SUGGESTED SOLUTION

INTERMEDIATE N'19 EXAM

SUBJECT- ADVANCED ACCOUNTS

Test Code - PIN 5064 M

BRANCH - () (Date :)

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ANSWER-1

ANSWER-A

As per AS 19 "Leases", the lessee should recognize the lease as an asset and a liability at the inception of a finance lease. Such recognition should be at an amount equal to the fair value of the leased asset at the inception of lease. However, if the fair value of the leased asset exceeds the present value of minimum lease payment from the standpoint of the lessee, the amount recorded as an asset and liability should be the present value of minimum lease payments from the standpoint of the lessee.

Value of machinery

In the given case, fair value of the machinery is Rs. 10,00,000 and the net present value of minimum lease payments is Rs. 10,01,497 (Refer working Note). As the present value of the machine is more than the fair value of the machine, the machine and the corresponding liability will be recorded at fair value of Rs. 10,00,000.

Calculation of finance charges for each year

Year	Finance charge (Rs.)	Payment (Rs.)	Reduction in outstanding liability (Rs.)	Outstanding Liability (Rs.)
1st year beginning	-	-	-	10,00,000
End on 1st Year	1,60,000	3,50,000	1,90,000	8,10,000
End on 2nd Year	1,29,600	3,50,000	2,20,400	5,889,600
End of 3rd Year	94,336	3,50,000	2,55,664	3,33,936
End of 4th year	53,430	3,50,000	2,96,570	37,366*

*The difference between this figure and guaranteed residual value is due to rounding off.

Working Note :

Present value of minimum lease payments

Annual lease rental × PV factor Rs. 3,50,000 × (0.8621 + 0.7432 + 0.6407 + 0.5523)	Rs. 9,79,405
Present value of guaranteed residual value Rs. 40,000 × (0.5523)	Rs. 22,092
	Rs. 10,01,497

(5 MARKS)

ANSWER-B

As per AS 29, 'Provisions, Contingent Liabilities and Contingent Assets', a provision should be recognized when

(a) an enterprise has a present obligation as a result of a past event;

(b) it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation; and

(c) a reliable estimate can be made of the amount of the obligation.

If these conditions are not met, no provision should be recognized.

In the given situation, since, the directors of the company are of the opinion that the claim can be successfully resisted by the company, therefore there will be no outflow of the resources. Hence, no provision is required. The company will disclose the same as contingent liability by way of the following note :

"Litigation is in process against the company relating to a dispute with a competitor who alleges that the company has infringed copyrights and is seeking damages of Rs. 200 lakhs. However, the directors are of the opinion that the claim can be successfully resisted by the company."

(5 MARKS)

ANSWER-C

	Rs. In crore
Cost of construction of bridge incurred upto 31.3.18	4.00
Add : Estimated future cost	6.00
Total estimated cost of construction	10.00
Contract Price (12 Crore × 1.05)	12.60 crore

Stage of completion

Percentage of completion till date to total estimated cost of construction

= (4/10) × 100 = 40%

Revenue and Profit to be recognized for the year ended 31st March, 2018 as per AS 7

Proportion of total contract value recognized as revenue = Contract price × percentage of completion

= Rs. 12.60 crore × 40% = Rs. 5.04 crore

Profit for the year ended 31st March 2018 = Rs. 5.04 crore less Rs. 4 crore = 1.04 crore

(5 MARKS)

ANSWER-D

Para 3 of **AS 24 "Discontinuing Operations" explains the criteria for determination of discontinuing operations.** According to Paragraph 9 of AS 24, examples of activities that do not necessarily satisfy criterion (a) of paragraph 3, but that might do so in combination with other circumstances, include :

(i) Gradual or evolutionary phasing out of a product line or class of service ;

(ii) Discontinuing, even if relatively abruptly, several products within an ongoing line of business;

(iii) Shifting of some production or marketing activities for a particular line of business from one location to another; and

(iv) Closing of a facility to achieve productivity improvements or other cost savings.

An example in relation to consolidated financial statements is selling a subsidiary whose activities are similar to those of the parent or other subsidiaries.

