Enrollment No: _____   Exam Seat No:_____

C.U.SHAH UNIVERSITY
Summer Examination-2017

Subject Name : Accounting & Finance-IV
Subject Code : 4CO04AFI1   **Branch: B.Com. (English)**
Semester : 4   **Date : 28/04/2017**   **Time : 10:30 To 01:30**   **Marks : 70**

Instructions:
   (1) Use of Programmable calculator & any other electronic instrument is prohibited.
   (2) Instructions written on main answer book are strictly to be obeyed.
   (3) Draw neat diagrams and figures (if necessary) at right places.
   (4) Assume suitable data if needed.

Q-1   **Attempt the following questions:**   (14)

a) Premium on re-insurance ceded is shown as ------- the premium received.   1
   (a) Added to   (b) Deducted   (c) No entry
b) For company giving re-insurance, the re-insurance premium is ---------   1
   (a) Decrease in income (b) Increase in income (c) Having no effect (d) loss
c) In miscellaneous insurance business maximum commission can be given to the agent is: 1
   (a) 20%   (b) 15%   (c) 10%   (d) 5%
d) Cash price + Interest= --------   1
   (a) Loss   (b) Profit   (c) Contract price   (d) selling price
e) What is the formula to find out capitalized profit?   1
   (a) Average profit – expected profit
   (b) Average profit / expected rate of return
   (c) Expected profit - Average profit
   (d) Average profit * expected rate of return
f) What is the capitalized value of average profit on the expected rate of return?   1
   (a) super profit   (b) goodwill   (c) weighted average profit (d) capitalization of profit
g) When risk is more in business then goodwill is-------   1
   (a) normal   (b) less   (c) more   (d) zero
h) What is the formula for finding out super profit?   1
   (a) Average profit – Normal profit
   (b) Normal profit - Average profit
   (c) Average profit + Normal profit
   (d) Normal profit + Average profit
i) The assets should be valued at their ------------ values while calculating net assts.   1
   (a) Book   (b) Realizable   (c) Original   (d) Cost

j) ----------- is the most important assets of business.   1
   (a) Cash   (b) Stock   (c) Bank overdraft (d) Machinery
k) ---------- is the technique to planned control of the use of cash?   1

   (a) budget   (b) cash planning (c) forecasting   (d) earning method
l) Which of the following institution will have no goodwill?   1

(a) B.S.Shah prakashan   (b) Rapid transport Co.
(c) A public library   (d) Dr. Shah private nursing home

  m Write the formula of EOQ.   1
  n) State the meaning of cash management.   1

Attempt any four questions from Q-2 to Q-8

Q-2   **(14)**

ABC has purchased a computer on hire purchase bases from XYZ on 1st January, 2016.
Payment terms are as under:

Date	Amount with interest Rs.
1-1-'14	50,000
31-12-'14	45,000
31-12-'15	40,500
31-12-'16	26,000
31-12-'17	23,000

Interest is to be charged on the opening balance at 15%.
Depreciation is to be charged at 10% on reducing balance method.
Prepare in the books of Prakash :
(1) Computer Account (2) XYZ's Account (3) Interest Account

Q-3   **Attempt all questions**   **(14)**

  a. The balance sheet of XXX Ltd. was as follows :   **10**

Liabilities	Rs.	Assets	Rs.
Equity share capital each of Rs. 10	1,80,000	Goodwill	10,000
Reserve and Surplus	20,000	Plant	1,20,000
Creditors	50,000	Furniture	5,000
Bills Payable	20,000	Stock	80,000
Expenses Outstanding	5,000	Debtors	40,000
		Prepaid Expenses	3,000
		Cash & Bank	17,000
	2,75,000		2,75,000

Additional information is as below :

(1) The assets were valued as follows :
    Plants Rs. 1,10,000, Stock Rs. 87,000, Furniture Rs. 6000, Debtors Rs. 36,000

(2) The profits after tax for the last three years and appropriate weights to be used are as under:

Year	Profits (Rs.)	Weight
31-3-2015	30,000	1
31-3-2016	33,000	2
31-3-2017	31,000	3

(3) The reasonable return on capital invested in such type of business is 10%.

Ascertain the amount of Goodwill on the basis of three years purchase on the basis of the weight average profit of past three years.

  b. State the difference between Instalment and Hire-Purchase system.   **4**

Q-4   **Attempt all questions**   **(14)**

  a. State the factors effecting the valuation of goodwill.   **7**
  b. State the factors effecting the valuation of share.   **7**

Q-5   **Attempt all questions**   **(14)**

  a. From the following particulars of XYZ Insurance Co. Ltd. Prepare Revenue Accounts of fire Business and Marine Business for the year ended 31st March, 2017.   **10**

Particulars	Fire Rs.	Marine Rs.
Premium on direct business	10,00,000	5,00,000
Premium on re-insurance accepted	1,00,000	90,000
Premium on re-insurance ceded	1,20,000	1,10,000
Premium received in advance (31-3-2016)	50,000	40,000
Premium received in advance (31-3-2017)	30,000	20,000
Commission on direct business	30,000	20,000
Commission on re-insurance accepted	8,000	5,000
Commission on re-insurance ceded	5,000	4,000
Outstanding Commission(31-3-2016)	2,000	1800
Outstanding Commission (31-3-2017)	1,000	1500
Accrued Commission (31-3-2016)	1,000	1300
Accrued Commission (31-3-2017)	3,000	2,000
Claims for direct business	3,00,000	2,00,000
Claims for re-insurance accepted	30,000	25,000
Claims for re-insurance ceded	25,000	15,000
Outstanding claims (31-3-2016)	20,000	18,000
Outstanding claims (31-3-2017)	10,000	5,000
Legal expenses regarding claims	5,000	3,000
Reserve for unexpired risks (31-3-2016)	3,30,000	5,20,000

b. Write the meaning of in inventory management. **4**

Q-6   **Attempt all questions**   **(14)**
a. Write a note on Reserve for unexpired risk. **7**
b. State the objectives of inventory management. **7**

Q-7   **(14)**

The Balance Sheet of PQR Ltd. as on 31-3-2017 is given below:

Liabilities	Rs.	Assets	Rs.
10% Cum. Red. Pref. share Capital	4,50,000	Building	3,75,000
Equity shares of Rs 100 each	1,50,000	Furniture	2,25,000
General Reserve	45,000	Investments	45,000
Creditors	1,05,000	Debtors	75,000
Bills payable	15,000	Cash & Bank	45,000
	7,65,000		7,65,000

Additional Information :(1) Market price of Building is 30% and that of Furniture is 20% high., (2) Market price of investment is Rs. 52,500., (3) 10% Bad debts on debtors is expected., (4) Expected rate of return is 12%., (5) The average profit before distribution of dividend is Rs. 1,11,000., (6) Value of goodwill is Rs. 63,000.From the above particulars, find out the fair value of equity shares.

Q-8   **Attempt all question**   **(14)**
a. State the factors determining cash flow. **4**
b. Write a note on Cost of maintain receivable. **10**