

FINACIAL ACCOUNTING
GUESS PAPER OF T.Y. BAF BY CA JUJAR SINGH RATHORE
SEMESTER VI (MUMBAI UNIVERSITY)

Q.1. a) Fill in the blanks & re-write the sentence. (Any 8)

1. For charging depreciation in case of Electricity Companies, Cost of Leased Land should be _____ the cost of assets. **(Excluded from)**
2. Depreciation should be charged from the year of _____ production or part of the year on time basis or pro – rata basis. **(Commercial)**
3. Value of shares of each member in capital of the society is Rs. _____. **(250)**
4. Maximum amount of cash balance for society is Rs. _____. **(300)**
5. Investment Accounting deals AS _____. **(AS13)**
6. When short term investment are sold ,profit on such sale is transferred to _____. **(Profit & Loss A/c)**
7. The Assets of the mutual fund are held by _____. **(Custodian)**
8. The difference between NAV and re-purchase price is _____. **(Exit Load)**
9. IFRS deals with _____. **(International Financial Reporting Standards)**
10. Profit on Sale of long term investment is transferred to _____. **(Capital Reserve)**

Q.1. b) State whether true or false (Any 7)

1. Co-operative society is a corporate body distinct from its member. **(True)**
2. Entrance fees are treated as revenue receipts. **(False)**
3. Interest is always calculated on the market value of Security. **(False)**
4. Dividend is always calculated on the face value or nominal value of the shares **(True)**
5. An exit loan guarantees a higher return **(False)**
6. open ended schemes generally offer exit option to investors through stock exchange **(False)**
7. IFRS 1 deals with First time adoption of international Financial Standard **(True)**
8. Interest on security deposit from electricity consumers is payable at bank rate or more as prescribed **(True)**
9. Format of Financial Statements are laid down in The Companies Act. **(True)**
10. Authorized share capital of a co-operative housing society is mentioned in the memorandum of association of the society. **(False)**

OR

Q.1 b) Match the Column (Any 7)

Column A (Question)	Column B (Answer)
1. Balance of Security Deposit from electricity Consumer	1. is shown as non- current liability
2. Member fund	2. Capital Fund
3. Entrance fees	3. Rs. 1 or Rs.5
4. Ex Interest or Cum Interest	4. Govt. Securities Purchased
5. Fixed income bearing securities	5. Debentures
6. Grant received under APDRP	6. as Capital Reserve
7. Large Cap Fund	7. An open ended equity scheme investing 80% of Assets in equity of large cap co.
8. Equity saving	8. An open ended scheme investing in equity , arbitrage and debt.

Note:- From the Question no. 1 (b) only one question will be asked in the exam. Optional question has been given for the Students Benefit.

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Q.2. The trial Balance of Pooja Electric Supply Ltd. For the year ended 31st march 2012 is as below:

Particulars	Debit (Rs. '000')	Credit (Rs. '000')
Share Capital		
Equity Shares of Rs. 10 each		6250
14 % Preference Shares of Rs. 100 each		1875
Patents and Trademarks	313	
15% Debentures		3087.5
16% term Loan		1912.5
Land	1556.25	
Building	4391.75	
Plant & Machinery	7132.25	
Mains	565.5	
Meters	393.75	
Electrical Instruments	191.25	
Office Furniture	306.25	
Capital Reserve		627.50
Contingency Reserves		1503.75
Transformers	2055	
Net Revenue Account		668.75
Stock in hand	1506.25	
Sundry Debtors	780.25	
Contingency Reserve Investment	1501.25	
Cash & bank	406.25	
Public Lamps	380	
Depreciation fund		3227
Sundry Creditors		815.50
Proposed Dividend		1512.50
	21480	21480

During 201-12 Rs.1250000 of 14% Preference Shares were redeemed at a premium of 10% out of proceeds of fresh issue of equity shares of necessary amount at a premium of 10 %
 Prepare for the above period balance Sheet as on 31st march 2012 as per Schedule III of the Companies Act 2013.

