

SUGGESTED SOLUTION

CA FINAL May 2017 EXAM

FINANCIAL REPORTING

Test Code - F M J 4008

Head Office : Shraddha, 3rd Floor, Near Chinai College, Andheri (E), Mumbai – 69. Tel : (022) 26836666

Answer-1:

Consolidated Balance Sheet of Ram Ltd. and its subsidiaries Shyam Ltd and Tom Ltd.

as on 31.3.2015

Particulars		Note No.	(Rs. in =000s)		
I. Equity and Liabilities		and Liabilities			
	(1)	Shareholder's Funds			
		(a) Share Capital			8,000
		(b) Reserves and	Surplus	1	3,096
	(2)	Minority Interest (W.	N.7)		952
	(3)	Current Liabilities		2	4,200
		Total			16,248
П.	Assets	5			
	(1)	Non-current assets			
		Fixed assets			
		Intangible assets		3	688
	(2)	Current assets		4	15,560
		Total			16,248
Note	s to Acco	unts			
					Rs. in =000s
1.	Reserv	ves and Surplus			
	Gener	al Reserve		1,600	
	Profit	& Loss (W.N.6)		1,496	3,096
2.	Currei	nt Liabilities			
	Ram L	td.		1,280	
	Shyam	n Ltd.		3,000	
	Tom L	td.		<u>1,120</u>	
				5,400	
	Less: N	Autual Owings		<u>(1,200)</u>	4,200
3.	Intang	ible assets			
	Good	vill (W. N. 5)			688
4.	Currei	nt Assets			
	Ram L	td.		7,240	
	Shyan	n Ltd.		7,520	
	Tom L	td.		<u>2,080</u>	
				16,840	
	Less: N	Autual Owings		<u>(1,200)</u>	
				15,640	
	Less: l	Jnrealised Profit		<u>(80)</u>	15,560
	• • •				(7 Marks)
Worl	king Note	S: Dattara			
Snar	enoiaing	rallern	Shuam I+d		Tom Itd
Total	Shares		40 000 shares		16 000 shares
	hy Ram I	td	32 000 shares (80%)	Л	000 shares (25%)
Held	by Shyan	n Itd	NA	4, 12	000 shares (75%)

8,000 shares (20%)

1.

Minority Interest

General Reserve and Profit and Loss Account of Shyam Ltd.

NIL (2 Marks)

General Reserve Account of Shyam Ltd.					
		Rs.'000			Rs.'000
31.3.15	To Balance c/d 280	1.4.14	By Balanc	e b/d	280
	Draft I	Profit and Loss Ac	count of Sl	nyam Ltd.	
		Rs. '000			Rs. '000
31.3.15	To Balance c/d	960	1.4.14	By Balance b/d	520
				By Profit earned during	
				the year (Bal. Fig.)	440
		960			960
2.	Draft Profit and Loss Accou	nt of Tom Ltd.			
		Rs. '000			Rs. '000
1.4.12	To Balance b/d	160	31.3.13	By Balance c/d	160
		160			160

160 31.3.14

480 31.3.15

320

480

160

By Balance c/d

By Balance c/d

640

To Balance b/d

To Balance b/d

the year (Bal. Fig.)

To Loss incurred during

To Loss incurred during the year (Bal. Fig.)

1.4.13

1.4.14

3.	Analysis of Profits of Tom Ltd.		
		Capital Profits	Revenue Profits
		Rs. '000	Rs. '000
(i)	From the viewpoint of Shyam Ltd.		
	Debit Balance in Profit and Loss Account as on 1.4.2012	(160)	
	Loss incurred between 1.4.2012 to 31.3.2015		
	[(320 + 160)– Refer W.N. 2]		(480)
		<u>(160)</u>	(480)
	Share of Shyam Ltd75% [carried forward to W. N. 4]	<u>(120)</u>	<u>(360)</u>
(ii)	From the view point of Ram Ltd.		
	Debit Balance of Profit and Loss Account as on 1.4.14	(480)	
	Loss during the year 2014-15 [WN 2]		(160)
		<u>(480)</u>	(160)
	Share of Ram Ltd. (25%)	(120)	(40)

4. Analysis of Profits of Shyam Ltd. (From the viewpoint of Ram Ltd.)

	Capital Profits	Revenue Profits
	Rs. '000	Rs. '000
General Reserve as on 1.4.14	280	
Profit and Loss Account Balance as on 1.4.14	520	
Profit earned during 2014-15 (W.N.1)		440
Brought forward Shyam Ltd.'s share of loss in Tom Ltd. [W. N. 3(i)]	(120)	(360)
Share of Shyam Ltd. in revenue loss of Tom Ltd. for the period		

