Dec-2012

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Roll No. 232141......

Time allowed : 3 hours *Maximum marks : 100*

Total number of questions : 8 *Total number of printed pages : 11*

NOTE : *All working notes should be shown distinctly.*

PART — A

(Answer Question No.1 which is compulsory and any two of the rest from this part.)

1\. (a) State, with reasons in brief, whether the following statements are true or false :

F (i) Rights shares mean the shares which are issued to promoters for their services.

F (ii) Both underwriting commission and brokerage cannot be provided to an individual underwriter.

T (iii) As per SEBI guidelines, an amount equal to 50% of the debenture issue must be transferred to debenture redemption reserve before redemption begins.

F (iv) Preliminary expenses is an example of intangible asset.

T (v) Interim dividend paid is a charge against the profits.

(2 marks each)

(b) Write the most appropriate answer from the given options in respect of the following :

(i) Under section 205C of the Companies Act, 1956, the amount in the unpaid dividend account is transferred to the Investor Education and Protection Fund after the lapse of —

(a) 3 Years

(b) 5 Years

✓ (c) 7 Years

(d) 10 Years.

(ii) Discount allowed on the re-issue of forfeited shares cannot exceed —

(a) 10% of the paid-up capital

(b) 10% of the capital re-issued

✓ (c) The amount received on forfeited shares

(d) The amount not received on forfeited shares.

(iii) Redemption of preference shares of a company is —
- (a) Compulsory
- (b) Optional
- (c) Conditional
- (d) None of the above.

(iv) Which method is legally allowed for redemption of preference shares —
- (a) Issue of fresh equity shares
- (b) Sale of assets of the company
- (c) Issue of debentures
- (d) Loan from the bank.

(v) Profit prior to incorporation of a company is transferred to —
- (a) General reserve
- (b) Capital reserve
- (c) Goodwill account
- (d) Statement of profit and loss.

(1 mark each)

(c) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :

(i) Sections 349 and 350 of the Companies Act, 1956 contain the provisions relating to the manner of determination of net profits for the purpose of calculating the ___MR.___ .

(ii) A company may allot fully paid-up shares to promoters or any other party for the services rendered by them without payment is known as issue of shares ________ .

(iii) To determine whether an intangible asset is impaired, an enterprise applies Accounting Standard on __Impairment of Assets AS-28__.

(iv) International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS) are issued by the ________ .

(v) Deferred tax assets are shown under the head ___NCL.___ in the balance sheet of a company.

(1 mark each)

Contd ....

2. (a) The summarised balance sheet of AB Ltd. as on 31st March, 2012 is as follows :

Equity and Liabilities	₹	₹
Equity shares of ₹10 each ₹8 called up	80,000	
Less : calls in arrears ₹2 per share	300	79,700
1,000, 11% preference shares of ₹100 each fully paid-up	1,00,000	
Less : calls in arrears on 250 shares	5,000	95,000
Securities premium		5,300
Investment allowance		55,000
General reserve		50,000
Profit and loss (*Surplus*)		90,000
Trade payables		25,000
		4,00,000
Assets		
Land and building		1,50,000
Plants		50,000
Furniture		25,000
Investments (Face value ₹50,000)		45,000
Stock in trade		20,000
Trade receivables		30,000
Cash at bank		80,000
		4,00,000

The company resolved to :

(i) Realise investments at ₹40,000.

(ii) Forfeit equity shares on which calls are in arrears.

(iii) Issue 500, 14% debentures of ₹100 each at premium of 5%.

(iv) Forfeit preference shares on which the call money remained unpaid immediately before the redemption of preference shares, holders of 200 shares paid their dues before forfeiture.

(v) Re-issue the forfeited preference shares at ₹50 each.

(vi) Re-issue the forfeited equity shares at ₹12 each as ₹8 paid-up.

Pass necessary journal entries to give effect to the above.

Bank 105
To Deb
To ... 5

PSC Dr. 100
To SF 80
To Cal 20

(6 marks)

B 12 SC Dr. 8×150 Bank 50
To SC 8 To SF 6×150 SF 50
To SP 4 To CA 2×150 To PSC 100

(b) Astro Ltd. has authorised capital of ₹50,00,000 divided into 1,00,000 equity shares of ₹50 each. The company issued for subscription 50,000 shares at the premium of ₹10 each. The entire issue was underwritten as follows :

Underwriter – X 30,000 shares (firm underwriting — 5,000 shares)
Underwriter – Y 15,000 shares (firm underwriting — 2,000 shares)
Underwriter – Z 5,000 shares (firm underwriting — 1,000 shares)

Out of the total issue, 45,000 shares including firm underwriting were subscribed. The following were the marked forms :

Underwriter – X 16,000 shares
Underwriter – Y 10,000 shares
Underwriter – Z 4,000 shares