Ans. Balance Sheet of Pooja Electric Supply Ltd. For the year ended 31st March 2012

Particulars	Note	Rs. ('000)
I EQUITY & LIABILITIES		
1. Shareholders Fund		
a) Share Capital	1	8125
b) Reserve & Surplus	2	2800
2. Non -Current Liabilities		
a) Long Term Borrowings	3	5000
3. Current Liabilities		
a) Trade Payables		815.50
b) Other Current Liabilities	4	1512.50

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	Total	
II ASSETS		18253
1. Non -Current Assets		
a) <u>Fixed Assets</u>		
Tangible Assets	5	12395
Intangible Assets		313
b) Other Non Current Assets	6	1501.25
2. Current Assets		
a) Inventories		1506.25
b) Trade Receivables		780.75
c) Cash & Cash Equivalents		406.75
Total		18253

Notes

1. Share Capital

a) Equity Share Capital

Issued & Subscribed

 5,00,000 Equity Share of Rs. 10 Each

5000

Add:- 1,25,000 Equity Share of Rs. 10 Each issued during year

1250 6250

b) Preference Share Capital

Issued & Subscribed

 31,250, 14% Preference Share of Rs. 100 Each

3125

Less:- 12,500 Preference Share of Rs. 100 Each Redeemed during the year (1250)

1875

Total

8125

2. Reserve & Surplus

a) Capital Reserve

627.5

b) Contingency Reserve

1503.75

c) Net Revenue Account

668.75

Total

2800

3. Long Term Borrowings (Secured)

a) 15% Debenture

3087.5

b) 16% Term Loan

1912.5

Total

5000

4. Other Long Borrowings

a) Proposed Dividends

1512.50

5. Tangible Fixed Assets

a) Land

1556.25

b) Building

4391.75

c) Steam Power Point

7132.25

d) Transformers

2055

e) Mains

565.50

f) Meters

393.75

g) Public Lamps

380

h) Electrical Instruments

191.25

i) Office Furniture

306.25

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Total	16972
Less :- Depreciation Fund	<u>(3227)</u>
Total	<u>13745</u>

6. Other Non- Current Assets	
Contingency Reserve Investment (Assume as Non Current)	1501.25

Or

Q2. From the followings trial balances as on 31-03-205 ,Prepared Final Accounts in the prescribed format as per applicable legal provisions

SAHDEV CHS LTD.

Trial Balance

Particulars	Amount	Particulars	Amount
1 Share of MDC Co op Bank	100	Collection from members	343625
1 Shares of MDCH Federation	100	Dividend	6
Accrued Interest on FD	169408	Income &Expenditure A/c	309519
Audit Fees	1000	Interest – Fixed Deposits	70179
Best Deposits	2600	Interest – Saving Bank	1827
BMC Deposits For Water	5491	Members Contribution for Building	943500
Cash in Banks	10455	Security Deposits From Members	18800
Cash on Hand	1164	Sinking Fund-Opening	346774
Fixed Deposits	1114116	Statutory Reserve Fund-Opening	446785
Furniture & Fittings	3208	Subscribed Capital	
Land & Building	943500	100 Shares of Rs. 50 Each	5000
Property Taxes & Expenses	87950		
Salaries	58436		
Structural Audit fees	15730		
Subscription to the Education Fund	2400		
Water Charges	70357		
	<u>2486015</u>		<u>2486015</u>

Adjustments

1. Details of Collection From members	
- Property Taxes and Expenses	Rs.192425
- Establishment Expenses	Rs. 129600
- Contribution to Sinking Fund	<u>Rs. 21600</u>
	<u>343625</u>
2. Authorized Capital :- 1500 Shares of Rs.50 Each	
3. Depreciation @10%	
4. Outstanding Water Charges	Rs. 11960

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SAHDEV CHS LTD.
INCOME & EXPENDITURE ACCOUNT

Expenditure	Amount	Income	Amount
1. PROPERTY EXPENSES		1. COLLECTION FROM MEMBERS	
Property Taxes & Expenses	87590	Property Taxes & Expenses	192425
Water Charges (given) 70,357		2. COLLECTION FROM MEMBERS	
Add:- Outstanding 11960	82317	ESTABLISHMENT EXPENSES	129600
2. ESTABLISHMENT EXPENSES		3. INTEREST & DIVIDEND	
Salaries	58436	Interest – Saving Bank	1827
Subscription to Education Fund	2400	Interest – Fixed Deposits	70179
Audit Fees	1000	Dividend	6
Structural Audit Fees	15730		72012
3. OTHER EXPENSES			
Depreciation	320		
Provision for Tax	-		
4. SURPLUS/DEFICIT	145884		
TOTAL	394037	TOTAL	394037

