Duration: 2:30 Marks: 75

Note: 1) All questions are compulsory, Subject to internal choice.
2) Figures to the right indicate full marks.
3) Use of simple calculator is allowed.

Q.1 A) Select the correct alternatives: (any 8) **08**

1. Goodwill is an ________ asset. (tangible, intangible, current, quick)
2. Livestock is shown under _______. (current assets, fixed assets, investments, current liabilities)
3. During every ________ transaction, we calculate profit or loss on shares. (sales, purchase, bonus, barter)
4. Dividend is calculated on _______. (call in arrears, face value, market value, none)
5. ________ shares have fixed rate of dividend. (right, equity, bonus, preference)
6. Public deposit, Debentures, Bonds are examples of ________. (owner's equity, long term debt, short term debt, current liabilities)
7. The balance of interest column in investment accounting (of debentures) is transferred to _______. (trading account, profit & loss account, balance sheet, cash flow statement)
8. Accounting policies are prescribed by ______. (Companies Act, AS 1, Income Tax, Sales Tax)
9. Expenses of the next year paid in current year is classified as ________ in balance sheet of current year. (current assets, current liabilities, long term assets, reserves and surplus)
10. ______ shares bear the risk of non re-payment during liquidation. (equity, preference, convertible preference, convertible equity)

Q.1 B) State whether the following statements are true or false: (any 7) **07**

1. Fair value method of valuation of shares is the simple average of intrinsic value and yield value.
2. Preference shares have preference over voting rights in the company.
3. The Companies Act does not prescribe form of Profit & Loss Account,
4. Accounting treatment for issue of shares and issue of debentures are different.
5. Authorised capital is disclosed only for information.
6. Investments in securities are recorded at face value in balance sheet.
7. Valuation of shares is most useful in making corporate restructuring decisions like internal reconstruction, mergers and acquisition, etc.
8. Trade receivables excludes bills receivable.
9. Normal rate return is the minimum rate of return the company expects to earn on capital employed.
10. Any dividend unpaid for 7 years should be transferred to capital reserve.

Q.2 Attempt any one of the following: **15**

A) Define shares. Explain the types of shares. Why share valuation is important for companies?

B) The following is the Balance Sheet of XYZ Ltd. for the year ended 31st March, 2018.

Liabilities	Amount	Assets	Amount
1,00,000 Equity Shares	10,00,000	Land & Building	15,00,000
10% Preference shares	5,00,000	Plant & Machinery	5,00,000

Reserves & Surplus	10,00,000	Office Equipment	5,00,000
8% Debentures	8,00,000	Goodwill	4,00,000
Public Deposits	5,00,000	Sundry Debtors	5,00,000
Trade creditors	4,00,000	Bills Receivable	7,00,000
Bills payable	2,00,000	Prepaid Expenses	50,000
Outstanding expenses	1,00,000	Cash & Bank balance	4,00,000
Proposed Dividend	50,000		
	45,50,000		**45,50,000**

Other Information:

1. Land is valued at Rs. 20,00,000.
2. Plant & Machinery is to be depreciated by 10%.
3. 5% of the sundry debtors are expected to be bad and doubtful.
4. It is anticipated that trade creditors will give a discount of 8%
5. A contingent liability of workmen compensation of Rs. 20,000 which is not recorded in balance sheet is expected to materialize.
6. The company earned following profits after tax for the past years: 2014-15 – Rs. 5,00,000; 2015-16 – Rs. 5,60,000; 2016-17 – Rs. 5,90,000; Rs. 6,20,000.
7. The normal rate of return is 10%
   You are required to calculate value of equity shares using Fair Value Method.

Q.3 Attempt any one of the following: 15

A) From the following information of Yashraj Ltd., prepare a statement of Profit and Loss for the year ended 31/03/2018

Details	Amount
Sales	50,00,000
Discount received	10,000
Discount allowed	5,000
Opening stock of Raw Material	1,00,000
Opening stock of Finished Goods	1,50,000
Purchase of Raw Material	5,00,000
Carriage Inward	25,000
Closing stock of Raw Material	1,50,000
Closing stock of Finished Goods	80,000
Salaries	2,00,000
Bonus to staff	60,000
Staff welfare expense	10,000
Interest on bank loan	15,000
Depreciation on Fixed Assets	2,10,000
Other Administrative Expenses	3,60,000
Income Tax	6,05,000

B) Prepare relevant notes to accounts from the following information:

1)

Details	**Cost (in lakhs)**	**Provision for Depreciation/Amortisation (in lakhs)**
Land and building	1,600	80
Plant & Machinery	800	160

Motor Vehicles	200	40
Furniture & Fixtures	240	24
Brands	800	80
Computer Software	360	200

Depreciation is to be charged on all tangible assets at 15% on WDV basis, whereas amortization on intangible assets is to be provided at 20% on SLM basis.

2. Ajantha Ltd. was formed with a capital of Rs. 10,00,000 divided into 10,000 equity shares of Rs. 100 each. Out of these 2,000 shares were issued to vendors as a purchase consideration for purchase of machinery. 6000 were offered to the public for subscription. The issue is fully subscribed. However, Rs. 20 call per share was unpaid on 300 shares.

3. a. General Reserve (opening balance) – Rs. 50,00,000
b. Debenture Redemption Reserve – Rs. 10,00,000
c. Profit & Loss Account (opening balance) – Rs. 30,00,000
d. Net profit for the year (before appropriation) – Rs. 40,00,000
e. Transfer to General Reserve – Rs. 5,00,000
f. Transfer to Debenture Redemption Reserve – Rs. 5,00,000
g. Interim Dividend paid – Rs. 1,00,000

Q.4 Attempt any one of the following: 15

A) Mr. Investor furnishes the following details relating to his holdings in 6% Government Bonds (Face Value – Rs. 100):
Opening balance Face Value Rs. 60,000 and cost Rs. 59,000.
01.03.2017 – 100 units purchased ex-interest at Rs. 98.
01.07.2017 – Sold 200 ex-interest out of the original holding at Rs. 100
01.07.2017 – Purchased 50 units at Rs. 98 cum-interest
01.11.2017 – Sold 200 units ex-interest at Rs. 99
Interest dates are 30th September and 31st March. Mr. Investor closes his books on every 31st December.
Show investment account as it would appear in his books.

B) On 1st April, 2010, Rajat has 50,000 equity shares of P Ltd., at a book value of Rs. 15 per share (face value Rs. 10 each). He provides you the further information:
(1) On 20th June, 2010 he purchased another 10,000 shares of P Ltd. at Rs. 16 per share.
(2) On 1st August, 2010, P Ltd. issue one equity bonus share for every six shares held by the shareholders.
(3) On 31st October, 2010 the directors of P Ltd. announced a right issue which entitle the holders to subscribe three shares for every seven shares at Rs. 15 per share. Shareholders can transfer their rights in full or in part. Rajat sold 1/3rd of entitlement to Umang for a consideration of Rs. 2 per share and subscribe the rest on 5th November, 2010.
You are required to prepare Investment A/c in the books of Rajat for the year ending 31st March, 2011.

Q.5 Attempt any one of the following: **15**

A) What do you mean by a company? State the requirement of accounting for companies.

B) Short Notes (any three)
1. Ex – Interest Price
2. Financial Statements
3. Shares as a means of investment
4. Goodwill
5. Cum – Interest Price.

****