(GI-11, GI-12+15, GI-13+14, SI-5)

DATE: 25.05.2020 **MAXIMUM MARKS: 100** **TIMING: 3¼ Hours**

PAPER : ADVANCE ACCOUNTING

Answer to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate who has not opted for Hindi Medium. His/her answer in Hindi will not be valued.
Question No. 1 is compulsory.
Candidates are also required to answer any Four questions from the remaining Five Questions.
In case, any candidate answers extra question(s)/sub-question(s) over and above the required number, then all answers shall be valued and best four will be considered.
Wherever necessary, suitable assumptions may be made and disclosed by way of note.

Answer 1:

(a) (i) AS 29 "Provisions, Contingent Liabilities and Contingent Assets" provides that when an enterprise has a present obligation, as a result of past events, that probably requires an outflow of resources and a reliable estimate can be made of the amount of obligation, a provision should be recognised. **{1^1/2 M}**

Sun Ltd. has the obligation to deliver the goods within the scheduled time as per the contract. It is probable that Sun Ltd. will fail to deliver the goods within the schedule and it is also possible to estimate the amount of compensation. Therefore, Sun Ltd. should provide for the contingency amounting Rs. 1.5 crores as per AS 29. **{1^1/2 M}**

(ii) Provision should not be measured as the excess of compensation to be paid over the profit. The goods were not manufactured before 31st March, 2016 and no profit had accrued for the financial year 2015-2016. Therefore, provision should be made for the full amount of compensation amounting Rs. 1.50 crores. **{2 M}**

Answer:

(b) Reporting entity- A Ltd.

- B Ltd. (subsidiary) is a related party
- O Ltd.(subsidiary) is a related party **(1M)**

Reporting entity- B Ltd.

- A Ltd. (holding company) is a related party **(1M)**
- O Ltd. (subsidiary) is a related party

Reporting entity- O Ltd.

- A Ltd. (holding company) is a related party
- B Ltd. (holding company) is a related party
- Z Ltd. (investor/ investing party) is a related party **(2M)**

Reporting entity- Z Ltd.

- O Ltd. (associate) is a related party **(1M)**

Answer:

(c)

- As per para 63 of AS 26 "Intangible Assets," the depreciable amount of an intangible asset should be allocated on a systematic basis over the best estimates of its useful life. There is a rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use. Amortization should commence when the asset is available for use. **2M**

- Base Limited has been following the policy of amortization of the intangible asset over a period of 12 years on straight line basis. The period of 12 years is more than the maximum period of 10 years specified as per AS 26. **1M**

- Accordingly, Base Limited would be required to restate the carrying amount of intangible asset as on 1.4.2011 at Rs. 112 lakhs less Rs. 33.6 lakhs $\left(\frac{112\,\text{lakhs}}{10\,\text{year}} \times 3\,\text{years}\right)$ = Rs. 78.4 lakhs. The difference of Rs. 6.6 lakhs i.e. (Rs. 85 lakhs - Rs. 78.4 lakhs) will be adjusted against the opening balance of revenue reserve. The carrying amount of Rs. 78.4 lakhs would be amortized over remaining 7 year by Rs. 11.2 lakhs per year. **2M**

Answer:

(d) Computation of Earnings Per Share

	Earnings Rs.	Shares	Earnings per share Rs.	
Net Profit for the year 2009-10	30,00,000			
Weighted average number of shares outstanding during the year 2009-10		12,00,000		
Basic Earning Per Share			**2.50**	{2 M}
$= \frac{30,00,000}{12,00,000}$				
Number of shares under option		2,00,000		
Number of shares that would have been issued at fair value (As indicated in Working Note)				
$= [2,00,000 \quad x \quad \frac{15}{25}]$		(1,20,000)		
Diluted Earnings Per Share				
$\left[\frac{30,00,000}{12,80,000}\right]$	30,00,000	12,80,000	**2.34**	{2 M}

Working Note:

The earnings have not been increased as the total number of shares has been increased only by the number of shares (80,000) deemed for the purpose of the computation to have been issued for no consideration. **{1 M}**

