplus or deficit on the society.

Q.2. The Trial Balance of Reliance electricity Ltd. For the year ended 31st March, 2016 is as below:

Particulars	Debit ₹ ('000)	Credit ₹ ('000)
Share Capital:		
Equity share of ₹ 10 each		18,750.00
14% Preference share of ₹ 100 each		5,625.00
Patents & trademark	939.00	
15% Debentures		9,262.50
16% Term Loan		5,737.50
Land	4,668.75	
Building	13,175.25	
Plant & Machinery	21,396.75	
Mains	1,696.50	
Meters	1,181.25	

Electrical Instruments	573.75	
Office Furniture	918.75	
Capital Reserves		1,882.50
Contingency Reserves		4,511.25
Transformers	6,165.00	
Net Revenue Account		2,006.25
Stock in Hand	4,518.75	
Sundry Debtors	2,342.25	
Contingency Reserve Investment	4,503.75	
Cash & Bank	1,220.25	
Public Lamps	1,140.00	
Depreciation fund		9,681.00
Sundry Creditors		2,446.50
Proposed Dividend		4,537.50
Total	64,440.00	64,440.00

During 2015-16 ₹ ('000) 3750 of 14% Preference Shares were redeemed at a premium of 10% out of proceeds of fresh issue of Equity shares of necessary amounts at a premium of 10%. Prepare Balance sheet as on 31st March, 2016 as per Schedule III of the Companies Act, 2013.

OR

Q.2. The following balances relate to an electricity company & pertain to its accounts for the year ended 31st December, 2015:

Particulars	₹	Particulars	₹
Share Capital	75,00,000	Depreciation Reserve on Fixed Assets	60,00,000
Reserve Fund (invested in 5% Govt. Securities at par)	45,00,000	Consumer's Deposits	56,25,000
Contingencies Reserve-invested in 6% State Govt. Loans	15,00,000	Amounts contributed by consumer towards fixed assets	1,50,000
Loan from State Electricity Board	22,50,000	Intangible Assets	3,75,000
11% Debentures	6,00,000	Tariff & Dividend Control Reserve	4,50,000
Development Reserve	7,50,000	Current Assets – Monthly Average	15,00,000
Fixed Assets	1,50,00,000		

The company earned a Post tax profit of ₹ 6,75,000. Show how the profits of the company will be dealt with under the provisions of the electricity Act, assuming that the Bank Rate during the year was 8%.

- Q.3.** Orange Ltd. & Green Ltd. propose to sell their business. Following summarized Balance sheets as on 31st March, 2015 & details of the Profits of the companies earned in each of the last three years:

	Orange Ltd.	Green Ltd.
Equity share of ₹ 10 each	1,00,000	40,000
General Reserve	50,000	4,000
Profit & Loss Account	12,000	8,000
Creditors	25,720	9,640
Total	1,87,720	61,640

	Orange Ltd.	Green Ltd.
Fixed Assets, at cost less Depreciation	85,400	25,800
Investment in Government Securities	20,000	-
Current Assets	82,320	35,840
Total	1,87,720	61,640

Net Profits for the year ended:

31 st March, 2015	27,500	9,200
31 st March, 2014	23,300	5,600
31 st March, 2013	19,550	11,300

The following information is given:

Profits of Orange Ltd. include ₹ 500 interest on government securities in each of the three years.

You are required to value goodwill of the business of both the companies at four years purchase of the excess of the average trading profits of the above three years over 10% of the capital employed.

OR

- Q.3.** From the Balance Sheet of Summer Ltd. as on 31st March 2015, the following figures are provided:

	₹
Share Capital:	
14% Preference shares of ₹ 100 each	9,00,000
30,000 Equity shares of ₹ 10 each ₹ 7.50 paid up	2,25,000
20,000 Equity shares of ₹ 10 each ₹ 5.00 paid up	1,00,000
10,000 Equity shares of ₹ 10 each fully paid up	1,00,000
Total	13,25,000
Reserves & Surplus:	
General Reserve	6,00,000
Profit & Loss Account	1,50,000
Total	20,75,000

On Revaluation of assets on 31-03-2015 it was found that plant & Machinery undervalued by ₹ 2,25,000 & building overvalued by ₹ 1,80,000.

