

HAL

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, answers in Hindi, 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) Prepare Cash Flow from Investing Activities of M/s. Creative Furnishings Limited for the year ended 31-3-2015.	5
Particulars	₹
Plant acquired by the issue of 8% Debentures	1,56,000
Claim received for loss of plant in fire	49,600
Unsecured loans given to subsidiaries	4,85,000
Interest on loan received from subsidiary companies	82,500
Pre-acquisition dividend received on investment made	62,400
Debenture interest paid	1,16,000
Term loan repaid	4,25,000
Interest received on investment	68,000
(TDS of ₹ 8,200 was deducted on the above interest)	
Book value of plant sold (loss incurred ₹ 9,600)	84,000

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- (b) A construction contractor has a fixed price contract for ₹ 9,000 lacs to build a bridge in 3 years time frame. A summary of some of the financial data is as under : 5

	(Amount ₹ in lacs)		
	Year 1	Year 2	Year 3
Initial Amount for revenue agreed in contract	9,000	9,000	9,000
Variation in Revenue (+)	–	200	200
Contracts costs incurred up to the reporting date	2093	6168*	8100**
Estimated profit for whole contract	950	1000	1000

*Includes ₹ 100 lacs for standard materials stored at the site to be used in year 3 to complete the work.

**Excludes ₹ 100 lacs for standard material brought forward from year 2.

The variation in cost and revenue in year 2 has been approved by customer.

Compute year wise amount of revenue, expenses, contract cost to complete and profit or loss to be recognized in the Statement of Profit and Loss as per AS-7 (revised).

- (c) Mr. Mehul gives the following information relating to items forming part of inventory as on 31-3-2015. His factory produces Product X using Raw material A. 5
- (i) 600 units of Raw material A (purchased @ ₹ 120). Replacement cost of raw material A as on 31-3-2015 is ₹ 90 per unit.

- (ii) 500 units of partly finished goods in the process of producing X and cost incurred till date ₹ 260 per unit. These units can be finished next year by incurring additional cost of ₹ 60 per unit.
- (iii) 1500 units of finished Product X and total cost incurred ₹ 320 per unit.

Expected selling price of Product X is ₹ 300 per unit.

Determine how each item of inventory will be valued as on 31-3-2015.

Also calculate the value of total inventory as on 31-3-2015.

- (d) M/s. Laghu Udyog Limited has been charging depreciation on an item of Plant and Machinery on straight line basis. The machine was purchased on 1-4-2012 at ₹ 3,25,000. It is expected to have a total useful life of 5 years from the date of purchase and residual value of ₹ 25,000. Calculate the book value of the machine as on 1-4-2014 and the total depreciation charged till 31-3-2014 under SLM. The company wants to change the method of depreciation and charge depreciation @ 20% on WDV from 2014-15. 5

Is it valid to change the method of depreciation ? Explain the treatment required to be done in the books of accounts in the context of AS-6.

Ascertain the amount of depreciation to be charged for 2014-15 and the net book value of the machine as on 31-3-2015 after giving effect of the above change.

2. The financial position of two companies M/s. Abhay Ltd. and M/s. Asha Ltd. 16
as on 31-3-2015 is as follows :

Balance Sheet as on 31-3-2015

	Abhay Ltd.	Asha Ltd.
	(₹)	(₹)
Sources of Funds		
<u>Share Capital – Issued and Subscribed</u>		
15,000 equity shares @ ₹ 100, fully paid	15,00,000	
10,000 equity shares @ ₹ 100, fully paid		10,00,000
General Reserve	2,75,000	1,25,000
Profit & Loss	75,000	25,000
Securities Premium	1,50,000	50,000
Contingency Reserve	45,000	30,000
12% Debentures, @ ₹ 100 fully paid		2,50,000
Sundry Creditors	55,000	35,000
	21,00,000	15,15,000
Application of Funds		
Land and Buildings	8,50,000	5,75,000
Plant and Machinery	3,45,000	2,25,000
Goodwill		1,45,000
Inventory	4,20,000	2,40,000
Sundry Debtors	3,05,000	2,85,000
Bank	1,80,000	45,000
	21,00,000	15,15,000

They decided to merge and form a new company M/s. Abhilasha Ltd. as on 1-4-2015 on the following terms :

