

Time Allowed : 3 Hours

The figures in the margin on the right side indicate full marks.

PART A questions are compulsory. Attempt all of them.

PART B has seven questions. Attempt any five of them

- Please:* (1) Write answers to all Parts of a question together
(2) Open a new page for answer to a new question
(3) Attempt the required number of questions only.
(4) Indicate in the front page of the answer book the required question attempted.

PART A

1. (a) In each of the cases given below, one out of four alternatives is correct. Indicate the correct answer (2x7=14 = 1 mark) and give your workings/reasons briefly (= 1 mark):

- | | |
|--|-----|
| (i) M.K. Leasing Company expects a minimum yield of 10% on its investment in the leasing business. It proposes to lease a machine costing Rs.5,00,000 for ten years. If yearly lease payments are received in advance, the lease rental to be charged by the company for the lease will be {Given PVIFA (10%, 9 years = 5.759)]
A. Rs.81,372;
B. Rs.73,975;
C. Rs.72,370;
D. None of (A), (B), (C). | (0) |
| (ii) APEX LTD. has an asset with W.D.V. of Rs.50 lakh as on 31.03.2009 and its recoverable amount on 31.03.2009 is determined at Rs.38 lakh. If the tax rate is 30% and carrying amount of the assets for tax purpose is Rs.42 lakh, what would be Deferred Tax Asset as per AS-22?
A. Rs.3.60 lakh;
B. Rs.2.40 lakh;
C. Rs.1.20 lakh;
D. Incomplete Information. | (0) |
| (iii) VINTEX LTD. had 5,00,000 equity shares outstanding on April 01, 2008. The average fair value per share during the year 2008–09 was Rs.40. The company has given share option to its employees of 1,00,000 shares at option price of Rs.30. If net profit attributable to equity shareholders for the year ended March 31, 2009 is Rs.12 lakh, Diluted EPS would be
A. Rs.2.29;
B. Rs.2.40;
C. Rs.2.50;
D. None of (A), (B), (C). | (0) |
| (iv) FINCORP LTD. holds 25% shares in SUNCORP LTD. at a cost of Rs.5 lakh as on 31.3.2008, out of SUNCORP LTD.'s <u>share capital</u> and reserve of Rs.20 lakh each. For the year ended 31.03.2009. SUNCORP LTD., made a profit of Rs.80,000 and 50% distributed as <u>dividend</u> . What will be the amount of investment (carrying amount) in the Consolidated Financial Statement of FINCORP LTD. as on 31.03.2009 (as per AS-23)?
A. Rs.10.10 lakh; | (0) |

- B. Rs.10.20 lakh;
- C. Rs.10.30 lakh;
- D. Incomplete Information.

(v) SUHASI LTD. issued 20,000 share of Rs.10 each at a discount of 10%. Mr. Harish to whom 500 shares were allotted failed to pay the final call of Rs.3 and hence, his shares were forfeited. The amount to be transferred to the credit of shares forfeiture account is

- A. Rs.1,500;
- B. Rs.3,500;
- C. Rs.3,000;
- D. Rs.4,500.

(vi) Wealth Ltd. acquired 55% shares of Gold Ltd. on February 01, 2008. Wealth Ltd. sells goods at cost plus 20%. During the year 2008–09, it supplied goods with Rs.90,000 to Gold Ltd. out of which, 60% are still in stock of Gold Ltd. as on March 31, 2009. The unrealised profit on stock to be adjusted while preparing Consolidated Balance Sheet as on March 31, 2009 is

- A. Rs.4,950;
- B. Rs.5,940;
- C. Rs.9,900;
- D. Rs.10,800.

(vii) XYZ Co. Ltd. proposed a dividend of 20%. The net profit of the company is Rs.1,20,000. The called up equity share capital is Rs.5,00,000 and the amount of calls in arrears is Rs.30,000. What will be the amount of dividend payable?

- A. Rs.1,00,000;
- B. Rs.94,000;
- C. Rs.24,000;
- D. Rs.1,06,000.