480

480

640

640

from view point of Ram Ltd. (240) 240 Less:Share of Minority Interest (20%) (88) (64) Balance taken to Ram Ltd. (80%) 352 256 5. Cost of Control Rs. '000 Investment by Ram Ltd. in . 4,800 Shyam Ltd. 200 Investment by Shyam Ltd. in 200 Tom ttd. 200 Investment by Shyam Ltd. in 7 Tom ttd. 3,200 Tom ttd. (400 + 1,200) 1,660 4,800 4,800 Tom ttd. (400 + 1,200) 1,660 Capital Profit of Ram Ltd. in Tom Ltd. [W.N. 3(ii)] (120) Capital Profit of Ram Ltd. in Shyam Ltd. (W.N. 4) 352 Goodwill 688 6. Consolidated Profit and Loss A/c of Ram Ltd. (40) Profit and Loss A/c Balance 1,360 Profit and Loss A/c Balance 1,360 Post acquisition share of profit from Shyam Ltd. (40) Post acquisition share of profit from Shyam Ltd. 885 feas: Unrealised Profit un Inventory (1/6th of 480) (80) Share of Revenue Profit (W.N.4) 88 Share of Revenue Profit (W.N.4) <th>1.4.12 to 31.3.14 [75% of (360- 40)] being treated as capital loss</th> <th></th> <th></th>	1.4.12 to 31.3.14 [75% of (360- 40)] being treated as capital loss			
440 320 Less: Share of Minority Interest (20%) (88) (64) Balance taken to Ram Ltd. (80%) 352 256 S. Cost of Control Rs. '000 Investment by Ram Ltd. in . 4,800 Shyam Ltd. 4,800 Tom Ltd. 200 Investment by Shyam Ltd. in 700 Tom Ltd. 200 Less: Paid up value of shares of: 3,200 Shyam Ltd. 3,200 Tom Ltd. 4,800 Capital loss of Ram Ltd. in Tom Ltd. (W.N. 3(ii)) (120) Capital loss of Ram Ltd. in Shyam Ltd. (W.N. 4) 352 Goodwill 688 6. Consolidated Profit and Loss A/c of Ram Ltd. Post acquisition share of posifit from Shyam Ltd. 400 Post acquisition share of profit from Shyam Ltd. 256 Share of Revenue Profit (W.N.4) 88 Share of Shares in Shyam Ltd. (20% of 4,000) 800 Share of Shares in Shyam Ltd. (20% of 4,000) 800 Share of Capital Profit (W.N.4) 64 Share of Revenue Profit (W.N.4) 952 (7 x 1 = 7 Marks) 7x 1 = 7 Marks) <tr< td=""><td>from view point of Ram Ltd.</td><td><u>(</u>240)</td><td>240</td></tr<>	from view point of Ram Ltd.	<u>(</u> 240)	240	
Less:Share of Minority Interest (20%) (58) (64) Balance taken to Ram Ltd. (80%) 352 256 S. Cost of Control Rs. '000 Investment by Ram Ltd. in . 4,800 Shyam Ltd. 200 Investment by Shyam Ltd. in 200 Tom Ltd. 200 Investment by Shyam Ltd. in 7 Tom Ltd. 3,200 Tom Ltd. 3,200 Tom Ltd. 3,200 Tom Ltd. 3,200 Tom Ltd. (400 + 1,200) 1,600 Capital loss of Ram Ltd. in Tom Ltd. (W.N. 3(ii)) (120) Capital Porfit Of Ram Ltd. in Shyam Ltd. (W.N. 4) 352 Goodwill 688 6. Consolidated Profit and Loss A/c of Ram Ltd. Rs. '000 Post acquisition share of loss from Tom Ltd. (40) Post acquisition share of loss from Tom Ltd. (40) Post acquisition share of for profit from Shyam Ltd. 256 7. Minority Interest Rs. '000 Paid up value of shares in Shyam Ltd. (20% of 4,000) 800 Share of Capial Profit (W.N.4) 88		440	320	
Balance taken to Ram Ltd. (80%) 352 256 S. Cost of Control Rs. '000 Investment by Ram Ltd. in . Shyam Ltd. 4,800 Tom Ltd. 200 Investment by Shyam Ltd. in 200 Investment by Shyam Ltd. in 7 Tom Ltd. 200 Isstement by Shyam Ltd. in 3,200 5,720 Less: Paid up value of shares of: 3,200 5 Shyam Ltd. 3,200 1,660 Tom Ltd. (400 + 1,200) 1,660 4,800 Capital Profit of Ram Ltd. in Tom Ltd. (W.N. 3(ii)) (120) 688 6. Consolidated Profit and Loss A/c of Ram Ltd. 688 6. Consolidated Profit and Loss A/c of Ram Ltd. (40) Post acquisition share of pos from Tom Ltd. (40) 1,360 Post acquisition share of profit from Shyam Ltd. 255 1,576 Less: Unrealised Profit on Inventory (1/6th of 480) (80) 1,496 7. Minority Interest Rs. '000 800 Paid up value of shares in Shyam Ltd. (20% of 4,000) 800 Share of Revenue Profit (W.N.4) 64	Less:Share of Minority Interest (20%)	<u>(88)</u>	(64)	
5. Cost of Control Rs. '000 Investment by Ram Ltd. in . 4,800 Shyam Ltd. Tom Ltd. 200 Investment by Shyam Ltd. in 200 Tom Ltd. 220 5,720 Less: Paid up value of shares of: Shyam Ltd. 3,200 Tom Ltd. 3,200 1,600 4,800 Capital Post of Ram Ltd. in Tom Ltd. [W.N. 3(ii)] (1,20) Capital Post of Ram Ltd. in Shyam Ltd. (W.N. 4) 352 (5,032) Goodwill 688 6. Consolidated Profit and Loss A/c of Ram Ltd. Rs. '000 Profit and Loss A/c Balance 1,360 1,360 1,576 Post acquisition share of post from Tom Ltd. (40) Post acquisition share of profit from Shyam Ltd. 256 Post acquisition share of profit on Inventory (1/6th of 480) (80) 1,576 Less: Unrealised Profit on Inventory (1/6th of 480) 88 Share of Capital Profit (W.N.4) 88 Share of Revenue Profit (W.N.4) 54 952 (7 x 1 = 7 Marks) Answer-2: Fair value of an ESPP = Rs. 56 - Rs. 50 = Rs. 6 Number of shares issued = 400 employees x 100 shares/employee = 40,000 shares Fair value of ESPP which	Balance taken to Ram Ltd. (80%)	352	256	
S. Cost of Control Rs. '000 Investment by Ram Ltd. in . 4,800 Tom Ltd. Investment by Shyam Ltd. in 200 Investment by Shyam Ltd. in Tom Ltd. 220 5,720 Less: Paid up value of shares of: 3,200 Tom Ltd. Shyam Ltd. 3,200 Tom Ltd. 4,800 Cont Ltd. (400 + 1,200) 1,600 4,800 Capital Profit of Ram Ltd. in Tom Ltd. (W.N. 3(ii)] (120) Capital Profit of Ram Ltd. in Shyam Ltd. (W.N. 4) 352 (5,032) 668 6. Consolidated Profit and Loss A/c of Ram Ltd. (40) Post acquisition share of loss from Tom Ltd. (40) Post acquisition share of loss from Tom Ltd. 256 (40) 1,576 Less: Unrealised Profit on Inventory (1/6th of 480) (80) 1,496 7. Minority Interest Rs. '000 800 Paid up value of shares in Shyam Ltd. (20% of 4,000) 800 Share of Revenue Profit (W.N.4) 88 Share of Revenue Profit (W.N.4) 64 952 952 (7 x 1 = 7 Marks) Answer-2 : Fair value of an ESPP = Rs. 50 - Rs. 50 - Rs. 6 Number of shares is used = 400				
Rs. '000 Investment by Ram Ltd. in . Shyam Ltd. 4,800 Tom Ltd. 200 Investment by Shyam Ltd. in 720 Tom Ltd. 220 Less: Paid up value of shares of: 3,200 Shyam Ltd. 3,200 Tom Ltd. (400 + 1,200) 1,600 Capital loss of Ram Ltd. in Tom Ltd. [W.N. 3(ii)] (120) Capital Profit of Ram Ltd. in Shyam Ltd. (W.N. 4) 352 Goodwill 688 6. Consolidated Profit and Loss A/c of Ram Ltd. Profit and Loss A/c Balance 1,360 Post acquisition share of loss from Tom Ltd. (40) Post acquisition share of profit from Shyam Ltd. 256 Post acquisition share of profit from Shyam Ltd. 1,576 Less: Unrealised Profit on Inventory (1/6th of 480) 800 Share of Capital Profit (W.N.4) 88 Share of Revenue Profit (W.N.4) 64 Share of Revenue Profit (W.N.4) 952 (7 x 1 = 7 Marks) 7x Answer-2 : Fair value of an ESPP = Rs. 50 - Rs. 50 = Rs. 6 Number of shares issued = 400 emplo	5. Cost of Control			
