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

Question 1 (5 marks each)

(a) **A) Computation of basic earnings per share**

Net profit for the current year / Weighted average number of equity shares outstanding during the year

` 75,00,000 / 10,00,000 = ` 7.50 per share

Computation of diluted earnings per share $\dfrac{\text{Adjusted net profit for the current year}}{\text{Weighted average number of equity shares}}$

(A) Adjusted net profit for the current year (5 Marks)

	`
Net profit for the current year	75,00,000
Add: Interest expense for the current year	8,00,000
Less: Tax relating to interest expense (30% of ` 8,00,000)	(2,40,000)
Adjusted net profit for the current year	80,60,000

Number of equity shares resulting from conversion of debentures = 1,10,000

Equity shares (given in the question)

Weighted average number of equity shares used to compute diluted earnings per share

= 11,10,000 shares (10,00,000 + 1,10,000)

Diluted earnings per share

= 80,60,000/ 11,10,000

= ` 7.26 per share

Note:

1. Conversion of convertible debentures into Equity Share will be dilutive potential equity shares. Hence, to compute the adjusted profit the interest paid on such debentures will be added back as the same would not be payable in case these are converted into equity shares.
2. The date of issue of convertible debentures is not given in the question. It has been assumed that debentures were issued at the beginning of the year .

B) According to AS 29 'Provisions, Contingent Liabilities and Contingent Assets', contingent liability should be disclosed in the financial statements if following conditions are satisfied:

(i) There is a present obligation arising out of past events but not recognized as provision.
(ii) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.
(iii) The possibility of an outflow of resources embodying economic benefits is also not remote.
(iv) The amount of the obligation cannot be measured with sufficient reliability to be recognized as provision. **(2 marks)**

In this case, the probability of winning for first 7 cases is 100% and hence requirement of providing contingent loss does not arise. The probability of winning of next 12 cases is 60% and for remaining 6 cases is 50%. In other words, probability of losing the cases is 40% and 50% respectively. According to AS 29, we make a provision if the loss is probable. As the loss does not appear to be probable and the probability or possibility of an outflow of resources embodying economic benefits is not remote rather there is reasonable possibility of loss. Hence, disclosure will be made for contingent liability.

For disclosure by way of note of contingent liability, amount may be calculated as under:

Expected loss in 12 cases = [` 1,50,000 x 0.3 + ` 2,50,000 x 0.1] x 12

= [` 45,000 + ` 25,000] x 12

= ` 70,000 x 12 = ` 8,40,000

Expected loss in remaining 6 cases = [` 1,25,000 x 0.35 + ` 3,00,000 x 0.15] x 6

= [` 43,750 + ` 45,000] x 6

= ` 5,32,500

Therefore, the overall expected loss of 13,72,500 (` 8,40,000 + ` 5,32,500) will be disclosed by way of contingent liability **(3 marks)**

C)

(i) Computation of annual lease payment to the lessor (2 ½ marks)

	`
Cost of equipment	16,99,999.50
Unguaranteed residual value	1,33,500.00
Present value of residual value after third year @ 10% (` 1,33,500 × 0.751)	1,00,258.50
Fair value to be recovered from lease payments (` 16,99,999.5– ` 1,00,258.5)	15,99,741.00
Present value of annuity for three years is 2.486	
Annual lease payment = ` 15,99,741/ 2.486	6,43,500.00

(ii) Computation of Unearned Finance Income (2 ½ marks)

	`
Total lease payments (` 6,43,500 x 3)	19,30,500
Add: Unguaranteed residual value	1,33,500
Gross investment in the lease	20,64,000.00
Less: Present value of investment (lease payments and residual value) (` 1,00,258.5+ ` 15,99,741)	(16,99,999.50)
Unearned finance income	3,64,000.50

D) In case of a Company, the Managing Director, whole time director, manager and any person in accordance with whose directions or instructions the board of directors of the company is accustomed to act, are usually considered Key Managerial Personnel (KMP).