(b) Choose the most appropriate one from the stated options and write it down (only indicate A, B, C, D as you think correct). 1x6=6

(i) In accordance with AS–20, if an enterprise has more than one class of equity shares, net profit or loss for the period is to be apportioned are the different classes of shares in accordance with

- A. The paid-up capital of the different classes;
- B. Their dividend rights;
- C. The number of shares in each class of shares;
- D. The issue price of each class of shares.

(ii) As per AS–17, the revenue of the reportable segment must have at least the following percentage of total revenue of the enterprise:

- A. 60%;
- B. 75%;
- C. 80%;
- D. 90%;

(iii) As per AS–22, justification for method of determining periodic deferred tax is based on the concept of

- A. Matching of periodic expense to periodic revenue;
- B. Objectivity in calculation of periodic expense;
- C. Recognition of assets and liabilities;
- D. Consistency of tax expenses measurements with actual tax planning strategy.

(iv) Which one of the following intangibles should not be recognised as per AS–26?

- A. Internally generated goodwill;
- B. Licenses;
- C. Patents;
- D. Trade marks.

(v) Which one of the following combination of accounting assumptions are fundamentals as per AS-1?

- A. Going concern, consistency and accrual;
- B. Going concern, conservation and historic cost;
- C. Historic cost, consistency and accrual;
- D. Conservatism, consistency and accrual.

(vi) The perception of extraordinary events must be made with reference to

- A. Business ordinarily carried on by an enterprise;
- B. The frequency with which such events are expected to occur;
- C. Both (A) and (B);
- D. The size of transaction

(c) State which of the following statements is True (= T) and False (= F):

1x5=5

- (i) Consolidated financial statements are prepared on the principle that in form the companies are one entity, in substance they are separate.
- (ii) Recognising cost of retirement benefits only at the time payments are made to employees on or after retirement, is known as pay-as-you go.
- (iii) Aria Corporation Ltd. had total turnover of Rs.60 crores including inter division transfer of Rs.14 crores. The company is liable to give segment reporting as per AS-17.
- (iv) A change in the estimated life of the asset, which necessitates adjustment in the depreciation is an example of prior period item.
- (v) A deferred tax asset should be recognised only when there is certainty of future taxable income to realise is known as consideration of consistency.

2. (a) Explain the disclosures to be made to the primary segments.

4 (0)

(b) ANURAG LTD. and SAGAR LTD. were amalgamated on and from 1st April, 2004. A new company ANUSHA LTD. was formed to take over the business of the existing companies.

11 (0)

The Balance Sheets of ANURAG LTD. and SAGAR LTD. as on 31st March, 2009 are given below:

(Rs. in lakh)

Capitals and Liabilities	ANURAG LTD.	SAGAR LTD.	Assets & Properties	ANURAG LTD.	SAGAR LTD.
Share Capital:			Fixed Assets:		
Equity Share of Rs.100 each	800	750	Land and Buildings	550	400
12% Pref. Shares of Rs.100 each	300	200	Plant & Machinery	350	250
Reserves and Surplus:	150	100	Investments	150	50
Revaluation Reserve	170	150	Current Assets, Loans and		
General Reserve	50	50	Advances:	350	250
Investment Allowance Reserve	50	30	Stock	250	300
			Sundry Debtors	50	50
			Bills Receivables	300	200

Profit & Loss A/c	60	30	Cash and Bank		
Secured Loans:					
10% Debentures (Rs.100 each)	270	120			
Current Liabilities and Provisions:	150	70			
Sundry Creditors					
Bills Payables					
	2,000	1,500		2,000	1,500

Additional Informations:

- (1) 10% Debenture holders of ANURAG LTD. and SAGAR LTD. are discharged by ANUSA LTD. issuing such number of its 15% Debentures of Rs.100 each so as to maintain the same amount of interest.
- (2) Preference holders of the two companies are issued equivalent number of 15% Preference Shares of ANUSUA LTD. at a price of Rs.150 per share (Face Value Rs.100).
- (3) Investment allowance reserve is to be maintained for 4 more years.
- (4) ANUSUA LTD. will issue 5 Equity Shares for each Equity Shares of ANURAG LTD. and 4 Equity Shares for each Equity Share of SAGAR LTD. The shares are to be issued @ Rs.30 each having a face value of Rs.10 per share.

