Roll No. ....

Total No. of Questions – **6**

Total No. of Printed Pages – **15**

Maximum Marks – **70**

GENERAL INSTRUCTIONS TO CANDIDATES

1. The question paper comprises two parts, Part I and Part II.
2. Part I comprises Multiple Choice Questions (MCQs).
3. Part II comprises questions which require descriptive type answers.
4. Ensure that you receive the question paper relating to both the parts. If you have not received both, bring it to the notice of the invigilator.
5. Answers to MCQs in Part I are to be marked on the OMR answer sheet as given on the cover page of descriptive answer book only. Answers to questions in Part II are to be written in the same descriptive answer book. Answers to MCQs, if written inside the descriptive answer book or on Part-I Question Paper, will not be evaluated.
6. OMR answer sheet given on the cover page of descriptive answer book will be in English only for all candidates, including for Hindi medium candidates.
7. **The bar coded sticker provided in the attendance register, is to be affixed only on the descriptive answer book.**
8. You will be allowed to leave the examination hall only after the conclusion of the exam. If you have completed the paper before time, remain in your seat till the conclusion of the exam.
9. Duration of the examination is 3 hours. You will be required to submit (a) Part I of the question paper containing MCQs, and (b) the answer book in respect of descriptive answer book with OMR cover page to the invigilator before leaving the exam hall, after the conclusion of the exam.
10. The invigilator will give you acknowledgement on Page 2 of the admit card, upon receipt of the above-mentioned items.
11. Candidate found copying or receiving or giving any help or defying instructions of the invigilators will be expelled from the examination and will also be liable for further punitive action.

PART – II

70 Marks

1. Question paper comprises **6** questions. Answer Question No. **1** which is compulsory and any **4** out of the remaining **5** questions.
2. Working notes should form part of the answer.
3. Answers to the questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.

PART – II

1. (a) On 1st April, 2023, Green Limited started the construction of an Office Building (qualified asset). The land under the building is regarded as a separate asset and is not a part of qualifying asset. 7

For the purpose of construction of building, the company raised a specific loan of ₹ 14 lakhs from a Bank at an interest rate of 12% per annum. An interest income of ₹ 15,000 was earned on this loan while it was held in anticipation of payments.

The company's other outstanding loans on 1st April, 2023 were as follows :

Amount of Loan	Rate of Interest per annum
₹ 20,00,000	15%
₹ 30,00,000	8%

The construction of building started on 1st April, 2023 and was completed on 31st January, 2024 when it was ready for its intended use. Up to the date of completion of the building, the following payments were made to the contractor:

Payment date	Amount in ₹
1st April, 2023	4,00,000
1st August, 2023	10,00,000
1st December, 2023	25,00,000
31st January, 2024	5,00,000

The life of building is estimated to be 20 years and depreciation is calculated on straight line method.

You are required to :

(i) Calculate the amount of borrowing cost to be capitalized.

(ii) Pass initial journal entry to recognise the cost of building.

(iii) Depreciation on building for the year ending 31st March, 2024.

(iv) Carrying value of building on 31st March, 2024.

(b) Well Wear Limited is a Textile Manufacturing Company and engaged in the production of Polyester (P) and Nylon (N). While manufacturing the main products, a by-product Fiber (F) is also produced. Details of the cost of production are as under : 7

Purchase of Raw Material for manufacturing process of 30,000 units	₹ 3,50,000
Wages paid	₹ 1,60,000
Fixed overheads	₹ 1,20,000
Variable overheads	₹ 60,000

Output :

Polyester (P)	12,500 Units
Nylon (N)	10,000 Units
Fiber (F)	3,200 Units

Closing Inventory :

Polyester (P)	1,600 Units
Nylon (N)	400 Units

Average market price of Polyester and Nylon is ₹ 100 and ₹ 60 per unit respectively, by-product Fiber is sold @ ₹ 40 per unit. There is a profit of ₹ 8,000 on sale of by-product after incurring separate processing expenses of ₹ 10,000 and packing charges of ₹ 9,000. ₹ 5,000 was realized from sale of scrap.

On the basis of the above information, you are required to compute the value of closing inventory of Polyester and Nylon.

