

www.CAClubindia.com

Roll No.

Total No. of Questions—6]

Time Allowed—3 Hours

ACCOUNTS

[Total No. of Printed Pages—8

Maximum Marks—100

APJ

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.

Working notes should form part of the answer.

Wherever necessary suitable assumptions may be made by the candidates.

Marks

1. The Balance Sheet of three companies Angle Ltd., Bolt Ltd. and Canopy Ltd. as at 31st December, 2007 are given below : 20

Liabilities	Angle Ltd. Rs.	Bolt Ltd Rs.	Canopy Ltd. Rs.
Share capital			
(Equity shares of Rs. 100 each)	15,00,000	10,00,000	6,00,000
Reserves	2,00,000	1,25,000	75,000
Profit and Loss A/c	5,00,000	2,75,000	2,50,000
Sundry creditors	2,00,000	2,50,000	1,00,000
Bills payable	—	—	50,000
Angle Ltd.	—	1,00,000	80,000
Total	24,00,000	17,50,000	11,55,000

APJ

(2)

APJ

Marks

Assets	Angle Ltd. Rs.	Bolt Ltd Rs.	Canopy Ltd. Rs.
Goodwill	2,50,000	5,80,000	4,50,000
Plant and Machinery	4,00,000	2,50,000	3,25,000
Furniture and Fittings	2,00,000	1,50,000	1,40,000
Shares in—			
Bolt Ltd. (7,500 shares)	9,00,000	—	—
Canopy Ltd. (1,000 shares)	1,50,000	—	—
Canopy Ltd. (3,500 shares)	—	5,20,000	—
Stock in trade	1,00,000	1,50,000	1,60,000
Sundry debtors	1,40,000	70,000	70,000
Bills receivable	50,000	20,000	—
Due from—			
Bolt Ltd.	1,20,000	—	—
Canopy Ltd.	80,000	—	—
Cash in hand	10,000	10,000	10,000
Total	24,00,000	17,50,000	11,55,000

(a) All shares were acquired on 1st July, 2006.

(b) On 1st January, 2006, the balances were :

	Angle Ltd Rs.	Bolt Ltd. Rs.	Canopy Ltd. Rs.
Reserves	1,00,000	1,00,000	50,000
Profit and Loss account	50,000	(50,000) Dr.	30,000
Profit during 2006 were earned evenly over the year	3,00,000	2,50,000	1,00,000

- (c) Each company declared a dividend of 10% in the year 2007 on its shares out of Profits for the year 2006; Angle Ltd. and Bolt Ltd. have credited their Profit and Loss account with the dividends received.
- (d) The increase in reserves in case of Angle Ltd., Bolt Ltd. and Canopy Ltd. was effected in the year 2006.
- (e) All the bills payable appearing Canopy Ltd.'s Balance Sheet were accepted in favour of Bolt Ltd., out of which bills amounting Rs. 30,000 were endorsed by Bolt Ltd. in favour of Angle Ltd.

APJ

- (f) Stock with Bolt Ltd. includes goods purchased from Angle Ltd. for Rs. 18,000. Angle Ltd. invoiced the goods at cost plus 20%.

Prepare consolidated Balance Sheet of the group as at 31st December, 2007. Working should be part of the answer. Ignore taxation including dividend distribution tax disclosure minority interest as per AS-21.

2. The following are the Balance Sheets of Andrew Ltd. and Barry Ltd. as at 31.12.2007 : 16

Andrew Ltd.

(in Rs. '000s)

Liabilities		Assets	
Share capital		Fixed assets	3,400
3,00,000 Equity shares of Rs. 10 each	3,000	Stock (pledged with secured loan creditors)	18,400
10,000 Preference shares of Rs. 100 each	1,000	Other Current assets	3,600
General reserve	400	Profit and Loss account	16,600
Secured loans (secured against pledge of stocks)	16,000		
Unsecured loans	8,600		
Current liabilities	13,000		
	<u>42,000</u>		<u>42,000</u>

Barry Ltd.

