

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) State, with reasons in brief, whether the following statements are true or false :
- (i) The existing equity shareholders are necessarily to accept the rights offer.
 - (ii) Contingent liability in respect of a transaction between holding and wholly owned subsidiary companies will not appear in the footnote of the consolidated balance sheet.
 - (iii) In case of inter-company unrealised profits included in unsold goods, minority shareholders are not affected in any way.
 - (iv) In case of inadequacy of profits, dividend can be paid out of capital reserve.
 - (v) Redemption of preference shares amounts to reduction in the capital of the company.
- (2 marks each)*
- (b) Write the most appropriate answer from the given options in respect of the following :
- (i) Discount allowed on the re-issue of forfeited shares cannot exceed —
 - (a) 10% of paid-up capital
 - (b) 10% of the capital re-issued
 - (c) The amount received on forfeited shares
 - (d) Capital reserve account.
 - (ii) 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 the —
 - (a) Disposal of net profit
 - (b) Managerial remuneration
 - (c) Fair value of assets
 - (d) Fair value of shares.
 - (iii) As per Accounting Standard–28, an impairment loss should be recognised whenever the recoverable amount of an asset is less than its —
 - (a) Original cost
 - (b) Opportunity cost
 - (c) Carrying amount
 - (d) None of the above.

- (iv) When a company issues debentures at par or at a discount which are redeemable at a premium, the premium payable on redemption of the debentures is to be treated as —
- Revenue loss
 - Capital loss
 - Deferred revenue expenditure
 - None of the above.
- (v) Expenses incidental to the creation and floatation of a company are called —
- Underwriting expenses
 - Preliminary expenses
 - Trade expenses
 - Establishment expenses.

(1 mark each)

- (c) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :
- Section 81 of the Companies Act, 1956, provides that where a public company proposes to increase its subscribed capital at any time after the expiry of _____ year(s) of its formation or at any time after the expiry of _____ year(s) from the first allotment of shares whichever is earlier, it should satisfy certain conditions.
 - Preliminary expenses being of capital nature may be written-off against _____.
 - Goodwill is an intangible asset, but is not a _____ asset.
 - Accumulated losses of the subsidiary company upto the date of acquisition of shares by the holding company are called _____ losses.
 - International Accounting Standards are issued by the _____.

(1 mark each)

2. (a) Calculate the value of one equity share from the following information :
- 60,000 equity shares of ₹10 each, ₹7 paid-up.
 - ₹2,00,000, 10% preference shares of ₹100 each, fully paid-up.
 - Expected annual profits before tax ₹4,00,000.
 - Tax rate 35%.
 - Transfer to general reserve 20% of profits every year.
 - Normal rate of return 20%.

(6 marks)

: 3 :

- (b) KBC Ltd. issued 50,000 equity shares. The whole of the issue was underwritten as follows :

Underwriter – K	:	40%
Underwriter – B	:	30%
Underwriter – C	:	30%

Applications for 40,000 shares were received in all, out of which applications for 10,000 shares had the stamp of Underwriter – K; those for 5,000 shares that of Underwriter – B; and those for 10,000 shares for Underwriter – C.

The remaining applications for 15,000 shares did not bear any stamp.

Determine the liability of the underwriters.

(5 marks)

- (c) Write a note on 'buy-back of shares'.

(4 marks)

3. (a) The following are the balance sheets of H Ltd. and its subsidiary S Ltd. as on 31st March, 2012 :

<i>Equity and Liabilities</i>	<i>H Ltd.</i> (₹)	<i>S Ltd.</i> (₹)
Shareholders' funds :		
Share capital		
Shares of ₹100 each fully paid	5,00,000	2,00,000
Reserves and surplus :		
General reserve	1,00,000	—
Profit and loss account	80,000	(–)1,00,000
Non-current liabilities :		
6% Debentures	—	1,00,000
Current liabilities :		
Trade payables	75,000	45,000
	<u>7,55,000</u>	<u>2,45,000</u>
<i>Assets</i>		
Non-current assets :		
Fixed assets	3,50,000	1,50,000
Non-current investments :		
6% Debentures in S Ltd. (<i>acquired at cost</i>)	60,000	—
1,500 Shares in S Ltd. at ₹80 each	1,20,000	—
Current assets :		
Inventories	90,000	40,000
Trade receivables	60,000	30,000
Cash	75,000	25,000
	<u>7,55,000</u>	<u>2,45,000</u>