(5 MARKS)

ANSWER-2

ANSWER-A

(i) Computation of total liability of underwriters in shares

	(In shares)			
	Amit	**Sumi**	**Lalit**	**Total**
Gross liability	1,20,000	50,000	30,000	2,00,000
Less : marked applications				
(excluding firm underwriting)	(80,000)	(35,000)	(24,800)	(1,39,800)
	40,000	15,000	5,200	60,200
Less : Unmarked applications in the ratio of gross liabilities of 12 : 5 : 3 (excluding firm underwriting)	(15,000)	(6,250)	(3,750)	(25,000)
Less : Firm underwriting	(10,000)	(6,000)	(4,000)	(20,000)
	15,000	2,750	(2,550)	15,200
Less : Surplus of Lalit adjusted by Amit and Sumit in 12 : 5	(1,800)	(750)	2,500	-
Net Liability	13,200	2,000	-	15,200
Add : Firm underwriting	10,000	6,000	4,000	20,000
Total liability	23,200	8,000	4,000	35,200

(5 MARKS)

(ii) Calculation of amount payable to or due from underwriters

	Amit	**Sumit**	**Lalit**	**Total**
Total Liability in shares	23,200	8,000	4,000	35,200
Amount receivable @ Rs. 30 from underwriter (in Rs.)	6,96,000	2,40,000	1,20,000	10,56,000
Less : Underwriting Commission payable @ 5% of Rs. 30 (in Rs.)	(1,80,000)	(75,000)	(45,000)	(3,00,000)
Net amount receivable (in Rs.)	5,16,000	1,65,000	75,000	7,56,000

(2 MARKS)

(iii) Journal Entries in the books of the company (relating to underwriting)

			Rs.	**Rs.**
1.	Amit	Dr.	6,96,000	-
	Sumit	Dr.	2,40,000	
	Lalit	Dr.	1,20,000	
	To share Capital A/c.			3,52,000
	To Securities Premium A/c.			7,04,000
	(Being allotment of shares to underwriters)			
2.	Underwriting commission A/c.	Dr.	3,00,000	

	To Amit To Sumit To Lalit (Being amount of underwriting commission payable)		1,80,000 75,000 45,000
3.	Bank A/c. Dr. To Amit To Sumit To Lalit (Being net amount received by underwriters for shares allotted less underwriting commission)	7,56,000	 5,16,000 1,65,000 75,000

(3*1 = 3 MARKS)

ANSWER-B

1. Computation of Maximum Permissible Buyback under Companies Act

[Note: FV per Share = Rs. 10, So, Present No. of Shares = (Given Rs. 12,50,000 + Bonus Rs.1,00,000) * Rs. 10 = 1,35,000.]

Rule 1: Percentage of Shares Bought Back: Maximum Permissible Percentage of Buyback Shares = 25% of Total Shares Outstanding, i.e. 25% of 1,35,000 Shares = 33,750 Shares. (Shareholders' approval by Special Resolution)

Rule 2: Amount $\leq$ 25% of (ESC + Free Reserves): (For Sec.68, Free Reserves include Securities Premium A/c.)

- 25% of Paid Up Capital and Free Reserves = 25% x (12,50,000 + 1,00,000 + 15,00,000 + 2,50,000 + 1,25,000) = 25% of Rs. 32,25,000 = Rs. 8,06,250.
- Maximum Permissible Buyback = Rs. 8,06,250 4- Rs. 20 per Share = 40,312 Shares.

Rule 3: Debt Equity Ratio to be 2:1

Particulars	**Value**
(a) Desired Debt Equity Ratio after Buyback u/s 77A	2:1
(b) Debt (given) (18,75,000 + 10,00,000)	Rs. 28,75,000
(c) Equity to be maintained after Buyback =(b) ÷ 2	Rs. 14,37,500
(d) Existing Equity (Sh. Cap.8i All Free Reserves) (12,50,000 + 1,00,000 + 15,00,000 + 2,50,000 + 1,25,000)	Rs. 32,25,000
(e) Permissible Dilution in Equity = (d) - (c)	Rs. 17,87,500
(f) Buyback Price as calculated above	Rs. 20
(g) Maximum Permissible Buyback in Crores of Shares = (e) ÷ [(f) + FV]	89,375 Shares

Summary of above for determining the maximum number of Shares that can be bought back

Particulars	**No. of Shares**
Rule 1: Percentage of Shares Bought Back	33,750
Rule 2: Cash Availability	40,312

Rule 3: Debt Equity Ratio to be 2:1	89,375
Maximum Permissible Buyback = Least of the above	33,750

Note: The Buyback Offer of 25,000 Shares is within the above limit, and is hence permissible.