Persons who do not have the authority and responsibility for planning, directing and controlling the activities of the enterprise would not be KMP. Conversely, persons without any formal titles may be considered to be KMP, if they plan, direct and control the activities of the enterprise.

Further, as per Sec 2(76) of Companies Act, 2013, a related party includes a director or his relative. Sec 2(34) defines a director as a director appointed to the Board of a Company.

Hence, remuneration paid to Board of Directors will be considered as related party transaction.

Question 2 (16 marks)

Calculation of Purchase Consideration (4 marks)

	P Ltd. (`)	*Q Ltd.* (`)
Assets taken over:		
Goodwill	50,000	1,50,000
Building	1,00,000	1,90,000
Plant & Machinery	25,000	80,000
Furniture & Fixtures	-	35,000
Inventories	1,35,000	50,000
Trade Receivables	-	1,42,000
Cash at Bank	-	58,000
	3,10,000	7,05,000
Less :Liabilities taken over		
8% Debentures	(1,21,000)	-
Trade Payables	-	(1,40,000)
Net Assets taken over	1,89,000	5,65,000
To be satisfied by issue of shares of PQ Ltd. of ` 10 each at par	18,900	56,500

PQ Limited

Balance Sheet as at 1st April, 2014 (4 marks)

Particulars	*Note No.*	*Amount (`)*
I. Equity and Liabilities		
(1) Shareholder's Funds		
(a) Share Capital	1	7,54,000
(b) Reserve & Surplus	2	11,000
(2) Non-current Liabilities		
(a) Long term borrowings	3	1,10,000
(3) Current Liabilities		

(a) Trade Payables			1,40,000
	Total		10,15,000
II. Assets			
(1) Non-current assets			
(a) Fixed Assets			
Tangible		4	4,30,000
Intangible		5	2,00,000
(2) Current Assets			
a) Inventories			1,85,000
b) Trade Receivables			1,42,000
c) Cash at Bank			58,000
	Total		10,15,000

Notes to Accounts: (2 marks)

			`
1	**Share Capital**		
	Authorized		
	1,00,000 shares of ` 10 each		10,00,000
	Issued, Subscribed and Paid up		
	75,400 shares of ` 10 each (All the above shares are allotted as fully paid up pursuant to scheme of amalgamation without payments being received in cash)		7,54,000
2	**Reserve & Surplus**		
	Securities Premium Account		11,000
3	**Long term borrowings -**		
	8 % Debentures		1,10,000
4	**Tangible Fixed Assets**		
	Building		
	P Ltd.	1,00,000	
	Q Ltd.	1,90,000	2,90,000
	Plant & Machinery		
	P Ltd.	25,000	
	Q Ltd.	80,000	1,05,000
	Furniture & Fixture		
	Q Ltd.		35,000

			4,30,000
5	**Intangible Asset**		
	Goodwill		
	P Ltd.	50,000	
	Q. Ltd.	1,50,000	2,00,000

Working Note:

Computation of Securities Premium

Debentures issued by PQ Ltd. to the existing debenture holders of P Ltd. at 10% premium.

Securities Premium = ` 1,10,000 x 10% = ` 11,000.

In the books of P Ltd. (Journal Entries) (6 marks)

			`	`
1	Realization Account	Dr.	3,04,000	
	To Building			1,00,000
	To Plant & Machinery			25,000
	To Inventories			1,35,000
	To Trade Receivables			44,000
	(Being all assets except cash transferred to Realization Account)			
2	8% Debentures Account	Dr.	1,10,000	
	Trade Payables	Dr.	54,000	
	To Realization Account			1,64,000
	(Being all liabilities transferred to Realization Account)			
3	Equity Share Capital	Dr.	1,40,000	
	Profit & Loss Account	Dr.	30,000	
	To Equity Shareholder's Account			1,70,000
	(Being Equity transferred to Equity Shareholders' Account)			
4	PQ Ltd	Dr.	1,89,000	
	To Realization Account			1,89,000
	(Being Purchase consideration due)			
5	Bank Account	Dr.	44,000	
	To Realization Account			44,000
	(Being Cash received from trade receivables in full)			
6	Realization Account	Dr.	54,000	
	To Bank Account			54,000
	(Being payment made to Trade Payables)			
7	Shares in PQ Ltd.	Dr.	1,89,000	
	To PQ Ltd.			1,89,000
	(Being purchase consideration received in the form of Equity Shares of PQ Ltd.)			
8	Realization Account (balancing figure)	Dr.	39,000	

