INTER CA – MAY 2018

PAPER 5 :ADVANCED ACCOUTING

Branch: Multiple   Date:

Note: Question 1 is compulsory. Attempt any five from the rest.

Question 1 (5 marks each)

A) Trilochan Ltd are Heavy Engineering Contractors specializing in construction of dams. From the records of the Company, w the following data is available pertaining to year ended 31st March. Using this data and applying the relevant Accounting Standard you are required to -

(a) Compute the Amount of Profit / Loss for year ended 31st March.
(b) Arrive at the Contract Work in Progress at the end of the above Financial Year.
(c) Determine the Amount of Revenue to be recognized out of the Total Contract Value.
(d) Work out the amount due from / to customers as at year-end.
(e) List down relevant disclosures with figures as per relevant Accounting Standard.

Total Contract Price	` 2,400 Crores	Estimated Further Cost to Completion	` 1,750 Crores
Work Certified	` 1,250 Crores	Stage-wise Payments received	` 1,100 Crores
Work pending certification	` 250 Crores	Progress Payments in pipe line	` 300 Crores

B) P Ltd has 60% voting right in Q Ltd. Q Ltd has 20% voting right in R Ltd. Also, P Ltd directly enjoys voting right of 14% in R Ltd. R Ltd is a Listed Company and regularly supplies goods to P Ltd. The Management of R Ltd has not disclosed its relationship with P Ltd. How would you assess the situation from the view point of AS-18?

C) A Company acquired for its internal use a Software on 28th January, from the USA for US $ 1,00,000. The Exchange Rate on that date was Rs. 52 per USD. The Seller allowed Trade Discount at 5%. The other expenditure were -

Import Duty:	20%
Purchase Tax:	10%
Entry Tax:	5% (Recoverable later from Tax Department)
Installation Expenses:	25,000
Professional Fees for Clearance from Customs :	20,000

Compute the cost of Software to be capitalized.

D) Sunny Limited is developing a new production process. During the financial year ended 31st March 2017, the Company has incurred total expenditure of ` 40 Lakhs on the process. On 1st December 2016, the process has met the norms to be recognized as "Intangible Assets", and the expenditure incurred till that date is ` 16 Lakhs. During the financial year ending on 31st March 2018, the Company has further incurred ` 70 Lakhs. The Recoverable Amount as on 31st March 2018 of the process is estimated to be ` 62 Lakhs. You are required to work out:

a) Expenditure to be charged to P&L A/c for FY ending on 31st March 2017 and 31st March 2018 (ignore Depreciation).

b) Carrying Amount of the Intangible Assets as at 31.03.2017 and 31.03.2017.

Question 2 (16 marks)

The Balance Sheet of Shiva Ltd as on 31st March is as under:

Liabilities	`	Assets	`
Authorized, Issued Equity Share Capital		Goodwill	2,00,000

20,000 Shares of ` 100 each	20,00,000	Plant and Machinery	18,00,000
10,000 Preference Shares (7%) of ` 100 each	10,00,000	Stock	3,00,000
Sundry Creditors	7,00,000	Debtors	7,50,000
Bank Overdraft	3,00,000	Preliminary Expenses	1,00,000
		Cash	1,50,000
		Profit and Loss Account	7,00,000
Total	**40,00,000**	**Total**	**40,00,000**

Two years' Preference Dividends are in Arrears. The Company had bad time during the last two years and hopes for better business in future, earning profit and paying dividend, provided the capital base is reduced.

An Internal Reconstruction Scheme as follows was agreed to by all concerned:

1. Creditors agreed to forego 50% of the claim.
2. Preference Shareholders withdrew Arrear Dividend claim. They also agreed to lower their Capital claim by 20% by reducing Nominal Value, in consideration of 9% Dividend effective after reorganization, in case Equity Shareholders' Loss exceed 50% on the application of the scheme.
3. Bank agreed to convert Overdraft into Term Loan to the extent required for making Current Ratio equal to 2:1.
4. Revalued figure for Plant and Machinery was accepted as ` 15,00,000.
5. Debtors to the extent of ` 4,00,000 were considered good.
6. Equity Shares shall be exchanged for same number of Equity Shares, at a revised denomination as required after reorganisation.

