

Total No. of Questions – 7

Total No. of Printed Pages – 15

Time Allowed – 3 Hours

Maximum Marks – 100

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

Question No. 1 is compulsory

Attempt any **five** questions out of the remaining **six** questions.

Working notes should form part of the answers.

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1. (a) PNA Corp Limited has an outstanding equity shares of 60,00,000 on 31-03-2020. It also has 13% 1,00,000 convertible debentures outstanding of ₹ 100 each, to be converted into 10 equity shares each. Tax rate is 40%. Net profit after tax for the year ended 31st March, 2020 is ₹ 1,70,00,000.

You are required to calculate :

(1) Basic EPS (2) Diluted EPS.

- (b) On 1st April, 2019 Borrower Limited obtained a 14% Loan of ₹ 80,00,000 to be utilized as under :

(i) Construction of Factory ₹ 50,00,000

(ii) Working Capital Financing ₹ 30,00,000

The Factory was constructed and became operational just before the end of the financial year 2019-20. The entire Interest was charged to Profit and Loss Account by Borrower Limited.

You are required to :

Comment, with reference to AS 16, whether the treatment done by the Borrower Limited is correct (with reasoning), if not, give rectification Journal Entry for the correct treatment as on 31st March, 2020.

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- (c) Sweet and Sour Limited deals in Catering Service. In a wedding in 2018-19, ten people died in which Sweet and Sour Limited has given their Catering Services, possibly as a result of food poisoning. Legal proceedings were started seeking compensation of ₹ 10,00,000 from the Company but it disputes liability. Up to the date of approval of the financial statements for the year 31st March, 2019, the Company's lawyers advised that it is probable that the Company will not be found liable for any amount. However, when the Company prepares the financial statements for the year 31st March 2020, its lawyers advice that, owing to developments in the case, it is probable that the Company may be found liable and compensation of ₹ 10,00,000 may be payable. How would you deal with the above as at 31st March, 2019 and at 31st March, 2020 in context with AS-29 ?

- (d) AB Limited has incurred ₹ 200 lakhs on Research of a new process during first 6 months of the financial year 2019-20. The development process began on 1st October, 2019 and upto 31st March, 2020 a sum of ₹ 320 lakhs was incurred as Development Phase Expenditure, which meets recognition criteria.

From 1st April, 2020, the company has implemented the new process and it is likely that this will result in after tax saving of ₹ 80 lakhs per annum for next five years. The cost of capital is 10%.

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You are required to explain :

- (i) Accounting treatment for research expenses.
- (ii) The cost of internally generated intangible asset as per AS-26.
- (iii) The amount of amortization of the assets (The present value of annuity factor of ₹ 1 for 5 years @ 10% = 3.7908)

2. P, Q and R are sharing profits and losses in the ratio 5:3:2. Due to finding of frauds committed by R during the year, it was decided to dissolve the partnership on 31st March, 2020. As on 31st March, 2020 their Balance Sheet was as under :

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Liabilities	Amount (₹)	Assets	Amount (₹)
<u>Partner's Capital A/c</u>		Plant & Machinery	6,00,000
P	4,50,000	Stock	4,27,500
Q	4,50,000	Investments	1,45,000
R	—	Debtors	2,10,000
General reserve	1,20,000	Cash	72,500
Trade creditors	2,35,000	R's Capital	75,000
Bills payable	1,00,000		
Mrs. Q's loan	1,75,000		
Total	15,30,000	Total	15,30,000

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Additional information are given as under :

- (i) During the year R sold Investments costing of ₹ 45,000 at ₹ 56,000 and the said funds were transferred to his personal account. This transaction was not recorded in the firm's books.
 - (ii) A cheque for ₹ 30,000 was received from debtor, not recorded in the books and was misappropriated by R.
 - (iii) A Trade creditor agreed to takeover stock of the book value of ₹ 25,000 at ₹ 26,500. The rest of the Trade creditors were paid off at a discount of 2%.
 - (iv) The bills payable were settled at a discount of 2%.
 - (v) The expenses of dissolution amounted to ₹ 15,900.
 - (vi) The other assets realized were as follows:

Plant & Machinery :	5% of above the book value
Stock :	Rest of the stock realized at a loss of ₹ 15,000
Investments :	Rest of investments were sold at a profit of ₹ 5,600
Debtors :	Rest of the debtors were realized at a discount of 12%
 - (vii) Q agreed to takeover loan of Mrs. Q of ₹ 1,75,000.
 - (viii) The realizable value of R's private assets would only be ₹ 20,000.
- Applying the principles laid down in Garner v/s. Murray, prepare Realization Account, Cash Account and Partner's Capital Accounts.

