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DATE: 9-04-2018 ( 9am )

**ST. JOSEPH’S COLLEGE (AUTONOMOUS), BANGALORE-27**

**B.Com – II SEMESTER**

**SEMESTER EXAMINATION: APRIL 2018**

BC 2115 : Financial Accounting -II

Time- 2 ½ hrs Max Marks-70

(For supplementary candidates of 2015 batch only)

Do not write the register number on the question paper

Please attach the question paper along with the answer script.

**This paper contains 6 printed pages and four parts**

**Section A**

**Answer any 5 from the following (2 x 5 = 10)**

1. State any 2 difference between dependent and independent branch?
2. What are the various statements included with Final Accounts of Joint Stock Company as per the Companies Act, 2013?
3. State any 4 factors affecting the valuation of shares?
4. What is meant by Average Clause?
5. Define Goodwill?
6. State any 4 Objectives of Branch Accounting
7. What are notes to accounts?

**Section B**

**Answer any 3 from the following (5 x 3 = 15)**

1. Under what heads will you show the following items in the Balance Sheet of the Company?

|  |
| --- |
| 1. Goods in transit |
| 1. Share in S.B.I. |
| 1. Premium on Redemption of Debentures |
| 1. Loan from Bank |
| 1. Cheques / drafts in hand |
| 1. Bank Overdraft |
| 1. Computers |
| 1. Live Stock |
| 1. Stores and spare parts |
| 1. Employees earned leave payable on retirement |

1. Messrs Gupta Brothers are having their H.O. at Delhi and Branch at Calcutta. The following are the transactions of the H.O. with branch for the year ended 31st August, 2015.

|  |  |
| --- | --- |
| **Particulars** | **Rs.** |
| Balances as on 1.9.2014: |  |
| Stock | 30,800 |
| Debtors | 16,500 |
| Petty Cash | 500 |
| Goods sent to Branch | 1,51,200 |
| Remittances from Branch : |  |
| Cash | 10,500 |
| Realisation from Debtors | 1,57,200 |
| Amount sent to Branch: |  |
| Salary | 7,440 |
| Rent | 2,400 |
| Petty Cash | 3,000 |
| Balances as on 31.8.2015 |  |
| Stock | 23,150 |
| Debtors | 50,460 |
| Petty Cash | 750 |

Show the Branch Account in the books of H.O.

1. From the following information, calculate the value of an Equity share under the yield method.

The paid up share capital of the company consists of 1,000, 15% preference shares of Rs. 100 each and 20,000 Equity shares of Rs.10 each.

The average annual profit of the company, after providing for depreciation and taxation amounted to Rs.75,000. It is considered necessary to transfer Rs.10,000 to general reserve before declaring dividend.

The normal return expected by investors on Equity shares from this type of business on by the company is 10%.

1. X Ltd. earned a profit of Rs. 18,00,000 for the year ending 31st March, 2016 after making provision for depreciation and taxation. Rs. 2,80,000 profit was brought forward from last year to this year. Following recommendations were made by the directors of the company to appropriate this profit:
2. To pay Rs. 1,20,000 as bonus to employees of the company.
3. To transfer to General Reserve Rs. 8,40,000.
4. To propose dividend at 12% on the Equity shares.
5. To transfer Rs. 75,000 to Staff Gratuity Fund.
6. To transfer Rs. 60,000 to Development Rebate Reserve.
7. To transfer Rs. 2,00,000 to Capital Redemption Reserve.
8. To transfer Rs. 60,000 to dividend equalization reserve.
9. To transfer Rs. 50,000 to debenture redemption fund account
10. Transfer Rs. 80,000 from exempt profit reserve account to profit and loss appropriation account.

Company’s capital consisted of 2,00,000 equity shares of Rs. 10 each fully paid. Prepare Profit and Loss Appropriation Statement for the year ended 31st March, 2016.

1. A Fire occurred in the premises of Agni, Proprietor, on 25th August, when a large part of the Stock was destroyed. Salvage was Rs. 15,000.Agni gives you the following information for the period of 1st January to 25th August –
2. Purchases Rs, 85,000
3. Sales Rs. 90,000
4. Goods costing RS, 5,000 were taken by Agni for personal use.
5. Cost Price of Stock on 1st January was Rs. 40,000.

