

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 8

Total number of printed pages : 7

NOTE : All working notes should be shown distinctly.

P A R T – 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) Interest on debentures is payable only when there is profit.
 - (ii) An underwriter while entering into a contract for issue of shares should be a company.
 - (iii) Partly paid-up preference shares can be redeemed.
 - (iv) Dividend can be paid on calls-in-advance.
 - (v) Interest cannot be paid out of capital during construction period.
- (2 marks each)*
- (b) Choose the most appropriate answer from the given options in respect of the following :
- (i) As per the provisions laid down in Table-A of Schedule-I of the Companies Act, 1956, the amount of call as the percentage of the face value of shares should not exceed –
 - (a) 10%
 - (b) 25%
 - (c) 20%
 - (d) None of the above.
 - (ii) The minimum percentage of the face value of shares that should be called for as application money is –
 - (a) 5
 - (b) 10
 - (c) 15
 - (d) 20.

- (iii) Debentures issued as collateral security will be debited to –
- (a) Bank account
 - (b) Debentures suspense account
 - (c) Debentures account
 - (d) Collateral security account.
- (iv) Preliminary expenses are –
- (a) Current liability
 - (b) Current assets
 - (c) Fictitious assets
 - (d) Contingent liability.
- (v) As per section 77A of the Companies Act, 1956, every buy-back should be completed within a period of –
- (a) 3 months from the date of passing special resolution
 - (b) 12 months from the date of passing special resolution
 - (c) 6 months from the date of passing special resolution
 - (d) 1 month from the date of passing special resolution.

(1 mark each)

- (c) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :
- (i) Issue of debentures to vendors is known as issue of debentures _____.
 - (ii) Profit prior to incorporation should be credited to _____ account.
 - (iii) If forfeited shares are re-issued at a discount, the amount of discount should in no case exceed the amount credited to _____.
 - (iv) Accounting standards are formulated under the authority of the _____.
 - (v) Yield basis valuation of shares may take the form of valuation based on rate of return and _____.

(1 mark each)

2. (a) What is amortisation period of intangible assets ? Can useful life of the intangible assets exceed the period of legal rights ?

(6 marks)

- (b) Suraj Ltd. issued to public 1,50,000 equity shares of Rs.100 each at par. Rs.60 per share were payable along with the application and the balance on allotment. This issue was underwritten equally by A, B, and C for a commission of 3%. Applications for 1,40,000 shares were received as per details given below :

<i>Underwriter</i>	<i>Firm Underwriting Applications</i>	<i>Marked Applications</i>	<i>Total Applications</i>
A	5,000	40,000	45,000
B	5,000	46,000	51,000
C	3,000	34,000	37,000
Unmarked Applications	--	--	7,000
			1,40,000

It was agreed to credit the unmarked applications to A and C. Suraj Ltd. accordingly made the allotment and received the amounts due from the public. The underwriters settled their accounts.

You are required to – (i) prepare a statement of liability of the underwriters assuming that the benefit of firm underwriting is given to individual underwriters; and (ii) journalise the above transactions (including cash) in the books of Suraj Ltd.

(6 marks)

- (c) Give the necessary journal entries both at the time of issue and redemption of debentures in the following case :

Eagle Ltd. issued Rs.1,00,000, 15% debentures of Rs.100 each at a discount of 5%, but redeemable at a premium of 5% at the end of 4 years.

(3 marks)

3. (a) On the basis of following information, compute the value of an equity share and a preference share of both Chelsi Ltd. and Nensi Ltd. – (i) when only a few shares are sold; and (ii) when controlling shares are to be sold :

	<i>Chelsi Ltd.</i> (Rs.)	<i>Nensi Ltd.</i> (Rs.)
Profit after tax	10,00,000	10,00,000
12% Preference share capital (shares of Rs.100 each)	10,00,000	20,00,000
Equity share capital (shares of Rs.10 each)	50,00,000	40,00,000

Assume that market expectation for both companies is 15%; and 80% of the profits are distributed.

(6 marks)

- (b) What do you understand by 'provision for taxation' ? What factors are to be considered while estimating the provision for taxation ?
(6 marks)
- (c) Ronny Ltd. forfeited 200 shares of Rs.10 each, Rs.8 per share being called-up on which a shareholder paid application and allotment money of Rs.5 per share but did not pay the first call money of Rs.3 per share. Of these forfeited shares, 150 shares were subsequently re-issued by the company as fully paid-up for Rs.8 per share. Give journal entries for the forfeiture and re-issue of shares.
(3 marks)
4. (a) Anuj Ltd. had an accumulated amount of general reserve of Rs.5,00,000. The directors of Anuj Ltd. decided to declare bonus shares out of the general reserve and to utilise the dividend in the following manner :
- (i) To make 10,000 partly paid shares of Rs.10 each paid-up at Rs.6 each, as fully paid-up.
- (ii) To distribute 4 fully paid bonus shares of Rs.10 each at Rs.12 each, for 5 fully paid existing 20,000 shares of Rs.10 each.
- Show journal entries in the books of Anuj Ltd. to give effect to the above adjustments.
(6 marks)
- (b) "Issue of bonus shares by the subsidiary company does not affect the cost of control." Comment.
(6 marks)
- (c) "Accounting Standards are mandatory for all companies." Comment.
(3 marks)

