Roll No. ....

MAY 2011

Total No. of Questions – 7

Total No. of Printed Pages – 11

Time Allowed – 3 Hours

Maximum Marks – 100

TVS

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.

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

Wherever necessary suitable assumptions should be made by the candidates.

Working Notes should form part of the answer.

Marks

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

(a) The abstract of the Balance Sheet of the AXE Ltd. as at 31st March 2011, are as follows :

Liabilities	₹
Equity share capital (₹ 100 each)	15,00,000
12% preference share capital (₹ 100 each)	8,00,000
13% Debentures	3,00,000

On 31st March, 2011 BXE Ltd. agreed to take over AXE Ltd. on the following terms :

(1) For each preference share in AXE Ltd., ₹ 10 in cash and one 9% preference share of ₹ 100 in BXE Ltd.

(2) For each equity share in AXE Ltd., ₹ 20 in cash and one equity share in BXE Ltd. of ₹ 100 each. It was decided that the share in BXE Ltd. will be issued at market price ₹ 140 per share.

(3) Liquidation expenses of AXE Ltd. are to be reimbursed by BXE Ltd. to the extent of ₹ 10,000. Actual expenses amounted to ₹ 12,500.

You are required to compute the amount of purchase consideration.

Marks

(b) On 30th March, 2011 fire occurred in the premises of M/s Suraj Brothers. The concern had taken an insurance policy of ₹ 60,000 which was subject to the average clause. From the books of accounts, the following particulars are available relating to the period 1st January to 30th March, 2011.

(1) Stock as per Balance Sheet at 31st December, 2010, ₹ 95,600.

(2) Purchases (including purchase of machinery costing ₹ 30,000) ₹ 1,70,000.

(3) Wages (including wages ₹ 3,000 for installation of machinery) ₹ 50,000.

(4) Sales (including goods sold on approval basis amounting to ₹ 49,500) ₹ 2,75,000. No approval has been received in respect of 2/3rd of the goods sold on approval.

(5) The average rate of gross profit is 20% of sales.

(6) The value of the salvaged goods was ₹ 12,300.

You are required to compute the amount of the claim to be lodged to the insurance company.

(c) Shiv and Mohan are partners in a firm sharing profits and losses equally. On 31st March, 2011, the balances of their capital accounts were ₹ 3,00,000 and ₹ 2,00,000 respectively. The average profits of the firm are ₹ 1,36,000 and the rate of normal profit is 20%.

On 1st April, 2011 they agreed to admit Hari as a partner for one fourth share. Hari will bring ₹ 1,00,000 as capital.

You are required to compute the value of the Goodwill of the firm on admission of Hari, if goodwill is to be calculated on the basis of :

(1) 5 years purchase of super profit

(2) Capitalisation method

(3) 3 years purchase of average profit

(d) On 1st April, 2010, Rajat has 50,000 equity shares of P Ltd., at a book value of ₹ 15 per share (face value ₹ 10 each). He provides you the further information :

(1) On 20th June, 2010 he purchased another 10,000 shares of P Ltd. at ₹ 16 per share.

(2) On 1st August, 2010, P Ltd. issue one equity bonus share for every six shares held by the shareholders.

(3) On 31st October, 2010 the directors of P Ltd. announced a right issue which entitle the holders to subscribe three shares for every seven shares at ₹ 15 per share. Shareholders can transfer their rights in full or in part.

Rajat sold 1/3rd of entitlement to Umang for a consideration of ₹ 2 per share and subscribe the rest on 5th November, 2010.

You are required to prepare Investment A/c in the books of Rajat for the year ending 31st March, 2011.

2. Amit and Sumit are partners sharing profits and losses in the ratio of 3 : 2. Their Balance Sheet as on 31st March 2011 is given below : 16

Liabilities	Amount ₹	Assets		Amount ₹
Capital Accounts :		Land & Building		3,20,000
Amit	1,76,000	Investments (Market value ₹ 55,000)		50,000
Sumit	2,54,000	Debtors	3,00,000	
Loan from Puneet	3,00,000	Less : Provision for doubtful debts	10,000	2,90,000
General Reserve	30,000	Stock		1,10,000
Employer's Provident Fund	10,000	Cash at Bank		50,000
Creditors	50,000			
Total	**8,20,000**	**Total**		**8,20,000**

Marks

They decided to admit Puneet as a new partner from 1st April, 2011 on the following terms :

(1) Amit will give 1/3rd of his share and Sumit will give 1/4th of his share to Puneet.

(2) Puneet's loan account will be converted into his capital.

(3) The Goodwill of the firm is valued at ₹ 3,00,000. Puneet will bring his share of Goodwill in cash and the same was immediately withdrawn by the partners.

(4) Land and building was found undervalued by ₹ 1,00,000.

(5) Stock was found overvalued by ₹ 60,000.