2. Following is the summarized Balance Sheets of Z Limited as on 31st March, 2024 : 14

Particulars	(₹)	
EQUITY AND LIABILITIES:		
Share Capital		
Equity shares of ₹ 100 each	60,00,000	
8% Preference shares of ₹ 100 each	21,00,000	
10% Debentures of ₹ 100 each	18,00,000	
Trade Payables	16,80,000	−150000.
Total	**1,15,80,000**	
ASSETS :		
Goodwill	81,000	
Property, Plant and Equipment	72,00,000	− 600000
Trade Receivables	13,75,000	− 100000 ↓
Inventories	9,80,000	− 9440000
Cash at Bank	1,33,000	
Own Debentures (Nominal value of ₹ 6 lakhs)	5,76,000	
Profit and Loss A/c	12,35,000	
Total	**1,15,80,000**	

227000

On 1st April, 2024, court approved the following reconstruction scheme for Z Limited :

(i) Each equity share shall be sub-divided into 10 equity shares of ₹ 10 each fully paid up. After sub-division, equity share capital will be reduced by 40%.

(ii) Preference share dividends are in arrear for last 4 years. Preference shareholders agreed to waive 75% of their dividend claim and accept payment for the balance.

(iii) Own debentures of ₹ 2,40,000 (nominal value) were sold at ₹ 98 cum interest and remaining own debentures were cancelled.

(iv) Debenture holders of ₹ 6,00,000 agreed to accept one machinery of book value of ₹ 9,00,000 in full settlement.

(v) Remaining Property, Plant and Equipment were valued at ₹ 60,00,000.

(vi) Trade Payables, Trade Receivables and Inventories were valued at ₹ 15,00,000; ₹ 13,00,000 and ₹ 9,44,000 respectively. Goodwill and Profit and Loss Account (Debit balance) are to be written off.

(vii) Company paid ₹ 60,000 as penalty to avoid capital commitments of ₹ 12 lakhs.

(viii) Interest on 10% Debentures is paid every year on 31st March.

You are required to :

(1) Pass necessary journal entries in the books of Z Limited to implement the above schemes.

(2) Prepare Capital Reduction Account.

(3) Prepare Bank Account

3. (a) Constructions Limited is engaged in the business of constructing Flyovers and Railway over bridges. It obtained a contract from Railway Authorities to construct a railway over bridge for ₹ 400 crores. The construction of the railway over bridge is expected to be completed in 4 years. 7

At the outset of the contract, it was estimated that the total costs to be incurred will be ₹ 370 crores but by the end of year 1, this estimate stands revised to ₹ 375 crores.

During year 3, the Construction Limited has requested for a variation in the contract which is approved by Railway Authorities and accordingly the total contract value will increase by ₹ 10 crores and costs will increase by ₹ 7 crores.

The Constructions Limited decided to measure the stage of completion on the basis of the proportion of contract costs incurred to the total estimated contract costs. Contract costs incurred at the end of each year is:

Year 1 : ₹ 98.8 crores

Year 2 : ₹ 202.4 crores

Year 3 : ₹ 310 crores (including unused material of 3 crores)

Year 4 : ₹ 382 crores

You are required to :

(i) Calculate stage of completion of contract for each year

(ii) Profit to be recognised for each year.

(b) The following information is provided for Aarambh Limited : 7

Particulars	31st March 2023 (₹)	31st March 2024 (₹)
Profit and Loss a/c	5,400 (Dr.)	37,800
Provision for Taxation	2,21,400	1,35,000
General Reserve	54,000	81,000
12% Debentures	1,18,800	2,91,600
Trade Payables	1,29,600	1,18,800
8% Current Investments	54,000	1,08,000
Property, plant and equipment (Gross)	3,99,600	3,99,600
Accumulated Depreciation	1,29,600	1,62,000
Trade Receivables (Gross)	81,000	2,61,360
Provision for Doubtful Debts	27,000	54,000
Inventories	1,35,000	81,000
Cash and Cash Equivalents	5,400	30,240

Additional information :

(i) Income tax provided during the year ₹ 1,62,000.

(ii) New debentures have been issued at the end of current financial year.

(iii) New investments have been acquired at the end of the current financial year.

You are required to calculate net Cash Flow from Operating Activities.

