

BAR
21/11/2019
TASAF

105

25

Time: 2 hours 30 minutes

Marks: 75

- N.B.: 1) Question No.1 is Compulsory
2) All Workings should form the part of Solution.
3) Use of Simple Calculators is allowed.

Q.1)A) Fill in the blanks (Any 8)

1. The objective of _____ is to maximize profit.
2. _____ is a technique of evaluating the performance of firms in an industry.
3. In service costing, salary of driver is _____ cost.
4. In Non- Integrated system, purchase of material for cash is debited to _____ A/c.
5. _____ costing is used to ascertain the cost of providing a service.
6. In _____ Ledger an account is maintained for each job.
7. Under Integrated system for recording depreciation on furniture, _____ A/c is debited.
8. _____ is a costing method that identifies activities in an organization and assigns the cost of each activity to all products and services according to the actual consumption by each.
9. _____ is the name of a system whereby cost and financial accounts are kept in the same set of books.
10. _____ is calculated by dividing equivalent cost by equivalent quantity

Q.1) B) State Whether the following statements are True or False. (Any 7)

1. Material lost is debited to Profit & Loss A/c in Integrated system of Accounts.
2. Fare in case of taxi is based on cost per km.
3. Uniform Costing helps to control cost.
4. Overheads can be over/under absorbed.
5. Normal loss is unavoidable.
6. Process Costing is a method of marginal costing.
7. Loss on sale of car is not recorded in Integrated system of accounting.
8. WIP Control Account will always have a credit balance.
9. Equivalent production is a method of Service costing.
10. Stores Ledger Control Account is credited when material is returned to stores.

Q.2) A) CAS Ltd operates separate cost accounting and financial accounting system.

The following is the balance as on 30th September 2019 in the cost ledger

Trial Balance as on 30th September 2019

| Particulars | Debit (Rs.) | Credit (Rs.) |
|----------------------------|-------------|--------------|
| Stores Ledger Control A/c | 45000 | |
| WIP Control A/c | 180000 | |
| Finished Goods Control A/c | 120000 | |
| Cost ledger Control A/c | | 345000 |
| | 345000 | 345000 |

Transactions for the month of September 2019 were as under :

1. Material purchased Rs. 95,000.
2. Wages paid (including indirect wages Rs.25,000) Rs.75,000.
3. Factory Overheads incurred Rs.70,000.
4. Material issued to Factory Rs.25,000.
5. Finished goods at cost Rs.2,05,000.

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6. Cost of goods sold Rs.1,90,000.
7. Material issued to Production Rs.1,20,000
8. Sales Rs.2,50,000.
9. Material damaged Rs.5000
10. Office expenses incurred Rs. 12,000
11. Selling overheads incurred Rs.10,000.
12. Office expenses & selling overheads to be transferred to costing P&L A/c.
You are required to prepare
 1. Stores Ledger Control A/c.
 2. WIP Control A/c.
 3. Finished Goods Control A/c.
 4. Cost ledger Control A/c.

OR

Q.2)B) Riya enterprises furnishes the following information for process for the month of August 2019. Units Introduced in process- 11,000 units at ₹ 22,360
Expenses debited to Process account
Material ₹20,000
Labour ₹ 20,800
Overheads ₹ 10,400
Unit transferred to next process- 10,200 units
Closing WIP- 400 units
(Degree of Completion: Material-80%, Labour-60%, Overheads- 60%)
Units scraped- 400 units. scraped units were sold at ₹1 per unit
Expected loss- 4% of units introduced

Prepare

- 1) Statement of Equivalent unit
- 2) Statement of equivalent Cost per unit
- 3) Statement of Cost apportionment
- 4) Process account.

Q.3) A) LPG LTD an oxygen producing company removes waste lime through following trucks:

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| Number of trucks | Capacity |
|------------------|-------------|
| 10 | 3 tons each |
| 15 | 2 tons each |
| 25 | 4 tons each |
| 20 | 1 ton each |

Each truck takes 6 trips a day and in each trip covers an average distance of 5 Kms. Each truck carries waste lime 60% of its capacity. Taking an annual average, 20% of the trucks remain held up for repairs, maintenance etc. every day.

The following are monthly charges incurred for the month of June 2019 on transport:

| | |
|------------------------------|--------------|
| Salary of the superintendent | Rs 4000 |
| Salary of 3 foremen | Rs 1000 each |
| Wages of 70 drivers | Rs 300 each |
| Wages of 140 workers | Rs 150 each |
| Stores used | Rs 32000 |
| Petrol | Rs 120000 |

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| | |
|------------------------|----------|
| Lubricant | Rs 30000 |
| Stores consumption | Rs 10000 |
| Rent of garage | Rs 6000 |
| Electric expenses | Rs 12000 |
| Miscellaneous expenses | Rs 24000 |

Superintendent devotes 50% of his time for this job. This department has also to bear Rs 21000 p.m. for services borrowed from the other department.

