

TY BAF
Extra
Sem-VI

26/04/2017
Sub-Financial Ale

Q.P. Code : 08473

[Time: 2½ Hours]

[Marks: 75]

Please check whether you have got the right question paper.

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

Q.1 (A) State whether the following statements are true or false: (any eight)

- i. Goodwill will be realized at any time.
- ii. Rental of meter is shown in P&L statement.
- iii. IND AS 108 does not deal with operating segments.
- iv. Investments are non trading assets.
- v. A co-op. Hsg Society has to prepare profit and loss a/c.
- vi. Intrinsic value depends on net asset.
- vii. Cost of tangible fixed asset is translated at the exchange rate on the date of purchase.
- viii. IFRS enhances uniformity in the accounting principles.
- ix. Register of members is maintained in 'C' form.
- x. Balance sheet is presented in Schedule III format.

Q.1 (B) Fill in the blanks and rewrite the sentence again: (any seven)

- a. Any exchange difference arising due to translation is charged to _____.
- b. Call deposit on banks should be disclosed under _____.
- c. AS _____ is dealing with the effect of changes in Foreign Exchange rate.
- d. Format of financial statements of electricity companies are laid down in _____.
- e. _____ value depends on the future dividend to equity shareholders.
- f. Financial statements as per IFRS are presented at _____.
- g. Livestock should be disclosed under _____.
- h. Non-monetary items are valued at _____.
- i. Goodwill has _____ value.
- j. Security deposit is credited to _____.

Turn Over

Q.2

The following is the extract from the balance sheet of Popular. Ltd.

| Liabilities | As at 31.03.09 ₹ In Lakhs | As at 31.03.10 ₹ in Lakhs | Assets | As at 31.03.09 ₹ in Lakhs | As at 31.03.10 ₹ in Lakhs |
|-------------------|---------------------------------|---------------------------------|-------------------|---------------------------------|---------------------------------|
| Share capital | 500 | 500 | Fixed assets | 550 | 650 |
| General reserve | 400 | 425 | 10% Investments | 250 | 250 |
| Profit & loss A/c | 60 | 90 | Stock | 260 | 300 |
| 18% term loan | 180 | 165 | Debtors | 170 | 110 |
| Sundry creditors | 35 | 45 | Cash at bank | 46 | 45 |
| Provision for tax | 11 | 13 | Fictitious assets | 10 | 8 |
| Proposed dividend | 100 | 125 | | | |
| | 1,286 | 1,363 | | 1,286 | 1,363 |

Additional information:

- Replacement values of fixed assets were ₹ 1,100 lakhs on 31.03.09 and ₹ 1,250 lakhs on 31.03.2010 respectively.
- Rate of depreciation adopted on fixed assets was 5% p.a.
- 50% of the stock is to be valued at 120% of its book value.
- 50% of the investments were trade investment.
- Debtors on 31st March, 2010 included foreign debtors of \$ 35,000 recorded in the books at ₹ 35 per US Dollar. The closing exchange was \$1= ₹ 39.
- Creditors on 31st March 2010 included foreign creditors of \$ 60,000 recorded in the books at \$ 1= ₹ 33. the closing exchange rate was \$1= ₹ 39.
- Profit for the year 2009-2010 included ₹ 60 lakhs of government subsidy which was not likely to recur.
- ₹ 125 lakhs of research and development expenditure was written off to the profit & loss A/c in the current year. This expenditure was not likely to recur.
- Future maintainable profits (pre-tax) are likely to be higher by 10%.
- Tax rate during 2009-2010 was 50%, effective future tax rate will be 40%.
- Normal rate of return expected is 15%.
 - One of the directors of the company Arvind, fears that the company does not enjoy a goodwill in the prevalent market circumstances. Critically examine this establish whether Popluar show the leverage effect it has on the company's result.
 - Industry average return was 12% on long term fund and 15% on equity funds.

OR

Turn Over

Q.2

The following is the balance sheet of N Ltd. as on 31st March 2002.