Over the past few years, Agni has been selling goods at a consistent Gross Profit Margin of 33 1/3rd%. The Insurance Policy was for Rs. 50,000. It included an Average Clause. Prepare a statement of claim to be made on the Insurance Company.

**Section C**

**Answer any 3 from the following (10 x 3 = 30)**

1. From the following figures, prepare a statement of Profit and Loss for the year ending 31st March, 2016.

|  |  |  |  |
| --- | --- | --- | --- |
| Discount allowed | 3,500 | Rent Paid | 60,000 |
| Discount received | 4,200 | Interest on loan | 14,800 |
| Stock as on 1.4.2015 | 1,45,000 | Sales | 45,80,000 |
| Wages Paid | 52,200 | Purchases | 27,85,800 |
| Salaries | 2,23,800 | Carriage on purchases | 20,300 |
| Advertisement | 12,500 | Carriage on sales | 12,000 |
| Bad debts | 3,850 | Debtors | 5,00,000 |
| Audit Fees | 12,000 | Creditors | 3,50,000 |
| Return inwards | 15,000 | Return outwards | 10,000 |
| Sundry Expenses | 13,880 | Misc. Incomes | 9,760 |

**Additional Information:**

1. Stock on 31.03.2016 is Rs. 2,13,840 (Net Realizable value being Rs. 2,25,580).
2. Provision for doubtful debts is to be maintained at 1% of Debtors.
3. Provision for discount on creditors is required at 0.5%.
4. Outstanding salary is Rs. 12,200.
5. Rent is outstanding for 2 months.
6. Wages prepaid is Rs. 2,200.
7. Provide for tax at 40%.
8. No. of Equity Shares of the Company since 1.4.2015 is 40,000.
9. A Ltd. with its Head Office in Calcutta has a Branch at Delhi. You are given the following particulars relating to Delhi Branch for the year ended 30th June, 1986.

|  |  |
| --- | --- |
| Particulars | Rs. |
| Stock at Branch on 1st July, 1985 | 15,700 |
| Goods sent to Branch during the year | 45,600 |
| Total Sales at Branch (including Rs. 19,700 for cash sales) | 73,300 |
| Cash received from Debtors | 52,200 |
| Branch Debtors on 1st July, 1985 | 16,900 |
| Goods returned by the Branch | 3,900 |
| Petty cash at Branch on 1st July, 1985 | 110 |
| Cash sent to Branch for expenses |  |
| Salary | 12,800 |
| Petty Cash | 2,600 |
| Rent | 3,000 |
| Stock at Branch on 30th June, 1986 | 18,800 |
| Petty cash at Branch on 30th June, 1986 | 90 |

Prepare Delhi Branch Account and a Branch Trading and Profit and Loss Account in the Books of Head Office.

1. Following is the Balance sheet of Fast Grow as on 31stMarch 2013.

|  |  |  |  |
| --- | --- | --- | --- |
| **LIABILITIES** | **Amt** | **ASSETS** | **Amt** |
| Capital:  3,000 shares of Rs.100 each | 3,00,000 | Fixed assets:  Land and Buildings | 1,50,000 |
| General reserve | 50,000 | Machinery | 1,00,000 |
| Profit and loss A/C | 25,000 | Investment at cost  (Market value of Rs.40,000) | 45,000 |
| Creditors | 40,000 | Debtors | 1,00,000 |
| Provision for taxation | 20,000 | Stock | 40,000 |
| Provident Fund | 10,000 | Cash | 10,000 |
|  |  |  |  |
| Total | 4,45,000 | Total | 4,45,000 |

Additional Information:

* Goodwill is taken at Rs.50,000
* Depreciate machinery @ 10% and increase Land & building to Rs.1,80,000.
* Provide 8% towards Bad debts.
* 20% is the normal rate of dividend declared by similar type of business on their paid up capital, however the company could declare only 18% for the current year.

