

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 procedure to be followed for mergers of two companies. (06)

Q.1b) Discuss the different type of leasing. (06)

Q.2) Prepare Analysis table and Ledgers in the books of M/s. Twinkal & Co. (12)

On 1st January 2014, M/s. Twinkal & Co. 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

P.T.O

Terms of Amalgamation were as follows:

In the case of M/s Ariya & Briyan Co.:

- a) Ariya & Briyan should pay off its mortgage loan.
- b) Goodwill was valued at Rs.16,800.
- c) Building were taken to be worth Rs.1,05,000.
- d) Stock to be depreciated by Rs.8,400.
- e) Provision for Doubtful debt to be created at 5% on debtors.

In the case of M/s Cintu & Danu Co.:

- a) Goodwill was valued at Rs.21,000.
- b) Investment not to be taken over by the firm.
- c) Stock was valued at Rs. 35,130.
- 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.1,65,000 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.
- 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) On 1st January 2013, 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 2013	Rs.4,000 of such debentures were purchased by X Ltd @ Rs.98 each cum-interest.
1 st September 2013	Rs.6,000 debentures were sold at Rs.96 ex-interest
1 st December 2013	Rs.8,000 debentures were sold at Rs.99 cum-interest
31 st December 2013	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.

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 balances as on 31st March 20113, prepare final accounts of Latha Bank Limited:

(12)

Particulars	Dr.(Rs. In '000)	Cr.(Rs. In '000)
Interest on Advances		800
Interest from investment		125
Commission, Exchange & Brokerage		200
Profit on sale of investments		20
Other revenue receipts		80
Share capital		2000
Statutory reserves		900
Profit & Loss a/c		650
Fixed deposits		275
Saving deposits		325
Current accounts		125
Borrowings from other banks		300
Borrowings from RBI		100
Bills Payable (Net)		25
Interest accrued		75
Cash balance	200	
Balance with other banks	400	
Cash with RBI	100	
Investment in Government Securities	300	
Other Approved Securities	100	

Bills purchased and discounted	250	
Cash credit, overdrafts and demand loans	1425	
Term Loans	1275	
Premises (Net)	1375	
Furniture	250	
Interest paid	120	
Salaries	75	
Printing & Stationery	35	
Postage and telegram	20	
Repairs	25	
Interest accrued	50	
	6,000	6,000

Bills for collection Rs.235

Additional information:

Advances made have been classified as under:

(Rs. In'000)

	Cash Credit Overdraft Rs.	Term Loans Rs.	Bills Purchased Rs.
Standard Assets	1000	975	225
Sun-Standard Assets	125	100	25
Doubtful-Upto one year	100	20	-
One to Three years	120	50	-
More than Three years	50	80	-
Loss Assets	30	50	-
	1425	1275	250

No provision has been made so far against thee assets.

Doubtful assets are secured to the extent of 50% of the dues.
