

Roll No.

Total No. of Questions – 7

Total No. of Printed Pages – 24

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/her answers in Hindi will not be valued.

Question No. 1 is compulsory.

Candidates are also required to answer any **FIVE** questions from the remaining **SIX** questions.

Working notes should form part of the respective answers.

Wherever necessary, candidates are permitted to make suitable assumptions which should be disclosed by way of a note.

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1. (a) From the following information, value the inventories as on 31st March, 2015 : 4×5
=20

Raw material has been purchased @ ₹ 125/- per kg. Prices of raw material are on the decline. The finished goods being manufactured with the raw material is also being sold at below cost. The stock of raw material is of 15000 kg and the replacement cost of raw material is ₹ 100/- per kg.

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Cost of finished goods per kg is as under :

	₹ per kg
Material cost	125
Direct labour cost	20
Direct variable production overhead	10

Fixed production overhead for the year for a normal capacity of 1,00,000 kgs of production is ₹ 10 lacs. At the year end, there were 2,000 kgs of finished goods in stock. Net realisable value of finished goods is ₹ 140 per kg.

- (b) SMC Limited is having a plant (an asset) whose carrying amount as on 1-10-2012 is ₹ 38,000 lacs and the plant was having a useful life till 31-3-2020. The estimated residual value is ₹ 900 lacs. The selling price on 31st March, 2015 is expected to be ₹ 20,000 lacs and the cost of disposal is expected to be ₹ 100 lacs.

The expected cash flows from the plant are as under :

Financial Year	Cash Flow
2015-16	4,100
2016-17	5,900
2017-18	6,000
2018-19	7,800
2019-20	4,500

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The company expects the discount rate of 10%. Discount factor @ 10% for 1, 2, 3, 4 and 5 years are 0.909, 0.826, 0.751, 0.683 and 0.621 respectively. The company provides depreciation on straight line basis. You are required to determine as at 31st March 2015 :

- (i) The value in use of the plant
- (ii) The impairment loss, if any, to be recognised for the year.
- (iii) The revised carrying amount for the financial year ending 31st March, 2015.

- (c) A company sells the goods with right to return. The following pattern has been observed :

Timeframe of return from date of purchase	% of cumulative sales
Within 10 days	5%
Between 11 days and 20 days	7%
Between 21 days and 30 days	8%
Between 31 days and 45 days	9%

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Company has made sale of ₹ 30 lacs in the month of February 2015 and of ₹ 36 lacs in the month of March, 2015. The total sales for the financial year have been ₹ 450 lacs and the cost of sales was ₹ 360 lacs. Determine the amount of provision to be made and revenue to be recognised in accordance with AS-9. A year may be considered of 360 days.

(d) Saurav Limited reported a profit before tax of ₹ 8.00 lacs for the 2nd quarter ending on 30th September 2014. On enquiry, following issues were noticed :

- (i) The property tax of ₹ 60,000 paid during the quarter for the full year has been recognised in full.
- (ii) 1/5th of ₹ 15 lacs being marketing promotional expenses incurred on 23rd September, 2014 has been recognised based on past experience of higher sales in the last quarter of the year.
- (iii) 50% of the loss of ₹ 2 lacs incurred on disposal of a business segment has been allocated to this quarter.

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(iv) Cumulative loss of ₹ 3 lacs resulting from the change in the method of valuation of inventory was recognised in 2nd quarter, which included ₹ 2 lacs related to earlier quarters.

(v) Gain of ₹ 15 lacs from sale of Investments sold in 1st quarter was apportioned equally over the full year.

You are required to give proper treatment as required by AS-25 on Interim Financial Reporting and to recast the adjusted profit before tax for the 2nd quarter.

2. XY Limited has been incorporated with an authorised capital of 70 lacs equity shares of ₹ 10 each and 4 lacs preference shares of ₹ 100 each. 16

The subscribers to the Memorandum of Association have subscribed and paid for 1 lac equity shares. The expenses for incorporation incurred amounted to ₹ 8.09 lacs.

