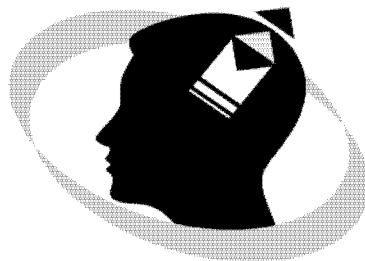


CA - INTER COURSE MATERIAL

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**SUBJECT CODE: 5, MATERIAL NO: 5
ADVANCED ACCOUNTING _ 41e**

(NEW EDITION THOROUGHLY REVISED & UPDATED UPTO MAY 2018. APPLICABLE FOR MAY / NOV 2019 EXAMINATIONS UNDER NEW SYLLABUS OF CA INTER. THIS MATERIAL IS SYNCHRONISED WITH JULY 2017 EDITION OF ICAI SM. THIS MATERIAL IS ISSUED ON 21.08.19)



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HIGHLIGHTS OF THIS MATERIAL

1. **QUESTION PAPERS OF RECENT 2 EXAMS:** At the beginning of this material we have included the question papers of 2 recent exams under New syllabus (i.e May - 18) and old syllabus (Nov-17). This will help to analyse the previous exam trends in a better manner and to assess whether our material is able to cater the needs of the examinations or not.

2. **EXAMINATION TRENDS:** At the beginning of each chapter we have given a table called **MODEL - WISE ANALYSIS OF PREVIOUS EXAMINATIONS**. This analysis will help you to judge the relative importance of each model in each chapter. Based on that analysis you can easily pay more attention on relatively more important models / problems.

We have also given a table with the title "**SIGNIFICANCE OF EACH PROBLEM COVERED IN THIS MATERIAL**". In this table we have indicated various sources in which same / similar problem is covered. With this students can easily understand the relative importance of each problem.

Similarly at the beginning of the material we have included a table called **CHAPTER WISE ANALYSIS OF PREVIOUS EXAMINATIONS**. This analysis will help you to judge the relative importance of each chapter and you can pay more attention on relatively more important chapters.

3. **ONE STOP SOLUTION:** Selective Problems from Old SM & Old PM, All the problems from New SM, RTPs of 5 recent examinations and MTPs of 2 recent examinations, All the problems given in 10 recent examinations have been covered in our material. Our material is like a one stop solution. In the public exam you can expect atleast 90% of the Problems to come from our material.

For each problem we have given the reference of Study Material (SM), RTPs, MTPs and previous examinations of IPCC. This will help you to assess the relative importance of each problem from examination point of view.

4. **SPACE TO NOTE DOWN IMPORTANT POINTS:** After each problem we have given some space to note down the key points related to that problem. This will help you to synchronize the preparation well, at the time of revision.

5. **APPROACH TO SOLVE PROBLEMS:** We have provided procedural formats (i.e. steps for solving problem) for standard models. This will help to solve the problems quickly.

6. **ABC ANALYSIS:** At the end of each Problem we have indicated ABC categorization. Which will help to pay more attention on relatively more important problems, while listening to the classes itself. Since it is a professional course it is very difficult to provide ABC analysis. But we recommend the students to take the decision based on availability of time, their skills and the amount of risk that they are ready to take. For example, if they have enough time to prepare then it is always beneficial to prepare A, B as well as C category problems.

7. **ASSIGNMENT PROBLEMS:** For every problem in Classroom Discussion there will be a clone in the Assignment Problems. Once a particular problem in Classroom discussion gets finished then the student shall solve corresponding problem in Assignment Problems, on his own. We call this as REWORK. This approach will help you solve an unknown problem in a very easy manner which is a very important skill required to face examinations of professional courses.

8. **PRINTED SOLUTIONS:**

- For early completion of syllabus we have provided with printed solutions to some selective problems in few chapters.
- While teaching those problems, faculty will not dictate notes to such problems to students. Faculty will directly explain the printed solution provided in the material and students need to refer the same.
- For those problems students need not write anything in their notebooks during the class time. But they need to update their notebooks at home i.e. solve those problems in their notebooks at home.