4. Intelligent Limited and Diligent Limited are carrying their business independently for last two years. Following financial information in respect of both the companies as at 31st March, 2024 has been given to you : 14

Particulars	Intelligent Limited (₹)	Diligent Limited (₹)
Equity Share Capital of ₹ 100 each	12,00,000	10,00,000
8% Preference shares of ₹ 100 each	3,00,000	2,00,000
Trade Payables	12,00,000	4,00,000
Retirement Gratuity Fund (Long Term)	3,00,000	2,00,000
Profit and Loss Account		
Opening balance	4,50,000	2,50,000
Profit for the current year	2,50,000	1,50,000
Land and Buildings	10,00,000	8,00,000
Plant and Machinery	10,00,000	6,00,000
Inventories	7,00,000	4,00,000
Trade Receivables	6,00,000	3,00,000
Cash and Bank	4,00,000	1,00,000

On 1st April, 2024, both the companies agreed to amalgamate and form a new company 'Genius Limited' with an authorized capital of ₹ 40,00,000 divided into 30,000 equity shares of ₹ 100 each and 10,000 8% preference shares of ₹ 100 each.

The amalgamation has to be carried out on the basis of following agreement :

(1) Assets of both the companies were to be revalued as follows :

Particulars	**Intelligent Limited (₹)**	**Diligent Limited (₹)**
Land and Buildings	11,00,000	8,50,000
Plant and Machinery	9,00,000	4,00,000
Inventories	6,00,000	3,00,000

(2) Trade payables of Intelligent Limited includes ₹ 1,00,000 due to Diligent Ltd. and the Trade receivables of Diligent Limited shows ₹ 1,00,000 receivables from Intelligent Limited.

(3) The purchase consideration is to be discharged in the following manner :

(i) Issue 22,000 Equity Shares of ₹ 100 each fully paid up in the proportion of the sum of their profitability in the preceding two financial years.

(ii) Preference shareholders of both companies are issued equivalent number of 10% Preference Shares of ₹ 100 each of Genius Limited at a price of ₹ 125 per share.

(iii) 12% debentures of ₹ 100 each in Genius Limited at par to provide an income equivalent to 10% return on the basis of net assets in their respective business as on 1st April, 2024 after revaluation of assets.

You are required to :

(a) Compute the amount of Shares & Debentures to be issued to Intelligent Limited and Diligent Limited.

(b) Prepare a Balance Sheet of Genius Limited showing the position immediately after amalgamation.

5. The Balance Sheets of Art Limited and Craft Limited as on 31st March 2024 are as below : 14

Particulars	Note No	Art Limited (₹)	Craft Limited (₹)
I. Equity and Liabilities			
a. Shareholder's Fund			
i. Share Capital	1	6,50,000	4,00,000
ii. Reserve & Surplus	2	3,12,000	2,48,000
b. Current Liabilities			
i. Trade Payables		1,45,000	92,000
ii. Short term borrowings	3	70,000	–
		11,77,000	**7,40,000**
II. Assets			
a. Non-current Assets			
i. Property, Plant & Equipment	4	4,21,000	3,60,000
ii. Non-current investment	5	4,32,000	–
b. Current Assets			
i. Inventories		1,66,000	2,05,000
ii. Trade Receivables		1,33,500	1,68,300
iii. Cash & Cash equivalent	6	24,500	6,700
		11,77,000	**7,40,000**

Notes to Accounts :

		Art Limited (₹)	Craft Limited (₹)
1	Share capital		
	6,500 shares of ₹ 100 each	6,50,000	–
	4,000 shares of ₹ 100 each fully paid-up	–	4,00,000
	Total	6,50,000	4,00,000
2	Reserves and Surplus		
	General Reserve	1,20,000	40,000
	Profit and Loss account	1,92,000	2,08,000
	Total	3,12,000	2,48,000
3	Short term borrowings		
	Bank Overdraft	70,000	–
4	Property Plant & Equipment		
	Land & Building	1,90,000	1,35,000
	Plant & Machinery	2,31,000	2,25,000
	Total	4,21,000	3,60,000
5	Non-current investments		
	Investment in Craft Limited (Cost)	4,32,000	–
6	Cash & Cash equivalents		
	Cash	24,500	6,700

Additional information :

(i) Art Limited acquired 3,200 ordinary shares of Craft Limited on 1st October, 2023. The Reserve & Surplus and Profit & Loss Account of Craft Limited showed a credit balance of ₹ 40,000 and ₹ 58,700 respectively as on 1st April, 2023.

