Question No.1 is compulsory

Answer **any 5** questions from the **remaining 6** questions

1. (a) **Solution :**

Cost of Fixed Asset is calculated as follows: -

Particulars	₹
Purchase Price	5,278,000
Add:	
Sales Tax - 4% on 52,78,000	211,120
Site Preparation Cost	47,290
Technician Salary- ₹ 15,000 per month	30,000
Transportation Cost	18,590
Architect Fee	10,000
Total Cost of Asset	**5,595,000**

(b)

Solution:

1. The ICAI's Guidance Note on Accounting for depreciation in Companies provides that a company may adopt or follow different methods of depreciation, for different types of assets, provided the same methods are followed consistently every year as per the terms of Sec 205(2) companies act.
2. Selection of Method depends upon the following factors:
   a. The type of asset,
   b. Nature of its use, and
   c. Circumstances prevailing in the business.
3. Facts Given: Narmada Ltd, following WDV method to charge depreciation, acquired Kaveri Ltd. which is charging depreciation as per Straight line method. Directors decide to continue Straight line method for the unit acquired while following the WDV method for the existing unit. As per Guidance note company may adopt or follow different methods of depreciation, for different types of assets, provided the same methods are followed consistently every year. However, it is advisable to disclose this accounting Policy Separately in the Financial Statements
4. Charging Higher Rate of Depreciation
   a. Where statue has prescribed a certain rate of depreciation and management's assessment of usefull life is shorter than as advised by Statute, the company can adopt higher rate of depreciation.
   b. In the given case, the company can charge depreciation based on its estimate of the use full of plant, provided such estimate is not less than rate as prescribed by Companies act.

c. However such higher rates of depreciation or Reduced useful life of assets should be disclosed by way of notes to the accounts in the Financial statements.

(c) **Solution:**

1. If Sale price is recovered from the buyer we can consider the sale is complete.
   Given Facts: Sale price of Rs. 1,00,000 recovered from Buyer and Delivery is postponed at the request of Buyer
2. Hence: The seller should recognize the entire amount Of ₹ 1,00,000 as Income and no part of the same shall be treated as Advance receipt against Sales.

(d)

Solution:

If The following Conditions are complied with then the Accounting treatment to be followed by B Ltd is Polling of Interest method.

(i) All the assets and liabilities of the transferor company become, after amalgamation, the assets and liabilities of the transferee company.

(ii) Shareholders holding not less than 90% ofthe face value of the equity shares of the transferor company (other than the equity shares already held therein, immediately before the amalgamation, by the transferee company or its subsidiaries or their nominees) become equity shareholders of the transferee company by virtue of the amalgamation.

(iii) The consideration for the amalgamation receivable by those equity shareholders of the transferor company who agree to become equity shareholders of the transferee company is discharged by the transferee company wholly by the issue of equity shares in the transferee company, except that cash may be paid in respect of any fractional shares.

(iv) The business of the transferor company is intended to be carried on, after the amalgamation, by the transferee company.

(v) No adjustment is intended to be made to the book values of the assets and liabilities of the transferor company when they are incorporated in the financial statements of the transferee company except to ensure uniformity of accounting policies.

If the Above conditions are satisfied then the Accounting has to be done as per Purchase method.

2.

Solution:

Particulars	₹	Particulars	₹
To Plant & Machinery	46,500	By Land Buildings	200,000

To Provision for Bad Debts	2,000		
To Outstanding Repairs	1,500		
To Capital A/c			
Pathak	70,000		
Quereshi	50,000		
Ranjeet	30,000		
	200,000		**200,000**

Partners Capital a/c

Particulars	Pathak	Quereshi	Ranjeet	Swamy	Particulars	Pathak	Quereshi	Ranjeet	Swamy
To Good will	58,333		79,167	12,500	By Balance b/d	850,000	620,000	370,000	
To Pathak					By Good Will	35,000	100,000	15,000	
To Bank		422,500			By Bank (2:1:1)				50,000
To 12% Loan		422,500			By Patents				20,000
To Balance C/d	1,001,667		380,833	387,500	By Bank (Working Note)				330,000
					By General Reserve	105,000	75,000	45,000	
					By Revaluation a/c	70,000	50,000	30,000	
	1,060,000	**845,000**	**460,000**	**400,000**		**1,060,000**	**845,000**	**460,000**	**400,000**

Goodwill	300,000
Share of Quereshi's (5/15)	100,000

Calculation of Gaining Ratio	New Ratio	Old Ratio	Gaining Ratio

Pathak	2/4	7/15	1/30
Ranjeet	1/4	3/15	2/30
		Gaining Ratio	1:2

Cash Brought by Swamy	380,000
Share of Goodwill	50,000
(2,00,000 X 1/4)	
	330,000

3. (a).

