

Roll No. ...363430.....

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

Question No. 1 is compulsory.

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

In case, any candidate answers extra question(s)/sub-question(s) over and above the required number, then only the requisite number of questions first answered in the answer book shall be valued and subsequent extra question(s) answered shall be ignored.

Working notes should form part of the respective answers.

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

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1. (a) How will you disclose following items while preparing Cash Flow Statement of Gagan Ltd. as per AS-3 for the year ended 31st March, 2018 ? **5**

(i) 10% Debentures issued : As on 01-04-2017 ₹ 1,10,000
As on 31-03-2018 ₹ 77,000

(ii) Debentures were redeemed at 5% premium at the end of the year.
Premium was charged to the Profit & Loss Account for the year.

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(iii) Unpaid Interest on Debentures : As on 01-04-2017 ₹ 275
As on 31-03-2018 ₹ 1,175

(iv) Debtors of ₹ 36,000 were written off against the Provision for Doubtful Debts A/c during the year.

(v) 10% Bonds (Investments) : As on 01-04-2017 ₹ 3,50,000
As on 31-03-2018 ₹ 3,50,000

(vi) Accrued Interest on Investments : As on 31-03-2018 ₹ 10,500

(b) State whether the following statements are 'True' or 'False'. Also give reason for your answer.

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- (i) Certain fundamental accounting assumptions underline the preparation and presentation of financial statements. They are usually specifically stated because their acceptance and use are not assumed.
- (ii) If fundamental accounting assumptions are not followed in presentation and preparation of financial statements, a specific disclosure is not required.
- (iii) All significant accounting policies adopted in the preparation and presentation of financial statements should form part of the financial statements.
- (iv) Any change in an accounting policy, which has a material effect should be disclosed. Where the amount by which any item in the financial statements is affected by such change is not ascertainable, wholly or in part, the fact need not to be indicated.

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- (v) There is no single list of accounting policies which are applicable to all circumstances.

~~(c)~~ Som Ltd. agreed to takeover Dove Ltd. on 1st April, 2018. The terms and conditions of takeover were as follows : 5

- (i) Som Ltd. issued 56,000 equity shares of ₹ 100 each at a premium of ₹ 15 per share to the equity shareholders of Dove Ltd.
- (ii) Cash payment of ₹ 39,000 was made to equity shareholders of Dove Ltd.
- (iii) 24,000 fully paid preference shares of ₹ 50 each issued at par to discharge the preference shareholders of Dove Ltd.
- (iv) The 8% Debentures of Dove Ltd. (₹ 78,000) converted into equivalent value of 9% debentures in Som Ltd.
- (v) The actual cost of liquidation of Dove Ltd. was ₹ 23,000. Liquidation cost is to be reimbursed by Som Ltd. to the extent of ₹ 15,000.

You are required to :

- (1) calculate the amount of purchase consideration as per the provisions of AS-14 and
- (2) pass Journal Entry relating to discharge of purchase consideration in books of Som Ltd.

~~(d)~~ Explain 'Bearer Plant' & 'Biological Asset' as per AS-10.

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2. On 31st March, 2018, SR Ltd. provides the following ledger balances after preparing its Profit & Loss Account for the year ended 31st March, 2018. 16

Particulars	Amount (₹)	
	Debit	Credit
Equity Share Capital, fully paid shares of ₹ 50 each		80,00,000
Calls in arrear	15,000	
Land	25,00,000	
Buildings	30,00,000	
Plant & Machinery	24,00,000	
Furniture & Fixture	13,00,000	
Securities Premium		15,00,000
General Reserve		9,41,000
Profit & Loss Account		5,80,000
Loan from Public Finance Corporation (Secured by Hypothecation of Land)		26,30,000
Other Long Term Loans		22,50,000
Short Term Borrowings		4,60,000
Inventories : Finished goods	45,00,000	
Raw materials	13,00,000	
Trade Receivables	17,50,000	
Advances : Short Term	3,75,000	
Trade Payables		8,13,000
Provision for Taxation		3,80,000
Unpaid Dividend		70,000
Cash in Hand	70,000	
Balances with Banks	4,14,000	
Total	1,76,24,000	1,76,24,000

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The following additional information was also provided in respect of the above balances :

- (1) 50,000 fully paid equity shares were allotted as considered for land.
- (2) The cost of assets were :

