

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 8
Total number of printed pages : 9

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. Attempt any five :
- (i) Double entry system is also known as double account system.
 - (ii) Goodwill is a fictitious asset.
 - (iii) A company cannot purchase its own equity shares.
 - (iv) A debentureholder is entitled to receive interest only in the event of profits.
 - (v) The share capital of a banking company consists only of ordinary or equity shares.
 - (vi) Interim dividend is declared after the closure of the accounting year, but before the annual general meeting of the shareholders is held.
 - (vii) In the final accounts of a joint-stock company, provision for income-tax for the current year is shown as a charge against revenue and not as an appropriation of profits.
- (2 marks each)*
- (b) The average net profit before adjustment(s) is Rs.5,14,000. The profit includes interest at 8%

on non-trading investments. The cost of these investments is Rs.1,98,200 while the face value is Rs.2,00,000. Expenses amounting to Rs.7,000 per annum are likely to be discontinued in future. The provision for income-tax be made at 30%. The normal rate of return may be taken at 10%. The average capital employed in the business (including investments) is Rs.18,98,200.

Assuming four years' purchase of super-profits, what is the value of goodwill ?

(5 marks)

- (c) On 31st March, 2006, Dhan Laxmi Commercial Bank Ltd. finds its advances classified as follows :

<i>Particulars</i>	<i>Amount (Rs. in '000)</i>
Standard assets	7,45,650
Sub-standard assets	46,400
Doubtful assets :	
— upto one year	12,830
— one year to three years	7,820
— more than three years	3,290
Loss assets	5,175

Calculate the amount of provision to be made by the bank against the above mentioned advances. Assume that a provision of 0.50% is required on standard assets.

(5 marks)

2. (a) Zutshi Ltd. has 12% redeemable preference share capital of Rs.2,00,000 consisting shares of Rs.100 each fully called and paid-up. The company wants to redeem them at 10% premium. The ledger accounts show the following balances :

Profit and loss account Rs.40,000 and securities premium account Rs.8,000. The company desires to make a minimum fresh issue of equity shares of Rs.10 each at 5% premium for redemption of the preference shares. You are required to ascertain the amount of such fresh issue to be made by the company and pass necessary journal entries regarding fresh issue and redemption of preference shares.

(9 marks)

(b) Re-write the following sentences after filling-up the blank space with appropriate word(s) so as to convey the correct meaning :

- (i) According to section 209(4A) of the Companies Act, 1956, the books of account and relevant vouchers must be preserved for a minimum period of _____.
- (ii) Profit prior to incorporation is treated as _____ profit.
- (iii) According to Table-A, Schedule-I of the Companies Act, 1956, interest on calls in advance may be paid at _____ % per annum.
- (iv) Register of Members is a _____ book.
- (v) In case of marine insurance, the minimum amount of reserve to be kept against the unexpired risks is _____% of net premium income.
- (vi) In the balance sheet of a joint-stock company, the item 'Loose Tools' appear under the head _____ on the assets side.

(1 mark each)

3. (a) What is meant by 're-insurance' ? How is it helpful to insurance companies ?

(5 marks)

- (b) Rashi Ltd. agreed to acquire the business of Dhanu Ltd. as on 31st March, 2006. The summarised balance sheet of Dhanu Ltd. as at that date was as follows :

<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
Share capital in fully paid-up shares of Rs.10 each	6,00,000	Goodwill	1,00,000
General reserve	1,70,000	Land and buildings	2,30,000
Profit and loss account	4,10,000	Plant and machinery	1,10,000
12% Debentures	1,68,000	Stock in trade	—
Creditors	<u>20,000</u>	Debtors	<u>36,000</u>
		Cash at bank	56,000
	10,00,000		10,00,000

The consideration payable by Rashi Ltd. was agreed as follows :

- (i) A cash payment equivalent to Rs.2.50 for every share of Rs.10 in Dhanu Ltd.
- (ii) The issue of 90,000 Rs.10 equity shares, fully paid in Rashi Ltd. having an agreed value of Rs.15 per share.

Rashi Ltd. also agreed to discharge the 12% debentures of Dhanu Ltd. at a premium of 20% by allotment of its 14% debentures at 96%.

While computing the agreed consideration, the directors of Rashi Ltd. valued the following assets at values noted against them :

	<i>Rs.</i>
Land and buildings	7,50,000
Plant and machinery	4,50,000

Stock in trade	1,42,000
Debtors	Subject to an allowance of 5% to cover doubtful debts.

The cost of liquidation of Dhanu Ltd. came to Rs.5,000 which was borne by Rashi Ltd.

Prepare the realisation account and equity shareholders account in the books of Dhanu Ltd. and draft journal entries required in the books of Rashi Ltd. assuming if it is in the nature of purchase.

(10 marks)

- 4 (a) Sampada Ltd. was formed with a capital of Rs.20,00,000 divided into 2,00,000 equity shares of Rs.10 each. All shares were issued to public for subscription. The issue was underwritten as follows :

Ajay : 80,000 shares; Bijoy : 60,000 shares; and Rajat : 60,000 shares.

Marked applications were received in favour of Ajay for 32,000 shares; Bijoy for 58,000 shares and Rajat for 42,000 shares. Applications for 30,000 shares were not marked.

