

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 8

Total number of printed pages : 10

NOTE : All working notes should be shown distinctly.

PART—A

*(Answer Question No.1 which is compulsory
and any two of the rest from this part.)*

1. (a) State, with reasons in brief, whether the following statements are true or false :
 - (i) Accounting Standard-15 deals with earnings per share.
 - (ii) Premium on issue of debentures shall be credited to debentures account along with nominal value of debentures.
 - (iii) As per Accounting Standard-26, intangible asset arising from research should not be recognised as an asset.
 - (iv) No buy-back of partly-paid shares is allowed.
 - (v) An underwriter while entering into a contract for issue of shares should be a registered company.

(2 marks each)
- (b) Choose the most appropriate answer from the given options in respect of the following :
 - (i) In case of part redemption of debentures, the balance in sinking fund is equal to —
 - (a) 50% of the amount of debentures issued till that date
 - (b) 75% of the amount of debentures issued till that date
 - (c) In proportion to the issue of debentures till that date
 - (d) No limit.
 - (ii) The International Financial Reporting Standard-4 deals with —
 - (a) Share based payments
 - (b) Financial investments
 - (c) Insurance contracts
 - (d) Evaluation of mineral resources.

- (iii) Which one is not a statistical book —
- Shares calls book
 - Register of share warrants
 - Register of power of attorneys
 - Register of directors' shareholdings.
- (iv) Securities premium account is shown on the liability side under the heading —
- Share capital
 - Reserves and surplus
 - Current liabilities and provisions
 - None of the above.
- (v) Loss suffered from the date of acquisition of business to the date of incorporation should be debited to —
- Goodwill account
 - Profit and loss account
 - Capital reserve account
 - Capital reduction account.

(1 mark each)

- (c) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :
- The applications bearing the stamp of the respective underwriters are called _____.
 - The debentures issued as collateral security has to be mentioned by way of a note in the balance sheet under _____.
 - The International Financial Reporting Standard-8 deals with _____.
 - _____ advises the Central Government on the formulation and implementation of Accounting Standards in India.
 - The voluntary return of shares by a shareholder to the company for cancellation is called _____.

(1 mark each)

2. (a) Following are the information of two companies for the year ended 31st March, 2010 :

	<i>Company-A</i>	<i>Company-B</i>
	<i>(Rs.)</i>	<i>(Rs.)</i>
Equity shares of Rs.10 each	8,00,000	10,00,000
10% Preference shares of Rs.10 each	6,00,000	4,00,000
Profit after tax	3,00,000	3,00,000

Assuming that the market expectation is 18% and 80% of the profits are distributed, what is the price per share you would pay for the equity shares of each company — (i) if you are buying a small lot; and (ii) if you are buying controlling interest shares ?

(6 marks)

(b) The balance sheet of Zed Ltd. as on 31st March, 2010 was as follows :

<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
Issued and paid-up capital :		Freehold property	2,00,000
20,000 Equity shares of		Stock	1,20,000
Rs.10 each	2,00,000	Sundry debtors	1,00,000
Profit and loss account	1,80,000	Cash at bank	1,80,000
10% Debentures	1,20,000		
Sundry creditors	1,00,000		
	<u>6,00,000</u>		<u>6,00,000</u>

It was resolved at the annual general meeting :

- (i) To pay a dividend of 10% and corporate dividend tax @ 12.5% and surcharge of 10% and 2% education cess.
- (ii) To issue one bonus share for every four shares held.
- (iii) To give existing shareholders the option to buy one share of Rs.10 @ Rs.14 for every four shares held prior to the bonus issue.
- (iv) To redeem the debentures at a premium of 5%. All the debentureholders took up the option.

Pass necessary journal entries.

