

(CA INTERMEDIATE MOCK TEST MAY 2021)

DATE: 12.03.2021
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)** 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:

- (i) Basic earnings per share for the year 2012-13.
- (ii) Restated basic earnings per share for the year 2012-13 for right issue.
- (iii) 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 following particulars relate to a Limited Company which has gone into voluntary liquidation. You are required to prepare the Liquidator's Statement of Account allowing for his remuneration @ 2½% on all assets realized excluding call money received and 2% on the amount paid to unsecured creditors including preferential creditors.

Share capital issued:

10,000 Preference shares of Rs. 100 each fully paid up.

50,000 Equity shares of Rs. 10 each fully paid up.

30,000 Equity shares of Rs. 10 each, Rs. 8 paid up.

Assets realized Rs. 20,00,000 excluding the amount realized by sale of securities held by partly secured creditors.

	Rs.
Preferential creditors	50,000
Unsecured creditors	18,00,000
Partly secured creditors (Assets realized Rs. 3,20,000)	3,50,000
Debenture holders having floating charge on all assets of the company	6,00,000
Expenses of liquidation	10,000

A call of Rs. 2 per share on the partly paid equity shares was duly received except in case of one shareholder owning 1,000 shares.

Also calculate the percentage of amount paid to the unsecured creditors to the total unsecured creditors.

(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 following was the Balance Sheet of V Ltd. as on 31st March, 2015:

Particulars	Note No.	Amount (Rs. in lakhs)
Equity and Liabilities		
(1) Shareholders' Funds		
(a) Share Capital	1	1,150
(b) Reserves and Surplus	2	(87)
(2) Non-current Liabilities		
(a) Long-term Borrowings	3	630
(3) Current Liabilities		
Trade Payables		170
Total		1,863
Assets		
(1) Non-current Assets		
Tangible Assets	4	1,152
(2) Current Assets		
Inventories		380
Trade Receivables		256
Cash and Cash equivalents	5	75
Total		1,863

Notes:

(1) Share Capital		
Authorised :		?
Issued, Subscribed and Paid up :		
80 lakhs Equity Shares of Rs. 10 each, fully paid up		800
35 lakhs 12% Cumulative Preference Shares of Rs. 10 each, fully paid up		350
	Total	1,150
(2) Reserves and Surplus		
Profit & Loss Account		(87)
	Total	(87)
(3) Long-term Borrowings		
10% Secured Cumulative Debentures of Rs. 100 each, fully paid up		600
Outstanding Debenture Interest		30
	Total	630
(4) Tangible Assets		
Land and Buildings		445
Plant and Machinery		593
Furniture, Fixtures and Fittings		114
	Total	1,152
(5) Cash and Cash Equivalents		
Balance at Bank		69
Cash in hand		6
	Total	75

On 1st April, 2015, P Ltd. took over the entire business of V Ltd. on the following terms:

V Ltd.'s equity shareholders would receive 4 fully paid equity shares of P Ltd. of Rs. 10 each issued at a premium of Rs. 2.50 each for every five shares held by them in V Ltd.

Preference shareholders of V Ltd. would get 35 lakhs 13% Cumulative Preference Shares of Rs. 10 each fully paid up in P Ltd., in lieu of their present holding.

All the debentures of V Ltd. would be converted into equal number of 10.5% Secured Cumulative Debentures of Rs. 100 each, fully paid up after the takeover by P Ltd., which would also pay outstanding debenture interest in cash.

Expenses of amalgamation would be borne by P Ltd. Expenses came to be Rs. 2 lakhs. P Ltd. discovered that its trade payables included Rs. 7 lakhs due to V Ltd. for goods purchased.

Also P Ltd.'s Inventory included goods of the invoice price of Rs. 5 lakhs earlier purchased from V Ltd., which had charged profit @ 20% of the invoice price.

You are required to :

- (i) Prepare Realisation A/c in the books of V Ltd.
- (ii) Pass journal entries in the books of P Ltd. assuming it to be an amalgamation in the nature of merger.

(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 4:

(a) 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.

