

**MOCK TEST PAPER – 1**  
**INTERMEDIATE (NEW) : GROUP – II**  
**PAPER – 5: ADVANCED ACCOUNTING**

*Question No. 1 is compulsory.*

*Answer any **four** questions from the remaining **five** questions.*

*Wherever necessary, suitable assumptions may be made and disclosed by way of a note.*

*Working Notes should form part of the answer.*

**Time Allowed: 3 Hours**

**Maximum Marks: 100**

1. (a) A machine was given on 3 years operating lease by a dealer of the machine for equal annual lease rentals to yield 30% profit margin on cost Rs. 1,50,000. Economic life of the machine is 5 years and output from the machine are estimated as 40,000 units, 50,000 units, 60,000 units, 80,000 units and 70,000 units consecutively for 5 years. Straight line depreciation in proportion of output is considered appropriate.

You are required to compute the following:

- (i) Annual Lease Rent
  - (ii) Lease Rent income to be recognized in each operating year
- (b) During 2019-20, an enterprise incurred costs to develop and produce a routine low risk computer software product, as follows:

Particular	Rs.
Completion of detailed program and design (Phase 1)	50,000
Coding and Testing (Phase 2)	40,000
Other coding costs (Phase 3 & 4)	63,000
Testing costs (Phase 3 & 4)	18,000
Product masters for training materials (Phase 5)	19,500
Packing the products (1,500 units) (Phase 6)	16,500

After completion of phase 2, it was established that the product is technically feasible for the market.

You are required to state how the above referred cost to be recognized in the books of accounts.

- (c) With reference to AS 4 "Contingencies and events occurring after the balance sheet date", state whether the following events will be treated as contingencies, adjusting events or non-adjusting events occurring after balance sheet date in case of a company which follows financial year (April to March).
- (i) A major fire has damaged the assets in a factory on 5<sup>th</sup> April, 5 days after the year end. The assets are not insured; and the books have not been approved by the Directors.
  - (ii) A suit against the company's advertisement was filed by a party on 10<sup>th</sup> April, 10 days after the year end claiming damages of Rs. 20 lakhs.

(d) Net Profit for financial year 2018-2019	30,00,000
Net Profit for financial year 2019-2020	50,00,000
No. of shares outstanding prior to rights issue	20,00,000 shares
Rights Issue Price	Rs. 20
Last day to exercise rights	1 <sup>st</sup> June, 2019

Right issue is one new share for each five equity share outstanding (i.e. 4,00,000 new shares).

Fair value of one equity share immediately prior to exercise of rights on 1<sup>st</sup> June, 2019 was Rs. 26.00.

Compute Basic Earnings Per Share for financial year 2018-19, 2019-2020 and restated EPS for 2018-19.  
**(4 parts x 5 Marks = 20 Marks)**

2. The following were summarized Balance sheets of Robert Ltd. and Diamond Ltd. as at 31.03.2020

	Robert Ltd. (Rs. in lakhs)	Diamond Ltd. (Rs. in lakhs)
<b>Liabilities</b>		
Equity Share Capital (Fully paid shares of Rs. 10 each)	22,500	9,000
Securities Premium	4,500	-
Foreign Project Reserve	-	465
General Reserve	14,250	4,800
Profit and Loss Account	4,305	1,237.5
12% Debentures	-	1,500
Trade payables	1,800	694.5
Provisions	2,745	1,053
	50,100	18,750
<b>Assets</b>		
Land and Buildings	9,000	-
Plant and Machinery	21,000	7,500
Furniture, Fixtures and Fittings	3,456	2,550
Inventory	11,793	6,061.5
Trade receivables	3,180	1,650
Cash at Bank	1,671	913.5
Cost of Issue of Debentures	-	75
	50,100	18,750

All the bills receivable held by Diamond Ltd. were Robert Ltd.'s acceptances.

On 1<sup>st</sup> April 2020, Robert Ltd. took over Diamond Ltd. in an amalgamation in the nature of merger. It was agreed that in discharge of consideration for the business, Robert Ltd. would allot three fully paid equity shares of Rs. 10 each at par for every two shares held in Diamond Ltd. It was also agreed that 12% debentures in Diamond Ltd. would be converted into 13% debentures in Robert Ltd. of the same amount and denomination.

Details of trade receivables and trade payables are as under:

Particulars	Robert Ltd.	Diamond Ltd.
	(Rs. in lakhs)	
<b>Trade Payables</b>		
Creditors	1,620	694.5
Bills Payable	<u>180</u>	<u>-</u>
	<u>1,800</u>	<u>694.5</u>
<b>Trade receivables</b>		
Debtors	3,180	1,530
Bills Receivables	<u>-</u>	<u>120</u>
	<u>3,180</u>	<u>1,650</u>

Expenses of amalgamation amounting to Rs. 1.5 lakhs were borne by Robert Ltd.

