

**(GI-10, GI-11, VI-2(A) & AI-2(A), DI-1+2 & Drive)**

DATE: 19.01.2024

MAXIMUM MARKS: 100

TIMING: 3¼ Hours

**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.

1. The question paper comprises two parts, Part I and Part II.
2. Part I comprises Multiple Choice Questions (MCQs).
3. Part II comprises questions which require descriptive type answers.

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.

**SECTION – A****PART – I – MULTIPLE CHOICE QUESTIONS****TOTAL MARKS: 30 MARKS**

Write the most appropriate answer to each of the following multiple choice questions by choosing one of the four options given, All questions are compulsory.

1. On 31.03.2018 a business firm finds that cost of a partly finished unit on that date is ₹ 530. The unit can be finished in 2018-2019 by an additional expenditure of ₹ 310. The finished unit can be sold for ₹ 750 subject to payment of 4% brokerage on selling price. The firm seeks your advice regarding the amount at which the unfinished unit should be valued as at 31.03.2019 for preparation of final accounts?  
(a) 530 per unit  
(b) 410 per unit  
(c) 440 per unit  
(d) 720 per unit
2. Amalgamation Adjustment Reserve  
(a) should be shown as a Fixed Asset in the balance sheet of the purchasing company  
(b) should be shown as a Fictitious Asset in the balance sheet of the vendor company  
(c) should be shown under Reserves and Surplus in the balance sheet of the purchasing company  
(d) Any of the above
3. H Ltd. holds 7,500 shares of S Ltd. Total shares of S Ltd. are 10,000 of ₹10 each. General Reserve and Profit & Loss balance of S Ltd. are ₹ 35,000 & ₹ 27,500 respectively out of which 40% relates to post acquisition period. Minority Interest= ?  
(a) ₹ 40,625  
(b) ₹ 34,375  
(c) ₹ 50,525  
(d) ₹ 40,925
4. H Ltd. acquired as investment 15,000 shares in S Ltd. for ₹ 1,55,000 on 1.7.2018. Details of S Ltd. on 31.3.2019 are given below: Share Capital (₹ 10

each) - 2,50,000 General Reserve - 40,000 Profit & Loss Account 25,000 General reserve of S Ltd. has remained unchanged since 31.3.2018. Profit earned by S Ltd. for the year ended 31.3.2019 amounted to ₹20,000. Cost of control =?

- (a) ₹ 25,000 capital reserve
- (b) ₹ 25,000 goodwill
- (c) ₹ 5,000 goodwill
- (d) ₹ 5,000 capital reserve

S Ltd holds 35% of total Equity Shares of M Ltd, an Associate Company. The value of Investments in M Ltd on 31st March is ₹ 3 Crores in the Consolidated Financial Statements of S Ltd. S Ltd sold Goods worth ₹ 3,50,000 to M Ltd. The cost of goods sold is ₹ 3,00,000. Out of these, Goods costing ₹ 1,00,000 to M Ltd were in the Closing Stock of M Ltd. M Ltd had earned a Profit of ₹ 1.50 Crores and declared a Dividend of ₹ 75 Lakhs to the Equity Shareholders of the Company.

5. Carrying Value as per Equity Method =
- (a) 2,64,94,167
  - (b) 3,00,00,000
  - (c) 3,26,19,167
  - (d) 5,833
6. Share of Profit added with Investments =
- (a) 1.50 Crores
  - (b) 52,50,000
  - (c) 26,25,000
  - (d) 5,833
7. Identify which of the following is not a feature of a Jointly controlled operations (JCO):
- (a) Each venture has his own separate business.
  - (b) There is a separate entity for joint venture business.
  - (c) Each venturer record only his own transactions without any separately set of books maintained for the joint venture business.
  - (d) There is a common agreement between all of them.
8. Equity shares amounting to ₹ 2,00,000 are brought back at a premium of 5%, by issue of preference shares amounting to ₹1,00,000 at a premium of 10%. The amount to be transferred to capital redemption reserve = ?
- (a) ₹ 1,00,000
  - (b) ₹ 90,000
  - (c) ₹ 1,50,000
  - (d) ₹ 50,000
9. An asset which cost ₹150 has a Year-end Carrying Amount of ₹ 100. Cumulative Depreciation for Tax purposes is ₹90. Tax Rate is 25%. The Entity should –
- (a) Recognise DTA 10
  - (b) Recognise DTL 10
  - (c) Recognise DTA 40
  - (d) Recognise DTL 40
10. X Packaging Ltd has two segments, Packaging Division and Paper Division. In March, the Board of Directors approved and announced a formal plan to sell the Paper Division in June. Operating Losses of the Paper Division are estimated to be approximately ₹ 50 Lakhs during the period from 1st April to the expected date of disposal. In this case –
- (a) Provision should be made for Future Operating Losses.
  - (b) Provision should not be made for Future Operating Losses.
  - (c) Contingent liability should be disclosed for Future Operating Losses.
  - (d) Any of the above

