(Marks - 100)

Question 1 is compulsory and attempt any 4 out of remaining 5 questions

Question 1:

(A)

An airline is required by law to overhaul its aircraft once in every five years. The pacific Airlines which operate aircrafts does not provide any provision as required by law in its final accounts. Discuss with reference to relevant Accounting Standard 29. **(5 marks)**

(B)

The following information relates to M/s. XYZ Limited for the year ended 31st March, 2017:

Net Profit for the year after tax:	Rs. 75,00,000
Number of Equity Shares of Rs. 10 each outstanding:	Rs. 10,00,000

Convertible Debentures Issued by the Company (at the beginning of the year)

Particulars	**Nos.**
8% Convertible Debentures of Rs. 100 each	1,00,000
Equity Shares to be issued on conversion	1,10,000

The Rate of Income Tax: 30%.

You are required to **calculate** Basic and Diluted Earnings Per Share (EPS). **(5 marks)**

(C)

Fashion Limited is engaged in manufacturing of readymade garments. They provide you the following information on 31st March, 2017:

(i) On 15th January, 2017 garments worth Rs. 4,00,000 were sent to Anand on consignment basis of which 25% garments unsold were lying with Anand as on 31st March, 2017.

(ii) Garments worth Rs. 1,95,000 were sold to Shine boutique on 25th March, 2017 but at the request of Shine Boutique, these were delivered on 15th April, 2017.

(iii) On 1st November, 2016 garments worth Rs. 2,50,000 were sold on approval basis. The period of approval was 4 months after which they were considered sold. Buyer sent approval for 75% goods up to 31st December, 2016 and no approval or disapproval received for the remaining goods till 31st March, 2017.

You are required to advise the accountant of Fashion Limited, the amount to be recognised as revenue in above cases in the context of AS 9. **(5 marks)**

(D)

Uday Constructions undertake to construct a·bridge for the Government of Uttar Pradesh. The construction commenced during the financial year ending 31.03.2018 and is likely to be completed by the next financial year. The contract is for a fixed price of Rs. 12 crores with an escalation clause. You are given the following information for the year ended 31.03.2018:

Cost incurred upto 31.03.2018 Rs. 4 crores

Cost estimated to complete the contract Rs. 6 crores

Escalation in cost by 5% and accordingly the contract price· is increased by 5%.

You are required to ascertain the state of completion and compute the amount of revenue and profit to be recognized for the year as per AS-7. **(5 marks)**

Question 2:

(A)

SMM Ltd. has the following capital structure as on 31st March, 2017: **Rs. in crore**

	Particulars	**Situation**	**Situation**
(i)	Equity share capital (shares of Rs. 10 each)	1,200	1,200
(ii)	Reserves:		
	General Reserves	1,080	1,080
	Securities Premium	400	400
	Profit & Loss	200	200
	Infrastructure Development Reserve (Statutory Reserve)	320	320
(iii)	Loan Funds	3,200	6,000

The company has offered buy back price of Rs. 30 per equity share. You are required to calculate maximum permissible number of equity shares that can be bought back in both situations and also required to pass necessary Journal Entries. **(12 marks)**

(B)

M/s. Abhi Ltd. issued 2,00,000 shares of Rs. 10 each at a premium of Rs. 20. The entire issue was underwritten as follows:

Amit – 1,20,000 shares (Firm underwriting 10,000 shares)

Sumit – 50,000 shares (Firm underwriting 6,000 shares)

Lalit – 30,000 shares (Firm underwriting 4,000 shares)

Unmarked applications received by the company (excluding firm underwriting) were 25,000 shares.

The marked applications (excluding firm underwriting) were as follows:

Amit – 80,000 shares

Sumit – 35,000 shares

Lalit– 24,800 shares

Commission payable to underwriters is at 5% of the issue price. The underwriting contract provides that credit for unmarked applications be given to the underwriters in proportion to the shares underwritten and benefit of firm underwriting is to be given to individual underwriters.

You are required to :

(i) Calculate the liability of each underwriter (number of shares);

(ii) Compute the amounts payable to or due from underwriters. **(8 marks)**

Question 3:

(A)

P Ltd. and Q Ltd. agreed to amalgamate their business. The scheme envisaged a share capital, equal to the combined capital of P Ltd. and Q Ltd. for the purpose of acquiring the assets, liabilities and undertakings of the two companies in exchange for share in PQ Ltd.

The Summarized Balance Sheets of P Ltd. and Q Ltd. as on 31st March, 2017 (the date of amalgamation) are given below:

Summarized balance sheets as at 31-03-2017

Liabilities	**P Ltd. Rs.**	**Q Ltd. Rs.**	**Assets**	**P Ltd. Rs.**	**Q Ltd. Rs.**
Equity & liabilities:			Assets:		
Shareholders Fund			Non-current Assets:		
a. Share Capital	6,00,000	8,40,000	Fixed Assets (excluding Goodwill)	7,20,000	10,80,000
b. Reserves	10,20,000	6,00,000	Current Assets		
Current Liabilities			a. Inventories	3,60,000	6,60,000
Bank Overdraft	-	5,40,000	b. Trade receivables	4,80,000	7,80,000
Trade payables	2,40,000	5,40,000	c. Cash at Bank	3,00,000	-
	18,60,000	25,20,000		18,60,000	25,20,000

The consideration was to be based on the net assets of the companies as shown in the above Balance Sheets, but subject to an additional payment to P Ltd. for its goodwill to be calculated as its weighted average of net profits for the three years ended 31 st March, 2017. The weights for this purpose for the years 2014-15, 2015-16 and 2016-17 were agreed as 1, 2 and 3 respectively.