(4 MARKS)

2. Journal Entries

	Particulars		Dr. (Rs.)	Cr. (Rs.)
1.	Equity Share Capital A/c (25,000 x Rs. 10)	Dr.	2,50,000	
	Premium on Buyback A/c	Dr.	2,50,000	
	To Equity Shareholders A/c			
	(25,000 x Rs. 20)			5,00,000
	(Being Equity Shares Bought Back vide Resolution No dated..., Share Capital cancelled and Premium on Buyback payable to Shareholders)			
2.	Securities Premium A/c	Dr.	2,50,000	
	To Premium on Buyback A/c			2,50,000
	(Being Premium on Equity Shares Buyback provided out of Securities Premium)			
3.	Revenue Reserve A/c	Dr.	2,50,000	
	To Capital Redemption Reserve A/c			2,50,000
	(Being transfer to Capital Redemption Reserve on account of Equity Shares being bought back)			
4.	Equity Shareholders A/c	Dr.	5,00,000	
	To Current Assets A/c			5,00,000
	(Being payment to Equity Shareholders on Buyback)			

(4*0.5 = 2 MARKS)

3. Balance Sheet of Complicated Ltd as on.......(after Buyback of Shares)

	Particulars	Note	This Year	Prev. Yr
I.	**EQUITY AND LIABILITIES :**			
(1)	**Shareholders' Funds :**			
	(a) Share Capital	1	11,00,000	
	(b) Reserves and Surplus	2	22,25,000	

(2)	**Non Current Liabilities -** Long Term Borrowings	3	28,75,000	
(3)	**Current Liabilities :** - Other Current Liabilities		19,50,000	
	Total		**81,50,000**	
II.	**ASSETS**			
(1)	**Non Current Assets –** Fixed Assets		46,50,000	
(2)	**Current Assets : -** Other Current Assets			
	(40,00,000-5,00,000)		35,00,000	
	Total		**81,50,000**	

Note-1 : Share Capital :

Particulars	**Note**	**This Year**	**Prev. Yr**
Authorised :			
Issued, Subscribed & Paid Up : 1,00,000 Equity Shares of Rs.10 each fully paid up (of the above 10,000 shares issued by way of Bonus Issue)		11,00,000	
Total		**11,00,000**	

Note 2 : Reserves and Surplus (showing appropriations ande transfers) (all figures for this year)

Particulars	**Opg Bal.**	**Additions**	**Deductions**	**Clg Bal.**
Capital Redemption Reserve	-	Tfr from Rev. Res. = 2,50,000	-	2,50,000
Securities Premium Account	2,50,000		Buyback Premium = 2,50,000	-
Other Reserves (Revenue Reserve)	15,00,000		Tfr to CRR = 2,50,000	12,50,000
Capital Reserves	1,00,000			1,00,000
Revaluation Reserves	1,00,000	-	-	1,00,000
Share Options Outstanding	4,00,000	-	-	4,00,000
Surplus (P&L A/c)	1,25,000	-	-	1,25,000
Total	**24,75,000**	**2,50,000**		**22,25,000**

Note 3 : Long Term Borrowings

Particulars	**This Year**	**Prev. Yr**

12% Debentures - Secured against	18,75,000
Unsecured Loans (all the above From Related Parties)	10,00,000
Total	**28,75,000**

Note 4: Current Liabilities

Particulars	Rs.
Current Maturities of Long-Term Borrowings	16,50,000
Unpaid Dividends	1,00,000
Application Money Received for Allotment, due for Refund	2,00,000
Total	**19,50,000**

(4 MARKS)

ANSWER-3

ANSWER-A

Statement of Liabilities of B list contributors (showing the amount realized)

