

Roll No.

Total No. of Questions – 7

Total No. of Printed Pages – 15

Time Allowed – 3 Hours

Maximum Marks – 100

AJK

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 has not opted for Hindi Medium, his/her answers in Hindi will not be valued.

Question No. 1 is compulsory.

Candidates are also required to answer any **five** questions from the remaining **six** questions.

Working notes should form part of the respective answers.

Marks

1. (a) U Limited has obtained a term loan of ₹ 620 lacs for a complete renovation and modernisation of its Factory on 1st April, 2018. Plant and Machinery was acquired under the modernisation scheme and installation was completed on 30th April, 2019. An expenditure of ₹ 510 lacs was incurred on installation of Plant and Machinery, ₹ 54 lacs has been advanced to suppliers for additional assets which were also received and installed before 30th April, 2019 and the balance loan of ₹ 56 lacs has been used for working capital purposes. 5

AJK

P.T.O.

The company has paid total interest of ₹ 68.20 lacs during financial year 2018-19 on the above loan. The accountant seeks your advice how to account for the interest paid in the books of accounts. Will your answer be different, if the whole process of renovation and modernization gets completed by 28th February, 2019 ?

- (b) From the following information, prepare extract of Balance Sheet of A Limited along with notes making necessary compliance of Schedule III to the Companies Act, 2013 :

5

Loan Funds	Amount ₹
(a) Secured Loans	18,12,000
(b) Unsecured Loan-Short term from Bank	2,25,000
Other information is as under :	
Secured Loans	
Term Loans from :	
Banks	8,95,000
Others	<u>9,17,000</u>
	<u>18,12,000</u>
Current Maturities of long-term loan from Bank	1,24,000
Current Maturities of long-term loan from Others	85,000

There was no interest accrued/due as at the end of the year.

- (c) From the following information prepare the Cash Flow from Financing activities as per AS 3 'Cash Flow Statement' as the Accountant of XYZ Limited is not able to decide and seeks your advice :

5

- (i) Received ₹ 4,00,000 as redemption of short-term deposit
- (ii) Proceeds of ₹ 20,00,000 from issuance of equity share capital
- (iii) Received Government Grant of ₹ 7,00,000 for capital project
- (iv) An amount of ₹ 13,00,000 incurred for purchase of goodwill
- (v) Proceeds of ₹ 5,00,000 from sale of patent
- (vi) Proceeds of ₹ 12,00,000 from long term borrowing.
- (vii) Amount paid for redemption of debentures of ₹ 22,00,000
- (viii) Underwriting commission of ₹ 40,000 paid on issue of equity share capital
- (ix) Interest of ₹ 1,44,000 paid on long-term borrowing
- (x) Investment in marketable securities of ₹ 3,00,000 which are made for meeting short-term commitments.

- (d) Chaos Limited is in the process of finalizing its accounts for the year ended 31st March, 2020. It seeks your advice in the following cases :

5

- (i) Chaos Limited entered into an agreement to supply 1 (one) lac face masks to D Limited by 30th April, 2020 failing which it will have to pay a penalty of ₹ 10 per item not supplied. On 31st March, 2020, Chaos Limited assessed that it could only supply 50,000 face masks to D Limited by 30th April, 2020.

AJK

C → D
10 p.m.

P.T.O.

- (ii) Chaos Limited has filed a court case in 2014-15 against its competitors. It is evident to its lawyers that Chaos Limited may lose the case and would have to pay ₹ 3,00,000 being the cost of litigation. No entries/provisions have been made in the books.
- (iii) A new regulation has been passed in 2019-20 by the healthcare ministry to upgrade facilities. Deadline set by the government is 31.03.2021. The company estimates an expenditure of ₹ 10,00,000 for the said upgrade.
- (iv) The company gives a 1-year warranty for its healthcare equipment under the contract of sale that it will make good any manufacturing defect by repair or replacement. As per past experience, it is probable that there will be 1% such cases and estimated cost of repair/replacement is estimated at 10% of such sale value. During the year, the company has made a sale of ₹ 5 Crores.

Kindly give your answer for each of above with proper reasoning according to the relevant Accounting Standard. Also state the principles for recognition of provision, as per AS-29.

