



SIDDHARTH EDUCATION SERVICES LTD.™

For CS, CA, ICWA [Foundation, Inter, Final]
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Test 2 (Accounts)

- Q1. Y limited issued 1000 15% debentures of Rs. 100 each on 1st Jan 01 at discount of 10% redeemable at premium of 10% after 4 years. Required to give journal entries for the period ended 31st Dec 2001 assuming interest was payable half yearly on 30th June and 31st Dec (assume TDS 10%) and company follows calendar year as accounting year. (10 marks)
- Q2. On 1st Jan 01 X limited had outstanding 500 6% debentures of Rs. 100 each. According to directors debentures to be purchased from open market for immediate cancellation as follows:
- March 1 Rs. 5000 @ Rs.98 (cum interest). August 1 Rs. 10000 @ Rs.100.25 (cum interest). Dec 15 Rs. 2500 @ Rs.98.5 (ex interest). Debentures interest is payable is payable half yearly on 30th June and 31st Dec. Required to debentures, debentures interest account. Ignore income tax. (15 marks)
- Q3. C limited was formed to take over the running business with effect from 1st April 01. The company was incorporated on 1st Aug 01 and certificate of commencement of business was received on 1st Oct 01. Prepare columnar profit and loss account from the following consolidated profit and loss prepared for the year ended 31st Mar 02.

Particulars	Amount	Particulars	Amount
To salaries	24000	By gross profit	160000
To printing	2400		
To travelling	8400		
To advertising	8000		
To trade expenses	18900		
To rent (office Bldg)	13200		
To electricity	2100		
To director's fees	5600		
To bad debts	1600		
To commission to selling agents	8000		
To audit fees	3000		
To debenture interest	1500		
To interest paid to vendors	2100		
To selling expenses	12600		
To depreciation	4800		
To net profit	43800		
Total	160000	Total	160000

The following additional information is provided to you:

1. Total sales for the year which amounted to Rs.960000 arose evenly upto the date of the certificate of commencement where after they spurted to record an increase of two third during the rest of the year.
2. Rent of office building was paid Rs. 1000 per month upto Sept 01 and thereafter it was increased by Rs. 200 per month.
3. Travelling expenses include Rs. 2400 towards sales promotion.
4. Depreciation includes Rs. 300 for assets acquired post incorporation period.
5. Purchase consideration was discharged by the company on 30th Sept 01 by issuing equity shares of Rs. 10 each. (10 marks)

Q4. D limited undertook contract on 1st July 01 for 1000000. On 30th June 02 when accounts were closed following details of contract were gathered:

Material purchased	200000	Wages	90000	Expenses	20000
Outstanding wages	10000	Work certified	400000	Material at site	50000
Depreciation	10000	Work uncertified	30000	Cash received	360000

“In the event of prices of material and rate of wages increase by more than 10%, the contract price would be increase accordingly by 30% of the rise in cost of materials and wages beyond 10% in each case.” It was found that since the date of signing the agreement prices of materials and wage rates increased by 20%. The value of work certified does not take into account the effect of escalation clause. Prepare contract a/c, contractee a/c and extracts of balance sheet (15 marks)

Q5. Write short notes on: (15 marks)

1. Profits prior to incorporation
2. Estimated total contract
3. Issue of debentures

Q6. Describe various ways to redeem debentures. (10 marks)

Q7. Fill in the blanks (2 marks each)

1. Unsecured debentures are also called as _____ debentures.
2. Debenture redemption reserve is defined under section ____ of companies act 1956.
3. Profit on sale of sinking fund investments is to be credited to _____ account.
4. For ascertaining pre incorporation profits, administration expenses are apportioned in the _____.
5. Contract account is prepared in the books of _____.

Q8. Match the columns

(1.5 marks each)

Column A	Column B
1. Increase in costs	1. Annual drawings
2. Debenture redemption reserve	2. Apportionment of gross profit
3. Capital reserve	3. When price received from debenture holder is more than face value
4. Sales ratio	4. Redemption is out of profits
5. Deferred revenue expenditure	5. Non cumulative sinking fund
6. Issue at premium	6. Pre incorporation profits
7. Retention money	7. Apportionment of clerk's salary
8. Income on sinking fund investment transferred to P/L a/c	8. Post incorporation profits
9. Redeeming debentures in equal lots annually	9. Escalation clause
10. Buy back of debentures	10. Discount on issue of debentures
	11. Money paid after completion of entire work
	12. Cumulative sinking fund
	13. debentures purchased from open market

