SUGGESTED SOLUTION

I.P.C.C MAY 2014 EXAM

ADVANCED ACCOUNTING

Prelims (Test Code - I M J 4 0 8 0)

(Date: 15 April, 2014)

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

Tel : (022) 26836666

Ans. 1

(a)

AS-4	As per AS 4(revised), assets and liabilities should be adjusted for events occurring after the balance sheet date that provide additional evidence to assist the estimation of amounts relating to conditions existing at the balance sheet date.
Advice	Since the theft of cash is an additional information materially affecting the determination of the cash amount relating to conditions existing at the balance sheet date, it is necessary to adjust theft of cash in the financial statements of the company for the year ended 31st March, 2014.

(b) Statement showing the calculation of Fixed Assets at the end of the second year

Particulars	₹
Original Cost of Fixed Assets	50,00,000
Less: State Government grant received	(10,00,000)
Less: Amount to be written off in the first year [(40,00,000 – 5,00,000)/ 5 years]	(7,00,000)
	33,00,000
Add: Refund of State Government grant	10,00,000
Value of fixed assets, at the end of the second year, after refund of grant but before depreciation	43,00,000

(c)

AS-26	As per AS 26 goodwill can be recorded in the books only when some consideration in money or money's worth has been paid for it. Therefore, only purchased goodwill should be recorded in the books.
Advice	Payment of ₹50,000 was made towards purchase of goodwill, hence to this extent goodwill can be recorded in the books. Additional goodwill of ₹50,000 is self generated goodwill, which should not be recorded. On admission, death or retirement of a partner, goodwill adjustments can be carried out through capital accounts.

(d)

1. Net Profit after Interest & Tax = 70% (₹81,20,000 – ₹1,20,000) = ₹56,00,000
2. Weighted average number of equity shares outstanding for Basic EPS = 4,00,000 + (1,60,000 × 3/12) = 4,40,000

Computation of Basic EPS & Diluted EPS

Basic EPS [₹56,00,000/4,40,000]	**₹12.73 per share**
Diluted EPS:	
Weighted avg. number of eq. shares outstanding for calculating Basic EPS	4,40,000
No. of shares under option	1,00,000
No. of shares that have been issued at fair value [1,00,000 × 15/25]	(60,000)
Weighted number of equity shares after ESOP(4,40,000+1,00,000–60,000)	4,80,000
Weighted number of equity shares after the effect of ESOP & Convertible Debentures [(4,40,000 + 1,00,000 – 60,000) + (32,000 × 5 × 9/12)]	6,00,000
Adjusted Net Profit for the current year ₹[56,00,000 + 1,20,000 – 36,000]	56,84,000
Diluted EPS (₹56,84,000/6,00,000]	9.47

Ans. 2

Journal

Date	Particulars		Dr. (₹)	Cr. (₹)
2012	Realisation A/c	Dr.	96,500	
Dec 31	To Building A/c			37,000
	To Machinery A/c			17,000
	To Furniture A/c			8,000
	To Investment A/c			10,000
	To Stock A/c			1,500
	To Debtors A/c			8,000
	To Joint Life Policy He			15,000
	(Being transfer of various assets to Realisation Account at book values on dissolution of the firm)			

