

**GUJARAT NATIONAL LAW UNIVERSITY
GANDHINAGAR**

Course: **Corporate Accounting**
Semester-I (Batch: 2014-19)



End Term Examination: Oct-Nov. 2014

Date: 1st November, 2014

Duration: 3 hours

Max. Marks: 50

Instructions:

- 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.
- Use of Calculator other than calculator in mobile phone is permitted.

Part-A

Marks

Answer all the questions

- | | | |
|-----|--|------|
| Q.1 | Examine the accounting concepts of 'conservatism' and 'materiality' and their significance in the preparation of financial statements. | (04) |
| Q.2 | Briefly discuss any six areas in which different accounting policies can be adopted by the different enterprises. | (04) |
| Q.3 | Journalise, post in to the ledgers and prepare the T-Balance for the following transactions extracted from the books of accounts of a manufacturing firm as on March 31, 2013. | (07) |
| | March 1: Purchased materials from Ajay Enterprises worth Rs. 45,500 | |
| | March 3: Sold goods for cash Rs. 13,525 | |
| | March 5: Deposited cash in bank Rs. 18,500 | |
| | March 5: Purchased solvent worth Rs. 16,000 less 5% trade discount and 2% cash discount from Maruti Enterprises for cash. | |
| | March 11: Purchased shares of Imperial Ltd. worth Rs. 15,000. | |
| | March 14: Raw materials worth Rs. 1,500 were damaged in transit. A claim was made on the Railway authorities for the same. | |
| | March 22: S. Dev & Co., one of the customers was declared insolvent, Received dividend of 40 paisa against his dues of Rs. 13,200 in full settlement. | |
| | March 25: Sold goods worth Rs. 54,500 for cash. | |
| | March 31: Paid Rs. 8,000 as Salary to Accountant. | |

Q.4 Show how the following must be dealt with in the final accounts of the firm for the year ended 31.12.2013, giving reasons in brief, also give necessary journal entries. (08)

- i. Advertisement expenditure of Rs. 10,000 paid on December 30, 2013. The advertisement was to appear in the magazine in January 2014.
- ii. Incurred cost of Rs. 18,400 for erection of temporary dome for Christmas exhibition on December 15, 2013. The exhibition is to be over by January 15, 2014.
- iii. Petrol expenses incurred for site visit by one of the partners Rs. 1,750 during December 2014, the car not being an asset of the firm.
- iv. Hire charges of Rs. 2,000 for a DG-Set, when the firm's own DG-Set was under breakdown.

Part-B

Q.5 The trial balance of iConnect Ltd., having an authorized capital of Rs. 8,00,000, as at 31st March, 2006 was as under: (15)

Particulars	Debit (Rs)	Credit (Rs)
Share Capital		5,00,000
Securities Premium A/c		50,000
Land & Building (Cost Rs. 3,00,000)	2,50,000	
Plant & Machinery (Cost Rs. 4,00,000)	3,00,000	
Livestock	20,000	
Gross Profit earned during 2006		1,30,000
General Reserve		2,00,000
6% Debentures (Issued on 1 st April 1999 secured by mortgage on land and redeemable on March 31, 2011)		1,00,000
Sundry debtors and Creditors	60,000	30,000
Stock as at March 31, 2006 (At cost or market value whichever is lower)	50,000	
Salaries	19,000	
Director's Fees	10,000	
General Expenses	15,000	
Cash at bank	6,400	
Cash in hand	600	
Bills	20,000	
Discount on issue of debentures	4,000	
Profit & loss b/f		10,000
Investments (4% Government securities, face value Rs. 1,00,000. Purchased on April 1, 2005)	95,000	
Investment in equity shares (10000 shares of Rs. 25 each, Rs. 20 paid up)	1,70,000	
	10,20,000	10,20,000

Further Information:

- i. Of the shares allotted, 2000 shares worth Rs. 2,00,000 were allotted as fully paid to vendor from whom a running business was acquired.
- ii. Of the Debtors Rs. 10,000 were outstanding but are considered good except a debt of Rs. 5,000 doubtful to be provided.
- iii. A provision of Rs. 25,000 is to be made for Income Tax.

- iv. Auditor's fees Rs. 3,000 should be provided for. General Expenses included insurance Rs. 1,500 paid for a year; policy expires on 30 September, 2007.
- v. Interest on debentures issued and Investments in Govt. securities should be taken into account.
- vi. Depreciation is to be provided for, @ 6% and @ 2% on original cost of machinery and land & buildings, respectively.
- vii. Director's had proposed 5% dividend on shares.



You are required to prepare necessary financial statements, following format prescribed in the schedule VI, part I and II format of the companies Act, 1956.

Q.6 Answer **any two** of the following questions:

(2x4
=08)

- a. Which statements comprise the complete set of financial statements as per the Ind As -1 (Presentation of Financial Statements) requirements?
- b. In the light of the Ind AS – 21 (The effects of changes in foreign exchange rates), discuss the determinants of the 'Functional Currency'.
- c. Right from inception, Entity A's functional currency has been Rupee. It has one foreign operation with Euro as its functional currency. As a result of change in circumstances affecting the operations of the entity, the management determines that with effect from 1 January 2011, the entity's functional currency will be US\$. The exchange rate on that date is US\$ 1=Rs. 50. On that date, the carrying amount of inventories carried at cost in terms of previous functional currency is Rs. 1,00,000. The carrying amount of inventories carried at cost on 31 December, 2010 in terms of previous functional currency is Rs. 98,000. The exchange rate on that date was US\$ 1=Rs. 49.80

Calculate the value of the inventory in the light of the Para 37 of Ind AS-21 (the effects of changes in foreign exchange rates) which reads, "*The effect of a change in functional currency is accounted for prospectively. In other words, an entity translates all items into the new functional currency using the exchange rate at the date of the change*".

Part-C

Answer all the questions

- Q.7 Give the name of the following Accounting Standards. (02)
 - (i) Ind AS – 10
 - (ii) Ind AS – 18
- Q.8 Explain in brief the purpose of converged Indian Accounting Standards. (02)
