BAF - V (75:25) (60:40) / Financial A/c (Paper - VI) 16/04/15

QP Code 11352

(2½ Hours) [Total Marks : 75

N.B. : (1) Question No. 1 is compulsory.
(2) Question No. 2, 3, 4 & 5 have internal options.
(3) Each question carry 15 marks.
(4) Working notes should from part of your answer.
(5) Figures to the right indicate full marks assigned to each question.

1. (a) Choose the correct alternative. (attempt any eight) 15

(1) The Cancellation of contigent liability is ______ for company
(a) Profit (c) nil
(b) Loss (d) no profit no loss.

(2) "And Reduced" words are to be shown in Balance Sheet as per ______ requirement.
(a) Company Law (c) Income Tax
(b) AS (d) Stock exchange.

(3) The excess of net asset value over consideration is ______.
(a) Capital reserve (c) Security premium
(b) Goodwill (d) Profit / Loss.

(4) The amalgamation requires approval of ______.
(a) High Court (c) Registrar of companies
(b) Central government (d) Directors.

(5) Long term investments are carried out at ______.
(a) Cost (c) Market Value
(b) Fair value (d) Cost or Market value whichever is less

(6) Securities can be purchased at ______.
(a) Cum-interest price (c) Cost +brokerage+interest
(b) Ex-interest price (d) any of the above.

(7) Non-monetary items are valued at.
(a) Market price (c) Historical cost
(b) Current price (d) Fluctuating price.

(8) Conversion of currency is covered under As ______.
(a) 9 (c) 13
(b) 11 (d) 14.

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(9) IFRS are issued by ________.
(a) IASB
(b) FASB
(c) ICAI
(d) IASC.

(10) Financial statements as per IFRS includes ________.
(a) Cash flow statement
(b) Summary of significant accounting policies
(c) Statement of financial position
(d) All of the above.

(b) Rewrite the statements given in **Group A** with the corresponding most appropriate statement from **Group B** (any **seven**) :—

Group A	Group B
(1) Approval by 90% shareholders	(1) Merger type
(2) Fictitious asset balance	(2) Credit to investments A/c
(3) Fair value as per IFRS	(3) No Cost
(4) Sub-division of shares	(4) No reduction of capital
(5) Approval by 75% shareholders	(5) Transfer to capital reduction
(6) Pre-acquisition income	(6) Purchase type
(7) Bonus Shares	(7) Currency in financial statements are presented
(8) Reporting currency	(8) As per A/S – 11
(9) All exchange difference to Profit & Loss	(9) Sets of financial reporting standards
(10) IFRS	(10) Value at which asset should be exchanged

2. The following is the Balancesheet of Vikrant Ltd. as on 31st March, 2014. 15

Particulars	Notes	Amount (₹)	Amount (₹)
(a) Equity and Liabilities			
(1) Shareholders Funds			
Share Capital	1	5,00,000	
Reserve & Surplus	2	(70000)	4,30,000
(2) Non Current Liabilities			
Long term borrowings	3		1,00,000
(3) Current liabilities			
Trade Payables	4		50,000
			5,80,000
(b) Assets			
(1) Non-Current Assets			
Fixed Assets			
Tangible		4,20,000	
Intangible		50,000	4,70,000
(2) Current Assets			
Other Current Assets			1,10,000
			5,80,000

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Notes forming part of financial statements	Notes	Amt (₹)	Amt (₹)
Share Capital	1		
Issued, Subscribed and paid up			
Equity share capital			5,00,000
Total			**5,00,000**
Reserves and Surplus	2		
Statutory Reserve			10,000
Profit & Loss A/c			(80,000)
Total			**70,000**
Long term Borrowings	3		
Debentures			1,00,000
Total			1,00,000
Trade Payables	4		
Sundry Creditors			50,000
Total			**50,000**

Virat Ltd. agreed to absarb Vikrant Ltd. on the following terms :—

(1) Virat Ltd. agreed to take over all the assets and liabilities.
(2) The assets of Vikrat Ltd are to be considered for ₹ 5,00,000.
(3) The Purchase price is to be paid one-quarter in cash and the balance in shares which are issued at the market price.
(4) Market value of share of ₹ 10 each of Virat Ltd. is ₹ 12 per share.
(5) Debentures of Vikrant Ltd. were not taken over.
(6) Amalgamation is in the nature of Purchase.