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3. (a) The summarized Balance Sheet of SM Limited as on 31st March, 2020 was as follows :

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Particulars	Amount in ₹
1. Equity and liabilities	
a. Shareholder's fund	
Share capital	
(60,000 Equity Shares of ₹ 10 Each)	6,00,000
Reserve & Surplus	
Security premium ₹ 70,000	
General reserve ₹ 63,000	
Profit and Loss ₹ 1,40,000	2,73,000
b. Non-current liability	
9% debentures (secured)	3,00,000
c. Current Liabilities	
Term loan	40,000
Creditors	65,000
Provision for taxation	15,000
	12,93,000
2. Assets	
a. Non-current assets	
Property plant and equipment	
Tangible assets	6,00,000
b. Non-current investment	1,50,000
c. Current assets	
Stock ₹ 2,00,000	
Debtors ₹ 2,60,000	
Bank ₹ 83,000	5,43,000
	12,93,000

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The shareholders adopted the resolution on 31st March, 2020 to:

- (i) Buy back 25% of the paid up capital @ ₹ 15 each.
- (ii) Issue 10% debentures of ₹ 60,000 at a premium of 10% to finance the buyback of shares.
- (iii) Maintain a balance of ₹ 20,000 in General Reserve.
- (iv) Sell investments worth ₹ 1,00,000 for ₹ 80,000.
- (v) Buy back expenses were ₹ 2,000.

You are required to pass necessary journal entries to record the above transactions and prepare Ledger of Bank Account.

- (b) BGH Limited issued to public 1,50,000 equity shares of ₹ 100 each. ₹ 60 per share was payable along with application and the balance on allotment. The issue was underwritten equally by A, B and C for a commission of 5%. Application for 1,40,000 shares were received including firm underwriting.

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Underwriter	Firm Underwriting	Marked Application
A	5,000 Sares	40,000 Shares
B	5,000 Shares	46,000 Shares
C	3,000 Shares	34,000 Shares

Unmarked Application 7,000 shares

It was agreed to credit the unmarked application equally to A and C. BGH Limited accordingly made the allotment and received the amount due from public. The underwriters settled their accounts. (Treat application of shares in Firm Underwriting as Marked Applications)

You are required to prepare a statement showing the liability of the underwriters in shares as well as in amount.

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4. The summarized Balance Sheet of ZED Limited as on 31st March, 2020 is as under : 16

Balance Sheet as at 31st March, 2020

	Particulars		Amount ₹
I	Equity and Liabilities		
1.	<u>Shareholders Fund</u>		
	Share Capital		
	50000 equity shares of ₹ 100 each fully paid		50,00,000
	25000, 10% preference shares of ₹ 100 each fully paid		25,00,000
	<u>Reserve & Surplus</u>		
	(a) Securities Premium Account		1,87,500
	(b) Profit & Loss Account		(28,75,000)
2.	<u>Non-Current Liabilities</u>		
	Long Term Borrowings		
	7% Debentures of ₹ 100 each		5,00,000
3.	<u>Current Liabilities</u>		
	Other Current Liabilities		
	(a) Creditors		12,50,000
	(b) Loan from Director		2,50,000
	Total Liabilities		68,12,500
II	Assets		
1.	<u>Non-Current Assets</u>		
	Property, Plant and Equipment		
	(a) Land & Building	25,00,000	
	(b) Plant & Machinery	15,00,000	40,00,000
	<u>Intangible Assets</u>		
	Goodwill		5,00,000
2.	<u>Current Assets</u>		
	(a) Debtors	15,00,000	
	(b) Stock	6,25,000	
	(c) Cash at Bank	1,87,500	23,12,500
	Total Assets		68,12,500

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No Dividend on Preference Shares has been paid for last 3 Years.