	To Equity Shareholders' Account (Being profit on realization transferred to Equity Shareholders' Account)			39,000
9	Equity Shareholders' Account	Dr.	2,09,000	
	To Shares in PQ Ltd.			1,89,000
	To Bank Account			20,000
	(Being final payment made to shareholders)			

Question 3 (8 marks each)

A) Consolidated Profit & Loss Account of Hello Ltd. and its subsidiary Sun Ltd. for the year ended on 31st March, 2017 (4 marks)

Particulars	*Note No.*	*` in Lacs*
I. Revenue from operations	1	11,730
II. Total revenue		11,730
III. Expenses		
Cost of Material purchased/Consumed	3	2,360
Changes of Inventories of finished goods	2	(2,392)
Employee benefit expense	4	1,900
Finance cost	6	300
Depreciation and amortization expense	7	300
Other expenses	5	1,070
Total expenses		3,538
IV. Profit before Tax(II-III)		8,192
V. Tax Expenses	8	2,800
VI. Profit After Tax		5,392
Profit transferred to Consolidated Balance Sheet		
Profit After Tax		5,392
Dividend paid		
Hello Ltd.	2,400	
Sun Ltd.	300	
	2,700	
Less: Share of Hello Ltd. in dividend of Sun Ltd.		
80% of ` 300 lacs	(240)	(2,460)
Profit to be transferred to consolidated balance sheet		2,932

Notes to Accounts (4 marks)

		` in Lacs	*` in Lacs*
1.	Revenue from Operations		
	Sales and other income		
	Hello Ltd.	10,000	
	Sun Ltd.	2,000	
		12,000	

	Less: Inter-company Sales	(240)	
	Consultancy fees received by Hello Ltd. from Sun Ltd.	(10)	
	Commission received by Sun Ltd. from Hello Ltd.	(20)	11,730
2.	Increase in Inventory		
	Hello Ltd.	2,000	
	Sun Ltd.	400	
		2,400	
	Less: Unrealized profits ` 48 lacs × $\frac{20}{120}$	(8)	2,392
			14,122
3.	Cost of Material purchased/consumed		
	Hello Ltd.	1,600	
	Sun Ltd.	400	
		2,000	
	Less: Purchases by Sun Ltd. from Hello Ltd.	(240)	1,760
	Direct Expenses		
	Hello Ltd.	400	
	Sun Ltd.	200	600
			2,360
4.	Employee benefits and expenses		
	Wages and Salaries:		
	Hello Ltd.	1,600	
	Sun Ltd.	300	1,900
5.	Other Expenses		
	Administrative Expenses		
	Hello Ltd.	400	
	Sun Ltd.	200	
		600	
	Less: Consultancy fees received by Hello Ltd. from Sun Ltd.	(10)	590
	Selling and Distribution Expenses:		
	Hello Ltd.	400	
	Sun Ltd.	100	
		500	
	Less: Commission received from Sun Ltd. from Hello Ltd.	(20)	480
			1,070

6.	Finance Cost			
	Interest:			
	Hello Ltd.	200		
	Sun Ltd.	100	300	
•	Depreciation and Amortization			
	Depreciation:			
	Hello Ltd.	200		
	Sun Ltd.	100	300	
8.	Provision for tax			
	Hello Ltd.	2,400		
	Sun Ltd.	400		2,800

Note: Since the amount of dividend received by Hello Ltd. for the year 2015-2016 is not given, it has not been deducted from 'sales and other income' in consolidated profit and loss account and not added to consolidated opening retained earnings (which is also not given).