	Provision for Bad Debts A/c	Dr.	400	
	Creditors A/c	Dr.	21,000	
	Acceptances A/c	Dr.	15,000	
	To Realisation A/c			36,400
	(Being the transfer of various liabilities to Realisation Account)			
	A's Capital A/c	Dr.	800	
	B's Capital A/c	Dr.	800	
	C's Capital A/c	Dr.	400	
	To Profit & Loss A/c			2,000
	(Being debit balance of P/L transferred to Partners' Capital Accounts in the profit-sharing ratio)			
	C's Capital A/c	Dr.	5,000	
	To C's Drawings A/c			5,000
	(Being the balance of drawings transferred to Capital Account)			
	Reserve Fund A/c	Dr.	10,000	
	Joint Life Policy Fund A/c	Dr.	15,000	
	Investment Fluctuation Fund A/c	Dr.	5,000	
	To A's Capital A/c			12,000
	To B's Capital A/c			12,000
	To C's Capital A/c			6,000
	(Being the transfer of the balances of different funds to Partners' Capital Accounts in the profit-sharing ratio)			
	Bank A/c ₹(13,500 + 60,000 + 7,000 + 5,000 + 1,200 + 6,400)	Dr.	93,100	
	To Realisation A/c			93,100
	(Being realisation of sundry assets)			
	Mrs. A's Loan A/c	Dr.	3,000	
	To A's Capital A/c			3.000
	(Being the transfer of Mrs. A's loan to A's Capital A/c)			
	Realisation A/c ₹(15,000 + 20,500 – 4,500)	Dr.	31,000	
	To Bank A/c			31,000
	(Being discharge of creditors and acceptances)			
	Realisation A/c	Dr.	4,800	
	To Bank A/c			4,800
	(Being realisation expenses paid)			
	C's Loan A/c	Dr.	10,000	
	To Bank A/c (Being the discharge of C's loan)			10,000
	B's Capita! A/c	Dr.	6,000	
	To Realisation A/c			6,000
	(Being the investment taken over by B)			
	Realisation A/c	Dr.	3,200	
	To A's Capital A/c			1,280
	To B's Capital A/c			1,280
	To C's Capital A/c			640
	(Being profit on realisation trans, to Partners' Capital Accounts in the profit-sharing ratio)			
	A's Capital A/c	Dr.	35,480	
	B's Capital A/c	Dr.	16,480	
	C's Capital A/c	Dr.	2,240	
	To Bark A/c			54,200
	(Being final payment on dissolution)			

Dr. **Realisation Account** **Cr.**

Date	Particulars	₹	Date	Particulars	₹
2012	To Building A/c	37,000	2012	By Provision for Bad Debts A/c	400
Dec 31	To Machinery A/c	17,000	Dec 31	By Creditors A/c	21,000
	To Furniture A/c	8,000		By Acceptances A/c	15,000

	To Investment A/c	10,000		By Bank A/c (assets realised)	93,100
	To Stock A/c	1,500		By B Capital A/c (investment taken over)	6,000
	To Debtors A/c	8,000			
	To Joint Life Policy A/c	15,000			
	To Bank A/c (liabilities paid)	31,000			
	To Bank A/c (expenses)	4,800			
	To Partners' Capital A/c - A (2/5)	1,280			
	To Partners' Capital A/c - B (2/5)	1,280			
	To Partners' Capital A/c - C (1/5)	640			
		1,35,500			**1,35,500**

Dr. Bank Account Cr.

Date	**Particulars**	**₹**	**Date**	**Particulars**	**₹**
2012	To Balance b/d	6,900	2012	By Realisation A/c	31,000
Dec 31	To Realisation A/c (sale of assets)	93,100	Dec 31	By Realisation A/c (expenses)	4,800
				By C's Loan A/c	10,000
				By Partners' Capital A/cs: (A - ₹35,480; B - ₹16,480; C - ₹2,240)	54,200
		1,00,000			**1,00,000**

Dr. Partners' Capital Accounts Cr.

Date	**Particulars**	**A**	**B**	**C**	**Date**	**Particulars**	**A**	**B**	**C**
2012	To Profit & Loss A/c	800	800	400	2012	By Balance b/d	20,000	10,000	1,000
Dec 31	To Realisation A/c (investment taken over)	-	6,000	-	Dec 31	By J.L.P. Fund A/c	6,000	6,000	3,000
	To Drawings A/c	-	-	5,000		By Reserve Fund A/c	4,000	4,000	2,000
	To Bank A/c	35,480	16,480	2,240		By Mrs. A's Loan A/c	3,000	-	-
						By Investment Fluctuation Fund A/c	2,000	2,000	1,000
						By Realisation A/c	1,280	1,280	640
		36,280	**23,280**	**7,640**			**36,280**	**23,280**	**7,640**

Ans. 3

(a)

Dr. (i) 12% DEBENTURES ACCOUNT Cr.

