(GI-1, GI-2, GI-3, GI-4, VI-1 & SI-1)

DATE: 17.09.2019 **MAXIMUM MARKS: 100** **TIMING: 3¼ Hours**

PAPER 1: ACCOUNTS

Q. No. 1 is compulsory.

Candidates are required to answer any four questions from the remaining five questions.
Wherever necessary suitable assumptions should be made by the candidates.
Working notes should form part of the answer.

Answer 1:

(a) The new turbine will produce economic benefits to MS Ltd., and the cost is measurable. Hence, the item should be recognised as an asset. The original invoice for the machine did not specify the cost of the turbine; however, the cost of the replacement Rs. 45,00,000 can be used as an indication (usually by discounting) of the likely cost, six years previously. **{1/2 M}**

Statement showing cost of new turbine and machine after 6th year

			Rs.
Cost of machines recognized on purchase			**1,00,00,000**
Less: Depreciation charged for 6 years	[(1,00,00,000/ 10) x 6]		**(60,00,000)**
			40,00,000
Less: Current cost of turbine to be derecognized:			
Cost of Turbine before 6 years	[45,00,000 x {1 / $(1.05)^6$}]	33,57,900	
Less: Depreciation for 6 years	[(33,57,900 / 10) x 6]	(20,14,740)	**(13,43,160)**
Add: Cost of new turbine to be recognised			**45,00,000**
Revised carrying amount of machine			**71,56,840**

{6 item x 3/4 Mark}

Answer:

(b) As per para 21 of AS 12, 'Accounting for Government Grants', "the amount refundable in respect of a grant related to specific fixed asset should be recorded by reducing the deferred income balance. To the extent the amount refundable exceeds any such deferred credit, the amount should be charged to profit and loss statement. **{1 M}**

(i) In this case the grant refunded is Rs. 15 lakhs and balance in deferred income is Rs. 10.50 lakhs, Rs. 4.50 lakhs shall be charged to the profit and loss account for the year 2017-18. There will be no effect on the cost of the fixed asset and depreciation charged will be on the same basis as charged in the earlier years. **{2 M}**

(ii) If the grant was deducted from the cost of the plant in the year 2014-15 then, para 21 of AS 12 states that the amount refundable in respect of grant which relates to specific fixed assets should be recorded by increasing the book value of the assets, by the amount refundable. Where the book value of the asset is increased, depreciation on the revised book value should be provided prospectively over the residual useful life of the asset. Therefore, in this case, the book value of the plant shall be increased by Rs. 15 lakhs. The increased cost of Rs. 15 lakhs of the plant should be amortized over 7 years (residual life). Depreciation charged during the year 2017-18 shall be (56+15)/7 years = Rs. 10.14 lakhs presuming the depreciation is charged on SLM. **{2 M}**

Answer:

(c) Tax as per accounting profit 6,00,000 x 20% = **Rs. 1,20,000**
Tax as per Income-tax Profit 60,000 x 20% = **Rs. 12,000**
Tax as per MAT 3,50,000 x 7.50% = **Rs. 26,250**
{3 item x 1/2 M}

Tax expense = Current Tax +Deferred Tax
Rs. 1,20,000 = Rs. 12,000+ Deferred tax
Therefore, Deferred Tax liability as on 31-03-2017
= Rs. 1,20,000 – Rs. 12,000 = Rs. 1,08,000
{1 1/2 M}

Amount of tax to be debited in Profit and Loss account for the year 31-03-2017
Current Tax + Deferred Tax liability + Excess of MAT over current tax
= Rs. 12,000 + Rs. 1,08,000 + Rs. 14,250 (26,250 – 12,000)
= Rs. 1,34,250
{2 M}

Answer:

(d) **Situation (i)**

When Net Realisable Value of the Finished Goods Y is Rs. 400

NRV is greater than the cost of Finished Goods Y i.e. Rs. 330
Hence, Raw Material and Finished Goods are to be valued at cost
Value of Closing Stock:
{1/2 M}

	Qty	Rate	Amount (Rs.)
Raw Material X	500	220	1,10,000
Finished Goods Y	1,200	330	3,96,000
Total Cost of Closing Stock			**5,06,000**

