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| --- | --- |
| **Roll No………** |  |
| **Time allowed : 3 hours** | **Maximum marks : 100** |
| **Total number of questions : 8** | **Total number of printed pages : 5** |

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| **PART — A** |
| *(Answer Question No. 1 which is COMPULSORY andany***two***of the rest from this part)* |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 1. | (a) | State, with reasons in brief, whether the following statements are correct or incorrect : |   |   |
|   |   | (i) | Accounting Standards (AS) are formulated by International Accounting Standard Board. |   | (0) |
|   |   | (ii) | A joint stock company cannot purchase its own shares. |   | (0) |
|   |   | (iii) | If the rate of dividend declared by a company is 22%, then under the Companies (Transfer of [Profits](http://www.futureaccountant.com/exam-question-previous-papers/2008-cs-ep-module-i_company-accounts-cost-and-management-accounting-june-2009/p1lg/) to Reserves) Rules, 1975 the percentage of profits to be transferred to reserves should be 10%. |   | (0) |
|   |   | (iv) | The law limits the commission in case of issue of shares to 10% of the issue price of shares and in case of debentures to 5% or such lower rate as is provided in the articles of association. |   | (0) |
|   |   | (v) | Contingent liabilities relating to outsiders must be shown on the liability side of the consolidated balance sheet. |   | (0) |
|   | *(2 marks each)* |   |   |
|   | (b) | Re–write the following sentences after filling–in the blank spaces with appropriate word(s)/figure(s): |   |   |
|   |   | (i) | According to the provisions of section 198 of the Companies Act, 1956, maximum limit on the total managerial remuneration payable by public company is \_\_\_\_\_\_\_\_ of net profits. |   | (0) |
|   |   | (ii) | A company must pay the dividends within \_\_\_\_\_\_\_\_ days of its declaration. |   | (0) |
|   |   | (iii) | Preliminary expense is a \_\_\_\_\_\_\_\_ asset. |   | (0) |
|   |   | (iv) | Discount on the issue of debenture is a \_\_\_\_\_\_\_\_ loss. |   | (0) |
|   |   | (v) | If the purchase price of the debenture includes the interest for the expired period, it is known as \_\_\_\_\_\_\_\_. |   | (0) |
|   | *(1 mark each)* |   |   |
|   | (c) | Gaurav Ltd. had issued 12%, Rs.10,00,000 debentures @ Rs. 100 each in the past. For the purpose of redemption, it maintains a debenture redemption fund with an annual contribution of Rs.90,000. On 1st April, 2008, the fund stood at Rs.4,50,000 represented by 6%, Rs.5,00,000 government [loan](http://www.futureaccountant.com/exam-question-previous-papers/2008-cs-ep-module-i_company-accounts-cost-and-management-accounting-june-2009/p1lg/).On 31st March, 2009, Rs.2,00,000 government loan was sold @ Rs.93.50 and the proceeds were utilised to purchase debentures for cancellation @ Rs.85 each. Assume that Rs.20,000 debentures have been redeemed out of capital and the balance with face value of Rs.1,80,000 has been redeemed out of debenture redemption fund [account](http://www.futureaccountant.com/exam-question-previous-papers/2008-cs-ep-module-i_company-accounts-cost-and-management-accounting-june-2009/p1lg/).Prepare debenture account, debenture redemption fund account and debenture redemption fund investment account. |   | (0) |
| 2. | (a) | Write short notes on **any two** of the following : |   |   |
|   |   | (i) | Accounting Standard–10 : Accounting for fixed assets |   | (0) |
|   |   | (ii) | Issue of shares at a discount |   | (0) |
|   |   | (iii) | [Taxation](http://www.futureaccountant.com/exam-question-previous-papers/2008-cs-ep-module-i_company-accounts-cost-and-management-accounting-june-2009/p1lg/) on distributed profits. |   | (0) |
|   | (3 marks each) |   |   |
|   | (b) | Following are the abridged balance sheets of Harry Ltd. and Say Ltd. as on 31st March, 2009 :

|  |  |  |
| --- | --- | --- |
| Liabilities | Hary Ltd.(Rs.) | Say Ltd.(Rs.) |
| Equity share capital (Rs.100 each)General reserveProfit and loss accountCurrent liabilities | 10,00,0001,00,0001,60,0004,40,00017,00,000 | 5,00,0001,70,0001,30,0002,00,00010,00,000 |
| Assets |
| Fixed assetsInvestment in shares of Say Ltd.Current assets | 4,80,0005,00,0007,20,00017,00,000 | 2,50,000—7,50,00010,00,000 |

