

CA PE - II :: Accounting : November 2006

Roll No.....

Total No. of Questions— 6]

Time Allowed : 3 Hours

[Total No. of Printed Pages—5

Maximum Marks : 100

BF

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

Answer **all** Questions

Wherever appropriate suitable assumptions should be made by the candidate.

Working notes should form part of the answer.

Marks

1. The following is the Balance Sheet of A Ltd. as at 31st March, 2006: 20

Liabilities	Rs.	Assets	Rs.
8,000 equity shares	8,00,000	Building	3,40,000
of Rs.100 each	4,00,000	Machinery	6,40,000
10% debentures	1,60,000	Stock	2,20,000
Loan from A	3,20,000	Debtors	2,60,000
Creditors	80,000	Bank	1,36,000
General Reserve		Goodwill	1,30,000
		Misc.	34,000
		Expenses	17,60,000
	17,60,000		17,60,000

B Ltd. agreed to absorb A Ltd. on the following terms and conditions:

- (1) B Ltd. would take over all Assets, except bank balance at their book values less 10%. Goodwill is to be valued at 4 year's purchase of super profits, assuming that the normal rate of return be 8% on the combined amount of share capital and general reserve.
- (2) B Ltd. is to take over creditors at book value.
- (3) The purchase consideration is to be paid in cash to the extent of Rs.6,00,000 and the balance in fully paid equity shares of Rs.100 each at Rs.125 per share.

The average profit is Rs.1,24,400. The liquidation expenses amounted to Rs.16,000. B Ltd. sold prior to 31st March, 2006 goods costing Rs.1,20,000 to A Ltd. for Rs.1,60,000. Rs.1,00,000 worth of goods are still in stock of A Ltd. on 31st March, 2006. Creditors of A Ltd. include Rs.40,000 still due to B Ltd.

Show the necessary Ledger Accounts to close the books of A Ltd. and prepare the Balance Sheet of B Ltd. as at 1st April, 2006 after the takeover.

2. 'X' and 'Y' carrying on business in partnership sharing Profit and Losses equally, wished to dissolve the firm and sell the business to 'X' Limited Company on 31-3-2006, when the firm's position was as follows: 16

Liabilities	Rs.	Assets	Rs.
X's Capital	1,50,000	Land and	1,00,000
Y's Capital	1,00,000	Building	40,000
Sundry	60,000	Furniture	1,00,000
Creditors		Stock	66,000
		Debtors	4,000
	<u>3,10,000</u>	Cash	<u>3,10,000</u>

The arrangement with X Limited Company was as follows:

- (i) Land and Building was purchased at 20% more than the book value.
- (ii) Furniture and stock were purchased at book values less 15%.
- (iii) The goodwill of the firm was valued at Rs.40,000.
- (iv) The firm's debtors, cash and creditors were not to be taken over, but the company agreed to collect the book debts of the firm and discharge the creditors of the firm as an agent, for which services, the company was to be paid 5% on all collections from the firm's debtors and 3% on cash paid to firm's creditors.
- (v) The purchase price was to be discharged by the company in fully paid equity shares of Rs.10 each at a premium of Rs.2 per share.

The company collected all the amounts from debtors. The creditors were paid off less by Rs.1,000 allowed by them as discount. The company paid the balance due to the vendors in cash.

Prepare the Realisation account, the Capital accounts of the partners and the Cash account in the books of partnership firm.

3. The following are the summarized Balance Sheets of 'X' Ltd. as on March 31, 16

2005 and 2006:

Liabilities	As on 31.3.2005 (Rs.)	As on 31.3.2006 (Rs.)
Equity share capital	10,00,000	12,50,000
Capital Reserve	—	10,000
General Reserve	2,50,000	3,00,000
Profit and Loss A/c	1,50,000	1,80,000
Long-term loan from the Bank	5,00,000	4,00,000
Sundry Creditors	50,000	60,000
Provision for Taxation	1,00,000	1,25,000
Proposed Dividends	<u>25,50,000</u>	<u>27,25,000</u>
Assets	Year 2005 (Rs.)	Year 2006 (Rs.)
Land and Building	5,00,000	4,80,000
Machinery	7,50,000	9,20,000
Investment	1,00,000	50,000
Stock	3,00,000	2,80,000
Sundry Debtors	4,00,000	4,20,000
Cash in Hand	2,00,000	1,65,000
Cash at Bank	3,00,000	4,10,000
	<u>25,50,000</u>	<u>27,25,000</u>

