(GI-1, GI-2, VI-VDI-SI-1,2)

DATE: 24.07.2022 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.

Question 1:

(a) Reliance Ltd. sold machinery having WDV of Rs. 40 lakhs to Tata Consultancy Ltd. for Rs. 50 lakhs and the same machinery was leased back by Tata Consultancy Ltd. to Reliance Ltd. The lease back is operating lease. Comment if –

(a) Sale price of Rs. 50 lakhs is equal to fair value.
(b) Fair value is Rs. 60 lakhs.
(c) Fair value is Rs. 45 lakhs and sale price is Rs. 38 lakhs.
(d) Fair value is Rs. 40 lakhs and sale price is Rs. 50 lakhs.
(e) Fair value is Rs. 46 lakhs and sale price is Rs. 50 lakhs.
(f) Fair value is Rs. 35 lakhs and sale price is Rs. 39 lakhs.

(5 Marks)

(b) A consumer goods producer has changed the product line as follows:

	Dish washing Bar (Per month)	Clothes washing Bar (Per month)
January 2016 - September 2016	2,00,000	2,00,000
October 2016 - December 2016	1,00,000	3,00,000
January 2017 - March 2017	Nil	4,00,000

The company has enforced a gradual enforcement of change in product line on the basis of an overall plan. The Board of Directors has passed a resolution in March 2016 to this effect. The company follows calendar year as its accounting year. You are required to examine whether it should it be treated as discontinuing operation as per AS 24?

(5 Marks)

(c) Fashion Limited is engaged in manufacturing of readymade garments. They provide you the following information on 31st March, 2017:

(i) On 15th January, 2017 garments worth Rs. 4,00,000 were sent to Anand on consignment basis of which 25% garments unsold were lying with Anand as on 31st March, 2017.
(ii) Garments worth Rs. 1,95,000 were sold to Shine boutique on 25th March, 2017 but at the request of Shine Boutique, these were delivered on 15th April, 2017.
(iii) On 1st November, 2016 garments worth Rs. 2,50,000 were sold on approval basis. The period of approval was 4 months after which they were considered sold. Buyer sent approval for 75% goods up to 31st December, 2016 and no approval or disapproval received for the remaining goods till 31st March, 2017.

You are required to advise the accountant of Fashion Limited, the amount to be recognised as revenue in above cases in the context of AS 9.

(5 Marks)

(d) The following information is available for TON Ltd. for the accounting year 2015-16 and 2016-17:

	Net Profit for	Rs.
Year	2015-16	35,00,000
Year	2016-17	45,00,000

No. of shares outstanding prior to right issue 15,00,000 shares.

Right issue : One new share for each 3 shares outstanding i.e. 5,00,000 shares.
: Right issue price Rs. 25
: Last date to exercise right 31st July, 2016

Fair value of one equity share immediately prior to exercise of rights on 31.07.2016 is Rs. 35.

You are required to compute:

(i) Basic earnings per share for the year 2015-16.
(ii) Restated basic earnings per share for the year 2015-16 for right issue.
(iii) Basic earnings per share for the year 2016-17.

(5 Marks)

Question 2:

(a) The firm of M/s Om has four partners - A,B,C & D and as of 31st March, 2021, its Balance Sheet stood as follows:

Equity and Liabilities	**Rs.**	**Assets**	**Rs.**
Capital A/cs:		Land	50,000
A	2,00,000	Building	2,50,000
B	2,00,000	Office equipment	1,25,000
C	1,00,000	Computers	70,000
Current A/cs:		Debtors	4,00,000
A	50,000	Stocks	3,00,000
B	1,50,000	Cash at Bank	75,000
C	1,10,000	Other Current Assets	22,600
Loan from NBFC	5,00,000	Current A/c:	
Current Liabilities	70,000	D	87,400
	13,80,000		13,80,000

The partners have been sharing profits and losses in the ratio of 4:4:1:1. It has been agreed to dissolve the firm on 1.4.2021 on the basis of the following understanding:

(a) The following assets are to be adjusted to the extent indicated with respect to the book values:

Land	200%
Building	120%
Computers	70%
Debtors	95%
Stocks	90%

(b) In the case of the loan, the lenders are to be paid at their insistence a prepayment premium of 1%.