Investment by Ram Ltd. in . 4,800 Tom Ltd. 200 Investment by Shyam Ltd. in 720 Tom Ltd. 720 Less: Paid up value of shares of: 3,200 Shyam Ltd. 3,200 Tom Ltd. (400 + 1,200) 1,600 Capital loss of Ram Ltd. in Tom Ltd. (W.N. 3(ii)) (120) Capital Profit of Ram Ltd. in Shyam Ltd. (W.N. 4) 352 Goodwill 688 6. Consolidated Profit and Loss A/c of Ram Ltd. Profit and Loss A/c Balance 1,360 Post acquisition share of profit from Shyam Ltd. 256 Post acquisition share of profit from Shyam Ltd. 256 Less: Unrealised Profit on Inventory (1/6th of 480) 1801 1,496 1,496 7. Minority Interest 88. 7. Minority Interest <td< td=""><td></td><td></td><td>Rs. '000</td></td<>			Rs. '000	
Shyam Ltd. 4,800 Tom Ltd. 200 Investment by Shyam Ltd. in 720 Tom Ltd. 720 Shyam Ltd. 3,200 Tom Ltd. 3,200 Tom Ltd. (400 + 1,200) 1,600 Amount Ltd. 1000 Capital Profit of Ram Ltd. in Tom Ltd. (W.N. 4) 352 Goodwill 688 6. Consolidated Profit and Loss A/c of Ram Ltd. Profit and Loss A/c Balance 1,360 Post acquisition share of profit from Shyam Ltd. 256 Post acquisition share of profit from Shyam Ltd. 256 Inserver Linealised Profit on Inventory (1/6th of 480) 800 Share of Capital Profit (W.N.4) 88 Share of Revenue Profit (W.N.4) 88 Share of Revenue Profit (W.N.4) 88 Share of Revenue Profit (W.N.4) 952 (7 x 1 = 7 Marks) 952 Answer-2 : Fair value of an ESPP = Rs. 56 - Rs. 50 = Rs. 6 Number of Shares is a 2,40,000 952 Vesting period = 1 month 240,000 shares x Rs. 6 = Rs. 2,40,000 Vesting period = 1 month Expenses recognized in 2014-15 = Rs. 2,40,000	Investment by Ram Ltd. in .			
Tom Ltd. 200 Investment by Shyam Ltd. in 720 Tom Ltd. 720 Less: Paid up value of shares of: 3,200 Shyam Ltd. 3,200 Tom Ltd. (400 + 1,200) 1,600 A,600 4,800 Capital loss of Ram Ltd. in Tom Ltd. [W.N. 3(ii)] (120) Capital Profit of Ram Ltd. in Shyam Ltd. (W.N. 4) 352 Goodwill 688 6. Consolidated Profit and Loss A/c of Ram Ltd. Profit and Loss A/c Balance 7. Post acquisition share of loss from Tom Ltd. (40) Post acquisition share of profit from Shyam Ltd. 256 Less: Unrealised Profit on Inventory (1/6th of 480) (80) 1,496 1,496 7. Minority Interest Rs.*000 Paid up value of shares in Shyam Ltd. (20% of 4,000) 800 Share of Revenue Profit (W.N.4) 88 Share of Revenue Profit (W.N.4) 64 952 (7 x 1 = 7 Marks) Answer-2 : Fair value of an ESPP = Rs. 50 - Rs. 50 = Rs. 6 Fair value of an ESPP = Ns. 50 - Rs. 50 = Rs. 6 Number of shares insued = 400 employees x 100 shares/employee	Shyam Ltd.	4,800		
Investment by Shyam Ltd. in Tom Ltd.Z205,720Less: Paid up value of shares of: Shyam Ltd.3,2005,720Tom Ltd. (400 + 1,200)1,6004,800Capital loss of Ram Ltd. in Tom Ltd. [W.N. 3(ii)](120)Capital Profit of Ram Ltd. in Shyam Ltd. (W.N. 4)352(5,032)Goodwill6886. Consolidated Profit and Loss A/c of Ram Ltd.Profit and Loss A/c Balance1,360Post acquisition share of loss from Tom Ltd.(40)Post acquisition share of profit from Shyam Ltd.256Less: Unrealised Profit on Inventory (1/6th of 480)(80)1,4961,576Rs. '000Paid up value of shares in Shyam Ltd. (20% of 4,000)Share of Capital Profit (W.N.4)88Share of Revenue Profit (W.N.4)64952(7 x 1 = 7 Marks)Answer-2 :Fair value of an ESPP = Rs. 50 = Rs. 50 = Rs. 6Number of shares insued = 400 employees x 100 shares/employee = 40,000 sharesFair value of ESPP which will be recognized as expenses in the year 2014-15 = 40,000 shares x Rs. 6 = Rs. 2,40,000Vesting period = 1 monthExpenses recognized in 2014-15 = Rs. 2,40,000Lower a structure of a Particulars(2 Marks)Date ParticularsDate ParticularsDate ParticularsDate Particulars	Tom Ltd.	200		
Tom ttd.Z205,720Less: Paid up value of shares of:3,200Tom ttd. (400 + 1,200)1,600A 8004,800Capital loss of Ram Ltd. in Tom Ltd. [W.N. 3(ii)](120)Capital Profit of Ram Ltd. in Shyam Ltd. (W.N. 4)352Goodwill6886. Consolidated Profit and Loss A/c of Ram Ltd.Profit and Loss A/c Balance1,360Post acquisition share of loss from Tom Ltd.(40)Post acquisition share of profit from Shyam Ltd.256Less: Unrealised Profit on Inventory (1/6th of 480)(80)1,4961,4967. Minority InterestRs.'000Paid up value of shares in Shyam Ltd. (20% of 4,000)Share of Capital Profit (W.N.4)88Share of Revenue Profit (W.N.4)88Share of Revenue Profit (W.N.4)952(7 x 1 = 7 Marks)Answer-2 :Fair value of an ESPP = Rs. 56 - Rs. 50 = Rs. 6Number of shares insued = 400 employees x 100 shares/employee = 40,000 sharesFair value of a ESPP = Rs. 56 - Rs. 50 = Rs. 6Number of shares insued = 400 employees x 100 shares/employee = 40,000 sharesFair value of a ESPP = Rs. 56 - Rs. 50 = Rs. 6Number of shares in Shyam Ltd. (20% of shares/employee = 40,000 sharesFair value of a ESPP = Rs. 56 - Rs. 50 = Rs. 6Number of shares in Shyam Ltd. (20% of shares/employee = 40,000 sharesFair value of a ESPP which will be recognized a	Investment by Shyam Ltd. in			
Less: Paid up value of shares of: Shyam Ltd.3,200Tom Ltd. (400 + 1,200) $1,600$ 4,800Capital loss of Ram Ltd. in Tom Ltd. [W.N. 3(iii)](120)Capital Profit of Ram Ltd. in Shyam Ltd. (W.N. 4) 352 $(5,032)$ Goodwill6886. Consolidated Profit and Loss A/c of Ram Ltd.Profit and Loss A/c Balance $1,360$ Post acquisition share of loss from Tom Ltd.Post acquisition share of loss from Tom Ltd.(40)Post acquisition share of profit from Shyam Ltd.256Post acquisition share of profit on Inventory (1/6th of 480)(80)Animority InterestRs. '000Paid up value of shares in Shyam Ltd. (20% of 4,000)Share of Revenue Profit (W.N.4)Share of SPP = Rs. 56 - Rs. 50 = Rs. 6Number of shares issued = 400 employees x 100 shares/employee = 40,000 sharesFair value of a RSPP = Rs. 56 - Rs. 50 = Rs. 6Number of shares issued = 400 employees x 100 shares/employee = 40,000 sharesFair value of SPP which will be recognized as expenses in the year 2014-15 $= 40,0000$ shares x Rs. 6 = Rs. 2,40,000 <td colspan<="" td=""><td>Tom Ltd.</td><td><u>720</u></td><td>5,720</td></td>	<td>Tom Ltd.</td> <td><u>720</u></td> <td>5,720</td>	Tom Ltd.	<u>720</u>	5,720