Solution :

1. Statement of Affairs as on 31.03.2012

Equity & Liabilities	₹	Assets	₹
Mr. A's Capital (Balancing Figure)	**241,200**	Furniture	50,000
		Building	100,000
Loans	90,000	Stock	100,000
Sundry Creditors	50,000	Debtors	60,000
		Cash in Hand	11,200
		Cash at Bank	60,000
	381,200		**381,200**

2. Statement of Affairs as on 31.03.2013

Equity & Liabilities	₹	₹	Assets		₹
Mr. A's Capital (Balancing Figure)		440,700	Furniture	50,000	
Loans		70,000	Less: Depreciation	5,000	45,000
Sundry Creditors		80,000			
			Building	100,000	

		Less: Depreciation	2,500	97,500
		Stock		250,000
		Debtors		110,000
		Cash in Hand		13,200
		Cash at Bank		75,000
	590,700			**590,700**

Cash & Bank a/c

Particulars	₹	₹	Particulars	₹	₹
	Cash	**Bank**		**Cash**	**Bank**
To Bal b/d	11,200	60,000	By Drawings (Jewellery)		24,000
To Capital (Sale of Car)	40,000		By Drawings	38,000	
			By Bank Loan		20,000
To Capital (balancing Figure)		59,000	By Bal C/d	13,200	75,000
	51,200	**119,000**		**51,200**	**119,000**

Capital A/c

Particulars	₹	Particulars	₹
To Drawings		By Balance B/d	241,200
Cash	38,000	By Capital	
Bank	24,000	Cash	40,000
		Bank	59,000
To Balance c/d	440,700	Net Profit (Balancing Figure)	**162,500**
	502,700		**502,700**

P&L a/c

Particulars	₹	Particulars	₹
To Opening Stock	100,000	By Sales	50,000

To Purchases	30,000	By Closing Stock	250,000
To Depreciation			
Furniture	5,000		
Building	2,500		
	162,500		
	300,000		**300,000**

b.

Solution:

Cash Flow Statement:

Particulars	**₹**	**₹**
Operating Profit Before Depreciation		1,101,600
Less:		
Income Tax Paid	118,775	
Less: Income Tax Refund	(3,000)	(115,775)
Operating Profit Before Working Capital Changes		**985,825**
Changes in Working Capital		
Add: Decrease in Current Assets		
Prepaid Expenses	2,850	
Less: Increase in Current Assets		
Stock	(40,000)	
Debtors	(67,500)	
Add: Increase in Current Liabilities		
Creditors	63,790	(40,860)
Cash Generated From Operations		944,965
Add: Insurance Claim		100,000
Net Cash From Operating Activities		**1,044,965**

Provision for Tax

Particulars	**₹**	**Particulars**	**₹**
To Bank(Balancing Figure)	118,775	By Balance b/d	118,775
To Balance c/d	125,000	By Profit & Loss a/c	125,000
	243,775		**243,775**

4. Solution:

Rectified Receipts and Payments accounts

Receipts	₹	Payments	₹
To Balance b/d	9,000	By Investments	540,000
To Subscriptions	900,000	By Printing & Stationery	21,000
To Sale of Old Newspaper	36,000	By Telephone exp	45,000
To Entrance fees	68,000	By Repair	72,000
To Building Fund	1,800,000	By Sports materials	54,000
To Sales of Furniture	54,000	By Garden Upkeep	55,000
(90000-36000)		By Electricity Charges	36,000
			2,044,000
	2,867,000		**2,867,000**

Income & Expenditure Account for the Year ended 31st March 2013

Expenditure	₹	₹	Income	₹	₹
To Printing & Stationery	21,000		By Subscriptions		918,000
Add: O/s Printing Exp	2,500		By Sales of Old Newspapers		36,000
Less: O/S as opening	(1,500)	22,000	By Interest on Investments		27,000
To Telephone Exp		45,000	By Entrance Fees		34,000
To Sports Material Consumed		151,200			
Opening	133,200				
Add: Purchases	54,000				
Less: Closing Stock	(36,000)				
Repairs		72,000			
To Garden upkeep		55,000			
To Electricty Charges	36,000				

