

Roll No.

Total No. of Questions – 7

Time Allowed – 3 Hours

18C- NOV-12
18/11/12

Total No. of Printed Pages – 11

Maximum Marks – 100

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Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi medium, his/her answers in Hindi will not be valued.

Question No. 1 is compulsory.

Attempt any five questions from the remaining six questions.

Wherever necessary suitable assumptions may be made by the candidates.

Working notes should form part of the answer.

- | | Marks |
|--|------------|
| 1. Answer the following questions : | 4×5
=20 |
| (a) A loan account remains out of order as on the date of Balance Sheet of a Bank. The account has been classified as doubtful assets (upto 1 year).
Details of the accounts are :
Outstanding ₹ 6,73,000
ECGC coverage 25 % (Limited to ₹ 100,000)
Value of Security Held ₹ 1,50,000
Compute the necessary provision to be made by a Bank as per applicable rates. | 5 |

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- (b) ABC Ltd. came up with public issue of 3,00,000 Equity Shares of ₹ 10 each at ₹ 15 per share. P, Q and R took underwriting of the issue in ratio of 3 : 2 : 1 with the provisions of firm underwriting of 20,000, 14,000 and 10,000 shares respectively. 5

Applications were received for 2,40,000 shares excluding firm underwriting.
The marked applications from public were received as under :

P – 60,000

Q – 50,000

R – 60,000

Compute the liability of each underwriter as regards the number of shares to be taken up assuming that the benefit of firm underwriting is not given to individual underwriters,

- (c) A company acquired for its internal use a software costing ₹ 10 lakhs on 28.01.2012 from the USA for US \$ 1,00,000. The exchange rate on that date was ₹ 52 per USD. The seller allowed trade discount @ 5 %. The other expenditure were : 5

- (i) Import Duty : 20%
- (ii) Purchase Tax : 10 %
- (iii) Entry Tax : 5 % (Recoverable later from tax department)
- (iv) Installation expenses : ₹ 25,000
- (v) Profession fees for Clearance from Customs : ₹ 20,000

Compute the cost of Software to be capitalized.

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- (d) Give Journal Entries in the books of Head Office to rectify or adjust the following : **5**

- (i) Goods sent to Branch ₹ 12,000 stolen during transit. Branch manager refused to accept any liability.
- (ii) Branch paid ₹ 15,000 as salary to the officer of Head Office on his visit to the branch.
- (iii) On 28th March, 2012, the H.O. dispatched goods to the Branch invoiced at ₹ 25,000 which was not received by Branch till 31st March, 2012.
- (iv) A remittance of ₹ 10,000 sent by the branch on 30th March, 2012, received by the Head Office on 1st April, 2012.
- (v) Head Office made payment of ₹ 25,000 for purchase of goods by Branch and wrongly debited its own purchase account.

2. P, Q and R are partners sharing profits and losses in the ratio 3 : 2 : 1 after allowing interest on capital @ 9% p.a. Their Balance Sheet as at 31st March, 2012 are as follows : **16**

Liabilities	₹	Assets	₹
Capital Accounts :		Plant & Machinery	1,08,000
P 50,000		Fixtures	20,000
Q 30,000		Stock	50,000
R <u>20,000</u>	1,00,000	Sundry Debtors	30,000
Reserve Fund	60,000		
Creditors	48,000		
	2,08,000		2,08,000

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They applied for conversion of the firm into a Private Limited Company named PQR Pvt. Ltd. and the certificate was received on 01-04-2012. They decided to maintain same profit sharing ratio and to preserve the priority in regard to repayment of capital as far as possible. For that purpose, they decided to insert a clause of issuance of Preference shares in Memorandum of Association in addition to issuance of Equity shares of ₹ 10 each.

On 01-04-2012, the value of goodwill is to be determined on the basis of 2 years' purchase of the average profit from the business of the last 5 years. The particulars of profits are as under :

₹

Year ended 31.03.2008	Profit	10,000
Year ended 31.03.2009	Loss	5,000
Year ended 31.03.2010	Profit	18,000
Year ended 31.03.2011	Profit	27,000
Year ended 31.03.2012	Profit	30,000

The loss for the year ended 31-03-2009 was on account of loss by strike to the extent of ₹ 10,000.

It was agreed that rest of the assets are valued on the basis of the Balance Sheet as at 31-03-2012 except Plant & Machinery which is valued at ₹ 1,02,000.

