(GI-8, FMT)

DATE: 01.03.2023 **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) Computation of Basic Earnings per share-

		Year 2015-16 (Rs.)	**Year 2016-17 (Rs.)**	
(i)	EPS for the year 2015-16 as originally reported = Net profit for the year attributable to equity share holder / weighted average number of equity shares outstanding during the year Rs. 35,00,000 / 15,00,000 shares	2.33	}{1 M}	
(ii)	EPS for the year 2015-16 restated for the right issue Rs. 35,00,000 / 15,00,000 shares x 1.08	2.16	}{1 M}	
(iii)	EPS for the year 2016-17 (including effect of right issue) Rs. 45,00,000 / [15,00,000 x 1.08 x 4/12)+ (20,00,000 x 8/12)]		2.40	}{1 M}

Working Notes:

1. Computation of theoretical ex-rights fair value per share =

$$\frac{\text{Fair value of all outstanding shares immediately prior to exercise of rights+total amount received from exercise}}{\text{Number of shares outstanding prior to exercise + number of shares issued in the exercise}}$$ **{1/2 M}**

[(Rs. 35 x 15,00,000) + (Rs. 25 x 5,00,000)] / (15,00,000 + 5,00,000) = Rs. 32.5 **}{1/2 M}**

2. Computation of adjustment factor

$$\frac{\text{Fair value per share prior to exercise of rights}}{\text{Theoretical ex-rights value per share}}$$ **{1/2 M}**

= Rs. 35 / 32.50 = 1.08 (approx.) **}{1/2 M}**

Answer:

(b) As per AS 9 "Revenue Recognition", in a transaction involving the sale of goods, performance should be regarded as being achieved when the following conditions are fulfilled:

(i) the seller of goods has transferred to the buyer the property in the goods for a price or all significant risks and rewards of ownership have been transferred to the buyer and the seller retains no effective control of the goods transferred to a degree usually associated with ownership; and **{3/4 M}**

(ii) no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of the goods. **{3/4 M}**

Case (i): 25% goods lying unsold with consignee should be treated as closing inventory and sales should be recognized for Rs. 3,00,000 (75% of Rs. 4,00,000) for the year ended on 31.3.17. In case of consignment sale revenue should not be recognized until the goods are sold to a third party. **{1 M}**

Case (ii): The sale is complete but delivery has been postponed at buyer's request. Fashion Ltd. should recognize the entire sale of Rs. 1,95,000 for the year ended 31st March, 2017. **{1 M}**

Case (iii): In case of goods sold on approval basis, revenue should not be recognized until the goods have been formally accepted by the buyer or the buyer has done an act adopting the transaction or the time period for rejection has elapsed or where no time has been fixed, a reasonable time has elapsed. Therefore, revenue should be recognized for the total sales amounting Rs. 2,50,000 as the time period for rejecting the goods had expired. **{1 M}**

Thus total revenue amounting Rs. 7,45,000 (3,00,000+1,95,000+2,50,000) will be recognized for the year ended 31st March, 2017 in the books of Fashion Ltd. **{1/2 M}**

Answer:

(c) Following will be the treatment in the given cases:

(a) When sales price of Rs. 50 lakhs is equal to fair value, Reliance Ltd. should immediately recognise the profit of Rs. 10 lakhs (i.e. 50 – 40) in its books. **{3/4 M}**

(b) When fair value is Rs. 60 lakhs then also profit of Rs. 10 lakhs should be immediately recognised by Reliance Ltd. **{3/4 M}**

(c) When fair value of leased machinery is Rs. 45 lakhs & sales price is Rs. 38 lakhs, then loss of Rs. 2 lakhs (40 – 38) to be immediately recognised by Reliance Ltd. in its books provided loss is not compensated by future lease payment. **{1.25 M}**

(d) When fair value is Rs. 40 lakhs & sales price is Rs. 50 lakhs then, profit of Rs. 10 lakhs is to be deferred and amortised over the lease period. **{3/4 M}**