Add: O/S Expenses	3,200	39,200		
To Loss on Sale of Furniture		36,000		
To Depreciation		36,000		
		558,600		
		1,015,000		**1,015,000**

Balance Sheet as on 31st March 2013				
Equity & Liabilities	**₹**	**₹**	**Assets**	**₹**
Capital		1,111,300	Furniture	234,000
Opening Capital	518,700		Stock of Sports Material	36,000
Add: Surplus	558,600		Investments	540,000
Add: Entrance fees	34,000		Cash	2,044,000
Building Fund		1,800,000	Subscriptions O/S	54,000
Subscriptions Received in Advance		18,000	Int income accrued but not Received	27,000
O/S Printing & Stationery		2,500		
O/S Electricity Charges		3,200		
		2,935,000		**2,935,000**

Working Notes:

Balance Sheet as on 31st March 2012

Equity & Liabilities	**₹**	**Assets**	**₹**
Capital (Balancing Figure)	518,700	Furniture	360,000
Subscriptions Received in Advance	18,000	Stock of Sports Material	133,200
O/S Printing & Stationery	1,500		
		Cash	9,000
		Subscriptions O/S	36,000

538,200	**538,200**

Subscription Account

Particulars	₹	Particulars	₹
To Balance b/d	36,000	By Balance b/d	18,000
To Income & Expenditure	918,000	By Receipts & Payments	900,000
To Balance c/d	18,000	By Balance c/d	54,000
	972,000		**972,000**

Furniture Account

Particulars	₹	Particulars	₹
To Balance B/d	360,000	By Bank	54,000
		By Loss on Sale of Assets	36,000
		By Depreciation	36,000
		By Balance c/d	234,000
	360,000		**360,000**

5. Solution:

Balance Sheet of Bose & Sen Ltd as 31st March 2013

	Particulars as 31st March		
I	**Equity & Liabilities**		
(1)	**Shareholder's Funds**		
	a. Share Capital	B-1	11,193,000
	b. Reserves & Surplus	B-2	2,156,000
	c. Money Received against Share warrants		
(2)	Share Application money pending allotment		
(3)	Non-Current Liabilities		
	a. Long Term Borrowings	B-3	847,000
	b. DTL (net)		
	c. Other Long Term Liabilities		
	d. Long Term Provisions		
(4)	Current Liabilities		
	a. Short Term Borrowings	B-4	1,050,000
	b. Trade Payables		1,400,000

	c. Other Current Liabilities		
	d. Short Term Provisions	B-5	816,900
	TOTAL		17,462,900
II	**ASSETS**		
(1)	Non-Current Assets		
	a. Fixed Assets		
	i. Tangible Assets	B-6	11,675,000
	ii. Intangible Assets		400,000
	iii. Capital WIP		
	iv. Intangible Assets under Development		
	b. Non-Current Investments		
	c. DTA (net)		
	d.Long Term Loans & Advances		298,900
	e. Other Non- Current Assets		
(2)	Current Assets		
	a. Current Investments		
	b. Inventory	B-7	1,750,000
	c. Trade Receivables	B-8	1,400,000
	d. Cash & Cash Equivalents	B-9	1,939,000
	e. Short Term Loans & Advances		
	f. Other Current Assets		
	TOTAL		17,462,900

Schedule B-1: Share Capital	
Particulars	**Amount**
Authorised:	
Issued, Subscribed & Paidup: 7,00,000 Equity Shares of Rs 10 Each	7,000,000
Add: Shares issued for Non-Cash Consideration	4,200,000
Less: Call In arrears	(7,000)
	11,193,000

Schedule B-2: Reserves & Surplus	
Particulars	**Amount**
General Reserve	1,549,100
Retained Earnings	606,900
	2,156,000

Particulars		Amount
Profit & Loss	(before Proposed Dividend)	1,120,000
Less:	Preliminary Expenses	93,100
Proposed Dividend		(420,000)
		606,900

Schedule B-3: Long Term Borrowings	
Particulars	**Amount**
Unsecured Loans	200,000
Related Parties	100,000
Other Loans & Advances	547,000
	847,000

Schedule B-4: Short Term Borrowings	
Particulars	**Amount**
Loan from State Finance Corporation	
Hypothecation of Plant & Machinery	1,050,000
	1,050,000

