

Section: A

Answer All Questions:

10 x 2 = 20

- 1) What are fundamental accounting assumptions?

- 2) What is prior period item?

- 3) Choose the best Alternative:
 - i) AS-4 does not apply to:
 - a) Obligation under retirement benefit plans.
 - b) Commitments arising from long term lease contract.
 - c) Liabilities of general insurance companies arising from policies issued.
 - d) All of the above.
 - ii) Dividends proposed after the balance sheet date but before approval of the financial statements:
 - a) Requires adjustments as it adjusting event.
 - b) Requires disclosures in the report of approving authority.
 - c) Requires adjustment in view of Schedule VI of Companies Act, 1956.
 - d) Do not require adjustment.

- 4) How would you recognize the revenue in respect of commission receivable by advertising agencies?

- 5) Write a short note on "Cost of Control".

- 6) Stock of ₹3,20,000 held by Holding company consists of ₹1,20,000 goods purchased from Subsidiary company who has charged profit on sale of 20%. Holding company acquired 80% of shares of Subsidiary company Calculate the amount of unrealized profit included in stock.

- 7) Fill in the blanks:
 - a) Extraordinary items relate to event or transactions affecting ----- or -----.
 - b) An asset was acquired for ₹50,00,000 five years ago. The asset has been revalued in the current reporting period at ₹40,00,000. Depreciation provided till date is ₹20,00,000. The balance useful life of the asset is 10 years. Depreciation charged for the current year will be ₹- -----.

- 8) What is Purchase Consideration?

- 9) What is Value Added?

- 10) S Ltd was taken over by R Ltd. The following position was mutually agreed upon.

S.Ltd.	R Ltd.
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Number of Shares	60,000	90,000
Face Value of share	`100	`10
Net Assets	`3,60,00,000	`72,00,000

Ascertain Intrinsic Value of the shares and Number of shares to be issued as purchase consideration.

Section – B

Answer any Four only:

4 x 10 = 40

- 11) How would you recognize the revenue in respect of revenue from rendering of the services?
- 12) What conditions are laid down in AS 29 for becoming contingent liabilities? List out the areas where AS 29 is not applicable.
- 13) The Manager of S Ltd. is entitled to salary of Rs.4000 p.m. and in addition to a commission of 2% on net profit the company before charging such salary and commission. The profit and loss account of the company for the year ended 31.12.2011 was as follows:

Particulars	`	Particulars	`
To Salary	2,00,000	By Gross Profit	8,00,000
To General Expenses	40,000	By Subsidiary from Govt	40,000
To Depreciation	60,000	By Profit on Sale of Plant	30,000
To Ex-gratia (without liability)	8,000	(Difference between sale price and written down value	
To Manager's Salary	48,000	Cost `1,75,000,	
To Commission to the Manager	5,000	Realized `1,80,000)	
To Income Tax	1,20,000		
To Balance c/d	3,89,000		
	8,70,000		8,70,000

You are required to ascertain the commission payable to the Manager. Give your Comments, if any, in this connection.

- 14) From the following items in the trial balance of a company on 31.12.2012 and the adjustments given hereunder, show how the items would appear in the relevant accounts and details in the balance sheet. **Trial Balance**

Particulars	Debit	Credit

Advance Tax Paid (2011)	3,00,000	
Provision for Tax (2011)		4,00,000
Tax Deducted at Source	50,000	

Adjustments: 1) Income tax for 2011 has been assessed at `5, 00, 000 against which the Advance Payment of tax and deducted at source is to be adjusted. 2) Provide `3, 00, 000 for taxation on current profits.

15) The summarized Balance sheets of H Ltd., and S Ltd., as on 31st Dec, 2011 are given below:

Liabilities	H Ltd.	S Ltd.	Assets	H Ltd.	S Ltd
Share Capital:	5,00,000	1,00,000	Sundry Assets	5,00,000	1,70,000
Shares of 10 each			8000 Shares in S Ltd.	1,40,000	-----
Reserves	80,000	30,000			
Profit & Loss A/C	60,000	40,000			
	6,40,000	1,70,000		6,40,000	1,70,000

S Ltd had the reserves of `30,000 when H Ltd., acquired the shares in S Ltd. The profit and Loss Account balance of S Ltd was fully earned after the purchase of shares Ltd., decided to issue bonus shares out of the post acquisition profit in the ratio of 2 shares for every 5 shares held. Calculate the cost of control before the issue of bonus shares and after the issue of bonus shares. Show also the consolidated balance sheet after the bonus issue.

