

AS 4, 20, 9, 11, 2, 12 & 5

- NOTES: (1) WORKING NOTES SHOULD FORM PART OF ANSWERS.
(2) NEW QUESTION SHOULD BE ON NEW PAGE

QUESTION NO.1

- A. An earthquake destroyed a major warehouse of PQR Ltd. on 30.4.2019. The accounting year of the company ended on 31.3.2019. The accounts were approved on 30.6.2019. The loss from earthquake is estimated at Rs. 25 lakhs. **State with reasons, whether the loss due to earthquake is an adjusting or non-adjusting event and how the fact of loss is to be disclosed by the company.** (5 MARKS)

B.

Particulars		Kg.	Rs.
Opening Inventory:	Finished Goods	1,000	25,000
	Raw Materials	1,100	11,000
Purchases		10,000	1,00,000
Labour			76,500
Overheads (Fixed)			75,000
Sales		10,000	2,80,000
Closing Inventory:	Raw Materials	900	
	Finished Goods	1200	

The expected production for the year was 15,000 kg of the finished product. Due to fall in market demand the sales price for the finished goods was Rs. 20 per kg and the replacement cost for the raw material was Rs. 9.50 per kg on the closing day. **You are required to calculate the closing inventory as on that date.** (5 MARKS)

QUESTION NO.2

A.

- (I) AXE Limited purchased fixed assets costing \$ 5,00,000 on 1st Jan. 2018 from an American company M/s M&M Limited. The amount was payable after 6 months. The company entered into a forward contract on 1st January 2018 for five months @ Rs. 62.50 per dollar. The exchange rate per dollar was as follows :

On 1st January, 2018 Rs. 60.75 per dollar

On 31st March, 2018 Rs. 63.00 per dollar

You are required to state how the profit or loss on forward contract would be recognized in the books of AXE Limited for the year ending 2017-18, as per the provisions of AS 11.

- (II) Assets and liabilities and income and expenditure items in respect of integral foreign operations are translated into Indian rupees at the prevailing rate of exchange at the end of the year. The resultant exchange differences in the case of profit, is carried to other Liabilities Account and the Loss, if any, is charged to revenue. **You are required to comment in line with AS 11 .**

(6 MARKS)

- B. Viva Ltd. received a specific grant of Rs. 30 lakhs for acquiring the plant of Rs. 150 lakhs during 2014- 15 having useful life of 10 years. The grant received was credited to deferred income in the balance sheet and was not deducted from the cost of plant. During 2017-18, due to non-compliance of conditions laid down for the grant, the company had to refund the whole grant to the Government. Balance in the deferred income on that date was Rs. 21 lakhs and written down value of plant was Rs. 105 lakhs. **What should be the treatment of the refund of the grant and the effect on cost of the fixed asset and the amount of depreciation** to be charged during the year 2017-18 in profit and loss account?

(4 MARKS)

QUESTION NO.3

- A. Given below are the following information of B.S. Ltd.
- (i) Goods of Rs. 50,000 were sold on 18-03-2018 but at the request of the buyer these were delivered on 15-04-2018.
 - (ii) On 13-01-2018 goods of Rs. 1,25,000 are sent on consignment basis of which 20% of the goods unsold are lying with the consignee as on 31-03-2018.
 - (iii) Rs. 1,00,000 worth of goods were sold on approval basis on 01-12-2017. The period of approval was 3 months after which they were considered sold. Buyer sent approval for 75% goods up to 31-01-2018 and no approval or disapproval received for the remaining goods till 31-03-2018.

You are required to advise the accountant of B.S. Ltd., with valid reasons, the amount to be recognized as revenue for the year ended 31st March, 2018 in above cases in the context of AS-9.

(6 MARKS)

- B. **Explain whether the following will constitute a change in accounting policy or not as per AS 5.**
- (i) Introduction of a formal retirement gratuity scheme by an employer in place of ad hoc ex-gratia payments to employees on retirement.
 - (ii) Management decided to pay pension to those employees who have retired after completing 5 years of service in the organization. Such employees will get pension of Rs. 20,000 per month. Earlier there was no such scheme of pension in the organization.

(4 MARKS)

QUESTION NO.4

- A. On 31st March 2017, a business firm finds that cost of a partly finished unit on that date is Rs. 530. The unit can be finished in 2017-18 by an additional expenditure of Rs. 310. The finished unit can be sold for Rs. 750 subject to payment of 4% brokerage on selling price. **The firm seeks your advice regarding the amount at which the unfinished**

unit should be valued as at 31st March, 2017 for preparation of final accounts.
Assume that the partly finished unit cannot be sold in semi finished form and its NRV is zero without processing it further.

(5 MARKS)

- B. From the following information given by Sampark Ltd., Calculate Basis EPS and Diluted EPS as per AS 20 :

	Rs.
Net Profit for the current year	2,50,00,000
No. of Equity Shares Outstanding	50,00,000
No. of 12% convertible debentures of Rs.100 each	50,000
Each debenture is convertible into 8 Equity Shares	
Interest expense for the current year	6,00,000
Tax saving relating to interest expense (30%)	1,80,000

(5 MARKS)