You are required to show:

(a) Purchase Consideration
(b) In the books of Vikrant Ltd.
   (i) Realisation A/c
   (ii) Equity Shareholders A/c
   (iii) Virat Ltd.
(c) Opening Balance-sheet in the books of Virat Ltd.

OR

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2. The following were the Balance Sheets of Naysha Ltd and Tanishka Ltd. as on 31st March, 2014. 15

Particulars	Notes	Naysha Ltd (₹)	Tanishka Ltd. (₹)
(a) Equity and Liabilities			
(1) Shareholders Funds			
Share Capital	1	15,00,000	6,00,000
Reserve & Surplus	2	15,37,000	4,33,500
		30,37,000	**10,33,500**
(2) Non-Current Liabilities			
Long term borrowings	3		1,00,000
(3) Current liabilities			
Trade Payables	4	1,42,000	45,000
Short term provisions	5	1,61,000	71,500
		33,40,000	**12,50,000**
(b) Assets			
(1) Non-Current Assets			
Fixed Assets	6		
Tangible		22,50,000	6,60,000
(2) Current Assets			
Inventories		7,70,000	4,10,000
Trade Receivables	7	2,20,000	1,18,000
Cash $ cash equivalents		1,00,000	62,000
		33,40,000	**12,50,000**

Notes forming part of financial statements	Notes	Naysha (₹)	Tanishka (₹)
Share Capital	1		
Issued, Subscribed and paid up			
Equity share capital (₹ 10 each)		15,00,000	6,00,000
Total		**15,00,000**	**6,00,000**
Reserves and Surplus	2		
General Reserve		9,50,000	3,20,000
Security Premium		3,00,000	—
Foreign Project Reserve		—	31,000
Profit and Loss A/c		2,87,000	82,500
Total		**15,37,000**	**4,33,500**
Long term borrowings	3		
Secured			
12% debentures		—	1,00,000
Total		—	**1,00,000**
Trade Payables	4		
Creditors		1,30,000	45,000
Bills Payable		12,000	
Total		**1,42,000**	**45,000**
Short term provisions	5		
Sundry Provision		1,61,000	71,500
Total		**1,61,000**	**71,500**
Fixed Assets	6		
Land & building		8,00,000	—
Plant & Machinery		12,00,000	5,00,000
Furniture		2,50,000	1,60,000
Total		**22,50,000**	**6,60,000**
Trade Receivables	7		
Debtors		2,20,000	1,10,000
Bills receivable		—	8,000
Total		**2,20,000**	**1,18,000**

Naysha Ltd took over Tanishka Ltd. in an amalgamation in the nature of merger :

(1) All the bills receivable held by Tanishka Ltd. were Naysha Ltd's acceptances on 1st April, 2013.

(2) It was agreed that in discharge of consideration for the business, Naysha Ltd. would Allot three fully paid equity shares of ₹ 10 each at par for every two shares in Tanishka Ltd.

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(3) It was also agreed that 12% debentures in Tanishka Ltd. would be converted into 13% debentures in Naysha Ltd. of the same amount and denomination.
(4) Expenses of amalgamation amounting to ₹ 1000 were borne by Naysha Ltd.
(5) Amalgamation is in the nature of merger.