B) Calculation of liability of each underwriter assuming that the benefit of firm underwriting is not given to individual underwriter (6 marks)

Particulars	*No. of shares*				
	L	*M*	*N*	*O*	*Total*
Gross underwriting *Less:* Marked Application (excluding firm underwriting)	80,000 (55,000)	60,000 (40,000)	40,000 (42,000)	20,000 (8,000)	2,00,000 (1,45,000)
Balance *Less*: Surplus of N allotted to L, M & O in the ratio of 4:3:1	25,000 (1,000)	20,000 (750)	(2,000) 2,000	12,000 (250)	55,000 -
Balance *Less:* Unmarked application including firm underwriting(WN)	24,000 (7,200)	19,250 (5,400)	- (3,600)	11,750 (1,800)	55,000 (18,000)
Net Liability *Less*: Surplus of N allotted to L, M & O in the ratio of 4:3:1	16,800 (1,800)	13,850 (1,350)	(3,600) 3,600	9,950 (450)	37,000 -
Balance *Add:* Firm Underwriting	15,000 5,000	12,500 4,000	- 2,000	9,500 2,000	37,000 13,000
Net Liability	20,000	16,500	2,000	11,500	50,000

Working Note: (2 marks)

Particulars	*No. of shares*
Application received from public	1,50,000
Add: Firm underwriting	13,000
Total Applications	1,63,000
Less: Marked application	(1,45,000)
Unmarked application including firm underwriting	18,000

Question 4 (8 marks each)

A)

Computation of Average Capital employed

		(` in lakhs)
Total Assets as per Balance Sheet		591.20
Less: Non-trade investments (20% of ` 40 lakhs)		(8.00)
		583.20
Less: Outside Liabilities:		
10% Debentures	20.00	
12% Term Loan	72.00	
Trade Payables	64.00	
Provision for Taxation	25.60	(181.60)
Capital Employed as on 31.03.2017		401.60
Less: ½ of profit earned during the year:		
Increase in General Reserve balance	2.00	
Increase in Profit & Loss A/c	78.40	
	80.40 /2	40.20
Average capital employed		361.40

B)

Form B – RA (Prescribed by IRDA)

Revenue Account for the year ended 31st March, 2017

(Marine Insurance Business)

	Schedule	*Current Year*	*Previous Year*
		`	`
Premiums earned (net)	1	24,33,050	
Profit/(Loss) on sale/redemption of investments		-	
Others (to be specified)		-	
Interest, Dividends and Rent – Gross (Net + TDS) (1,10,000 +24,000)		1,34,000	
Total (A)		25,67,050	
Claims incurred (net)	2	17,91,000	
Commission	3	1,36,000	
Operating expenses related to Insurance business	4	3,22,000	
Total (B)		22,49,000	
Operating Profit from Marine Insurance business (A-B)		**3,18,050**	

Schedules forming part of Revenue Account

	Current Year	Previous Year
	`	`
Schedule –1		
Premium earned (net) (22,60,000 +3,47,000)		
Total Premiums earned	26,07,000	
Less: Premium on reinsurance ceded	(2,68,000)	
Total Premium earned (net)	23,39,000	
Change in provision for unexpired risk (Required provision – existing reserve)		
[(` 23,39,000 +5% of 23,39,000 i.e. 24,55,950) – ` 25,50,000)]	94,050	
Net Premium earned	24,33,050	
Schedule – 2		
Claims incurred (net)	17,91,000	
Schedule – 3		
Commission paid		
Direct	1,40,000	
Add: Re-insurance accepted	12,000	
Less: reinsurance ceded	(16,000)	
	1,36,000	
Schedule – 4		
Operating expenses related to insurance business		
Employees' remuneration and welfare benefits	2,50,000	
Rent, Rates and Taxes	15,000	
Printing and Stationery	22,000	
Legal and Professional charges	35,000	
	3,22,000	

