

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

- (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):

- (i) SUNNY LTD. acquired 70% shares of HARRY LTD. on October 01, 2009 at a price of Rs.5,00,000. The Balance of Profit and Loss account of HARRY Ltd. is as under:

As on	Balance
April 01, 2009	Rs.80,000 Debit balance
March 31, 2010	Rs.1,60,000 Credit balance

The share of Capital Profit of SUNNY LTD. at the time of consolidation, is:

- A. Rs.28,000
B. Rs.48,000
C. Rs.84,000
D. None of (A), (B), (C)
- (ii) On 1.4.2010, RICH LTD. had 5,00,000 shares outstanding. On 1.6.2010, it issued one new share for each Five shares outstanding at Rs.15. If Fair value of one Equity Share immediately before the right issue is Rs.21, what would be the theoretical ex-rights fair value per share of RICH LTD? As per AS-20.
A. Rs.20.00
B. Rs.18.00
C. Rs.16.00
D. Incomplete information
- (iii) The fair value of Pension Plan Assets of ROLTA LTD. at the beginning and end of the year 2009-10 were Rs.3 lakh and Rs.4.50 lakh respectively. Benefit payment made to retirees were Rs.75,000, what would be the employer's contribution to the Plan during the year, if the actual return on Pension Plan assets are Rs.97,500? As per AS-15.
A. Rs.97,500
B. Rs.1,27,500
C. Rs.1,50,000
D. Insufficient information.
- (iv) ZOOM LTD. acquired 80% of shares of DARK LTD. On March 31, 2010 for consideration of Rs.5,20,000. The share capital of DARK LTD. comprises of 4000 Equity Shares of Rs.100 each. The Capital Profit and

Revenue Profits of DARK LTD. were Rs.3 lakh and Rs.1 lakh on the date of acquisition.
The amount of minority interest shown in the consolidated Balance Sheet as on March 31, 2010 is

- Rs.2,20,000
- Rs.1,20,000
- Rs.1,60,000
- Rs.1,20,000

- (v) STC LTD. had imported raw materials with US \$ 1000 on 24.02.2009 when exchange rate was Rs.46.60 per US \$. The payment for imports was made on 15.6.2009 when exchange rate was Rs.47.50 per US \$. If the rate of exchange on 31.3.2009 is Rs.47.00 per US \$, the (Loss)/gain for the financial year 2009–10 will be (as per AS–11)
- (Rs.500) Loss
 - Rs.500 Gain
 - Rs.400 Gain
 - None of (A), (B), (C)

- (vi) GAYATHRI LTD. purchased 1000 shares in SAVITHA LTD. at Rs.600 per share in 2008. There was a rights issue in 2009 at [one share](#) for every two held at a price of Rs.150 per share. If GAYATHRI LTD. subscribed to the rights what would be the carrying cost of 1500 shares?
- Rs.6,75,000
 - Rs.6,50,000
 - Rs.6,00,000
 - Insufficient information.

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

- As per AS–27, when two enterprises jointly control a property, each taking a share of the rents received and bearing a share of the expenses, the joint venture is of the form:
 - Jointly controlled operation.
 - Jointly controlled assets.
 - Jointly controlled entities.
 - All of the above three.
- As per AS–22, a deferred asset should be recognised only when there is a certainty of future taxable income to realise in known as
 - Consideration of Prudence
 - Consideration of Conservation
 - Consideration of Consistency
 - Consideration of Caution
- As per AS–14, the type of Amalgamation are
 - Nature of Merger and nature of Absorption
 - Nature of Purchas and nature of Reconstruction
 - Nature of Purchase and nature of Merger
 - None of the above
- With which the AS–6 is concerned?
 - Disclosure of Accounting Policies
 - Cash flow statement(Revised)
 - Accounting of Buy back of shares
 - Depreciation Accounting
- Include the power of Audit Committee is/are

- A. To investigate any activity within its terms of reference
- B. To seek information from any employee
- C. To obtain outside legal or other professional advice
- D. All the above (A), (B) & (C)

(c) State with reasons whether the following statements are True or False:

2x2

- (i) Revenues are matched with expenses in accordance with the matching principles.
- (ii) Issue of bonus shares by the subsidiary company out of pre acquisition profits affects the cost of control.
- (iii) Remuneration paid to non-executive director on the Board of Directors is a related party transaction.

(d) what is full abbreviation of:

1x2

- (i) SCM
- (ii) EIF

PART B (75 Marks)

2. (a) Explain the difference between IFRS, USGAAP, IGAAP related to

5 (0)

- (i) Change in accounting policy
- (ii) Prior period items

(b) Zee Ltd. agreed to absorb Gulf Ltd. on 31st March, 2009, whose Balance Sheet stood as follows:

10 (0)

Liabilities	Rs.	Assets	Rs.
Share Capital:		Fixed Assets	70,00,000
80,000 shares of Rs.100 each		Investment	–
fully paid	80,00,000	Current Assets	
Reserve and Surplus:		Loans & Advances:	
General Reserve	10,00,000	Stock in Trade	10,00,000
Secured Loan		– Sundry Debtors	20,00,000
Unsecured Loan		–	
Current Liabilities and Provisions:			
Sundry Creditors	10,00,000		
	1,00,00,000		1,00,00,000

The consideration was agreed to be paid as follows:

- (a) A payment in cash of Rs.50 per Share in Gulf Ltd. and
- (b) The issue of shares of Rs.100 each in Zee Ltd., on the basis of 2 Equity Shares (valued at Rs.150) and one 10% Cumulative [Preference Share](#) (valued at Rs.100) for every five shares held in Gulf Ltd.