Required:

Prepare the Balance Sheet of ANUSA LTD. as on 1st April, 2009 after the amalgamation has been carried out on the basis of amalgamation in the nature of purchase.

3. The following summarised Balance Sheets of X Ltd. and its subsidiaries, Y Ltd. and Z Ltd., have been prepared at 31 March, 2009:

15 (0)

	X Ltd. Rs.	Y Ltd. Rs.	Z Ltd. Rs.
Share Capital:			
Equity shares of Rs.10 each	30,00,000	20,00,000	2,00,000
Profit and loss account	28,00,000	16,00,000	1,20,000
Secured loan	15,00,000	8,00,000	2,00,000
Unsecured loan	5,00,000	2,00,000	—
Sundry creditors	12,00,000	14,00,000	2,80,000
	<u>90,00,000</u>	<u>60,00,000</u>	<u>8,00,000</u>
Fixed Assets:			
Land and buildings at cost less depreciation	10,00,000	8,00,000	2,00,000
Plant and equipment at cost less depreciation	14,00,000	22,00,000	1,00,000
Investments	34,00,000	2,20,000	50,000
Current assets:			
Stocks	12,00,000	14,00,000	2,50,000
Debtors	16,00,000	12,00,000	1,75,000
Cash and bank	4,00,000	1,80,000	25,000
	<u>90,00,000</u>	<u>60,00,000</u>	<u>8,00,000</u>

Additional information:

- (1) Particulars of Investments are as follows:

X Ltd. Rs.

Investment in 1,60,000 shares in Y Ltd.	33,60,000
Investment in 5,000 shares in Z Ltd.	40,000
	<u>34,00,000</u>

Y Ltd.

Investment in 12,000 shares in Z Ltd.	2,20,000
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Z Ltd.

Investment in Growth Sector Bonds (F.V. Rs.50,000)	50,000
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(2) The acquisition of investments took place in the manner indicated below:

	Date	Balance in P/L a/c	
		Y Ltd. Rs.	Z Ltd. Rs.
X Ltd.			
1,60,000 shares in Y Ltd.	1 April 2008	14,00,000	1,00,000
5,000 shares in Z Ltd.	1 April 2006	–	20,000
Y Ltd.			
12,000 shares in Z Ltd.	1 April 2007	–	72,000

(3) X Ltd. has proposed 15% dividend for the accounting year ended on 31 March, 2009. This amount is included in sundry creditors.

(4) Sundry debtors of Y Ltd. include Rs.30,000 representing sum due from X Ltd. Sundry creditors of X Ltd. include Rs.20,000, which represents the amount due to Y Ltd. It is discovered that X Ltd. sent a cheque for Rs.10,000 to Y Ltd. on 30 March, 2009 which was not received until 3 April, 2009.

Prepare a consolidated Balance Sheet of X Ltd. and its subsidiaries as at 31 March, 2009.

4. ABC Ltd. and PQR Ltd. decided to amalgamate as on 01.04.2009. Their Balance Sheets as on 31.03.2009 were as follows:

15 (0)

(Rs.in'000)

Particulars	ABC Ltd.	PQR Ltd.
Source of Funds:		
Equity share capital (Rs.10 each)	150	140
9% Preference Share Capital (Rs.100 each)	30	20
Investment Allowance Reserve	5	2
Profit and Loss Account	10	6
10% Debentures	50	30
Sundry Creditors	25	15
Tax Provision	7	4
Equity Dividend Proposed	30	28
Total:	<u>307</u>	<u>245</u>
Application of Funds		
Building	60	50
Plant and Machinery	80	70
Investments	40	25
Sundry Debtors	45	35
Stock	36	40
Cash and Bank	40	25
Preliminary Expenses	6	–
Total:	<u>307</u>	<u>245</u>