You are required to:

- (i) Pass journal entries in the books of Robert Ltd. and
  - (ii) Prepare Robert Ltd.'s Balance Sheet immediately after the merger considering that the cost of issue of debentures shown in the balance sheet of Diamond Ltd. is not transferred to Robert Ltd. **(20 Marks)**
3. (a) P, Q and R are partners sharing profit and losses in the ratio 2:2:1. The partners decided to dissolve the partnership on 31<sup>st</sup> March, 2020 when their Balance Sheet was as under:

Liabilities	Amount	Assets	Amount
Partners' Capital Accounts:		Land & Building	90,000
P	40,000	Plant & Machinery	30,000
Q	40,000	Furniture	17,000
General Reserve	33,000	Investments	10,000
R's Loan A/c	10,000	Book Debts	40,000
Loan from D	80,000	Less: Provision for bad debts	<u>(4,000)</u>
Trade Creditors	20,000	Stock	24,000
Bills Payable	8,000	Bank	9,000
Outstanding Salary	5,000		
		R's Capital Account	<u>20,000</u>
Total	<u>2,36,000</u>	Total	<u>2,36,000</u>

The following information is given to you:

- (i) Realisation expenses amounted to Rs. 12,000 out of which Rs. 2,000 was borne by P.
- (ii) A creditor agreed to takeover furniture of book value Rs. 8,000 at Rs. 7,200. The rest of the creditors were paid off at a discount of 6.25%.
- (iii) The other assets realized as follows:
  - Furniture - Remaining taken over by R at 90% of book value
  - Stock - Realised 120% of book value
  - Book Debts - Rs. 8,000 of debts proved bad, remaining were fully realized

Land & Building - Realised Rs. 1,10,000

Investments - Taken over by P at 15% discount

- (iv) For half of his loan, D accepted Plant & Machinery and Rs. 5,000 cash. The remaining amount was paid at a discount of 10%.
- (v) Bills payable were due on an average basis of one month after 31st March, 2020, but they were paid immediately on 31st March @ 6% discount "per annum".

Prepare the Realisation Account, Bank Account and Partners' Capital Accounts in columnar form in the books of Partnership firm.

- (b) Babu Bhai Financiers Ltd. is an NBFC providing Hire Purchase Solutions for acquiring consumer durables. The following information is extracted from its books for the year ended 31st March, 2020:

Assets Funded	Interest Overdue but recognized in Profit & Loss		Net Book Value of Assets Outstanding
	Period Overdue	Interest Amount	
		(Rs. In crore)	(Rs. In crore)
LCD Televisions	Up to 12 Months	500.00	20,000
Washing Machines	For 24 Months	100.00	2,000
Refrigerators	For 30 Months	50.00	1,250
Air Conditioners	For 45 Months	25.00	600
Mobile Phones	For 60 Months	10.00	100

You are required to calculate the amount of provision to be made. **(15 + 5 = 20 Marks)**

4. (a) The summarized Profit and Loss Accounts of A Ltd. and its subsidiary B Ltd. for the year ended 31st March, 2020 are given below:

Rs. in Lakhs

Incomes	A Ltd.	B Ltd.
Sales and other income	7,500	1,500
Increase in Inventory	<u>1,500</u>	<u>300</u>
Total	<u>9,000</u>	<u>1,800</u>
<b>Expenses</b>		
Raw material consumed	1,200	300
Wages and Salaries	1,200	225
Production expenses	300	150
Administrative expenses	300	150
Selling and distribution expenses	300	75
Interest	150	75
Depreciation	<u>150</u>	<u>75</u>
Total	<u>3,600</u>	<u>1,050</u>
Profit before tax	5,400	750
Provision for tax	<u>1,800</u>	<u>300</u>
Profit after tax	<u>3,600</u>	<u>450</u>

The following information is also given:

- (i) A Ltd sold goods of Rs. 180 Lakhs to B Ltd at cost plus 25% (1/6 of such goods were still in inventory of B Ltd at the end of the year).

- (ii) Administrative expenses of B Ltd include Rs. 8 Lakhs paid to A Ltd as consultancy fees.
- (iii) Selling and distribution expenses of A Ltd include Rs. 15 Lakhs paid to B Ltd as commission.
- (iv) A Ltd. holds 72% of the Equity Capital of B Ltd. The Equity Capital of B Ltd prior to 2018-19 is Rs. 1,500 Lakhs.

Prepare a consolidated Profit and Loss Account of A Ltd. with its subsidiary B Ltd. for the year ended 31<sup>st</sup> March, 2020.

- (b) What are circumstances when an LLP can be wound up by the Tribunal. Explain in brief.

**(15 + 5 = 20 Marks)**

5. (a) BT Ltd. went into Voluntary Liquidation on 31<sup>st</sup> March, 2019, when their summarized Balance Sheet was as follows:

	In Rs.
<b>Liabilities</b>	
Issued & Subscribed Capital	
10,000 12% cumulative preference shares of Rs. 100 each, fully paid	10,00,000
10,000 Equity Shares of Rs. 100 each 75 per share paid up	7,50,000
20,000 Equity Shares of Rs. 100 each 60 per share paid up	12,00,000
Profit & Loss Account	(5,25,000)
12% Debentures (Secured by a floating charge)	10,00,000
Interest outstanding on Debentures	1,20,000
Creditors	<u>8,50,000</u>
	<u>43,95,000</u>
<b>Assets</b>	
Land & Building	17,60,000
Plant & Machinery	12,50,000
Furniture	4,75,000
Patents	1,45,000
Stock	1,80,000
Trade Receivables	5,09,300
Cash at Bank	<u>75,700</u>
	<u>43,95,000</u>

Preference dividends were in arrear for 1 year. Creditors include preferential creditors of Rs. 75,000. Balance creditors are discharged subject to 5% discount.