Additional information :

|  |  |  |  |
| --- | --- | --- | --- |
| (i) | On 1st July, 2008, Hary Ltd. acquired 3,000 shares in Say Ltd. The reserves and surplus position of Say Ltd. as on 1st April, 2008 was as under:

|  |  |
| --- | --- |
| General reserveProfit and loss a/c (Cr.) | Rs.2,50,000Rs.1,20,000 |

 |
| (ii) | On 1st October, 2008, Say Ltd. issued one equity share for every four shares held as bonus shares out of general reserve. No entry has been made in the books of Say Ltd. for issue of bonus shares. |
| (iii) | On 30th September, 2008, Say Ltd. declared a dividend out of pre–acquisition profits @ 25% on Rs.4,00,000, its capital on that date. Hary Ltd. credited the dividend to its profit and loss account. |
| (iv) | Say Ltd. owed Hary Ltd. Rs.50,000 for purchase of stock from Hary Ltd. The entire stock is held by Say Ltd. on 31st March, 2009. Hary Ltd. made a profit of 25% on cost. |

Prepare a consolidated balance sheet of Hary Ltd. and its subsidiary Say Ltd. as on 31st March, 2009. |   | (0) |
|   | *(9 marks)* |   |   |
| 3. | (a) | Abridged balance sheet of Rama Ltd. as on 31st March, 2009 is as follows :

|  |  |
| --- | --- |
| Liabilities | Rs. |
| Share capitalReserves and surplusBank overdraft[Creditors](http://www.futureaccountant.com/exam-question-previous-papers/2008-cs-ep-module-i_company-accounts-cost-and-management-accounting-june-2009/p1lg/)Provision for taxationProposed dividend | 6,00,00050,00010,00060,0001,10,00060,0008,90,000 |
| AssetsFixed assetsCurrent assets | 3,70,0005,20,0008,90,000 |

The net profits of the company after deducting working expenses but before providing for taxation were as under :

|  |  |
| --- | --- |
| Year2006–072007–082008–09 | Rs.3,18,0003,40,0003,12,000 |

On 31st March, 2009, fixed assets were at Rs.4,50,000. Sundry debtors on the same date included Rs.10,000 which is irrecoverable. Having regard to the type of business, a 10% return on average capital employed is considered as reasonable. Ascertain the value of goodwill on the basis of three years purchase of annual super profits. Also calculate goodwill by capitalisation of average maintainable profits. Depreciation on fixed assets is charged @ 10% per annum and the rate of tax is 30%. |   | (0) |
|   | *(6 marks)* |   |   |
|   | (b) | Following is the profit and loss account of Azad Ltd. for the year ended 31st March, 2009 :

|  |  |
| --- | --- |
|  | Rs. |
| To Office and administrative expensesTo Selling and distribution expensesTo Directors’ feesTo Managerial remunerationTo Interest on debenturesTo Donation to charitable trustTo Compensation for breach of contractTo Depreciation on fixed assetsTo Investment revaluation reserveTo Provision for taxationTo General reserveTo Balance c/d | 3,10,0001,92,00039,5001,70,00018,50015,00027,0003,12,00012,5007,40,0002,50,0008,46,50029,33,000 |
| By Balance b/dBy Gross profit b/dBy SubsidiesBy Interest on investmentBy Transfer feesBy Profit on sale of machinery (W.D.V. Rs.30,000) | 3,43,20024,15,0001,39,3009,5001,00025,00029,33,000 |

Additional information :

|  |  |
| --- | --- |
| — | Original cost of the machinery sold was Rs.40,000. |
| — | Depreciation on fixed assets as per Schedule XIV of the Companies Act, 1956 was Rs.3,42,000. |

You are required to calculate managerial remuneration in the following situations :

|  |  |
| --- | --- |
| (i) | when there is only whole–time director; |
| (ii) | when there are two whole–time directors; and |
| (iii) | when there are two whole–time directors, a managing director and a part–time director. |

 |   | (0) |
|   | *(6 marks)* |   |   |
|   | (c) | Differentiate between ‘shares’ and ‘debentures’. |   | (0) |
|   | *(3 marks)* |   |   |
| 4. | (a) | Jolly Ltd. has the following balance sheet as on 31st March, 2008 :

|  |  |
| --- | --- |
| Liabilities | Rs. |
| Share capital :Issued, subscribed and fully paid–up (10,000 equity shares ofRs.100 each)5,000 Preference shares of Rs.100 eachCapital reserveSecurities premium accountGeneral reserveProfit and loss accountCurrent liabilities | 10,00,0005,00,0001,00,0001,00,0002,00,0001,00,00010,00,00030,00,000 |
| AssetsFixed assetsCurrent assets | 22,00,0008,00,00030,00,000 |

