

Roll No.

**IPCE (New Syllabus)
Paper - 5
Advanced Accounting**

NOV 2023

Total No. of Questions – 6

Total No. of Printed Pages – 16

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 who has not opted 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.

Working Notes should form part of the respective answers.

- | | Marks |
|---|--------------|
| 1. (a) Sapphire Limited earned Net profit of ₹ 39,00,000 and ₹ 59,40,000 for the years 2021-22 & 2022-23 respectively.
The following information were given for 2022-2023 :
(i) The company declared Rights issue of two new shares for each five outstanding shares.
(ii) 4,00,000 shares were outstanding prior to Rights issue.
(iii) Rights issue price was ₹ 27.50 and the last date to exercise rights was 1 st July, 2022.
(iv) Fair value of one equity share immediately prior to exercise of rights on 1 st July, 2022 was ₹ 143.
You are required to Compute Basic Earnings Per Share as per AS-20 :
(i) for the year 2021-22, and
(ii) for the year 2022-23 | 5 |

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(b) The accountant of Beryl Limited has asked you to identify the following items as - Change in Accounting Policies / Change in Accounting Estimates / Extraordinary Items / Prior period items / Ordinary Activity :

- (i) Non-provision for salary already due in earlier year.
- (ii) Attachment of the property of the enterprise.
- (iii) Introduction of new pension scheme for employees.
- (iv) Change in Reserve for obsolete inventory.
- (v) Settlement of litigation case.
- (vi) Actual Bad debts exceed the provision.
- (vii) Legislative changes having long term retrospective application.
- (viii) Capitalisation of working capital loan interest.
- (ix) Change from Cost Model to Revaluation Model for measurement of carrying amount of PPE.
- (x) Government sanctioned grant in current year for expenses incurred in previous accounting year.

(c) The following particulars are stated in the Balance Sheet of Siddhi Limited as on 31st March, 2022 :

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Particulars	(₹ In lakhs)
Deferred Tax Liabilities (Cr.)	2.50
Deferred Tax Assets (Dr.)	1.35

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The following transactions were reported during the year 2022-23 :

(₹ in Lakhs)

(i) Depreciation as per accounting records	15.00
(ii) Depreciation as per income tax records	20.00
(iii) Interest paid to NBFC accounted in books on accrual basis but paid on 30.06.2023	6.00
(iv) Items disallowed for tax purposes in 2021-22 but allowed in 2022-23	1.05
(v) Donation to Private Trust	40.00
(vi) Tax rate	15%
(vii) There were no additions to fixed assets during the year.	

You are required to calculate the Deferred Tax Asset and Deferred Tax Liability as on 31-03-2023 as per AS-22.

- (d) Garnet Limited has 4 operating segments. The total revenue (internal and external) and assets are set out as below :

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(₹ in Lakhs)

Segment	Inter Segment Sales	External Sales	Total Assets
Fan	3,200	10,900	23,700
Light	200	1,400	13,200
Lamp	0	1,500	4,200
Printer	<u>1,100</u>	<u>200</u>	<u>3,400</u>
TOTAL	<u>4,500</u>	<u>14,000</u>	<u>44,500</u>

How many reportable segments does Garnet Limited have as per the Revenue and Assets criteria given in AS 17 ? State Reasons for your answer.

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2. Following is the Balance Sheet of Tourma Limited as at 31st March, 2023 :

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Particulars	Notes	₹ in Lakhs
Equity and Liabilities		
1. Shareholders' funds		
A. Share Capital	1	24.00
B. Reserves and Surplus	2	(9.10)
2. Non-current liabilities		
A. Long-term borrowings	3	3.20
3. Current liabilities		
A. Trade Payables		1.15
B. Short Term Borrowings – Bank Overdraft		1.40
C. Other current liabilities	4	0.32
D. Short term provisions	5	0.42
Total		21.39
Assets		
1. Non-current assets		
A. Property, Plant and Equipment	6	7.80
B. Intangible Assets	7	1.70
C. Non-Current Investments	8	1.80
2. Current Assets		
A. Inventory		5.12
B. Trade receivables		4.32
C. Cash and cash equivalents		0.65
Total		21.39