Creditors Outstanding on the date of ceasing to be member	P 1,500 Shares Rs.	D 2,000 Shares Rs.	B 700 Shares Rs.	S 300 Shares Rs.	Amount to be paid to the creditors Rs.
a) 9,000	3,000	4,000	1,400	600	9,000
b) 3,000	-	2,000	700	300	3,000
c) 1,500	-	-	1,050	450	1,500
d) 1,000	-	-	-	1,000	150
Total (a)	3,000	6,000	3,150	2,350	
(b) maximum liability on shares held	7,500	10,000	3,500	1,500	
(c) Amount to be realized (a) or (b)					
Whichever is lower	3,000	6,000	3,150	1,500	

(4 MARKS)

Working Notes :

1. C will not be liable since he transferred his shares prior to one year preceding the date of winding up.
2. P will not be responsible for further debts incurred after 01.01.2017 (from the date when he ceases to be a member). Similarly, D & B will not be liable for the debts incurred after the date of their transfer of shares.
3. The increase between 1st August 2017 and 15th September 2017, is solely the responsibility of S. Liability of S has been restricted to the maximum allowable limit of Rs. 1,500. Therefore, amount payable by S on 15.09.2017 is Rs. 150 only.
4. Ratio of discharge of liability will be in the ratio of no. of shares held by B List Contributories which is as follows :

Calculation of Ratio for discharge of Liabilities

Date	Cumulative liability Rs.	Increase in liabilities Rs.	Ratio of no. of shares held by L, M, N, O
01.01.2017	9,000	-	15 : 20 : 7 : 3
01.04.2017	12,000	3,000	20 : 7 : 3
01.08.2017	13,500	1,500	7: 3
15.09.2017	14,500	1,000	Only S

(6 MARKS)

ANSWER-B

In the books of Bharat Insurance Co. Ltd. Journal Entries

Journal Entries

Date	Particulars		(Rs. In Crores)	
			Dr.	Cr.
1.4.2016	Unexpired Risk Reserve (Fire) A/c.	Dr.	28	
	Unexpired Risk Reserve (Marine) A/c	Dr.	21	
	Unexpired Risk Reserve (Miscellaneous) A/c	Dr.	6	
	To Fire Revenue Account			28
	To Marine Revenue Account			21
	To Miscellaneous Revenue Account			6
	(Being unexpired risk reserve brought forward from last year)			
31.3.2017	Marine Revenue A/c.	Dr.	23	
	To Unexpired Risk Reserve A/c.			23
	(Being closing reserve for unexpired risk created at 100% of net premium income amounting to Rs. 23 crores i.e. 22 + 8.5 – 7.5)			
	Fire Revenue A/c.	Dr.	23.95	
	To Unexpired Risk Reserve A/c.			23.95
	(Being closing reserve for unexpired risk created at 50% of net premium income of Rs. 47.90 crores i.e. 46 + 7.2 – 5.3)			
	Miscellaneous Revenue A/c	Dr.	5	
	To Unexpired Risk Reserve A/c.			5
	(Being closing reserve for unexpired risk created at 50% net premium income of Rs. 10 crores i.e. 13 + 5 – 8)			

(4*1 = 4 MARKS)

Unexpired Risk Reserve Account

Date	Particulars	Marine	Fire (Rs.)	Misc. (Rs.)	Date	Particulars	Marine (Rs.)	Fire (Rs.)	Misc. (Rs.)
1.4.2016	To Revenue A/c	21	28	6	1.4.2016	By Balance b/d	21	28	6
31.3.2017	To Balance c/d	23	23.95	5	31.3.2017	By Revenue A/c	23	23.95	5
		44	51.95	11			44	51.95	11

(3 MARKS)

Working Note:

Premium from other insurance companies in respect of risk undertaken:

Received during the year	11.5	9.2	5.5
Less: Receivable – 01.04.16	(7.0)	(3.0)	(1.5)
Add: Receivable – 31.03.17	4.0	1.0	1.0
	8.5	7.2	5.0

(3 MARKS)

ANSWER-4

ANSWER-A

1. Basic Information

Company Status		Dates	Holding Status	
Holding Company	= Ram Ltd	Date of Consolidation (DOC) = 31.03.2018	Held by Ram	Minority
Subsidiary 1	= Hari Ltd	DOA = 300 Lakh Shares = 31.03.2017	60%	40%
Subsidiary 2	= Giri Ltd	160 Lakh Shares = 31.03.2017	80%	20%