11. The account prepared for the ascertaining the amount of gross profit earned by the branch under Stock and Debtor system is –
- (a) Branch adjustment account
  - (b) Brandi stock account:
  - (c) Goods sent to branch account
  - (d) Branch debtor account
12. An Entity sells goods with a warranty cover for manufacturing defects. Based on past experience, the probability of no defects, minor defects and major defects are 75%, 20% and 5% respectively, with Costs of ₹ Nil, ₹ 1 Lakh and ₹ 4 Lakh. In this case, the Best Estimate of the Provision =
- (a) 20,000
  - (b) 40,000
  - (c) 1,00,000
  - (d) 4,00,000
13. Vini Ltd. has an asset, which was purchased on 01.04.2016 at Rs. 1,000 lakh and estimated salvage value was Rs. 100 lakh. The life of the asset is 5 years. The Company applies straight line method for depreciation. As at 31.03.2018 value in use is Rs. 400 lakh and the net selling price is Rs. 375 lakh. The amount of impairment loss for 2017 – 2018 is
- (a) Rs. 420 lakh
  - (b) Rs. 200 lakh
  - (c) Rs. 240 lakh
  - (d) Rs. 265 lakh
14. If the exchange transaction lacks commercial substance, the company will –
- (a) earn Profit
  - (b) incur Loss
  - (c) Either of the above
  - (d) No Profit or Loss
15. Which of the following is true?
- (a) When an Enterprise is required or elects to prepare and present an Interim Financial Report, it should comply with the requirements of AS 25.
  - (b) AS - 25 does not provide for classes of enterprises required to present Interim Financial Reports, how frequent, or how soon after the end of an interim period should reports be presented.
  - (c) Both of the above
  - (d) None of the above
16. Rishaba Ltd reported a PBT of ₹ 4 Laths for the quarter ending 30th September after recognizing 80% of Sales Promotion Expenses ₹ 15 Lakhs incurred in this quarter has been deferred to the next quarter; as the sales in the next quarter is high. Adjustment required –
- (a) Add 15 Lakh
  - (b) Add 12 Lakh
  - (c) Deduct 12 Lakh
  - (d) No Adjustment Required
17. In relation to a Discontinuing Operation, the initial disclosure event is the occurrence of-
- (a) the Enterprise has entered into a binding sale agreement for substantially all of the assets attributable to the Discontinuing Operation
  - (b) the Enterprise's Board of Directors or similar Governing Body has both - (i) approved a detailed, formal plan for the discontinuance, and (ii) made an announcement of the plan.

