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) Write the most appropriate answer from the given options in respect of the following :

(i) As per section 77A(4) of the Companies Act, 1956 from the date of passing the special resolution, every buy-back should be completed within —

(a) 12 Months
(b) 3 Months
(c) 6 Months
(d) 9 Months.

(ii) Profit prior to incorporation is transferred to —

(a) General reserve
(b) Capital reserve
(c) Profit and loss account
(d) None of the above.

(iii) Dividends are usually paid on —

(a) Paid-up capital
(b) Authorised capital
(c) Called up capital
(d) Subscribed capital.

(iv) Sinking fund for the redemption of debentures is an instance of —

(a) Reserve
(b) Provision
(c) Reserve fund
(d) Reserves and surplus.

(v) At the time of issuance, shares can be underwritten by —

(a) Only one underwriter
(b) At least 2 or more persons jointly
(c) Any number of underwriters
(d) None of the above.

(1 mark each)

(b) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :

(i) Preliminary expenses being of capital nature may be written-off against ___________.

(ii) Companies declaring, distributing or paying dividends are liable to pay tax on the same at prescribed rate which is known as ___________.

(iii) An intangible asset should be ___________ on disposal or when no future economic benefits are expected from its use and subsequent disposal.

(iv) The value of the right is the difference between ___________ and the ___________ of the share.

(v) The fair value of a share is the average of the value of the share obtained by the ___________ method and ___________ method.

(1 mark each)

(c) State, with reasons in brief, whether the following statements are true or false :

(i) According to section 80 of the Companies Act, 1956, the redemption of preference shares by a company shall be taken as reducing the amount of its authorised share capital.

(ii) A profit and loss account is a point statement whereas a balance sheet is a period statement.

(iii) Internally generated goodwill should not be recognised as an asset.

(iv) A company can enforce its lien by forfeiting the shares.

(v) A limited company can retain excess application money as calls-in-advance even if there is no provision in the articles of association.

(2 marks each)

2. (a) Distinguish between ***any two*** the following :

(i) 'Bonus shares' and 'rights shares'.

(ii) 'Interim dividend' and 'final dividend'.

(iii) 'Statutory books' and 'statistical books'.

(3 marks each)

(b) Following are the balance sheets of H Ltd. and S Ltd. as at 31st December, 2010 :

Liabilities	*H Ltd.* (₹)	*S Ltd.* (₹)
Equity share of ₹100 each fully paid	5,00,000	2,00,000
General reserve	1,00,000	—
Profit and loss account	80,000	—
14% Debentures	—	1,00,000
Creditors	75,000	45,000
	7,55,000	3,45,000
Assets		
Fixed assets	3,50,000	1,50,000
Stock	90,000	40,000
Debtors	60,000	30,000
14% Debentures in S Ltd. (*at par*)	60,000	—
Equity shares in S Ltd. @ ₹80 per share	1,20,000	—
Bank	75,000	25,000
Profit and loss account	—	1,00,000
	7,55,000	3,45,000

H Ltd. acquired 1,500 shares in S Ltd. on 1st May, 2010. The profit and loss account of S Ltd. showed a debit balance of ₹1,50,000 on 1st January, 2010. During March, 2010, goods costing ₹6,000 were destroyed by fire, against which the insurance company paid ₹2,000 only to S Ltd. Creditors of S Ltd. include ₹20,000 for goods supplied by H Ltd. on which H Ltd. made a profit of ₹2,000. Half of the goods were sold out of this. An item of plant (included in fixed assets) of S Ltd. had book value of ₹15,000. It was to be revalued at ₹20,000 on 1st January, 2010 (ignore depreciation). Prepare consolidated balance sheet as on 31st December, 2010.

(9 marks)

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

(i) Purchase of own debentures in the market by a company

(ii) Tax on distributed profit

(iii) Lien on shares.

(3 marks each)

(b) The following particulars of Jag Apna Ltd. are available :

(i) Share capital :
– 10,000 Equity shares of ₹10 each fully paid
– 1,000, 12% Preference shares of ₹100 each fully paid

(ii) Reserves and surplus : ₹15,000

(iii) External liabilities :
– Creditors : ₹12,000
– Bills payable : ₹6,000

(iv) The average normal profits (after taxation) earned each year by the company : ₹28,500.