Shyam Ltd. 3,200 Tom Ltd. (400 + 1,200) 1,600 Capital loss of Ram Ltd. in Tom Ltd. [W.N. 3(iii)] (120) Capital Profit of Ram Ltd. in Shyam Ltd. (W.N. 4) 352 Goodwill 688 6. Consolidated Profit and Loss A/c of Ram Ltd. Profit and Loss A/c Balance 1,360 Post acquisition share of loss from Tom Ltd. (40) Post acquisition share of profit from Shyam Ltd. 256 Less: Unrealised Profit on Inventory (1/6th of 480) (80) 1,496 1,576 Less: Unrealised Profit (W.N.4) 88 Share of Capital Profit (W.N.4) 88 Share of Revenue Profit (W.N.4) 64 952 (7 x 1 = 7 Marks) Answer-2 : Fair value of an ESPP = Rs. 56 – Rs. 50 = Rs. 6 Number of shares issued = 400 employees x 100 shares/employee = 40,000 shares Fair value of an ESPP = Rs. 56 – Rs. 50 = Rs. 6 Number of shares issued = 400 employees x 100 shares/employee = 40,000 shares Fair value of an ESPP = Rs. 56 – Rs. 50 = Rs. 6 Number of shares issued = 400 employees as expenses in the year 2014-15 = 40,000 shares x Rs. 6 = Rs. 2,40,000 Vesting period = 1 month	Less: Paid up value of shares of:			
Tom Ltd. (400 + 1,200)1,600 4,800Capital loss of Ram Ltd. in Tom Ltd. [W.N. 3(ii)](120) 352Capital Profit of Ram Ltd. in Shyam Ltd. (W.N. 4)352Goodwill6886.Consolidated Profit and Loss A/c of Ram Ltd.Profit and Loss A/c Balance1,360Post acquisition share of loss from Tom Ltd.(40)Post acquisition share of profit from Shyam Ltd.256Less: Unrealised Profit on Inventory (1/6th of 480)(80)1,4961,4967.Minority Interest7.Minority InterestRs.'000Paid up value of shares in Shyam Ltd. (20% of 4,000)Share of Revenue Profit (W.N.4)88Share of Revenue Profit (W.N.4)64952952(7 x 1 = 7 Marks)Answer-2 :Fair value of an ESPP = Rs. 56 - Rs. 50 = Rs. 6Number of shares issued = 400 employees x 100 shares/employee = 40,000 sharesFair value of an ESPP = Rs. 56 - Rs. 50 = Rs. 6Number of shares issued = 400 employees x 100 shares (requered as expenses in the year 2014-15 = 40,000 shares x Rs. 6 = Rs. 2,40,000Vesting period = 1 month Expenses recognized in 2014-15 = Rs. 2,40,000Journal EntryJournal EntryDr. (Rs.)Dr. (Rs.)Cr. (Rs.)	Shyam Ltd.	3,200		
$\begin{array}{c c c c c c c c c c c c c c c c c c c $	Tom Ltd. (400 + 1,200)	<u>1,600</u>		
Capital loss of Ram Ltd. in Tom Ltd. [W.N. 3(ii)](120)Capital Profit of Ram Ltd. in Shyam Ltd. (W.N. 4) 352 (5.032) Goodwill6886.Consolidated Profit and Loss A/c of Ram Ltd.Rs. '000Profit and Loss A/c Balance1,360Post acquisition share of loss from Tom Ltd.(40)Post acquisition share of profit from Shyam Ltd. 256 Less: Unrealised Profit on Inventory (1/6th of 480) (80) 1,4961,4967.Minority InterestRs.'000Paid up value of shares in Shyam Ltd. (20% of 4,000)800Share of Capital Profit (W.N.4)88Share of Revenue Profit (W.N.4)952(7 x 1 = 7 Marks)Answer-2 :Fair value of an ESPP = Rs. 56 - Rs. 50 = Rs. 6Number of shares issued = 400 employees x 100 shares/employee = 40,000 sharesFair value of an ESPP = Rs. 56 - Rs. 50 = Rs. 6Number of shares issued = 400 employees x 100 shares/employee = 40,000 sharesFair value of a ESPP which will be recognized as expreses in the year 2014-15 = 40,000 shares x Rs. 6 = Rs. 2,40,000(2 Marks)Journal EntryJournal EntryDr. (Rs.)Cr. (Rs.)		4,800		
Capital Profit of Ram Ltd. in Shyam Ltd. (W.N. 4) 352 (5,032) GoodWill 688 6. Consolidated Profit and Loss A/c of Ram Ltd. Profit and Loss A/c Balance 1,360 Post acquisition share of loss from Tom Ltd. (40) Post acquisition share of profit from Shyam Ltd. 256 Less: Unrealised Profit on Inventory (1/6th of 480) (80) 1,496 1,496 7. Minority Interest Rs.'000 Paid up value of shares in Shyam Ltd. (20% of 4,000) 800 Share of Capital Profit (W.N.4) 88 Share of Capital Profit (W.N.4) 64 952 (7 x 1 = 7 Marks) Answer-2 : Fair value of an ESPP = Rs. 56 - Rs. 50 = Rs. 6 Number of shares issued = 400 employees x 100 shares/employee = 40,000 shares Fair value of ESPP which will be recognized as expenses in the year 2014-15 = 40,000 shares x Rs. 6 = Rs. 2,40,000 Vesting period = 1 month Expenses recognized in 2014-15 = Rs. 2,40,000 Journal Entry	Capital loss of Ram Ltd. in Tom Ltd. [W.N. 3(ii)]	(120)		
Goodwill 688 6. Consolidated Profit and Loss A/c of Ram Ltd. Profit and Loss A/c Balance 1,360 Post acquisition share of loss from Tom Ltd. (40) Post acquisition share of profit from Shyam Ltd. 256 Less: Unrealised Profit on Inventory (1/6th of 480) (80) 1,576 1,576 Less: Unrealised Profit on Inventory (1/6th of 480) (80) 1,496 1,496 7. Minority Interest Rs.'000 Paid up value of shares in Shyam Ltd. (20% of 4,000) 800 Share of Capital Profit (W.N.4) 88 Share of Revenue Profit (W.N.4) 84 Share of an ESPP = Rs. 56 – Rs. 50 = Rs. 6 Number of shares issued = 400 employees x 100 shares/employee = 40,000 shares Fair value of an ESPP = Rs. 56 – Rs. 50 = Rs. 6 Number of shares issued = 400 employees x 100 shares/employee = 40,000 shares Fair value of ESPP which will be recognized as expenses in the year 2014-15 = 40,000 shares x Rs. 6 = Rs. 2,40,000 Vesting period = 1 month Expenses recognized in 2014-15 = Rs. 2,40,000 Lexpenses recognized in 2014-15 = Rs. 2,40,000 (2 Marks) Journal Entry	Capital Profit of Ram Ltd. in Shyam Ltd. (W.N. 4)	<u>352</u>	<u>(5,032)</u>	
6. Consolidated Profit and Loss A/c of Ram Ltd. Rs. '000 Profit and Loss A/c Balance 1,360 Post acquisition share of loss from Tom Ltd. (40) Post acquisition share of profit from Shyam Ltd. 256 Less: Unrealised Profit on Inventory (1/6th of 480) (80) 1,496 1,496 7. Minority Interest Rs.'000 Paid up value of shares in Shyam Ltd. (20% of 4,000) 800 Share of Capital Profit (W.N.4) 88 Share of Revenue Profit (W.N.4) 64 952 (7 x 1 = 7 Marks) Answer-2 : Fair value of an ESPP = Rs. 56 - Rs. 50 = Rs. 6 Number of shares issued = 400 employees x 100 shares/employee = 40,000 shares Fair value of ESPP which will be recognized as expenses in the year 2014-15 = 40,000 shares x Rs. 6 = Rs. 2,40,000 Vesting period = 1 month Expenses recognized in 2014-15 = Rs. 2,40,000 (2 Marks)	Goodwill		688	
6. Consolidated Profit and Loss A/c of Ram Ltd. Profit and Loss A/c Balance 1,360 Post acquisition share of loss from Tom Ltd. (40) Post acquisition share of profit from Shyam Ltd. 256 Less: Unrealised Profit on Inventory (1/6th of 480) 1,576 Less: Unrealised Profit on Inventory (1/6th of 480) (80) 7. Minority Interest Paid up value of shares in Shyam Ltd. (20% of 4,000) 800 Share of Capital Profit (W.N.4) 88 Share of Revenue Profit (W.N.4) 84 Share of Revenue Profit (W.N.4) 952 (7 x 1 = 7 Marks) 952 Answer-2 : Fair value of an ESPP = Rs. 56 - Rs. 50 = Rs. 6 Number of shares issued = 400 employees x 100 shares/employee = 40,000 shares Fair value of ESPP which will be recognized as expenses in the year 2014-15 = 40,000 shares x Rs. 6 = Rs. 2,40,000 Vesting period = 1 month Expenses recognized in 2014-15 = Rs. 2,40,000 Vesting period = 1 month Expenses recognized in 2014-15 = Rs. 2,40,000 Date Particulars				