(9 marks)

3. The authorised capital of Moon Ltd. is Rs.5,00,000 consisting of 2,000, 6% preference shares of Rs.100 each and 30,000 equity shares of Rs.10 each. The following was the trial balance of Moon Ltd. as on 31st March, 2010 :

<i>Debit Balances</i>	<i>Rs.</i>
Investment in shares at cost	50,000
Purchases	4,90,500
Selling expenses	79,100
Stock on 1 st April, 2009	1,45,200
Salaries and wages	52,000
Cash in hand	12,000

<i>Debit Balances</i>	<i>Rs.</i>
Interim preference dividend for the half year ended 30 th September, 2009	6,000
Discount on issue of debentures	2,000
Preliminary expenses	1,000
Bills receivable	41,500
Interest on bank overdraft	7,800
Interest on debentures upto 30 th September, 2009	3,750
Sundry debtors	50,100
Freehold property at cost	3,50,000
Furniture at cost <i>less</i> depreciation of Rs.15,000	35,000
Income-tax paid in advance for 2009-10	10,000
Technical know-how fees at cost, paid during the year	1,50,000
Audit fees	5,000
	<u>14,90,950</u>
 <i>Credit Balances</i>	
Sundry creditors	87,850
6% Preference share capital	2,00,000
Equity share capital fully paid-up	2,00,000
5% Mortgage debentures secured on freehold properties	1,50,000
Dividends	4,250
Profit and loss account (1 st April, 2009)	28,500
Sales (<i>Net</i>)	6,70,350
Bank overdraft secured by hypothecation of stocks and receivables	1,50,000
	<u>14,90,950</u>

You are required to prepare profit and loss account for the year ended 31st March, 2010 and the balance sheet as on that date after taking into account the following :

- (i) Closing stock was valued at Rs.1,42,500.
- (ii) Purchases include Rs.5,000 worth of goods and articles distributed among valued customers.
- (iii) Salaries and wages include Rs.2,000 being wages incurred for installation of electrical fittings which were recorded under furniture.
- (iv) Bills receivable include Rs.1,500 being dishonoured bills, 50% of which had been considered irrecoverable.
- (v) Bills receivable of Rs.2,000 maturing after 31st March, 2010 were discounted.
- (vi) Depreciation on furniture to be charged @ 10% on written down value.
- (vii) Rs.1,000 discount on issue of debentures to be written off.
- (viii) Interest on debentures for the half year ended on 31st March, 2010 was due on that date.

- (ix) Provide provision for taxation Rs.4,000.
 (x) Technical know-how fees is to be written off over a period of 10 years.
 (xi) Rs.500 of preliminary expenses are to be written off.
 (xii) Salaries and wages include Rs.10,000 being directors' remuneration.
 (xiii) Sundry debtors include Rs.6,000 debts due for more than 6 months.
 (xiv) Rate of corporate dividend tax is $12\frac{1}{2}\%$ and surcharge of 10% and 2% education cess.

Keeping in mind the requirements of Part-I and Part-II of Schedule VI of the Companies Act, 1956, prepare the profit and loss account for the year ended 31st March, 2010 and balance sheet as on that date of Moon Ltd. as close thereto as possible. Figures for the previous year can be ignored.

(15 marks)

4. On 1st October, 2009, Poddar Ltd. acquired 12,000 equity shares of Bhansali Ltd. of the face value of Rs.10 each at a price of Rs.1,70,000. The balance sheets of two companies as on 31st March, 2010 are as follows :

<i>Liabilities</i>	<i>Poddar Ltd.</i> (Rs.)	<i>Bhansali Ltd.</i> (Rs.)
Equity shares of Rs.10 each	10,00,000	2,00,000
General reserve (1 st April, 2009)	4,20,000	1,00,000
Profit and loss account (1 st April, 2009)	90,000	40,000
Profit for the year	1,70,000	45,000
Creditors	2,40,000	92,000
Bills payable	80,000	60,000
	20,00,000	5,37,000
 <i>Assets</i>		
Goodwill	3,00,000	70,000
Land and building	4,00,000	1,00,000
Plant and machinery	5,00,000	1,00,000
Stock	2,00,000	40,500
Debtors	3,00,000	1,34,500
Investments	2,00,000	—
Bills receivable	20,000	30,000
Bank	60,000	50,000
Cash	20,000	12,000
	20,00,000	5,37,000

Out of the debtors and bills receivable of Poddar Ltd. Rs.50,000 and Rs.16,000 respectively represented those due from Bhansali Ltd. The stock in the hands of Bhansali Ltd. includes goods purchased from Poddar Ltd. at Rs.20,000 which includes profit charged by latter company @ 25% at cost. Prepare a consolidated balance sheet as on 31st March, 2010 and also show your workings.

