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Test Paper
ADVANCE ACCOUNTING FULL SYLLABUS TEST-1
Details: Full Test - 1
Duration: 180
Marks: 100

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Intructions

All the questions are compulsory
Properly mention test number and page number on your answer sheet
In case of multiple choice questions, mention option number only
Working notes are compulsory wherever required in support of your solution
Donot copy any solution from any material.
Attempt as much as you know to fairly judge your performance.

Legal

Marks : 100

Q-1

a. Quick Ltd. Is a company engaged in the trading of spare parts used in the repair of automobiles. The company has been regularly in depositing the tax, as such there is no liability of Income Tax etc. for the Financial Year 2018-2019.

The figures for the year as under:

	(Rs.)
Income chargeable to tax	211.64Lakhs
Total Income after adjustment	228.48 Lakhs
Tax thereon	74.13 Lakhs
TDS deducted during the year	30.45 Lakhs
Tax paid for the year	43.68 Lakhs

The company has prepared its Balance Sheet as per above figures. However, during the assessment proceeding held before the finalized of the balance Sheet the income Tax Officer has issued demand of Rs.7.52 lakhs, insisting that this amount of TDS has not been uploaded online and thus is not acceptable as deduction.

The Company has in reply to the same field a rectification with the Assessing Officer. The company is trying to collect the TDS certificates, but Rs. 2.39 lakhs deducted by XY LTD., is not traceable. The rectification is lying pending with the Assessing Officer.

Please suggest the treatment of Rs. 2.39 lakhs and Rs. 7.52 lakhs in Balance Sheet.

b. From the following information of Beta Ltd. Calculate earning per share (EPS) in accordance with AS-20:

	Year 31.3.2018 (Rs.)	**Year 31.3.2017 (Rs.)**
1. Net Profit before tax	3,00,000	1,00,000
2. Current tax Tax relating to earlier years Deferred tax	40,000 24,000 30,000	30,000 (13,000) 10,000

3. Profit after tax	2,06,000	73,000

Other Information: -

a. Profit of 31.3.2018 includes compensation from Central Government towards loss on account of earthquake in 2015 (non taxable) - Rs. 1,00,000
b. Outstanding convertible 6% Preference shares 1,000 issued and paid on 30.9.2016. Face value Rs. 100, Conversion ratio 15 equity shares for every 7 preference shares.
c. 15% convertible debentures of Rs. 1,000 each total face value Rs. 1,00,000 to be converted into 10 Equity shares per debenture issued and paid on 30.6.2016.
d. Total no. of shares outstanding as on 31.3.2018, 20,000 including 10,000 bonus shares issued on 1.1.2018 fac value Rs. 100.

c)

B Ltd acquired machinery on lease from A Ltd on the following terms:

Lease Term	5 years
Fair Value of Machinery	Rs. 20 lakhs
Annual Lease Rental at the end of each year	Rs. 5 lakhs
Guaranteed Residual Value (GRV)	Rs. 1 lakh
Expected Residual Value	Rs. 2 lakhs
Implicit Rate of Return (IRR)	15%

Required:

(a) Calculate the Value of machine to be recognized by B Ltd

(b) Calculate the Net Investment in lease from the point of view of A Ltd.

(c) Calculate the Unearned Finance Income

(d) Calculate the Finance Charges for each year in the books of the Lessee.

(e) Pass the necessary entries in the books of the Lessee & Lessor for the First year. Also prepare their Balance Sheets. Depreciation is provided on straight line basis @ 10% per annum.

d) PQRLtd’s accounting year ends on 31st March. The company made a loss of Rs. 2,00.000 for the year ending 31.3.2016. For the years ending 31.3.2017 and 31.3.2018, it made profits of Rs. 1,00,000 and Rs. 1,20,000 respectively. It is assumed that the loss of a year can be carried forward for eight years and tax rate is 40%. By the end of 31.3.2016, the company feels that there will be sufficient taxable income in the future years against which carry forward loss can be set off. There is no difference between taxable income and accounting income except that the carry forward loss is allowed in the years ending 2017 and 2018 for tax purposes. Prepare a statement of Profit and Loss for the years ending 2016, 2017 and 2018.

