

ADVANCE ACCOUNTING

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

PART I – CASE SCENARIO BASED MCQs (30 MARKS)

PART - I IS COMPULSORY

Ans. 1 to Ans. 4:

Case Scenario

1. ANS. B
2. ANS. C
3. ANS. A
4. ANS. D

MCQ [4 MCQ of 2 Marks Each : Total 8 Marks]

Ans. 5 to Ans. 7:

Case Scenario

5. ANS. A
6. ANS. C
7. ANS. A

MCQ [3 MCQ of 2 Marks Each : Total 6 Marks]

8. ANS. C
9. ANS. B
10. ANS. B

MCQ [3 MCQ of 2 Marks Each : Total 6 Marks]

Ans. 11 to Ans. 14:

Case Scenario

11. ANS. B
12. ANS. D
13. ANS. A
14. ANS. C

MCQ [4 MCQ of 2 Marks Each : Total 8 Marks]

15. ANS. B

(2 Marks)

PART II - DESCRIPTIVE QUESTIONS (70 MARKS)

QUESTIONS NO. 1 IS COMPULSORY

ANSWER ANY FOUR QUESTIONS FROM THE REMAINING FIVE QUESTIONS

Wherever necessary, suitable assumptions may be made and indicated in answer by the candidates. Working Notes should form part of the answer.

Answer 1:

(a) Journal Entry for the year ended 31st March, 2024 (Fig. in Lakhs)

		Rs.	Rs.	
(i)	Amortization Expenses A/c Dr.	100		} {2 M}
	To Patent Right A/c [Being Patent cost is amortized) $(340/1190) \times 350$		100	
(ii)	Amortization Expenses A/c Dr. (80/8)	10		} {2 M}
	Prior Period Expenses a/c Dr. $(80/8) \times 5$	50		
	To Know how A/c [Being Current year expenses is debited to Amortization and Previous 5 years expenses are treated as Prior period expenses)		60	

Answer 1:

(b) Statement showing Expected Return on Plan Assets

	Rs.	
Expected Return on $5,00,000 \times 10.5\% \times 6/12$	26,250	} {2 ^{1/2} M}
Expected Return on $(5,00,000 + 1,42,000) = 6,42,000 \times 10.5\% \times 6/12$	11,235	
Expected Return on $(5,00,000 + 1,42,000 - 63,000) = 5,79,000 \times 10.5\% \times 4/12$	20,265	
Expected Return on Plan Assets	57,750	

Statement showing Actual Return on Plan Assets

	Rs.	
Closing Balance of Plan Assets	7,50,000	} {2 ^{1/2} M}
Add: Benefits Paid	63,000	
Less: Inward Contribution received	(1,42,000)	
Less: Opening Balance of Plan Assets	(5,00,000)	
Actual Return on Plan Assets	1,71,000	

Answer 1:

(c) Statement showing Deferred Tax Liability (In Lakhs)

Particulars	31-03-21	31-03-22	31-03-23	
Deferred Tax Liability				} {2 ^{1/2} M}
▪ Arise	1.20 $(34 - 30) \times 30\%$	--	--	
▪ Reversed	--	0.60 $(52 - 50) \times 30\%$	0.60 $(67 - 65) \times 30\%$	
Balance of DTL	1.20	0.60	--	

Statement showing Total Tax Expenses (In Lakhs)

Particulars	31-03-21	31-03-22	31-03-23
Current Tax (Taxable Incomes X Tax Rate)	9.00 (30 X 30%)	15.60 (52 X 30%)	20.10 (67 X 30%)
Deferred Tax Liability			
▪ Arise	1.20	--	--
▪ reversed	--	(0.60)	(0.60)
Total Tax Expenses	10.20	15.00	19.50

{2^{1/2} M}

Answer 2:

**Statement of Profit and Loss of Shivam Ltd
For the year ended 31.03.2024**

(Fig in '000)

Particulars	Note No.	Rs.
I - Revenue from operations		473
II - Other Incomes (Profit on sale of Plant)		1
III - Total Income		474
IV - Expenses:		
Purchase		226
Finance Expenses (Debenture Interest - 135 X 10%)		13.5
Depreciation and amortization expense (520 - 10) × 10%		51
Other operating expenses:		
• Factory Expenses	40	
• Administrative expenses	22	
• Selling Expenses	20	82
Total expenses		372.5
Profit Before Tax		101.50
Less: Provision for Tax		(30.45)
Profit After Tax		71.05

{5 M}

Balance Sheet of Shivam Ltd

As at 31.03.2024 (Fig in '000)