Building	₹ 32,00,000
Plant and Machinery	₹ 30,00,000
Furniture and Fixture	₹ 16,50,000
- (3) Trade Receivables for ₹ 4,86,000 due for more than 6 months.
- (4) Balances with banks include ₹ 56,000 with Naya bank, which is not a scheduled bank.
- (5) Loan from Public Finance Corporation repayable after 3 years.
- (6) The balance of ₹ 26,30,000 in the loan account with Public Finance Corporation is inclusive of ₹ 1,34,000 for interest accrued but not due. The loan is secured by hypothecation of land.
- (7) Other long term loans (unsecured) includes :

Loan taken from Nixes Bank	₹ 13,80,000
(Amount repayable within one year	₹ 4,80,000)
Loan taken from Directors	₹ 8,50,000.
- (8) Bills Receivable for ₹ 1,60,000 maturing on 15th June, 2018 has been discounted.
- (9) Short term borrowings includes :

Loan from Naya bank	₹ 1,16,000 (Secured)
Loan from directors	₹ 48,000
- (10) Transfer of ₹ 35,000 to general reserve has been proposed by the Board of directors out of the profits for the year.
- (11) Inventory of finished goods includes loose tools costing ₹ 5 lakhs (which do not meet definition of property, plant & equipment as per AS-10)

You are required to prepare the Balance Sheet of the Company as on March 31st, 2018 as required under Part-I of Schedule III of the Companies Act, 2013.

You are not required to give previous year figures.

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3. (a) A partnership firm M/s. Nice Sons was carrying on business from 1st May, 2017. The partners of the firm decided to convert the partnership firm into a private company called Zenith (P) Ltd. with effect from 1st September, 2017. The annual accounts were drawn upto 31st March, 2018. The summarised Profit and Loss Account from 1st May, 2017 to 31st March, 2018 is as follows :

Particulars		Amount (₹)
Turnover		55,20,000
Interest on Investment		60,000
Profit on sale of Investment		42,000
		56,22,000
Less :		
Cost of goods sold	34,50,000	
Printing & Stationery	77,000	
Manager's Salary	82,000	
Audit Fees	41,000	
Rent	1,33,000	
Bad Debts	33,000	
Underwriting Commission	56,000	
Depreciation	71,500	
Interest on Debentures	8,900	
Advertising campaign expenses	69,800	
Sundry office expenses	1,06,700	
Interest on borrowings	1,25,000	
		42,53,900
Net Profit		13,68,100

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Additional Information Provided :

- (1) The company's only borrowing was a loan of ₹ 15,00,000 at 9% p.a., to pay the purchase consideration due to the firm and for working capital requirements. The loan was taken on 1st September, 2017.
- (2) The company occupied additional space from 1st September, 2017 for which rent of ₹ 8,000 per month was incurred.
- (3) Audit fee pertains to the company.
- (4) Bad debts recovered amounting to ₹ 36,000 for a sale made in June 2017, has been deducted from bad debts mentioned above.
- (5) All investments were sold in August 2017.
- (6) Zenith (P) Ltd. initiated an advertising campaign on 1st September, 2017, which resulted increase in monthly average sales by 40%.
- (7) The salary of Manager was increased by ₹ 3,000 p.m. from 1st July, 2017.

Prepare a statement showing pre-incorporation and post-incorporation profit for the year ended 31st March 2018.

(b) M/s. Heavy keeps self-balancing ledgers. From the following information available, you are required to prepare Debtor's Ledger Adjustment Account in the General Ledger and General Ledger Adjustment Account in Creditor's Ledger for the year ended 31st March, 2018 :

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- (a) Debtor's Ledger Adjustment Account balance as on 01-04-2017 (Dr.) ₹ 8,78,500 & (Cr.) ₹ 75,250.
- (b) Creditor's Ledger Adjustment Account balance as on 01-04-2017 (Dr.) ? & (Cr.) ₹ 2,34,500.

- (c) Goods purchased from Mr. Suraj ₹ 1,61,000 against advance which was paid last year.
- (d) Goods returned by Mr. Ginni ₹ 70,000.
- (e) From Debtor's ledger ₹ 87,500 transferred to Creditor's ledger.
- (f) Total sales amounted to ₹ 49,70,000 including the sale of old machinery for ₹ 1,40,000.
- (g) The total credit sales were 25% less than the total cash sales.
- (h) A cheque received from a customer for ₹ 33,000 was dishonoured.
- (i) Bad debts written off in the earlier years and now recovered from debtors amounted ₹ 9,800.
- (j) Cash collection from debtors amounted to 90% of the opening debtors and 80% of the credit sales for the year.
- (k) Debtors were allowed cash discount for ₹ 10,850.
- (l) Bad debts written off ₹ 9,100.
- (m) Paid advance ₹ 66,000 to M/s. Chi Traders for purchase of goods.
- (n) Purchased goods from Mr. Rachel ₹ 6,13,000.
- (o) Cash purchases during the year amounted to ₹ 86,000.
- (p) Payment to creditors ₹ 3,23,000.
- (q) Goods returned to Mr. Rachel ₹ 15,000.
- (r) Bills Payable accepted during the year ₹ 89,000.
- (s) Bills Receivable dishonoured ₹ 54,000.
- (t) Bills Receivable matured ₹ 23,000.
- (u) Bills Receivable endorsed to creditors ₹ 5,800.
- (v) Overpayments refunded by suppliers ₹ 5,900.
- (w) Interest charged on overdue Customer's Accounts ₹ 2,100.

