

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 8 Total number of printed pages : 12

NOTE : All working notes should be shown distinctly.

PART—A

*(Answer Question No.1 which is compulsory
and any two of the rest from this part.)*

1. Attempt *any four* of the following :
 - (i) Explain 'events occurring after the balance sheet date' as per Accounting Standard-4 (Revised).
 - (ii) Who are responsible for the maintenance of books of account under the Companies Act, 1956 ?
 - (iii) What are the obligations of merchant bankers with regard to disclosure required to be made to the Securities and Exchange Board of India ?
 - (iv) Write a note on 'accounting application' using Data Base Management System (DBMS).
 - (v) Enumerate the distinguishing features of 'pooling of interest method' and 'purchase method' of accounting for amalgamation.

(5 marks each)
2. (a) The life assurance fund of Super Life Assurance Company had a balance of Rs.3.80 crore on 31st March, 2005. The actuarial valuation carried out on the same date revealed a net liability of Rs.2.60 crore. During the previous three years, an interim bonus of Rs.30 lakh was paid to the policyholders.

The company now proposes to carry forward Rs.50 lakh, the balance being divided between the policyholders and shareholders as per the applicable statutory provisions.

You are required to show the following :

- (i) Valuation balance sheet;
- (ii) Net profit for the three-year period; and
- (iii) Distribution of profit.

(5 marks)

- (b) Following is the balance sheet of Danny Ltd. as on 31st March, 2005 :

<i>Liabilities</i>	<i>(Rs.'000)</i>
Issued and paid-up capital :	
3,00,000 Equity shares of Rs.10 each	3,000
General reserve	100
Securities premium	5
10% Debentures	1,400
Sundry creditors	1,560
	6,065
<i>Assets</i>	
Land and building	630
Plant and machinery	2,350
Furniture and fittings	350
Investments	370
Stock	1,200
Sundry debtors	590
Cash and bank balance	575
	6,065

On 1st April, 2005, the shareholders of the company have approved the scheme of buy-back of equity shares as under :

- (i) 15% of the equity shares would be bought-back at Rs.11 per share.
- (ii) Balance in the general reserve and securities premium account may be utilised to the fullest extent for this purpose.
- (iii) Issue 12% redeemable preference shares of Rs.10 each as per the requirements.

Pass the journal entries to record the above transactions and prepare the balance sheet of the company immediately after the buy-back of shares.

(10 marks)

3. (a) Journalise the following transactions :

- (i) Issue at 10% discount, 3,000, 9% debentures of Rs.100 each, redeemable at par.
- (ii) Issue at 10% premium, 4,000, 10% debentures of Rs.100 each, redeemable at par.
- (iii) Issue at par, 2,000, 8% debentures of Rs.100 each, redeemable at premium of 5%.
- (iv) Issue at 10% discount, 2,000, 9% debentures of Rs.100 each, redeemable at premium of 5%.

Also give journal entry in case of (iv) above at the time of redemption of debentures. *(Note: Narrations need not be given).*

(5 marks)

- (b) Following is the summarised balance sheet of Royal Ltd. as on 31st March, 2005 :

<i>Liabilities</i>	<i>Rs.</i>
3,000, 6% Preference shares of Rs.100 each, fully paid-up	3,00,000
1,30,000 Equity shares of Rs.10 each, fully paid-up	13,00,000
Profit and loss account	9,00,000
8% Debentures	6,00,000
Sundry creditors	4,78,500
	<u>35,78,500</u>
 <i>Assets</i>	
Goodwill	1,00,000
Free-hold property	7,50,000
Plant and machinery <i>less</i> depreciation	7,00,000
Stock	7,40,000
Debtors (<i>net</i>)	7,98,500
Cash and bank balances	4,90,000
	<u>35,78,500</u>

The following are additional information :

- (i) The profit after tax for the three financial years 2002-03, 2003-04 and 2004-05, after charging debenture interest, were Rs.4,41,000, Rs.6,45,000 and Rs.4,80,000 respectively.
- (ii) The normal rate of return is 10% on the net assets attributed.

- (iii) The value of freehold property is to be ascertained on the basis of 8% return. The current rental value is Rs.1,00,800.
- (iv) The rate of tax applicable is 40%.
- (v) 10% of profits for the financial year 2003-04 referred to above arose from a transaction of non-recurring nature.
- (vi) A provision of Rs.31,500 on sundry debtors was made in the financial year 2004-05 which is no longer required; profit for the year 2004-05 is to be adjusted for this item.
- (vii) A claim of Rs.16,500 against the company is to be provided and adjusted against profit for the financial year ended on 31st March, 2005.
- (viii) Goodwill may be calculated at 3 times adjusted average profits of the 3 years.
- (ix) Capital employed may be taken as on 31st March, 2005.

