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INTERMEDIATE M'19 EXAM

SUBJECT- ADVANCED ACCOUNTS

Test Code - PIN 5058

BRANCH - () (Date :)

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ANSWER-1

ANSWER-A

As per **AS 9 "Revenue Recognition",** in a transaction involving the sale of goods, performance should be regarded as being achieved when the following conditions are fulfilled :

(i) the seller of goods has transferred to the buyer the property in the goods for a price or all significant risks and rewards of ownership have been transferred to the buyer and the seller retains no effective control of the goods transferred to a degree usually associated with ownership; and

(ii) no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of the goods.

Case (i) : 25% goods lying unsold with consignee should be treated as closing inventory and sales should be recognized for Rs. 3,00,000 (75% of Rs. 4,00,000)for the year ended on 31.3.17. In case of consignment sale revenue should not be recognized until the goods are sold to a third party.

Case (ii) : The sale is complete but delivery has been postponed at buyer's request. Fashion Ltd. Should recognize the entire sale of Rs. 1,95,000 for the year ended 31st March, 2017.

Case (iii) : In case of goods sold on approval basis, revenue should not be recognized until the goods have been formally accepted by the buyer or the buyer has done an act adopting the transaction or the time period for rejection has elapsed or where no time has been fixed, a reasonable time has elapsed. Therefore, revenue should be recognized for the total sales amounting Rs. 2,50,000 as the time period for rejecting the goods had expired.

Thus total revenue amounting Rs. 7,45,000 (3,00,000 + 1,95,000 + 2,50,000) will be recognized for the year ended 31st March, 2017 in the books of Fashion Ltd.

(5 MARKS)

ANSWER-B

Basic Earnings per share (EPS) =

$$= \frac{Net\ Profit\ attributable\ to\ equity\ shareholders}{Weighted\ average\ number\ of\ equity\ shares\ outstanding\ during\ the\ year}$$

$$= \frac{21{,}96{,}000}{4{,}57{,}500\ Shares\ (as\ per\ working\ note)} = \text{Rs. } 4.80 \text{ per share}$$

Working Note :

Calculation of weighted average number of equity shares

As per AS 20 'Earnings Per Share', partly paid equity shares are treated as a fraction of equity share to the extent that they were entitled to participate in dividend relative to a fully paid equity share during the reporting period. Assuming that the partly paid shares are entitled to participate in the dividend to the extent of amount paid, weighted average number of shares will be calculated as follows :

Date	No. of equity shares	Amount paid per share	Weighted average no. of equity shares
	Rs.	Rs.	
1.4.2016	6,00,000	5	6,00,000 × 5/10 × 5/12 = 1,25,000
1.9.2016	5,40,000	10	5,40,000 × 7/12 = 3,15,000
1.9.2016	60,000	5	60,000 × 5/10 × 7/12 = 17,500
Total weighted average equity shares			4,57,500

(5 MARKS)

ANSWER-C

(i)	**Loss for the year ended, 31st March, 2018**	**(Rs. in Lakhs)**
	Amount of foreseeable loss	
	Total cost of construction (6,250 + 1,250 + 8,750)	16,250
	Less : Total contract price	(12,000)
	Total foreseeable loss to be recognised as expense	4,250

According to AS 7, when it is probable that total contract costs will exceed total contract revenue, the expected loss should be recognized as an expense immediately.

Loss for the year ended, 31st March, 2018 amounting Rs. 4,250 will be recognized.

(ii)	**Contract work – in – progress as on 31.3.18**	**(Rs. in lakhs)**
	Contract work – in – Progress i.e. cost incurred to date are Rs. 7,500 lakhs :	
	Work certified	6,250
	Work not certified	1,250
		7,500

(iii) Proportion of total contract value recognized as revenue

Cost incurred till 31.3.18 is 46.15% (7,500/16,250 × 100) of total costs of construction.