Particulars	**₹**	**Particulars**	**₹**
To Own Debentures A/c	2,00,000	By Balance b/d	16,00,000
To Bank A/c	14,00,000		
	16,00,000		**16,00,000**

Dr. (ii) DEBENTURE REDEMPTION SINKING FUND ACCOUNT Cr.

Particulars	**₹**	**Particulars**	**₹**
To 9% Stock A/c (loss)	6,400	By Balance b/d	14,98,000
To General Reserve A/c (b.f.)	16,93,200	By Profit and loss A/c	56,800
		By Interest on Sinking Fund A/c	1,42,800
		By Own Debentures A/c	2,000
	16,99,600		**16,99,600**

Working Notes:

(i) Amount of Stock as on 1st April, 2012

Sinking Fund Balance as on 1st April, 2012	₹14,98,000
Less: Own debentures	₹(1,98,000)
	₹13,00,000

(ii) Sales Value of 9% Stock = (₹13,20,000/ ₹100) × ₹98 = ₹12,93,600

(iii) Interest credited to Sinking Fund = (₹13,20,000 × 9%) + (₹2,00,000 × 12%) = ₹1,42,800

(iv) Dr. OWN DEBENTURES ACCOUNT Cr.

Particulars	**₹**	**Particulars**	**₹**
To Balance b/d	1,98,000	By 12% Debentures A/c	2,00,000
To Sinking Fund A/c	2,000		
	2,00,000		**2,00,000**

(v) Dr. 9% STOCK ACCOUNT Cr.

Particulars	**₹**	**Particulars**	**₹**
To Balance (Face value 13,20,000)	13,00,000	By Bank A/c	12,93,600
		By Sinking Fund A/c (loss on sales)	6,400
	13,00,000		**13,00,000**

(b)

RECEIVER'S RECEIPTS & PAYMENTS ACCOUNT

Receipts		**₹**	**Payments**		**₹**
Sundry Assets realised Surplus received from mortgage		2,00,000	Costs of the Receiver		2,000
Sale proceeds of land and Building	1,50,000		Preferential payments Creditors paid -Taxes raised within 12 months		26,000
Less: Applied to discharge of mortgage Loan	80,000	70,000	Debentures holders		
			Principal	1,50,000	
			Interest for half year	9,750	1,59,750
			Surplus transferred to the liquidator		82,250
		2,70,000			**2,70,000**

LIQUIDATOR'S FINAL STATEMENT OF ACCOUNTS

Receipts	**₹**	**Payments**		**₹**
Surplus received from Receiver	82,250	Cost of Liquidation		2,800
Assets Realised:	1,00,000	Remuneration to Liquidator		3,000
Calls on contributories:		Unsecured Creditors:		
On holder of 5,000 partly paid shares at the rate of ₹2.17 per share	10,850	Trade	32,000	
		Directors for Bank O/D cleared	30,000	62,000
		Preference Shareholders:		
		Principal	1,00,000	
		Arrears of dividends	22,000	1,22,000
		Equity Shareholders:		
		Return of money to contributors to holders of 10,000 shares at 33 paise each		3,300
	1,93,100			**1,93,100**

Working Note:

(i)	Calculation of % of Deficiency	₹
	A. Total Paid up Share Capital	1,37,500
	B. Add: Cash Deficit [₹1,82, 250 – ₹1,89,800]	7,550
	C. Total Deficiency to be borne (A + B)	1,45,050
	D. Total Nominal Share Capital	1,50,000
	E. Deficiency as % of Nominal ($\frac{C}{D} \times 100$)	96.7%

