

MARG

Mukesh Agarwal Research Group

Provides for

Account Classes

With guarantee 80%+ Result

Group & Subjects	Fees	Starting	Finish	Time
IPCC 1 st Group / ATC – Account (Monday, Wednesday & Friday)	Rs. 15,000/-	30.11.2009	26.03.2010	8am to 11am
IPCC 2 nd Group – Adv. Account (Tuesday, Thursday & Saturday)	Rs. 10,000/-	24.11.2009	09.03.2010	8am to 11am
Accounting Standards	FREE for MARG's Students (Outsiders Rs. 1,000 each Group)			
Combined Fees for IPCC Both Groups Account Rs. 22,000/-				
CA Final – Financial Reporting (Every Sunday)	Rs. 1,000/-	22.11.2009	28.03.2010	4pm to 8pm
CA CPT - Account (Wednesday, Thursday & Friday)	Rs. 10,000/-	22.11.2009	09.03.2010	11am to 1pm

REGISTRATION OPEN FOR LIMITED SEATS

Contact at: 23-D, Ravi Nagar, Infront of Mangal Nursing Home, Gwalior (MP) - 474002

Contact Time: 7:30am to 8:00am

Mobile No.: +91 98930-16415

E-mail: icai.mukesh@gmail.com

Time Allowed—3 Hours

Maximum Marks—100

HCL

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 for Hindi medium, answers in Hindi, his answers in Hindi will not be valued.

Answer all questions.

Wherever applicable appropriate, suitable assumptions should be made by the candidates.

Working notes should form part of the answer.

Marks

1. (i) Calculate the amount of Insurance claim to be lodged, based on the following information : 10×2
=20

Value of stock destroyed by fire	Rs. 90,000
Insurance policy amount (Subject to average clause)	Rs. 65,000
Value of stock salvaged from fire	Rs. 40,000

- (ii) Arjun Ltd. issued 10,000 (Nos.) of 12% debentures of Rs. 100 each in April, 2007. Interest is payable on 30th September and 31st March every year. The company purchased 2,000 debentures at Rs. 104 per debenture on cum-interest basis on 1.7.2008. The own debentures were cancelled on 30.9.2009. Show Journal entries that are required to be passed for purchase of own debentures, interest on own debentures and for cancellation of those debentures.

- (iii) Find out the profit of Mr. A from the following information :

Capital at the beginning of the year	Rs. 20,00,000
Drawings made by Mr. A	Rs. 2,00,000
Capital at the end of the year	Rs. 25,00,000
Additional capital introduced during the year	Rs. 1,00,000

HCL

P. T. O.

- (iv) Mr. X purchased a machine on hire purchase system. He made cash payment of Rs. 30,000 and the balance was payable in 5 annual instalments of Rs. 60,000 each. The cash price of the machine is Rs. 3,00,000. Assume that the purchase was made on 1st April and the annual instalments are payable on 31st March of every year. Calculate the amount of interest for each year.
- (v) A trader purchased goods for Rs. 1,70,000. The opening stock of inventory prior to the said purchase was Rs. 30,000. His sales was Rs. 2,10,000. Find out the closing stock of inventory if the Gross profit margin is 25% on cost.
- (vi) Find out the income to be recognised in the case of X Bank Ltd. for the year ended 31st March, 2009 :

	(Rs. in lakhs)			
	Performing Assets		Non-performing Assets	
	Interest accrued	Interest received	Interest accrued	Interest received
Term loans	240	160	150	10
Cash credits and overdrafts	1,500	1,240	300	24

- (vii) An earthquake destroyed a major warehouse of ACO Ltd. on 20.5.2009. The accounting year of the company ended on 31.3.2009. The accounts were approved on 30.6.2009. The loss from earthquake is estimated at Rs. 30 lakhs. State with reasons, whether the loss due to earthquake is an adjusting or non-adjusting event and how the fact of loss is to be disclosed by the company ?
- (viii) X Co. Ltd. having share capital of Rs. 50 lakhs divided into equity shares of Rs. 10 each was taken over by Y Co. Ltd. X Co. Ltd. has General Reserve of Rs. 10,00,000 and Profit and Loss account Cr. Rs. 5,00,000. Y Co. Ltd. issued 11 equity shares of Rs. 10 each for every 10 shares of X Co. Ltd.
- How the Journal entry would be passed in the books of Y Co. Ltd. for the shares issued under the 'Pooling of interests method' of amalgamation.
- (ix) ABC Ltd. developed a know-how by incurring expenditure of Rs. 20 lakhs. The know-how was used by the company from 1.4.2002. The useful life of the asset is 10 years from the year of commencement of its use. The company has not amortised the asset till 31.3.2009. Pass Journal entry to give effect to the value of know-how as per Accounting Standard-26 for the year ended 31.3.2009.