16) Discuss the different methods of valuation of human resources?

17) A Ltd absorbs B Ltd by payment of 5 shares of Rs.10 each at a premium of 10% for every 4 shares in B Ltd. The balance sheet of B Ltd as on the date of absorption is given below:

Liabilities		Assets	
Share Capital (`10 each)	10,00,000	Fixed Assets	9,00,000

General Reserve	1,00,000	20,000 shares in A Ltd	2,00,000
Creditors	3,00,000	Current Assets	3,00,000
	14,00,000		14,00,000

Show the important ledger accounts in the books of B Ltd and the acquisition entries in the books of A Ltd.

Section – C

Answer any two only:

2 x 20 = 40

18) What is meant by “revaluation of fixed assets”? What are the various bases on which fixed assets can be revalued? Where a fixed asset is revalued, how would the following items be dealt with in the accounts?

- Surplus arising on revaluation
- Depreciation on the revalued assets.
- Gain or loss on disposal of the revalued asset.

19) Following are the Balance Sheets of H Ltd and its subsidiary S Ltd as on 31st March, 2012

Liabilities	H Ltd	S Ltd	Assets	H Ltd	S Ltd
Share Capital (`100 each)	10,00,000	4,00,000	Fixed Assets	8,00,000	5,00,000
General Reserve			Stock	2,00,000	1,80,000
P&L A/C	3,20,000	1,20,000	Debtors	80,000	1,50,000
Creditors	2,80,000	1,80,000	Investments:		
	1,60,000	1,80,000	3200 shares in S Ltd	6,00,000	
			at Cost		
			Bank	80,000	50,000
	17,60,000	8,80,000		17,60,000	8,80,000

H.Ltd. acquired the shares in S.Ltd on 1st Oct.2011. The Profit and loss account of S.Ltd. on 1- 4 - 2011 showed a balance of `1,40,000 out of which a dividend of 20% was paid for the year 2010-2011 in the month of Oct 2011. H.Ltd credited the dividend to its Profit and Loss account. Sundry creditors of S.Ltd includes `30,000 for goods supplied by H.Ltd. the closing stock of S.Ltd

includes goods worth `12,000 which were supplied by H.Ltd. at a profit of 25% on cost. Prepare Consolidated Balance Sheet.

20) The following is the trial balance of B Ltd., as on 31st March, 2012:

Particulars	`	Particulars	`
Stock as on 01.04.2007	75,000	Purchase Returns	10,000
Purchases	2,45,000	Sales	3,40,000
Wages	30,000	Discount	3,000
Carriage	950	Profit and loss a/c	15,000
Furniture	17,000	Share Capital	1,00,000
Salaries	7,500	Creditors	17,500
Rent	4,000	General Reserve	15,500
Sundry trade expenses	7,050	Bills Payable	7,000
Dividend paid	9,000		
Debtors	27,500		
Plant and Machinery	29,000		
Cash at bank	46,200		
Patents	4,800		
Bills Receivable	5,000		
	5,08,000		5,08,000

Prepare the profit and loss account for the year ended 31st March, 2012 and a balance sheet as on that date as per revised schedule VI, after considering the following adjustments:

- 1) Stock as on 31st March, 2012, `88,000
- 2) Provide for income tax at 50%
- 3) Depreciate plant and machinery at 15%; Furniture at 10%; and patents at 5%.
- 4) On 31st March, 2012 outstanding rent amounted to `800 and salaries `900
- 5) The board of directors recommended payment of a dividend @15% per annum
- 6) Provide `510 for doubtful debts.
- 7) Provide for managerial remuneration at 10% on profit before tax.

21) Below are given balance sheets of A Ltd and B Ltd as on 31st December, 2014.

Liabilities	A Ltd	B Ltd	Assets	A Ltd	B Ltd
Share Capital	1,00,000	50,000	Fixed Assets	70,000	40,000
Share of `10each			Current Assets		
Creditors	20,000	10,000	Investments:	10,000	20,000
			3000 shares in B Ltd		
				40,000	
	1,20,000	60,000		1,20,000	60,000

It was decided to amalgamate the two companies into AB Ltd. AB Ltd., was formed with an authorized capital of 15000 shares of `10 each. It was agreed that for every two shares of A Ltd., one share in AB Ltd will be offered and in the case of B Ltd., 4 shares of AB Ltd., for every 5 shares in B Ltd., will be allotted. Show the ledger accounts to close the books of A Ltd., and B Ltd., and also the journal entries in the books of AB Ltd. Show also the opening Balance Sheet of AB Ltd.