

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 8

Total number of printed pages : 8

**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 correct or incorrect :
  - (i) In the financial statement of banking companies, bills for collection are shown in the assets side of the balance sheet.
  - (ii) As per Accounting Standards, investments classified as long-term investments should be carried in the financial statements at lower of cost or fair value.
  - (iii) As per Accounting Standards-14, purchase consideration is the agreed amount payable to shareholders, debentureholders and creditors.
  - (iv) An underwriter while entering into a contract for issue of shares should be a company.
  - (v) Goodwill is a rough measure of the earning power of the capital employed by an entity.

(2 marks each)

- (b) Re-write the following sentences after filling-up the blank space with appropriate word(s)/figure(s) so as to convey the correct meaning :
  - (i) In the financial statements of electricity companies, on replacement of an asset, amount realised from sale of old material is credited to \_\_\_\_\_.
  - (ii) In the financial statements of insurance companies, liabilities under the existing policies are determined by \_\_\_\_\_ valuation in case of life insurance.
  - (iii) The system by which data definition, access, consistency and security are maintained is called\_\_\_\_\_.
  - (iv) The company which is amalgamated into another company is called \_\_\_\_\_.
- (v) In the financial statement of an electricity company, original cost of an asset is Rs.1,00,000. Present cost of its replacement is Rs.1,30,000. The amount spent in its replacement is Rs.1,52,000. The amount to be capitalised will be Rs.\_\_\_\_\_.

(1 mark each)

(c) Following particulars are available from the books of Rajat Ltd. :

*Rs.*

Net profit before provision for income-tax and managerial remuneration, but after depreciation and provision for repairs	98,04,100
Depreciation provided in the books	35,00,000
Provision for repairs of machinery during the year	2,50,000
Depreciation allowable under Schedule XIV of the Companies Act, 1956	28,00,000
Actual expenditure incurred on repairs during the year	1,50,000

You are required to calculate the managerial remuneration in the following cases :

- (i) If there is one whole-time director; and
- (ii) If there are two whole-time directors, a part-time director and a manager.

*(5 marks)*

2. (a) Write short notes on *any two* of the following :

- (i) Commission on re-insurance accepted
- (ii) Effect of uncertainties on revenue recognition (AS-9)
- (iii) Outsourcing of accounting functions.

*(4 marks each)*

(b) From the following balance sheets of Exe Ltd. and Wye Ltd. as on 31<sup>st</sup> March, 2007, work out — (i) net amount due to minority interest; and (ii) cost of control :

*Balance Sheets of Exe Ltd. and Wye Ltd. as on 31<sup>st</sup> March, 2007*

	<i>Exe Ltd.</i>	<i>Wye Ltd</i>
<i>Liabilities</i>	<i>(Rs.)</i>	<i>(Rs.)</i>
Share capital :		
Shares of Rs.100 each	15,00,000	5,00,000
General reserve	1,50,000	1,00,000
Profit and loss account	2,00,000	75,000
Creditors	1,87,500	1,20,000
	<hr/> 20,37,500	<hr/> 7,95,000
<i>Assets</i>		
Sundry assets	14,77,500	7,95,000
Investments :		
4,000 Shares of Rs.100 each	5,60,000	—
	<hr/> 20,37,500	<hr/> 7,95,000

The assets of Wye Ltd. included equipments worth Rs.1,50,000 which was revalued at Rs.1,25,000. The investments of Exe Ltd. were in shares of Wye Ltd. and the same were acquired on 31<sup>st</sup> March, 2007.

(7 marks)

3. (a) The subscribed share capital of a company consists of 10,000, 14% preference shares of Rs.100 each and 2,00,000 equity shares of Rs.10 each. All the shares are fully paid-up.

The average annual profit of the company after providing depreciation but before taxation is Rs.25,00,000. It is considered necessary to transfer Rs.1,25,000 to general reserve before declaring any dividend. Rate of taxation is 50%.

The normal return expected by investors on equity shares from the type of business carried on by the company is 20%.

From the above information, calculate the following :

- (i) Amount available for equity dividend;
- (ii) Rate of dividend; and
- (iii) Value of an equity share.

