Roll No. ……………………..

NOV 2010

Total No. of Questions – 7

Total No. of Printed Pages – 8

Time Allowed – 3 Hours

Maximum Marks – 100

KBC

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 answers in Hindi will not be valued.

Question No. **1** is compulsory.

Attempt any **five** questions from the remaining **six** questions.

Working notes should form part of the answer.

Wherever necessary suitable assumptions may be made by the candidates.

Marks

1. Answer the following questions : **4×5 =20**

(i) Rama Limited issued 8% Debentures of ₹ 3,00,000 in earlier year on which interest is payable half yearly on 31st March and 30th September. The company has power to purchase its own debentures in the open market for cancellation thereof. The following purchases were made during the financial year 2009-10 and cancellation made on 31st March 2010 :

(a) On 1st April ₹ 50,000 nominal value purchased for ₹ 49,450, ex-interest.

(b) On 1st September ₹ 30,000 nominal value purchased for ₹ 30,250 cum interest.

Show the Journal Entries (without narrations) for the transactions held in the year 2009-10.

(ii) From the following information of details of advances of Zenith Bank Ltd., calculate the amount of provisions to be made in Profit and Loss Account for the year ended on 31-3-2010 :

Assets Classification	₹ **(in Lakh)**
Standard	10,000
Sub-Standard	6,400
Doubtful :	
for one year	3,200
for two years	1,800
for three years	900
for more than three years	1,100
Loss Assets	3,000

Marks

(iii) While preparing its final accounts for the year ended 31st March 2010, a company made a provision for bad-debts @ 4% of its total debtors (as per trend follows from the previous years). In the first week of March 2010 a debtor for ₹ 3,00,000 had suffered heavy loss due to an earthquake; the loss was not covered by any insurance policy. In April 2010 the debtor become a bankrupt. Can the company provide for the full loss arising out of insolvency of the debtor in the final accounts for the year ended 31st March 2010.

(iv) "Recognizing the need to harmonize the diverse accounting policies and practices, accounting standards are framed." Give examples of areas in which different accounting policies may be adopted by enterprise.

2. A, B, C and D are sharing profits and losses in the ratio 5 : 5 : 4 : 2. Frauds committed by C during the year were found out and it was decided to dissolve the partnership on 31st March 2010 when their Balance Sheet was as under : **16**

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital		Building	1,20,000
A	90,000	Stock	85,500
B	90,000	Investments	29,000
C	–	Debtors	42,000
D	35,000	Cash	14,500
General reserve	24,000	C	15,000
Trade creditors	47,000		
Bills payable	20,000		
	3,06,000		**3,06,000**

Following information is given to you :

(i) A cheque for ₹ 4,300 received from debtor was not recorded in the books and was misappropriated by C.

(ii) Investments costing ₹ 5,400 were sold by C at ₹ 7,900 and the funds transferred to his personal account. This sale was omitted from the firm's books.

(iii) A creditor agreed to take over investments of the book value of ₹ 5,400 at ₹ 8,400. The rest of the creditors were paid off at a discount of 2%.

Marks

(iv) The other assets realised as follows :

Building	105% of book value
Stock	₹ 78,000
Investments	The rest of investments were sold at a profit of ₹ 4,800
Debtors	The rest of the debtors were realised at a discount of 12%

(v) The bills payable were settled at a discount of ₹ 400.

(vi) The expenses of dissolution amounted to ₹ 4,900

(vii) It was found out that realisation from C's private assets would only be ₹ 4,000.

Prepare the necessary Ledger Accounts.

3. Extra Ltd. furnishes you with the following Balance Sheet as on 31st March, 2010 : 16

(₹ in lakh)

Liabilities	Amount	Assets	Amount
Share Capital		Fixed assets less depreciation	50
Equity Shares of ₹ 10 each fully paid	100	Investments at cost	120
9% Redeemable Preference Shares of ₹ 100 each fully paid	20	Current assets	142
Capital Reserves	8		
Revenue Reserves	50		
Share Premium	60		
10% Debentures	4		
Current Liabilities	70		
	312		**312**

(i) The company redeemed the preference shares at a premium of 10% on 1st April 2010.