(ii)	Calculation of Net Amount Returnable/receivable per share		
	Class of Shares	**A (₹)**	**B (₹)**
	A. Paid up Amount per share	10	7.5
	B. Less: Deficiency to be borne @ 96.7% of Nominal Value	(9.67)	(9.67)
	C. Net Amount returnable (receivable)	**0.33**	**(2.17)**

Ans. 4

IN THE BOOKS OF GOOD LUCK LTD.
JOURNAL ENTRIES

Date	Particulars		Dr. (₹)	Cr. (₹)
(i)	8% Preference Share Capital A/c (₹100)	Dr.	2,50,000	
	To 8% Preference Share Capital A/c (₹25)			62,500
	To Capital Reduction A/c			1,87,500
	(Being preference shares of ₹100 each reduced to ₹25 each as per the scheme)			
(ii)	Equity Share Capital A/c (₹100)	Dr.	5,00,000	
	To Equity Share Capital A/c (₹20)			1,00,000
	To Capital Reduction A/c			4,00,000
	(Being equity shares of ₹100 each reduced to ₹20 each as per the scheme)			
(iii)	8% Preference Share Capital A/c (₹25)	Dr.	62,500	
	To 8% Preference Share Capital A/c (₹100)			62,500
	(Being the conversion of 2,500 shares of ₹25 each into 625 shares of ₹100 each as per the scheme)			
(iv)	Equity Share Capital A/c (₹20)	Dr.	1,00,000	
	To Equity Share Capital A/c (₹100)			1,00,000
	(Being the conversion of 5,000 shares of ₹20 each in to 1,000 shares of ₹100 each as per the scheme)			
(v)	Freehold Property A/c	Dr.	50,000	
	To Capital Reduction A/c			50,000
	(Being appreciation in the value of property)			
(vi)	8% Debentures A/c	Dr.	2,50,000	
	To Freehold Property A/c			2,50,000
	(Being claim of debenture holders settled in part by transfer of freehold property as per the scheme)			
(vii)	Freehold Property A/c	Dr.	4,00,000	
	To Capital Reduction A/c			4,00,000
	(Being appreciation In the value of remaining property)			
(viii)	Director's Loan A/c	Dr.	3,00,000	
	To Capital Reduction A/c			3,00,000
	(Being Director's loan waived in full)			
(ix)	Capital Reduction A/c	Dr.	13,37,500	
	To Profit and Loss A/c			10,00,000
	To Deferred Revenue Expenditure A/c			25,000
	To Inventories A/c			50,000
	To Provision for Doubtful Debts A/c			12,500
	To Goodwill A/c			1,00,000
	To Trademark			50,000
	To Capital Reserve A/c			1,00,000
	(Being the various assets written off as per the scheme)			

Dr.	CAPITAL REDUCTION ACCOUNT		Cr.
Particulars	**₹**	**Particulars**	**₹**
To Provision for Doubtful Debts A/c	12,500	By Preference Share Capital A/c	1,87,500
To Inventories A/c	50,000	By Freehold Property A/c	4,50,000
To Trademark A/c	50,000	By Equity Share Capital A/c	4,00,000
To Deferred Revenue Exp. A/c	25,000	By Director's loan A/c	3,00,000
To Goodwill A/c	1,00,000		
To Profit and loss A/c	10,00,000		
To Capital reserve A/c	1,00,000		
	13,37,500		**13,37,500**

BALANCE SHEET OF GOOD LUCK LTD. (AND REDUCED) AS AT 31.03.2014

Particulars	Note No	₹
I. Equity and Liabilities		
(1) Shareholders Funds		
(a) Share Capital	1	1,62,500
(b) Reserves and Surplus[Capital Reserve]		1,00,000
(2) Non-Current Liabilities		
Long-term Borrowings [8% Debentures]		2,50,000
(3) Current Liabilities		
(a) Short-term Borrowings [Bank Overdraft]		2,00,000
(b) Trade Payables [Creditors]		2,50,000
Total		**9,62,500**
II. Assets		
(1) Non-Current Assets		
(a) Fixed Assets		
Tangible Assets	2	7,50,000
(2) Current Assets		
(a) Inventories		1,00,000
(b) Trade Receivables [1,25,000 – 12,500]		1,12,500
Total		**9,62,500**