- (1) Goodwill to be valued at 2 years purchase of the super profits. The normal rate of return is 10% of the combined share capital and general reserve. All other reserves are to be ignored for the purpose of goodwill. Average profits of M/s. Abhay Ltd. is ₹ 2,75,000 and M/s. Asha Ltd. is ₹ 1,75,000.
- (2) Land and Buildings, Plant and machinery and Inventory of both companies to be valued at 10% above book value and a provision of 10% to be provided on Sundry Debtors.
- (3) 12% debentures to be redeemed by the issue of 12% preference shares of M/s. Abhilasha Ltd. (face value of ₹ 100) at a premium of 10%.
- (4) Sundry creditors to be taken over at book value. There is an unrecorded liability of ₹ 15,500 of M/s. Asha Ltd as on 1-4-2015.
- (5) The bank balance of both companies to be taken over by M/s. Abhilasha Ltd. after deducting liquidation expenses of ₹ 60,000 to be borne by M/s. Abhay Ltd. and M/s. Asha Ltd. in the ratio of 2 : 1.

You are required to :

- (i) Compute the basis on which shares of M/s. Abhilasha Ltd. are to be issued to the shareholders of the existing company assuming that the nominal value of per share of M/s. Abhilasha Ltd. is ₹ 100.
- (ii) Draw Balance Sheet of M/s. Abhilasha Ltd. as on 1-4-2015 after the amalgamation.

3. (a) The partners Kamal and Vimal decided to convert their existing partnership business into a Private Limited Company called M/s. KV Trading Private Ltd. with effect from 1-7-2014.

The same books of accounts were continued by the company which closed its account for first term on 31-3-2015

The summarized Profit and Loss Account for the year ended 31-3-2015 is below :

	(₹) in lakhs	(₹) in lakhs
Turnover		240.00
Interest on investments		6.00
		246.00
Less : Cost of goods sold	102.00	
Advertisement	3.00	
Sales Commission	6.00	
Salary	18.00	
Managing directors remuneration	6.00	
Interest on Debentures	2.00	
Rent	5.50	
Bad Debts	1.00	
Underwriting Commission	2.00	
Audit fees	2.00	
Loss on sale of investment	1.00	
Depreciation	4.00	152.50
		93.50

The following additional information was provided

- (i) The average monthly sales doubled from 1-7-2014. GP ratio was constant.
- (ii) All investments were sold on 31-5-2014.
- (iii) Average monthly salary doubled from 1-10-2014.
- (iv) The company occupied additional space from 1-7-2014 for which rent of ₹ 20,000 per month was incurred.
- (v) Bad debts recovered amounting to ₹ 50,000 for a sale made in 2012, has been deducted from bad debts mentioned above.
- (vi) Audit fees pertains to the company.

Prepare a statement apportioning the expenses between pre and post incorporation periods and calculate the Profit/Loss for such periods. Also suggest how the pre-incorporation profits are to be dealt with.

- (b) M/s. Platinum Jewellers wants to take up a "Loss of Profit Policy" for the year 2015. The extract of the Profit and Loss Account of the previous year ended 31-12-2014 provided below :

₹

Variable Expenses

Cost of Materials	18,60,000
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Fixed Expenses

Wages for skilled craftsmen	1,60,000
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Salaries	2,80,000
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Audit Fees	40,000
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Rent	64,000
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Bank Charges	18,000
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Interest income	44,000
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Net Profit	6,72,000
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Turnover is expected to grow by 25% next year.

To meet the growing working capital needs the partners have decided to avail overdraft facilities from their bankers @ 12% p.a. interest

The average daily overdraft balance will be around ₹ 2 lakhs.

The wages for the skilled craftsmen will increase by 20% and salaries by 10% in the current year. All other expenses will remain the same.

Determine the amount of policy to be taken up for the current year by M/s. Platinum Jewellers.

4. The following is the Balance Sheet of M/s. Care Traders as on 1-4-2014 :

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	₹
<u>Sources of Funds</u>	
Share Capital	10,00,000
Profit and Loss	1,47,800
Unsecured loan @ 10%	1,75,000
Trade Payables	45,800
	13,68,600
<u>Application of Funds</u>	
Machinery	8,25,500
Furniture	1,28,700
Inventory	1,72,000
Trade Receivables	2,29,600
Bank Balance	12,800
	13,68,600

A fire broke out in the premises on 31-3-2015 and destroyed the books of account. The accountant could however provide the following information :

- (1) Sales for the year ended 31-3-2014 was ₹ 18,60,000. Sales for the current year was 20% higher than the last year.

(2) 25% sales were made in cash and the balance was on credit.

(3) Gross profit on sales is 30%.

(4) Terms of Credit

Debtors : 2 months

Creditors : 1 month

All creditors are paid by cheque and all credit sales are collected in cheque.