(ii) The Plant & Machinery of Craft Limited which stood at ₹ 2,50,000 as on 1st April, 2023 was considered worth ₹ 2,20,000 on the date of acquisition. The depreciation on Plant & Machinery is calculated @ 10% p.a. on the basis of useful life. The revaluation of Plant & Machinery is to be considered at the time of consolidation.

(iii) Craft Limited deducts 1% from Trade Receivables as a general provision against doubtful debts. This policy is not followed by Art Limited.

(iv) On 31st March 2024, Craft Limited's inventory includes goods which it had purchased from Art Limited for ₹ 1,03,500 which made a profit of 15% on cost price.

You are required to prepare a consolidated Balance Sheet as on 31st March 2024.

6. (a) Colour Limited leased a Machine to Red Limited on 1st April, 2021 on the following terms : 4

Cost of the machine	₹ 18,00,000
Lease term	3 years
Fair market value of the machine	₹ 18,00,000
Unguaranteed residual value as on 31.3.2024	₹ 2,00,000
Internal rate of return	12%

Other information :

The expected useful life of the machine is 5 years. The machine will revert to Colour Limited on termination of the lease. The lease payment is to be made at the end of each year in 3 equal parts.

The present value of ₹ 1 due at the end of 3rd year at 12% rate of interest is ₹ 0.7118. The present value of annuity of ₹ 1 due at the end of 3rd year at 12% IRR is ₹ 2.4018.

You are required to analyze whether lease constitutes finance lease. Also calculate unearned finance income, if any.

OR

(a) On 1st April 2023, ABC Limited has given the following information : **4**

	₹	
50,000 equity shares of ₹ 100 each (₹ 80 paid up by all shareholders)	40,00,000	400000
2,00,000, 8% Preference shares of ₹ 10 each	20,00,000	(160000)
10,000, 12% Debentures of ₹ 100 each (Each debenture is convertible into 3 equity shares of ₹ 100 each)	10,00,000	$\frac{3240000}{20} = 19200$

On 1st July 2023, the remaining ₹ 20 was called up and paid by all the shareholders except one shareholder holding 10,000 equity shares. During the year 2023-24 the company had a profit after tax of ₹ 3,44,000. Tax rate is 30%.

You are required to compute Basic and Diluted EPS.

(b) Following information are available in respect of Z Limited as on 31st March, 2024 4

1. Equity shares of ₹ 100 each ₹ 500 lakhs
2. General Reserve ₹ 100 lakhs
3. Loss for the year ending 31st March, 2024 ₹ 5 lakhs

Due to absence of profits during the year 2023-24, the management recommends to declare dividend of 10% on equity share capital out of general reserve.

The rates of equity dividend for the last 5 years immediately preceding the year 2023-24 are as follows :

2022-23	2021-22	2020-21	2019-20	2018-19
12%	14%	10%	10%	7%

As an accountant of the company, you are required to suggest whether the recommendation of the management is justified ? If, you do not agree, then suggest the rate of dividend.

(c) Smart Limited is an Indian Company and has its Branch at New York. The following balances in respect of Smart Limited's USA Branch office are provided : 6

(i) Debit Balances (in USD)

Expenditure (excluding Depreciation)	:	1,03,095
Cash & bank balances	:	2,175
Debtors	:	7,365
Fixed Assets (Gross)	:	34,200
(Rate of Depreciation on Fixed Assets: 20%)		
Inventory- Stock 'P'	:	5,520
Inventory- Stock 'Q'	:	1,035

8561325

(ii) Credit Balances (in USD)

Incomes	:	1,32,000
Creditors	:	15,570
HO Control a/c	:	5,820

The following additional information is provided :

(1) The average exchange rate during the above financial year was 1 USD = ₹ 56.

(2) The fixed assets were purchased when the exchange rate was 1 USD = ₹ 55.

(3) The closing exchange rate on reporting date is 1 USD = ₹ 58.

(4) Stock item 'P' is valued at cost of USD 5,520, purchased when the exchange rate was ₹ 56.50. The present net realizable value of this item is ₹ 2,85,000.

