

Roll No.....

Total No. of Questions—6]

[Total No. of Printed Pages—7

Time Allowed—3 Hours

Maximum Marks—100

FQL

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.

Working notes should form part of the answer.

Wherever necessary suitable assumptions may be made by the candidates.

Marks

1. Astha Ltd. acquired 80% of both classes of shares in Birat Ltd. on 1.4.2007. The draft Balance Sheets of two companies on 31st March, 2008 were as follows : 16

(In Rs. 000's)

Liabilities	Astha Ltd.	Birat Ltd.	Assets	Astha Ltd.	Birat Ltd.
Share Capital :			Plant & Machinery	2,060	600 ✓
Equity shares of			Furniture & Fixture	600	540 ✓
Rs. 10 each, full paid	3,000	600 ✓	Investments Equity		
14% Preference shares			shares of Birat Ltd.	1,920	— ✓
of Rs. 100 each,			Preference shares		
fully paid	—	400 ✓	of Birat Ltd.	320	— ✓
General reserve	1,900	40 ✓	Stock	680	404 ✓
Profit and Loss A/c	1,600	720 ✓	Debtors	560	316 ✓
Creditors	300	320 ✓	Cash at bank	660	220 ✓
	<u>6,800</u>	<u>2,080</u>		<u>6,800</u>	<u>2,080</u>

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P. T. O.

Note :

Contingent liability—Astha Ltd. : Claim for damages lodged by a contractor against the company pending in a law-suit—Rs. 1,55,000.

Additional Information :

- (i) General reserve balance of Birat Ltd. was the same as on 1.4.2007.
- (ii) The balance in Profit and Loss A/c of Birat Ltd. on 1.4.2007 was Rs. 3,20,000, out of which dividend of 16% p.a. on the then Equity capital of Rs. 6,00,000 was paid for the year 2006-07.
- (iii) The dividend in respect of preference shares of Birat Ltd. for the year 2007-08 was still payable as on 31.3.2008.
- (iv) Astha Ltd. credited its Profit and Loss A/c for the dividend received by it from Birat Ltd. for the year 2006-07.
- (v) Sundry creditors of Astha Ltd. included an amount of Rs. 1,20,000 for purchases from Birat Ltd., on which the later company made a loss of Rs. 10,000.
- (vi) Half of the above goods were still with the closing stock of Astha Ltd. as at 31.3.2008.
- (vii) At the time of acquisition by Astha Ltd., while determining the price to be paid for the shares in Birat Ltd. it was considered that the value of Plant and Machinery was to be increased by 25% and that of Furniture and Fixtures reduced to 80%. There was no transaction of purchase or sale of these Assets during the year. The Directors wish to give effect to these revaluations in the consolidated Balance Sheet.
- (viii) The Directors of Astha Ltd. are of opinion that disclosure of its Contingent liability will seriously prejudice the company's position in dispute with the contractor.

Prepare consolidated Balance Sheet as at 31st March, 2008, assuming the rate of depreciation charged as 25% p.a. and 10% p.a. on Plant and Machinery and Furniture and Fixtures respectively. Workings should be part of the answer.

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2. T. Ltd. and V. Ltd. propose to amalgamate. Their Balance Sheets as at 31st March, 2008 were as follows : 16

Liabilities	T. Ltd. Rs.	V. Ltd. Rs.	Assets	T. Ltd. Rs.	V. Ltd. Rs.
Share Capital :			Fixed Assets :		
Equity shares of Rs. 10 each	15,00,000 ✓	6,00,000 ✓	Less : Depreciation	12,00,000 ✓	3,00,000 ✓
General reserve	6,00,000 ✓	60,000 ✓	Investments	3,00,000 ✓	—
Profit & Loss A/c	3,00,000 ✓	90,000 ✓	(face value of Rs. 3 lakhs, 6% tax free G.P. notes)		
Creditors	3,00,000 ✓	1,50,000 ✓	Stock	6,00,000 ✓	3,90,000 ✓
			Debtors	5,10,000 ✓	1,80,000 ✓
			Cash and bank balances	90,000 ✓	30,000 ✓
	<u>27,00,000</u>	<u>9,00,000</u>		<u>27,00,000</u>	<u>9,00,000</u>

Their Net profits (after taxation) were as follows :

Year	T. Ltd.	V. Ltd.
2005-06	3,90,000 ✓	1,35,000 ✓
2006-07	3,75,000 ✓	1,20,000 ✓
2007-08	4,50,000 ✓	1,68,000

Normal trading profit may be considered as 15% on closing capital invested. Goodwill may be taken as 4 years' purchase of average super profits. The stock of T. Ltd. and V. Ltd. are to be taken at Rs. 6,12,000 and Rs. 4,26,000 respectively for the purpose of amalgamation. W. Ltd. is formed for the purpose of amalgamation of two companies.

- (a) Suggest a scheme of capitalisation of W. Ltd. and ratio of exchange of shares; and
- (b) Draft the opening Balance Sheet of W. Ltd.

