

Mid Semester Test: August-2016

Advanced Accounting

**GUJARAT NATIONAL LAW UNIVERSITY
GANDHINAGAR**

Course: **Advanced Accounting**
Semester-III (Batch: 2015-20)

Mid Semester Test: August-2016

Date: 12th August, 2016

Duration: 2 hours

Max. Marks: 30

Instructions:

- Read the questions properly and write the answers in the given answer book.
- The respective marks for each question are indicated in-line.
- Do not write any thing on the question paper.
- Indicate correct question numbers in front of the answers.
- No questions or clarifications can be sought during the exam period, answer as it is, giving reason, if any.

Part-A**Marks**

- Q.1 Mr. Reddy is a lawyer. The Receipts and Payments Account of his practice for the year ending 31.3.2016 is as follows. (10)

Receipts	Rs.	Payments	Rs.
To Balance b/d	2,00,000	By Rent	50,000
To Fees from Clients	5,00,000	By Salaries	20,000
To Liquidator's Fees	12,000	By Purchase of journals	5,000
To Advisory Fees	4,000	By Stipend to internees	12,000
To Honorarium	30,000	By Purchase of law books	3,000
To Sale of old journals	3,000	By Investment	2,00,000
To Commission	21,000	By Drawings	30,000
		By Balance c/d	4,50,000
Total	7,70,000	Total	7,70,000

Balance Sheet as on 31.3.2015

Liabilities	Rs.	Assets	Rs.
Capital	2,00,000	Furniture	80,000
Creditors	60,000	Computer	20,000
Loan	1,40,000	Law Books	30,000
		Investment	70,000
		Cash	2,00,000
Total	4,00,000	Total	4,00,000

Additional Information:

- a. Rs. 15,000 is accrued as fees from clients.
- b. Rs. 5,000 of stipend is outstanding.
- c. Internees decided to forego the outstanding stipend. In place of that, they were given

- a. Rs. 15,000 is accrued as fees from clients.
- b. Rs. 5,000 of stipend is outstanding.
- c. Internees decided to forego the outstanding stipend. In place of that, they were given old law books of that much value.
- d. New computer was purchased on 1.4.2015, for Rs. 20,000. Computer of Rs.5,000

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book value (after providing depreciation for the year) has been sold at a gain on 31.3.2016 of Rs.3,000.

- e. Depreciate all fixed assets at the rate of 10% p.a.
- f. Rent of Rs. 2,000 is due but not paid.
- g. Subscription to Bar Council of Rs.5,000 is paid in advance.
- h. Investments earned Rs.20,000 interest during the year. The professional decided to add it to the value of the investment.
- i. Half of the loan was repaid on 31.03.2016.

You are required to prepare Profit & Loss Account and Balance Sheet as on 31.3.2016 of Mr. Reddy in accordance with provisions of section 44AA of Income Tax Act 1961.

Part-B

- Q.2 The following is the Receipts and Payments Account of Madras Sports Club for the year ended 31st March, 2014. (10)

<i>Receipts</i>	<i>Amt. Rs.</i>	<i>Payments</i>	<i>Amt. Rs.</i>
To Balance	24,000	By Secretary Remuneration	36,000
To entrance Fees	5,000	By Upkeep of grounds	21,000
To subscriptions	87,000	By wages of Grounds men	24,000
To proceeds of concerts	15,000	By Ground Rent	1,500
To interest on investments	5,000	By Printing & Postage	2,000
		By Sundry Repairs	1,750
		By Balance	49,750
	1,36,000		1,36,000

Additional Information:

1. Subscriptions includes outstanding brought over from the previous year Rs. 5,000.
2. Interest on investments includes Rs. 1,000 in respect of interest accrued in the preceding period.
3. Upkeep of grounds includes Rs. 3,000 applicable to the previous year.
4. Wages of grounds men includes Rs. 1,500 applicable to the previous year.
5. The outstanding liabilities as on 31st March, 2014 were: Wages Rs. 2,000 & Printing Rs. 1,000
6. Interest accrued and outstanding on investments were Rs. 1,200
7. Depreciate premises by 2%, furniture by 5% and Sports Equipments by 33.3%
8. Entrance Fees are to be capitalized.
9. Other balances at the commencement of the year were as follows.

7. Depreciate premises by 2%, furniture by 5% and Sports Equipments by 33.3%
8. Entrance Fees are to be capitalized.
9. Other balances at the commencement of the year were as follows.
 - i. Capital Fund Rs. 4,01,000
 - ii. I&E Account credit balance brought forward Rs. 89,000
 - iii. Club Premises and Grounds Rs. 3,00,000
 - iv. Investments Rs. 1,00,000
 - v. Sports Material Rs. 24,500
 - vi. Furniture & Fixtures Rs. 40,000

From the above prepare Income & Expenditure Account for the year 2013-14.

- Q.3 Silma Ltd. and Ilma Ltd. are engaged in similar line of business. They decided to amalgamate their business as on 1st April, 2012 by forming Kabir Ltd., with an authorised share capital of Rs. 35,00,000 consisting of 3,00,000 equity shares of Rs. 10 (08)

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each and 50,000, 9% cumulative preference shares of Rs. 10 each. The balance sheets of Silma Ltd. and Ilma Ltd. as on 31st March, 2012 are as follows:

Liabilities	(Rs. In Lacs) Silma Ltd.	(Rs. In Lacs) Ilma Ltd.
Share Capital	15,00,000	4,00,000
8% Preference share capital	5,00,000	
General Reserves	8,00,000	
P&L Account	90,000	32,000
Sundry creditors	50,000	21,000
	29,40,000	4,53,000
Assets		
Land & Buildings	6,00,000	-
Plant	15,50,000	-
Furniture	-	95,000
Vehicles	-	40,000
Patents	2,00,000	
Stock	3,50,000	2,39,000
Debtors	80,000	62,000
Bank Balance	1,60,000	17,000
	29,40,000	4,53,000

The following terms were agreed upon by the amalgamating companies:

- (i) Kabir Ltd. to allot 2, 25,000 equity shares of Rs. 10 each to Silma Limited and pay cash Rs. 5, 45,000 as consideration of whole of assets except bank balance.
- (ii) Ilma Ltd. to receive 37,500 equity shares of Rs. 10 each and cash Rs. 6,000 as consideration for whole of assets except bank balance.
- (iii) Assets are taken over at book values.
- (iv) Both Silma Ltd. and Ilma Ltd. are to pay other liabilities and preference shareholders individually.

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- (iii) Assets are taken over at book values.
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 - (v) Liquidation expenses of Rs. 10,000 and Rs. 5,000 respectively to be borne by the Kabir Limited.

You are required to prepare the necessary journal in the books of transferor companies and close the accounts under pooling of Interest method.

- Q.4 Write necessary journal entries to be passed in the books of Accounts of Transferee company in case of Amalgamation in the nature of Merger. (02)
