

BMW

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 appropriate, suitable assumptions should be made by the candidate.

Working notes should form part of the answer.

Marks

1. Following is the Balance Sheet of M Ltd. as at 31st March, 2008 :

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Liabilities	Rs.	Assets	Rs.
15,000, 10% preference		Goodwill	3,50,000
Shares of Rs. 100 each	15,00,000	Land & Buildings	15,00,000
35,000 Equity Shares of		Plant & Machinery	10,00,000
Rs. 100 each	35,00,000	Stock	6,00,000
Securities Premium Account	1,00,000	Debtors	15,00,000
7% Debentures of		Cash at Bank	1,00,000
Rs. 100 each	5,00,000	Preliminary Expenses	4,00,000
Creditors	12,50,000	Profit & Loss a/c	15,50,000
Loan from Director	1,50,000		
	<u>70,00,000</u>		<u>70,00,000</u>

No dividend on Preference shares has been paid for the last 5 years.

The following scheme of reorganization was duly approved by the court :

- (i) Each Equity share to be reduced to Rs. 25.
- (ii) Each existing Preference share to be reduced to Rs. 75 and then exchanged for 1 new 13% Preference share of Rs. 50 each and 1 Equity share of Rs. 25 each.
- (iii) Preference shareholders have forgone their right for dividend for four years. One year's dividend at the old rate is however, payable to them in fully paid equity Shares of Rs. 25.
- (iv) The Debentureholders be given the option to either accept 90% of their claims in cash or to convert their claims in full into new 13% Preference shares of Rs. 50 each issued at par. One half (in value) of the debentureholders accepted Preference shares for their claims. The rest were paid cash.
- (v) Contingent liability of Rs, 1,50,000 is payable, which has been created by wrong action of one Director. He has agreed to compensate this loss out of the loan given by the Director to the company.
- (vi) Goodwill does not have any value in the present. Decrease the value of Plant and Machinery, Stock and Debtors by Rs. 4,00,000, Rs. 1,00,000 and Rs. 1,50,000 respectively. Increase the value of Land and Buildings to Rs. 18,00,000.
- (vii) 40,000 new Equity Shares of Rs. 25 each are to be issued at par, payable in full on application. The issue was underwritten for a commission of 4%.
Shares were fully taken up.
- (viii) The total expenses incurred by the Company in connection with the scheme excluding underwriting commission amounted to Rs. 15,000.

Pass necessary Journal Entries to record the above transactions.

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2. (a) The Balance Sheets of X Ltd. as on 31st March, 2008 and 31st March, 2009 are as follows : 8

Liabilities	2008 Amount Rs.	2009 Amount Rs.	Assets	2008 Amount Rs.	2009 Amount Rs.
Share Capital	5,00,000	7,00,000	Land and		
General Reserve	50,000	70,000	Building	80,000	1,20,000
Profit and Loss			Plant and		
Account	1,00,000	1,60,000	Machinery	5,00,000	8,00,000
Sundry Creditors	1,53,000	1,90,000	Stock	1,00,000	75,000
Bills Payable	40,000	50,000	Sundry Debtors	1,50,000	1,60,000
Outstanding Expenses	7,000	5,000	Cash	20,000	20,000
Total	8,50,000	11,75,000		8,50,000	11,75,000

Additional Informations :

- (a) Rs. 50,000 depreciation has been charged to Plant and Machinery during the year 2009.
- (b) A piece of Machinery costing Rs. 12,000 (Depreciation provided there on Rs. 7,000) was sold at 60% Profit on book value.

You are required to prepare Cash flow statement as per A S-3 (revised), using indirect method.

- (b) S Ltd. grants 1,000 options on 1.4.2005 at Rs. 60. The vesting period is two and a half years. The minimum period is one year. Market price on that date is Rs. 90. All the options were exercised on 31.07.2008. Journalize, if the face value of equity share is Rs. 10 per share. 8
3. (a) The Z Ltd. has three departments and submits the following information for the year ending on 31st March, 2009 : 8

	A	B	C	Total Rs.
Purchases (units)	6,000	12,000	14,400	
Purchases (Amounts)				6,00,000
Sales (Units)	6,120	11,520	14,976	
Selling Price (per unit) Rs.	40	45	50	
Closing Stock (Units)	600	960	36	

You are required to prepare departmental trading account of Z Ltd., assuming that the rate of Profit on sales is the uniform in each case.

- (b) The Balance Sheet of Amitabh, Abhishek and Amrish as at 31.12.2008 stood as follows : 8

Liabilities	Amount Rs.	Assets	Amount Rs.
Capital :		Land & Buildings	74,000
Amitabh 60,000		Investments	10,000
Abhishek 40,000		Goodwill	37,800
Amrish <u>40,000</u>	1,40,000	Life Policy (at Surrender Value)	
Creditors	25,800	Amitabh	2,500
General Reserves	8,000	Abhishek	2,500
Investment Fluctuation Reserve	2,400	Amrish	1,000
		Stock	20,000
		Debtors :	20,000
		Less : Provision for	
		doubtful Debts <u>1,600</u>	18,400
		Cash & Bank Balance	10,000
	<u>1,76,200</u>		<u>1,76,200</u>

Amrish died on 31 march, 2009, for the purpose the following adjustments were agreed upon :

- (i) Land and Building be appreciated by 50%
- (ii) Investment be valued at 6% less than the cost
- (iii) All debtors (except 20% which are considered as doubtful) were good
- (iv) Stock to be reduced to 94%
- (v) Goodwill to be valued at 1 year's purchase of the average profits of the past five years
- (vi) Amrish's share of Profit to the date of death be calculated on the basis of average profits of the three completed years immediately preceding the year of death.

