

Roll No.....

Total No. of Questions—6]

[Total No. of Printed Pages—8

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.

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1. Following is the Receipts and Payments Account of Nanoo Club for the year ended 31st March, 2009 : 20

Receipts	Amount (Rs.)	Payments	Amount (Rs.)
Opening Balance :		Salaries	1,20,000
Cash	10,000	Creditors	15,20,000
Bank	3,850	Printing and Stationery	70,000
Subscription received	2,02,750	Postage	40,000
Entrance donation	1,00,000	Telephone and Fax	52,000
Interest received	58,000	Repairs and Maintenance	48,000
Sale of Fixed assets	8,000	Glass and Table linen	12,000
Miscellaneous Income	9,000	Crockery and Cutlery	14,000
Receipts at coffee room	10,70,000	Garden upkeep	8,000
Wines and Spirits	5,10,000	Membership fees	4,000
Swimming Pool	80,000	Insurance	5,000
Tennis court	1,02,000	Electricity	28,000
		Closing Balance :	
		Cash	8,000
		Bank	2,24,600
	<u>21,53,600</u>		<u>21,53,600</u>

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Following additional information is provided to you :

(i) Assets and liabilities as on 1.4.2008 were as follows :

	Rs.
Fixed assets (Net)	5,00,000
Stock	3,80,000
Investment in 12% government securities	5,00,000
Outstanding subscription	12,000
Gratuity fund	1,50,000
Prepaid insurance	1,000
Sundry creditors	1,12,000
Subscription received in advance	15,000
Entrance donation received pending membership	1,00,000

(ii) Subscription received in advance as on 31.3.09 was Rs. 18,000.

(iii) Outstanding subscription as on 31.3.09 was Rs. 7,000.

(iv) Outstanding expenses as on 31.3.09 are :

Salaries : Rs. 8,000

Electricity : Rs. 15,000

(v) 50% of the entrance donation was to be capitalised. There was no pending membership as on 31.3.09.

(vi) The cost of assets sold as on 1.4.08 was Rs. 10,000.

(vii) Depreciation was provided @ 10% p.a. on fixed assets on written down value basis.

(viii) A sum of Rs. 20,000 received in October, 2008 as entrance donation from an applicant was to be refunded, as he has not fulfilled the requisite membership qualification. The refund was made on 3.6.09.

(ix) Purchases made during the year 2008-09 amounted to Rs. 15,00,000.

(x) The value of closing stock as on 31.3.09 was Rs. 2,10,000.

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- (xi) The Club as a matter of policy charges off to Income and Expenditure account, all purchases made on account of crockery, cutlery, glass and linen in the year of purchase.

You are required to prepare :

- (i) Income and Expenditure account for the year ended 31st March, 2009.
(ii) Balance Sheet as on 31st March, 2009.

2. (a) Following is the Balance sheet of Mr. Ram, a small trader, as on 31st March, 2008 :

Liabilities	Rs.	Assets	Rs.
Creditors	1,00,000	Cash	10,000
Capital	4,00,000	Bank	20,000
		Stock	80,000
		Debtors	1,00,000
		Fixed Assets	2,90,000
	<u>5,00,000</u>		<u>5,00,000</u>

A fire occurred on the night of 31st March, 2009, destroying the accounting records as well as the closing cash of the trader. However, the following information was available :

- (i) Debtors and creditors as on 31st March, 2009 showed an increase of 20% as compared to 31st March, 2008.
(ii) Credit period :
Debtors : 1 month
Creditors : 2 months
(iii) Stock was maintained at the same level throughout the year.
(iv) Cash sales constituted at 20% of the total sales.
(v) All purchases were on credit basis only.
(vi) Current ratio on 31st March, 2009 was exactly 2.
(vii) Total expenses excluding depreciation for the year amounted to Rs. 5,00,000.

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- (viii) Depreciation was provided @ 10% on the closing book value of fixed assets.
- (ix) Bank and cash transactions for the financial year 2008-09 were as under :
- (a) Payment to creditors included Rs. 1,00,000 by cash.
 - (b) Received from debtors included Rs. 11,80,000 by way of cheques.
 - (c) Cash deposited into the Bank Rs. 2,40,000.
 - (d) Personal drawings from Bank Rs. 1,00,000.
 - (e) Fixed assets purchased and paid by cheques Rs. 4,50,000.
- (x) Assume that cash destroyed by fire is written off in the Profit and Loss account.

