

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 8

Total number of printed pages : 11

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 true or false :
- (i) Interest on calls-in-arrear according to Table-A is charged at 5%.
 - (ii) Rights shares mean the shares which are issued to promoters for their services.
 - (iii) Underwriting commission and brokerage both cannot be paid to any individual underwriter.
 - (iv) It is prudent to write-off the preliminary expenses as soon as possible since it is unrepresented by assets.
 - (v) Goodwill is a fictitious asset.
- (2 marks each)
- (b) Write the most appropriate answer from the given options in respect of the following :
- (i) Indian Accounting Standards (AS) are prescribed by the —
 - (a) National Advisory Committee on Accounting Standards
 - (b) Central Government
 - (c) Accounting Standards Board
 - (d) Comptroller and Auditor General of India.
 - (ii) Which of the following will be included in preliminary expenses —
 - (a) Cost of acquisition of a running business
 - (b) Cost of the project report
 - (c) Cost of preparation and issue of the prospectus
 - (d) Cost of preparation of the feasibility report.
 - (iii) Sections 349 and 350 of the Companies Act, 1956 contain the provisions relating to the manner of determination of net profit for the purpose of calculating —
 - (a) Disposal of net profit
 - (b) Net profit
 - (c) Profit prior to incorporation
 - (d) Managerial remuneration.

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- (iv) The share capital of a company generally means —
- (a) Authorised capital
 - (b) Issued capital
 - (c) Subscribed capital
 - (d) Paid-up capital.
- (v) The directors of M Ltd. resolved to forfeit 2,000 equity shares of ₹10 each, ₹7.50 per share paid-up for non-payment of final call at ₹2.50. 1,000 of the forfeited shares were re-issued at ₹6 per share. Capital reserve account will be credited by —
- (a) ₹3,500
 - (b) ₹7,500
 - (c) ₹9,000
 - (d) ₹11,000.

(1 mark each)

- (c) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :
- (i) Accounting Standard–19 is related with _____.
 - (ii) Debentures issued as additional security given for a loan is known as _____ security.
 - (iii) Accounting standards are formulated with a view to _____ different accounting policies and practices in use in a country.
 - (iv) Issue of debentures to vendors is known as issue of debentures _____.
 - (v) A holding company is one which has acquired a minimum _____ % of shares of its subsidiary company.

(1 mark each)

2. (a) Distinguish between the following :
- (i) 'Complete underwriting' and 'partial underwriting'.
 - (ii) 'Cum-interest' and 'ex-interest' quotations.

(3 marks each)

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(b) On 31st March, 2013 the balance sheets of H. Ltd. and S. Ltd. appeared as follows :

	<i>H. Ltd.</i> (₹)	<i>S. Ltd.</i> (₹)
<i>I EQUITY AND LIABILITIES</i>		
(1) Shareholders' funds		
(a) Share capital (in ₹100 shares)	50,00,000	20,00,000
(b) Reserves and surplus		
Securities premium	4,00,000	—
General reserve (as on 1.4.2012)	20,00,000	4,00,000
Surplus	15,40,000	3,10,000
(2) Current liabilities		
Trade payables	5,60,000	1,30,000
TOTAL	<u>95,00,000</u>	<u>28,40,000</u>
<i>II ASSETS</i>		
(1) Non-current assets		
(a) Fixed assets		
Land and building	28,00,000	10,00,000
Plant and machinery	14,00,000	5,16,000
(b) 75% Shares in S. Ltd.	20,25,000	—
(2) Current assets		
(a) Inventories	16,80,000	6,42,000
(b) Trade receivables	15,00,000	5,80,000
(c) Cash	95,000	1,02,000
TOTAL	<u>95,00,000</u>	<u>28,40,000</u>

Additional information :

- (i) H. Ltd. acquired the shares of S. Ltd. on 1st August, 2012.
- (ii) Surplus of H. Ltd. includes interim dividend @15% per annum received from S. Ltd. on 1st January, 2013.
- (iii) On 1st April, 2012, S. Ltd.'s surplus showed credit balance of ₹1,90,000.

You are required to prepare a consolidated balance sheet of H. Ltd. and S. Ltd. on 31st March, 2013.

(9 marks)

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3. (a) A Ltd. came out with an issue of 45,00,000 equity shares of ₹10 each at a premium of ₹2 per share. The promoters took 20% of the issue and the balance was offered to the public. The issue was equally underwritten by X, Y and Z. Each underwriter took firm underwriting of 1,00,000 shares. Subscriptions for 31,00,000 equity shares were received with marked applications for the underwriters as given below :

<i>Underwriter</i>	<i>No. of shares</i>
X —	7,25,000
Y —	8,40,000
Z —	13,10,000
	<u>28,75,000</u>

The underwriters are eligible for a commission of 5% on face value of shares. The entire amount towards shares subscription has to be paid along with application.

You are required to —

- (i) Compute each underwriter's liability (number of shares); and
- (ii) Compute the amount payable or due to underwriters.

Pass necessary journal entries in the books of A Ltd. relating to underwriting.