Particulars	Note No.	Rs.
I. EQUITY AND LIABILITIES		
(1) Shareholders' funds		
a. Share capital	1	300
b. Reserves and surplus	2	233.05
(2) Non-current Liabilities		
a. Long-term borrowings (10% Debentures)		135
(3) Current liabilities		
a. Trade payables		35
b. Short term Provision (TAX)		30.45
TOTAL		733.5
II. ASSETS		
(1) Non-current assets		
a. PPE		
• Tangible assets		
Land (after Revaluation)		245
Plant & Machinery at Cost (520 - 10)	510	
Less: Accumulated Dep (116 + 51 - 8)	(159)	351
(2) Current assets		

{5 M}

MITTAL COMMERCE CLASSES

a. Inventories		58
b. Trade receivables		65
c. Cash and cash equivalents		14
d. Other current Assets (Prepaid Debenture Interest)		0.5
TOTAL		733.5

Note 1 - Share Capital (Fig in '000)

Authorized Capital		
Equity shares capital (35,000 shares of Rs. 10 each)		
Issued, Subscribed, called up and Paid-Up Capital		<u>3,50</u>
Equity shares capital (30,000 equity shares of Rs. 10 each, out of this, 10,000 shares of Rs.10 each are issued as bonus)		300
		300

Note 2 - Reserve & Surplus (Fig in '000)

Securities Premium	27	
Less: Bonus Shares	<u>27</u>	--
Revaluation Reserve (on land)		97
General Reserve	90	
Add: Transfer from Profit (71.05 X 10%)	7.105	
Less: Balance Bonus (100 - 27)	(73)	24.105
Profit & Loss a/c		
Opening Balance	48	
Add: PAT	71.05	
Less: Transfer to reserve	(7.105)	111.945
Total		233.05

Notes:

- There will be no treatment of Dividend Declared on 5th April 2024
- We assume Debenture Interest for one year only, excess interest is treated as Prepaid

Answer 3:

(a) Cash flow Statements For the year ended 31-03-24 (Direct Method) (In Lakhs)

Particular	(Rs.)	(Rs.)
I - Cash flow from operating Activities		
Cash sales of Goods		262
Receipts from customers		134
Interest on Advance made to Supplier (assumed Received)		0.50
Purchase of Goods (220 X 20%)		(44)
Payment to Creditors (84 + 176 - 92)		(168)
(Opening Bal + Credit purchase - Closing Balance)		
Payment for other consumables & Services		(19)
Payment to Employees		(20)
Cash from operation before Tax		145.5
Less: Tax Paid		(26)

MITTAL COMMERCE CLASSES

Net cash flow from operating Activities		119.50
II - Cash flow from Investing Activities		
Payment for Machinery Acquired (20 - 15)	(5)	
Rent Received on Investment Properties	8	3
III - Cash flow from Financing Activities		
Redemption of Preference shares	(32)	
Issue of Equity Shares (20 + 20%)	24	
Dividend Paid	(15)	
Debenture Interest Paid	(3)	(26)
Net increase (Decrease) in Cash & Cash Equivalent		96.5
Add: Opening Cash & Cash Equivalent		2
Closing Cash & Cash Equivalent		98.5

Answer 3:

(b)

Statement showing Maximum Possible Buy Back of Equity Shares

	In Thousands (Number)	
Resources Test	12	{2 M}
No of Shares Buy Back = (Equity X 25%)/Buy Back Price (1440 X 25%)/30		
No of Shares outstanding Test	15	{2 M}
No of Equity Shares X 25% (60 X 25%)		
Debts - Equity Ratio Test		{3 M}
Present Equity - Debts/2 Face value + Buy Back Price (1440 - (2000/2))/10 + 30	11	
Possible Buy Back of Equity Shares (Lowest)	11	

Comment:

Company wants to Buy back 14000 shares which is not possible. Only 11,000 shares can be bought back

Answer 4:

Statement showing Purchase Consideration

Particulars	Rs. in '000	
To Equity Shareholders of Well Ltd	9,000	{3 M}
▪ Equity Shares of Nice Ltd (1,25,000 X 3/5) = 75,000 Shares @ Rs. 120		
To 10% Preference Shareholders of Well Ltd		
▪ 9% Preference Shares of Nice Ltd (18,00,000 - 10%)/100 (16,200 Shares @ Rs. 100)	1,620	
Total PC	10,620	

In the books of Nice Ltd.

