Roll No. ....

Total No. of Questions – **7** | Total No. of Printed Pages – **15**

Time Allowed – **3** Hours | Maximum Marks – **100**

ACE

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 has not opted for Hindi medium, his/her answers in Hindi will not be valued.

Questions No. **1** is compulsory.

Candidates are also required to answer any five questions from the remaining **six** questions.

Working Notes should form part of the answer.

"Wherever necessary, suitable assumptions should be made and indicated in answer by the candidates."

Marks

1. (a) Calculate the value of raw materials and closing stock based on the following information : **5**

Raw material X

Closing balance	500 units
	₹ per unit
Cost price including excise duty	200
Excise duty	10
(Cenvat credit is receivable on the excise duty paid.)	
Freight inward	20
Unloading charges	10
Replacement cost	150

Finished goods Y

Closing Balance	1200 units
	₹ per unit
Material consumed	220
Direct labour	60
Direct overhead	40

Total Fixed overhead for the year was ₹ 2,00,000 on normal capacity of 20,000 units.

Calculate the value of the closing stock, when

(i) Net Realizable Value of the Finished Goods Y is ₹ 400.

(ii) Net Realizable Value of the Finished Goods Y is ₹ 300.

Marks

(b) On 01.04.2010 a machine was acquired at ₹ 4,00,000. The machine was expected to have a useful life of 10 years. The residual value was estimated at 10% of the original cost. At the end of the 3rd year, an attachment was made to the machine at a cost of ₹ 1,80,000 to enhance its capacity. The attachment was expected to have a useful life of 10 years and zero terminal value. During the same time the original machine was revalued upwards by ₹ 90,000 and remaining useful life was reassessed at 9 years and residual value was reassessed at NIL. **5**

Find depreciation for the year, if

(i) attachment retains its separate identity.

(ii) attachment becomes integral part of the machine

(c) Ascertain the value at which various items of Fixed Assets are to be shown in the Financial Statements of Velvet Ltd. and amount to be debited to the Profit and Loss Account in the context of the relevant Accounting Standard. **5**

Narrations for the adjustments made should form part of the answer :

(i) Goodwill was valued at ₹ 1,20,000 by independent valuers and no consideration was paid. The Company has not yet recorded the same.

(ii) Balance of Office Equipment as on 01.04.2013 is ₹ 1,20,000. On 01.04.2013, out of the above office equipment having book value ₹ 20,000 has been retired from use and held for disposal. The net realizable value of the same is ₹ 2,000. Rate of depreciation is 15% p.a. on WDV basis.

Marks

(iii) Book Value of Plant and Machinery as on 01.04.2013 was ₹ 7,20,000. On 01.08.2013 an item of machinery was purchased in exchange for 500 equity shares of face value ₹ 10. The Fair Market value of the equity shares on 01.08.2013 was ₹ 120. Rate of depreciation is 10% p.a. on WDV basis.

(d) M/s. Highway Constructions undertook the construction of a highway on 01.04.2013. The contract was to be completed in 2 years. The contract price was estimated at ₹ 150 crores. Up to 31.03.2014 the company incurred ₹ 120 crores on the construction. The engineers involved in the project estimated that a further ₹ 45 crores would be incurred for completing the work. 5

What amount should be charged to revenue for the year 2013-14 as per the provisions of Accounting Standard 7 "Construction Contracts" ? Show the extract of the Profit & Loss A/c in the books of M/s. Highway Constructions.

2. (a) The Articles of Association of Samson Ltd. provide the following : 8

(i) That 25 % of the net profit of each year shall be transferred to reserve fund.

(ii) That an amount equal to 10% of equity dividend shall be set aside for staff bonus.

(iii) That the balance available for distribution shall be applied :

(1) in paying 15% on cumulative preference shares.

(2) in paying 20% dividend on equity shares.

(3) one-third of the balance available as additional dividend on preference shares and two-third as additional equity dividend.

A further condition was imposed by the articles viz. that the balance carried forward shall be equal to 14% on preference shares after making provision (i), (ii) and (iii) mentioned above. The company has issued 12,000, 15% cumulative participating preference shares of ₹ 100 each fully paid and 75,000 equity shares of ₹ 100 each fully paid up.

The profit for the year 2013-2014 was ₹ 10,00,000 and balance brought from previous year ₹ 1,50,000. Provide ₹ 37,500 for depreciation and ₹ 1,20,000 for taxation before making other appropriations.

Show net balance of Profit and Loss Account after making above adjustments.

(b) Sneha Ltd. was incorporated on 1st July, 2013 to acquire a running business of Atul Sons with effect from 1st April, 2013 . During the year 2013-14, the total sales were ₹ 24,00,000 of which ₹ 4,80,000 were for the first six months. The Gross profit of the company ₹ 3,90,800. The expenses debited to the Profit & Loss Account included : **8**

(i) Director's fees ₹ 30,000

(ii) Bad debts ₹ 7,200

(iii) Advertising ₹ 24,000 (under a contract amounting to ₹ 2,000 per month)

 Marks

(iv) Salaries and General Expenses ₹ 1,28,000

(v) Preliminary Expenses written off ₹ 10,000

(vi) Donation to a political party given by the company ₹ 10,000.