Answer 2:

(a) (i) **Liquidator's Statement of Account**

		Rs.				Rs.
To	Assets Realised	**20,00,000**	By	Liquidator's remuneration		
To	Receipt of call	**58,000**		2.5% on 23,20,000*	**58,000**	
	money on 29,000			2% on 50,000	**1,000**	
	equity shares @ 2 per			2% on 13,12,745 (W.N.3)	**26,255**	**85,255**
	share		By	Liquidation Expenses		**10,000**
			By	Debenture holders having		**6,00,000**
				a floating charge on all		
				assets		
			By	Preferential creditors		**50,000**
			By	Unsecured creditors		**13,12,745**
		20,58,000				20,58,000

10 items x ½ M

(ii) Percentage of amount paid to unsecured creditors to total unsecured creditors

$$= \frac{13,12,745}{18,30,000} \text{ x } 100 = 71.73\%$$

{1 M}

Working Notes:

1. Unsecured portion in partly secured creditors=Rs. 3,50,000 - Rs. 3,20,000 = Rs. 30,000 **{1 M}**
2. Total unsecured creditors = 18,00,000 + 30,000 (W.N.1) = Rs. 18,30,000 **{1 M}**
3. Liquidator's remuneration on payment to unsecured creditors

Cash available for unsecured creditors after all payments including payment to preferential creditors & liquidator's remuneration on it = Rs. 13,39,000

Liquidator's remuneration on unsecured creditors $= \frac{2}{102} \text{ x } 13,39,000 = \text{Rs. } 26,255$

or on Rs. 13,12,754 x 2/100 = Rs. 26,255

{2 M}

Answer:

(b)

Date	Particulars		Rs.	Rs.
31.3.20X2	Employees compensation expense A/c	Dr.	14,25,000	
	To ESOS outstanding A/c			14,25,000
	(Being compensation expense recognized in respect of the ESOP i.e. 100 options each granted to 1,000 employees at a discount of Rs. 30 each, amortised on straight line basis over vesting years (Refer W.N.)			
	Profit and Loss A/c	Dr.	14,25,000	
	To Employees compensation expenses A/c			14,25,000
	(Being expenses transferred to profit and Loss A/c)			
31.3.20X3	Employees compensation expenses A/c	Dr.	3,95,000	
	To ESOS outstanding A/c			3,95,000
	(Being compensation expense recognized in respect of the ESOP- Refer W.N.)			

¾M

¾M

¾M

	Profit and Loss A/c To Employees compensation expenses A/c (Being expenses transferred to profit and Loss A/c)	Dr.	3,95,000	3,95,000	¾M
31.3.20X4	Employees compensation Expenses A/c To ESOS outstanding A/c (Being compensation expense recognized in respect of the ESOP- Refer W.N.)	Dr.	8,05,000	8,05,000	¾M
	Profit and Loss A/c To Employees compensation expenses A/c (Being expenses transferred to profit and Loss A/c)		8,05,000	8,05,000	¾M
20X4-X5	Bank A/c (85,000 × Rs. 20) ESOS outstanding A/c [(26,25,000/87,500) x 85,000] To Equity share capital (85,000 x Rs. 10) To Securities premium A/c (85,000 x Rs. 40 (Being 85,000 options exercised at an exercise price of Rs. 50 each)	Dr. Dr.	17,00,000 25,50,000	 8,50,000 34,00,000	¾M
31.3.20X5	ESOS outstanding A/c To General Reserve A/c (Being ESOS outstanding A/c on lapse of 2,500 options at the end of exercise of option period transferred to General Reserve A/c)	Dr.	75,000	75,000	¾M

Working Note:

Statement showing compensation expense to be recognized at the end of:

