Total No. of Questions – 7

Total No. of Printed Pages – 15

Time Allowed – 3 Hours

Maximum Marks – 100

VTS

Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate who has not opted for Hindi Medium, his/her answers in Hindi will not be valued.

Question No. **1** is compulsory.

Candidates are required to attempt any **five** questions from the remaining **six** questions.

In case, any candidate answers extra question(s)/sub-question(s) over and above the required number, then only the requisite number of questions first answered in the answer book shall be valued and subsequent extra questions answered shall be ignored.

Working notes should form part of the answer.

Wherever necessary, suitable assumptions should be made and indicated in answer by the candidates.

Marks

1. (a) GTI Ltd. negotiates with Bharat Oil Corporation Ltd. (BOCL), for construction of "Retail Petrol & Diesel Outlet Stations". Based on proposals submitted to different Regional Offices of BOCL, the final approval for one outlet each in Region X, Region Y, Region Z is awarded to GTI Ltd. A single agreement is entered into between two. The agreement lays down values for each of the three outlets i.e. ₹ 102 lacs, ₹ 150 lacs, ₹ 130 lacs for Region X, Region Y, Region Z respectively. Agreement also lays down completion time for each Region. **5**

Comment whether GTI Ltd. will treat it as single contract or three separate contracts with reference to AS-7 ?

Marks

(b) Hema Ltd. purchased a machinery on 1.04.2008 for ₹ 15,00,000. The company charged straight line depreciation based on 15 years working life estimate and residual value ₹ 3,00,000. At the beginning of the 4th year, the company by way of systematic evaluation revalued the machinery upward by 20% of net book value as on date and also re-estimated the useful life as 7 years and scrap value as nil. The increase in net book value was credited directly to revaluation reserves. Depreciation (on SLM basis) later on was charged to Profit & Loss Account. At the beginning of 8th year the company decided to dispose off the machinery and estimated the realizable value to ₹ 2,00,000. 5

You are required to ascertain the amount to be charged to Profit & Loss Account at the beginning of 8th year with reference to AS-10.

(c) How you will deal with following in the financial statement of the Paridhi Electronics Ltd. as on 31.3.16 with reference to AS-13 ?

(i) Paridhi Electronics Ltd. invested in the shares of another unlisted company on 1st May 2012 at a cost of ₹ 3,00,000 with the intention of holding more than a year. The published accounts of unlisted company received in Jan 2016 reveals that the company has incurred cash losses with decline market share and investment of Paridhi Electronics Ltd. may not fetch more than ₹ 45,000. 5

 Marks

(ii) Also Paridhi Electronics Ltd. has current investment (X Ltd.'s shares) purchased for ₹ 5 lakhs, which the company wants to reclassify as long term investment. The market value of these investments as on date of Balance Sheet was ₹ 2.5 lakhs.

(d) A manufacturing company has the following stages of production and sale in manufacturing Fine paper rolls : **5**

Date	Activity	Costs to Date (₹)	Net Realizable Value (₹)
15.1.16	Raw material	1,00,000	80,000
20.1.16	Pulp (WIP 1)	1,20,000	1,20,000
27.1.16	Rough & thick paper (WIP 2)	1,50,000	1,80,000
15.2.16	Fine Paper Rolls	1,80,000	3,50,000
20.2.16	Ready for sale	1,80,000	3,50,000
15.3.16	Sale agreed and invoice raised	2,00,000	3,50,000
02.4.16	Delivered and paid for	2,00,000	3,50,000

Explain the stage on which you think revenue will be generated and state how much would be net profit for year ending 31-3-16 on this product according to AS-9.