You are required to prepare (a) the Balance Sheet of the Company as at 01-04-2012, (b) Partners' Capital Account and (c) Statement showing the final settlement between the partners taking Q's capital as basis.

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3. (a) M Ltd. furnishes the following summarized Balance Sheet as at 31st March, 2012 : 12

	₹ in '000	₹ in '000
Equity & Liabilities		
Share Capital		
Authorised Capital :		5,000
Issued and Subscribed Capital :		
3,00,000 Equity shares of ₹ 10 each fully paid up		
20,000 9% Preference Shares of ₹ 100 each (issued two months back for the purpose of buy back)	3,000	
	2,000	5,000
Reserve and Surplus :		
Capital reserve	10	
Revenue reserve	4,000	
Securities premium	500	
Profit and Loss account	1,800	6,310
Non-current liabilities – 10% Debentures		400
Current liabilities and provisions		40
		11,750
Assets		
Fixed Assets : Cost	3,000	
Less Provisions for depreciation	250	2,750
Non-current investments at cost		5,000
Current assets, loans and advances (including cash and bank balances)		4,000
		11,750

- (1) The company passed a resolution to buy back 20% of its equity capital @ ₹ 15 per share. For this purpose, it sold its investments of ₹ 30 lakhs for ₹ 25 lakhs.
- (2) The company redeemed the preference shares at a premium of 10% on 1st April, 2012.

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- (3) Included in its investments were 'Investments in own debentures' costing ₹ 3 lakhs (face value ₹ 3.30 lakhs). These debentures were cancelled on 1st April, 2012.

You are required to pass necessary Journal entries and prepare the Balance Sheet on 01.04.2012.

- (b) Define the term Finance Lease. State any three situations when a lease would be classified as finance lease.

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Following are the summarized Balance Sheet of Companies K Ltd. and W Ltd., as at 31-12-2011 :

16

Liabilities	(₹ in '000)		Assets	(₹ in '000)	
	K Ltd.	W Ltd.		K Ltd.	W Ltd.
Share Capital :			Goodwill	20	—
Equity shares of ₹ 100 each	2,000	1,500	Other Fixed Assets	2,400	1,150
10% Preference shares of ₹ 100 each	700	400	Debtors	625	615
General Reserve	240	170	Stock	412	680
Profit and Loss Account		15	Cash at bank	38	155
12% Debentures of ₹ 100 each	600	200	Own Debenture (Nominal value of ₹ 2,00,000)	192	
Sundry Creditors	560	315	Discount on issue of debentures	2	
			Profit and Loss Account	411	
	4,100	2,600		4,100	2,600

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On 01-04-2012, K Ltd. adopted the following scheme of reconstruction :

- (i) Each equity share shall be sub-divided into 10 equity shares of ₹ 10 each fully paid up. 50% of the equity share capital would be surrendered to the company.
- (ii) Preference dividends are in arrear for 3 years. Preference shareholders agreed to waive 80% of the dividend claim and accept payment for the balance.
- (iii) Own debentures of ₹ 80,000 (nominal value) were sold at ₹ 98 cum interest and remaining own debentures were cancelled.
- (iv) Debenture holders of ₹ 3,00,000 agreed to accept one machinery of book value of ₹ 3,20,000 in full settlement.
- (v) Creditors, Debtors and stock were valued at ₹ 5,00,000, ₹ 6,00,000 and ₹ 4,00,000 respectively. Goodwill, discount on issue of debentures and Profit and Loss account (Dr.) are to be written off.
- (vi) The company paid ₹ 20,000 as penalty to avoid capital commitments of ₹ 4,00,000.

On 02.04.2012, a scheme of absorption was adopted. K Ltd. would take over W Ltd. The purchase consideration was fixed as below :

- (a) Equity shareholders of W Ltd. will be given 50 equity shares of ₹ 10 each fully paid up, in exchange for every 5 shares held in W Ltd.
- (b) Issue of 10% preference shares of ₹ 100 each in the ratio of 4 preference shares of K Ltd. for every 5 preference shares held in W Ltd.
- (c) Issue of 12% debentures of ₹ 100 each of K Ltd. for every 12% debentures in W Ltd.

Pass necessary Journal entries in the books of K Ltd. and draw the resultant Balance Sheet as at 2nd April, 2012.