Rs. '000Profit and Loss A/c Balance1,360Post acquisition share of loss from Tom Ltd.(40)Post acquisition share of profit from Shyam Ltd.256Less: Unrealised Profit on Inventory (1/6th of 480)[80]1,4961,496 7. Minority InterestRs. '000Paid up value of shares in Shyam Ltd. (20% of 4,000)Share of Capital Profit (W.N.4)Share of Revenue Profit (W.N.4)Share of Revenue Profit (W.N.4)Share of an ESPP = Rs. 56 - Rs. 50 = Rs. 6Number of shares issued = 400 employees x 100 shares/employee = 40,000 sharesFair value of an ESPP = Rs. 56 - Rs. 50 = Rs. 6Number of shares issued = 400 employees x 100 shares/employee = 40,000 sharesFair value of an ESPP = Rs. 56 - Rs. 50 = Rs. 6Number of shares issued = 400 employees x 100 shares/employee = 40,000 sharesFair value of an ESPP = Rs. 56 - Rs. 50 = Rs. 6Number of shares issued = 400 employees x 100 shares/employee = 40,000 sharesFair value of a ESPP which will be recognized as expenses in the year 2014-15 $= 40,000$ shares x Rs. 6 = Rs. 2,40,000Vesting period = 1 month Expenses recognized in 2014-15 = Rs. 2,40,000Journal EntryDr. (Rs.)Cr. (Rs.)	6. Consolidated Profit and Loss A/c of Ram Ltd.			
Profit and Loss A/c Balance1,360Post acquisition share of loss from Tom Ltd.(40)Post acquisition share of profit from Shyam Ltd.2561,5761,576Less: Unrealised Profit on Inventory (1/6th of 480)(80)1,4961,496 7. Minority InterestRs. '000Paid up value of shares in Shyam Ltd. (20% of 4,000)Share of Capital Profit (W.N.4)Share of Revenue of Shares issued = 400 employees x 100 shares /employee = 40,000 sharesFair value of Shares issued = 400 employees x 100 shares /employee = 40,000 sh			Rs. '000	
Post acquisition share of loss from Tom Ltd.(40)Post acquisition share of profit from Shyam Ltd. 256 1,5761,576Less: Unrealised Profit on Inventory (1/6th of 480)(80)1,4961,496 7. Minority InterestRs.'000 Paid up value of shares in Shyam Ltd. (20% of 4,000)Share of Capital Profit (W.N.4)Share of Revenue Profit (W.N.4)Share of Revenue Profit (W.N.4)Share of Revenue Profit (W.N.4)64952(7 x 1 = 7 Marks)Answer-2 :Fair value of an ESPP = Rs. 56 - Rs. 50 = Rs. 6Number of shares issued = 400 employees x 100 shares/employee = 40,000 sharesFair value of an ESPP which will be recognized as expenses in the year 2014-15= 40,000 shares x Rs. 6 = Rs. 2,40,000Vesting period = 1 monthExpenses recognized in 2014-15 = Rs. 2,40,000Journal EntryDate ParticularsDr. (Rs.)Cr. (Rs.)	Profit and Loss A/c Balance		1,360	
Post acquisition share of profit from Shyam Ltd. 256 1,576 Less: Unrealised Profit on Inventory (1/6th of 480) (80) 1,4967.Minority InterestRs.'000 800Paid up value of shares in Shyam Ltd. (20% of 4,000)800 800Share of Capital Profit (W.N.4)88 64 952(7 x 1 = 7 Marks) 64 952Answer-2 : Fair value of an ESPP = Rs. 56 - Rs. 50 = Rs. 6 Number of shares issued = 400 employees x 100 shares/employee = 40,000 shares Fair value of as expenses in the year 2014-15 = 40,000 shares x Rs. 6 = Rs. 2,40,000 Vesting period = 1 month Expenses recognized in 2014-15 = Rs. 2,40,000(2 Marks)Journal EntryDate ParticularsDr. (Rs.)Cr. (Rs.)	Post acquisition share of loss from Tom Ltd.		(40)	
1,576Less: Unrealised Profit on Inventory (1/6th of 480)7.Minority InterestPaid up value of shares in Shyam Ltd. (20% of 4,000)Share of Capital Profit (W.N.4)Share of Revenue Profit (W.N.4)Share of Revenue Profit (W.N.4)64952(7 x 1 = 7 Marks)Answer-2 :Fair value of an ESPP = Rs. 56 - Rs. 50 = Rs. 6Number of shares issued = 400 employees x 100 shares/employee = 40,000 sharesFair value of ESPP which will be recognized as expenses in the year 2014-15= 40,000 shares x Rs. 6 = Rs. 2,40,000Vesting period = 1 monthExpenses recognized in 2014-15 = Rs. 2,40,000Lournal EntryDate ParticularsDate ParticularsDr. (Rs.)Cr. (Rs.)	Post acquisition share of profit from Shyam Ltd.		<u>256</u>	
Less: Unrealised Profit on Inventory (1/6th of 480) (80) 1,496 7. Minority Interest Rs.'000 Paid up value of shares in Shyam Ltd. (20% of 4,000) 800 Share of Capital Profit (W.N.4) 88 Share of Revenue Profit (W.N.4) 64 952 (7 x 1 = 7 Marks) Answer-2 : Fair value of an ESPP = Rs. 56 - Rs. 50 = Rs. 6 Number of shares issued = 400 employees x 100 shares/employee = 40,000 shares Fair value of ESPP which will be recognized as expenses in the year 2014-15 = 40,000 shares x Rs. 6 = Rs. 2,40,000 Vesting period = 1 month Expenses recognized in 2014-15 = Rs. 2,40,000 Journal Entry Date Particulars			1,576	
7. Minority Interest Rs.'000 Paid up value of shares in Shyam Ltd. (20% of 4,000) 800 Share of Capital Profit (W.N.4) 88 Share of Revenue Profit (W.N.4) 64 952 952 (7 x 1 = 7 Marks) 952 Answer-2 : Fair value of an ESPP = Rs. 56 - Rs. 50 = Rs. 6 Number of shares issued = 400 employees x 100 shares/employee = 40,000 shares Fair value of ESPP which will be recognized as expenses in the year 2014-15 = 40,000 shares x Rs. 6 = Rs. 2,40,000 Vesting period = 1 month Expenses recognized in 2014-15 = Rs. 2,40,000 Journal Entry Date Particulars	Less: Unrealised Profit on Inventory (1/6th of 480)		<u>(80)</u>	
7. Minority Interest Rs.'000 Paid up value of shares in Shyam Ltd. (20% of 4,000) 800 Share of Capital Profit (W.N.4) 88 Share of Revenue Profit (W.N.4) 64 952 952 (7 x 1 = 7 Marks) 952 Answer-2 : Fair value of an ESPP = Rs. 56 - Rs. 50 = Rs. 6 Number of shares issued = 400 employees x 100 shares/employee = 40,000 shares Fair value of ESPP which will be recognized as expenses in the year 2014-15 = 40,000 shares x Rs. 6 = Rs. 2,40,000 Vesting period = 1 month Expenses recognized in 2014-15 = Rs. 2,40,000 (2 Marks) Date Particulars			1,496	