Balance Sheet

Liabilities	Amount	Assets	Amount
1. Share Capital		1. Cash & Bank Balances	
Authorized		a) Cash in hand	1,164
1500 Shares of Rs. 50 Each	75,000	b) Cash at Banks	10,455
Subscribed		2. Investments	
100 Shares of Rs. 50 Each	5,000	a) 1 Shares of MDC Co op Bank	100
1-A. Subscription towards Shares	-	b) 1 Share of MDCH Federation	100
2. Reserve Funds & Other Funds		c) Fixed Deposits	11,14,116
a) Statutory Reserve Funds	4,46,785	d) Accrued Interest on FD	1,69,408
b) Sinking Fund		3. Staff Provident Fund Investments	-
- Opening Fund	3,46,774	4. Loans & Advances	-
Add:- Addition 21,600	3,68,374	5. Sundry Debtors	-
c) Member Contributions for Building	9,43,500	6. Current Assets	-
3. Staff Provident Fund	-	7. Fixed Assets	
4. Secured Loans	-	Land & Building	9,43,500
5. Unsecured Loans	-	Furniture & fittings	3,208
6. Deposits		Less :- Depreciation(320)	2,888
Security Deposits From Members	18,800	8. Miscellaneous Expenses & losses	-
7. Current Liabilities & Provisions		9. Other Items	
Outstanding Expenses	11,960	BEST Deposits	2,600
8. Unpaid Dividend	-	BMC Deposits for Water	5,491
9. Interest Accrued due but not paid	-	10. Income & Expenditure A/c	-
10. Other Liabilities	-	11. Current Losses	-
11. Income & Expenditure A/c			
Surplus for Last Year	3,09,519		
Add:- Current Year Profit 1,45,884	4,55,403		
	22,49,822		22,49,822

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Q3. Mr. Yogendra entered into the followings transaction of purchase and sales of 12% Debenture of Rs. 100 each of Reliance Ltd. Interest is payable on 30th June & 31st Dec. every year. Transaction are as under:

Date	No. of Debenture	Terms
01-04-2012	800	Opening Balance at a cost of Rs.76,000
01-06-2012	300	Sold at Rs.105each Cum- Interest
01-09-2012	700	Purchased at Rs.98 each Ex- Interest
01-12-2012	400	Purchased at 108 each Cum Interest
01-02-2013	900	Sold at Rs.97 each Ex- Interest

Prepare investment Account of 12% Debenture in the books of Yogendra for the year ended 31stMarch 2013. The Market Value on 31st March 2013 was Rs.67,500 of the said investment. apply AS-13

Ans.

In the books of Yogendra
Investment Account of 12 % Debentures in Reliance Ltd.
(Due Date for Interest 30th June & 31st December)

Date	Particulars	W N	N.V.	Interest	Cost	Date	Particulars	W N	N.V.	Interest	Cost
01-04-12	To Op. Bal. b/d	1	80,000 (800*100)	2,400	76,000 (Given)	01-06-12	By Bank A/c (Sold)	2	30,000 (300*100)	1,500	30,000
01-06-12	To P&L A/c (Profit on Sales)	3	-	-	1,500	30-06-12	By Bank A/c (Half yearly)	4	-	3,000	-
01-09-12	To Bank A/c (Purchased)	5	70,000 (700*100)	1,400	68,600	31-12-12	By Bank A/c (Half yearly)	7	-	9,600	-
01-12-12	To Bank A/c (Purchased)	6	40,000 (400*100)	2,000	41,200	01-02-13	By Bank A/c (Sold)	8	90,000 (900*100)	900	87,300
31-03-13	To P&L A/c		-	11,300	-	01-02-13	By P&L A/c (Loss on Sale)	9	-	-	1,181
						31-03-13	By P&L A/c (Loss on Valuation)		-	-	1,319 (B/F)
						31-03-13	By Balance C/d	10	70,000 (B/F)	2,100 (WN 10)	67,500 (WN 10)
	Total		1,90,000	17,100	1,87,300		Total		1,90,000	17,100	1,87,300

W.N. 1 (on 01-04-12) Opening Bal.

(Last Interest was Received on 31st Dec. as Per Question hence Interest not received is From January to March i.e. for 3 month & interest paid by Company is always on Nominal Value of Debenture)

$$\text{Interest} = 80,000 * 12 / 100 * 3 / 12 \\ = 2,400$$

W.N. 2 (on 01-06-12) Investment Sold Cum Interest

{ Investment sold on 1/6/12 for 300*105 = 31,500 But that is Cum- Interest And We Are Showing Interest Part Separately in Table Hence we want Price without Interest (i.e. Ex-Interest)}

Amount Received On Sale(300*105)	=	31,500
Less:- Interest (Interest Accrued For 5 Month) (30000*12/100*5/12)		<u>(1,500)</u>
Ex-Interest (Cost)		<u>30,000</u>

