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T.Y.B.com Semester VI (CBCS) Ordinance

EXAMINATION NOVEMBER 2023

Accounting - Accounting II

[Time: 2:00 Hours]

[Max. Marks: 80]

**Instructions:** (1) Question No. 1 is compulsory.(2) Answer any **three** questions from Question No. 2 to Question No. 6.

(3) Figures to the right indicate marks to the question/sub-question.

- Q1 Kodak Ltd. issued on 1<sup>st</sup> January, 2016; 5,000, 6% redeemable debentures of Rs. 100/- each at par, redeemable at a premium of 10% after 4 years. It was decided to create a sinking fund for the redemption of the debentures. Investments are expected to earn interest at 5% per annum. (20)

Reference to the sinking fund table shows that Rs. 0.232012 invested annually at 5% compound interest amounts to Rs. 1/- at the end of 4 years. Investments were made in multiples of 100 only. On 31<sup>st</sup> December 2019, investments were sold for Rs. 4,05,000/- and the debentures were redeemed. Assume that accounts are closed on 31<sup>st</sup> December every year.

Prepare the following ledgers for the period of 4 years;

(a) Sinking Fund Account, and

(b) Sinking Fund Investment Account.

- Q2 Mr. Gupta is a Chartered Accountant who occupies the ground floor of his residence for his profession. His Receipts and Payment account for profession for the year ended 31<sup>st</sup> December 2019 is as below; (20)

Receipts	Rs.	Payments	Rs.
Cash in Hand	6,000	Salaries	14,400
Cash at Bank	24,000	Rent (Paid to family)	6,000
Audit fees	1,08,000	Motor car expenses	16,000
Tax consultation fees	36,000	Telephone charges	3,000
		Electricity charges	4,800
		Printing & Stationery	3,200
		Institute Membership Fees	700
		Purchase of periodicals	6,000
		Drawings	72,000
		Cash in Hand	4,300
		Cash at Bank	43,600
	1,74,000		1,74,000



Additional Information:

- a) The motor car expenses, telephone charges and electricity charges are to be shared equally between the profession and household.
- b) 20% of the salaried are to be borne by the household.
- c) Annual expenses of the household are: Food – Rs. 76,000/-, Clothing – Rs. 16,000/- and miscellaneous expenses – Rs. 6,000/-.
- d) Other income of the household are: -
  - a. Income from investment – R. 18,000/-.
  - b. Salary of Mrs. Gupta from a school – Rs. 16,800/-

Prepare the Profit and Loss account for his profession and Income and Expenditure account for his household.

- Q3 (a) On 1.1.2017, 400, 6% debentures of Rs.100/- each of PQR Ltd. were held as investments by XYZ Ltd. at a cost of Rs. 36,400/-. Interest is payable on December 31<sup>st</sup>. (10)
- On 1.4.2017: Rs. 8,000 of such debentures were purchased by XYZ Ltd. @ Rs. 98 each cum-interest.
- On 1.9.2017: Rs. 12,000 of such debentures were sold @ Rs. 96 each ex-interest.
- Prepare Investment Account for 6% debentures of PQR Ltd. in the books of XYZ Ltd. Ignore income tax.
- (b) On 1<sup>st</sup> April 2018, 5,000 equity shares of Rs. 10 each of Procter Ltd. were held as investments by Mr. Suraj at a cost of Rs. 48,000. (10)
- On 30<sup>th</sup> April 2018, he purchased 1,000 of such equity shares @Rs. 12 per share.
- On 20<sup>th</sup> September 2018, dividend was received @ Rs. 2 per share for the year ended 31<sup>st</sup> March 2018. Dividends for shares acquired by him on 30<sup>th</sup> April 2018 are to be adjusted against the cost of purchase.
- On 10.10.2018, Mr. Suraj sold 2,000 equity shares @Rs. 12/- per share.
- Prepare the Investment Ledger in the books of Mr. Suraj for the year ended 31<sup>st</sup> March 2019.
- Q4 Tata Ltd. issued 3,000, 11% Debentures of Rs. 100/- each at par on 1<sup>st</sup> January 2016. (20)
- The terms of the issue included that the company provide a sinking fund for redemption of debentures on 31<sup>st</sup> December 2019. The company decided to take out an insurance policy to provide for the necessary cash to facilitate the redemption of debentures. The annual insurance premium payable to the insurance company being Rs. 69,000/-.
- Prepare the following ledgers for the period of 4 years;
- (a) 11% Debenture Account,
  - (b) Debenture Redemption Fund Account, and
  - (c) Debenture Redemption Insurance Policy Account.



- Q5 Lazer Ltd., went into voluntary liquidation on 31<sup>st</sup> December, 2018. The balances in its books as on that date were; (20)

Liabilities	Amount	Assets	Amount
2,500 Equity Shares of Rs. 100/- each, Rs.75/- paid	1,87,500	Land and Building	2,50,000
7,500 Equity Shares of Rs. 100/- each, Rs. 60/- paid	4,50,000	Machinery and Plant	6,25,000
6% Cumulative Preference Shares of Rs.100/- each fully paid	5,00,000	Patents	1,00,000
5% Mortgage Debentures	2,50,000	Stock	1,37,500
Interest Outstanding on Debentures	12,500	Sundry Debtors	2,75,000
Creditors	3,62,500	Cash at Bank	75,000
		Surplus Account (Negative Balance)	3,00,000
	17,62,500		17,62,500

The Liquidator is entitled to a commission of 3% on all assets realised except cash and 2% on amounts distributed among unsecured creditors other than preferential creditors. Creditors include Preferential Creditors Rs. 37,500/- and a loan for Rs. 1,25,000/- secured by a mortgage on land and building. The preference dividends were in arrears for two years. The assets realised as follows;

Particulars	Amount
Land and Building	3,00,000
Machinery and Plant	5,00,000
Patents	75,000
Stock	1,50,000
Sundry Debtors	2,00,000

The expenses of liquidation amounted to Rs. 27,250/-  
Prepare the Liquidator's Final Statement of Account.

- Q6 Answer any four of the following:

(4×5=20)

- What are the benefits of Accrual basis of accounting?
- Write short note on Cum.-interest and Cum-dividend.
- Write short note on Cost of Investments.
- Explain any two methods of Redemption of Debenture.
- Write short note on Sinking fund method.
- Distinguish between In Insolvency and winding up.