7. Minority Interest Rs.'000 Paid up value of shares in Shyam Ltd. (20% of 4,000) 800 Share of Capital Profit (W.N.4) 88 Share of Revenue Profit (W.N.4) 64 952 952 (7 x 1 = 7 Marks) 64 Answer-2 : Fair value of an ESPP = Rs. 56 – Rs. 50 = Rs. 6 Number of shares issued = 400 employees x 100 shares/employee = 40,000 shares Fair value of ESPP which will be recognized as expenses in the year 2014-15 = 40,000 shares x Rs. 6 = Rs. 2,40,000 Vesting period = 1 month Expenses recognized in 2014-15 = Rs. 2,40,000				
7. Minority Interest Rs.'000 Paid up value of shares in Shyam Ltd. (20% of 4,000) 800 Share of Capital Profit (W.N.4) 88 Share of Revenue Profit (W.N.4) 64 952 952 (7 x 1 = 7 Marks) 952 Answer-2 : Fair value of an ESPP = Rs. 56 - Rs. 50 = Rs. 6 Number of shares issued = 400 employees x 100 shares/employee = 40,000 shares Fair value of ESPP which will be recognized as expenses in the year 2014-15 = 40,000 shares x Rs. 6 = Rs. 2,40,000 Vesting period = 1 month Expenses recognized in 2014-15 = Rs. 2,40,000 (2 Marks) Date Particulars				
Rs.'000Paid up value of shares in Shyam Ltd. (20% of 4,000)800Share of Capital Profit (W.N.4)88Share of Revenue Profit (W.N.4) 64 952952(7 x 1 = 7 Marks)952Answer-2 :Fair value of an ESPP = Rs. 56 - Rs. 50 = Rs. 6Number of shares issued = 400 employees x 100 shares/employee = 40,000 sharesFair value of ESPP which will be recognized as expenses in the year 2014-15= 40,000 shares x Rs. 6 = Rs. 2,40,000Vesting period = 1 monthExpenses recognized in 2014-15 = Rs. 2,40,000Journal EntryDate ParticularsDr. (Rs.)Cr. (Rs.)	7. Minority Interest			
Paid up value of shares in Shyam Ltd. (20% of 4,000) 800 Share of Capital Profit (W.N.4) 88 Share of Revenue Profit (W.N.4) 64 952 952 (7 x 1 = 7 Marks) 952 Answer-2 : Fair value of an ESPP = Rs. 56 – Rs. 50 = Rs. 6 Number of shares issued = 400 employees x 100 shares/employee = 40,000 shares Fair value of ESPP which will be recognized as expenses in the year 2014-15 = 40,000 shares x Rs. 6 = Rs. 2,40,000 Vesting period = 1 month Expenses recognized in 2014-15 = Rs. 2,40,000 Qurnal Entry			Rs.'000	
Share of Capital Profit (W.N.4) 88 Share of Revenue Profit (W.N.4) 64 952 952 (7 x 1 = 7 Marks) 952 Answer-2 : Fair value of an ESPP = Rs. 56 - Rs. 50 = Rs. 6 Number of shares issued = 400 employees x 100 shares/employee = 40,000 shares Fair value of ESPP which will be recognized as expenses in the year 2014-15 = 40,000 shares x Rs. 6 = Rs. 2,40,000 Vesting period = 1 month Expenses recognized in 2014-15 = Rs. 2,40,000 (2 Marks) Journal Entry Date Particulars	Paid up value of shares in Shyam Ltd. (20% of 4,000)		800	
Share of Revenue Profit (W.N.4) 64 952 952 (7 x 1 = 7 Marks) 952 Answer-2 : Fair value of an ESPP = Rs. 56 - Rs. 50 = Rs. 6 Number of shares issued = 400 employees x 100 shares/employee = 40,000 shares Fair value of ESPP which will be recognized as expenses in the year 2014-15 = 40,000 shares x Rs. 6 = Rs. 2,40,000 Vesting period = 1 month Expenses recognized in 2014-15 = Rs. 2,40,000 (2 Marks) Journal Entry	Share of Capital Profit (W.N.4)		88	
952 (7 x 1 = 7 Marks) Answer-2 : Fair value of an ESPP = Rs. 56 – Rs. 50 = Rs. 6 Number of shares issued = 400 employees x 100 shares/employee = 40,000 shares Fair value of ESPP which will be recognized as expenses in the year 2014-15 = 40,000 shares x Rs. 6 = Rs. 2,40,000 Vesting period = 1 month Expenses recognized in 2014-15 = Rs. 2,40,000 (2 Marks) Journal Entry 	Share of Revenue Profit (W.N.4)		<u>64</u>	
(7 x 1 = 7 Marks) Answer-2 : Fair value of an ESPP = Rs. 56 – Rs. 50 = Rs. 6 Number of shares issued = 400 employees x 100 shares/employee = 40,000 shares Fair value of ESPP which will be recognized as expenses in the year 2014-15 = 40,000 shares x Rs. 6 = Rs. 2,40,000 Vesting period = 1 month Expenses recognized in 2014-15 = Rs. 2,40,000 (2 Marks) Journal Entry 			952	
Answer-2 : Fair value of an ESPP = Rs. 56 – Rs. 50 = Rs. 6 Number of shares issued = 400 employees x 100 shares/employee = 40,000 shares Fair value of ESPP which will be recognized as expenses in the year 2014-15 = 40,000 shares x Rs. 6 = Rs. 2,40,000 Vesting period = 1 month Expenses recognized in 2014-15 = Rs. 2,40,000 (2 Marks) Journal Entry Date Particulars Dr. (Rs.) Cr. (Rs.)	(7 x 1 = 7 Marks)			
Answer-2 : Fair value of an ESPP = Rs. 56 - Rs. 50 = Rs. 6 Number of shares issued = 400 employees x 100 shares/employee = 40,000 shares Fair value of ESPP which will be recognized as expenses in the year 2014-15 = 40,000 shares x Rs. 6 = Rs. 2,40,000 Vesting period = 1 month Expenses recognized in 2014-15 = Rs. 2,40,000 (2 Marks) Journal Entry Date Particulars				
Fair value of an ESPP = Rs. 56 – Rs. 50 = Rs. 6 Number of shares issued = 400 employees x 100 shares/employee = 40,000 shares Fair value of ESPP which will be recognized as expenses in the year 2014-15 = 40,000 shares x Rs. 6 = Rs. 2,40,000 Vesting period = 1 month Expenses recognized in 2014-15 = Rs. 2,40,000 Journal Entry Date Particulars Dr. (Rs.) Cr. (Rs.)	Answer-2 :			
Number of shares issued = 400 employees x 100 shares/employee = 40,000 shares Fair value of ESPP which will be recognized as expenses in the year 2014-15 = 40,000 shares x Rs. 6 = Rs. 2,40,000 Vesting period = 1 month Expenses recognized in 2014-15 = Rs. 2,40,000 (2 Marks) Journal Entry Date Particulars Dr. (Rs.) Cr. (Rs.)	Fair value of an ESPP = Rs. 56 – Rs. 50 = Rs. 6			
Fair value of ESPP which will be recognized as expenses in the year 2014-15 = 40,000 shares x Rs. 6 = Rs. 2,40,000 Vesting period = 1 month Expenses recognized in 2014-15 = Rs. 2,40,000 (2 Marks) Journal Entry Date Particulars Dr. (Rs.) Cr. (Rs.)	Number of shares issued = 400 employees x 100 shares/employe	e = 40,000 shares		
= 40,000 shares x Rs. 6 = Rs. 2,40,000 Vesting period = 1 month Expenses recognized in 2014-15 = Rs. 2,40,000 (2 Marks) Journal Entry Date Particulars Dr. (Rs.) Cr. (Rs.)	Fair value of ESPP which will be recognized as expenses in the ye	ar 2014-15		
Vesting period = 1 month Expenses recognized in 2014-15 = Rs. 2,40,000 (2 Marks) Journal Entry 	= 40,000 shares x Rs. 6 = Rs. 2,40,000			
Journal Entry Date Particulars Dr. (Rs.) Cr. (Rs.)	Vesting period = 1 month Exponent recognized in 2014, $15 = Pc_2 2.40,000$			
Journal Entry Date Particulars Dr. (Rs.) Cr. (Rs.)	Expenses recognized in 2014-15 = KS. 2,40,000		(2 Marks)	
Date Particulars Dr. (Rs.) Cr. (Rs.)	Journal Entry		(=	
Date Particulars Dr. (Rs.) Cr. (Rs.)				
	Date Particulars	Dr. (Rs.)	Cr. (Rs.)	