Notes To Accounts:

Particulars	₹
1. Share Capital	
1,000 Equity Shares of ₹100 each	1,00,000
625, 8% Pref. Shares of ₹100 each	62,500
	1,62,500
2. Tangible Assets	
Freehold Property	6,00,000
Plant & Machinery	1,50,000
Total	**7,50,000**

Ans. 5

(a) **FORM B – RA**

Name of the insurer:

Registration No. and Date of Registration with the IRDA

FIRE INSURANCE REVENUE ACCOUNT

For the year ended 31st March, 2014

Particulars		Schedule	Amount
1.	Premium earned	1	11,75,000
2.	Other income		-
3.	Interest, dividend and rent		-
	Total (A)		**11,75,000**
4.	Claims incurred	2	5,40,000
5.	Commission	3	3,00,000
6.	Operating expenses related to Insurance business	4	2,00,000
	Total (B)		**10,40,000**
	Operating Profit (A) – (B)		**1,35,000**

Schedule 1: Premium earned	₹
Premium received	12,50,000
Less: Re-insurance Premium	(50,000)
	12,00,000
Less-. Adjustment for Change in provision for un-expired risk (Refer W.N.)	(25,000)
	11,75,000

Schedule 2: Claims Incurred	
Claims paid including legal expenses (5,00,000 + 10,000)	5,10,000
Add: Claims outstanding at the end of the year	80,000
Less: Claims outstanding at the beginning of the year	(50,000)
Total claims incurred	5,40,000

Schedule 3: Commission	
Commission paid	3,00,000

Schedule 4: Operating Expenses	
Expenses of Management	2,00,000

Working Note:

CHANGE IN THE PROVISION FOR UNEXPIRED RISK

	₹
Closing Unexpired Risk Reserve [50% of ₹12,00,000]	6,00,000
Opening Unexpired Risk Reserve	(5,75,000)
	25,000

(b)

SWISS BANK LTD. Profit & Loss Account for the year ended 31st March, 2014

Particulars	**Schedule No.**	**Year ended 31st Mar., 2014 (₹'000)**	**Year ended 31st Mar., 2013 (₹000)**
I. Income:			
Interest earned	13	596	
Other income	14	13	
Total		**609**	
II. Expenditure:			
Interest expended	15	230	
Operating expenses	16	95	
Provisions & Contingencies [72 + 31]		103	
Total		**428**	
III. Profit/Loss:			
Net Profit for the year		181	
Profit/Loss brought forward		-	
Total		**181**	
IV. Appropriations:			
Transfer to Statutory Reserve @ 25%		45.25	
Balance carried over to Balance Sheet		135.75	
Total		**181.0**	

SCHEDULE 13—INTEREST EARNED

Particulars	**Year ended 31st March, 2014 (₹'000)**	**Year ended 31st March, 2013 (₹'000)**
I. Interest/Discount [6,26,000* – 30,000 (Rebate)]	596	
II. Interest on investment	-	
III. Interest on balances with RBI and other inter bank fund	-	
	596	

***calculation of interest:**

Particulars	₹	₹
Interest on loans	2,25,000	
Discount	2,01,000	
Interest on cash credit	1,05,000	
Interest on over draft	95,000	6,26,000

SCHEDULE 14—OTHER INCOME

Particulars	Year ended 31st March, 2014 (₹'000)	Year ended 31St March, 2013 (₹'000)
I. Commission, Exchange and Brokerage	47	
II. Loss on sale of investments	(–) 34	
	13	

SCHEDULE 15—INTEREST EXPENDED

Particulars	Year ended 31st March, 2014 (₹'000)	Year ended 31st March, 2013(₹'000)
I. Interest on Deposits [Fixed and Savings Deposits]	230	
II. Interest on RBI Inter bank borrowings	-	
	230	

SCHEDULE 16—OPERATING EXPENSES

Particulars	Year ended 31st March, 2014 (₹'000)	Year ended 31st March, 2013 (₹'000)
I. Payments to and provision for employees	82	
II. Printing & Stationery	5	
III. Directors' fees, allowances and expenses	3	
IV. Auditors' fees	5	
	95	

Dr. PROVISION FOR DOUBTFUL DEBTS ACCOUNT Cr.