The profit had been:
2014-15 Rs. 3,00,000; 2015-16 Rs. 5,25,000 and 2016-17 Rs. 6,30,000.

The shares of PQ Ltd. were to be issued to P Ltd. and Q Ltd. at a premium and in proportion to the agreed net assets value of these companies.

In order to raise working capital, PQ Ltd proceeded to issue 72,000 shares of Rs. 10 each at the same rate of premium as issued for discharging purchase consideration to P Ltd. and Q Ltd.

You are required to:

(i) ***Calculate*** *the number of shares issued to P Ltd. and Q Ltd; and*

(ii) ***Prepare*** *the Balance Sheet of PQ Ltd. as per Schedule III.* **(16 marks)**

(B)

You are required to compute the value of Goodwill by equity approach in the following case:

(i)	Current cost of capital employed	Rs. 10,40,000
(ii)	Profit earned after current cost adjustments	Rs. 1,72,000
(iii)	10% long term loan	Rs. 4,50,000
(iv)	Normal rate of return on equity capital employed	15.6%

(4 marks)

Question 4:

(A)

The following are the figures extracted from the books of TOP Bank Limited as on 31.3.2017.

	Rs.
Interest and discount received	59,29,180
Interest paid on deposits	32,59,920
Issued and subscribed capital	16,00,000
Salaries and allowances	3,20,000
Directors fee and allowances	48,000
Rent and taxes paid	1,44,000
Postage and telegrams	96,460
Statutory reserve fund	12,80,000
Commission, exchange and brokerage	3,04,000
Rent received	1,04,000
Profit on sale of investments	3,20,000
Depreciation on bank's properties	48,000
Statutory expenses	44,000
Preliminary expenses	40,000
Auditor's fee	28,000

The following further information is given:

(i) A customer to whom a sum of Rs. 16 lakhs has been advanced has become insolvent and it is expected only 40% can be recovered from his estate.

(ii) There were also other debts for which a provision of Rs. 2,10,000 was found necessary by the auditors.

(iii) Rebate on bills discounted on 31.3.2016 was Rs. 19,000 and on 31.3.2017 was Rs. 25,000.

(iv) Preliminary expenses are to be fully written off during the year.

(v) Provide Rs. 9,00,000 for Income-tax.

(vi) Profit and Loss account opening balance was Nil as on 31.3.2016.

Prepare the Profit and Loss account of TOP Bank Limited for the year ended 31.3.2017.

(12 marks)

(B)

Liquidation of YZ Ltd. commenced on 2nd April, 2018. Certain creditors could not receive payments out of the realisation of assets and out of the contributions from A lis t contributories. The following are the details of certain transfers which took place in 2017 and 2018:

Shareholders	No. of Shares transferred	Date of Ceasing to be a member	Creditors remaining unpaid and outstanding on the date of such transfer
A	2,000	1st March, 2017	Rs. 5,000
P	1,500	1st May, 2017	Rs. 3,300
Q	1,000	1st October, 2017	Rs. 4,300
R	500	1st November, 2017	Rs. 4,600
S	300	1st February, 2018	Rs. 6,000

All the shares were of Rs. 10 each, Rs. 8 per share paid up. You are required to compute the amount to be realized from the various persons listed above ignoring expenses and remuneration to liquidator etc. **(8 marks)**

Question 5:

(A)

Given below are the Profit & Loss Accounts of Hello Ltd. and its subsidiary Sun Ltd. for the year ended 31st March, 2017:

	Hello Ltd. (Rs. in lacs)	Sun Ltd. (Rs. in lacs)
Incomes:		
Sales and other income	10,000	2,000
Increase in Inventory	2,000	400
	12,000	2,400
Expenses:		
Raw material consumed	1,600	400
Wages and Salaries	1,600	300
Production expenses	400	200
Administrative Expenses	400	200
Selling and Distribution Expenses	400	100
Interest	200	100
Depreciation	200	100
	4,800	1,400
Profit before tax	7,200	1,000
Provision for tax	2,400	400
Profit after tax	4,800	600
Dividend paid	2,400	300
Balance of Profit	2,400	300

Other Information:

Hello Ltd. sold goods to Sun Ltd. of Rs. 240 lacs at cost plus 20%. Inventory of Sun Ltd. includes such goods valuing Rs. 48 lacs. Administrative expenses of Sun Ltd. include Rs. 10 lacs paid to Hello Ltd. as consultancy fees. Selling and distribution expenses of Hello Ltd. include Rs. 20 lacs paid to Sun Ltd. as commission.