- (x) P, N and T are equal partners. They decided to change their profit sharing ratio into 5 : 4 : 3. They raised the goodwill in the books to the extent of Rs. 2,40,000 and it is to be written off immediately. Show Journal entries with narration to be passed for raising the goodwill and for its subsequent write off.

2. Balance Sheet of Raman Ltd. is given below :

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(Rs. in '000)					
Liabilities	31.3.08	31.3.09	Assets	31.3.08	31.3.09
Share capital	500	500	Land & building	300	300
9% debenture	200	160	Machinery	164	180
Sundry creditors	230	216	Stock-in-trade ✓	200	228
Profit and Loss A/c	40	54	Sundry debtors ✓	170	162
Depreciation fund ✓	80	88	Cash and bank balances	120	110
Contingency reserve	140	110	Current Investment /	262	190
Outstanding expenses ✓	30	48	Pre-paid expenses	4	6
	<u>1,220</u>	<u>1,176</u>		<u>1,220</u>	<u>1,176</u>

The following information is furnished :

- One old machinery which has original cost of Rs. 30,000 was sold for Rs. 10,000. The accumulated depreciation in respect of the said machinery amounts to Rs. 16,000.
- One new machinery was acquired for Rs. 46,000.
- 9% debentures were redeemed at a discount of 4% on their face value.
- Dividend at 12% was declared and Paid in cash.
- Income-tax liability of Rs. 30,000 paid was debited in contingency reserve.

You are required to prepare Cash flow statement in accordance with Accounting Standard-3.

3. XYZ & Co. is a partnership firm consisting of Mr. X, Mr. Y and Mr. Z who share profits and losses in the ratio of 2 : 2 : 1 and ABC Ltd. is a company doing similar business. 16

Following is the Balance Sheet of the firm and that of the company as at 31.3.2009 :

Liabilities	XYZ & Co. Rs.	ABC Ltd. Rs.	Assets	XYZ & Co. Rs.	ABC Ltd. Rs.
Equity share			Plant & machinery	5,00,000	16,00,000
Capital :			Furniture & fixture	50,000	2,25,000
Equity shares of			Stock in trade	2,00,000	8,50,000
Rs. 10 each		20,00,000	Sundry debtors	2,00,000	8,25,000
Partners capital :			Cash at bank	10,000	4,00,000
X	2,00,000		Cash in hand	40,000	1,00,000
Y	3,00,000				
Z	1,00,000				
General reserve	1,00,000	7,00,000			
Sundry creditors	3,00,000	13,00,000			
	<u>10,00,000</u>	<u>40,00,000</u>		<u>10,00,000</u>	<u>40,00,000</u>

It was decided that the firm XYZ & Co. be dissolved and all the assets (except cash in hand and cash at bank) and all the liabilities of the firm be taken over by ABC Ltd. by issuing 50,000 shares of Rs. 10 each at a premium of Rs. 2 per share.

Partners of XYZ & Co. agreed to divide the shares issued by ABC Ltd. in the profit sharing ratio and bring necessary cash for settlement of their capital.

The creditors of XYZ & Co. includes Rs. 1,00,000 payable to ABC Ltd. An unrecorded liability of Rs. 25,000 of XYZ & Co. must also be taken over by ABC Ltd.

Prepare :

- Realisation account, Partners capital account and Cash in hand/Bank account in the books of ABC & Co.
- Pass journal entries in the books of ABC Ltd. for acquisition of XYZ & Co. and draw the Balance Sheet after the takeover.

4. The Balance Sheet of Neptune Ltd. as on 31.3.2009 is given below :

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Liabilities	Rs.	Assets	Rs.
Equity shares of Rs. 10 each fully paid (80,000 shares)	8,00,000	Freehold property	5,00,000
6% cumulative pref. shares of 100 each fully paid (5,000 shares)	5,00,000	Plant & machinery	1,80,000
6% debentures (secured by freehold property)	3,75,000	Trade investment (at cost)	1,70,000
Arrear interest	22,500	Sundry debtors	4,50,000
Sundry creditors	17,500	Stock in trade	2,00,000
Director's loan	3,00,000	Deferred advertisement expenditure	1,50,000
		Profit and Loss A/c	3,65,000
	<u>20,15,000</u>		<u>20,15,000</u>

The Court approved a scheme of re-organisation to take effect on 1.4.2009 and the terms are given below :

- (i) Preference shares are to be written down to Rs. 75 each and equity shares to Rs. 2 each.
- (ii) Preference dividend in arrear for 4 years to be waived by 75% and for the balance equity shares of Rs. 2 each to be allotted.
- (iii) Arrear of debenture interest to be paid in cash.
- (iv) Debentureholders agreed to take one freehold property (Book value Rs. 3,00,000) at a valuation of Rs. 3,00,000 in part payment of their holding. Balance debentures to remain as liability of the company.
- (v) Deferred Advertisement Expenditure to be written off.
- (vi) Stock value to be written off fully in the books.
- (vii) 50% of the Sundry Debtors to be written off as bad debt.
- (viii) Remaining freehold property (after take over by Debentureholders) to be valued at Rs. 3,50,000.
- (ix) Investments sold out for Rs. 2,00,000.