You are required to—
(1) Pass journal entries in the books of Naysha Ltd.
(2) Prepare balancesheet of Naysha Ltd. immediately after merger. 15

3. Balancesheet of Pragati Ltd. as on 31st March, 2015.

Particulars	Notes	Amt (₹)	Amt(₹)
(a) Equity and Liabilities			—
(1) Shareholders Funds			—
Share Capital	1	16,00,000	
Reserve & Surplus	2	(9,00,000)	
		—	7,00,000
(2) Non-Current Liabilities			
Long term borrowings	3		10,00,000
(3) Current liabilities			
Short Term Borrowings	4	2,00,000	—
Trade Payables		4,00,000	6,00,000
Total		—	23,00,000
(b) Assets			
(1) Non-Current Assets			
Fixed Assets	5		
Tangible		12,00,000	—
Intangible		3,60,000	—
Other Non Current Assets	6	40,000	—
			16,00,000
(2) Current Assets			
Inventories		4,00,000	—
Trade Receivables		3,00,000	—
			7,00,000
Total		—	23,00,000

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Notes forming part of financial statements	Notes	Amt (₹)	Amt (₹)
Share Capital	1		
Issued, Subscribed and paid up			
Equity share capital (₹ 10 each fully paid)		—	10,00,000
10% Preference Share Capital (₹ 100 each fully paid)			6,00,000
Total		—	**16,00,000**
Reserves and Surplus			
Profit and Loss Account	2	—	(9,00,000)
Total		—	**(9,00,000)**
Long Term Borrowings :			
6% Debentures	3	—	10,00,000
Total		—	**10,00,000**
Short Term Borrowings :	4		
Secured Loans :			
Bank Overdraft		—	2,00,000
Total		—	**2,00,000**
Fixed Assets :	5		
Tangible :			
Land and Building		8,00,000	
Plant and Machinery		4,00,000	12,00,000
Intangible :			
Goodwill		3,00,000	
Patents and trade mark		60,000	3,60,000
Total			**15,60,000**
Other Non Current Assets :	6		
Preliminary Expenses			40,000
Total			**40,000**

A scheme of reconstruction was duly prepared and sanctioned as follows :—

(a) Equity shareholders have agreed to their ₹ 10 per share reduced to ₹ 1 each. They have also agreed to subscribe in cash for four new equity shares of ₹ 1 each for every ten shares held.

(b) The Preference shareholders have agreed to cancel 60% of their dividend arrears which were in arrears for 3 years and to accept equity shares of ₹ 1 each for the balance.

(c) 6% debenture holders have agreed to accept 10% new debentures in such a way that there is no change in the amount of interest.

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(d) 50% of creditors have agreed to accept 1,20,000 equity shares of ₹ 1 each in full satisfication of their claims.
(e) 10% preference shares are to be reduced to ₹ 6 paid up.
(f) Bank has agreed to forego 40% of their claim.
(g) The directors have agreed to subscribe in cash 60,000 new equity shares of ₹ 1 each.
(h) Land and building to be written down to the extent possible after writing off intangible and fictitious assets.

You are required to give.
(a) Journal entries

OR

3. (a) Pass Journal Entries for the following foreign exchange transactions in the books of Deepti Ltd. 15

On the 1st January, 2013 Deepti Ltd. an importer, purchased $ 42,500 worth goods from Tom Trading Company of USA.

The payment was made as under :

On 15th January, 2014 $ 8,000
On 15th February, 2014 $ 9,000
On 15th March, 2014 $ 14,500
On 15th April, 2014 $ 11,000

Deepali Ltd. closes its books on 31st March every year.

The exchange rate for $ 1 was as follows :

Date	Exchange Rate
01-01-2014	₹ 48·50
15-01-2014	₹ 49·25
15-02-2014	₹ 48·25
15-03-2014	₹ 48·40
31-03-2014	₹ 48·75
15-04-2014	₹ 48·60

(b) Pass Journal Entries for the following transactions in foreign currency in the books of 'Priyanka Ltd.' Priyanka Ltd. exported goods to 'Jerry Trading Company' Germany worth US $ 90,000 on 10th January, 2014 on which date exchange rate of US $ was ₹ 49·50.