(15)

| Liabilities | ₹ | Assets | ₹ |
|---|-------------|----------------------|-------------|
| 4,00,000 Equity shares of Rs.10 each fully paid | 40,00,000 | Goodwill | 4,00,000 |
| 13.5 % Redeemable shares of ₹ 100 each fully paid | 20,00,000 | Building | 24,00,000 |
| General Reserve | 16,00,000 | Investments | 16,00,000 |
| Profit & Loss a/c | 3,20,000 | Vehicles | 18,00,000 |
| Bank loan (Secured against fixed assets) | 12,00,000 | Machinery | 22,00,000 |
| Bills Payable | 6,00,000 | Furniture | 10,00,000 |
| Creditors | 31,00,000 | Stock | 11,00,000 |
| | | Debtors | 18,00,000 |
| | | Bank Balances | 3,20,000 |
| | | Preliminary Expenses | 2,00,000 |
| | 1,28,20,000 | | 1,28,20,000 |

Further information:

- Return on capital employed is 20% in similar business.
- Fixed assets are worth 30% more than book value. Stock is overvalued by ₹ 1,00,000. Debtors are reduced by ₹ 20,000. Trade investments, which constitute 10% of the total investments, are to be valued at 10% below cost.
- Trade investments were purchased on 01.04.2001. 50% of non-trade investment were purchased on 1.4.2000 and the rest on 1.4.1999. Non trade investments yield 15% return on cost.
- In 1999-2000, new machinery costing ₹ 2,00,000 was purchased, but wrongly charged to revenue. This amount should be adjusted taking depreciation at 10% on reducing value method.
- In 2000-2001, furniture with a book value of ₹ 1,00,000 was sold for ₹ 60,000.
- For calculating goodwill, two years purchase of super profits based on simple average profits of last four years are to be considered. Profits of last four years are as under:
1998-1999 ₹ 16,00,000, 1999-2000 ₹ 18,00,000, 2000-2001 ₹ 21,00,000, 2001-2002 ₹ 22,00,000.
- Additional depreciation provision at the rate 10% on the additional value of plant and machinery alone may be considered for arriving at average profit.

Turn Over

Q.3

From the following trial balance as on 31st march 2015, prepare final account in the prescribed format as per applicable legal provision.

ASH WIN CHS LTD.
Trial balance

| Particular | Dr. ₹ | Particular | Cr. ₹ |
|-------------------------------|------------------|------------------------------------|------------------|
| 1 shares of MDC Co-op bank | 1,000 | Collection from members | |
| | | - Property expenses | 6,42,475 |
| | | - Establishment expenses | 8,72,686 |
| 1 share of MDCH Federation | 100 | Contribution to sinking fund | 6,00,000 |
| Audit fees | 4,000 | Dividend | 60 |
| Cash in banks | 4,70,122 | Entrance fees | 2,760 |
| Cash on hands | 838 | Interest- fixed deposits | 2,15,500 |
| Fixed deposits | 21,55,836 | Interest saving banks | 7,802 |
| Fixed deposits - sinking fund | 8,61,942 | Interest on Sinking Fund FD | 1,34,121 |
| Furniture and fittings | 3,714 | Members contribution for building | 48,52,050 |
| Insurances charges | 35,590 | SHARE CAPITAL: | |
| Land and building | 48,52,050 | 280 shares of ₹ 50 each | 14,000 |
| Property tax and expenses | 9,68,591 | Sinking fund-opening | 8,49,742 |
| Salaries | 34,181 | Statutory Reserve Fund -opening | 13,19,470 |
| Security | 1,30,202 | Income & Expenditure A/c - opening | 7,500 |
| | 95,18,166 | | 95,18,166 |

ADDITIONAL INFORMATION

1. Authorized Capital is fully subscribed.
2. Collection for establishment expenses include advance from members. ₹ 2,68,118.
3. Depreciation ₹ 557 on Furniture and fitting.
4. Outstanding securities expenses ₹ 79,592.
5. Prepaid insurances expenses ₹ 15,533.
6. Due from members for property expenses ₹ 25,844.

