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Roll No.

Total No. of Questions—6]

[Total No. of Printed Pages—8

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

All questions are compulsory. Wherever applicable appropriate, suitable assumptions should be made by the candidates.

Working notes should form part of the answer.

Marks

1. (i) On 1st April, 2008, Chhotu started business with an initial Capital of Rs. 70,000. On 1st October, 2008, he introduced additional capital of Rs. 40,000. On 7th of every month, he withdraw Rs. 5,000 for household expenses. On 31st March, 2009 his Assets and Liabilities were Rs. 2,00,000 and Rs. 70,000 respectively.

Ascertain the Profit earned by Chhotu during the year ended 31st March, 2009.

- (ii) Year to year results of a company were not found comparable on the basis of gross profit margin. List out the probable reasons.
- ✓(iii) MY Ltd. had acquired 200 equity shares of YZ Ltd. at Rs. 105 per share on 01.01.2009 and paid Rs. 200 towards brokerage, stamp duty and STT. On 31st March, 2009 Shares of YZ Ltd. were traded at Rs. 110 per share. At what value investment is to be shown in the Balance Sheet of MY Ltd. as at 31st March, 2009.
- ✓(iv) On 1st April, 2008, X, Y and Z enter into partnership introducing Capital of Rs. 80,000, Rs. 50,000 and Rs. 50,000 respectively. They agree to share Profits and Losses equally. At the end of the accounting year on 31st March, 2009,

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X claims that he be paid interest on his additional Capital of Rs. 30,000 @ 10% per annum, while Z demands salary of Rs. 600 per month for the extra hours devoted by him daily at the shop. The partnership deed is silent on these matters.

Decide the matters with reasons.

- (v) What are the basic characteristics of a Pvt. Ltd. Company ?
- (vi) Sumo Ltd. has a profit of Rs. 25 lakhs before charging depreciation for Financial year 2008-09. Depreciation in the books was Rs. 11 lakhs and depreciation chargeable under Section 205 comes to Rs. 17 lakhs. Compute divisible profit for the year.
- (vii) From the following data, find out value of inventory as on 30.04.2009 using (a) LIFO method, and (b) FIFO method :
- | | |
|--------------------------|------------------------------|
| (1) 01.04.2009 Purchased | 10 units @ Rs. 70 per unit |
| (2) 06.04.2009 Sold | 6 units @ Rs. 90 per unit |
| (3) 09.04.2009 Purchased | 20 units @ Rs. 75 per unit |
| (4) 18.04.2009 Sold | 14 units @ Rs. 100 per unit. |
- (viii) Explain contract costs as per Accounting Standard-7 related to 'Construction Contracts'.
- (ix) Omshanti Club has 500 members with annual fee of Rs. 1,000 per member. At the end of the accounting year, accountant noticed that 40 members have not paid annual fee and 70 members had paid fee in advance. Help the accountant to compute Cash receipts of annual fee for the year.
- (x) The Companies Act, 1956 limits the payment of managerial remuneration. What is the maximum managerial remuneration, which can be paid in case of a company consistently earning profits and has more than one managerial persons.

- (2) The following are the Balance Sheets of M Ltd. and N Ltd. as at 31st March, 2009 :

	(Rs. in lakhs)	
	M Ltd.	N Ltd.
<i>Liabilities</i>		
Fully paid equity shares of Rs. 10 each	3,600	900
10% preference Shares of Rs. 10 each, fully paid up	1,200	—
Capital Reserve	600	—
General Reserve	2,100	—
Profit and Loss Account	780	—
8% Redeemable debentures of Rs. 1,000 each	—	300
Trade Creditors	2,421	369
Provisions	870	93
	<u>11,571</u>	<u>1,662</u>
<i>Assets</i>		
Plant and Machinery	4,215	468
Furniture and Fixtures	2,400	183
Motor Vehicles	—	51
Stock	2,370	444
Sundry Debtors	1,044	237
Cash at Bank	1,542	240
Preliminary Expenses	—	33
Discount on Issue of Debentures	—	6
	<u>11,571</u>	<u>1,662</u>

A new Company MN Ltd. was got incorporated with an authorised capital of Rs. 15,000 lakhs divided into shares of Rs. 10 each. For the purpose of amalgamation in the nature of merger, M Ltd. and N Ltd. were merged into MN Ltd. on the following terms :

- (i) Purchase consideration for M Ltd.'s business is to be discharged by issue of 120 lakhs fully paid 11% preference shares and 720 lakhs fully paid equity shares of MN Ltd. to the preference and equity shareholders of M Ltd. in full satisfaction of their claims.