Working Notes:

1.	Total Premium Income	*Direct*	*Re-insurance*
		`	`
	Received	22,00,000	3,40,000
		23,80,000	3,68,000
	Less: Receivable on 1st April, 2016	(1,20,000)	(21,000)
		22,60,000	3,47,000

Total premium income 22,60,000 + 3,47,000 = 26,07,000

2.Premium Expense on reinsurance	`
Premium Paid during the year	2,50,000
Add: Payable on 31st March, 2017	40,000

		2,90,000	
	Less: Payable on 1st April, 2016	(22,000)	
		2,68,000	
3.	claims Paid		
	Direct Business		16,50,000
	Re-insurance		1,25,000
	Legal Expenses		15,000
			17,90,000
	Less: Re-insurance claims received		(1,05,000)
			16,85,000
4.	Claims outstanding as on 31st March, 2017		
	Direct		1,90,000
	Re-insurance		24,000
			2,14,000
	Less: Recoverable from Re-insurers on 31stMarch, 2017		(10,000)
			2,04,000
5.	Claims outstanding as on 1st April, 2016		
	Direct		98,000
	Re-insurance		12,000
			1,10,000
	Less: Recoverable from Re-insurers on 1st April, 2016		(12,000)
			98,000

Question 5 (16 marks)

Green Limited Journal Entries

		Dr. Rs.	Cr. Rs.
Bank Account	Dr.	10,00,000	
To Equity Share Capital Account			10,00,000
(Balance of Rs. 10 per share on 1,00,000 equity shares called up as per reconstruction scheme)			
Equity Share Capital Account (Rs. 50)	Dr.	75,00,000	
To Equity Share Capital Account (Rs. 20)			30,00,000
To Capital Reduction Account			45,00,000
(Reduction of equity shares of Rs. 50 each to shares of Rs. 20 each as per reconstruction scheme)			
12% First Debentures Account	Dr.	3,00,000	
12% Second Debentures Account	Dr.	7,00,000	
Trade payables Account	Dr.	2,00,000	
To X			12,00,000
(The total amount due to X, transferred to his account)			
Bank Account	Dr.	2,00,000	
To X			2,00,000
(The amount paid by X under the reconstruction scheme)			

12% First Debentures Account	Dr.	2,00,000	
12% Second Debentures Account	Dr.	3.00.000	
Trade payables Account	Dr.	1,00,000	
To Y			6,00,000
(The total amount due to Y, transferred to his account)			
Y	Dr.	6,00,000	
To 14% First Debentures Account			3,00,000
To Capital Reduction Account			3,00,000
(The amount due to Y discharged by issue of 14% first debentures)			
X	Dr.	14,00,000	
To 14% First Debentures Account			7,00,000
To Capital Reduction Account			7,00,000
(The cancellation of Rs. 7,00,000 out of total debt of Mr. X and issue of 14% first debentures for the balance amount as per reconstruction scheme)			
Capital Reduction Account	Dr.	55,00,000	
To Goodwill Account			20,00,000
To Profit and Loss Account			20,00,000
To Computers Account			15,00,000
(The balance amount of capital reduction account utilised in writing off goodwill, profit and loss account, and computers— Working Note)			

Balance Sheet of Green Limited (and reduced) as on 31st March, 2015

		Particulars	Notes	Rs.
		Equity and Liabilities		
1		**Shareholders' funds**		
	a	Share capital	1	30,00,000
2		**Non-current liabilities**		
	a	Long-term borrowings	2	10,00,000
3		**Current liabilities**		
	a	Trade Payables		2,00,000
		Total		**42,00,000**
		Assets		
1		**Non-current assets**		
	a	Fixed assets Tangible assets	3	30,00,000
2		**Current assets**		
		Cash and cash equivalents		12,00,000
		Total		**42,00,000**

