

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 (25 Marks)

(a) In each of the cases given below, one out of four alternatives is correct. Indicate the correct answer (= 1 mark) and give your workings/reasons briefly (= 1 mark): 2x6=12

- (i) GANGOTRI LTD. has provided depreciation as per Accounting records Rs.4 lakhs and as per Tax records Rs.7 lakh. Unamortised preliminary expenses, as per tax record is Rs.5600. There is adequate evidence of future profit efficiency. If the tax rate applicable to the company is 40%, what would be deferred Tax liability as per AS-22.
A. Rs.1,20,000;
B. Rs.1,17,760;
C. Rs.1,12,240;
D. None of (A), (B) and (C).
- (ii) ANURAG LTD. purchased a Plant on 1.4.2008 for Rs.10,00,000. It provides depreciation @ 20% on W.D.V. during the year ended on 31.3.2010. What would be the carrying amount of Plant on 31.3.2010, if the company provided impairment loss on Plant for Rs.1,00,000?
A. Rs.5,40,000;
B. Rs.6,40,000;
C. Rs.7,40,000
D. Insufficient Information.
- (iii) VARTUAL LTD. acquired 1000 shares in ANKIT LTD. at a Cum-right price of Rs.250 per share. Ankit Ltd. offered right shares of one for every two held at Rs.125 per share. After the right issue the share price fell from Rs.250 to Rs.200 per share. If the rights were sold by virtual Ltd. at Rs.70 per share, what would be the carrying cost of investment in Ankit Ltd. after the sale of rights?
A. Rs.2,50,000;
B. Rs.2,15,000;
C. Rs.2,85,000;
D. None of (A), (B) and (C).
- (iv) The fair market values of Pension Plan assets of ASILEENA LTD. at the beginning of year 2009-10 was Rs.7,00,000. The employer contribution to the plan and Benefit payments made to retiree during the year were Rs.1,00,000 and Rs.40,000 respectively. If the actual return on pension Plan assets is Rs.50,000, what would be the Fair market value of pension plan at end of year 2009-10 (As per-AS-15)?

- A. Rs.8,00,000;
- B. Rs.8,10,000;
- C. Rs.8,30,000;
- D. Insufficient Information.

- (v) On July 01,2009 GRENISON LTD. acquired 7000 [Equity](#) shares of NARMADA LTD. for consideration of Rs.8,00,000. The Share Capital of NARMADA LTD. consists of 10,000 Equity shares of Rs.100 each.

The balances of General Reserve and Profit and Loss Account of NARMADA LTD. are as under:

	As on July 01, 2009 Rs.	As on March 31, 2010 Rs.
General Reserve	1,70,000	2,00,000
Profit and Loss A/c	1,50,000	1,75,000

What will be the amount of Minority Interest to be shown in Consolidated Balance Sheet as on March 31,2010:

- A. Rs.3,07,500;
- B. Rs.3,60,000;
- C. Rs.4,12,500;
- D. Insufficient information

- (vi) The following data is extracted from the books of HYDER LTD. as on March 31,2010.

Paid up value of an Equity Share : Rs.10
 Nominal value of an Equity Share : Rs.20
 The Yield rate of return of the company : 15.75%

If the normal rate of return is 9%, what would be value of an Equity Share of HYDER LTD.

- A. Rs.20.00;
- B. Rs.17.50;
- C. Rs.15.75;
- D. None of the above.

- (b) Choose the most appropriate one from the stated options and write it down (only indicate A, B, C, D as you think correct):

1x5=5

- (i) According to AS-29, Restructuring Cost does not include:

- A. Cost of Sale or termination of line of business;
- B. Cost of retraining or relocating continuing staff;
- C. Market Cost;
- D. Both B and C above.

- (ii) As per AS-26 when an intangible asset is required by issue of shares and other securities, the cost of intangible asset should be recorded at:

- A. Fair value of the intangible asset acquired;
- B. Fair value of the shares and other securities issued;
- C. A or B which is more evident;
- D. None of (A), (B), (C).

- (iii) ARKUTI LTD. has different distinguishable segments-One of them is engaged in providing an

individual product and it is subject to risk and returns. Such segment is known as:

- A. Business Segment;
- B. Reportable Segment;
- C. Geographical Segment;
- D. Primary Segment.