{1 M}

Situation (ii)

When Net Realisable Value of the Finished Goods Y is Rs. 300

NRV is less than the cost of Finished Goods Y i.e. Rs. 330
Hence, Raw Material is to be valued at replacement cost and
Finished Goods are to be valued at NRV since NRV is less than the cost
Value of Closing Stock:
{1/2 M}

	Qty	Rate	Amount (Rs.)
Raw Material X	500	150	75,000
Finished Goods Y	1,200	300	3,60,000
Total Cost of Closing Stock			**4,35,000**

{1 M}

Working Notes:

Raw Material X	**Rs.**
Cost Price	200
Less: Cenvat Credit	(10)
	190
Add: Freight Inward	20
Unloading charges	10
Cost	**220**

{1 M}

Finished goods Y	**Rs.**
Materials consumed	220
Direct Labour	60
Direct overhead	40
Fixed overheads (Rs. 2,00,000/20,000 units)	10
Cost	**330**

{1 M}

Answer 2:
(a)

		Rs.
(i)	Price of two cars = Rs. 2,00,000 x 2	4,00,000
	Less: Depreciation for the first year @ 30%	1,20,000
		2,80,000
	Less: Depreciation for the second year = $2,80,000 \times \frac{30}{100}$	84,000
	Agreed value of two cars taken back by the hire vendor	**1,96,000** {2 M}
(ii)	Cash purchase price of one car	2,00,000
	Less: Depreciation on Rs. 2,00,000 @20% for the first year	40,000
	Written drown value at the end of first year	1,60,000
	Less: Depreciation on Rs. 1,60,000 @ 20% for the second year	32,000
	Book value of car left with the hire purchaser	**1,28,000** {2 M}
(iii)	Book value of one car as calculated in working note (ii) above	1,28,000
	Book value of Two cars = Rs. 1,28,000 x 2	2,56,000
	Value at which the two cars were taken back, calculated in working note (i) above	1,96,000
	Hence, loss on cars taken back = Rs. 2,56,000 – Rs. 1,96,000 =	**Rs. 60,000** {2 M}
(iv)	Sale proceeds of cars repossessed	1,70,000
	Less: Value at which Cars were taken back Rs. 1,96,000	
	Repair Rs. Rs. 10,000	2,06,000
	Loss on resale	**36,000** {2 M}

Answer:
(b)

Books of A Pvt. Ltd.
Investment in 13.5% Convertible Debentures in P Ltd. Account
(Interest payable 31st March & 30th September)

Date	Particulars	Nominal Rs.	Interest Rs.	Amount Rs.	Date	Particulars	Nominal Rs.	Interest Rs.	Amount Rs.
2018					2018				
May 1	To Bank	5,00,000	**5,625**	**5,19,375**	Sept. 30	By Bank (6 months Int)		**50,625**	
Aug.1	To Bank	2,50,000	**11,250**	**2,45,000**	Oct.1	By Bank	2,00,000		**2,06,000**
Oct.1	To P&L A/c			**2,167**					
Dec. 31	To P&L A/c		**52,313**		Dec. 31	By Equity share	1,10,000		**1,12,108**
					Dec. 31	By Bank (See note1)		**3,713**	
					Dec. 31	By Balance c/d	4,40,000	**14,850**	**4,48,434**
		7,50,000	69,188	7,66,542			7,50,000	69,188	7,66,542

{12 item x 1/2 M}

Investment in Equity shares in P Ltd. Account

Date	Particulars	Nominal Rs.	Amount Rs.	Date	Particulars	Nominal Rs.	Amount Rs.
2018				**2018**			
Dec 31	To 13.5% Deb.	1,00,000	**1,12,108**	Dec. 31	By P & L A/c		**22,108**
				Dec. 31	By Bal. c/d	1,00,000	**90,000**
		1,00,000	1,12,108			1,00,000	1,12,108

{3 item x 1/2 M}

Working Notes:

1. Interest paid on Rs. 5,00,000 purchased on May 1st, 2018 for the month of April 2018, as part of purchase price: 5,00,000 x 13.5% x 1/12 = Rs. 5,625 **{1/2 M}**

2. Interest received on 30th Sept. 2018

	Rs.
On Rs. 5,00,000 = 5,00,000 x 13.5% x ½	33,750
On Rs. 2,50,000 = 2,50,000 x 13.5% x ½	16,875
Total	50,625

{1/2 M}

3. Interest paid on Rs. 2,50,000 purchased on Aug. 1st 2018 for April 2018 to July 2018 as part of purchase price: 2,50,000 x 13.5% x 4/12 = Rs. 11,250 **{1/2 M}**

4. Profit / Loss on Sale of Debentures Cost of acquisition

	Rs.
(Rs. 5,19,375 + Rs. 2,45,000) x Rs. 2,00,000/Rs. 7,50,000	2,03,833
Less: Sale Price (2,000 x 103)	2,06,000
Profit on sale	2,167

{3/4 M}

5. Interest on 1,100 Debentures (being those converted) for 3 months i.e. Oct-Dec. 2018 1,10,000 x 13.5% x 3/12 = Rs. 3,713 **{1/2 M}**

6. Cost of Debentures converted to Equity Shares (Rs. 5,19,375 + Rs. 2,45,000) x 1,10,000/7,50,000= Rs. 1,12,108 **{3/4 M}**

7. Cost being lower than Market Value the debentures are carried forward at Cost. **{1/2 M}**

8. Cost being higher than Market Value the shares are carried forward at Market Value. **{1/2 M}**

Answer 3:

(a) **In the Books of Jyotishikha Traders**

Trading Account for the year ended 31.03.2019

Particulars	Rs.	Particulars	Rs.
To Opening Stock A/c (Bal. fig.)	**1,65,000**	By Sales (W.N.1)	**12,50,000**
To Purchases (W.N.2)	**9,00,000**	By Closing Stock	**65,000**
To Gross profit (12,50,000x 25/125)	**2,50,000**		
	13,15,000		13,15,000

{5 item x 1/4 M}

Profit and Loss Account for the year ended 31.03.2019

Particulars		Rs.	Particulars	Rs.
To Discount		**5,500**	By Gross profit	**2,50,000**
To Salaries Expenses		**32,000**	By Discount	**4,500**
To Office expenses (W.N.3)		**37,000**		
To Selling expenses		**15,000**		
To Interest on loan (12% on Rs. 1,60,000)		**19,200**		
To Bad debts (2% of Rs. 2,25,000)		**4,500**		
To Loss on sale of Machinery		**15,000**		
To Depreciation:				
Land & Building	25,000			
Plant &Machinery (W.N 4b)	23,750			
Office Equipment (W.N. 5)	12,750	**61,500**		
To Net profit after tax		**64,800**		
		2,54,500		2,54,500

{11 item x 1/4 M}

Balance sheet as on 31.3.2019

Liabilities	Rs.	Rs.	Assets	Rs.
Capital (W.N. 6)	8,95,500		Land and Building (5,00,000-25,000)	**4,75,000**
Add: Net Profit	64,800	**9,60,300**	Plant and Machinery (W.N.4a) (3,30,000-21,750)	**3,08,250**
Creditors for Purchase (W.N.8)		**1,05,500**	Office Equipment (85,000 – 12,750)	**72,250**
Outstanding Expenses		**15,000**	Debtors less Bad Debts	**2,20,500**
Loan from SBI		**1,00,000**	Stock	**65,000**
			Bank Balance (W.N.9)	**39,800**
		11,80,800		11,80,800

{10 item x 1/4 M}

Working Notes:

1. Calculation of Total Sales

	Rs.
Cash Sales	2,50,000
Credit Sales (80% of total sales)	
Cash Sales (20% of total sales)	
Thus total Sales (250000 x 100/20)	12,50,000
Credit Sales (1250000 x 80/100)	10,00,000