Assets are realised as under:

	In Rs.
Land & Building	24,50,000
Plant & Machinery	9,00,000
Furniture	2,85,000
Patents	90,000
Stock	2,80,000
Trade Receivables	3,15,000

Expenses of liquidation amounted to Rs. 45,000. The liquidator is entitled to a remuneration of 3% on all assets realised (except cash at bank). All payments were made on 30<sup>th</sup> June, 2019.

You are required to prepare the Liquidator's Final Statement of Account as on 30<sup>th</sup> June, 2019. Working Notes should form part of the answer.

- (b) From the following information, prepare the Profit & Loss A/c of Indus Bank Ltd. for the year ending 31<sup>st</sup> March, 2020. Also give necessary schedules.

Particulars	Figures in '000
Total Interest earned on term loans	2,550
Interest earned on term loans classified as NPA	731
Interest received on term loans classified as NPA	238
Total Interest earned on cash credits and overdrafts	5,663
Interest earned but not received on cash credit and overdrafts treated as NPA	923
Interest on deposits	4,120
Commission	201
Profit on sale of investments	1,876
Profit on revaluation of investments	342
Income from Investments	2,174
Payments to and provision for employees	2,745
Rent, Taxes and Lighting	385
Printing and Stationery	62
Director's fees, allowances and expenses	313
Repairs and Maintenance	56
Depreciation on Bank's property	99
Insurance	43

Other Information:

Make necessary provision on Risk Assets:

Particulars	Figures in '000
Standard	4,700
Sub-Standard (fully secured)	1,900
Doubtful Assets not covered by security	400
Doubtful Assets covered by security for 1 year	40
Loss Assets	300

(10 + 10 = 20 Marks)

6. (a) You are required to identify the related parties in the following cases as per AS 18:

M Ltd. holds 61 % shares of S Ltd.

S Ltd. holds 51 % shares of F Ltd.

C Ltd. holds 49% shares of F Ltd.

(Give your answer - Reporting Entity wise for M Ltd., S Ltd., C Ltd. and F Ltd.)

- (b) The Paid-up capital of S Limited amounted to Rs. 5,00,000 Equity Shares of Rs. 10 each. Due to continuous loss incurred by the company, the following scheme of Reconstruction has been approved for S Limited on 1<sup>st</sup> April, 2020.
- (i) In lieu of present holding the Equity Shareholders are to receive:
    - (a) Fully Paid Equity Shares equal to 3/5th of their holding.
    - (b) 8% Preference Shares fully paid to the extent of 20% of the above new Equity Shares.
    - (c) 10% Second Debentures of Rs. 40,000.
  - (ii) An issue of 8% Debentures First Debentures of Rs. 1,00,000 was made and fully subscribed for cash,
  - (iii) The Assets were reduced as follows:-
    - (a) Building from Rs. 2,00,000 to Rs. 1,50,000
    - (b) Plant & Machinery from Rs. 1,50,000 to Rs. 1,30,000
    - (c) Goodwill from Rs. 30,000 to Nil.

Show the Journal Entries in the books of S Limited to give effect of the scheme of Reconstruction.

- (c) The Accountant of a company has sought your opinion with relevant reasons, whether the following will be treated as change in Accounting Policy or not for the year ended 31<sup>st</sup> March, 2020. Please advise him in the following situations in accordance with the provisions of relevant Accounting Standard;
- (i) Provision for doubtful debts was created @ 2% till 31<sup>st</sup> March, 2019. From the Financial year 2019-2020, the rate of provision has been changed to 3%.
  - (ii) During the year ended 31<sup>st</sup> March, 2020, the management has introduced a formal gratuity scheme in place of ad-hoc ex-gratia payments to employees on retirement.
  - (iii) Till the previous year the furniture was depreciated on straight line basis over a period of 5 years. From current year, the useful life of furniture has been changed to 3 years.
  - (iv) Management decided to pay pension to those employees who have retired after completing 5 years of service in the organization. Such employees will get pension of Rs. 20,000 per month. Earlier there was no such scheme of pension in the organization.
  - (v) During the year ended 31<sup>st</sup> March, 2020, there was change in cost formula in measuring the cost of inventories.
- (d) Ganga Ltd. has its share capital divided into Equity Shares of Rs. 10 each. On 1<sup>st</sup> April, 2019, the company offered 250 shares to each of its 520 employees at Rs. 60 per share, when the market price was Rs. 150 per share. The options were to be exercised between 01-03-2020 to 31-03-2020. 410 employees accepted the offer and paid Rs. 60 per share on purchased shares and the remaining options lapsed. The company closes its books on 31<sup>st</sup> March every year.