2. Proficient Infosoft Ltd. is in the hands of a Receiver for Debenture Holders who holds a charge on all asset except uncalled capital. The following statement shows the position as regards creditors as on 30th June, 2016 : 16

Liabilities	₹	Assets	₹
8000 shares of ₹ 100 each ₹ 60 paid up	–	Property (cost is ₹ 3,80,800) estimated at	1,08,000
First Debentures	3,60,000	Plant & Machinery	
Second Debentures	7,80,000	(Cost is ₹ 2,87,200) estimated at	72,000
Unsecured trade payables	5,40,000		
		Cash in hand of the receiver	3,24,000
			5,04,000
		Uncalled capital	3,20,000
			8,24,000
		Deficiency	8,56,000
	16,80,000		**16,80,000**

A holds the first debentures for ₹ 3,60,000 and second debentures for ₹ 3,60,000. He is also an unsecured trade payable for ₹ 1,08,000. B holds second debentures for ₹ 3,60,000 and is an unsecured trade payable for ₹ 72,000.

The following scheme of reconstruction is proposed.

(i) A is to cancel ₹ 2,52,000 of the total debt owing to him; to bring ₹ 36,000 in cash and to take first debentures (in cancellation of those already issued to him) for ₹ 6,12,000 in satisfaction of all his claims.

(ii) B to accept ₹ 1,08,000 in cash in satisfaction of all claims by him.

(iii) In full settlement of 60% of the claim, unsecured trade payable (other than A and B) agreed to accept three shares of ₹ 25 each, fully paid against their claim for each ₹ 100.

The balance of 40% is to be postponed and to be payable at the end of three years from the date of Court's approval of the scheme. The nominal share capital is to be increased accordingly.

(iv) Uncalled capital is to be called up in full and ₹ 75 per share cancelled, thus making the shares of ₹ 25 each.

Assuming that the scheme is duly approved by all parties interested and by the Court, give necessary journal entries.

3. (a) On the basis of the following information prepare a Cash Flow Statement for the year ended 31st March, 2016 (Using direct method) : **8**

(i) Total sales for the year were ₹ 398 crores out of which cash sales amounted to ₹ 262 crores.

(ii) Receipts from credit customers during the year, totalled ₹ 134 crores.

(iii) Purchases for the year amounted to ₹ 220 crores out of which credit purchase was 80%.

Balance in creditors as on

1.4.2015	₹ 84 crores
31.3.2016	₹ 92 crores

(iv) Suppliers of other consumables and services were paid ₹ 19 crores in cash.

(v) Employees of the enterprises were paid 20 crores in cash.

(vi) Fully paid preference share of the face value of ₹ 32 crores were redeemed. Equity shares of the face value of ₹ 20 crores were allotted as fully paid up at premium of 20%.

(vii) Debentures of ₹ 20 crores at a premium of 10% were redeemed. Debenture holders were issued equity shares in lieu of their debentures.

(viii) ₹ 26 crores were paid by way of income tax.

(ix) A new machinery costing ₹ 25 crores was purchased in part exchange of an old machinery. The book value of the old machinery was ₹ 13 crores. Through the negotiations, the vendor agreed to take over the old machinery at a higher value of ₹ 15 crores. The balance was paid in cash to the vendor.

(x) Investment costing ₹ 18 crores were sold at a loss of ₹ 2 crores.

(xi) Dividends totally ₹ 15 crores (including dividend distribution tax. of ₹ 2.7 crores) was also paid.

(xii) Debenture interest amounting ₹ 2 crore was paid.

(xiii) On 31st March 2015, Balance with Bank and Cash on hand totalled ₹ 2 crores.

Marks

(b) The following particulars are obtained from books of Prime Ltd. for the year ended 31st March 2016 : 8

	₹		₹
Cash Sales	50,000	Bills Receivable dishonoured	5,000
Credit Purchases	5,60,000		
Collection from Debtors	8,50,000	Return Inward	17,000
Bills Receivable drawn	40,000	Payment to creditors	3,24,000
Discount Received	5,000	Discount allowed	6,000
Cash Purchases	24,000	Debtor's cheque returned dishonoured	15,000
Bills Payable Paid	13,000		
Recovery of Bad debts	3,000	Credit Sales	9,80,000
Bills receivable discounted with Bank	16,000	Bills Receivable Collected	20,000
Interest charged on overdue customer's A/c.	2,400	Return Outward	7,400
Endorsed Bills Receivable dishonoured (noting charges ₹ 150)	11,000	Bills Receivable endorsed to Creditors	15,800
Bills payable accepted	32,000	Overpayment refunded by Suppliers	1,200
		Bad debts	2,000
		Opening Balances :	
		Sundry Debtors	1,56,000
		Sundry Creditor	1,70,000

You are required to prepare the Total Debtors Account and Total Creditors Account.