- (c) Earlier of the above  
(d) Later of the above
18. Accounting profit Rs. 15,00,000, Book profit as per MAT Rs. 8,75,000, Profit as per Income-tax Act Rs. 1,50,000 Tax rate 30%, MAT rate 7.50%. The deferred tax asset / liability as per AS 22 and amount of tax to be debited to Profit and Loss Account for the year ended 31.3.2021 are  
(a) Rs. 4,05,000, is 5,15,625  
(b) Rs. 4,05,000, is 4,70,625  
(c) Rs. 4,95,000, is 5,15,625  
(d) None of these
19. Identify which of the statements are correct.  
An enterprise can influence the significant economic decision making by many ways like:  
(i) Representation on the board of directors or governing body of the investee.  
(ii) Participation in policy-making processes.  
(iii) Interchange of managerial personnel.  
(iv) Provision of essential technical information.  
(a) Statement (i) and (ii) are correct.  
(b) Statement (i), (ii) and (iii) are correct.  
(c) Statement (i), (ii), (iii) and (iv) are correct.  
(d) Statement (ii) and (iii) are correct.
20. Situations that would classify a lease as Finance Lease are –  
(a) Transfer of ownership of the asset to the Lessee by the end of the lessee term,  
(b) Option to purchase the asset, to the Lessee, at a price which is sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised,  
(c) Lease Term is for the major part of the economic life of the asset even if title is not transferred,  
(d) All of the above
21. \_\_\_\_\_ in the Lease, is the aggregate of the Minimum Lease Payments under a Finance Lease from the standpoint of the Lessor and any Unguaranteed Residual Value accruing to the Lessor.  
(a) Gross Investment  
(b) Net Investment  
(c) Unearned Finance Income  
(d) GRV
22. Which of the following is not a Related Party?  
(a) Associate of an Associate  
(b) Co-Associates  
(c) Provider of Finance  
(d) All of the above
23. Which of the following is Related Party Relationship, if Bhanu Ltd is a 100% subsidiary of Agni Ltd.?  
(a) Salary paid to Employees of Bhanu Ltd.  
(b) Loans given to Employees of Agni Ltd.  
(c) Inter-Company Sales between Agni Ltd. and Bhanu Ltd.  
(d) All of the above

24. X Co-operative society Ltd has borrowed a sum of US \$12.50 million at the commencement of the financial year 2020-2021 for its solar energy project at LIBOR (London Interbank offered rate of 1%) + 4%. The interest is payable at the end of the respective financial year. The loan was availed at the then rate of Rs. 45 to US dollar while the rate as on 31st March, 2021 is Rs. 48 to the US dollar. Had X Co-operative Society Ltd. Borrowed the Rupee equivalent in India, the interest would have been 11%. 'Borrowing Cost and exchange difference will be:
- (a) Rs. 61,87,500, Rs. 5,62,500
  - (b) Rs. 37,50,000, Rs. 5,62,500
  - (c) Rs. 67,50,000, Rs. 5,62,500
  - (d) None of these
25. AS 16 deals with –
- (a) Capitalization of Interest
  - (b) Suspension of Capitalization
  - (c) Cessation of Capitalization
  - (d) All of the above
26. Which of the following is not covered within the scope of AS 26?
- (a) Intangible assets held-for-sale in the ordinary course of business
  - (b) Assets arising from employee benefits
  - (c) (a) & (b) both
  - (d) Research and development activities
27. Advantages of Buy-back of shares include to
- (a) Encourage others to make hostile bid to take over the company.
  - (b) Decrease promoters holding as the shares which are bought back are cancelled.
  - (c) Discourage others to make hostile bid to take over the company as the buy-back will increase the promoters holding.
  - (d) All of the above.
28. Gain on valuation of Current Investments will be transferred to –
- (a) Capital Reserve
  - (b) Profit a Loss A/C
  - (c) Will not be considered
  - (d) Investment Fluctuation Reserve
29. Bonus shares received will –
- (a) Increase the Value of Shares
  - (b) Decrease the Number of Shares
  - (c) Decrease the Cost of Shares
  - (d) Increase the Cost of Shares
30. Which of the following statements is false as per AS 12?
- (a) Rs. 25 lakh received from the Local Authority for providing medical facilities to the employees will be credited to Profit & Loss A/C or deducted from the Medical Expenses.
  - (b) Rs. 50 lakh received from the State Govt. a Grant for setting up a Water treatment Plant. Cost of Plant purchased Rs. 150 lakh. The Plant will be shown at Rs. 100 lakh (i.e. Rs. 150 lakh minus Rs. 50).
  - (c) Land worth Rs. 100 lakh received free of cost. from the State Govt. should be recorded at a nominal value.
  - (d) None of these

