

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)**

- Explain the procedure followed to prepare financial statement in Insurance companies.
- Distinguish between hire purchase and installment system.
- Discuss the different type of leasing.
- Explain the procedure followed to prepare financial statement in banking companies.
- Explain the various forms of financing a merger of two companies.

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

**(12)**

NTPC Ltd purchased machinery on Hire Purchase System from Hindustan Petroleum Corporation Ltd on 01/01/2015. The cash price of the machinery was Rs.2,80,000 of which Rs.40,000 was paid on signing the agreement and the balance in 3 annual installments of Rs. 80,000 plus interest @ 12% p.a. end of the every year.

**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 Nisha Co. and M/s Riya Co. decided to amalgamate on 1<sup>st</sup> Jan 2014, when their respective Balance Sheets were as follows: (12)

Liabilities	Maruthi	Suzuki	Asset	Maruthi	Suzuki
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
	<b>1,78,500</b>	<b>1,36,500</b>		<b>1,78,500</b>	<b>1,36,500</b>

Terms of Amalgamation were as follows:

**In the case of Maruti:**

- Maruthi 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 Suzuki:**

- 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) Hill Textile Ltd. provides details of 6% Government Securities one of their investments for the year 2017. You are required to prepare investment account. (12)

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

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

\*\*\*\*\*