

Roll No.

Total No. of Questions – 7

Total No. of Printed Pages – 11

Time Allowed – 3 Hours

Maximum Marks – 100

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Question No. 1 is compulsory.

Answer any five questions from the remaining six questions.

Wherever appropriate, suitable assumption/s should be made and indicated in answer
by the candidate.

Working notes should form part of the answer.

- | | Marks |
|---|---------------|
| 1. Answer the following questions : | 4 × 5
= 20 |
| (a) Calculate the maximum remuneration payable to the Managing Director based on effective capital of a non-investment company for the year, from the information given below : | 5 |

	(₹ in '000)
(i) Profit for the year (calculated as per Section 349, 350 & 351 of the Companies Act, 1956)	3,000
(ii) Paid up Capital	18,000
(iii) Reserves & Surplus	7,200
(iv) Securities Premium	1,200
(v) Long term Loans	6,000
(vi) Investments	3,600
(vii) Preliminary expenses not written off	3,000
(viii) Remuneration paid to the Managing Director during the year	600

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- (b) M/s. Vijoy Electricals sends goods to its customer on sale or returnable basis. **5**

The following transactions took place during January to March 2011.

2011		₹
January - 10	Sent goods to customer on sale or returnable basis at cost plus 25%.	5,00,000
January - 30	Goods returned by customer	2,00,000
February - 28	Received letter of approval from customer	2,00,000
March - 31	Goods with customer awaiting approval	1,00,000

Vijoy Electricals records sale or return transactions as ordinary sales transaction. You are required to pass the necessary Journal Entries in the books of accounts assuming that the accounting year closes on 31st March, 2011.

- (c) In the Trial Balance of M/s Sun Ltd. as on 31-3-2011, balance of machinery appears ₹ 5,60,000. The company follows rate of depreciation on machinery @ 10% p.a. on Straight Line Method. On scrutiny it was found that a machine appearing in the books on 1-4-2010 at ₹ 1,60,000 was disposed of on 30-9-2010 at ₹ 1,35,000 in part exchange of a new machine costing ₹ 1,50,000.

You are required to calculate :

- Total depreciation to be charged in the Profit and Loss Account.
- Loss on exchange of machine.
- Book value of machinery in the Balance Sheet as on 31-3-2011.

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- (d) A and B are in partnership sharing profits and losses in the ratio of 3 : 2. The capitals of A and B are ₹ 80,000 and ₹ 60,000 respectively. They admit C as a partner who contributes ₹ 35,000 as capital for $\frac{1}{5}$ th share of profits to be acquired equally from both A & B. The capital accounts of old partners are to be adjusted on the basis of the proportion of C's capital to his share in the business. Calculate the amount of actual cash to be paid off or brought in by the old partners for the purpose and pass the necessary Journal Entries.

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2. The Balance Sheet of M/s. Ice Ltd. as on 31-3-2011 is given below :

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Liabilities	₹	Assets	₹
1,00,000 equity shares of ₹ 10 each fully paid up	10,00,000	Freehold Property	5,50,000
4,000, 8% preference shares of ₹ 100 each fully paid	4,00,000	Plant and Machinery	2,00,000
6% Debenture (secured by freehold property) 4,00,000		Trade investment (at cost)	2,00,000
Arrear interest <u>24,000</u>	4,24,000	Sundry Debtors	4,50,000
Sundry Creditors	1,01,000	Stock-in-Trade	3,00,000
Director's Loan	3,00,000	Deferred Advertisement Expenses	50,000
		Profit and Loss Account	4,75,000
	22,25,000		22,25,000

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The Board of Directors of the Company decided upon the following scheme of reconstruction with the consent of respective stakeholders :

- (i) Preference shares are to be written down to ₹ 80 each and equity shares to ₹ 2 each.
- (ii) Preference dividend in arrear for 3 years to be waived by $\frac{2}{3}$ rd and for balance $\frac{1}{3}$ rd, equity shares of ₹ 2 each to be allotted.
- (iii) Debenture holders agreed to take one freehold property at its book value of ₹ 3,00,000 in part payment of their holding. Balance debentures to remain as liability of the company.
- (iv) Arrear debenture interest to be paid in cash.
- (v) Remaining freehold property to be valued at ₹ 4,00,000
- (vi) Investment sold out for ₹ 2,50,000.
- (vii) 75% of Director's loan to be waived and for the balance, equity share of ₹ 2 each to be allotted.
- (viii) 40% of sundry debtors, 80% of stock and 100% of deferred advertisement expenses to be written off.
- (ix) Company's contractual commitments amounting to ₹ 6,00,000 have been settled by paying 5% penalty of contract value.

