

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

DATE: 28.01.2020

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.

**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 –
- Sale price of Rs. 50 lakhs is equal to fair value.
  - Fair value is Rs. 60 lakhs.
  - Fair value is Rs. 45 lakhs and sale price is Rs. 38 lakhs.
  - Fair value is Rs. 40 lakhs and sale price is Rs. 50 lakhs.
  - Fair value is Rs. 46 lakhs and sale price is Rs. 50 lakhs
  - Fair value is Rs. 35 lakhs and sale price is Rs. 39 lakhs.

**(5 Marks)**

- (b) The following information is available for AB Ltd. for the accounting year 2012-13 and 2013-14:

Net profit for		Rs.
Year	2012-13	22,00,000
Year	2013-14	30,00,000

No of shares outstanding prior to right issue 10,00,000 shares.

Right issue : One new share for each five shares outstanding i.e. 2,00,000 shares.

: Right Issue price Rs. 25

: Last date to exercise right 31st July, 2013

Fair value of one equity share immediately prior to exercise of rights on 31.07.2013 is Rs. 32.

You are required to compute:

- Basic earnings per share for the year 2012-13.
- Restated basic earnings per share for the year 2012-13 for right issue.
- Basic earnings per share for the year 2013-14.

**(5 Marks)**

- (c) Identify the related parties in the following cases as per AS 18

A Ltd. holds 51% of B Ltd.

B Ltd holds 51% of O Ltd.

Z Ltd holds 49% of O Ltd.

**(5 Marks)**

- (d) Base Limited is showing an intangible asset at Rs. 85 lakhs as on 1-4-2011. This asset was acquired for Rs. 112 lakhs on 1-4-2008 and the same was available for use from that date. The company has been following the policy of amortization of the intangible asset over a period of 12 years on straight line basis. Comment on the accounting treatment of the above with reference to the relevant accounting standard.

(5 Marks)

**Question 2:**

- (a) The position of Valueless Ltd. on its liquidation is as under:

Issued and paid up Capital:

3,000 11% preference shares of Rs. 100 each fully paid.

3,000 Equity shares of Rs. 100 each fully paid.

1,000 Equity shares of Rs. 50 each Rs. 30 per share paid.

Calls in Arrears are Rs. 10,000 and Calls received in Advance Rs. 5,000. Preference Dividends are in arrears for one year. Amount left with the liquidator after discharging all liabilities is Rs. 4,13,000. Articles of Association of the company provide for payment of preference dividend arrears in priority to return of equity capital. You are required to prepare the Liquidators final statement of account.

(10 Marks)

- (b) Following is the summarized Balance Sheet of Competent Limited as on 31st March, 20X1 :

Assets	Rs.	Assets	Rs.
Equity Shares of Rs. 10 each fully paid up	12,50,000	Fixed Assets	46,50,000
Revenue reserve	15,00,000	Current Assets	30,00,000
Securities Premium	2,50,000		
Profit & Loss Account	1,25,000		
Secured Loans:			
12% Debentures	18,75,000		
Unsecured Loans	10,00,000		
Current maturities of long term borrowings	16,50,000		
Total	76,50,000	Total	76,50,000

The company wants to buy back 25,000 equity shares of Rs. 10 each, on 1st April, 20X1 at Rs, 20 per share. Buy back of shares is duly authorized by its articles and necessary resolution has been passed by the company towards this. The payment for buy back of shares will be made by the company out of sufficient bank balance available shown as part of Current Assets.

Comment with your calculations, whether buy back of shares by company is within the provisions of the Companies Act, 2013. If yes, pass necessary journal entries towards buy back of shares and prepare the Balance Sheet after buy back of shares.

