

Vidya Vikas Mandal's

Shree Damodar College of Commerce & Economics Margao-Goa

T.Y.BBA (FS) SEM V SEMESTER END EXAMINATION, OCTOBER 2016

ACCOUNTING FOR FINANCIAL SERVICES

Duration: 2 Hours

Max. Marks: 60

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**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)** Distinguish between hire purchase and installment system. (06)

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

Anish Ltd purchased machinery on Hire Purchase System from Rachel Ltd on 01/01/2013. The cash price of the machinery was Rs.1,40,000 of which Rs.20,000 was paid on signing the agreement and the balance in 3 annual installments of Rs. 40,000 plus interest @ 12% p.a. end of the every year.

**Q.3) Pass Journal Entries in the books of Lessor:** (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 Riyan Ltd and Anjum Ltd. decided to amalgamate on 1st Jan 2015, when their respective Balance Sheets were as follows: (12)

| Liability       | Riyan Ltd       | Anjum Ltd     | Asset      | Riyan Ltd       | Anjum Ltd     |
|-----------------|-----------------|---------------|------------|-----------------|---------------|
| Riyan's Capital | 84,000          |               | Furniture  | 5,600           | 7,000         |
| Anjum's Capital |                 | 56,000        | Building   | 56,000          | -             |
| Creditors       | 28,000          | 35,000        | Investment | -               | 21,000        |
| Mortgage Loan   | 7,000           | -             | Stock      | 28,560          | 25,620        |
|                 |                 |               | Debtors    | 21,000          | 28,000        |
|                 |                 |               | Cash       | 7,840           | 9,380         |
|                 | <b>1,19,000</b> | <b>91,000</b> |            | <b>1,19,000</b> | <b>91,000</b> |

**Terms of Amalgamation were as follows:**

In the case of Riyan Ltd:

- Riyan Ltd should pay off its mortgage loan.
- Goodwill was valued at Rs.11,200.
- Building were taken to be worth Rs.70,000.
- Stock to be depreciated by Rs.5,600.
- Provision for Doubtful debt to be created at 5% on debtors.

In the case of Anjum Ltd.:

- Goodwill was valued at Rs.14,000.
- Investment not to be taken over by the firm.
- Stock was valued at Rs. 23,420.
- 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.1,12,000 and the capital of each partner shall be in profit sharing proportion that is 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 31<sup>st</sup> March 2015: (12)**

Jaipur Investment Ltd, holds 1,000 15% debentures of Rs.100 each in Udaipur Industries Ltd as on 1<sup>st</sup> April 2014 at a cost of Rs.1,05,000. Interest is payable on June 30 and December 31 each year. On 1<sup>st</sup> May 2014, 500 debentures are purchased cum-interest at Rs.53,500. On 1<sup>st</sup> November 2014, 600 debentures are sold ex-interest at Rs.57,300. On 30<sup>th</sup> November 2014, 400 debentures are purchased ex-interest at Rs.38,400. On 31<sup>st</sup> December 2014, 400 debentures are sold cum-interest for Rs.55,000.

**Q.6) The under mentioned balance from part of the Trial Balance of the All People's Assurance Co. ltd as on 31<sup>st</sup> 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 a Balance Sheet with necessary schedules of Citizen Bank Ltd. as on 31<sup>st</sup> March 2012 and ascertain Cash Reserves and Statutory Liquid Reserves required: (12)

| PARTICULARS                                   | Rs. (in Lakhs) |             |
|---|----------------|-------------|
|   | Dr.            | Cr.         |
| Share Capital: 20,00,000 shares of Rs.10 each |                | 200         |
| Statutory Reserves                            |                | 230         |
| Net Profit (before appropriation)             |                | 150         |
| Profit and Loss Account (1/04/2011)           |                | 410         |
| Fixed Deposit Accounts                        |                | 520         |
| Saving Deposit Accounts                       |                | 450         |
| Current Accounts                              | 30             | 520         |
| Bills Payable                                 |                | 1           |
| Cash Credits                                  | 813            |             |
| Borrowings from other banks                   |                | 110         |
| Cash in hand                                  | 160            |             |
| Cash with RBI                                 | 40             |             |
| Cash with other banks                         | 156            |             |
| Money at call and short notice                | 210            |             |
| Gold  | 55             |             |
| Government Securities                         | 110            |             |
| Premises                                      | 156            |             |
| Furniture                                     | 70             |             |
| Term Loan                                     | 791            |             |
|   | <b>2591</b>    | <b>2591</b> |

Additional Information:

| PARTICULARS                                       | Rs. (in Lakhs) |
|---|----------------|
| Bills for Collection                              | 20.00          |
| Acceptance and Endorsements                       | 15.00          |
| Claims against the bank not acknowledged as debts | 0.60           |
| Depreciation on Premises                          | 1.00           |
| Depreciation on Furniture                         | 0.80           |

50% of the term loans are secured by Government guarantees. 10% of cash credits and over-drafts are unsecured.

Cash reserves required 3% of total demand and time deposits and statutory reserve is 25% of the net profit.

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