Notes to accounts

		Rs.
5. **Share Capital**		
Equity share capital		
Issued, subscribed and paid up		
1,50,000 equity shares of Rs. 20 each		30,00,000
Total		**30,00,000**
6. **Long-term borrowings**		
Secured		
14% First Debentures		10,00,000
Total		**10,00,000**
7. **Tangible assets**		
Building		10,00,000
Plant		10,00,000
Computers		10,00,000
Total		**30,00,000**

Working Note:

Capital Reduction Account

	Rs.		Rs.
To Goodwill A/c	20,00,000	By Equity Share Capital A/c	45,00,000
To P & L A/c	20,00,000	By X	7,00,000
To Computers (Bal. Fig.)	15,00,000	By Y	3,00,000
	55,00,000		55,00,000

Question 6 (8 marks each)

A)

(i) Calculation of Employee Compensation Expense for the Year ended 31st March 2015, 31st March 2016 and 31st March, 2017 (Refer Working Note)

Vesting Date	Cost to be recognized in the year ending on 31st March		
as on 31st March	2015	2016	2017
2015	6,24,000		
2016	2,88,000	2,88,000	
2017	2,40,000	2,40,000	2,40,000
Cost for the year	11,52,000	5,28,000	2,40,000
Cumulative cost	11,52,000	16,80,000	19,20,000

I. Balance of ESOP Outstanding Account as on 31st March 2015, 31st March 2016 and 31st March, 2017

	Total	2015	2016	2017
ESOS outstanding A/c at the end of 1st year	11,52,000	11,52,000		
Less: Vested Options lapsed during year (200 x 240)	(48,000)			

Less: Vested Options exercised during year (2,500 x 240)	(6,00,000)			
Add: ESOP credited in the 2nd year	5,28,000			
ESOP outstanding A/c at the end of 2nd year	10,32,000		10,32,000	
Less: Vested options lapsed (600 x 240)	(1,44,000)			
Less: Vested options exercised (2,000 x 240)	(4,80,000)			
Add: ESOP credited in the 3rd year	2,40,000			
ESOP outstanding at the end of 3rd year	6,48,000			6,48,000

Working Note:

Determination of number of options expected to vest under each group

Vesting Date (Year-end) 31st March		Shares expected to vest	Value per Shares (`) (400 – 160)	Compensation Expense (`)
2015	(10,000 shares x 30%) - 400 shares	2,600 shares	240	6,24,000
2016	(10,000 shares x 30%) - 600 shares	2,400 shares	240	5,76,000
2017	(10,000 shares x 40%) - 1,000 shares	3,000 shares	240	7,20,000
				19,20,000

Total compensation expense of ` 19,20,000, determined at the grant date, is attributed to 3 years.

<u>Note</u>: The solution can be given in the following Alternative manner:

(i) Calculation of Employee Compensation Expense for the Year ended 31st March 2015, 31st March 2016 and 31st March, 2017

Particulars	**Year ended 31.3.15**	**Year ended 31.3.16**	**Year ended 31.3.17**
Number of options in vesting ratio (30%/30%/40%)	3,000	3,000	4,000
Less: Unvested options lapsed during the year	(400)	(600)	(1,000)
Net options vested during the year (A)	2,600	2,400	3,000
Per Option Expenses (` 400- `160) (B)	240	240	240
Employee compensation expenses for the year (A x B)	6,24,000	5,76,000	7,20,000

(ii) Balance of ESOP Outstanding Account

	As on 2015	**As on 2016**	**As on 2017**
Opening balance		6,24,000	5,52,000
Amount transferred from employee	6,24,000	5,76,000	7,20,000

compensation exp.			
Less: Expenses of options vested and lapsed @240 per option (transferred to general reserve)	-	(48,000) (200 x 240)	(1,44,000) (600 x 240)
Less: Utilized for issue of shares @ 240 per option	-	(6,00,000) (2,500 x 240)	(4,80,000) (2,000 x 240)
Closing balance	6,24,000	5,52,000	6,48,000

Note: In the absence of estimated figures regarding lapse of unvested options, it is assumed that actual lapses were in accordance with the estimation.