30.04.2014 Bank A/c (40,000 shares x Rs. 50)	Dr.	20,00,000		
Employees compensation expense A/c		2,40,000		
To Share Capital A/c (40,000 shares x Rs. 10)			4,00,000	
To Securities Premium (40,000 shares x Rs. 46)			18,40,000	
(Being shares issued under ESPP @ Rs. 50)				

Answer-3:

	Rs. in lakhs	Rs. in lakhs	
Opening bank balance [Rs. (100 – 90 - 7) lakhs]	3.00		
Add: Proceeds from sale of securities	40.00		
Dividend received	<u>1.20</u>	44.20	
Less: Cost of securities	28.20		
Fund management expenses			
[Rs. (4.50–0.25) lakhs]	4.25		
Capital gains distributed			
[75% of Rs. (40.00 – 38.00) lakhs]	1.50		
Dividends distributed (75% of Rs. 1.20 lakhs)	<u>0.90</u>	<u>(34.85)</u>	
Closing bank balance		9.35	
Closing market value of portfolio		<u>101.90</u>	
		<u>111.25</u>	
Less: Arrears of expenses		<u>(0.25)</u>	
Closing net assets		<u>111.00</u>	
Number of units			10,00,000
Closing Net Assets Value (NAV)			Rs. 11.10

