NEW SYLLABUS **425**

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

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

Total number of questions : 6 ***Total number of printed pages : 12***

NOTE : 1. *Answer* ***ALL*** *Questions.*
2. ***ALL*** *working notes should be shown distinctly.*

PART–I

1. *Explain the following* :

(*a*) Share-based payments as per Ind AS-102.

(*b*) Minority interest and its calculating procedure.

(*c*) Provisions of the Companies Act, 2013 regarding ‘‘Corporate Social Responsibility (CSR) spend’’.

(*5 marks each*)

Attempt all parts of either Q. No. 2 or Q. No. 2A

2. (*a*) B Ltd. forfeited 2000 equity shares of ₹ 10 each, ₹ 8 called up for non-payment of first call money of ₹ 2 each. The company has already received ₹ 2 on application and ₹ 4 on allotment on these shares. Out of the shares forfeited, 1500 shares were re-issued at ₹ 7 per share as showing ₹ 8 paid up.

Journalize the above transactions in the books of the company.

(*3 marks*)

(*b*) Titanic Ltd. issued 10,000 equity shares at ₹ 20 per share for cash and 20,000 equity shares to supplier of plant costing ₹ 4,50,000. Assuming face value of shares at ₹ 10 each, show the resultant disclosure in the notes to accounts attached to balance sheet as per Schedule III of the Companies Act, 2013.

(*3 marks*)

(*c*) Briefly describe the benefits of "Accounting Standards".

(*3 marks*)

(*d*) What do you mean by contingent liability ? Briefly explain it.

(*3 marks*)

(*e*) The following balances were stood in the Balance Sheet of Gauru Ltd. as on 31st March, 2018 :

(*i*) Share capital—Issued and subscribed :

2,00,000, 9% Preference shares of ₹ 100 each fully paid : ₹ 200 lakh

50,00,000 Equity shares of ₹ 10 each fully paid : ₹ 500 lakh

(*ii*) Reserves and surplus :

Capital Reserve ₹ 40,00,000 (created due to revaluation of fixed assets)

Securities Premium ₹ 60,00,000

General Reserve ₹ 35,00,000

Surplus (Statement of Profit & Loss) ₹ 80,00,000

On 1st April, 2018 the company decided to capitalise its reserves by way of issue of bonus shares at the rate of one equity share for every four equity shares held.

Show necessary journal entries in the books of the company.

(*3 marks*)

OR (Alternate question to Q. No. 2)

2A. (*i*) The following balances are extracted from the books of Raj Ltd. :

		₹
(1)	1,000, 7% Preference Shares of ₹ 100 each fully called up :	1,00,000
	Less : Calls in arrears @ ₹ 25 per share	500
	Amount paid up	99,500
(2)	Securities Premium Account	14,000
(3)	General Reserve	34,000

The directors redeemed the preference shares at a premium of 10% and for that purpose made a fresh issue of equity shares at par for such an amount as was necessary for the purpose after utilising the available sources to the maximum extent. Pass the necessary journal entries in the books of the company.

(*5 marks*)

(*ii*) A company has supplied the following data regarding underwriting of shares :

Underwriter	A	B	C	Total
(*a*) Gross Liability (No. of shares)	24,000	10,000	6,000	40,000
(*b*) Firm underwriting (to be treated as marked applications)	3,200	1,200	4,000	8,400
(*c*) Marked applications (excluding firm underwriting)	4,000	8,000	2,000	14,000
(*d*) Unmarked applications	—	—	—	6,000

Ascertain the final liability of each underwriter.

(*5 marks*)

(*iii*) The following balances are obtained from the Balance Sheet of Pimo Ltd. as on 31st March, 2018 :

(1) Shareholders' funds :

	(₹ in lakh)
(*a*) Issued and subscribed share capital :	
40,00,000 Equity Shares of ₹ 10 each fully paid	400
2,00,000, 10% Preference Shares of ₹ 100 each fully paid	200
(*b*) Reserves and Surplus :	
Capital Reserve	15
Securities Premium	75
General Reserve	125
(2) Non-current Investment	20
(3) Cash and Cash Equivalents	85

On 1st April, 2018 the shareholders of the company have approved the scheme of buy-back of equity shares as under :

(*a*) 10% of the equity shares would be bought back at ₹ 25 per share.

(*b*) Investment would be sold for ₹ 35 lakh.

(*c*) Premium on buy-back of shares should be met from securities premium account.

Pass necessary journal entries to record the above transactions.

(*5 marks*)

3. (*a*) Pass necessary journal entries in the books of Karan Ltd. in each of the following cases :

(*i*) 3,000, 8% Debentures of ₹ 100 each have been issued at par and are redeemable at par.

(*ii*) 6,000, 8% Debentures of ₹ 100 each are issued at par and are redeemable at 5% premium.

(*iii*) 5,000, 8% Debentures of ₹ 100 each have been issued at 5% discount and are redeemable at par.

(*iv*) 2,000, 8% Debentures of ₹ 100 each are issued at 5% discount and are redeemable at 4% premium.

