

Roll No.

Total No. of Questions – 6

Total No. of Printed Pages – 11

Time Allowed – 3 Hours

Maximum Marks – 100

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Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers 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 only the requisite number of questions first answered in the answer book shall be valued and subsequent extra question(s) answered shall be ignored.

Wherever appropriate, suitable assumption/s should be made by the candidate.

Working notes should form part of the respective answers.

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1. (a) Sarita Construction Co. obtained a contract for construction of a dam. **5**
The following details are available in records of company for the year ended 31st March, 2018 :

	₹ in lakhs
Total Contract Price	12,000
Work Certified	6,250
Work not certified	1,250
Estimated further cost to completion	8,750
Progress payment received	5,500
Progress payment to be received	1,500

Applying the provisions of Accounting Standard 7 “Accounting for Construction Contracts” you are required to compute :

- Profit/Loss for the year ended 31st March, 2018.
- Contract work in progress as at end of financial year 2017-18.
- Revenue to be recognized out of the total contract value.
- Amount due from/to customers as at the year end.

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- (b) As at 1st April, 2016 a company had 6,00,000 equity shares of ₹ 10 each (₹ 5 paid up by all shareholders). On 1st September, 2016 the remaining ₹ 5 was called up and paid by all shareholders except one shareholder having 60,000 equity shares. The net profit for the year ended 31st March, 2017 was ₹ 21,96,000 after considering dividend on preference shares and dividend distribution tax on such dividend totalling to ₹ 3,40,000.
Compute Basic EPS for the year ended 31st March, 2017 as per Accounting Standard 20 "Earnings Per Share".
- (c) A company acquired a patent at a cost of ₹ 160 lakhs for a period of 5 years and the product life cycle is also 5 years. The company capitalized the cost and started amortising the asset at ₹ 16 lakhs per year based on the economic benefits derived from the product manufactured under the patent. After 2 years it was found that the product life cycle may continue for another 5 years from then (the patent is renewable and the company can get it renewed after 5 years). The net cash flows from the product during these 5 years were expected to be ₹ 50 lakhs, ₹ 30 lakhs, ₹ 60 lakhs, ₹ 70 lakhs and ₹ 40 lakhs. Find out the amortization cost of the patent for each of the years.
- (d) A Ltd. sold JCB having WDV of ₹ 20 lakhs to B Ltd. for ₹ 24 lakhs and the same JCB was leased back by B Ltd. to A Ltd. The lease is operating lease. In context of Accounting Standard 19 "Leases" explain the accounting treatment of profit or loss in the books of A Ltd. if
- Sale price of ₹ 24 lakhs is equal to fair value.
 - Fair value is ₹ 20 lakhs and sale price is ₹ 24 lakhs.
 - Fair value is ₹ 22 lakhs and sale price is ₹ 25 lakhs.
 - Fair value is ₹ 25 lakhs and sale price is ₹ 18 lakhs.
 - Fair value is ₹ 18 lakhs and sale price is ₹ 19 lakhs.

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2. (a) Alpha Ltd. furnishes the following summarized Balance Sheet as at 31st March, 2017 :

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	₹ in lakhs	₹ in lakhs
<u>Equity & Liabilities</u>		
Shareholders' Funds		
Equity share capital (fully paid up shares of ₹ 10 each)		2,400
<u>Reserves and Surplus</u>		
Securities Premium	350	
General Reserve	530	
Capital Redemption Reserve	400	
Profit & Loss Account	340	1,620
<u>Non-current Liabilities</u>		
12% Debentures		1,500
<u>Current Liabilities</u>		
Trade Payables	1,490	
Other Current Liabilities	390	1,880
Total		7,400
<u>Assets</u>		
<u>Non-current Assets</u>		
Fixed Assets		4,052
<u>Current Assets</u>		
Current Investments	148	
Inventories	1,200	
Trade Receivables	520	
Cash and Bank	1,480	3,348
Total		7,400

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- (i) On 1st April, 2017, the company announced buy-back of 25% of its equity shares @ ₹ 15 per share. For this purpose, it sold all its investment for ₹ 150 lakhs.
- (ii) On 10th April, 2017 the company achieved the target of buy-back.
- (iii) On 30th April, 2017, the company issued one fully paid up equity share of ₹ 10 each by way of bonus for every four equity shares held by the equity shareholders by capitalization of Capital Redemption Reserve.

You are required to pass necessary journal entries and prepare the Balance Sheet of Alpha Ltd. after bonus issue.

- (b) Fast Ltd. came up with public issue of 6,00,000 equity shares of ₹ 10 each at par. The entire issue was underwritten by A, B and C as follows :

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A – 3,60,000 shares B – 1,50,000 shares C – 90,000 shares

A, B and C also agreed on firm underwriting of 48,000; 18,000 and 60,000 shares respectively.

