NEW SYLLABUS

524

Roll No. **....................................**

Time allowed : 3 hours ***Maximum marks : 100***

Total number of questions : 6 ***Total number of printed pages : 15***

NOTE : *Answer* ***ALL*** *Questions.*

PART—I

1. Technocrats Ltd. invited applications for 1,00,000 equity shares of ₹ 30 each. The shares were issued at a premium of ₹ 15 per share, payable as follows :

On Application and Allotment : ₹ 24 per share (incl. premium of ₹ 9)

On first and final call : Balance including remaining premium

Applications for 1,50,000 shares were received. Applicants of 10,000 shares were rejected on allotment, and pro-rata allotment was made to remaining applicants as follows :

Category A — Applicants for 80,000 shares were allotted 60,000 shares

Category B — Applicants for 60,000 shares were allotted 40,000 shares

Mr. X, who belonged to A category, was allotted 300 shares. He failed to pay the call money. Mr. Y, who belonged to B category and applied for 300 shares, also failed to pay the call money.

These shares were forfeited and reissued as fully paid @ ₹ 36 per share. Assume that the excess received on application is to be adjusted towards share capital account first.

You are required :

(*a*) Pass the necessary journal entries to record the above transactions.

(8 marks)

(*b*) Assuming opening bank balance of ₹ 1,25,000, prepare the Bank account of the company in the light of above transactions.

(*3 marks*)

(*c*) What are the restrictions on use of Securities Premium Account as per provisions of the Companies Act, 2013 ? What is the implication if a company violates these provisions ?

(*4 marks*)

2. (*a*) Following Summarized Statement of Profit/Loss and Balance Sheet are provided by ABC Ltd. :

Summarized Profit/Loss account of ABC Ltd.

(For the year ended 31st March, 2023)

Particulars	**Amount (in crore ₹)**
Sales	144
Add : Other Income Less : Cost of Sales	15 110.02
Gross Margin (excluding other incomes)	33.98
Operating Expenses : Administration : Selling and Distribution :	 14.36 5.36
Profit Before interest and Tax (EBIT)	29.26
Interest	4.01
Profit Before Tax (EBT)	25.25
Provision for Taxes	9.47
Profit after Tax (EAT)	15.78

Balance Sheets of ABC Ltd.

(As on 31st March, 2023)

Particulars	**Amount (in crore ₹)**
Fixed Assets (Net)	37.50
Current Assets :	
Inventory	16.64
Accounts Receivable	15.43
Cash and Bank	1.75
Less : Current Liabilities	11.25
Net Current Assets	22.57
Total Assets	60.07
Liabilities and Owners' Equity :	
Share Capital	27.00
Reserves and Surplus	6.36
Long-term Debt	26.71
Total	60.07

You are required to calculate the following ratios :

(*i*) Current Ratio

(*ii*) Liquid Ratio

(*iii*) Gross Profit Margin Ratio

(*iv*) Net Profit Margin Ratio

(*v*) Return on Equity.

(*5 marks*)

(*b*) (*i*) The following balances appeared in the books of a Company as on 1st April, 2022 :

Sinking Fund for Redemption of Debentures ₹ 5,50,000;

Sinking Fund Investments ₹ 3,44,325;

7% Debentures ₹ 10,00,000.

In order to redeem these debentures, the company sold the Sinking Fund Investments and realized ₹ 3,45,000.

You are required to pass journal entry for the accounting treatment of profit/loss on sale of Sinking Fund Investment.

(*ii*) Out of ₹ 10,00,000 6% Debentures outstanding on 1st April, 2022, ₹ 5,00,000. Debentures were redeemed on 31st October, 2022. The balance of Debenture Sinking Fund Account on 1st April, 2022 was ₹ 10,00,000. Interest on debenture is paid on 31st March, 2022.

How will you deal with the balance of Debenture Sinking Fund Account at the time of its redemption ? You are required to pass necessary journal entry in this regard.

What will be the amount of interest paid on these debentures at the time of redemption ?

(*2+3=5 marks*)

(*c*) Y Ltd. recently reported the following income Statement :

	(₹ in Crore)
Sales	600
Operating Cost	470
EBIT	130
Interest	40
EBT	90
Taxes @ 40%	36
EAT (Net Income)	54
Dividend	21.6
Retained Earnings	32.4

This year company is forecasting 25% increase in sales and it expects that its year end operating cost will be around 70% of sales. It is expected that tax rate, interest and dividend pay-out ratio will be constant. You are required to compute projected Net Income and expected growth rate in dividend.

(*5 marks*)

3. (*a*) XYZ Ltd. incorporated on 1st April, 2023 issued a prospectus inviting applications for 5,00,000 equity shares of ₹ 10 each. The whole issue was fully underwritten by K, B, D, and M as follows :

K-2,00,000 Shares,

B-1,50,000 Shares,

D-1,00,000 Shares,

M-50,000 Shares.

