

after the controller our liability will be merged in the BIS of P Ltd.

asset of BU of P Ltd.

debt & liabilities $\rightarrow$

shareholder fund

equity share capital

Rs. 85. (current balance)

341250

Non current & current Liab.

gross obligation of Lab.

500

Art. to Sec. 1(b)

As per AS-25 Income Statement Report
Company should prepare it before 31st
each quarter i.e. April to June, July to
Sep, Oct to Dec, Jan to March.
In each quarter we should include
all specific items for each quarter
and any company item will be by fixed
period in each quarter.
As per AS-22 Different tax / liabilities. Company
should treat diff. tax / liability
in the full quarter it self.

Statement Showing Income Tax to be recognised in each quarter. 2013-14

Particulars.	Quarter.			
	I	II	III	IV
Reporting of Income.	700	300		
III Quarter $\left(\frac{800 + 100}{2} - 100 \right)$			350	
IV Quarter $\left(\frac{800 + 100}{2} \right)$				450
Less: Set off of loss (700)	-	-	-	-
Net taxable income of each quarter.	<u>Nil</u>	<u>300</u>	<u>350</u>	<u>450</u>
Tax @ 30%.	-	90	105	135
(+) surcharge @ 10%	-	9	10.5	13.50
Net tax payable -		<u>99</u>	<u>115.50</u>	<u>148.50</u>

Ans. to Q No. 1(c).

As per AS - 9 Revenue Recognition it is clearly intimated that company ~~has~~ should recognize the revenue only if it was earned or accrued.

In the present case B Ltd. entered into an Agreement on 1-8-2013 which for Rs. 1200 It was completed on 15-3-2013 so it can be recognized in the FY. 2012-13 but next agreement for deed in Sep. 15-2013 will take place in the next year there is no transaction ~~tax~~ takes place & there for it in FY. 2012-13 it is not recognized

But as per AS-1 Disclosure of Accounting policy ~~it~~ for this agreement can be disclosed in the books company books if B Ltd. Buyer & seller. Only for information.

← in the book if it is provided any materially effect then it can be shown as foot note disclosure.

As per Revised Schedule II of Company Act. Note to Account should be prepared as this transaction is not takes place till 31-3-2013.

Ans. to Q No. 1(d)

As per AS-19 Accounting for lease, whenever asset given on lease it may have to two types.

- ① operating lease
- ② financial lease

If any of following condition are satisfied it will consider financial lease.

- ① The pr. of lease rent of full life is equal to the cost of assets.
- ② If a lessee have option to buy the assets at the end of lease term
- ③ If assets can be use by only lessee
- ④ If most of life of assets is used by lessee only.
- ⑤ as per lease agreement asset will be transfer to a lessee at the end of lease term. etc.

In the present case they had given asset on lease but they sold out some of assets it means these are financial lease. It not mean that the business was change its objective, and there is also not use of any objective for the removal of financial

in the given case dot y 12/19/2019
 Asset Asset has sold out 12/19/2019
 it is another financial issue
 and the balance of ASSETS (1000) = 2
 will be treated as ASSET also
 then it will be valued as per AS 10
 but it can be treated like stock
 ALSO then it will be valued
 as per AS 2 valuation of Inventory

Ans. to Q 10.2

STEP I - calculation of Net Assets taken over & intrinsic value of share

	Summary	Money Hd.
	Rs	Rs
Goodwill		
Machines & Plant	(1011 + 15.5) 86,500	19,50,000
Other fixed Assets	" 103,500	15,00,000
Inventory	18,50,000	35,000
Debtors	1,00,500	15,000
Prepaid expenses	24,500	2,000
Bank a/c	(42,000)	(11,000)
Net Assets	95,80,000	25,10,000
÷ No. of shares	80,000	2,000
Intrinsic value per share	<u>11.975</u>	<u>12.55</u>

Bank A/c

Particulars	Summary	Money	Particulars	Summary	Money
to Balance B/D	17,80,000	25,000	By Dividend Paid	80,000	-
			By Trade Payable	45,000	2,000
			to provision	9,000	12,000
to Bal. c/d	<u>(42,000)</u>	<u>(11,000)</u>			
	22,00,000	36,000		22,00,000	36,000

Note - provisions is consider Liab. in exp. which

STEP II calculation of P.C. (Purchase Consideration)

Sorry 1st money 71

I.V. per share 11.975 12.55

(+) Increase value

value per share for Assenting Share holder.