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5. (a) The following figures are extracted from the books of KLM Bank Ltd. as on 31-03-2012 : **8**

	₹
Interest and discount received	38,00,160
Interest paid on deposits	22,95,360
Issued and subscribed capital	10,00,000
Salaries and allowances	2,50,000
Directors Fees and allowances	35,000
Rent and taxes paid	1,00,000
Postage and telegrams	65,340
Statutory reserve fund	8,00,000
Commission, exchange and brokerage	1,90,000
Rent received	72,000
Profit on sale of investment	2,25,800
Depreciation on assets	40,000
Statutory expenses	38,000
Preliminary expenses	30,000
Auditor's fee	12,000

The following further information is given :

- (1) A customer to whom a sum of ₹ 10 lakhs was advanced has become insolvent and it is expected only 55% can be recovered from his estate.

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- (2) There was also other debts for which a provisions of ₹ 2,00,000 was found necessary.
- (3) Rebate on bill discounted on 31-03-2011 was ₹ 15,000 and on 31-03-2012 was ₹ 20,000.
- (4) Income tax of ₹ 2,00,000 is to be provided.
- (5) The directors desire to declare 5% dividend.

Prepare the Profit and Loss account of KLM Bank Ltd. for the year ended 31-03-2012 and also show, how the Profit and Loss account will appear in the Balance sheet if the Profit and Loss account opening balance was NIL as on 31-03-2011.

- (b) Prepare the Fire Insurance Revenue A/c of Jasmine Fire Insurance Co. Ltd. as per IRDA regulations for the year ended 31st March, 2012 from the following details :

8

Particulars	Amount (₹)
Claims Paid	5,00,000
Legal Expenses regarding claims	10,000
Premiums received	12,50,000
Re-insurance premium paid	50,000
Commission	3,00,000
Expenses of Management	2,00,000
Provision against unexpired risk as on 1 st April, 2011	5,75,000
Claims unpaid on 1 st April, 2011	50,000
Claims unpaid on 31 st March, 2012	80,000

Provide for unexpired risk @ 50% less reinsurance

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6. (a) Himalayas Ltd. had ₹ 10,00,000/- 8 % Debentures of ₹ 100 each as on 31st March, 2011. The company purchased in the open market following debentures for immediate cancellation :

On 01-07-2011 – 1000 debentures @ ₹ 97/ (cum interest)

On 29-02-2012 – 1800 debentures @ ₹ 99/ (ex interest)

Debenture interest due date is 30th September and 31st March.

Give Journal Entries in the books of the company for the year ended 31st March, 2012.

- (b) Department A sells goods to Department B at a profit of 20% on cost and Department C at 15% profit on cost. Department B sells goods to A and C at a profit of 10% and 20% on sales respectively. Department C sells goods to A and B at 15% and 10% profit on cost respectively.

Departmental managers are entitled to 10% commission on net profit subject to unrealized profit on departmental sales being eliminated. Departmental profits after charging manager's commission, but before adjustment of unrealized profit are as under :

₹

Department A	36,000
Department B	27,000
Department C	18,000

Stock lying at different departments at the end of the year are as below :

	Department A	Department B	Department C
	₹	₹	₹
Transfer from Department A	–	7,200	5,750
Transfer from Department B	19,000	–	15,000
Transfer from Department C	4,600	3,300	–

Find out correct departmental profits after charging manager's commission.

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4×4

=16

7. Answer any **four** of the following :

- (a) Annual lease rent = ₹ 40,000 at the end of each year

Lease period = 5 years

Guaranteed residual value = ₹ 14,000

Fair value at the inception (beginning) of lease = ₹ 1,50,000

Interest rate implicit on lease is 12.6%. The present value factors at 12.6% are 0.89, 0.79, 0.7, 0.622, 0.552 at the end of first, second, third, fourth and fifth year respectively.

Show the Journal entry to record the asset taken on finance lease in the books of the lessee.

- (b) A new Plant X was acquired in exchange of old Plant B and on payment of ₹ 20,000. The carrying amount of the old Plant B was ₹ 1,75,000 (Historical cost less depreciation). The fair value of the Plant B on the date of exchange was ₹ 1,50,000 .

Suggest the accounting entry in the books of the enterprise.

- (c) A company is in a dispute involving allegation of infringement of patents by a competitor company who is seeking damages of a huge sum of ₹ 900 lakhs. The directors are of the opinion that the claim can be successfully resisted by the company. How would you deal the same in the annual accounts of the company ?

- (d) State the conditions of issuance of Sweat Equity Shares by Joint Stock Companies.

- (e) Give two examples on each of the following items :

- (i) Change in Accounting Policy
- (ii) Change in Accounting Estimate
- (iii) Extra Ordinary Items
- (iv) Prior Period Items

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