(2 marks each)

- (b) Following is the balance sheet of Navyug Construction Ltd. as on 31<sup>st</sup> March, 2007 :

<i>Liabilities</i>	<i>Rs.</i>
Authorised capital :	
20,000 Equity shares of Rs.10 each	2,00,000
Issued, subscribed and paid-up capital :	
12,000 Equity shares of Rs.10 each	Rs. 1,20,000
Less: Calls in arrear (Rs.3 per share on 3,000 shares)	Rs. 9,000
Sundry creditors	1,11,000
Provision for taxes	15,425
	4,000
	<u><u>1,30,425</u></u>

<i>Assets</i>	
Goodwill	10,000
Land and buildings	20,500
Machinery	50,850
Stock	10,275
Book debts	15,000
Cash at bank	1,500
Preliminary expenses	1,500
Profit and loss account :	
Balance as per last balance sheet	Rs.22,000
Less : Profit for the year	Rs. 1,200
	<u><u>20,800</u></u>
	<u><u>1,30,425</u></u>

The directors have had a valuation made of the machinery and found it overvalued by Rs.10,000. It is proposed to write down this asset to its true value and to extinguish the deficiency in the profit and loss account and to write off goodwill and preliminary expenses by adoption of the following scheme :

- (i) Forfeit the shares on which the calls are outstanding.
- (ii) Reduce the paid-up capital by Rs.3 per share.
- (iii) Re-issue the forfeited shares at Rs.5 per share.
- (iv) Utilise the provision for taxes, if necessary.

The shares on which the calls were in arrear were duly forfeited and re-issued as fully paid shares of Rs.7 each on payment of Rs.5 per share.

You are required to pass necessary journal entries and prepare the balance sheet of the company after carrying out the terms of the scheme as set-out above.

*(9 marks)*

4. (a) The following information is extracted from the books of Nishan Electricity Co. Ltd. for the year ended 31<sup>st</sup> March, 2007 :

	Rs.
Net profit before charging debenture interest	67,50,150
10% Debenture interest paid during the year	11,25,000
Capital base arrived at by the company	3,10,89,000
Reasonable return calculated by the company	40,68,450

You are required to indicate the disposal of surplus of the company.

*(4 marks)*

- (b) The life assurance fund of Navjivan Assurance Co. Ltd. stood at Rs.33,00,800 on 31<sup>st</sup> March, 2006. Net liability as per actuary's valuation was determined to be Rs.26,50,800. The company had distributed interim bonus of Rs.80,000 to its policy-holders during the last two years. The company proposes to carry forward Rs.1,50,000, the balance is to be distributed in between policy-holders and shareholders. Show the distribution of profit.

*(5 marks)*

- (c) Journalise the following transactions :

- (i) 950, 14% Debentures of Rs.100 each, issued at par and redeemable at par, were converted into equity shares of Rs.10 each issued at par.
- (ii) 950, 14% Debentures of Rs.100 each, issued at par and redeemable at par, were converted into equity shares of Rs.10 each issued at a discount of 5%.
- (iii) Rs.95,000, 14% debentures of Rs.100 each, issued at par and redeemable at par, were converted into equity shares of Rs.10 each issued at Rs.9.50 paid-up.

*(2 marks each)*

**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 :
- When the amount of under/over absorption is significant, it should be disposed off by carrying over as a deferred charge to the next accounting year.
  - A fixed budget is concerned with budgeting of fixed assets.
  - Bin card is maintained by the costing department.
  - Stock is not a quick asset for the purpose of calculating acid test ratio.
  - When FIFO method is used in process costing, the opening stock costs are subtracted from the new costs.

*(2 marks each)*

- (b) Re-write the following sentences after filling-up the blank space with appropriate word(s)/figure(s) so as to convey the correct meaning :
- Standard costing works on the principle of \_\_\_\_\_.
  - Costs which are pertinent for decision-making are termed as \_\_\_\_\_.
  - Costs which are ascertained after they have been incurred are known as \_\_\_\_\_.
  - \_\_\_\_\_ costing is also known as service costing and it is used where services are rendered but articles are not produced.

*(1 mark each)*

- (c) Distinguish between *any two* of the following :
- 'Job costing' and 'contract costing'.
  - 'Explicit costs' and 'implicit costs'.
  - 'Single overhead rate' and 'multiple overhead rate'.

*(3 marks each)*

6. (a) Comment on *any two* of the following :
- Controlling of selling and distribution overheads is a difficult task.
  - Standard costing and budgetary systems vary in scope despite the similarity in the basic principles.
  - The assumptions in break-even analysis limit the accuracy of break-even point and makes it unrealistic.