(15 marks)

PART—B

(Answer Question No.5 which is compulsory and any two of the rest from this part.)

5. (a) State, with reasons in brief, whether the following statements are true or false :
- (i) If a worker saves half of time of the standard time, the incentive under Halsey Plan and Rowan Plan will be the same.
 - (ii) The method of costing used in a refinery is operating costing.
 - (iii) Fixed budgets are budgets of fixed assets.
 - (iv) Opportunity cost is recorded in the books of account.
 - (v) Margin of safety is the difference of actual sale and standard sale.
- (2 marks each)
- (b) Choose the most appropriate answer from the given options in respect of the following :
- (i) In element-wise classification of overheads, which one of the following is not included —
 - (a) Fixed overheads
 - (b) Indirect labour
 - (c) Indirect materials
 - (d) Indirect expenditure.
 - (ii) Obsolete stocks are those having —
 - (a) Low turnover rate
 - (b) No demand for technological change
 - (c) No present demand, but may be in future
 - (d) None of the above.
 - (iii) Holiday pay is treated as —
 - (a) Fringe benefits cost
 - (b) Direct labour cost
 - (c) Overheads
 - (d) Abnormal loss charged to profit and loss account.
 - (iv) Incentive schemes include —
 - (a) Piece rate wage plan
 - (b) Time rate wage plan
 - (c) Differential piece rate wage plan
 - (d) None of the above.

- (v) The management accounting is an extension of —
- Financial accounting
 - Responsibility accounting
 - Cost accounting
 - All of the above.

(1 mark each)

- (c) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :
- The three categories of inventory for a manufacturer are raw material, work-in-process and _____ .
 - The time lost by workers who are paid on time basis, is known as _____.
 - Quick ratio is the indicator of _____ position of an enterprise.
 - _____ costs are not useful for decision making as all past costs are irrelevant.
 - When there is no _____ , the profit figures revealed under marginal and absorption costing are identical.

(1 mark each)

6. From the following balance sheets and information, prepare a cash flow statement of Rajat Ltd. for the year ended 31 March, 2010 as per Accounting Standard-3 (revised) :

Balance Sheets

<i>Liabilities</i>	<i>As on 31st March, 2010 (Rs.)</i>	<i>As on 31st March, 2009 (Rs.)</i>
Equity share capital	6,00,000	5,00,000
10% Redeemable preference capital	—	2,00,000
Capital redemption reserve	1,00,000	—
Capital reserve	1,00,000	—
General reserve	1,00,000	2,50,000
Profit and loss account	70,000	50,000
9% Debentures	2,00,000	—
Sundry creditors	95,000	80,000
Bills payable	20,000	30,000
Liabilities for expenses	30,000	20,000
Provision for taxation	95,000	60,000
Proposed dividend	90,000	60,000
	15,00,000	12,50,000

<i>Assets</i>	<i>As on</i> <i>31st March, 2010</i> <i>(Rs.)</i>	<i>As on</i> <i>31st March, 2009</i> <i>(Rs.)</i>
Land and building	1,50,000	2,00,000
Plant and machinery	7,65,000	5,00,000
Investments	50,000	80,000
Inventory	95,000	90,000
Bills receivable	65,000	70,000
Sundry debtors	1,75,000	1,30,000
Cash and bank	65,000	90,000
Preliminary expenses	10,000	25,000
Voluntary separation payments	1,25,000	65,000
	15,00,000	12,50,000

Additional information :

