

Vidya Vikas Mandal's

Shree Damodar College of Commerce & Economics, Margao- Goa

T.Y BBA(FS) – Semester V, Semester End Assessment , Repeat April 2018

ACCOUNTING FOR FINANCIAL SERVICES

Duration: 2 Hours

Max.Marks: 60

Instructions:

- *Figures to the right indicate maximum marks*
- *Question One is compulsory*
- *Answer ANY 3 from Question 2 to Question 5*
- *Start each new question on a fresh page*

Q.1. Answer Any Four from the following: (4 x6=24 marks)

- Explain the procedure to be followed for mergers of two companies.
- Discuss the different type of leasing.
- Distinguish between Hire Purchase and Installment credit system.
- Briefly explain the preparation of financial statements with schedules as per the Banking Companies Act.
- Explain the accounting procedure followed for an insurance company.

Q.2) Prepare Analysis table and Legers in the books of Bilcare Ltd (12)

On 1st January 2017, Bilcare Ltd. Took delivery from Best Van Ltd. of Motor Vans on hire purchase system. Rs.2,000 being paid on delivery and the balance in five installments of Rs.3,000 each payable annually on 31st December. The vendor company charges 5% interest p.a. on yearly balances. The cash value of Motor Van was Rs.15,000.

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

Lessor's cost of leased computer is Rs.59,000. The fair value of the leased computer at the inception of the lease (1/1/2008) is Rs.60,000 and the Financial Charges charged are 14%.

The lease term is four years. The rental is Rs. 35,000, Rs.16,000, Rs.8,000 and Rs.4,500 resp.

In these four years, payment is made in advance every year. The estimated residual value of the computer at the end of the leased term is 5% of the cost of the asset to the lessor. The relevant Written Down Value depreciation rate is 40%.

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

| Liabilities | M/s Ariya & Briyan Co. | M/s Cintu & Danu Co. | Asset | M/s Ariya & Briyan Co | M/s Cintu & Danu Co. |
|------------------|------------------------|----------------------|------------|-----------------------|----------------------|
| Ariya's Capital | 84,000 | | Furniture | 8,400 | 10,500 |
| Briyan's Capital | 42,000 | | Building | 84,000 | - |
| Cintu's Capital | | 50,400 | Investment | - | 31,500 |
| Danu's Capital | | 33,600 | Stock | 42,840 | 38,430 |
| Creditors | 42,000 | 52,500 | Debtors | 31,500 | 42,000 |
| Mortgage Loan | 10,500 | - | 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 Ariya & Briyan Co.:

- Ariya & Briyan 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 Cintu & Danu 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 is 3:2 and 3:2. Difference to be transferred to Current A/c.
- Goodwill shall be written off in the New Firm.

Close the books of two firms by Revaluation Method and Prepare Balance Sheet of the new firm.

Q.5) On 1st January 2017, 200, 6% Debentures of Rs.100 each of Y Ltd. were held as investment by X Ltd. at a cost of Rs.18,200. (12)
Interest is payable on 31st December every year.

| Date | Transactions |
|--------------------------------|--|
| 1 st April 2017 | Rs.4,000 of such debentures were purchased by X Ltd @ Rs.98 each cum-interest. |
| 1 st September 2017 | Rs.6,000 debentures were sold at Rs.96 ex-interest |
| 1 st December 2017 | Rs.8,000 debentures were sold at Rs.99 cum-interest |
| 31 st December 2017 | Rs.10,000 debentures were sold at Rs.95 cum-interest |

**Prepare the Investment Account for 6% debentures of Y Ltd. in the books of X Ltd.
Ignore Income Tax.**