The article of association of the company provide that is case of liquidation, Preference shareholders would have further claim to 10% of the surplus assets.

You are required to determine the value of a preference share & equity share of the company assuming that company is liquidated on 31-03-2015.

Q.4. From the following trail balance as on 31-3-2015, prepare final accounts in the prescribed format as per applicable legal provisions

**Ajay Leela CHS LTD
Trail Balance**

Particulars	₹	Particulars	₹
1 Share of MDC Co-op. Bank	500	Collection of Sinking Fund	59,827
Accounting Charges	12,819	Advance from Members	22,514
Audit fees	3,456	Collection for Establishment Expenses	6,54,600
Cash in Banks	3,22,347	Collection for Property Expenses	6,31,602
Cash in Hand	1,166	Entrances Fees	2,350
Dues from Members	5,03,497	Income & Expenditure A/c	2,28,583
Electricity Charges	3,04,414	Interest – Fixed Deposit	1,26,371
Equipments	67,906	Interest – Savings Bank	37,655
Fixed Deposits	20,92,632	Members Contribution for Building	1,94,06,425
Fixed Deposits – Sinking Fund	7,00,000	Outstanding Expenses	1,73,645
Housekeeping	45,802	Sale of scrap	24,501
Land & Building	94,06,425	Security Deposit – Contractor	1,25,056
MESB Deposit	21,245	Statutory Reserve fund - Opening	6,77,755
Non-Agricultural Tax	29,913	Subscribed : 480 shares of 50 each	24,000
Property Taxes	1,63,724	Transfer Fees	50,000
Repairs & Maintenance	5,80,180		
Salaries	2,23,176		
Subscription to the Education Fund	288		
TMC Deposit	44,450		
Water Charges	1,84,320		
Total	2,47,08,260	Total	2,47,08,260

Adjustments:

- | | |
|--|----------|
| a) Depreciation on equipments @ 12.5% | |
| b) Prepaid property taxes | ₹ 18,000 |
| c) Accrued Interest on Sinking Fund FD | ₹ 40,000 |
| d) Accrued Interest in FD | ₹ 22,000 |

OR

Q.4. The following balance appeared in the books of Parel branch of a firm in London on 31st December, 2014:

Particulars	Dr. ₹	Cr. ₹	Particulars	Dr. ₹	Cr. ₹
Stock on 01.01.2014	50,400	-	Wages & Salaries	19,200	-

Purchases	3,00,000	-	Rent & rates & taxes	14,400	-
Sales	-	4,50,000	Miscellaneous	6,000	-
Debtors	1,56,000	-	Furniture & Fittings	19,640	-
Creditors	-	1,04,000	Cash at Bank	1,15,960	-
Bills Receivable	41,600	-	Head office account	-	1,32,800
Bills Payable	-	36,400			
				7,23,200	7,23,200

Stock on 31st December, 2014 was ₹ 1,43,000. Parel branch account in the books of London head office showed Dr. Balance of £ 5,360 on 31st December, 2014.

Furniture & fitting were purchased from a remittance of £ 700 received from London head office which exactly covered the cost of item.

The rate of exchanges was:

31st December, 2013: ₹ 28 Per £.

31st December, 2014: ₹ 26 Per £.

Average rate of year 2014 may be taken at ₹ 24 per £.

Prepare trading Profit & Loss Account & Balance Sheet of Parel Branch in the books of London head. Head office assuming branch operation to be integral to the main operations.

Q.5. Answer the following

- Explain in brief International Financial Reporting Standards.
- Explain Electricity Act, 2003.

OR

Q.5. Write short Notes on (Any 3)

- Capitalization of super profit – method of valuation of goodwill.
- Income & Expenditure of co-operative society
- Break-up value of equity shares.
- Conversion of Foreign branch trial balance as per AS-11.
- Disposal of surplus as per Electricity Act.