

Vidya Vikas Mandal's
 Shree Damodar College of Commerce & Economics, Margao- Goa
 Third Year BBA (FS) – Semester V
 End Semester Examination, April 2016

ACCOUNTING FOR FINANCIAL SERVICES

Duration: 2 Hours

Max.Marks: 60

Instructions:

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

Q.1a) Explain the different type of merger. (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 Gaurav Ltd: (12)

Gaurav Ltd purchased a machinery on Hire Purchase System from Paresh Ltd on 01/01/2012 for Rs.1,30,000. He paid Rs.10,000 on signing the contract and thereafter four half yearly instalments of Rs.30,000 each on 30th June and on 31st December each year. The cash value of the machinery was Rs.1,05,000. Mr. Paresh charged interest at 20% p.a.

Q.3) Pass Journal Entries in the books of Lessee: (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 Riya & Stacy Co. and M/s Satish Brendon & Co. decided to amalgamate on 1st Jan 2014, when their respective Balance Sheets were as follows: (12)

Liability	M/s Riya & Stacy Co.	M/s Satish & Brendon Co.	Asset	M/s Riya & Stacy Co.	M/s Satish & Brendon Co.
Riya's Capital	56,000		Furniture	5,600	7,000
Stacy's Capital	28,000		Building	56,000	-
Satish's Capital		33,600	Investment	-	21,000
Brendon's Capital		22,400	Stock	28,560	25,620
Creditors	28,000	35,000	Debtors	21,000	28,000
Mortgage Loan	7,000	-	Cash	7,840	9,380
	1,19,000	91,000		1,19,000	91,000

Terms of Amalgamation were as follows:

In the case of M/s Riya & Stacy Co.:

- a) Riya & Stacy should pay off its mortgage loan.
- b) Goodwill was valued at Rs.11,200.
- c) Building were taken to be worth Rs.70,000.
- d) Stock to be depreciated by Rs.5,600.
- e) Provision for Doubtful debt to be created at 5% on debtors.

In the case of M/s Satish & Brendon Co.:

- a) Goodwill was valued at Rs.14,000.
- b) Investment not to be taken over by the firm.
- c) Stock was valued at Rs. 23,420.
- d) 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.1,12,000 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.
- b) 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) Prepare Investment account for the year ended 31st December 2008:

(12)

Miya company bought and sold 6% Government Securities in the year 2008:

- 1st March bought Rs. 24,000 @ Rs. 90.875 Ex-interest.
- 15th June sold Rs. 10,000 @ Rs. 92.625 Cum-interest.
- 1st August bought Rs. 6,000 @ Rs. 91.375 Ex-interest.
- 1st September sold Rs. 4,000 @ Rs. 93.125 Ex-interest.
- 1st December bought Rs. 12,000 @ Rs. 94.125 Cum-interest.

Interest being payable on 31st March and 30th September every year. Assuming brokerage at 0.125% of nominal value.

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 relating to Chandu Banking Co. Ltd, prepare the Profit and Loss account for the period and the Balance Sheet as at 31st March 2007 in the form prescribed by the Banking Regulation Act 1949: (12)

Particulars	Rs.
Share Capital: shares of Rs.100 each fully paid	2,00,000
Statutory Reserve fund	1,20,000
Bad debt	12,875
Establishment expenses	1,27,725
Current deposits	13,65,227
Interest paid	7,48,440
Saving a/c	17,20,000
Acceptance from customers	47,500
Discount	4,95,000
Profit and Loss A/c (2005-06) credit	8,20,000
Fixed Deposit	8,75,000
Commission and Exchange	2,92,900
Premises	4,80,000
Cash in Hand	22,650
Interest received	12,86,400
Investment in shares (market value Rs.2,00,000)	92,500
Cash with banks in India	2,84,500
Term Loans in India	10,00,000
Cash-credit hypothecation in India	12,56,000
Cash credit pledge in India	9,44,000
Bills purchased	16,00,000
Loans to employees for purchase of bicycle	40,770
Salaries, allowance, bonus, provident fund	4,45,467
Dividend paid for 2005-2006	20,000
Dividend received on Investment	8,000

Additional Information:

- a) The Chief Executive of the bank draws a remuneration of Rs.40,000 p.a. Director's fees and allowance are Rs.8,000. All these are included in salaries, allowance etc.
- b) Unexpired discount as at 31st March 2007 was Rs.8,000.
- c) Establishment expenses include:

Expenses	Rs.
Advertisement	10,000
Stationery	63,000
Rent	18,000
Lighting	3,000
Audit Fees	8,000
Postage and Telegram	4,600
Revenue Stamps	400
Stamp Papers	1,500

- d) An advance of Rs.8,000 included in cash credit. Hypothecation above is considered doubtful and needs to be fully provided for.
- e) Provide for taxations at 55% plus surcharges at 5% there on.
- f) Make necessary appropriation for statutory reserves.