**(30 MCQ x 1 M Each = 30 Marks)**

## SECTION – B

## PART – II - DESCRIPTIVE QUESTIONS

## QUESTIONS NO. 1 IS COMPULSORY

## ATTEMPT ANY FOUR QUESTIONS THE REMAINING FIVE QUESTIONS

TOTAL MARKS: 70 MARKS

**Question 1:**

- (a) Bright Ltd. acquired 30% of East India Ltd. shares for Rs. 2,00,000 on 01-06-20X1. By such an acquisition Bright can exercise significant influence over East India Ltd. During the financial year ending on 31-03-20X1 East India earned profits Rs. 80,000 and declared a dividend of Rs. 50,000 on 12-08-20X1. East India reported earnings of Rs. 3,00,000 for the financial year ending on 31-03-20X2 (assume profits to accrue evenly) and declared dividends of Rs. 60,000 on 12-06-20X2.

Calculate the carrying amount of investment in:

- (i) Separate financial statements of Bright Ltd. as on 31-03-20X2;
- (ii) Consolidated financial statements of Bright Ltd.; as on 31-03-20X2;
- (iii) What will be the carrying amount as on 30-06-20X2 in consolidated financial statements?

**(2 Marks)**

- (b) (i) SM Enterprises is a leading distributor of petrol. A detailed inventory of petrol in hand is taken when the books are closed at the end of each month. For the month ending June 2021 following information is available:

- (i) Sales for the month of June 2021 was Rs. 30,40,000.
- (ii) General overheads cost Rs. 4,00,000.
- (iii) Inventory at beginning 10,000 litres @ Rs. 92 per litre.
- (iv) Purchases-June 1, 2021, 20,000 litres @ Rs. 90 per litre, June 30, 2021, 10,000 litres @ Rs. 95 per litre.
- (v) Closing inventory 13,000 litres.

You are required to compute the following by FIFO method as per AS 2:

- (i) Value of Inventory on 30th June, 2021.
- (ii) Amount of cost of goods sold for June, 2021.

Profit/Loss for the month of June, 2021.

- (ii) The inventory of Rich Ltd. as on 31st March, 2020 comprises of Product – A: 200 units and Product – B: 800 units.

Details of cost for these products are:

Product – A: Material cost, wages cost and overhead cost of each unit are Rs. 40, Rs. 30 and Rs. 20 respectively, Each unit is sold at Rs. 110, selling expenses amounts to 10% of selling costs.

Product – B: Material cost and wages cost of each unit are Rs. 45 and Rs. 35 respectively and normal selling rate is Rs. 150 each, however due to defect in the manufacturing process 800 units of Product-B were expected to be sold at Rs. 70.

You are requested to value closing inventory according to AS 2 after considering the above.

**(4 Marks)**

- (c) Expert Limited issued 12% secured debentures of Rs. 100 lakhs on 01.06.2021. Money raised from debentures to be utilized as under:

Intended Purpose	Amount Rs. in lakhs
Construction of factory building	40
Working Capital	30
Purchase of Machinery	15
Purchase of Furniture	2
Purchase of truck	13

Additional Information:

- (i) Interest on debentures for the Financial Year 2021-2022 was paid by the Company.
- (ii) During the year, the company invested idle fund of Rs. 5 lakhs (out of the money raised from debentures) in Bank's fixed deposit and earned interest of Rs. 50,000.
- (iii) In March, 2022 construction of factory building was not completed (it is expected that it will take another 6 months).
- (iv) In March 2022, Machinery was installed and ready for its intended use.
- (v) Furniture was put to use at the end of March 2022.
- (vi) Truck is going to be received in April, 2022.

You are required to show the treatment of interest as per AS 16 in respect of borrowing cost for the year ended 31st March, 2022 in the Books of Expert Limited.

**(4 Marks)**

- (d)** The following information is furnished in respect of Slate Ltd. for the year ending 31-3-2019:

- (i) Depreciation as per books                      Rs. 2,80,000  
Depreciation for tax purpose                      Rs. 1,90,000  
The above depreciation does not include depreciation on new additions.
- (ii) A new machinery purchased on 1.4.18 costing Rs. 1,20,000 on which 100% depreciation is allowed in the 1st year for tax purpose whereas Straight-line method is considered appropriate for accounting purpose with a life estimation of 4 years.
- (iii) The company has made a profit of Rs. 6,40,000 before depreciation and taxes.
- (iv) Corporate tax rate of 40%.