2. Revised Balances (Rs. Lakhs)

In the books of -	**Giri**	**Hari**	**Ram**	**Hari**	**Giri**	**Giri**	**Hari**	**Ram**	**Ram**	**Giri**
A/c Head	**Bills P'ble**	**Bills R'ble**	**Bills R'ble**	**Loan to Giri**	**Loan from Hari**	**Cash**	**Stock**	**P&L**	**Invest-ment**	**Deben-tures**
Given Balance	100	40	130	60	50	600	2,000	6,000	6,135	1,000
Payable to Ram	(50)		(50)							
Payable to Hari	(20)	(20)								
Cash in Transit					10	10				
Mutual Owings-Loan				(60)	(60)					
Stock Reserve							(25)	(25)		
Pre-Acqn. Dividend								(300)	(300)	
Mutual Owings-Deb.									(200)	(200)
Gain on elimination								5	5	
Revised Balances	**30**	**20**	**80**	**Nil**	**Nil**	**610**	**1,975**	**5,680**	**5,640**	**800**

Note: Bills Payable of Giri Ltd = Rs. 100 Lakhs, entirely accepted in favour of Hari Ltd, i.e. a Group Company. Since Rs. 30 Lakhs has been discounted with Bank, that portion will be shown as a Liability in the Consolidated B/s and the balance Rs. 70 Lakhs is eliminated as Mutual Owings. Endorsement within the Group need not be shown in the Consolidated B/s.

(5 MARKS)

3. Analysis of Reserves of Subsidiary Companies (Rs. Lakhs)

(a) General Reserve of Hari Ltd = Balance as per B/s Rs. 2,100

As on Date of Acquisition (DOA) 31.3.2017
= Rs. 1,500
Capital Profit

Group Interest(GI)-Pre
1,500 x 60% = 900

Minority Interest(MI)
1,500 x 40% = 600

1.4.2017 to 31.3.2018 (upto Consolidation)
(Bal. fig.) Rs. 600
Revenue Reserve

Group Interest(GI)-
Post 600 x 60% = 360

Minority Interest(MI)
600 x 40% = 240

(b) Profit & Loss Account:

Hari Ltd Balance as per B/s Rs. 800

As on DOA
31.3.2017 Rs. 600
Less: Dividend Rs. 500
<u>Rs. 100</u>

Capital Profit

GI-Pre (60%) = 60

MI (40%) =40

1.4.2017 to 31.3.2018
(upto DOC) (bal. figure)
<u>Rs. 700</u>

Revenue Profit

GI-Pre (60%) = 420

MI(40%) = 280

Giri Ltd Balance as per B/s Rs. 500

As on DOA 31.3.2017
(given)(Rs. 240) Dr.

Capital Profit

GI-Pre (80%) = (192)

MI (20%) = (48)

1.4.2017 to 31.3.2018
(upto DOC) (bal. figure)
Rs. 740

Revenue Profit

GI Pre (80%) = 592

MI (20%) = 148

3. Consolidation of Balances (Rs. Lakhs)

Particulars	Total	Minority Interest	Pre-Acqn.	Post Acquisition		
Hari Ltd (Holding - 60%, Minority - 40%)				**Gen. Res.**	**P&L A/c**	**Prel. Exp.**
Equity Capital	5,000	2,000	3,000	360		
General Reserves	2,100	840	900			
Profit and Loss A/c	800	320	60		420	
Giri Ltd (Holding - 80%, Minority - 20%)						
Equity Capital	2,000	400	1,600			
Profit and Loss A/c	500	100	(192)		592	
Preliminary Expenses	(10)	(2)	(8)			-
Total [Cr]		**3,658**	**5,360**	360	1,012	
Cost of Investment [Dr.] (Note 2)			**(5,640)**			
Parent's Balances (Note 2)				22,000	5,680	
For Consolidated Balance Sheet		**3,658**	**G/w (280)**	**22,360**	**6,692**	

(5 MARKS)

