

Roll No. 54865

Total No. of Questions—6]

[Total No. of Printed Pages—10

Time Allowed—3 Hours

Maximum Marks—100

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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. The Balance Sheet of R Ltd., at 31 March, 2008 was as follows :			16
	Rs.	Rs.	
Share capital Authorised	14,00,000	Intangibles	68,000
Issued : 64,000 8% cumulative preference shares of Rs. 10 each, fully paid	6,40,000	Freehold premises at cost	1,40,000
64,000 Equity share of Rs. 10 each, Rs. 7.5 paid	4,80,000	Plant and equipment at cost less depreciation	2,40,000
Loans from directors	60,000	Investments in shares in Q Ltd. at cost	3,24,000
Sundry creditors	4,40,000	Stocks	2,48,000
Bank overdraft	2,08,000	Debtors	3,20,000
		Deferred Revenue expenditure	48,000
		Profit & Loss account	4,40,000
	<u>18,28,000</u>		<u>18,28,000</u>

Note : The arrear of Preference dividends amount to Rs. 51,200.

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A scheme of reconstruction was duly approved with effect from 1 April, 2008 under the conditions stated below :

- (a) The unpaid amount on the Equity shares would be called up.
- (b) The Preference shareholders would forego their arrear dividends. In addition, they would accept a reduction of Rs. 2.5 per share. The dividend rate would be enhanced to 10%.
- (c) The Equity shareholders would accept a reduction of Rs. 7.5 per share.
- (d) R Ltd. holds 21,600 shares in Q Ltd. This represents 15% of the Share capital of that company. Q Ltd. is not a quoted company. The average net profit (after tax) of the company is Rs. 2,50,000. The shares would be valued based on 12% capitalization rate.
- (e) A bad debt provision at 2% would be created.
- (f) The other assets would be valued as under :

	Rs.
Intangibles	48,000
Plant	1,40,000
Freehold premises	3,80,000
Stocks	2,50,000
- (g) The Profit and Loss account debit balance and the balance standing to the debit of the deferred Revenue Expenditure account would be eliminated.
- (h) The directors would have to take equity shares at the new face value of Rs. 2.5 per share in settlement of their loan.
- (i) The Equity shareholders, including the directors, who would receive equity shares in settlement of their loans, would take up two new equity shares for every one held.
- (j) The Preference shareholders would take up one new preference share for every four held.
- (k) The authorized Share capital would be restated to Rs. 14,00,000.
- (l) The new face values of the shares-preference and equity will be maintained at their reduced levels.

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You are required to prepare :

- (i) Necessary Ledger accounts to effect the above; and
- (ii) The Balance Sheet of the company after reconstruction.

2. (a) The books of Mr. Z showed the following information :

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	1.1.2007	31.12.2007
	Rs.	Rs.
Bank balance	—	50,000
Debtors	—	87,500
Creditors	—	46,000
Stock	50,000	62,500
Fixed Assets	7,500	9,000

The following are the details of the bank transactions :

	Rs.
Receipt from customers	3,40,000
Payment to creditors	2,80,000
Capital brought in	5,000
Sale of Fixed assets	1,750
Expenses paid	49,250
Drawings	25,000
Purchase of Fixed assets	5,000

Other informations :

(i) Cost of goods sold	2,60,000
(ii) Gross profit 25% on cost of goods sold	—
(iii) Book value of Assets sold	2,500

Prepare Trading, Profit & Loss account for the year ended 31.12.2007 and Balance Sheet as at 31.12.2007.

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- (b) Prepare Revenue Account in proper form for the year ended 31st March, 2008, from the following particulars related to Krishna General Insurance Co. for the year ended 2007-2008 : 8

	Related to Direct business (Rs.)	Related to Reinsurance (Rs.)
<i>Premiums</i>		
Amount received	30,00,000	2,40,000
Receivable at the beginning	1,80,000	24,000
Receivable at the end	2,40,000	36,000
Amount paid	—	3,60,000
Payable at the beginning	—	30,000
Payable at the end	—	42,000
<i>Claims</i>		
Amount paid	18,00,000	1,80,000
Payable at the beginning	60,000	12,000
Payable at the end	1,20,000	18,000
Amount recovered	—	1,20,000
Receivable at the beginning	—	18,000
Receivable at the end	—	12,000
<i>Commission</i>		
Amount paid	72,000	10,800
Amount received	—	14,400
<i>Additional information :</i>		
(i) Interest, dividend and rent received		30,000
(Income-tax in respect of above)		6,000
(ii) Management expenses including Rs. 12,000 related to legal expenses regarding claims		1,32,000

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- (iii) Provision for Income tax existing at the beginning of the year was Rs. 1,95,000, the Income-tax actually paid during the year Rs. 1,68,000 and the provision necessary at the year end Rs. 2,07,000.
- (iv) The Net Premium Income of the company during the year 2006-2007 was Rs. 24,00,000 on which reserve for unexpired risk @ 50% and additional reserve @ $7\frac{1}{2}\%$ was created. This year, the balance to be carried forward are 50% of net premium on reserve for unexpected risk and 5% on additional reserve.

