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

Question 1 (20marks)

(A) Baidyanath Ltd has taken a Transit Insurance Policy. Suddenly, during the current financial year, the percentage of accident has gone up to 7%. So, the Company wants to recognize the claims made as revenue in the current financial year in accordance with relevant AS. Do you agree?

(B) Bhima Ltd sold to Arjun Ltd, goods having a Sale Value of ` 25 Lakhs during a Financial Year. Mr. Strength, the Managing Director and Chief Executive of Bhima Ltd owns nearly 100% of the Capital of Arjun Ltd. The Sales were made to Arjun Ltd at the normal Selling Price of Bhima Ltd. The Chief Accountant of Bhima Ltd does not consider that these Sales should be treated any differently from any other sale made by the Company despite being made to a Controlled Company, because the sales were made at normal and, that too, at arms' length prices. Comment.

(C) Annual Lease Rent = ` 40,000 at the end of each year
Lease Period = 5 years
Guaranteed Residual Value = ` 14,000
Fair Value at the inception (beginning) of lease = ` 1, 50,000
Interest Rate implicit in the lease is 12.6%. The Present Value Factors at 12.6% are 0.89, 0.79, 0.7, 0.622, and 0.552 at the end of first, second, third, fourth and fifth year respectively.
Show the Journal Entry to record the Asset taken on Financial Lease in the books of the lease.

(D) If Potential Equity Shares were not considered in the previous year because they were anti – dilutive, can these be considered in the current period if they are dilutive? If yes, is the Prior Period EPS required to be re – stated?

Question 2 (16 marks)

The following are the Balance Sheets of Mahima Ltd and Nithya Ltd, as at 31st March – (` in Lakhs)

Liabilities	Mahima	Nithya	Assets	Mahima	Nithya
Share Capital:			Plan and Machinery	4,215	468
Fully paid Equity Shares of ` 10 each	3,600	900	Furniture and Fixtures	2,400	183
10% Pref. Shares of ` 10 each, fully paid up	1,200	Nil	Motor Vehicles	Nil	51
Capital Reserve	6,000	Nil	Stock	2,370	444
General Reserve	2,100	Nil	Sundry Debtors	1,044	237
Profit and Loss Account	780	Nil	Cash at Bank	1,542	240
8% Redeemable Debentures of ` 1,000 each	Nil	300	Preliminary Expenses	Nil	33
Trade Creditors	2,421	369	Discount on Issue of Debentures	Nil	6
Provisions	870	93			
Total	11,571	1,662	Total	11,571	1,662

A new Company Sona Ltd was got incorporated with an Authorised Capital of ` 15,000 Lakhs divided into Shares of ` 10 each. In an amalgamation in the nature of Merger, Mahima Ltd & Nithya Ltd were merged into Sona Ltd on the following terms –

(a) Purchase Consideration for Mahima Ltd's business is to be discharged by issue of 120 Lakhs fully paid 11% Preference Shares and 720 Lakhs fully paid Equity Shares of Sona Ltd to the Preference and Equity Shareholders of Mahima Ltd in full satisfaction of their calims.

(b) To discharge Purchase Consideration for Nithya Ltd's business, Sona Ltd to allot 90 Lakhs fully paid up Euity Shares to Shareholders of Nithya Ltd in full satisfaction of their claims.

(c) Expenses on the liquidation of Mahima Ltd and Nithya Ltd amounting to ` 6 Lakhs are to be borne by Sona Ltd.

(d) 8 % Redeemable Debentures of Nithya Ltd to be converted into 8.5% Redeemable Debentures of Sona Ltd.

(e) Expenses on Incorporation of Sona Ltd were ` 15 Lakhs.

You are required to –

(a) Pass necessary Journal Entries in the books of Sona Ltd to record above transactions, and

(b) Prepare Balance Sheet of Sona Ltd after Merger.

Question 3 (8 marks)

(A) Ajay Ltd acquired 70% of the shares of Vijay Ltd on 1st January Year 1 when Vijay's net worth was ` 21, 60,000, represented by ` 20, 00,000 in Equity Capital and ` 1,60,000 in Reserves. Cost of Investment to Ajay was ` 12, 00,000. The Subsidiary reported the following Losses/ Profits (after acquisition) –

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Loss `5,00,000	Loss` 8,00,000	Loss `10,00,000	Loss ` 2,40,000	Profit `1,00,000	Profit `2,00,000	Profit`3,00,000

Calculate the amount to be shown as Minority Interest sand Goodwill / Capita; Reserve at the end of every year.