Schedule B-5: Short Term Provisions	
Particulars	**Amount**
Provision for Taxation	325,500
Proposed Dividend	420,000
Provision for Dividend Distribution Tax	71,400
	816,900

Schedule B-6:		Tangible Fixed Assets	
Particulars	**Cost**	**Depreciation**	**Net Block**
Land	1,400,000	-	1,400,000
Land (acquired by issue of Shares)	4200000	-	4,200,000
Buildings	2,800,000	750,000	2,050,000
Plant & Machinery	4,900,000	1,225,000	3,675,000
Furniture & Fixture	437,500	87,500	350,000
	13,737,500	2,062,500	11,675,000

Schedule B-7:	Inventory
Particulars	**Amount**
Finshed Goods	1,400,000
Raw Materials	350,000
	1,750,000

Schedule B-8:	Debtors
Particulars	**Amount**
Debts O/S for more than 6 Months	380,000
Other Debts (Balancing Figure)	1,020,000
	1,400,000

Schedule B-9:	Cash & Cash equivalent
Particulars	**Amount**
Cash	210,000
Balances with bank	1,729,000
	1,939,000

Disclosure		
Issue of Equity Shares for a consideration other than Cash		
Particulars	**No of Shares**	**Amount**
Equity Shares issued as Consideration of acquiring Fixed assets	4,20,000 Equity Shares of Rs 10 each.	4,200,000

6. **Solution:**
    1. Period of Indemnity = 3 months (15.09.2012 to 15.12.2012)
    2. Computation of Sales & GP Rate

Computation Of Sales	
1st Jan to 31st Mar	205,950
1st Apr to 30th Jun	193,000
1st Jul to 30 Sep	231,000
1st Oct to 31st Dec	190,000
	819,950

Computation of GP Rate

$$\text{GP Rate for Claim} = \frac{\text{Net Profit + Interest Standing Charges}}{\text{Sales}}$$

$$= \frac{1,20,000 + 43990}{8,19,950}$$

$= 20\%$

3. Computation of Turnover for 12 months preceding date of fire(16.09.2011-15.09.2012)

Particulars	Rs.
16.09.2011 to 30.09.2011	34,000
1.10.2011 to 31.12.2011	190,000
1.01.2012 to 31.03.2012	162,000
1.04.2012 to 30.06.2012	221,000
1.07.2012 to 15.09.2012	175,000
Turnover for 12 months preceding the date of fire	**782,000**

Calculation of Trend increase in Sales			
	2009	2010	2011
1st Jan to 31st Mar	180,000	170,000	205,950
1st Apr to 30th Jun	128,000	186,000	193,000
1st Jul to 30 Sep	153,000	210,000	231,000
1st Oct to 31st Dec	159,000	147,000	190,000
	620,000	**713,000**	**819,950**

$$\text{Percentage Increase in Sales} = \frac{7,13,000-6,20,000}{6,20,000}$$

$= 15\%$

$$=\frac{8,19,950 - 7,13,000}{7,13,000}$$

$= 15\%$

Computation of Insurable amount

Particulars	Rs.
Annual Turnover , 12 months preceding the date of fire	782,000
Add: Adjust for Increase in Turnover (% of Rs. 7,82,000)	117,300

Adjusted Annual Turnover	899,300
GP on Adjusted Annual Turnover at 20% on Rs. 8,99,300 = Insurable Amount	**179,860**

4. Computation of Short Sales

Computation of Short Sales

Particulars	Amount
Standard turnover from 16.09.2011 to 15.12.2011 Add: Adjustment for Increase in Turnover (Rs. 1,64,000 x 15%)	164,000 24,600
Adjusted / Expected Turnover during Indemnity period	**188,600**

Less: Actual Turnover during Indemnity Period i.e 15.09.2012 to 15.12.2012 From 16.09.2012 to 30.09.2012 From 1.10.2012 to 31.12.2012 Less: Sales from 16.12.2012 to 31.12.2012	 - 148,000 (20,000)
	(128,000)
Short Sales	**60,600**

Computation of Standard Turnover

Particulars	Amount
Sales from 16.09.2011 to 30.09.2011	34,000
Add: Sales from 1.10.2011 to 31.12.2011	190,000
Less: Sales from 16.12.2011 to 31.12.2011	(60,000)
Standard turnover from 16.09.2011 to 15.12.2011	**164,000**

5. Computation of Claim

Particulars	Amount
Net Claim for loss of Profit = Gross Profit on Short Sales = 20% on Rs. 60,600	12,120
Admissible claim = Net Claim X Policy amount / Insurable Amount 12,120 X 1,00,000 / 1,79,860	6,739

7.

a.

