PE II
May 2008
Advanced Accounts

(ORG)

Roll No. [redacted]

Total No. of Questions—6] [Total No. of Printed Pages—8

Time Allowed—3 Hours 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 who has not opted for Hindi medium, answers in Hindi, his answers in Hindi will not be valued.

Answer **all** questions.

Wherever appropriate suitable assumptions should be made by the candidate.

Working notes should form part of the answer.

Marks

1. Following incomplete information of X Ltd. are given below : 20

Trading and Profit & Loss Account for the year ended 31st March, 2008

	Rs. '000		Rs. '000
To Opening stock	700	By Sales	?
To Purchases	?	By Closing stock	?
To Direct expenses	175		
To Gross profit c/d	?		
	....		....
To Establishment expenses	740	By Gross profit b/d	?
To Interest on loan	60	By Commission	100
To Provision for taxation	?		
To Net profit c/d	?		
	....		....
To Proposed dividends	?	By Balance B/F	140
To Transfer to general reserve	?	By Net profit b/d	?
To Balance transferred to Balance Sheet	?		
	....		....

Marks

Balance Sheet as at 31st March, 2008

Liabilities	Amount (Rs. '000)	Assets	Amount (Rs. '000)
Paid-up capital	1,000	*Fixed Assets :*	
General Reserve :		Plant & Machinery	1,400
Balance at the beginning of the year	?	Other Fixed Assets	?
		Current Assets :	
Proposed addition	?	Stock	?
Profit and Loss account	?	Sundry debtors	?
10% Loan account	?	Cash at bank	125
Current liabilities	?		
	....		....

Other informations :

(i) Current ratio is 2 : 1.

(ii) Closing stock is 25% of sales.

(iii) Proposed dividends to paid-up Capital ratio is 2 : 3.

(iv) Gross profit ratio is 60% of turnover.

(v) Loan is half of Current liabilities.

(vi) Transfer to general reserves to proposed dividends ratio is 1 : 1.

(vii) Profit carried forward is 10% of proposed dividends.

(viii) Provision for taxation is equal to the amount of net profit of the year.

(ix) Balance to credit of general reserve at the beginning of the year is twice the amount transferred to that account from the current year's profits.

All working notes should be part of your answer. You are required to complete :

(i) Trading and Profit and Loss account for the year ended 31st March, 2008 and

(ii) The Balance Sheet as on that date.

Marks

2. The Balance Sheet of A Limited and B Limited as at 31st March, 2008 are as follows : 16

Liabilities	A Ltd.	B Ltd.	Assets	A Ltd.	B Ltd.
			Sundry assets	30,00,000	14,00,000
Equity share of Rs. 10 each	20,00,000	12,00,000	40,000 Equity shares in A Ltd.		4,00,000
General reserve	4,00,000	2,20,000			
Creditors	6,00,000	3,80,000			
	30,00,000	18,00,000		30,00,000	18,00,000

A Ltd. absorbed B Ltd. on the basis of intrinsic value of the shares. The purchase consideration is to be discharged in fully paid-up Equity Shares. A sum of Rs. 1,00,000 is owed by A Ltd. to B Ltd., also included in the stock of A Ltd. is Rs. 1,20,000 goods supplied by B Ltd. at cost plus 20%.

Give Journal entries in the books of both the companies, if entries are made at intrinsic value. Also prepare Balance Sheet of A Ltd. after absorption.

3. S and T were carrying on business as equal partners. Their Balance Sheet as on 31st March, 2007 stood as follows : 16

Liabilities		Rs.	Assets	Rs.
Capital Accounts :			Stock	2,70,000
S	6,40,000		Debtors	3,65,000
T	6,60,000	13,00,000	Furniture	75,000
Creditors		3,27,500	Joint life policy	47,500
Bank overdraft		1,50,000	Plant	1,72,500
Bills payable		62,500	Building	9,10,000
		18,40,000		18,40,000

The operations of the business was carried on till 30th September, 2007. S and T both withdrew in equal amounts half the amount of profits made during the current period of 6 months after 10% p.a. had been written off on Building and Plant and 5% p.a. written off on furniture. During the current period of 6 months, creditors were reduced by Rs. 50,000, Bills payables by Rs. 11,500 and Bank Overdraft by Rs. 75,000. The Joint life policy was surrendered for Rs. 47,500 on 30th September, 2007. Stock was valued at Rs. 3,17,000 and debtors at Rs. 3,25,000

Marks

on 30th September, 2007. The other items remained the same as they were on 31st March, 2007.

On 30th September, 2007 the firm sold its business to ST Ltd. The goodwill was estimated at Rs. 5,40,000 and the remaining assets were valued on the basis of the Balance Sheet as on 30th September, 2007. The ST Ltd. paid the purchase consideration in equity shares of Rs. 10 each. You are required to prepare a Realisation account and Capital accounts of the partners.