From the following information, you are to prepare the draft Balance Sheet as on 01.04.2009 of a new company. NCCI Ltd., which was formed to take over the business of both the companies and took over all the assets and liabilities:

- (i) 50% Debentures are to be converted into Equity Shares of the new company.
 - (ii) Out of the investments, 20% are none-trade investments.
 - (iii) Fixed Assets of ABC Ltd. were valued at 10% above cost and that of PQR Ltd. at 5% above cost.
 - (iv) 10% of Sundry Debtors were doubtful for both the companies. Stocks to be carried at cost.
 - (v) Preference shareholders were discharged by issuing equal number of 9% preference shares at par.
 - (vi) Equity Shareholders of both the transferor companies are to be discharged by issuing Equity Shares of Rs.10 each of the new company at a premium of Rs.5 per share.
- Amalgamation is in the nature of purchase.

5. (a) Great Pals Ltd. is in the business of manufacturing and export its product. Sometimes back in 2006, the Government put restriction on export of goods exported by Great Pals Ltd. Due to that restriction Great Pals impaired its assets. 5+5=10 (0)

Great Pals Ltd. acquired at the end of the year 2002 identifiable assets worth Rs.2,000 lakh and paid Rs.3,000 lakh, balance is treated as Goodwill. The useful life of the identifiable assets are 15 years and depreciated on straight-line basis. When Government put the restriction at the end of the year 2005, the depreciated on straight-line basis. When Government put the restriction at the end of the year 2005, the company recognised the impairment loss by determining the recoverable amount of assets at Rs.1,360 lakh. In 2008 Government lifted the restrictions imposed on the export and due to this favourable change, Great Pals Ltd. re-estimated recoverable amount, which was estimated of Rs.1,710 lakh.

The amortization period for Goodwill to be taken as 5 years as per As-14.

Requirements:

- (i) Calculation and allocation of impairment loss at the end of year 2006.
- (ii) Reversal of an impairment loss and its allocation at the end of year 2008 as per As-28.

- (b) Write notes on Role of budget in Government Accounting. 5 (0)

6. (a) The following particulars pertain to PIOUS LTD.:

Income Statement for the years ended March 31, 2009

		(Amount in Rs.lakh)
Sales Revenue		3200
Less: Cost of Goods sold		2000
		1200
Add: Government Compensation for loss in ratios		50
		1250
Less: Operating expenses	790	
Interest on debentures	15	
Depreciation on Fixed Assets	210	
Cost of issue of Debentures (written off)	1	1016
Profit before Tax		234
Less: Tax-Provision		92
Profit after tax		142

(Amount in Rs.lakh)

As on March

As on March

	31, 2008	31, 2009
Inventories	180	220
Debtors	40	38
Bills Receivables	30	55
Cash in hand and at Bank	102	248
Creditors	78	95
Bills Payables	20	15
Outstanding Expenses	31	44

Additional Information:

The following important transactions have taken place during the year ended March 31, 2009:

- (i) Fully paid Equity Shares of the face value of Rs.200 lakh were allotted at premium of 20%.
- (ii) 10% Debentures for Rs.300 lakh were redeemed at a premium of 2%.
- (iii) Land was Purchased for Rs.150 lakh and the consideration was discharged by the allotment to the vendor of zero percent convertible Debentures for the amount.
- (iv) Dividend for the year ended March 31, 2008 amounting to Rs.100 lakh was paid.
- (v) Tax paid during the year totaled Rs.95 lakh.

Required:

Prepare Cash Flow Statement for the year ended March 31, 2009 using the Direct Method on the line specified in As-3.