The applications were received for 4,50,000 shares of which marked applications were as follows :

K-2,20,000 Shares,

B-90,000 Shares,

D-1,10,000 Shares,

M-10,000.

Calculate the liability of individual underwriters

(*5 marks*)

(*b*) On 1st April, 2022, the following balances were extracted from the ledger of X Limited :

		(₹)
(*i*)	10% redeemable preference share capital amount 5,000 shares of ₹ 100 each, fully called up	5,00,000
(*ii*)	Securities premium account	14,000
(*iii*)	General Reserve	1,60,000
(*iv*)	Profit and loss account	1,18,540

The company redeemed all the preference shares at a premium of 5% and for the purpose, it issued equity shares of ₹ 10 each at a premium of ₹ 1 for such an amount as was necessary for the purpose after utilizing the available profits to the maximum possible extent.

You are required to pass the necessary journal entries for above mentioned transactions.

(*5 marks*)

(*c*) The Summary Balance Sheet of ABC Ltd. as on 31st March, 2023 read as under :

Liabilities	**Amount (₹)**	**Assets**	**Amount (₹)**
Share Capital :		Freehold property	1,15,000
Authorized share Capital :		Stock	1,35,000
40,000 Equity Shares of		Trade receivables	75,000
₹ 10 each	4,00,000	Cash	30,000
Issued and Subscribed :	———	Balance at Bank	2,00,000
20,000 Equity Shares of			
₹ 10 each fully paid.	2,00,000		
Securities Premium	30,000		
Statement of Profit and Loss	90,000		
12% Debentures	1,20,000		
Trade payables	1,15,000		
	5,55,000		5,55,000

The Annual General Meeting of ABC Ltd., it was resolved that :

(*i*) To issue one bonus share for every four shares held.

(*ii*) To repay the debentures at a premium of 3%.

Record the above transactions in the books of ABC Ltd. to meet the above resolutions.

(*5 marks*)

Attempt all parts of either Q. No. 4 or Q. No. 4A

4. (*a*) On 31st March, 2023, H Ltd. has 20,000 shares out of 25,000 equity shares issued by S Ltd. H Ltd. acquired these shares in S Ltd. in the following manner :

Date of Acquisition	**% of Shares Acquired**
01st April, 2022	25%
01st October, 2022	37.5%
01st January, 2023	37.5%

On 31st March, 2022, the balance sheet of S Ltd. exhibited equity share capital of ₹ 2,50,000 (in ₹ 10 shares) and reserves and surplus of ₹ 1,25,000. During the year 2022-23, net profit earned by the company was ₹ 50,000, that was distributed evenly throughout the year. Amount of Reserves and Surplus on 31st March, 2023 stood at ₹ 1,75,000.

Ascertain the share of parent company in profits of S Ltd. on the dates of acquisition of these shares.

(*5 marks*)

(*b*) From the following details, calculate value of Goodwill/Capital Reserve and Minority Interest that will reflect in consolidated Balance Sheet on 31st March, 2023 :

Summarized Balance Sheets as on 31st March, 2023

Liabilities	**H.Ltd.(₹)**	**S.Ltd. (₹)**	**Assets**	**H.Ltd.(₹)**	**S.Ltd.(₹)**
Share Capital			Sundry Assets	20,00,000	10,00,000
(₹ 100 shares)	10,00,000	4,00,000			
Profit and Loss	6,00,000	4,00,000	3000 shares in		
			S Ltd. (01.04.22)	7,00,000	—
General Reserve	2,00,000	....			
Liabilities	9,00,000	2,00,000			
Total	27,00,000	10,00,000	Total	27,00,000	10,00,000

Balance Sheet of S Ltd. on 31st March, 2022 exhibited profit of ₹ 1,00,000 and general reserve of ₹ 60,000.

(*5 marks*)

(*c*) From the following summary of bank account of X. Ltd., prepare Cash Flow Statement for the year ended 31st March, 2023 :

Summary of Bank Account for the year ended 31.3.2023

Particulars	**Amount in ₹ in lakh**	**Particulars**	**Amount in ₹ in lakh**
To Balance b/d	50	By Payments to Suppliers	2,000
To Issue of Equity Shares	300	By Purchase of Fixed Assets	200
To Receipts from Customers	2,800	By Overhead Expenses	200
		By Wages and Salaries	100
To Sales of Fixed Assets	100	By Income Tax	250
		By Dividend	50
		By Repayment of Bank Loan	300
		By Balance c/d	150
Total	3,250	Total	3,250

Assume that the company does not have any cash and cash equivalents and there were NIL cash transaction.

(*5 marks*)

OR (Alternative to Q. No. 4)

4A. (*i*) "The three golden rules of accounting are the very foundation of double entry system of financial accounting." Elucidate.

(*ii*) What is meant by Extensible Business Reporting Language (XBRL) ? How does it work ?

(*iii*) What is the need of convergence of Accounting Standard with IFRS in India ?