Calculate cost per ton Km for removing waste lime taking a month of 30 days.

OR

Q.3) B) Pass Journal entries for the following transaction of Virat Ltd for the month of August 2019 under Integrated system of Accounting.

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| | Rs. |
|--|----------|
| 1. Material purchased from CA & Co. (cash 20%) | 4,00,000 |
| 2. Material issued to production | 2,50,000 |
| 3. Wages paid to worker | 1,00,000 |
| 4. Wages applied to production | 70,000 |
| 5. Factory overhead incurred | 55,000 |
| 6. Material damage having no scrap value | 15,000 |
| 7. Advertising expenses incurred | 40,000 |
| 8. Printing and stationery expenses paid | 15,000 |
| 9. Cost of goods produced | 2,80,000 |
| 10. Wages applied to Factory | 17,000 |
| 11. Sales to Aroma Ltd (70% on credit) | 8,00,000 |

Q4.)A) KK Transport Co. owns a bus which runs between Mumbai to Nashik and back, for 15 days in a month. The distance between Mumbai to Nashik is 120 kms. The bus completes the trip from Mumbai to Nashik and back on the same day. Remaining 15 days bus runs between Mumbai to Pune. The distance between Mumbai to Pune is 150 kms. The bus completes the trip from Mumbai to Pune and back on the same day. The following information is available :

Cost of bus Rs. 30,00,000

Depreciation Rate 25% p.a.

Salary of Driver Rs. 30,000 p.m.

Insurance 1% p.a.

Salary of Cleaner Rs. 5,000 p.m.

Salary of Conductor Rs. 15,000 p.m.

Diesel consumption is 15 kms per litre of diesel and cost of diesel per litre is Rs.60.

Tax is Rs 84,000 p.a.

Lubricants is Rs 6 per 50 kms.

Repairs and maintenance Rs. 18,000 p.m.

Permit fees Rs. 24,000 p.m.

Normal capacity of bus is 50 person.

The bus generally has 80% of its capacity occupied when it goes to Nashik and 75% of its capacity occupied when it goes to Pune.

Calculate the Charges to be made if a profit at 25% is to be earned on his takings.

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OR

Q4) B) From the following information extracted from the books of Parle-G Ltd for the month of June 2019 ,

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1. Opening WIP as on 1st June 2019 2000 units @ Rs. 10 per unit.
Degree of completion: Material 100% Labour and Overheads 50%.
2. Inputs introduced during June 10,000 units.
3. Outputs transferred to the next process 11,000 units.
4. Closing WIP as on 30st June 2000 units
Degree of completion : Material 100% Labour and Overheads 60%.
5. Cost of Material Rs. 2,00,000 Labour Rs. 91,800, Overheads Rs. 61,200.

Prepare the following under FIFO Method

1. Statement of Equivalent Production.
2. Statement of Equivalent Cost per unit.
3. Process Account.

Q4.) C) Pass Journal entries (without narration) for the following transaction of CSR Ltd for the month of July 2019 under Non-Integrated system of Accounting.

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| | Rs. |
|--|----------|
| 1. Material purchased from A & Co | 4,00,000 |
| 2. Wages applied to Factory | 1,00,000 |
| 3. Paid for purchase of pen , pencil and files | 20,000 |
| 4. Material damage having no scrap value | 10,000 |
| 5. Sales promotion expenses incurred | 30,000 |

Q.5) (A) What are the features of Integrated System of Accounting?

8

(B) What is Inter-firm comparison and its advantages and limitation?

7

OR

(C) Write short notes on (Any 3)

15

1. Non-integrated system of accounting.
2. Cost Drivers.
3. Abnormal Wastage.
4. Inter-Process Profit.
5. Running Cost.

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Duration: 2 ½ Hrs.

Marks: 75

Please check whether you have got the right question paper.

- Note: (a) All questions are compulsory and carry 15 marks each
(b) Working notes should form part of your answer
(c) Figures to the right indicate full marks.
(d) Use of simple calculator is allowed.

Q 1) Fill in the blanks with the correct alternative (Any 8)

[08]

- Interest payable on deposits which is accrued but not due is shown under _____
a. Deposits b. Advances c. Other liabilities d. Contingent Liabilities
- A _____ assets would be one, which has remained NPA for a period less than or equal to twelve months.
a. Substandard b. Standard c. Loss d. Doubtful
- The total number of schedules to an insurance company's financial statements in India are _____.
a. 10 b. 15 c. 20 d. 25
- Insurance business is controlled by _____.
a. Insurance Act 1938 b. Insurance Rules 1939 c. IRDA Regulation 2002
d. All of the above
- _____ agency regulates and supervises NBFCs.
a. Finance Ministry b. SEBI c. RBI d. Respective State Government
- NBFCs are required to accept public deposit for a maximum period of _____.
a. 36 months b. 48 months c. 60 months d. 120 months
- The most important element in valuation of goodwill is _____.
a. Type of business b. Efficiency of owner c. Future maintainable profit
d. Place and location of business.
- LLP has minimum _____.
a. 7 partners b. 50 partners c. 2 partners d. 3 partners
- Following can become the partner in LLP _____.
a. Company incorporated in India b. LLP incorporated outside India
c. Individual resident outside India d. All of the above
- Following are the factors affecting goodwill except _____.
a. Nature of business b. Efficiency of management c. Technical know how
d. Location of the customers