2. The summarized balance sheets of Truth Limited and Myth Limited as on 31.03.2019 is given below. Myth Limited is to be merged with Truth Limited from 1.04.2019. The merger is to be carried out in the nature of Purchase. 16

Particulars	Note No.	Truth Ltd. (₹)	Myth Ltd. (₹)
(1) Equity and Liabilities			
1. Shareholders' Funds			
(a) Share Capital	1	10,00,000	4,00,000
(b) Reserves and Surplus	2	11,35,000	4,13,000
2. Non-Current Liabilities	3	—	1,50,000
3. Current Liabilities	4	1,40,000	1,82,000
Total		22,75,000	11,45,000
(2) Assets			
1. Non-Current Assets			
(a) Property, Plant & Equipment		15,75,000	6,80,000
(b) Investments		1,87,500	1,00,000
2. Current Assets	5	5,12,500	3,65,000
Total		22,75,000	11,45,000

AJK

Note No.	Particulars	Truth Limited (₹)	Myth Limited (₹)
1	Share Capital Equity shares of ₹ 10 each	10,00,000	4,00,000
2	Reserves & Surplus		
	General Reserve	5,05,000	2,30,000
	Profit & Loss A/c	4,45,000	1,58,000
	Export Profit Reserve	1,85,000	25,000
		11,35,000	4,13,000
3	Non-Current Liabilities		
	14% Debentures	—	1,50,000
4	Current Liabilities		
	Trade Payables	90,000	1,42,000
	Other Current Liabilities	50,000	40,000
		1,40,000	1,82,000
5	Current Assets		
	Inventory	2,15,000	85,000
	Trade Receivables	2,02,500	1,75,000
	Cash and Cash equivalents	95,000	1,05,000
		5,12,500	3,65,000

AJK

Truth Limited would issue 12% debentures to discharge the claim of the debenture holders of Myth Limited so as to maintain their present annual interest income. Non-trade investments, which constitute 80% of their respective total investments yielded income of 20% to Truth Limited and 15% to Myth Limited. Profit before tax of both the companies during the last 3 years were as follows :

	Truth Limited (₹)	Myth Limited (₹)
2016-17	8,20,000	2,55,000
2017-18	7,45,000	2,15,000
2018-19	6,04,000	2,14,000

Goodwill is to be calculated on the basis of Capitalization method taking 18% as normal rate of return. Ignore taxation. Purchase consideration is to be discharged by Truth Limited on the basis of intrinsic value per share. Prepare Balance Sheet of Truth Limited after the merger.

3. The summarized Balance Sheets of Day Limited and Night Limited as on 31st March, 2020 are as under :

	Day Limited (₹)	Night Limited (₹)
Liabilities		
Equity shares of ₹ 10 each	65,00,000	25,00,000
General Reserve	7,30,000	4,40,000
Profit and Loss A/c	10,20,000	8,20,000
Trade Payables	5,50,000	3,15,000
	88,00,000	40,75,000

AJK

Assets		
Plant and Equipment	20,50,000	8,40,000
Furniture & Fittings	10,00,000	5,10,000
Investments	36,25,000	11,50,000
Inventory	9,70,000	7,60,000
Trade Receivables	7,80,000	5,50,000
Cash at Bank	3,75,000	2,65,000
	88,00,000	40,75,000

Day Limited acquired 30% of the paid-up share capital of Night Limited as on 1st April, 2018 at a price of ₹ 12 per share. The next lot of 40% shares were purchased on 1st April, 2019 from a foreign company.

The price per share for this purpose was calculated by capitalizing the yield @ 15%. The yield is to be taken as 50% of pre-tax profit for the last 3 years, which were ₹ 17,00,000, ₹ 15,50,000 and ₹ 12,50,000 respectively.

Other information:

- (1) On 1st April, 2019 General Reserve and Profit and Loss Account of Night Limited had credit balances of ₹ 3,50,000 and ₹ 6,00,000 respectively.
- (2) Night Limited declared and paid dividend of 10% for the year 2018-19 out of its Profit and Loss account balance as on 1st April, 2019. Day Limited credited the dividend received to Profit and Loss account.
- (3) On 1st April, 2019, Plant and Machinery of Night Limited was undervalued by ₹ 1,80,000. Applicable depreciation rate is 10%.