Prepare a statement showing pre-incorporation and post-incorporation profit for the year ended 31st March, 2014.

3. Following are the incomplete information of Moonlight Traders : 16

The following balances are available as on 31.03.2013 and 31.03.2014.

(Fig. in ₹)

Balances	31.03.2013	31.03.2014
Land and Building	500,000	500,000
Plant and Machinery	220,000	330,000
Office equipment	105,000	85,000
Debtors	?	225,000
Creditors for purchases	95,000	?
Creditors for office expenses	20,000	15,000
Stock	?	65,000
Long term loan from SBI @ 12%.	125,000	100,000
Bank	25,000	?
Provision for tax (rate 30%)	35,000	30,000

Marks

Other Information	**in ₹**
Collection from debtors	925,000
Payment to creditors for purchases	525,000
Payment of office expenses	42,000
Salary paid	32,000
Selling expenses	15,000
Cash sales	250,000
Credit sales (80% of total sales)	
Credit purchases	540,000
Cash purchases (40% of total purchases)	
GP Margin at cost plus 25%	
Discount Allowed	5,500
Discount Received	4,500
Bad debts (2% of closing debtors)	

Depreciation to be provided as follows	
Land and Building	5%
Plant and Machinery	10%
Office Equipment	15%

Other adjustments :

(i) On 01.10.13 they sold machine having Book Value ₹ 40,000 (as on 31.03.2013) at a loss of ₹ 15,000. New machine was purchased on 01.01.2014.

(ii) Office equipment was sold at its book value on 01.04.2013.

(iii) Loan was partly repaid on 31.03.14 together with interest for the year.

Prepare Trading P & L A/c. and Balance Sheet as on 31.03.2014.

4. The summarized Balance Sheet of Srishti Ltd. as on 31st March, 2014 was as follows : 16

Liabilities	Amount (₹)	Assets	Amount (₹)
Equity Shares of ₹ 10 fully paid	30,00,000	Goodwill	5,00,000
Export Profit Reserves	8,50,000	Tangible Fixed Assets	30,00,000
General Reserves	50,000	Stock	10,40,000
Profit and loss Account	5,50,000	Debtors	1,80,000
9% Debentures	5,00,000	Cash & Bank	2,80,000
Trade Creditors	1,00,000	Preliminary Expenses	50,000
	50,50,000		**50,50,000**

ANU Ltd. agreed to absorb the business of SRISHTI Ltd. with effect from 1st April, 2014.

(a) The purchase consideration settled by ANU Ltd. as agreed:

(i) 4,50,000 equity Shares of ₹ 10 each issued by ANU Ltd. by valuing its share @ ₹ 15 per share.

(ii) Cash payment equivalent to ₹ 2.50 for every share in SRISHTI Ltd.

(b) The issue of such an amount of fully paid 8% Debentures in ANU Ltd. at 96% as is sufficient to discharge 9% Debentures in SRISHTI Ltd. at a premium of 20%.

(c) ANU Ltd. will take over the Tangible Fixed Assets at 100% more than the book value, Stock at ₹ 7,10,000 and Debtors at their face value subject to a provision of 5% for doubtful Debts .

(d) The actual cost of liquidation of SRISHTI Ltd. was ₹ 75,000. Liquidation cost of SRISHTI Ltd. is to be reimbursed by ANU Ltd. to the extent of ₹ 50,000.

(e) Statutory Reserves are to be maintained for 1 more year.

You are required to :

(i) Close the books of SRISHTI Ltd. by preparing Realisation Account, ANU Ltd. Account, Shareholders Account and Debenture Account, and

(ii) Pass Journal Entries in the books of ANU Ltd. regarding acquisition of business.

5. (a) Happy Valley Florists Ltd. acquired a delivery van on hire purchase on 01.04.2010 from Ganesh Enterprises. The terms were as follows : 8

Particulars	Amount (₹)
Hire Purchase Price	180,000
Down Payment	30,000
1st installment payable after 1 year	50,000
2nd installment after 2 years	50,000
3rd installment after 3 years	30,000
4th installment after 4 years	20,000

Cash price of van ₹ 150,000 and depreciation is charged at 10% WDV.

You are required to

(i) Calculate Total Interest and Interest included in each installment

(ii) Prepare Van A/c., Ganesh Enterprises A/c. in the books of Happy Valley Florists Ltd. up to 31.03.2014.

Marks

(b) Smart Investments made the following investments in the year 2013-14 : **8**

12% State Government Bonds having face value ₹ 100

Date	**Particulars**
01.04.2013	Opening Balance (1200 bonds) book value of ₹ 126,000
02.05.2013	Purchased 2,000 bonds @ ₹ 100 cum interest
30.09.2013	Sold 1,500 bonds at ₹ 105 ex interest

Interest on the bonds is received on 30th June and 31st Dec. each year.