Q 1 B) State whether the following statements are true or false. (Any 7)

[07]

- Sub-Broking companies must be registered with RBI.
- Mortgage Guarantee Companies have not been notified as Non Banking Financial Companies.
- Premium shall be recognised when the income is received.
- Company incorporated outside India can become a Partner in a LLP.
- Current account balances are shown by the banks as demand deposit.

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6. Discount received by the bank is shown under the schedule of interest earned.
7. All nationalized Banks are governed by the Banking Regulation Act.
8. Fair market value of shares is an average of yield value and intrinsic value.
9. Goodwill is excess of sales value of business over net assets of firm.
10. LLP should have minimum two partners where as maximum is unlimited.

Q 2) The following figures have been obtained from the books of the Bank Ltd. for the year ending 31st March, 2019: [15]

| | Rs in '000 |
|--------------------------------|------------|
| Interest earned | 5,000 |
| Discount earned | 2,600 |
| Commission and Exchange | 390 |
| Interest paid | 4,000 |
| Salaries and Wages | 420 |
| Directors fees | 70 |
| Rent and taxes | 140 |
| Postage and Telegrams | 122 |
| Printing and Stationary | 300 |
| Profit on sale of Investments | 180 |
| Loss on Sale of Assets | 76 |
| Rent received | 124 |
| Depreciation | 62 |
| Stationery | 120 |
| Auditors fees | 16 |
| Additional Information: | |

1. The Profit and Loss account had a balance of Rs. 10,00,000 on 1st April, 2017.
2. An advance of Rs. 5,68,000 has become doubtful and it is expected that only 50% of the amount due can be recovered from the security.
3. The provision for tax be made at 35%.
4. A dividend of Rs 2,00,000 is proposed by the board of directors.

Prepare Profit & Loss Account of the Bank Ltd. for the year ending 31st March, 2019.
OR

Q 2) From the following balances, prepare Balance Sheet of Prateeth Bank Ltd. as on 31st March, 2019. [15]

| Particulars | Dr. (Rs Lakhs) | Cr (Rs Lakhs) |
|--------------------------------|----------------|---------------|
| Share Capital | | 10.00 |
| Reserve Fund | | 16.00 |
| Fixed Deposits | | 40.00 |
| Savings Deposits | | 60.00 |
| Current Accounts | | 220.00 |
| Money at Call and short notice | 2.00 | |
| Bills discounted and purchased | 9.00 | |
| Investments at Cost: | | |

| | | |
|--|---------------|---------------|
| - Central and State Government | 100.00 | |
| - Government Securities | 4.00 | |
| - Bullion | 24.00 | |
| Reserves for Building | | 10.00 |
| Premises at cost | 100.00 | |
| Addition to Premises | 20.00 | |
| Depreciation Fund on Premises | | 80.00 |
| Cash with RBI | 34.00 | |
| Cash with SBI | 12.00 | |
| Unclaimed Dividend | | 1.50 |
| Unexpired Discount | | 0.50 |
| Loans and Advances | 100.00 | |
| Branch Adjustment | 57.00 | |
| Silver | 2.00 | |
| Advance payment of Tax | 1.00 | |
| Interest Accrued on Investment | 2.50 | |
| Non-Banking Assets | 0.50 | |
| Borrowed from Banks | | 2.00 |
| Bills Payables | | 20.00 |
| Profit and Loss Account (Profit for the year 2.10) | | 4.00 |
| Dividend fluctuation fund | | 4.00 |
| | 468.00 | 468.00 |

The bank had bills for collection for its constituents Rs. 8,00,000 and Acceptances Rs. 5,00,000. There was a claim of Rs. 2,00,000 against the Bank but not acknowledged as a debt. The liabilities for bills discounted was Rs. 32,000. Liabilities for forward exchange contract was Rs. 10,00,000. The Directors decided to transfer 20% to statutory reserves & reserves Rs. 2,000 for unexpired discounts.