Prepare relevant extract of statement of Profit and Loss for the year ending 31-3-2019 and also show the effect of above items on deferred tax liability/asset as per AS 22.

**(4 Marks)**

**Question 2:**

- (a)** G Ltd., acquired a machine on 1<sup>st</sup> April, 20X0 for Rs. 7 crore that had an estimated useful life of 7 years. The machine is depreciated on straight line basis and does not carry any residual value. On 1<sup>st</sup> April, 20X4, the carrying value of the machine was reassessed at Rs. 5.10 crore and the surplus arising out of the revaluation being credited to revaluation reserve. For the year ended March, 20X6, conditions indicating an impairment of the machine existed and the amount recoverable ascertained to be only Rs. 79 lakhs. You are required to calculate the loss on impairment of the machine and show how this loss is to be treated in the books of G Ltd. G Ltd., had followed the policy of writing down the revaluation surplus by the increased charge of depreciation resulting from the revaluation.

**(4 Marks)**

- (b)** KP manufactures a range of goods which it sells to wholesale customers only from its head office. In addition, the H.O. transfers goods to a newly opened branch at factory cost plus 15%. The branch then sells these goods to the general public on only cash basis.

The selling price to wholesale customers is designed to give a factory profit which amounts to 30% of the sales value. The selling price to the general public is designed to give a gross margin (i.e., selling price less cost of goods from H.O.) of 30% of the sales value.

KP operates from rented premises and leases all other types of fixed assets. The rent and hire charges for these are included in the overhead costs shown in the trial balances.

From the information given below, you are required to prepare for the year ended 31st Dec., 20X1 in columnar form.

- (a) A Profit & Loss account for (i) H.O. (ii) the branch (iii) the entire business.  
 (b) Balance Sheet as on 31st Dec., 20X1 for the entire business.

	H.O.		Branch	
	Rs.	Rs.	Rs.	Rs.
Raw materials purchased	35,000			
Direct wages	1,08,500			
Factory overheads	39,000			
Stock on 1-1-20X1				
Raw materials	1,800			
Finished goods	13,000		9,200	
Debtors	37,000			
Cash	22,000		1,000	
Administrative Salaries	13,900		4,000	
Salesmen Salaries	22,500		6,200	
Other administrative & selling overheads	12,500		2,300	
Inter-unit accounts	5,000			2,000
Capital		50,000		
Sundry Creditors		13,000		
Provision for unrealized profit in stock		1,200		
Sales		2,00,000		65,200
Goods sent to Branch		46,000		
Goods received from H.O.			44,500	
	3,10,200	3,10,200	67,200	67,200

Note:

- (1) On 28th Dec., 20X1 the branch remitted Rs. 1,500 to the H.O. and this has not yet been recorded in the H.O. books. Also, on the same date, the H.O. dispatched goods to the branch invoiced at Rs. 1,500 and these too have not yet been entered into the branch books. It is the company's policy to adjust items in transit in the books of the recipient.
- (2) The stock of raw materials held at the H.O. on 31st Dec., 20X1 was valued at Rs. 2,300.
- (3) You are advised that:
  - there were no stock losses incurred at the H.O. or at the branch.
  - it is KP's practice to value finished goods stock at the H.O. at factory cost.
  - there were no opening or closing stock of work-in-progress.
- (4) Branch employees are entitled to a bonus of Rs. 156 under a bilateral agreement.

**(10 Marks)**

**Question 3:**

- (a) From the Balance Sheets and information given below, prepare Consolidated Balance Sheet of Virat Ltd. and Anushka Ltd. as at 31st March. Virat Ltd. holds 80% of Equity Shares in Anushka Ltd. since its (Anushka Ltd.'s) incorporation.



