

**FINANCIAL ACCOUNTING -VII**

[Time: 2½ Hours]

[Marks 75]

Please check whether you have got the right question paper.

1. All Questions are compulsory.
2. Figures to the right indicate full marks.
3. Working notes are parts of answers.
4. Use of simple calculator is allowed.

**Q.1. A State whether the following statements are true or false: (any eight)**

1. Goodwill will be realized at any time.
2. Rental of meter is shown in Profit & Loss statement.
3. IND AAS 108 does not deal with operating segment.
4. Investments are non-trading assets.
5. A co-op. Hsg Society has to prepare Profit & Loss a/c.
6. Intrinsic value depends on net asset.
7. Cost of tangible fixed assets is translated at the exchange rate on the date of purchase.
8. IFRS enhances uniformity in the accounting principles.
9. Register of members is maintained in 'c' form.
10. Balance sheet is presented in Schedule III format.

**Q.1. B Fill in the blanks and rewrite the sentence again: (any seven)**

1. Any exchange difference arising due to translation is charged to \_\_\_\_\_.
2. Call deposit on banks should be disclosed under \_\_\_\_\_.
3. AS \_\_\_\_\_ is dealing with the effect of changes in Foreign Exchange rate.
4. Format of financial statements of electricity companies are laid down in \_\_\_\_\_.
5. \_\_\_\_\_ value depends on the future dividend to equity shareholders.
6. Financial statements as per IFRS are presented at \_\_\_\_\_.
7. Livestock should be disclosed under \_\_\_\_\_.
8. Non-monetary items are valued at \_\_\_\_\_.
9. Goodwill has \_\_\_\_\_ value.
10. Security deposit is credited to \_\_\_\_\_.

**Q.2** The following is the extract from the balance sheet of Popular. Ltd.

(Rs. In Lakhs)

Liabilities	As at 31.03.09	As at 31.03.10	Assets	As at 31.03.09	As at 31.03.10
Share Capital	500	500	Fixed assets	550	650
General reserve	400	425	10% Investments	250	250
Profit & Loss A/c	60	90	Stock	260	300
18% term loan	180	165	Debtors	170	110
Sundry creditors	35	45	Cash at Bank	46	45
Provision for tax	11	13	Fictitious assets	10	8
Proposed dividend	100	125			
	<b>1,286</b>	<b>1,363</b>		<b>1,286</b>	<b>1,363</b>

**Additional information:**

- a. Replacement values of fixed assets were Rs. 1,100 lakhs on 31.03.09 and Rs.1,250 lakhs on 31.03.2010 respectively.
- b. Rate of depreciation adopted on fixed assets was 5% p.a.
- c. 50% of the stock is to be valued at 1205 of its book value.
- d. 50% of the investments were trade investment.
- e. Debtors on 31<sup>st</sup> March, 2010 included foreign debtors of \$35,000 recorded in the book at Rs.35 per US Dollar. The closing exchange was \$1= 39.
- f. Creditors on 31<sup>st</sup> March, 2010 included foreign debtors of \$60,000 recorded in the book at \$1=Rs. 33. The closing exchange was \$1= 39.
- g. Profit for the year 2009-2010 included Rs.60 lakhs of government subsidy which was not likely to recur.
- h. Rs.125 lakhs of research and development expenditure was written off to the Profit & Loss A/cost in the current year. This expenditure was not likely to be higher by 10%.
- i. Future maintainable profits (pre-tax) are likely to be higher by 10%.
- j. Tax rate during 2009-2010 was 50%, effective future tax rate will be 40%.
- k. Normal rate of return expected in 15%.
  - i) One of the directors of the company Arvind, fears that the company does not enjoy a goodwill in the prevalent market circumstances. Critically examine this establish whether Popular show the leverage effect it has on the company's result.
  - ii) Industry average return was 12% on long term fund and 15% on equity funds.