You are required to —

(i) Calculate the liability of each underwriter; and

(ii) Make the accounting entries required to be passed in this regard. (9 marks)

3. (a) Following are the balance sheets of H Ltd. and its subsidiary S Ltd. as on 31st March, 2012 :

	H Ltd. (₹)	*S Ltd.* (₹)
Equity and Liabilities		
Fully paid-up equity shares of ₹10 each	6,00,000	2,00,000
General reserve	3,40,000	80,000
Profit and loss (*Surplus*)	1,00,000	60,000
Trade payables	70,000	35,000
	11,10,000	3,75,000
Assets		
Machinery	3,90,000	1,35,000
Furniture	80,000	40,000
Investments (80% shares in S Ltd. at cost)	3,40,000	—
Stock	1,80,000	1,20,000
Trade receivables	50,000	30,000
Cash at bank	70,000	50,000
	11,10,000	3,75,000

Contd ....

The following additional information is provided :

(i) Surplus in the profit and loss statement of S Ltd. stood at ₹30,000 on 1st April, 2011 whereas general reserve has remained unchanged since that date.

(ii) H Ltd. acquired 80% shares in S Ltd. on 1st October, 2011 for ₹3,40,000 as mentioned above.

(iii) A sum of ₹10,000 due from H Ltd. for goods sold at a profit of 25% on cost price is included in trade receivables of S Ltd. Till 31st March, 2012, only half of the goods had been sold while the remaining goods were lying in the godowns of H Ltd. as on that date.

12/3000 You are required to prepare the consolidated balance sheet as on 31st March, 2012. Show all calculations.

(9 marks)

(b) Fortune Ltd. issued ₹70,000, 12% debentures of ₹100 each at a premium of 5% redeemable at 110%.

You are required to —

(i) Show by means of journal entries how you would record the above issue.

(ii) Also show how they would appear in the balance sheet.

(6 marks)

4. (a) Following is the summarised balance sheet of Victory Ltd. as on 31st March, 2012 :

Equity and Liabilities	₹
Share capital :	
30,000 Equity shares of ₹10 each	3,00,000
General reserve	1,20,000
Capital reserve	40,000
Profit and loss (*Surplus*)	1,20,000
Proposed dividend	34,000
Trade payables	93,700
Income-tax payable	11,500
Provision for tax	82,500
	8,01,700

Bank 105
To Loss on iss 10
To Deb 100
To Sec prem 5
To Prem 10

Assets	₹
Freehold property	1,20,000
Plant and machinery	50,000
Stock	3,10,000
Trade receivables	2,13,000
Bank balance	1,07,000
Cash in hand	1,700
	8,01,700

Net profit (before taxation) for the past 3 years ended :

	₹
31-3-2010	1,38,000
31-3-2011	1,83,000
31-3-2012	1,97,000

On 31st March, 2012 freehold property was valued at ₹1,80,000 and plant and machinery at ₹80,000. Average yield in this type of business is 15% on capital employed. Goodwill of the company is ₹1,00,000. The company transfers 20% of net profits to general reserve, rate of tax is 50%.

You are required to find out —

(i) Value of each equity share; and

(ii) Fair value of each share.

(6 marks)

(b) State the legal requirements relating to transfer of profits to reserves prior to declaration and payment of dividend.

(5 marks)

(c) Explain '*cum*-interest' and '*ex*-interest' in case of purchase of own debentures.

(4 marks)

PART — B

(Answer Question No.5 which is compulsory and any two of the rest from this part.)

5. (a) State, with reasons in brief, whether the following statements are true or false :

   (i) Cash flow statement ignores the accrual accounting concept.

   (ii) Cost-volume-profit relationship is a more comprehensive term than break-even analysis.

   (iii) For control purposes, long-term budgets should be prepared.

   (iv) Direct cost and variable cost are not the same.

   (v) ABC analysis is used to manage the spare parts, *etc.*

(2 marks each)

(b) Write the most appropriate answer from the given options in respect of the following :

   (i) Over-absorption of factory overheads due to inefficiency of management should be disposed by —

   (a) Use of supplementary rate

   (b) Transfer to costing profit and loss account

   (c) Carry forward to next year

   (d) Transfer to production account.

   (ii) A flexible budget is a budget which is designed to change in relation to the level of activity —

   (a) Budgeted

   (b) Attained

   (c) Not budgeted

   (d) Forecasted.

   (iii) The costing method in which fixed factory overheads are added to the inventory is —

   (a) Direct costing

   (b) Marginal costing

   (c) Absorption costing

   (d) Standard costing.

(iv) When margin of safety is 20% and P/V ratio is 60%, the profit will be —

(a) 30%

(b) $33\frac{1}{3}\%$

(c) 12%

(d) None of the above.