(B) The following particulars are extracted from the Books of the Hari Bank Ltd for the year ending 31st March 2017. (8 marks)

(i) Interest and Discounts ` 1,98,64,800

(ii) Rebate on Bills Discounted (balance on 01.04.2016) ` 70,080

(iii) Bills Discounted and purchased ` 77,46,400

It is ascertained that proportionate discount not yet earned on the Bills Discounted which will mature during 2017-2018 amounted to ` 96,860.

Pass the necessary Journal Entries with narration adjusting the above and show-

(a) Rebate on Bills Discounted Account, and

(b) Interest and Discount Account in the Ledger of Hari Bank Limited.

Question 4 (8 marks)

(A) Samvedan Limited is a NBFC. It accepts Public Deposit and also deals in Hire Purchase Business. It provides you with the following information regarding major Hire Purchase deals. Few Machines. were sold on on hire purchase basis. The Hire Purchase Price was set as 1100 Lakhs as against the Cash Price of ` 80 Lakhs. The amount was payable as ` 20 Lakhs down payment and balance in 5 equal instalments. The Hire Vendor collected first instalment as on 31.03.2017, but could not collect the second instalment which was due on 31.03.2018. The Company is finalising accounts for the year ending 31.03.2018. Till 15.05.2018, the date on which the Board of Directors signed the accounts, the second instalment was not collected. Presume IRR to be 10.42%. You are required to answer the following

(i) What should be the Principal Outstanding on 01.04.2017? Should the Company recognise Finance Charge for the year 2017-2018 as Income?

(ii) What should be the Net Book Value of Assets on 31.03.2018 so far Samvedan Ltd is concerned as per NBFC Prudential Norms requirement for provisioning?

(iii) What should be the amount of provision to be made as per Prudential Norms for NBFC laid down by RBI?

(B) Find out the Average Capital Employed and Profits of Chand Ltd from its Balance Sheet Extract as at 31st March (Year - end). (8 marks)

Equity and Liabilities	**` Lakhs**	**Assets**	**` Lakhs**
(1) Shareholders' Funds:		(1) Non-Current Assets:	
(a) Share Capital		(a) Fixed Assets:	
(i) Equity Share Capital of ? 10 each	50.00	(i) Tangible Assets	
(ii) 9% Preference Shares fully paid up	10.00	- Land and Buildings	25.0
(b) Reserves & Surplus		- Plant and Machinery	80.25
(i) General Reserve		- Furniture and Fixtures	5.50
(ii) P & L Account	12.00	- Vehicles	5.00
(2) Non-Current Liabilities:	20.00	(b) Non-Current Investments	10.00
Long Term Borrowings		(c) Other Non-Current Assets	
(i) 16% Debentures		- Preliminary Expenses	0.50
(ii) 16% Term Loan	5.00	(2) Current Assets:	
(3) Current Liabilities:	18.00	(a) Inventories	6.75
(a) Short Term Borrowings		(b) Trade Receivables - Sundry	

(b) Trade Payables - Sundry Creditors (c) Other Current Liabilities - Proposed Dividend Equity Shares Preference Shares (d) Short Term Prov. - Provision for Taxation	13.30 2.70 10.00 0.90 6.40	Debtors (c) Cash & Cash Equivalents	4.90 10.40
Total	148.30	Total	148.30

Non-Trade Investments were 20% of the Total Investments. Opening Balances of the following accounts were - P & L Account `8.70 Lakhs, General Reserve ` 6.50 Lakhs.

Question 5 (16 marks)

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

Liabilities	`	Assets	`
Authorized, Issued Equity Share Capital 20,000 Shares of ? 100 each 10,000 Preference Shares (7%) of ? 100 each Sundry Creditors Bank Overdraft	 20,00,000 10,00,000 7,00,000 3,00,000	Goodwill Plant and Machinery Stock Debtors Preliminary Expenses Cash Profit and Loss Account	2,00,000 18,00,000 3,00,000 7,50,000 1,00,000 1,50,000 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 6 (8 marks)

(A) Sthaanu Limited furnishes the following Balance Sheet as at 31st March. (` In Lakhs)

