INDIAN MARITIME UNIVERSITY
(A Central University, Government of India)

FINANCIAL ACCOUNTING
SEMESTER – I, SCHOOL OF MARITIME MANAGEMENT
DEC/JAN 2013-14
SUBJECT CODE: T 1103
(AY 2009-10 to 2012 – 13 batches only)

Date:17.12.2013 **Time: 3 Hrs**
Maximum Marks: 75

Section - A

(10X1=10 Marks)

Note: Answer ALL the question
All questions carry equal mark

1. Retained earnings will change over time because of several factors. Which of the following factors would explain an increase in retained earnings?
   A. Net loss   B. Net Income   C. Dividends   D.Investments by stockholders
2. What is depreciation?
   A. Cost of a fixed asset
   B. Cost of a fixed asset's repair
   C. the residual value of a fixed asset
   D. Portion of a fixed assets cost consumed during the current accounting period.
3. The process of recording transactions in different journals is called
   A. Posting
   B. Entry making
   C. Adjusting
   D. Journalizing
4. When closing stock is given in trial balance, then it will effect:
   A. Trading account only
   B. Balance sheet only
   C. Owner's equity only
   D. Trading a/c & Balance Sheet
5. Right shares mean the shares which are
   A. Issued to promoters for their service   B. Issued to holders of convertible debentures
   C. Issued to directors of the company   D. Offered to the existing shareholders
6. Preliminary expenses is an example of
   A. Current Asset   B. Fictitious Asset   C. Tangible Asset   D. Prepaid Expenses
7. The Business of an insurance company is to cover the risk of the insured for a consideration called ____
   A. Premium   B. Claim   C. Register of Policies   D. Business fee
8. Rebate on Bills discounted is

A. An item of income | B. A Liability
C. Income received in advance | D. Income outstanding

9. Premium on issue of shares can be used for
   A. Payment of Dividends | B. Writing off preliminary expenses
   C. Paying fees to directors | D. Redemption of debentures

10. Banks show the provision for Income-Tax under the head
   A. Contingency accounts | B. Contingency liability
   C. Other liabilities and provision | D. Borrowings

Section - B

(5X5=25)

Note:- Answer any FIVE from the following
All questions carry equal mark

11. X purchased business from Y on 30th june 1978.Profits earned by Y for the preceding years ending on 31st December each year were – 1975 Rs.41,000 ; 1976 Rs 40,000 and 1977 Rs.42,000.

It was ascertained that profits of 1976 included a non- recurring item of Rs.1, 500 and profit of 1977 was reduced by rs.2,000 due to an extra –ordinary loss on account of theft. The properties were not insured and it was thought prudent to insure the business in future. The premium was estimated at Rs.200 per annum. X, at the time of purchasing business, was employed with Rama Bros Ltd. and was getting Rs.500 p.m. He intends to replace the manager of the business who at present is getting Rs.350 p.m. The goodwill is estimated at 2 years purchase of the average profits .You are required to calculate goodwill of the business.

12. X ltd issued shares of Rs.10 each at 10% premium payable as follows:

	Rs.
On application	2
On allotment	3 (Including Premium)
On first call	2
On final call	4

Mahesh who was holding 50 shares did not pay his allotment and first call and his shares were forfeited. Suresh, who was holding 30 shares, did not pay first call and his shares also were forfeited. Journalize transactions relating to forfeiture of shares.

13. Journalise the following:-
   i. Mr nice man started business with cash of Rs 500,000
   ii. Purchased for cash Rs 230,000
   iii. Electricity bill paid Rs 23,000
   iv. Plant purchased Rs 135,000 for credit
   v. Credit sales 760,000

14. Explain the types of debentures.

15. Write short notes on under writing of shares.

16. Write short notes on Capital adequacy ratio.

17. Explain the methods of valuing the shares.

Section -C

(4X10=40)

Note: ***Question No.18 is compulsory***
Answer any Three questions of the remaining FIVE questions
Answer should not exceed 500 words

18. ABC Port ltd issued 500,000 equity shares @ Rs 10 + Rs 2 as premium payable as follows

    Rs.2 on application
    Rs 6 on allotment (including premium)
    Rs 3 on First Call
    Rs 1 on Final Call

    The company received application for 9, 00,000 shares. Due to excess application the company decided to allot the shares as follows

Application for 450,000 shares -	1, 00,000 shares allotted
Application for 400,000 shares -	Full allotment
Balance rejected	

    All the calls were made, except Mr clean who was holding 2000 shares allotted on prorate did not pay the 1st & final call. Hence his shares were forfeited. Out of the forfeited shares 1000 shares were reissued for Rs 8 per share.
    Journalise.

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19. From the following Trail balance and additional information, you are required to prepare a Worksheet and Final Accounts

TRIAL BALANCE

As on 31st December ,1999

Particulars	Dr. Amount Rs	Cr.Amount Rs
Capital		20,000
Sundry Debtors	5,400	
Drawings	1,800	
Machinery	7,000	
Sundry Creditors		2,800
Wages	10,000	
Purchases	19,000	
Opening Stock	4,000	
Bank Balance	3,000	
Carriage Charges	300	
Salaries	400	
Rent and Taxes	900	
Sales		29,000
	51,800	51,800

Additional Information

(i) Closing Stock Rs.1,200.

(ii) Outstanding Rent and Taxes Rs.100

(iii) Charge depreciation on machinery at 10%

(iv) Wages prepaid Rs.400

20. Suresh bought a plant a pant on 1.1.1995 for a sum of Rs.1,00,000 having a useful life of 5 year. It is estimated that the plant will have a scrap value of Rs.16, 000 at the end of its useful life. Suresh decides to charge depreciation according to depreciation fund method. The depreciation fund investments are expected to earn interest @ 5%p.a. Sinking fund table shows that Re 0.180975 if invested yearly at 5% p.a. produces Re 1 at the end of 5 years. The investments are sold at the end of 5th year for a sum of Rs 65,000.A new plant is purchased for Rs 1, 20,000 on 1.1.2000. The scrap of the old plant realises Rs 17,000. You are required to prepare the necessary accounts in the books of Suresh.

21. The Balance sheet of producers Ltd., as at 31st December, 2004 is as follows:

Liabilities	Rs.	Assets	Rs.
Share Capital :		Fixed Assets :	
500 redeemable preference Shares of Rs. 100 each fully paid	50,000	Land & buildings	1,00,000
9,000 equity shares of Rs. 10 each fully paid	90,000	Plant	30,000
Reserves and Surplus :		Furniture	2,000
Share Premium	10,000	Current Assets :	
Profit & loss A/c	45,000	Stock	30,000
Current Liabilities	30,000	Debtors	15,000
		Investments	28,000
		Bank	20,000
	Rs.2,25,000		Rs.2,25,000

The company decided to redeem its preference shares at a premium of 5 per cent, on 31st January, 2005. A fresh issue of 1,000 equity shares of Rs.10 each was made at Rs.12 per share, payable in full on 31st January, 2005.These were fully subscribed and all moneys were duly collected. All the investments were sold realising Rs.27, 000.The Directors wish that only a minimum reduction should be made in the P & L a/c. You are required to give the journal entries, including those relating to cash to record the above transactions and draw up the balance sheet as it would appear after redemption of preference shares.

22. Explain the following terms (a) Money at call and short notice (b)Rebate on bill discounted (c) cash credit (d) Letter of credit (e) circular notes

23. Explain the following terms (a) Commission of reinsurance ceded/accepted (b) Reserve for unexpired risk.

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