The Profit of the last five years as follows :

Year	Rs.
2004	23,000
2005	28,000
2006	18,000
2007	16,000
2008	20,000
Total	<u>Rs. 1,05,000</u>

The life policies have been shown at their surrender values representing 10% of the sum assured in each case. The annual premium of Rs. 1,000 is payable every year on 1st August.

Give the necessary Journal Entries in the books of account and prepare the Balance Sheet of the reconstituted firm.

4. (a) The M. Water Works Company Limited decides to replace one of its old plants with a modern one and large capacity. The cost of plant when installed in 1985 was Rs. 48 lakhs, the components of materials, labour and overheads being in the ratio of 5 : 3 : 2 it is ascertained that the costs of materials and labour have gone up by 40 percent and 80 percent respectively. The proportion of overheads to total cost is expected to remain the same as before. 8

The cost of the new plant as per improved design is Rs. 120 lakhs and in addition, material recovered from the old plant of a value of Rs. 4,80,000 has been used in the construction of the new plant. The old plant was scrapped and sold for Rs. 15,00,000.

Show the Journal Entries and Ledger Accounts in the books of M. Water Works Company Ltd.

- (b) The following information is presented by Mr. Z, relating to his holding in 9% Central Government Bonds. 8

Opening Balance (Face value) Rs. 1,20,000 Cost Rs. 1,18,000 (Face value of each unit is Rs. 100) :

- 1.3.2008 Purchased 200 units, ex-interest Rs. 98
 1.7.2008 Sold 500 units, ex-interest out of original holding at Rs. 100
 1.10.2008 Purchased 150 units at Rs. 98, cum interest
 1.11.2008 Sold 300 units, ex-interest at Rs. 99 out of original holdings

Interest dates are 30th September and 31st march. Mr. Z closes his books every 31st December. Show the investment account as it would appear in his books.

5. (a) With the help of the following informations prepare statement of affairs of Mr. Zenith, who was declared insolvent under the presidency town Insolvency Act, 1909. 8

His capital was Rs. 3,500 and his drawings were Rs. 3,500.

His Assets consist of :

- (i) Stock (Book value Rs. 7,500) estimated to produce Rs. 4,500
 (ii) Free hold house (private property) valued at Rs. 10,000, the deed of which was lodged with the bank as security for an overdraft on business account Rs. 4,000
 (iii) Book-debts Rs. 5,000 of which Rs. 4,000 was considered good and the balance estimated to produce Rs. 500
 (iv) His life policy (surrender value Rs. 3,000) was given as a part security for a private loan of Rs. 5,000
 (v) Machinery (Book value Rs. 8,000) Cost price Rs. 9,000, Estimated to produce Rs. 5,500.

His unsecured creditors amounted to Rs. 20,150 and he owned Rs. 250 to his clerk being salary for two months just preceeding the date of his insolvency.

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(b) Following is the Balance Sheet of M/s Z Ltd. as on 31st March, 2009 :

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Liabilities	Rs.	Assets	Rs.
80,000, 6% Redeemable Preference Shares of Rs. 10 each Rs. 9 paid up.	7,20,000	Sundry Assets	16,80,000
40,000 Equity Shares of Rs. 10 each fully paid	4,00,000	Cash	5,20,000
Securities premium	1,00,000		
Profit and Loss Account	5,00,000		
General Reserve	60,000		
Sundry Creditors	4,20,000		
Total	22,00,000	Total	22,00,000

By the terms of their issue, the preference shares were redeemable at a premium of Re. 0.50 per share on 1st April, 2009, and it was decided to arrange for this, as far as possible, out of the companies resources subject to leaving a Credit Balance of Rs. 24,000 in the profit and loss a/c. It was also decided to raise the balance of funds required by the issue of sufficient number of Equity shares at a premium of 10%.

Show the necessary Journal Entries giving effect to the above transactions and the Balance Sheet thereafter.

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

5×4=20

(a) A major fire has damaged the Assets in a factory of a Limited Company on 5th April—five days after the year end and closure of accounts. The loss is estimated at Rs. 10 crores out of which Rs. 7 crores will be recoverable from the insurers. Explain briefly how the loss should be treated in the final accounts for the previous year.

(b) Explain the types of lease as per AS-19.

- (c) Explain the criteria of identification of Reportable Segments as per AS-17.
- (d) Explain the use of accounting information in Agricultural farm.
- (e) Describe the structure of Government Accounts.
- (f) Goods purchased on 24.2.2008 of US \$ 1,000 Rs. 46.60 per US \$
- Exchange Rate on 31.3.2008 Rs. 47.00 per US \$
- Date of actual payment 05.06.2008 Rs. 47.50 per US \$

Calculate the loss/gain for the financial year 2007-08 and 2008-09 as per AS-11.