Answer-4 :

Calculation of provision required on advances as on 31st March, 2016:

	Amount Rs. in lakhs	Percentage of provision	Provision Rs. in lakhs
Standard assets	16,800	0.30	50.40
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	<u>48.00</u> <u>427.00</u>

Ληςιωρ	r_5	•
Allowe		٠

Brightex Co. Ltd Value Added Statement

For the year ended 31st December, 2014

(Rs. In	(Rs. In	%
· · · · · · · · · · · · · · · · · · ·		
thousands)	thousands)	thousands

(4 Marks)

(4 Marks)

(2 Marks)

Interest and other charges			624
		(Rs.	in thousands)
Calculation of Excise Duty			
Working Note:			(2 Marks
Total Value Added			<u>1,855</u>
Local Tax		<u>8</u>	<u>700</u>
Interest on Fixed Loan	5	51	
Director's Remuneration		5	
Salaries to Administrative Staff	62	20	
Depreciation	1	.6	
Add back:			
Profit before Tax			1,155
	(Rs. i thousand	in s)	(Rs. in thousands)
Reconciliation between Total Value Added and Profit before T	axation:		(4 Marks
		1,855	100.00
Retained Profit Rs. (600 - 60)	<u>540</u>	<u>956</u>	<u>51.54</u>
Fixed Assets Replacement Reserve	400		
Depreciation	16		
To Provide for Maintenance and Expansion of the Company:			
Dividend	<u>160</u>	211	11.37
Interest on Fixed Loan	51		
To Pay Providers of Capital :			-
Income Tax	55	63	3.40
Local Tax	8		
To Pay Government:		_	-
, Salaries and Commission		5	0.27
To Pay Directors:			
Salaries to Administrative staff		620	33.42
To Pay Employees :			
Application of Value Added:			<u>1,000</u>
Total Value Added			1 855
Add: Other income			55
Value added by manufacturing and trading activities		204	<u>(4,440)</u> 1 800
Other/miscellaneous charges Rs (111 - 180)		264	(4 440)
Excise duties (Refer to working note)		180	
Interest on bank overdraft		20	
Administration expenses Rs. (180 - 5)		1/5	
RS. $(4,320 - 8 - 620)$		3,692	
Production and operational expenses		2 602	
Less: Cost of bought in material and services:			
Sales			6,240
Salac			6 2 4 0

Less : Interest on bank overdraft	109	
Interest on loan from ICICI	51	
Interest on loan from IFCI	<u>20</u>	<u>(180)</u>
Excise duties and other/miscellaneous charges		444

(1 Mark)

Assuming that these miscellaneous charges have to be taken for arriving at Value Added (In the first part of Value Added Statement), the excise duty will be computed as follows : Let excise duty be x; thus miscellaneous/ other charges = Rs. 444 -x

Thus $x = 1/10 \times [Rs. 6,240 - \{Rs. 3692 + Rs. 175 + Rs. 109 + Rs. 20 + x + (Rs. 444 - x)\}]$

= 1/10 x [Rs. 6240 - Rs. 4440] = Rs. 180

Other/ miscellaneous charges = Rs. 444 - Rs. 180 = Rs. 264

The above solution is given accordingly.

However, if other/miscellaneous charges are taken as any type of application of Value Added (i.e, to be taken in the application part), then excise duty (x) will be computed as follows:

x = 1/10 x [Rs. 6240 - Rs. (3692 + 175 + 109 + 20 + x)] x = 1/10 x [Rs. 2244 - x] 11x = Rs. 2244

x = Rs. 204

And thus total value added will be Rs. 2040 + Rs. 55 (other income) = Rs. 2095 And accordingly, application part will be prepared, taking miscellaneous charges. Rs. ('000) 240 [i.e, Rs. 444 – Rs. 204] as the application of value added.

(1 Mark)

Answer-6 :

Cost to Company in employing to Mr. X	
	Rs.
Salary before tax	
Rs. 4,00,000 x 12 = $\frac{48,00,000}{0.75}$	64,00,000*
Add: Employee's PFcontribution(50,000 x 12)	<u>6,00,000</u>
	70,00,000
Add: Employer's PFcontribution(50,000 x 12)	<u>6,00,000</u>
	<u>76,00,000</u>

(3 Marks)

Capital base	
	Rs.
Equity Share Capital paid up (5,00,000 shares of Rs. 75 each)	3,75,00,000
Less: Calls in arrears	(1,00,000)
	3,74,00,000
General Reserve	10,00,000
Profit & Loss A/c (balance) at the beginning of the year	(25,00,000)
Loss for the year	(1,80,000)
8% Debentures	<u>8,000,000</u>
Capital base	<u>4,37,20,000</u>
Target Profit 12.5% of capital base (4,37,20,000)	54,65,000
Profits achieved due to Mr. X 54,65,000+ 10% (54,65,000)	60,11,500

Maximum emoluments that can be paid to Mr. X = Rs. 60,11,500 Thus, the company is advised not to hire him as his CTC Rs. 76,00,000 is more than Rs. 60,11,500

(5 Marks)

Note: It is assumed that the average income tax rate of 25% given in the question is after considering the impact of Rs.3 lakhs p.a. i.e., the exemption amount.

Answer-7 :

Capital Base	= Rs. 1,00,00,000		
Actual Profit	= Rs. 11,00,000		
Target Profit @ 12	.5% = Rs. 12,50,000		
Expected Profit on employ	ing the particular executive		
= Rs. 12,50,000 + F	Rs. 2,50,000 = Rs. 15,00,000		
Additional Profit = Expecte	ed Profit Actual Profit		
= Rs. 15,00,000 Rs	s. 11,00,000 = Rs. 4,00,000		
Maximum bid price = $\frac{A}{Rate of}$	Additional Profit	$-\frac{4,00,000}{100} \times 100 - \text{Rs} 32,00,000$	
	e of Return on Investment	12.5 x 100 = K3.52,00,000	
Maximum salary that can be offered = 12.5% of Rs. 32,00,000 i.e., Rs. 4,00,000			
Maximum salary can be of	fered to that particular execu	utive upto the amount of additional profit i.e.,	
Rs.4,00,000.			

(6 Marks)