- (ii) To discharge purchase consideration for N Ltd.'s business, MN Ltd. to allot 90 lakhs fully paid up equity shares to shareholders of N Ltd. in full satisfaction of their claims.
- (iii) Expenses on the liquidation of M Ltd. and N Ltd. amounting to Rs. 6 lakhs are to be borne by MN Ltd.
- (iv) 8% redeemable debentures of N Ltd. to be converted into 8.5% redeemable debentures of MN Ltd.
- (v) Expenses on incorporation of MN Ltd. were Rs. 15 lakhs.

You are requested to :

- (a) Pass necessary Journal Entries in the books of MN Ltd. to record above transactions, and
- (b) Prepare Balance Sheet of MN Ltd. after merger.

- ③ E, F and G were partners Sharing Profits and Losses in the ratio of 5 : 3 : 2 respectively. On 31st March, 2009 Balance Sheet of the firm stood as follows : 16

Liabilities	Rs.	Assets	Rs.
Capital A/cs		Buildings	55,000
E 50,000		Furniture	25,000
F 40,000		Stock	42,000
G 28,000	1,18,000	Debtors	20,000
Creditors	33,500	Cash at Bank	11,200
Outstanding Expenses	1,700		
	<u>1,53,200</u>		<u>1,53,200</u>

On 31st March, 2009, E decided to retire and F and G decided to continue as equal partners. Other terms of retirement were as follows :

- (i) Building be appreciated by 20%.
- (ii) Furniture be depreciated by 10%.
- (iii) A provision of 5% be created for bad debts on debtors.

- (iv) Goodwill be valued at two years' purchase of profit for the latest accounting year. The firm's Profit for the year ended 31st March, 2009 was Rs. 25,000. No goodwill account is to be raised in the books of accounts.
- (v) Fresh capital be introduced by F and G to the extent of Rs. 10,000 and Rs. 35,000 respectively.
- (vi) Out of sum payable to retiring partner E, a sum of Rs. 45,000 be paid immediately and the balance be transferred to his loan account bearing interest @ 12% per annum. The loan is to be paid off by 31st March, 2011.

One month after E's retirement, F and G agreed to admit E's son H as a partner with one-fourth share in Profits/Losses. E agreed that the balance in his loan account be converted into H's Capital. E also agreed to forgo one month's interest on his loan.

It was also agreed that H will bring in his share of goodwill through book adjustment, valued at the price on the date of E's retirement. No goodwill account is to be raised in the books.

You are requested to Pass necessary Journal Entries to give effect to above transactions and prepare Partners' Capital Accounts.

- ✓ 4. (a) A fire broke out in the godown of a business house on 8th July, 2009. Goods costing Rs. 2,03,000 in a small sub-godown remain un-affected by fire. The goods retrieved in a damaged condition from the main godown were valued at Rs. 1,97,000. 8

The following particulars were available from the books of accounts :

Stock on the last Balance Sheet date at 31st March, 2009 was Rs. 15,72,000. Purchases for the period from 1st April, 2009 to 8th July, 2009 were Rs. 37,10,000 and sales during the same period amounted to Rs. 52,60,000. The average gross profit margin was 30% on sales.

The business house has a fire insurance policy for Rs. 10,00,000 in respect of its entire stock. Assist accountant of the business house in computing amount of claim of loss by fire. 62

- ✓ (b) A trader allows his customers credit for one week only beyond which he charges interest @ 12% per annum. Anil, a customer buys goods as follows :

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Date of Sale/Purchase	Amount (Rs.)
January 2, 2009	6,000
January 28, 2009	5,500
February 17, 2009	7,000
March 3, 2009	4,700

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Anil settles his account on 31st March, 2009. Calculate the amount of interest payable by Anil using average due date method.