(e) When fair value is Rs. 46 lakhs & sales price is Rs. 50 lakhs, profit of Rs. 6 lakhs (46-40) to be immediately recognised in its books and balance profit of Rs.4 lakhs (50-46) is to be amortised/deferred over lease period. **{3/4 M}**

(f) When fair value is Rs. 35 lakhs & sales price is Rs. 39 lakhs, then the loss of Rs. 5 lakhs (40-35) to be immediately recognised by Reliance Ltd. in its books and profit of Rs. 4 lakhs (39-35) should be amortised/deferred over lease period. **{3/4 M}**

Answer:

(d) Research Expenditure – According to AS 26 'Intangible Assets', the expenditure on research of new process design for its product Rs. 10 lakhs should be charged to Profit and Loss Account in the year in which it is incurred. It is presumed that the entire expenditure is incurred in the financial year 2020-21. Hence, it should be written off as an expense in that year itself. **{1 M}**

Cost of internally generated intangible asset – it is given that development phase expenditure amounting Rs. 8 lakhs incurred upto 31st March, 2021 meets asset recognition criteria. As per AS 26, for measurement of such internally generated intangible asset, fair value should be estimated by discounting estimated future net cash flows. **{1 M}**

Savings (after tax) from implementation of new design for next 5 years	Rs. 2 lakhs p.a.
Company's cost of capital	10 %
Annuity factor @ 10% for 5 years	**3.7908**
Present value of net cash flows (Rs. 2 lakhs x 3.7908)	Rs. 7.582 lakhs

The cost of an internally generated intangible asset would be lower of cost value Rs. 8 lakhs or present value of future net cash flows Rs. 7.582 lakhs. {1 M}
Hence, cost of an internally generated intangible asset will be **Rs. 7.582 lakhs.**
The difference of **Rs. 0.418 lakhs** (i.e. Rs. 8 lakhs – Rs. 7.582 lakhs) will be amortized by Plymouth for the financial year 2020-21. {1 M}
Amortisation - The company can amortise **Rs. 7.582 lakhs** over a period of five years by charging **Rs. 1.516 lakhs** per annum from the financial year 2021-2022 onwards. {1 M}

Answer 2:
(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

12 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

{1 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**

{2 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) **(Rs. in lakhs)**

Date	Particulars		Debit	Credit	
20X1					
1st April	9% Redeemable preference share capital A/c	Dr.	20.00		{1/2 M}
	Premium on redemption of preference shares A/c	Dr.	2.00		
	To Preference shareholders A/c			22.00	
	(Being preference share capital transferred to shareholders account)				
	Preference shareholders A/c	Dr.	22.00		{1/2 M}
	To Bank A/c			22.00	
	(Being payment made to shareholders)				
	Equity shares buy-back A/c	Dr.	90.00		{1/2 M}
	To Bank A/c			90.00	
	(Being 3 lakhs equity shares of Rs. 10 each bought back @ Rs. 30 per share)				
	Equity share capital A/c	Dr.	30.00		{1/2 M}
	Securities premium A/c	Dr.	60.00		
	To Equity Shares buy-back A/c			90.00	
	(Being cancellation of shares bought back)				
	Revenue reserve A/c	Dr.	50.00		{1/2 M}
	To Capital redemption reserve A/c			50.00	
	(Being creation of capital redemption reserve account to the extent of the face value of preference shares redeemed and equity shares bought back as per the law)				
	10% Debentures A/c	Dr.	2.20		{1/2 M}
	To Investment (own debentures) A/c			2.00	
	To Profit on cancellation of own debentures A/c			0.20	
	(Being cancellation of own debentures costing Rs. 2 lakhs, face value being Rs. 2.20 lakhs and the balance being profit on cancellation of debentures)				
	Bank A/c	Dr.	10.00		{1/2 M}
	Employees stock option outstanding (Current liabilities) A/c	Dr.	5.00		
	To Equity share capital A/c			5.00	
	To Securities premium A/c			10.00	
	(Being the allotment to employees, of 50,000 shares of Rs. 10 each at a premium of 20 per share in exercise of stock options by employees)				
	Securities premium A/c	Dr.	2.00		{1/2 M}
	To Premium on redemption of preference shares A/c			2.00	
	(Being premium on redemption of preference shares adjusted through securities premium)				

Balance Sheet of Extra Ltd. as at 01.04.20X1

(in lakhs Rs.)