(10 Marks)

**Question 3:****(a)** The Balance Sheet of A & Co. Ltd. as on 31-12-20X1 is as follows:

<b>Assets</b>	<b>Rs.</b>	<b>Rs.</b>
Fixed Assets:		
Freehold property	4,25,000	
Plant	50,000	
Patent	37,500	
Goodwill	1,30,000	6,42,500
Traded Investments (at cost)		55,000
Current Assets:		
Trade receivables	4,85,000	
Inventory	4,25,000	9,10,000
Profit and Loss Account		5,35,000
<b>Total</b>		<b>21,42,500</b>
<b>Liabilities</b>		
Share Capital:		
4,000 6% Cumulative Preference Shares of Rs. 100 each	4,00,000	
75,000 Equity Shares of Rs. 10 each	7,50,000	11,50,000
6% Debentures (Secured on Freehold Property)	3,75,000	
Accrued Interest	22,500	3,97,500
Current Liabilities:		
Bank Overdraft	1,95,000	
Trade payables	3,00,000	
Directors' Loans	1,00,000	5,95,000
		21,42,500

The Court approved a Scheme of re-organisation to take effect on 1-1-20X1, whereby:

- (i) The Preference shares to be written down to Rs. 75 each and Equity Shares to Rs. 2 each.
- (ii) Of the Preference Share dividends which are in arrears for four years, three fourths to be waived and Equity Shares of Rs. 2 each to be allotted for the remaining quarter.
- (iii) Accrued interest on debentures to be paid in cash.
- (iv) Debenture-holders agreed to take over freehold property, book value Rs. 1,00,000 at a valuation of Rs. 1,20,000 in part repayment of their holdings and to provide additional cash of Rs. 1,30,000 secured by a floating charge on company's assets at an interest rate of 8% p.a.
- (v) Patents and Goodwill to be written off.
- (vi) Inventory to be written off by Rs. 65,000.
- (vii) Amount of Rs. 68,500 to be provided for bad debts.
- (viii) Remaining freehold property to be re-valued at Rs. 3,87,500.
- (ix) Trade Investments be sold for Rs. 1,40,000.
- (x) Directors to accept settlement of their loans as to 90% thereof by allotment of equity shares of Rs. 2 each and as to 5% in cash, and balance 5% being waived.
- (xi) There were capital commitments totaling Rs. 2,50,000. These contracts are to be cancelled on payment of 5% of the contract price as a penalty.
- (xii) Ignore taxation and cost of the scheme.

You are requested to show Journal entries reflecting the above transactions (including cash transactions) and prepare the Balance Sheet of the company after completion of the Scheme.

**(15 Marks)**

- (b) H Ltd. having Share Capital of Rs. 50 Lakhs divided into Equity share of Rs. 10 each, was taken over by G Ltd. H Ltd. has General Reserve of Rs. 10,00,000 and Profit and Loss Account Cr. Rs. 5,00,000. G. Ltd. issued 11 Equity Share of Rs. 10 each for every 10 share of H Ltd.

Show how the Journal Entries would be passed in the banks of G. Ltd., for the shares issued under the pooling of interest method of Amalgamation.

(5 Marks)

**Question 4:**

(a)

Outstanding Balance	Rs. 4 lakhs
ECGC Cover	50%
Period for which the advance has remained doubtful	More than 3 years remained doubtful (as)
Value of security held	Rs. 1.50 lakhs

You are required to calculate provisions.

(5 Marks)

- (b) Templeton Finance Ltd. is a non-banking finance company. The extracts of its balance sheet are given below:

Liabilities	Amount Rs. in 000	Assets	Amount Rs. in 000
Paid-up equity capital	100	Leased out assets	800
Free reserves	500	Investment:	
Loans	400	In shares of subsidiaries and group companies	100
Deposits	400	In debentures of subsidiaries and group Companies	100
		Cash and bank balances	200
		Deferred expenditure	200
	1,400		1,400

You are required to compute 'Net owned Fund' of Templeton Finance Ltd. as per Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

(5 Marks)

- (c) X, Y and Z are partners of the firm XYZ and Co., sharing Profits and Losses in the ratio of 4 : 3 : 2. Following is the Balance Sheet of the firm as at 31<sup>st</sup> March, 20X1 :

