

- (e) Included in Fixed production overheads of Hardware division is a sum of Rs.50 lakhs being the cost of prototype computers manufactured by the company. These are not to be sold, but to be kept back for demonstrating the medical imaging software program.
- (f) The company manufactured 550 computers during the year. It has a policy of valuing finished stock of goods at a standard cost of Rs.1.8 lakhs per computer.
- Redraft the Profit and Loss Account for the year ended 31st March, 2000 with reference to relevant Accounting Standards issued by the institute. (15 Marks)
 - Compute the value of Closing Stock of Finished goods. (8 Marks)

Question 2

- (a) Chennai Limited and Kolkata Limited have agreed that Chennai Limited will take over the business of Kolkata Limited with effect from 31st December, 2001. It is agreed that: **(8 Marks)**
- 10,00,000 shareholders of Kolkata Limited will receive shares of Chennai Limited. The swap ratio is determined on the basis of 26 weeks average market prices of shares of both the companies. Average prices have been worked out Rs.50 and Rs.25 for the shares of Chennai Limited and Kolkata Limited respectively.
 - In addition to (i) above shareholders of Kolkata Limited will be paid cash based on the projected synergy that will arise on the absorption of the business of Kolkata Limited by Chennai Limited. 50% of the projected benefits will be paid to the shareholder of Kolkata Limited.

The following projection has been agreed upon by the management of both the companies.

Year	:	2002	2003	2004	2005	2006
Benefit (in Rs. lakhs)	:	50	75	90	100	105

The benefit is estimated to grow at the rate of 2% from 2007 onwards.

It has been further agreed that a discount rate of 20% should be used to calculate the cash that the holder of each share of Kolkata Limited will receive.

- Calculate the cash that holder of each share of Kolkata Limited will receive.
- Calculate the total purchase consideration.

[Discounting factor : Discounting rate 20% : 1 year .833, 2 year .694, 3 year .579, 4 year .482, 5 year .402, 6 year .335;

Discounting rate 18%; 1 year .847, 2 year .718, 3 year .609, 4 year .516, 5 year .437, 6 year .370;

Discounting rate 16% ; 1 year .862, 2 year .743, 3 year .641, 4 year .552, 5 year .476, 6 year .410].

- (b) (Alpha Limited and Beta Limited were amalgamated on and from 1st April, 2001. A new company Gamma Limited was formed to takeover the business of the existing companies. The Balance Sheets of Alpha Limited and Beta Limited as on 31st March, 2001 are given below: **(8 Marks)**

(Rs. in lakhs)

Liabilities	Alpha limited	Beta limited	Assets	Alpha limited	Beta limited
Share capital;			Fixed assets	1,200	1,000
Equity shares of Rs.100 each	1,000	800	Current Assets, Loans and Advances	880	565
15% Pref. shares of Rs.100 each	400	300			
Reserve & Surplus					
Revaluation reserve	100	80			
General reserve	200	150			
P/L A/c	80	60			
Secured loan:					
12% Debentures of Rs.100 each	96	80			
Current liabilities &	204	95			

Provisions

	2,080	1,565		2,080	1,565
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Other information :

- (1) 12% Debenture holders of Alpha Limited and Beta Limited are discharged by Gamma Limited by issuing adequate number of 16% Debentures of Rs.100 each to ensure that they continue to receive the same amount of interest.
- (2) Preference shareholders of Alpha Limited and Beta Limited have received same number of 15% Preference shares of Rs.100 each of Gamma Limited.
- (3) Gamma Limited has issued 1.5 equity shares for each equity share of Alpha Limited and 1 equity share for each equity share of Beta Limited. The face value of shares issued by Gamma Limited is Rs.100 each.

Required :

Prepare the Balance Sheet of Gamma Limited as on 1st April, 2001 after the amalgamation has been carried out using the 'pooling of interest method'.