3. (a) The Articles of Association of S Ltd. provide the following :

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- (i) That 20% of the Profits of each year shall be transferred to Reserve fund.
- (ii) That an amount equal to 10% of equity dividend shall be set aside for Staff bonus.
- (iii) That the Balance available for distribution shall be applied :
- (a) in paying 14% on cumulative Preference shares.
- (b) in paying 20% dividend on Equity shares
- (c) one-third of the balance available as additional dividend on Preference shares and $\frac{2}{3}$ as additional equity dividend.

A further condition was imposed by the articles viz. that the balance carried forward shall be equal to 12% on Preference shares after making provisions (i), (ii) and (iii) mentioned above. The company has issued 13,000, 14% Cumulative participating preference shares of Rs. 100 each fully paid and 70,000 Equity shares of Rs. 10 each fully paid up.

The profit for the year 2008 was Rs. 10,00,000 and balance brought from previous year Rs. 80,000. Provide Rs. 31,200 for depreciation and Rs. 80,000 for taxation before making other appropriations. Prepare Profit and Loss Appropriations A/c.

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- (b) Wye sells goods on Hire-purchase at cost plus 50% prepare Hire-purchase Trading a/c from the information given below : 8

	Rs.
Stock with customers on hire-purchase price (Opening)	1,62,000
✓ Stock in hand at shop (Opening)	3,24,000
Instalments overdue (Opening)	1,35,000
✓ Purchases during the year	10,80,000
Goods re-possessed (instalments not due Rs. 36,000)	9,000
✓ Stock at shop excluding re-possessed goods (Closing)	3,60,000
Cash received during the year	10,35,000
Instalments overdue (Closing)	1,62,000

The vendor spent Rs. 2,000 on goods re-possessed and ~~then sold it for~~ Rs. 15,000.

4. (a) 'S' and 'T' were carrying on business as equal partner. Their Balance Sheet as on 31st March, 2008 stood as follows :

Liabilities	Rs.	Assets	Rs.
Capital Accounts :		Stock	2,70,000
S	6,40,000	Debtors	3,65,000
T	<u>6,60,000</u>	Furniture	75,000
Creditors	3,27,500	Joint Life policy	47,500
Bank Overdraft	1,50,000	Plant	1,72,500
Bills payable	62,500	Building	9,10,000
	<u>18,40,000</u>		<u>18,40,000</u>

The operations of the business was carried on till 30th September, 2008. S and T both withdrew in equal amounts half the amount of profits made during the current period of 6 months after 10% per annum had been written

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off on Building and Plant and 5% per annum written off on Furniture. During the current period of 6 months, creditors were reduced by Rs. 50,000, Bills payable by Rs. 11,500 and Bank overdraft by Rs. 75,000. The Joint Life policy was surrendered for Rs. 47,500 on 30th September, 2008. Stock was valued at Rs. 3,17,000 and debtors at Rs. 3,25,000 on 30th September, 2008. The other items remained the same as on 31st March, 2008.

On 30th June, 2008 the firm sold its business to ST Ltd. The value of goodwill was estimated at Rs. 5,40,000 and the remaining assets were valued on the basis of the Balance Sheet as on 30th September, 2008. The ST Ltd. paid the purchase consideration in Equity shares of Rs. 10 each. You are required to prepare a Realization A/c and Capital accounts of the partners.

(b) From the following details, calculate consequential loss claim :

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1. Date of fire : 1st September following;
2. Indemnity period : 6 months;
3. ~~Period of disruption : 1st September to 1st February;~~
4. Sum insured : Rs. 1,08,900;
5. Sales were Rs. 6,00,000 for preceding financial year ended on 31st March.
6. Net profit for preceding financial year Rs. 36,000 plus insured standing charges Rs. 72,000;
7. Rate of Gross profit 18%;
8. Uninsured standing charges Rs. 6,000;
9. Turnover during the disruption period Rs. 67,500;
10. Annual turnover for 12 months immediately preceding the date of fire Rs. 6,60,000;
11. Standard turnover i.e. for corresponding months (1st September to 1st February) in the year preceding the date of fire Rs. 2,25,000;
12. Increase in the cost of Working capital Rs. 12,000 with a saving of insured standing charges Rs. 4,500 during the disruption period;