Proportion of total contract value recognized as revenue :

46.15% of Rs. 12,000 lakhs = Rs. 5,538 lakhs

(iv) Amount due from / to customers at year end

(Contract costs + Recognized profits – Recognised Losses) – (Progress payments received + Progress payments to be received)

= (7,500 + Nil – 4,250) – (5,500 + 1,500) Rs. in lakhs

= [3,250 – 7,000] Rs. in lakhs

Amount due to customers = Rs. 3,750 lakhs

(5 MARKS)

ANSWER-D

As per **AS 18 'Related Party Disclosures'.** Enterprises over which a key management personnel is able to exercise significant influence are related parties. This includes enterprises owned by directors or major shareholders of the reporting enterprise and enterprise that have a member of key management in common with the reporting enterprise.

In the given case, Sun Ltd. and Moon Ltd are related parties and hence disclosure of transaction between them is required irrespective of whether the transaction was done at normal selling price.

Hence the contention of Chief Accountant of Sun Ltd. is wrong.

(5 MARKS)

ANSWER-2

ANSWER-A

In the books of P Ltd.

Journal Entries

Date	Particulars		(Rs.)	(Rs.)
31.3.20X1	Employees compensation expense account	Dr.	80,000	
	To Employee stock option outstanding account			80,000
	(Being compensation expenses for 6 months recognized in respect of the employee stock options i.e. 8,000 options granted to employees at a discount of Rs. 90 (170-80) each, amortized on straight line basis over 4 ½ years [(8,000 stock options x Rs. 90) / 4.5 years] x 0.5) (W.N.1)			
	Profit and loss account	Dr.	80,000	
	To Employees compensation expenses account		80,000	
	(Being expenses transferred to profit and loss account at the year end)			
31.3.20X2	Employees compensation expense account	Dr.	1,60,000	
	To Employee stock option outstanding account		1,60,000	
	(Being compensation expense recognized in respect of the employee stock option i.e.			

	8,000 options granted to employees at a discount of Rs. 90 each, amortized on straight line basis over 4 ½ years (8,000 stock options x Rs. 90) / 4.5 years) x 1 year)			
	Profit and loss account To Employees compensation expense account (Being expenses transferred to profit and loss account at year end)	Dr.	1,60,000 1,60,000	
31.3.20X3	Employees compensation expense account To Employee stock option outstanding account (Being compensation expense recognized in respect of the employee stock option i.e. 4,000 options at a discount of Rs. 90 each, amortized on straight line basis over 4 ½ years (4,000 stock options x Rs. 90) / 4.5 years)	Dr.	80,000 80,000	
	Employee stock option outstanding account (W.N.2) To General Reserve account (W.N.2) (Being excess of employees compensation expenses transferred to general reserve account)	Dr.	1,20,000	1,20,000
	Profit and loss account To Employees compensation expenses account (Being expenses transferred to profit and loss account at year end)	Dr.	80,000 80,000	
31.3.20X4	Employees compensation expense account To Employee stock option outstanding account (Being compensation expenses recognized in respect of the employee stock option i.e. 4,000 options at a discount of Rs. 90 each, amortized on straight line basis over 4 ½ years (4,000 stock options x Rs. 90) / 4.5 years)	Dr.	80,000 80,000	

	Profit and loss account	Dr.	80,000	
	To Employees compensation expenses account		80,000	
	(Being expenses transferred to profit and loss account at year end)			
31.3.20X5	Employees compensation expense account	Dr.	80,000	
	To Employee stock option outstanding account		80,000	
	(Being compensation expenses recognized in respect of the employee stock option i.e. 4,000 options at a discount of Rs.90 each, amortised on straight line basis over 4 ½ years [(4,000 stock options x Rs. 90) / 4.5 years])			
	Profit and loss account	Dr.	80,000	
	To Employees compensation expense account		80,000	
	(Being expenses transferred to profit and loss account at year end)			
30.9.20X5	Bank A/c (3,000 × Rs. 80)	Dr.	2,40,000	
	Employee stock option outstanding	Dr.	2,70,000	
	To Equity share capital account (3,000 x 30,000 Rs. 10)			30,000
	To Securities premium (Rs. 170 – Rs. 10) x 3,000			4,80,000
	(Being 3,000 employee stock option exercised at an exercise price of Rs. 80 each)			
	Employee stock option outstanding account (W.N.3)	Dr.	90,000	
	To General reserve account (W.N.3)			90,000
	(Being ESOS outstanding A/c transferred to General Reserve A/c on lapse of 1000 vested options at the end of the exercise period)			