Journal entries

Particular	Rs. in '000	Rs. in '000
Business Purchase a/c Dr. To Liquidator of Well Ltd (Being business purchased)	10,620	10,620
Property, Plant and Equipment a/c Dr.	19,656	

MITTAL COMMERCE CLASSES

Inventories a/c	Dr.	957	
Debtors' a/c	Dr.	1800	
Bills Receivable a/c	Dr.	150	
Goodwill a/c (b/f)	Dr.	137	
To Creditors			4,400
To Bills Payable a/c			450
To 10% Debenture of Well Ltd (900 X 10%)/9%			1,000
To Loan from Bank (4,525 - 270)			4,255
To Short term Borrowing			1,975
To Business Purchase a/c			10,620
(Being assets and liabilities are Recorded)			
Liquidator of Well Ltd	Dr.	10,620	
To 9% Preference share capital (16,200 X 100)			1,620
To Equity Share capital (75,000 X 100)			7,500
To Securities Premium a/c (75,000 X 20)			1,500
(Being PC paid)			
10% Debenture of Well Ltd a/c	Dr.	1,000	
To 9% Debentures a/c			1,000
(Being 10% Debentures are Discharged by Issue of 100 9% Debentures of Rs. 100 each)			
Goodwill a/c	Dr.	55	
To Bank a/c			55
(Being Liquidation Expenses of Well Ltd are Paid)			
Creditors a/c	Dr.	215	
To Debtors a/c			215
(Being Contra Items are eliminated)			

Balance Sheet of Nice Ltd. As at 31st March, 2024

Particular	Notes	Amounts (Rs.)
<u>EQUITY AND LIABILITIES</u>		
(1) Shareholders' funds		
Share capital Reserves and surplus	1	50,120
	2	21,000
(2) Non-current liabilities		
Long term Borrowings	3	25,755
(3) Current liabilities		
Short Borrowing		1,975
Trade Payables	4	20,375
Total		1,19,225
<u>ASSETS</u>		
(1) Non-current assets		
PPE (62,550 + 19,656)		82,206
Goodwill (137 + 55)		192
Non-Current Investment		22,500
(2) Current assets		
Inventories (300 + 957)		1,257
Trade receivables		8,325
Cash & Cash Equivalent a/c (4,800 - 55)	5	4,745
Total		1,19,225

Note 1 – Share Capital

Particulars	In Rs. 000
Issued, Subscribed & paid-up capital	
Equity Share Capital (3,90,000 Equity Shares of Rs. 100 each) (Out of above, 75,000 equity shares of Rs. 100 each, are issued for consideration other than cash in the scheme of amalgamation)	39,000
Preference Share Capital (1,11,200 Preference Shares of Rs. 100 each) (Out of above, 16,200 Preference shares of Rs. 100 each, are issued for consideration other than cash in the scheme of amalgamation)	11,120
Total	50,120

Note 2 – Reserve & Surplus

Particulars	In Rs. 000
Securities Premium (75,000 shares @ Rs. 20 per shares)	1,500
Profit & Loss a/c	19,500
Total	21,000

Note 3 – Long Term Borrowings

Particulars	In Rs. 000
9% Debentures of Rs. 100 Each (11,200 + 1000)	12,200
Loan From Banks (9,300 + 4,255)	13,555
Total	25,755

Note 4 – Trade payables

Particulars	In Rs. 000
Creditors (14,750 + 4,400 – 215 contra)	18,935
Bills Payable (990 + 450)	1,440
Total	20,375

Note 5 – Trade Receivable

Particulars	In Rs. 000
Debtors (6,200 + 1,800 – 215 contra)	7,785
Bills Receivables (390 + 150)	540
Total	8,325

Answer 5:

1. Trade Payables

Particulars	Rs.
Best Ltd	3,80,000
Cool Ltd	4,10,000
Less: Contra	(3,00,000)
Consolidated	4,90,000

} {1 M}

MITTAL COMMERCE CLASSES

2. Current Assets

Particulars	Rs.	
Best Ltd	9,65,000	} {1 M}
Cool Ltd	5,60,000	
Less: Contra	(3,00,000)	
Less: Stock Reserve (6,50,000 - 5,00,000)	(1,50,000)	
Consolidated	10,75,000	

3. Minority Interest

	Rs.	
Share Capital of Cool Ltd (20%)	4,00,000	} {1 M}
Share in securities Premium (2,20,000 X 20%)	44,000	
Share in Pre-General Reserve (84,000 X 20%)	16,800	
Share in Pre and Post Profit (Wn 1)	24,000	
Total	4,84,800	

4. Goodwill or Capital Reserve on Acquisition of Cool Ltd

	Rs.	
Cost of Investments	14,80,000	} {3 M}
Less: Share Capital of Cool Ltd (80%)	(16,00,000)	
Less: Share in securities Premium (2,20,000 X 80%)	(1,76,000)	
Less: Share in Pre-Reserve	(67,200)	
Less: Share in Pre-Profit (Wn 1)	(84,000)	
Capital Reserve	4,47,200	