{1/2 M}

2. Calculation of Total Purchases

	Rs.
Credit Purchases	5,40,000
Cash Purchases (40% of total purchases)	
Credit Purchases (60% of total purchases)	
Thus total Purchases (5,40,000 x 100/60)	9,00,000
Cash Purchases 9,00,000 x 40/100)	3,60,000

{1/2 M}

3. Office Expenses Account

	Rs.		Rs.
To Bank A/c	42,000	By Balance b/d	20,000
To Balance c/d	15,000	By Profit & loss A/c	37,000
	57,000		57,000

{1/2 M}

4. (a) **Plant and Machinery Account**

	Rs.		Rs.
To Opening balance	2,20,000	By Sale	40,000
To Purchases	1,50,000	By Closing Balance	3,30,000
	3,70,000		3,70,000

{1/2 M}

(b) **Depreciation calculations on Plant & Machinery**

		Rs.
Depreciation on	1,80,000 x 10% (for full year)	18,000
	1,50,000 x 10% x 3/12 (for 3 months)	3,750
	40,000 x 10% x 6/12 (for 6 months)	2,000
		23,750

{1/2 M}

(c) **Sale of Machinery Account**

	Amount (Rs.)		Amount (Rs.)
To Plant & Machinery	40,000	By Depreciation	2,000
		By Profit and Loss A/c	15,000
		By Bank	23,000
	40,000		40,000

{1/2 M}

5. Depreciation calculations on Office Equipments

	Rs.
Opening Balance	1,05,000
Less: Closing Balance	85,000
Sale of Office Equipment	20,000
Balance of Office Equipment after sale	85,000
Depreciation @15%	12,750

{1/2 M}

6. Opening Balance Sheet as on 31.03.2018

	Rs.		Rs.
Creditors	95,000	Land & Building	5,00,000
Creditor for Exp.	20,000	Plant & Machinery	2,20,000
Loan	1,60,000	Office Equipment	1,05,000
Capital (Bal. fig.)	8,95,500	Debtors	1,55,500
		Stock	1,65,000
		Bank	25,000
	11,70,500		11,70,500

{2 M}

7. Sundry Debtors A/c

	Rs.		Rs.
To Balance b/d	1,55,500	By Bank	9,25,000
To Sales	10,00,000	By Discount	5,500
		By Bad debts	4,500
		By Bal. c/d	2,20,500
	11,55,500		11,55,500

{1/2 M}

8. Sundry Creditors A/c

	Rs.		Rs.
To Bank	5,25,000	By Balance b/d	95,000
To Discount	4,500	By Purchases	5,40,000
To Balance c/d	1,05,500		
	6,35,000		6,35,000

{1/2 M}

9. Bank Account

	Rs.		Rs.
To Balance b/d	25,000	By Creditors	5,25,000
To Debtors	9,25,000	By Office Expenses	42,000
To Cash Sales	2,50,000	By Salary Expense	32,000
To Sale of Machinery (W.N. 4c)	23,000	By Selling Expenses	15,000
To Sale of equipment	20,000	By Purchases (cash)	3,60,000
		By Purchase of Machinery	1,50,000
		By Bank Loan & Interest	79,200
		By Balance c/d	39,800
	12,43,000		12,43,000

{2 M}

Answer 3:

(b) Books of Branch A

Journal Entries

(i)	Expense account Dr. To Head office account (Being the allocated expenditure by the head office recorded in branch books)	3,500	3,500

{1 M}

(ii)	Depreciation account Dr. To Head Office account (Being the depreciation provided)	1,500	1,500	{1 M}
(iii)	Head Office account Dr. To Salaries account (Being the rectification of salary paid on behalf of H.O.)	2,000	2,000	{1 M}
(iv)	Head office account Dr. To Debtors account (Being the adjustment of collection from branch debtors)	10,000	10,000	{1 M}
(v)	No entry in branch books			{1 M}

Answer 4 :

(i) Adjustment for raising & writing off of goodwill :