Q 3) A General Insurance Company submits the following information for the year ended 31st March, 2019.

| Particulars | [15] | |
|--------------------------------|-------------------------|---------------------|
| | Direct Business (Rs) | Reinsurance (Rs) |
| Premium received | 75,25,000 | 8,25,000 |
| Premium paid | | 4,90,000 |
| Claim paid during the year | 49,70,000 | 5,10,000 |
| Claim payable: | | |
| - 1 st April, 2018 | 6,85,000 | 95,000 |
| - 31 st March, 2019 | 7,38,000 | 70,000 |
| | | 3,95,000 |
| Claims received | | |
| Claims receivables: | | |
| - 1 st April, 2018 | | 75,000 |
| - 31 st March, 2019 | | 1,25,000 |
| | 2,90,000 | |
| Expenses of Management | | |
| Commission: | | |
| On insurance accepted | 1,60,000 | 15,000 |
| On insurance ceded | | 18,000 |

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The following additional information are also available:

1. Expenses of Management include Rs. 45,000 Surveyors fees and Rs. 55,000 legal expenses for settlement of claims.
2. Reserve for unexpired risk is to be maintained @40%. The balance of reserve for unexpired risk as on 1-4-2013 was Rs. 28,40,000.

You are required to make the Revenue Account for the year ended 31st March, 2019.

OR

Q 3) From the following figures taken from the books of Insurance Co. Ltd., doing fire underwriting business, Prepare the Revenue and Profit and Loss Accounts of the year 2018-19. [15]

| Particulars | Dr. (Rs) | Cr. (Rs) |
|--|----------|----------|
| Fire fund (as on 1-4-2018) | | 93,000 |
| Additional Reserve | | 33,000 |
| Premium | | 2,70,150 |
| Claims paid | 60,200 | |
| Profit & Loss A/c (Cr) | | 7,500 |
| Re- insurance Premium | 11,200 | |
| Claim recovered from Re-insurers | | 2,100 |
| Commission on Re-insurance ceded | | 4,800 |
| Commission on direct business | 29,970 | |
| Commission on Re-insurance Accepted | 6,000 | |
| Outstanding Premium | 2,250 | |
| Claims intimated but not paid (1-4-2018) | | 6,000 |
| Expenses on Management | 43,180 | |
| Audit fees | 3,600 | |
| Rates and Taxes | 550 | |
| Rents | 6,750 | |
| Income from Investments | | 15,300 |

The following further information may also be noted:

- (a) Expenses of Management include survey fees and legal expenses of Rs.3,600 and Rs. 2,000 related to claims;
- (b) Claim intimated but not paid on 31st March, 2019 Rs. 10,400.
- (c) Income-tax to be provided Rs. 31,400.
- (d) Transfer of Rs. 20,000 to be made from current profits to General Reserve.
- (e) 50% is to be transfer to reserve for unexpired risk along with an additional reserve of Rs. 33,000

Q 4) Alex and Rex are in partnership sharing Profit and Losses equally. The Trial Balance of the firm on 31st March, 2019 was as follows: [15]

Trial Balance as on 31st March, 2019

| Debit Balances | Amount (Rs) | Credit Balances | Amount (Rs) |
|----------------|-------------|-----------------|-------------|
| Purchases | 25,000 | Capital | |
| Debtors | 12,000 | - Alex | 40,000 |
| Opening stock | 20,000 | - Rex | 30,000 |
| Wages | 5,000 | Sales | 60,000 |

| | | | |
|-----------------------------|-----------------|------------------|-----------------|
| Salaries | 8,000 | Creditors | 20,000 |
| Land and Building | 30,000 | 10% Bank Loan | 20,000 |
| Plant and Machinery | 25,000 | Commission | 5,000 |
| Furniture | 16,000 | Outstanding Rent | 1,500 |
| Advertisement (for 2 years) | 6,000 | Discount | 500 |
| Bills Receivable | 8,000 | | |
| Insurance | 2,000 | | |
| Drawings: | | | |
| - Alex | 2,000 | | |
| - Rex | 3,000 | | |
| Cash in Hand | 5,000 | | |
| Rent | 7,000 | | |
| Power and Fuel | 3,000 | | |
| | 1,77,000 | | 1,77,000 |

Adjustments:

1. Closing stock was valued at Rs. 30,000.
2. Credit Purchases amounting to Rs. 5,000 were not recorded in the books of account.
3. Outstanding expenses were wages Rs. 1,000 and Salary Rs. 2,000.
4. Write off Rs. 2,000 for Bad debts and maintain R.D.D. at 5% on debtors.
5. Depreciate Land and Building at 5% and Machinery at 10%.

From the above Trial balance and adjustments you are required to prepare Final accounts of LLP limited.