(15 Marks)

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

Liabilities	Amount	Assets	Amount
	Rs. in 000		Rs. in 000
Paid-up equity capital	100	Leased out assets	800
Free reserves	500	Investment:	
Loans	400	In shares of subsidiaries	
Deposits	400	and group companies	100
		In debentures of	
		subsidiaries and group	100
		Companies	
		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)

Question 5:

On 31st March, 2017 the summarized Balance Sheets of H Ltd. and its subsidiary S Ltd. stood as follows:

Liabilities	H Ltd.	S Ltd.
	Rs. in lakhs	Rs. in lakhs
Share Capital:		
Authorized	15,000	6,000
Issued and Subscribed:		
Equity Shares of Rs. 10 each, fully paid up	12,000	4,800
General Reserve	2,784	1,380
Profit and Loss Account	2,715	1,620
Bills Payable	372	160

Trade Payables	1,461	854
Provision for Taxation	855	394
Dividend payable	1,200	-
	21,387	9,208
Assets	H Ltd.	S Ltd.
	Rs. in lakhs	Rs. in lakhs
Land and Buildings	2,718	-
Plant and Machinery	4,905	4,900
Furniture and Fittings	1,845	586
Investments in shares in S Ltd.	3,000	-
Stock	3,949	1,956
Trade Receivables	2,600	1,363
Cash and Bank Balances	1,490	204
Bills Receivable	360	199
Sundry Advances	520	-
	21,387	9,208

The following information is also provided to you:

- (a) H Ltd. purchased 180 lakh shares in S Ltd. on 1st April, 2016 when the balances of General Reserve and Profit and Loss Account of S Ltd. stood at Rs. 3,000 lakh and Rs. 1,200 lakh respectively.
 - (b) On 31st March, 2016, S Ltd. declared a dividend @ 20% for the year ended 31st March, 2016. H Ltd. credited the dividend received by it to its Profit and Loss Account.
 - (c) On 1st January, 2017, S Ltd. issued 3 fully paid-up bonus shares for every 5 shares held out of balances of its general reserve as on 31st March, 2016.
 - (d) On 31st March, 2017, all the bills payable in S Ltd.'s balance sheet were acceptances in favour of H Ltd. But on that date, H Ltd. held only Rs. 45 lakh of these acceptances in hand, the rest having been endorsed in favour of its trade payables.
 - (e) On 31st March, 2017, S Ltd.'s inventory included goods which it had purchased for Rs. 100 lakh from H Ltd. which made a profit @ 25% on cost.
- Prepare a Consolidated Balance Sheet of H Ltd. and its subsidiary S Ltd. as at 31st March, 2017.

(20 Marks)

Question 6: (Attempt any four)

- (a) XYZ Limited is being wound up by the tribunal. All the assets of the company have been charged to the company's bankers to whom the company owes Rs. 5 crores. The company owes following amounts to others:
 Dues to workers – Rs. 1,25,00,000
 ✓ Taxes Payable to Government – Rs. 30,00,000
 ✓ Unsecured Creditors – Rs. 60,00,000
 You are required to compute with the reference to the provision of the Companies Act, 2013 the amount each kind of creditors is likely to get if the amount realized by the official liquidator from the secured assets and available for distribution among creditors is only Rs.4,00,00,000/-

(5 Marks)

- (b) 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)

(c) P. Ltd. has 60% voting right in Q Ltd., Q Ltd. has 20% voting right in R Ltd. Also, P Ltd. directly enjoys voting right of 14% in R Ltd.

R Ltd. is a Listed Company and regularly supplies goods to P Ltd.

The management of R Ltd. has not disclosed it's relationship with P Ltd.

How would you assess the situation from the view point of A.S.-18 on Related Party Disclosures?

(5 Marks)

(d) 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 1.4.2016 to 30.6.2016. On 1.7.2016, he left the service.

Should the relative be identified as at the closing date i.e. on 31.3.2017 for the purposes of AS 18?

(5 Marks)

(e) PQ Ltd. grants 100 stock options to each of its 1,000 employees on 1-4-2015, conditional upon the employee remaining in the company for 2 years. The fair value of the option is Rs. 18 on the grant date and the exercise price is Rs. 55 per share. The other information is given as under:

(i) Number of employees expected to satisfy service condition are 930 in the 1st year and 850 in the 2nd year.

(ii) 40 employees left the company in the 1st year of service and 880 employees have actually completed 2 year vesting period.

You are required to calculate ESOP cost to be amortized by PQ Ltd. in the years 2015- 2016 and 2016-2017.

(5 Marks)

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