	Raised in old profit sharing ratio				Written off in new ratio		Difference	
	S & Co.	T & Co.	Total					
	3:1	2:1	Rs.		3:2:1		Rs.	
B	45,000	–	45,000	Cr.	55,000	Dr.	10,000	Dr.
S	15,000	33,333	48,333	Cr.	36,666	Dr.	11,667	Cr.
T	–	16,667	16,667	Cr.	18,334	Dr.	1,667	Dr.
	60,000	50,000	1,10,000		1,10,000			
	1 M	1 M	1 M		1 M		1 M	

5 M

Books of BST & Co.
Journal Entries

			Dr.	Cr.
20X1			**Rs.**	**Rs.**
Oct. 31	Cash Account	Dr.	10,000	
	Bank Account	Dr.	15,000	
	T & Co.	Dr.	50,000	
	Sundry Debtors	Dr.	80,000	
	Stock Account	Dr.	60,000	
	Furniture Account	Dr.	10,000	
	Machinery Account	Dr.	90,000	
	Building Account	Dr.	50,000	
	To Provision for Doubtful debts			4,000
	To X & Co.			40,000
	To Sundry Creditors			60,000
	To B's Capital Account			1,65,750
	To S's capital Account			95,250
	(Sundry assets and liabilities of M/s S & Co. taken over at the values stated as per agreement dated.)			$1\frac{1}{2}$ **M**
	Cash Account	Dr.	5,000	
	Bank Account	Dr.	20,000	
	X & Co. Account	Dr.	30,000	
	Sundry Debtors A/c	Dr.	1,00,000	

	Stock Account	Dr.	70,000		
	Furniture Account	Dr.	3,000		
	Vehicles Account	Dr	1,00,000		
	To Provision for Doubtful Debts			5,000	
	To S & Co.			50,000	
	To Sundry Creditors			58,000	$1\frac{1}{2}$ **M**
	To S's Capital Account			1,43,333	
	To T's Capital Account			71,667	
	(Sundry assets and liabilities of M/s T & Co. taken over at the values stated as per agreement dated...)				
	B's Capital Account	Dr.	10,000		
	T's Capital Account	Dr.	1,667		
	To S's Capital Account			11,667	$1\frac{1}{2}$ **M**
	(Adjustment in capital accounts consequent on raising goodwill of S & Co. for Rs. 60,000, T & Co. for Rs. 50,000 and writing off the same in the new ratio between B,S,T as per agreement)				
	S & Co.	Dr.	50,000		
	To T Co.			50,000	$1\frac{1}{2}$ **M**
	(Mutual indebtedness of S & Co. and T & Co., cancelled on taking over of the two firms)				
	B's Current Account	Dr.	54,250		
	To B's Capital Account			54,250	$1\frac{1}{2}$ **M**
	(Amount credited to B's Capital to bring capital in profit-sharing ratio)				
	S's Capital Account	Dr.	1,10,250		
	To S's Current Account			1,10,250	
	(Excess amount in S's Capital Account transferred to S's current account to reduce the balance in capital accounts in accordance with the profit sharing ratio)				$1\frac{1}{2}$ **M**

Working Notes:

(i) Balance of Capital Accounts on transfer of business to M/s BST & Co.-

(a) S & Co.		**B's Capital**	**S's Capital**	
	Rs.	Rs.	Rs.	
As per Balance Sheet		1,20,000	80,000	
Credit for Reserve		18,750	6,250	**2 M**
Profit on Revaluation	40,000			
Less : Provision for doubtful debts	(4,000)	27,000	9,000	
		1,65,750	95,250	
(b) T & Co.		**S's Capital**	**T's Capital**	
	Rs.	Rs.	Rs.	
As per Balance Sheet		1,00,000	50,000	
Credit for Reserve		33,333	16,667	
Profit on Revaluation	20,000			**2 M**
Less : Provision for doubtful debts	(5,000)	10,000	5,000	
		1,43,333	71,667	

(ii) Capital in the new firm-

	B (Rs.)		S (Rs.)		T (Rs.)
Balance as taken over	1,65,750		95,250		
	–		1,43,333		71,667
	1,65,750		2,38,583		71,667
Adjustment for Goodwill	−10,000		+11,667		−1,667
	1,55,750		2,50,250		70,000
Total capital, Rs. 4,20,000* in the new ratio of 3:2:1, taking T's Capital as the basis	2,10,000		1,40,000		70,000
Transfer to Current Account	54,250	(Dr.)	1,10,250	(Cr.)	—

2 M

*T's Capital is Rs. 70,000 and it is 1/6 of total. The total therefore is Rs. 4,20,000.

