

QP Code : 15791

(2½ Hours)

[Total Marks : 75

- N.B.: (1) All questions are compulsory.
(2) Figures to the right indicate full marks.
(3) Working note should be part of answer.
(4) Use of simple calculator is allowed.

1. (p) State whether the following statements are True or False (Any Eight).

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- (i) Capital profit Realised in cash can be used for paying dividend.
- (ii) Calls in advance are shown under current liabilities in the Balance sheet.
- (iii) Super profit = Total profit ÷ No. of years.
- (iv) Working capital is current Asset less current liability.
- (v) Advertisement Expenses are Allocated on The basis of Sales Ratio.
- (vi) Financial Statement are presented in Reporting Currency.
- (vii) Inventory is monetary item.
- (viii) Goodwill is not Depreciated.
- (ix) Yield value Depends on Maintainable profit.
- (x) The NPV Method of evaluating projects considers Time value of Money.

(q) Match the column (Any Seven).

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|-------------------------------------|---|
| (i) Profitability Index | (a) Pv of cash inflow/Pv of cash outflow |
| (ii) Average capital | (b) Accounting standard Board of ICAI |
| (iii) Exceptional items | (c) AS - 20 |
| (iv) Accounting standard in India | (d) Asset backing value |
| are issued by | |
| (v) Share Transfer Fee | (e) Reversible in later fear |
| (vi) Valuation of Goodwill | (f) Opening capital + closing capital ÷ 2 |
| (vii) Earning per share | (g) Other current liability |
| (viii) Timing Difference | (h) Statement of profit & loss |
| (ix) Balance in Exchange difference | (i) Post Incorporation income |
| (x) Unpaid assessed Tax. | (j) Average Profit Method |
| | (k) Transfer to profit and loss |

2. Ramchandra Ltd. was incorporated on 1st September, 2013 to take over the Buiness of 15
Sucha & Priya, a partnership Firm with effect From 1st April, 2013. Following is their
profit & loss A/c. For the year Ended 31st March, 2014.

Particulars	Amt. (₹)	Particular	Amt. (₹)
To Salaries	58,500	By Gross Profit	2,70,000
To Rent	12,000	By Interest on	18,000
To Bad debts	16,500	fixed Deposit	
To Office Expenses	3,600		
To Director Fees	1,500		
To Debenture Interest	4,200		
To Selling Expenses	36,450		
To Salary to Partner	7,500		
To Printing & Stationary	9,000		
To Preliminary Expenses	2,250		
To Net Profit	1,36,500		
	2,88,000		2,88,000

Additional Information :-

- Average Monthly Turnover From October, 2013 to March, 2014 was twice the Average Monthly Turnover From April, 2013 to Sept., 2013.
- Rent is Doubled From 1st December, 2013.
- Bad debts include ₹ 3000 in Respect of sales affected two years ago, Remaining Bad debt are out of sales affected throughout the year.
- Salaries include salary of Three Employee at Equal Monthly Remueration. However, one of them was Appointed as Manager from 1st January, 2014. His salary was doubled from that date.
- In lieu of Interest on purchase consideration the vendor would get 40% of the profit earned in the pre-incorporation period.
- Interest on fixed Deposit was received for the entire year.

Prepare Trading & profit & loss account of Ramchandra Ltd. for the year ended 31-3-2014 in the columnar form appropriating all the income and expenditure item between the pre and post incorporation period on suitable basis.

OR

- Kumar Dept. store decides to purchase the business of Sorry Madam stores on 1st Januray, 2014. The trading results at Sorry Madam Stores for the past five years are given below:-

Year	Profits (₹)
2009	2,20,000
2010	12,000 (Loss)
2011	50,000
2012	1,30,000
2013	2,60,000

