

Qn1. In Case of loss or inadequate profits, Managerial remuneration is payable as per rates specified in schedule XIII depending upon the effective capital of the company.

Effective capital of the company	(Rs. '000)
Paid up Capital	18000
Reserve & Surplus	7200
Security Premium	1200
Long term loans	<u>6000</u>
	32400
Less: Investments	3600
Preliminary Exps. w/o	<u>3000</u>
	<u>25,800</u>

If the Effective Capital is between Rs. 1 crore to Rs. 5 crores, than monthly managerial remuneration shall not exceed Rs. 100000.

MR as per profit % = Profit for the year x 5% = 3000 x 5% = 150 ('000)

MR as per Schedule XIII = Rs. 1200 ('000)

MR actually paid = Rs. 600 ('000)

Therefore remuneration paid by the company is within limit as per schedule XIII.

Qn1(b).

Date	Particulars	Amount	
		Dr.	Cr.
Jan. 30	Customer A/c To Sales A/c (Being Goods Sent on approval basis returned by the customer)	200000	200000
Mar. 31	Customer A/c To Sales A/c (Being Goods held by the customer at the end of the year awaiting approval)	100000	100000
Mar. 31	Stock with customer A/c To Trading A/c (Being cost of goods lying with the customer transferred to Trading a/c) (100000 x 80%)	80000	80000

Qn1. (c) Method of depreciation given in the Question is straight line method, which seems to be wrong because of insufficient information given in the question. Therefore we are assuming that company has followed WDV method of depreciation.

(i) Depreciation on Machinery sold on 30.9.2010	$160000 \times 10\% \times 6/12 =$	8000
Depreciation on balance machinery	$400000 \times 10\% =$	40000
Depreciation on machine acquired during the year	$150000 \times 10\% \times 6/12 =$	<u>7500</u>
Total Depreciation to be charged to P & L a/c		<u>55,500</u>

(ii) Loss on exchange of machine

Book value of machine sold on 1.4.2010	160000
Less: Depreciation for 6 months	<u>8000</u>
Book value of machine as on 1.10.2010	152000
Less: Exchange price	<u>135000</u>
Loss on exchange	<u>17000</u>

(iii) Book Value of machinery as on 31.3.11

Opening Book value of Machinery	560000
Less: Book value of Machinery Sold	<u>160000</u>
	400000
Add: Addition during the year	<u>150000</u>
	550000
Less: Deprecation for the year 2010 – 11	<u>47500</u>
	502500

1

Qn1. (d) C's share in Profit = ---

5

C's Capital = 35000/-

∴ Total Capital of firm taking C's Capital as base = $35000 \times \frac{5}{1} = 175000/-$

Less: C's Capital 35000/-

Capital of A & B = 140000/-

New Profit ratio of A & B = 1 : 1

Calculation of cash to be paid off or brought by the existing partners

Particulars	A	B
New Capital balance (1 : 1)	70000	70000
Old Capital balance	<u>80000</u>	<u>60000</u>
Cash to be (paid off) or brought	(10000)	10000

Qn2. Journal Entries in the books of M/S Ice Ltd.

Particulars	Amount	
	Dr.	Cr.
8% Preference share Capital a/c (Rs. 100 each) Dr. To 8% Pref. Share Capital a/c (Rs. 80 each) To Capital Reduction A/c (Being Preference share has been write down by Rs. 20 per share and new 4000 8% PSC of Rs. 80 each fully paid up issued)	400000	320000 80000
Equity Share Capital (Rs. 10 each) Dr. To ESC (Rs. 2 each) To Capital Reduction A/c (Being 100000 Rs. 10 each Equity Share Capital withdrawn & new 100000 Rs. 2 each ESC issued and balance transferred to capital reduction a/c)	1000000	200000 800000
Capital Reduction a/c Dr. To Equity Share Capital (Rs. 2 each) a/c (Being 16000 Equity Share Capital of Rs. 2 each issued in lieu of one third of arrear of preference dividend of three years)	32000	32000
6% Debentures A/c Dr. To Freehold property a/c (Being Debentureholders accepted one freehold property of the book value of Rs. 300000)	300000	300000
Arrear Interest A/c Dr. To Cash A/c (Being arrear debenture interest paid)	24000	24000
Freehold Property A/c Dr. To Capital Reduction A/c (Being appreciation in the remaining freehold property transferred to capital Reduction a/c)	150000	150000
Cash A/c Dr. To Investment A/c To Capital Reduction A/c (Being investment Sold at a profit of Rs. 50000)	250000	200000 50000
Directors loan A/c Dr. To Capital Reduction A/c To ESC A/c (Rs. 2 each) (Being 37500 Equity Shares of Rs. 2 each allotted for 25% of directors loan & balance 75% loan waived)	300000	225000 75000
Capital Reduction A/c Dr. To Sundry Debtors A/c To Stock in Trade A/c To Deferred Advertisement Exps. A/c (Being 40% of sundry Debtors, 80% of stock & 100% of deferred advertisement Exps written off)	470000	180000 240000 50000