- (iv) Under the purchase method of accounting the transferee company incorporates into its books (As per AS-14):
- A. The Assets and liabilities of the transferor company;
 - B. The Assets, liabilities and statutory reserves of the transferor company;
 - C. The Assets, liabilities and non-statutory reserves of the transferor company;
 - D. The Assets, liabilities and reserves of the transferor company.
- (v) The chairman of the Public accounts Committee is appointed from amongst the members of Lok Sabha elected to the Committee by–
- A. President of India;
 - B. The speaker of Lok Sabha;
 - C. Prime Minister;
 - D. None of the above
- (c) (i) Define 'Firm Commitment' relating to [Hedge](#) Accounting.
- (ii) Explain the meaning and significance of going concern concept of accounting.
- (iii) Securitisation is different from factoring. Comment.
- (iv) State briefly the disclosure requirements in Balance Sheet in respect of State level Value Added Tax (VAT).

2x4=8

PART B (75 Marks)

- (a) Mr. RAJA enters into certain equity derivative instruments contracts on March 27, 2010. The initial margin on these contracts, calculated as per span, is Rs. 35,000. The margin for the subsequent days, calculated as per span is as follows:
- On 29th March, 2010 Rs.40,000
- On 30th March, 2010 Rs.30,000
- On 31st March, 2010 Rs.32,000
- Show the journal entries for the Payment/Receipt of the initial margin and disclosure requirement in the Balance Sheet.
- (b) X Ltd. had issued debentures which had been guaranteed by the Government of India both as to the repayment of the principal and interest. The company disclosed the same as 'secured loans' in their balance sheet, Comment.
- (c) The following are the Balance Sheets of Bat Ltd. and Ball Ltd. as on 31st March, 2010.

	Bat Ltd.	Ball Ltd.
	Rs.	Rs.
	(in crores)	
Sources of funds:		

Share Capital:				
Authorised		25		5
Issued and Subscribed:				
Equity shares of Rs.10 each fully paid		12		5
Reserves and surplus		88		10
Shareholders funds		<u>100</u>		<u>15</u>
Unsecured loan from Bat Ltd.		—		10
		<u>100</u>		<u>25</u>
<u>Funds</u> employed:				
Fixed assets: Cost		70		30
Less: Depreciation :		50		24
Written down value		20		6
Investments at cost:				
30 lakhs equity shares of Rs.10 each of Ball Ltd.		3		—
Long-term loan to Ball		10		—
Current assets				
Less: Current liabilities	100		34	
	33		15	
		<u>67</u>		<u>19</u>
		<u>100</u>		<u>25</u>

On that day Bat Ltd. absorbed Ball Ltd. The members of Ball Ltd. are to get one equity share of Bat Ltd. issued at a premium of Rs. 2 per share for every five equity share held by them in Ball Ltd. The necessary approvals are obtained.

You are asked to pass journal entries in the book of Bat Ltd. to give effect to the above.

- (a) A company purchased a plant for Rs.25 lakhs during the financial year 2009–10 and installed it immediately. The price charged by the vendor included excise duty (cenvat credit available) of Rs.2.50 lakhs. During this year, the company also produced excisable goods on which excise duty chargeable is Rs.2.25 lakhs. Show the journal entries describing cenvat credit treatment and at what amount should the plant be capitalised?
- (b) An enterprise, which has neither more than one business segment nor more than one geographical segment, is required to disclose segment information as per AS 17. Comment.
- (c) Following details are given for PHIMPEX LTD's for the year ended March 31, 2010.

	(Amount in Rs. lakh)		
Sales:			
Food Products	5650		
Plastic and Packaging	625		
Health and Scientific	345		
Others	162	6782	
Expenses:			
Food Products	3335		
Plastic and Packaging	425		
Health and Scientific	222		
Others	200	4182	
Other items:			
General Corporate Expenses			562
Income from investments			132
Interest expenses			65
Identifiable Assets:			
Food Products	7320		
Plastic and Packaging	1320		

Health and Scientific	1050	
Others	665	10355
General Corporate Assets		722
Other information;		
(i) Inter-Segment sales are as below:		
Food Products		55
Plastic and Packaging		72
Health and Scientific		21
Others		7

- (ii) Operational Profit includes Rs. 33 lakhs on inter-segment sales.
 (iii) Information about inter-segment expenses are not made available.

Required:

Prepare a statement showing financial information about PHIMPEX LTD's operations in different industry segment-keeping in view AS-17.

(a) SONEX LTD was incorporated on 1st April, 2010 to take over the running business of Mr. Daga.