The following is the additional information :-

- (i) In the year 2009, a machinery costing ₹ 1,00,000 was sold for ₹ 1,20,000 and the profits were credited to profit and loss A/c.
- (ii) In 2010, uninsured goods worth ₹ 2,000 was destroyed by fire.
- (iii) In 2012, the company was compelled to pay ₹ 30,000 as fine for infringement at patent to another company.
- (iv) Director's Fees ₹ 10,000 paid by Sorry Madam Stores will not be payable by Kumar Department Store whose existing directors hope to cope with additional burden without any additional remuneration.
- (v) Rent at ₹ 20,000 p.a. which had been paid by Sorry Madam Stores will not be payable by Kumar Department Store since the later has enough premises at its own.
- (vi) The net tangible assets of Sorry Madam Stores were valued at ₹ 19,00,000.
- (vii) Reasonable return at 8% was considered as normal.
- (viii) Find out :- (a) Three years purchase at super profit at the last five years.
(b) Annuity Method assuming that present annuity at Re 1 at 8% will be 3.273.

3. Ravi & Pankaj Ltd. propose to sell their Business to a new company formed for the purpose. The summarised Balance Sheet on 31st Dec, 2014, and profits of the companies for the past three years are as follows :- 15

Liabilities	Ravi Ltd.	Pankaj Ltd.	Assets	Ravi Ltd.	Pankaj Ltd.
Eq. shares of ₹ 1 each	60,000	25,000	Freehold property at cost	36,000	12,000
Capital Reserve	--	15,000	Plant & Machine at cost	32,000	18,000
General Reserve	39,000	12,000	Investment at cost	--	10,000
Profit & Loss A/c	11,000	16,000	Stock in Trade	11,100	8,950
Creditors	21,580	12,680	Debtors	8,800	6400
			Bank Balance	43,680	25,330
	1,31,580	80,680		1,31,580	80,680

Net profits for the year ended.

31st December, 2012

Ravi Ltd.

17,450

Pankaj Ltd.

10,760

31st December, 2013

19,340

12,290

31st December, 2014

21,470

14,450

You are also given the following relevant information :-

(a) It is Agreed :-

(i) That the properties and Plant & Machinery to be revalued as follows :-

	Ravi Ltd.	Pankaj Ltd.
Freehold Property	44,800	14,400
Plant and Machinery	30,570	17,095

(ii) That the value of stock to be reduced by 10% and a provision of 12.5% be made on Debtors for bad and doubtful debts.

(iii) That Goodwill be valued at two year's purchase of the average Annual Trading Profits of the past three years, after deducting a standard profit of 10% on the net Trading Assets, before Revaluation or Adjustment on 31st December, 2014.

(b) Profits of Pankaj Ltd. include ₹ 600 income from the investment in each of the Three years. The market value of investment as on 31st Dec., 2014 was ₹ 10,000.

You are required to prepare statement to show you would arrive at the value per share to the nearest rupee of the equity shares in :-

(i) Ravi Ltd. (ii) Pankaj Ltd.

OR

3. The following is the Trial balance of Rajesh Ltd. as on 30th June 2013.

Particulars	Dr.	Cr.
Goodwill	1,00,000	--
Plant & Machinery	2,60,000	--
Furniture & Fixture	35,000	--
Equity Share Capital (6000 shares of Rs.100 each)		6,00,000
Securities premium		40,000
Calls in arrears	8,000	--
Stock in trade (1-7-2012)	52,000	--
6% Mortgage Debentures	--	2,00,000
Land	8,00,000	--
Profit & Loss A/c (1-7-2012)	--	1,00,000
Interest on Debentures	6,000	--
Purchases & sales	6,20,000	11,40,000
Returns inward & outward	5000	4000
Investment in 4% Govt. securities (f.v. 50000)	48,000	--

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Interest on investment		2000
Tax deducted at source	460	--
Salaries & wages	2,34,400	--
Interim dividend	29,600	--
Rent	3,000	--
Printing & Stationary	2,000	--
General expenses	24,000	--
Audit fees (including Rs. 1000 for taxation matter)	5,000	--
Priliminery expenses	10,000	--
Advance to employes	4,000	--
Prepaid expenses	3,000	--
Deposits	19,500	--
Outstand expenses	--	20,000
Bank overdraft (unsecured)	--	2,30,000
Advance payment of tax	1,20,000	--
Cash in hand	4,240	--
Debtors & Creditors	1,05,000	1,64,000
Bad debts	1,800	
	25,00,000	25,00,000

Other information & adjustments.