(v) Rowan premium plan is an improvement over —

(a) Taylor plan

(b) Gantt bonus plan

(c) Halsey premium plan ✓

(d) None of the above.

(1 mark each)

(c) Re-write the following sentences after filling-in the blank spaces with propriate word(s)/figure(s) :

(i) All indirect costs are collectively called __________.

(ii) Marginal costing is a __________ of costing.

(iii) Zero base budgeting overcomes the weaknesses of __________.

(iv) The break-even point __________ when selling price is increased.

(v) __________ method of valuation of inventory is useful when prices are rising.

(1 mark each)

6. (a) Prepare the balance sheet of Moon Ltd. from the following particulars :

Current ratio		2
Working capital		₹4,00,000
Capital block to current assets		3:2
Fixed assets to turnover (based on sales)	Sales/FA	1:3
Cash sales / Credit sales	CS/CS.	1:2
Stock velocity		2 months
Creditors velocity		2 months
Debtors velocity		3 months

Net profit	10% of turnover
Reserves	2.5% of turnover
Debentures/share capital	1:2
Gross profit ratio	25% (*on sales*)

Assume that capital block includes share capital, debentures, profit and reserves.

(10 marks)

(b) Briefly point out the process of budgetary control.

(5 marks)

7. (a) SV Constructions Ltd. have obtained a contract for construction of a bridge. The value of the contract is ₹12 lakh and the work commenced on 1st October, 2011. The following details are shown in their books for the year ended 30th September, 2012 :

$\frac{WC}{CP}$

$\frac{2}{3} \times \frac{NT}{\cancel{WC}} \times \frac{CR}{WC}$

	₹
Plant purchased	60,000
Wages paid	3,40,000
Wages accrued as on 30.9.2012	2,800
Material issued to site	3,36,000
Material at site as on 30.9.2012	4,000
Direct expenses	8,000
Direct expenses accrued as on 30.9.2012	1,200
General overheads apportioned	32,000
Work not yet certified at cost	14,000
Cash received being 80% of work certified	6,00,000

Life of plant purchased is 5 years and scrap value is nil.

You are required to —

(i) Prepare the contract account for the year ended 30th September, 2012.

(ii) Show the amount of profit which you consider might be fairly taken on the contract and how you have calculated it.

(9 marks)

(b) X Ltd. is committed to supply 24,000 bearings per annum to Y Ltd. on regular basis. It is estimated that it costs 10 paise as inventory holding cost per bearing per month and that the set-up cost per run of bearing manufacture is ₹324.

Required —

(i) What would be the optimum run size for manufacture of bearings ?

(ii) Assuming that company has a policy of manufacturing 6,000 bearings per run, how much extra cost the company would be incurring as compared to the optimum run suggested in (i) above.

(iii) What is the minimum inventory holding cost ?

(6 marks)

8. (a) Following are the balances of accounts of Great Ltd. :

Equity and Liabilities		*As on 31.03.2012* (₹)	*As on 31.03.2011* (₹)	
Share capital	F 200,000 *	10,00,000	8,00,000	
Reserves	0 50k	2,00,000	1,50,000	
Profit and loss (*Surplus*)	0 40k	1,00,000	60,000	
Proposed dividend	0 200k	2,00,000 – Made	1,00,000	Paid
Debentures		2,00,000	—	
Provisions for taxation		1,00,000	70,000	
Δ — Trade payables		7,00,000	8,20,000	
		25,00,000	20,00,000	
Assets				
Plant and machinery		7,00,000	5,00,000	
Land and building		6,00,000	4,00,000	
Investment		1,00,000	—	
Δ — Trade receivables		5,00,000	7,00,000	
Δ — Stock		4,00,000	2,00,000	
Cash in hand/bank		2,00,000	2,00,000	
		25,00,000	20,00,000	

↓ CA
↑ CL

↑ CA
↓ CL

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Additional information is as follows :

(i) Depreciation @ 25% was charged on the opening value of plant and machinery.

(ii) During the year, one old machine costing ₹50,000 (written down value ₹20,000) was sold for ₹35,000.

(iii) ₹50,000 was paid towards income-tax during the year.

(iv) Building under construction was not subject to any depreciation.

Prepare cash flow statement as per Accounting Standard–3.

(9 marks)

(b) Product-X can be produced either by Machine-A or Machine-B. Machine-A can produce 100 units of Product-X per hour and Machine-B can produce 150 units per hour. Total machine hours available during the year are 2,500.

Taking into account the following data, determine which machine is to be used for the manufacture of Product-X.

Costs and price per unit of Product-X :

	Machine-A (₹)		*Machine-B* (₹)	
Marginal cost	5		6	
Selling price	9	4	9	3
Fixed cost	2		2	

(3 marks)

(c) "Management accounting is a decision making system." Comment.

(3 marks)

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