- (i) A piece of land being sold out for Rs.1,50,000 (cost Rs.1,20,000) and the balance land was revalued. Capital reserve consisted of profit on sale and profit on revaluation of land and building.
- (ii) On 1st April, 2004, a plant was sold for Rs.90,000 (original cost Rs.70,000 and written down value Rs.50,000) and debentures worth Rs.1 lakh were issued at par as part consideration for plant of Rs.4.5 lakh acquired.
- (iii) Part of the investments (cost Rs.50,000) was sold for Rs.70,000.
- (iv) Pre-acquisition dividend received Rs.5,000 was adjusted against cost of investment.
- (v) Directors have proposed 15% dividend for the current year.
- (vi) Voluntary separation cost of Rs.50,000 was adjusted against general reserve.
- (vii) Income-tax liability for the current year was estimated at Rs.1,35,000.
- (viii) Depreciation @ 15% has been written off from plant account, but no depreciation has been charged on land and building.

(15 marks)

7. (a) Explain briefly the role of a management accountant in a business enterprise.

(5 marks)

- (b) Pooja Pipes Ltd. uses about 75,000 valves per year and the usage is fairly constant at 6,250 valves per month. The valve costs Rs.1.50 per unit when bought in large quantities; and the carrying cost is estimated to be 20% of average inventory investment on an annual basis. The cost to place an order and process the delivery is Rs.18. It takes 45 days to receive delivery from the date of an order and a safety stock of 3,250 valves is desired.

You are required to determine (i) The most economical order quantity and frequency of orders; (ii) the re-order point; and (iii) the most economical order quantity if the valves cost Rs.4.50 each instead of Rs.1.50 each.

(5 marks)

- (c) A factory produces 300 units of a product per month. The selling price is Rs.120 per unit and variable cost is Rs.80 per unit. The fixed expenses of the factory amount to Rs.8,000 per month.

Calculate —

- (i) The estimated profit in a month wherein 240 units are produced.
 (ii) The break-even sales quantity.
 (iii) The sales to be made to earn a profit of Rs.7,000 per month.

(5 marks)

8. (a) Write a short note on 'pre-determined overheads rate'.

(3 marks)

- (b) The cost of sale of Product-A is made up as follows :

	<i>Rs.</i>
Materials used in manufacturing	5,500
Materials used in packing	1,000
Materials used in selling the product	150
Materials used in the factory	75
Materials used in the office	125
Labour required in production	1,000
Labour required for supervision of the management for factory	200
Direct expenses – factory	500
Indirect expenses – factory	100
Office expenses	125
Depreciation – office building and equipment	75
Depreciation – factory	175
Selling expenses	350
Freight on materials	500
Advertising	125

Assuming that all products manufactured are sold, what should be the selling price to obtain a profit of 25% on selling price ?

(6 marks)

- (c) The Finance Manager of Jay Electrical Ltd. is preparing a flexible budget for the accounting year commencing from 1st April, 2011. The company produces Component-K of a product. Direct material costs Rs.7 per unit. Direct labour averages Rs.2.50 per hour and requires 1.60 hours to produce one unit of Component-K. Salesmen are paid a commission of Re.1 per unit sold. Fixed selling and administration expenses amount to Rs.85,000 per year. Manufacturing overheads has been estimated in the following amounts under specified conditions of volume :

Volume of production (<i>in units</i>)	1,20,000	1,50,000
	<i>Rs.</i>	<i>Rs.</i>
Expenses :		
Indirect material	2,64,000	3,30,000
Indirect labour	1,50,000	1,87,500
Inspection	90,000	1,12,500
Maintenance	84,000	1,02,000
Supervision	1,98,000	2,34,000
Depreciation – Plant and equipment	90,000	90,000
Engineering services	94,000	94,000
Total manufacturing overheads	<u>9,70,000</u>	<u>11,50,000</u>

Normal capacity of production of company is 1,25,000 units.

Prepare a budget of total cost at 1,40,000 units of output.

(6 marks)