Particulars	(₹'000)	Particulars	(₹'000)
To Bad Debts	21	By Balance b/d	42
To Balance c/d	52	By Profit & Loss A/c	31
	73		**73**

Dr. PROVISION FOR TAXATION ACCOUNT Cr.

Particulars	(₹'000)	Particulars	(₹'000)
To Bank A/c	54	By Balance b/d	66
To Balance c/d	84	By Profit & Loss A/c	72
	138		**138**

Ans. 6

(i) TRIAL BALANCE (IN RUPEES) OF VIRGINIA (USA) BRANCH AS ON 31st MARCH, 2014

Particulars	Dr. US $	Cr. US $	Conversion rate	Dr. US $	Cr. US $
Office Equipment	43,200		50	21,60,000	
Depreciation on Office Equipment	4,800		50	2,40,000	
Furniture and Fixtures	2,880		50	1,44,000	
Depreciation of furniture and fixtures	320		50	16,000	
Opening Stock	22,400		47	10,52,800	
Purchase	96,000		45	43,20,000	
Sales		1,66,400	45		74,88,000
Goods sent from H.O.	32,000			15,80,000	

Carriage inward	400		45	18,000	
Salaries (3,200 + 400)	3,600		45	1,62,000	
Outstanding salaries		400	50		20,000
Rent, rates and taxes	800		45	36,000	
Insurance	400		45	18,000	
Trade expenses	400		45	18,000	
Head Office A/c		45,600			20,50,000
Trade debtors	9,600		50	4,80,000	
Trade creditors		6,800	50		3,40,000
Cash at bank	2,000		50	1,00,000	
Cash in hand	400		50	20,000	
Exchange gain (bal. fig.)					4,66,800
	2,19,200	**2,19,200**		**1,03,64,800**	**1,03,64,800**

TRADING AND PROFIT AND LOSS ACCOUNT OF VIRGINIA BRANCH

Dr. **for the year ended 31st March, 2014** **Cr.**

Particulars	**₹**	**Conversion**	**₹**
To Opening Stock	10,52,800	By Sales	74,88,000
To Purchases	43,20,000	By Closing Stock (21,500 US $ × 50)	10,75,000
To Goods from Head Office	15,80,000		
To Carriage inward	18,000		
To Gross profit c/d	15,92,200		
	85,63,000		**85,63,000**
To Salaries	1,62,000	By Gross profit b/d	15,92,200
To Rent, rates and taxes	36,000		
To Insurance	18,000		
To Trade expenses	18,000		
To Depreciation of office equipment	2,40,000		
To Depreciation of furniture and fixtures	16,000		
To Net Profit c/d	11,02,200		
	15,92,200		**15,92,200**

BALANCE SHEET OF VIRGINIA BRANCH AS AT 31ST MARCH, 2014

Liabilities		**₹**	**Assess**		**₹**
Head Office A/c	20,50,000		Office Equipment	24,00,000	
Add: Net Profit	11,02,200	31,52,200	Less: Depreciation	(2,40,000)	21,60,000
Foreign Currency			Furniture and fixtures	1,60,000	
Translation Reserve		4,66,800	Less: Depreciation	(16,000)	1,44,000
Trade creditors		3,40,000	Closing stock		10,75,000
Outstanding salaries		20,000	Trade debtors		4,80,000
			Cash in hand		20,000
			Cash at bank		1,00,000
		39,79,000			**39,79,000**

Ans. 7

(a)