(v) Assets of the company include one fictitious item of ₹800.

(vi) The fair or normal rate of return in respect of the equity shares of this type of company is ascertained at 10%.

Calculate the value of each equity share by using — (i) assets backing method; (ii) yield method; and (iii) fair value method.

(6 marks)

(c) A limited company has a paid-up equity share capital of ₹15,00,000 divided into 1,50,000 shares of ₹10 each and 11% preference share capital of ₹5,00,000 divided into 5,000 shares of ₹100 each. The balance of profit brought forward from the previous balance sheet was ₹38,000.

The profit for the year ended 31st March, 2010 amounted to ₹5,80,000 after tax. The directors proposed a dividend of 24% on equity share capital after providing for — (i) statutory minimum transfer to general reserve; and (ii) dividend on preference shares. Ignore tax on distributed profit. Prepare profit and loss appropriation account.

(3 marks)

4. (a) Alex Ltd. forfeited 100 shares of ₹10 each issued at a premium of 20% (to be paid at the time of application money) on which allotment money of ₹4 and first call money of ₹3 were not received; the final call money of ₹2 is not yet called. These shares were originally allotted in the ratio of 4:5. These shares were subsequently re-issued at a discount of ₹1 per share, credited as ₹8 paid-up.

Pass journal entries in the books of Alex Ltd.

(3 marks)

(b) What are the conditions which must be fulfilled for redemption of preference shares ?

(6 marks)

(c) Zohar Ltd. has 12%, ₹4,00,000 debentures outstanding in its books on 1st April, 2009. It also had ₹2,40,000 balance in sinking fund account represented by 8% investments (face value of ₹3,00,000).

On 30th December, 2009, it sold investments of face value of ₹40,000 @ ₹90 and purchased own debentures of the face value of ₹40,000 out of the proceeds, for immediate cancellation.

The interest dates for both debentures and investments are 30th September and 31st March respectively. All transactions are made on *cum* interest basis. Show debenture account, sinking fund account and sinking fund investment account.

(6 marks)

PART — B

(Answer Question No.5 which is compulsory and any two of the rest from this part.)

5. (a) Write the most appropriate answer from the given options in respect of the following :

(i) When the sales increase from ₹40,000 to ₹60,000 and profit increases by ₹5,000, the P/V ratio is —

(a) 20%

(b) 30%

(c) 25%

(d) 40%.

(ii) A company which has a margin of safety of ₹4,00,000 makes a profit of ₹80,000. Its fixed cost is ₹5,00,000, its break-even sales will be —

(a) ₹20 lakh

(b) ₹30 lakh

(c) ₹25 lakh

(d) ₹40 lakh.

(iii) Cost is determined before hand under —

(a) Standard costing

(b) Historical costing

(c) Marginal costing

(d) None of the above.

(iv) Continuous stock taking is a part of —

(a) Annual stock taking

(b) Perpetual inventory

(c) ABC Analysis

(d) None of the above.

(v) Absorption means —

(a) Charging of overheads to cost centres

(b) Charging of overheads to cost units

(c) Charging of overheads to cost centres or cost units

(d) None of the above.

(1 mark each)

(b) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :

(i) ____________ budget is a summary budget incorporating the component functional budgets and which is finally approved, adopted and employed.

(ii) Costs which are pertinent for decision-making are termed as ____________.

(iii) A responsibility centre in which a manager is accountable for costs only is called ____________.

(iv) Contract in which reimbursement is based on actual allowable cost plus a fixed fee is called ____________.

(v) Excess of budgeted revenues over the break-even revenue is called ____________.

(1 mark each)

(c) State, with reasons in brief, whether the following statements are true or false :

(i) Direct costs and variable costs are not necessarily the same.

(ii) Idle facility and idle time are the same.

(iii) Overtime premium paid to all factory workers is usually considered direct labour.

(iv) Assuming inflation, if a company wants to maximise net income, it would select FIFO as the method of pricing raw materials.

(v) Collection of sundry debtors has no impact on current ratio.