It was agreed that Zee Ltd. will pay in cash for fractional shares equivalent at agreed value of shares in Gulf Ltd. i.e., Rs.650 for five shares of Rs.500 paid.

The whole of the Share capital consists of shareholdings in exact multiple of five except the following holding:

Bharati	116
Sonu	76
Hitesh	72

Jagat	28	
Other individuals	8	(eight members holding one share each)
	<u>300</u>	

Prepare a statement showing the purchase consideration receivable by above shareholders in shares and cash.

3. (a) Explain the criteria of identification of Reportable Segments as per AS-17. 5 (0)

(b) The following are the Balance Sheet of SUN LTD. and MOON LTD. as at 31.3.2010: 10 (0)

(Figure in Rs.lakh)

CAPITAL AND LIABILITIES	SUN LTD.	MOON LTD.	ASSETS	SUN LTD.	MOON LTD.
Share Capital:			Fixed Assets:		
Equity Shares (Rs.10 per share)	500.00	300.00	Land and Building		
14% Preference Shares (Rs.100 each)	220.00	170.00	Plant and Machinery	250.00	155.00
General Reserve	50.00	25.00	Furniture & Fittings	325.00	170.00
Export Profit Reserve	30.00	20.00	Investments	57.50	35.00
Investment Allowance Reserve	75.00	50.00	Current Assets, Loans and Advances:	70.00	50.00
Profit & Loss A/c			Stock	125.00	95.00
13% Debentures (Rs.100 each)	50.00	35.00	Debtors	90.00	103.00
Trade Creditors	45.00	35.00	Cash & Bank	72.50	52.00
Other Current Liabilities	20.00	15.00			
	990.00	660.00		990.00	660.00

SUN LTD. takes over MOON LTD. on April, 2010.

The purchase consideration is discharged as follows:

- Issued 35,00,000 Equity Shares of Rs.10 each at par with Equity Shareholders of MOON LTD.
- Issued 15% Preference Shares of RS.100 each to discharge the Preference Shareholders of MOON LTD. at 10% premium.
- The Debentureholders of MOON LTD. will be converted into equivalent number of Debentures of SUN LTD.
- The statutory reserves of MOON LTD. are to be maintained for two more years.

Required:

Prepare the Balance Sheet as on April 10, 2010 (Opening Balance Sheet) of SUN LTD. after amalgamation has been carried out on the basis of amalgamation in the nature of the Merger.

4. (a) Briefly describe the role of Public Accounts Committee. 8 (0)

(b) Following is the data regarding Five Segments of ENRON LTD: 7 (0)

Particulars	Segments					Total
	M	N	O	P	R	
1. Segment Revenue						

(a) External Sales	–	300	100	60	40	500
(b) Internal Sales	200	60	40	–	–	300
Total Revenue (a+b)	200	360	140	60	40	800
2. Segment Result: (Profit/(Loss))	30	50	(20)	15	5	80
3. Segment Assets	50	100	30	15	5	200

The General Manager (F&A) is opinion that Segments “M” and “N” alone should be reported. Is he justified in his view? – Discuss with reference to AS-17.

5. Examine the following schedule prepared by X Ltd.

15 (0)

Schedule of funds provided by operations for the year ended 31st July, 2009:

	(Rs. '000)	(Rs. '000)
Sales	32,760	
Add: Decrease in bills receivable	1,000	
Less: Increase in accounts receivable	(626)	33,134
Inflow from operating revenues		
Cost of goods sold	18,588	
Less: Decrease in inventories	(212)	
Add: Decrease in trade payable	81	18,457
Wages and Salaries	5,284	
Less: Increase in wages payable	(12)	5,272
Administrative Expenses	3,066	
Add: Increase in prepaid payable	11	3,077
Property taxes		428
Interest expenses	532	
Add: Amortisation of premium on <u>bonds</u> payable	20	552
From Operations		27,786
Rent Income	207	5,348
Add: Increase in unearned rent	3	210
Income Tax	1,330	5,558
Less: Increase in deferred tax	50	1,280
Funds from operations		4,278

Required:

- What is the definition of funds shown in the Schedule?
- What amount was reported as gross margin in the Income Statement?
- How much cash was collected from the customers?
- How much cash was paid for the purchases made?
- As a result of change in inventories, did the working capital increase or decrease and by what amount?
- How much rent was actually earned during the year?
- What was the amount of tax expenses reported on the income statement?
- Can you reconcile the profits after tax with the funds provided by the operation?