Working Notes:

1. Fair value = Rs. 170 – Rs. 80 = Rs. 90

2. At 1.12.X2, 4,000 unvested option lapsed on which till date expenses recognized to be transferred to general reserve = Rs. (80,000 + 1,60,000) x 4,000 / 8,000

   = Rs. 1,20,000

3. Expenses charged on lapsed vested options transferred to general reserve

   = 1,000 x Rs. 90 = Rs. 90,000

(10 MARKS)

ANSWER-B

(i) Computation of total liability of underwriters in shares

	(In Shares)			
	A	**B**	**C**	**Total**
Gross liability Less : Marked applications (excluding firm underwriting)	3,60,000 (1,18,500)	1,50,000 (58,000)	90,000 (33,500)	6,00,000 (2,10,000)
 Less : Unmarked applications in the ratio of gross liabilities of 12 : 5 : 3 (excluding firm underwriting)	2,41,500 (54,000)	92,000 (22,500)	56,500 (13,500)	3,90,000 (90,000)
 Less : Firm underwriting	1,87,500 (48,000)	69,500 (18,000)	43,000 (60,000)	3,00,000 1,26,000)
 Less : Surplus of C shared by A & B in 12 : 5	1,39,500 (12,000)	51,500 (5,000)	(17,000) 17,000	1,74,000 -
Net liability Add : firm underwriting	1,27,500 48,000	46,500 18,000	- 60,000	1,74,000 1,26,000
Total liability	1,75,500	64,500	60,000	3,00,000

(4.5 MARKS)

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

	A	**B**	**C**	**Total**
Total Liability in shares	1,75,500	64,500	60,000	3,00,000
Amount receivable @ Rs. 10 from underwriter (in Rs.)	17,55,000	6,45,000	6,00,000	30,00,000
Less : underwriting commission (4%)	(1,44,000)	(60,000)	(36,000)	(2,40,000)
Net amount receivable	16,11,000	5,85,000	5,64,000	27,60,000

(2.5 MARKS)

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

			Rs.	Rs.
1.	A B C To Equity Share Capital A/c. (Being allotment of shares to underwriters)	Dr. Dr. Dr.	17,55,000 6,45,000 6,00,000	 30,00,000
2.	Underwriting commission To A To B To C (Being amount of underwriting commission payable)	Dr.	2,40,000	 1,44,000 60,000 36,000
3.	Bank A/c * To A To B To C (Being net amount received from underwriters for shares allotted less underwriting commission)	Dr.	27,60,000	 16,11,000 5,58,000 5,64,000

*Considering that the underwriters paid the amounts due.

(3*1 = 3 MARKS)

ANSWER-3

ANSWER-A

1. Determination of Surplus received by Liquidator from Receiver

Receipts from Sale of	Rs.	Payments towards -	Rs.
Land and Buildings	1,60,000	Debenture Interest(1,50,000 x 13% x6/12)	9,750
Sundry Current Assets	2,00,000	Expenses of Receiver Given	1,950
		Mortgage Loan Given	70,000
		Debentureholders	1,50,000
		Balance Surplus handed over to Liquidator (bal. fig.)	1,28,300
Total	**3,60,000**	**Total**	**3,60,000**

(3 MARKS)