Particulars	**Year 1 (31.3.20X2)**	**Year 2 (31.3.20X3)**	**Year 3 (31.3.20X4)**	
Number of options expected to vest	95,000 options	91,000 options	87,500 options	
Total compensation expense accrued (50-20)	Rs. 28,50,000	Rs. 27,30,000	Rs. 26,25,000	**1M**
Compensation expense of the year	28,50,000 x 1/2 = Rs. 14,25,000	27,30,000 x 2/3 = Rs. 18,20,000	Rs. 26,25,000	**1M**
Compensation expense recognized previously	Nil	Rs. 14,25,000	Rs. 18,20,000	**1M**
Compensation expenses to be recognized for the year	Rs. 14,25,000	Rs. 3,95,000	Rs. 8,05,000	**1M**

Answer 3:

(a) (i) **In the books of V Ltd.**

Realisation Account

		Rs. in lakhs			Rs. in lakhs
To	Land and Buildings A/c	**445**	By	10% Secured Cumulative Debentures A/c	**600**
To	Plant and Machinery A/c	**593**	By	Outstanding Debenture interest A/c Trade	**30**
To	Furniture, Fixtures & Fittings A/c	**114**	By	payables A/c	**170**
To	Inventories A/c	**380**	By	P Ltd. A/c	**1,150**
To	Trade Receivables A/c	**256**		(purchase consideration – Refer working note)	
To	Bank A/c	**69**			
To	Cash in Hand A/c	**6**			
To	Equity Shareholders' A/c (Profit on Realisation)	**87**			
		1,950			1,950

12 items x ½ M

(ii) **In the books of P Ltd.**

Journal Entries

			Dr. Rs. in lakhs	Cr. Rs. in lakhs	
1.	Business Purchase A/c	Dr.	1,150		
	To Liquidator of V Ltd. A/c			1,150	**{1 M}**
	(Being purchase consideration due)				
2.	Land and Buildings A/c	Dr.	445		
	Plant and Machinery A/c	Dr.	593		
	Furniture, Fixtures & Fittings A/c	Dr.	114		
	Inventories A/c	Dr.	380		
	Trade Receivables A/c	Dr.	256		
	Bank A/c	Dr.	69		
	Cash in Hand A/c	Dr.	6		
	Profit and Loss A/c	Dr.	87		**{2 M}**
	To 10% Debentures A/c			600	
	To Outstanding Debenture interest A/c			30	
	To Trade payables A/c			170	
	To Business Purchase A/c			1,150	
	(Being assets and liabilities taken over from V Ltd. under the scheme of amalgamation in the nature of merger)				
3.	Liquidators of V Ltd. A/c	Dr.	1,150		
	To Equity Share Capital A/c			640	
	To 13% Cumulative Preference Shares A/c			350	
	To Securities Premium A/c			160	**{1 M}**
	(Being discharge of consideration, by allotment of 64 lakhs equity shares of Rs. 10 each at a premium of Rs. 2.50 per share and 35 lakhs 13% cumulative preference shares of Rs. 10 each at par)				
4.	10% Secured Cumulative Debentures A/c	Dr.	600		
	To 10.5% Secured Cumulative Debentures A/c			600	**{1 M}**
	(Being 10% Secured Cumulative Debentures of V Ltd. converted into 10.5% Secured Cumulative Debentures of P Ltd.)				
5.	Outstanding Debenture interest A/c	Dr.	30		
	To Bank A/c			30	**{1/2 M}**
	(Being outstanding debenture interest paid in cash by P Ltd.)				

6.	Profit and Loss A/c Dr. To Bank A/c (Being amalgamation expenses met by P Ltd.)	2	2	{1/2 M}
7.	Trade Payables A/c Dr. To Trade Receivables A/c (Being settlement of mutual liability)	7	7	{1/2 M}
8.	Profit and Loss A/c Dr. To Inventories A/c (5 x 20%) (Being unrealized profit on Inventory eliminated from the inventories of P Ltd.)	1	1	{1/2 M}

Working Note:

Calculation of Purchase Consideration payable by P Ltd.

