

Note: All questions are compulsory.

Question 1(8 marks)

V-mall Ltd. leased machinery to Indigo Ltd. on the following terms:

	(` in Lakhs)
Fair value of the machinery	20.00
Lease term	5 years
Lease Rental per annum	5.00
Guaranteed Residual value	1.00
Expected Residual value	2.00
Internal Rate of Return	15%

Depreciation is provided on straight line method @ 10% per annum. Ascertain unearned financial income and necessary entries may be passed in the books of the Lessee in the First year.

Question 2(5 Marks)

Indigo Limited has set up its business in a designated backward area which entitles the company to receive from the Government of India a subsidy of 20% of the cost of investment. Having fulfilled all the conditions under the scheme, the company on its investment of ` 50 crore in capital assets, received ` 10 crore from the Government in January, 2016 (accounting period being 2015-2016). The company wants to treat this receipt as an item of revenue and thereby reduce the losses on profit and loss account for the year ended 31st March, 2016.

Question 3 (5 Marks)

Venus Ltd. has an asset, which is carried in the Balance Sheet on 31.3.2015 at 500 lakhs. As at that date the value in use is ` 400 lakhs and the net selling price is ` 375 lakhs.

From the above data:

Calculate impairment loss.

Prepare journal entries for adjustment of impairment loss.

Show, how impairment loss will be shown in the Balance Sheet

Question 4(5 Marks)

In May, 2016 Speed Ltd. took a bank loan to be used specifically for the construction of a new factory building. The construction was completed in January, 2005 and the building was put to its use immediately thereafter. Interest on the actual amount used for construction of the building till its completion was ` 18 lakhs, whereas the total interest payable to the bank on the loan for the period till 31st March, 2005 amounted to ` 25 lakhs.

Can ` 25 lakhs be treated as part of the cost of factory building and thus be capitalized on the plea that the loan was specifically taken for the construction of factory building?

Question 5(5 Marks)

From the following information, value the inventories as on 31 st March, 2015:

Raw material has been purchased @ ` 125 per kg. Prices of raw material are on the decline. The finished goods being manufactured with the raw material is also being sold at below cost. The stock of raw material is of 15000 kg and the replacement cost of raw material is ` 100 per kg.

Cost of finished goods per kg. is as under:

	` per kg
Material cost	125
Direct labour cost	20
Direct variable production overhead	10

Fixed production overhead for the year for a normal capacity of 1,00,000 kgs of production is ` 10 lacs. At the year end, there were 2,000 kgs of finished goods in stock. Net realisable value of finished goods ` 140 per kg.

Question 6 (5 Marks)

Naren Garments Manufacturing Company Limited invested in the shares of another company on 1st November, 2014 at a cost of ` 3,00,000. It also earlier purchased Gold of ` 3,50,000 and Silver of ` 1,50,000 on 1st April, 2014. Market value as on 31st March, 2015 of above investments are as follows:

Shares 2,50,000

Gold 5,00,000

Silver 2,80,000

How will the above investments be shown in the books of accounts of Naren Garments Manufacturing Company Limited for the year ending 31st March, 2015 as per the provisions of Accounting Standard 13?

Question 7 (5 Marks)

S Ltd. has constructed a fixed asset and incurred the following expenses on its construction:

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Materials	7,00,000
Direct Expenses	1,80,000
Total Direct Labour (excluding the amount allocated to fixed asset constructed) (1/10th of the total labour was chargeable to the fixed asset constructed)	18,00,000
Total Office & Administration Expenses (5% is chargeable to the fixed asset constructed)	1,70,000
Total Depreciation (10% is chargeable to the fixed asset constructed)	1,90,000

Calculate the cost of the fixed asset constructed as per AS 10.

Question 8(5 marks)

A firm of contractors obtained a contract work. The following details are available in the records for the year ended 31st March, 2015:

	(` in lakhs)
Total contract price	800
Work certified	350

Work not certified	75
Estimated further cost to completion	480
Progress payment received	380
Payment to be received	120

Find out the amount of foreseeable loss, contract work -in-progress, contract value recognized as per AS 7 and the amount due or from the customers.

Question 9 (7 marks)

Ram Ltd. holds 80% share in Shyam Ltd., its subsidiary. Share capital of Shyam Ltd. is ` 25,00,000 and reserves being ` 5,00,000 on the date of acquisition 31.3.2012.

Following is the results of Shyam Ltd.:

Year ended	Profit/(Loss)	Net worth (` in lakhs)
31.3.2013	(15,00,000)	+15.00
31.3.2014	(20,00,000)	(5.00)
31.3.2015	4,00,000	(1.00)
31.3.2016	5,00,000	+4.00

Calculate minority interest for the period from 2011-2012 to 2015-2016 as per AS 21.