(8 marks)

- (b) Enumerate the points which must be taken into account while making the estimate of provision for taxation.

(4 marks)

- (c) Describe the steps to be taken while calculating the 'value of the right' with reference to market value of the shares.

(3 marks)

4. (a) Determine from information given below, the value of each class of equity shares both under the assets backing method and earning capacity method :

	₹
(i) Paid-up share capital :	
30,000 Equity shares of ₹10 each fully paid	3,00,000
25,000 Equity shares of ₹10 each ₹6 paid	1,50,000
5,000, 12% Preference shares of ₹10 each	50,000
(ii) General reserve	1,19,500
(iii) Surplus	80,000

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- (iv) The preference shares are preferential as to return of capital but do not participate in any surplus assets in case the company is wound-up.
- (v) The average annual profits of the company are ₹59,200.
- (vi) All assets are worth their book values.
- (vii) 10% return is considered fair in this type of company.

(9 marks)

- (b) On 1st January, 2011, a company issued 1,000, 12% debentures of ₹500 each at ₹450 each. Debentureholders were given an option to get their debentures converted into equity shares of ₹100 each at a premium of ₹50 per share. On 31st December, 2012, one year's interest had accrued on these debentures which was not paid. A holder of 100 debentures informed that he wanted to exercise the option for conversion of debentures into equity shares. The company, therefore, accepted his request and redeemed these 100 debentures by issuing him equity shares.

The interest payable on these 100 debentures was also paid to the debentureholder.

Pass the necessary journal entries regarding issue and redemption of debentures.

(6 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 :
- (i) Cost accounting provides only the basis and information for ascertainment of costs.
 - (ii) Absorption of overheads refers to allotment of overheads to cost centres.
 - (iii) Machine hour rate is the overheads cost for operating the machine for a particular cost centre.
 - (iv) Direct cost and variable cost are not the same.
 - (v) Cash flow analysis shows the position of business on closing date of business period.

(2 marks each)

- (b) Write the most appropriate answer from the given options in respect of the following :
- (i) When margin of safety is 20% and P/V ratio is 60%, the profit will be —
 - (a) 30%
 - (b) $33\frac{1}{3}\%$
 - (c) 12%
 - (d) None of the above.
 - (ii) 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.
 - (iii) The main difference in current ratio and liquid ratio is on account of —
 - (a) Cash and cash equivalents
 - (b) Average debtors
 - (c) Inventories
 - (d) Working capital.
 - (iv) Work certified is the work approved by the contractee or his nominee on —
 - (a) Beginning of the contract
 - (b) Completion of the contract
 - (c) A specific date
 - (d) End of the financial year.
 - (v) Rowan premium plan is an improvement on —
 - (a) Taylor plan
 - (b) Gantt bonus plan
 - (c) Halsey premium plan
 - (d) None of the above.

(1 mark each)

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- (c) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :
- Conversion cost is production cost less the cost of _____ but including the gains and losses in weight or volume of direct material arising due to production.
 - The quantity for which the cost of _____ plus the cost of ordering is the minimum is known as economic order quantity.
 - _____ is a document which sets out the responsibilities of the persons engaged in the routine of and the forms and records required for budgetary control.
 - Indirect labour is included in _____.
 - Excess budgeted revenues over the break-even revenue is called _____.

(1 mark each)

6. (a) The output of workers A, B, C and D in a particular 40 hours week is – A : 60 units; B : 75 units; C : 80 units and D : 85 units.

Other details are as under :

Guaranteed time rate	₹5 per hour
Low piece rate	₹2 per unit
High piece rate	₹3 per unit
High task	80 units per week

Show the earnings and labour cost per unit under the Taylor, Merrick and Gantt task scheme, utilising differential piece rates.

(4 marks)

- (b) The particulars of Material–A and Material–B are as follows :
- | | | |
|-------------------|---|--|
| Normal usage | – | 10 units per week |
| Minimum usage | – | 6 units per week |
| Maximum usage | – | 15 units per week |
| Re-order quantity | – | Material–A : 60 units
Material–B : 100 units |
| Re-order period | – | Material–A : 3 to 5 weeks
Material–B : 2 to 4 weeks |

Calculate for each material —

- (i) Re-order level;
- (ii) Minimum level;
- (iii) Maximum level; and
- (iv) Average stock level.

(4 marks)

- (c) The balance sheet of ABC Ltd. as on 31st March, 2013 is as follows :

<i>I. EQUITY AND LIABILITIES</i>		<i>(₹ in '000)</i>
(1) Shareholders' funds		
(a) Share capital		
Equity share capital		6,000
8% Preference share capital		3,250
(b) Reserves and surplus		1,400
(2) Non-current liabilities		
10% Debentures		1,950
(3) Current liabilities		
Trade payables		3,250
	TOTAL	<u><u>15,850</u></u>
<i>II. ASSETS</i>		
(1) Non-current assets		
Fixed assets (<i>at cost</i>)	16,250	
Less : Depreciation w/o	<u>5,200</u>	11,050
(2) Current assets		
(a) Stock		1,950
(b) Trade receivables		2,600
(c) Cash		250
	TOTAL	<u><u>15,850</u></u>

The following additional information are available :

- (i) The stock turnover ratio based on cost of goods sold would be 6 times.
- (ii) The cost of fixed assets to sales ratio would be 1:4.
- (iii) Fixed assets costing ₹30,00,000 to be installed on 1st April, 2013, payment would be made on 31st March, 2014.