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P. T. O.

Deb 600
To VE 600

Bank
To P.P.

Bank

(4)

Bank
VE 10
To Ea
To Sec Pm

Deb
To Ekm
Deb

Deb
To VE 10
To Ea

Marks

PK
207

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100 x 100
2 1/2

3. (a) ABC Ltd. grants 1,000 employees stock options on 1.4.2004 at Rs. 40, when the market price is Rs. 160. The vesting period is 2 1/2 years and the maximum exercise period is one year. 300 unvested options lapse on 1.5.2006. 600 options are exercised on 30.6.2007. 100 vested options lapse at the end of the exercise period. 10

Pass Journal Entries giving suitable narrations.

(b) From the following data, compute the 'Net Assets' value of each category of equity shares of Smith Ltd. : 6

Shareholders funds

10,000 'A' Equity shares of Rs. 100 each, fully paid
 10,000 'B' Equity shares of Rs. 100 each, Rs. 80 paid
 10,000 'C' Equity shares of Rs. 100 each, Rs. 50 paid
 Retained Earnings Rs. 9,00,000

100
80
50
+ 900000
+ 100000

4. (a) X Ltd. began construction of a new building on 1st January, 2007. It obtained Rs. 1 lakh special loan to finance the construction of the building on 1st January, 2007 at an interest rate of 10%. The company's other outstanding two non-specific loans were : 10

Amount	Rate of Interest
Rs. 5,00,000	11%
Rs. 9,00,000	13%

The expenditure that were made on the building project were as follows :

		Rs.
January	2007	2,00,000
April	2007	2,50,000
July	2007	4,50,000
December	2007	1,20,000

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Building was completed by 31st December, 2007. Following the principles prescribed in AS-16 'borrowing cost' calculate the amount of interest to be capitalised and pass one Journal Entry for capitalising the cost and borrowing cost in respect of the building.

(b) From the following information of Steel India Ltd. for the year ended 31st March, 2008, prepare their Social Balance Sheet as on that date : 6

- A specialist has valued their human assets at Rs. 828 lakhs.
- Their investments were classified as :

	(Rs. lakhs)			
	Residential	Hospital	School	Welfare
Buildings	17.00	1.00	1.40	0.80
Equipments	2.80	1.00	1.00	—

- Water, electricity and gas supply systems totalled Rs. 1 lakh.
- Their Net owned funds were Rs. 26 lakhs.

2007
2008

5. (a) U.K. International Ltd. is developing a new production process. During the financial year ending 31st March, 2007 the total Expenditure incurred was Rs. 50 lakhs. This process met the criteria for recognition as an intangible asset on 1st December, 2006. Expenditure incurred till this date was Rs. 22 lakhs. Further expenditure incurred on the process for the financial year ending 31st March, 2008 was Rs. 80 lakhs. As at 31st March, 2008, the recoverable amount of know-how embodied in the process is estimated to be Rs. 72 lakhs. This includes estimates of future cash outflows as well as inflows. You are required to calculate :

- (i) Amount to be charged to Profit and Loss A/c for the year ending 31st March, 2007 and carrying value of intangible as on that date.

(ii) Amount to be charged to Profit and Loss A/c and carrying value of intangible as on 31st March, 2008.

Ignore depreciation.

(b) Sky Hospital—a non-profit seeking entity receives medicines worth Rs. 5,00,000 by way of donations from a donor. During the year its issues of all medicines totals Rs. 16,00,000. The closing inventory of donated medicines is Rs. 1,00,000. Show relevant summary Journal Entries in the books of the Hospital in respect of the above.

(c) Mini Ltd. took a factory premises on lease on 1.4.07 for Rs. 2,00,000 per month. The lease is operating lease. During March, 2008, Mini Ltd. relocates its operation to a new factory building. The lease on the old factory premises continues to be live upto 31.12.2010. The lease cannot be cancelled and cannot be sub-let to another user. The auditor insists that lease rent of balance 33 months upto 31.12.2010 should be provided in the accounts for the year ending 31.3.2008. Mini Ltd. seeks your advice.

(d) A Cosmetic articles producing company provides the following information :

	Cold Cream	Vanishing Cream
January, 2006–September, 2006 per month	2,00,000	2,00,000
October, 2006–December, 2006 per month	1,00,000	3,00,000
January, 2007–March, 2007 per month	0	4,00,000

The company has enforced a gradual change in product-line on the basis of an overall plan. The Board of Directors of the Company has passed a resolution in March, 2006 to this effect. The company follows calendar year as its accounting year. Should this be treated as a discontinuing operation ? Give reasons in support of your answer.

(7)

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6. Answer the following questions :

(a) What are the advantages of preparation of Value Added (VA) statements ? 6

(b) How are Capital expenditure not represented by any specific or tangible assets dealt in financial statements ? 5

(c) One of the important factors generally considered for awarding shields and plaques in India for 'best presented accounts' is that the information presented in the accounts make useful disclosures. 5

What are actually looked into in this regard ?

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