2. Liquidator's Final Statement of Account

Receipts	Rs.	Payments	Rs.	Rs.
Surplus received from Receiver(WN 1)	1,28,300	Remuneration to Liquidator (1,50,000 x 2%)		3,000
Sundry Assets realised	1,50,000	Costs of Liquidation		3,000
Calls on Contributories:		Unsecured Creditors:		
From 5,000 Partly Paid Shares at	6,900	Trade Creditors	38,000	

Rs.1.38 per Share (WN 3)		Income Tax Arrears	25,000	
		Directors (for Bank OD paid)	30,000	93,000
		Preference Shareholders:		
		Share Capital	1,50,000	
		Arrears of Dividend (2 years)	30,000	1,80,000
		Equity Shareholders: (paid to Holders of 10,000		
		Fully Paid Shares at Rs.0.62 each) (WN 3)		6,200
Total	**2,85,200**	**Total**		**2,85,200**

(3 MARKS)

3. Calls from Holders of Partly Paid Shares

	Particulars	Rs.
(a)	Total Receipts before considering Call Money (1,03,300 + 1,50,000)	2,53,300
(b)	Total Payments before final payment to Equity Shares	2,54,000
(c)	Surplus / (Deficit) from above before Calls made on Equity Shares (a - b) (+ve = Surplus, -ve = Deficit)	(700)
(d)	Notional Call on 5,000 Partly Paid Shares at Rs. 2 each	10,000
(e)	Surplus Cash Balance after Notional Call (c + d)	9,300
(f)	Number of Shares deemed fully paid (10,000 + 5,000)	15,000
(g)	Hence, Refund on Fully Paid Shares (e ÷ f) = Rs.9,300 ÷ 15,000 Shares	Rs.0.62
(h)	Therefore, Required Call on Partly Paid Shares = Notional Call Rs.2.00 – Refund Rs. 0.62	Rs. 1.38

(4 MARKS)

ANSWER-B

		Dr.Rs.	Cr.Rs.
Equity Share Capital (Rs. 100) A/c	Dr.	10,00,000	
To Share Surrender A/c			5,00,000
To Equity Share Capital (Rs. 10) A/c			5,00,000
(Subdivision of 10,000 equity shares of Rs. 100 each into 1,00,000 equity shares of Rs. 10 each and surrender of 50,000 of such subdivided shares as per capital reduction scheme)			
12% Debentures A/c	Dr.	1,50,000	
Accrued Interest A/c	Dr.	18,000	
To Reconstruction A/c			1,68,000
(Transferred 75% of the claims of the debenture holders			

to reconstruction account in consideration of which 12% preference shares are being issued out of share surrender account as per capital reduction scheme)			
Trade payables A/c	Dr.	72,000	
To Reconstruction A/c			72,000
(Transferred claims of the trade payables to reconstruction account, 50% of which is being clear reduction and equity shares are being issued in consideration of the balance)			
Share Surrender A/c	Dr.	5,00,000	
To 12% Preference Share Capital A/c			1,00,000
To Equity Share Capital A/c			36,000
To Reconstruction A/c			3,64,000
(Issued preference and equity shares to discharge the claims of the debenture holders and the trade payables respectively as a per scheme and the balance in share surrender account is being transferred to reconstruction account)			
Reconstruction A/c	Dr.	6,04,000	
To Profit and Loss A/c			6,00,000
To Capital Reserve A/c			4,000
(Adjusted debit balance of profit and loss account against the reconstruction account and the balance in the latter is being transferred to capital reserve)			

(5*1 = 5 MARKS)

Balance Sheet of Revise Limited (and reduced) as on...