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- (iv) In March, 2014, a dividend of 7% on equity capital would be paid.
- (v) ₹5,50,000, 11% debentures would be issued on 1st April, 2013.
- (vi) ₹30,00,000 equity shares would be issued on 31st March, 2014.
- (vii) Trade payables would be 25% of materials consumed.
- (viii) Trade receivables would be 10% of sales.
- (ix) The cost of goods sold would be 90% of sales including material 40% and depreciation 5% of sales.
- (x) The profit is subject to debentures interest and taxation @ 30%.

Prepare the projected balance sheet as on 31st March, 2014.

(7 marks)

7. (a) From the following information of ABC Ltd., prepare a cash budget for a period of six months :

Month	Sales (₹)	Materials (₹)	Wages (₹)	Overheads (₹)
January	20,000	20,000	4,000	4,000
February	22,000	14,000	4,400	4,200
March	28,000	14,000	4,600	4,300
April	36,000	22,000	4,600	4,500
May	30,000	20,000	4,000	4,100
June	40,000	25,000	5,000	4,800

- (i) Cash balance on 1st January was ₹10,000, a new machinery is to be installed at ₹20,000 on credit to be repaid by two equal installments in March and April.
- (ii) Sales commission @5% on total sales is to be paid within six months following actual sales.
- (iii) ₹10,000 being amount of second call may be received in March. Securities premium amounting to ₹2,000 is also receivable with the second call.
- (iv) Period of credit allowed by creditors – 2 months.
- (v) Period of credit allowed to debtors – 1 month.
- (vi) Delay in payment of overheads – 1 month.
- (vii) Delay in payment of wages – ½ month.
- (viii) Assume cash sales to be 50% of total sales.

(9 marks)

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- (b) The profit for the year 2013 of ABC Ltd. works out to 12.5% of the capital employed and the relevant figures are as under :

	₹
Sales	5,00,000
Direct material	2,50,000
Direct labour	1,00,000
Variable overheads	40,000
Capital employed	4,00,000

The new sales manager who has joined the company recently estimates for the next year a profit of about 23% on capital employed, provided the volume of sales is increased by 10% and simultaneously there is an increase in selling price of 4% and an overall cost reduction in all the elements of cost of 2%.

Find out by computing in detail the cost and profits for the next year whether the proposal of sales manager can be adopted.

(6 marks)

8. (a) Prepare a cash flow statement from the following particulars relating to Comfort Hotel Ltd. :

	As on 31.3.2012 (₹)	As on 31.3.2013 (₹)
<i>I. EQUITY AND LIABILITIES</i>		
(1) Shareholders' funds		
(a) Share capital	8,00,000	8,00,000
(b) Reserves and surplus	9,00,000	9,53,600
(2) Non-current liabilities		
(a) Debentures	3,00,000	3,30,000
(b) Provision for depreciation	3,20,000	4,70,000
(3) Current liabilities		
(a) Trade payables	2,82,000	2,29,000
(b) Income-tax payable	28,000	41,000
TOTAL	26,30,000	28,23,600

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	<i>As on</i> 31.3.2012 (₹)	<i>As on</i> 31.3.2013 (₹)
II. ASSETS		
(1) Non-current assets		
(a) Fixed assets	15,00,000	17,80,000
(b) Investments	2,20,000	2,05,000
(2) Current assets		
(a) Inventories	6,50,000	6,14,000
(b) Trade receivables	2,05,000	2,16,000
(c) Cash	15,000	7,000
(d) Bank	40,000	1,600
TOTAL	<u>26,30,000</u>	<u>28,23,600</u>

Additional Information :

- (i) Fixed assets for ₹2,00,000 were purchased during the year for cash.
 - (ii) Fixed assets costing ₹40,000 with accumulated depreciation of ₹17,000 were sold for ₹10,000 during the year.
 - (iii) Debentures of the face value of ₹1,20,000 were issued in exchange for fixed assets during the year.
 - (iv) Debentures of ₹90,000 were redeemed during the year at par.
 - (v) Investments for ₹45,000 were purchased during the year.
 - (vi) Some investments costing ₹60,000 were sold for ₹86,000 during the year.
 - (vii) Interest on investments received during the year ₹8,000.
 - (viii) Debenture interest paid during the year ₹42,000.
 - (ix) Dividend @15% was paid on share capital alongwith ₹12,000 for dividend tax. (8 marks)
- (b) Write a note on 'cost plus contract'. (4 marks)
- (c) Give cost unit of following industries/products :
- (i) Brick work
 - (ii) Cement
 - (iii) Transport (passenger). (3 marks)