Additional Information:

- (i) Dividend of Rs.1,00,000 was paid during the year ended March 31, 2006.
- (ii) Machinery during the year purchased for Rs.1,25,000.
- (iii) Machinery of another company was purchased for a consideration of Rs.1,00,000 payable in equity shares.
- (iv) Income-tax provided during the year Rs.55,000.
- (v) Company sold some investment at a profit of Rs.10,000, which was credited to Capital reserve.
- (vi) There was no sale of machinery during the year.
- (vii) Depreciation written off on Land and Building Rs.20,000.

From the above particulars, prepare a cash flow statement for the year ended March, 2006 as per AS 3 (Indirect method).

4. (a) The life fund of Well-Life Assurance Co. was Rs.90,00,000 as on 31st December, 2005. The interim bonus paid during the valuation period was Rs.1,50,000. The periodical actuarial valuation determined the net liability at Rs.75,00,000. Surplus brought forward from the previous valuation was Rs.9,00,000. The directors of the company proposed to carry forward Rs.10,00,000 and to divide the balance between the shareholders and the

policy holders. You are required to show:

- (i) The valuation Balance Sheet.
- (ii) The Net Profit for the valuation period.
- (iii) The distribution of the surplus.

- (b) The following is an extract from the Trial Balance of Dream Bank Ltd. as at 31st March, 2006: 8

Rebate on bills discounted as on 1-4-2005	68,259 (Cr.)
Discount received	1,70,156 (Cr.)

Analysis of the bills discounted reveals as follows:

Amount (Rs.)	Due date
2,80,000	June 1, 2006
8,72,000	June 8, 2006
5,64,000	June 21, 2006
8,12,000	July 1, 2006
6,00,000	July 5, 2006

You are required to find out the amount of discount to be credited to Profit and Loss account for the year ending 31st March, 2006 and pass Journal Entries. The rate of discount may be taken at 10% per annum.

5. Mr. Ashok keeps his books in Single Entry system. From the following information, prepare Trading and Profit & Loss Account for the year ended 31st March, 2006 and the Balance Sheet as on that date: 16

Assets and Liabilities	31.3.2005 (Rs.)	31.3.2006 (Rs.)
Sundry Creditors	30,000	25,000
Outstanding expenses	1,000	500
Fixed Assets	23,000	22,000
Stock	16,000	22,500
Cash in Hand and at Bank	14,000	16,000
Sundry Debtors	?	36,000

Following further details are available for the Current year:

	Rs.		Rs.
Total receipts from debtors * ^a	1,30,000	Cash purchases	2,000
Returns inward	3,000	Fixed Assets purchased and paid by cheque	1,000
Bad Debts	1,000	Drawings by cheques	6,500
Total Sales	1,50,000	Deposited into the bank	10,000
Discount received	1,500	Withdrawn from bank	18,500
Return outwards	1,000	Cash in hand at the end	2,500
Capital introduced (paid into Bank)	15,000		
Cheques received from	1,25,000		

Debtors

Paid to creditors by
cheques
Expenses paid

6. Answer any four of the following:

4×4=16

- (a) What are the costs that are to be included in Research and Development costs as per AS 8.
- (b) The Company reviewed an actuarial valuation for the first time for its Pension Scheme, which revalued a surplus of Rs.12 lacs. It wants to spread the same over the next 2 years by reducing the annual contribution to Rs.4 lacs instead of Rs.10 lacs. The average remaining life of the employees, if estimated to be 6 years, you are required to advise the Company considering the accounting standards 5 and 15.
- (c) X Ltd. entered into an agreement to sell its immovable property included in the Balance Sheet at Rs.10 lacs to another company for Rs.15 lacs. The agreement to sell was concluded on 28th February, 2006 and the sale deed was registered on 1st May, 2006. Comment with reference to AS 4.
- (d) What are the conditions that are to be satisfied for 'Amalgamation in the nature of Merger'?
- (e) Write short note on "Appropriation Act" with reference to Government Accounts.
- (f) Define related party transaction under AS 18.