

CA PE - II :: Accounting : May 2007

Roll No.....

Total No. of Questions— 6]

Time Allowed : 3 Hours

[Total No. of Printed Pages—4

Maximum Marks : 100

XL

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. A, B and C carried on business in partnership, sharing Profits and Losses in the ratio of 1 : 2 : 3. They decided to form a private limited company, AB (P) Ltd. and C is not interested to take over the shares in AB (P) Ltd. The authorised share capital of the company is Rs. 12,00,000 divided into 12,000 ordinary shares of Rs. 100 each. 20

The company was incorporated and took over goodwill as valued and certain assets of the partnership firm on 31.3.2006. The Balance Sheet of the partnership firm on that date was as follows:

Liabilities	Rs.	Assets	Rs.
Capital Accounts:		Fixed Assets:	
A	1,00,000	Machinery	1,20,000
B	2,00,000	Land	1,74,000
C	3,00,000	Motorcycles	30,000
Current Accounts:		Furniture & Fittings	
A	39,420	Current	
B	60,580	Assets:	2,35,000
		Stock	

A's <u>Loan A/c</u>	28,000	<u>Debtors</u>	43,000
(+) Interest	2,000	<u>Cash in hand</u>	87,000
accrued		C's	1,00,000
Current	70,000	overdrawn	
Liability			
<u>Creditors</u>			
	<u>8,00,000</u>		<u>8,00,000</u>

C, who retired was presented by the other partners (A and B) with one motorcycle valued in the books of the firm Rs. 9,000. The remaining motorcycles were sold in the open market for Rs. 13,000. C also received certain furniture for which he was charged Rs. 2,000. The debtors which were all considered good, were taken over by C for Rs. 40,000. A and B were charged in their profit sharing ratio for the book value of Motorcycle presented by them to C.

It was agreed that C who is not willing to take the shares in AB (P) Ltd. was discharged first by providing necessary cash. A and B should bring cash, if necessary.

AB (P) Ltd. took over the remaining furniture and fittings at a price of Rs. 13,000, the machinery for Rs. 1,25,000, the stock at an agreed value of Rs. 2,00,000 and the land at its book value. The value of the goodwill of the partnership firm was agreed at Rs. 88,000. The creditors of the firm were settled by the firm for Rs. 70,000. A's loan account together with interest accrued was transferred to his capital account.

The purchase consideration was discharged by the company by the issue of equal number of fully paid up equity shares at par to A and B.

Prepare Realisation A/c, Capital A/cs of the partners and Cash A/c. Also draw the Balance Sheet of AB (P) Ltd.

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2. The following is the Balance Sheet of Weak Ltd. as on 31.3.2006:

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Liabilities	Rs.	Assets	Rs.
Equity shares of Rs. 100 each	1,00,00,000	Fixed assets	1,25,00,000
12% cumulative preference shares of Rs. 100 each	50,00,000	<u>Investments</u>	
	40,00,000	(market value Rs. 9,50,000)	10,00,000
	50,00,000		1,00,00,000
	1,00,000	Current assets	4,00,000
			2,00,000

10% debentures of
Rs. 100 each
Sundry creditors
Provision for
[taxation](#)

2,41,00,000

P & L Ac
Preliminary
expenses

2,41,00,000

The following scheme of reorganisation is sanctioned:

- (i) All the existing equity shares are reduced to Rs. 40 each.
- (ii) All preference shares are reduced to Rs. 60 each.
- (iii) The rate of interest on debentures is increased to 12%. The debentureholders surrender their existing debentures of Rs. 100 each and exchange the same for fresh debentures of Rs. 70 each for every debenture held by them.
- (iv) One of the creditors of the company to whom the company owes Rs. 20,00,000 decides to forego 40% of his claim. He is allotted 30,000 equity shares of Rs. 40 each in full satisfaction of his claim.
- (v) The taxation liability of the company is settled at Rs. 1,50,000.
- (vi) Fixed assets are to be written down by 30%.
- (vii) Current assets are to be revalued at Rs. 45,00,000.
- (viii) Investments to be brought to their [market value](#).
- (ix) It is decided to write off the fictitious assets.