(2 marks each)

6. (a) Distinguish between ***any two*** of the following :

(i) 'Cost accounting' and 'management accounting'.

(ii) 'Bin card' and 'store ledger'.

(iii) 'Time keeping' and 'time booking'.

(3 marks each)

(b) From the following particulars of Bright Ltd., prepare cash flow statement as per AS-3 (Revised) :

Balance Sheets

Liabilities	*As on 31.03.2009 (₹)*	*As on 31.03.2010 (₹)*
Equity share capital	3,00,000	3,50,000
18% Preference share capital	2,00,000	1,00,000
14% Debentures	1,00,000	2,00,000
Reserves and surplus	1,10,000	2,70,000
Creditors	70,000	1,45,000
Provision for doubtful debts	10,000	15,000
	7,90,000	10,80,000

Assets	*As on 31.03.2009 (₹)*	*As on 31.03.2010 (₹)*
Fixed assets (*net*)	5,10,000	6,20,000
10% Investments	30,000	80,000
Cash	40,000	75,000
Debtors	1,00,000	2,10,000
Stock	1,00,000	90,000
Discount on debentures	10,000	5,000
	7,90,000	10,80,000

You are informed that during the year —

(i) A machine with a book value of ₹40,000 was sold for ₹25,000.

(ii) Depreciation charged during the year was ₹70,000.

(iii) Preference shares were redeemed on 31st March, 2010 at a premium of 5%.

(iv) An interim dividend @15% was paid on equity shares on 31st March, 2010. Preference dividend was also paid on 31st March, 2010.

(v) New shares and debentures were issued on 31st March, 2010.

(9 marks)

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

(i) Essentials of an effective budgetary control system

(ii) Make or buy decisions

(iii) Cost-plus contracts.

(3 marks each)

(b) Following are the ratios to the trading activities of National Traders Ltd. :

Debtors' velocity	3 months
Stock velocity	8 months
Creditors' velocity	2 months
Gross profit ratio	25%

Gross profit for the year ended 31st December, 2009 amounting to ₹4,00,000.

Closing stock of the year is ₹10,000 more than the opening stock.

Bills receivable amount to ₹25,000.

Bills payable amount to ₹10,000.

Find out — (i) sales; (ii) sundry debtors; (iii) closing stock; and (iv) sundry creditors.

(6 marks)

(c) Explain the significance of decision-making costs. Briefly explain the various type of costs used by the management in decision-making.

(3 marks)

8. (a) From the following data provided to you, find out the labour turnover rate by applying (i) replacement method; and (ii) separation method :

Number of workers on the payroll :

– At the beginning of the month : 500
– At the end of the month : 600.

During the month, 5 workers left, 20 workers were discharged and 75 workers were recruited. Of these, 10 workers were recruited in the vacancies of those leaving and while the rest were engaged for an expansion scheme.

(4 marks)

(b) Following information is made available from the costing records of a factory :

(i) The original cost of the machine : ₹1,00,000
Estimated life : 10 years
Residual value : ₹5,000
Factory operates for 48 hours per week : 52 weeks in a year.
Allow 15% towards machine maintenance down time.
5% (of productive time assuming unproductive) may be allowed as setting-up time.

(ii) Electricity used by the machine is 10 units per hour at a cost of 50 paise per unit.

(iii) Repair and maintenance cost is ₹500 per month.

(iv) Two operators attend the machine during operations alongwith two other machines. Their total wages including fringe benefits, amounting to ₹5,000 per month is paid.

(v) Other overheads attributable to the machine are ₹10,431 per year.

Using above data, calculate machine hour rate.

(6 marks)

(c) Following information is given :

Cost of placing a purchase order	₹20
No. of units to be purchased during the year	5,000 Nos.
Purchase price per unit inclusive of transport cost	₹50
Annual storage cost per unit	₹5
Details of lead time :	
– Average	10 days
– Maximum	15 days
– Minimum	6 days
– For emergency purchase	4 days
Rate of consumption per day :	
– Average	15 units
– Maximum	20 units

Calculate — (i) re-ordering level; (ii) re-order quantity; (iii) maximum level; (iv) minimum level; and (v) danger level.

(5 marks)

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