Particulars		**Note No.**	**Rs.**
I.	**Equity and Liabilities**		
(1)	**Shareholder's Funds**		
	(a) Share Capital	1	6,36,000
	(b) Reserves and Surplus	2	4,000
(2)	**Non-Current Liabilities**		
	(a) Long-term borrowings	3	50,000
(3)	**Current Liabilities**		
	(a) Other current liabilities	4	6,000
	(b) Short-term provisions	5	24,000
	Total		**7,20,000**

II.	**Assets**			
(1)	**Non-current assets**			
	(a)	Fixed assets		
	(i)	Tangible assets	6	1,00,000
(2)	**Current assets**			
	(a)	Current investments		
	(b)	Inventories		3,20,000
	(c)	Trade receivables		2,70,000
	(d)	Cash and cash equivalents		30,000
	Total			**7,20,000**

Notes to Accounts

		Rs.
1.	**Share Capital**	
	Equity Share Capital	
	Issued Capital : 53,600 Equity Shares of Rs. 10 each	5,36,000
	Preference Share Capital	
	Preference Shares	1,00,000
	(Of the above shares all are allotted as fully paid up pursuant to capital reduction scheme by conversion of equity shares without payment being received in cash)	
		6,36,000
2.	**Reserve and Surplus**	
	Capital Reserve	4,000
3.	**Long-term borrowings**	
	Unsecured Loans	
	12% Debentures	50,000
4.	**Other current liabilities**	
	Accrued interest	6,000
5.	**Short- term provisions**	
	Provision for Income-tax	24,000
6.	**Tangible assets**	
	Machineries	1,00,000

(5 MARKS)

ANSWER-4

ANSWER-A

Revenue Account of Kalyan General Insurance Company for the year ended 31.03.2018

Particulars	Sch.	This Yr	Last Yr
Premium (Net)	1	59,75000	
Total (A)		59,75,000	

	Particulars	Sch.	This Yr	Last Yr
1. 2. 3.	Claims Incurred Commission Operating Expenses related to Insurance Business (2,30,000 - 45,000 - 35,000)	2 3	45,26,000 1,47,000 1,50,000	
	Total (B)		**48,23,000**	
	Operating Profit / (Loss) from Insurance Business (A - B)		**11,52,000**	
	Appropriations		**NIL**	
	Total (C)		**11,52,000**	

(3 MARKS)

Schedule 1 - Premium Earned (Net)

Particulars		This Yr	Last Yr
 Add : Less :	Premium from Direct Business Written Premium on Re-Insurance accepted Premium on Re-Insurance ceded	65,75,000 9,50,000 (4,75,000)	
 Less:	Net Premium Changes in Unexpired Risk Reserve Provn [Reqd 50% of 70,50,000 - Opg 24,50,000)]	70,50,000 (10,75,000)	
	Total Premium Earned (Net)	**59,75,000**	

(2 MARKS)

Schedule 2 - Claims Paid (Net)

	Particulars	This Yr	Last Yr
Claims Paid - Direct (Paid 42,50,000 + Legal Exps 45,000 + Surveyor's Fees 35,000) Add: Claims paid on Re-Insurance Accepted Less: Claims from Re-Insurance Ceded (Received 3,25,000 + Due at end 1,10,000 - Due at opg 65,000)		43,30,000 5,00,000 (3,70,000)	
Net Claims Paid Add: Claims Outstanding as on 31.03.2018 (Direct Rs. 7,18,000 +Re-Insurance Rs. 60,000) Less: Claims Outstanding as on 01.04.2017 (Direct 6,25,000 + Re-Insurance 87,000)		44,60,000 7,78,000 (7,12,000)	
Total Claims Incurred		**45,26,000**	

(3 MARKS)

Schedule 3 - Commission

Particulars	**This Yr**	**Last Yr**
Commission Paid Add:Re-Insurance Accepted Less: Commission on Re-Insurance ceded	1,50,000 11,000 (14,000)	
Net Commission	**1,47,000**	

(2 MARKS)

ANSWER-B

Calculation of provision required on advances as on 31st March, 2017 as per the Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016