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W.N.3 (on 01-06-12) Profit /Loss on Sale of Investment Sold Above

Sale Price	30,000
Less: - Cost (76000/80000*30000)	<u>(28,500)</u>
Profit	<u>1,500</u>

W.N. 4 (on 30-06-12) Interest Received For Half Yearly

(Since we already sold debenture of Rs.30,000 therefore we receive interest on only remaining deb. i.e. 50,000)

$$\begin{aligned} \text{Interest Received} &= 50000 * 12 / 100 * 6 / 12 \\ &= 3,000 \end{aligned}$$

W.N.5 (on 01-09-12) Investment Purchased (Ex-Interest)

Price Paid (i.e. Cost) 700*98	68,600
Interest (paid separately hence not less from above Cost 😊) (70,000*12/100*2/12)	1,400

(Since Last Interest Paid on this debenture was in June hence July & August two month Interest paid by us)

W.N.6 (on 01-12-12) Investment Purchased (Cum-Interest)

Price Paid (400*108 with Interest)	43,200
Less:- Interest (Not Paid Separately hence Less from above Cost 😊) (40,000*12/100*5/12)	<u>(2,000)</u>
Cost	<u>41,200</u>

(Since Last Interest Paid on this debenture was in June hence From July To November Five Month Interest paid by us)

W.N. 7 (on 30-06-12) Interest Received For Half Yearly

$$\begin{aligned} \text{Interest Received} &= 1, 60,000 * 12 / 100 * 6 / 12 \\ &= 9,600 \end{aligned}$$

W.N. 8 (on 01-02-13) Investment Sold Ex-Interest

Amount Received (Ex-Interest) 900*97	87,300
Interest (Received separately hence not less from above amount 😊) (90,000*12/100*1/12)	900

W.N.9 (on 01-02-13) Profit /Loss on Sale of Investment Sold Above

Sale Price	87,500
Less: - Cost (1,57,300/1,60,000*90,000)	<u>(88,481)</u>
Loss	<u>1,181</u>

W.N.10 (31-03-13) Closing Balance with Valuation

Interest (70,000*12/100*3/12)	2,100
---------------------------------	-------

Valuation

Book Value (Balancing Figure) 1,87,500-1,18,481	=	68,819	↓
Market Value (Given)	=	67,500	

(Lower of the Two) 67,500

Difference is Loss on Valuation 68,819-67,500 = 1,319

Or

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Q.3 Sparrow Holdings is a SEBI Registered Mutual Fund which made its maiden N.F.O (New Fund Offer) on 10th April, 2016 at Rs.10 face value per unit. Subscription was received for 90 lakhs units. An underwriting arrangement was also entered into with Affinity Capital Markets Ltd., that agreed to underwrite the entire NFO of 100 lakh units on a commission of 1.5%. Out of the monies received Rs.892.50 lakhs was invested in various capital market instruments. The marketing expenses for the N.F.O amounted to Rs.11.25 lakhs. During the financial year ended March 2013 the Fund sold securities having cost of Rs.127.25 lakh (FV Rs.54.36 lakhs) for Rs.141.25 lakhs. The fund in turn purchased securities for Rs.130 lakhs. The management expenses of the fund are regulated by SEBI stipulations which state that the same shall not exceed 0.25% of the average funds invested during the year. The actual amount spent towards management expenses was Rs.2.47 lakhs of which Rs.47,000 was in arrear. The dividends earned on the investments held amounted to Rs.2.51 lakhs of which a sum of Rs.25,000 is yet to be collected. The fund distributed 80% of realized earnings. The closing market value of the portfolio was Rs.1120.23 lakhs.

You are required to determine the closing per unit NAV of the fund

Ans.

W.N. 1. Calculation of Closing Cash & Balance

Cash & Bank A/c

Receipts	Amount(Rs. In Lakhs)	Payments	Amount(Rs. In Lakhs)
To Opening Cash Balance	Nil	By Initial Purchase of Securities	892.50
To Proceeds of NFO	1000	By Underwriting Commission	15
To Proceeds From Sale of Securities	141.25	By Marketing Expenses	11.25
To Dividend Received on Investment	2.26	By Securities Purchase	130
		By Management Expenses (W.N.2)	1.76
		By Capital Gain Distribution	11.20
		(141.25-127.25 * 80%)	
		By Divined Distribution (226*80%)	1.81
		By Closing Cash & Bank Bal. (B/F)	79.99
TOTAL	1143.51	TOTAL	1143.51