(5 x 4 = 20 Marks)

Q-2 P and Q are partners of P & Co. sharing Profit and Loss in the ration of 3 : 1 and Q and R are partners of R& Co., sharing profit and losses in the ration of 2: 1. On 31st March, they decide to amalgamate and form a new firm M/s PQR & Co., wherein P, Q and R would be partners sharing profit and losses in the ration of 3: 2 :1. The Balance Sheets of two firms on the above date are as under:

Liabilities	**P & Co. (Rs.)**	**R & Co. (Rs.)**	**Asset**	**P & Co. (Rs.)**	**R & Co. (Rs.)**
Capitals: P Q R	2,40,000 1,60,000 -	---- 2,00,000 1,00,000	Fixed Assets: Building Plant & machinery Office Equipment	50,000 1,50,000 20,000	60,000 1,60,000 6,000
Reserves	50,000	1,50,000	Current Assets: Stock in trade Sundry debtors Bank Balance Cash in hand	1,20,000 1,60,000 30,000 20,000	1,40,000 2,00,000 90,000 10,000
Sundry Creditors	1,20,000	1,16,000	Due from R & Co.	1,00,000	-
Due to P & Co.	-----	1,00,000			
Bank Overdraft	80,000				
	6,50,000	6,66,000		6,50,000	6,66,000

The amalgamation firm took over the business on the following terms:

a. Building of P & Co. was valued at Rs. 1,00,000.

b. Plant and machinery of P & Co. was valued at Rs. 2,50,000 and that of R & Co. at Rs. 2,00,000.

c. All stock in trade is to be appreciated by 20%.

d. Goodwill valued of P & Co. at Rs. 1,20,000 and R & Co. at Rs. 60,000, but the same will not appear in the books of PQR & Co.

e. Partners of new firm will bring the necessary cash to pay other partners to adjust their capitals according to the profit sharing ratio.

f. Provision for doubtful debts has to be carried forward at Rs. 12,000 in respect of debtors of P & Co. and Rs. 26,000 in respect of debtors of R & Co.

You are required to prepare the Balance Sheet of new firm and capital accounts of the partners in the books of old firms.

(20 Marks)

Q-3

a. **Given below the extracts from the balance sheets of X Ltd. and Y Ltd. as at 31st March, 2018:**

Particulars	**X Ltd. (Rs. In lacs)**	**Y Ltd. (Rs. In lacs)**
Equity Share Capital of Rs. 10 each	**5.00**	**10.00**
8% Pref. Share capital of Rs. 100 each	**1.00**	**2.00**
Reserves & Surplus	**21.71**	**3.00**
12 % Debentures of Rs. 100 each	**2.00**	**1.00**
Current Liabilities	**1.00**	**2.20**
Net Tangible Assets	**19.00**	**7.60**
Net- Current Investment	**3.45**	**5.20**
Current Assets	**8.26**	**5.40**

The two companies agree to amalgamate as on 1st April, 2018 and from a new company XY Ltd.

Additional Information:

a. Goodwill of X Ltd, and Y Ltd, on the date of take-over was valued at Rs.48,000 and Rs. 38,000 respectively and Net Tangible Blocks of X Ltd. and y Ltd. were valued at 10% above their book values on the date of take-over. Investments of X Ltd. and Y Ltd. are considered worth Rs.4,16,000 and Rs.6,26,000 respectively.

b. 12% Debentures of X Ltd. and Y Ltd, are discharged by XY Ltd, by issuing such numbers of its 15% Debentures of 100 each so as to maintain the same amount of interest

c. The issue of such an amount of fully paid 10% Pref. Shares in X Y Ltd. at 125% as is sufficient to discharge 9% Pref. Shares in X Ltd. & Y Ltd. at a premium of 20%.

d. The Equity Shares of XY Ltd are to be of a nominal value of 10 each credited as Rs. 8 paid up and valued at Rs. 15 per share.

e. Liquidation expenses are: X Ltd. 2,000 ,Y Ltd. 1,000. It was decided that these would be borne by XY Ltd. Expenses on incorporation of XY Ltd. were 1,000.

Required: Calculate Purchase Consideration and show the discharge thereof.