	Amount Rs. in lakhs	**Percentage of provision**	**Provision Rs. in lakhs**
Standard assets	16,800	0.25	42.00
Sub-standard assets	1,340	10	134.00
Secured portions of doubtful debts-			
- upto one year	320	20	64.00
- one year to three years	90	30	27.00
- more than three years	30	50	15.00
Unsecured portions of doubtful debts	97	100	97.00
Loss assets	48	100	48.00
			427.00

(5 MARKS)

Calculation of provision required on advances as on 31st March, 2017 as per the Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016

	Amount Rs. in lakhs	**Percentage of provision**	**Provision Rs. in lakhs**
Standard assets	16,800	0.35	58.80
Sub-standard assets	1,340	10	134.00
Secured portions of doubtful debts-			
- upto one year	320	20	64.00
- one year to three years	90	30	27.00
- more than three years	30	50	15.00
Unsecured portions of doubtful debts	97	100	97.00
Loss assets	48	100	48.00
			443.80

(5 MARKS)

ANSWER-5

ANSWER-A

1. Basic Information

Company Status	**Dates**	**Holding Status**
Holding Company= Rakesh Subsidiary	Acquisition: 31.03.2012 Consolidation: 31.03.2018	Holding Company= 70% Minority Interest= 30%

2. Analysis of = Suresh Reserves and Surplus of Suresh Ltd

(a) General Reserve: Balance (Before Bonus) Rs. 19,05,000

Less: Bonus Issue (15.00.000 ÷ 21 (Rs.7,50,000)

Balance (After Bonus) **Rs. 11,55,000**

As on DOA = Nil

DOA to DOC (Before Bonus) Rs.19,05,000

DOA to DOC (After Bonus) Rs.11,55,000

GI-Pre (80%) MI (20%)

= Rs.13,33,500 (Before Bonus) = Rs.5,71,500

= Rs.8,08,500 (After Bonus) = Rs.3,46,500

(b) Pre-Incorporation Profits = Rs. 30,000 - Capital Profit

(c) Profit and Loss A/c: Balance as per B/s Rs. 4,20,000

As on Date of Acquisition	DOA to DOC (b/f)
Rs.60,000	Rs.3,60,000
Capital Profit	Revenue Profit

GI-Pre (70%)	MI (30%)	GI-Pre (70%)	MI (30%)
= Rs.42,000	Rs.18,000	Rs.2,52,000	= Rs.1,08,000

(5 MARKS)

3. Consolidation of Balances

Suresh Ltd	Before Bonus Issue					After Bonus Issue				
(Holding-70%, Minority-30%)	Total	Minority	Pre—Acqn	Post Acqn G/R	Post Acqn P&L	Total	Minority	Pre-Acqn	Post Acqn G/R	Post Acqn P&L
Equity Cap.	1500000	450000	1050000	-	-	2250000	675000	1575000	-	-
Pre-Inc. Pft	30000	9000	21000	-	-	30000	9000	21000	-	-
Gen. Res.	1905000	571500	-	1333500	-	1155000	346500	-	808500	-
P & L A/c	420000	126000	42000	-	252000	420000	126000	42000	-	252000
Total [Cr]		**1156500**	**1113000**	**1333500**	**252000**		**1156500**	**1638000**	**808500**	**252000**
Invt [Dr.]			(1200000)					(1200000)		
Parent's Bal.				6000000	1575000				6000000	1575000
Total		**1156500**	**(87000)**	**7333500**	**1827000**		**1156500**	**438000**	**6808500**	**1827000**
Nature			**Goodwill**					**Cap.Res.**		

4. Consolidated Balance Sheet of Rakesh Ltd and its Subsidiary Suresh Ltd as at 31.03.2018

	Particulars as at 31st March		Note	This Year	Prev. Yr
I	**EQUITY AND LIABILITIES**				
(1)	Shareholders' Funds:				
	(a)	Share Capital	1	45,00,000	
	(b)	Reserves & Surplus	2	99,73,500	
(2)	Minority Interest			11,56,500	
(3)	Current Liabilities - Trade Payables (5,55,000 + 2,10,000)			7,65,000	
		Total		**1,63,95,000**	
II	**ASSETS**				

