

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 be treated as discontinuing operation as per AS 24?

(5 Marks)

- (d) Shyam Ltd. had 12,00,000 equity shares on April 1, 2009. The company earned a profit of Rs. 30,00,000 during the year 2009-10. The average fair value per share during 2009-10 was Rs. 25. The company has given share option to its employees of 2,00,000 equity shares at option price of Rs. 15. Calculate basic E.P.S. and diluted E.P.S.

(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) Mittal Finance Ltd. is a non-banking financial company. It provides you with the following information regarding its outstanding amount, Rs. 200 lakhs of which installments are overdue on 200 accounts for last two months (amount overdue Rs. 40 lakhs), on 24 accounts for three months (amount overdue Rs. 24 lakhs), on 10 accounts for more than 30 months (amount overdue Rs. 20 lakhs) and on 4 accounts for more than three years (amount over due Rs. 20 lakhs-already identified as sub-standard assets) and one account of Rs. 10 lakhs which has been identified as non-recoverable by the management. Out of 10 accounts overdue for more than 30 months, 6 accounts are already identified as sub-standard (amount Rs. 6 lakhs) for more than fourteen months and other are identified as sub-standard asset for a period of less than fourteen months.

Classify the assets of the company in line with Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

(5 Marks)

- (c) 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)

Question 3:

- (a) The following was the Balance Sheet of X 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 X Ltd. on the following terms:

X 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 X Ltd.

Preference shareholders of X 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 X 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 X Ltd. for goods purchased.

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

You are required to :

- (i) Prepare Realisation A/c in the books of X 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 XYZ 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 $\frac{3}{5}$ th of their holding.
 - (b) 10% Preference shares fully paid to the extent of $\frac{1}{5}$ th 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 XYZ Limited for the above reconstruction. Suitable narrations to Journal entries should form part of your answer.

(5 Marks)

Question 4:

(a) From the following information, prepare Profit and Loss Account of Samsung Bank Ltd. for the year ended 31.3. 2013:

	(Rs. in '000)
Interest and Discount	8,860
(Includes interest accrued on investments)	
Other Income	220
Interest expended	2,720
Operating expenses	2,830
Interest accrued on Investments	10
Additional Information:	
(a) Rebate on bills discounted to be provided for	30

(b)	Classification of Advances:	
	(i) Standard assets	4,000
	(ii) Sub-standard assets	2,240
	(iii) Doubtful assets-(fully unsecured)	390
	(iv) Doubtful assets – covered fully by security	
	Less than 1 year	100
	More than 1 year, but less than 3 years	600
	More than 3 years	600
	(v) Loss assets	376
(c)	Provide 35% of the profit towards provision for taxation.	
(d)	Transfer 25% of the profit to Statutory Reserve.	

(10 Marks)**(b)** Consider the following summarized balance sheets of subsidiary Nitin Ltd.:

	2015	2016		2015	2016
	Rs.	Rs.		Rs.	Rs.
Share-Capital			Fixed Assets		
Issued & subscribed 2,500 equity shares of Rs. 100 each	2,50,000	2,50,000	Cost	1,60,000	1,60,000
			Less: Accumulated depreciation	(24,000)	(48,000)
Reserves & Surplus				1,36,000	1,12,000
Revenue reserves	1,43,000	3,57,000	Investments at cost	—	2,00,000
Current Liabilities & Provisions:			Current Assets:		
Trade Payables	2,45,000	2,47,000	Inventory	2,98,500	3,71,000
Bank overdraft	—	85,000	Trade Receivables	2,97,000	4,45,500
Provision for taxation	1,55,000	2,15,000	Prepaid Expenses	36,000	24,000
			Cash at Bank	25,500	1,500
	7,93,000	11,54,000		7,93,000	11,54,000

Also consider the following information:

- Nitin Ltd. is a subsidiary of Sky Ltd. Both the companies follow calendar year as the accounting year.
- Sky Ltd. values inventory on LIFO basis while Nitin Ltd. used FIFO basis. To bring Nitin Ltd.'s values in line with those of Sky Ltd. its value of inventory is required to be reduced by Rs. 6,000 at the end of 2015 and Rs. 17,000 at the end of 2016.
- Nitin Ltd. deducts 1% from Trade Receivables as a general provision against doubtful debts.
- Prepaid expenses in Nitin Ltd. include advertising expenditure carried forward of Rs. 30,000 in 2015 and Rs. 15,000 in 2016, being part of initial advertising expenditure of Rs. 45,000 in 2015 which is being written off over three years. Similar amount of advertising expenditure of Sky Ltd. has been fully written off in 2015.

You are required to restate the balance sheet of Nitin Ltd. as on 31st December, 2016 after considering the above information, for the purpose of consolidation. Make the necessary restatement which is necessary to make the accounting policies adopted by Sky Ltd. and Nitin Ltd. uniform.

(10 Marks)

Question 5:

Consider the following summarized balance sheets:

	Y Ltd. (As on 31st March, 2017) Rs.	Z Ltd. (As on 31st December, 2016) Rs.		Y Ltd. (As on 31st March, 2017) Rs.	Z Ltd. (As on 31st December, 2016) Rs.
Share Capital			Fixed Assets	6,50,000	4,05,000
(Shares			Investment:		
of Rs. 10 each)	10,00,000	5,00,000	40,000 Shares		
Reserves and	4,50,000	2,05,000	in Z Ltd.	8,00,000	—
Surplus			1,000		
Secured Loan:			Debentures		
13%			in Z Ltd.	1,50,000	—
Debentures			Current Assets:		
(Rs. 100 each)	—	3,00,000	Inventory	2,00,000	3,50,000
Current			Trade	1,50,000	2,65,000
Liabilities:			Receivables		
Trade payables	3,80,000	80,000	Cash and Bank	80,000	1,05,000
Other liabilities	2,00,000	40,000			
	20,30,000	11,25,000		20,30,000	11,25,000

On 5th January 2017, certain inventory of Z Ltd. costing Rs. 20,000 were completely destroyed by fire. The insurance company paid 75% of the claim.

On 20th January, 2017, Y Ltd. sold goods to Z Ltd. costing Rs. 1,50,000 at an invoice price of cost plus 20%.

50% of those goods were resold by Z Ltd. to Y Ltd. within 31st March, 2017 (these were then sold by Y Ltd. to a third party before 31st March, 2017). As on 31st March, 2017, Z Ltd. owes Rs. 60,000 to Y Ltd. In respect of those goods. Pre-acquisition profits of Z Ltd. were Rs. 75,000. Prepare consolidated balance sheet as on 31st March, 2017 after making necessary adjustments in the balance sheet of Z Ltd.

(20 Marks)

Question 6: (Attempted any four)

(a) Lions 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 Lions 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) XYZ Ltd. grants 1,000 employees stock options on 1.4.20X0 at Rs. 40, when the market price is Rs. 160. The vesting period is 2½ years and the maximum exercise period is one year. 300 unvested options lapse on 1.5.20X2. 600 options are exercised on 30.6.20X3. 100 vested options lapse at the end of the exercise period.

Pass Journal Entries giving suitable narrations.

(5 Marks)

- (c) On 1st December, 2018, "Janpath" Construction Company Limited undertook a contract to construct a building for Rs. 108 lakhs. On 31st 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 31st March, 2019 based on AS 7 "Accounting for Construction Contracts."

(5 Marks)

- (d) YZY Ltd. is in dispute involving allegation of infringement of patents by a competitor company who is seeking damages of a huge sum of Rs. 1000 Lakhs. The directors are of the opinion that the claim can be successfully resisted by the company. How would you deal the same in the Annual Accounts of the company?

(5 Marks)

- (e) K 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)

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