You are required to show Journal Entries (with narrations) as would appear in the books of Ganga Ltd. for the year ended 31<sup>st</sup> March, 2020 with regard to employee stock options.

**OR**

Equity capital is held by L, M, N and O in the proportion of 30:40:20:10. A, B, C and D hold Preference share capital in the proportion of 40:30:10:20. If the paid up Equity Share capital of the company is Rs. 60 lakhs and Preference share capital is Rs. 30 lakhs, find the voting rights of shareholders (in percentage) in case of resolution of winding up of the company.

**(4 Parts x 5 Marks = 20 Marks)**

**MOCK TEST PAPER - 1**  
**INTERMEDIATE (NEW): GROUP – II**  
**PAPER – 5: ADVANCED ACCOUNTING**  
**SUGGESTED ANSWERS/HINTS**

**1. (a) (i) Annual lease rent**

Total lease rent

$$= 130\% \text{ of Rs. } 1,50,000 \times \frac{\text{Output during lease period}}{\text{Total output}}$$

$$= 130\% \text{ of Rs. } 1,50,000 \times (40,000 + 50,000 + 60,000) / (40,000 + 50,000 + 60,000 + 80,000 + 70,000)$$

$$= 1,95,000 \times 1,50,000 \text{ units} / 3,00,000 \text{ units} = \text{Rs. } 97,500$$

$$\text{Annual lease rent} = \text{Rs. } 97,500 / 3 = \text{Rs. } 32,500$$

**(ii) Lease rent Income to be recognized in each operating year**

Total lease rent should be recognized as income in proportion of output during lease period, i.e. in the proportion of 40 : 50 : 60.

Hence income recognized in years 1, 2 and 3 will be as:

Year 1 Rs. 26,000,

Year 2 Rs. 32,500 and

Year 3 Rs. 39,000.

- (b)** As per AS 26, costs incurred in creating a computer software product should be charged to research and development expense when incurred until technological feasibility/asset recognition criteria has been established for the product. Technological feasibility/asset recognition criteria have been established upon completion of detailed program design or working model.

In this case, Rs. 90,000 would be recorded as an expense (Rs. 50,000 for completion of detailed program design and Rs. 40,000 for coding and testing to establish technological feasibility/asset recognition criteria).

Cost incurred from the point of technological feasibility/asset recognition criteria until the time when products costs are incurred are capitalized as software cost (63,000+ 18,000+ 19,500) = Rs. 1,00,500. Packing cost Rs. 16,500 should be recognized as expenses and charged to Profit & Loss A/c.

- (c)** According to AS 4 on 'Contingencies and Events Occurring after the Balance Sheet Date', adjustments to assets and liabilities are required for events occurring after the balance sheet date that provide additional information materially affecting the determination of the amounts relating to conditions existing at the balance sheet date. However, adjustments to assets and liabilities are not appropriate for events occurring after the balance sheet date, if such events do not relate to conditions existing at the balance sheet date. "Contingencies" used in the Standard is restricted to conditions or situations at the balance sheet date, the financial effect of which is to be determined by future events which may or may not occur.

(i) Fire has occurred after the balance sheet date and also the loss is not insured. Therefore, the event becomes material and the event is adjusting in nature.

(ii) The contingency is restricted to conditions existing at the balance sheet date. However, in the given case, suit was filed against the company's advertisement by a party on 10<sup>th</sup> April for

amount of Rs. 20 lakhs. Therefore, it does not fit into the definition of a contingency and hence is a **non-adjusting event**.

**(d) Computation of Basic Earnings Per Share (as per AS 20 Earnings Per Share)**

	Year 2018-19 Rs.	Year 2019-20 Rs.
<b>EPS for the year 2018-19 as originally reported</b>		
= $\frac{\text{Net Profit of the year attributable to equity shareholders}}{\text{Weighted average number of equity shares outstanding during the year}}$		
= (Rs. 30,00,000 / 20,00,000 shares)	1.5	
<b>EPS for the year 2018-19 restated for rights issue</b>		
= [Rs. 30,00,000 / (20,00,000 shares × 1.04 (W.N. 2))]	1.44 (approx.)	
<b>EPS for the year 2019-20 including effects of rights issue</b>		
$\frac{\text{Rs. 50,00,000}}{(20,00,000 \text{ shares} \times 1.04 \times 2/12) + (24,00,000 \text{ shares} \times 10/12)}$		
<b>Rs. 50,00,000/ 23,46,667 shares</b>		2.13 (approx.)

**Working Notes:**

1. Computation of theoretical ex-rights fair value per share

$$\frac{\text{Fair value of all outstanding shares immediately prior to exercise of rights} + \text{Total amount received from exercise}}{\text{Number of shares outstanding prior to exercise} + \text{Number of shares issued in the exercise}}$$

$$= \frac{(\text{Rs. } 26 \times 20,00,000 \text{ shares}) + (\text{Rs. } 20 \times 4,00,000 \text{ shares})}{20,00,000 \text{ shares} + 4,00,000 \text{ shares}}$$

$$= \frac{\text{Rs. } 6,00,00,000}{24,00,000 \text{ shares}} = \text{Rs. } 25$$

2. Computation of adjustment factor

$$= \frac{\text{Fair value per share prior to exercise of rights}}{\text{Theoretical ex - rights value per share}} = \frac{\text{Rs. } 26}{\text{Rs. } 25 \text{ (Refer Working Note 1)}} = 1.04 \text{ (approx.)}$$

2.