(1)	Non-Current Assets	
	Fixed Assets = 79,20,000 + 23,10,000	1,02,30,000
	Current Assets = 44,10,000 + 17,55,000	61,65,000
	Total	**1,63,95,000**

Notes to the Balance Sheet

Note 1: Share Capital

Particulars	This Yr	Prev. Yr
Authorised: Equity Shares of Rs. 10 each		
Issued, Subscribed & Paid up: 4,50,000 Equity Shares of Rs. 10 each	45,00,000	
Total	**45,00,000**	

Note 2: Reserves and Surplus

Particulars	This Yr	Prev. Yr
Capital Reserve	4,38,000	
Securities Premium	9,00,000	
General Reserve	68,08,500	
Profit & Loss A/c	18,27,000	
Total	**99,73,500**	

(5 MARKS)

ANSWER-B

Capital Employed at the end of each year

	31.3.2013 Rs.	31.3.2014 Rs.	31.3.2015 Rs.
Goodwill	20,00,000	16,00,000	12,00,000
Building and Machinery (Revaluation)	36,00,000	40,00,000	44,00,000
Inventory (Revalued)	24,00,000	28,00,000	32,00,000
Trade Receivables	40,000	3,20,000	8,80,000
Bank Balance	2,40,000	4,00,000	8,00,000
Total Assets	82,80,000	91,20,000	104,80,000
Less: Trade Payables	(12,00,000)	(16,00,000)	(20,00,000)
Closing Capital	70,80,000	75,20,000	84,80,000
Add: Opening Capital	73,20,000	70,80,000	75,20,000
Total	1,44,00,000	1,46,00,000	1,60,00,000
Average Capital	72,00,000	73,00,000	80,00,000

Since the goodwill has been purchased, it is taken as a part of Capital employed.

Valuation of Goodwill

(i)	Future Maintainable Profit	31.3.2013	31.3.2014	31.3.2015
	Net Profit as given	8,40,000	12,40,000	16,40,000
	Less: Opening Balance	(2,40,000)	(2,80,000)	(3,20,000)
	Adjustment for Valuation of Opening Inventory	-	(4,00,000)	(4,00,000)
	Add: Adjustment for Valuation of closing inventory	4,00,000	4,00,000	4,00,000
	Goodwill written off	-	4,00,000	4,00,000
	Transferred to General Reserve	4,00,000	4,00,000	4,00,000
	Future Maintainable Profit	14,00,000	17,60,000	21,20,000
	Less: 12.50% Normal Return	(9,00,000)	(9,12,500)	(10,00,000)
(ii)	Super Profit	5,00,000	8,47,500	11,20,000

(iii) Average Super Profit = Rs. (5,00,000+8,47,500+11,20,000)÷3 = Rs. 8,22,500

(iv) Value of Goodwill at five years' purchase= Rs. 8,22,500 × 5 = Rs. 41,12,500.

(10 MARKS)

ANSWER-6

ANSWER-A

Given the Total Initial Investments is Rs. 185 Lakhs, out of Issue Proceeds of Rs. 200 Lakhs. So, the balance of Rs. 15 Lakhs is attributed towards to Initial Issue Expenses (Rs. 12 Lakhs) and Opening Cash Balance (Rs. 3 Lakhs bal. figure).

1. Computation of Closing Cash Balance

Receipts	**Rs. Lakhs**	**Payments**	**Rs. Lakhs**
To Opening Balance	3.00	By Purchase of Securities	56.00
To Dividends Received	2.00	By Management Expenses (8.00 less 10% payable)	7.20
To Sale Proceeds of Investments	63.00	By Earnings Distributed (Note) (Rs. 5 Lakhs x 80%)	4.00
		By Closing Balance (balancing figure)	0.80
Total	**68.00**	**Total**	**68.00**

Note: Realised Earnings = Gain on Sale of Securities + Dividends Received = (63 - 60) + 2 = Rs. 5 Lakhs.