Total subscription received by the company (excluding firm underwriting and marked applications) were 90,000 shares.

The market application (excluding firm underwriting) were as follows :

A – 1,18,500 shares B – 58,000 shares C – 33,500 shares

The underwriting contract provides that credit for unmarked application be given to underwriters in proportion to the shares underwritten and benefit of firm underwriting is to be given to individual underwriters.

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The agreed commission was 4% of the issue price.

You are required to :

- (i) Calculate the liability of each underwriter (number of shares).
- (ii) Compute the amounts payable or due from underwriters.
- (iii) Pass Journal Entries in the books of the company relating to underwriting.

3. The financial position of X Ltd. and Y Ltd. as on 31st March, 2018 was as under : **20**

	X Ltd. (₹)	Y Ltd. (₹)
<u>Equity and Liabilities</u>		
Equity Shares of ₹ 10 each	30,00,000	9,00,000
9% Preference Shares of ₹ 100 each	3,00,000	—
10% Preference Shares of ₹ 100 each	—	3,00,000
General Reserve	2,10,000	2,10,000
Retirement Gratuity Fund (long term)	1,50,000	60,000
Trade Payables	3,90,000	2,40,000
Total	40,50,000	17,10,000
<u>Assets</u>		
Goodwill	1,50,000	75,000
Land & Buildings	9,00,000	3,00,000
Plant & Machinery	15,00,000	4,50,000
Inventories	7,50,000	5,25,000
Trade Receivables	6,00,000	3,00,000
Cash and Bank	1,50,000	60,000
Total	40,50,000	17,10,000

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X Ltd. absorbs Y Ltd. on the following terms :

- (i) 10% Preference Shareholders are to be paid at 10% premium by issue of 9% Preference Shares of X Ltd.
- (ii) Goodwill of Y Ltd. on absorption is to be computed based upon two times of average profits of preceding three financial years (2016-17 : ₹ 90,000; 2015-16 : ₹ 78,000 and 2014-15 : ₹ 72,000). The profits of 2014-15 included credit of an insurance claim of ₹ 25,000 (fire occurred in 2013-14 and loss by fire ₹ 30,000 was booked in Profit and Loss Account of that year). In the year 2015-16, there was an embezzlement of cash by an employee amounting to ₹ 10,000.
- (iii) Land & Buildings are valued at ₹ 5,00,000 and the Plant & Machinery at ₹ 4,00,000.
- (iv) Inventories are to be taken over at 10% less value and Provision for Doubtful Debts is to be created @ 2.5%.
- (v) There was an unrecorded current asset in the books of Y Ltd. whose fair value amounted to ₹ 15,000 and such asset was also taken over by X Ltd.
- (vi) The trade payables of Y Ltd. included ₹ 20,000 payable to X Ltd.
- (vii) Equity Shareholders of Y Ltd. will be issued Equity Shares @ 5% premium.

You are required to :

- (i) Prepare Realisation A/c in the books of Y Ltd.
- (ii) Show journal entries in the books of X Ltd.
- (iii) Prepare the Balance Sheet of X Ltd. after absorption as at 31st March, 2018.

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4. (a) Astha Bank has the following Capital Funds and Assets as at 31st March, 2018 : **10**

₹ in crores

Capital Funds :

Equity Share Capital	600.00
Statutory Reserve	470.00
Profit and Loss Account (Dr. Balance)	30.00
Capital Reserve (out of which ₹ 25 crores were due to revaluation of assets and balance due to sale of assets)	130.00

Assets :

Balance with other banks	15.00
Cash balance with RBI	35.50
Claims on Banks	52.50
Other Investments	70.00

Loans and Advances :

(i) Guaranteed by government	22.50
(ii) Guaranteed by DICGC/ECGC	110.00
(iii) Others	9,365.00
Premises, furniture and fixtures	92.50
Leased assets	40.00

Off-Balance Sheet items :

(i) Acceptances, endorsements and letters of credit	1,100.00
(ii) Guarantees and other obligations	6,200.00

You are required to :

- Segregate the capital funds into Tier I and Tier II capitals.
- Find out the risk-adjusted assets and risk weighted assets ratio.