(5) The Bank Pass Book has the following details (other than payment to creditors and collection from debtors)

	₹
Machinery purchased	1,14,000
Rent paid	1,32,000
Advertisement expenses	80,000
Travelling expenses	78,400
Repairs	36,500
Sales of furniture	9,500
Cash withdrawn for petty expenses	28,300
Interest paid on unsecured loan	8,750

(6) Machinery was purchased on 1-10-2014.

(7) Rent was paid for 11 months only and 25% of the advertisement expenses relates to the next year.

(8) Travelling expenses of ₹ 7,800 for which cheques were issued but not presented in bank.

(9) Furniture was sold on 1-4-2014 at a loss of ₹ 2,900 on book value.

(10) Physical verification as on 31-3-2015 ascertained the stock position at ₹ 1,81,000 and petty cash balance at nil.

(11) There was no change in unsecured loan during the year.

(12) Depreciation is to be provided at 10% on machinery and 20% on furniture.

Prepare Bank Account, Trading and Profit and Loss Account for the year ended 31-3-2015 in the books of M/s. Care Traders and a Balance Sheet as on that date. Make necessary assumptions wherever necessary.

5. (a) Lucky bought 2 tractors from Happy on 1-10-2011 on the following terms : 8

	₹
Down payment	5,00,000
1 st installment at the end of first year	2,65,000
2 nd installment at the end of 2 nd year	2,45,000
3 rd installment at the end of 3 rd year	2,75,000
Interest is charged at 10% p.a.	

Lucky provides depreciation @ 20% on the diminishing balances.

On 30-9-2014 Lucky failed to pay the 3rd installment upon which Happy repossessed 1 tractor. Happy agreed to leave one tractor with Lucky and adjusted the value of the tractor against the amount due. The tractor taken over was valued on the basis of 30% depreciation annually on written down basis. The balance amount remaining in the vendor's account after the above adjustment was paid by Lucky after 3 months with interest @ 18% p.a.

You are required to :

- (1) Calculate the cash price of the tractors and the interest paid with each installment.
- (2) Prepare Tractor Account and Happy Account in the books of Lucky assuming that books are closed on September 30 every year. Figures may be rounded off to the nearest rupee.

- (b) Mr. Chatur had 12% Debentures of Face Value ₹ 100 of M/s. Unnati Ltd. as current investments. 8

He provides the following details relating to the investments.

1-4-2014	Opening balance 4000 debentures costing ₹ 98 each
1-6-2014	Purchased 2000 debentures @ ₹ 120 cum interest
1-9-2014	Sold 3000 debentures @ ₹ 110 cum interest
1-12-2014	Sold 2000 debentures @ ₹ 105 ex interest
31-1-2015	Purchased 3000 debentures @ ₹ 100 ex interest
31-3-2015	Market value of the investments ₹ 105 each

Interest due dates are 30th June and 31st December.

Mr. Chatur closes his books on 31-3-2015. He incurred 2% brokerage for all his transactions.

Show investment account in the books of Mr. Chatur assuming FIFO method is followed.

6. A and B who carry on partnership business in the name of M/s. AB Ltd., closes their firm's account as on 31st March each year. 16

Their partnership agreement provides :

- (i) Profit & Loss sharing, A : 2/3 and B : 1/3.
- (ii) On retirement or admission of Partner :
 - (a) If the change takes place during any accounting year, such partner's share of profits or losses for the period up to retirement or from admission, is to be arrived at by apportionment on a time basis except otherwise stated for specific item(s).
 - (b) No account for Goodwill is to be maintained in the firm's books.

- (c) Any balance due to an outgoing partner is to carry interest @ 9% p.a. from the date of his retirement to the date of payment.

The Trial Balance of the firm as on March 31st, 2015 was as follows :

Particulars	(Dr.) Amount ₹	(Cr.) Amount ₹
Capital Account		
A	—	24,000
B	—	12,000
C - Cash brought in on 30-09-2014	—	9,000
Plant and machinery at cost	22,000	—
Depreciation provision up to 31-03-2014	—	4,400
Motor car at cost	30,000	—
Depreciation provision up to 31-03-2014	—	6,000
Purchases	84,000	—
Stock as on 31 st March 2014	15,500	—
Salaries	18,000	—
Debtors	5,400	—
Sales	—	1,20,000
Travelling expenses	800	—
Office Maintenance	1,200	—
Conveyance	500	—
Trade Expenses	1,000	—
Creditors	—	10,100
Rent and Rates	3,000	—
Bad Debts	900	—
Cash in hand and at Bank	3,200	—
	1,85,500	1,85,500