**Books of Robert Ltd.**

**Journal Entries**

		(Rs. in Lacs)	(Rs. in Lacs)
Business Purchase A/c	Dr.	13,500	
To Liquidator of Diamond Ltd.			13,500
(Being business of Diamond Ltd. taken over for consideration settled as per agreement)			
Plant and Machinery	Dr.	7,500	
Furniture & Fittings	Dr.	2,550	
Inventory	Dr.	6,061.5	
Debtors	Dr.	1,530	

Cash at Bank	Dr.	913.5	
Bills Receivable	Dr.	120	
To Foreign Project Reserve			465
To General Reserve Rs. (4,800 - 4,500)			300
To Profit and Loss A/c Rs. (1,237.5 – 75*)			1,162.5
To Liability for 12% Debentures			1,500
To Creditors			694.5
To Provisions			1,053
To Business Purchase A/c			13,500
(Being assets & liabilities taken over from Diamond Ltd.)			
Liquidator of Diamond Ltd. A/c	Dr.	13,500	
To Equity Share Capital A/c			13,500
(Purchase consideration discharged in the form of equity shares)			
Profit & Loss A/c	Dr.	1.5	
To Bank A/c			1.5
(Liquidation expenses paid and charged to P & L A/c)			
Liability for 12% Debentures A/c	Dr.	1,500	
To 13% Debentures A/c			1500
(12% debentures discharged by issue of 13% debentures)			
Bills Payable A/c	Dr.	120	
To Bills Receivable A/c			120
(Cancellation of mutual owing on account of bills)			

**Balance Sheet of Robert Ltd. as at 1<sup>st</sup> April, 2020 (after merger)**

Particulars		Notes	Rs. (in lakhs)
Equity and Liabilities			
1	Shareholders' funds		
	A Share capital	1	36,000
	B Reserves and Surplus	2	24,981
2	Non-current liabilities		
	A Long-term borrowings	3	1,500
3	Current liabilities		
	A Trade Payables (1,800+694.5-120)		2,374.5
	B Short-term provisions (2,745+1,053)		3,798
	Total		68,653.5
Assets			
1	Non-current assets		
	A Property, Plant & Equipment	4	43,506
2	Current assets		

\*Cost of issue of debentures adjusted against P & L A/c of Diamond Ltd.

A	Inventories (11,793+6,061.5)		17,854.5
B	Trade receivables (3,180+1,650-120)		4,710
C	Cash and cash equivalents (1,671+913.5-1.5)		2,583
	Total		68,653.5

### Notes to Accounts

		Rs.
1.	Share Capital	
	Equity share capital	
	Authorized, issued, subscribed and paid-up: 36 crores equity shares of Rs. 10 each (out of these shares, 13.5 crores shares have been issued for consideration other than cash)	<u>36,000</u>
2.	Reserves and Surplus	
	General Reserve	14,550
	Securities Premium	4,500
	Foreign Project Reserve	465
	Profit and Loss Account Rs. (4,305 +1,162.5-1.5)	<u>5,466</u>
	Total	<u>24,981</u>
3.	Long-term borrowings	
	Secured	
	13% Debentures	<u>1,500</u>
4.	PPE	
	Land & Buildings	9,000
	Plant & Machinery	28,500
	Furniture & Fittings	<u>6,006</u>
	Total	43,506

### Working Note:

Computation of purchase consideration

Purchase consideration was discharged in the form of three equity shares of *Robert Ltd.* for every two equity shares held in *Diamond Ltd.*

$$\text{Purchase consideration} = \text{Rs. } 9,000 \text{ lacs} \times \frac{3}{2} = \text{Rs. } 13,500 \text{ lacs}$$

3. (a)

### Realization Account

		Rs.			Rs.
To	Land and Building	90,000	By	Provision for bad debts	4,000
To	Plant and Machinery	30,000	By	Loan from D	80,000
To	Furniture	17,000	By	Trade creditors	20,000
To	Investments	10,000	By	Bills payable	8,000
To	Book debts	40,000	By	Outstanding salary	5,000
To	Stock	24,000	By	R - Furniture taken over (9,000 x .9)	8,100

To	Bank (Realization expenses)	10,000	By	Bank A/c		
				Stock Realized	28,800	
To	P – Realization expenses	2,000		Land & Building	1,10,000	
				Debtors	<u>32,000</u>	1,70,800
To	Bank A/c -		By	P (Investment taken over)		8,500
	Bill payable	7,960				
	D's Loan	5,000				
	D's Loan	36,000				
	Creditors	12,000				
	Salary	5,000				
To	Profit trs/f to partners' capital Accounts					
	P	6,176				
	Q	6,176				
	R	<u>3,088</u>				
		<u>15,440</u>				
		<u>3,04,400</u>				<u>3,04,400</u>

