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| **Roll No………** |  |
| **Total No. of Questions — 6]** | **[Total No. of Printed Pages — 4** |
| **Time Allowed : 3 Hours** | **Maximum Marks : 100** |

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| **All** questions are compulsory. |
| *Wherever necessary, suitable assumption(s) should be made by the candidates.* |
| Working notes should form part of the answer. |
| Marks |

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| --- | --- | --- | --- | --- |
| 1. | (i) | A and B are partners in a firm sharing profits and losses in the ratio of 3 : 2. Their capitals are Rs. 60,000 and Rs. 40,000 respectively. They admit C as a new partner who will get 1/6th share in the profit of the firm. C brings in Rs. 25,000 as his capital. Find out the amount of goodwill on the basis of the above information. | 10x2=20 | (0) |
|   | (ii) | From the following, calculate the cash price of the asset:

|  |  |
| --- | --- |
|  | Rs. |
| Hire purchase price of the assetDown paymentFour annual installments at the end of each yearRate of interest | 50,00010,00010,0005% p.a |

 |   | (0) |
|   | (iii) | Mr. X purchased 1,000, 6% Government Bonds of Rs. 100 each on 31st January, 2009 at Rs. 95 each.Interest is payable on 30th June and 31st December. The price quoted is cum interest. Journalise the transaction. |   | (0) |
|   | (iv) | Swaminathan owed to Subramanium the following sums :

|  |
| --- |
| Rs. 5,000 on 20th January, 2009 |
| Rs. 8,000 on 3rd March, 2009 |
| Rs. 6,000 on 5th April, 2009 |
| Rs. 11,000 on 30th April, 2009 |
| Ascertain the average due date. |

 |   | (0) |
|   | (v) | A company acquired a machine on 1.4.2006 for Rs. 5,00,000. The company charged depreciation upto 2008–09 on straight line basis with estimated working life of 10 years and [scrap value](http://www.futureaccountant.com/exam-question-previous-papers/2009-ipcc_accounting-may-2010/p20u/) of Rs. 50,000. From 2009–10, the company decided to change depreciation method at 20% on reducing balance method. Compute the amount of depreciation to be debited to [Profit and Loss Account](http://www.futureaccountant.com/exam-question-previous-papers/2009-ipcc_accounting-may-2010/p20u/) for the year 2009–10. |   | (0) |
|   | (vi) | An unquoted long–term investment is carried in the books at cost of Rs. 2 lacs. The published accounts of unlisted company received in May, 2009 showed that the company has incurred cash losses with decline market share and the long–term investment may not fetch more than Rs. 20,000. How you will deal with it in the [financial statement](http://www.futureaccountant.com/exam-question-previous-papers/2009-ipcc_accounting-may-2010/p20u/) of investing company for the year ended 31.3.2009? |   | (0) |
|   | (vii) | In the absence of a partnership deed, what will be your decision in disputes amongst partners regarding the following matters:

|  |  |
| --- | --- |
| (a) | Profit sharing ratio; |
| (b) | Interest rate, at which interest is to be allowed to a partner, on loan given to the firm by a partner. |

 |   | (0) |
|   | (viii) | According to [Accounting Standard](http://www.futureaccountant.com/exam-question-previous-papers/2009-ipcc_accounting-may-2010/p20u/) 9, when revenue from sales should be recognised? |   | (0) |
|   | (ix) | In January, 2010 a firm took an insurance policy for Rs. 60 lakhs to insure goods in its godown against fire subject to average clause. On 7th March, 2010 a fire broke out destroying goods costing Rs. 44 lakhs. Stock in the godown was estimated at Rs.80 lakhs. Compute the amount of insurance claim. |   | (0) |
|   | (x) | On 1st April, 2009 a car company sold to Arya Bros., a motor car on hire–purchase basis. The total hire–purchase price was Rs. 4,60,000 with down payment of Rs. 1,60,000. Balance amount was to be paid in three annual installments of Rs. 1,00,000 each. The first installment payable on 31st March, 2010. The cash price of the car was Rs. 4,00,000.How will Arya Bros. account for interest over three accounting years assuming books of accounts are closed on 31st March every year. |   | (0) |
| 2. | An analysis of the cash book revealed the following:

|  |  |  |
| --- | --- | --- |
|  | 31.3.2008Rs. | 31.3.2009Rs. |
| Furniture & fixturesStockDebtorsCash in hand & bankCreditorsBills payableOutstanding salaries | 2,60,0002,45,0001,25,0001,10,0001,35,00070,00019,000 | 2,34,0003,20,000??1,90,00080,00020,000 |