The purchase consideration was satisfied by allotment of:

- (i) 15,000 equity shares of Rs.10 each issued at a premium of Rs.2 per share,
- (ii) 12,000 10% redeemable [preference shares](#) of Rs.10 each at par, redeemable on 31.03.15.
- (iii) Rs.70,000 paid in Cash.

The company issued a [prospectus](#) for issuing 50000 equity shares of Rs.10 each at a premium of Rs.2 per share and 20000 10% redeemable preference shares of Rs.10 each at par. The entire amount in respect of the issue was received by 30th June, 2010 except final call of Rs.3 per share on 2500 shares issued to Mr. P, a Director. Underwriting commission @ 2.5% on nominal value of equity shares and @ 3% on preference shares were paid to a Merchant Banker.

The preliminary expenses were estimated at Rs.75,000 in the prospectus but the actual expenses incurred was as under:

	Rs.	
Solicitor's fee	10,000	
Printing of memorandum	20,000	(Rs.10000 remaining unpaid)
Stamping and Registration	30,000	
Advertisement expenses	28,000	

The company purchased a plot of land for Rs.1,20,000. Further, it advanced Rs.2,30,000 for construction of office building and Rs.3,50,000 to a supplier, being 35% of contract price for supply of machinery. A part of the investments taken over from Mr. Daga was sold for Rs.80,000 (Rs.5,000 in excess of their book value).

Prepare a receipts and payments account and other relevant financial information to be included in the statutory report pursuant to sec. 165 of the Companies Act, 1956 in respect of SONEX LTD. made upto 30th June, 2010.

(b) The following is the Balance Sheet of DELTA LTD as on 31-03-2010

		(Amount in Rs. lakh)	
Liabilities	Rs.	Assets	Rs.

Share Capital		Fixed Assets	
Equity shares of Rs.10 each	8.00	Non–Trade investments	22.50
Security Premium	1.50	Stock in Trade	4.50
Revenue Reserve	7.80	Sundry Debtors	5.80
Profit and Loss A/c	1.50	Cash at Bank	4.20
12% Debentures	20.00		7.00
Sundry Creditors	5.20		
	<u>44.00</u>		<u>44.00</u>

The company bought back 20,000 shares at Rs.30 each. The transaction in respect of buy back was financed by sale of 4/5th of non trade investments for Rs.6.20 lakhs.

Show important accounting entries in the books of the company to record buy back and also show the balance sheet after buy back.

(c) How should deferred tax assets and deferred tax liabilities be disclosed in the balance sheet of a company?

(a) The following information has been extracted from the Annual Report 2009–10 of SITERAZE LTD.

BALANCE SHEET AS ON MARCH 31

	(Amount in Million)	
	2009	2010
Sources of Fund:		
Shareholders' Funds:		
Share Capital	350	350
Reserve and Surplus	13250	17450
Secured Loans	—	—
	<u>13600</u>	<u>17800</u>
Application of Fund:		
Fixed Assets (Gross Block)	4500	5750
Less: Depreciation	1800	2050
Net Block	2700	3700
Capital Work-in-Progress	1200	520
	3900	<u>4220</u>
Investments	880	950
Deferred tax assets	105	120
Current Assets, Loans and Advances:		
Sundry Debtors	3050	3400
Cash and Bank	6500	9000
Loans & Advances	2700	3100
	<u>12250</u>	<u>15500</u>
Less: Current liabilities & Provisions		
Liabilities	1135	1240
Provisions	2400	1750
	3535	2990
Net Current Assets	8715	12510
Total	<u>13600</u>	<u>17800</u>

Profit and Loss Account for the year ended on March 31

2009 2010

(Rs.in Million)

Income:		
Sales and Operational Income	1560	20250
Other Income	680	510
Total	<u>16280</u>	<u>20760</u>
Expenditure:		
Product Development expenses	8800	11100
Gross Profit	<u>7480</u>	<u>9660</u>
General and Administrative expenses	1080	1280
Selling and Marketing expenses	730	920
Profit before Depreciation, Interest and taxes	<u>5670</u>	<u>7460</u>
Depreciation	540	450
Profit before Interest and taxes	<u>5130</u>	<u>7010</u>
Interest	—	—
Profit after Interest and depreciation	<u>5130</u>	<u>7010</u>
Provision for taxes	650	910
Profit after taxes	<u>4480</u>	<u>6100</u>

Other Information is available from the Annual Report for 2009–10.