Marks

4. The Accountant of 'Retreat & Refresh' Club furnishes you the following Receipts and Payments Account for the year ending 31st March, 2016 : 16

Receipts	₹	Payments	₹
Opening Balance :		Honoraria to Secretary	19,200
Cash & Bank	33,520	Misc expenses	6,120
Subscription	42,840	Rates & Taxes	5,040
Sale of Old Magazines	9,600	Ground man's wages	3,360
Entertainment Fees	17,080	Printing & Stationary	1,880
Bank Interest	920	Payment for bar purchases	23,080
Bar Receipts	29,800	Repairs	1,280
		Telephone expenses	9,560
		New car (less sale proceeds of old car ₹ 12,000) (Old car was sold on 1.4.2015)	50,400
		Closing Balance : Cash & Bank	13,840
	1,33,760		**1,33,760**

 Marks

Additional Information

	1.4.2015 (₹)	31.3.2016 (₹)
Subscription due (not received)	4,800	3,920
Cheque issued, but not presented (payment of printing expenses)	360	120
Club premises at cost	1,16,000	–
Depreciation on club premises provided so far	75,200	–
Car at cost	48,760	–
Depreciation on car provided so far	41,160	–
Value of Bar stock	2,840	3,480
Amount unpaid for bar purchases	2,360	1,720

Depreciation is to be provided @ 5% p.a. on written down value of the club premises and @ 15% p.a. on car for the whole year.

You are required to prepare an Income & Expenditure A/c of Retreat & Refresh Club for the year ending 31st March, 2016 and Balance Sheet as on that date.

 Marks

5. (a) Srikumar bought 2 cars from 'Fair Value Motors Pvt Ltd. on 1-4-2012 on the following terms : **8**

Down payment	6,00,000
1st Installment at the end of first year	4,20,000
2nd Installment at the end of 2nd year	4,90,000
3rd Installment at the end of 3rd year	5,50,000

Interest is charged at 10% p.a.

Srikumar provides depreciation @ 25% on the diminishing balances.

On 31-3-15 Srikumar failed to pay the 3rd installment upon which 'Fair Value Motors Pvt Ltd.' repossessed 1 car. Srikumar agreed to leave one car with Fair Value Motors Pvt Ltd. and adjusted the value of the car against the amount due. The car taken over was valued on the basis of 40% depreciation annually on written down basis. The balance amount remaining in the vendor's account after the above adjustment was paid by Srikumar after 3 months with interest @ 20% p.a.

You are required to :

(i) Calculate the cash price of the cars and the interest paid with each installment.

(ii) Prepare Car Account and Fair Value Motors Pvt Ltd. Account in the books of Srikumar assuming books are closed on March 31, every year. Figures may be rounded off to the nearest rupee.

Marks

(b) On 1st April, 2016 the stock of Mr. Hariprasad was destroyed by fire but sufficient records were saved from which following particulars were ascertained : **8**

Stock at cost 1 Jan. 2015	1,47,000
Stock at cost 31 Dec. 2015	1,59,200
Purchases year ended 31 Dec.2015	7,96,000
Sales year ended 31st Dec. 2015	9,74,000
Purchases 1-1-2016 to 31-3-2016	3,24,000
Sales 1-1-2016 to 31-3-2016	4,62,400

In valuing the stock for the Balance Sheet at 31st Dec. 2015 ₹ 4,600 had been written off on certain stock which was a poor selling line having the cost ₹ 13,800. A portion of these goods were sold in March 2016 at a loss of ₹ 500 on original cost of ₹ 6,900. The remainder of this stock was now estimated to be worth its original cost. Subject to the above exception gross profit had remained at a uniform rate throughout the year.