B) Calculation of provision required on advances as on 31 st March, 2017:

	Amount *` in lakhs*	*Percentage of provision*	*Provision* *` in lakhs*
Standard assets	53,600	.25	134.00
Sub-standard assets	2,680	10	268.00
Secured portions of doubtful debts			
up to one year	640	20	128.00
one year to three years	180	30	54.00
more than three years	60	50	30.00
Unsecured portions of doubtful debts	194	100	194.00
Loss assets	96	100	96.00
			904.00

Question 7

A) As per section 77A of the Companies Act, 1956, a joint stock company has to fulfill the following conditions to buy back its own equity shares:

- Buy back is authorized by its articles.
- A special resolution has been passed in general meeting of the shareholders of the company, authorizing the buy back.
- The buyback does not exceed 25% of the total paid up capital and free reserves of the company.
- All the shares proposed for buyback are fully paid up.
- The ratio of the debts owed by the Company is not more than twice the capital and its free reserves after such buyback.
- The buyback of listed shares is in accordance with the regulation of SEBI.
- The buy back is made out of free reserves (which includes securities premium) or out of the proceeds of a fresh issue of any shares or other specified securities.
- The buy back is completed within 12 months of the passing of the special resolution or resolution passed by the Board.

- Before making such buy back, a listed company has to file with the Registrar of the Companies and SEBI a declaration of solvency in the prescribed form.

Note: All important conditions have been given in the above answer. However, any four conditions may be given in the answer as required in the question.

(4 marks)

B) Calculation of effective yield on per annum basis in respect of two mutual fund schemes up to 31.03.2017

		X	Y
1	Amount of Investment (`) [[	2,00,000	4,00,000
2	Date of investment	1.12.2016	1.1.2017
3	NAV at the date of investment (`)	10.50	10.00
4	No. of units on date of investment [1/3]	19,047.62	40,000
5	NAV per unit on 31.03.2017 (`)	10.40	10.10
6	Total NAV of mutual fund investments on 31.03.2017 [4 x 5]	1,98,095.25	4,04,000
7	Increase/ decrease of NAV [6-1]	(1,904.75)	4,000
8	Dividend received up to 31.3.2017	3,800	6,000
9	Total yield [7+8]	1,895.25	10,000
10	Yield % [9/1] x 100	0.95%	2.5%
11	Number of days from date of investment	121	90
12	Effective yield p.a. [10/11] x 365 days	2.87%	10.14%

(4 marks)

(5

Computation of provision to be made by a Bank

Outstanding Value of Doubtful Asset (up to 3 years)	7,24,000
Less :Value of security (excluding ECGC cover)	(` 1,75,000)
Sub Total	` 5,49,000
Less :ECGC Cover (subject to ` 1,50,000 maximum)	(` 1,50,000)
Unsecured Portion	` 3,99,000
Provision:	
For unsecured portion @ 100% of ` 3,99,000	` 3,99,000
For secured portion @ 40% of ` 1,75,000	` 70,000
Total Provision	` 4,69,000

D) According to AS 26 'Intangible Assets', "expenditure on an intangible item should be recognized as an expense when it is incurred unless it forms part of the cost of an intangible asset".

In the given case, advertisement expenditure of ` 3 crores had been taken up for the marketing of a new product which may provide future economic benefits to an enterprise by having a turnover of `37.5 crores. Here, no intangible asset or another asset is acquired or created that can be recognized.

Therefore, the accounting treatment by the company of debiting the entire advertising expenditure of `3 crores to the Profit and Loss account of the year is correct.

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