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Notes to Accounts :

		₹ in Lakhs
1	Share Capital	
	<u>Equity share capital</u>	
	16,000 Equity Shares of ₹ 100 each	16.00
	8,000 6% Preference Shares of ₹ 100 each	8.00
		<u>24.00</u>
2	Reserves and Surplus	
	Debit balance of Profit and loss Account	(9.10)
		<u>(9.10)</u>
3	Long-term borrowings	
	3,200 10% Debentures	3.20
		<u>3.20</u>
4	Other current liabilities	
	Interest payable on debentures	0.32
		<u>0.32</u>
5	Short term provisions	
	Provision for taxation	0.42
		<u>0.42</u>
6	Property, Plant and Equipment	
	Plant & Machinery	5.00
	Furniture & Fixture	2.80
		<u>7.80</u>
7	Intangible Assets	
	Patents & Copyrights	1.70
		<u>1.70</u>
8	Non-Current Investments	
	Investments (Market Value ₹ 1,10,000)	1.80
		<u>1.80</u>

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As on 1st April, 2023, the following scheme of reconstruction was finalized for which necessary resolution was passed and approvals were obtained from appropriate authorities. Accordingly, it was decided that :

- (i) Each equity share is to be sub-divided into ten fully paid-up equity shares of ₹ 10 each. After sub-division, each shareholder shall surrender to the company 40% of his holding, for the purpose of re-issue to trade payables as necessary.
- (ii) Preference shareholders would give up 30% of their capital and 12% Debentures (face value ₹ 100 each) shall be issued to them for balance holdings.
- (iii) The company would issue additional 12% Debentures (face value ₹ 100 each) for ₹ 4,00,000 for meeting its working capital requirement and final settlement of Bank Overdraft at 90% of the amount.
- (iv) Existing debenture holders would accept Furniture & Fixture in full settlement of their dues.
- (v) Trade payables claim shall be reduced to 70%, it is to be settled by the issue of equity shares of ₹ 10 each out of shares surrendered.
- (vi) The shares surrendered and not re-issued shall be cancelled.
- (vii) The taxation liability is to be settled at 50,000.
- (viii) Investments value to be reduced to market price.
- (ix) Balance of profit and loss account is to be written off.
- (x) The value of inventories is to be increased by ₹ 32,000 and Provision for Doubtful Debts is to be created at 5% of Trade Receivables.

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You are required to :

- (i) Pass necessary journal entries in the books of account of Tourma Limited.
- (ii) Prepare Reconstruction Account, and
- (iii) Prepare Balance Sheet of the company after internal reconstruction.

3. (a) GB Limited acquired 80% of equity shares of TB Limited on 1st April, 2016 at a cost of ₹ 58,00,000 when TB Limited had an Equity share capital of ₹ 50,00,000 and Reserves and Surplus of ₹ 4,64,000. **15**

The following information is provided :

Year	Profit/(Loss) of TB Limited (₹)
2016-17	(14,50,000)
2017-18	(23,20,000)
2018-19	(29,00,000)
2019-20	(6,96,000)
2020-21	1,90,000
2021-22	6,80,000
2022-23	12,70,000

You are required to calculate the minority interests and cost of control at the end of each year for the purpose of consolidation.

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- (b) The Reserve Bank of India (RBI) has introduced a revised regulatory framework for Non-Banking Financial Companies (NBFCs), effective from October 01, 2022, named 'Scale Based Regulation' (SBR) to regulate the NBFCs based on their size, activity, complexity and interconnectedness within the financial sector. The regulatory structure for NBFCs shall comprise of four layers based on their size, activity, and perceived risks. Briefly explain the four layers. **5**

4. (a) X, Y and Z are partners in a firm, sharing profit and losses in the ratio of 3:2:1 respectively. Due to extreme competition, it was decided to dissolve the partnership on 31st December, 2022 on which date the Balance sheet was as follows : **15**