	Rs. in lakhs
Payment to preference shareholders:	
13% Cumulative Preference Shares of Rs. 10 each (35 lakhs shares × Rs. 10)	350
Payment to equity shareholders:	
(80 lakhs shares x 4/5)= 64 lakhs equity shares @ Rs. 10	640
Securities Premium (64 lakhs equity shares @ Rs. 2.5)	160
Total purchase consideration	1,150

{2 M}

Answer:
(b)

Journal Entries

	Rs.	Rs.	
Equity Share Capital (old) A/c Dr. To Equity Share Capital (Rs. 10) A/c To 10% Preference Share Capital A/c To 8% Debentures A/c To Capital Reduction A/c (Being new equity shares, 10% Preference Shares, 8% Debentures issued and the balance transferred to Reconstruction account as per the Scheme)	10,00,000	 6,00,000 1,20,000 40,000 2,40,000	{2 M}
Bank A/c Dr. To 10% First Debentures A/c (Being allotment of 10% first Debentures)	1,00,000	 1,00,000	{1 M}
Capital Reduction A/c Dr. To Goodwill Account To Plant and Machinery Account To Freehold Property Account (Being Capital Reduction Account utilized for writing off of Goodwill, Plant and Machinery and Freehold property as per the scheme)	2,40,000	 1,40,000 50,000 50,000	{2 M}

Answer 4:

(a)

ZED Bank Ltd

Profit and Loss Account for the year ended 31st March, 2013

			(Rs. in '000)
	Particulars	**Schedule No.**	**Year ended on 31st March,2013**
I.	Income		
	Interest earned (W.N. 1)	13	**8,830**
	Other income	14	**220**
	Total		**9,050**
II.	Expenditure		
	Interest expended	15	**2,720**
	Operating expenses	16	**2,830**
	Provisions and contingencies (W.N. 4)		**2,513.95**
	Total		**8,063.95**
III.	Profit/Loss		
	Net profit/(loss) for the year		**986.05**
	Profit/(loss) brought forward		**Nil**
	Total		**986.05**
IV.	Appropriations		
	Transfer to statutory reserve @ 25%		**246.51**
	Balance carried to balance sheet		**739.54**
	Total		**986.05**

13 items x ½ M

Working Notes:

(1) Schedule 13 – Interest Earned

			(Rs. '000s)
(i)	Interest and discount	8,860	
	Less: Rebate on bills discounted not provided	(30)	
	Interest accrued on investments	(10)	8,820
(ii)	Interest accrued on investments		10
			8,830

{1½ M}

Note: Interest accrued on investments to be shown separately under Interest Earned.

(2) Calculation of Provisions and Contingencies

Assets	**Amount**	**% of Provision**	**Provision**
	(Rs. in '000)		**(Rs. in '000)**
Standard assets	4,000	0.40	16
Sub-standard assets*	2,240	15	336
Doubtful assets (unsecured)	390	100	390
Doubtful assets – covered by security			
Less than 1 year	100	25	25
More than 1 year but less than 3 years	600	40	240
More than 3 years	600	100	600
Loss assets	376	100	376
Total provision	8,306		1,983

{1 M}

*Note: It is assumed that sub-standard assets are fully secured.

(3) Calculation of provision on tax = 35% (Total income – Total expenditure)
= 35% of Rs. [(9,050 – (2,720 + 2,830 + 1,983)]
= 35% of Rs. 1,517
= Rs. 530.95 **{1/2 M}**

(4) Total provisions and contingencies = Rs. 1,983 + Rs. 530.95 = Rs. 2,513.95. **{1/2 M}**

Answer:

(b) Adjusted revenue reserves of Neel Ltd.

	Rs.	**Rs.**
Revenue reserves as given		**3,57,000**
Add: Provision for doubtful debts [4,45,500 / 99 X 1]		**4,500**
		3,61,500
Less: Reduction in value of Inventory	17,000	
Advertising expenditure to be written off	15,000	**(32,000)**
Adjusted revenue reserve		3,29,500

4 items x ½ M

Note: Since Neel Ltd. follows FIFO basis, it is assumed that opening inventory has been sold out during the year 2015. Therefore, reduction in inventory would have been taken care of by sale value. Hence no adjustment has been made for the same.

