

Roll No....61.660.....

Total No. of Questions—6]

[Total No. of Printed Pages—8

Time Allowed—3 Hours

Maximum Marks—100

**ET**

Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi medium. If a candidate who has not opted for Hindi medium, answers in Hindi, his answers in Hindi will not be valued.

Answer **all** questions.

Wherever applicable appropriate, suitable assumptions should be made by the candidate.

Working notes should form part of the answer.

Marks

- 1: A, B and C are partners of the firm ABC & Co., sharing profits and losses in the ratio of 5 : 3 : 2. 20

Following is the Balance Sheet of the firm as at 31.3.2008 :

**Balance Sheet as at 31.3.2008**

| Liabilities                    | Rs.              | Assets                                | Rs.              |
|--------------------------------|------------------|---------------------------------------|------------------|
| Partners Capital A/cs :        |                  | Goodwill                              | 1,00,000         |
| A                              | 4,50,000         | Building                              | 10,50,000        |
| B                              | 1,30,000         | Machinery                             | 6,50,000         |
| C                              | 1,70,000         | Furniture                             | 2,15,000         |
| Investment fluctuation reserve | 1,00,000         | Investments (Market value Rs. 75,000) | 60,000           |
| Contingency reserve            | 75,000           | Stock                                 | 6,50,000         |
| Long-term loan                 | 15,00,000        | Sundry debtors                        | 6,95,000         |
| Bank overdraft                 | 2,20,000         | Advertisement suspense                | 25,000           |
| Sundry creditors               | 8,00,000         |                                       |                  |
|                                | <u>34,45,000</u> |                                       | <u>34,45,000</u> |

**ET**

P. T. O.

28/12/2008

(d)

It was decided that B would retire from the partnership on 1.4.2008 and D would be admitted as a partner on the same date. Following adjustments are agreed amongst the partners for the retirement/admission :

- (i) Goodwill is to be valued at Rs. 5,00,000, but the same will not appear as an Asset in the books of the firm.
- (ii) Building and Machinery are to be revalued at Rs. 10,00,000 and Rs. 5,20,000 respectively.
- (iii) Investments are to be taken over by B at the market value.
- (iv) Provision for doubtful debts to be maintained at 20% on sundry debtors.
- (v) The Capital of the reconstituted firm will be Rs. 10,00,000 to be contributed by the partners A, C and D in their new Profit Sharing ratio of 2 : 2 : 1.
- (vi) Surplus funds if any will be used to pay the bank overdraft.
- (vii) Amount due to retiring partner B will be transferred to his loan account.

Prepare :

(c)

- (i) Revaluation Account;
- (ii) Capital Accounts of the partners; and
- (iii) Balance Sheet of the firm after reconstitution.

(f)

Following are the summarised Balance Sheets of A Ltd. and B Ltd. as at 31.3.2008 :

| Particulars                                           | A Ltd.    | B Ltd.    |
|-------------------------------------------------------|-----------|-----------|
| Share Capital : Equity shares 10 each (fully paid up) | 10,00,000 | 6,00,000  |
| Share premium                                         | 2,00,000  | —         |
| General reserve                                       | 3,00,000  | 2,50,000  |
| Profit and Loss account                               | 1,80,000  | 1,60,000  |
| 10% debentures                                        | 5,00,000  | —         |
| Secured loan                                          | —         | 3,00,000  |
| Sundry creditors                                      | 2,60,000  | 1,70,000  |
|                                                       | 24,40,000 | 14,80,000 |
| Land and Building                                     | 9,00,000  | 4,50,000  |
| Plant and Machinery                                   | 5,00,000  | 3,80,000  |
| Investment (5,000 shares of B Ltd.)                   | 80,000    | —         |
| Stock                                                 | 5,20,000  | 3,50,000  |
| Debtors                                               | 4,10,000  | 2,60,000  |
| Cash at bank                                          | 30,000    | 40,000    |
|                                                       | 24,40,000 | 14,80,000 |

The companies agree on a scheme of amalgamation on the following terms :

- (i) A new company is to be formed by name AB Ltd.
- (ii) AB Ltd. to take over all the assets and liabilities of the existing companies.
- (iii) For the purpose of amalgamation, the shares of the existing companies are to be valued as under :

A Ltd. = Rs. 18 per share

B Ltd. = Rs. 20 per share

- (iv) A contingent liability of A Ltd. of Rs. 60,000 is to be treated as actual existing liability.
- (v) The shareholders of A Ltd. and B Ltd. are to be paid by issuing sufficient number of shares of AB Ltd. at a premium of Rs. 6 per share.
- (vi) The face value of shares of AB Ltd. are to be of Rs. 10 each.