(5) Stock item 'Q' is carried at net realizable value of USD 1,035, but its cost in USD is 1,065. It was purchased when exchange rate was 1 USD = ₹ 53.

(6) Branch Control Account as per HO books was ₹ 2,66,265.

You are required to show how it will be reflected in the books of Head Office in the form of Trial Balance, if the USA Branch Office is classified as an integral Foreign Operation.

CA- INTER – GROUP 1

SOLUTIONS OF ADVANCED ACCOUNTING FOR May 2024

BY

CA. IQTIDAR A. MALIK

(B.COM (H), FCA, CS)

DISCLAIMER

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SUGGESTIONS AND FEEDBACK ARE WELCOMED.

REGARDS
CA. IQTIDAR A. MALIK
Email: caiamalik@gmail.com

PART II – 70 Marks

ANSWER TO QUESTION NO 1 (a) (7 Marks)

Statement showing Borrowing cost capitalized as per AS 16 (Up to 31-01-24)

	₹
Borrowing Cost on Expenditure incurred on 01-04-2023 (Out of Specific Borrowing) (4,00,000 X 12% X 10/12)	40,000
Borrowing Cost on Expenditure incurred on 01-08-2023 (Out of Specific Borrowing) (10,00,000 X 12% X 6/12)	60,000
Borrowing Cost on Expenditure incurred on 01-012-2023(Out of General Borrowing) (25,00,000 X 10.8% (WN 1) X 2/12)	45,000
Borrowing Cost on Expenditure incurred on 31-01-2024 (Out of General Borrowing) (5,00,000 X 10.8% X 0/12)	--
Less: Interest income on specific borrowings	(15,000)
Borrowing cost capitalized	**1,30,000**

Journal Entry

		₹	₹
31st January, 2024	Building A/c Dr. To Bank A/c [Being amount of cost of Building and borrowing cost thereon capitalized (44,00,000 + 1,30,000)]	45,30,000	45,30,000

Statement showing Depreciation and Carrying Amount of Building on 31-03-24)

	₹
Cost of Building on 31-01-24	45,30,000
Less: Depreciation on 31-03-24 (45,30,000 /20) X 2/12	(37,750)
Carrying Amount of Building on 31-03-24	**44,92,250**

Working Notes

1. **Calculation of weighted average capitalization rate**

Interest on 20,00,000 lakhs @ 15%	**=**	**3,00,000**
Interest on 30,00,000 lakhs @ 8%	**=**	**2,40,000**
Total Interest		**5,40,000**

WACR = (5,40,000/50,00,000) X 100 = 10.8%

ANSWER TO QUESTION NO 1 (b) (7 Marks)

Calculation of Net Joint cost

Particular	₹
Raw material	3,50,000
Wages	1,60,000
Fixed OH	1,20,000
Variable OH	60,000
Less: Realizable value of By product (3200 X 40) – 10,000 – 9,000	(1,09,000)
Less: Realizable value of scrape	(5,000)
Net Joint Cost	**5,76,000**

Calculation of sale value of Joint Products

Particular	₹
Sale value of P (12,500 X 100)	12,50,000
Sale value of N (10,000 X 60)	6,00,000
Ratio	**125:60**

Allocation of Net Joint cost over Joint Products

Particular	Total	Per unit
Cost of P (5,76,000 X 125/185)	3,89,189	31.14
Sale value of N (5,76,000 X 60/185)	1,86,811	18.68
Ratio	**5,76,000**	**125:60**

Cost of Inventories

Particular	units	Cost Per unit	Total cost
Cost of P (5,76,000 X 125/185)	1,600	31.14	49,824
Sale value of N (5,76,000 X 60/185)	400	18.68	7,472

ANSWER TO QUESTION NO 2 (14 Marks)