W.N.2. Calculation of Management Expenses

Opening Fund Invested = Investment Made 892.50

Closing Fund Invested = Opening + Purchase – Closing

$$892.50 + 130 - 127.25$$

$$= 896.25$$

$$\text{Average Fund Invested} = \frac{892.50 + 896.25}{2}$$

$$\text{Average Fund Invested} = 893.875$$

$$\text{Allowed } 0.25\% \text{ of Average Fund Invested} = 2.33$$

$$\text{(i.e. } 893.875 * .025\%)$$

Therefore, Management Expense Allowed 2.33

$$\text{(-) Amount Unpaid (0.47)}$$

$$\text{Management Expense Paid} = 1.76$$

Calculation of Closing per unit of NAV of the fund

Net Assets of Sparrow holding	79.99
Closing cash balance (W.N.1)	79.99
Closing Market Value of Investments	1120.23
Accrued Dividends (collectable)	0.25
	1200.47
Less: Outstanding Management Fee (payable)	(0.47)
Closing Net Assets (A)	1200
Units outstanding (in lakhs) (B)	100
NAV per unit (A/B)	Rs. 12.00

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Q4. On 1.4.2016 a mutual fund scheme had 9 lakh units of face value Rs. 10 outstanding. The scheme earned Rs. 81 lakh in 2016-17, out of which Rs. 45 lakh was earned in first half-year. 1 lakh units were sold on 30.09.16 at NAV of Rs. 60. Show important accounting entries for sale of units and distribution of dividend at the end of 2016-17.

Ans.

Allocation of earnings

	Old unit holders (9 lakh units) (Rs. Lakh)	New unit holders (1 lakh units) (Rs. lakh)	Total earning (Rs. Lakh)
First half-year (Rs. 5.00 per unit)	45.0	Nil	45.0
Second half-year (Rs. 3.60 per unit)	32.4	3.6	36.0
	77.4	3.6	81.0
<i>Add: Equalisation payment recovered</i>			5.0
Total available for distribution			86.0

Note: Equalisation payment = Rs. 45 lakh / 9 lakh = Rs. 5 per unit.

Distribution of earning per unit

	Old unit holders Rs.	New unit holders Rs.
Dividend distributed	8.60	8.60
<i>Less: Equalisation payment</i>		(5.00)
Net distributed income	8.60	3.60

Journal Entries

Date		Rs. lakh	Rs. lakh	
30.09.16	Bank Dr.	65		1 lakh x Rs. 65
	To Unit Capital		10	1 lakh x Rs. 10
	To Reserves		50	1 lakh x Rs. 50
	To Dividend Equalisation		5	1 lakh x Rs. 5
31.03.17	Dividend Equalisation Dr.	5		
	To Revenue A/c		5	
31.03.17	Revenue A/c Dr.	86		
	To Bank		86	10 lakh x Rs. 8.60

Or

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Q.4

Suraj CHS LTD.

Particulars	Amount	Particulars	Amount
Insurance Charges	85,188	Interest – Fixed Deposit	6,16,985
Income & Expenditure A/c		Collection from Members for	
Balance B/d	1,78,262	Establishment Expenses	43,37,280
Non Agriculture Tax	4,220	Statutory Reserve Fund	1,33,48,917
TDS Refund Due	3,841	Subscribed Capital:	
1 Share of MDC Co-op Bank	1,000	775 Shares of Rs.50 Each	38,750
Water Charges	4,67,393	Collection from Members for	
Equipment	2,97,940	Property Expenses	39,82,808
Establishment Expenses	24,54,074	Security Deposits From Members	4,02,000
Electricity Charges	9,70,107	Interest – Saving Bank	57,650
Land & Building	96,86,212	Members Contribution for Building	96,86,212
Cash on Hand	5,302	Mobile Tower Rent	6,96,691
Repairs & Maintenance	10,91,503		
Cash in Banks	10,37,359		
Tata Deposits	95,300		
Property Taxes	28,80,186		
Fixed Deposits	1,39,04,406		
Deposit for Water	5,000		
	3,31,67,293		3,31,67,293

Further Information

- | | |
|--|--------------|
| 1. Authorized Capital : 4,000 Shares of Rs.50 Each | |
| 2. Dues From Members for Establishment Expenses | Rs. 1,18,600 |
| 3. Prepaid Insurance | Rs. 24,961 |
| 4. Depreciation on Equipments | Rs. 59,588 |
| 5. Outstanding Electricity Charges | Rs. 1,77,567 |

Ans.