9. **MODEL NAMES:** We have segregated the problems in each chapter into various models. We tried our level best to continue the same model names in Classroom Discussion Problems as well as Assignment Problems for easy identification.

CA INTER NOV 2018 QUESTION PAPER

PAPER 5 – ADVANCED ACCOUNTING

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

Answer in Hindi will not be valued

Question no. 1 is compulsory.

Candidates are also required to answer any four questions from the remaining five

Questions.

Working notes should form part of the respective answers

1. Answer the following information 4 x 5 = 20M

a) From the following information given by Sampark Ltd., calculate Basis EPS and Diluted EPS as per AS 20:

	Rs.
Net profit for the current year	2,50,00,000
No. of equity shares outstanding	50,00,000
No. of 12% convertible debentures of Rs 100 each	50,000
Each debenture is convertible into 8 equity shares	
Interest expense for the current year	6,00,000
Tax savings relating to interest expenses	1,80,000

b) On 1st April, 2018, Tina Ltd. Take over the business of Rina Ltd. and discharged purchase consideration as follows:

- i) Issued 50,000 fully paid equity shares of Rs 10 each at a premium of R.s 5 per share to the equity shareholders of Rina Ltd.**
- ii) Cash payment of Rs 50,000 was made to equity shareholders of Rina Ltd.**
- iii) Issued 2,000 fully paid 12% preference shares of Rs100 each at par to discharge the preference shareholders of Rina Ltd.**
- iv) Debenture of Rina Ltd.(Rs 1,20,000) will be converted into equal number and amount of 10% debentures of tina Ltd.**

Calculate the amount of purchase consideration as per AS-14 and pass journal entry relating to discharge of purchase consideration in the books of tina Ltd.

c) Following transactions are disclosed as on 31st March,2018:

- i) Mr. Sumit , a relative of managing director, received remuneration of Rs 2,10,000 for his services in the company for the period from 1st April,2017 to 30th June 2017. He left the service on 1st July, 2017.**

Should the relative be identified as on closing date i.e. on 31-3-2018 for the purpose of AS - 18.

- ii) Goods sold amounting to R.s 50 lakhs to associate company during the 1st quarter ended on 30th June, 2017. After that related party relationship ceased to exist. However, goods were supplied as was supplied to any other ordinary customer.**

Decide whether transactions of the entire year have to be disclosed as related party transactions.

d) Sagar Ltd has issued convertible bonds for RS 65 Crores which are due to mature on 30th september,2018.

While preparing financial statements for the year ending 31st March, 2018, company expects that bond holders will not exercise their option of converting bonds to equity shares. How should the company classify the convertible bond as per requirement of Schedule-III to the Companies ACT, 2013 as on 31st March, 2018?

Also state, whether classification of convertible bonds as per schedule-III to the companies Act will changes if the company expects that convertible bond holders will convert their holdings into equity shares of Saga Ltd.

2.

a) Lucky Ltd. grants 100 stock options to each of its 1,500 employees on 1-4-2014 10M

For Rs 40, depending upon the employees at the time of vesting of options. Options would be exercisable within a year it is vested. The market price of the share is Rs 70 each. these options will vest at the end of year 1 if the earning of lucky Ltd. is 15%, or it will vest at the end of the year 2 if the average earning of two years is 13% or lastly it will vest at the end of the third year if the average earning of 3 years will be 10% 8,000 unvested options lapsed on 31-3-2015. 6,000 unvested options lapsed on 31-3-2016 and finally 4,000 unvested options lapsed on 31-3-2017.

The earnings of lucky Ltd for the three financial years ended on 31st march, 2015; 2016 and 2017 are 14%, 10% and 8% respectively.

1,250 employees exercised their vested options within a year and remaining options were unexercised at the end of the contractual life.

You are required to give the necessary journal entries for the above and also prepare the statement showing compensation expense to be recognized at the end of each year.

b) Rakshit Ltd., issued 3,00,000 shares of Rs 10 each at a premium of Rs 5 . 10M

The entire issue was underwritten by P,Q and R in the ratio of 3: 2: 1.

