

TIME ALLOWED:-3HRS.

NOTE:-ALL QUESTIONS ARE COMULSARY.

Question 1

The following is the Balance Sheet of the retail business of Sri Srinivas as at 31st December, 1998:

Liabilities	Rs.	Assets	Rs.
Sri Srinivas's capital	1,00,000	Furniture	10,000
Liabilities for goods	20,500	Stock	70,000
Rent	1,000	Debtors	25,000
		Cash at bank	14,500
		Cash in hand	2,000
	<u>1,21,500</u>		<u>1,21,500</u>

You are furnished with the following information :

- (1) Sri Srinivas sells his goods at a profit of 20% on sales.
- (2) Goods are sold for cash and credit. Credit customers pay by cheques only.
- (3) Payments for purchases are always made by cheques.
- (4) It is the practice of Sri Srinivas to send to the bank every weekend the collections of the week after paying every week, salary of Rs. 300 to the clerk, Sundry expenses of Rs. 50 and personal expenses Rs. 100.

Analysis of the Bank Pass-Book for the 13 weeks period ending 31st March, 1999 disclosed the following :

	Rs.
Payments to creditors	75,000
Payments of rent upto 31.3.99	4,000
Amounts deposited into the bank	1,25,000
(include Rs. 30,000 received from debtors by cheques)	

The following are the balances on 31st March, 1999 :

	Rs.
Stock	40,000
Debtors	30,000
Creditors for goods	36,500

On the evening of 31st March, 1999 the Cashier absconded with the available cash in the cash box. There was no cash deposit in the week ended on that date.

You are required to prepare a statement showing the amount of cash defalcated by the Cashier and also a Profit and Loss Account for the period ended 31st March, 1999 and a Balance Sheet as on that date.

(12 marks)(Intermediate–May 1999)

Question 2

Ms. Joyti of Star Oils Limited has collected the following information for the preparation of cash flow statement for the year 2000 :

	(Rs. in Lakhs)
Net Profit	25,000
Dividend (including dividend tax) paid	8,535
Provision for Income tax	5,000
Income tax paid during the year	4,248
Loss on sale of assets (net)	40
Book value of the assets sold	185
Depreciation charged to Profit & Loss Account	20,000
Amortisation of Capital grant	6
Profit on sale of Investments	100
Carrying amount of Investment sold	27,765
Interest income on investments	2,506
Increase expenses	10,000
Interest paid during the year	10,520
Increase in Working Capital (excluding Cash & Bank Balance)	56,075
Purchase of fixed assets	14,560
Investment in joint venture	3,850
Expenditure on construction work in progress	34,740
Proceeds from calls in arrear	2
Receipt of grant for capital projects	12
Proceeds from long-term borrowings	25,980
Proceeds from short-term borrowings	20,575
Opening cash and Bank balance	5,003
Closing cash and Bank balance	6,988

Required :

Prepare the Cash Flow Statement for the year 2000 in accordance with AS 3, Cash Flow Statements issued by the Institute of Chartered Accountants of India. (make necessary assumptions).(16 marks)(Final May 2001)

Question 3

Sameera Corporation sells Computers on Hire-purchase basis at cost plus 25%. Terms of sales are 5,000/- as Down payment and 10 monthly instalments of Rs. 2,500/- for each Computer. From the following particulars, prepare Hire-purchase Trading A/c for the year 2002-2003:

As on 1st April, 2002, last instalment on 20 Computers were outstanding as these were not due upto the end of the previous year. During 2002—03, the firm sold 120 Computers. As on 31st March,

2003 the position of instalments outstanding were as under:

Instalments due but not collected	4 Instalments on 4 Computers and Last instalment on 9 Computers
Instalments not yet due	6 Instalments on 50 Computers, 4 Instalments on 20 and Last Instalment on 40 Computers

Two Computers on which 8 Instalments were due and one Instalment not yet due on 31.03.2003, had to be repossessed. Repossessed stock is valued at 50% of cost. All other Instalments have been received.
(14 marks) (PE-II – May 2004)

Question 4

M/s Neptune & Co.'s Balance Sheet as at 31st March, 2001:

Liabilities	Rs.	Assets	Rs.
Bank overdraft (State Bank)	54,000	Cash at Bank of India	800
Sundry Creditors	1,56,000	Sundry Debtors	2,80,000
Capital Accounts :		Stock	1,00,000
Mr. A		Motor Cars cost as per last B/S	1,60,000
Balance as per last B/S	4,02,000	Less : Depreciation till date	<u>54,000</u> 1,06,000
Add : Profits for the year	<u>95,400</u>	Machinery :	
	4,97,400	Cost as per last B/S	3,00,000
Less : Drawings	<u>40,000</u> 4,57,400	Less : Depreciation till date	<u>1,40,000</u> 1,60,000
Mr. B		Land and Building	2,40,000
Balance as per last B/s	2,00,000		
Add : Profit for the year	<u>95,400</u>		
	2,95,400		
Less : Drawings	<u>76,000</u> 2,19,400		
	<u>8,86,800</u>		<u>8,86,800</u>

