

Vidya Vikas Mandal's

Shree Damodar College of Commerce & Economics Margao-Goa

T.Y.BBA(FS) SEM V SEMESTER END EXAMINATION, April 2017

ACCOUNTING FOR FINANCIAL SERVICES

Duration: 2 Hours

Max. Marks: 60

Instructions:

- Figures to the right indicate maximum marks.
- Start each question on a fresh page
- All questions are compulsory
- Answer any FIVE questions from the following

Q.1a) Explain the procedure to be followed for mergers of two companies. (06)

Q.1b) Discuss the different type of leasing. (06)

Q.2) You are required to prepare analysis table and prepare ledgers in the books of Satish Ltd: (12)

Satish Ltd purchased machinery on Hire Purchase System from Shery Ltd on 01/01/2013. The cash price of the machinery was Rs.1,19,200 of which Rs.32,000 was paid on signing the agreement and the balance in 3 annual installments of Rs. 32,000. Interest @ 5% p.a. at the end of every year.

Q.3) Pass Journal Entries in the books of Lessor: (12)

Rita Ltd (the lessee) acquired machinery on lease from Suresh Ltd (the lessor) on 1st Jan 2009. The lease terms cover the entire economic life of the machinery that is Three years. The face value of the machinery on 1st Jan 2009 is Rs.3,50,000. The lease agreement requires the Lessee to pay an amount of Rs.1,50,000 per year on 31st December.

The lessee has guaranteed a residual value of Rs.11,400 on 31st December 2011 to the lessor. The financial charges are 15% pa.

Compute the value of machinery to be recognized by the lessee and also the financial charges every year.

Q.4) Two independent firms carrying on similar business under the name and style of M/s Nisha Co. and M/s Riya Co. decided to amalgamate on 1st Jan 2014, when their respective Balance Sheets were as follows: (12)

Liabilities	M/s Nisha Co.	M/s Riya Co.	Asset	M/s Nisha Co.	M/s Riya Co.
Nisha's Capital	1,26,000		Furniture	8,400	10,500
Riya's Capital		84,000	Building	84,000	-
Creditors	42,000	52,500	Investment	-	31,500
Mortgage Loan	10,500	-	Stock	42,840	38,430
			Debtors	31,500	42,000
			Cash	11,760	14,070
	1,78,500	1,36,500		1,78,500	1,36,500

Terms of Amalgamation were as follows:

In the case of M/s Nisha Co.:

- M/s Nisha Co. should pay off its mortgage loan.
- Goodwill was valued at Rs.16,800.
- Building were taken to be worth Rs.1,05,000.
- Stock to be depreciated by Rs.8,400.
- Provision for Doubtful debt to be created at 5% on debtors.

In the case of M/s Riya Co.:

- Goodwill was valued at Rs.21,000.
- Investment not to be taken over by the firm.
- Stock was valued at Rs. 35,130.
- Provision for Doubtful debt to be created at 5% on debtors.

It was further decided that:

- Total capital of the new firm shall be Rs.1,65,000 and the capital of each partner shall be in profit sharing proportion that 1:1 Difference to be transferred to Current A/c.
- Goodwill shall be written off in the New Firm.

Q.5) Prepare Investment Account for the year ended 31st December 2015: (12)

Ram Investment Ltd, holds 6% Government Bonds. Interest payable on 31st march and 30th September.

Date	Transactions
1 st January 2015	Opening balance face value of Rs.60,000 and cost of the same was R.59,000
1 st March 2015	100 units purchased ex-interest at Rs.98
1 st July 2015	Sold 200 units ex-interest of the original holding at Rs.100
1 st October 2015	Purchased 50 units at Rs.98 cum-interest
1 st November 2015	Sold 200 units ex-interest at Rs.99 out of the original holdings

Q.6) The under mentioned balance from part of the Trial Balance of the All People's Assurance Co. Ltd as on 31st March 2012: (12)

PARTICULARS	Rs.'000
Life Assurance Fund at the beginning of the year	14,70,562
Claims by death	76,980
Claims by maturity	56,420
Premium	2,10,572
Expenses of Management	19,890
Commission	26,541
Consideration for annuity granted	10,712
Interest, dividends and rents	52,461
Income tax paid on profits	3,060
Surrenders	21,860
Annuities	29,420
Bonus paid in cash	9,450
Bonus paid in reduction of premiums	2,500
Preliminary expenses balance	600
Claims admitted but not paid at the end of the year	10,034
Annuities due but not paid	2,380
Capital paid up	14,00,000
Government Securities	24,90,890
Sundry Fixed Assets	4,19,110
Current liabilities	20,414

Prepare Revenue Account and the Balance Sheet after taking into account the following:

- Claims covered under reinsurance, Rs.10,000 thousand (by death)
- Further claims intimated Rs. 8,000 thousand. (by death)
- Further bonus utilised in reduction of premium, Rs. 1,500 thousand.
- Interest accrued, Rs. 15,400 thousand.
- Premium outstanding, Rs. 7,400 thousand

Q.7) From the following information, prepare Profit and Loss Account with necessary schedules of Era Bank Ltd. as on 31st March 2011: (12)

PARTICULARS	Rs.	PARTICULARS	Rs.
Interest and discount received	37,05,738	Commission, exchange and brokerage	1,90,000
Interest paid on deposits	20,37,452	Rent received	65,000
Issued and subscribed capital	10,00,000	Profit on sale of investments	2,00,000
Salaries and allowances	2,00,000	Depreciation on Bank's properties	30,000
Directors fees and allowances	30,000	Stationery expenses	40,000
Rent and taxes paid	90,000	Preliminary expenses	25,000
Postage and telegrams	60,286	Auditors fees	5,000
Statutory reserve fund	8,00,000		

Other information:

- Transfer 25% of profits to statutory reserve.
- Provide Rs.6,50,000 for Doubtful Debts.
- Rebate on bills discounted on 31st March 10 was Rs.12,000 and on 31st March 11 was Rs.16,000.
- Provide Rs.6,50,000 for Income Tax.
- Proposed dividend rs.1,00,000 and corporate dividend tax Rs.17,000.