Calculation of the amount of Exchange Difference arising from Foreign Currency borrowings to the extent that they are regarded as an adjustment to Interest Costs

Particulars		**(₹in lacs)**
A.	Increase in liability towards principal amount [USD 12.50 × (₹48 – ₹45)]	37.50
B.	Interest on foreign currency borrowing [USD 12.50 × ₹48 × 5%]	30.00
C.	Exchange differences on the amount of principal of the foreign currency borrowings (A + B)	67.50
D.	Interest on local currency borrowings [USD 12.50 × ₹45 × 11%]	61.875
E.	Total borrowing costs as per AS 16 (C or D whichever is less)	61.875
F.	Exchange difference to be treated as per AS 11 (C – D)	5.625

(b) In the case of dissolution of a partnership firm due to insolvency, Garner v/s Murray rule is applicable at the time of any partner becoming insolvent. It requires –

1. That the solvent partners should bear the loss arising due to insolvency of a partner in their capital ratio after making adjustments for past accumulated reserves, profits or losses, drawings, interest on drawings/capitals, remuneration to partners etc., to the date of dissolution but before making adjustment for profit or loss on realization in case of fluctuating capital. In case of fixed capital no such adjustments are required.
2. That the solvent partners should bring in cash equal to their respective shares of the loss on realization.

   Non-Applicability: This rule is not applicable when:

   (i) When the solvent partner has a debit balance in the capital account.
   (ii) Only one partner is solvent
   (iii) All partners are insolvent
   (iv) The partnership deed provides for a specific method to be followed in case of insolvency of a partner, then the conditions given in the deed would prevail.

(c) Bank advances are classified into following 4 groups to determine the amount of provision:

Group	**Meaning**	**% of provision**
1. Standard Assets	Standard Asset is one which does not disclose any problem and which does not carry more than normal risk attached to the business (Whether secured or unsecured).	
	(a) Restructured Loan A/cs	2.75
	(b) Other Loan A/cs	0.40
2. Sub-Standard Asset	Sub-standard asset is one which has been classified as NPA for a period not exceeding 12 months on Secured Loan A/cs	15
	on Unsecured Infrastructure Loan A/cs	20
	on Unsecured Other Loan A/cs	25
3. Doubtful Asset	A doubtful asset is one which has remained NPA for a period exceeding 12 months On Unsecured Portion	100
	On Secured portion if period for which the advance has been considered as doubtful	
	(a) Upto 1 year	25
	(b) Exceeding 1 year but not exceeding 3 years	40
	(c) Exceeding 3 years	100
4. Loss Asset	A loss asset is one where loss has been identified by the Bank or internal or external auditors or the RBI inspection but the amount has not been written off, wholly or partly	100

(d) There are three fundamental accounting assumptions:

1. Going Concern	The financial statements are normally prepared on the assumption that an enterprise will continue in operation in the foreseeable future and neither there is intention, nor there is need to materially curtail the scale of operations.
2. Consistency	The principle of consistency refers to the practice of using same accounting policies for similar transactions in all accounting periods. The consistency improves comparability of financial statements through time. An accounting policy can be changed if the change is required (i) by a statute (ii) by an accounting standard (iii) for more appropriate presentation of financial statements.
3. Accrual	Under this basis of accounting, transactions are recognised as soon as they occur, whether or not cash or cash equivalent is actually received or paid.

(e) Present obligation as a result of a past obligating event .-The obligating event is the sale of the product, which gives rise to an obligation because obligation also arise from normal business practice, custom and a desire to maintain good business relations or act in an equitable manner.

An outflow of resources embodying economic benefits in settlement - Probable a, proportion of goods are returned for refund

Conclusion - A provision is recognised for the best estimate of the costs of refunds.