**OR**

**Q.2** The following is the balance sheet of N Ltd. as on 31<sup>st</sup> March 2002.

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
4,00,000 Equity shares of Rs.10 each fully paid	40,00,000	Goodwill	4,00,000
13.5% Redeemable shares of Rs.100 each fully paid	20,00,000	Building	24,00,000
General Reserve	16,00,000	Investments	16,00,000
Profit & Loss/cost	3,20,000	Vehicles	18,00,000
Bank loan (security against fixed assets)	12,00,000	Machinery	22,00,000
Bills Payable	6,00,000	Furniture	10,00,000
Creditors	31,00,000	Stock	11,00,000
		Debtors	18,00,000
		Bank Balances	3,20,000
		Preliminary expenses	2,00,000
	<b>1,28,20,000</b>		<b>1,28,20,000</b>

**Further information:**

- i) Return on capital employed is 20% in similar business.
- ii) Fixed assets are worth 30% more than books value. Stock is overvalued by Rs.1,00,000. Debtors are reduced by Rs.20,000. Trade investments, which constitute 10% of the total investments, are to be valued at 10% below cost.

- iii) Trade investments were purchased on 01.04.2001. 50% of non-trade investments were purchased on 1.4.2000 and the rest on 01.04.1999. Non trade investments yield 15% return on cost.
- iv) In 1999-2000, new machinery costing Rs. 2,00,000 was purchased, but wrongly charged to revenue. This amount should be adjusted taking depreciation at 10% on reducing value method.
- v) In 2000-2001, furniture with a book value of Rs. 1,00,000 was sold for Rs.60,000.
- vi) For calculation Goodwill, two years purchases of super profits based on simple average profit of last four years are to be considered. Profits of last four years are as under:  
1998-1999 Rs.16,00,000, 1999-2000 Rs.18,00,000, 2000 -2001 Rs. 21,00,000, 2001-2002 Rs. 22,00,000.
- vii) Additional depreciation provision at the rate 10% on the additional value of plant and machinery alone may be considered for arriving at average profit.

**Q.3** From the following trial balance as on 31<sup>st</sup> March 2015, prepare final account in the prescribed format as per applicable legal provision.

**ASH WIN CSHs LTD  
Trial Balance**

Particulars	Dr. Amt.	Particulars	Cr. Amt.
1 share of MDC Co-op bank	1000	Collection from members	
		-Property expenses	6,42,475
		-Establishment expenses	8,72,686
1share of MDCH federation	100	Contribution to sinking fund	6,00,000
Audit fees	4,000	Dividend	60
Cash in bank	4,70,000	Entrance fees	2,760
Cash on Hand	838	Interest- fixed deposits	2,15,500
Fixed Deposits	21,55,836	Interest saving banks	7,802
Fixed Deposits- sinking fund	8,16,942	Interest on Sinking Fund FD	1,34,121
Furniture and fittings	3,714	Members contribution for building	48,52,050
Insurance charges	35,590	SHARE CAPITAL:	
Land and building	48,52,050	280 shares of Rs.50 each	14,000
Property tax and expenses	9,68,591	Sinking fund-opening	8,49,742
Salaries	34,181	Statutory Reserve Fund-opening	13,19,470
Security	1,30,202	Income & Expenditure A/c-opening	7,500
	<b>95,18,166</b>		<b>95,18,166</b>

**Additional information:**

1. Authorized Capital is fully subscribed.
2. Collection for establishment expenses include advance from members. Rs. 2,68,118.
3. Depreciation Rs.557 on furniture and Fitting.
4. Outstanding securities expenses Rs. 79,592.
5. Prepaid insurances expenses Rs. 15,533.
6. Due from members for property expenses Rs. 25,844.