5 3
16.975 15.55

I.V. per share

11.975 12.55

(+) Increase value

I.V. per share for dissenting Share holder.

10.00 11.12
21.975 N.A.

valuing P.C.

Assenting shareholder

$(80000 - 100) (20000 - 0)$
 $= 79900 20000$
16.975 15.55

value per share

value of Assenting Shareholder 1356302.50 3/1000

value of Dissenting Shareholder (100 x 21.975)
in cash 2197.50

Total P.C.

1358500 31/1000

STEP III Difference between Step I & II.

Step II. P.C.	1358500	311000
(-) Step I.	958000	251000

Goodwill. 400500 60000

Total. Goodwill. 460500
Adj. for Stock Reserve 5000
- Total goodwill 465500

Note ① Dissenting Share holder will
discharge in cash.

② Liabilities have to paid & settle.
by balance sheet with Bank balance
we have to first settle / paid liabilities.

③ Statutory fund of company is refuse
to maintain for a period of 3 years
that by it with year that we have to
open Amalgamation Adj. A/c as it is
the Nature of purchase method.

Balance sheet of Z Ltd.
After amalgamation as on 1-4-2013
As per Revised Schedule VI.

Particular.	Amount	Amount
Equity & Liabilities →		
Shareholder fund.		
Share Capital		16,67,300
Reserve & surplus		24,000
Non current liabilities		
Current liabilities		
Bank (42,000 + 11,000 + 200)		55,200
		<u>17,46,500</u>

Assets →

Non Current Assets.

Fixed Assets.

Tangible

(58,65,000 + 10,35,000 + (9,50,000 + 1,00,000))

Intangible (Sch II)

Investment Amalgamation A/c. A/c.

Current Assets.

Inventory (18,50,000 + 3,50,000 - 50,000)

Debtors (10,95,000 + 1,50,000)

Prepaid Expenses (24,50,000 + 20,000)

90,00,000

4,65,500

24,000

21,50,000

11,55,000

26,500

17,46,500

Note - calculation of share capital

Authorized share capital 25000 shares @ 10/- = 250000

Issue share for attending
share holder of both company
(79900 + 20000) X 10
Sunny Ltd.
Money Ltd.

999000
1356300
31000
1667300

Calculation of Reserve Surplus

Security Premium:

$$79900 \times (16.975 - 10) \\ 20000 \times (15.5 - 10)$$

Note ① fraction part will be paid in cash
with dissenting share holder.

ie. dissenting shareholder value 2197.50
(+) fraction share. $(1356302.5 - 1358500) = 2.50$

Total cash payment to share 2200

② Share of 2 Ltd. issued at par.

Ans. to Q No. 4

Debt acquisition - 1-4-2012

$$\frac{9000}{18000} \times 100 = 50\%$$

Debt II acquisition - 1-8-2012

$$\left(\frac{4950}{18000} \right) \times 100 = 27.5\%$$

cat I to $\rightarrow$ cat I to
77.5%

Step I - Analysing Net worth of Cat I to
as on 31-3-2012

pre	post
Share capital	
The Hardy Bros. 225000	-
P&L A/c 20000	144000
<u>245000</u>	<u>144000</u>
$\rightarrow$ 389000	$\leftarrow$

Holdy 77.5%
301475

M + 225)
87525

pre 77.5%
189875

post 77.5%
111600

wa.

analysis of P&L of RAT Ltd.

Profit. given - 26000
(-) Self-declared error. (96000)
Net P&L Balance 164000

Balance as on 1-4-2012 $(190000 - 96000) + 48000$
= 142000 (C.Y. Profit)

$(164000 - 142000)$
= 22000
C.Y. Profit - 142000

+11-1-8-2012 (40000) Further 1-8-2012
48000

(-) (oss. AdP. (48000)

Net Profit 20000

142000

analysis of new prof. share
of RAT Ltd.