		Particulars		**Notes**	**Rs.**	
		Equity and Liabilities				
1		**Shareholders' funds**				
	A	Share capital		1	75.00	}{1/2 M}
	B	Reserves and Surplus		2	66.20	}{1/2 M}
2		**Non-current liabilities**				
		Long term borrowings		3	1.80	}{1/2 M}
3		**Current liabilities**				
	A	Other Current Liabilities		4	65.00	}{1/2 M}
			Total		208	
		Assets				
1		**Non-current assets**				
	A	Property, plant and Equipment			50.00	}{1/2 M}
	B	Non-current Investments		5	118.00	}{1/2 M}
2		**Current assets**				
	A	Cash and Cash equivalents		6	40.00	}{1/2 M}
			Total		208	

Notes to accounts

No.	**Particulars**		**Rs.**	
1	**Share Capital**			
	Equity shares of Rs. 10 each fully paid		100	
	Less: Cancellation of bought back shares		(30)	
	Add: Shares issued against ESOP		5	
	Total		**75**	}{1/4 M}
2	**Reserves and Surplus**			
	Capital Reserve			
	Opening balance	8.00		
	Add: Profit on cancellation of debentures	0.20	8.20	
	Revenue reserves			
	Opening balance	50.00		
	Less: Creation of Capital Redemption Reserve	(50.00)	-	
	Securities Premium			
	Opening balance	60.00		
	Less: Adjustment for cancellation of equity shares	(60.00)		
	Less: Adjustment for premium on redemption of preference shares	(2.00)		
	Add: Shares issued against ESOP at premium	10.00	8.00	
	Capital Redemption Reserve		50.00	
	Total		**66.20**	}{1 1/4 M}
3	**Long term borrowings**			
	10% Debentures		4.00	
	Less: Cancellation of own debentures		(2.20)	
	Total		**1.80**	}{1/4 M}
4.	**Other Current liabilities**			
	Opening balance		70.00	
	Less: Adjustment for ESOP outstanding		(5.00)	
	Total		**65.00**	}{1/4 M}
5.	**Non-current investments**			
	Opening balance		120.00	
	Less: Investment in own debentures		(2.00)	
	Total		**118.00**	}{1/4 M}
6.	**Cash and Cash Equivalents**			

	Opening balance		142.00
	Less: Payment to preference shareholders		(22.00)
	Less: Payment to equity shareholders		(90.00)
	Add: Share price received against ESOP		10.00
	Total		**40.00**

}{1/4 M}

Answer 3:

Messers A, B, and C

Statement of Profit & Loss for the year ended 31st March, 20X6

Particulars	Rs.	Particulars	Rs.
To Dep. Building (60,000 x 5%)	**3,000**	By Trading Profit	**40,000**
To Interest on A's loan (10,000 x 6%)	**600**	By Interest on Debentures	**1,200**
To Net Profit to:			
A's Capital A/c	**22,560**		
B's Capital A/c	**7,520**		
C's Capital A/c	**7,520**		
	41,200		41,200

{7 Item x 1/4 = $1^{3/4}$ M}

Balance Sheet of the ABC Pvt Ltd. as at 1-4-20X6

	Particulars	Notes No.	Rs.
I	**Equity and Liabilities**		
	Shareholders' funds		**1,59,120**
	Non-current liabilities		
	Long term borrowings	1	**10,600**
	Total		1,69,720
	Assets		
	Non-current assets		
	Property, Plant and Equipment	2	**57,000**
	Intangible assets	3	**39,600**
	Non-current investments		**20,000**
	Current assets		
	Inventories		**40,000**
	Cash and cash equivalents		**13,120**
	Total		1,69,720