The payment for the same was received as under :

Date of payment	US $ Received	Exchange Rate for 1 US $
25-01-2014	25,000	₹ 49·75
23-02-2006	24,000	₹ 48·90
24-03-2006	24,000	₹ 48·60
28-04-2006	17,000	₹ 48·90

'Priyanka Ltd.' closes its books on 31st March every year. The exchange rate on 31st March, 2014 was 1 US $ ₹ 48·75.

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4. On 1st April, 2013 Mr. Ritesh had 10,000 equity shares (of ₹ 10 each) in Marcons Entertainment Ltd. at the cost of ₹ 1,60,000. 15

On 1st July, 2013 he acquired 4,000 more shares in the same company for ₹ 80,000.

On 31st July, 2013 he further acquired 6,000 more shares at ₹ 22 per share.

On 10th August, 2013 Marcons Entertainments Ltd. announced bonus shares to the equity shareholders in the ratio of 1 bonus share for every 4 shares held on 5th August, 2013 Ritesh received the bonus shars on 22nd August, 2013.

The directors of Marcons Entertainment Ltd. issued rights shares to the equity shareholders as on the following terms :—

1. Right shares to be issued to the existing shareholders as on 31st August 2013.
2. Right offered was at the rate of ₹ 15 per share in the ratio of 1 share for every 5 shares held. Full amount was payable on or before 15th October, 2013.
3. Shareholders would be entitled to renounce their entitlement either wholly or in part to the outsiders.
4. Ritesh exercised his right of option under the issue of 3,000 shares and sold the balance to Mr. Raj @ ₹ 4 per share. On 20th October, 2013. Marcons Entertainment Ltd. declared the dividend @ ₹ 4 per share for the year ending 31st March, 2013. Ritesh received the dividend on 31st October, 2013.

On 10th January 2014. Ritesh sold 7,000 shares @ ₹ 40 per share.

Prepare Investments Account in the books of Ritesh for the year ended 31st March, 2014.

OR

4. (a) Mr. Shah furnishes the following information regarding his holding in 12% IDBI bonds for the year ended 31st March, 2014. 8

1st April, 2013 opening balance -- Nominal Value of 12% bonds ₹ 2,00,000 cost ₹ 1,90,000. Interest was receivable half yearly on 30th June and 31st December.

August 31	:	He purchased a further ₹ 80,000 of the bonds at ₹ 96 cum interest.
Oct 31	:	Sold 700 12% bonds of ₹ 100 each at ₹ 94 ex-interest.
Feb 28	:	Sold 300 12% bonds of ₹ 100 each at ₹ 96 cum-interest.

The face value of each bond was ₹ 100.

Prepare 12% Bonds account for the year ended 31st March, 2014.

(b) Following information is available from the books of Neha. 7
Advance received from Bhatia Brothers of U.S.A ₹ 10,00,000 on 15-1-2013. Rate of exchange is ₹ 50 = 1\$. Goods exported to Bhatia Brothers \$ 60,000 on 18-2-13. Rate of exchange is \$ 1 = ₹ 49.
Amount received on 20-2-13 \$ 18,000 at \$ 1 = ₹ 48.
On 15-3-13, amount received \$ 5,000 at \$ 1 = ₹ 49.
On 24-3-13, received balance amount in American Dollar Rate of exchange \$ 1 = ₹ 49·50.
Prepare :—
(1) Foreign exchange Fluctuation A/c.
Financial year is accounting year.

5. (a) What are challenges in the implementation of IFRS ? 7
(b) Monetary and Non-Monetary items in Foreign Exchange Transactions. 8

OR

Write short notes (any three) :— 15
(a) Internal Reconstruction
(b) Right Shares
(c) IFRS 1
(d) Amalgamation in the nature of Merger
(e) Purchase Consideration.