(15 Marks)

b. **CAMJ Ltd. has the following Capital Structure as on 31.03.2018:**

(Rs. In crores)

Particulars		
1)Equity Share Capital (Share of Rs. 10 each fully paid)	-	330
2) Reserves and Surplus		

General Reserve	240	-
Securities Premium Account	90	-
Profit and Loss Account	90	-
Infrastructural Development Reserve	180	600
3) Loan Funds		1,800

The Share holders CAMJ Ltd., on the recommendation of their Board of Directors, have approved on 12.09.2018 a proposal to buy back the maximum permissible numbers of Equity shares considering the large surplus funds available at the disposal of the company.

The prevailing market value of the company's shares is Rs. 25 per share and in order to induce the existing shareholders to offer their shares for buy back, it was decided to offer a price of 20% over market.

You are required to compute the maximum number of shares that can be bought back in the light of the above information and also under a situation where the loan funds of the company were either Rs. 1,200 crores or Rs. 1,500 crores.

Assuming that the entire back is competed by 09.12.2018, show the accounting entries in the company's books in each situation. Narration should form part of your answer.

(5 Marks)

Q-4

a. **The following are the ledger balances (as Rupees thousands) extracts from the books of CANHDCAS Bank Limited as on March 31, 2018**

Particulars	**(Rs.)**	**Particulars**	**(Rs.)**
Share Capital	**1,90,000**	**Cash in hand**	**35,000**
Current accounts control	**97,000**	**Balance with Reserve bank**	**40,000**
Employees' security deposits	**7,420**	**Saving accounts**	**15,000**
Investments in Govt. of India Bonds	**94,370**	**Fixed deposits**	**23,050**
Golden bullion	**15,130**	**Balances With other Banks**	**46,350**

Silver	**2,000**	**Other Investments (Shares)**	**55,630**
Constituents liabilities for acceptance and endorsement	**56,500**	**Interest accrued on investments**	**24,620**
Borrowings from banks	**77,230**	**Reserve Fund**	**1,40,000**
Building	**65,000**	**Bills for collection**	**43,500**
Furniture	**5,000**	**Interest (Cr.)**	**62,000**
Money at call and short notice	**26,000**	**Loans**	**1,81,000**
Commission & brokerage(Cr.)	**25,300**	**Bills discounted**	**12,500**
Discount (Cr.)	**42,000**	**Interest**	**7,950**
Rent (Cr.)	**600**	**Miscellaneous Income**	**3,900**
Audit fees	**5,000**	**Depreciation reserve (building)**	**800**
Depreciation reserve (furniture)	**200**	**Directors' fees**	**1,000**
Salaries	**21,200**	**Postage**	**1,250**
Rent, rates and taxes	**12,000**	**Loss on sale of investment**	**20,000**
		Branch Adjustment(Dr.)	**20,000**

The Bank's Profit and Loss account for the year ended and Balance Sheet as at 31st March 2018 are required to e prepared in appropriate form. Further information available are: (in Rupees thousands)

a. Rebate on bills discounted to be provided 4,000

b. Depreciation for the Year: Building 5,000, Furniture 500

c. Include in the current accounts ledger are accounts overdrawn to the extent of 2,500.

(10 Marks)

b. **The following is the Balance Sheet of CANID Limited as at 31st March, 2020.**

Particulars	Rs.
Share Capitals:	
2,000 Equity Shares of Rs. 100 each Rs, 75 per share paid up	**1,50,000**
6,000 Equity Shares of Rs. 100 each Rs, 60 per share paid up	**3,60,000**
2,000 10% Preference Shares of Rs. 100 each fully paid up	**2,00,000**

Secured Loan:	
10% Debentures (having a floating charge on all assets)	**2,00,000**
Interest accrued on Debentures (also secured as above)	**10,000**
Current Liabilities:	
Sundry Creditors	**4,90,000**
Fixes Assets:	
Land and Building	**4,00,000**
Plant and Machineries	**3,80,000**
Current Assets:	
Stock at cost	**1,10,000**
Sundry Debtors	**2,20,000**
Cash at Bank	**60,000**
Profit and Loss A/c	**2,40,000**

On that date, the company went into Voluntary Liquidation. The dividends on preference shares were in arrears for the last two years. Sundry Creditors include a loan include a loan of Rs. 90,000 on mortgage of Land and Buildings. Liquidator realized the assets as under:

Land and Building Rs. 3,40,000, Plant & Machinery Rs. 3,60,000, Stock Rs. 1,20,000, Sundry Debtors Rs. 1,60,000.

