

Shree Guru Kripa's Institute of Management

Reg. No _____

Total No. of Questions – 6

ACII – IP – 04

Total No. of Printed Pages – 6

Time Allowed: 3 Hrs

Total Marks – 100

Answer ALL Questions

**Wherever appropriate, suitable assumptions should be made by the candidates
All working notes should form part of your answer.**

1(i) 2 Marks
Briefly indicate the meaning of the term Extraordinary Item as per AS – 5.

1(ii) 2 Marks
Briefly indicate the meaning of the term Qualifying Asset as per AS – 16.

1(iii) 2 Marks
What do you mean by Events occurring after the Balance Sheet date?

1(iv) 2 Marks
Find out the Income to be recognized in the case of X Bank Ltd, for the year ended 31st Mar, 2009 – Rs. In Lakhs

Particulars	Performing Assets		Non Performing Assets	
	Interest Accrued	Interest Received	Interest Accrued	Interest Received
Term Loans	240	160	150	10
Cash Credits and Overdraft	1500	1240	300	24

1(v) 2 Marks
Give examples of situations requiring separate disclosure in Financial Statements inspite of being an Ordinary Activity.

1(vi) 2 Marks
State the Difference between Reporting Currency and Foreign Currency as per AS – 11?

1(vii) 2 Marks
Goods are transferred from Department P to Department Q at a price 30% above cost. If Closing Stock of Department Q is Rs.10,830/- compute the amount of Stock Reserve.

1(viii) 2 Marks
Symantec set up a new factory in the backward area and purchased plant for Rs.1000 Lakhs for the purpose. Purchases were entitled for the CENVAT Credit of Rs.100 Lakhs and also Government agreed to extend the 25% Subsidy for backward area development. Determine the Depreciable Value for the Asset.

1(ix)

2 Marks

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 AS – 26 for the year ended 31.3.2009.

1(x)

2 Marks

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 they 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.

Q.No. 2

16 Marks

The firm of LMS was dissolved on 31.3.2004, at which date it's Balance Sheet stood as follows:

Liabilities	Rs.	Assets	Rs.
Creditors	2,00,000	Fixed Assets	45,00,000
Bank Loan	5,00,000	Cash & Bank	2,00,000
Luv's Loan	10,00,000		
Luv Capital A/c	15,00,000		
Mukund Capital A/c	10,00,000		
Srinivas Capital A/c	5,00,000		
Total	47,00,000	Total	47,00,000

Partners share profits equally. A firm of Chartered Accountants is retained to realise the Assets and distribute the Cash after discharge of Liabilities. Their fees which are to include all expenses is fixed at 1,00,000. No loss is expected on realisation since fixed assets include valuable Land and building.

Realisations are as under:(Rs.)

1	2	3	4	5
5,00,000	15,00,000	15,00,000	30,00,000	30,00,000

The Chartered Accountant firm decided to pay off the Partners in 'Higher Relative Capital Method'. You are required to prepare a statement showing distribution of cash with necessary workings.

Q.No. 3

16 Marks

The Balance Sheet of Vedavyasa Ltd. as on 31st October appears as below –

Liabilities	Rs.	Assets	Rs.
Share Capital:		Fixed Assets at Cost	20,00,000
– 1,50,000 Equity Shares of Rs.10 each	15,00,000	Less: Depreciation Reserve	15,00,000
– 5,000 11% Pref. Shares of Rs.100 each	5,00,000	Current Assets:	
Secured Loans:		Stocks and Stores	6,00,000
11% Debentures	5,00,000	Receivables	14,50,000
Interest accrued and due	<u>1,10,000</u>	Other Current Assets	2,00,000
Bank Overdraft	6,30,000	Profit and Loss a/c	16,40,000
Unsecured Loans	5,00,000		
Interest accrued and due	<u>1,50,000</u>		
Current Liabilities	5,00,000		
Total	43,90,000	Total	43,90,000

A Scheme of Reconstruction has been agreed amongst Shareholders and Creditors with the following features –

1. Interest due on Unsecured Loans is waived.
2. 50% of the interest due on the Debentures is waived.
3. 11% Pref. Shareholders' rights are to be reduced to 50% and converted into 15% Debentures of Rs.100 each.
4. Current Liabilities would be reduced by Rs.50,000 on account of provisions no longer required.
5. The Banks agree to the arrangement and to increase the Cash Credit / Overdraft limits by Rs.1,00,000 upon the Shareholders agreeing to bring in a like amount by way of new equity.
6. Besides additional subscription as above, the Equity Shareholders agree to convert the existing Equity Shares into new Rs.10 shares of total value Rs. 5,00,000
7. The debit balance in the Profit and Loss Account is to be wiped out. Rs.2,60,000 provided for Doubtful Debts and the value of Fixed Assets increased by Rs.4,00,000

Redraft the Balance Sheet of the Company based on the above scheme of reconstruction.