(*v*) 4,000, 8% Debentures of ₹ 100 each are issued at 5% premium and are redeemable at par.

(*5 marks*)

(*b*) From the following information of Varsha Ltd., prepare a cash flow statement as per AS-03 :

Equity & Liabilities	**Previous Year (₹)**	**Current Year (₹)**	**Assets**	**Previous Year (₹)**	**Current Year (₹)**
Share Capital	5,00,000	7,00,000	Goodwill	—	50,000
General Reserve	1,20,000	1,30,000	Plant & Machinery	2,70,000	2,90,000
Profit & Loss A/c	1,00,000	1,20,000	Building	3,70,000	3,60,000
Sundry Creditors	1,10,000	1,20,000	Stock	2,60,000	2,40,000
Bills Payable	70,000	30,000	Sundry Debtors	1,90,000	2,20,000
Bank Overdraft	1,40,000	—	Cash & Bank	30,000	40,000
Provision for taxes	80,000	1,00,000			
	11,20,000	12,00,000		11,20,000	12,00,000

Additional information :

(1) During the current year an interim dividend of ₹ 50,000 was paid.

(2) The assets of Seema Ltd. were purchased on first day of the current year for ₹ 2,00,000 payable in fully paid shares of the company. These assets consisted of stock ₹ 80,000, machinery ₹ 70,000 and goodwill ₹ 50,000. In addition company purchased a machine worth ₹ 20,000.

(3) Income tax paid during the current year amounted to ₹ 60,000.

(4) The net profit for the current year before tax was ₹ 1,60,000.

(*5 marks*)

(*c*) What are the objectives of the Institute of Cost Accountants of India ? Give any *five* points.

(*5 marks*)

4. (*a*) From the balance sheets given below, prepare a consolidated balance sheet :

Particulars	**M Ltd.** (₹)	**D Ltd.** (₹)
I. EQUITY AND LIABILITIES :		
1. *Shareholders' fund*		
(*a*) Share Capital ₹ 1 each share	1,50,000	30,000
(*b*) Reserves and Surplus :		
General Reserve	15,000	9,000
Profit & Loss Account	60,000	18,000
2. *Current Liabilities*		
Creditors	20,000	14,000
Bills payable	10,000	8,500
Total	2,55,000	79,500
II. ASSETS :		
1. *Non-current Assets*		
Fixed Assets	1,20,000	18,000
Non-current Investments—22,500 shares in D Ltd.	22,500	
2. *Current Assets*		
Debtors	19,500	25,500
Stock	81,500	24,000
Bills Receivables	11,500	12,000
Total	2,55,000	79,500

Additional information :

(1) All the profits of D Ltd. have been earned since the shares were acquired by M Ltd. but there was already the general reserve of ₹ 9,000 at the date.

(2) There are mutual bills payable of ₹ 6,000 and ₹ 5,000 included in the bills payable of M Ltd. and D Ltd. respectively, out of which, the drawer companies discounted 60% the mutual bills.

(3) Fixed assets of D Ltd. are undervalued by ₹ 3,000, and those of M Ltd. overvalued by ₹ 10,000.

(*8 marks*)

(*b*) From the following statement of Profit & Loss of Rajshree Ltd., you are required to prepare a Value Added Statement for the year ended 31st March, 2018. Also prepare a reconciliation statement reconciling the gross value added and profit before tax :

Particulars	₹ ('000)	₹ ('000)
Income : Sales		7,000
Other income (dividend)		100
		7,100
Expenses : Production and operational charges (Note 1)	4,490	
Adminsitrative expenses (Note 2)	210	
Finance and other cost (Note 3)	780	
Depreciation	20	5,500
Profit before tax		1,600
Provision for tax		100
Profit after tax		1,500
Balance of profit brought forward from last balance sheet		200
		1,700
Transferred to general reserve	800	
Dividend paid	400	1,200
Surplus carried to balance sheet		500

Notes : ₹ ('000)

1. Production and operational charges consists of :

Raw materials consumed	2,700
Local taxes	190
Salaries and wages	1,200
Other production expenses	400
	4,490

2. Administration charges include salaries to directors 10
3. Finance and other cost include :
   (*a*) Interest : on bank overdraft (temporary nature) 130
   on fixed loan 80
   on working capital loan 40
   (*b*) Excise duties amount to 10% of the total value added by manufacturing and trading activities.

(*7 marks*)

PART–II

5. (*a*) The Costs of an article at a capacity level of 5,000 units is given under 'A' below. For a variation of 25% in capacity the individual expenses vary as indicated under 'B' below :

Item	**A (₹)**	**B**
Materials	1,00,000	100% varying
Wages	60,000	100% varying
Works overhead :		
Power	5,000	80% varying
Repairs	8,000	75% varying
Stores	4,000	100% varying
Inspection	2,000	20% varying
Depreciation	40,000	100% fixed
Administrative overhead	20,000	25% varying
Selling overhead	12,000	50% varying

Find the total cost and total cost per unit at the production levels of 4,000 units and 6,000 units.