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13. Reduced turnover avoided through increase in Working capital Rs. 30,000;

14. Special clause stipulated :

(a) Increase in rate of G.P. 2%

(b) Increase in turnover (Standard and Annual) 10%

5. Answer the following :

12×2
=24

(i) The company finds that the stock sheets of 31.3.2007 did not include two pages containing details of inventory worth Rs. 20 lakhs. State, how will you deal with this matter in the accounts of A Ltd. for the year ended 31st March, 2008 with reference to AS 5.

(ii) Mention four Assets, where AS 6 (revised) is not applicable.

(iii) Y Ltd. used certain resources of X Ltd. In return X Ltd. receives Rs. 10 lakhs and Rs. 15 lakhs as interest and royalties respectively, from Y Ltd. during the year 2007-08. State on what basis X Ltd. should recognize their revenue, as per AS 9.

(iv) Mention two categories of investments defined by AS 13 and also State their valuation principles.

(v) X Ltd. sold goods to its associate company for the 1st quarter ending 30.6.2007. After that, the related party relationship ceased to exist. However, goods were supplied as was supplied to any other ordinary customer. Decide whether transactions of the entire year has to be disclosed as related party transaction.

(vi) Consider the following data pertaining to three underwriters, Ajay, Samay and Vijay :

Particulars	Ajay	Samay	Vijay
Shares underwritten	8,000	16,000	24,000
Marked applications	6,000	8,000	11,000

If total applications received are for 44,800 shares, compute the final liability of Vijay.

- (vii) P, Q and R share Profit and Losses in the ratio of 4 : 3 : 2 respectively. Q retires and P and R decide to share future Profits and Losses in the ratio of 5 : 3. Then immediately H is admitted of 3/10 shares of profits half of which was gifted by P and the remaining share was taken by H equally from P and R. Calculate the new Profit sharing ratio after H's admission and Gain ratio of P and R.
- (viii) What is "Fund Based Accounting" under non-profit organisations ?
- (ix) In X Bank Ltd., the doubtful asset (more than 3 years) as on 31.3.2008 is Rs. 1,000 lakhs. The value of security (including DICGC 100% cover of Rs. 100 lakhs) is ascertained at Rs. 500 lakhs. How much provision must be made in the books of the Bank towards doubtful assets ?
- (x) Give the four qualitative characteristics which the financial statements should observe.
- (xi) On 1st April, 'X' purchased 12% debentures in 'M' Ltd. for Rs. 6,50,000. The face value of these debentures were Rs. 6,00,000. Interest on debentures falls due on 30th June and 31st December. Compute the cost of acquisition of debentures.
- (xii) Goods worth Rs. 50,000 sent by head office but the branch has received till the closing date goods only Rs. 40,000. Give journal entry in the books of H.O. and branch for goods in transit.

6. Answer any **three** of the following :

4×3=12

- (a) From the following information of Great Bank Limited, compute the provisions to be made in the Profit and Loss account :

	Rs. in (lakhs)
Assets	
Standard	20,000
Substandard	16,000
Doubtful	
For one year (secured)	6,000
For two years and three years (secured)	4,000
For more than three years (secured by mortgage of Plant and Machinery Rs. 600 lakhs)	2,000
Non-recoverable Assets	1,500

- (b) R had the following bills receivable and bills payable against S. Calculate average due date when the payment can be made or received without any loss or gain of interest to either party.

Date of the Bill	Bills receivable		Date of bill	Bills payable	
	Amount (Rs.)	Tenure in months		Amount (Rs.)	Tenure in months
1.6.08	9,000	3	29.5.08	6,000	2
5.6.08	7,500	3	3.6.08	9,000	3
9.6.08	10,000	1	10.6.08	10,000	2
12.6.08	8,000	2	13.6.08	7,000	2
20.6.08	12,000	3	27.6.08	11,000	1

Holiday intervening in the period 15th August, 2008, 16th August, 2008, and 6th September, 2008.

(c)

Exchange Rate

Goods purchased on 1.1.2007 of US \$ 10,000

Rs. 45

Exchange rate on 31.3.2007

Rs. 44

Date of actual payment 7.7.2007

Rs. 43

Ascertain the loss/gain for financial years 2006-07 and 2007-08, also give their treatment as per AS-11.

- (d) What are the advantages of customised accounting packages ?
- (e) What is B list contributories ?