Show:

1. Total Loss to be borne by the Equity and Preference Shareholders for the Reorganisation,
2. Share of Loss to the Individual Classes of Shareholders,
3. New Structure of Share Capital after Reorganisation,
4. Working Capital of the Reorganized Company, and
5. A Proforma Balance Sheet after Reorganisation.

Question 3 (8 marks each)

A) From the Balance Sheets and information given below, prepare Consolidated Balance Sheet of Arjuna Ltd and Kanteeba Ltd as at 31st March. Arjuna Ltd holds 80% of Equity Shares in Kanteeba since its (Kanteeba) incorporation.

Equity and Liabilities	Arjuna	Kanteeba	Assets	Arjuna	Kanteeba
(1) Shareholders'Funds:			(1) Non-Current Assets:		
(a) Share Capital	3,00,000	2,00,000	(a) Fixed Assets	2,00,000	1,50,000
(Equity Capital of ` 10)			(b) Non-Current Investments	1,60,000	-
(b) Reserves & Surplus			(Invt in Shares of Kanteeba)		
- General Reserve	50,000	50,000	(2) Current Assets:		
(2) Non-Current Liabilities:			(a) Inventories	80,000	1,00,000
Long Term Borrowings - 8% Deb.	1,00,000	50,000	(b) Trade Receivables-Drs	40,000	70,000
(3) Current Liabilities: Trade Payables	50,000	50,000	(c) Cash & Cash Equivalents	20,000	30,000
Total	**5,00,000**	**3,50,000**	**Total**	**5,00,000**	**3,50,000**

B) From the following facts drawn from the records of Honest Bank for the year ended 31st March 2018, prepare the accounts as mentioned below:

(i) On 1st April 2017, Bills for Collection were ` 28,00,000. During 2017-2018, Bills received for collection were ` 2,58,00,000. Bills collected were ` 1,88,00,000. Bills dishonoured and returned were ` 22,00,000.
Prepare Bills for Collection (Assets) Accounts and Bills for Collection (Liability) Accounts.

(ii) On 1st April 2017, Acceptance, Endorsements etc. not yet satisfied amounted to ` 58,00,000. During the year, Acceptances, Endorsements, Guarantees, etc. were ` 1,76,00,000. The Bank honoured acceptances of ` 1,00,00,000 and a Client paid ` 40,00,000 against guaranteed liabilities. The Bank paid ` 4,00,000 which clients failed to pay.

Prepare "Acceptances, Endorsements and other Obligations Accounts" in the General Ledger.

(iii) A Loan of ` 24,00,000 advanced by the Bank on 30th August 2017 @ 10% per annum, whose interest is payable half-yearly. The Loan was outstanding as on 31st March 2018. Nothing was paid either towards Principal or Interest of this loan. The Security for the loan was 40,000 fully paid Shares of ` 100 each. The Shares were quoted on the Stock Exchange on 30th September 2017 at ` 90 per Share. Due to fluctuations, the price fell to ` 50 per Share in January 2018. On 31st March 2018 the Share Price quoted on the Stock Exchange was ` 96 per Share.

State giving reasons, whether the Loan would be classified as Secured or Unsecured in the Balance Sheet of the Company as on 31st March 2018.

(iv) The following balances were taken from the Trial Balance as on 31st March 2018.

	Dr. (`)	Cr. (`)
Interest & Discounts		3,92,00,000
Rebate for Bill Discounted		80,000
Bills Discounted & Purchased	16,00,000	

Proportionate discounts not yet earned for Bills to mature in 2017-2018 were ` 56,000.