## Balance Sheet of Virat Ltd. and Anushka Ltd. as at 31st March, 20X1

Particulars	Note No.	Virat Ltd. (Rs.)	Anushka Ltd. (Rs.)
<b>I. Equity and Liabilities</b>			
<b>(1) Shareholder's Funds</b>			
(a) Share Capital	1	6,00,000	4,00,000
(b) Reserves and Surplus	2	1,00,000	1,00,000
<b>(2) Non-current Liabilities</b>			
Long Term Borrowings		2,00,000	1,00,000
<b>(3) Current Liabilities</b>			
(a) Trade Payables		1,00,000	1,00,000
Total		10,00,000	7,00,000
<b>II. Assets</b>			
<b>(1) Non-current assets</b>			
(a) Property, Plant and Equipment		4,00,000	3,00,000
(b) Non-current investments	3	3,20,000	-
<b>(2) Current Assets</b>			
(a) Inventories		1,60,000	2,00,000
(b) Trade Receivables		80,000	1,40,000
(c) Cash & Cash Equivalents		40,000	60,000
Total		10,00,000	7,00,000

## Notes to Accounts

	Particulars	(Rs.)	Virat Ltd. (Rs.)	Anushka Ltd. (Rs.)
<b>1.</b>	<b>Share capital</b>			
	60,000 equity shares of Rs. 10 each fully paid up		6,00,000	--
	40,000 equity shares of Rs. 10 each fully paid up		--	4,00,000
	Total		6,00,000	4,00,000
<b>2.</b>	<b>Reserves and Surplus</b>			
	General Reserve		1,00,000	1,00,000
	Total		1,00,000	1,00,000
<b>3.</b>	<b>Non-current investments</b>			
	Shares in Anushka Ltd		3,20,000	--

(8 Marks)

- (b) The Chief Accountant of Cotton Garments Limited gives the following data regarding its five segments:

(Rs. in Crore)

Particulars	A	B	C	D	E	Total
Segment Assets	40	15	10	10	5	80
Segment Results	(95)	5	5	(5)	15	(75)
Segment Revenue	310	40	30	40	30	450

The Chief Accountant is of the opinion that segment "A" alone should be reported. Is he justified in his view? Examine his opinion in the light of provisions of AS 17 'Segment Reporting'.

(3 Marks)

- (c) GTI Ltd. negotiates with Bharat Oil Corporation Ltd. (BOCL), for construction of "Retail Petrol and Diesel Outlet Stations". Based on proposals submitted to

different Regional Offices of BOCL, the final approval for one outlet each in Region X, Region Y, Region Z is awarded to GTI Ltd. A single agreement is entered into between two. The agreement lays down values for each of the three outlets i.e. Rs. 102 Lakhs, Rs. 150 Lakhs, Rs. 130 Lakhs for Region X, Region Y, Region Z respectively. Agreement also lays down completion time for each Region. Comment whether GTI Ltd. will treat it as single contract or three separate contracts with reference to AS-7?

(3 Marks)

**Question 4:**

- (a) Neel Ltd. and Gagan Ltd. amalgamated to form a new company on 1.04.20X1. Following is the Balance Sheet of Neel Ltd. and Gagan Ltd. as at 31.3.20X1:

		Particulars	Notes	Neel	Gagan
		<b>Equity and Liabilities</b>			
1		<b>Shareholders' funds</b>			
	A	Share capital		7,75,000	8,55,000
2		<b>Current liabilities</b>		6,23,500	5,57,600
		Total		13,98,500	14,12,600
		<b>Assets</b>			
1		<b>Non-current assets</b>			
	A	Property, Plant and Equipment	1	12,35,000	12,54,000
2		<b>Current assets</b>		1,63,500	1,58,600
		Total		13,98,500	14,12,600

**Notes to accounts:**

1	Property, plant and Equipment			
	Land and Building		7,50,000	6,40,000
	Plant and machinery		4,85,000	6,14,000
			12,35,000	12,54,000

Following is the additional information:

- (i) The assets of Neel Ltd. and Gagan Ltd. are to be revalued as under:

	Neel	Gagan
	Rs.	Rs.
Plant and machinery	5,25,000	6,75,000
Building	7,75,000	6,48,000

- (ii) The purchase consideration is to be discharged as under:

- (a) Issue 24,000 equity shares of Rs. 25 each fully paid up in the proportion of their profitability in the preceding 2 years.  
 (b) Profits for the preceding 2 years are given below:

	Neel	Gagan
	Rs.	Rs.
1 <sup>st</sup> year	2,62,800	2,75,125
II <sup>nd</sup> year	2,12,200	2,49,875
Total	4,75,000	5,25,000

- (c) Issue 12% preference shares of Rs. 10 each fully paid up at par to provide income equivalent to 8% return on net assets in the business as on 31.3.20X1 after revaluation of assets of Neel Ltd. and Gagan Ltd. respectively.

You are required to compute the

- (i) Equity and preference shares issued to Neel Ltd. and Gagan Ltd.,  
 (ii) Purchase consideration.

(6 Marks)

- (b) SMM Ltd. has the following capital structure as on 31<sup>st</sup> March, 2017:

	Particulars	Rs. in crore	
		Situation	Situation
(i)	Equity share capital (shares of Rs. 10 each)	1,200	1,200
(ii)	Reserves:		
	General Reserves	1,080	1,080
	Securities Premium	400	400
	Profit & Loss	200	200
	Infrastructure Development Reserve (Statutory Reserve)	320	320
(iii)	Loan Funds	3,200	6,000

The company has offered buy back price of Rs. 30 per equity share. You are required to calculate maximum permissible number of equity shares that can be bought back in both situations and also required to pass necessary Journal Entries.

**(8 Marks)**

**Question 5:**

- (a) Ring Ltd. was registered with a nominal capital of Rs. 10,00,000 divided into shares of Rs. 100 each. The following Trial Balance is extracted from the books on 31<sup>st</sup> March, 20X2:

Particulars	Rs.	Particulars	Rs.
Buildings	5,80,000	Sales	10,40,000
Machinery	2,00,000	Outstanding Expenses	4,000
Closing Stock	1,80,000	Provision for Doubtful	6,000
Loose Tools	46,000	Debts (1-4-20X1)	
Purchases (finished goods)	4,20,000	Equity Share Capital	4,00,000
Salaries	1,20,000	General Reserve	80,000
Directors' Fees	20,000	Profit and Loss A/c	50,000
Rent	52,000	(1-4-20X1)	
Depreciation	40,000	Creditors	1,84,000
Bad Debts	12,000	Provision for depreciation:	
Investment	2,40,000	On Building 1,00,000	
Interest accrued on investment	4,000	On Machinery 1,10,000	2,10,000
Debenture Interest	56,000	14% Debentures	4,00,000
Advance Tax	1,20,000	Interest on Debentures	28,000
Sundry expenses	36,000	accrued but not due	
Debtors	2,50,000	Interest on Investments	24,000
Bank	60,000	Unclaimed dividend	10,000
	24,36,000		24,36,000

You are required to prepare statement of Profit and Loss for the year ending 31<sup>st</sup> March, 20X2 and Balance sheet as at that date after taking into consideration the following information:

- Closing stock is more than opening stock by Rs. 1,60,000.
- Provide to doubtful debts @ 4% on Debtors.
- Make a provision for income tax @30%.
- Depreciation expense included depreciation of Rs. 16,000 on Building and that of Rs. 24,000 on Machinery.
- The directors declared a dividend @ 25% on 2<sup>nd</sup> April, 20X2 and transfer to General Reserve @ 10%.
- Bills Discounted but not yet matured Rs. 20,000.