(6) Provision for doubtful debts will be made equal to 5% of debtors.

(7) Investments are to be valued at their market price.

It was decided that the total capital of the firm after admission of new partner would be ₹ 10,00,000. Capital accounts of partners will be readjusted on the basis of their profit sharing ratio and excess or deficiency will be adjusted in cash.

You are required to prepare :

(a) Revaluation A/c.

(b) Partner's Capital A/c.

(c) Balance Sheet of the firm after admission of new partner.

Marks

3. The Balance Sheet of Mars Limited as on 31st March, 2011 was as follows : 16

Liabilities	₹	Assets		₹
Share Capital :		**Fixed Assets**		
1,00,000 Equity Shares of ₹ 10 each fully paid up	10,00,000	Land and building		7,64,000
		Current Assets		
Reserve and Surplus		Stock		7,75,000
Capital Reserve	42,000	Sundry Debtors	1,60,000	
Contingency Reserve	2,70,000	Less: Provision for		
Profit and Loss A/c	2,52,000	Doubtful debts	8,000	1,52,000
Current Liabilities & Provisions		Bills receivable		30,000
Bills payable	40,000	Cash at Bank		3,29,000
Sundry Creditors	2,26,000			
Provision for Income Tax	2,20,000			
	20,50,000			20,50,000

On 1st April, 2011 Jupiter Limited agreed to absorb Mars Limited on the following terms and conditions :

(1) Jupiter Limited will take over the assets at the following values :

Land and building	₹	10,80,000
Stock	₹	7,70,000
Bills receivable	₹	30,000

(2) Purchase consideration will be settled by Jupiter Ltd. as under :

4,100 fully paid 10% preference shares of ₹ 100 will be issued and the balance will be settled by issuing equity shares of ₹ 10 each at ₹ 8 paid up.

(3) Liquidation expenses are to be reimbursed by Jupiter Ltd. to the extent of ₹ 5,000.

(4) Sundry debtors realised ₹ 1,50,000. Bills payable were settled for ₹ 38,000. Income Tax authorities fixed the taxation liability at ₹ 2,22,000 and the same was paid.

Marks

(5) Creditors were finally settled with the cash remaining after meeting liquidation expenses amounting to ₹ 8,000.

You are required to :

(i) Calculate the number of equity shares and preference shares to be allotted by Jupiter limited in discharge of purchase consideration.

(ii) Prepare the Realisation A/c, Bank Account, Equity Shareholders Account and Jupiter Limited's Account in the books of Mars Ltd.

4. The following are the summarized Balance Sheets of Lotus Ltd. as on 31st March, 2010 and 2011 : **16**

Liabilities	**31-3-10**	**31-3-11**
	₹	₹
Equity share capital (₹ 10 each)	10,00,000	12,50,000
Capital Reserve	–	10,000
Profit and Loss A/c.	4,00,000	4,80,000
Long term loan from the bank	5,00,000	4,00,000
Sundry creditors	5,00,000	4,00,000
Provision for taxation	50,000	60,000
	24,50,000	26,00,000
Assets	₹	₹
Land and building	4,00,000	3,80,000
Machinery	7,50,000	9,20,000
Investment	1,00,000	50,000
Stock	3,00,000	2,80,000
Sundry Debtors	4,00,000	4,20,000
Cash in hand	2,00,000	1,40,000
Cash at bank	3,00,000	4,10,000
	24,50,000	26,00,000

Marks

Additional information :

(1) Depreciation written off on land and building ₹ 20,000.

(2) The company sold some investment at a profit of ₹ 10,000, which was credited to Capital Reserve.

(3) Income-tax provided during the year ₹ 55,000.

(4) During the year, the company purchased a machinery for ₹ 2,25,000. They paid ₹ 1,25,000 in cash and issue 10,000 equity shares of ₹ 10 each at par.

You are required to prepare a cash flow statement for the year ended 31st March, 2011 as per AS-3, by using indirect method.

5. The following is the Receipt and Payment Account of Park View Club in respect of the year ended 31st March 2011 : **16**

Receipts		Amount ₹	Payments	Amount ₹
To Balance b/d		1,02,500	By Salaries	2,08,000
To subscriptions :			By Stationery	40,000
2008-09	4,500		By Rent	60,000
2009-10	2,11,000		By Telephone Exp.	10,000
2010-11	7,500	2,23,000	By Investment	1,25,000
To profit on sports meet		1,55,000	By Sundry Expenses	92,500
To Income from investments		1,00,000	By Balance c/d	45,000
		5,80,500		**5,80,500**

Additional information :

(1) There are 450 members each paying an annual subscription of ₹ 500. On 1st April, 2010, outstanding subscription was ₹ 5,000.

(2) There was an outstanding telephone bill for ₹ 3,500 on 31st March, 2011.