H Ltd. acquired the shares on 1st August, 2011. The profit and loss account of S Ltd. showed a debit balance of ₹1,50,000 on 1st April, 2011. During June, 2011 goods of S Ltd. costing ₹6,000 were destroyed by fire against which insurer paid only ₹2,000. Trade payables 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 still in stock on 31st March, 2012.

Prepare a consolidated balance sheet and show the complete working.

(9 marks)

- (b) Shreya Ltd. had an issue of 1,000, 12% redeemable preference shares of ₹100 each, repayable at a premium of 10%. These shares are to be redeemed now out of the accumulated reserves, which are more than the necessary sum required for redemption. Show the necessary entries in the books of the company, assuming that the premium on redemption of shares has to be written off against the company's securities premium reserve account.

(6 marks)

4. (a) A limited company issued a prospectus inviting applications for 30,000 shares of ₹10 each at a premium of ₹2 per share. The amount was payable as follows :

	₹
On application	— 2
On allotment	— 5 (including premium)
On first call	— 3
On second and final call	— 2

Applications were received for 45,000 shares and allotment was made on *pro-rata* basis to the applicants of 36,000 shares. Money overpaid on applications was employed on account of sum due on allotment.

Ramesh, to whom 600 shares were allotted, failed to pay the allotment money and on his subsequent failure to pay the first call, his shares were forfeited. Mohan, the holder of 900 shares failed to pay the two calls and his shares were forfeited after the second and final call.

Of the shares forfeited, 1,200 shares were sold to Krishna credited as fully paid for ₹9 per share, the whole of Ramesh's share being included.

Show journal and cash book entries and prepare the balance sheet.

(12 marks)

- (b) Explain the nature of profit or loss prior to incorporation. How is it treated in the books of accounts ?

(3 marks)

: 5 :

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 sheet is the same as statement of cost and profit.
 - (ii) Zero base budgeting is based on incremental approach.
 - (iii) When a factory operates at full capacity, fixed cost also becomes relevant for make or buy decisions.
 - (iv) Marginal costing is different from direct costing.
 - (v) Management accounting is based on double entry system.
- (2 marks each)*
- (b) Write the most appropriate answer from the given options in respect of the following :
- (i) The rate of change of labour force in an organisation during a specified period is called —
 - (a) Labour efficiency
 - (b) Labour turnover
 - (c) Labour productivity
 - (d) None of the above.
 - (ii) Differential cost analysis is incorporated in the —
 - (a) Cost books
 - (b) Financial books
 - (c) Statutory books
 - (d) None of the above.
 - (iii) Marginal costing is a very useful technique to management for —
 - (a) Cost control
 - (b) Profit planning
 - (c) Decision making
 - (d) All of the above.
 - (iv) When prices of materials have a rising trend, then the suitable method for issuing the materials will be —
 - (a) FIFO
 - (b) LIFO
 - (c) HIFO
 - (d) Standard cost price.

- (v) Cash flow statement is required for the financial planning of —
- Short range
 - Long range
 - Medium range
 - Very long range.

(1 mark each)

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

- A document which provides for assembly of different costs in respect of a cost centre or a cost unit is called _____.
- Economic order quantity depends on _____ and _____ costs.
- In case the amount of overheads recovered from production is more than the actual overheads, there is said to be _____ of overheads.
- Abnormal idle time cost should be charged to _____.
- Bin card shows _____ at any moment of time.