{7 Item x 1/2 = 3.5 M}

Notes to Accounts

		Rs.
1.	Long term borrowings	
	Loan from A	**10,600**
2.	Property, Plant and Equipment (net)	
	Land and Building (60,000 – 3,000)	**57,000**
3.	Intangible asset	
	Goodwill	**39,600**

{3 Item x 1/2 = 1.5 M}

Working Notes:

1. Calculation of goodwill:

Year ended 31st March

Particulars	**20X1**	**20X2**	**20X3**	**20X4**	**20X5**
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Book Profits	20,000	(10,000)	20,000	25,000	30,000
Adjustment for extraneous profit 20X1 and abnormal loss 20X2	(30,000)	20,000	—	—	—
	(10,000)	10,000	20,000	25,000	30,000
Add Back: Remuneration of A	6,000	6,000	6,000	6,000	6,000
	(4,000)	16,000	26,000	31,000	36,000

Less: Debenture Interest being non-operating income*	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)	
	(5,200)	14,800	24,800	29,800	34,800	
Total Profit from 20X2 to 20X5					1,04,200	
Less: Loss for 20X1					(5,200)	
					99,000	
Average Profit					19,800	
Goodwill equal to 2 years' purchase					**39,600**	{$1^{1/2}$ M}
Contribution from C, equal to 1/5					**7,920**	{1/2 M}

2. Partners' Capital Accounts as on 31 March 20X6

Particulars	A	B	C	Particulars	A	B	C
	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.
To Drawings	**12,000**	**12,000**	**12,000**	By Balance b/d	**40,000**	**50,000**	—
To Balance c/d	**80,320**	**65,360**	**13,440**	By General Reserve	**6,000**	**4,000**	—
				By Goodwill	**23,760**	**15,840**	—
				By Bank	—	—	**17,920**
				By Profit & Loss A/c	**22,560**	**7,520**	**7,520**
	92,320	77,360	25,440		92,320	77,360	25,440

{16 Item x 1/4 = 4 M}

3. Balance Sheet as on 31st March, 20X6

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
A's Capital		**80,320**	Goodwill		**39,600***
B's Capital		**65,360**	Land & Building	60,000	
C's Capital		**13,440**	Less: Dep.	(3,000)	**57,000**
A's Loan	10,000		Investments		**20,000**
Add: Int. due	600	**10,600**	Stock-in-trade		**40,000**
			Cash (Working Note 5)		**13,120****
		1,69,720			1,69,720

{9 Item x 1/4 = $2^{1/4}$ M}

4. Conversion into Company

Particulars		Rs.
Capital:	A	80,320
	B	65,360
	C	13,440
Share Capital		**1,59,120**
Distribution of share:	A (3/5)	**95,472**
	B (1/5)	**31,824**
	C (1/5)	**31,824**

{4 Item x 1/2 = 2 M}

A should subscribe shares of **Rs. 15,152** (Rs. 95,472 – Rs. 80,320) and C should subscribe shares of **Rs. 18,384** (Rs. 31,824 – Rs. 13,440). B should withdraw **Rs. 33,536** (Rs. 65,360 – Rs. 31,824) subscribing to shares worth Rs. 31,824. {1 M}

5. Closing cash balance can be derived as shown below:

Particulars	Rs.	Rs.
Trading profit (assume realized)		40,000
Add: Debenture Interest		1,200
Add: Decrease in Debtors Balance		20,000
		61,200
Less: Increase in stock	10,000	
Less: Decrease in Liabilities	20,000	(30,000)
Cash Profit		31,200

{2 M}

Add: Opening cash balance		10,000
Add: Cash brought in by C		17,920
		59,120
Less: Drawings	36,000	
Less: Additions to Building	10,000	(46,000)
		13,120

Answer 4:

(a) **Journal Entries in the Books of Z Ltd.**

			Dr.	Cr.	
			Rs.	**Rs.**	
(i)	Equity Share Capital (Rs. 10 each) A/c	Dr.	50,00,000		**(1/2 M)**
	To Equity Share Capital (Rs. 5 each) A/c			25,00,000	
	To Reconstruction A/c			25,00,000	
	(Being conversion of 5,00,000 equity shares of Rs. 10 each fully paid into same number of fully paid equity shares of Rs. 5 each as per scheme of reconstruction.)				
(ii)	9% Preference Share Capital (Rs. 100 each) A/c	Dr.	20,00,000		**(1/2 M)**
	To 10% Preference Share Capital (Rs. 50 each) A/c			10,00,000	
	To Reconstruction A/c			10,00,000	
	(Being conversion of 9% preference share of Rs. 100 each into same number of 10% preference share of Rs. 50 each and claims of preference dividends settled as per scheme of reconstruction.)				
(iii)	10% Secured Debentures A/c	Dr.	9,60,000		**(1/2 M)**
	Trade payables A/c	Dr.	1,00,000		
	Interest on Debentures Outstanding A/c	Dr.	96,000		
	Bank A/c	Dr.	1,00,000		
	To 12% Debentures A/c			6,78,000	
	To Reconstruction A/c			5,78,000	
	(Being Rs. 11,56,000 due to Y (including trade payables) cancelled and 12% debentures allotted for the amount after waving 50% as per scheme of reconstruction.)				
(iv)	10% Secured Debentures A/c	Dr.	6,40,000		**(1/2 M)**
	Trade Payables	Dr.	60,000		
	Interest on debentures outstanding A/c	Dr.	64,000		
	Bank A/c	Dr.	60,000		
	To 12% debentures A/c			4,42,000	
	To Reconstruction A/c			3,82,000	
	(Being Rs. 7,64,000 due to Z (including trade payables) cancelled and 12% debentures allotted for the amount after waving 50% as per scheme of reconstruction.)				
(v)	Trade payables A/c	Dr.	1,70,000		**(1/2 M)**
	To Reconstruction A/c			1,70,000	
	(Being remaining trade payables sacrificed 50% of their claim.)				
(vi)	Directors' Loan A/c	Dr.	1,00,000		**(1/2 M)**
	To Equity Share Capital (Rs. 5) A/c			40,000	
	To Reconstruction A/c			60,000	
	(Being Directors' loan claim settled by issuing				

	12,000 equity shares of Rs. 5 each as per scheme of reconstruction.)			
(vii)	Reconstruction A/c Dr.	15,000		
	To Bank A/c		15,000	**(1/2 M)**
	(Being payment made towards penalty of 5% for cancellation of capital commitments of Rs. 3 Lakhs.)			
(viii)	Bank A/c Dr.	1,00,000		
	To Reconstruction A/c		1,00,000	**(1/2 M)**
	(Being refund of fees by directors credited to reconstruction A/c)			
(ix)	Reconstruction A/c Dr.	15,000		
	To Bank A/c		15,000	**(1/2 M)**
	(Being payment of reconstruction expenses)			
(x)	Provision for Tax A/c Dr.	1,00,000		
	To Bank A/c		75,000	
	To Reconstruction A/c		25,000	**(1/2 M)**
	(Being payment of tax liability in full settlement against provision for tax)			
(xi)	Land and Building A/c Dr.	2,00,000		
	To Reconstruction A/c		2,00,000	**(1/2 M)**
	(Being appreciation in value of Land & Building recorded)			
(xii)	Reconstruction A/c Dr.	42,10,000		
	To Goodwill A/c		10,00,000	
	To Patent A/c		5,00,000	
	To Profit and Loss A/c		14,60,000	
	To Discount on issue of Debentures A/c		1,00,000	
	To Plant and Machinery A/c		6,50,000	
	To Furniture & Fixture A/c		1,00,000	**(2 M)**
	To Trade Investment A/c		50,000	
	To Inventory A/c		2,50,000	
	To Trade Receivables A/c		1,00,000	
	(Being writing off of losses and reduction in the value of assets as per scheme of reconstruction)			
(xiii)	Reconstruction A/c Dr.	7,75,000		
	To Capital Reserve A/c		7,75,000	**(1/4 M)**
	(Being balance of reconstruction A/c transfer to Capital Reserve)			