Capital Reduction A/c To Cash A/c (Being contractual commitments settled by paying penalty @ 5% of contract value which is Rs. 600000)	Dr.	30000	30000
Capital Reduction A/c To P & L A/c (Being P&L a/c Dr. balance transferred to Capital reduction a/c)	Dr.	475000	475000
Capital Reduction A/c To Capital reserve A/c (Being balance in Capital reduction a/c transferred to Capital reserve a/c)	Dr.	298000	298000

Balance Sheet of M/S Ice Ltd. as on 31.3.2011 after Internal Reconstruction

Liabilities	Rs.	Assets	Rs.
153500 Equity Shares of Rs. 2 each fully paid up	307000	Freehold Property	400000
40000 8% Pref. Shares of Rs. 80 each fully paid up	320000	Plant & Machinery	200000
Capital Reserve	298000	Sundry Debtors	270000
6% Debentures	100000	Stock in Trade	60000
Sundry Creditors	101000	Cash in hand	196000
	<u>1126000</u>		<u>1126000</u>

Qn3.
Opening Balance Sheet

Liabilities	Rs.	Assets	Rs.
Creditors	1770	Cash in hand	450
Capital Fund (B/f)	65130	Bank Bal.	24,420
		O/s Subscriptions	3,600
		Premises	87,000
		Less: Prov. for Dep. <u>56,400</u>	30,600
		Car at Cost 36,570	
		Less: Dep. <u>30,870</u>	5700
		Bar Stock	2,130
	<u>66,900</u>		<u>66,900</u>

Receipts & Payment A/c

Receipt	Rs.	Payment	Rs.
To bal. b/d		By Premises	30,000
Cash	450	By Rent	2,400
Bank	24420	By Rates	3,780
To Subscriptions	62130	By P & S	1,410
To Fair receipts	7200	By Sundry Exps.	5,350
To Variety Show receipts	12810	By Wages	2,520
To Intt.	690	By Fair Exps.	7,170
To Bar Collections	22350	By Honorarium	11,000
To Car	9000	By Bar Purchase	17,310
		By Repairs	960
		By Car	46,800
		By Bal. c/d	
		Cash	NIL
		Bank	10,350
	<u>139050</u>		<u>139050</u>

Income & Expenditure A/c

Expenditure	Rs.	Income	Rs.
To Opening Stock of Bar	2,130	By Subscriptions received 62,130	
To Rent	2,400	(-) Opening Sub. 3,600	
To Rates	3,780	(+) Closing Sub. <u>2,940</u>	61,470
To P & S	1,410	By Fair receipts	7,200
To Sundry Exp.	5,350	By Variety show receipts	12,810
To Wages	2,520	By Interest	690
To Fair Exps.	7,170	By Bar Collection	22,350
To Honorarium (11,000 + 1,000)	12,000	By Profit on Sale of car	3,300
To Bar Purchase	16,830	By Closing Stock of Bar	2,610
To Repairs	960		
To Dep. On Premises	3,030		
Car	9,360		
To Surplus	43,490		
	<u>1,10,430</u>		<u>1,10,430</u>

Creditors for Bar Purchases

Particulars	Rs.	Particulars	Rs.
To Cash A/c	17,310	By Balance b/d	1,770
To Balance c/d	<u>1,290</u>	By Purchase	<u>16,830</u>
	18,600		18,600