Suraj CHS LTD.

INCOME & EXPENDITURE ACCOUNT

Expenditure	Amount	Income	Amount
1. PROPERTY EXPENSES		1. COLLECTION FROM MEMBERS	
Property Taxes	28,80,186	Property Taxes & Expenses	39,82,808
Water Charges	4,67,393	2. COLLECTION FROM MEMBERS	
Electricity Charges(given) 9,70,107		ESTABLISHMENT EXPENSES 43,37,280	
Add:-Outstanding 1,77,567	11,47,674	Add: Dues from Members 1,18,600	44,55,880
Non Agricultural Tax	4,220	3. INTEREST & DIVIDEND	
Repairs & Maintenance	10,91,503	Interest – Saving Bank 57,650	
Insurance Charges 85,188		Interest – Fixed Deposits 6,16,985	6,74,635
Less: Prepaid Insurance (24,961)	60,227		
2. ESTABLISHMENT EXPENSES	24,54,074	4. OTHER INCOME	
3. OTHER EXPENSES		Mobile Tower Rent	6,96,691
Depreciation	59,588		
4. SURPLUS/DEFICIT	16,45,149		
TOTAL	98,10,014	TOTAL	98,10,014

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Balance Sheet

Liabilities	Amount	Assets	Amount
1. Share Capital		1. Cash & Bank Balances	
Authorized		a) Cash in hand	5,302
4,000 Shares of Rs. 50 Each	2,00,000	b) Cash at Banks	10,37,359
Subscribed		2. Investments	
775 Shares of Rs. 50 Each	38,750	a) 1 Shares of MDC Co op Bank 1,000	
1-A. Subscription towards Shares	-	b) Fixed Deposits	1,39,05,406
2. Reserve Funds & Other Funds		1,39,04,406	-
a) Statutory Reserve Funds	133,48,917	3. Staff Provident Fund Investments	12,83,724
b) Member Contributions for Building	96,86,212	4. Loans & Advances	24,961
3. Staff Provident Fund	-	Prepaid Insurance	
4. Secured Loans	-	5. Sundry Debtors	
5. Unsecured Loans	-	Dues From Members	1,18,600
6. Deposits	4,02,000	TDS Refund Due	3,841
Security Deposits From Members	9,43,500	6. Current Assets	
7. Current Liabilities & Provisions	1,77,567	7. Fixed Assets	96,81,212
Outstanding Expenses	-	Land & Building	
8. Unpaid Dividend	-	Equipments	2,97,940
9. Interest Accrued due but not paid	-	Less :- Depreciation(59,588)	-
10. Other Liabilities	-	8. Miscellaneous Expenses & losses	
11. Income & Expenditure A/c		9. Other Items	
Surplus for Last Year	14,66,887	Tata Deposits	95,300
(1,78,262)		Deposits for Water	5,000
Add:- Current Year Profit	<u>16,45,149</u>	10. Income & Expenditure A/c	-
	2,51,20,333	11. Current Losses	-
			2,51,20,333

OR

Q4. Mr Darshan entered into following transaction of Equity Shares of Rs.10 each of Tata Ltd.

Date	No. of Shares	Details
1-04-2018	1,500	Rs. 34,500 Cost (Opening)
15-05-2018	1,000	Purchase @ Rs. 22 Per Share
15-07-2018	2,500	Bonus Shares Received
15-12-2018	1,500	Sale @ Rs.22 Per Share
01-03-2019	1,000	Sale @Rs. 24 Per Share

Additional Information

1. On 1st Sep. 2018, Dividend @ Rs. 3 Per Share was Received for the year ended 31-03-2018
2. On 10th Nov. 2018, the company made a right issue of equity shares in the ratio of one share for every five shares held on payment of Rs. 20 Per Share.

Mr. Darshan subscribed for 50% of the shares and sold remaining on his right @ Rs. 3 Per Share. You are required to prepare Investment in Equity Shares A/c in the books of Mr Darshan.

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In the books of Darshan
Investment in Equity Shares of Tata Ltd.