**Bank Account**

		Rs.			Rs.
To	Balance b/d	9,000	By	Realization A/c (payment of liabilities: 7,960+ 5,000 + 36,000 + 10,000 + 12,000 + 5,000)	75,960
To	Realization A/c (assets realized)	1,70,800	By	P	52,876
To	R	<u>8,412</u>	By	Q	<u>59,376</u>
		<u>1,88,212</u>			<u>1,88,212</u>

**Partners' Capital Accounts**

		P	Q	R		P	Q	R
		Rs.	Rs.	Rs.		Rs.	Rs.	Rs.
To	Balance b/d.			20,000	By	Balance b/d	40,000	40,000
To	Realization A/c	8,500			By	R's Loan		10,000
	(Investment taken over)				By	General Reserve	13,200	13,200
To	Realization A/c (Furniture taken over)			8,100	By	Realization A/c (expense)	2,000	
To	Bank A/c	52,876	59,376		By	Realization A/c (profit)	6,176	6,176
					By	Bank		<u>8,412</u>
		<u>61,376</u>	<u>59,376</u>	<u>28,100</u>			<u>61,376</u>	<u>28,100</u>

**Working Notes:****1. Payment for Bills Payable**

Particulars	Amount (Rs.)
Bills Payable as per Balance Sheet	8,000.00
Less: Discount for early payment {8,000 x 6% x (1/12)}	<u>40.00</u>
Amount Paid in Cash	<u>7,960.00</u>

**2. Payment for D's Loan**

Particulars	Amount (Rs.)
D's Loan as per Balance Sheet	<u>80,000.00</u>
50% of Loan adjusted as below:	
Plant & Machinery accepted at Book Value (Rs. 30,000) and Rs. 5,000 in cash.	5,000.00
Balance 50% of Loan adjusted as below:	
In cash after allowing discount of 10% i.e. Rs. 40,000 – Rs. 4,000 = Rs. 36,000.	36,000.00

**3. Payment to Trade Creditors**

Particulars	Amount (Rs.)
Trade Creditors as per Balance Sheet	20,000.00
Less: Furniture of Book Value Rs. 8,000 accepted at value Rs. 7,200	<u>7,200.00</u>
	12,800.00
Less: Discount @ 6.25%	<u>800.00</u>
Amount paid in Cash	<u>12,000.00</u>

**4. Furniture taken over by R**

Particulars	Amount (Rs.)
Furniture as per Balance Sheet	17,000.00
Less: Furniture of Book Value Rs. 8000 accepted by trade creditors	<u>8,000.00</u>
	9,000.00
Less: 10% of Book Value	<u>900.00</u>
Value of Furniture taken over by R	8,100.00

(b) On the basis of the information, in respect of hire purchase and leased assets, additional provision shall be made as under:

(Rs. in crore)		
(a) Where hire charges are overdue upto 12 months	Nil	-
(b) Where hire charges are overdue for more than 12 months but upto 24 months	10% of the net book value 10% x 2,000	200

(c) Where hire charges are overdue for more than 24 months but upto 36 months	40 percent of the net book value 40% x 1,250	500
(d) Where hire charges or lease rentals are overdue for more than 36 months but upto 48 months	70 percent of the net book value 70% x 600	420
(e) Where hire charges or lease rentals are overdue for more than 48 months	100% of net book value (100% x 100)	100
	Total	1,220

4. (a) **Consolidated Profit & Loss Account of A Ltd. and its subsidiary B Ltd.**  
for the year ended on 31<sup>st</sup> March, 2020

Particulars	Note No.	Rs. in Lacs
I. Revenue from operations	1	<u>8,797</u>
II. Total revenue		<u>8,797</u>
III. Expenses		
Cost of Material purchased/consumed	3	1,770
Changes of Inventories of finished goods	2	(1,794)
Employee benefit expense	4	1,425
Finance cost	6	225
Depreciation and amortization expense	7	225
Other expenses	5	<u>802</u>
Total expenses		<u>2,653</u>
IV. Profit before Tax(II-III)		6,144
V. Tax Expenses	8	<u>2,100</u>
VI. Profit After Tax		<u>4,044</u>

**Notes to Accounts**

		Rs. in Lacs	Rs. in Lacs
1.	Revenue from Operations		
	Sales and other income		
	A Ltd.	7,500	
	B Ltd.	<u>1,500</u>	
		9,000	
	Less: Inter-company Sales	(180)	
	Consultancy fees received by A Ltd. from B Ltd.	(8)	
	Commission received by B Ltd. from A Ltd.	<u>(15)</u>	8,797
2.	Increase in Inventory		
	A Ltd.	1,500	
	B Ltd.	<u>300</u>	
		1,800	
	Less: Unrealized profits Rs. $180 \times \frac{1}{6} \times \frac{25}{125}$	<u>(6)</u>	<u>1,794</u>
3.	Cost of Material purchased/consumed		