Show the Journal Entries for giving effect to the internal re-construction and draw the Balance Sheet of the company after effecting the scheme.

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3. Bear Bar Club was registered in a city and the accountant prepared the following Receipts and Payments Account for the year ended March 31, 2011 and showed a deficit of ₹ 14,520. 16

Receipts	Amount	Payments	Amount
Subscriptions	62,130	Premises	30,000
Fair receipts	7,200	Honorarium to Secretary	12,000
Variety show receipts (net)	12,810	Rent	2,400
Interest	690	Rate & Taxes	3,780
Bar Collection	22,350	Printing & Stationary	1,410
Excess Cash spent	1,000	Sundry Expenses	5,350
Deficit	14,520	Wages	2,520
		Fair Expenses	7,170
		Bar purchases payments	17,310
		Repair	960
		New car (less proceeds of old car ₹ 9,000)	37,800
	1,20,700		1,20,700

The following additional information are :

	01-04-2010	31-03-2011
Cash in hand	450	—
Bank balances as per pass book	24,690	10,440
Cheque issued not presented for sundry expenses	270	90
Subscriptions due	3,600	2,940
Premises at cost	87,000	1,17,000
Accumulated depreciation on premises	56,400	—
Car at cost	36,570	46,800
Accumulated depreciation on car	30,870	—
Bar stock	2,130	2,610
Creditors for the bar purchases	1,770	1,290

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Cash excess spent represent honorarium to secretary not withdrawn due to cash deficit.

His annual honorarium is ₹ 12,000.

Depreciation on premises and car is to be provided at 5% and 20% on written down value method.

You are required to prepare the correct Receipts and Payments Account, Income and Expenditure Account and Balance Sheet on March 31, 2011.

4. (a) Balance Sheet of M/s. Hero Ltd. as on 31st March, 2010 and 2011 are as follows : 10

(₹ in '000)

Liabilities	31-3-10	31-3-11	Assets	31-3-10	31-3-11
Equity Share Capital	1,000	1,150	Land and Buildings	500	480
Capital Reserve	—	10	Machinery	750	820
General Reserve	250	300	Investments	100	50
Profit and Loss A/c.	150	180	Stock	300	280
Long term loan from Bank	500	400	Sundry Debtors	400	420
Sundry Creditors	500	400	Cash in Hand	200	165
Provision for taxation	50	60	Cash at Bank	300	410
Proposed Dividends	100	125			
	2,550	2,625		2,550	2,625

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Additional Information :

- (i) Dividend of ₹ 1,00,000 was paid during the year ended 31st March, 2011.
- (ii) Machinery purchased during the year for ₹ 1,25,000.
- (iii) Company sold some investment at a profit of ₹ 10,000 which was credited to capital reserve.
- (iv) Depreciation written off on Land and Building ₹ 20,000.
- (v) Income tax provided during the year ₹ 55,000.

From the above particulars, prepare a cash flow statement for the year ended 31st March, 2011 as per AS-3 using indirect method.

- (b) A firm M/s. Alag, which was carrying on business from 1st July, 2010 gets itself incorporated as a company on 1st November, 2010. The first accounts are drawn upto March 31, 2011. The gross profit for the period is ₹ 56,000. The general expenses are ₹ 14,220; Director's fees ₹ 12,000 p.a.; incorporation expenses ₹ 1,500. Rent upto 31st December was ₹ 1,200 p.a., after which it is increased to ₹ 3,000 p.a. Salary of the manager, who upon incorporation of the company was made a director, is ₹ 6,000 p.a. His remuneration thereafter is included in the above figure of fees to the directors. 6

Give Profit and Loss Account showing pre and post incorporation profit. The net sales are ₹ 8,20,000, the monthly average of which for the first four months is one-half of that of the remaining period. The company earned a uniform profit. Interest and tax may be ignored.

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5. (a) A fire occurred in the premises of M/s. Fireproof Co. on 31st August, 2010. 10

From the following particulars relating to the period from 1st April, 2010 to 31st August, 2010 you are requested ascertain the amount of claim to be filed with the insurance company for the loss of stock. The concern had taken an insurance policy for ₹ 60,000 which is subject to average clause.