OR

Q 4 A) The Balance Sheet of XYZ Ltd. as on 31st March, 2019 was as under:

[08]

Balance Sheet as on 31st March, 2019

| Liabilities | Amount | Assets | Amount |
|---|------------------|-------------------|------------------|
| 10,000-8% preference share of Rs.10 each fully paid | 1,00,000 | Freehold Premises | 3,00,000 |
| 25,000 Equity Shares of Rs.10 each fully paid | 2,50,000 | Plant | 3,00,000 |
| Securities Premium | 3,00,000 | Furniture | 2,00,000 |
| General Reserves | 4,00,000 | Motor Car | 50,000 |
| 10% Debentures | 2,00,000 | Stock | 2,50,000 |
| Accounts Payable | 2,50,000 | Debtors | 3,50,000 |
| | | Cash | 50,000 |
| | 15,00,000 | | 15,00,000 |

The Company earned profits (after tax) for the past five years as follows:

| Year-ended | Profit after Tax (Rs) | Income tax rate |
|------------|-----------------------|-----------------|
| 31-3-2015 | 1,80,000 | 40% |
| 31-3-2016 | 3,38,000 | 35% |
| 31-3-2017 | 3,64,000 | 35% |
| 31-3-2018 | 2,60,000 | 35% |
| 31-3-2019 | 4,20,000 | 30% |

The profit of 31-3-2015 includes loss due to fire Rs.30,000 and profit of 31-3-2018 included abnormal profit of Rs.40,000.

- (a) As on 31-3-2019 Fixed Assets were worth 10% above book value.
- (b) Normal Rate of Return in this type of industry is 16%.
- (c) Closing Capital employed should be assumed as average capital employed.

You are required to calculate value of Goodwill on the basis of 3 years purchase of super profits.

Q 4 B) The following is the summarized Balance Sheet of Virendra Ltd. as on 31st March, 2019:

| | | [07] | |
|---|------------------|--------------|------------------|
| Liabilities | Amount | Assets | Amount |
| 50,000 Equity shares of Rs. 20 each fully paid up | 10,00,000 | Machinery | 4,80,000 |
| Securities Premium A/c | 2,00,000 | Furniture | 2,00,000 |
| General Reserve | 4,78,000 | Stock | 12,40,000 |
| Profit & Loss A/c | 3,14,000 | Debtors | 4,12,000 |
| Sundry Creditors | 8,18,000 | Cash in Hand | 6,000 |
| Provision for Taxation | 3,96,000 | Cash at Bank | 8,68,000 |
| | 32,06,000 | | 32,06,000 |

The company transfers 20% of its profits (after tax) to General Reserve. Net profits before taxation for the last three years have been as follows:

| | |
|--|--------------|
| For the year ended 31 st March 2017 | Rs. 5,44,000 |
| For the year ended 31 st March 2018 | Rs. 7,32,000 |
| For the year ended 31 st March 2019 | Rs. 7,88,000 |

Machinery is valued at Rs. 6,37,200.

Average yield in the type of business is 20%. The rate of tax is 50%. Use simple average. Calculate the value of Equity Share on the basis of (a) Intrinsic value method (b) Yield value method.

Q 5 A) What is NBFCs? Explain the different types of NBFC's on the basis of their activities [08]

B) Write distinguish between Banks & NBFCs. [07]

OR

Q 5 Write Short notes on: (Any 3)

[15]

1. Capitalization method
2. Designated partner
3. Factors affecting share valuation
4. Re-insurance
5. Non-Performing assets of Bank.

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Paper / Subject Code: 44801 / Financial Accounting - V

Time: 2 ½ Hours

Marks: 75

All Questions are Compulsory

Q.1.a. State the Following Statement True or False: (Any 8)

8 M

1. Two or More Companies combining to form a new company is called absorption.
2. Under Purchase method of Accounting for Amalgamation, Assets and Liabilities are taken at Book Values.
3. Debit Balance of Realisation account is Profit which is transferred to Equity Shareholders A/c under Amalgamation of companies.
4. Purchase Consideration means the amount paid by one company to another company in consideration for the Assets and Liabilities taken.
5. The nature of External Reconstruction and Internal Reconstruction is same.
6. Approval of stakeholders is not required for Internal reconstruction.
7. A company is allowed to convert its fully paid shares into stock.
8. Underwriting of Shares and Debentures is not compulsory as per the companies Act, 2013.
9. Under Liquidation of Companies, the Preference Shareholders are paid last after payment to all the other stakeholders.
10. Post Buy back debt - equity ratio should not exceed 1:2.

Q.1. b. Choose the correct option from the option provided and rewrite the statement:

(Any 7)

7 M

1. Every buy back shall be completed within a period of
 - a) 6 months from the date of passing of the special resolution
 - b) 3 months from the date of passing of the special resolution
 - c) 1 year from the date of passing of the special resolution
 - d) 1 month from the date of passing of the special resolution
2. Where a company purchases its own shares out of free reserve or securities premium, a sum should be transferred to Capital Redemption Reserve which should be
 - a) equal to the amount paid to the shareholder who sold his shares
 - b) equal to paid-up capital of the company
 - c) equal to the nominal value of shares so purchased
 - d) none of the above
3. The payment of commission to underwriter (s) is to be authorised by
 - a) The board of directors
 - b) The articles of association
 - c) The memorandum of association
 - d) The Stakeholders of the company
4. A merchant banker can act as a underwriter provided he holds a certificate granted by