(c) D is insolvent and no amount is recoverable from him. His father, C, however, agrees to bear 50% of his deficiency. The balance of the deficiency is agreed to be apportioned according to law.

(d) The assets are realized at the agreed (adjusted) values.

Assuming that the realization of the assets and discharge of liabilities is carried out immediately, show the Cash A/c, Realization Account and the Partners' capital accounts (including their current accounts).

(10 Marks)

(b) On 1st April, 2020, XYZ Ltd., offered 150 shares to each of its 750 employees at Rs. 60 per share. The employees are given a year to accept the offer. The shares issued under the plan shall be subject to lock-in period on transfer for three years from the grant date. The market price of shares of the company on the grant date is Rs. 72 per share. Due to post-vesting restrictions on transfer, the fair value of shares issued under the plan is estimated at Rs. 67 per share on the grant date. On 31st March, 2021, 600 employees accepted the offer and paid Rs. 60 per share purchased. Face value of each share is Rs. 10. You are required to record the issue of shares in the books of the XYZ Ltd., under the aforesaid plan.

(5 Marks)

(c) Calculate 'Owned Fund' of an NBFC based on the following information:
Paid up share capital: Rs. 150 lakhs
Free reserves: Rs. 250 lakhs
Compulsory convertible preference shares (CCPS): Rs. 50 lakhs
Revaluation Reserve: Rs. 95 lakhs.

(5 Marks)

Question 3:

A Ltd acquired 1,600 ordinary shares of Rs.100 each of B Ltd on 1st July, 20X1. On 31st December, 20X1, the balance sheets of the two companies were as given below:

Balance Sheet of A Ltd. and its subsidiary, B Ltd. as at 31st December, 20X1

Particulars	Note No.	A Ltd. (Rs.)	B Ltd. (Rs.)
I. Equity and Liabilities			
(1) Shareholder's Funds			
(a) Share Capital	1	5,00,000	2,00,000
(b) Reserves and Surplus	2	2,97,200	1,82,000
(2) Current Liabilities			
(a) Trade Payables		47,100	17,400
(b) Short term borrowings	3	80,000	
Total		9,24,300	3,99,400
II. Assets			
(1) Non-current assets			
(d) Property, Plant and Equipment	4	3,90,000	3,15,000
(b) Non-current Investments	5	3,40,000	--
(2) Current assets			
(a) Inventories		1,20,000	36,400
(b) Trade receivables		59,800	40,000
(c) Cash & Cash equivalents	6	14,500	8,000
Total		9,24,300	3,99,400

Notes to Accounts

		A Ltd. Rs.	B Ltd. Rs.
1.	**Share Capital**		
	5,000 shares of Rs. 100 each, fully paid up	5,00,000	-
	2,000 shares of Rs. 100 each, fully paid up	-	2,00,000
	Total	5,00,000	2,00,000
2.	**Reserves and Surplus**		
	General Reserves	2,40,000	1,00,000
	Profit & loss	57,200	82,000
	Total	2,97,200	1,82,000

3.	**Short term borrowings**		
	Bank overdraft	80,000	--
4.	**Property plant and equipment**		
	Land and building	1,50,000	1,80,000
	Plant & Machinery	2,40,000	1,35,000
	Total	3,90,000	3,15,000
5.	**Non-current Investments**		
	Investment in B Ltd (at cost)	3,40,000	--
6.	**Cash & Cash equivalents**		
	Cash	14,500	8,000

The Profit & Loss Account of B Ltd. showed a credit balance of Rs. 30,000 on 1st January, 20X1 out of which a dividend of 10% was paid on 1st August, 20X1; A Ltd. credited the dividend received to its Profit & Loss Account. The Plant & Machinery which stood at Rs. 1,50,000 on 1st January, 20X1 was considered as worth Rs. 1,80,000 on 1st July, 20X1; this figure is to be considered while consolidating the Balance Sheets. The rate of depreciation on plant & machinery is 10% (computed on the basis of useful lives).
Prepare consolidated Balance Sheet as at 31st December, 20X1.