**OR**

**Q.3** The trial balance of Aarati Electric Supply Ltd. for the year ended 31<sup>st</sup> March, 2016 as below.

<b>Particulars</b>	<b>Dr. Amt.('000)</b>	<b>Cr. Amt.('000)</b>
Share Capital:		
Equity shares of Rs.10 each		4688
7% Preference shares of Rs.100 each		1406
Goodwill	234.75	
16% Debentures		2315.63
12% Term Loan		1434.38
Land	1167.19	
Building	3293.81	
Plant & Machinery	5349.19	
Mains	424.13	
Meters	295.31	
Electrical Instrument	143.44	
Office Furniture	229.69	
Capital Reserve		470.63
Contingency Reserve		1127.81
Transformers	1541	
Net Revenue Account		501.56
Stock in Trade	1129.69	
Sundry Debtors	585.80	
Contingency Reserve investment	1125.94	
Cash and Bank	305.06	
Public Lamps	285	
Depreciation Fund		2420.25
Sundry Creditors		611.36
Proposal Dividend		134.38
	<b>16,110</b>	<b>16,110</b>

During 2015-16, Rs. ('000)937.5 of 7% 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 31<sup>st</sup> March, 2016 as per Schedule III of the companies Act, 2013.

**Q.4** An Indian Company Star Limited has a branch at Verginia (USA). The branch is a integral foreign operation of the Indian Company. The trial balance of the branch as on 31<sup>st</sup> March 2016 as follows.

<b>Particulars</b>	<b>Dr. \$</b>	<b>Cr. \$</b>
Office equipment	20,000	
Furniture	32,000	
Opening Stock	22,000	
Purchases	96,000	
Sales		1,66,400
Goods from H.O	32,000	
Salaries	3,200	
Carriage inward	400	

Rent, Rates and Taxes	800	
Insurance	400	
Trade Expenses	400	
Head office account		45,600
Sundry Debtors	9,600	
Sundry Creditors		6,800
Cash at bank	2,000	
	<b>2,18,800</b>	<b>2,18,800</b>

The following further information is given.

- a) Salaries outstanding \$ 400.
- b) Depreciate Office Equipment And Furniture @ 10% p.a.
- c) The head office sent goods to branch for Rs.15,80,000.
- d) Branch account in head office books shown an amount of Rs.20,50,000.
- e) Closing stock \$ 21,500.
- f) There were no transit items at the end of the year.
- g) Fixed assets were purchased in 2013 when the rate of exchange was Rs.43 to one \$.
- h) On 1<sup>st</sup> April 2015, the rate of exchange was Rs.447 per \$. On 31<sup>st</sup> March 2016 the rate was Rs.50 per \$. Average rate during the year was Rs.45 to one \$.

**Prepare:**

- a. Converted trial balance
- b. Trading And Profit & Loss account 31<sup>st</sup> March 2016.
- c. Balance sheet as on that date.

**OR**

- Q.4** Havels India Ltd. has built a power station and connecting lines during the year 2013-2014. The following information are furnished.
- i In the year 2013-14, the company incurred Rs. 2,50,00,000 towards purchase of material and Rs.19,25,000 for labour charges. The company also used the stores worth Rs. 35,00,000 from existing stock which was in the service station.
  - ii In the year 2016-17, Extension and Replacement was carried out to the power station at cost of Rs.90,00,000 out of which Rs.2,50,000 was used from existing stock for replacement purposes. The extent of replacement was estimated at 55% of original cost. The cost of material and wages has gone up by 60%.
  - iii In the process of extension and replacement the old material discarded worth Rs.7,00,000. Out of the this material value Rs.4,50,000 was used for extension purposes and balance not being used and sold for Rs.2,00,000.

You are required to pass necessary journal entries in respect of above transaction for the year 2013-14 and 2016-17. All working should form part of your answer.

**Q.5. A** Explain objectives of IFRS-1.

**Q.5. B** Give classification of co-operative societies.

**OR**

**Q.5 Write short notes on (Any Three – 5 marks each)**

- a. Sinking fund of Co-operative housing society
- b. Benefits of adopting IFRS
- c. Features of purchased and Non- Purchased goodwill
- d. Grant under APDRP
- e. Yield value of share

SAPAN PARIKH COMMERCE CLASSES