(3) Outstanding sundry expenses as on 31st March, 2010 totalled ₹ 7,000.

(4) Stock of stationery :

On 31st March, 2010 ₹ 5,000

On 31st March, 2011 ₹ 9,000

(5) On 31st March, 2010 building stood in the books at ₹ 10,00,000 and it was subject to depreciation @ 5% per annum.

(6) Investment on 31st March, 2010 stood at ₹ 20,00,000.

(7) On 31st March, 2011, income accrued on the investments purchased during the year amounted to ₹ 3,750.

Prepare an Income and Expenditure Account for the year ended 31st March, 2011 and the Balance Sheet as at that date.

6. Mr. A. runs a business of ready made garments. He closes the books of accounts on 31st March, 2010. The Balance Sheet as on 31st March, 2010 was as follows : 16

Liabilities	₹	Assets	₹
A's capital a/c	4,04,000	Furniture	40,000
Creditors	82,000	Stock	2,80,000
		Debtors	1,00,000
		Cash in hand	28,000
		Cash at bank	38,000
	4,86,000		**4,86,000**

You are furnish with the following information :

(1) His sales, for the year ended 31st March, 2011 were 20% higher than the sales of previous year, out of which 20% sales was cash sales.

Total sales during the year 2009-10 were ₹ 5,00,000.

 Marks

(2) Payments for all the purchases were made by cheques only.

(3) Goods were sold for cash and credit both. Credit customers pay by cheques only.

(4) Depreciation on furniture is to be charged 10% p.a.

(5) Mr. A sent to the bank the collection of the month at the last date of the each month after paying salary of ₹ 2,000 to the clerk, office expenses ₹ 1,200 and personal expenses ₹ 500.

Analysis of bank pass book for the year ending 31st March, 2011 disclosed the following :

	₹
Payment to creditors	3,00,000
Payment of rent up to 31st March, 2011	16,000
Cash deposited into the bank during the year	80,000

The following are the balances on 31st March, 2011 :

	₹
Stock	1,60,000
Debtors	1,20,000
Creditors for goods	1,46,000

On the evening of 31st March 2011, the cashier absconded with the available cash in the cash book.

You are required to prepare Trading and Profit and Loss A/c for the year ended 31st March, 2011 and Balance Sheet as on that date. All the workings should form part of the answer.

Marks

7. Answer any **four** of the following : 4×

(a) A and B are partners in a firm and share profits and losses equally. A has withdrawn the following sum during the half year ending 30th June, 2010 :

Date	Amount ₹
January 15	5,000
February 10	4,000
April 5	8,000
May 20	10,000
June 18	9,000

Interest on drawings is charged @ 10% per annum. Find out the average due date and calculate the interest on drawings to be charged on 30th June, 2010.

(b) Best Ltd. deals in five products, P, Q, R, S, and T which are neither similar nor interchangeable. At the time of closing of its accounts for the year ending 31st March 2011, the historical cost and net realisable value of the items of the closing stock are determined as follows :

Items	Historical cost ₹	Net realizable value ₹
P	5,70,000	4,75,000
Q	9,80,000	10,32,000
R	3,16,000	2,89,000
S	4,25,000	4,25,000
T	1,60,000	2,15,000

What will be the value of closing stock for the year ending 31st March, 2011 as per AS-2 "Valuation of inventories" ?

Marks

(c) X, Y and Z are partners sharing profits and losses in the ratio of 4 : 3 : 2 respectively. On 31st March, 2011 Y retires and X and Z decide to share profits and losses in the ratio of 5 : 3. Then immediately, W is admitted for 3/10th shares in profits, 2/3rd of which was given by X and rest was taken by W from Z. Goodwill of the firm is valued at ₹ 2,16,000. W brings required amount of goodwill.

Give necessary Journal Entries to adjust goodwill on retirement of Y and admission of W if they do not want to raise goodwill in the books of accounts.

(d) "In business today, the accounts which were earlier maintained in a manual form, are replaced with computerized accounts." Explain the significance of computerized accounting system in modern time.

(e) On 1st October, 2010, the debit balances of debtors account is ₹ 77,500 in the books of M/s Zee Limited. Transactions during the 6 months ended on 31st March, 2011 were as follows :

	₹
Total sales (including cash sales ₹ 14,000)	84,000
Payment received from debtors in cash	38,000
Bills receivable received	26,000
Discount allowed to customers for prompt payment	1,000
Goods rejected and returned back by the customer	2,550
Bad debts recovered (written off in 2009)	900
Interest debited for delay in payment	1,250

Out of the bills received, bills of ₹ 8,500 were dishonoured on due dates and noting charges paid ₹ 250. Bills of ₹ 5,000 were endorsed to the suppliers.

You are required to prepare a Debtors Account for the period ending 31st March, 2011 in the General Ledger of M/s Zee Ltd.