(*5 marks*)

(*b*) The following is the information of Govind Trading Co. Ltd. :

Estimated annual sales	₹ 20,00,000
Ratios—	
Sales to shareholders' fund	2.5 times
Current debts (liabilities) to shareholders' fund	1 : 4
Current ratio	3.6 times
Ratio of net sales to inventory	4 times
Average collection period (taking 360 days in a year)	36 days

You are required to calculate :

(*i*) Net worth or Shareholders' fund

(*ii*) Current liabilities

(*iii*) Current assets

(*iv*) Inventory

(*v*) Debtors.

(*5 marks*)

(*c*) What do you mean by Cost Sheet ? State its advantages.

(*5 marks*)

(*d*) Discuss the social objectives (purposes) of Cost Audit.

(*5 marks*)

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

6. (*a*) The following data are related to a small manufacturing Co. :

Fixed cost	₹ 1,60,000
Variable cost	60% of sales

Calculate :

(1) P/V Ratio

(2) Break-even Point (B.E.P.)

(3) Sales required to earn a profit of ₹ 20,000

(4) Profit at an estimated sales of ₹ 4,40,000

(5) Margin of Safety when sales are ₹ 8,00,000.

(*5 marks*)

(*b*) The following information provided by Akul Ltd. for the year ended 31^{st} March, 2018 :

(*i*)	Share Capital :	
	4,00,000, 9% Preference Shares of ₹ 100 each	₹ 4,00,00,000
	80,00,000, Equity Shares of ₹ 10 each	₹ 8,00,00,000
(*ii*)	90,000, 8% Debentures of ₹ 100 each	₹ 90,00,000
(*iii*)	Profit before interest and tax	₹ 2,87,20,000
(*iv*)	Corporate tax rate	30%
(*v*)	Dividend payout ratio	80%
(*vi*)	Price-Earning (P/E) ratio	15

You are required to find out :

(1) Earnings per equity share

(2) Dividend per equity share

(3) Market price per equity share

(4) Earning yield on equity shares

(5) Dividend yield on equity shares

(*5 marks*)

(*c*) The balance sheet of Prateek Ltd. disclosed the following position as on 31st March, 2018 :

Particulars	Amount (₹)
I. EQUITY AND LIABILITIES	
1. *Shareholders' fund*	
(*a*) Equity Share Capital	
5,000 Shares of ₹ 100 each fully paid up	5,00,000
5,000 Shares of ₹ 100 each ₹ 60 paid up	3,00,000
5,000 Shares of ₹ 100 each ₹ 40 paid up	2,00,000
(*b*) *Reserves and Surplus*	
General Reserve	6,50,000
2. *Current Liabilities*	
Creditors	10,00,000
TOTAL	26,50,000
II. ASSETS	
1. *Non-current Assets*	
Fixed Assets	
Land & Buildings	14,00,000
Goodwill	50,000
2. Current Assets	12,00,000
TOTAL	26,50,000

Compute the value per share of each category of equities by the 'Net Assets Method'. Goodwill is valueless.

(*5 marks*)

(*d*) What do you understand by 'Management Reporting' ? What is its need in a company ?

(*5 marks*)

OR (Alternate question to Q. No. 6)

6A. (*i*) B Ltd. agreed to purchase the business of a sole trader. For this purpose, goodwill is to be valued at three years' purchase of the weighted average of previous 4 years' adjusted profits.

The appropriate weights to be used are—First year-1, second year-2, third year-3, fourth year-4.

The profits for the last 4 years were as follows :

First year : ₹ 20,400; Second year : ₹ 24,000; Third year : ₹ 26,200, Fourth year : ₹ 30,180.

The following additional information is also available :

(1) In the third year, on 1st December a major repair expenditure to plant and machinery for ₹ 6,000 was charged to Profit & Loss A/c. This was agreed to be capitalized for goodwill subject to 10% p.a. depreciation on diminishing balance method.

(2) The closing stock for the second year was over-valued by ₹ 1,400.

(3) In order to cover cost of management, an annual charge of ₹ 5,000 should be made for valuation of goodwill.

Compute the value of goodwill. Accounting year ending is 31st March.

(*5 marks*)

(*ii*) Rank the following three proposals on the basis of net present value index method :

	A	B	C
Cost of Proposal (₹)	2,00,000	2,40,000	5,00,000
Working Life	5 years	6 years	10 years
Scrap value (₹)	20,000	40,000	80,000
Annual cash inflow (₹)	50,000	80,000	1,00,000

The present values of the annuity of ₹ 1 for 5, 6 and 10 years at 10% discount rate are ₹ 3.791, ₹ 4.335 and ₹ 6.145 respectively. Similarly the present values of ₹ 1 to be received at the end of fifth, sixth and tenth year at 10% discount rate are ₹ .621, ₹ .564 and ₹ .386 respectively.

(*5 marks*)

(*iii*) Explain the advantages of Economic Value Added (EVA) Analysis in the corporate world.

(*5 marks*)

(*iv*) Explain briefly Share Based Payment Transaction and Arrangement with suitable examples of SBP Arrangement.

(*5 marks*)

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