	A Ltd.	1,200	
	B Ltd.	<u>300</u>	
		1,500	
	Less: Purchases by B Ltd. from A Ltd.	<u>(180)</u>	1,320
	Direct Expenses		
	A Ltd.	300	
	B Ltd.	<u>150</u>	<u>450</u>
			<u>1,770</u>
4.	Employee benefits and expenses		
	Wages and Salaries:		
	A Ltd.	1,200	
	B Ltd.	<u>225</u>	<u>1,425</u>
5.	Other Expenses		
	Administrative Expenses		
	A Ltd.	300	
	B Ltd.	<u>150</u>	
		450	
	Less: Consultancy fees received by A Ltd. from B Ltd.	<u>(8)</u>	442
	Selling and Distribution Expenses:		
	A Ltd.	300	
	B Ltd.	<u>75</u>	
		375	
	Less: Commission received from B Ltd. from A Ltd.	<u>(15)</u>	<u>360</u>
			<u>802</u>
6.	Finance Cost		
	Interest:		
	A Ltd.	150	
	B Ltd.	<u>75</u>	<u>225</u>
7.	Depreciation and Amortization		
	Depreciation:		
	A Ltd.	150	
	B Ltd.	<u>75</u>	<u>225</u>
8.	Provision for tax		
	A Ltd.	1800	
	B Ltd.	<u>300</u>	<u>2100</u>

**(b) Under section 64 of the LLP Act, 2008, an LLP may be wound up by the Tribunal:**

- If the LLP decides that it should be wound up by the Tribunal;
- If for a period of more than six months, the number of partners of the LLP is reduced below two;

- If the LLP is unable to pay its debts;
- If the LLP has acted against the interests of the integrity and sovereignty of India, the security of the state or public order;
- If the LLP has defaulted in the filing of the Statement of Account and Solvency with the Registrar for five consecutive financial years;
- If the Tribunal is of the opinion that it is just and equitable that the LLP be wound up.

5. (a)

**BT Limited**

**Liquidator's Statement of Account**

Receipts			Rs.	Payments			Rs.
To Assets realized:				By	Liquidation expenses		45,000
Bank			75,700	By	Preferential creditors		75,000
Other assets:				By	Liquidator's Remuneration (W.N.1)		1,29,600
Land & building	24,50,000			By	Debtore holders:		
Plant & Machinery	9,00,000				Debentures	10,00,000	
Furniture	2,85,000				Interest accrued	1,20,000	
Patents	90,000				Interest 1-4-19 to 30-6-19	<u>30,000</u>	11,50,000
Stock	2,80,000			By	Unsecured creditors		7,36,250
Trade receivables	<u>3,15,000</u>	43,20,000		By	Preferential shareholders		
					Preference capital	10,00,000	
					Arrear of Dividend	<u>1,20,000</u>	<u>11,20,000</u>
							32,55,850
				By	Equity shareholders -		
					Rs. 32.995 on 20,000 shares		6,59,900
					Rs. 47.995 on 10,000 shares		<u>4,79,950</u>
			<u>43,95,700</u>				<u>43,95,700</u>

**Working Notes:**

- (1) Liquidator's remuneration  $43,20,000 \times 3/100 = \text{Rs. } 1,29,600$
- (2) As the company is solvent, interest on the debentures will have to be paid for the period 1-4-2019 to 30-6-2019  
 $10,00,000 \times 12\% \times 3/12 = \text{Rs. } 30,000$
- (3) Total equity capital - paid up (7,50,000 +12,00,000) Rs. 19,50,000  
 Less: Balance available (43,95,700 — 32,55,850) Rs. (11,39,850)  
Rs. 8,10,150
- Loss to be borne by 30,000 equity shares
- Loss per share Rs. 27.005
- Hence, Refund for share on Rs. 60 paid share (60 - 27.005) Rs. 32.995
- Refund for share on Rs. 75 paid (75 - 27.005) Rs. 47.995

(b)

## Indus Bank Limited

Profit & Loss Account for the year ended 31<sup>st</sup> March, 2020

	Schedule	Rs. '000s
I. Income		
Interest earned	13	8,971
Other income	14	2,419
Total		11,390
II. Expenditure		
Interest expended	15	4,120
Operating expenses	16	3,703
Provisions (Refer W.N.)		1,013.8
Total		8,836.8
III. Profit/Loss		2,553.20

## Schedule 13 – Interest Earned

	Rs. '000s
Interest / discount on advances bills	
Interest on term loans [2,550- (731-238)]	2,057
Interest on cash credits and overdrafts (5,663-923)	4,740
Income on investments	2,174
	8,971
<b>Note:</b> Interest on non-performing assets is recognized on receipt basis.	