5. (a) The Income and Expenditure Account of City Sports Club for the year ended 31st March, 2009 was as follows :

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Expenditure	Amount (Rs.)	Income	Amount (Rs.)
To Salaries	1,20,000	By Subscriptions	1,60,000
To Printing and Stationery	6,000	By Entrance Fees	10,000
To Rent	12,000	By Contribution for	
To Repairs	10,000	Annual dinner	20,000
To Sundry Expenses	8,000	By Profit on Annual	
To Annual Dinner Expenses	30,000	Sports meet	20,000
To Interest to Bank	6,000		
To Depreciation on Sports equipment	6,000		
To Excess of Income over Expenditure	12,000		
Total	2,10,000	Total	2,10,000

The above account had been prepared after the following adjustments :

	Rs.
Subscriptions outstanding on 31.03.2008	12,000
Subscriptions received in advance on 31.03.2008	9,000
Subscriptions received in advance on 31.03.2009	5,400
Subscriptions outstanding on 31.03.2009	15,000

Salaries outstanding at the beginning and at the end of the financial year were Rs. 8,000 and Rs. 10,000 respectively. Sundry expenses included prepaid insurance expenses of Rs. 1,200.

The Club owned a freehold ground valued Rs. 2,00,000. The Club has sports equipment on 01.04.2008 valued at Rs. 52,000. At the end of the year after depreciation the sports equipment amounted to Rs. 54,000. The Club raised a loan of Rs. 40,000 from a bank on 01.01. 2008, which was unpaid till 31.03.2009. On 31.03.2009 Cash in hand was Rs. 32,000.

Prepare Receipts and Payments account of the Club for the year ended 31st March, 2009 and Balance Sheet as on that date.

- ✓ (b) Rama Udyog Limited was incorporated on August 1, 2008. It had acquired a running business of Rama & Co. with effect from April 1, 2008. During the year 2008-09, the total Sales were Rs. 36,00,000. The Sales per month in the first half year were one-half of what they were in the later half year. The net Profit of the company, Rs. 2,00,000 was worked out after charging the following expenses (i) Depreciation Rs. 1,08,000, (ii) Audit fees Rs. 15,000, (iii) Directors' fees Rs. 50,000, (iv) Preliminary expenses Rs. 12,000, (v) Office expenses Rs. 78,000, (vi) Selling expenses Rs. 72,000 and (vii) Interest to vendors upto August 31, 2008 Rs. 5,000. 6

Please ascertain pre-incorporation and post-incorporation profit for the year ended 31st March, 2009.

6. Answer any **four** of the following :

4×4=16

- ✓ (i) Market is full of ready-made accounting softwares. What factors will you consider to choose one of them for your enterprise ?
- ✓ (ii) As per Accounting Standard-14, what are the conditions which must be satisfied for an amalgamation in the nature of merger ?
- (iii) What do you mean by Customised Accounting Software ? AS
- ✓ (iv) Rose Ltd. had made an investment of Rs. 500 lakhs in the equity shares of Nose Ltd. on 10.01.2009. The realisable value of such investment on 31.03.2009 became Rs. 200 lakhs as Nose Ltd. lost a case of patent rights. Rose Ltd. follows financial year as accounting year. How will you recognize this reduction in Financial statements for the year 2008-09. 66.6

- (v) A company provided Rs. 10,00,000 for dividend payment. Is the Corporate Dividend Tax payable in this case ? If yes, please compute corporate Dividend Tax assuming rate of 15% plus surcharge of 10% and disclose as it would appear in profit and Loss Account of the Company.
- (vi) SAD Enterprises, a partnership firm had purchased business of SWAD enterprises on 01.04.2008 and paid Rs. 50,000 towards goodwill. On 01.04.2009, SAD enterprises decided to admit W as partner and the goodwill was valued at Rs. 1,00,000 for the purpose.

Please explain with reasons, at what price goodwill can be shown in the books of Accounts.

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