MARKS ALLOCATION SHEET

Que. No.	*Sub point No.(if any)*	*Name of Chapter*	*Description of Concept*	*Mark Allocation*	*Total Marks*
1(a)	-	AS-4	Provision of AS-4	2	
1(a)	-	AS-4	Advice	3	5
1(b)	-	AS-12	Calculation of amount to be written off in the 1^{st} year	3	
1(b)	-	AS-12	Calculation of value of fixed assets	2	5
1(c)	-	AS-26	Provision of AS-26	2	
1(c)	-	AS-26	Advice	3	5
1(d)	-	AS-20	Calculation of Net profit after interest &tax	0.5	
1(d)	-	AS-20	Calculation of weighted average No. of equity share	0.5	
1(d)	-	AS-20	Calculation of Basic EPS	1	
1(d)	-	AS-20	Calculation of Diluted EPS	3	5
2	-	Partnership	Journal entry (per entry 0.5 marks)	6.5	
2	-	Partnership	Preparation of realisation A/C	3.5	
2	-	Partnership	Preparation of Bank A/C	3	
2	-	Partnership	Preparation of Partners' capital A/C	3	16
3(a)	-	Redemption of Debenture	Preparation of 12% Debenture A/c	2	
3(a)	-	Redemption of Debenture	Preparation of Debenture Redemption sinking fund A/c	2.5	
3(a)	-	Redemption of Debenture	Calculation of stock value	0.5	
3(a)	-	Redemption of Debenture	Calculation of Sales value	0.5	
3(a)	-	Redemption of Debenture	Calculation of interest credited to sinking fund	0.5	
3(a)	-	Redemption of Debenture	Preparation of own Debenture A/c	1	
3(a)	-	Redemption of Debenture	Preparation of 9% stock A/c	1	8
3(b)	-	Liquidation of companies	Preparation of Receiver's receipts & payment A/c	3	
3(b)	-	Liquidation of companies	Preparation of Liquidator's final statement	3	
3(b)	-	Liquidation of companies	Calculation of % of deficiency	1	
3(b)	-	Liquidation of companies	Calculation of net amount receivable per share	1	8
4	-	Internal Reconstruction	Journal entries (per entry 1 mark)	9	
4	-	Internal	Preparation of capital reduction A/c	2	

		Reconstruction			
4	-	Internal Reconstruction	Preparation of Balance sheet	3	
4	-	Internal Reconstruction	Notes to Accounts	2	16
5(a)	-	Insurance companies	Preparation of Revenue A/c	4	
5(a)	-	Insurance companies	Schedule - 1	1	
5(a)	-	Insurance companies	Schedule - 2	1	
5(a)	-	Insurance companies	Schedule - 3	0.5	
5(a)	-	Insurance companies	Schedule - 4	0.5	
5(a)	-	Insurance companies	Change in the provision for unexpired risk	1	8
5(b)	-	Banking Companies	Preparation of profit & loss A/c	3	
5(b)	-	Banking Companies	Schedule - 13	1	
5(b)	-	Banking Companies	Schedule - 14	1	
5(b)	-	Banking Companies	Schedule - 15	1	
5(b)	-	Banking Companies	Schedule - 16	1	
5(b)	-	Banking Companies	Preparation of provision for Doubtful debts A/c	0.5	
5(b)	-	Banking Companies	Preparation of provision for tax A/c	0.5	8
6	-	Foreign Branch	Preparation of trial balance	6	
6	-	Foreign Branch	Preparation of trading & Profit & Loss A/c	6	
6	-	Foreign Branch	Preparation of Balance sheet	4	16
7(a)	-	AS-16	Calculation of total Borrowing cost as per AS-16	3	
7(a)	-	AS-16	Calculation of exchange difference	1	4
7(b)	-	Partnership	Requirement	2	
7(b)	-	Partnership	Non-applicability	2	4
7(c)	-	Banking Companies	Each definition has 1 mark	4	4
7(d)	-	Conceptual framework for FS	Each assumption has 1.67 marks	4	4
7(e)	-	AS-29	Provision of AS-29	2	
7(e)	-	AS-29	Analysis	1	
7(e)	-	AS-29	Conclusion	1	4