Bank Account

		Rs.			Rs.	
To	Reconstruction (Y)	**1,00,000**	By	Balance b/d	**1,00,000**	
To	Reconstruction(Z)	**60,000**	By	Reconstruction A/c	**15,000**	
To	Reconstruction A/c (refund of earlier fees by directors)	**1,00,000**		(capital commitment penalty paid)		
			By	Reconstruction A/c (reconstruction expenses paid)	**15,000**	**(8 item x 1/4 M)**
			By	Provision for tax A/c (tax paid)	**75,000**	
			By	Balance c/d	**55,000**	
		2,60,000			2,60,000	

Reconstruction Account

		Rs.			Rs.
To	Bank (penalty)	**15,000**	By	Equity Share Capital A/c	**25,00,000**
To	Bank (reconstruction expenses)	**15,000**			
To	Goodwill	**10,00,000**	By	9% Pref. Share Capital A/c	**10,00,000**
To	Patent	**5,00,000**			
To	P & L A/c	**14,60,000**	By	Mr. Y (Settlement)	**5,78,000**
To	Discount on issue of debentures	**1,00,000**	By	Mr. Z (Settlement)	**3,82,000**
To	P & M	**6,50,000**	By	Trade Payables A/c	**1,70,000**
To	Furniture and Fixtures	**1,00,000**	By	Director's loan	**60,000**
To	Trade investment	**50,000**	By	Bank	**1,00,000**
To	Inventory	**2,50,000**	By	Provision for tax	**25,000**
To	Trade Receivables	**1,00,000**	By	Land and Building	**2,00,000**
To	Capital Reserve (bal. fig.)	**7,75,000**			
		50,15,000			50,15,000

(21 item x 1/4 M)

Answer:
(b)

Purchase Consideration:	**Rs.**
Goodwill	1,40,000
Building	4,20,000
Machinery	4,48,000
Inventory	4,41,000
Trade receivables	2,59,000
Cash at Bank	56,000
Less: Liabilities:	
Retirement Gratuity	(56,000)
Trade payables	(2,24,000)
Net Assets/ Purchase Consideration	**14,84,000**
To be satisfied as under:	
(i) Preference Shareholders of Beta Ltd.	2,80,000
Add: 10% Premium	28,000
Satisfied by issue of 3,080 no. of 8% Preference Shares of Alex Ltd.	**3,08,000**
(ii) Equity Shareholders of Beta Ltd. to be satisfied by issue of 1,12,000 Equity Shares of Alex Ltd. at 5% Premium	**11,76,000**
Total	14,84,000

(3 M) **(1 M)** **(1 M)**

Answer 5:
(a)

Statement of Affairs of X Co. Ltd. on the 1st day of April, 2017

Assets not specifically pledged :					Estimated realizable values
Cash in Hand					**3,000**
Investments					**12,000**
Debtors					**1,40,000**
Stock					**6,000**
Machinery					**1,80,000**
					3,41,000
Assets specifically pledged:					
	(a)	(b)	(c)	(d)	

5 item x {1/4 M} **{1/4 M}**

	Estimated Realisable Value	Due to Secured Creditors	Deficiency ranking as unsecured	Surplus carried to last column		
	Rs.	Rs.	Rs.	Rs.		
Lease hold property	2,18,000	54,000	--	1,64,000		
	Estimated surplus from assets specifically pledged				**1,64,000**	{1/4 M}
	Estimated total assets available for preferential creditors, debentures holders secured by floating charge, and unsecured creditors				**5,05,000**	{1/4 M}
	Summary of Gross assets					
	Gross realisable value of assets specifically pledged			Rs. 2,18,000		
	Other Assets			Rs. 3,41,000		
	Gross Assets			Rs. 5,59,000		
	Rs. Gross Liabilities(to be deducted from surplus or added to deficiency as the case may be)					
	Secured creditors to the extent to which claims are estimated to be covered by assets					
54,000	Specifically pledged					
3,000	Preferential creditors				**3,000**	{1/2 M}
	Estimated balance of assets available for debenture holders secured by a floating charge and unsecured creditors				**5,02,000**	{1/2 M}
1,50,000	Debentures				**1,50,000**	{1/2 M}
	Estimated surplus as regard debenture holders				**3,52,000**	{1/2 M}
60,000	Creditors				**60,000**	{1/2 M}
{1/4 M} **2,67,000**					**2,92,000**	{1/2 M}
	Estimated surplus as regards creditors [being difference between gross assets (d) and gross liabilities (e)]					
	Issued and called up capital :					
	24,000 equity shares of Rs. 10 each				**2,40,000**	{1/2 M}
	Estimated surplus as regard members				**52,000**	{1/4 M}