(20 Marks)

Question 4:

(a) The summarized Balance Sheet of Srishti Ltd. as on 31st March, 2014 was as follows:

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Equity Shares of Rs. 10 fully paid	30,00,000	Goodwill	5,00,000
Export Profit Reserves	8,50,000	Tangible Fixed Assets	30,00,000
General Reserves	50,000	Stock	10,40,000
Profit and loss Account	5,50,000	Debtors	1,80,000
9% Debentures	5,00,000	Cash & Bank	2,80,000
Trade Creditors	1,00,000	Preliminary Expenses	50,000
	50,50,000		50,50,000

Anu Ltd. agreed to absorb the business of Srishti Ltd. with effect from 1st April, 2014.

(a) The purchase consideration settled by Anu Ltd. as agreed:
   (i) 4,50,000 equity Shares of Rs. 10 each issued by Anu Ltd. by valuing its share @ Rs. 15 per share.
   (ii) Cash payment equivalent to Rs. 2.50 for every share in Srishti Ltd.

(b) The issue of such an amount of fully paid 8% Debentures in Anu Ltd. at 96% as is sufficient to discharge 9% Debentures in Srishti Ltd. at a premium of 20%.

(c) Anu Ltd. will take over the Tangible Fixed Assets at 100% more than the book value, Stock at Rs. 7,10,000 and Debtors at their face value subject to a provision of 5% for doubtful Debts.

(d) The actual cost of liquidation of Srishti Ltd. was Rs. 75,000. Liquidation cost of Srishti Ltd. is to be reimbursed by Anu Ltd. to the extent of Rs. 50,000.

(e) Statutory Reserves are to be maintained for 1 more year.

You are required to:

(i) Close the books of Srishti Ltd. by preparing Realisation Account, Anu Ltd. Account, Shareholders Account and Debenture Account, and

(ii) Pass Journal Entries in the books of Anu Ltd. regarding acquisition of business.

(15 Marks)

(b) The following scheme of reconstruction has been approved for Win Limited:

(i) The shareholders to receive in lieu of their present holding at 1,00,000 shares of Rs. 10 each, the following:

(a) New fully paid Rs. 10 Equity shares equal to 3/5th of their holding.

(b) 10% Preference shares fully paid to the extent of 1/5th of the above new equity shares.

(c) Rs. 40,000, 8% Debentures.

(ii) An issue of Rs. 1 lakh 10% first debentures was made and allotted, payment for the same being received in cash forthwith.

(iii) Goodwill which stood at Rs. 1,40,000 was completely written off.

(iv) Plant and machinery which stood at Rs. 2,00,000 was written down to Rs. 1,50,000.

(v) Freehold property which stood at Rs. 1,50,000 was written down by Rs. 50,000.

You are required to draw up the necessary Journal entries in the Books of Win Limited for the above reconstruction. Suitable narrations to Journal entries should form part of your answer.

(5 Marks)

Question 5:

(a) X Co. Ltd. went into voluntary liquidation on 1st April, 2017. The following balances are extracted from its books on that date:

	Rs.		**Rs.**
Capital		Machinery	90,000
24,000 Equity Shares of Rs. 10 each	2,40,000	Leasehold properties	1,20,000
Debentures (Secured by		Stock	3,000
Floating charge)	1,50,000	Debtors	1,50,000
Bank overdraft	54,000	Investments	18,000
Creditors	60,000	Cash in hand	3,000
		Profit and loss account	1,20,000
	5,04,000		5,04,000

The following assets are valued as under:

	Rs.
Machinery	1,80,000
Leasehold properties	2,18,000
Investments	12,000
Stock	6,000
Debtors	1,40,000

The bank overdraft is secured by deposit of title deeds of leasehold properties. There were preferential creditors amounting Rs. 3,000 which were not included in creditors Rs. 60,000.