You are required to prepare :

- (i) Trading and Profit and Loss account of Shri Ram for the year ended 31st March, 2009.
 - (ii) A Balance Sheet as at that date.
- (b) From the following summarised Cash account of S Ltd., prepare cash flow statement for the year ended 31st March, 2009 in accordance with AS-3 (revised) using direct method. The company does not have any cash requirement : 8

Summarised Cash Account

		(Rs. 000)	
Opening Balance	50	Payment to suppliers	2,000
Issue of Share capital	300	Purchase of Fixed assets	200
Received from customers	2,800	Overhead expenses	200
Sale of Fixed assets	100	Wages and salaries	100
		Tax paid	250
		Dividend paid	50
		Bank Loan	300
		Closing Balance	150
	<u>3,250</u>		<u>3,250</u>

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3. (a) The partnership of Sakshi Agencies decided to convert the partnership into Private Limited Company named Rameshwar Company Pvt. Ltd. with effect from 1st January, 2008. The consideration was agreed at Rs. 2,34,00,000 based on firm's Balance Sheet as on 31st December, 2007. However, due to some procedural difficulties, the company could be incorporated only on 1st April, 2008. Meanwhile, the business was continued on behalf of the company and the consideration was settled on that day with interest at 12% p.a. The same books of accounts were continued by the company, which closed its accounts for the first time on 31st March, 2009 and prepared the following summarised Profit and Loss account :

	Rs.		Rs.
To Cost of goods sold	3,27,60,000	By sales	4,68,00,000
To Salaries	23,40,000		
To Depreciation	3,60,000		
To Advertisement	14,04,000		
To Discount	23,40,000		
To Managing Director's remuneration	1,80,000		
To Miscellaneous office expenses	2,40,000		
To Office cum showroom rent	14,40,000		
To Interest	19,02,000		
To Profit	38,34,000		
	<u>4,68,00,000</u>		<u>4,68,00,000</u>

The company's only borrowing was a loan of Rs. 1,00,00,000 at 12% p.a. to pay the purchase consideration due to the firm and for working capital requirements. The company was able to double the monthly average sales of the firm from 1st April, 2008, but the salaries trebled from the date. It had to occupy additional space from 1st July, 2008 for which rent was Rs. 60,000 per month.

Prepare a Profit and Loss account in columnar form apportioning costs and revenue between pre-incorporation and post-incorporation periods.

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- (b) On 1st April, 2008, Mr. Neel purchased 5,000 equity shares of Rs. 100 each in X Ltd. @ Rs. 120 each from a Broker, who charged 2% brokerage. He incurred 1/2% as cost of shares transfer stamps. On 31st January, 2009, Bonus was declared in the ratio of 1 : 2. Before and after the record date of bonus shares, the shares were quoted at Rs. 175 per share and Rs. 90 per share respectively. On 31st March, 2009, Mr. Neel sold bonus shares to a broker, who charged 2% brokerage. 8

Show the Investment Account in the books of Mr. Neel, who held the shares as current assets and closing value of investments shall be made at cost or Market value, whichever is lower.

4. (a) An electricity company decided to replace some parts of its plant by an improved plant. The plant to be replaced was built in 1995 for Rs. 35,00,000. It is estimated that it would cost Rs. 65,00,000 to build a new plant of the same size and capacity. The cost of the new plant as per the improved design was Rs. 1,05,00,000 and in addition, material belonging to the old plant valued at Rs. 3,80,000 was used in the construction of the new plant. The balance of the plant was sold for Rs. 3,00,000. 8

Compute the amount to be written off to revenue and the amount to be capitalised. Also prepare Plant account and Replacement account.