(ii) It also bought back 3 lakhs equity shares of ₹ 10 each at ₹ 30 per share. The payment for the above were made out of huge bank balances, which appeared as a part of the current assets.

(iii) Included in it's investment were "investments in own debentures" costing ₹ 2 lakhs (face value ₹ 2.20 lakhs). These debentures were cancelled on 1st April 2010.

(iv) The company had 1,00,000 equity stock options outstanding on the above mentioned date, to the employees at ₹ 20 when the market price was ₹ 30. (This was included under Current liabilities). On 1.04.2010 employees exercised their options for 50,000 shares.

(v) Pass the Journal Entries to record the above.

(vi) Prepare Balance Sheet as at 01.04.2010.

4. (a) Department R sells goods to Department S at a profit of 25% on cost and Department T at 10% profit on cost. Department S sells goods to R and T at a profit of 15% and 20% on sales respectively. Department T charges 20% and 25% profit on cost to Department R and S respectively. 8

Department Managers are entitled to 10% commission on net profit subject to unrealised profit on departmental sales being eliminated. Departmental profits after charging Manager's commission, but before adjustment of unrealised profit are as under :

		₹
Department	R	54,000
Department	S	40,500
Department	T	27,000

Stock lying at different departments at the end of the year are as under :

	Deptt. R	Deptt. S	Deptt. T
	₹	₹	₹
Transfer from Department R	–	22,500	16,500
Transfer from Department S	21,000	–	18,000
Transfer from Department T	9,000	7,500	–

Find out the correct departmental profits after charging Manager's commission.

(b) From the following information of Reliable Marine Insurance Ltd. for the year ending 31st March 2010 find out the 8

(i) Net premiums earned

Marks

(ii) Net claims incurred

	(₹) Direct Business	(₹) Re-insurance
Premium :		
Received	88,00,000	7,52,000
Receivable – 01.04.2009	4,39,000	36,000
Receivable – 31.03.2010	3,77,000	32,000
Paid	6,09,000	
Payable – 01.04.2009		27,000
Payable – 31.03.2010		18,000
Claims :		
Paid	69,00,000	5,54,000
Payable – 01.04.2009	89,000	15,000
Payable – 31.03.2010	95,000	12,000
Received		2,01,000
Receivable – 01.04.2009		40,000
Receivable – 31.03.2010		38,000

5. Following is the Balance Sheet of Y Ltd., as at 31st March 2010 : 16

Liabilities	₹	Assets	₹
Share Capital		**Fixed Assets**	
Issued & paid up :		Goodwill	8,00,000
2,50,000 equity share of ₹ 10 each, ₹ 8 per share paid up	20,00,000	Building	7,00,000
		Plant and machinery	13,00,000
1,00,000 (10%) pref. shares of ₹ 10 each fully paid up	10,00,000	**Current Assets**	
		Stock	7,00,000
Reserves & Surplus		Sundry debtors	9,00,000
General reserve	6,00,000	Bank Balance	6,60,000
Profit & Loss A/c	8,00,000		
Current Liabilities		**Misc. Exp.**	
Creditors	4,00,000	Preliminary Expense	40,000
Workmen's profit sharing fund	3,00,000		
	51,00,000		**51,00,000**

Marks

X Ltd. decided to absorb the business of Y Ltd., at the respective book value of assets and trade liabilities except Building which was valued at ₹ 12,00,000 and Plant & Machinery at ₹ 10,00,000.

The purchase consideration was payable as follows :

(i) Payment of liquidation expenses ₹ 5,000 and workmen's profit sharing fund at 10% premium;

(ii) Issue of equity share of ₹ 10 each fully paid at ₹ 11 per share for every pref. share and every equity share of Y Ltd., and a payment of ₹ 4 per equity share in cash.

Calculate the purchase consideration, show the necessary ledger accounts in the books of Y Ltd., and opening Journal Entries in the books of X Ltd.