Prepare a consolidated Balance Sheet of Day Limited as on 31st March, 2020.

4. (a) Write short note on 'Financial Liability' as per IND AS 32. 4
- (b) What are the major changes in Ind AS 10 vis a vis Notified AS 4 ? 4
- (c) On 1st April, 2016, PS Limited issued 6000, 9% convertible debentures with a face value of ₹ 100 each maturing on 31st March, 2021. The debentures are convertible into equity shares of PS Limited at a conversion price of ₹ 105 per share. Interest is payable annually in cash. At the date of issue, non-convertible debt could have been issued by the company at coupon rate of 13%. On 1st April, 2019, the convertible debentures have a fair value of ₹ 6,30,000. PS Limited makes a tender offer to debenture-holders to repurchase the debentures for ₹ 6,30,000 which the debenture holders accepted. At the date of repurchase, PS Limited could have issued non-convertible debt with a 2 year term bearing coupon interest @ 10%.

Show accounting entries in the books of PS Limited for recording of equity and liability component :

- (i) At the time of initial recognition
- (ii) At the time of repurchase of the convertible debentures

The following present values of ₹ 1 at 9%, 10% and 13% are given:

Interest rate Year	1	2	3	4	5
9%	0.917	0.842	0.772	0.708	0.650
10%	0.909	0.826	0.751	0.683	0.621
13%	0.885	0.783	0.693	0.613	0.543

5. The summarised Balance Sheet of CBA Limited as on 31st March, 2018, 2019 and 2020 are as follows :

	₹ in '000		
	31 st March, 2018	31 st March, 2019	31 st March, 2020
<u>Liabilities</u>			
Equity share capital of ₹ 10 each fully paid-up	4,000	4,000	4,000
General Reserve	2,200	2,700	3,200
Profit and Loss A/c	620	750	1,000
Trade Payable	1,800	2,300	2,700
Total	8,620	9,750	10,900
<u>Assets</u>			
Goodwill	800	600	400
Tangible Assets (Net)	3,400	3,950	4,600
Investments	1,600	1,600	1,600
Inventories	1,850	2,100	2,300
Trade Receivable	750	1,250	1,450
Cash and Cash equivalents	220	250	550
Total	8,620	9,750	10,900

Additional information :

- (1) The tangible assets and inventories were revalued as under : ₹ in '000

	2017-18	2018-19	2019-20
Tangible assets	3,600	4,350	5,200
Inventories	2,050	2,300	2,500

- (2) The company charges depreciation @ 10% p.a.

- (3) The balance in General Reserve and Profit and Loss A/c as on 1.04.2017 were ₹ 1,800 ('000) and ₹ 520 ('000) respectively.
- (4) The Capital employed at the beginning of the year at market value was ₹ 5,400 ('000) which included cost of goodwill which is purchased.
- (5) The normal annual return on average capital employed in the line of business of CBA Limited is 10%.
- (6) 50% of the total investment is non-trade investment on which income is earned @ 5% per annum.
- (7) Goodwill shown on 31st March, 2018 was purchased on 1st April, 2017 for ₹ 800 ('000). It is to be revalued at 5 years of purchase of average super profits of last three years.
- (8) Tax rate may be considered at 50% in all the years.

Find out average capital employed at the end of each year and total value of business as on 31st March, 2020.

6. (a) A company has decided to introduce a Value added incentive scheme based on the best index performance i.e. Employee Costs to Total Value added for the last four years (favourable to employees) will be considered as the target index. Incentive will be determined on actual improvement over the target index and will be shared by the Company and the employees in the ratio of 3 : 2. The incentive will be payable at the end of the year after the determination of the profit.

8

The following information for the last four years is given :

Particulars	(₹ in Lacs)			
	2014-15	2015-16	2016-17	2017-18
Total Added Value	420	470	530	580
Employee Cost	175	190	205	225

Summarised Statement of Profit and Loss for the year ended on 31st March, 2019

Particulars	Amount	₹ in Lacs Amount
Income :		
Sales less returns	1,450	
Dividend and Interest	75	
Other Income	75	1,600
Expenditure :		
Production and Operational Expenses :		
Cost of Material	650	
Wages and Salaries	175	
Other Manufacturing Expenses	155	980
Administrative Expenses :		
Salaries	75	
Expenses	65	140
Selling and Distribution Expenses :		
Salaries	15	
Expenses	45	60
Financial Expenses :		
Debenture Interest		12
Depreciation		165
Total Expenditure		1,357
Profit before tax		243
Provision for taxation		61
Profit after tax		182

From the above information, prepare Value Added Statement for the year 2018-19 and determine the amount of incentive payable to employees, if eligible.