(*5 marks each*)

PART—II

5. XYZ Ltd. is a company manufacturing standardized chandeliers. The segment they deal in is more or less an oligopolistic kind of market with mediocre market potential. The demand of their product had been wavering in past, but owing to increasing economic level of middle class in India, the board of directors is confident of brighter days in future. On 1st April, 2023, the board of directors of the company is desirous of knowing the amount of working capital that will be required to meet the planned level of operations during the year 2023-24. Following details have been provided in this regard :

Issued share capital :	₹ 2 Crore
10% Debentures	₹ 50 Lakh
Fixed Assets (1st April, 2023)	₹ 1.25 Crore

Production and sales during the year 2023-24 is expected to average out to 500 units per month. During the previous year, the ratios of cost to selling price, which are also likely to be maintained in current year as well, were as follows :

Raw Materials :	60%
Direct Wages	10%
Overheads :	20%

Following additional information has been provided in this regard :

(1) Raw materials and components are expected to remain in store for an average period of two months before being issued to assembly and production.

(2) Each unit of product is expected to be in process for 15 days.

(3) Finished goods stay in warehouse for an average period of 1 month before being dispatches to customers.

(4) Suppliers of raw material components extend an average credit of 1.5 month.

(5) 80% sales are credit and though credit extended to customers is two months, average credit collection period is 75 days.

(6) On an average, overheads of 2 weeks remain outstanding.

(7) Selling price per unit is ₹ 5,000.

(8) Work-in-progress, cost involves 100% of material and 50% of labour and overheads.

(9) Sundry debtors to be valued at cash cost. Entire overhead cost is assumed to be cash cost.

(10) One year is equal to 360 days or 52 weeks.

(11) Assuming production and sales follow a constant pattern.

You are required to :

(*a*) Prepare an estimate of working capital required by the company for the ensuing year. Add 10% of your calculated figure for contingencies.

(*10 marks*)

(*b*) Prepare a forecast of Profit/Loss account for the ensuing year.

(*5 marks*)

(*c*) Prepare a forecasted Balance Sheet at the end of ensuing year.

(*5 marks*)

Attempt all parts of either Q. No. 6 or Q. No. 6A

6. (*a*) ABC Ltd. provides the following information regarding the cost of the product.

Direct materials ₹ 20,000

Direct Wages ₹ 16,000

Variable Factory Overhead : 25% of wages

Variable Administration Overhead : 10% of the factory cost

Variable Selling and Distribution Overhead : ₹ 4 per unit

Fixed Overhead : ₹ 8,000

Units sold 1,000 @ ₹ 64 per unit

From the above data of ABC Ltd., you are required to calculate :

(*i*) Profit-Volume Ratio

(*ii*) Break-Even Point

(*iii*) Margin of Safety

(*iv*) Profit.

(*5 marks*)

(*b*) Equipment A has a cost of ₹ 75,000 and net cash flow of ₹ 20,000 per year for six years. A substitute equipment B would cost ₹ 50,000 and generate net cash flow of ₹ 14,000 per year for six years. The required rate of return of both equipments is 11 per cent.

Calculate :

— Net Present Value and Profitability Index for the both equipments.

— Which equipment should be accepted and why ?

Present Values of Rupee 1 at 11% are :

Year	1	2	3	4	5	6
PV of ₹ 1	0.901	0.812	0.731	0.659	0.593	0.535

(*5 marks*)

(*c*) The following is an extract from the financial statement of XYZ Ltd :

	(₹ in lakh)	(₹ in lakh)
Operating Profit	105	
Less : Interest on debentures	33	72
Less : Income Tax (30%)		21.6
Net profit		50.4
Equity share capital (shares of 10 each)	200	
Reserves and surplus	100	
15% non-convertible debentures (of ₹ 100 each)	220	520

The market price per equity share is ₹ 12 and per debenture ₹ 93.75.

Calculate :

(*i*) EPS

(*ii*) Percentage cost of capital to the company for the debenture funds and the equity.

(*5 marks*)

(*d*) RST Ltd. has a capital of ₹ 10,00,000 in equity shares of ₹ 100 each. The shares are currently quoted at par. The company proposes to declare a dividend of ₹ 10 per share at the end of the current financial year. The capitalization rate for the risk class of which the company belongs is 12%.

You are requested to calculate market price of the share at the end of the year, if

(*i*) Dividend is not declared.

(*ii*) Dividend is declared.

(*iii*) Assuming that the company pays the dividend and has net profits of ₹ 5,00,000 and makes new investments of ₹ 10,00,000 during the period, how many new shares must be issued ? Use the MM model.

(*5 marks*)

OR (Alternative to Q. No. 6)

6A. (*i*) What do you mean by Aroon Indicator ? Explain.

(*ii*) Explain Hamada Equation and also calculate Hamada coefficient using following information. A company has a debt to equity ratio of 0.65 : 1.00, a tax rate of 35% and an unlevered beta of 0.80.

(*iii*) What is meant by annuity due and ordinary annuity ?

(*iv*) Briefly explain the emerging roles of Financial Manager.

(*5 marks each*)

——— o ———