The preference shares are to be redeemed at 10% premium. Fresh issue of equity shares is to be made to the extent it is required under the Companies Act, 1956 for the purpose of this redemption. The shortfall in funds for the purpose of the redemption after utilising the proceeds of the fresh issue are to be met by taking a bank loan. Show journal entries. |   | (0) |
|   | *(6 marks)* |   |   |
|   | (b) | Silver Ore Co. Ltd. was formed on 1st April, 2007 with an authorised capital of Rs.6,00,000 in shares of Rs.10 each. Of these, 52,000 shares had been issued and subscribed but there were calls–in–arrears on 100 shares. From the following trial balance as on 31st March, 2008, prepare the trading and profit and loss account and the balance sheet :

|  |  |  |
| --- | --- | --- |
|  | Rs. | Rs. |
| [Cash](http://www.futureaccountant.com/exam-question-previous-papers/2008-cs-ep-module-i_company-accounts-cost-and-management-accounting-june-2009/p1lg/) at bankShare capitalPlantSale of silverMinesPromotional expensesInterest on fixed deposit upto 31st DecemberDividend on investment less 22% taxRoyalties paidRailway track and wagonsWages of minersAdvertisingCarriage on plantFurniture and buildingsAdministrative expensesRepairsCoal and oilCashInvestments in shares of Tin MinesBrokerage on Tin Mines6% Fixed deposit in Syndicate Bank | 1,05,500—40,000—2,20,0006,000——10,00017,00074,2205,0001,80020,90028,0009006,50053080,0001,00089,0007,06,350 | —5,19,750—1,79,500——3,9003,200—————————————7,06,350 |

Depreciate plant and railway track and wagons by 10%, furniture and building by 5%. Write off one–third of the promotional expenses. Value of silver on 31st March, 2008 was Rs.15,000. On 10th December, 2007, the directors forfeited 100 shares of which only Rs.7.50 per share had been paid. Ignore corporate dividend tax. |   | (0) |
|   | *(9 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) | At break–even point, the company earns only marginal profit. |   | (0) |
|   |   | (ii) | Fixed cost per unit remains fixed. |   | (0) |
|   |   | (iii) | Liquidity ratios measure long-term solvency of a concern. |   | (0) |
|   |   | (iv) | Rent on owned building is included in cost accounts. |   | (0) |
|   |   | (v) | Job costing can be used in industries using standard costing. |   | (0) |
|   | *(2 marks each)* |   |   |
|   | (b) | Re–write the following sentences after filling–in the blank spaces with appropriate word(s)/figure(s) : |   |   |
|   |   | (i) | Inflated price method of valuing material issue is suited when \_\_\_\_\_\_\_\_\_\_. |   | (0) |
|   |   | (ii) | Abnormal wastage \_\_\_\_\_\_\_\_\_\_ part of cost of production. |   | (0) |
|   |   | (iii) | \_\_\_\_\_\_\_\_\_\_ in a contract provides that the contract price would be suitably enhanced on the happening of a specified contingency. |   | (0) |
|   |   | (iv) | Direct material + direct labour + factory overheads = \_\_\_\_\_\_. |   | (0) |
|   | *(1 mark each)* |   |   |
|   | (c) | Distinguish between *any two* of the following : |   |   |
|   |   | (i) | ‘Bin card’ and ‘stores ledger’. |   | (0) |
|   |   | (ii) | ‘Fixed cost’ and ‘variable cost’. |   | (0) |
|   |   | (iii) | ‘Absorption costing’ and ‘marginal costing’. |   | (0) |
|   | *(3 marks each)* |   |   |
| 6. | (a) | A company has provided you the following details :

|  |  |  |
| --- | --- | --- |
| Liabilities | 31.12.2007(Rs.) | 31.12.2008(Rs.) |
| Share capitalDebenturesReserve for doubtful debtsTrade creditorsProfit and loss a/c | 70,00012,00070010,36010,0401,03,100 | 74,0006,00080011,84010,5601,03,200 |
| Assets |
| CashDebtorsStockLandGoodwill | 9,00014,90049,20020,00010,0001,03,100 | 7,80017,70042,70030,0005,0001,03,200 |