4. Consolidated Balance Sheet of Ram Ltd and its Subsidiaries Hari Ltd & Giri Ltd as at 31.03.2018 **(Rs. Lakhs)**

	Particulars as at 31st March	Note	This Year	Prev. Yr
I.	EQUITY AND LIABILITIES			
(1)	**Shareholders' Funds:**			
	(a) Share Capital	1	18,000	
	(b) Reserves & Surplus	2	29,052	
(2)	Minority Interest		3,658	
(3)	Non-Current Liabilities: Long Term			
	Borrowings - 9% Debentures 100) [WN 2]		800	
(4)	Current Liabilities:Trade Payables - Creditors (9,400 + 1,800 + 620)		11,820	
	- Bills Payable [WN 2]		30	
	Total		**63,360**	
II.	**ASSETS**			
(1)	Non-Current Assets: Fixed Assets: (i) Tangible Assets	3	37,800	
	(ii) Intangible Assets - Goodwill on Consolidation		280	
(2)	Current Assets			
	(a) Inventories - (11,000 + 1,975 [WN 2] + 1,000)		13,975	
	(b) Trade Receivables (i) Debtors (6,000 + 900 + 860)		7,760	
	(ii) Bills Receivable (80 + 20) [WN 2]		100	
	(c) Cash & Cash Equivalents (2,135 + 700 + 610) [WN 2]		3,445	
	Total		**63,360**	

Notes to the Balance Sheet Lakhs)

Note 1: Share Capital

Particulars	This Year	Prev. Year
Authorised: Equity Shares of Rs. 10 each		
Issued, Subscribed & Paid up: 1,800 Lakh Equity Shares of Rs. 10 each	18,000	

Note 2: Reserves and Surplus

	Particulars	This Year	Prev. Year
General Reserve P & L A/c		22,360 6,692	

	Total	29,052	

Note 3: Tangible Assets

Particulars	This Year	Prev. Year
Machinery (26,000 + 5,000 + 1,400)	32,400	
Furniture (4,000 + 1,000 + 400)	5,400	
Total	**37,800**	

(6 MARKS)

ANSWER-B

	Rs.
Profit for equity fund after current cost adjustment	1,72,000
Current cost of capital employed (by Equity approach)	10,40,000
Value of Goodwill by Equity Approach	
Capitalized value of Profit as per equity approach = 1,72,000/15.60 X 100	11,02,564
Less: Capital employed as per equity approach	(10,40,000)
Value of Goodwill	62,564

(4 MARKS)

ANSWER-5

ANSWER-A

Part (i): Bills for Collection - Asset and Liability A/c

1. Bills for Collection (Asset) A/c

Particulars	Rs.	Particulars	Rs.
To Balance b/d (as on 01.04.2017)	28,00,000	By Bills for Collection (Liability) A/c	1,88,00,000
To Bills for Collection (Liability) A/c	2,58,00,000	By Bills for Collection (Liability) A/c	22,00,000
		By balance c/d (as on 31.3.2018) (bal. fig.)	76,00,000
Total	**2,86,00,000**	**Total**	**2,86,00,000**

2. Bills for Collection (Liability) A/c

Particulars	Rs.	Particulars	Rs.
To Bills for Collection (Asset)A/c	1,88,00,000	By balance b/d (as on 01.04.2017)	28,00,000
To Bills for Collection (Asset)A/c	22,00,000	By Bills for Collection (Asset) A/c	2,58,00,000
To balance c/d (as on 31.3.2018) (bal. fig.)	76,00,000		
Total	**2,86,00,000**	**Total**	**2,86,00,000**

Part (ii): Acceptances, Endorsements, etc.

Acceptances, Endorsements and Other Obligations Account (in General Ledger) (Rs. in Lakhs)

Date	Particulars	Amt	Date	Particulars	Amt
2017-18	To Constituents' Liabilities for Acceptances / Guarantees etc. (Paid off by Clients)	40	01.04.17	By balance b/d	58

2017-18	To Constituents Liabilities for Acceptances / Guarantees etc. (Honoured by Bank)	100	2017-18	By Constituent's Liabilities for acceptance / guarantees, etc.	176
2017-18	To Constituents Liabilities for Acceptances / Guarantees etc. (Honored by Bank on Party's failure to pay)	4			
31.03.18	To balance c/d - Acceptance not yet satisfied [shown as Contingent Liability]	90			
	Total	**234**		**Total**	**234**

(4 MARKS)

Part (iii): Valuation of Security and Classification of Asset

1. For Classification of Assets as Secured, the Realizable Value of the Security should be taken on realistic basis.
2. The Stock Prices on 30th Sep and 31 Mar, i.e. half-year end, and B/s date are comparatively higher. It is also given that the fall in price in Jan is due to fluctuations.
3. Value of the Security for the Loan as on 31.03.2018 = 40,000 fully paid shares x Rs. 96 = Rs.38,40,000, which is more than the Loan amount of Rs. 24,00,000.
4. Hence, the Loan may be classified as Secured Loan by the Banking Company.