The following scheme of reorganization was duly approved by the Tribunal:

- (i) Each equity share of ₹ 100 to be reduced to ₹ 25.
- (ii) Each existing Preference Share of ₹ 100 to be reduced to ₹ 75 and then exchange for one new 13% Preference Share of ₹ 50 each and one Equity Share of ₹ 25 each.
- (iii) The Debenture Holders be given the option to either accept 90% of their claims in cash or to convert their claims in full into new 13% Preference Shares of ₹ 50 each issued at par. One-fourth (in value) of the Debenture Holders accepted Preference Shares for their claims. The rest were paid in cash.
- (iv) Directors have agreed to forgone 20% their claim in respect of loan and agree to have equity shares for rest of the Loan.
- (v) 20,000 new Equity Shares of ₹ 25 each are to be issued at par and full amount is payable at the time of application.
- (vi) Preference Shareholders have forgone their right for dividend for two years. One year's dividend at the old rate is however payable to them in fully paid equity shares of ₹ 25.
- (vii) Total expenses incurred by the Company in connection with the Scheme amounted to ₹ 25,000.
- (viii) Goodwill does not have any value in the present and other remaining assets are valued as follows ;

Plant & Machinery : Decreased by ₹ 3,75,000

Stock : Decreased by ₹ 1,25,000

Debtors : Decreased by ₹ 2,50,000

Land & Building : Increased by ₹ 6,25,000

You are required to :

- (a) Pass necessary Journal Entries to record the above transactions.
- (b) Prepare the resultant Balance sheet (after reorganization) as on 31st March, 2020.

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5. (a) (i) The following balances are extracted from the Trial Balance of Assured Bank Limited as on 31st March, 2020 :

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Particulars	Dr. ₹	Cr. ₹
Bills discounted and purchased	2,40,000	
Rebate for bills discounted		12,000
Interest and Discounts		58,80,000

It is found that the proportionate discounts not yet earned for bills to mature in F.Y. 2019-2020 amounted to ₹ 8,400. Prepare Ledger Accounts.

- (ii) The following figures were also available for Assured Bank Limited :

- On 01st April, 2019 Acceptance, Endorsement etc. not yet satisfied amounted to ₹ 29,00,000.
- During the year, Acceptance, Endorsements, Guarantees, etc. were ₹ 88,00,000.
- The Bank honored acceptances of ₹ 55,00,000 and a client paid off ₹ 20,00,000 against the guaranteed liabilities.
- The Bank paid ₹ 2,00,000 which clients failed to pay.

Pass necessary Journal Entries with narration and prepare "Acceptances, Endorsements and other Obligations Account" in the General Ledger.

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- (b) Ayushman General Insurance Company submits the following information for the year ended 31st March, 2020 : 10

Particulars	Direct Business (₹)	Reinsurance (₹)
Premium received	52,67,500	5,77,500
Premium paid	—	3,43,000
Claim paid during the year	34,79,000	3,57,000
Claim payable :		
01 st April, 2019	4,79,500	66,500
31 st March, 2020	5,16,600	49,000
Claims received	—	2,76,500
Claims receivable :		
01 st April, 2019	—	52,500
31 st March, 2020	—	87,500
Commission :		
On Insurance accepted	1,12,000	10,500
On Insurance ceded	—	12,600

The Other Expenses and Income are as under :

(1) Expenses :

- (a) Rent, Rates & Taxes – ₹ 12,000
- (b) Establishment Expenses – ₹ 30,000
- (c) Legal Expenses (inclusive of ₹ 20,000 in connection with settlement of claims) – ₹ 50,000

(2) Income :

- (a) Interest, dividend, rentals (net) – ₹ 11,000.
- (b) Income tax deducted on above source – ₹ 2,400

(3) Reserve for unexpired risk is to be maintained @ 40%.

The balance of Reserve for unexpired risk as on 01st April, 2019 was ₹ 19,88,000.

You are required to make the Revenue Account for the year ended 31st March, 2020.

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6. (a) M/s. A-One Jewellers has 2 Departments 'Precious Stones' and 'Precious Metals'.

The following figures are available for the year ended 31st March, 2020 :

Particulars	Department 'Precious Stones' (₹)	Department 'Precious Metals' (₹)
Opening Stock	20,00,000	25,00,000
Purchases	75,00,000	50,00,000
Sales	1,25,00,000	75,00,000
Salaries	8,40,000	6,00,000

The following are the other expenses of A-One Jewellers:

Particulars	Amount ₹
General Salaries	10,00,000
Carriage Inward	5,00,000
Carriage Outward	8,00,000
Advertising	6,00,000
Rent and Taxes	9,00,000
Interest on Bank Loan	2,50,000
Lighting	1,20,000
Discount Received	1,50,000
Insurance	1,00,000

Other Information :

- Area occupied by the two Departments is in the ratio of 2:1.
- General Salaries are to be allocated equally.
- Insurance premium is for a comprehensive policy, allocation being inconvenient.
- Closing Stocks were for Precious Stones ₹ 18,00,000 and for Precious Metals ₹ 20,00,000.