(1 mark each)

6. (a) From the following particulars relating to Genius Ltd., prepare balance sheet as on 31st March, 2013 :

Fixed assets/turnover ratio (<i>based on sale</i>)	1:2
Debt collection period	2 months
Gross profit	25%
Consumption of raw materials	40% of cost of goods sold
Stock of raw materials	4 months consumption
Finished goods	20% of turnover at cost
Fixed assets to current assets	1:1
Current ratio	2
Long-term loan to current liability	1:3
Capital to reserve	5:2
Cost of fixed assets	₹10,50,000

(12 marks)

- (b) Marginal costing rewards sales whereas absorption costing rewards production. Comment.

(3 marks)

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7. (a) From the information given below prepare cash flow statement for Smile Ltd. :

Balance Sheets

	<i>As on</i> 31-03-2012 (₹ in '000)	<i>As on</i> 31-03-2013 (₹ in '000)
Equity and liabilities		
Shareholders' funds :		
Share capital	1,800	2,000
Reserves and surplus :		
General reserve	50	30
Profit and loss account	140	160
Non-current liabilities :		
Loan on mortgage @ 8% (taken on 1 st July, 2012)	—	50
Current liabilities :		
Bank overdraft	115	114
Trade payables	22	40
Short-term provisions :		
Provision for final dividend	90	80
	<u>2,217</u>	<u>2,474</u>
 Assets		
Non-current assets :		
Freehold building	1,000	1,160
Machinery and plant	340	490
Furniture and fittings	7	6
Goodwill	150	130
Investment in shares	100	120
Preliminary expenses	15	5
Current assets :		
Inventories	440	422
Trade receivables	160	134
Prepaid expenses	4	5
Cash in hand	1	2
	<u>2,217</u>	<u>2,474</u>

Additional information :

- (i) Depreciation on freehold building @ 2½% on cost ₹12,00,000; on machinery and plant @ 10% on cost ₹5,00,000; on furniture and fitting @ 5% on cost ₹10,000.
- (ii) Dividend received ₹6,000 was used in writing down the book value of investment in shares.

- (iii) Goodwill was written off out of general reserve.
 (iv) The proposed dividend for the year ended 31st March, 2012 was paid off and interim dividend of ₹60,000 was paid out of profit and loss account.

(12 marks)

- (b) Distinguish between 'production account' and 'cost sheet'.

(3 marks)

8. (a) The following data are available in a manufacturing company for a year period :
 (₹ in lakhs)

Fixed expenses :	
Wages and salaries	9.50
Rent, rates and taxes	6.60
Depreciation	7.40
Sundry administrative expenses	6.50
Semi-variable expenses (at 50% capacity) :	
Maintenance and repairs	3.50
Indirect labour	7.90
Sales department salaries, etc.	3.80
Sundry administrative expenses	2.80
Variable expenses (at 50% of capacity) :	
Materials	21.70
Labour	20.40
Other expenses	7.90
	<u>98.00</u>

Assume that fixed expenses remain constant for all levels of production, semi-variable expenses remain constant between 45% and 65% of capacity and increasing by 10% between 65% and 80% capacity and by 20% between 80% and 100% capacity.

Sales at various levels are – at 50% capacity : ₹100 lakh; at 60% capacity : ₹120 lakh; at 75% capacity : ₹150 lakh; at 90% capacity : ₹180 lakh; and at 100% capacity : ₹200 lakh.

Prepare a flexible budget for the year and forecast the profits at 60%, 75%, 90% and 100% of capacity.

(9 marks)

- (b) A company has fixed expenses of ₹90,000 with sales of ₹3,00,000 and a profit of ₹60,000 during the first half year. If in the next half year, the company suffered a loss of ₹30,000.

Calculate —

- (i) P/V ratio, break-even point and margin of safety for the first half year.
 (ii) Expected sales volume for next half year assuming that selling price and fixed expenses remain unchanged.
 (iii) The break-even point and margin of safety for the whole year.

(6 marks)