Equity shares of X Ltd.

15.04.2013	Purchased 5,000 equity shares @ ₹ 200 on cum right basis Brokerage of 1% was paid in addition (Face Value of shares ₹10)
03.06.2013	The company announced a bonus issue of 2 shares for every 5 shares held.
16.08.2013	The company made a rights issue of 1 share for every 7 shares held at ₹ 250 per share The entire money was payable by 31.08.2013
22.08.2013	Rights to the extent of 20% was sold @ ₹ 60. The remaining rights were subscribed.
02.09.2013	Dividend @15% for the year ended 31.03.2013 was received on 16.09.2013

Marks

15.12.2013	Sold 3,000 shares @ ₹ 300. Brokerage of 1% was incurred extra.
15.01.2014	Received interim dividend @ 10% for the year 2013-14
31.03.2014	The shares were quoted in the stock exchange @ ₹ 220

Prepare Investment Accounts in the books of Smart Investments. Assume that the average cost method is followed.

6. The Balance Sheet of Amit, Bhushan and Charan, who share profits and losses as 3 : 2 : 1 respectively, as on 01.04.2013 is as follows : 16

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Accounts : Amit	1,80,000	Machinery	1,50,000
Bhushan	1,60,000	Furniture	1,50,000
Charan	1,40,000	Debtors 80,000	
Current Accounts : Bhushan	16,000	Less: Provision for	
Creditors	1,20,000	doubtful Debts 4,000	76,000
		Stock	2,10,000
		Cash	20,000
		Current Accounts : Charan	10,000
	6,16,000		**6,16,000**

Dev is admitted as a partner on the above date for $\frac{1}{5}^{th}$ share in the profit and loss. Following are agreed upon :

(1) The profit and loss sharing ratio among the old partners will be equal.

(2) Dev brings in ₹ 1,50,000 as capital but is unable to bring the required amount of premium for goodwill.

(3) The goodwill of the firm is valued at ₹ 60,000.

(4) Assets and liabilities are to be valued as follows :

Machinery ₹ 2,06,000 : Furniture ₹ 1,28,000 : Provision for doubtful debts @ 10% on debtors.

(5) Necessary adjustments regarding goodwill and profit/loss on revaluation are to made through the Partner's Current Accounts.

(6) It is decided that the revalued figures of assets and liabilities will not appear in the Balance Sheet of the new firm.

(7) Capital Accounts of the old partners in the new firm should be proportionate to the new profit and loss sharing ratio, taking Dev's Capital as base. The existing partners will not bring cash for further capital. The necessary adjustments are to be made through the Partner's Current Accounts.

Prepare Partner's Capital & Current Account, and the Balance Sheet of the new firm after admission.

Marks

7. Answer any **Four** out of the following :

(a) From the following extract of Receipts and Payments Account and the additional information, you are required to calculate the Income from Subscription for the year ending March 31, 2014 and show them in the Income & Expenditure Account, and the Balance Sheet of a Club. **4**

An extract of Receipts and Payments Account

for the year ended 31^{st} March, 2014

Receipts	₹	Payments	₹
To Subscription			
2012-13 4,000			
2013-14 20,000			
2014-15 5,000	**29,000**		

Information :

(i) Subscription outstanding on 31.03.2013 ₹ 5,000

(ii) Subscription outstanding on 31.03.2014 ₹ 4,000

(iii) Subscription received in advance on 31.03.2013 for 2013-14 ₹ 5,000

Marks

(b) Intelligent Ltd., a non financial company has the following entries in its Bank Account. It has sought your advice on the treatment of the same for preparing Cash Flow Statement. **4**

(i) Loans and Advances given to the following and interest earned on them :

(1) to suppliers

(2) to employees

(3) to its subsidiaries companies

(ii) Investment made in subsidiary Smart Ltd. and dividend received

(iii) Dividend paid for the year

(iv) TDS on interest income earned on investments made

(v) TDS on interest earned on advance given to suppliers

(vi) Insurance claim received against loss of fixed asset by fire

Discuss in the context of AS 3 Cash Flow Statement

(c) Define Average Due Date. List out the various instances when Average Due Date can be used. **4**

(d) What are depreciable assets as per Accounting Standard-6 ? Explain why AS 6 does not apply to Land. **4**

Marks

(e) Following items appear in the Trial Balance of Saral Ltd. as on 31st March, 2014 : 4

Particulars	Amount (₹)
4,500 Equity Shares of ₹ 100 each	4,50,000
Capital Reserve (including ₹ 40,000 being profit on sale of Plant)	90,000
Securities Premium	40,000
Capital Redemption Reserve	30,000
General Reserve	1,05,000
Profit and Loss Account (Cr. Balance)	65,000

The company decided to issue to equity shareholders bonus shares at the rate of 1 share for every 3 shares held. Company decided that there should be the minimum reduction in free reserves. Pass necessary Journal Entries in the books Saral Ltd.