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- a) Government of India
 - b) Company Law Board
 - c) SEBI
 - d) Registrar of Companies
5. A company after the completion of a buyback of its shares
- a) Can not issue same kind of shares within one year
 - b) Can not issue same kind of shares within 6 months
 - c) Can issue same kind of shares within 6 months
 - d) Can not issue bonus shares
6. Capital reduction scheme is worth considering
- a) If the company is small
 - b) If the company has recovery prospects
 - c) If the company has no prospects.
 - d) If the company is less capitalized
7. The company must apply for an order confirming the reduction
- a) To the Supreme Court
 - b) To the High Court
 - c) To the Tribunal
 - d) To the Liquidator
8. Liquidation of Companies the payment schedule is as
- a) Liquidator expenses, Outsider Liabilities, Preferential Liabilities, Owners
 - b) Outsider Liabilities, Preferential Liabilities, Liquidator expenses, Owners
 - c) Liquidator expenses, Preferential Liabilities, Outsider Liabilities, Owners
 - d) Liquidator expenses, Outsider Liabilities, Owners, Preferential Liabilities
9. Investment Allowance Reserve is
- a) Capital Reserve
 - b) Statutory Reserve
 - c) Revenue Reserve
 - d) All of the above
10. For calculating Purchase Consideration under AS - 14:
- a) Only payment to equity shareholders are to be taken into consideration
 - b) Only payment to shareholders are taken to into consideration
 - c) Only payment to shareholders as well as debenture holders are taken into consideration
 - d) Payment to All stakeholders is taken into consideration

Q.2. a. ISPAT India Ltd. a company which deals in Iron & Steel has suffered heavy losses and looks to restructure its Balance Sheet. It seeks your advice as to how the balance sheet can be restructured and how the restructured Balance Sheet can be made?

From the below information are provided:

15 M

3

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| | |
|--|-----------|
| 50,000, 8% Preference Shares of Rs. 100 each, Rs. 80 paid – up | 4,00,000 |
| 1,50,000 Equity shares of Rs. 10 each | 15,00,000 |
| 10% Debentures | 5,00,000 |
| Bank Loan | 5,00,000 |
| Creditors | 15,00,000 |
| Cash Credits | 2,50,000 |
| Goodwill | 1,00,000 |
| Land | 2,00,000 |
| Plant & Machinery | 12,00,000 |
| Receivables: Good | 5,00,000 |
| Doubtful | 30,000 |
| Inventories | 6,00,000 |
| Preliminary Expenses | 70,000 |

The scheme of restructure was put in place as:

1. All the partly paid shares were called up and paid by all the shareholders.
2. Preference shares were reduced by Rs. 40 per share & Equity Shares were reduced to Rs. 4 per share.
3. Equity shares were split to Rs. 1 per share post the above reduction.
4. Debenture holders agreed to reduce their claim by 40% if the the interest on Debentures was raised to 11%.
5. Land was appreciated to Rs. 6,00,000 whereas Plant & Machinery was depreciated by 40%.
6. The market value of Inventories was Rs. 4,50,000 and it was brought to that level.
7. All the fictitious, Intangible, doubtful and losses were to be written off.
8. There was a claim against the company to the tune of Rs. 1,50,000 recorded under the Creditors which was settled by paying one – third of the amount due.
9. An unrecorded liability of Rs. 1,50,000 came to light of the company on verification and it was settled by paying off Rs. 50,000.
10. The Directors of the company decided to sell 4,00,000 Equity Shares of the company at Rs. 1 per share at par for the working capital needs of the company.

All the point put above were accepted. You are required to pass Journal entries and Prepare Revised Balance Sheet.

OR

Q.2. b. IRCTC Ltd. a government company who files DRHP for its Initial Public Offer of 80,00,000 shares of Rs. 10 each at Rs. 250 per share, appoints SBI Capital, Citi bank Financial Services, JM Financial Services & Morgan Stanley as its lead manager for the IPO in the ratio of 4:3:2:1.

The lead manager agreed to the Ratio and also took the following shares for themselves (Firm underwriting).

SBI Capital

2,00,000 shares

(u)

Paper / Subject Code: 44801 / Financial Accounting - V

| | |
|---------------------|-----------------|
| CITI Bank Financial | 1,00,000 shares |
| JM Financial | 1,00,000 shares |
| Morgan Stanley | 1,00,000 shares |

The Application bearing the stamp of lead manager. (Excluding the shares taken by them) was:

| | |
|---------------------|------------------|
| SBI Capital | 30,00,000 shares |
| CITI Bank Financial | 20,00,000 shares |
| JM Financial | 10,00,000 shares |
| Morgan Stanley | 5,00,000 shares |

The Application bearing No stamp of the lead manager was 6,00,000 shares

Prepare a statement of Underwriting of shares & also calculate the Net Liability of Underwriters for a Commission to be paid @ 5% on Issue price of the shares.

Also Pass Journal Entries in context to the Underwriters.