P A R T – 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 correct or incorrect :
- (i) All long-term costs are controllable.
- (ii) Rent on own building is not included in cost accounts.
- (iii) Under differential piece rate of incentive scheme, there is no encouragement to improve the performance of the workers.
- (iv) By job rotation, labour turnover can be controlled/reduced upto some extent.
- (v) Administration overheads are incurred due to management policy and they are easily controllable.
(2 marks each)

- (b) Choose the most appropriate answer from the given options in respect of the following :
- (i) The most suitable cost system where the products differ in type of materials and work performed is –
 - (a) Job costing
 - (b) Process costing
 - (c) Operating costing
 - (d) None of the above.
 - (ii) Current liabilities are equal to –
 - (a) Working capital + current assets
 - (b) Working capital - current assets
 - (c) Current assets - working capital
 - (d) Current assets + working capital.
 - (iii) Non-controllable cost is the cost which –
 - (a) Is not subject to control at any level of managerial supervision
 - (b) Cannot be controllable during a particular financial year
 - (c) Cannot be controllable at any cost
 - (d) None of the above.
 - (iv) Re-ordering level is equal to –
 - (a) Maximum consumption x minimum re-order period
 - (b) Maximum consumption x maximum re-order period
 - (c) Minimum consumption x minimum re-order period
 - (d) Normal usage x normal delivery period.
 - (v) A budget designed to remain unchanged irrespective of the level of activity actually attained is called –
 - (a) Master budget
 - (b) Fixed budget
 - (c) Current budget
 - (d) Flexible budget.

(1 mark each)

- (c) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :
- (i) Material losses due to abnormal reasons should be transferred to _____.
 - (ii) _____ determines the priorities of functional budgets.
 - (iii) The ratio of total liquid assets to current liabilities is known as _____.

- (iv) Break-even chart is the graphical relationship between _____.
- (v) _____ is the allotment of proportion of items of cost to cost centre/cost units.

(1 mark each)

6. (a) The sales turnover and profit during two periods were as follows :

Period-1 -- Sales : Rs.20 lakh; and Profit : Rs.2 lakh

Period-2 -- Sales : Rs.30 lakh; and Profit : Rs.4 lakh

Calculate :

- (i) P/V ratio;
- (ii) Sales required to earn a profit of Rs.5 lakh; and
- (iii) Profit when sales are Rs.10 lakh.

(6 marks)

- (b) The total overhead expenses of a factory are Rs.4,46,380. Taking into account the normal working of the factory, overheads were recovered from production at Rs.1.25 per hour. The actual hours worked were 2,93,104. How would you proceed to close the books of account, assuming that besides 7,800 units produced of which 7,000 were sold ? There were 200 equivalent units in work-in-progress.

On investigation, it was found that 50% of the unabsorbed overheads were on account of increase in the cost of indirect material and indirect labour and the other 50% was due to factory's inefficiency.

(6 marks)

- (c) What are the limitations of 'management accounting' ?

(3 marks)

7. (a) A worker under the Halsey Plan of remuneration has a day rate of Rs.1,200 per week of 48 hours, plus a cost of living bonus of Rs.10 per hour worked. He is given an 8-hour task to perform, which he accomplishes in 6 hours. He is allowed 30% of the time saved as premium bonus. What would be his total hourly rate of earnings, and what difference would it make if he were paid under the Rowan Plan ?

(6 marks)

- (b) A chemical manufacturing unit uses Material-A as the basic material. The cost of Material-A is Rs.20 per kg. and the input-output ratio is 120%. Due to a sudden

shortage in the market, Material-A becomes non-available and the manufacturing unit is considering the use of one of the following substitutes available :

<i>Material</i>	<i>Material Input-Output Ratio</i>	<i>Rs. Per Kg.</i>
B ₁	135%	26
B ₂	115%	30

You are required to recommend which of the above substitutes is to be used. Also indicate additional cost required to be incurred.

(6 marks)

- (c) Write a note on 'zero base budgeting' (ZBB).

(3 marks)

8. (a) From the following information provided by Jolly Ltd., you are required to prepare the balance sheet :

Current ratio	2.5
Liquidity ratio	1.5
Proprietary ratio	0.75
Working capital	Rs.6,00,000
Reserves and surplus	Rs.4,00,000
Bank overdraft	Rs.1,00,000

There is no long-term loan or fictitious assets. You are also required to show the necessary working notes.

(6 marks)

- (b) What are the benefits of cash flow statement ? Mention the parties who are benefited from preparing cash flow statement.

(6 marks)

- (c) What is 'margin of safety' ? How may it be improved ?

(3 marks)

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