Their firm underwriting was as follows:

P-35,000 shares, Q-20,000 shares, R-22,500 shares

The total subscriptions, excluding firm underwriting, including marked applications were for 1,60,000 shares. Marked applications received were as follows :

P-45,000 shares, Q-22,500 shares, R-17,500 shares

The underwriting contract provided that credit for unmarked applications be given to the underwriters in proportion to the shares underwritten and benefit of firm underwriting is to be given to individual underwriters.

The underwriters were entitled to commission @ 5% you are required to:

- i) Compute the underwriter's liability in number of shares .
- ii) Compute the amount payable or due to underwriters.
- iii) Pass journal entries in the books of the company relating to underwriting.

3.

a) Virat Ltd. furnishes the following summarized balance sheet as t 31st March, 2018: 10M

Particulars	Rs	Rs
Equity and liabilities:		
1. Shareholders funds :		
a) Share capital		
10,000, 12% pref. shares of Rs 100 each fully paid up	10,00,000	
1,00,000 equity shares of Rs 10 each fully paid up	10,00,000	
50,000 equity shares Rs 10 each Rs 8 paid up	4,00,000	24,00,000
b) Reserve and surplus profit & Loss A/c.(Dr.balance)		(3,50,000)
2. Non-current liabilities:		
12% debentures	15,00,000	
Loan on mortgage	4,50,000	19,50,000
3. Current liabilities:		
Bank overdraft	2,75,000	
Trade payables	7,30,000	10,05,000
Total		50,05,000
Assets:		
1. Non-current assets:		

Fixed assets- Land & Buildings		6,00,000
2. Current assets: sundry currents assets		44,05,000
Total		50,05,000

The mortgage loan was secured against the land & buildings. Debentures were secured by a floating charge on all the assets of the company. The debenture holders appointed a receiver. The company being voluntarily wound up, a liquidator was also appointed. The receiver was entrusted with the task of realizing the Land & buildings which fetched Rs 7,50,000. Receiver also took charge of sundry current assets of value Rs 30,00,000 and sold them for Rs. 28,75,000. The bank overdraft was secured by a personal guarantee of the directors who discharged their obligations in full from personal resources. The costs of the receiver amounted to Rs 10,000 and his remuneration Rs. 15,000. The expenses of liquidator was Rs 17,500 and his remuneration was decided at 2% on the value of the assets realized by him. The remaining assets were realized by liquidator for Rs 12,50,000. Preference dividend was in arrear for 2 years. Articles of association of the company provide for payment of preference dividend arrears in priority to return of equity capital

Prepare the accounts to be submitted by the receiver and the liquidator.

b) The summarized balance sheet of SK Ltd. as on 31st march, 2018 is given below.

10M

Liabilities	Amount
Equity shares of Rs 10 each	35,000
8%, cumulative preference shares of Rs 100 each	17,500
6% debentures of Rs 100 each	14,000
Sundry creditors	17,500
Provision for taxation	350
total	84,350
Assets	
Fixed assets	43,750
Investments (market value Rs 3325 thousand)	3,500
Current assets (including bank balance)	35,000
Profit and loss account	2,100
Total	84,350

The following scheme of internal reconstruction is approved and put into effect on 31st March, 2018.

- Investments are to be brought to their market value.
- The taxation liability is settled at Rs. 5,25,000 out of current assets.
- The balance of profit and loss account to be written off.
- All the existing equity shares are reduced to Rs. 4 each
- All preference shares are reduced to Rs. 60 each.
- The rate of interest on debentures is increased to 9%.
- The debenture holders surrender their existing debentures Rs 100 each and exchange them for fresh debentures of Rs 80 each. Each old debenture is exchanged for one new debenture.
- Balance of current assets left after settlement of taxation liability are revalued at Rs. 1,57,50,000
- Fixed assets are written down to 80%
- One of the creditors of the company for Rs 70,00,000 gives up 50% of his claim. He is allotted 8,75,000 equity shares of Rs. 4 each in full and final settlement of his claim

Pass journal entries for the above transactions

4.

a) On 31st march, 2018 the books of Nutan insurance company limited contained the following particulars in respect of marine insurance business:

10M

	Direct business Rs.	Re-insurance Rs.
Premium received:	35,50,000	3,75,000
Receivable-1.4.2017	2,14,500	18,700
Receivable-31.3.2018	1,80,000	15,500
paid		3,00,500