**(10 Marks)**

- (b) Prepare cash flow statement of M/s MNT Ltd. for the year ended 31<sup>st</sup> March, 20X1 with the help of the following information:
- (1) Company sold goods for cash only.
  - (2) Gross Profit Ratio was 30% for the year, gross profit amounts to Rs. 3,82,500.
  - (3) Opening inventory was lesser than closing inventory by Rs. 35,000.
  - (4) Wages paid during the year Rs. 4,92,500.
  - (5) Office and selling expenses paid during the year Rs. 75,000.
  - (6) Dividend paid during the year Rs. 30,000.
  - (7) Bank loan repaid during the year Rs. 2,15,000 (included interest Rs. 15,000).
  - (8) Trade payables on 31<sup>st</sup> March, 20X0 exceed the balance on 31<sup>st</sup> March, 20X1 by Rs. 25,000.
  - (9) Amount paid to trade payables during the year Rs. 4,60,000.
  - (10) Tax paid during the year amounts to Rs. 65,000 (Provision for taxation as on 31.03.20X1 Rs. 45,000).
  - (11) Investments of Rs. 7,00,000 sold during the year at a profit of Rs. 20,000.
  - (12) Depreciation on fixed assets amounts to Rs. 85,000.
  - (13) Plant and machinery purchased on 15<sup>th</sup> November, 20X0 for Rs. 2,50,000.
  - (14) Cash and Cash Equivalents on 31<sup>st</sup> March, 20X0 Rs. 2,00,000.
  - (15) Cash and Cash Equivalents on 31<sup>st</sup> March, 20X1 Rs. 6,07,500.

**(4 Marks)****Question 6:**

- (a) Balance Sheet of Anurag Trading Co. on 31st March, 20X1 is given below:

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capital	50,000	Property, Plant and Equipment	69,000
Profit and Loss A/c	22,000	Stock in Trade	36,000
10% Loan	43,000	Trade Receivables	10,000
Trade Payables	18,000	Deferred Expenditure	15,000
		Bank	3,000
	1,33,000		1,33,000

## Additional Information:

- (i) Remaining life of Property, Plant and Equipment is 5 years with even use. The net realisable value of Property, Plant and Equipment as on 31<sup>st</sup> March, 20X2 was Rs. 64,000.
  - (ii) Firm's sales and purchases for the year 20X1-X2 amounted to Rs. 5 lacs and Rs. 4.50 lacs respectively.
  - (iii) The cost and net realisable value of the stock were Rs. 34,000 and Rs. 38,000 respectively.
  - (iv) General Expenses for the year 20X1-X2 were Rs. 16,500.
  - (v) Deferred Expenditure is normally amortised equally over 4 years starting from F.Y. 20X0-X1 i.e. Rs. 5,000 per year.
  - (vi) Out of trade receivables worth Rs. 10,000, collection of Rs. 4,000 depends on successful re-design of certain product already supplied to the customer.
  - (vii) Closing trade payable is Rs. 10,000, which is likely to be settled at 95%.
  - (viii) There is pre-payment penalty of Rs. 2,000 for Bank loan outstanding.
- Prepare Profit & loss Account for the year ended 31<sup>st</sup> March, 20X2 by assuming it is not a Going Concern.

**(4 Marks)**

(b) Mr. Brown has made following transactions during the financial year 20X1-X2:

Date	Particulars
01.05.20X1	Purchased 24,000 12% Bonds of Rs. 100 each at Rs. 84 cum-interest. Interest is payable on 30th September and 31st March every year.
15.06.20X1	Purchased 1,50,000 equity shares of Rs. 10 each in Alpha Limited for Rs. 25 each through a broker, who charged brokerage @ 2%.
10.07.20X1	Purchased 60,000 equity shares of Rs. 10 each in Beeta Limited for Rs. 44 each through a broker, who charged brokerage @2%.
14.10.20X1	Alpha Limited made a bonus issue of two shares for every three shares held.
31.10.20X1	Sold 80,000 shares in Alpha Limited for Rs. 22 each.
01.01.20X2	Received 15% interim dividend on equity shares of Alpha Limited.
15.01.20X2	Beeta Limited made a right issue of one equity share for every four shares held at Rs. 5 per share. Mr. Brown exercised his option for 40% of his entitlements and sold the balance rights in the market at Rs. 2.25 per share.
01.03.20X2	Sold 15,000 12% Bonds at Rs. 90 ex-interest.
15.03.20X2	Received 18% interim dividend on equity shares of Beeta Limited.

Interest on 12% Bonds was duly received on due dates.

Prepare separate investment account for 12% Bonds, Equity Shares of Alpha Limited and Equity Shares of Beeta Limited in the books of Mr. Brown for the year ended on 31st March, 20X2.

**(10 Marks)**

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