Q.No.4

16 Marks

The Balance Sheet of Vaasthu Limited on 31st January read as under –

Liabilities	Rs.	Assets	Rs.
Share Capital: Authorised: 30,000 Equity Shares of Rs.10 each	3,00,000	Freehold Property	1,15,000
Issued and Subscribed: 20,000 Equity Shares of Rs.10 each fully paid	2,00,000	Stock	1,35,000
Profit and Loss A/c	1,20,000	Debtors	75,000
12% Debentures	1,20,000	Cash	30,000
Creditors	1,15,000	Balance at Bank	2,20,000
Proposed Dividends	20,000		
Total	5,75,000	Total	5,75,000

At the Annual General Meeting it was resolved:

1. To pay the Proposed Dividend of 10% in cash.
2. To issue one Bonus Share for every four Shares held.
3. To give existing shareholders the option to purchase one Rs.10 share at Rs.15 for every four shares held prior to the bonus distribution, this option being taken up by all the shareholders.
4. To repay the Debentures at a premium of 3%.

Give the necessary Journal Entries and the Company's Balance Sheet after these transactions are completed.

Q.No.5(a)

8 Marks

The Head Office passes adjustment entry at the end of each month to adjust the position arising out of inter-branch transactions during the month. From the following inter-branch transactions in January, make the relevant journal entry(ies) in the books of HO:

1. Mumbai Branch:
 - (a) Received goods: Rs. 6,000 from Delhi Branch, Rs. 4,000 from Cochin Branch
 - (b) Sent goods: Rs. 10,000 to Cochin, Rs. 8,000 to Delhi
 - (c) Received B/R: Rs. 6,000 from Cochin
 - (d) Sent Acceptance: Rs. 4,000 to Delhi, Rs. 2,000 to Cochin.
2. Chennai Branch (Apart from the above)
 - (a) Received goods: Rs. 10,000 from Delhi, Rs. 4,000 from Mumbai
 - (b) Cash Sent: Rs. 2,000 to Delhi, Rs. 6,000 to Mumbai
3. Delhi Branch (Apart from the above)
 - (a) Sent Goods to Cochin: Rs. 6,000
 - (b) Paid B/P: Rs. 4,000 to Cochin, Rs. 4,000 Cash to Cochin

Q.No. 5(b)

8 Marks

The following details are available in respect of a business for a Year

Department	Opening Stock	Purchase	Sales
X	120 units	1,000 units	1,020 units at Rs.20.00 each
Y	80 units	2,000 units	1,920 units at Rs.22.50 each
Z	152 units	2,400 units	2,496 units at Rs.25.00 each

The total value of purchases is Rs.1,00,000. It is observed that the rate of Gross Profit is the same in each department. Prepare Departmental Trading Account for the above year.

Q.No.6 Answer the Following

(a) Bring out the qualitative features of Financial Statements.

4 Marks

(b)

4 Marks

After a Wedding in 2006–07, ten people died, possibly as a result of food poisoning from products sold by the enterprise. Legal proceedings are started seeking damages from the enterprise but it disputes liability. Up to the date of approval of the Financial Statements for the year 31 March 2007, the enterprise's lawyers advise that it is probable that the enterprise will not be found liable. However, when the enterprise prepares the Financial Statements for the year 31st March 2008, its lawyers advise that, owing to developments in the case, it is probable that the enterprise will be found liable. What is treatment required in the balance sheet prepared as on 31.03.2007 and 31.03.2008

(c)

4 Marks

Ravi Ltd follows the calendar year for reporting purposes. During a year, it issued Rs.80 Lakhs Equity Shares at par on 15th September. It had also bought back Rs.20 Lakhs Equity Capital (at par) on 1st December. The Equity Capital was Rs.150 Lakhs at the end of the year. Calculate the Weighted Average Number of Equity Shares outstanding during the period, if the price of each Share is Rs.100. Also calculate Basic EPS if the Net Profit attributable to Equity Shareholders is Rs.10 Lakhs.

(d)

4 Marks

A Ltd leased a Machinery to B Ltd on the following terms –

Fair Value of the Machinery	Rs.20.00 Lakhs	Guaranteed Residual value	Rs.1.00 Lakhs
Lease term	5 years	Expected Residual Value	Rs.2.00 Lakhs
Lease Rental per annum	Rs.5.00 Lakhs	Internal Rate of Return	15%

Depreciation is provided on Straight Line Method at 10% per annum. Ascertain Unearned Financial Income and necessary entries may be passed in the books of the Lessee in the First Year.