Hello Ltd. holds 80% of equity share capital of Rs. 2,000 lacs in Sun Ltd. prior to 2015-2016. Hello Ltd. took credit to its Profit and Loss Account, the proportionate amount of dividend declared and paid by Sun Ltd. for the year 2015-2016.

You are required to **prepare** a consolidated profit and loss account of Hello Ltd. and its subsidiary Sun Ltd. for the year ended 31st March, 2017. **(15 marks)**

(B)

From the following particulars of M/s. Tsunami Marine Insurance Limited for the year ending 31st March, 2018, find out the,

(i) Net Premium earned

(ii) Net Claims incurred

	Direct Business	**Re- Insurance**
	(Rs.) lakhs	**(Rs.) lakhs**
PREMIUM:		
Received	4,400	376
Receivable -01.04.2017	220	18
Receivable -31.03.2018	189	16
Paid		305
Payable - 01.04.2017		14
Payable - 31.03.2018		9
CLAIMS:		
Paid	3,450	277
Payable - 01.04.2017	45	8
Payable - 31.03.2018	48	6
Received		101
Receivable - 01.04.2017		20
Receivable - 31.03.2018		19

(5 marks)

Question 6:

(A)

Omega Mutual Fund is registered with SEBI and having its registered office at Mumbai. The fund is in the process of finalizing the annual statement of accounts of one of its open ended mutual fund schemes. From the information furnished below, you are required to prepare a statement showing the movement of unit holders' funds for the financial year ended 31st March, 2018.

	Rs. '000
Opening Balance of net assets	18,00,000
Net Income for the year (Audited)	1,27,500
12,75,300 units issued during 2017-2018	1,44,750
11,28,450 units redeemed during 2017-2018	1,06,980
The par value per unit is Rs. 100	

(6 marks)

(B)

A company has its share capital divided into shares of Rs. 10 each. On 1-1-20X1, it granted 5,000 employees stock options at Rs. 50, when the market price was Rs. 140. The options were to be exercised between 1-3-20X2 to 31-03-20X2. The employees exercised their options for 4,800 shares only; remaining options lapsed. You are required to prepare the necessary journal entries for the year ended 31-3-20X2, with regard to employees' stock options. **(5 marks)**

(C)

M/s Xylem Limited has decided to reconstruct the Balance Sheet since it has accumulated huge losses. The following is the summarized Balance Sheet of the company as on 31st March, 2017 before reconstruction:

Liabilities	Amount (Rs.)	Assets	Amount(Rs.)
Share Capital		Land & Building	42,70,000
50,000 shares of Rs. 50		Machinery	8,50,000
each fully paid up	25,00,000	Computers	5,20,000
1,00,000 shares of Rs. 50		Inventories	3,20,000
each Rs. 40 paid up	40,00,000	Trade receivables	10,90,000
Capital Reserve	5,00,000	Cash at Bank	2,68,000
8% Debentures of Rs. 100 each	4,00,000	Profit & Loss Account	29,82,000
12% Debentures of Rs. 100 each	6,00,000		
Trade creditors	12,40,000		
Outstanding Expenses	10,60,000		
	1,03,00,000		1,03,00,000

Following is the interest of Mr. A and Mr. B in M/s Xylem Limited:

	Mr. A	Mr. B
8% Debentures	3,00,000	1,00,000
12% Debentures	4,00,000	2,00,000
Total	7,00,000	3,00,000

The following scheme of internal reconstruction was framed and implemented, as approved by the court and concerned parties:

(1) Uncalled capital is to be called up in full and then all the shares to be converted into Equity Shares of Rs. 40 each.

(2) The existing shareholders agree to subscribe in cash, fully paid up equity shares of 40 each for Rs. 12,50,000.

(3) Trade creditors are given option of either to accept fully paid equity shares of Rs. 40 each for the amount due to them or to accept 70% of the amount due to them in cash in full settlement of their claim. Trade creditors for Rs. 7,50,000 accept equity shares and rest of them opted for cash towards full and final settlement of

their claim.

(4) Mr. A agrees to cancel debentures amounting to Rs. 2,00,000 out of total debentures due to him and agree to accept 15% Debentures for the balance amount due. He also agree to subscribe further 15% Debentures in cash amounting to Rs. 1,00,000.

(5) Mr. B agrees to cancel debentures amounting to Rs. 50,000 out of total debentures due to him and agree to accept 15% Debentures for the balance amount due.

(6) Land & Building to be revalued at Rs. 51,84,000, Machinery at Rs. 7,20,000, Computers at Rs. 4,00,000, Inventories at Rs. 3,50,000 and Trade receivables at 10% less to as they are appearing in Balance Sheet as above.

(7) Outstanding Expenses are fully paid in cash.

(8) Profit & Loss A/c will be written off and balance, if any, of Capital Reduction A/c will be adjusted against Capital Reserve.

You are required to **prepare** necessary Journal Entries for all the above transactions.

(9 marks)