Total No. of Questions—7] [Total No. of Printed Pages—8

Time Allowed—3 Hours Maximum Marks—100

ARM

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.

Question No. **1** is compulsory.

Answer any **five** out of the remaining questions.

Working notes should form part of the answer.

Wherever necessary suitable assumptions may be made by the candidates.

Marks

1. Answer any **four** out of the following : 4×5=20

(a) On 30.6.2007, Asmitha Ltd. incurred Rs. 2,00,000, Net Loss from disposal of a business segment. Also, on 30.7.2007, the company paid Rs. 60,000 for Property taxes Assessed for the calendar year 2007. How the above transactions should be included in determination of Net Income of Asmitha Ltd. for the six months interim period ended on 30.9.2007.

(b) M/s XYZ Ltd. has three segments namely X, Y, Z. The total Assets of the Company are Rs. 10.00 crs. segment X has Rs. 2.00 crs., segment Y has Rs. 3.00 crs. and segment Z has Rs. 5.00 crs. deferred tax Assets included in the Assets of each segments are X—Rs. 0.50 crs., Y—Rs. 0.40 crs. and Z—Rs. 0.30 crs. The accountant contends that all the three segments are reportable segments. Comment.

(c) M/s Dinesh & Company signed an agreement with workers for increase in wages with retrospective effect. The out-flow on Account of arrears was for 2005-06—Rs. 10.00 lakhs, for 2006-07—Rs. 12.00 lakhs and for 2007-08—Rs. 12.00 lakhs. This amount is payable in September, 2008. The accountant wants to charge Rs. 22.00 lakhs as prior period charges in Financial statement for 2008-09. Discuss.

(d) M/s Prima Co. Ltd. sold goods worth Rs. 50,000 to M/s Y and Company. M/s Y and Co. asked for discount of Rs. 8,000 which was agreed by M/s Prima Co. Ltd. the sale was effected and Goods were despatched. After receiving, Goods worth Rs. 7,000 was found defective, which they returned immediately. They made the payment of Rs. 35,000 to M/s Prima Co. Ltd. Accountant booked the sales for Rs. 35,000. Please discuss.

(e) Himalayas Ltd. is showing an intangible Asset at Rs. 72 lakhs as on 01.04.2007 and that item was acquired for Rs. 96 lakhs on 01.04.2004 and that item was available for use from that date. Himalayas Ltd. has been following the policy of amortisation the intangible Asset over a period of 12 years on Straight line basis. Comment on the accounting treatment of the above with reference to relevant accounting standard.

2. System Ltd. and HRD Ltd. decided to Amalgamate as on 01.04.2008. Their Balance Sheets as on 31.03.2008 were as follows : 16

(Rs. in '000)

Particulars	System Ltd.	HRD Ltd.
Sources of Funds :		
Equity share capital (Rs. 10 each)	150	140
9% preference share Capital (Rs. 100 each)	30	20
Investment allowance Reserve	5	2
Profit and Loss Account	10	6
10% Debentures	50	30
Sundry Creditors	25	15
Tax provision	7	4
Equity Dividend Proposed	30	28
Total	307	245
Application of Funds :		
Building	60	50
Plant and Machinery	80	70
Investments	40	25
Sundry Debtors	45	35
Stock	36	40
Cash and Bank	40	25
Preliminary Expenses	6	—
Total	307	245

From the following information, you are to prepare the Draft Balance Sheet as on 01.04.2008 of a New Company, Intranet Ltd., which was formed to take over the business of both the company and took over all the Assets and Liabilities :

(i) 50% Debenture are to be converted into Equity Shares of the New Company.

(ii) Out of the investments, 20% are non-trade investments.

(iii) Fixed Assets of Systems Ltd. were valued at 10% above cost and that of HRD Ltd. at 5% above cost.

(iv) 10% of sundry Debtors were doubtful for both the companies. Stocks to be carried at cost.

(v) Preference shareholders were discharged by issuing equal number of 9% preference shares at Par.

(vi) Equity shareholders of both the transferror company are to be discharged by issuing Equity shares of Rs. 10 each of the new company at a premium of Rs. 5 per share.

Amalgamation is in the nature of Purchase.