Date	Particulars	W N	N.V.	Dividend	Cost	Date	Particulars	W N	N.V.	Interest	Cost
01-04-18	To Op. Bal. b/d		15,000 (1500*10)	-	34,500 (given)	01-09-18	By Bank A/c (Dividend recd)	3	-	4,500	3,000
15-05-18	To Bank A/c (Purchased)		10,000	-	22,000 (1000*22)	15-12-18	By Bank A/c (Sold)	4	15,000	-	33,000
15-07-18	To Bonus Share (Given)		25,000 (2500*10)	-	-	01-03-19	By Bank A/c (Sold)	5	10,000	-	24,000
10-11-18	To Bank A/c (Right Shares)	1	5,000	-	10,000	31-03-19	By Balance C/d (B/F)		30,000	-	34,636
15-12-18	To P&L A/c	4	-	-	15,682						
01-03-18	To P&L A/c	5	-	-	12,454						
31-03-19	To P&L A/c(B/F)		-	4,500	-						
	Total		55,000	4,500	94,636		Total		55,000	4,500	94,636

W.N.

*B/F = Balancing Figure

1. Right Share on 10-11-18

- a) Right Entitlement = $1/5 \times (1500+1000+2500) = 1,000$ Shares
 b) Right Sold = $(\frac{1}{2} \times 1000) \times Rs. 20 = Rs. 10000$
 c) Right Entitlement sold = $(\frac{1}{2} \times 1000) \times Rs. 3 = Rs. 500$. This is credited to P&L a/c Directly

2. Dividend Received on 01-09-18

1500 Shares x Rs. 3 = Rs. 4500
 This Dividend is Shown under Dividend Column in the Investment A/c

3. Pre – Acquisition Dividend on 01-09-18

1,000 Shares (Purchase on 15-5-18) x Rs. 3 = Rs. 3,000

4. Sale on 15-12-18

Selling Price (1,500 Shares x Rs. 22)	33,000
Less:- Weighted Average Cost	(17,318)
{ $\frac{34,500+22,000-3,000+10,000}{1,500+1,000+2,500+500}$ }	15,682
Profit on Sale	15,682

5. Sale on 01-03-19

Selling Price (1,000 Shares x Rs. 24)	24,000
Less:- Weighted Average Cost	(17,318)
{ $\frac{34,500+22,000+10,000+15,682-3,000-33,000}{1,500+1,000+2,500+500+1,500}$ }	12,454
Profit on Sale	12,454

Note:- Alternatively Student Can Refer Shortcut Method Discuss in lectures 😊

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SEMESTER VI (MUMBAI UNIVERSITY)

Q.5. a) Give Classification of Co-op Housing Society.

b) Explain in brief – International Financial Reporting Standard .

Ans.

Classification of Co-operative Housing Societies is made in the Maharashtra Co-operative Societies Act 1960 and rule 10 of Rules 1961.

Three types of co-operative societies are:

1. Tenant Ownership Co-operative Housing Society :In this case the member are the owners of the property and they are in distinct possession of a plot with a building thereon and subject to bye laws they are free to reconstruct, repairs, rebuild, demolish the property according to their free will without any interference from the society however in such cases the bye laws do provide safeguard in the common interest of all the members .

2. Tenant Joint Ownership Co-operative Housing Society In this case the society as a whole is in a way the owner of a the property say land & building and enjoys all the rights and meet all the liabilities of the society . The members right is limited to the extent of the number of shares held by him in the society besides the undisturbed enjoyments of the block or flat or house allotted to him by the society

3. Other Co-operative Housing Societies-House Mortgage Society and House Construction Societies are included in this category. In the case of House Mortgage Society the society invests the funds by lending the same to the members and out of such funds the land and building are purchased/constructed. Whereas in the case of House Construction Societies the buildings are completed by the society at an agreed price and the agreed consideration is recovered in agreed time from the members .

Ans. b) Introduction to IFRS :- Businesses are operating all over the world. Certain organizations have worldwide existence. If we take an example of Infosys, which is an Indian IT company, works all over the world. The accounting information of one particular company in so many countries will be as per that country's law and reporting standards. Therefore there will be confusion in considering the accounting information. In order to avoid this confusion, International Accounting Standards Board (IASB) has created one unique accounting language which is called as International Financial Reporting Standards most commonly known as IFRS.

Definition:- International Financial Reporting Standards are the standards which are designed for reporting business affairs, which are understandable all over the world for the purpose of establishing global accounting language. Because of unique way of reporting these standards, companies can be compared at global level.

Advantages of using IFRS : *Due to implementation of International Financial Reporting Standards, companies would be better understood in global markets. Companies will be able to tap global capital markets and may reduce their cost of capital. At international level, bench marking would be easy. Because of universal global accounting language, internal communications would be easy and improved.*

Q.5 Write Short Notes (Any Four)

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1. Reserve Fund For Co-op Housing Society
2. Challenges in Convergence with IFRS
3. Classification of Mutual Fund
4. Sinking Fund of Co-op Housing Society
5. Main Features of Electricity Act 2003
6. Grant under APDRP

Ans.