*(4 marks each)*

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- (b) The following data is obtained from the records of an industrial unit :

	Rs.
Sale of 4,000 units @ Rs.25 each	1,00,000
Material consumed	40,000
Variable overheads	10,000
Labour charges	20,000
Fixed overheads	<u>18,000</u>
Net profit	<u><u>12,000</u></u>

You are required to calculate :

- (i) The number of units by selling which the company will neither lose nor gain anything.
- (ii) The sales needed to earn a profit of 20% on sales.
- (iii) The extra units which should be sold to obtain the present profit if it is proposed to reduce the selling price by 20%.
- (iv) The selling price to be fixed to bring down its break-even point to 500 units under present conditions.

(7 marks)

7. (a) In the course of manufacture of the main product 'A', by-products 'X' and 'Y' also emerge. The joint expenses of manufacture amount to Rs.2,39,100. All the three products are processed further after separation and sold as per details given below :

	Main Product		By-Product	
	'A'	'X'	'Y'	
Sales (Rs.)	1,80,000	1,20,000	80,000	
Cost incurred after separation (Rs.)	12,000	10,000	8,000	
Profit on sales (%)	25	20	15	

Total fixed selling expenses are 10% of total cost of sales which are apportioned to the three products in the ratio of 1:2:2.

- (i) Prepare a statement showing the apportionment of joint costs to the main product and the two by-products.
- (ii) If the by-product 'X' is not subjected to further processing and is sold at the point of separation for which there is a market at Rs.1,17,000 without incurring any selling expenses, would you advise its disposal at this stage ?

(8 marks)

- (b) Amex Ltd. gives the following condensed balance sheets relating to years 2006 and 2007 and the profit and loss appropriation account for the year 2007 :

*Balance Sheets of Amex Ltd. as on 31<sup>st</sup> March, 2006 and 2007*

	2006	2007
<i>Liabilities</i>	(Rs.)	(Rs.)
Share capital	5,00,000	6,00,000
Reserves	1,50,000	1,80,000
Profit and loss account	40,000	65,000
Debentures	3,00,000	2,50,000
Creditors for goods	1,70,000	1,60,000
Provision for income-tax	60,000	80,000
	<u>12,20,000</u>	<u>13,35,000</u>
<i>Assets</i>		
Gross block	10,00,000	11,20,000
<i>Less : Depreciation</i>	<u>3,70,000</u>	<u>4,60,000</u>
Net block	6,30,000	6,60,000
Stock in trade	2,40,000	3,70,000
Book debts	2,50,000	2,30,000
Cash in hand and at bank	80,000	60,000
Misc. expenditure :		
Discount on issue of shares	10,000	7,500
Preliminary expenses	10,000	7,500
	<u>12,20,000</u>	<u>13,35,000</u>

*Profit and Loss Appropriation Account for the year ended 31<sup>st</sup> March, 2007*

<i>Debit</i>			<i>Credit</i>
<i>Particulars</i>	Rs.	<i>Particulars</i>	Rs.
To Transfer to reserves	30,000	By Balance b/d	40,000
To Interim dividend paid	80,000	By Net profit for	
To Balance carried		current year	1,35,000
to balance sheet	65,000		
	<u>1,75,000</u>		<u>1,75,000</u>

You are required to prepare cash flow statement showing the following :

- (i) Cash from operating activities. (3 marks)
- (ii) Cash from financing activities. (2 marks)
- (iii) Cash from investing activities. (1 mark)
- (iv) Net increase/decrease in cash. (1 mark)

8. (a) Attempt *any two* of the following :

- (i) What are the essential steps required for installation of an efficient and effective management accounting system ?
- (ii) Discuss the treatment of spoilage and defectives in cost accounting.
- (iii) Why is cost sheet necessary when production account is prepared ?

(4 marks each)

(b) Following information is available from the books of Manbhavan Ltd. :

Debtors velocity : 3 months  
Stock velocity : 6 months  
Creditors velocity : 2 months  
Gross profit ratio : 20%.

Gross profit for the year ended 31<sup>st</sup> March, 2007 was Rs.10,00,000. Closing stock for the same period was Rs.40,000 more than what it was at the beginning of the year. Bills receivable and bills payable were Rs.1,20,000 and Rs.73,334 respectively.

You are required to calculate —

- (i) Sales;
- (ii) Sundry debtors;
- (iii) Sundry creditors; and
- (iv) Closing stock.

(7 marks)

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