15 M

Q.3. a. Following is the balance sheet of M/s Sharp Ltd. as on 31st March, 2019:

Balance sheet of M/s Component Limited as at 31st March, 2019

15 M

| Particulars | Note No. | Rs. |
|---|----------|--------------------|
| A. EQUITY AND LIABILITIES | | |
| 1. Shareholders' Funds: | | |
| a. Share Capital | 1 | 25,00,000 |
| b. Reserves & Surplus | 2 | 37,50,000 |
| c. Money Received against Share warrants | | - |
| 2. Share Application Money received Pending allotment: | | |
| | | - |
| 3. Non-Current Liabilities: | | |
| a. Long -Term Borrowings | 3 | 57,50,000 |
| 4. Current Liabilities: | | |
| a. Short Term Borrowings | | 13,00,000 |
| b. Trade Payables | | 10,00,000 |
| c. Other Current Liabilities | | 10,00,000 |
| Total | | 1,53,00,000 |
| B. ASSETS | | |
| 1. Non-Current Assets: | | |
| a. Fixed Assets | | |
| i. Tangible Assets | 4 | 93,00,000 |
| b. Non-Current Investments | | - |
| 2. Current Assets: | | |
| a. Current Investments | | 10,00,000 |
| b. Inventories | | 10,00,000 |
| c. Trade Receivables | | 10,00,000 |
| d. Cash & Cash Equivalents | | 30,00,000 |
| Total | | 1,53,00,000 |

Notes of Accounts:

5

15

| | |
|--|------------------|
| 1. Share Capital: | |
| <u>Authorised Capital:</u> | <u>30,00,000</u> |
| 3,00,000 Equity Shares of Rs. 10 each | |
| Issued, Subscribed and paid up Capital: | |
| 2,50,000 Equity Shares of Rs. 10 each fully paid | <u>25,00,000</u> |
| 2. Reserve & Surplus: | |
| Revenue Reserve | 30,00,000 |
| Security Premium | 5,00,000 |
| Profit & Loss A/c | 2,50,000 |
| | <u>37,50,000</u> |
| 3. Long Term Borrowings: | |
| Secured Loans: | |
| 12% Debentures | 37,50,000 |
| Unsecured Loans | 20,00,000 |
| | <u>57,50,000</u> |
| Fixed Assets: | |
| <u>a. Tangible assets:</u> | |
| Land & Building | 53,00,000 |
| Plant & Machinery | 30,00,000 |
| Furniture & Fittings | 10,00,000 |
| | <u>93,00,000</u> |

The company wants to buy back 50,000 equity shares of RS.10 Each on 1st April, 2019 at RS. 20 per share. Buy back of shares is duly authorised by its articles and necessary resolution passed by the company towards this. The payment for buy back of shares will be made by the company out of sufficient bank balance available.

Comment with your calculations, whether buy back of shares by company is within provisions of the Companies Act, 2013. If yes, pass necessary journal entries towards buy back of shares and prepare a Balance sheet after a buyback of shares.

OR

Q.3 b. The following is the Balance Sheet of Suman Ltd. which is in the hand of Liquidator. 15 M

Balance Sheet as at 31-12-2019

| Liabilities | Rs. | Assets | Rs. |
|---|-----------------|-----------------|-----------------|
| Share Capital: | | Fixed Assets | 1,00,000 |
| 500 6% Preference shares of Rs.100 each, fully paid | 50,000 | Stock | 60,000 |
| 1,000 Equity Shares of Rs. 100 each, fully paid | 1,00,000 | Book Debts | 1,20,000 |
| 3,000 Equity Shares of Rs.50 each, Rs.25 paid | 75,000 | Cash | 20,000 |
| Loan from Bank (on security of stock) | 50,000 | Profit and Loss | 1,50,000 |
| Trade Creditors | 1,75,000 | | |
| | <u>4,50,000</u> | | <u>4,50,000</u> |

The assets realized the following amounts (after all costs of realization and liquidators remuneration amounting to Rs.3,000 paid out of cash in hand Rs.20,000 as per Balance Sheet):

| | |
|--------------|----------|
| Fixed Assets | 84,000 |
| Stock | 55,000 |
| Book Debts | 1,15,000 |

Prepare the Liquidators Final Statement of Account.