## Schedule 14 – Other Income

	Rs. '000s
Commission, exchange and brokerage	201
Profit on sale of investments	1,876
Profit on revaluation of investments	342
	2,419

## Schedule 15 – Interest Expended

	Rs. '000s
Interest on deposits	4120

## Schedule 16 – Operating Expenses

	Rs. '000s
Payments to and provision for employees - salaries, bonus and allowances	2,745
Rent, taxes and lighting	385
Printing & stationery	62
Director's fee, allowances and expenses	313
Depreciation Charges	99
Repairs & maintenance	56
Insurance	43

3,703

**Working Note:**

Provisions	Rs. '000s
Provision for standard and non-performing assets	
Standard (4,700 x .4%)	18.8
Sub-standard (1900 x 15%)	285
Doubtful (400 x 100%)	400
Doubtful (40 x 25%)	10
Loss assets (300 x 100%)	300
	<u>1,013.8</u>

6. (a) (i) (a) Reporting entity- M Ltd.
- S Ltd. (subsidiary) is a related party
  - F Ltd.(subsidiary) is a related party
- (b) Reporting entity- S Ltd.
- M Ltd. (holding company) is a related party
  - F Ltd. (subsidiary) is a related party
- (c) Reporting entity- F Ltd.
- M Ltd. (holding company) is a related party
  - S Ltd. (holding company) is a related party
  - C Ltd. (investor/ investing party) is a related party
- (d) Reporting entity- C Ltd.
- F Ltd. (associate) is a related party

**(b) Journal Entries in the books of S Ltd.**

2020		Dr. Rs.	Cr. Rs.
April 1	Equity Share Capital A/c (Rs. 10) Dr.	5,00,000	
	To Equity Share Capital A/c		3,00,000
	To 8% Preference Equity Share Capital A/c		60,000
	To 10% Second Debentures A/c		40,000
	To Capital Reduction /Reconstruction A/c		1,00,000
	(Being reduction of equity shares to 3/5 shares, issue of preference shares and debentures as per Reconstruction Scheme dated...)		
	Capital Reduction / Reconstruction A/c Dr.	1,00,000	
	To Building A/c		50,000
	To Plant and Machinery A/c		20,000
	To Goodwill A/c		30,000
	(Being value of building and plant and machinery reduced and goodwill written off completely.)		

Bank A/c To 8% First Debentures A/c (Being Rs. 1,00,000 debentures issued)	Dr.	1,00,000	1,00,000
--	-----	----------	----------

- (c) (i) In the given case, company has created 2% provision for doubtful debts till 31<sup>st</sup> March, 2019. Subsequently in 2019-20, the company revised the estimates based on the changed circumstances and wants to create 3% provision. Thus change in rate of provision of doubtful debt is change in estimate and is not change in accounting policy. This change will affect only current year.
- (ii) As per AS 5, the adoption of an accounting policy for events or transactions that differ in substance from previously occurring events or transactions, will not be considered as a change in accounting policy. Introduction of a formal retirement gratuity scheme by an employer in place of ad hoc ex-gratia payments to employees on retirement is a transaction which is substantially different from the previous policy, will not be treated as change in an accounting policy.
- (iii) Change in useful life of furniture from 5 years to 3 years is a change in estimate and is not a change in accounting policy.
- (iv) Adoption of a new accounting policy for events or transactions which did not occur previously should not be treated as a change in an accounting policy. Hence the introduction of new pension scheme is not a change in accounting policy.
- (v) Change in cost formula used in measurement of cost of inventories is a change in accounting policy.

(d) **Journal Entries in the books of Ganga Ltd.**

			Rs.	Rs.
1.3.20	Bank A/c (1,02,500 x Rs. 60)	Dr.	61,50,000	
to	Employee compensation expense A/c	Dr.	92,25,000	
31.3.20	(1,02,500 x Rs.90) To Equity share capital A/c (1,02,500 x Rs.10) To Securities premium A/c (1,02,500 x Rs.140) (Being shares issued to the employees against the options vested to them in pursuance of Employee Stock Option Plan)			10,25,000 1,43,50,000
31.3.20	Profit and Loss A/c To Employee compensation expense A/c (Being transfer of employee compensation expenses to Profit and Loss Account)	Dr.	92,25,000	92,25,000

**OR**

L, M, N and O hold Equity capital is held by in the proportion of 30:40:20:10 and A, B, C and D hold preference share capital in the proportion of 40:30:10:20. As the paid up equity share capital of the company is Rs.60 Lakhs and Preference share capital is Rs.30 Lakh (2:1), then relative weights in the voting right of equity shareholders and preference shareholders will be 2/3 and 1/3.

The respective voting right of various shareholders will be:

$$L = \frac{2}{3} \times \frac{30}{100} = \frac{3}{15} = 20\%$$

$$M = \frac{2}{3} \times \frac{40}{100} = \frac{4}{15} = 26.67\%$$

$$\begin{aligned} N &= \frac{2}{3} \times \frac{20}{100} = \frac{2}{15} = 13.33\% \\ O &= \frac{2}{3} \times \frac{10}{100} = \frac{1}{15} = 6.67\% \\ A &= \frac{1}{3} \times \frac{40}{100} = \frac{4}{30} = 13.33\% \\ B &= \frac{1}{3} \times \frac{30}{100} = \frac{3}{30} = 10\% \\ C &= \frac{1}{3} \times \frac{10}{100} = \frac{1}{30} = 3.33\% \\ D &= \frac{1}{3} \times \frac{20}{100} = \frac{2}{30} = 6.67\% \end{aligned}$$