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- (b) Preeti has invested in three mutual funds. From the details given below, find out effective yield on per annum basis to Preeti in respect of each of the schemes upto 31st March, 2017 :

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Mutual Fund	X	Y	Z
Date of Investment	01-12-2016	01-01-2017	01-03-2017
Amount of Investment (₹)	2,50,000	3,00,000	1,50,000
NAV at the date of investment (₹)	10.00	10.50	10.00
Dividend received upto 31 st March, 2017 (₹)	4,500	5,700	Nil
NAV as at 31 st March, 2017 (₹)	10.10	10.40	9.80

- (c) ABC Financiers Ltd. is an NBFC providing Hire Purchase Solutions for acquiring consumer durables. The following information is extracted from its books for the year ending 31st March, 2017 :

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Asset Funded	Interest Overdue but recognized in Profit & Loss		Net book value of Assets outstanding
	Paid Overdue	Interest (₹ in lakhs)	₹ in lakhs
Computers	Upto 12 months	960.00	40,812.00
Televisions	For 20 months	205.00	4,950.00
Washing Machines	For 32 months	104.20	2,530.00
Refrigerators	For 45 months	53.50	1,328.00
Air-conditioners	For 52 months	13.85	305.00

You are required to calculate the amount of provision to be made.

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5. The following summarized Balance Sheets of H Ltd. and its subsidiary S Ltd. were prepared as on 31st March, 2017 :

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	H Ltd. (₹)	S Ltd. (₹)
<u>Equity and Liabilities</u>		
Shareholders' Funds		
Equity Share Capital (fully paid up shares of ₹ 10 each)	12,00,000	2,00,000
<u>Reserves and Surplus</u>		
General Reserve	4,35,000	1,55,000
Profit and Loss Account	2,80,000	65,000
Current Liabilities		
Trade Payables	3,22,000	1,23,000
Total	22,37,000	5,43,000

	H Ltd. (₹)	S Ltd. (₹)
<u>Assets</u>		
Non-Current Assets		
<u>Fixed Assets</u>		
Machinery	6,40,000	1,80,000
Furniture	3,75,000	34,000
Non-Current Investments		
Shares in S Ltd. 16,000 shares @ ₹ 20 each	3,20,000	-
Current Assets		
Inventories	2,68,000	62,000
Trade Receivables	4,70,000	2,35,000
Cash and Bank	1,64,000	32,000
Total	22,37,000	5,43,000

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H Ltd. acquired the 80% shares of S Ltd. on 1st April, 2016. On the date of acquisition, General Reserve and Profit Loss Account of S Ltd. stood at ₹ 50,000 and ₹ 30,000 respectively.

Machinery (book value ₹ 2,00,000) and Furniture (book value ₹ 40,000) of S Ltd. were revalued at ₹ 3,00,000 and ₹ 30,000 respectively on 1st April, 2016 for the purpose of fixing the price of its shares (rates of depreciation computed on the basis of useful lives : Machinery 10% and Furniture 15%).

Trade Payables of H Ltd. include ₹ 35,000 due to S Ltd. for goods supplied since the acquisition of the shares. These goods are charged at 10% above cost. The inventories of H Ltd. includes goods costing ₹ 55,000 purchased from S Ltd.

You are required to prepare the Consolidated Balance Sheet as at 31st March, 2017.

6. Answer any **four** of the following :

(a) Suvidhi Ltd. offered 50 shares to each of its 1500 employees on 1st April 2017 for ₹ 30. Option would be exercisable within a year it is vested. The share issued under the plan shall be subject to lock-in on transfer for three years from the grant date. The market price of shares of the company is ₹ 50 per share on grant date. Due to post vesting restrictions on transfer, the fair value of shares issued under the plan is estimated at ₹ 38 per share.

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On 31st March, 2018, 1200 employees accepted the offer and paid ₹ 30 per share purchased. Nominal value of each share is ₹ 10.

Record the issue of share in the books of the company under the aforesaid plan.

(b) Describe the different types of marine losses.

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(c) How is Minimum Alternative Tax (MAT) to be presented in the financial statements ?

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(d) From the following data find out the leverage effect on Goodwill :

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(i) Current cost of capital employed	₹ 12,48,000
(ii) Profit earned after current cost adjustment	₹ 2,20,000
(iii) 12% long term secured loan	₹ 5,40,000
(iv) Normal rate of return :	
On equity capital employed	16.20%
On long term capital employed	14.25%

(e) In a liquidation which commenced on 11th November, 2017 certain creditors could not receive payments out of the realization of assets and out of the contributions from "A" list contributories. The following are the details of certain transfers, which took place in 2016 and 2017 :

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Shareholders	Number of shares transferred at the date of ceasing to be member	Date of ceasing to be member	Creditors remaining unpaid and outstanding (₹)
C	2,500	1 st September, 2016	5,000
P	1,500	1 st January, 2017	9,000
D	2,000	1 st April, 2017	12,000
B	700	1 st August, 2017	13,500
S	300	15 th September, 2017	14,500

All the shares were ₹ 10 each, ₹ 5 paid up.

Ignoring expenses of and remuneration to liquidators show the amount to be realised from various persons listed above.

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