Part (iv): Rebate on Bills Discounted

1. Rebate on Bills Discounted Account

Date	Particulars	Rs.	Date	Particulars	Rs.
01.04.2017	To Interest and Discount A/c	80,000	01.04.2017	By balance b/d	80,000
31.03.2018	To balance c/d	56,000	31.03.2018	By Interest and Discount A/c (Rebate Required at year-end)	56,000
	Total	**1,36,000**		**Total**	**1,36,000**

2.1nterest and Discount Account

Date	Particulars	Rs.	Date	Particulars	Rs.
31.03.2018	To Rebate on Bills Discounted	56,000	01.04.2017	By Rebate on Bills Discounted	80,000
Bl.03.2018	To Profit & Loss A/c(bal. fig.) (Income for the year)	3,92,24,000	31.03.2018	(Opening Balance)By Cash and Sundries	3,92,00,000
	Total	**3,92,80,000**		**Total**	**3,92,80,000**

(4 MARKS)

ANSWER-B

Books of P Ltd.

Journal Entries

		Dr. (Rs. in Lacs)	Cr. (Rs. in Lacs)
Business Purchase A/c	Dr.	9,000	
To Liquidator of V Ltd.			9,000
(Being business of V Ltd. taken over for Consideration settled as per agreement)			
Plant and Machinery	Dr.	5,000	
Furniture & Fittings	Dr.	1,700	
Inventory	Dr.	4,041	
Debtors	Dr.	1,020	
Cash at Bank	Dr.	609	
Bills Receivable	Dr.	80	
To Foreign Project Reserve			310
To General Reserve (3,200 - 3,000)			200
To Profit and Loss A/c (825 – 50*)			775
To Liability for 12% Debentures			1,000
To Creditors			463
To Provisions			702
To Business Purchase			9,000
(Being assets & liabilities taken over from V Ltd.)			
Liquidator of V Ltd. A/c	Dr.	9,000	
To Equity Share Capital A/c			9,000
(Purchase consideration discharged in the form of equity shares)			
Profit & loss A/c	Dr.	1	
To Bank A/c			1
(Liquidation expenses paid by P Ltd.)			
Liability for 12% Debentures A/c	Dr.	1,000	
To 13% Debentures A/c			1,000
(12% debentures discharged by issue of 13% debentures)			
Bills Payable A/c	Dr.	80	
To Bills Receivable A/c			80
(Cancellation of mutual owing on account of bills)			

(6*1 = 6 MARKS)

Balance Sheet of P Ltd. as at 1st April, 20X1 (after merger)

Particulars			Notes	Rs. (in lakhs)
	Equity and Liabilities			
1.	**Shareholders' funds**			
	A.	Share capital	1	24,000
	B.	Reserves and Surplus	2	16,654
2.	**Non-current liabilities**			
	A.	Long-term borrowings	3	1,000
3.	**Current liabilities**			
	A	Trade Payables (1,543 + 40)		1,583
	B	Short-term provisions		2,532
	Total			**45,769**
	Assets			
1.	**Non-current assets**			
	A	Fixed assets		
		Tangible assets	4	29,004
2.	**Current assets**			
	A.	Inventories		11,903
	B.	Trade receivables		3,140
	C.	Cash and cash equivalents		1,722
	Total			**45,769**

Notes to accounts

		Rs.
1.	**Share Capital**	
	Equity share capital	
	Authorised, issued, subscribed and paid up	
	24 crores equity shares of Rs. 10 each	24,000
	(Of the above shares, 9 crores shares have been	
	issued for consideration other than cash)	
	Total	**24,000**
2.	**Reserves and Surplus**	
	General Reserve	9,700
	Securities Premium	3,000
	Foreign Project Reserve	310
	Profit and Loss Account	3,644
	Total	**16,654**

3.	**Long-term borrowings**	
	Secured	
	13% Debentures	1,000
4.	**Tangible assets**	
	Land & Buildings	6,000
	Plant & Machinery	19,000
	Furniture & Fittings	4,004
	Total	**29,004**

Working Note:

Computation of purchase consideration

The purchase consideration was discharged in the form of three equity shares of P Ltd. for every two equity shares held in V Ltd.