Liabilities	₹	Assets	₹
Capital Accounts :		Machinery	3,08,000
X 2,26,200		Furniture and Fittings	51,600
Y 70,800		Investments	10,800
Z 63,000	3,60,000	Stock	1,95,400
Current Accounts :		Debtors	1,12,800
X 52,800		Bank	59,400
Z 12,000	64,800	Current Account - Y	36,000
Reserves	2,16,000		
Loan Account Z	30,000		
Creditors	1,03,200		
	7,74,000		7,74,000

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The realisation of assets is spread over the next few months as follows :

2023		₹
February	Debtors	1,03,800
March	Machinery	2,79,000
April	Furniture etc.	36,000
May	Y agreed to take over Investments at	12,600
June	Stock	1,92,000

Other information :

- (i) Dissolution expenses, originally provided were ₹ 27,000, but actually amounted to ₹ 19,200 and were paid on 30th April.
- (ii) The creditors were to be settled for ₹ 1,00,800.
- (iii) The partners decided that after creditor settlement, all cash received should be distributed to partners at the end of each month in the most equitable manner.

You are required to prepare a statement of actual cash distribution as it is received following the “maximum loss method”.

- (b) Briefly explain the following terms in context to Limited Liability Partnership Act, 2008 : 5

Partnership Act, 2008 :

- (i) Foreign Limited Liability Partnership
- (ii) Business
- (iii) Designated Partner
- (iv) Resident in India for the purpose of Section 7 of LLP Act, 2008

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5. (a) Citrine Limited went into voluntary liquidation on 31st March, 2023. 10

The following balances were extracted from its books as on that date :

	₹
Property, Plant and Equipment	5,15,000
Inventory	4,50,000
Trade receivables	1,85,000
Bank balance	90,000
Profit & Loss A/c (Dr. balance)	3,61,000
Trade payables	2,75,000
Outstanding Expenses (including Bank interest)	76,000
7% Bank loan (secured by floating charge)	3,60,000
2,500 12% Cumulative Preference shares of ₹ 100 each, fully paid	2,50,000
4,000 Equity shares of ₹ 100 each, fully paid	4,00,000
4,000 Equity shares of ₹ 100 each, ₹ 60 paid up	2,40,000

Other information :

- (i) On 1st April, 2023 the liquidator sold Citrine Limited's Property, Plant and Equipment for ₹ 3,98,200 and Inventory for ₹ 4,10,100 and the consideration satisfied as to ₹ 7,55,800 in cash and the balance in 8% Debentures of ₹ 100 each of the purchasing company issued to the liquidator at a premium of 5%.

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- (ii) Trade Receivables were realized for ₹ 1,41,700.
- (iii) The Bank loan was fully paid on 30th April, 2023 along with interest from 1st October, 2022.
- (iv) Trade payables were paid after 4% discount and outstanding expenses excluding bank interest were settled for ₹ 24,000.
- (v) Six month's interest on debentures was received on 30th September 2023.
- (vi) Liquidation expenses amounting to ₹ 32,800 and liquidator's remuneration of 2% on assets realized except cash were paid on 30th September, 2023.
- (vii) Preference Dividends were in arrears for 2 years.
- (viii) Preference shareholders were paid out in cash.
- (ix) The debentures on Citrine Limited and the balance of cash were distributed rateably among equity shareholders.
- (x) Calls on partly paid shares were made but the amount due on 500 shares was found to be irrecoverable.

You are required to prepare the Liquidator's Statement of Account showing the distribution.

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- (b) Adriti Bank Limited provides you with the following information as **10**
on 31st March, 2023 :

	₹ in Lakhs
Cash Credit	1836
Term Loans	1532
Fixed Deposits	581
Current Accounts	1234
Saving Accounts	1852
Bill Discounted	835

Additional Information :

- (i) Cash Credits include a doubtful account of ₹ 15 lakhs (including interest of ₹ 1.5 lakhs)
- (ii) 25% of Cash Credits are unsecured, 50% of Term Loans are secured by Government Guarantees, and other portion is secured by Tangible Assets.
- (iii) Current Account includes accounts overdrawn to the extent of ₹ 136 lakhs.
- (iv) Required Cash Reserve Ratio is 4% and Liquid Reserve Ratio is 25% of demand and time liabilities.

