

Prabodhan Education Society's
Vidya Prabodhini College of Commerce, Edu., Comp. and Mgmt., Parvati Goa
TYBCOM SEMESTER END ASSESSMENT, JUNE 2022

SUBJECT: Accounting II

PAPER: Accounting II (DSE 07)

Semester: VI

Duration: 2 Hours

Max Marks: 80

Instructions:

1. Question No. 1 is **compulsory**
2. Answer **any 3** questions from the remaining questions
3. Show important working notes as fair work
4. Figures to the **right** indicate marks allotted

Q.1. Mr. Lex Luthor has done the following transactions in 11% stock of Luthor Corporation between 1st April, 2021 and 31st March, 2022 and all these transactions are cum-interest except those marked ex-interest. Interest is payable half yearly on 30th September and 31st March. The accounting period ends on 31st March every year.

1 st April, 2021	Purchased ₹ 10,000 stock @ ₹ 101.50
1 st May, 2021	Purchased ₹ 25,000 stock @ ₹ 101
1 st June, 2021	Sold ₹ 15,000 stock @ ₹ 103.25
1 st June, 2021	Purchased ₹ 5,000 stock @ ₹ 103
15 th August, 2021	Sold ₹ 10,000 stock @ ₹ 105 ex-interest
1 st October, 2021	Sold ₹ 4,000 stock @ ₹ 102.50
30 th November, 2021	Purchased ₹ 5,000 stock @ ₹ 101.25 ex-interest
01 st January, 2022	Purchased ₹ 5,000 stock @ ₹ 102
31 st January, 2022	Sold ₹ 15,000 stock @ ₹ 103

Write up Investment Account in the books of the corporation, showing the profits and losses of the transactions using the weighted average cost method and also showing the amount of interest for each accounting period duly realised. **(20 MARKS)**

Q.2. Gotham Industries issued on 1st January, 2018, 30,000 6% debentures of ₹ 100 each at par repayable at the end of 4 years at a premium of 10%. It was decided to create a debenture redemption fund for the redemption of debentures. Investments are expected to earn interest at 5% per annum. Reference to the sinking fund table shows that ₹0.232012 invested annually at 5% compound interest amounts to ₹1 at the end of 4 years. Investments were made in multiples of ₹ 100 only. On 31/12/2021 investments were sold for ₹ 28,05,000 and the debentures were redeemed. Give journal entries for the four years. **(20 MARKS)**

Q.3. Marvel Ltd. issued 4500 11% debentures of ₹100 each at par on 1st January, 2017. The terms of the issue of debentures provided that company provide a sinking fund for redemption of debentures on 31st December, 2021. The company decided to take out an insurance policy to provide necessary cash to facilitate redemption of debentures. The annual insurance premium payable to the insurance company works out to ₹ 79,000. Prepare 11% Debentures Account, sinking fund Account and Insurance policy Account for 5 years ending 31st December, 2021. (20 MARKS)

Q.4. On 1-4-2021 Mr. Green Goblin had 25,000 equity shares of Oscorp Ltd. at a book value of ₹ 15 per share (face value ₹ 10). On 20/6/2021 he purchased further 10,000 equity shares of Oscorp Ltd. at ₹ 20 per share. On 31/7/2021 he purchased 25000 equity shares @ ₹ 18 per share. Director of Oscorp Ltd. announced a bonus and rights issue. No dividend was payable on bonus and rights issues. The terms of issue were as follows:

Bonus – basis 1: 6 (16/8/2021)

Rights – basis 3:7 (31/8/2021) price ₹ 18 per share.

Mr. Green Goblin sold 1/3rd of his entitlement to Mr. Sandman for a consideration of ₹ 4 per share. Dividend at 25% for the year ending 2020-21 was declared by Oscorp Ltd., and Mr. Green Goblin received the same on 31/10/2021. On 25/11/2021 Mr. Green Goblin sold 20,000 equity shares at a premium of ₹ 10 per share. On 28/2/2022 sold further 5,000 shares @ ₹ 30 per share.

Prepare the Investment Account in the books of Mr. Green Goblin, assuming the books close on 31st March, 2022 and shares are valued at weighted average cost. (20 MARKS)

Q.5. Mr. Brainiac is a Chartered Accountant. He provides the following information for the year ending 31st March, 2021.

Receipts and Payments Account for the year ended 31st March, 2022

Receipts	₹	Payments	₹
Opening cash and bank balance	42,000	Printing and stationery	2,100
Audit fees	4,20,000	Postage and Couriers	900
Fees for other services	1,80,000	Motor car expenses	30,000
Miscellaneous Income	1,500	Establishment charges	76,500
		Computers (purchased on 1/12/21)	22,500
		Library Books (purchased on 1/10/21)	4,500
		Travelling and conveyance	7,500
		Membership fees	1,200
		Subscription of Journals	1,800
		Drawings	2,70,000
		Cash at Bank	2,19,000
		Cash in hand	7,500
	6,43,500		6,43,500

The following are the assets and liabilities as on 31st March, 2021

Liabilities	₹	Assets	₹
Owner's Capital	1,32,000	Motor Car	60,000
Clients' accounts	10,500	Furniture	24,000
		Office Machinery	9,000
		Library Books	7,500
		Cash at Bank	37,500
		Cash in Hand	4,500
	1,42,500		1,42,500

Additional Information:

- Audit fees receivable - ₹ 24,000
- Outstanding liability for establishment charges - ₹ 3,000
- Depreciation to be provided on motor car @ 20%, Office machinery @ 15%, furniture @ 10%, library books @ 10% and computers @ 15%.

You are required to prepare the Receipt and Expenditure Account for the year ended 31st March, 2022 and Balance sheet as on that date. (20 MARKS)

Q.6. Dr. Stark a medical practitioner has chamber housed in a part of his own residential building for which a notional monthly rent may be fixed at ₹ 12,000 pm.

From the information given below, prepare for the year ending 31st March, 2022, Receipt and Expenditure a/c of the Profession, Income and Expenditure A/c of the household and Household cash statement.

The summary of the transactions during the year ended 31st March, 2022 were as follows:

- Medical fees earned ₹ 1,02,500
- Received interest on investment (household) ₹ 25,000
- Cost of running and maintaining a motor car ₹ 14,000
- Gas and electricity ₹ 2,400
- Jarvis, a helper: Salary - ₹ 5060, food is given from the household - ₹ 1,460
- Pay of assistants (Profession) - ₹ 25,000
- Provision for depreciation- Household - ₹ 17,500, Profession - ₹ 2,500
- Household expenses - ₹ 28,540 (actual - ₹ 30,000 less food for Jarvis - ₹ 1460)
- Drawings from profession ₹ 3,000

Additional Information:

Expenses against items (c), (d) and (e) are to be allocated equally between household and profession.

(20 MARKS)