Net Profit 2025000
given

Profit

given

2025000 $\rightarrow$ 2025000 $\leftarrow$ 2025000

2000000
Net

25000

Step II: calculating

(a) cost of control.

cost of acquisition -

$$\text{as on } 1-4-2012 (9000 \times 13) = 117000$$

$$1-8-2012 (4950 \times 15) = 74250$$

$$\underline{191250}$$

(b) Pre acquisition dividend.

Pre Bonus Share divd = (225000×4)

$$= (180000 \times 12\% \times 77.5\%) \quad (16,740)$$

Net cost of acquisition. 174,510

Less Pre acquisition share in AT Ltd.

$$\text{as per step I} \quad 189875$$

$$- \text{! Capital Reserve (4)} \quad \underline{15,365}$$

cost of acquisition of preference. 216,000

$$(-) \text{ Pre acquisition share in AT Ltd. } 200000$$

-! Goodwill

$$\underline{160000}$$

-! Net goodwill.

$$\underline{144,635}$$

(b) consolidated P&L of DAT Ltd.

P&L Balance as per B/S. 29,10,000

(+) working W. exps. of DAT Ltd. 9,6000

(+) post share in DAT Ltd (share) 1,11,600

(+)(-) pre acquisition dividend received (6,740)

(-) pre dated dividend @ 10% (24,000)

Net P&L

28,69,860

(c) minority Interest (M.I.)

M.I. in equity shareholder 82,525

M.I. in pref. shareholder 2,5000

→ total

1,12,525

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(Consolidated BIS of CAT Ltd & Its
Sub. CAT Ltd. as on 31-8-2013)

Particulars	Note to A/c	Amount
Equity & Liabilities		
Shareholder Fund.		
Equity Share Capital	1	24,00,000
Reserves & Surplus	1	28,60,860
Proposed Dividend	1	24,00,000
Minority Interest		1,12,525
Non current Liabilities		
12% secured Debentures		6,50,000
Current Liabilities		
Creditors (10,90,000 + 4,50,000)		15,40,000
		<u>78,03,785</u>
Assets		
Non current Assets		
Fixed Assets		
Tangible	2	56,11,650
Intangible Sd. II (9)		1,44,635
Current Assets		
(18,75,000 + 18,60,000)		20,47,500
		<u>78,03,785</u>

Note to A/r

① Reserve surplus - Std. II (b)	2860860
(+) Retained Dividend	240000
	<u>3100860</u>

② Tangible Assets

(AT) 1st	3861600
(+) PAT 1st	1750000
- cum	<u>5611600</u>

Note - ① As per Co. Act 1956 before providing equity dividend first we have to settle pref. dividend but in this question they specified that pref. dividend is settled till 31-3-2011 only and they provide equity dividend that by we had to ignore pref. div.

② The error of providing exl. we have to Adjt. in both books before starting consolidation program.

③ Loss due to fire in the pre acquisition.

Ans to Q No. 5

Step I - calculation of Avg. Actual Normal Profit

	Years			
Particular	2009-10	2010-11	2011-12	2012-13
Profit before interest & tax given	490000	525000	380000	550000
Add - Losses incurred by family				
Less - Dividend			120000	
Less - Depreciation on above	-	-	(18000)	(15300)
Add - Abnormal loss on sale of Assets.	-	-	-	15000
Add - Abnormal exps. partly due to not comply with the environment pollution	-	25000	-	-
Less - Income on non trade inv.	-	-	-	-
(50000 + 60% x 8%)	-	-	-	(24000)
Add - Excess managerial remuneration paid Company	-	20000	20000	20000
<u>Avg. operating normal profit</u>	<u>510000</u>	<u>570000</u>	<u>507000</u>	<u>545700</u>

Avg. profit = 533175
Step II - future normal profit (if any) -

Avg. profit before interest & tax = 533175
 (-) Interest on second loan
 (495000 + 300000) x 12%
 ∴ PBT. (95400)
437775