3. The following are the Balance Sheets of Ram Ltd., Shyam Ltd. and Tom Ltd. as on 31.03.2008 : 16

(Rs. in '000)

Particulars	Ram Ltd.	Shyam Ltd.	Tom Ltd.
Liabilities			
Equity Share Capital (Rs. 100 each)	8,000	4,000	1,600
General Reserve	1,600	280	—
Profit and Loss Account	1,360	960	—
Current Liabilities	1,280	3,000	1,120
Total	12,240	8,240	2,720

(Rs. in '000)

Particulars	Ram Ltd.	Shyam Ltd.	Tom Ltd.
Assets			
Investments :			
32,000, shares in Shyam Ltd.	4,800	—	—
4,000, shares in Tom Ltd.	200	—	—
12,000, shares in Tom Ltd.	—	720	—
Profit and Loss Account	—	—	640
Current Assets	7,240	7,520	2,080
Total	12,240	8,240	2,720

From the following information, prepare consolidated Balance Sheet of Ram Ltd. and its subsidiaries as on 31.03.2008 :

(i) Shyam Ltd. has advanced Rs. 8,00,000 to Tom Ltd.

(ii) Current Liabilities of Ram Ltd. includes Rs. 4,00,000 due to Tom Ltd.

(iii) Shyam Ltd. and Tom Ltd. have not paid any Dividend.

(iv) Ram Ltd. acquired its investments on 01.04.2007 from Shyam Ltd. and then amount standing to Credit of General Reserve and Profit and Loss account were Rs. 2,80,000 and Rs. 5,20,000 respectively.

(v) Ram Ltd. acquired investments in Tom Ltd. on 01.04.2007, when the Debit balance in Profit and Loss account in books of Tom Ltd. was Rs. 4,80,000.

(vi) Shyam Ltd. acquired its investments in Tom Ltd. on 01.04.2005 and then the Debit balance in Profit and Loss account was Rs. 1,60,000.

(vii) Shyam Ltd.'s Assets includes Rs. 4,80,000, which were invoiced by Ram Ltd. at a price which was 20% above cost.

4. (a) A Mutual Fund raised funds on 01.04.2007 by issuing 10 lakhs units @Rs. 17.50 per unit. Out of this Fund, Rs. 160 lakhs invested in several capital market instruments. The initial expenses amounts to Rs. 9 lakhs. 8×2 =16

During June, 2007, the Fund sold certain Securities worth Rs. 100 lakhs for Rs. 125 lakhs and it bought certain securities for Rs. 90 lakhs. The Fund Management expenses amounting to Rs. 5 lakhs per month. The dividend earned was Rs. 3 lakhs. 80% of the realised earnings were distributed among the unitholders. The market value of the portfolio was Rs. 175 lakhs. Determine Net Asset Value (NAV) per unit as on 30.06.2007.

(b) The Balance Sheet of Gunshot Ltd. as on 31.3.2008 is given :

(Rs. in '000)

Liabilities	Amount	Assets	Amount
Share Capital :		Fixed Assets	2,700
Equity share of Rs. 10 each	800	Non-trade Investments	300
Share Premium	100	Stock	600
General Reserve	780	Sundry Debtors	360
Profit and Loss A/c	120	Cash and Bank	160
10% Debenture	2,000		
Creditors	320		
	4,120		4,120

Gunshot Ltd. buy back 16,000 shares at Rs. 20 per share. For this purpose, the Company sold its all Non-trade investments for Rs. 3,20,000. Give Journal Entries with full narrations effecting the buy back.

5. Dawn Ltd. was incorporated to take over Arun Ltd., Brown Ltd. and Crown Ltd. Balance Sheet of all the three companies as on 31.03.2008 are as follows : 16

(Rs. in '000)

Particulars	Arun Ltd.	Brown Ltd.	Crown Ltd.
Liabilities :			
Equity Share Capital (Share of Rs. 10 each)	1,800	2,100	900
Reserve	300	150	300
10% Debentures	600	—	300
Other Liabilities	600	450	300
Total	3,300	2,700	1,800

(Rs. in '000)

Particulars	Arun Ltd.	Brown Ltd.	Crown Ltd.
Assets :			
Net Tangible Block	2,400	1,800	1,500
Goodwill	—	150	—
Other Assets	900	750	300
Total	3,300	2,700	1,800

From the following information you are to :

(a) Work out the number of Equity shares and Debentures are to be issued to the shareholders of each company.