*Calculate the intrinsic value of share of the company.*

1. Balance sheet of X Ltd. as on 31-3-2015

|  |  |  |  |
| --- | --- | --- | --- |
| **Liabilities** | **Amount** | **Assets** | **Amount** |
| 8%, 5,000 preference share of Rs.10 | 50,000 | Goodwill | 10,000 |
| 10,000 Equity shares of Rs.10 | 1,00,000 | Fixed assets | 1,80,000 |
| Reserves(including provision for taxation 10,000) | 1,00,000 | Investment (5% government bond) | 20,000 |
| 8% Debentures | 50,000 | Current assets | 1,00,000 |
| Creditors | 25,000 | Preliminary expenses | 10,000 |
|  |  | Discount on debentures | 5,000 |
| **Total** | **3,25,000** | **Total** | **3,25,000** |

The average profits before tax of the company (after deducting interest on debentures) is Rs.61,000. Market value of fixed assets is Rs.5,000 more. Ignore additional depreciation on revalued figures. Expected rate of return is 10%. Evaluate the goodwill at 5 times of the super profits. Applicable Tax rate = 50%.

1. Hindustan Agro Ltd. was registered with an authorized capital of 8,00,000 shares of Rs. 10 each. 6,00,000 shares were issued to the public out of which 5,00,000 shares were taken up. The following balances appeared in the books of the company as on 31st March, 2016:

|  |  |
| --- | --- |
| Share Capital 5,00,000 shares of Rs. 10 each, Rs. 5 called up | 25,00,000 |
| Calls in arrears | 10,000 |
| Calls in advance | 15,000 |
| Profit and Loss balance (on 1.4.2015) | 3,50,000 |
| 12% Debentures | 5,00,000 |
| Unsecured loan | 1,50,000 |
| Cash in hand | 12,800 |
| Balance with Bank | 20,700 |
| Sundry Debtors: |  |
| More than six months old | 25,000 |
| Other debtors | 3,50,000 |
| Sundry creditors | 1,82,200 |
| Provision for taxation | 75,000 |
| Net profit for the year (after tax) | 7,20,000 |
| Freehold premises | 16,00,000 |
| Plant and Machinery | 18,50,000 |
| Patents | 10,000 |
| Goodwill | 2,00,000 |
| Preliminary Expenses | 44,800 |
| Prepaid expenses | 5,000 |
| Outstanding expenses | 66,000 |
| Investment in shares | 53,000 |
| Closing stock | 3,64,100 |
| Bills receivable | 20,000 |
| Bills payable | 7,200 |

Prepare the Company’s Balance Sheet for the year ended 31st March, 2016 in the prescribed form after taking into account the following matters:

1. Transfer to General Reserve Rs. 3,00,000;
2. Provide for a dividend of 10% on share capital.

**Section D**

**Case Study (15 x 1 = 15)**

1. Balance sheet of Diamond Ltd as on 31-12-2013.

|  |  |  |  |
| --- | --- | --- | --- |
| **LIABILITIES** | **Amt** | **ASSETS** | **Amt** |
| Share capital:  Issued, subscribed and paid up: 2,000 shares of RS.100 each | 2,00,000 | Land & Buildings | 1,10,000 |
| General Reserve | 40,000 | Plant & Machinery | 1,30,000 |
| Profit and Loss a/c | 32,000 | Patents & Trademarks | 20,000 |
| Sundry Creditors | 1,28,000 | Stock | 48,000 |
| Income Tax Reserve | 60,000 | Debtors | 88,000 |
|  |  | Bank | 52,000 |
|  |  | Preliminary expenses | 12,000 |
|  | 4,60,000 |  | 4,60,000 |

The expert valuer valued Land & Building at Rs.2,40,000; Goodwill at Rs.1,60,000 and Plant and Machinery at Rs.1,20,000. Out of the total Debtors, it is found that debtors of Rs.8,000 are bad.

The profits of the company after tax have been as follows:

|  |  |  |
| --- | --- | --- |
| 2011 | 2012 | 2013 |
| 80,000 | 90,000 | 1,06,000 |

The company follows the practice of transferring 25% of the profits to General reserve. Similar type of companies each, earns a profits at 10% of the value of their shares. Income Tax rate applicable to the company is 50%. Ascertain the value of shares of the company under:

1. Intrinsic value method b) Yield value method c)Fair value method