

Question 1 (3 Marks – movements of mutual funds, 2 marks – working note)

**Statement showing the Movement of Unit Holders' Funds
for the year ended 31st March, 2017**

	(₹ '000)
Opening balance of net assets	12,00,000
Add: Par value of units issued (8,50,200 × ₹ 100)	85,020

* Amended as per SEBI (Mutual Fund) (Amendments) Regulations, 2016 w.e.f 12.02.2016

Net Income for the year	85,000
Transfer from Reserve/Equalisation fund (Refer working note)	<u>15,390</u>
	13,85,410
Less: Par value of units redeemed (7,52,300 × ₹ 100)	<u>(75,230)</u>
Closing balance of net assets (as on 31 st March, 2017)	<u>13,10,180</u>

Working Note:

Particulars	Issued	Redeemed
Units	8,50,200	7,52,300
	₹ 000	₹ 000
Par value	85,020	75,230
Sale proceeds / Redemption value	96,500	71,320
Profit transferred to Reserve / Equalisation Fund	11,480	3,910
Balance in Reserve / Equalisation Fund (Issued & Redeemed)	15,390	

Question 2

(6 marks)

	₹ in lakhs	₹ in lakhs	
Opening bank balance [₹ (100 – 90 - 5) lakhs]	5.00		
Add: Proceeds from sale of securities	40.00		
Dividend received	<u>1.20</u>	46.20	
Less: Cost of securities	28.20		
Fund management expenses [₹ (4.50–0.35) lakhs]	4.15		
Capital gains distributed (75% of ₹ (40.00 – 38.00) lakhs)	1.50		
Dividends distributed (75% of ₹ 1.20 lakhs)	<u>0.90</u>	<u>(34.75)</u>	
Closing bank balance		11.45	
Closing market value of portfolio		<u>112</u>	
		123.45	
Less: Arrears of expenses		<u>(0.35)</u>	
Closing net assets		<u>123.10</u>	
Number of units			10,00,000
Closing Net Assets Value (NAV)			₹ 12.31

Question 3 (5 marks- statement of underwriters liability, 3 marks – journal entries)

(8 marks)

(i) Statement showing underwriters' liability for shares other than shares underwritten firm

	X	Y	Z	Total
Gross liability (Issued shares – purchased by				

promoters, directors etc) (9,00,000 shares in the ratio of 65 : 25 : 10)	5,85,000	2,25,000	90,000	9,00,000
Less: Marked applications	<u>(1,19,500)</u>	<u>(57,500)</u>	<u>(10,500)</u>	<u>(1,87,500)</u>
	4,65,500	1,67,500	79,500	7,12,500
Less : Allocation of unmarked applications (including firm underwriting i.e. 7,00,000) in the ratio 65 : 25 : 10	<u>(4,55,000)</u>	<u>(1,75,000)</u>	<u>(70,000)</u>	<u>(7,00,000)</u>
	10,500	(7,500)	9,500	12,500
Surplus of Y allocated to X and Z in the ratio 65 : 10	<u>(6,500)</u>	<u>7,500</u>	<u>(1,000)</u>	<u>—</u>
Additional shares to be purchased by X & Z	<u>4,000</u>	<u>—</u>	<u>8,500</u>	<u>12,500</u>

	₹	₹	₹
Additional Liability for additional shares @ ₹ 11	44,000	—	93,500
Underwriting commission payable on Gross Liability (Shares underwritten as Gross liability × ₹ 11 × 2%)	<u>(1,28,700)</u>	<u>(49,500)</u>	<u>(19,800)</u>
Net Amount payable	(84,700)	(49,500)	-
Net Amount receivable	-	-	73,700

(ii) Journal Entries

		Dr.	Cr.
		₹	₹
Bank A/c	Dr.	11,00,000	
To Equity Shares Application A/c			11,00,000
(Being application money received on 1 lakh equity shares purchased by directors etc @ ₹ 11 per share)			
Bank A/c	Dr.	97,62,500	
To Equity Share Application A/c			97,62,500
(Application money received on 8,87,500 equity shares @ ₹ 11 per share from general public and underwriters for shares underwritten firm)			
Equity Share Application A/c	Dr.	1,08,62,500	
X' s A/c	Dr.	44,000	
Z' s A/c	Dr.	93,500	
To Equity Share Capital A/c			1,00,00,000
To Securities Premium A/c			10,00,000

Question 4 (

(8 marks)

Solution

(1) Minority Interest = Equity attributable to minorities

Equity is the residual interest in the assets of an enterprise after deducting all its liabilities i.e. in this case it should be equal to Share Capital + Profit & Loss A/c

	Minority % Shares Owned [E]	Minority interest as at the date of acquisition [E] x [A + B] ₹	Minority interest as at the date of consolidation [E] X [C + D] ₹
Case 1 [100-90]	10 %	15,000	17,000
Case 2 [100-85]	15 %	19,500	18,000
Case 3 [100-80]	20 %	14,000	14,000
Case 4 [100-100]	NIL	Nil	Nil

2 marks

A = Share capital on 1.1.2016

B = Profit & loss account balance on 1.1.2016

C = Share capital on 31.12.2016

D = Profit & loss account balance on 1.1.2016

(2) Calculation of Goodwill or Capital Reserve

	Sharehold- ing % [F]	Cost [G]	Total Equity [A] + [B] = [H]	Parent's Portion of equity [F] x [H]	Goodwill ₹ [G] - [H]	Capital Reserve ₹ [H] - [G]
Case 1	90 %	1,40,000	1,50,000	1,35,000	5,000	—
Case 2	85 %	1,04,000	1,30,000	1,10,500	—	6,500
Case 3	80 %	56,000	70,000	56,000	Nil	Nil
Case 4	100 %	1,00,000	90,000	90,000	10,000	—

3 marks

- (3) The balance in the Profit & Loss Account on the date of acquisition (1.1.2016) is Capital profit, as such the balance of Consolidated Profit & Loss Account shall be equal to Holding Co.'s profit.