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XY Limited desires to amalgamate X Limited and Y Limited as at 1st April 2015. Following information is available :

Balance Sheet as on 31st March, 2015

	(₹ in lacs)	
Liabilities	X Limited	Y Limited
Equity Shares (FV ₹ 100)	750	725
10% Preference Shares (FV ₹ 100)	420	180
Reserves and Surplus		
Revaluation Reserve	125	75
Capital Reserve	270	190
Statutory Reserves	60	40
Profit and Loss Account	35	12
Loan funds		
Secured Loans		
12.5% Debentures (FV ₹ 100)	50	28
Unsecured Loans	25	0
Current Liabilities		
Trade Payables	165	75
Total	1900	1325

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Assets			
Fixed Assets			
Land and Building	470	290	
Plant and Machinery	310	210	
Investments	75	50	
Current Assets			
Trade Receivables	345	270	
Inventories	345	254	
Cash and cash equivalents	355	251	
	Total	1900	1325

Before amalgamation, X Ltd. and Y Ltd. will make the following adjustments in their balance-sheets :

- (i) Pay off the unsecured loans
- (ii) X Limited will revalue its Land and Building by enhancing the book value by 10% and Y Limited will revalue the Land and Building at ₹ 330 lacs.
- (iii) Y Limited will revalue its Plant and Machinery at ₹ 220 lacs.

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- (iv) Investments will be disposed off. X Limited sold its investments for ₹ 67 lacs and Y Limited disposed the same for ₹ 52 lacs.
- (v) Debenture holders of X Limited and Y Limited will be discharged by XY Limited by issue of 15% debentures of ₹ 100 each for such an amount which will not put any additional burden of interest outgo on XY Limited than presently payable by X Limited and Y Limited.
- (vi) Preference shareholders of X Limited and Y Limited will be issued 15% Preference Shares in XY Limited in the ratio 2 : 3 i.e. 2 shares will be issued for every 3 shares held at a premium of ₹ 25/-.
- (vii) Equity shares in XY Limited will be issued as under :
- (a) Shareholders of X Limited in the ratio of 4 : 1 @ ₹ 35/- per share; and
- (b) Shareholders of Y Limited in the ratio of 3 : 1 @ ₹ 32/- per share.
- (viii) Statutory reserves having met its purpose will be merged with Capital Reserves.

Prepare the amalgamated Balance Sheet of XY Limited as on 31st March, 2015 as per Schedule III to the Companies Act, 2013 with Notes to Accounts.

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3. Draw the consolidated Balance-sheet as on 31st March, 2015 as per Schedule-III with Notes to Accounts (following indirect method) based on the following information :

Balance Sheet as on 31st March, 2015

	(₹ in lacs)		
Liabilities	P	Q	R
Share Capital			
Equity Share Capital (FV ₹ 100)	600	400	100
Reserves and Surplus			
Reserves	40	10	20
Surplus in Profit and Loss Account	60	40	30
Current Liabilities			
Trade Payables	30	10	35
Other Payable			
Q Limited			15
R Limited	50		
Total	780	460	200
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Assets		P	Q	R
Fixed Assets (Net of Depreciation)		230	150	100
Investments				
Q Limited		320		
R Limited		40	100	
Current Assets				
Inventories		50	30	40
Trade Receivables		60	50	20
Other Receivables				
R Limited			40	
P Limited				30
Bank Balance		80	90	10
Total		780	460	200

Additional Information :

- (a) P Limited acquired 1,50,000 (cum bonus) shares of Q Limited and 30,000 shares of R Limited and Q Limited acquired 50,000 shares of R Limited on 29th March, 2014.

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- (b) Q Limited fixed 1st April, 2014 as record date for allotment of bonus share in the ratio of 1 : 1 and the same were duly allotted.
- (c) P Limited proposed dividend @ 7.50% for the year ended on 31st March, 2015.
- (d) In December 2014, Q Limited invoiced goods to P Limited for ₹ 30 lacs on a load of 25% on cost. 1/3rd of such goods are in stock with P Limited as at the end of the year.
- (e) R Limited sold to Q Limited on 1st January 2015, an asset costing ₹ 20 lacs and made a profit of 20% on invoice value. Q has provided depreciation @ 10% per annum on such assets.
- (f) As on 31st March 2014, the balances in reserves and profit and loss account of Q Limited were ₹ 5 lacs and ₹ 15 lacs respectively.
- (g) R Limited made a profit of ₹ 12.40 lacs during the current year. During the year, ₹ 0.55 lacs was received from insurance company against loss of stock due to flood which occurred on 31st January 2014 in which goods worth ₹ 0.75 lacs were damaged and were part of R's stock as on 31st March, 2014.

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- (h) R Limited transferred, at the year-end on 31st March, 2015, an amount from Profit and Loss account to Reserves which equals to 20% of the reported aggregate figures of Reserves and Profit and Loss account in the balance-sheet.

4. (a) Team Ltd. is a non-banking finance company. It accepts public deposits and also deals in hire purchase business. It provides you with the following information regarding major hire purchase deals as on 31-3-2013. 8

Few machines were sold on hire purchase basis. The hire purchase price was set at ₹ 100 lacs as against the cash price of ₹ 80 lacs. ₹ 20 lacs were payable as down payment and the balance was payable in 5 equal installments. The hire vendor collected first installment as on 31-3-2014, but could not collect the second installment which was due on 31-03-2015. The company was finalizing accounts for the year ended on 31-3-2015. Till 15-4-2015, the date on which the Board of Directors signed the accounts, the second installment was not collected. Presume IRR to be 10.42%.