Pass Journal entries and show the Balance Sheet of the company after giving effect to the above.

3. Red and Co. of Mumbai started a branch at Bangalore on 1.4.2006 to which goods were sent at 20% above cost. The branch makes both cash sales and [credit](#) sales. Branch expenses are met from branch cash and balance money remitted to H.O. The branch does not maintain double entry books of account and necessary accounts relating to branch are maintained in H.O. Following further details are given for the year ending on 31.3.2007:

	Rs.
Cost of goods sent to branch	1,00,000
Goods received by branch till 31.3.2007 at	1,08,000
Invoice price	1,16,000
Credit sales for the year	41,600
Closing debtors on 31.3.2007	400
Bad debts written of during the year	86,000
Cash remitted to H.O	4,000
Closing cash on hand at branch on 31.3.2007	6,000
Cash remitted by H.O. to branch during the year	12,000
Closing stock in hand at branch at invoice price	24,000
Expenses incurred at branch	

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Draw up the necessary Ledger Accounts like Branch Debtors Account, Branch Stock Account, Goods sent to Branch Account, Branch Cash Account, Branch Expenses Account and Branch Adjustment A/c for ascertaining gross profit and Branch profit and Loss A/c for ascertaining Branch profit.

4. (a) From the following information of details of advances of X Bank Limited calculate the amount of provisions to be make in profit and Loss account for the year ended 31.3.2007: 6

Assets classification	Rs. in lakhs.
Standard	6,000
Sub-standard	4,400
Doubtful:	
For one year	1,800
For two years	1,200
For three yours	800
For more than three years	600
Loss assets	1,600

- (b) X Electricity Company Limited decides to replace one of its old plants with a modern one in April, 2006. The plant when installed in the year 2000, costed the company Rs. 26 lakhs, the components of materials and labour being in the ratio of 7 : 3. It is ascertained that the cost of labour and materials have rises by 30% and 25% respectively. The cost of new plant is Rs. 66 lakhs and in addition old materials worth Rs. 92,000 are reused. Old materials worth Rs. 1,68,000 are sold. Under double account system compute the following: 10

- The amount to be written off to Revenue A/c.
- The amount to be capitalised.
- Draw up the necessary Journal entries.
- Draw up the Replacement Account.

5. (a) Mr. A is insolvent, He supplies to you the following information as on 31.2.2006: 16

	Rs.
Cash in hand	10,000
Creditors for goods	10,00,000
Taxes due to Government	35,000
Bank loan secured by lien on stock	1,50,000
Furniture (expected to realise Rs. 50,000)	75,000
Stock (expected to realise 50%)	6,00,000

Books debts (goods)	4,50,000
Books debts (doubtful) expected to realise	5,50,000
40%	1,40,000
Bills discounted (Rs. 40,000 bad)	2,00,000
Loan from Nathan secured by second charge on stock	1,00,000
Bills receivable (Rs. 40,000 bad)	

Mr. A started business four years ago with a capital of Rs. 4,50,000. He drew Rs. 75,000 each year for private purposes, but did not maintain proper books of accounts. Mrs. A gave up her jewellery valued Rs. 1,00,000 to the receiver.

Prepare Statement of Affairs of Mr. A as on 31.3.2006 and Deficiency Account as on that date.

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6. Answer any four of the following:

4x4=16

- What are the disclosure requirements of A.S-7? (Revised)
- How would you treat the Government grant received relating to a depreciable asset under the following cases as per AS-1?
Case i : Gross value of asset Rs. 2 crores and Grant received Rs. 20 lakhs only.
Case ii : Gross value of asset Rs. 2 crores and Grant received Rs. 2 crores.
- Explain the concept of actuarial valuation.
- What are the information that are extracted from the well designed accounting system in Agricultural Farm?
- Write a short note on 'B' List contributories under Liquidation of a company.
- What are the information that are to be disclosed in the financial statements as per AS-10?

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