On 31.12.2016 in each case the following amount shall be added or deducted from the balance of holding Co.'s Profit & Loss account.

	% Share holding [K]	P & L as on 31.12.2016 [L]	P & L as on consolidation date [M]	P & L post acquisition [N] = [M] - [L]	Amount to be added / (deducted) from holding's P & L [O] = [K] x [N]
1	90 %	50,000	70,000	20,000	18,000
2	85 %	30,000	20,000	(10,000)	(8,500)
3	80 %	20,000	20,000	NIL	NIL
4	100 %	40,000	55,000	15,000	15,000

3 marks

Question 5

(12 marks)

Note: It is assumed that Preference shares given in the question are non-convertible in nature.

**Consolidated Profit and Loss Account of H Ltd. and S Ltd.
for the year ended 31.12.2016**

Particulars	Note No.	₹
I. Revenue from operations	1	<u>17,90,000</u>
II. Total revenue		<u>17,90,000</u>
III. Expenses		
Cost of Material purchased/consumed	2	10,40,000
Changes of Inventories of finished goods		
Employee benefit expense (1,00,000 + 1,50,000)		2,50,000
Finance cost (12,000 + 12,000)		24,000
Depreciation and amortization expense [1,10,000 + 79,000]		1,89,000
Other expenses [80,000 + 60,000]		<u>1,40,000</u>
Total expenses		<u>16,43,000</u>
IV. Profit before Tax (II-III)		1,47,000
Profit transferred to Consolidated Balance Sheet		
Profit After Tax		1,47,000
Preference dividend	3,500	
Preference dividend payable	<u>3,500</u>	<u>(7,000)</u>
		1,40,000
Less: Minority interest (WN 3)		(7,000)
Capital reserve*		(7,000)
Investment Account - dividend for 3 months (prior to acquisition)		(1,750)
Inventory reserve $\left[\frac{60,000}{4} \times \frac{20}{120} \right]$		<u>(2,500)</u>
Profit to be transferred to consolidated balance sheet		1,21,750

6 marks

Notes to Accounts

		₹	₹
1	Revenue from Operations		
	H Ltd.	9,00,000	
	S Ltd.	<u>9,50,000</u>	
	Total	18,50,000	
	Less : Intra-group sales (H sold to S)	<u>(60,000)</u>	17,90,000

*Capital Reserve is made up of 3 month's profit upto 1.4.2016 i.e. $\frac{1}{4} \times 35,000 \times 80/100$.

2 marks

2	Cost of Materials Purchased/Consumed		
	H Ltd.	5,00,000	
	S Ltd.	<u>6,00,000</u>	
	Total	11,00,000	
	Less : Intra-group sales (H sold to S)	<u>(60,000)</u>	10,40,000

Working Note

Profit of Subsidiary

Revenue from Operations		9,50,000
Less : Expenses		
Cost of Material purchased/Consumed	6,00,000	
Changes of Inventories of finished goods		
Employee benefit expense	1,50,000	
Finance cost	12,000	
Depreciation and amortization expense	79,000	
Other expenses	<u>60,000</u>	
Total expenses		<u>(9,01,000)</u>
Profit Before Tax		<u>49,000</u>
Preference Dividend		7,000
Preference Dividend Payable		7,000
Profit available for shareholders		35,000
Minority Share (20%)		7,000

4 marks

Question 6

(6 marks)

Solution

Statement showing computation of 'Net Owned Fund'

		₹ in 000
Paid up Equity Capital		100
Free Reserves		<u>500</u>
		600
Less: Deferred expenditure		<u>(200)</u>
	A	<u>400</u>
Investments		
In shares of subsidiaries and group companies		100
In debentures of subsidiaries and group companies		<u>100</u>
	B	<u>200</u>
10% of A		40
Excess of Investment over 10% of A (200-40)	C	160
Net Owned Fund [(A) - (C)] (400-160)		240

Solution

Statement showing classification as per Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016

		(₹ in lakhs)
<u>Standard Assets</u>		
Accounts (Balancing figure)	86.00	
200 accounts overdue for a period for 2 months	40.00	
24 accounts overdue for a period by 3 months	<u>24.00</u>	150.00
<u>Sub-Standard Assets</u>		
4 accounts identified as sub-standard asset for a period less than 14 months		14.00
<u>Doubtful Debts</u>		
6 accounts identified as sub-standard for a period more than 14 months		6.00
4 accounts identified as sub-standard for a period more than 3 years		20.00
<u>Loss Assets</u>		
1 account identified by management as loss asset		<u>10.00</u>
Total overdue		<u>200.00</u>