Closing Balance Sheet

Liabilities	Rs.	Assets	Rs.
Creditors	1,290	O/s Subscriptions	2,940
O/s Honorarium	1,000	Premises	
Capital Fund		Opening Balance	30,600
Opening Balance 65,130		Addition	<u>30,000</u>
Add: Surplus <u>43,490</u>	1,08,620		60,600
		Less: Dep.	<u>3,030</u>
		Car	5,700
		Addition:-	<u>46,800</u>
			52,500
		Less: Sale of old car	<u>5,700</u>
			46,800
		Less: Dep.	<u>9,360</u>
		Bar Stock	37,440
		Bank Bal.	2,610
	<u>1,10,910</u>		<u>10,350</u>
			1,10,910

Qn.4(a) Cash flow Statement of Ms. Hero Ltd. for the year ended on 31.3.2011

		(Rs. '000)
Cashflow From Operating Activities		
Current year profit after all appropriation (180—150)		30
Add: Pro. For Taxation wn 2		55
: Proposed dividend wn 1		125
: Depreciation on L & B		20
: Depreciation on Machinery wn 3		55
: Transfer to General Reserve		50
Operating Profit before working Capital Changes		335
Add: Decrease in Stock		20
Less: Increase in Debtors		20
Less: Decrease in Creditors		100
Cash generated from operations		235
Less: Income tax paid wn 2		45
		190
Cash flow Investing activities	60	
Investments sold wn 4	(125)	(65)
Machinery Purchased		
Cash flow Financing activities		
Issue of Equity Share Capital	150	
Repayment of Long term Bank loan	(100)	
Dividend paid wn 1	(100)	(50)
Net Increase in Cash & Cash Equivalents		75
Add: Opening Cash & Cash Equivalents		500
Closing Cash & Cash Equivalents		575

W.N (1)
Proposed Dividend A/c

Particulars	Rs.	Particulars	Rs.
To Cash A/c	100	By Balance b/d	100
To Balance c/d	125	By P & L A/c (Bal. fig.)	125
	225		225

W.N. (2)
Provision for Taxation A/c

Particulars	Rs.	Particulars	Rs.
To Cash A/c (Bal. fig.)	45	By Balance b/d	50
To Balance c/d	60	By P & L A/c	55
	105		105

W.N. (3)
Machinery A/c

Particulars	Rs.	Particulars	Rs.
To balance b/d	750	By Depreciation A/c (Bal. figure)	55
To Cash A/c	125	By balance c/d	820
	875		875

W.N. (4)
Investments A/c

Particulars	Rs.	Particulars	Rs.
To balance b/d	100	By Cash A/c	60
To Capital Reserve A/c	10	By balance c/d	50
	<u>110</u>		<u>110</u>

Qn4(b) Profit & Loss A/c of M/S Alag for the Period 1.7.2010 to 31.3.2011

Particulars	Pre Inc.	Post Inc.	Particulars	Pre Inc.	Post Inc.
To General Expenses (Time ratio)	6320	7900	By Gross Profit (in Sales ratio i.e. 4 : 10)	16000	40000
To Manager's Salary	2000	2500	Refer W.N. (1)		
To Directors Fees	-	2500			
To Incorporation Expenses	-	1500			
To Rent					
July-Oct. (100/- x 4)	400	-			
Nov.-Dec.(100/- x 2)	-	200			
Jan.- Mar.(250/- x 3)	-	750			
To Net Profit	7280	24650			
	<u>16000</u>	<u>40000</u>		<u>16000</u>	<u>40000</u>

W.N(1) Calculation of Ratio of Turnover

Let Monthly average turnover be x/-

Turnover of first 4 months (July – Oct 2010) = $4 \times X = 4x$

Turnover of next 5 months (Nov. 10 – Mar. 2011) – $5 \times X \times 2 = 10x$

therefore ratio of turnover is 4 : 10.