Answer 5:
(a)

Date	Particulars	Amount Dr. Rs.	Amount Cr. Rs.	
01.05.20X1	Bank A/c Dr. To Debenture Application A/c (Application money received on 1,50,000 debentures @ Rs. 100 each)	1,50,00,000	1,50,00,000	{1/2 M}
01.06.20X1	Debenture Application A/c Dr. Underwriters A/c Dr. To 15% Debentures A/c (Allotment of 1,50,000 debentures to applicants and 50,000 debentures to underwriters)	1,50,00,000 50,00,000	2,00,00,000	{1 M}
	Underwriting Commission Dr. To Underwriters A/c (Commission payable to underwriters @ 2% on Rs. 2,00,00,000)	4,00,000	4,00,000	{1/2 M}
	Bank A/c Dr. To Underwriters A/c (Amount received from underwriters in settlement of account)	46,00,000	46,00,000	{1 M}
01.06.20X1	Profit & Loss A/c Dr. To Debenture Redemption Reserve A/c (200,000 X 100 X 25% X 40%) (Being Debenture Redemption Reserve created on non-convertible debentures)	20,00,000	20,00,000	{1 M}
	Debenture Redemption Reserve Investment A/c Dr. To Bank A/c (200,000 X 100 x 15% X 40%) (Being Investments made for redemption purpose)	12,00,000	12,00,000	{1 M}
30.09.20X1	Debenture Interest A/ Dr. To Bank A/c (Interest paid on debentures for 4 months @ 15% on Rs. 2,00,00,000)	10,00,000	10,00,000	{1/2 M}

31.10.20X1	15% Debentures A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Conversion of 60% of debentures into shares of Rs. 60 each with a face value of Rs. 10)	1,20,00,000	 20,00,000 1,00,00,000	{1 M}
31.03.20X2	Debenture Interest A/c Dr. To Bank A/c (Interest paid on debentures for the half year) (refer working note below)	7,50,000	 7,50,000	{1/2 M}

Working Note :

Calculation of Debenture Interest for the half year ended 31st March, 20X2

On Rs. 80,00,000 for 6 months @ 15%	Rs. 6,00,000	{1 M}
On Rs. 1,20,00,000 for 1 months @ 15%	Rs. 1,50,000	
	Rs. 7,50,000	

Answer:

(b) Statement showing the calculation of profits/losses for pre incorporation and Post incorporation period profits of Sanjana Ltd. for the year ended 31st March, 2017

Particulars	Basis	Pre Rs.	Post Rs.
Sales (given)		**10,000**	**40,000**
Less: Purchases	1:3.3	**5,814**	**19,186**
Carriage Inwards	1:3.3	**237**	**782**
Gross Profit (i)		**3,949**	**20,032**
Less: Selling Expenses	1:4	**700**	**2,800**
Preliminary Expenses			**1,200**
Salaries	1:3	**900**	**2,700**
Director Fees			**1,200**
Interest on capital		**700**	
Depreciation	1:3	**700**	**2,100**
Rent	1:3	**1,200**	**3,600**
Total of Expenses(ii)		**4,200**	**13,600**
Capital Loss/Net Profit (i-ii)		**(251)**	**6,432**

{23 item x 1/4 M} =5.75 M

Working Notes:

1: Sales Ratio = 10,000 : 40,000 = 1 :4 **{3/4 M}**

2: Time Ratio = 3:9 = 1:3 **{3/4 M}**

3: Purchase Price Ratio
∴ Ratio is 3 : 9

But purchase price was 10% higher in the company period
∴ Ratio is 3 : 9 + 10%
3:9.9 = 1:3.3. **{3/4 M}**

Answer:

(c) Calculation of net profit u/s 198 of the Companies Act, 2013

	Rs.	Rs.
Balance from Trading A/c		**40,25,365**
Add : Subsidies received from Government		**2,73,925**
		42,99,290
Less : Administrative, selling and distribution expenses	8,22,542	
Director's fees	1,34,780	
Interest on debentures	31,240	
Depreciation on fixed assets as per Schedule II	5,75,345	**(15,63,907)**
Profit u/s 198		**27,35,383**

{5 item x 1/2 M}

Maximum Managerial remuneration under Companies Act, 2013=11% of Rs. 27,35,383= Rs. 3,00,892 **{1$^{1/2}$ M}**

Answer 6:

(a) AS 17 'Segment Reporting' requires that inter-segment transfers should be measured on the basis that the enterprise actually used to price these transfers. The basis of pricing inter-segment transfers and any change therein should be disclosed in the financial statements. Hence, the enterprise can have its own policy for pricing inter- segment transfers and hence, inter-segment transfers may be based on cost, below cost or market price. **{3 M}**

However, whichever policy is followed, the same should be disclosed and applied consistently. Therefore, in the given case inter-segment transfer pricing policy adopted by the company is correct if followed consistently. **{2 M}**

Answer:

(b) Ex-right value of the shares = (Cum-right value of the existing shares + Rights shares X Issue Price) / (Existing Number of shares + Rights Number of shares) **(1$^{1/2}$ M)**

= (Rs. 150 X 4 Shares + Rs. 125 X 1 Share) / (4 + 1) Shares

= Rs. 725 / 5 shares = Rs. 145 per share. **(1$^{1/2}$ M)**

Value of right = Cum-right value of the share – Ex-right value of the share

= Rs. 150 – Rs. 145 = Rs. 5 per share. **1 M**

Hence, any one desirous of having a confirmed allotment of one share from the company at Rs. 125 will have to pay Rs. 20 (4 shares X Rs. 5) to an existing shareholder holding 4 shares and willing to renounce his right of buying one share in favour of that person. **1 M**

Answer:

(c) If information is to represent faithfully the transactions and other events that it purports to represent, it is necessary that they are accounted for and presented in accordance with their substance and economic reality and not merely their legal form. The substance of transactions or other events is not always consistent with that which is apparent from their legal or contrived form. **{3 M}**

For example, where rights and beneficial interest in an immovable property are transferred but the documentation and legal formalities are pending, the recording of acquisition/disposal (by the transferee and transferor respectively) would in substance represent the transaction entered into. **{2 M}**

Answer:
(d)

	Department P (Rs.)	Department S (Rs.)	Department Q (Rs.)	
Profit after charging Manager's Commission	90,000	60,000	45,000	
Add: Manager's Commission (1/9)	10,000	6,667	5,000	
	1,00,000	66,667	50,000	}{1 M}
Less: Unrealised profit on Stock (WN)	(5,426)	(21,000)	(2,727)	
Profit Before Manager's Commission	94,574	45,667	47,273	}{1 M}
Less: Manager's Commission 10%	(9,457)	(4,567)	(4,727)	
Correct Profit after Manager's Commission	85,117	41,100	42,546	}{$1^{1/2}$ M}

Working Notes:

	Department P (Rs.)	Department S (Rs.)	Department Q (Rs.)	Total (Rs.)	
Unrealised Profit of:					
Department P	-	25/125X18,000 =3,600	15/115X14,000 =1,826	5,426	}{1/2 M}
Department S	20/100X48,000 =9,600	-	30/100X38,000 =11,400	21,000	}{1/2 M}
Department Q	20/120X12,000 =2,000	10/110X8,000 =727		2,727	}{1/2 M}

Answer:

(e)

Forward Rate	Rs. 49.15	
Less: Spot Rate	(Rs. 48.85)	{2 M}
Premium on contact	0.30	
Contract Amount	US$ 1,00,000	{1 M}
Total Loss (1,00,000 x 0.30)	Rs. 30,000	

Contract period 3 months

Two falling the year 2016-17; therefore loss to be recognised (30,000/3) x 2 = Rs. 20,000. Rest Rs. 10,000 will be recognised in the following year. {2 M}

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