Additional information —

|  |  |
| --- | --- |
| — | Dividend paid Rs.3,500; and |
| — | Land was purchased for Rs.10,000. |

Prepare a cash flow statement as per Accounting Standard–3 (Revised). |   | (0) |
|   | *(6 marks)* |   |   |
|   | (b) | Lookahead Ltd. produces and sells a single product. Sales budget for the calendar year 2009 for each quarter is as under :

|  |  |
| --- | --- |
| QuarterIIIIIIIV | No. of Units to be Sold12,00015,00016,50018,000 |

The year 2009 is expected to open with an inventory of 4,000 units of finished product and close with an inventory of 6,500 units.Production is customarily scheduled to provide for two–thirds of the current quarter’s demand plus one–third of the following quarter’s demand. Thus production anticipates sales volume by about one month. The standard cost details for one unit of the product is as follows:

|  |  |
| --- | --- |
| — | Direct materials 10 Kgs. @ 50 paise per kg. |
| — | Direct labour 1 hour 30 minutes @ Rs.4 per hour. |
| — | Variable overheads 1 hour 30 minutes @ Re.1 per hour. |
| — | Fixed overheads 1 hour 30 minutes @ Rs.2 per hour based on a budgeted production volume of 90,000 direct labour hours for the year. |

Answer the following —

|  |  |
| --- | --- |
| (i) | Prepare a production budget for the year 2009 by quarters, showing the number of units to be produced. |
| (ii) | If the budgeted selling price per unit is Rs.17, what would be the budgeted profit for the year as a whole ? |
| (iii) | In which quarter of the year the company is expected to break–even ? |

 |   | (0) |
|   | *(3 marks each)* |   |   |
| 7. | (a) | Material-A is used as follows :

|  |  |  |
| --- | --- | --- |
| Minimum usageMaximum usageNormal usageOrdering quantitiesDelivery period | ————— | 500 units per week1,500 units per week1,000 units per week1,600 units4–6 weeks |

Calculate —

|  |  |
| --- | --- |
| (i) | Maximum level. |

*(2 marks)*

|  |  |
| --- | --- |
| (ii) | Minimum level. |

*(2 marks)*

|  |  |
| --- | --- |
| (iii) | Ordering level |

*(2 marks)* |   | (0) |
|   | (b) | On 1st July, 2007, Delux Ltd. undertook a contract for Rs.5,00,000. On 30th June, 2008 when the accounts were closed, the following details about the contract were gathered :

|  |  |
| --- | --- |
|  | Rs. |
| Material purchasedWages paidGeneral expensesPlant purchasedMaterials on hand (30.6.2007)Wages accrued (30.6.2008)Work certifiedCash receivedWork uncertifiedDepreciation of plant | 1,00,00045,00010,00050,00025,0005,0002,00,0001,50,00015,0005,000 |

The above contract has an escalation clause which reads as follows :"In the event of prices of materials and rates of wages increase by more than 5%, the contract price would be increased accordingly by 25% of the rise in the cost of materials and wages beyond 5% in each case."It was found that since the date of signing the agreement, the prices of materials and wage rates increased by 25%. The value of the work certified does not take into account the effect of the above clause.Prepare the contract account. |   | (0) |
|   | *(6 marks)* |   |   |
|   | (c) | Differentiate between ‘Halsey wage plan’ and ‘Rowan wage plan’. |   | (0) |
|   | *(3 marks)* |   |   |
| 8. | From the following information, prepare the projected trading and profit and loss account for the next financial year ending 31st March, 2009 and the projected balance sheet as on that date :

|  |  |
| --- | --- |
| Gross profit ratioNet profit to equity capitalStock turnover ratioAverage debt collection periodCreditors velocityCurrent ratioProprietary ratio (Fixed assets to capital employed)Capital gearing ratio (Preference shares and debenturesto total long-term funds)General reserve and profit and loss to equityshareholders’ fundPreference share capital to debentures | 25%10%5 times2 months3 months280%30%20%2 |

Cost of sales consists of 40% for materials and balance for wages and overheads. Gross profit is Rs.6,00,000. |   | (0) |
|   | *(15 marks)* |   |   |