You are required to ascertain the value of goodwill of the company.

(10 marks)

4. (a) Abrol Ltd. offered to the public 5,000, 9% mortgage debentures of Rs.100 each at Rs.105 and 80% of the issue was underwritten by Smart Bulls for maximum commission allowed by law. Applications were received from public for 4,000 debentures which were allotted. Show the balance sheet of the company.

(5 marks)

- (b) Jai Ltd. acquired 15,000 shares in Hind Ltd., for Rs.1,55,000 on 1st July, 2004. The balance sheet of the two companies as on 31st March, 2005 were as follows :

<i>Liabilities</i>	<i>Jai Ltd.</i> (Rs.)	<i>Hind Ltd.</i> (Rs.)
Equity shares of Rs.10 each, fully paid-up	9,00,000	2,50,000
General reserves	1,60,000	40,000
Profit and loss account	80,000	25,000
Bills payable	40,000	20,000
Creditors	50,000	30,000
	<u>12,30,000</u>	<u>3,65,000</u>
<i>Assets</i>		
Machinery	7,00,000	1,50,000
Furniture	1,00,000	70,000
Investments	1,55,000	—
Stock	1,00,000	50,000
Debtors	60,000	35,000
Cash at bank	90,000	40,000
Bills receivable	25,000	20,000
	<u>12,30,000</u>	<u>3,65,000</u>

Additional information:

- (i) General reserve appearing in the balance sheet of Hind Ltd., has remained unchanged since 31st March, 2004.
- (ii) Profit earned by Hind Ltd. for the year ended 31st March, 2005 amounted to Rs.20,000.

- (iii) On 1st February, 2005, Jai Ltd. sold to Hind Ltd. goods costing Rs.8,000 for Rs.10,000. There was no unsold stock with Hind Ltd. on 31st March, 2005. However, creditors of Hind Ltd. include Rs.4,000 due to Jai Ltd. on account of these goods.
- (iv) Out of Hind Ltd.'s acceptance, Rs.7,000 were those which were accepted in favour of Jai Ltd.
- You are required to draw a consolidated balance sheet as on 31st March, 2005.

(10 marks)

PART—B

(Answer Question No.5 which is compulsory and any two of the rest from this part.)

5. Attempt *any four* of the following :

- (i) Mention the various tools and techniques of 'management accounting'.

(5 marks)

- (ii) The following details are available from the books of Ruby Engineering Works Ltd. for the year ended 31st March, 2005 :

Monthly demand (<i>Units</i>)	2,000
Cost of placing an order (<i>Rs.</i>)	200
Annual carrying cost (<i>Rs. Per Unit</i>)	30
Normal usage (<i>Units Per Month</i>)	100
Maximum usage (<i>Units Per Month</i>)	150
Minimum usage (<i>Units Per Month</i>)	50
Re-order period (<i>Weeks</i>)	4 – 6

Based on the above details, calculate —

- Re-order quantity;
- Re-order level;
- Minimum level; and
- Maximum level.

Assume 52 weeks in a year.

(5 marks)

- (iii) The cost of a product at capacity level of 5,000 units is given under 'A' below. For a variation in capacity above or below this level, the individual expenses vary as indicated under 'B' below :

<i>Particulars</i>	<i>'A'</i> (Rs.)	<i>'B'</i>
Material costs	2,50,000	100% varying
Labour costs	1,50,000	100% varying
Power	12,500	80% varying
Repairs and maintenance	20,000	75% varying
Stores	10,000	100% varying
Inspection	5,000	20% varying
Depreciation	1,00,000	100% fixed
Administrative overheads	50,000	25% varying
Selling overheads	30,000	50% varying

Find out the unit cost of product under each individual expenses at budgeted production levels of 4,000 units and 6,000 units.

(5 marks)

- (iv) Mention any four centres (except investment centre) classified under responsibility accounting. Explain investment centre in detail.

(5 marks)

- (v) A firm had Rs.2,00,000 as cash at bank on 1st April, 2004. The consumer price index on that date

was 200. During the year ended 31st March, 2005, the receipts and payments were as stated below :

<i>Receipts</i>		<i>Rs.</i>	<i>Index</i>
1 st June	Sales	1,05,000	210
15 th January	Sales	3,45,000	230
<i>Payments</i>			
15 th September	Cost	2,15,000	215
1 st December	Cost	2,00,000	225
20 th March	Cost	1,50,000	240

Ascertain the profit or loss on account of price changes.
The year end index was 240.