(in Rs. '000s)

Liabilities		Assets	
Share capital		Fixed assets	6,800
1,00,000 Equity shares of Rs. 10 each	1,000	Current assets	9,600
General reserve	2,800		
Secured loans	8,000		
Current liabilities	4,600		
	<u>16,400</u>		<u>16,400</u>

Both the companies go into liquidation and Charlie Ltd. is formed to take over their businesses. The following information is given :

- (a) All Current assets of two companies, except pledged stock are taken over by Charlie Ltd. The realisable value of all Current assets are 80% of book values in case of Andrew Ltd. and 70% for Barry Ltd. Fixed assets are taken over at book value.
- (b) The break up of Current liabilities is as follows :

	Andrew Ltd. Rs.	Barry Ltd. Rs.
Statutory liabilities (including Rs. 22 lakh in case of Andrew Ltd. in case of a claim not having been admitted shown as contingent liability)	72,00,000	10,00,000
Liability to employees	30,00,000	18,00,000

The balance of Current liability is miscellaneous creditors.

- (c) Secured loans include Rs. 16,00,000 accrued interest in case of Barry Ltd.
- (d) 2,00,000 equity shares of Rs. 10 each are allotted by Charlie Ltd. at par against cash payment of entire face value to the shareholders of Andrew Ltd. and Barry Ltd. in the ratio of shares held by them in Andrew Ltd. and Barry Ltd.
- (e) Preference shareholders are issued Equity shares worth Rs. 2,00,000 in lieu of present holdings.
- (f) Secured loan creditors agree to continue the balance amount of their loans to Charlie Ltd. after adjusting value of pledged security in case of Andrew Ltd. and after waiving 50% of interest due in the case of Barry Ltd.
- (g) Unsecured loans are taken over by Charlie Ltd. at 25% of Loan amounts.
- (h) Employees are issued fully paid Equity shares in Charlie Ltd. in full settlement of their dues.
- (i) Statutory liabilities are taken over by Charlie Ltd. at full values and miscellaneous creditors are taken over at 80% of the book value.

Show the opening Balance Sheet of Charlie Ltd. Workings should be part of the answer.

(5)

APJ

Marks

3. (a) From the following information of Beta Ltd. calculate Earning Per Share (EPS) in accordance with AS-20 :

8

	(Rs.)	
	YE 31.3.08	YE 31.3.07
1. Net profit before tax	3,00,000	1,00,000
2. Current tax	40,000	30,000
Tax relating to earlier years	24,000	(13,000)
Deferred tax	30,000	10,000
3. Profit after tax	2,06,000	73,000
4. Other information :		
(a) Profit includes compensation from Central Government towards loss on account of earlier aware in 2005 (non-taxable)	1,00,000	NIL
(b) Outstanding convertible 6% Preference shares 1,000 issued and paid on 30.9.2006. Face value Rs. 100, Conversion ratio 15 equity shares for every preference share		
(c) 15% convertible debentures of Rs. 1,000 each total face value Rs. 1,00,000 to be converted into 10 Equity shares per debenture issued and paid on 30.6.2006.		
(d) Total no. of Equity shares outstanding as on 31.3.2008, 20,000 including bonus shares issued on 1.1.08 of 10,000 shares, face value Rs. 100.		

- (b) From the following details in respect of loan funds of Excellent School of Management for 2007-08, prepare a statement showing changes in fund balance during the year :

8

	Rs.
Fund balance at the end of the year	30,30,000
Loan fund matching grant from revenues funds	30,000
Private and Government grants	11,00,000
Other transfers from unrestricted revenue funds	1,50,000
Interest on loans	60,000
Investment income	35,000
Loan cancellations and write offs	15,000
Refunded to grantors	60,000
Administrative and Collection costs	25,000

APJ

P. T. O.

(6)

APJ

Marks

4. (a) From the following Profit and Loss account of New Mode Reporting Ltd., prepare a gross value added statement for the year ended 31st December, 2007. Show also the reconciliation between GVA and Profit before taxation : 10