Equity & Liabilities	`Lakhs	Assets	` Lakhs
Equity Share Capital (Fully Paid Up Shares of ` 10 each) Securities Premium General Reserve Capital Redemption Reserve Profit & Loss A/c 12% Debentures Sundry Creditors Other Current Liabilities	1,200 175 265 200 170 750 745 195	Fixed Assets: Machinery Furniture Investments Current Assets: Stock Debtors Cash at Bank	 1,800 226 74 600 260 740
Total	3,700	Total	3,700

On 1st April, the Company announced the Buy Back of 25% of its Equity Shares at ` 15 per Share. For this purpose, it sold all of its Investments for ` 75 Lakhs. On 5th April, the Company achieved the target of Buy Back. On 30th April, the Company issued one fully paid up Equity Share of ` 10 by way of Bonus, for every four Equity Shares held by the Equity Shareholders.

You are required to -

1. Pass necessary Journal Entries for the above transactions.
2. Prepare a Summary Balance Sheet after Bonus Issue.

(8 marks)

(B) On 1st January, Bhagavat Limited comes out with a Public Issue of Share Capital of 10,00,000 Equity Shares of ` 10 each at a premium of 5%. ` 2.50 is payable on Application (on or before 31st Jan) and `3.00 on allotment (31st March) including Premium.

The issue is underwritten by two underwriters - Alok and Bhujbal equally, the Commission being 5% of the Issue Price. Each of the Underwriters underwrites 20,000 Shares Firm.

Subscriptions were received for 9,60,000 Shares, the distribution of Forms being: (1) Marked with Alok's Seal - 5,20,000 Shares, (2) Marked with Bhujbal's Seal - 3,60,000 Shares and (3) Unmarked Forms: 80,000 Shares.

One of the Allottees (using forms marked Alok's seal) for 2,000 shares, fails to pay the amount due to allotment, all other money due being received in all including any due from the Shares devolving upon the Underwriters. The Commission due is paid separately.

The Shares of the indifferent allottee are finally Forfeited by 30th June and are re-allotted for payment in cash of ` 4 per Share. You are required to pass Journal Entries to record the above events and transactions.

Question 7 (4 marks)

(A) Sakthi has invested in three Mutual Funds. From the details given below, find out Effective Yield on per annum basis in respect of each of the schemes to Sakthi upto 31.03.2018.

Mutual Fund	X	Y	z
Date of Investment	01.12.2017	01.01.2018	01.03.2018
Amount of Investment (`)	1,00,000	2,00,000	1,00,000
NAV at the date of Investment (`)	10.50	10.00	10.00
Dividend Receipt upto 31.03.2015 (`)	1,900	3,000	Nil
NAV as on 31.03.2017 (`)	10.40	10.10	9.80

(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.

(C) The summarized Balance Sheet of Vasant Ltd as on 31st March 2018, being the date of voluntary up is as under: (8 marks)

Liabilities	`	Assets	`
Share Capital:		Land & Building	1.30.000
Issued:		Sundry Current Assets	4,36,000
10% Preference Shares of ` 10 each	1,50,000	Profit and Loss Account	35,000
10,000 Equity Shares of ` 10 each fully paid up	1,00,000	Debenture Issue Expenses not written off	2,000
5,000 Equity Shares of ` 10 each, ` 8 per Share paid up	40,000		
13% Debentures	1,50,000		
Mortgage Loan	70,000		
Bank Overdraft	30,000		
Trade Creditors	38,000		

Income Tax Arrears (Assessment concluded in February 2013)	25,000		
Total	6,03,000	Total	6,03,000

Mortgage Loan was secured against Land & Buildings. Debentures were secured by a Floating Charge on all assets. The Company was unable to meet the payments and therefore the Debenture holders appointed a Receiver for the Debenture holders. He brought the Land & Buildings to auction and realised ` 1,60,000. He also took charge of Sundry Assets of value of ` 2,36,000 and realised ` 2,00,000. The Bank Overdraft was secured by personal guarantee of the Directors of the Company and on the Bank raising a demand, the Directors paid off the due from their personal resources. Costs incurred by the Receiver were ` 1,950 and by the Liquidator ` 3,000. The Receiver was not entitled to any remuneration but the Liquidator was to receive 2% Fee on the value of assets realized by him. Preference Shareholders have not been paid Dividend for period after 31st March 2016, and Interest for the last half year was due to the Debentureholders. Rest of the assets were realised at ` 1,50,000.
Prepare the accounts to be submitted by the Receiver and Liquidator.