Restated Balance Sheet of Neel Ltd.
as at 31st December, 2016

Particulars	**Note No.**	**(Rs.)**
I. Equity and Liabilities		
(1) Shareholder's Funds		
(a) Share Capital		**2,50,000**
(b) Reserves and Surplus	1	**3,29,500**
(2) Current Liabilities		
(a) Short term borrowings	2	**85,000**
(b) Trade Payables		**2,47,000**
(c) Short-term provision	3	**2,15,000**
Total		11,26,500
II. Assets		
(1) Non-current assets		
(a) Fixed assets		
Tangible assets	4	**1,12,000**
(b) Non-current Investment		**2,00,000**
(2) Current assets		
(a) Inventories		**3,54,000**
(b) Trade Receivables		**4,50,000**
(c) Cash & Cash Equivalents		**1,500**
(d) Other current assets	5	**9,000**
Total		11,26,500

11 items x ½ M

Notes to Accounts

			Rs.	
1.	**Reserves and Surplus**			
	Revenue Reserve (refer computation of adjusted revenue reserves of Neel Ltd)		**3,29,500**	
2.	**Short term borrowings**			
	Bank overdraft		**85,000**	
3.	**Short-term provision**			**5 items x ½ M**
	Provision for taxation		**2,15,000**	
4.	**Tangible Assets**			
	Cost	1,60,000		
	Less: Depreciation to date	(48,000)	**1,12,000**	
5.	**Other current assets**			
	Prepaid expenses (After adjusting advertising expenditure to be written off each year)		**9,000**	

Answer: 5

Consolidated Balance Sheet of A Ltd. and its subsidiary B Ltd.
As on 31st March, 2017

Particulars		Note No.		(Rs.)
I	**Equity and Liabilities**			
	(1) Shareholder's Funds			
	(a) Share capital		¾M{	**10,00,000**
	(b) Reserves and surplus (W.N.5.)		¾M{	**5,09,000**
	(2) Minority interest (W.N 3.)		¾M{	**1,46,000**
	(3) Non-current liabilities			
	(a) Long term borrowings	1	¾M{	**2,00,000**
	(4) Current Liabilities			
	(a) Trade payables	2	¾M{	**4,60,000**
	(b) Other current liabilities		¾M{	**2,40,000**
	(Rs. 2,00,000 + Rs. 40,000)			
	Total			25,55,000
II	**Assets**			
	(1) Non-current assets			
	(a) Fixed assets	3	¾M{	**10,55,000**
	(i) Tangible assets	4	¾M{	**3,40,000**
	(ii) Intangible assets			
	(2) Current assets			
	(a) Inventories	5	¾M{	**6,05,000**
	(b) Trade receivables	6		
	(c) Cash & cash equivalents	7	¾M{	**3,55,000**
			¾M{	**2,00,000**
				25,55,000

Notes to Accounts

1	**Long Term Borrowings**		
	Secured loans		
	13% Debentures (Rs. 100 each)		**¾M{ 2,00,000**
2	**Trade Payables**		
	A Ltd.	3,80,000	
	B Ltd.(W.N 1)	1,40,000	
		5,20,000	
	Less : Mutual indebtedness	(60,000)	**¾M{ 4,60,000**
3	**Tangible Assets**		
	A Ltd.	6,50,000	
	B Ltd.	4,05,000	**¾M{ 10,55,000**
4	**Intangible assets**		
	Goodwill (W.N 2)		**¾M{ 3,40,000**
5	**Inventories**		
	A Ltd.	2,00,000	
	B Ltd.[WN 1]	4,20,000	
		6,20,000	
	Less : Unrealised profit [90,000 X 20/120]	(15,000)	**¾M{ 6,05,000**
	Trade Receivables		
6	A Ltd.	1,50,000	
	B Ltd.	2,65,000	
		4,15,000	
	Less : Mutual indebtedness	(60,000)	**¾M{ 3,55,000**
7	**Cash & Cash equivalents**		
	A Ltd.	80,000	
	B Ltd.[W.N 1]	1,20,000	**¾M{ 2,00,000**

Working Notes:

1. Adjustments to be made in the balance sheet items of B Ltd.:

Assets side	(Rs.)	
Inventories:		
As on 31st December, 2016	3,50,000	
Add : Unsold Inventory out of goods purchased from A Ltd.	90,000	
	4,40,000	**(½M)**
Less: Loss of inventory by fire	(20,000)	
	4,20,000	
Cash & Bank balance:		
As on 31st December, 2016	1,05,000	
Add: Insurance claim received [20,000 × 75 %]	15,000	**(½M)**
	1,20,000	
Liabilities side:		
Trade payables:		

As on 31st December, 2016	80,000	
Add: Owings to A Ltd. on 31st March, 2017	60,000	**(½M)**
	1,40,000	
Reserves and Surplus:		
As on 31st December, 2016	2,05,000	
Less: Abnormal Loss on goods destroyed [20,000 – 15,000]	(5,000)	
	2,00,000	**(½M)**
Add: Profit from sale of goods purchased from A Ltd.	30,000	
	2,30,000	

2. Goodwill / capital reserve on consolidation:

	(Rs.)	(Rs.)	
Amount paid for 40,000 Shares		8,00,000	
Less: Nominal value of proportionate share capital	4,00,000		
Share of pre-acquisition profits (80% of Rs. 75,000)	60,000	(4,60,000)	**(1M)**
Goodwill		3,40,000	

3. Minority Interest: 10,000 / 50,000 shares = 20%

	(Rs.)	
Paid up value of 10,000 shares	1,00,000	
Add: 20% of Reserves & Surplus of B Ltd. (20% of Rs. 2,30,000)	46,000	**(1½M)**
	1,46,000	

4. Profit /Loss on Debentures acquired

	(Rs.)	
Amount paid for 1,000 Debentures	1,50,000	
Less: Nominal value of proportionate 13% debentures	(1,00,000)	**(1M)**
Loss charged to Profit and Loss Account	50,000	

5. Reserves and Surplus of A Ltd.:

	(Rs.)	
Balance as on 31st March, 2017	4,50,000	
Add: Share of revenue reserves of B Ltd. ([80% of Rs. 1,55,000 (i.e. 2,30,000 – 75,000)]	1,24,000	
	5,74,000	**(1M)**
Less: Unrealised profit on inventory $\frac{1}{6}$ 90,000	(15,000)	
Loss on elimination of debentures acquired	(50,000)	
	5,09,000	

Answer 6:

(a) With respect to a discontinuing operation, the initial disclosure event is the occurrence of one of the following, whichever occurs earlier.

a. The enterprise has entered into a binding sale agreement for substantially all of the assets attributable to the discontinuing operation or **(2½M)**

b. The enterprise's board of directors or similar governing body has both
   (i) approved a detailed, formal plan for the discontinuance and
   (ii) made an announcement of the plan. **(2½M)**

Answer:

(b)

In the books of ABC Ltd.
Journal Entries

Date	Particulars	Dr. (Rs.)	Cr. (Rs.)	
31.3.20X1	Employees compensation expense account Dr. To Employee stock option outstanding account (Being compensation expenses recognized in respect of the employee stock option i.e. 1,000 options granted to employees at a discount of Rs. 120 each, amortized on straight line basis over 2½ years) (1,000 stock options × Rs. 120 / 2.5 years)	48,000	48,000	**(½M)**
	Profit and loss account Dr. To Employees compensation expenses account (Being expenses transferred to profit and loss account at year end)	48,000	48,000	
31.3.20X2	Employees compensation expenses account Dr. To Employee stock option outstanding account (Being compensation expense recognized in respect of the employee stock option i.e. 1,000 options granted to employees at a discount of Rs. 120 each, amortised on straight line basis over 2½ years) (1,000 stock options × Rs. 120/2.5 years)	48,000	48,000	**(½M)**
	Profit and loss account Dr. To Employees compensation expenses account (Being expenses transferred to profit and loss account at year end)	48,000	48,000	**(½M)**
1.3.20X3	Employee stock option outstanding account Dr. (W.N.1) To General Reserve account (W.N.1) (Being excess of employees compensation expenses transferred to general reserve account)	12,000	12,000	**(½M)**