You are required to :

- (i) Show the above Ledger balances in the relevant schedules in the Financial Statements of the Aditri Bank Limited; and
- (ii) Calculate the amount of Cash Reserve and Statutory Liquid Reserve required to be maintained.

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6. Answer any four of the following :

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- (a) Raman Limited and Naman Limited decided to amalgamate and form a new company Rana Limited as on 31st March, 2023 and provided you the following information :

Particulars	As on 31 st March, 2023		Revalued Figures for Amalgamation	
	Raman Limited	Naman Limited	Raman Limited	Naman Limited
	(₹)	(₹)	(₹)	(₹)
Equity shares of ₹ 10 each	6,72,000	2,52,000		
10% Preference Shares of ₹ 100 each	3,36,000	1,68,000		
Reserves and Surplus	5,44,240	2,65,480		
Trade Payables	84,000	1,76,000	80,640	1,68,960
Property, Plant and Equipment	7,69,000	4,36,400	10,58,100	5,20,100
Goodwill	1,62,000	—	1,62,000	—
Inventories	1,89,000	1,17,600	2,78,620	2,06,780
Trade Receivables	2,81,000	1,47,000	2,47,140	1,38,180
Cash & Cash Equivalents	2,35,240	1,60,480		

The purchase consideration is to be satisfied as follows :

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- (i) By issue of 4 Preference Shares of ₹ 100 each in Rana Limited @ ₹ 85 paid up and at a premium of ₹ 30 per share for every 3 preference shares held in both the companies.
- (ii) By issue of 5 Equity shares of ₹ 10 each in Rana Limited @ ₹ 7 paid up and at a premium of ₹ 5 per share for every 3 equity shares held in both the companies.
- (iii) In addition, necessary cash should be paid to equity shareholders of both the companies as required to adjust the rights of shareholders of both the companies in accordance with the intrinsic value of the shares of both the companies.

You are required to compute the purchase consideration for both the companies.

- (b) The following is the extract of Balance Sheet of Yellow Limited as on 31.03.2023 :

	₹
4,00,000 Equity shares of ₹ 10 each	40,00,000
General Reserve	48,00,000
Profit & Loss Account	10,00,000
Securities Premium	18,00,000
Secured Loans	60,00,000
Unsecured Loans	32,00,000
Current Liabilities	28,00,000
	2,36,00,000
Property, Plant and Equipment	90,00,000
Investments	18,00,000
Current Assets	1,28,00,000
	2,36,00,000

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The company intends to buy-back 80,000 equity shares of ₹ 10 each at a premium of 150%.

You are required to state whether the company can buy back equity shares.

- (c) Rose Limited grants 3,000 stock options to its employees on 1.4.2020 at ₹ 50.

The vesting period is two and a half years. The maximum exercise period is one year.

Market price on that date is ₹ 80. Fair value per option is ₹ 30.

All the options were exercised on 30.9.2023.

You are required to pass the necessary journal entries if the face value of equity share is ₹ 10 per share.

- (d) Analyse the disclosure and presentation requirements of AS 24 for Discontinuing Operations (any five).
- (e) Panna Limited purchased software from Agate Limited for a period of 5 years and capitalized the cost. It provided you the following information :

Cost of software ₹ 57,60,000.

Expected Life cycle of the software 5 years

The software was amortised at ₹ 6,40,000 per annum in first three years based on economic benefits derived from the software. After three years, it was found that the software may be used for another 5 years from then. So, Panna Limited got it renewed after expiry of five years for 3 more years.

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The net cash flows from the software during these 5 years were expected to be as follows :

Year 1 ₹ 23,04,000

Year 2 ₹ 29,44,000

Year 3 ₹ 28,16,000

Year 4 ₹ 25,60,000

Year 5 ₹ 21,76,000

You are required to calculate the amortization cost of the software for each of the years.

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