(b) Prepare the Balance Sheet of Dawn Ltd. as on 31.03.2008.

Information :

(i) Assets are to be revalued and revalued amount of Tangible Block and other Assets are as follows :

	Tangible Block	Other Assets
Arun Ltd.	Rs. 30,00,000	Rs, 10,50,000
Brown Ltd.	Rs. 15,00,000	Rs, 4,20,000
Crown Ltd.	Rs. 18,00,000	Rs, 2,40,000

(ii) Normal profit on capital employed is to be taken at 10%.

(iii) Average amount of profit for three years before charging interest on Debenture are

Arun Ltd.	Rs. 5,40,000
Brown Ltd.	Rs. 4,32,000
Crown Ltd.	Rs. 3,12,000

(iv) Goodwill is to be calculate at three year's purchase of average super profits for three years, such average is to be calculated after adjustment of 10% depreciation on Increase/Decrease on revaluation of Fixed Assets (Tangible Block).

(v) Capital employed being considered on the basis of net revaluation of Tangible Assets.

(vi) Equity Shares of Rs. 10 each fully paid up in Dawn Ltd. are to be distributed in the ratio of average Profit after adjustment of depreciation on revaluation of Tangible Block.

(vii) 10% Debentures of Rs. 100 each fully paid up are to be issued by Dawn Ltd. for the Balance due.

(viii) The ratio of issue of Equity shares and debentures of Dawn Ltd. are to be maintained at 3 : 1, towards the take over companies.

(ix) The amount required for preliminary expenses of Rs. 1,50,000 and for payment to existing Debentureholders, were provided by issuing Equity shares of Rs. 10 each in Dawn Ltd.

6. (a) P Ltd. started its business on 01.04.2007. It issued one lac Equity Shares of Rs. 10 each at par and 30,000, 9% Debentures of Rs. 50 each, both were fully subscribed. It purchased Plant and Machinery for worth Rs. 15 lac and goods for trading worth Rs. 12 lac @ Rs. 100 per unit. Estimated life of plant and machinery was 10 years with no scrap value. Goods were sold at Profit of 40% on selling price. Collection from Debtors outstanding as on 31.3.2008 amounted to Rs. 5 lac. Goods sold were replaced at a cost of Rs. 120 per unit, the number of units being the same. Trade Creditors outstanding as on 31.3.2008 were Rs. 3 lac. The replaced Goods were entirely in stock on 31.3.2008, replacement cost of Goods was considered to be Rs. 140 per unit. Replacement cost of Machine was Rs. 20 lac as on 31.3.2008. Draft Profit and Loss Account and Replacement reserve on replacement cost basis. 8×2 =16

(b) Prepare a value added statement for the year ended on 31.3.2008 and reconciliation total value added with profit before taxation, from the Profit and Loss Account of Futures Ltd. for the year ended on 31.3.2008 :

		(Rs. in '000)
Income :		
Sales		24,400
Other Income		508
		24,908
Expenditure :		
Operating cost	21,250	
Excise duty	1,110	
Interest on Bank Overdraft	75	
Interest on 9% Debenture	1,200	23,635

	(Rs. in '000)
Profit before Depreciation	1,273
Depreciation	405
Profit before tax	868
Provision for tax	320
Profit after tax	548
Proposed Dividend	48
Retained Profit	500

The following additional Information are given :

(i) Sales represents Net sales after adjusting Discounts, Returns and Sales tax.

(ii) Operating cost includes Rs. 82,50,000 as wages, salaries and other benefits to Employees.

(iii) Bank overdraft is temporary.

7. Write short notes on any **four** from the following : 4×4=16

(a) State the treatment of the following items with reference to 'Indian Accounting Standards' (IAS) and International Financial Reporting Standards (IFRS) :

(i) Extra ordinary items

(ii) Contingencies.

(b) Reversal of an Impairment Loss.

(c) Market value Added.

(d) What are the types of Employees benefit and what is the objective of Introduction of this Standard i.e. AS-15 ?

(e) What are Timing differences and Permanent differences ?