Prepare a statement showing net liability of each underwriter.

(5 marks)

- (b) Balance sheets of H Ltd. and S Ltd. as at 31st March, 2006 are given below :

<i>Liabilities</i>	<i>H Ltd. (Rs.)</i>	<i>S Ltd. (Rs.)</i>
Share capital of Rs. 10 each, fully paid	5,00,000	2,00,000
General reserve	1,00,000	50,000
Profit and loss account	<u>60,000</u>	<u>35,000</u>

Creditors	80,000	60,000
	7,40,000	3,45,000
	<i>H Ltd.</i>	<i>S Ltd.</i>
	(Rs.)	(Rs.)
<i>Assets</i>		
Fixed assets	3,00,000	1,00,000
60% Shares in S Ltd., at cost	<u>1,62,400</u>	<u>—</u>
Current assets	<u>2,77,600</u>	<u>2,39,000</u>
Preliminary expenses	<u><u> </u></u>	<u><u>6,000</u></u>
	7,40,000	3,45,000

H Ltd. acquired the shares on 1st April, 2005 and on that date general reserve and profit and loss account of S Ltd. showed balances of Rs.40,000 and Rs.8,000 respectively. No part of preliminary expenses was written off during the year ended 31st March, 2006.

Prepare a consolidated balance sheet of H Ltd. and its subsidiary S Ltd. as on 31st March, 2006.

(10 marks)

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 :
- If a labour saves half of time of the standard time, the incentive amount under Halsey Plan and Rowan Plan will be equal.
 - Fringe benefits are charged to costing profit and loss account.
 - Loss of material due to fire is treated as overhead and included for calculating cost

of production.

- (iv) Variable cost per unit does not remain constant.
- (v) High labour turnover rate denotes good human relations.

(2 marks each)

- (b) Re-write the following sentences after filling-up the blank space with appropriate word(s) so as to convey the correct meaning :

- (i) Cost of sales is ascertained after adding _____ expenses in cost of production.
- (ii) Responsibility accounting and financial accounting are part of _____ accounting.
- (iii) The technique and process of ascertaining cost is termed as _____.
- (iv) The method of costing used in a refinery is _____ costing.
- (v) Abnormal loss in process costing is charged to _____.

(1 mark each)

- (c) From the following data, find out the profit as per financial records :

	<i>Rs.</i>
Profit as per cost records	70,500
Closing stock under-valued in cost records	10,300
Administration overheads under-recovered in cost records	5,600
Bad debts and preliminary expenses written-off in financial accounts only	7,845
Depreciation overcharged in cost records	3,645

(5 marks)

6. (a) A factory requires 1,500 units of an item per month. The cost of each unit is Rs.27. The

cost per order is Rs.150 and inventory carrying charges works out to 20% of the average inventory. Find out the economic order quantity (EOQ) and ascertain the number of orders to be placed per year. Would you accept a 2% price discount on a minimum supply of 1,200 units?

(5 marks)

- (b) The following are the summary of cash transactions extracted from the books of Happy Ltd. :

(Rs. in '000)

Balance as on 1 st April, 2006	140
Receipts from customers	11,132
Issue of shares	1,200
Sale of fixed assets	512
	<u>12,984</u>
Payments to suppliers	8,188
Payments for fixed assets	920
Payments for overheads	460
Wages and salaries	276
Taxation	972
Dividends	320
Repayment of bank loans	1,000
	<u>12,136</u>

Balance as on 31st March, 2007 848

You are required to prepare a cash flow statement of the company for the period ended 31st March, 2007 in accordance with the Accounting Standard-3 (Revised).

(10 marks)

7. (a) In a factory, 100 workers are engaged and an average rate of wages is Rs.5 per hour. Standard working hours per week are 40 hours and the

standard output is 10 units per hour. During a week in February, wages were paid for 50 workers @ Rs.5 per hour, 10 workers @ Rs.7 per hour and 40 workers @ Rs.4 per hour. Actual output was 380 units. The factory did not work for 5 hours due to breakdown of machinery.

Calculate — (i) Labour cost variance; (ii) Labour rate variance; (iii) Labour efficiency variance; and (iv) Idle time variance.

(5 marks)

- (b) A company produces a single product and sells it at Rs.200 each. The variable cost of the product is Rs.120 per unit and the fixed cost for the year is Rs.96,000.

Calculate —

- (i) P/V ratio.
 (ii) Sales at break-even point.
 (iii) Sales units required to earn a target net profit of Rs.1,20,000.
 (iv) Sales units required to earn a target net profit of Rs.1,00,000 after income-tax, assuming income-tax rate to be 50%.
 (v) Profit at sales of Rs.7,00,000.

(10 marks)

8. (a) What is meant by 'responsibility accounting' ? What are its main features ?

(5 marks)

- (b) From the following information provided by Big Brothers Ltd., draw up its balance sheet :

Current ratio	2.5
Liquid ratio	1.5
Net working capital	Rs.60,000
Stock turnover ratio (cost of sales/closing stock)	6 times
Gross profit ratio	20
Fixed assets turnover ratio (on cost of sales)	2 times
Average collection period	2 months
Fixed assets to shareholders net worth	0.8
Reserve and surplus to capital	0.5
Long term loans	Rs.30,000

(10 marks)