You are required to prepare the Departmental Trading and Profit & Loss Account and the General Profit & Loss Account for the year ended 31st March, 2020.

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- (b) M/s Royal Trading whose Head Office is in New York has a branch in Hyderabad, India. As on 31st March, 2020 the following balances appeared in the books of Hyderabad Branch : 10

Particulars	Amount in ₹ Dr.	Amount in ₹ Cr.
Stock on 1 st April, 2019	5,02,200	—
Purchases and Sales	33,75,000	49,72,500
Debtors and Creditors	16,47,000	10,98,000
Bills Receivable and Payable	4,39,200	3,84,300
Salaries and wages	1,62,000	—
Rent, Rates and Insurance	2,29,500	—
Commission received	—	90,000
Trade expenses	54,000	—
Furniture	1,95,300	—
Bank A/c	12,24,270	—
New York Account	—	12,83,670
Total	78,28,470	78,28,470

Other information are as follows :

- (a) Hyderabad branch account in New York books is showing a debit balance of US \$ 24,120.
- (b) Closing Stock as on 31st March, 2020 was ₹ 11,46,800.
- (c) Furniture appeared in the Head Office books at US \$ 3,150.

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- (d) The rate of exchange for 1 US \$ on 31st March, 2019 was ₹ 62 and on 31st March, 2020 was ₹ 61. The average rate of US \$ for the year was ₹ 60.
- (e) Salary outstanding ₹ 10,980.

You are asked to :

- (i) Prepare Trial Balance incorporating adjustments given, converting Indian rupees into US dollar.
- (ii) Prepare in US dollars Trading and Profit and Loss a/c for the year ended 31st March, 2020 and Balance Sheet of the Hyderabad Branch as would appear in the books of Head Office (New York office) of M/s Royal Trading.

7. Answer any **four** :

**4×4
=16**

- (a) Amounts payable in winding-up of a company are as follows :

- Secured Creditors ₹ 1,25,000
- Workmen's Due ₹ 2,50,000

Show the payments made and treatment of Balance in the following two instances :

- (i) If the security realized is ₹ 2,00,000
- (ii) If the security realized is ₹ 1,00,000

- (b) Classify the following NPA's of the SG Banking Limited :

- Loan Assets overdue for more than 3 months but less than 12 months: ₹ 150 Lakhs, fully secured.
- Loan Assets overdue for more than 12 months : ₹ 90 Lakhs, fully secured
- Loan Assets overdue for more than 36 months and considered uncollectible : ₹ 50 Lakhs. (This comprise of two assets worth ₹ 25 Lakhs each. One of these has a security value of ₹ 20 Lakhs).

Also, give the amount of provisioning required in each case.

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(c) Explain the following Measurement basis :

- Historical Cost
- Current Cost
- Realisable Value
- Present Value.

(d) A Departmental Store having 3 departments has reported the following turnover and profits :

Department	Turnover ₹	Net Profit ₹
Department X	20,00,000	2,00,000
Department Y	30,00,000	2,50,000
Department Z	50,00,000	5,50,000

Net Profit is after allocation of all expenses except Department's Manager Commission.

The Commission of each Departmental Manager is to be calculated as follows :

- If the percentage departmental profits are either equal or less than the percentage of overall profits - 5%.
- If the percentage of departmental profits is more than the percentage of overall profits, the commission will be 5% of departmental profits which is equal to the percentage of overall profits on department's turnover, plus 25% of the departmental profit exceeding the percentage of overall profits.

You are required to calculate the Commission of the Manager of each of the Department.

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- (e) Dark and Light are partners in Global Enterprises sharing profit in the ratio of 2 : 1.

They admit Bright as a partner on 1st April, 2017. Bright paid a premium of ₹ 50,000 each to Dark & Light at the time of his admission to the firm, with a condition that the firm will not be dissolved before expiry of 5 years. New Profit & Loss sharing ratio is 2 : 1 : 1.

The firm was dissolved on 31st March, 2020. Bright claims refund of the premium.

You are required to :

- (i) List the criteria for the calculation of refund.
 - (ii) Also list any 2 conditions when no claim in this respect will arise.
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