Solution:

1. Basic Computations

Particulars	Computation		₹
Cost of Shares purchased on 01-05-2012 Sales Proceeds of shares sold on 31.11.2012	(800 X 50) + (800 X 50) X 5% + 0.2% (800 X 50) 200 X 60-5% X (200 X 60)		42080 11,400
Profit on Sale of Bonus Shares	Sale Proceeds Less: Average Cost : 42,080 X 2000/10000	11,400 (8,416)	2,984
Valuation of Equity shares	Cost: 42,080 X 8000/10000 Market Value	33,664 48,000	Least of the two

Investment (Equity Shares of Filco Ltd)

Date	Particulars	NV	Cost	Date	Particulars	NV	Cost
01-05-2012	To Bank	8,000	42,080	31-11-2012	By Bank	2,000	11,400
31-10-2012	To Bonus shares	2,000	-		by Balance C/d	8,000	33,664
31-11-2012	To P&L		2,984				
	Total	**10,000**	**45,064**		**Total**	**10,000**	**45,064**

b.

Solution

S.no	Particulars	Dr	Cr
i.	Equity Share Capital	2,000,000	
	To Stock		100,000
	To 12% Fully Convertible Debentures		100,000
	(Being 2 Lakh fully Paidup equity shares Converted in Stock of Rs. 1,00,000 and 12% Fully Convertible of Rs. 1,00,000)		
ii.	Equity Share Capital (Old)	10,000,000	
	To Equity Share Capital New		10,000,000

	(Being 40 Lakhs equity shares of Rs. 2.5 each consolidated into 10 Lakhs shares of Rs. 10 Each)		
iii.	Preference Share Capital (Old) To Preference Share Capital New (Being 10 Lakhs Preference shares of Rs. 50 each consolidated into 50 Lakhs shares of Rs. 10 Each)	50,000,000	 50,000,000
iv.	12% Preference Share Capital To 14% Preference Shares 12% Non- Cumulative Preference Shares (Being 12% Preference shares converted into 14% Preference shares and Rs. 2,00,000 Non Cumulative preference shares)	500,000	 300,000 200,000

7. c

Current Account of Roshan as on 30th September

Date	Particulars	₹	Date	Particulars	₹
1-Jul-12	To Balace B/d	75,000	14-Jul-12	To Bank	138,000
29-Jul-12	To Bank (Drawings)	97,000	18-Aug-12	To Bank	22,000
9-Sep-12	To Bank (Drawings)	11,000	30-Sep-12	Interest on Capital	3,200
30-Sep-12	Interest on Drawings	2,517	30-Sep-12	By Balance C/d	24,192
30-Sep-12	Interest on Capital (Dr) (3 months interest @ 10% on Dr balance)	1,875			
		187,392			187,392

Calculation of Interest on Drawings

Date	**Amount**	**Months**	**Interest Rate**	
29-Jul-12	97,000	3	10%	2,425
9-Sep-12	11,000	1	10%	92
				2,517

Calculation of Interest on Capital

Particulars	**Amount**	**Interest Rate**	**Months**	**Interest**
Debit Balance	75,000	10%	3	7,500

14-Jul-12	138,000	Invested for 3 Months	138,000
18-Aug-12	22,000	Invested for 2 Months	320,000
			458,000
		Interest @ 8% p.a	36,640
		Interest for 1 month	**3,053**

7. d

Computation of Products for Thick Payments (Base date 9th Jul)

Due Date	**No of Days from Base Date**	**₹**	**Product**
9-Jul-13	0	7,200	-
14-Aug-13	36	12,200	439,200
Total		**19,400**	**439,200**

Computation of Products for Thin Payments (Base date 9th Jul)

Due Date	**No of Days from Base Date**	**₹**	**Product**
15-Jul-13	6	18,000	108,000
31-Aug-13	53	16,500	874,500
Total		**34,500**	**982,500**

Average Due Date = $\frac{\text{Base Date +/- Difference in Products}}{\text{Difference in Amounts}}$

$\frac{\text{9th Jul + 4,39,200 - 9,82,500}}{\text{19,400 - 34,500}}$

'9th Jul 2013 + 36 Days

14-Aug-13

on 14th Aug Thin has to make payment of Rs. 15,100 to Thick