(5 marks)

6. The following information is available regarding process 'Q' for the month of July, 2005 :

Units in process as on 30 th June, 2005 (All materials used; 25% completed for labour and overheads)	40,000
New units started in process	1,60,000
	<u>2,00,000</u>

Production report shows following results :

Units completed	1,40,000
Units in process on 31 st July, 2005 (All materials used; $33\frac{1}{3}\%$ completed for labour and overheads)	60,000

Cost records :	<i>Rs.</i>
Work-in-process as on 30 th June, 2005 :	
Material	12,000
Labour	2,000
Overheads	<u>2,000</u>
	16,000
Cost of materials used during the month	51,200
Cost of labour for the month	30,000
Cost of overheads during the month	<u>30,000</u>
Total cost to be accounted for	<u>1,27,200</u>

Presuming that average method of inventory costing is used, prepare —

- (i) Statement of equivalent production.
- (ii) Statement showing cost for each element.
- (iii) Statement of apportionment of cost.
- (iv) Process account for process 'Q'.

(15 marks)

7. (a) The audited profit and loss account of Rex Ltd. for the year ended 31st March, 2005 stood as under :

<i>Dr.</i>	<i>Rs.</i>	<i>Cr.</i>	<i>Rs.</i>
To Opening stock	10,10,000	By Sales	14,20,000
To Purchases	3,50,000	By Closing stock	3,60,000
To Direct wages	1,60,000		
To Factory overheads	90,000		
To Gross profit c/d	1,70,000		
	<u>17,80,000</u>		<u>17,80,000</u>
To Administrative and selling expenses	89,600	By Gross profit b/d	1,70,000
To Net profit	80,400		
	<u>1,70,000</u>		<u>1,70,000</u>

The following additional information are available from the cost records of the company :

- (i) Balance stock : Rs.3,70,000.
- (ii) Direct wages absorbed : Rs.1,65,000.
- (iii) Factory overheads absorbed : Rs.85,000.

- (iv) Administrative and selling expenses absorbed @ 7% of sale value.

From the above information, prepare a statement showing reconciliation of cost and financial accounts.

(5 marks)

- (b) A firm having owner's equity of Rs.1 lakh provides the following ratios :

Short term debt to total debt = 0.40

Total debt to owner's equity = 0.60

Fixed assets to owners' equity = 0.60

Total assets turnover = 2 times

Inventory turnover = 8 times

From the above information, draw a balance sheet of the firm.

(10 marks)

8. (a) Distinguish between 'standard costing' and 'budgetary control'.

(5 marks)

- (b) The following are the balance sheets in condensed form of Modern Ltd. :

<i>Liabilities and Capital</i>	<i>As on 31.3.2004 (Rs.)</i>	<i>As on 31.3.2005 (Rs.)</i>
Sundry creditors	5,15,000	4,80,000
Outstanding expenses	65,000	60,000
8% Debentures	4,50,000	3,50,000
Depreciation fund	2,00,000	2,20,000
Reserve for contingencies	3,00,000	3,00,000
Profit and loss account	80,000	1,15,000
Equity share capital	11,50,000	11,50,000
	<u>27,60,000</u>	<u>26,75,000</u>

Assets	As on 31.3.2004 (Rs.)	As on 31.3.2005 (Rs.)
Cash and bank balances	4,50,000	4,50,000
Sundry debtors	3,35,000	2,15,000
Temporary investments	5,50,000	3,70,000
Prepaid expenses	5,000	10,000
Stock in trade	4,10,000	5,30,000
Machinery	2,60,000	3,50,000
Land and buildings	7,50,000	7,50,000
	<u>27,60,000</u>	<u>26,75,000</u>

The following information are also available :

- (i) 10% Dividend in cash.
- (ii) New machinery for Rs.1,50,000 was purchased, but old machinery costing Rs.60,000 was sold for Rs.20,000. Accumulated depreciation thereon was Rs.30,000.
- (iii) Rs.1,00,000, 8% debentures were redeemed through open market purchase @ Rs.96 for a debenture of Rs.100.
- (iv) Rs.1,80,000 investments were sold at book value.

You are required to prepare a cash flow statement for the year ended 31st March, 2005 in accordance with Accounting Standard-3 (Revised).

(10 marks)

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