1. Reserve Fund For Co-op Housing Society

A Reserve Fund comprises of –

- a) the amounts carried to this fund, from year to year, out of the net profit of that year
- b) all entrance fees received by the society from its members
- c) all transfer fees received by the society from its members on transfer of shares, along with the occupancy rights
- d) all premium received by the society from its members on transfer of their interest in the capital or property of the society
- e) all donations received by the society, except those received by it for the specific purpose.

2. Challenges in Convergence with IFRS

- ❖ *Preparing financial statement under IFRS poses a great challenge to the **Accountant***
- ❖ ***Cultural, legal and political difference** may cause difficulties in convergence*
- ❖ ***Reconciliation** and Restatement of Financial Statements is **Costly***
- ❖ *There are **disagreements** in some countries with the requirement of certain specific IFRS*
- ❖ *Some IFRS are **complicated** in nature*
- ❖ *Management of volatility of results & Availability and consistency of data can be another issue*

3. Classification of Mutual Fund

- a) Open-Ended Fund:- Open-ended funds are the funds in which maturity date is not fixed. The investors have the opportunity to buy & sell units any time at NAV. These are the liquid funds & investors can invest at any time during the year & redemption can also be done on continuous basis
- b) Close-ended fund:- Close-ended funds are the funds where maturity period is fixed. These funds are not available for subscription all the time like open-ended funds rather they are available for investment during specified period of time i.e. when they are launched initially
- c) Interval Funds- Interval funds are the combined version of Open-ended as well as close-ended funds. These funds are available for trading in stock exchange at predetermined intervals.

On the basis of Investment objectives

1. Equity or Growth funds
2. Debt or Income Funds
3. Balanced funds
4. Money Market or Liquid funds
5. Gilt funds

4. Sinking Fund of Co-op Housing Society

- ❖ *The sinking fund is built up from contribution from members to be utilized for replacement of the assets or reconstructing the building after its useful life is over.*
- ❖ *It is basically meant for recouping the cost of the building which is the main assets in case of housing society.*

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- ❖ *The fund should be invested in accordance with the provision of section 70 of the act. Interest earned on such ear-marked investment, shall be credited to the Fund Account & not be considered as Revenue Receipt*
- ❖ *A Sinking Fund consists of contribution from all Members, at the rate fixed at the General Body Meeting from time to time, subject to the minimum of 0.25 percent per annum of the construction cost of each flat incurred during the construction of the building of the Society and certified by the Architect, excluding the proportionate cost of the land*

5. Main Features of Electricity Act 2003

- ❖ *Generation is being de-licensed and captive generation freely permitted, i.e. any generating company may establish, operate and maintain a generating station without obtaining a license under this Act with the only exception that it should comply with the technical standards relating to connectivity with the grid.*
- ❖ *Setting up State Electricity Regulatory Commission (SERC) has been made mandatory.*
- ❖ *Central government to prepare National Electricity Policy and Tariff Policy.*
- ❖ *For rural and remote areas, stand-alone system for generation and distribution is permitted.*
- ❖ *Provision for license free generation and distribution in the rural areas*

6. Grant under APDRP

- ❖ *For the Purpose of electricity distribution reforms in light of existing poor distribution network, , huge transmission and distribution losses due to un-metered supply & theft of power etc.*
- ❖ *The Government has introduced Accelerated Power Development and Reforms Programme (APDRP) with the objective of improving quality of power supply, increasing revenue collection, improving consumer satisfaction and reducing technical and financial losses*
- ❖ *Grant received under APDRP of the Ministry of Power, Government of India, towards capital expenditure is considered as a capital receipt & accounted for as Capital Receipts.*
- ❖ *Later on Proportionate amount equal to depreciation Charged on such assets acquired out of grant is transferred to the income statement.*
- ❖ *The depreciation is debited and equal grant is credited to P&L a/c*
- ❖ *The balance unadjusted amount of grant is disclosed as a capital reserve under “ Reserve & Surplus” in balance sheet.*

ALL THE BEST WITH GOOD LUCK 😊



About Author :- He is Chartered Accountant. Presently he is Core Faculty of Accounts & Advance Accounts in Various Coaching Classes & Visiting Faculty of CA Institute(ICAI) . He has 8 years teaching experience at CA-CPT/FOUNDATION,CA-INTER/IPCC, B.COM/BAF/BMS .

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