An analysis of the cash book revealed the following:

|  |  |
| --- | --- |
|  | 31.3.2009Rs. |
| Cash salesCollection from debtorsDiscount allowed to debtorsCash purchasesPayment to creditorsDiscount received from creditorsPayment for bills payableDrawings for domestic expensesSalaries paidRent paidSundry trade expenses | 16,20,00010,58,00020,0006,15,0009,73,00032,0004,30,0001,20,0002,36,0001,32,00081,000 |

Depreciation is provided on furniture & fixtures @10% p.a. on diminishing balance method. Ruk Ruk Maan maintains a steady gross profit rate of 25% on sales. You are required to prepare Trading and Profit and Loss account for the year ended 31st March, 2009 and Balance Sheet as on that date. | 16 | (0) |
| 3. | The Balance Sheet of Reckless Ltd. as on 31st March, 2008 is as follows:

|  |  |
| --- | --- |
|  | Rs. |
| Assets:Freehold premisesMachineryFurniture & fittingsStockSundry debtorsLess : Provision for doubtful debtsCash in handCash at bankBills receivable | 80,0004,000 | 2,20,0001,77,00090,8003,87,40076,0002,3001,56,50015,00011,25,000 |
| Liabilities:60,000 Equity shares of Rs. 10 eachPre–incorporation profitContingency reserveProfit and loss appropriation accountAcceptancesCreditorsProvision for income–tax |  | 6,00,00021,0001,35,0001,26,00020,0001,13,0001,10,000 |
|  |  | 11,25,000 |

Careful Ltd. decided to take over Reckless Ltd. from 31st March, 2008 with the following assets at value noted against them :

|  |  |
| --- | --- |
|  | Rs. |
| Bills receivableFreehold premisesFurniture and fittingsMachineryStock | 15,0004,00,00080,0001,60,0003,45,000 |

¼ of the consideration was satisfied by the allotment of fully paid preference shares of Rs. 100 each at par which carried 13% dividend on cumulative basis. The balance was paid in the form of Careful Ltd.’s equity shares of Rs. 10 each, Rs. 8 paid up.Sundry Debtors realised Rs. 79,500. Acceptances were settled for Rs. 19,000. Income–tax authorities fixed the taxation liability at Rs. 1,11,600. Creditors were finally settled with the cash remaining after meeting liquidation expenses amounting to Rs. 4,000. You are required to :

|  |  |
| --- | --- |
| (i) | Calculate the number of equity shares and preference shares to be allotted by Careful Ltd. in discharge of consideration. |
| (ii) | Prepare the important ledger accounts in the books of Reckless Ltd.; and |
| (iii) | Pass journal entries in the books of Careful Ltd. with narration |

 | 16 | (0) |
| 4. | (a) | Easilife Ltd. has a hire-purchase department which fixes hire-purchase price by adding 40% to the cost of the goods. The following additional information is provided to you :

|  |  |
| --- | --- |
|  | Rs. |
| On 1st April, 2009 :Goods out on hire-purchase (at hire-purchase price)Instalments dueTransactions during the year :Hire-purchase price of goods soldInstalments receivedValue of goods repossessed due to defaults(hire-purchase installments unpaid Rs. 5,600)On 31st March, 2010:Goods out on hire-purchase (at hire-purchase price) | 2,10,00014,0009,80,0008,12,0007,8003,78,000 |

You are required to prepare Hire–purchase Trading Account, ascertaining the profit made by the department during the year ended 31st March, 2010. | 10+6=16 | (0) |
|   | (b) | Gaama Investment Company holds 1,000, 15% debentures of Rs. 100 each in Beta Industries Ltd. as on April 1, 2009 at a cost of Rs. 1,05,000. Interest is payable on June, 30 and December, 31 each year.On May 1, 2009, 500 debentures are purchased cum–interest at Rs. 53,500. On November 1, 2009, 600 debentures are sold ex–interest at Rs. 57,300. On November 30, 2009, 400 debentures are purchased ex-interest at Rs, 38,400. On December 31, 2009, 400 debentures are sold cum–interest for Rs. 55,000.Prepare the investment account showing value of holdings on March 31, 2010 at cost, using FIFO method. |   | (0) |
| 5. | (a) | On the basis of the following informations, prepare Income and Expenditure Account for the year ended 31st March, 2010 :