'A' retired from the firm on 30th September, 2014 and on the same day 'C' an employee of the firm was admitted as partner. Further Profits or Losses shall be shared – B : 3/5 and C : 2/5. Necessary Accounting Entries adjustments were pending up to 31-03-2015. You are given the following further information :

- (i) The value of firm's goodwill as on 30th September, 2014 was agreed to ₹ 15,000.
- (ii) The stock as on 31st March, 2015 was valued at ₹ 18,550.
- (iii) Partners' drawings which are included in Salaries : A – ₹ 2,000, B – ₹ 3,000 and C – ₹ 1,000.
- (iv) Salaries also includes ₹ 1,500 paid to C prior to his being admitted as a partner.
- (v) Bad-debts of ₹ 500 related to the period upto 30th September, 2014.
- (vi) As on 31st March, 2015 rent paid in advance amounted to ₹ 600 and trade expenses accrued amounted to ₹ 250.
- (vii) Provision is to be made for depreciation on Plant and Machinery and on Motor car at the rate of 10% p.a. on cost.
- (viii) A bad-debts provision, specifically attributable to the second half of the year, is to be made @ 5% on debtors as on March 31st 2015.
- (ix) Amount payable to A on retirement remained unpaid till March 31st 2015.

You are required to prepare :

- (a) The Trading and Profit & Loss Account for the year ended March 31st 2015.
- (b) Partners' Capital Account for the year ended March 31st 2015.
- (c) The Balance Sheet as on that date.

7. Answer any four out of the following :

- (a) From the following information of M/s. Officers Sports Club (A non-profit organization) calculate (i) the total cost of sports material consumed in the club and (ii) Sale value of sports material during the year 2014-15. 4

	₹
Opening balance of sports material as on 1-4-2014	56,800
Closing balance of sports material as on 31-3-2015	32,900
Sports material purchased in cash	23,500
Payment made to creditors of sports material	64,300
Creditors for sports materials	
Opening	23,200
Closing	29,400

Out of the total sports material used during the year 40% was consumed by the club and the remaining was sold at a profit of 20% on cost.

- (b) From the following details, find out the average due date : 4

Date of Bill	Amount (₹)	Usance of bill
29 th January 2014	10,000	1 month
20 th March 2014	8,000	2 months
12 th July 2014	14,000	1 month
10 th August 2014	12,000	2 months

(c) Given the following information of M/s. Paper Products Ltd.

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- (i) Goods of ₹ 60,000 were sold on 20-3-2015 but at the request of the buyer these were delivered on 10-4-2015.
- (ii) On 15-1-2015 goods of ₹ 1,50,000 were sent on consignment basis of which 20% of the goods unsold are lying with the consignee as on 31-3-2015.
- (iii) ₹ 1,20,000 worth of goods were sold on approval basis on 1-12-2014. The period of approval was 3 months after which they were considered sold. Buyer sent approval for 75% goods up to 31-1-2015 and no approval or disapproval received for the remaining goods till 31-3-2015.
- (iv) Apart from the above, the company has made cash sales of ₹ 7,80,000 (gross). Trade discount of 5% was allowed on the cash sales.

You are required to advise the accountant of M/s. Paper Products Ltd., with valid reasons, the amount to be recognized as revenue in above cases in the context of AS-9 and also determine the total revenue to be recognized for the year ending 31-3-2015.

- (d) What factors are to be considered at the time of choosing an appropriate Accounting Software for an organization ?

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- (e) M/s. Versatile Limited purchased machinery for ₹ 4,80,000 (inclusive of excise duty of ₹ 40,000). CENVAT credit is available for 50% of the duty paid. The company incurred the following other expenses for installation.

	₹
Cost of preparation of site for installation	21,000
Total labour charges	66,000
(200 out of the total of 600 men hours worked, were spent for installation of the machinery)	
Spare parts and tools consumed in installation	6,000
Total salary of supervisor	24,000
(time spent for installation was 25% of the total time worked)	
Total administrative expenses	32,000
(1/10 relates to the plant installation)	
Test run and experimental production expenses	23,000
Consultancy charges to architect for plant set up	9,000
Depreciation on assets used for the installation	12,000

The machine was ready for use on 15-1-2015 but was used from 1-2-2015. Due to this delay further expenses of ₹ 19,000 were incurred. Calculate the value at which the plant should be capitalized in the books of M/s. Versatile Limited.

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