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4. From the following Receipts and Payments Account of M/s. Antony Education Society for the year ended 31st March, 2018, prepare Income and Expenditure Account for the year ended 31st March, 2018 and Balance Sheet as on that date :

Receipts and Payments Account

Receipts	₹	Payments	₹
To Opening Cash and Bank Balance	37,000	By Staff Salaries	4,00,000
To Tuition Fees	7,00,000	By Electricity Charges	48,000
To Hire of School's Hall	70,000	By Repairs	60,000
To Sale of Investment (Building Fund)	9,50,000	By Purchase of Building	9,50,000
To Grant-in-aid	5,00,000	By Purchase of Materials & Supplies	6,00,000
To Laboratory & Library Security Deposit	6,000	By Students Welfare Expenses	80,000
		By Closing Cash and Bank Balance	1,25,000
	22,63,000		22,63,000

Additional Information :

- (a) The Education Society maintained separate Building Fund of ₹ 9,50,000 from previous year represented by investment of equivalent amount. Building was acquired on 1st April, 2017 and payment of ₹ 9,50,000 was made and reflected in the Receipts and Payments Account. It was decided that maintenance of separate Building Fund is no longer required.
- (b) Grant-in-aid receivable from the State Govt. for backward students ₹ 1,00,000.

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- (c) Opening stock of materials and supplies was ₹ 2,00,000. The consumption of materials and supplies during the year was as follows :

For Students Welfare	₹ 4,70,000
For Teaching	₹ 20,000
For Laboratory	₹ 1,30,000

- (d) Laboratory equipments of ₹ 1,80,000 received from Mr. Khaitan as donation.
- (e) Annual tuition fee receivable ₹ 20,000.
- (f) Annual tuition fees received in advance ₹ 10,000.
- (g) Staff salaries outstanding ₹ 40,000.
- (h) Depreciation is to be provided for full year on straight line basis on the following :
- | | |
|-----------------------|-------|
| Building | - 5% |
| Laboratory Equipments | - 10% |

5. (a) M/s. Kodam Enterprises purchased a generator on hire purchase from M/s. Sanctum Ltd. on 1st April, 2017. The hire purchase price was ₹ 48,000. Down payment was ₹ 12,000 and the balance is payable in 3 annual instalments of ₹ 12,000 each payable at the end of each financial year. Interest is payable @ 8% p.a. and is included in the annual payment of ₹ 12,000.

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Depreciation at 10% p.a. is to be written off using the straight line method.

You are required to :

- (i) calculate the cash price of the generator and the interest paid on each instalment.
- (ii) pass relevant journal entries in the books of M/s. Kodam Enterprises from 1st April, 2017 to 31st March, 2018 following the interest suspense method.

- (b) A fire occurred in the premises of M/s. Raxby & Co. on 30-06-2017. 8
From the salvaged accounting records, the following particulars were ascertained :

	₹
Stock at cost as on 01-04-2016	1,20,000
Stock at cost as on 31-03-2017	1,30,000
Purchases less return during 2016-17	5,25,000
Sales less return during 2016-17	6,00,000
Purchases from 01-04-2017 to 30-06-2017	97,000
Purchases upto 30-06-2017 did not include ₹ 35,000 for which purchase invoices had not been received from suppliers, though goods have been received in godown.	
Sales from 01-04-2017 to 30-06-2017	1,66,000

In valuing the stock for the Balance Sheet at 31st March, 2017, ₹ 5,000 had been written off on certain stock which was a poor selling line having the cost of ₹ 8,000. A portion of these goods were sold in May, 2017 at a loss of ₹ 1,000 on original cost of ₹ 7,000. The remainder of the stock was now estimated to be worth its original cost. Subject to that exception, gross profit had remained at a uniform rate throughout the year.