- (b) From the data relating to a company which went into voluntary liquidation, you are required to prepare the liquidator's Final Statement of Account. 8
- (i) Cash with liquidators (after all assets are realised and secured creditors and debentureholders are paid) is Rs. 7,50,000.
 - (ii) Preferential creditors to be paid Rs. 35,000.
 - (iii) Other unsecured creditors Rs. 2,30,000.
 - (iv) 5,000, 10% preference shares of Rs. 100 each fully paid.
 - (v) 3,000 equity shares of Rs. 100 each, Rs. 75 per share paid up.
 - (vi) 7,000 equity shares of Rs. 100 each, Rs. 60 per share paid up.
 - (vii) Liquidator's remuneration is 2% on payments to preferential and other unsecured creditors.

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5. Answer any **eight** out of the following :

8×2=16

- (i) Amount of Life Assurance Fund is Rs. 5,000 lacs and net liabilities were Rs. 4,800 lacs. Calculate profit under Valuation Balance Sheet.
- (ii) What is "average clause" under insurance claim ?
- (iii) Give the journal entry to be passed for accounting unrealised profit on stock, under amalgamation.
- (iv) A and M are partners, sharing profit and losses in the ratio of 3 : 2. G is admitted for 1/4th share. Thereafter, N enters the partnership for 20 Paise in a Rupee. Compute new profit sharing ratio.
- (v) A company entered into an underwriting agreement with Mr. B for 60% of the issue of Rs. 50,00,000, 15% debentures, with a firm underwriting of Rs. 5,00,000. Marked applications were in respect of debentures worth Rs. 35,00,000. Compute liability of Mr. B and commission payable to him.
- (vi) Enumerate two points which the financial statements should disclose in respect of Borrowing costs as per AS-16.
- (vii) Mr. X purchased a machine on hire-purchase system, Rs. 30,000 being paid on delivery and the balance in five instalments of Rs. 60,000 each, payable annually on 31st December. The cash price of the machine was Rs. 3,00,000. Compute the amount of interest for each year.
- (viii) Mr. T purchased 1,000 nos. 10% debentures of Rs. 100 each on 1st April, 2009 at Rs. 96 cum-interest, the previous interest date being 31st December, 2008. Compute cost of investment.
- (ix) Name two methods of accounting for amalgamations as contemplated by AS-14.
- (x) The Managing Director of A Ltd. is entitled to 5% of the annual net profits, as his remuneration, subject to a minimum of Rs. 25,000 per month. The net profits, for this purpose, are to be taken without charging income-tax and his remuneration itself. During the year, A Ltd. made net profit of Rs. 43,00,000 before charging MD's remuneration, but after charging provision for taxation of Rs. 17,20,000. Compute remuneration payable to the Managing Director.

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

4×4=16

- (a) Sony Pharma ordered 12,000 kg. of certain material at Rs. 80 per unit. The purchase price includes excise duty Rs. 4 per kg in respect of which full CENVAT credit is admissible. Freight incurred amounted to Rs. 77,400. Normal transit loss is 3%. The company actually received 11,600 kg. and consumed 10,100 kg. of material. Compute cost of inventory under AS-2 and abnormal loss.
- (b) Explain the provisions of AS-5 regarding accounting treatment of prior period items.
- (c) Mention, four advantages and four disadvantages of pre-packaged accounting software.
- (d) From the following information relating to X Ltd., calculate Diluted earning per share as per AS-20 :

Net profit for the current year	Rs. 2,00,00,000
Number of equity shares outstanding	40,00,000
Basic earning per share	Rs. 5.00
Number of 11% convertible debentures of Rs. 100 each	50,000
Each debenture is convertible into 8 equity shares.	
Interest expense for the current year	Rs. 5,50,000
Tax saving relating to interest expense (30%)	Rs. 1,65,000

- (e) The Revenue Account of a Life Insurance Company shows the Life Assurance Fund on 31st March, 2009 at Rs. 62,21,310 before taking into account the following items :
- (i) Claims recovered under re-insurance Rs. 12,000
- (ii) Bonus utilised in reduction of Life Insurance premium of Rs. 4,500.
- (iii) Interest accrued on securities Rs. 8,260.
- (iv) Outstanding premium Rs. 5,410.
- (v) Claims intimated but not admitted Rs. 26,500.

Compute the Life Assurance Fund on 31st March, 2009, after taking into account the above omission.

- (f) What is the difference between the Sectional and Self-balancing system ?