You are required to :

- (i) Calculate the purchase consideration (i.e. number of shares to be issued to A Ltd. and B Ltd.).
  - (ii) Pass journal entries in the books of A Ltd. for the transfer of assets and liabilities.
  - (iii) Pass journal entries in the books of AB Ltd. for acquisition of A Ltd. and B Ltd.
  - (iv) Prepare the Balance Sheet of AB Ltd.
3. (a) On 11.11.2007 the premises of Rocky Ltd. was destroyed by fire. The following information is made available :

|                                      | Rs.      |
|--------------------------------------|----------|
| Stock as on 1.4.2006                 | 3,75,000 |
| Purchases from 1.4.2006 to 31.3.2007 | 5,20,000 |
| Sales from 1.4.2006 to 31.3.2007     | 8,55,000 |
| Stock as on 31.3.2007                | 2,00,000 |
| Purchase from 1.4.2007 to 11.11.2007 | 3,41,000 |
| Sales from 1.4.2007 to 11.11.2007    | 4,35,500 |

(d)

In valuing the stock on 31.3.2007, due to damage 50% of the value of the stock which originally cost Rs. 22,000 was written off.

In June, 2007 about 50% of this stock was sold for Rs. 5,500 and the balance of obsolete stock is expected to realise the same price (i.e. 50% of the original cost).

The gross profit ratio is to be assumed as uniform in respect of other sales. Stock salvaged from fire amounts to Rs. 11,500.

Compute the value of stock lost in fire.

(b) From the following prepare General Ledger Adjustment account in Debtors Ledger and Debtors Ledger adjustment in General Ledger :

|                                               | Rs.      |
|-----------------------------------------------|----------|
| Balance as on 1.4.2008                        |          |
| Debit balances in Debtors Ledger              | 2,46,200 |
| Credit balances in Debtors Ledger             | 3,400    |
| Transactions during the month of April, 2008  |          |
| Credit sales                                  | 9,74,900 |
| Sales return                                  | 21,700   |
| Cash received from debtors                    | 8,62,100 |
| Discount allowed to debtors                   | 39,200   |
| Bills receivable received from debtors        | 51,200   |
| Bills receivable dishonoured                  | 3,500    |
| Bills payable given to suppliers              | 27,000   |
| Credit balance in Debtors ledger on 30.4.2008 | 5,200    |

4. Following is the Receipts and Payments Account of Mayur Club for the year ended 31st March, 2008 :

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| Receipts                   | Rs.              | Payments            | Rs.              |
|----------------------------|------------------|---------------------|------------------|
| Opening balance (1.4.2007) |                  | Payments :          |                  |
| Cash on hand               | 39,100           | Sports materials    | 3,04,500         |
| Cash at bank               | 50,000           | Salaries            | 3,15,000         |
| Receipts :                 |                  | Equipment purchased |                  |
| Subscriptions              |                  | on 1.10.2007        | 60,000           |
| For the year 2006-07       | 18,000           | Bank fixed deposit  |                  |
| For the year 2007-08       | 9,63,000         | on 31.3.2008        | 1,50,000         |
| For the year 2008-09       | 4,500            | Rent                | 1,48,500         |
| Interest on bank           |                  | Ground maintenance  | 22,120           |
| Fixed deposits @ 10%       | 45,000           | Insurance           | 38,400           |
|                            |                  | Stationery          | 3,450            |
|                            |                  | Sundry expenses     | 5,880            |
|                            |                  | Closing balance as  |                  |
|                            |                  | on 31.3.2008        |                  |
|                            |                  | Cash on hand        | 31,750           |
|                            |                  | Cash at bank        | 40,000           |
|                            | <u>11,19,600</u> |                     | <u>11,19,600</u> |

Following additional information is provided to you :

- The Club has 220 members. The annual subscription is Rs. 4,500 per member.
- Depreciation to be provided on Furniture at 10% p.a. and on Sports equipment at 15% p.a.
- On 31st March, 2008, stock of sports material in hand (after members use during the year) is valued at Rs. 78,000 and stock of stationery at Rs. 3,150. Rent for 1 month is outstanding. Unexpired insurance amounts to Rs. 9,600.