- (i) Authorised share capital was 10,000 shares of ₹ 100 each.
- (ii) Accumulated provisions for depreciation on Plant & Machinery ₹ 1,60,000.
Furniture & Fixture ₹ 15,000.
- (iii) Closing stock has been valued at ₹ 24,000.
- (iv) Provide depreciation on Plant & Machinery @ 10% p.a. and furniture & fixture 10% p.a. on written down value.
- (v) Write off further Bad debts ₹ 5000.
- (vi) Write off preliminary expenses ₹ 1000.
- (vii) Provision for taxations if to be created ₹ 30,000.
- (viii) Board of directors recommended the following appropriations.
Transfer to reserve ₹ 75,000. Proposed final dividend of ₹ 59,000. Prepare final account as per revised schedule VI of Companies Act.

4. Manisha Pastries Ltd. an Indian company has a Branch at USA. It's Trial Balance as on 30-9-2014 is as follows.

Particulars	Debit (\$)	Credit (\$)
Plant & Machinery	60,000	-
Furniture & fitting	4,000	-
Stock as on 1-10-2013	28,000	-
Purchases	1,20,000	-
Sales	-	2,08,000
Goods from Indian Company	40,000	-
Wages	1,000	-
Carriage inward	500	-
Salaries	3,000	-
Rent, Rates & Taxes	1,000	-
Insurance	100	-
Trade Expenses	500	-
Head office A/c	-	57,000
Trade debtors	12,000	-
Trade creditors	-	8,500
Cash in Bank	2,500	-
Cash in Hand	500	-
	2,73,500	2,73,500

Additional information :-

- Wages outstanding - 500 \$.
- Depreciate :- Plant & Machinery and Furniture and fitting @ 10% p.a.
- The Head office sent goods to Branch ₹ 29,70,000.
- The Head office shows an amount at ₹ 35,00,000 due from branch.
- Stock as on 30-09-2014 → \$ 26000.
- There were no in transit items either at the start or at the end of the year.
- When the fixed assets were purchased, the rate of exchange was ₹ 50 to one \$.

On 1-10-2013 the rate at exchange was ₹ 59 to one \$.

On 30-09-2014 the rate was ₹ 61 to one \$.

Average Rate during the year ₹ 60 to one US \$.

You are required :-

- Convert the above trial balance into reporting currency.

- (b) Prepare Trading & profit and loss A/c for the year ended 30-09-2014 and Balance sheet as on that date, depicting the profitability of net position at the branch as would appear in India for the purpose of incorporating in the main Balance sheet.

OR

4. (a) From the following information compute diluted earnings per share.

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Net Profit for the year 2015	₹ 12,00,000
Weighted average number of equity shares outstanding during the year 2015	5,00,000 shares
Average fair value of one equity share during the year 2015	₹ 20
Weighted average number of shares under option during the year 2015	1,00,000 shares
Exercise price per share under option during the year 2015	₹ 15

- (b) Mega Limited is working on different projects which are likely to be completed within 3 years period. It recognizes revenue from these contracts on percentages of completion method for financial statement during 2012, 2013 and 2014 for ₹ 11,00,000, ₹ 16,00,000 and ₹ 21,00,000 respectively. However, for income tax purpose, it has adopted the completed contract method under which it has recognized revenue of ₹ 7,00,000, ₹ 18,00,000 and ₹ 23,00,000 for the years 2012, 2013 and 2014 respectively. Income tax rate is 35%. Compute the amount of deferred tax asset / liability for the years 2012, 2013 and 2014.

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5. (a) Explain the various methods of Goodwill. 8
(b) List out the items under the head of Share capital & Reserves and surplus of a company as per Schedule VI. 7

OR

5. Short Notes (any 3).

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- Different types of lease.
- Super Profit Method of Goodwill.
- Contingent liability.
- Accounting for taxes as per AS - 22.
- Qualifying assets as per AS - 16.