The value of stock salvaged was ₹ 11,600. The policy was for ₹ 1,00,000 and was subject to average clause.

Work out the amount of the claim of loss by fire.

Marks

6. A, B and C were partners sharing Profits and Losses in the ratio of 2 : 2 : 1. **16**

Their Balance Sheet as on 1-4-2015 stood as follows :

Liabilities	₹	Assets	₹
Capital Accounts :		Fixed Assets	10,00,000
A 5,00,000		Inventory	2,50,000
B 4,00,000		Trade Receivable	3,50,000
C 3,00,000	12,00,000	Cash and Bank	1,00,000
Reserves	1,00,000		
Trade Payables	4,00,000		
	17,00,000		**17,00,000**

On 1st Oct. 2015, C died. His representatives agreed that :

(i) Goodwill of the firm be valued at ₹ 5,00,000. Goodwill not to be shown off in books of Accounts.

(ii) Fixed assets be written down by ₹ 1,00,000 and

(iii) In lieu of profits, C should be paid at the rate of 25% p.a. on his capital as on 1-4-2015.

Current year's (2014-2015) profit after charging depreciation of ₹ 95,000 (₹ 50,000 related to the 1st half) was ₹ 4,05,000. Profit was evenly spread throughout the year.

As on 31-3-2016, the following were the balances :

Inventory	₹ 2,30,000
Trade Receivable	₹ 1,90,000
Trade Payable	₹ 3,50,000
Cash and Bank Balance	₹ 43,770

The particulars regarding their drawings as given below :

	Upto 1-10-2015	After 1-10-2015
A	41,250	50,000
B	41,250	50,000
C	17,500	–

You are required :

(i) Prepare the Balance Sheet of the firm as on 31-3-2016, assuming that final settlement to C's executors was made on 31-3-2016.

(ii) Prepare the Capital A/c of the partners as on 1-10-2015 & 31-3-2016.

7. Answer any **four** :

(a) Recently a growing trend has developed for outsourcing the accounting function to a third party. What are the basis on which choice of such third party made ? **4**

(b) A merchant trader having accepted the following several bills falling due on different dates, now desires to have these bills cancelled and to accept a new bill for the whole amount payable on the average due date : **4**

VTS

Marks

Sl. No.	Date of Bills	Amount ₹	Usance of the bill
1	1st May, 2016	500	2 months
2	10th May, 2016	300	3 months
3	5th June, 2016	400	2 months
4	20th June, 2016	375	1 month
5	10th July, 2016	500	2 months

You are required to find the said average due date.

Any fraction of a day arising from the calculation to be considered as full day.

(c) On 1st December 2015, M/s. Blue & Black purchased, 20,000 12% fully paid debentures of ₹ 100 each at ₹ 105 cum interest price, also paying brokerage @ 1% of cum interest amount of the purchase. On 1st March, 2016, the firm sold all these debentures at ₹ 110 cum-interest price, again paying brokerage @ 1% of cum interest amount. Prepare Investment Account in the books of M/s. Blue & Black for the period 1st Dec., 2015 to 1st March 2016. Interest being payable half yearly on 30th September and 31st March of every accounting year. 4

Marks

(d) X, Y, Z were partners in a firm sharing Profit & Loss in ratio of 2:1:1. **4**

The firm took a joint life policy on the lives of all the partners of assured value of ₹ 2,00,000. The firm also took separate life policies of partners as follows :

	Assured values
X	1,50,000
Y	2,00,000
Z	3,00,000

The premium paid for separate life policies was debited to Profit & Loss A/c. Surrender value of all policies is 50%.

You are required to calculate the share of life policies which X's executors will get in event of X's death ?

(e) What are the purposes for which Pre-incorporation Profit & Pre-incorporation Losses can be used for ? **4**