You have examined the foregoing Draft of the Balance Sheet and have ascertained that the following adjustments are required to be carried out :

- Land and Buildings are shown at cost less Rs. 60,000 being the proceeds of the sale during the year of premises costing Rs. 70,000.
- Machinery having a net book value of Rs. 4,300 had been scrapped during the year. The original cost was Rs. 12,300.
- Rs. 2,000 paid for the Licence fees for the year ending 30th September, 2001 had been written off.
- Debts amounting to Rs. 10,420 were considered to be bad and further debts amounting to Rs. 5,400 were considered doubtful and required 100% provision. Provision for doubtful debts had previously been made for Rs. 10,000.
- An item in the Inventory was valued at Rs. 37,400, but had a realisable value of Rs. 26,000 only. Scrap Material having a value of Rs. 6,600 had been omitted from the stock valuation.
- The cashier had misappropriated Rs. 700.
- The cash-book for the year ending 31st March, 2001 included payments amounting to Rs. 6,924, the cheques having been made out, but not despatched to suppliers until April 2001.
- Interest is to be allowed on the Partners' opening Capital Account balances less drawings during the year at 9%.

You are required to prepare :

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- (a) Profit & Loss Adjustment Account for the year.
 (b) Capital Accounts of the Partners. (16 marks) (Intermediate–Nov. 2001)

Question 5

The following were the Balance Sheets of P Ltd. and V Ltd. as at 31st March, 2001 :

Liabilities	P Ltd.	V Ltd.
	(Rs. in lakhs)	(Rs. in lakhs)
Equity Share Capital (Fully paid shares of Rs. 10 each)	15,000	6,000
Securities Premium	3,000	—
Foreign Project Reserve	—	310
General Reserve	9,500	3,200
Profit and Loss Account	2,870	825
12% Debentures	—	1,000
Bills Payable	120	
Sundry Creditors	1,080	463
Sundry Provisions	1,830	702
	<u>33,400</u>	<u>12,500</u>
Assets	P Ltd.	V Ltd.
	(Rs. in lakhs)	(Rs. in lakhs)
Land and Buildings	6,000	—
Plant and Machinery	14,000	5,000
Furniture, Fixtures and Fittings	2,304	1,700
Stock	7,862	4,041
Debtors	2,120	1,020
Cash at Bank	1,114	609
Bills Receivable	—	80
Cost of Issue of Debentures	—	50
	<u>33,400</u>	<u>12,500</u>

All the bills receivable held by V Ltd. were P Ltd.'s acceptances.

On 1st April 2001, P Ltd. took over V Ltd in an amalgamation in the nature of merger. It was agreed that in discharge of consideration for the business P Ltd. would allot three fully paid equity shares of Rs. 10 each at par for every two shares held in V Ltd. It was also agreed that 12% debentures in V Ltd. would be converted into 13% debentures in P Ltd. of the same amount and denomination.

Expenses of amalgamation amounting to Rs. 1 lakh were borne by P Ltd.

You are required to :

- (i) Pass journal entries in the books of P Ltd. and
- (ii) Prepare P Ltd.'s Balance Sheet immediately after the merger.

(16 marks) (Intermediate–May 2001)

Question 6

The following is the Balance Sheet of Rocky Ltd. as at March 31, 2002:

Liabilities	Rs. in lacs
Fully paid equity shares of Rs. 10 each	500
Capital Reserve	6
12% Debentures	400
Debenture Interest Outstanding	48
Trade Creditors	165
Directors' Remuneration Outstanding	10
Other Outstanding Expenses	11
Provisions	33
	<u>1,173</u>
Assets	
Goodwill	15
Land and Building	184
Plant and Machinery	286
Furniture and Fixtures	41
Stock	142
Debtors	80
Cash at Bank	27
Discount on Issue of Debentures	8
Profits and Loss Account	390
	<u>1,173</u>

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The following scheme of internal reconstruction was framed, approved by the Court, all the concerned parties and implemented:

- (i) All the equity shares be converted into the same number of fully-paid equity shares of Rs. 2.50 each.
- (ii) Directors agree to forego their outstanding remuneration.
- (iii) The debentureholders also agree to forego outstanding interest in return of their 12% debentures being converted into 13% debentures.
- (iv) The existing shareholders agree to subscribe for cash, fully paid equity shares of Rs. 2.50 each for Rs. 125 lacs.
- (v) Trade creditors are given the option of either to accept fully-paid equity shares of Rs. 2.50 each for the amount due to them or to accept 80% of the amount due in cash. Creditors for Rs. 65 lacs accept equity shares whereas those for Rs. 100 lacs accept Rs. 80 lacs in cash in full settlement.
- (vi) The Assets are revalued as under :

	Rs. in lacs
Land and building	230
Plant and Machinery	220
Stock	120
Debtors	76

Pass Journal Entries for all the above mentioned transactions and draft the company's Balance Sheet immediately after the reconstruction. (20 marks) (Intermediate–May 2002)

Question 7

Explain the difference between direct and indirect methods of reporting cash flows from operating activities with reference to Accounting Standard 3, (AS 3) revised.

(6 marks) (Final Nov. 2001)