Interest accrued on loan on mortgage of building upto the date of payment amounted to Rs. 10,000. The expenses of Liquidation amounted to Rs. 4,600. The Liquidator is entitled to a remuneration of 3% on all assets realized (except cash at bank) and 2 % on the amounts distributed among equity shareholders.

Preferential creditors included in sundry creditors amount to Rs. 30,000. All payments were made on 30th June, 2020.

Required: Prepare the liquidator's final statement of account.

(MARK -10)

Q-5

a. **Given below are the extracts from the Balance Sheets of H Ltd. and S Ltd. as at 31 st March 2018:**

Particulars	**H Ltd. (Rs.)**	**H Ltd. (Rs.)**
Equity Shares of Rs. 10 each paid	**10,00,000**	**7,00,000**
General Reserve	**2,00,000**	**4,48,000**

Profit & Loss A/c	**3,10,000**	**1,52,000**
12% Debentures	**2,00,000**	**2,00,000`**
Trade Creditors	**3,00,000**	**5,35,000**
Bills Payable	**1,40,000**	**1,40,000**
Land & Building	**6,00,000**	**2,70,000**
Plant & machinery	**2,00,000**	**3,70,000**
Shares in S Ltd.	**5,05,000**	**-**
900, 12% Debentures in S Ltd.	**80,000**	**-**
Inventories	**1,00,000**	**3,00,000**
Trade Debtors	**4,00,000**	**9,10,000**
Bills Receivables	**1,00,000**	**1,00,000**
Cash at Bank	**1,65,000**	**2,25,000**

Note: Contingent liability in respect of Bills discounted by H Ltd. Rs. 50,000.

Contingent liability in respect of Bills discounted by S Ltd. Rs. 25,000 of which Bills of Rs. 5,000 were accepted by H Ltd.

Additional Information:

a. H Ltd. acquires 40,000 Equity Shares in S Ltd. on 1.7.2017 for Rs. 6,80,000. The Credit balance of Profit and Loss account of S Ltd. as on 1.4.2017 was Rs. 2,00,000 and that of General Reserve on that date was Rs. 6,00,000. H Ltd. sold 7,000 Equity Shares @ 25 on 31.3.2018 and proceeds were credited to Investment Account but no accounting effect has yet been given for profit/loss on sale of such shares.

b. On 30.9.2017, S Ltd. declared dividend @ 20% on equity shares for the year 2016-2017. H Ltd. credited the receipt of dividend to its Profit & Loss Account.

c. On 1.1.2018, S Ltd. issued 2 shares for every 5 shares held, as bonus shares. No entry has been made in the books of H Ltd. for receipt of these bonus shares.

d. H Ltd. purchased goods for Rs. 3,00,000 from S Ltd. from S Ltd. which made at profit of 20% on cost. 80% of these goods were sold by H Ltd. at a profit 20% on cost till 31.03.2018.

e. On 1.1.2018, H Ltd. sold to S Ltd. a Machine costing Rs. 2,40,000 at a profit of 25% on selling price. Depreciation at 10% p.a. was provided by S Ltd. on this Machine.

f. H Ltd. owed S Ltd. Rs. 2,90,000 but S Ltd. is owed Rs. 3,00,000.

g. The Land and Building of S Ltd. which stood at Rs. 3,00,000 on 1.4.2017, was considered as worth of Rs. 6,92,500 on 1.7.2017 for which necessary adjustment are yet to be made.

h. All the Bills Payable of S Ltd. were drawn upon by H Ltd.

i. The management of H Ltd. and S Ltd. wish to recommend a dividend of 15% p.a., and 10% p.a., respectively on equity shares for the year 2017-18.

Required: Prepare the Consolidation Balance Sheet of H Ltd. and its subsidiary, as at 31st March 2018.

(MARK -14)

b. On 1st April, 2018, a company offered 100 shares to each of its 500 employees at Rs. 50 per share. The employees are given a month to decide whether or not to accept the offer. The shares issued under the plan (ESPP) shall be subject to lock in one transfer for three years from grant date. The market price of shares of the company on the grant date is Rs. 60 per share. Due to post- vesting restrictions on transfer, the fair value of shares issued under the plan is estimated at Rs. 56 per shares.