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Required :

- (i) What should be the principal outstanding on 1-4-2014 ? Should the company recognize finance charge for the year 2014-15 as income ?
- (ii) What should be the net book value of assets as on 31-3-2015 as per NBFC prudential norms requirement for provisioning ?
- (iii) What should be the amount of provision to be made as per prudential norms for NBFC laid down by the RBI ?

- (b) Lovely Limited has advanced staff loan of ₹ 50 lacs to its employees on 1st July 2014 at a concessional rate of 6% per annum, to be repaid in 5 semi-annual installments along with interest thereon. The prevailing rate is 8% per annum. **8**

Find out the value at which the loan should initially be recognised and its amortisation till closure thereof. Also give necessary journal entries with appropriate narration for financial year 2014-15. The discounted values at 8% and 4% are as under :

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Period	1	2	3	4	5
8%	0.9259	0.8573	0.7938	0.7350	0.6806
4%	0.9615	0.9246	0.8890	0.8548	0.8219

5. (a) The summarised Balance-Sheet of Rose Limited for the year ended on 31st March 2013 2014 and 2015 are as follows :

	(₹ in thousands)		
	31 st March 2013	31 st March 2014	31 st March 2015
Liabilities			
6,40,000 equity shares of ₹ 10 each fully paid up	6,400	6,400	6,400
General Reserves	4,800	5,600	6,400
Profit and Loss Account	560	640	960
Trade Payable	2,400	3,200	4,000
Total	14,160	15,840	17,760

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Assets			
Goodwill	4,000	3,200	2,400
Tangible Assets (Net)	5,600	6,400	6,400
Inventories	4,000	4,800	5,600
Trade Receivables	80	640	1,760
Cash and Cash Equivalents	480	800	1,600
Total	14,160	15,840	17,760

Additional Information :

(i) Actual valuations were as under :

Tangible Assets 7,200 8,000 8,800

Inventories 4,800 5,600 6,400

Net Profit (including Opening Balance
after writing off depreciation, goodwill,
tax provision and transfers to general
reserves) 1,680 2,480 3,280

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- (ii) Capital employed in the business at market value at the beginning of 2012-13 was ₹ 1,46,40,000 which included cost of goodwill. The normal annual return on average capital employed in the line of business in which Rose Limited is engaged is 12.50%
- (iii) The balance in general reserve as on 1st April, 2012 was ₹ 40 lacs.
- (iv) The goodwill shown as on 31st March, 2013 was purchased on 1st April, 2012 for ₹ 40 lacs and the balance in profit and loss account as on 1st April, 2012 was ₹ 4,80,000/-.
- (v) Goodwill is to be valued at 5 years' purchase of Super profit by using simple average method.

Find out the average capital employed in each year and total value of business as on 31st March, 2015.

- (b) Agile Limited is a manufacturer-cum-dealer of 'R Tuff' brand of 8 trousers. With passage of time, its brand has been well accepted in the market. The company has been approached by a foreign company engaged in the same trade to enter as partner in its business. Agile, in order to negotiate the deal wants to get its brand valued. The following information based on market research is available :

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- (i) Garment industry of which Agile is a constituent, is expected to grow by 9% per annum during the next five years. The present market size of the industry is ₹ 7,500 crores.
- (ii) There are other brands both national and international in the market. The existence of duplicate brands is unavoidable. The share of such players is estimated to be 63% of the total industry market. The market share of other national brands will increase @ 0.25% year on year basis in the next 5 years. The share of international brands is expected to grow 1.5 times of national brands. But the existence of duplicate brands is to fall by 2.5% over the period of next 5 years, spread equally.
- (iii) The expected foreign partner needs the production line of the company to be re-engineered which will lead to an increase in the yield of the company by 3% after one year over the present yield of 10% followed thereafter by further increase of 5% year on year.

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Following the market oriented approach, determine the brand value to be used for negotiation with the foreign company, considering the discount factor for 1st five years as 0.909; 0.826; 0.751; 0.683 and 0.621 (Monetary values in crores to be rounded off to nearest 2 decimal places)

6. (a) Famous Corporation has been preparing Value Added Statements for the past five years. The Human Resource Manager of the company has suggested introducing a value added incentive scheme to motivate the employees for their better performance. To introduce the scheme, it is proposed that the best index performance (favourable to employer) i.e. Employee Costs to Added Value for the last five years, will be used as the target index for future calculations of the bonus to be paid.