Purchase consideration = Rs. 6,000 lacs × $\frac{3}{2}$ = Rs. 9,000 lacs.

* Cost of issue of debenture adjusted against P & L Account of V Ltd.

(6 MARKS)

ANSWER-6

ANSWER-A

Amount of provision to be made is as under :

Asset Funded			(Rs. in crore)
Computers	a. Where hire charges are overdue upto 12 months	Nil	-
Televisions	b. Where hire charges are overdue for more than 12 months but upto 24 months	10% of the net book value 10% × 4,950	495
Washing Machines	c. Where hire charges are overdue for more than 24 months but upto 36 months	40% of the net book value 40% × 2,530	1,012
Refrigerators	d. Where hire charges or lease rentals are overdue for more than 36 months but upto 48 months	70% of the net book value 70% × 1,328	929.60
Air Conditioners	e. Where hire charges or lease rentals are overdue for more than 48 months	100 % of the net book value 305 × 100%	305
		Total	2,741.60

(5 MARKS)

ANSWER-B

Calculation of effective yield on per annum basis in respect of three mutual fund schemes of Preeti upto 31.3.2017

		X	Y	Z
1	Amount of Investment (Rs.)	2,50,000	3,00,000	1,50,000
2	Date of investment	1.12.2016	1.1.2017	1.3.2017
3	NAV at the date of investment (Rs.)	10.00	10.50	10.00
4	No. of units on date of investment [1/3]	25,000	28,571.43	15,000
5	NAV per unit on 31.03.2017 (Rs.)	10.10	10.40	9.80
6	Total NAV of mutual fund investments on 31.03.2017 [4 × 5]	2,52,000	2,97,143	1,47,000
7	Increase / decrease of NAV [6 – 1]	2,500	(2,857)	(3,000)
8	Dividend received up to 31.3.2017	4,500	5,700	Nil
9	Total yield [7 + 8]	7,000	2,843	(3,000)
10	Yield % [9/1] × 100	2.80%	0.95%	(2%)
11	Number of days	121	90	31
12	Effective yield p.a. [10/11] × 365 days	8.45%	3.85%	(23.55%)

(5 MARKS)

ANSWER-C

In the books of Company

Journal Entries

Date	Particulars	Dr. Rs.	Cr. Rs.
1-3-X2	Bank A/c Dr.	2,40,000	
	Employees compensation expenses A/c Dr.	4,32,000	
	To Equity Share Capital A/c To		48,000
	Securities Premium A/c		6,24,000
	(Being allotment to employees 4,800 shares of Rs. 10 each at a premium of Rs. 130 at an exercise price of Rs. 50 each)		
31-3-X2	Profit and Loss account Dr.	4,32,000	
	To Employees compensation expenses A/c		4,32,000
	(Being transfer of employees compensation expenses)		

(2*1 = 2 MARKS)

Working Note: **(3*1 = 3 MARKS)**

1. Employee Compensation Expenses = Discount between Market Price and option price = Rs. 140 – Rs. 50 = Rs. 90 per share = Rs. 90 x 4,800 = Rs. 4,32,000 in total.
2. The Employees Compensation Expense is transferred to Securities Premium Account.
3. Securities Premium Account = Rs. 50 – Rs. 10 = Rs. 40 per share + Rs. 90 per share on account of discount of option price over market price = Rs. 130 per share = Rs. 130 x 4,800 = Rs. 6, 24,000 in total.

ANSWER-D

In accordance with the Schedule III, an investment realizable within 12 months from the reporting date is classified as a current asset. Such realization should be in the form of cash or cash equivalents, rather than through conversion of one asset into another non - current asset. Hence, company must classify such an investment as a non-current asset, unless it expects to sell the preference shares or the equity shares on conversion and realize cash within 12 months.

(5 MARKS)