The value of the salvaged stock was ₹ 10,000. M/s. Raxby & Co. had insured their stock for ₹ 1,00,000 subject to average clause.

Compute the amount of claim to be lodged to the insurance company.

- 6/ On 31st March, 2018, the Balance Sheet of Mary, Rima and Sunny who were sharing profits and losses in the ratio 3 : 4 : 2 stood as follows : 16

Liabilities	₹	₹	Assets	₹
Capital Account :			Land & Building	90,000
Mary	45,000		Machinery	55,000
Rima	60,000		Trade Receivable	60,000
Sunny	30,000	1,35,000	Inventories	30,000
General Reserve		45,000	Cash in hand and at Bank	20,000
Workmens' Compensation Reserve		5,000		
Trade Payable		70,000		
		2,55,000		2,55,000

Sunny retired on 31st March 2018. Mary and Rima continued in partnership sharing profits/losses in the ratio 6 : 4.

The following adjustments are agreed upon :

- Adjustment for Machinery having net book value of ₹ 4,000 which had been scrapped during the year. The original cost of Machinery was ₹ 15,000.
- Debts amounting ₹ 3,000 considered bad and further debts amounting ₹ 5,000 were considered doubtful and required 100% provision.

- (c) An item of the inventory having value of ₹ 6,000 had been omitted from the stock valuation.
- (d) Provision of ₹ 3,000 to be made in respect of an outstanding bill of purchase.
- (e) Goodwill of the entire firm be fixed at ₹ 36,000 and Sunny's share of the same be adjusted into the accounts of Mary and Rima. No goodwill account to be raised.
- (f) The entire capital of the firm as newly constructed be fixed at ₹ 1,40,000 between Mary and Rima in proportion to their profit sharing ratio after passing entries in the accounts for adjustments i.e. actual cash to be paid off or to be brought in by the continuing partners as the case may be.

Sunny to be paid ₹ 30,000 cash on the date of retirement and balance to be transferred to her Loan Account.

Prepare Revaluation Account, Capital Account of the Partners and the Balance Sheet of the firm of Mary and Rima after retirement of Sunny.
(Journal entries are not required)

7. Answer any four questions :

(a) Pass Journal Entries in the following conditions :

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- (1) Super Ltd. had 62,000 equity shares of ₹ 50 each on which ₹ 45 is paid up. In September 2017 company decided to sub-divide each share into 5 shares of ₹ 10 with ₹ 9 paid up.

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- (2) Top Ltd. had 1,05,000 equity shares of ₹ 10 each fully paid up. In November 2017 company decided to convert the issued shares into stock. But in January 2018 the company re-converted the stock into equity shares of ₹ 100 each fully paid up.
- (3) New Ltd. had capital of ₹ 15,00,000 divided into 1,50,000 equity shares of ₹ 10 each on which ₹ 6 is paid up. During the year, company decided to reorganize its capital by consolidating 5 shares into one share of ₹ 50 each, ₹ 30 paid up.

- (b) The following transactions took place between Chiron and Berry during the year 2017-18 :

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Date	Particulars	Amount (₹)
April 3, 2017	Sales by Berry to Chiron	1,17,000
April 9, 2017	Purchases by Berry from Chiron	46,800
May 8, 2017	Purchases by Berry from Chiron	79,300
May 25, 2017	Sales by Berry to Chiron	1,07,250

They decided to settle their account on average due date.

Calculate Average Due Date and the amount to be paid or received by Chiron. Any fraction of a day arising from the calculation to be considered as full day.

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(c) Sun Ltd. wants to re-classify its investments in accordance with AS-13. 4
State the values at which the investments have to be re-classified as per AS-13 in the following cases :

- (1) Current investments in Company Fine Ltd., costing ₹ 39,000 are to be re-classified as long term investments. The fair value on the date of transfer is ₹ 37,000.
- (2) Long term investments in Company Bold Ltd., costing ₹ 16 lakhs are to be re-classified as current investments. The fair value on the date of transfer is ₹ 15 lakhs and book value is ₹ 16 lakhs.

(d) State the advantages of outsourcing the Accounting Functions of an enterprise. 4

(e) (i) Total capital employed by a partnership firm is ₹ 1,50,000. Last 3 years' profit of the firm are as follows : 4

₹

2014	30,000
2015	26,000
2016	28,000

Rate of normal profit in the industry is 15%.

It is agreed that goodwill is valued at 3 years' purchase. Calculate the value of goodwill of the firm under Super Profit Basis.

(ii) What are the conditions that require valuation of goodwill in a partnership firm ?