4. The Washington branch of XYZ Limited, Mumbai sent the following trial balance as on 31st December, 2007 : 16

	$	$
Head Office A/c	—	22,800
Sales	—	84,000
Debtors and Creditors	4,800	3,400
Machinery	24,000	—
Cash at bank	1,200	—
Stock, 1 January, 2007	11,200	—
Goods from H.O.	64,000	—
Expenses	5,000	—
	1,10,200	1,10,200

In the books of head office, the Branch a/c stood as follows :

Washington Branch A/c

	Rs.		Rs.
To Balance b/d	8,10,000	By Cash	28,76,000
To goods sent to branch	29,26,000	By Balance c/d	8,60,000
	37,36,000		37,36,000

Goods are sent to the branch at cost plus 10% and the branch sell goods at Invoice price plus 25%. Machinery were acquired on 31st January, 2002, when $ 1.00 = Rs. 40.

Marks

Rates of Exchange were :

1st January, 2007	\$ 1.00 = Rs. 46
31st December, 2007	\$ 1.00 = Rs. 48
Average	\$ 1.00 = Rs. 47

Machinery is depreciated @ 10% and the Branch Manager is entitled to a commission of 5% on the profit of the branch.

You are required to :

(i) Prepare the branch Trading & Profit & Loss A/c in dollars.

(ii) Convert the Trial Balance of branch into Indian currency and prepare Branch Trading & Profit and Loss A/c and the Branch A/c in the books of head office.

5. (a) The following are the figures extracted from the books of New Generation Bank Limited as on 31.3.2008 : 10

	Rs.
Interest and Discount received	37,05,738
Interest paid on deposits	20,37,452
Issued and Subscribed capital	10,00,000
Salaries and allowances	2,00,000
Directors fee and allowances	30,000
Rent and Taxes paid	90,000
Postage and Telegrams	60,286
Statutory reserve fund	8,00,000
Commission, exchange and brokerage	1,90,000
Rent received	65,000
Profit on sale of investments	2,00,000
Depreciation on Bank's properties	30,000
Statutory expenses	40,000
Preliminary expenses	25,000
Auditor's fees	5,000

Marks

The following further information is given :

(i) A customer to whom a sum of Rs. 10 lakhs has been advanced has become insolvent and it is expected only 50% can be recovered from his estate.

(ii) There were also other debts for which a provision of Rs. 1,50,000 was found necessary by the auditors.

(iii) Rebate on Bills discounted on 31.3.2007 was Rs. 12,000 and on 31.3.2008 was Rs. 16,000.

(iv) Provide Rs. 6,50,000 for Income-tax.

(v) The Directors desire to declare 10% dividend.

Prepare the Profit and Loss account of New Generation Bank Limited for the year ended 31.3.2008 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 31.3.2007.

(b) Prepare the Fire Insurance Revenue A/c as per IRDA regulations for the year ended 31st March, 2008 from the following details : 6

	Rs.
Claims paid	4,90,000
Legal expenses regarding claims	10,000
Premiums received	13,00,000
Re-insurance premium paid	1,00,000
Commission	3,00,000
Expenses of Management	2,00,000
Provision against unexpired risk on 1st April, 2007	5,50,000
Claims unpaid on 1st April, 2007	50,000
Claims unpaid on 31st March, 2008	80,000

Marks

4×4=16

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

(i) (a) X Ltd. purchased debentures of Rs. 10 lacs of Y Ltd., which are traded in Stock exchange. How will you show this item as per AS-3 while preparing cash flow statement for the year ended on 31st March, 2008 ?

(b) Mr. Raj a relative of key management personnel received remuneration of Rs. 2,50,000 for his services in the company for the period from 1.4.2007 to 30.6.2007. On 1.7.2007 he left the service.

Should the relative be identified as at the closing date i.e., on 31.3.2008 for the purpose of AS-18 ?

(ii) A manufacturing company purchased shares of another company from Stock exchange on 1st May, 2007 at a cost of Rs. 5,00,000. It also purchased Gold of Rs. 2,00,000 and Silver of Rs. 1,50,000 on 1st April, 2005. How will you treat these investments as per the applicable AS in the books of the company for the year ended on 31st March, 2008, if the value of these investments are as follows ?

	Rs.
Shares	2,00,000
Gold	4,00,000
Silver	2,50,000

(iii) (a) Wye Ltd. received Rs. 50 lacs from the Central Govt. as subsidy for setting-up an industry in backward area. How will you treat it in accounts ?

(b) How Govt. grant relating to Specific Fixed Assets is treated in the books as per AS-12 ?

(iv) A Ltd. had 6,00,000 equity shares on April 1, 2007. The company earned a profit of Rs. 15,00,000 during the year 2007-08. The average fair value per share during 2007-08 was Rs. 25. The company has given share option to its employees of 1,00,000 equity shares at option price of Rs. 15. Calculate basic EPS and diluted EPS.

Marks

(v) Give names of books required to be maintained in agriculture farm accounting.

(vi) (a) How the Government expenditure in India is classified ?

(b) In a production process, normal waste is 5% of input. 5,000 MT of input were put in process resulting in a wastage of 300 MT. Cost per MT of input is Rs. 1,000. The entire quantity of waste is on stock at the year end. State with reference to Accounting standard, how will you value the inventories in this case ?