6. (a) A Commercial Bank has the following capital funds and assets. Segregate the capital funds into Tier I and Tier II capitals. Find out the risk adjusted asset and risk weighted assets ratio. **8**

	₹ (in crores)
Equity Share Capital	500.00
Statutory Reserve	270.00
Capital Reserve (of which ₹ 16 crores were due to revaluation of assets and the balance due to sale of capital asset)	78.00
Assets :	
Cash balance with RBI	10.00
Balance with other banks	18.00
Other investments	36.00
Loans and advances :	
(i) Guaranteed by the Government	16.50
(ii) Others	5,675.00
Premises, furniture and fixtures	78.00
Off-Balance Sheet items :	
(i) Guarantee and other obligations	800.00
(ii) Acceptances, endorsements and letter of credit	4,800.00

Marks

(b) The Super Electricity Company maintains accounts under the Double Accounts System. It decides to replace one of its old plant with a technologically advanced plant with a larger capacity. The plant when installed in 2000 cost the company ₹ 90,00,000, the components of materials, labour and overheads being in the ratio 5 : 3 : 2. **8**

It is ascertained that the costs of materials has gone up by 200% and the cost of labour has gone up by 300%. The proportion of material, labour and overheads has changed to 10 : 9 : 6.

The cost of the new plant is ₹ 2,80,00,000 and in addition, goods worth ₹ 12,60,000 have been used in the construction of the new plant. The old plant was scrapped and sold for ₹ 19,00,000.

Find out the amount to be capitalised and also the amount to be charged to revenue. Draw the necessary Ledger Accounts.

7. Answer any **four** of the followings : **4×4 =16**

(a) Following is the information of the Jammu branch of Best Ltd., New Delhi for the year ending 31st March 2010 from the following :

(1) Goods are invoiced to the branch at cost plus 20%.

(2) The sale price is cost plus 50%.

(3) Other informations :

	₹
Stock as on 01-04-2009	2,20,000
Goods sent during the year	11,00,000
Sales during the year	12,00,000
Expenses incurred at the branch	45,000

Ascertain (i) the profit earned by the branch during the year (ii) branch stock reserve in respect of unrealized profit.

(b) Ram Ltd. had 12,00,000 equity shares on April, 1, 2009. The company earned a profit of ₹ 30,00,000 during the year 2009-10. The average fair value per share during 2009-10 was ₹ 25. The company has given share option to its employees of 2,00,000 equity shares at option price of ₹ 15. Calculate basic E.P.S. and diluted E.P.S.

(c) On 1st April 2009 Amazing Construction Ltd. obtained a loan of ₹ 32 crores to be utilized as under :

(i)	Construction of sealink across two cities : (work was held up totally for a month during the year due to high water levels)	: ₹ 25 crores
(ii)	Purchase of equipments and machineries	: ₹ 3 crores
(iii)	Working capital	: ₹ 2 crores
(iv)	Purchase of vehicles	: ₹ 50,00,000
(v)	Advance for tools/cranes etc.	: ₹ 50,00,000
(vi)	Purchase of technical know-how	: ₹ 1 crores
(vii)	Total interest charged by the bank for the year ending 31st March 2010	: ₹ 80,00,000

Show the treatment of interest by Amazing Construction Ltd.

(d) A company went into liquidation whose creditors are ₹ 36,000 includes ₹ 6,000 on account of wages of 15 men at ₹ 100 per month for 4 months immediately before the date of winding up; ₹ 9,000 being the salaries of 5 employees at ₹ 300 per month for the previous 6 months, Rent for godown for the last six months amounting to ₹ 3,000; Income-tax deducted out of salaries of employees ₹ 1,000 and Directors fees ₹ 500; in addition it is estimated that the company would have to pay ₹ 5,000 as compensation to an employee for injuries suffered by him, which was contingent liability not accepted by the company and not included in above said creditors figure.

Find the amount of Preferential Creditors.

(e) M Ltd. launched a project for producing product A in Nov. 2008. The company incurred ₹ 30 lakhs towards Research and Development expenses upto 31st March 2010. Due to unfavourable market conditions the management feels that it is not possible to manufacture and sold the product in the market for next so many years.

The management hence wants to defer the expenditure write off to future years.

Advise the company as per the applicable Accounting Standard.