Prepare the following Accounts:

(a) Rebate on Bills Discounted Account

(b) Interest and Discount Account

Question 4 (8 marks each)

A) Peoples Financiers Ltd, is an NBFC providing Hire Purchase Solutions for acquiring Consumer Durables. The following information is extracted from its books for year ended 31st March:

Asset Funded	Interest Overdue but recognized in Profit & Loss		Net Book Value of Assets
	Period Overdue	Interest Amount (` Crores)	(` Crores)
LCD Televisions	4 months	480.00	20,123.00
Washing Machines	for 16 months	102.00	2,410.00

Asset Funded	Interest Overdue but recognized in Profit & Loss		Net Book Value of Assets
	Period Overdue	Interest Amount (` Crores)	(` Crores)
Refrigerators	for 36 months	50.50	1,280.00
Air Conditioners	for 48 months	26.75	647.00

You are required to calculate the amount of provision to be made.

B) From the following financial position of Chandra Ltd, find out the Average Capital Employed (` 000's)

Equity and Liabilities	Year 1	Year 2	Year 3	Assets	Year 1	Year 2	Year 3
Share Capital (` 10)	6,00	6,00	6,00	Fixed Assets Gross	15,29	17,22	19,21
Reserves & Surplus	3,46	4,41	4,11	Less: Depreciation	4,25	5,10	6,10
10% Debentures	5,50	7,50	9,50	Net Block	11,04	12,12	13,11
14.5% Term Loan	2,50	3,00	3,50	Investments: Trade	1,12	1,27	1,40
Bank Overdraft	1,00	80	60	Non-Trade	85	1,12	1,40
Sundry Creditors	75	1,85	2,12	Current Assets	7,15	10,15	11,12
Provision for Taxation	40	50	55	Disc on Issue of Shares	25	20	15
Proposed Dividend	80	80	80				
Total	**20,41**	**24,86**	**27,18**	**Total**	**20,41**	**24,86**	**27,18**

Compute Average Equity Capital Employed.

Question 5 (16 marks)

Gowri Ltd and Ambika Ltd had the following Balance Sheets as on 31st March - (in `)

Liabilities	Gowri	Ambika	Assets	Gowri	Ambika

Share Capital of ` 100 each	50,00,000	-	Fixed Assets	83,00,000	1,60,00,000
Share Capital of ` 10 each	-	80,00,000	Current Assets	69,00,000	1,68,00,000
Capital Reserve	10,00,000	-	Investments	17,00,000	-
General Reserve	36,00,000	1,00,00,000	Goodwill	2,00,000	-
Secured Loans	-	40,00,000			
Unsecured Loans	22,00,000	-			
Sundry Creditors	42,00,000	46,00,000			
Provision for Taxation	11,00,000	52,00,000			
[illegible]	-	10,00,000			
Total	**1,71,00,000**	**3,28,00,000**	**Total**	**1,71,00,000**	**3,28,00,000**

Gowri Ltd is amalgamated with Ambika Limited on the above date. For the purpose of amalgamation, the Goodwill of Gowri Ltd is considered valueless. There are also arrears of depreciation of Gowri Ltd amounting to ` 4,00,000. The Shareholders in Gowri Ltd are allotted, in full satisfaction of their claims, Shares in Ambika Limited in the same proportion as the respective Intrinsic Values of the Shares of the two Companies bear to one another. Pass Journal Entries in the books of both the Companies, to give effect to the above.

Question 6 (8 marks each)

A) Sankar Ltd furnishes you with the following Balance Sheet as on 31st March – (` in Lakhs)

Equity & Liabilities	`	Assets	`
Share Capital:		Fixed Assets Less Depreciation	50
Equity Shares of ` 10 each Fully Paid	100	Investments at Cost	120
9% Redeemable Pref. Shares of ` 100 each Fully	20	Current Assets	142
Capital Reserves	8		
Revenue Reserves	50		
Securities Premium	60		
10% Debentures	4		
Current Liabilities	70		
Total	**312**	**Total**	**312**

1. The Company redeemed the Preference Shares at a Premium of 10% on 1st April. Assume that Securities Premium A/c is usable for providing the Premium on redemption of Preference Shares.
2. It also bought back 3 Lakh Equity Shares of ` 10 each at ` 30 per Share. The payment for the above was made out of huge Bank balances, which appeared as a part of the Current Assets.
3. Included in its investment were "Investment in Own Debentures" costing ` 2 Lakhs (Face Value ` 2.20 Lakhs). These Debentures were cancelled on 1st April.
4. The Company had 1,00,000 Equity Stock Options Outstanding on the above mentioned date, to the Employees at ` 20 when the Market Price was ` 30. (This was included under Current Liabilities). On 1st April, the Employees exercised their Options for 50,000 Shares.