**Balance Sheet as at 31st March, 20X1**

Liabilities	Rs.	Assets	Rs.
Partners' Capitals:		Fixed Assets	5,00,000
X	4,00,000	Stock in trade	3,00,000
Y	3,00,000	Sundry debtors	5,00,000
Z	2,00,000	Cash in hand	10,000
General Reserve	90,000		
Sundry Creditors	3,20,000		
	13,10,000		13,10,000

Partners of the firm decided to dissolve the firm on the above said date. Fixed assets realised Rs. 5,20,000 and book debts Rs. 4,40,000. Stocks were valued at Rs. 2,50,000 and it was taken over by partner Y. Creditors allowed discount of 5% and the expenses of realisation amounted to Rs. 6,000. You are required to prepare:

- Realisation account;
- Partners capital account; and
- Cash account.

**(10 Marks)****Question 5:**

A Ltd. acquired 1,600 ordinary shares of Rs. 100 each of B Ltd. on 1st July, 2016. On 31<sup>st</sup> December, 2016 the summarized balance sheets of the two companies were as given below:

Liabilities	A Ltd. Rs.	B Ltd. Rs.	Assets	A Ltd. Rs.	B Ltd. Rs.
Capital (Shares of Rs. 100 each fully paid)	5,00,000	2,00,000	Land & Buildings	1,50,000	1,80,000
Reserves	2,40,000	1,00,000	Plant & Machinery	2,40,000	1,35,000
Profit & Loss A/c	57,200	82,000	Investment in B Ltd. at cost	3,40,000	—
Bank Overdraft	80,000	—	Inventory	1,20,000	36,400
Trade Payable	47,100	17,400	Trade Receivable	59,800	40,000
			Cash	14,500	8,000
	9,24,300	3,99,400		9,24,300	3,99,400

The Profit & Loss Account of B Ltd. showed a credit balance of Rs. 30,000 on 1st January, 2016 out of which a dividend of 10% was paid on 1st August, 2016; A Ltd. credited the dividend received to its Profit & Loss Account. The Plant & Machinery which stood at Rs. 1,50,000 on 1st January, 2016 was considered as worth Rs. 1,80,000 on 1st July, 2016; 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 on 31st December, 2016.

**(20 Marks)****Question 6: (Answer any four)**

- Explain the conditions involved in an amalgamation in the Nature of merger.  
**(5 Marks)**
- On 1<sup>st</sup> December, 2018, "Sampath" Construction Company Limited undertook a contract to construct a building for Rs. 108 lakhs. On 31<sup>st</sup> March, 2019 the company found that it had already spent Rs. 83.99 lakhs on the construction. A prudent estimate of additional cost for completion was Rs. 36.01 lakhs. You are required to compute the amount of provision for foreseeable loss, which must be made in the Final Accounts for the year ended 31<sup>st</sup> March, 2019 based on AS 7 "Accounting for Construction Contracts."  
**(5 Marks)**
- A company has its share capital divided into shares of Rs. 10 each. On 1-4-20X1, it granted 5,000 employees stock options at Rs. 50, when the market price was Rs. 140. The options were to be exercised between 1-3-20X2 to 31-03-20X2. The employees exercised their options for 4,800 shares only; remaining options lapsed. Pass the necessary journal entries for the year ended 31-3-20X2, with regard to employees' stock options.  
**(5 Marks)**

- (d) From the following details of A Ltd. for the year ended 31-03-2017, calculate the deferred tax asset/ liability as per AS 22 and amount of tax to be debited to the Profit and Loss Account for the year.

Particulars	Rs.
Accounting Profit	6,00,000
Book Profit as per MAT	3,50,000
Profit as per Income Tax Act	60,000
Tax rate	20%
MAT rate	7.50%

**(5 Marks)**

- (e) E, F, G and H hold Equity Capital in Alpha Co. in the proportion of 30:30:20:20. S, T, U and V hold preference share capital in the proportion of 40:30:10:20. If the paid up capital of the company is Rs. 120 Lakh and Preference share capital is Rs. 60 Lakh, You are required to calculate their voting rights in case of resolution of winding up of the company.

**(5 Marks)**

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