30.6.20X3	Bank A/c (600 × Rs. 40) Dr. Employee stock option outstanding account Dr. (600 × Rs. 120) To Equity share capital account (600×Rs. 10) To Securities premium account (600×Rs. 150) Being 600 employee stock option exercised at an exercise price of Rs. 40 each	24,000 72,000	6,000 90,000	(½M)
01.10.20X3	Employee stock option outstanding account Dr. (W.N.2) To General reserve account (W.N.2) (Being ESOS outstanding A/c on lapse of 100 options at the end of exercise of option period transferred to General Reserve A/c)	12,000	12,000	(½M)

Working Notes:

1. On 31.3.20X3, ABC Ltd. will examine its actual forfeitures and make necessary adjustments, if any, to reflect expenses for the number of options that actually vested. Considering that 700 stock options have completed 2.5 years vesting period, the expense to be recognized during the year is in negative i.e.

No. of options actually vested (700 x 120)	Rs. 84,000	
Less: Expenses recognized Rs. (48,000 + 48,000)	(Rs. 96,000)	(1M)
Excess expense transferred to general reserve	Rs. 12,000	

2. Similarly, on 1.10.20X3, Employee Stock Option Outstanding Account will be

No. of options actually vested (600 x 120)	Rs. 72,000	
Less: Expenses recognized	(Rs. 84,000)	(1M)
Excess expense transferred to general reserve	Rs. 12,000	

Employee Stock Options Outstanding will appear in the Balance Sheet under a separate heading, between 'Share Capital' and 'Reserves and Surplus'.

Answer:

(c) Calculation of foreseeable loss for the year ended 31st March, 2019 (as per AS 7 "Construction Contracts")

	(Rs. in lakhs)	
Cost incurred till 31st March, 2019	**83.99**	
Prudent estimate of additional cost for completion	**36.01**	5 items
Total cost of construction	**120.00**	x ½ M
Less: Contract price	**(108.00)**	
Foreseeable loss	**12.00**	

According to para 35 of AS 7 (Revised 2002) "Construction Contracts", when it is probable that total contract costs will exceed total contract revenue; the expected loss should be recognized as an expense immediately. Therefore, amount of Rs. 12 lakhs is required to be provided for in the books of Sampath Construction Company for the year ended 31st March, 2019. **{$2^{1/2}$ M}**

Answer:

(d) **Statement showing computation of 'Net Owned Fund'**

		Rs. in 000
Paid up Equity Capital		100
Free Reserves		500
		600
Less: Deferred expenditure		(200)
	A	**400**
Investments		
In shares of subsidiaries and group companies		100
In debentures of subsidiaries and group companies		100
	B	**200**
10% of A		40
Excess of Investment over 10% of A (200-40)	C	160
Net Owned Fund [(A) - (C)] (400-160)		240

{$1^{1/2}$ M} {$1^{1/2}$ M} {1 M} {1 M}

Answer:

(e) **Journal Entries in the books of M Ltd.**

			Dr. Rs. in '000	**Cr. Rs. in '000**
1.	Bank A/c	Dr.	2,500	
	Profit and Loss A/c	Dr.	500	
	To Investment A/c			3,000
	(Being investment sold for the purpose of buy- back of Equity Shares)			
2.	Equity share capital A/c	Dr.	600	
	Premium payable on buy-back	Dr.	300	
	To Equity shares buy-back A/c			900
	(Being the amount due on buy-back of equity shares)			
3.	Equity shares buy-back A/c	Dr.	900	
	To Bank A/c			900
	(Being payment made for buy-back of equity shares)			
4.	Securities Premium A/c	Dr.	300	
	To Premium payable on buy-back			300
	(Being premium payable on buy-back charged from Securities premium)			
5.	Revenue reserve A/c	Dr.	600	
	To Capital Redemption Reserve A/c			600
	(Being creation of capital redemption reserve to the extent of the equity shares bought back)			

{1 M} {1 M} {1 M} {1 M} {1 M}

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