Particulars	₹	₹
ES Capital a/c (₹ 100) Dr. To ES Capital a/c (₹ 10) (Bening 60,000 equity shares of ₹ 100 are sub divided into 6,00,000 equity shares of ₹ 10 each)	60,00,000	 60,00,000
ES Capital a/c (₹ 10) To ES Capital a/c (₹ 6) To Capital Reduction a/c (Bening 6,00,000 equity shares of ₹ 10 are converted into 6,00,000 equity shares of ₹ 6 each)	60,00,000	 36,00,000 24,00,000
Capital Reduction A/c Dr. To Bank A/c (Being payment made to PSH for 25% (21,00,000 X 8% X4 X 25%)	1,68,000	 1,68,000
Bank a/c (2400 X 98) Dr. To Own Debentures A/c (5,76,000 X 40%) To Capital Reduction A/c (Being 40% own debentures sold)	2,35,200	 2,30,400 4,800
10% Debentures a/c Dr. To Own Debentures A/c To Capital Reduction A/c (Being 60% own debentures Cancelled)	3,60,000	 3,45,600 14,400
10% Debentures a/c Dr. Capital Reduction A/c Dr. To PPE (Being debenture holders accepted machinery)	6,00,000 3,00,000	 9,00,000
Capital Reduction A/c Dr. To PPE To Trade Receivable a/c To Stock To Goodwill To Profit and loss A/c Being Assets are revalued and the Goodwill loss written off)	17,27,000	 3,00,000 75,000 36,000 81,000 12,35,000
Trade Payables A/c Dr. To capital Reduction A/c (Being Trade Payable reduced)	1,80,000	 1,80,000
Capital Reduction A/c Dr. To Bank A/c (Being Penalty paid)	60,000	 60,000

Capital Reduction Account;

Particulars	₹	Particulars	₹
To Loss on Machinery take over	3,00,000	By ES Capital	24,00,000
To Sundries (w/o)	17,27,000	By profit on sale and cancellation of own debentures (4,800 +14,400)	19,200
To Bank (Penalty)	60,000	By Trade Payables	1,80,000
To Capital Reserve	5,12,200		
	25,99,200		**25,99,200**

Bank Account;

Particulars	₹	Particulars	₹
To Balance b/d	1,33,000	By Capital Reduction (Pref div)	1,68,000
To Own Debentures a/c	2,35,200	By Capital Reduction (Penalty)	60,000
		By Balance c/d	1,40,200
	3,68,200		**3,68,200**

ANSWER TO QUESTION NO 3 (a) (7 Marks)

Ans.

(i) Calculation of Stage/Degree of completion of contract at end of each year

$$DOC = \frac{\text{Cost incurred up to Date} \times 100}{\text{Total Estimated Cost}}$$

Year 1 $\quad \frac{98.8 \times 100}{375} = 26.35\%$

Year 2 $\quad \frac{202.4 \times 100}{375} = 53.97\%$

Year 3 $\quad \frac{(310 - 3) \times 100}{382} = 80.37\%$

Year 4 $\quad \frac{382 \times 100}{382} = 100\%$

(ii) Statement showing Contract Profit recognized each year (Fig in Crores)

	Y1	Y2	Y3	Y4
(a) Total Contract Revenue	400	400	410	410
(b) Degree of completion	26.35%	53.97%	80.37%	100%
Contract Revenue Recognized (a x b)	105.40	215.88	329.517	410
Less: Cost incurred up to Date	98.80	202.40	307.00	382
Profit recognized up to date	**6.60**	**13.48**	**22.517**	**28**
Profit recognized in earlier years	**--**	**6.60**	**13.48**	**22.517**
Profit for current year	**6.60**	**6.88**	**9.037**	**5.483**

ANSWER TO QUESTION NO 3 (b) (7 Marks)

Ans. **Cash flow Statements of Aarambh Limited**
For the year ended 31-03-24

Particular	(₹)	(₹)
Cash flow from operating Activities		
Difference in P&L as per Balance Sheet (37,800 + 5,400)		43,200
Add: Transfer to General Reserve		27,000
Add: Provision for Tax		1,62,000
Add: Debentures Interest		14,256
Add: Depreciation (1,62,000 – 1,29,600)		32,400
Add: Increase in provision for Doubtful debts		27,000
Less: Income from Investments		(4,320)
Cash from operation before change in working capital		**3,01,536**
<u>Adjustments for working capital changes:</u>		
Decrease in Trade payables	(10,800)	
Increase in Trade receivables	(1,80,360)	
Decrease in Inventories	54,000	(1,37,160)
Cash from operation before Tax		**1,64,376**
Less: Tax Paid (2,21,400 + 1,62,000 – 1,35,000)		**(2,48,400)**
Net cash flow from operating Activities		**(84,024)**

ANSWER TO QUESTION NO 4 (14 Marks)

Statement showing amount of debenture and shares to be issued to 'X' Ltd. and 'Y' Ltd.