Payable-1.4.2017		10,400
Payable-31.3.2018		15,200
Claims :		
paid	25,10,000	2,70,800
Payable-1.4.2017	42,500	15,000
Payable-31.3.2018	45,800	17,500
Received		2,17,000
Receivable-1.4.2017		18,500
Receivable-31.3.2018		19,200
Commission		
paid	75,800	11,600
received		12,400

Other expenses and income:

Salaries	3,75,000
Rent rates and taxes	1,21,000
Printing and stationary	24,800
Legal expenses (inclusive of Rs 18,000 for settlement of claims)	50,000
Interest, dividend & rent received (net)	1,12,500
Income tax deducted at source in respect of above	12,500
Bad debts	5,800

Balance of fund as on 1-4-2017 was Rs 38,50,000 including additional reserve for Rs 3,60,000. Provision for unexpired Risk to be created @ 100% and additional reserve has to be maintained at 5% of net premium of the year.

Prepare the revenue account for the year ended 31st March ,2018.

b) While closing its books of accounts on 31st march 2018, a non-banking

10M

Finance company has its advances classified as follows:

	Rs.
Standards assets	18,400
Sub-standard assets	1,250
Secured portion of doubtful debts:	
Upto one year	300
One year to three years	90
More than three years	30
Unsecured portions of doubtful debts	92
Loss assets	47

Calculate the amount of provision which must be made against the advances as per-

i) The non-banking financial company – non-systematically important non-deposit taking company (reserve bank) directions,2016; and

ii) Non-banking financial company-systematically important Non-deposit taking company(reserve bank) directions,2016.

5.

a) The profit and loss accounts of A Ltd. and its subsidiary B Ltd. For the year ended 31st march,2018 are given below:

10M
(Amt in lakhs)

incomes	A Ltd.	B Ltd.
Sales and other income	7,500	1,500
Increase in Inventory	1,500	300
Total	9,000	1,800
Expenses		
Raw material consumed	1,200	300
Wages and salaries	1,200	225

Production expenses	300	150
Administrative expenses	300	150
Selling and distribution expenses	300	75
interest	150	75
depreciation	150	75
Total	3,600	1,050
Profit before tax	5,400	750
Provision for tax	1,800	300
Profit after tax	3,600	450
Dividend paid	1,800	225
Balance of profit	1,800	225

The following information is also given:

- A Ltd sold goods of Rs.180 lakhs to B Ltd at cost plus 25%. (1/6 of such goods were still in inventory of B Ltd at the end of the year)
- Administrative expenses of B Ltd include Rs.8 lakhs paid to A Ltd as consultancy fees.
- Selling and distribution expenses of A Ltd include Rs.15 lakhs paid to B Ltd as commission.
- A Ltd holds 72% of the equity capital of B Ltd. The equity capital of B Ltd prior to 2016-2017 is Rs.1,500 lakhs

Prepare a consolidated profit and loss account for the year ended 31st March,2018.

b) The balance sheet of rupal Ltd. for the year ended 31st march,2016,2017, and 2018 are as under:
10M

Liabilities	In lakhs		
	31.3.2016	31.3.2017	31.3.2018
Share capital : 160 lakhs equity	3,500	3,500	3,500
Share of Rs.10 each (fully paid up)			
General reserve	1,200	1,480	1,650
Profit & loss A/c	415	565	675
Secured loans:			
12% debentures	75	75	75
Term loan	250	230	210
Trade payables	630	738	850
Total	6,070	6,588	6,960
Assets			
Land & building	1,200	1,320	1,450
Plant & machinery	2,750	2,630	2,580
inventory	1,210	1,520	1,830
Trade receivables	760	950	1,055
Cash at bank	150	168	45
Total	6,070	6,588	6,960

Additional information:

i) Actual valuations were shown as under :

	(in lakhs)		
Land & building	1,450	1,580	1,750
Plant & machinery	2,650	2,520	2,380
inventory	1,520	1,830	2,140
Net profit (including opening balance after writing off depreciation ,tax provision and transfer to general reserve)	1,325	1,550	1,660

ii) On 1st April. 2015, balance in the general reserve and profit & loss a/c was Rs.1,000 lakhs and Rs.350 lakhs respectively. Capital employed in the business at market value at the beginning of 2015-2016 was Rs.5,185 lakhs.

iii) The normal annual return on average capital employed in the same line of business is 10%

Find out the average capital employed in each year and value of goodwill at 4 year's purchase of super profits (simple average method).