Q.4. a. The Summarised Balance sheet of A Ltd. & B Ltd. as at 1st April, 2019 are as follows:
Balance Sheet of A Ltd. & B Ltd.

| Particulars | Note No. | 15 M | |
|---|----------|------------------|------------------|
| | | A Ltd. Rs. | B Ltd. Rs. |
| A. EQUITY AND LIABILITIES | | | |
| 1. Shareholders' Funds: | | | |
| a. Share Capital: | | | |
| Equity Shares of Rs. 10 each fully paid | | 6,00,000 | 5,00,000 |
| 11% Preference Shares of Rs. 10 each fully paid | | - | 3,00,000 |
| b. Reserves & Surplus | | | |
| Profit & Loss A/c | | 2,00,000 | |
| Reserves | | 2,40,000 | |
| 2. Share Application Money received Pending allotment: | | | |
| 3. Non-Current Liabilities: | | | |
| a. Long -Term Borrowings - 12% Debentures | | 1,00,000 | 2,00,000 |
| 4. Current Liabilities: | | | |
| a. Trade Payables | | | |
| Sundry Creditors | | | |
| Total | | 60,000 | 1,00,000 |
| B. ASSETS | | | |
| 1. Non-Current Assets: | | | |
| b. Fixed Assets | | | |
| i. Tangible Assets | | | |
| Plant & Machinery | | | |
| 2. Current Assets: | | | |
| a. Inventories | | 7,00,000 | 8,00,000 |
| b. Trade Receivables | | 2,00,000 | 60,000 |
| Sundry Debtors | | | |
| c. Cash & Cash Equivalents | | 2,50,000 | 1,40,000 |
| Cash at Bank | | | |
| Total | | 50,000 | 1,00,000 |
| | | 12,00,000 | 12,00,000 |

The above two companies agree to amalgamate and form a new company AB Ltd. on the following conditions:

A Ltd

- For every 5 equity shares, 6 shares of AB Ltd. of Rs. 10 each will be issued at premium of 50%.
- Debenture holders will issued 12% debentures of AB Ltd. of same amount and denomination.

B Ltd.

- The holders of 11% Preference shares will be allotted 4, 13% Preference shares of Rs. 10 each of AB Ltd. for every 5 shares held.
- For every 5 equity shares 6 shares of AB Ltd. of Rs. 10 each will be issued at premium of 50%.
- Debenture holders will be issued 12% debentures of AB Ltd. of same amount and denomination.
- Creditors worth Rs. 10,000 in the balance sheet of A Ltd are from the goods purchased by B Ltd.

You are required to show:

- The calculation of purchase consideration
- Journal Entries in the books of AB Ltd. under Purchase method
- Opening Balance sheet of AB Ltd.

OR

7

17

Q.4. b. Following is the summarised balance sheet of Hexza Ltd. as at 31st March, 2019:

Balance sheet as at 31st March, 2019

15 M

| Particulars | Note No. | Rs. |
|---|----------|--------------------|
| A. EQUITY AND LIABILITIES | | |
| 1. Shareholders' Funds: | | |
| a. Share Capital | | 60,00,000 |
| b. Reserves & Surplus | | |
| General Reserve | | 12,00,000 |
| Profit & Loss A/c | | 15,20,000 |
| Workmen profit sharing fund | | 6,00,000 |
| 2. Share Application Money received Pending allotment: | | |
| 3. Non-Current Liabilities: | | |
| 4. Current Liabilities: | | |
| a. Trade Payables | | 8,00,000 |
| Creditors | | |
| Total | | 1,01,20,000 |
| B. ASSETS | | |
| 1. Non-Current Assets: | | |
| a. Fixed Assets | | |
| i. Tangible Assets | | |
| Building | | 14,00,000 |
| Plant & Machinery | | 26,00,000 |
| ii. Intangible assets | | |
| Goodwill | | 16,00,000 |
| 2. Current Assets: | | |
| a. Inventories | | 14,00,000 |
| b. Trade Receivables | | |
| Sundry Debtors | | 18,00,000 |
| c. Cash & Cash Equivalents | | |
| Cash at Bank | | 13,20,000 |
| Total | | 1,01,20,000 |

Penta Ltd decided to absorb the business of Hexza Ltd. on 1st April, 2019 at the respective book value of assets and trade liabilities except building which was valued at Rs. 24,00,000 and Plant & machinery at Rs. 20,00,000.

Purchase consideration was payable as follows:

1. Payment of Liquidation Expenses Rs. 10,000.
2. Issue of Equity shares of Rs. 10 each fully paid at Rs. 11 per share for every Preference shares and every Equity share of Hexza Ltd. and a payment of Rs. 4 per Equity share in cash.
3. Sundry Creditors of Hexza Ltd worth Rs. 1,00,000 were due to Penta Ltd.
4. Inventories worth Rs. 1,20,000 of Hexza Ltd was the unsold stock purchase from Penta Ltd on which the company charges profit of 20% on Sales.

Calculate the Purchase consideration, show the necessary ledger accounts in the books of Hexza Ltd. and opening Journal Entries in the books of Penta Ltd.

Q.5. a. Give the methods under which Purchase Consideration are calculated. **8 m**

Q.5. b. Give the conditions laid down for Buy Back of Equity Shares under Companies Act, 2013. **7 m**

OR

Q.5. c. Short Notes (Any 3) **15 m**

1. Capital Reduction A/c
2. Firm Underwriting
3. Liquidation of Companies
4. Underwriters Commission under underwriting of Shares and Debentures
5. Types of Amalgamation