OR

Q.3

The trial balance of Aarati Electric Supply Ltd. for the year ended 31st March, 2016 as below.

| Particular | Dr. ₹ ('000) | Cr. ₹ ('000) |
|------------------------------------|--------------|--------------|
| Share Capital : | | |
| Equity Shares of ₹ 10 each | | 4688 |
| 7% Preference shares of ₹ 100 each | | 1406 |
| Goodwill | 234.75 | |
| 16% Debentures | | 2315.63 |
| 12% Term Loan | | 1434.38 |
| Land | 1167.19 | |
| Building | 3293.81 | |

Turn Over

| | | |
|--------------------------------|---------|---------|
| Plant & Machinery | 5349.19 | |
| Mains | 424.13 | |
| Meters | 295.31 | |
| Electrical Instrument | 143.44 | |
| Office Furniture | 229.69 | |
| Capital Reserve | | 470.63 |
| Contingency Reserve | | 1127.81 |
| Transformers | 1541 | |
| Net Revenue Account | | 501.56 |
| Stock in Trade | 1129.69 | |
| Sundry Debtors | 585.80 | |
| Contingency Reserve Investment | 1125.94 | |
| Cash and Bank | 305.06 | |
| Public Lamps | 285 | |
| Depreciation Fund | | 2420.25 |
| Sundry Creditors | | 611.36 |
| Proposal Dividend | | 1134.38 |
| | 16,110 | 16,110 |

During 2015-16, ₹ ('000) 937.5 of 7% Preference Shares were redeemed at a premium of 10% out of proceeds of fresh issue of Equity Shares of necessary amounts at a premium of 10%.
Prepare Balance sheet as on 31st March, 2016 as per Schedule III of the Companies Act, 2013.

An Indian Company Star Limited has a branch at Verginia (USA). The branch is a integral foreign operation (15) of the Indian Company. The trial balance of the branch as on 31st March 2016 as follows.

| Particulars | Dr. \$ | Cr. \$ |
|-----------------------|----------|----------|
| Office equipment | 20,000 | |
| Furniture | 32,000 | |
| Opening stock | 22,000 | |
| Purchases | 96,000 | |
| Sales | | 1,66,400 |
| Goods from H.O. | 32,000 | |
| Salaries | 3,200 | |
| Carriage inward | 400 | |
| Rent, Rates and Taxes | 800 | |
| Insurances | 400 | |
| Trade Expenses | 400 | |
| Head office account | | 45,600 |
| Sundry Debtors | 9,600 | |
| Sundry Creditors | | 6,800 |
| Cash at bank | 2,000 | |
| | 2,18,800 | 2,18,800 |

The following further information is given.

- Salaries outstanding \$ 400.
- Depreciate Office Equipment and Furniture @ 10 % p.a.
- The head office sent goods to branch for ₹ 15,80,000.

Turn Over

- iv. Branch account in head office books shown an amount of ₹ 20,50,000.
- v. Closing stock \$ 21,500.
- vi. There were no transit items either at the start or at the end of the year.
- vii. Fixed assets were purchased in 2013 when the rate of exchange was ₹ 43 to one \$.
- viii. On 1st April 2015, the rate of exchange was ₹ 47 per \$. On 31st March 2016 the rate was ₹ 45 to one \$.

Prepare:

- a) Converted trial balance
- b) Trading and Profit & Loss account 31st March 2016.
- c) Balance sheet as on that date.

OR

Q.4

Havels India Ltd. has built a power station and connecting lines during the year 2013-2014. The following information are furnished.

- i. In the year 2013-14, the company incurred ₹ 2,50,00,000 towards purchase of materials and ₹ 19,25,000 for labour charges. The company also used the stores worth ₹ 35,00,000 from existing stock which was in the service station.
- ii. In the year 2016-17, Extension and Replacement was carried out to the power station at cost ₹ 90,00,000 out of which ₹ 2,50,000 was used from existing stock for replacement purposes. The extent of replacement was estimated at 55% of original cost. The cost of material and work has gone up by 60%.
- iii. In the process of extension and replacement the old material discarded worth ₹ 7,00,000. Out of this material value ₹ 4,50,000 was used for extension purposes and balance not being used and sold for ₹ 2,00,000.

You are required to pass necessary journal entries in respect of above transaction for the year 2013-14 and 2016-17. All working should form part of your answer.

- Q.5 (A) Explain objectives of IFRS -1.
- (B) Give classification of co-operative societies.

OR

- Q.5 Write short notes on (Any Three- 5 marks each)
- a. Sinking fund of Co-operative housing society
- b. Benefits of adopting IFRS
- c. Features of Purchased and Non-purchased goodwill
- d. Grant under APDRP
- e. Yield value of share