6. Answer any four of the following:

4 x 5 = 20M

a) Equity capital is held by L,M,N and O in the proportion of 30:40:20:10.

A,B,C and D hold preference share capital in the proportion of 40:30:10:20.if the paid up equity share capital of the company is RS.60 lakhs and preference share capital is Rs.30 lakhs, find the voting rights of shareholders (in percentage) in case of resolution of winding up of the company.

b) What are the initial disclosure requirements of AS 24 for discontinuing operations?

c) A Mutual fund raised funds on 1st April, 2018 by issuing 10 lakhs units @ Rs.20 per unit. Out of this fund, Rs.180 lakhs invested in several capital market securities. The initial expenses amount to RS.9 lakhs. During june,2018 the fund sold certain Securities of cost RS.140 lakhs for RS.175 lakhs and it bought certain securities for RS.125 lakhs. The fund management expenses amounted to RS.5 lakhs per month and RS.0.75 lakhs was in arrears. The dividend earned was RS.4.50 lakhs. 80%of the realised earnings were distributed among the unit holders. The market value of the portfolio was RS.225 lakhs. Determine the net asset value (NAV) per unit as on 30th June, 2018.

d) Forward bank Ltd furnishes the following information as on 31st March, 2018:

	Amount in Rs.
Bills discounted	82,23,000
Rebate on bills discounted as on 1 st April,2017	1,32,960
Discount received	6,33,990

Details of bills discounted are as given below:

Value of bill (Rs.)	Due date	Rate of discount
10,95,000	15 th june,2018	14%
30,00,000	25 th june,2018	12%
16,92,000	5 th July, 2018	16%
24,36,000	15 th July, 2018	16%

i) Calculate the rebate on bills discounted as on 31st March,2018

ii) Pass necessary Journal entries.

e) Mutual fund has launched a new scheme "All-purpose scheme". The mutual fund asset management company wishes to invest 25% of the NAV of the scheme in an unrated debt instrument of a company Zed Ltd, which has been paying above average returns for the past many years. The promoters of the company seek advice in light of the regulations of SEBI. Will the position change in case the debt instruments of the company Zed Ltd. are Rated.

CA INTER MAY 2018 QUESTION PAPER
PAPER 5 – ADVANCED ACCOUNTING

Answers to questions are to be given only in English Language except in the case of candidates who have opted for Hindi Medium. If a candidate who has not opted for Hindi Medium answers in Hindi, his/her answers in Hindi will not be valued.

Question No. 1 is compulsory.

Answer any four questions out of the remaining five 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 answer.

1. Answer the following:

4 x 5 = 20M

a) Sarita Construction Co. obtained a contract for construction of a dam. The following details are available in records of company for the year ended 31st March, 2018:

	Rs. in Lakhs
Total Contract Price	12,000
Work Certified	6,250
Work not Certified	1,250
Estimated further cost to completion	8,750
Progress payment received	5,500
Progress payment to be received	1,500

Applying the provisions of Accounting Standard 7 “Accounting for Construction Contracts” you are required to compute:

- i) Profit/Loss for the year ended 31st March, 2018.
- ii) Contract Work in progress as at end of financial year 2017-18.
- iii) Revenue to be recognized out of the total contract value.
- iv) Amount due from/to customers as at the year end.

b) As at 1st April, 2016 a company had 6,00,000 equity shares of Rs. 10 each (Rs. 5 paid up by all shareholders). On 1st September, 2016 the remaining Rs. 5 was called up and paid by all shareholders except one shareholder having 60,000 equity shares. The net profit for the year ended 31st March, 2017 was Rs. 21,96,000 after considering dividend on preference shares and dividend distribution tax on such dividend totaling to Rs. 3,40,000.