Required: Pass the Journal Entries to record the above, and Prepare Balance Sheet as at 1st April.

B) Ramayan Limited issued to Public 1,50,000 Equity Shares of ` 100 each at par. ` 60 Per Share was payable along with Application and balance on Allotment. The issue was underwritten equally by Guha, Vibhishana and Hanuman for a Commission of 5%. Applications for 1,40,000 Shares were received as per details below:

Underwriter	Firm Application	Marked	Total
Guha	5,000	40,000	45,000
Vibhishana	5,000	46,000	51,000
Hanuman	3,000	34,000	37,000
Unmarked Applications			7,000
Total			**1,40,000**

It was agreed to credit the Unmarked Applications equally to Guha and Hanuman. The Company accordingly made the allotment and received the amounts due from the public. The Underwriters settled their accounts.

You are required to -

1. Prepare a Statement showing the Liability of the Underwriters, and
2. Journalise the above transactions (including cash) in the books of the Company.

Question 7

A) Tne Life Fund of a Life Assurance Company was ` 86,48,000 as on 31st December. The Interim Bonus paid during the inter valuation period was ` 1,48,000. The periodical Actuarial Valuation determined the Net Liability at ` 74,25,000. Surplus brought forward from the previous valuation was ` 8,50,000. The Directors of the Company proposed to carry forward ` 9,31,000 and to divide the balance between Shareholders and Policyholders. You are required to show - (a) Valuation Balance Sheet, (b) Net Profit for the Valuation Period, and (c) The Distribution of the Surplus. **(4 marks)**

B) A Company has its Share Capital divided into Equity Shares of ` 10 each. On 01.10.2017, it granted 20,000 Employees' Stock Option at ` 50 per Share, when Market Price was ` 120 per Share. The Options were to be exercised between 10.12.2017 and 31.03.2018. The Employees exercised their options for ` 16,000 Shares only, and the remaining options lapsed. The Company closes its books on 31st March every year. Show Journal Entries (with narration) as would appear in the Company's books upto 31.03.2018. **(4 marks)**

C) The summarized Balance Sheet of Full Stop Ltd as on 31st March, being the date of voluntary winding up is as under:

Equity & Liabilities	`	**Assets**	`
Share Capital:		Land and Buildings	5,20,000
5,000 10% Cumulative Preference Shares of ` 100 each fully paid	5,00,000	Plant and Machinery	7,80,000
5,000 Equity Shares of ` 100 each ` 60 per Share called up & paid	3,00,000	Stock in Trade	3,25,000
5,000 Equity Shares of ` 100 each ` 50 per Share called up & paid	2,50,000	Book Debts	10,25,000
Securities Premium	7,50,000	Profit and Loss Account	5,50,000
10% Debentures	2,10,000		
Preference Creditors	1,05,000		
Bank Overdraft	4,85,000		
Trade Creditors	6,00,000		
Total	**32,00,000**	**Total**	**32,00,000**

Preference Dividend is in arrears for three years. The assets realized as follows:

Land and Buildings	` 6,20,000	Plant and Machinery	` 7,10,000
Stock in Trade	` 3,10,000	Book Debts	` 6,60,000

Expenses of Liquidation are ` 86,000.The Remuneration of the Liquidator is 2% of the realization of assets. Income Tax Payable on Liquidation is ` 67,000. Assume that the final payments are made after one year from the above date.

Prepare the Liquidator's Final Statement of Account. **(8 marks)**

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