5. Goodwill or Capital Reserve on Acquisition of Good Ltd

	Rs.	
Cost of Investments	3,80,000	} {2 M}
Less: Share Capital of Good Ltd (25%)	(2,50,000)	
Less: Share in General Reserve (1,20,000 X 25%)	(30,000)	
Less: Share in Profit & Loss (50,000 X 25%)	(12,500)	
Goodwill	87,500	

6. Profit & Loss Account (Consolidated)

	Rs.	
Best Ltd	3,26,000	} {1 M}
Share in Post Profit (Wn 1)	12,000	
Consolidated	3,38,000	

7. General Reserve (Consolidated)

	Rs.	
Best Ltd	2,69,000	} {1 M}
Share in Post Profit	--	
Consolidated	2,69,000	

MITTAL COMMERCE CLASSES

8. Revenue from Operation (Consolidated)

	Rs.	}
Best Ltd	56,00,000	
Cool Ltd	38,00,000	
Less: Contra	(6,50,000)	
Consolidated	87,50,000	

9. Raw Material Purchased/ Consumed (Consolidated)

	Rs.	}
Best Ltd	36,50,000	
Cool Ltd	31,20,000	
Less: Contra	(6,50,000)	
Consolidated	61,20,000	

Wn.1 Analysis Profit & Loss of Coo Ltd

	Pre (1-02-24)	Post	Total
Balance on 01-04-2023	30,000	--	30,000
Earned in current year			
• Earned on 01-06 – 23 on Inter com sale	1,50,000	--	1,50,000
• Balance in current year 90,000 in 10:2	75,000	15,000	90,000
Total	2,55,000	15,000	2,70,000
Less: Stock Reserve	(1,50,000)		
Balance	1,05,000	15,000	
Best Ltd (80%)	84,000	12,000	
Minority Interest (20%)	31,000	3,000	

Answer 6:

(a)

In the books of Mr. Day Investment Account

Date	Particular	Shares	Cost (Rs.)	Date	Particular	Shares	Cost (Rs.)	}
1 st April	To Balance b/d	25,000	6,25,000	31 st March	By balance c/d	63,750	13,00,000	
31 st July	To Bonus Share	5,000	--					
5 th Oct.	By Bank (Right) (45,000 X 3/4)	33,750	6,75,000					
		63,750	13,00,000			63,750	13,00,000	

Note: Amount Received from sale of right Rs. 56,250 (45,000 X 1/4 x Rs. 5) will be transferred to P&L a/c

OR

Answer 6:

(a) Yes, it is appropriate to exclude certain costs and recognize them as expenses in the period in which they are incurred."

Following cost are not included in cost of Inventories:

- (i) Storage cost
- (ii) Abnormal cost of Material, Labour & Overhead
- (iii) Administrative and selling cost
- (iv) Distribution cost
- (v) Borrowing cost subject to AS 16

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Answer 6:

(b)

Journal Entries in Books of TP Ltd

Particulars		Rs.	Rs.
Equity Share Capital (old) A/c	Dr.	15,00,000	
To Cash a/c			50,000
To 10% Debentures A/c (7,500 X 100)			7,50,000
To Securities Premium a/c (7,500 X 20)			1,50,000
To Equity Share Capital a/c (50,000 X 10)			5,00,000
To Capital Reduction A/c			50,000
Free Hold Property A/c	Dr.	95,000	
To Capital Reduction A/c			95,000
8% Debentures (old) A/c	Dr.	5,00,000	
To Free hold Property a/c			4,45,000
To Capital Reduction A/c			55,000
Capital Reduction A/c	Dr.	2,00,000	
To Capital Reserve A/c			2,00,000

Answer 6:

(c) **Trading and Profit & Loss a/c of Branch for the year ended 31-03-2023**

Particulars	Amounts (Rs.)	Particulars	Amounts (Rs.)
To Opening Stock (2,25,000 + 20%)	2,70,000	By Goods Return	75,000
To Goods from H.O. (14,85,000 + 20%)	17,82,000	By Sales	19,50,000
To Gross Profit (19,50,000 X 30/150)	3,90,000	By Closing Stock (B/f)	4,17,000
	24,42,000		
To Expenses	56,000	By Gross Profit	3,90,000
To Net Profit	3,34,000		
	3,90,000		3,90,000

Stock Reserve on Closing Stock = $4,17,000 \times \frac{20}{120} = \text{Rs. } 69,500$ {1 M}

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