Compute Basic EPS for the year ended 31st March, 2017 as per AS 20 “Earnings Per Share”.

c) A company acquired a patent at a cost of Rs.160 lakhs for a period of 5 years and the product life cycle is also 5 years. The company capitalized the cost and started amortizing the asset at Rs. 16 lakhs per year based on the economic benefits derived from the product manufactured under the patent. After 2 years it was found that the product life cycle may continue for another five years from then (the patent is renewable and the company can get it renewed after 5 years). The net cash flows from the product during these 5 years were expected to be Rs. 50 lakhs, Rs. 30 lakhs, Rs. 60 lakhs, Rs. 70 lakhs and Rs. 40 lakhs. Find out the amortization cost of the patent for each of the years.

d) A Ltd. sold JCB having WDV of Rs. 20 lakhs to B Ltd. for Rs. 24 lakhs and the same JCB was leased back by B Ltd. to A Ltd. The lease is operating lease. In context of Accounting Standard 19 “Leases” explain the accounting treatment of profit or loss in the books of A Ltd. if

- i) Sale Price of Rs. 24 lakhs is equal to fair value
- ii) Fair value is Rs. 20 lakhs and sale price is Rs. 24 lakhs
- iii) Fair value is Rs. 22 lakhs and sale price is Rs. 25 lakhs

- iv) Fair value is Rs. 25 lakhs and sale price is Rs. 18 lakhs
- v) Fair value is Rs. 18 lakhs and sale price is Rs. 19 lakhs

2.

10M

a) Alpha Ltd. furnishes the following summarized Balance Sheet as at 31st March, 2017:

	Rs. in Lakhs	Rs. in Lakhs
<u>Equity & Liabilities:</u>		
Shareholder's Funds		
Equity Share Capital		2,400
(Fully paid up shares of Rs. 10 each)		
Reserves and Surplus		
Securities Premium	350	
General Reserve	530	
Capital Redemption Reserve	400	
Profit & Loss Account	340	1,620
Non-current Liabilities		
12% Debentures		1,500
Current Liabilities		
Trade Payables	1,490	
Other Current Liabilities	390	1,880
Total		7,400
<u>Assets</u>		
Non-Current Assets		
Fixed Assets		4,052
Current Assets		
Current Investments	148	
Inventories	1,200	
Trade Receivables	520	
Cash and Bank	1,480	3,348
Total		7,400

- i) On 1st April, 2017, the company announced buy-back of 25% of its equity share @ Rs. 15 per share. For this purpose, it sold all its investment for Rs. 150 lakhs.
- ii) On 10th April, 2017 the company achieved the target of buy-back.
- iii) On 30th April, 2017 the company issued on fully paid up equity share of Rs. 10 each by way of bonus for every four equity shares held by the equity shareholders by capitalization of Capital redemption Reserve.

You are required to pass necessary journal entries and prepare the Balance Sheet of Alpha Ltd. after bonus issue.

b)

10M

Fast Ltd. came up with public issue of 6,00,000 equity shares of Rs. 10 each at par. The entire issue was underwritten by A, B and C as follows:

A, B and C also agreed on firm underwriting of 48,000; 18,000 and 60,000 shares respectively.

Total subscription received by the company (excluding firm underwriting and marked applications) were 90,000 shares.

The market application (excluding firm underwriting) were as follows:

The underwriting contract provides that credit for unmarked application be given to underwriters in proportion to the shares underwritten and benefit of firm underwriting is to be given to individual underwriters.

The agreed commission was 4% of the issue price.

You are required to:

- i) Calculate the liability of each underwriter (number of shares)
- ii) Compute the amounts payable or due from underwriters.
- iii) Pass Journal Entries in the books of the company relating to underwriting.