– Beta variant	1.20
– Return on Risk free Investment	8%
– Equity Risk Premium	7.5%

Required

Calculate the Economic Value Added of 5ITERAZE LTD for the year 2009–10.

- (b) On 1st October, 2009, GREEN GARDEN LTD (Construction Company) undertook a contract to construct a building for Rs.170 lakh: On 31st March, 2010 the company found that it had already spent Rs.129.98 lakh on the construction. Prudent estimate of additional cost for completion was Rs.64.02 lakh.

Required:

What is the additional Provisions for foreseeable loss, which must be made in the final accounts for the year ended 31st March, 2010 as per provisions of AS–7?

- (c) Discuss the provision of the constitution of India to safeguard the Independence of the comptroller and Auditor General of India.

- (a) AIR LTD, SEA LTD and RAIL LTD are members of a group. AIR LTD bought 70% of the shares of SEA LTD on October, 1,2008 and 30% of the shares of RAIL LTD on 1st January, 2010. SEA LTD bought 60% of the shares of RAIL LTD on October 1, 2009.

Profit and Loss Account

	Balance as on 1.4.2009 Rs.	Profit/(Loss) for 2009–10 Rs.	Balance as on 31.3.2010 Rs.	Company Formed
AIR LTD	55,000	25,000	80,000	April 1, 2007
SEA LTD	20,000 (Dr.)	47,500	27,500	April 1, 2008
RAIL LTD	—	24,000 (Loss)	24,000 (Dr.)	April 1, 2009

State how the Profit/(loss) will be reflected in the consolidated Balance Sheet.

- (b) State briefly the reporting requirements as to environmental statement in the Directors' Report of companies.

- (c) The surplus arising from sale of investments was set off against a non-recurring loss and was not disclosed separately. Comment.

Answer the following questions:

- (a) XY Ltd. was making provisions for non-moving stocks based on issues for the last 12 months upto 31.3.2009. Based on technical evaluation, the company wants to make provisions during the year 2009–10.

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?

- (b) PQ Ltd. has been including interests in the valuation of closing stock. In the accounting year 2009–10 the management of the company decided to follow AS–2 and accordingly interests have been excluded from the valuation of closing stock. This has resulted in decrease in profits by Rs.250,000.

Is a disclosure necessary? If so, draft the same.

- (c) AB Ltd. has set up its business in a designated backward area which entitles the company to receive from the Govt. of India a subsidy of 25% of the cost of investment. Having fulfilled all the conditions under the scheme, the company in its investment of Rs.80 crores in capital assets, received Rs.20 crores from the Govt. in February, 2010 in the accounting period 2009–10. The company wants to treat this receipt as an item of revenue and thereby reduce the losses in P. & L. A/c for the year ended 31.3.2010.

Do you think the treatment is justified? Answer with reference to relevant A.S.

- (a) Discuss some key differences between IFRS, US GAAP and IGAAP related to
(i) Extra ordinary events;
(ii) Dividends on ordinary equity shares.

- (b) The following is an extract from the cash flow statement of VENTEX LTD prepared for the year ended March 31, 2010.

Particulars	(Rs. in lakh)
Net Profit	600
Add: Sale of Investment	700
Depreciation of Assets	110
Issue of Preference shares	90
Loan raised	45
Decrease in stock	120
	1665.0
Less: Purchase of Fixed Assets	650
Decrease in Creditors	60
Decrease in Debtors	80
Exchange Gain	80
Profit on Sale of Investments	120.0
Redemption of Debentures	57.0
Dividend Paid	14.0
Interest Paid	9.45
	1070.45
Add: Opening Cash & Cash equivalent	594.55
Closing Cash & Cash equivalent	123.41
	717.96

Required:

Redraft and reconstruct the cash flow statement of VENTEX LTD in proper order for the year ended March 31, 2010 in accordance with AS-3 (Revised) using indirect method.

(c) MS KRITIKA furnishes the following information about all option at the Balance Sheet date (31.3.2010):

Securities	PN	MO	TS
Details of Option bought:			
Premium paid	1500	7500	7500
Premium prevailing on Balance sheet date	22500	3750	6000
Details of Option Sold:			
Premium received	7500	22500	7500
Premium prevailing on Balance sheet date	18750	15000	11250

Required:

Determine the amount of provision to be made in the books of Account of Ms Kritika.