|  |
| --- |
| Receipts and Payments Account for the year ended 31st March, 2010 |
| Receipts | Rs. | Payments | Rs. |
| To Cash in hand (opening)To Cash at bank (opening)To SubscriptionsTo Interest on 8% Government bondsTo Bank interest | 1,3003,8504,94,7004,000160 | By SalariesBy RentBy Printing & stationeryBy ConveyanceBy Scooter purchasedBy 8% Government bondsBy Cash in hand (closing)By Cash at bank (closing) | 2,58,00071,5003,87010,60050,0001,00,0008409,200 |
|  | 5,04,010 |  | 5,04,010 |

|  |  |
| --- | --- |
| (i) | Salaries paid includes Rs. 6,000 paid in advance for April, 2010. Monthly salaries paid were Rs. 21,000. |
| (ii) | Outstanding rent on 31st March, 2009 and 31st March, 2010 amounted to Rs. 5,500 and Rs. 6,000 respectively. |
| (iii) | Stock of printing and stationery material on 31st March, 2009 was Rs. 340; it was Rs. 365 on 31st March, 2010. |
| (iv) | Scooter was purchased on 1st October, 2009. Depreciation @ 20% per annum is to be provided on it. |
| (v) | Investments were made on 1st April, 2009. |
| (vi) | Subscriptions due but not received on 31st March, 2009 and 31st March, 2010 totalled Rs. 14,000 and Rs. 12,800 respectively. On 31st March, 2010, subscriptions amounting to Rs. 700 had been received in advance for April, 2010. |

 | 8+8=16 | (0) |
|   | (b) | The following particulars relate to Bee Ltd., for the year ended 31st March, 2010 :

|  |  |
| --- | --- |
| (i) | Furniture of book value of Rs. 15,500 was disposed off for Rs. 12,000. |
| (ii) | Machinery costing Rs. 3,10,000 was purchased and Rs. 20,000 were spent on its erection. |
| (iii) | Fully paid 8% preference shares of the face value of Rs. 10,00,000 were redeemed at a premium of 3%. In this connection 60,000 equity shares of Rs. 10 each were issued at a premium of Rs. 2 per share. The entire money being received with applications. |
| (iv) | Dividend was paid as follows:

|  |  |
| --- | --- |
| On 8% preference sharesOn equity shares for the year 2009–10 | Rs. 40,000Rs. 1,10,000 |

 |
| (v) | Total sales were Rs. 32,00,000 out of which cash sales were Rs. 11,50,000. |
| (vi) | Total purchases were Rs. 8,00,000 including cash purchase of Rs. 60,000. |
| (vii) | Total expenses were Rs. 12,40,000 charged to Profit and Loss A/c. |
| (viii) | Taxes paid including dividend distribution tax of Rs.22,500 were Rs.3,30,000. |
| (ix) | Cash and cash equivalents as on 31st March, 2010 were Rs. 1,25,000. |

You are requested to prepare [Cash Flow Statement](http://www.futureaccountant.com/exam-question-previous-papers/2009-ipcc_accounting-may-2010/p20u/) as per AS 3 for the year ended 31st March, 2010 after taking into consideration the following also:

|  |  |  |
| --- | --- | --- |
|  | On 31st March, 2009 (Rs.) | On 31st March, 2010 (Rs.) |
| Sundry debtorsSundry creditorsUnpaid expenses | 1,50,00078,00063,000 | 1,47,00083,00055,000 |

 |   | (0) |
| 6. | Answer the following: | 4x4=16 |   |
|   | (a) | Weak Ltd. acquired the fixed assets of Rs. 100 lakhs on which it received the grant of Rs. 10 lakhs. What will be the cost of the fixed assets as per AS 12 and how it will be disclosed in the financial statements? |   | (0) |
|   | (b) | During the current year 2009-10 M/s L & C Ltd. made the following expenditure relating to its plant and machinery:

|  |  |
| --- | --- |
|  | Rs. |
| General repairsRepairing of electric motorsPartial replacement of parts of machinerySubstantial improvements to the electrical wiring system which willincrease efficiency of the plant and machinery | 4,00,0001,00,00050,00010,00,000 |

What amount should be capitalised according to AS 10? |   | (0) |
|   | (c) | What are the advantages of pre–packaged [accounting software](http://www.futureaccountant.com/exam-question-previous-papers/2009-ipcc_accounting-may-2010/p20u/)? |   | (0) |
|   | (d) | Raw materials inventory of a company includes certain material purchased at Rs. 100 per kg. The price of the material is on decline and replacement cost of the inventory at the year end is Rs. 75 per kg. It is possible to convert the material into finished product at conversion cost of Rs. 125.Decide whether to make the product or not to make the product, if selling price is (i) Rs. 175 and (ii) Rs. 225. Also find out the value of inventory in each case. |   | (0) |