3. The financial position of X Ltd. and Y Ltd. as on 31st March, 2018 was as under:

20M

	X Ltd. (Rs.)	Y Ltd. (Rs.)
<u>Equity and Liabilities</u>		
Equity Shares of Rs. 10 each	30,00,000	9,00,000
9% preference Shares of Rs. 100 each	3,00,000	-
10% preference Shares of Rs. 100 each	-	3,00,000
General Reserve	2,10,000	2,10,000
Retirement Gratuity Fund (Long term)	1,50,000	60,000
Trade Payables	<u>3,90,000</u>	<u>2,40,000</u>
Total	<u>40,50,000</u>	<u>17,10,000</u>
<u>Assets</u>		
Goodwill	1,50,000	75,000
Land & Buildings	9,00,000	3,00,000
Plant & Machinery	15,00,000	4,50,000
Inventories	7,50,000	5,25,000
Trade Receivables	6,00,000	3,00,000
Cash and Bank	<u>1,50,000</u>	<u>60,000</u>
Total	<u>40,50,000</u>	<u>17,10,000</u>

X Ltd. absorbs Y Ltd. on the following terms:

- i) 10% Preference Shareholders are to be paid at 10% premium by issue of 9% Preference Shares of X Ltd.
- ii) Goodwill of Y Ltd. on absorption is to be computed based upon two times of average profits of preceding three financial years (2016-17: Rs. 90,000; 2015-16: Rs. 78,000; 2014-15: Rs. 72,000). The profits of 2014-15 included credit of an insurance claim of Rs. 25,000 (fire occurred in 2013-14 and loss by fire Rs. 30,000 was booked in Profit and Loss Account of that year). In the year 2015-16, there was an embezzlement of cash by an employee amounting to Rs. 10,000.
- iii) Land & Buildings are valued at Rs. 5,00,000 and the Plant & Machinery at Rs. 4,00,000
- iv) Inventories are to be taken over at 10% less value and provision for Doubtful Debts is to be created @ 2.5%.
- v) There was an unrecorded current asset in the books of Y Ltd. whose fair value amounted to Rs. 15,000 and such asset was also taken over by X Ltd.
- vi) There was an unrecorded current asset in the books of Y Ltd. whose fair value amounted to Rs. 15,000 and such asset was also taken over by X Ltd.
- vii) The trade payables of Y Ltd. included Rs. 20,000 payable to X Ltd.
- viii) Equity Shareholders of Y Ltd. will be issued Equity Shares @ 5% premium.

You are required to:

- i) Prepare Realization A/c in the books of Y Ltd.
- ii) Show Journal entries in the books of X Ltd.

iii) Prepare the Balance Sheet of X Ltd. after absorption as at 31st march, 2018.

4.

10M

a) Astha Bank has the following Capital Funds and Assets as at 31st March, 2018:

	Rs. in Crores
Capital Funds:	
Equity Share Capital	600.00
Statutory Reserve	470.00
Profit and Loss Account (Dr. Balance)	30.00
Capital Reserve	130.00
(Out of which Rs. 25 crores were due to revaluation of assets and balance due to sale of assets)	
Assets:	
Balance with other banks	15.00
Cash Balance with RBI	35.50
Claims on Banks	52.50
Other Investments	70.00
Loans and Advances:	
(i) Guaranteed by Government	22.50
(ii) Guaranteed by DICGC/ECGC	110.00
(iii) Others	9,365.00
Premises, furniture and fixtures	92.50
Leased assets	40.00
Off-Balance Sheet items:	
(i) Acceptances, endorsements and letters of credit	1,100.00
(ii) Guarantees and other obligations	6,200.00

You are required to:

i) Segregate the capital funds into Tier I and Tier II capitals.

ii) Find out the risk-adjusted assets and risk weighted assets ratio

b) Preeti has invested in three mutual funds. From the details given below, find out effective yield on per annum basis to Preeti in respect of each of the schemes up to 31st March, 2017: 5M

Mutual Fund	X	Y	Z
Date of investment	01-12-2016	01-01-2017	01-03-2017
Amount of investment (Rs.)	2,50,000	3,00,000	1,50,000
NAV at the date of investment (Rs.)	10.00	10.50	10.00
Dividend received up to 31 st March, 2017 (Rs.)	4,500	5,700	Nil
NAV as at 31 st March, 2017 (Rs.)	10.10	10.40	9.80

c) ABC Financiers Ltd. is an NBFC providing Hire Purchase Solutions for acquiring consumer durables. The following information is extracted from its books for the year ending 31st March, 2017: 5M

Assets Funded	Interest Overdue but recognised in Profit & Loss		Net Book Value of Assets outstanding
	Paid Overdue	Interest (Rs. in Lakhs)	
			Rs. in Lakhs

Computers	Upto 12 months	960.00	40,812.00
Televisions	For 20 months	205.00	4,950.00
Washing Machines	For 32 months	104.20	2,530.00
Refrigerators	For 45 months	53.50	1,328.00
Air-conditioners	For 52 months	13.85	305.00

You are required to calculate the amount of provisions to be made.