After the target index is determined, any actual improvement in the index will be rewarded. The employer and the employee will be sharing any such improvement in the ratio of 1 : 2. The bonus is given at the end of the year, after the profit for the year is determined.

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The following information is available for the last 5 years.

Value Added Statement for 5 years

₹ in thousands

Particulars	2010	2011	2012	2013	2014
Sales	5,600	7,600	9,200	10,400	12,000
Less : Bought in goods, services	2,560	4,000	5,000	5,600	6,400
Added Value	3,040	3,600	4,200	4,800	5,600
Employee Costs	1,300	1,520	1,680	1,968	2,240
Dividend	200	300	400	480	600
Taxes	640	760	840	1,000	1,120
Depreciation	520	620	720	880	1,120
Debenture Interest	80	80	80	80	80
Retained Earnings	300	320	480	392	440
Added Value	3,040	3,600	4,200	4,800	5,600

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Summarised Profit and Loss Account for the year ended on 31st March, 2015.

		₹ in thousands
Particulars	Amount	
Income		
Sales less returns	13,600	
Dividends and Interest	500	
Miscellaneous Income	500	14,600
Expenditure		
Production and Operational Expenses		
Cost of Materials	5,000	
Wages & Salaries	1,800	
Other Manufacturing Expenses	1,400	8,200
Administrative Expenses		
Administration Salaries	600	
Administration Expenses	600	1,200
Selling and Distribution Expenses		
Selling and Distribution Salaries	120	
Selling Expenses	400	520
Finance Expenses		
Debenture Interest		80
Depreciation		1,520
Total Expenditure		11,520
Profit before taxation		3,080
Provision for taxation		770
Profit after taxation		2,310

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From the above information, prepare Value Added Statement for the year 2014-15 and determine the amount of bonus payable to employees, if any.

- (b) Give major differences between IFRS and AS (applicable in India) with respect to Property, Plant and Equipment. **8**

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

**4×4
=16**

- (a) AB Limited acquired at the start of the financial year a fixed assets from USA at a price of US\$ 1,25,000 and made a down payment of US\$ 25,000. The exchange rate was ₹ 61.50 per dollar at the date of transaction. The balance amount was payable in 4 equal half yearly installments with interest @ 8% per annum. The exchange rate on due dates of installment has been ₹ 61.60; ₹ 61.80; ₹ 61.90 and ₹ 62.10. The asset was under construction during the period of six months from its acquisition. Ascertain the amount to be capitalised and the gain or loss to be recognised in each of the years.

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- (b) HS Limited manufactures goods and caters to both national and international markets. As on 31st March, 2015, it has the following stocks in its warehouse at factory :

Goods meant for national market – Sale value of ₹ 100 lacs

Goods meant for international market – Export value of ₹ 50 lacs

The company has a policy to mark up the products for national markets at one-third of cost while those for exports are marked up at 150% of its cost. Excise duty on goods is payable @ 12.36%. The management is of the opinion that excise is payable only on clearance of goods from factory and as such the same should not be a part of cost of inventory. You are required to guide the company in the light of relevant guidance note.

- (c) Krishna sold goods to Madhav for ₹ 100 crores against an export order of Madhav. Subsequent to the sale by Krishna, the export order of Madhav was cancelled for unavoidable reasons. Madhav decided to sell the goods in local market, provided a price discount is allowed by Krishna. Krishna acceded to the request of Madhav. Advise how the discount given shall be dealt in the books of accounts of Krishna.

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- (d) A company desires to make provision in respect of its non-moving or slow moving items of stock. The following information is available :

Particulars	₹ in lacs	
	Current year	Previous year
Value of Closing Stock	169	105
Provision based on No. of issues during the year	4.50	4.00
Provision based on products technicality	5.50	4.25

The company has been making provisions based on number of issues. However, from this year, the management has decided to make provision based on technical evaluation.

Explain whether such change will amount to change in 'accounting policy'. Also draw a suitable note, if in your view the proposed change requires the same to be given in the financial statement of the current year.

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- (e) Lucky P Limited has been assessed to Income-tax, in which a demand of ₹ 10 lacs has been made. The company has gone in appeal. The company has deposited ₹ 6.00 lacs against the demand, on being pursued by the department. The company has been advised by its counsel that there is 80% chance of losing in respect of one of the grounds which may end up confirming the demand of ₹ 4.00 lacs, while on other grounds, there is fair chance of winning the appeal. How the company should treat the same while preparing the final accounts for the year ending 31st March, 2015 ?
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