(iv) On 31st March, 2007 the Club had the following Assets :

|                          |              |
|--------------------------|--------------|
| Furniture                | Rs. 2,70,000 |
| Sports equipment         | Rs. 1,80,000 |
| Bank fixed deposit       | Rs. 4,50,000 |
| Stock of stationery      | Rs. 1,500    |
| Stock of sports material | Rs. 73,500   |
| Unexpired insurance      | Rs. 8,400    |
| Subscription in arrear   | Rs. 22,500   |

Note : There was no liability on 31.3.2007.

You are required to prepare :

(i) Income and Expenditure Account; and

(ii) Balance Sheet as at 31st March, 2008.

5. Answer any **eight** out of the following :

8×2=16

(i) Mr. A advanced Rs. 30,000 to Mr. B on 1.4.2008. The amount is repayable in 6 equal monthly instalments commencing from 1.5.2008. Compute the average due date for the loan.

(ii) A company sold 25% of the goods on cash basis and the balance on credit basis. Debtors are allowed 2 months credit and their balance as on 31.3.2008 is Rs. 1,40,000. Assume that the sale is uniform through out the year. Calculate the total sales of the company for the year ended 31.3.2008.

(iii) In a concern, the opening provision for doubtful debts is Rs. 51,000. During the year a sum of Rs. 10,000 was written off as bad debt. The closing balance of sundry debtors amounts to Rs. 6,30,000. It was decided that 10% of the debtor is to be maintained as provision. Calculate the closing balance towards provision for doubtful debts and pass journal entry for giving effect to the provision maintained.

(iv) How would you record a non-monetary grant received from the Government as per AS-12 ?

(v) What is the accounting entry to be passed as per AS-10 for the following situations :

(a) Increase in value of fixed asset by Rs. 50,00,000 on account of revaluation.

(b) Decrease in the value of fixed asset by Rs. 30,00,000 on account of revaluation.

(vi) "One of the characteristics of financial statements is neutrality"—Do you agree with this statement ?

(vii) An industry borrowed Rs. 40,00,000 for purchase of machinery on 1.6.2007. Interest on loan is 9% per annum. The machinery was put to use from 1.1.2008. Pass journal entry for the year ended 31.3.2008 to record the borrowing cost of loan as per AS-16.

(viii) What is Account Current ?

(ix) Domestic Assurance Co. Ltd. received Rs. 5,90,000 as premium on new policies and Rs. 1,20,000 as renewal premium. The company received Rs. 90,000 towards reinsurance accepted and paid Rs. 70,000 towards reinsurance ceded. How much will be credited to Revenue Account towards premium ?

(x) A loan outstanding of Rs. 50,00,000 has DICGC cover. The loan guaranteed by DICGC is assigned a risk weight of 50%. What is the value of Risk-adjusted asset ?

6. Answer any **four** out of the following :

4×4=16

(a) When can an item qualify to be a prior period item as per AS-5 ?

(b) Ram & Co. acquired a motor lorry on hire-purchase basis. It has to make cash down payment of Rs. 1,00,000 at the beginning. The payments to be made subsequently are Rs. 2,63,000; Rs. 1,85,000 and Rs. 1,14,000 at the end of first year, second year and third year respectively. Interest charged is @ 14% per annum. Calculate the cost price of motor lorry and interest paid in each instalment.

(c) Explain Garner v/s Murray rule applicable in the case of partnership firms. State, when is this rule not applicable.

- (d) Albert Ltd. issued 50,00,000 Equity shares of Rs. 10 each. The whole issue was underwritten by A, B and C as below :

|   |                  |
|---|------------------|
| A | 15,00,000 shares |
| B | 25,00,000 shares |
| C | 10,00,000 shares |

Applications were received for 48,50,000 shares of which the marked applications were as follows :

|   |                  |
|---|------------------|
| A | 12,00,000 shares |
| B | 25,00,000 shares |
| C | 8,50,000 shares  |

Calculate the number of shares to be taken up by the underwriters.

- (e) Explain the factors to be considered before selecting the pre-packaged accounting software.
- (f) What are the items that are to be excluded in determination of the cost of inventories as per AS-2 ?