5. The following summarized Balance Sheets of H Ltd. and its subsidiary S Ltd. were prepared as on 31st March, 2017

20M

H Ltd. (Rs.) S Ltd. (Rs.)

Equity and Liabilities

Shareholder's Funds

Equity share capital (fully paid up shares of Rs. 10 each)	12,00,000	2,00,000
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Reserves and Surplus

General Reserve	4,35,000	1,55,000
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Profit and Loss Account	2,80,000	65,000
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Current Liabilities

Trade Payables	3,22,000	1,23,000
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Total	22,37,000	5,43,000
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H Ltd. (Rs.) S Ltd. (Rs.)

Assets:

Non-current Assets

Fixed Assets:

Machinery	6,40,000	1,80,000
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Furniture	3,75,000	34,000
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Non-Current Investments

Shares in S Ltd. 16,000 shares @ Rs. 20 each	3,20,000	-
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Current Assets

Inventories	2,68,000	62,000
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Trade Receivables	4,70,000	2,35,000
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Cash and Bank	1,64,000	32,000
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Total	22,37,000	5,43,000
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H Ltd. acquired the 80% shares of S Ltd. on 1st April, 2016. On the date of acquisition, General Reserve and Profit Loss Account of S Ltd. stood at Rs. 50,000 and Rs. 30,000 respectively.

Machinery (book value Rs. 2,00,000) and Furniture (book value Rs. 40,000) of S Ltd. were revalued at Rs. 3,00,000 and Rs. 30,000 respectively on 1st April, 2016 for the purpose of fixing the price of its shares (rates of depreciation computed on the basis of useful lives: Machinery 10% and Furniture 15%). Trade payables of H Ltd. include Rs. 35,000 due to S Ltd. for goods supplied since the acquisition of the shares. These goods are charged at 10% above cost. The inventories of H Ltd. includes goods costing Rs. 55,000 purchased from S Ltd.

You are required to prepare the Consolidated Balance Sheet as at 31st March, 2017.

6. Answer any four of the following

4 x 5 = 20M

a) Suvidhi Ltd. offered 50 shares of each of its 1,500 employees on 1st April, 2017 for Rs. 30. Option would be exercisable within a year it is vested. The share issued under the plan shall be subject to lock-in on transfer for three years from the grant date. The market price of shares of the company

is Rs. 50 per share on grant date. Due to post vesting restrictions on transfer, the fair value of shares issued under the plan is estimated at Rs. 38 per share.

On 31st March, 2018, 1200 employees accepted the offer and paid Rs. 30 per share purchased. Nominal value of each share is Rs. 10.

Record the issue of share in the books of the company under the aforesaid plan.

- b) Describe the different types of marine losses.
- c) How is Minimum Alternative Tax (MAT) to be presented in the financial statements?
- d) From the following data find out the leverage effect on Goodwill:

i) Current cost of capital employed Rs. 12,48,000

ii) Profit earned after current cost adjustment Rs. 2,20,000

iii) 12% long term secured loan Rs. 5,40,000

iv) Normal rate of return:

On equity capital employed 16.20%

On long term capital employed 14.25%

- e) In a liquidation which commenced on 11th November, 2017 certain creditors could not receive payments out of the realization of assets and out of the contributions from "A" list contributors. The following are the details of certain transfers, which took place in 2016 and 2017:

Shareholders	Number of shares transferred at the date of ceasing to be member	Date of ceasing to be member	Creditors remaining unpaid and outstanding (Rs.)
C	2,500	1 st September, 2016	5,000
P	1,500	1 st January, 2017	9,000
D	2,000	1 st April, 2017	12,000
B	700	1 st August, 2017	13,500
S	300	15 th September, 2017	14,500

All the shares were Rs. 10 each, Rs. 5 paid up

Ignoring expenses of and remuneration to liquidators show the amount to be realised from various persons listed above.