- (b) PARASH LTD. had the following borrowings during a year in respect of capital expansion:

Plant	Cost of Assets (Rs.)	Remarks
Plant-M	100 lakh	No specific borrowings
Plant-N	125 lakh	Bank loan of Rs.65 lakh at 10%
Plant-X	175 lakh	9% Debentures of Rs.125 lakh were issued

In addition to the specific borrowing stated above the company had obtained term loans from two Banks:

- (1) Rs.100 lakh at 10% from Corporation Bank and
- (2) Rs.110 lakh at 11.5% from State Bank of India to meet its capital expansion requirements.

Required:

Determine the amount of borrowings costs to be capitalized in each of the above plants as per AS-16.

- (c) Discuss same key differences between IAS, USG AAP and Indian AS with respect to fixed assets.

7. (a) H Ltd. acquired 80% shares of S.Ltd. on April 1, 2008. The Balance Sheets of H. Ltd. and S.Ltd. as on March 31, 2009 are as follows:

Balance Sheets of H. Ltd. and S.Ltd. as on March 31, 2009

Liabilities	H. Ltd. (Rs.)	S. Ltd. (Rs.)	Assets	H. Ltd. (Rs.)	S. Ltd. (Rs.)
Share Capital (Rs.10 each)	9,00,000	3,00,000	Land & Building	4,20,000	2,40,000
General Reserve	3,90,000	1,50,000	Plant & Machinery	3,90,000	1,30,000
Profit & Loss A/c.	1,90,000	1,30,000	Furniture & Fixtures	1,90,000	90,000
Sundry Creditors	1,00,000	60,000	Investments	3,20,000	20,000
	60,000	50,000		90,000	50,000

Bills Payable		Stock	1,20,000	1,00,000
		Sundry Debtors	70,000	40,000
		Bills Receivable	40,000	20,000
		Cash & Bank		
	<u>16,40,000</u>		<u>16,40,000</u>	<u>6,90,000</u>

Other information:

- (i) As on date of acquisition, the following balances were revealed in the books of S.Ltd.:
 General Reserve.. Rs.1,00,000
 Profit & Loss Account.. Rs.60,000 (Cr.)
- (ii) H. Ltd. received a dividend of Rs.24,000 from S.Ltd. on the date of acquisition and credited the amount to investment account.
- (iii) Sundry debtors of H. Ltd. include Rs.10,000 due from S. Ltd.
- (iv) Total bills payable of S. Ltd., consisted Bills drawn by H.Ltd. and the Same were discounted with the bank by H.Ltd.

You are required to prepare the consolidated Balance Sheet of H. Ltd. and S.Ltd. as on March 31, 2009.

(b) Briefly discuss the functions of Public Accounts Committee.

5 (0)

8. (a) Prepare a value added statement for the year ended on 31.03.2009 and reconciliation of total value added with profit before taxation, from the Profit and Loss Account of Rishab Ltd. for the year ended on 31.03.2009:

10 (0)

		(Rs. in '000)
Income:		
Sales	24,400	
Other Income	508	
		24,908
Expenditure:		
Operating cost	21,250	
Excise duty	2,110	
Interest on Bank Overdraft	75	
Interest on 9% Debentures	1,200	
		23,635
Profit before Depreciation		1,273
Depreciation		405
Profit before tax		868
Provision for tax		320
Profit after tax		548
Proposed Dividend		48
Retained Profit		<u>500</u>

The following additional information are given:

- (i) Sales represents net sales after adjusting Discounts, Returns and Sales tax.
- (ii) Operating cost includes Rs.82,50,000 as wages, salaries and other benefits to Employees.
- (iii) Bank overdraft is temporary.

- (b) M/s. XYZ Ltd. has three segments namely X, Y, Z. The total assets of the company amount to Rs.10.00 crores. Segment X has Rs.2.00 crores, Segment Y has Rs.3.00 crores and Segment Z has Rs.5.00 crores. Deferred tax assets included in the assets of each segments are X–Rs.0.50 crore, Y–Rs.0.40 crore and Z–Rs.0.30 crore. The accountant contends that all the three segments are reportable segments. Comment.