

Roll No.....

Total No. of Questions—6]

[Total No. of Printed Pages—6

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.

Working notes should form part of the answer.

Wherever necessary suitable assumption/s should be made by the candidates.

Answer **all** questions.

Marks

1. (a) The following data apply to 'X' Ltd. defined benefit pension plan for the year ended 31.03.09, calculate the actual return on Plan assets : 5×4
=20

— Benefits Paid	2,00,000
— Employer contribution	2,80,000
— Fair market value of plan assets on 31.03.09	11,40,000
— Fair market value of plan asset as on 31.03.08	8,00,000

- (b) U.S.A. Ltd. purchased raw material @ Rs. 400 per kg. company does not sell raw material but uses in production of finished goods. The finished goods in which raw material is used are expected to be sold at below cost. At the end of the accounting year company is having 10000 kg of raw material in stock. As the company never sells the raw material, it does not know the selling price of raw material and hence can not calculate the realisable value of the raw material for valuation of inventories at the end of the year. However replacement cost of raw material is Rs. 300 per kg. How will you value the inventory of raw material ?

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(c) Moon Ltd. entered into agreement with Sun Ltd. for sale of goods of Rs 8 lakhs at a profit of 20% on cost. The sale transaction took place on 1st February, 2009. On the same day Sun Ltd. entered into another agreement with Moon Ltd. to resell the same goods at Rs. 10.80 lakhs on 1st August, 2009. State the treatment of this transaction in the financial statements of Moon Ltd. as on 31.03.09. The pre-determined re-selling price covers the holding cost of Sun Ltd. Give the Journal Entries as on 31.03.09 in the books of Moon Ltd.

(d) XY Ltd. was making provisions for non-moving stocks based on no issues for the last 12 months upto 31.03.08. Based on technical evaluation the company wants to make provisions during the year 31.03.09.

Total value of stock — Rs. 150 lakhs.

Provisions required based on 12 months issue Rs. 4.0 lakhs.

Provisions required based on technical evaluation Rs. 3.20 lakhs.

Does this amount to change in accounting policy ? Can the company change the method of provision ?

2. The following is the Balance Sheets of H Ltd. and S Ltd. as at 31.03.09 :

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	Rs. in lakhs			Rs. in lakhs	
	H Ltd. Rs.	S Ltd. Rs.		H Ltd. Rs.	S Ltd. Rs.
Share capital			Fixed assets	60	18
Share of 10 each	50	10	Investment		
General reserve	50	20	in Y (60000 shares)	6	—
Profit and Loss	20	15	Debtors	35	5
Secured loan	20	3	Inventories	30	25
Current liabilities	30	2	Cash at Bank	39	2
	<u>170</u>	<u>50</u>		<u>170</u>	<u>50</u>

H Ltd. holds 60% of the paid up capital of S Ltd. and balance is held by a foreign company. The foreign company agreed with H Ltd. as under :

(i) The shares held by the foreign company will be sold to H Ltd. at Rs. 50 above than nominal value of per share.

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- (ii) The actual cost per share to the Foreign Company was Rs. 11, gain accruing to Foreign Company is taxable @ 20%. The tax payable will be deducted from the sale proceeds and paid to Govt. by H Ltd. 50% of the consideration (after payment of tax) will be remitted to Foreign Company by H Ltd. and also any cash for fractional shares allotted.
- (iii) For the Balance of consideration H Ltd. would issue its shares at their intrinsic value.

It was also decided that H Ltd. would also absorb S Ltd. simultaneously by writing down the fixed assets of S Ltd. by 10%. The Balance Sheet figure included a sum of Rs. 1 lakh due by S Ltd. to H Ltd. included stock of Rs. 1.5 lakhs purchased from S Ltd. who sold them at cost plus 20%.

Pass Journal entries in the books of H Ltd. to record the above arrangement on 31.03.09 and prepare the Balance Sheet of H Ltd. after absorption of S Ltd. workings should form part of your answer.