Std. III

capitl employed,

Furniture After Depreciation (12000 - 1800 - 15300)	86700
Investment only trust, (50000 X 40% X 85%)	170000
Land & Building	55000
Plant & Machine	10000
vehicles	23000
Debtors	80000
Inventory	425000
Call & Bank Balance	35000
Prepaid Exps.	45000
Total Assets. (A)	2141700

Less- Liabilities =>

Secured Loan, I (75000 X 60% X 55) II (75000 X 40%)	495000
Sound Creditors	300000
Provision for Exps.	250000
	150000

Total Liability (B) 1195000

∴ capitl employed. (A - B)

946700

Step IV - Normal / Nominal profit.

15% p.a. on capitl employed.

$$= 946700 \times 15\% = 142005$$

Step V - Super Profit.

Step II Imp

(-) Step IV - Normal profit

306442

142005

Step VI - No. of purchasing years.
4 years. given

Step VII - Goodwill.

$$\begin{aligned} & \text{Super profit} \times \text{No. of purchasing years} \\ & \text{Step II} \times \text{Step VI} \\ & 164433 \times 4 \\ & = 657748 \end{aligned}$$

Goodwill : 657748

Assumptions & Note $\Rightarrow$

- ① we had used capital employed with the calculated Normal profit because question had mention, Normal profit will be on capital employed.
- ② Goodwill is not including in capital employed for the purpose of valuation of goodwill whether it is purchased or self generated.
- ③ other than Revalued Assets All Asset & Liab are taken at book value.
- ④ As per AS-11 the Liabilities should be recognised at closing rate of exchange cost last.

Ans. to Q No. 6(a).

II Statement showing value added statement for the year 2012-13.

Particulars	Am't	Am't
Sales		17,250
Less- (Cost of Bought in material, services & expenses - uae.1)		(9,450)
Value Added.		<u>7,800</u>

Applied Towards.

employee costs (uae.2) 3,308

Director remuneration (uae.4) 60

Government for tax etc (uae.5) 1,190

providers of capital (uae.6) 880

Maintenance & expansion (uae.7) 2,362

Total 7,800

Wno 1 - calculation of cost of Bought in material, Services expenses.

material & services consumed	6400
production exrs.	1600
Administrative expenses	700
Advertisement & sales promotion	600
Selling exrs	150

Total 9450

Wno 2 - calculation of employee cost.

wages	1200
Production Salaries	400
Administrative Salaries	600
Salaries to sales team	125

2325

Add- Inter Incentive Payable (Wno. 3) 983

3308

Ques 3 - calculating amount of incentive
 Ans: I: payable to the employees.

value added 7800
 (-) employee cost before incentive (Ans) (2325)

(contribution 5475
 (-) target contribution 3510

(higher of the part year)
 excess of actual contribution
 over target sh. 1965

50% of above is incentive. 983

Ques 4 - Director remuneration:
 Director remuneration 60

Ques 5 - Government for tax etc.

Taxes. 1190

Ques 6 - providers of capital:

Interest on debentures 80
 Dividend received 800

880

Ques 7 - maintenance & expansion:

Depreciation on machinery 1000
 Administration depreciation 350
 Sales Dept. depreciation 120
 Retain profit (1875 - 983) 892

2262

Ans. to Q No. 6(b)

Note - here we have to follow whole organisation as a Brand method because Distribution of Income is not given.

Step-1 Statement Showing Avg. Profit

Particular	Year-I	Year 2	Year 3
Earning before Interest & tax (EBIT) from sales product.	5100	7500	9900
Other Income - Royalty for the partial usage of ZED Brand.	90	135	225
Total Income	5190	7635	10125
Less - Interest (Approximate) (9000 x 16%) (1620) (10800 x 15%) (1620) (13200 x 17%) (2245)	1620	1620	2245
product before tax	3,750	6,015	7830
(-) Tax @ 33.33%.	1250	2005	2610
Profit After Tax	2500	4010	5220

∴ Avg. profit = 3910