Qn.5(a) Trading a/c of M/S Fire proof co. for the Period 1.4.2010 to 31.8.2010

Particulars	Rs.	Particulars	Rs.
To Opening Stock 99000		By Sales 242000	
Less: Abnormal Stock <u>4000</u>	95000	Less: Abnormal Sales <u>2000</u>	240000
To Purchases 170000		By Goods drawn by partners at cost (15000 x 80%)	12000
To Wages 50000		By Cost of goods sent to consignees	16500
Less: Wages related to machine <u>3000</u>	47000	By Free samples at cost	1500
To Gross Profit (240000 x 20%)	48000	By Clo. Stock (Bal. fig.)(Normal)	90000
	<u>360000</u>		<u>360000</u>

Stock destroyed by fire

Normal	=	90000
Abnormal	=	<u>2500</u>
		<u>92500</u>

Total Closing Stock

Held by the company	92500
Held by the consignee	<u>16500</u>
	<u>109000</u>

Loss of Stock = Closing Stock – Salvage Value = 109000 – 20000 = 89,000

Since Policy amount (Rs. 60000) is less than value of closing stock (Rs. 109000) therefore average clause will apply.

Insurance claim = -----

$$\frac{\text{Value of closing stock} \times \text{Policy amount}}{\text{Closing Stock}} = \frac{109000 \times 60000}{109000} = 48,991/-$$

Qn5(b) CONSIDERATION FOR SELECTION OF PRE-PACKAGED ACCOUNTING SOFTWARE:

There are many accounting softwares available in the market. To choose the accounting software appropriate to the need of the organisation is a difficult task. Some of the criteria for selection could be the following:

1. Fulfillment of business requirements: Some packages have few functionalities more than the others. The purchaser may try to match his requirement with the available solutions.
2. Completeness of reports: Some packages might provide extra reports or the reports matches the requirement more than the others.
3. Ease of use : Some packages could be very detailed and cumbersome compare to the others,
4. Cost : The budgetary constraints could be an important deciding factor. A package having more features cannot be opted because of the prohibitive costs.
5. Reputation of the vendor: Vendor support is essential for any software. A stable vendor with reputation and good track records will always be preferred.
6. Regular updates : Law is changing frequently. A vendor who is prepared to give updates will be preferred to a vendor unwilling to give updates.

Qn6(a) Journal Entries in the books of M/S yahoo Ltd.

Date	Particulars	L.F	Amount	
			Dr.	Cr.
1.4.2011	Share Final Call A/c Dr. To Equity Share Capital A/c (Being final call of Rs. 2.50 each made on 180000 Equity shares as pre Board resolution dated.....)		450000	450000
30.4.2011	Cash A/c Dr. To Equity Share Capital A/c (Being final call money received)		450000	450000
30.4.2011	Securities Premium A/c Dr. Capital Reserve A/c Dr. General Reserve A/c Dr. P & L A/c Dr. To Bonus to Share holders A/c (Being bonus issue @ one share for every these held by utilizing various reserves as per Board resolution dated...)		30000 90000 240000 240000	600000
30.4.2011	Bonus to Shareholders A/c Dr. To Equity share capital A/c (Being bonus share issued to Equity shareholders)		600000	600000

Extract of Balance Sheet of M/S Yahoo Ltd. as on 30.4.11 after Bonus issue

Authorised Capital	
50000, 10% Preference Shares of Rs. 10 each	500000
240000 Equity Shares of Rs. 10 each	2400000
	=====
Issued & Subscribed Capital	
40000, 10% Preference shares of Rs. 10 each fully paid up	400000
240000, Equity shares of Rs. 10 each fully paid up	2400000
R & S	
Capital Reserve	
Security Premium	60000
P & L A/c	20000
	60000

Note 1. It is assumed that :- Authorised capital have been increased by Rs. 400000(40000 shares of Rs. 10 each).

2. Capital Reserve & Securities Premium, which have not been realised in cash, is not utilized for issue of bonus shares.