Show the Journal entries (with narration) to be passed for giving effect to the above transactions and draw Balance Sheet of the company after effecting the Scheme.

5. (a) Pawan & Co. of Delhi has a Branch at Jaipur. Goods are invoiced to the Branch at cost plus 25%. The Branch is instructed to deposit everyday in the Head office account with the bank. All the expenses are paid through cheque by the Head office except pettycash expenses which are paid by the Branch.

From the following information, you are required to prepare Branch Account in the books of Head office :

	Rs.
Stock at invoice price on 1.4.08	1,64,000
Stock at invoice price on 31.3.09	1,92,000
Debtors as on 1.4.08	63,400
Debtors as on 31.3.09	84,300
Furniture & fixtures as on 1.4.08	46,800
Cash sales	8,02,600
Credit sales	7,44,200
Goods invoiced to Branch by Head office	12,56,000
Expenses paid by Head office	2,64,000
Petty expenses paid by the Branch	20,900
Furniture acquired by the Branch on 1.10.08	
(payment was made by the Branch from cash sales and collection from debtors)	5,000

Depreciation to be provided on Branch

Furniture & fixtures @ 10% on WDV basis.

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(b) TM Ltd. went in for voluntary liquidation on 31st March, 2009.

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The Balance Sheet of the company as at 31.3.2009 is given below :

Liabilities	Rs.	Assets	Rs.
Share Capital :		Freehold property	11,85,000
Equity shares		Plant	6,03,000
1,00,000 of Rs. 10		Motor vehicles	1,15,000
each fully paid	10,00,000	Stock	3,72,000
10% pref. shares of		Sundry debtors	1,48,000
Rs. 100 each fully paid	12,00,000	Profit & Loss A/c	4,28,000
Share premium	1,00,000		
5% debentures	2,00,000		
Interest on debenture	5,000		
Bank overdraft	1,16,000		
Sundry creditors	2,30,000		
	<u>28,51,000</u>		<u>28,51,000</u>

The preference dividends are in arrear for the years 2007-08 and 2008-09.

The company's Articles provide that on liquidation, out of surplus assets remaining after payment of liquidation costs and outside liabilities, it shall be applied firstly towards arrears of preference dividend, secondly to preference shareholders with a premium thereon at Rs. 10 per share and finally any residue shall be paid to the equity shareholders.

The Liquidator realised the assets as below :

	Rs.
Freehold property	14,25,000
Plant	5,05,000
Motor vehicles	1,18,000
Stock in trade	3,00,000
Sundry debtors	1,20,000

Creditors were paid less discount of 5% debentures with accrued interest upto 30.6.2009 was paid.

Liquidators remuneration is 2% of the assets realised.

Cost of liquidation was Rs. 7,640.

Prepare the Liquidators Statement of Account.

6. (a) From the following information furnished by X & Co., prepare Total Debtors Account. 4×4
=16

Transactions for the month of March, 2009	Rs.
(i) Sales (includes cash sales of Rs. 7,000)	68,000
(ii) Collections from Debtors (cash)	57,000
(iii) Discount allowed	2,000
(iv) Bad debts written off	1,500
(v) Cheques received	10,000
(vi) Cheques dishonoured	2,000
(vii) Return inward	700
(viii) Bad debts written off — now recovered	500
(ix) Provision for doubtful debts	1,200
(x) Balance outstanding on 1.3.2009 (Receivables)	20,000

- (b) What are the disadvantages of Enterprise Resource Planning (ERP) ?
- (c) Harish has the following bills due on different dates. It was agreed to settle the total amount due by a single cheque payment. Find the date of the cheque.
- (i) Rs. 5,000 due on 5.3.2009
 - (ii) Rs. 7,000 due on 7.4.2009
 - (iii) Rs. 6,000 due on 17.7.2009
 - (iv) Rs. 8,000 due on 14.9.2009
- (d) X Co. Ltd. has its share capital divided into Equity shares of Rs. 10 each. On 1.10.2008 it granted 20,000 employees' stock option at Rs. 50 per share, when the market price was Rs. 120 per share. The options were to be exercised between 10th December, 2008 and 31st March, 2009. The employees exercised their options for 16,000 shares only and the remaining options lapsed. The company closes its books on 31st March every year.

Show Journal entries (with narration) as would appear in the books of the company upto 31st March, 2009.