On 30th April, 2018, 400 employees accepted the offer and paid Rs. 50 per share purchased. Nominal value of each share is Rs. 10.

Required: Record the issue of shares in the books of the company under the aforesaid plan.

(MARK -6)

Q-6

a. Neel Limited has its corporation office in Mumbai and sells its products to stockists all over India. On 31st March, 2018, the company wants to recognize receipt of cheques bearing date 31st March, 2018 or before, as “Cheques in hand” by reducing “Trade Receivables”. The “Cheques in hand” is shown in the Balance Sheet as an item of cash and cash equivalents. All cheques are presented to the bank in the month of April 2018 and are also realized in the same month in normal course after deposit in the bank. State with reasons, whether each of the following is an adjusting event and how this fact is to be disclosed by the company, with reference to the relevant accounting standards.

(i) Cheques collected by the marketing personnel of the company from the stockists on or before 31st March, 2018.

(ii) Cheques sent by the stockists through courier on or before 31st March, 2018 received after 31st March, 2018.

b. **A construction contractor has a fixed price contract for Rs. 9,000 lacs to build a bridge in 3 years time frame. A summary of some of the financial data is as under:**

(Amount in lacs)

Particulars	Year1	Year 2	Year3
Initial Amount for revenue agreed in contract	9,000	9,000	9,000
Variation in Revenue	-	200	200
Contract costs incurred up to reporting data	2093	6168*	8100**
Estimated profit for whole contract	950	1000	1000

***Includes Rs. 100 lacs for standard materials stored at the site to be used in year 3 to complete the work.**Exclude Rs. 100 lacs for standard material brought forward from year 2.**

The variation in cost and revenue in year 2 has been approved by customer.

Compute year wise amount of revenue, expenses, contract cost to complete and profit or loss to be recognized in the statement of Profit and Loss as per AS-7 (revised).

c) Manufacturer of traditional electrical and engineering goods such as switchgears, motors, etc.

each constituting a separate division has entered into new areas such as telecom, software, etc. Due to significant change in its activity profile, it has changed its internal reporting structure to combine the traditional products such as switchgears, switchboards and motors into one division. According to management the earlier form of segmental reporting is no longer relevant and they plan to switch to reporting the traditional products under one segment. The following questions are relevant:

can this be done? If no, will we have to reconstruct segment information based on the earlier position?

If yes, would it constitute a change in segment accounting policy? In that case what are the disclosure required?

d) Give the following information of M/s. Paper Products Ltd.

(i) Good of Rs. 60,000 were sold on 20-3-2018 but at the request of the buyer these were delivered on 10-4-2018.

(ii) On 15-1-2018 goods of Rs. 1,50,000 were sent on consignment basis of which 20% of the goods unsold are lying with the consignee as on 31-3-2018.

(iii) Rs. 1,20,000 worth of goods were sold on approval basis on 1-12-2017. The period of approval was 3 months after which they were considered sold, buyer sent approval for 75% goods up to 31-1-2018 and no approval or disapproval received for the remaining goods till 31-3-2018.

(iv) Apart from the above, the company has made cash sales of Rs. 7,80,000(gross). Trade discount of 5% was allowed on the cash sale.

You are required to advise the accountant of M/s Paper Products Ltd., with valid reasons, the amount to be recognized as revenue in above cases in the context of AS-9 and also determine the total revenue to be recognized for the year ending 31-3-2018.

e) Qu Ltd. is in the business of manufacture of Passenger cars and commercial vehicles. The company is working on a strategic plan to shift from the Passenger car segment over the coming 5 years However no specific plans have been drawn up for sale of neither the division nor its assets. As part of its plan it will reduce the production of passenger cars by 20% annually. It also plans to commence another new factory for the manufacture of commercial vehicles and transfer plus employees in a phased manner.

(i) You are required to comment if mere gradual phasing out in itself can be considered as a 'Discounting Operation' with in the meaning of AS24.

(ii) If the company passed a resolution to sell some of the assets in the passenger car division and also to transfer few other assets of the passenger car division to the new factory, does this trigger the application of AS 24?

(iii) Would you solution to the above be different if the company resolved to sell assets of the Passenger car Division in a phased but time bound manner?

(5 x 4 = 20 Marks)