

**505: 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*
- *Q.1 is compulsory*
- *Answer any 3 from Q2 to Q5*

**Q.1. Answer any Four of the following**

**(4\*6=24)**

- a) Explain mergers with help of an example.
- b) Distinguish between hire purchase and installment system.
- c) Discuss the different type of leasing.
- d) Explain the procedure followed to prepare financial statement in banking companies.
- e) Explain the accounting treatment for Investment.

**Q.2) You are required to prepare analysis table and prepare ledgers in the books of NTPC Ltd**

**(12)**

On 1<sup>st</sup> January 2018, NTPC Ltd purchased a printing machine on the Hire Purchase System from Modern Machinery Co.

The payment was to be made at Rs.30000 down and the balance in three equal annual installments of Rs.20000 each payable on 31<sup>st</sup> December. The vendor company charged interest @ 8% p.a. Global Press Co. provided depreciation @10% p.a. on the diminishing balance and paid all the installments. It closed its books on 31<sup>st</sup> December every year. The cash down value of machine was Rs.81543.

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

Lessor's cost of leased computer is Rs.59000. The fair value of the leased computer at the inception of the lease (1/1/2018) is Rs.60000 and the Financial Charges charged are 14%.

The lease term is four years. The rental is Rs. 35000, Rs.16000, Rs.8000 and Rs.4500 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 Maruthi and Suzuki decided to amalgamate on 1<sup>st</sup> Jan 2018, when their respective Balance Sheets were as follows:**

**(12)**

Liabilities	Maruthi	Suzuki	Asset	Maruthi	Suzuki
Nisha's Capital	126000		Furniture	8400	10500
Riya's Capital		84000	Building	84000	-
Creditors	42000	52500	Investment	-	31500
Mortgage Loan	10500	-	Stock	42840	38430
			Debtors	31500	42000
			Cash	11760	14070
	<b>178500</b>	<b>136500</b>		<b>178500</b>	<b>136500</b>

**Terms of Amalgamation were as follows:**

**In the case of Maruthi:**

- Maruthi Co. should pay off its mortgage loan.
- Goodwill was valued at Rs.16800.
- Building were taken to be worth Rs.105000.
- Stock to be depreciated by Rs.8400.
- Provision for Doubtful debt to be created at 5% on debtors.

**In the case of Suzuki:**

- Goodwill was valued at Rs.21000.
- Investment not to be taken over by the firm.
- Stock was valued at Rs. 35130.
- Provision for Doubtful debt to be created at 5% on debtors.



It was further decided that:

- a) Total capital of the new firm shall be Rs.165000 and the capital of each partner shall be in profit sharing proportion that 1:1 Difference to be transferred to Current A/c.
- b) Goodwill shall be written off in the New Firm.

**Q.5)** Hill Textile Ltd. provides details of 6% Government Securities one of their investments for the year 2018. You are required to prepare investment account. (12)

- Opening balance at cost on 01/01/2018 Rs. 90000 and Face Value Rs.1 00000.
- Purchased worth Rs 40000 on 01/03/2018(Cum-interest) at 5% discount.
- Sold worth Rs 50000 on 01/07/2018 (Cum-interest) at 2% premium.
- Sold worth Rs 30000 on 01/10/2018 (Ex-interest) at par.
- Purchased worth Rs 20000 on 01/12/2018(Ex-interest) at 2% discount.
- Market price of the investment on 31<sup>st</sup> December 2018 was at 3% premium.
- Investment carries interest at 6% p.a. payable on every 31<sup>st</sup> March and 30<sup>th</sup> September.

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