(13)

AJK

Marks

- (b) S Limited grants 120 stock options to each of its 750 employees on 1st April, 2016. The grant is conditional upon the employee remaining in service over the next 3 years. The exercise date is 31st March, 2020 and the vesting date is 31st March, 2019. The company estimates that fair value of each option on the grant date is ₹ 20. The nominal value and exercise price per share is ₹ 100 and ₹ 130 respectively.

8

On 31st March, 2017 the exercise price of the company has dropped to ₹ 125 and the company has repriced its stock option which will vest at the end of 3rd year i.e. 31st March, 2019. The company estimates that, at the date of repricing, the fair value of each of the original options granted (i.e. before taking into account the repricing) is ₹ 14 and that the fair value of each repriced stock option is ₹ 17.

The following information is given:

	31 st March, 2017	31 st March, 2018	31 st March, 2019
Number of employees left	55	45	40
Estimated no. of employees to leave in next year/s	95	45	0

On 31st March, 2020, 600 employees exercised the option. You are required to compute the amount of expense the company should recognize in each of the years 2016-17, 2017-18 and 2018-19. Also give an extract of ESOP Outstanding A/c as will appear in the books of the company in the year 2019-20.

AJK

P.T.O.

4076 x 1000
- 6

Answer any **four** of the following :

(a) Suvidha Limited is a non-banking financial company. You are provided with the following information of outstanding of ₹ 400 lacs in its books of accounts as on 31st March, 2020. There were overdue accounts for –

- (i) Last two months in 250 accounts of ₹ 100 lacs.
- (ii) Last three months in 30 accounts of ₹ 60 lacs.
- (iii) For more than 24 months in 15 accounts of ₹ 36 lacs.
- (iv) For more than 3 years in 8 accounts of ₹ 30 lacs which has been identified as sub-standard by the management.
- (v) 2 accounts having outstanding amount of ₹ 20 lacs has already been identified by management as non-recoverable. — 100%.

Out of 15 accounts overdue for more than 24 months, 8 accounts having outstanding amount of ₹ 8 lacs for more than 12 months has been identified by the management as sub-standard and balance accounts are identified as substandard for less than 12 months.

You are required to classify the assets of the company in line with Non-Banking Financial Company – systemically important Non-Deposit taking company and Deposit taking company (Reserve Bank) Directions, 2016.

(b) On 1st October, 2018, A Limited granted 25,000 Employees' Stock Option at ₹ 70 per share. The market price of share was ₹ 130 per share. The options were to be exercised between 1st December, 2018 and 31st March, 2019. The face value of shares is ₹ 10 each. The employees exercised option for 18,000 shares only and the balance options lapsed. The company closes its books of accounts on 31st March every year.

Pass necessary journal entries with narration to record the transaction in the books of the company.

(15)

AJK

Marks

- c) Old Era Publication publishes a popular monthly magazine on 15th of every month. The publication sells the advertising space on terms of 90% payable in advance and the balance 10% payable within 30 days of release of the publication. The space for March 2020 issue of the magazine was sold in the month of February 2020. The magazine was published as per schedule on 15 of the month. The amount of ₹ 2,70,000 has been received upto 31st March, 2020 and ₹ 30,000 was received on 10th April, 2020 for advertisement published in the March issue of the publication.

4

Please advise the accountant the amount of revenue to be recognized in the context of the provisions of AS 9 'Revenue Recognition' during the year ending on 31st March, 2020.

If the publication of March issue gets delayed and is published on 5th May, 2020, will your answer be different?

4

- d) Explain Net Asset Value (NAV) in case of Mutual Fund.
- e) Write Short note on concept of Materiality.

4

15
400.
2 Months - 100 laas - 250
3M - 60 laas - 30.
sum 150 → 360 (15)