Prepare a statement of affairs to be submitted to the meeting of members/creditors.

(10 Marks)

(b) The following figures are extracted from the books of KLM Bank Ltd. as on 31-03-20X2:

	Rs.
Interest and discount received	38,00,160
Interest paid on deposits	22,95,360
Issued and subscribed capital	10,00,000
Salaries and allowances	2,50,000
Directors Fees and allowances	35,000

Rent and taxes paid	1,00,000
Postage and telegrams	65,340
Statutory reserve fund	8,00,000
Commission, exchange and brokerage	1,90,000
Rent received	72,000
Profit on sale of investment	2,25,800
Depreciation on assets	40,000
Statutory expenses	38,000
Preliminary expenses	30,000
Auditor's fee	12,000

The following further information is given:

(1) A customer to whom a sum of Rs. 10 lakhs was advanced has become insolvent and it is expected only 55% can be recovered from his estate.

(2) There was also other debts for which a provisions of Rs. 2,00,000 was found necessary.

(3) Rebate on bill discounted on 31-03-20X1 was Rs. 15,000 and on 31-03-20X2 was Rs. 20,000.

(4) Income tax of Rs. 2,00,000 is to be provided.
The directors desire to declare 5% dividend.

Prepare the Profit and Loss account of KLM Bank Ltd. for the year ended 31-03-20X2 and also show, how the Profit and Loss account will appear in the Balance Sheet if the Profit and Loss account opening balance was NIL as on 31-03-20X1.

(10 Marks)

Question 6: (Answer any four)

(a) (i) Mr. Raj a relative of key management personnel received remuneration of Rs. 2,50,000 for his services in the company for the period from 1.4.2020 to 30.6.2020. On 1.7.2020, he left the service. Should the relative be identified as at the closing date i.e. on 31.3.2021 for the purposes of AS 18?

(ii) X Ltd. sold goods to its associate Company during the 1st quarter ending 30.6.2020. After that, the related party relationship ceased to exist. However, goods were supplied as were supplied to any other ordinary customer. Decide whether transactions of the entire year need disclosure as related party transaction.

(5 Marks)

(b) AB Limited is a company engaged in manufacturing industrial packaging equipment. As per the terms of an agreement entered with its debenture holders, the company is required to appropriate adequate portion of its profits to a specific reserve over the period of maturity of the debentures such that, at the redemption date, the reserve constitutes at least half the value of such debentures. As such appropriations are not available for distribution to the equity shareholders, AB Limited has excluded this from the numerator in the computation of Basic EPS. Is this treatment correct as per provisions of AS 20?

(5 Marks)

(c) M Ltd. furnishes the following summarized Balance Sheet as at 31st March, 20X1 :

	Rs. in '000	**Rs. in '000**
Equity & Liabilities		
Share Capital:		
Authorized Capital:		5,000
Issued and Subscribed Capital :		
3,00,000 Equity shares of Rs. 10 each fully paid up	3,000	

20,000 9% Preference Shares of 100 each	2,000	5,000
Reserve and Surplus:		
Capital reserve	10	
Revenue reserve	4,000	
Securities premium	500	
Profit and Loss account	1,800	6,310
Non-current liabilities - 10% Debentures		400
Current liabilities and provisions		40
		11,750
Assets		
Fixed Assets: Cost	3,000	
Less: Provision for depreciation	250	2,750
Non-current investments at cost		5,000
Current assets, loans and advances (including		
cash and bank balances)		4,000
		11,750

The company passed a resolution to buy back 20% of its equity capital @ Rs. 15 per share. For this purpose, it sold its investments of Rs. 30 lakhs for Rs. 25 lakhs.
You are required to pass necessary Journal entries.

(5 Marks)

(d) How will a company classify its investment in preference shares, which are convertible into equity shares within one year from the balance sheet date? Will it classify the investment as a current asset or a non-current asset? Explain.

(5 Marks)

(e) Explain the conditions involved in an amalgamation in the Nature of merger.

(5 Marks)

__**__