Qn6. (b) Calculation of Average due date taking 19th June as base date

Date of Bill	Period	Due date	No. of days (w.n.1)	Amount	Product
9.3.2010	4 mths	12.7.2010	23	4000	252000
16.3.2010	3 mths	19.6.2010	0	5000	0
7.4.2010	5 mths	10.9.2010	83	6000	498000
18.5.2010	3 mths	21.8.2010	63	5000	315000
				$\Sigma \text{Amt} = 20000$	$\Sigma \text{Product} = 1065000$

w.n. 1
Calculation of No. of days

Date of Bill	June	July	Aug	Sep.	Total
12.7.2010	11	12	-	-	23
19.6.2010	0	-	-	-	0
10.9.2010	11	31	31	10	83
21.8.2010	11	31	21	-	63

$\Sigma \text{Product} = 1065000$

Avg. No. of days = $\frac{\Sigma \text{Product}}{\Sigma \text{Amount}} = \frac{1065000}{20000} = 53.25$ or 53 days

$\Sigma \text{Amount} = 20000$

Average Due date = Base date + Avg No. of days

= 19.6.2010 + 53 days

= 11.8.2010

Interest is payable from Average due date to Actual date of payment.

No. of days of delay

Interest Amount = Amount x Rate of Intt. x $\frac{\text{No. of days of delay}}{365}$

365

18 No. of days of delay

$150 = 20000 \times \frac{18}{100} \times \frac{365}{365}$

100 365

$150 \times 365 \times 100$

No. of days of delay = $\frac{150 \times 365 \times 100}{20000 \times 18} = 15.208$ or 15 days.

20000×18

$\therefore$ Date of actual payment = ADD + No. of days of delay = 19.6.2010 + 15 days = 4.7.2010

Qn.7(a) As Per As 10 When a Fixed Asset is acquired in exchange for shares or other securities in the enterprises. It is recorded at either –

(a) Fair market value of the asset acquired or.

(b) Fair market value of the securities issued, whichever is more clearly evident.

In the present case since FMV of special machinery is not available therefore value of machinery will be recorded at FMV of the shares issued, which is as follows –

7500 Equity Shares x 95/- each = Rs. 712500.

Qn.7(b) 1. Provisions of AS : As per AS – 9 Dividend from investments in shares should be recognised as revenue, when the Owner's right to receive payment is established.

2. Analysis : In the given case, the right to receive dividend did not exist on the Balance Sheet date ie 31.3.2011. M/S SEA Ltd. should not recognize the dividend for the year ended 31.3. It should be treated as income only during the next financial year, since the dividends were proposed and declared only during that financial year.

3. Conclusion : The treatment adopted by the company is not in tune with AS – 9 requirements.

Qn. 7(c) The First Financial Statement following the Amalgamation should disclosure –

For all Amalgamations	Additional disclosures under the pooling of Interests Method	Additional disclosures under the Purchase Method
- Names and general nature of business of the amalgamating companies; - Effective date of amalgamation for accounting purpose; - Method of accounting used to reflect the amalgamation; and - Particulars of the scheme sanctioned under a statute.	- Description and number of shares issued, together with the percentage of each company's equity shares exchanged to effect the amalgamation; and - Amount of any difference between the consideration and the value of net identifiable assets acquired, and the treatment thereof.	- Consideration for the amalgamation and a description of the consideration paid or contingently payable; and - Amount of any difference between the consideration and the value of net identifiable assets acquired, and the treatment thereof including the period of amortization of any goodwill arising on amalgamation.

Qn. 7(d)

W.N (1) Calculation of % of completion

Particulars	(Rs. Lacs)
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a) Contract Revenue	480
b) Cost incurred to data	300
c) Estimated cost to complete	200
d) Contract cost (b + c)	500
e) % of completion $\left(\frac{b}{d} \times 100 \right)$	60%
<u>Extract of P & L A/c</u>	
Contract Revenue (480 x 60%)	280
Contract Cost incurred	288
Contract loss recognised	8
Pro. for contract loss (20 – 8)	12
Total Loss recognised	20

Qn. 7(e) When an enterprises can change the Method

The method of depreciation can be changed only for-

- (a) Compliance of statute
- (b) Compliance of accounting standards.
- (c) More appropriate presentation of Financial Statements.

The treatment of additional depreciation – The additional depreciation should be charged in the statement of p & L in the year of change in method of providing depreciation. Such a change should be treated as a change in accounting policy and its effect should be quantified and disclosed.