	₹
(i) Stock as per Balance Sheet at 31-03-2010	99,000
(ii) Purchases	1,70,000
(iii) Wages (including wages for the installation of a machine ₹ 3,000)	50,000
(iv) Sales	2,42,000
(v) Sale value of goods drawn by partners	15,000
(vi) Cost of goods sent to consignees on 16 th August, 2010, lying unsold with them	16,500
(vii) Cost of goods distributed as free samples	1,500

While valuing the stock at 31st March, 2010, ₹ 1,000 were written off in respect of a slow moving item. The cost of which was ₹ 5,000. A portion of these goods were sold at a loss of ₹ 500 on the original cost of ₹ 2,500. The remainder of the stock is now estimated to be worth the original cost. The value of goods salvaged was estimated at ₹ 20,000. The average rate of gross profit was 20% throughout.

- (b) Explain the factors to be considered before selecting the pre-packaged accounting software. 6

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6. (a) Following is the extract from the Balance Sheet of M/s. Yahoo Ltd. as at 31st March, 2011 : 8

	In ₹
<u>Authorised Capital :</u>	
50,000, 10% preference share of ₹ 10 each	5,00,000
2,00,000 equity shares of ₹ 10 each	20,00,000
<u>Issued and Subscribed Capital :</u>	
40,000; 10% preference shares of ₹ 10 each fully paid	4,00,000
1,80,000; equity shares of ₹ 10 each, of which ₹ 7.50 paid up	13,50,000
<u>Reserve and Surplus :</u>	
General Reserve	2,40,000
Capital Reserve	1,50,000
Securities Premium	50,000
Profit and Loss Account	3,00,000

On 1st April, 2011, the company has made a final call @ ₹ 2.50 each on 1,80,000 equity shares. The call money was received by 30th April, 2011. There after the company decided to capitalize its reserves by issuing bonus shares at the rate of one share for every three shares held. Securities premium of ₹ 50,000 includes a premium of ₹ 20,000 for shares issued to vendor for purchase of a special machinery. Capital reserve includes ₹ 60,000 being profit on exchange of plant and machinery.

Show necessary Journal Entries in the books of the company and prepare the extract of the Balance Sheet after bonus issue. Necessary assumption, if any should form part of your answer.

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- (b) Mr. Black accepted the following bills drawn by Mr. White : 8

Date of Bill	Period	Amount (₹)
09-03-2010	4 months	4,000
16-03-2010	3 months	5,000
07-04-2010	5 months	6,000
18-05-2010	3 months	5,000

He wants to pay all the bills on a single date. Interest chargeable is @ 18% p.a. and Mr. Black wants to save ₹ 150 on account of interest payment. Find out the date on which he has to effect the payment to save interest of ₹ 150. Base date to be taken shall be the earliest due date.

7. Answer any **FOUR** of the following : 4 × 4 = 16

- (a) M/s. Tiger Ltd. allotted 7500 equity shares of ₹ 100 each fully paid up to Lion Ltd. in consideration for supply of a special machinery. The shares exchanged for machinery are quoted at National Stock Exchange (NSE) at ₹ 95 per share, at the time of transaction. In the absence of fair market value of the machinery acquired, how the value of the machinery would be recorded in the books of Tiger Ltd. ? 4
- (b) M/s. SEA Ltd. recognized ₹ 5.00 lakhs on accrual basis income from dividend during the year 2010-11, on shares of the face value of ₹ 25.00 lakhs held by it in Rock Ltd. as at 31st March, 2011. Rock Ltd. proposed dividend @ 20% on 10th April, 2011. However, dividend was declared on 30th June, 2011. Please state with reference to relevant Accounting Standard, whether the treatment accorded by SEA Ltd. is in order. 4

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- (c) What disclosures should be made in the first financial statements following the amalgamation ? 4

- (d) From the following data, show Profit and Loss A/c (Extract) as would appear in the books of a contractor following Accounting Standard-7 : 4

(₹ in lakhs)

Contract Price (fixed)	480.00
Cost incurred to date	300.00
Estimated cost to complete	200.00

- (e) M/s. Son Ltd. charged depreciation on its assets on SLM basis. In the year ended 31st March, 2011 it changed to WDV basis. The impact of the change when computed from the date of the assets putting into use amounts to ₹ 18 lakhs being additional depreciation. Discuss, when should an enterprise change method of charging depreciation and how it should be dealt with in Profit and Loss A/c. 4