3. P Ltd. owns 80% of S and 40% of J and 40% of A. J is jointly controlled entity and A is an associate Balance Sheet of four companies as on 31.03.09 are :

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Assets	P Ltd.	S	J	A
	Rs.	Rs.	Rs.	Rs.
Investment in S	800	—	—	—
Investment in J	600	—	—	—
Investment in A	600	—	—	—
Fixed assets	1000	800	1400	1000
Current assets	2200	3300	3250	3650
Total	5200	4100	4650	4650
Liabilities :	Rs.	Rs.	Rs.	Rs.
Share capital Re 1				
Equity share	1000	400	800	800
Retained earnings	4000	3400	3600	3600
Creditors	200	300	250	250
Total	5200	4100	4650	4650

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P Ltd. acquired shares in S many years ago when S retained earnings were Rs. 520. P Ltd. acquired its shares in J at the beginning of the year when J retained earnings were Rs. 400. P Ltd. acquired its shares in 'A' on 01.04.08 when 'A' retained earnings were Rs. 400.

The Balance of goodwill relating to S had been written off three years ago. The value of goodwill in J remains unchanged.

Prepare the consolidated Balance Sheet of P Ltd. as on 31.03.09. As per AS-21, 23 and 27.

4. (a) On 1 April, 2008 Delta Ltd. issued Rs. 30,00,000, 6% convertible debentures of face value of Rs. 100 per debenture at par. The debentures are redeemable at a premium of 10% on 31.03.12 or these may be converted into ordinary shares at the option of the holder the interest rate for equivalent debentures without conversion rights would have been 10%.

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Being compound financial instrument, you are required to separate equity and debt portion as on 01.04.08.

The present value of Re. 1 receivable at the end of each year based on discount rates of 6% and 10% can be taken as :

	6%	10%
End of year 1	0.94	0.91
2	0.89	0.83
3	0.84	0.75
4	0.79	0.68

- (b) When general price index was 100, Standard Ltd. purchased fixed assets of Rs. 2 crore and it had also permanent working capital of Rs. 80 lakhs. The entire amount required for purchase of fixed assets and permanent working capital was financed by way of 12% redeemable share capital. Standard Ltd. wants to maintain its physical capital.

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On 31.03.09, the company had reserves of Rs. 3.50 crores. The general price index on that was 200. The written down value of fixed assets was Rs. 20 lakhs and they were sold for 3 crores. The proceeds were utilised for redemption of shares on the same day (31.03.09) the company purchased new factory for Rs. 20 crores. The ratio of permanent working capital to cost of assets to be maintained at 0.4 : 1.

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The company raised the additional funds required for the purpose by issue of equity shares :

(A) Calculate the amount of equity capital raised.

(B) Show the Balance Sheet as on 01.04.09.

5. (a) A Mutual Fund raised 100 lakh on April 1, 2009 by issue of 10 lakh units of Rs. 10 per unit. The fund invested in several capital market instruments to build a portfolio of Rs. 90 lakhs. The initial expenses amounted to Rs. 7 lakh. During April, 2009, the fund sold certain securities of cost Rs. 38 lakhs for Rs. 40 lakhs and purchased certain other securities for Rs. 28.20 lakhs. The fund management expenses for the month amounted to Rs. 4.50 lakhs of which Rs. 0.25 lakh was in arrears. The dividend earned was Rs. 1.20 lakhs. 75% of the realised earnings were distributed. The market value of the portfolio on 30.4.2009 was Rs. 101.90 lakh. 8

Determine NAV per unit.

- (b) From the following details, compute according to Lav and Schwartz (1971) model the total value of human resources of the employee groups skilled and unskilled. 8

	Skilled	Unskilled
(i) Annual average earning of an employee till the retirement age	Rs. 50,000	Rs. 30,000
(ii) Age of retirement	65 years	62 years
(iii) Discount rate	15%	15%
(iv) No. of employees in the group	20	25
(v) Average age	62 yrs.	60 yrs.

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6. Write short notes on the following :

4×4=16

- (a) Capital adequacy ratio for Non-Banking Financial Companies (NBFC)
- (b) Treatment of refund of Government grants.
- (c) Give four examples of activities that do not necessarily satisfy criterion (a) of paragraph 3 of AS-24, but that might do so in combination with other circumstances.
- (d) From the following information compute diluted earnings per share.

Net profit for the year 2008 Rs. 12,00,000

Weighted average number of equity shares outstanding
during the year 2008 5,00,000 shares

Average fair value of one equity share during
the year 2008 Rs. 20

Weighted average number of shares under option
during the year 2008 1,00,000 shares

Exercise price per share under option during
the year 2008 Rs. 15

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