Profit and Loss Account

	Rs. '000s	Rs.'000s
Income		
Sales	12,480 ✓	
Other income	110	12,590
Expenditure		
Production and Operational expenditure	8,640 ✓	
Administrative expenses	360 ✓	
Interest and other charges	1,248	
Depreciation	32	10,280
Profit before tax		2,310
Less Provision for tax		110 ✓
Profit after tax		2,200
Add balance as per last Balance Sheet		120
		2,320 ✓
Less Transfer to Fixed assets replacement		
Reserve	800	
Dividend paid	320	1,120
Surplus carried to Balance Sheet		1,200

Additional information :

- (i) Production and Operation expenses consists of

	Rs.
Consumption of Raw materials	6,42,000 ✓
Consumption of Stores	80,000 ✓
Local tax	16,000
Salaries to Administrative staff ✓	12,40,000
Other Manufacturing expenses	8,84,000 ✓

- (ii) Administrative expenses include salaries and commission to directors—
Rs. 10,000.

APJ

(7)

APJ

Marks

(iii) Interest and other charges include —

	Rs.
(a) Interest on bank overdraft (overdraft is of temporary nature)	2,18,000 ✓
(b) Fixed loan from SIDBI	1,02,000 ✓
(c) Working capital loan from IFCI	40,000
(d) Excise duties	?

(iv) Excise duties amount to one-tenth of total value added by manufacturing and trading activities.

(b) Anisshit Finance Ltd. is a non-banking finance company. It makes available to you the costs and market price of various investments held by it. (Figures in Rs. lakhs) as on 31.3.2008 :

6

	Cost	Market Price
Scrips :		
A. Equity shares—		
A	60.00	61.20
B	31.50	24.00
C	60.00	36.00
D	60.00	120.00
E	90.00	105.00
F	75.00	90.00
G	30.00	6.00
B. Mutual funds—		
MF-1	39.00	24.00
MF-2	30.00	21.00
MF-3	6.00	9.00
C. Government securities—		
GV-1	60.00	66.00
GV-2	75.00	72.00

- (i) Can the company adjust depreciation of a particular item of investment within a category ?
- (ii) What should be the value of investments as on 31.3.2008 ?
- (iii) Is it possible to off-set depreciation in investment in mutual funds against appreciation of the value of investment in Equity shares and Government securities ?

APJ

P. T. O.

5. (a) ~~Golden Eagle Ltd.~~ has been a successful jewellers for the past 100 years and sales are against cash only. The company diversified into apparels. A young senior executive was put in charge of Apparels business and sales increased 5 times. One of the conditions for sales that dealers can return the unsold stocks within one month of the end of season. Sales return for the year was 25% of sales. Suggest a suitable Revenue Recognition Policy with references to AS-9. 4
- (b) Discuss the concept of Cost v/s Fair value with reference to Indian Accounting Standards. 4
- (c) Why Human Resources Asset is not recognised in the Balance Sheet ? 4
- (d) A company has a scheme for payment of settlement allowance to retiring employees. Under the scheme, retiring employees are entitled to reimbursement of certain travel expenses for class they are entitled to as per company rule and to a lump-sum payment to cover expenses on food and stay during the travel. Alternatively employees can claim a lump-sum amount equal to one month pay last drawn. 4

The company's contentions in this matter are :

- (i) Settlement allowance does not depend upon the length of service of employee. It is restricted to employee's eligibility under the Travel rule of the company or where option for lump-sum payment is exercised, equal to the last pay drawn.
- (ii) Since it is not related to the length of service of the employees, it is accounted for on claim basis.

State whether the contentions of the company are correct as per relevant Accounting Standard. Give reasons in support of your answer.

6. (a) XYZ Ltd. with a turnover of Rs. 35 lakhs and borrowings of Rs. 10 lakhs during any time in the previous year, wants to avail the exemptions available in adoption of Accounting Standards applicable to companies for the year ended 31.3.2008. Advise the management the exemptions that are available as per Companies (AS) Rules, 2006. 8

If XYZ is a partnership firm is there any other exemptions additionally available.

- (b) Briefly explain any **two** of the following terms :

2×4=8

(i) IFRS

(ii) NACAS

(iii) Convergence of Accounting Standards with IFRS.