Question 3

Following are the Balance Sheets of Mumbai Limited, Delhi Limited, Amristar Limited and Kanpur Limited as at 31st December, 2000:

(16 Marks)

Liabilities	Mumbai Ltd.,	Delhi Ltd.,	Amristar Ltd.,	Kanpur Ltd.,
Share capital (Rs.100 face value)	50,00,000	40,00,000	20,00,000	60,00,000
General reserve	20,00,000	4,00,000	2,50,000	10,00,000
P / L A/c	10,00,000	4,00,000	2,50,000	3,20,000
Sundry creditors	3,00,000	1,00,000	50,000	80,000
	83,00,000	49,00,000	25,50,000	74,00,000
Assets				
Investments :				
30,000 shares in Delhi Ltd.,	35,00,000	--	--	--
10,000 shares in Amristar Ltd.,	11,00,000	--	--	--
5,000 shares in Amristar Ltd.,	--	5,00,000	--	--
Shares in Kanpur Ltd., at Rs.120	36,00,000	18,00,000	6,00,000	--
Fixed assts	--	20,000	15,00,000	70,00,000
Current assets	1,00,000	6,00,000	4,50,000	4,00,000
	83,00,000	49,00,000	25,50,000	74,00,000

Balance in General Reserve Account and Profit and Loss Account, when shares were purchased in different companies were:

	Mumbai Ltd.,	Delhi Ltd.,	Amristar Ltd.,	Kanpur Ltd.,
General reserve account	10,00,000	2,00,000	1,00,000	6,00,000
Profit and Loss A/c	6,00,000	2,00,000	50,000	60,000

Required :

Prepare the consolidated Balance Sheet of the group as at 31st December, 2000 (Calculations may be rounded off to the nearest rupee).

Question 4

The Balance Sheet of RNR Limited as on 31.12.2000 is as follows:

Liabilities	Rs. in lakhs	Assets	Rs. in lakhs
1,00,000 equity shares of Rs.10 each fully paid	10	Goodwill	5
1,00,000 equity shares of Rs.6 each , paid up Fully	6	Fixed assets	15
Reserves and surplus	4	Other tangible assts	5
Liabilities	10	Intangible assets (market value)	3
		Mis. Exp. to the extent not written off	2
	<u>30</u>		<u>30</u>

Fixed assets are worth Rs.24 lakhs. Other Tangible assets are revalued at Rs.3 lakhs. The company is expected to settle the disputed bonus claim of Rs.1 lakh not provided for in the accounts. Goodwill appearing in the is purchased goodwill. It is considered reasonable to increase the value of goodwill by an amount equal to average of the book value and a valuation made at 3 years' purchase of average super – profit for the last 4 years.

After tax, profits and dividend rate were as follows:

Year	PAT (Rs. in lakhs)	Dividend %
1996	3.0	11
1997	3.5	12
1998	4.0	13
1999	4.1	14

Normal expectation in the industry to which the company belongs is 10%.

Akbar holds 20,000 equity shares of Rs.10 each fully paid and 10,000 equity shares of Rs.6 each, fully paid up. He wants to sell away his holdings.

- (i) Determine the break-up value and market value of both kinds of shares. **(6 Marks)**
(ii) What should be the fair value of shares, if controlling interest is being sold? **(10 Marks)**

Question 5

Ms.Jyothi of Star Oils Limited has collected the following information for the preparation of cash flow Statement for the year 2000: **(16Marks)**

	(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 assts sold	185
Depreciation charged to P/L A/c	20,000
Amortization of capital grant	6
Profit on sale of investments	100
Carrying amount of investment sold	27,765
Interest income on investments sold	2,506
Interest 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 Statement issued by the Institute of Chartered Accountants of India. (Make necessary assumptions).

Question 6

- (a) A new equipment was purchased by Sun Limited on 1st January, 1997 for Rs.2,00,000. The useful life of the machine was estimated at 10 years.

The cost of a similar new equipment as on 1st January, 2000 was Rs.4,00,000. On 31st December, 2000, it is available for Rs.5,00,000. Sun Limited has decided to prepare an inflation adjusted Balance Sheet that will form part of its Annual Report, using "Current cost Accounting" method. This is the first time that Sun Limited will present inflation adjusted Financial Statements.

Required :

- (i) Calculate the amount for depreciation adjustment, additional depreciation and backlog depreciation for the year 2000. **(6Marks)**
- (ii) Indicate, how depreciation adjustment, additional depreciation and backlog depreciation should be presented in Financial Statements. **(4Marks)**

- (b) Briefly indicate the items, which are included in the expression "borrowing cost" as explained in AS – 16. **(6Marks)**