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T.Y.B.com Semester VI (CBCS) Ordinance
EXAMINATION NOVEMBER 2023
Accounting - Accounting II

[Max. Marks: 80]

[Time: 2:00 Hours]

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 1st 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 31st December 2019, investments were sold for Rs. 4,05,000/- and the debentures were redeemed. Assume that accounts are closed on 31st 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 31st 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 salaries 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 – Rs. 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 31st. (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 1st 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 30th April 2018, he purchased 1,000 of such equity shares @Rs. 12 per share.
- On 20th September 2018, dividend was received @ Rs. 2 per share for the year ended 31st March 2018. Dividends for shares acquired by him on 30th 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 31st March 2019.
- Q4 Tata Ltd. issued 3,000, 11% Debentures of Rs. 100/- each at par on 1st January 2016. (20)
- The terms of the issue included that the company provide a sinking fund for redemption of debentures on 31st 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 31st 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.

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.