6. (a) Maynk buys the following Equity Index option and the seller/writer of this option is Shiva:

10 (0)

- Date of buy 28th March, 2010
- Type of options S&P CNX NIFTY – call
- Expiry date 31st May, 2010
- Premium per unit Rs.21

- (v) Contract Multiplier (No. of units) 2,500
 (vi) Margin per unit Rs.180
 (vii) Strike price Rs.920

Margin calculated by SPAN on 29.3.2010 is Rs.5,60,000; on 30.3.2010 is Rs.3,80,000; and on 31.3.2010; Rs.4,10,000

The prevailing premium rate for the above option on 31.3.2010 is Rs.16 per unit.

You are required to give the journal entries in books of both the parties. Also, show the Balance Sheet (as on 31.3.2010) extract containing the appropriate disclosure of balance in margin account.

- (b) Briefly describe, how do you calculate “Diluted earnings per share” as per accounting standard 20.

5 (0)

7. (a) Following is the Profit and Loss Account of Rukmani Limited for the year ended 31st March, 2010:

8 (0)

(Rs. in lakhs)			
To Production and operational Exp.	515	By Sales	765
To Administration Exp.	25	By Other Incomes	35
To Interest and other charges	26		
To Depreciation	16		
To Provision for Taxes	82		
To Net Profit after Tax	136		
	<u>800</u>		<u>800</u>
To General Reserve	67	By Balance b/d	21
To Proposed Dividend	22	By Profit for the year	136
To Balance c/d	68		
	<u>157</u>		<u>157</u>

Other information:

- (i) Production and operation Expenses includes

(Rs.in lakhs)

Increase in Stock	126
Consumption of Raw materials	205
Consumption of Stores	23
Salaries, Wages, Bonus & other benefits	42
Cess and Local Taxes	10
Other manufacturing expenses	109
	<u>515</u>

- (ii) Administration Expenses

(Rs.in lakhs)

Salaries & Commission to Directors	8
Other Admn. expenses	17
	<u>25</u>

- (iii) Interest and other charges

(Rs.in lakhs)

Interest on short term loan from Bank	6
Interest on long term loan	11
Interest on Debentures	9
	<u>26</u>

You are required to prepare a Value added (total) Statement for the year ended 31st March, 2010 and

show also the reconciliation between Value Added and profit before taxation.

- (b) (i) Venus Ltd. has an asset, which is carried in the Balance Sheet on 31.3.2009 at Rs.500 lakhs. As at that date the value in use is Rs.400 lakhs and the net selling price is Rs.375 lakhs. 4 (0)

From the above data:

- (1) Calculate impairment loss;
- (2) Prepare journal entries for adjustment of impairment loss;
- (3) Show, how impairment loss will be shown in the Balance Sheet.

- (ii) Bottom Ltd. entered into a sale deed for its immovable property before the end of the year. But registration was done with registrar subsequent to Balance Sheet date. But before finalisation is it possible to recognize the sale and the gain at the Balance Sheet date? Give your view with reasons. 3 (0)

8. (a) Jagannath Ltd. had made a right issue of shares in 2008. In the offer document to its members, it had projected a surplus of Rs.40 crores during the accounting year to end of 31st March, 2010. The Draft results for the year, prepared on the hitherto followed accounting policies and presented for perusal of the board of directors showed a deficit of Rs.10 crores. The board in consultation with the managing director decided on the following: 8 (0)

- (i) Value year – end inventory at works cost (Rs.50 crores) instead of the hitherto method of valuation of inventory at prime cost (30 crores);
- (ii) Provide depreciation for the year on straight line basis on account of substantial additions in gross block during the year, instead of on the reducing balance method, which was hitherto adopted. As a consequence, the charge for depreciation at Rs.27 crores is lower than the amount of Rs.45 crores which would have been provided had the old method been followed, by Rs.18 crores;
- (iii) Not to provide for “after sales expenses” during the warranty period. Till the last year, provision at 2% of sales used to be made under the concept of “matching of costs against revenue” and actual expenses used to be charged against the provision. The board now decided to account for expenses as and when actually incurred. Sales during the year total to Rs.600 crores;
- (iv) Provide for permanent fall in the value of investments which had taken place over the past five years – the provision being Rs.10 crores.

As Chief Accountant of the Company, you are asked by the Managing Director to draft the notes on accounts for inclusion in the annual report for 2009–2010.

- (b) On 31.12.09 the Balance Sheets of H.Ltd. and S.Ltd. disclose the following figures: 7 (0)

	H.Ltd.	S.Ltd.
	Rs.	Rs.
Share Premium	10,000	6,000
General Reserve	20,000	12,000
Capital Reserve	–	8,000
Profit and Loss Account	30,000	20,000

On the date when H. Ltd. acquired control of S.Ltd., S.Ltd. had Rs.10,000 in Profit and Loss Account and Rs.10,000 in General Reserve, apart from Share Premium and Capital Reserve Account which were same as on 31.12.09. H.Ltd. holds 3/4ths of the shares. H.Ltd. received Rs.6,000 dividend out of pre-acquisition profits. Show how the above figures will appear in Consolidated Balance Sheet.