4 item x {1/2 M}

Answer:

(b) Shareholding pattern

Particulars	**Number of Shares**	**% of holding**
a. P Ltd.		
(i) Purchased on 31.03.2015	1,05,000	
(ii) Bonus Issue (1,05,000/2)	52,500	
Total	1,57,500	70%
b. Minority Interest	67,500	30%

{1 M}

Calculations of (i) Cost of Control/Capital Reserve; (ii) Minority Interest; (iii) Consolidated Profit and Loss Account as on 31st March, 2021:

(a) Before issue of bonus shares

(i)	Cost of control/capital reserve	Rs.	Rs.	
	Investment in Q Ltd.		12,00,000	
	Less: Face value of investments	10,50,000		
	Capital profits (W.N.)	63,000	(11,13,000)	
	Cost of control		**87,000**	{1 M}
(ii)	Minority Interest		Rs.	
	Share Capital		4,50,000	

	Capital profits (W.N.)		27,000
	Revenue profits (W.N.)		6,79,500
			11,56,500 }{1 M}
(iii)	Consolidated profit and loss account – P Ltd.		Rs.
	Balance		15,75,000
	Add: Share in revenue profits of Q Ltd. (W.N.)		15,85,500
			31,60,500 }{1 M}

(b) Immediately after issue of bonus shares

(i)	Cost of control/capital reserve	Rs.	Rs.
	Face value of investments (Rs. 10,50,000 + Rs. 5,25,000)	15,75,000	
	Capital Profits (W.N.)	63,000	16,38,000
	Less: Investment in Q Ltd.		(12,00,000)
	Capital reserve		**4,38,000** }{1 M}
(ii)	Minority Interest		Rs.
	Share Capital (Rs. 4,50,000 + Rs. 2,25,000)		6,75,000
	Capital Profits (W.N.)		27,000
	Revenue Profits (W.N.)		4,54,500
			11,56,500 }{1 M}
(iii)	Consolidated Profit and Loss Account – P Ltd.		Rs.
	Balance		15,75,000
	Add: Share in revenue profits of Q Ltd. (W.N.)		10,60,500
			26,35,500 }{1 M}

Working Note:

Analysis of Profits of Q Ltd.

	Capital Profits	**Revenue Profits**	
	(Before and after issue of bonus shares) Rs.	**Before Bonus Issue Rs.**	**After Bonus Issue Rs.**
Pre-incorporation profits	30,000		
Profit and loss account on 31.3.2015	60,000		
	90,000		
General reserve*		19,05,000	19,05,000
Less: Bonus shares			(7,50,000)
			11,55,000
Profit for period of 1st April, 2015 to 31stMarch, 2021 (Rs. 4,20,000 – Rs. 60,000)		3,60,000	3,60,000
		22,65,000	**15,15,000** { 2 item x 1 M = 2 M}
P Ltd.'s share (70%)	**63,000**	**15,85,500**	**10,60,500**
Minority's share (30%)	**27,000**	**6,79,500**	**4,54,500** { 6 item x 1/2 M = 3 M}

*Share of P Ltd. in General reserve has been adjusted in Consolidated Profit and Loss Account.