(3 MARKS)

2. Computation of Closing NAV

Particulars	Rs. Lakhs
1. Market Value of Capital Market Instruments (Given) 2. Cash in Hand (WN 1)	198.00 0.80
Total of Assets	**198.80**
Liabilities: Outstanding Expenses (Rs. 8 Lakhs x 10%)	**0.80**
Net Asset Value (Rs. Lakhs)	**198.00**
No. of Units Outstanding (In Lakhs)	**20.00**
NAV Per Unit = $\frac{\text{Net Assets of the Scheme}}{\text{Number of Units outstanding}} = \frac{198.00}{20.00} = \text{Rs.}9.90$	

(2 MARKS)

ANSWER-B

The Seventh Schedule of SEBI (Mutual funds) Regulations, 1996 states that a mutual fund scheme shall not invest more than 10% of its NAV in unrated debt instruments issued by a single issuer and the total investment in such instruments shall not exceed 25% of the NAV of the scheme. All such investments shall be made with the prior approval of the Board of Trustees and the Board of Asset Management Company. It also states that a mutual fund scheme shall not invest more than 10% of its NAV in debt instruments issued by a single issuer which are rated not below investment grade by an authorized credit rating agency. Such investment limit may be extended to 12% of the NAV of the scheme with the prior approval of the Board of Trustee and the Board of Asset Management Company. Accordingly, if the debts instruments of Y Ltd. are unrated then mutual fund Asset Management Company (AMC) cannot invest more than 10% of its NAV in those instruments.

(5 MARKS)

ANSWER-C

<u>As per AS 29, 'Provisions, Contingent Liabilities and Contingent Assets',</u> 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 resources 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-D

1. Computation of Rebate pertaining to period after B/S date

Due Date	Amount (Rs.)	No. of Days after 31.03.2018	Rebate (Rs.)
(1)	(2)	(3)	(4) = (2) x 12% x $\frac{(3)}{365}$
15.04.2014	3,75,000	15	1,849
06.05.2014	4,90,000	30 + 6 = 36	5,800
01.06.2014	2,45,000	30 + 31 +1 = 62	4,994
20.06.2014	3,68,000	30 + 31 + 20 = 81	9,800
04.07.2014	4,85,000	30 + 31 + 30 + 4 = 95	15,148
		Total	**37,591**

(3 MARKS)

2. Computation of Amount to be credited to Profit & Loss A/c

Particulars	**Rs.**
Transfer from Rebate on Bills Discounted (Opening Balance on 01.04.2017) Add: Discount Received	60,610 6,10,800
 Less: Rebate on Bills Discounted as on 31.03.2018 (WN 1)	6,71,410 (37,591)
Amount to be credited to P& L A/c	**6,33,819**

(2 MARKS)

ANSWER-E

MAT is treated as the current tax. The tax expense arising on account of payment of MAT should be charged at the gross amount, in the normal way, to the profit and loss account in the year of payment of MAT. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in the Guidance Note on Accounting for Credit Available in respect of Minimum Alternate Tax under the Income Tax Act, the said asset should be created by way of a credit to the profit and loss account and presented as a separate line item therein.

MAT credit should be presented under the head under the head 'Non-current Assets' sub head 'Long-term Loans and Advances' as per Schedule III to the Companies Act, 2013 considering that there being a convincing evidence of realization of the asset, it is of the nature of a pre-paid tax which would be adjusted against the normal income tax during the specified period. The asset may be reflected as 'MAT credit entitlement'.

In the year of set-off of credit, the amount of credit availed should be shown as a deduction from the 'Provision for Taxation' on the liabilities side of the balance sheet. The unavailed amount of MAT credit entitlement, if any, should continue to be presented under the head Loans and Advances' if it continues to meet the considerations stated in the Guidance Note.

(5 MARKS)