Answer 6:
(a) **Calculation of provision required on advances as at year end as per the Non-Banking Financial Company – Non-Systemically Important Non- Deposit taking Company (Reserve Bank) Directions, 2016**

	Amount Rs. in lakhs	Percentage of provision	Provision Rs. in lakhs
Standard assets	18,400	0.25	46.00
Sub-standard assets	1,250	10	125.00
Secured portions of doubtful debts upto one year	300	20	60.00
one year to three years	90	30	27.00
more than three years	30	50	15.00
Unsecured portions of doubtful debts	92	100	92.00
Loss assets	47	100	47.00
			412.00

}{5 M}

Answer:
(b)

	Rs. in crore
Cost of construction of bridge incurred upto 31.3.2019	4.00
Add: Estimated future cost	6.00
Total estimated cost of construction	**10.00** }{1 M}
Contract Price (12 crore x 1.05)	**12.60 crore** }{1 M}

Stage of completion
Percentage of completion till date to total estimated cost of construction
= (4/10) x 100 = 40% }{1 M}

Revenue and Profit to be recognized for the year ended 31st March, 2019 as per AS 7:
Proportion of total contract value recognized as revenue
= Contract price x percentage of completion
= Rs. 12.60 crore x 40% = Rs. 5.04 crore }{1 M}

Profit for the year ended 31st March, 2019 = Rs. 5.04 crore – Rs. 4 crore = 1.04 crore. }{1 M}

Answer:
(c) **Liquidator's Final Statement of Account**

Receipts	Rs.	Payments	Rs.
Assets realized	3,80,400	Liquidation Expenses	1,000
Call on contributories: 2,000 Equity Shares @ Rs. 10 per share (W.N.)	20,000	Liquidator's Remuneration	400
		Unsecured Creditors	99,000
		Preference Shareholders	3,00,000
	4,00,400		**4,00,400** }{1 M}

Working Notes:

(i)	**Calculation of Shortage of funds**	Rs.
	Total Amount Available	3,80,400
	Less: liquidation Expenses	(1,000)
	Balance	3,79,400
	Less: Unsecured Creditors	(99,000)

	Balance	2,80,400
	Less: Pref. Shareholders	(3,00,000)
	Shortage of Funds	**19,600**

}{1 M}

(ii) Calculation of funds required to meet shortage and commission payable on Calls to be made (to be called from equity shareholders)

Shortage of funds x $\frac{100}{100 - Rate\ of\ \ Commission} = 19{,}600\ \times\ \frac{100}{100-2}$

$= \frac{19{,}600\ \times\ 100}{98} = Rs.\ 20{,}000$ {1 M}

(iii) Uncalled Capital @ Rs. 25 on 2,000 shares = **Rs. 50,000** }{1/2 M}

(iv) Amount of Calls to be made from equity shareholders (least of funds required and uncalled capital) i.e. Rs. 20,000 i.e. Rs. 10 per Share {3/4 M}

(v) Commission on Call = Rs. 20,000 x 2/100 = **Rs. 400** }{3/4 M}

Answer:

(d) In accordance with the Schedule III, an investment realizable within 12 months from the reporting date is classified as a current asset. Such realisation should be in the form of cash or cash equivalents, rather than through conversion of one asset into another non-current asset. Hence, company must classify such an investment as a non-current asset, unless it expects to sell the preference shares or the equity shares on conversion and realise cash within 12 months. {5 M}

Answer:

(e) Fair value of an option = Rs. 67 – Rs. 60 = Rs. 7
Number of shares issued = 600 employees x 150 shares/employee = 90,000 shares
Fair value of ESOP = 90,000 shares x Rs. 7 = Rs. 6,30,000
Vesting period = 1 year
Expenses recognized in 2020-21 = Rs. 6,30,000 {2 M}

Date	Particulars		Rs.	Rs.
31.03.2021	Bank (90,000 shares x Rs. 60)	Dr.	54,00,000	
	Employees stock compensation expense A/c	Dr.	6,30,000	
	To Share Capital (90,000 shares x Rs. 10)			9,00,000
	To Securities Premium (90,000 shares x Rs. 57)			51,30,000
	(Being option accepted by 600 employees & payment made @ Rs. 60 per share)			
	Profit & Loss A/c	Dr.	6,30,000	
	To Employees stock compensation expense A/c			6,30,000
	(Being Employees stock compensation expense transferred to Profit & Loss A/c)			

{2 M} {1 M}

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