	Intelligent Ltd. (₹)	**Deligent Ltd. (₹)**	**Total (₹)**
Issue of Equity Shares (22,000 shares of ₹ 100 each) (In ratio 7:4) Wn 1	14,00,000 (14,000 shares)	8,00,000 (8,000 shares)	22,00,000
Issue of 10% Preference Shares (Equivalent shares of ₹ 100 each @ 125)	3,75,000 (3000 shares)	2,50,000 (2000 shares)	6,25,000
Issue of 12 % Debentures (WN 2)	17,50,000	11,25,000	28,75,000
Total PC	**35,25,000**	**21,75,000**	**57,00,000**

Wn 1. Calculation of two years profits

	Intelligent Ltd. (₹)	**Deligent Ltd. (₹)**
Profit of Last year Profit of current year	4,50,000 2,50,000	2,50,000 1,50,000
Total Profit of Two years	7,00,000	4,00,000
Ratio for distribution of equity shares: 7:4		

Wn 2. Calculation of 12% Debenture issued

	Intelligent Ltd. (₹)	**Deligent Ltd. (₹)**
Land & Building Plant & Machinery Inventories Trade receivables Cash and Bank Less: Trade Payables Less: Gratuity fund	11,00,000 9,00,000 6,00,000 6,00,000 4,00,000 (12,00,000) (3,00,000)	8,50,000 4,00,000 3,00,000 3,00,000 1,00,000 (4,00,000) (2,00,000)
(A) Net Assets	21,00,000	13,50,000
(B) Income equivalent to 10% on Net Assets	2,10,000	1,35,000
Debentures Issued (₹) (B /12%)	17,50,000	11,25,000

Wn 3. Calculation of Goodwill or capital reserve

	Both companies
Land & Building Plant & Machinery Inventories Trade receivables Cash and Bank Less: Trade Payables Less: Gratuity fund	19,50,000 13,00,000 9,00,000 9,00,000 5,00,000 (16,00,000) (5,00,000)
Net Assets Acquired PC Paid	34,50,000 57,00,000
Goodwill	**22,50,000**

Balance Sheet of Genius Ltd. As at 31st March, 2023

Particular	Notes	Amounts (₹)
EQUITY AND LIABILITIES		
(1) Shareholders' funds		
Share capital	**1**	27,00,000
Reserves and surplus	**2**	1,25,000
(2) Non-current liabilities		
12% Debentures		28,75,000
Retirement Gratuity fund		5,00,000
(3) Current liabilities		
Trade Payables (12,00,000 + 4,00,000 – 1,00,000 contra)		15,00,000
Total		**77,00,000**
ASSETS		
(1) Non-current assets		
PPE		32,50,000
Goodwill		22,50,000
(2) Current assets		
Inventories		9,00,000
Trade receivables (9,00,000 – 1,00,000 contra)		8,00,000
Cash & Cash Equ.		5,00,000
Total		**77,00,000**

Note 1 – Share Capital

Authorized Capital	
Equity share capital (30,000 shares of ₹ 100 each)	30,00,000
Preference share capital (10,000 shares of ₹ 100 each)	10,00,000
	40,00,000
Issued, Subscribed, called up and Paid-UpCapital	
Equity shares capital (22,000 equity shares of Rs. 100 each, such shares are issued for consideration other than cash in the scheme of amalgamation)	**22,00,000**
Preference shares capital (5,000 pref shares of Rs. 100 each, such shares are issued for consideration other than cash in the scheme of amalgamation)	**5,00,000**
	27,00,000

Note 2 – Reserve & Surplus

Securities Premium on preference share issues (5000 shares @ ₹ 25)	**1,25,000**
Total	**1,25,000**

ANSWER TO QUESTION NO 5 (14 Marks)

Consolidated Balance Sheet of Ant Ltd with Craft Ltd as at 31.03.2024

Particular	Notes	Amounts (₹)
EQUITY AND LIABILITIES		
(1) Shareholders' funds		
Share capital		6,50,000
Consolidated Reserves and surplus (wn 5)		3,73,460
(2) Minority Interest (wn 4)		1,26,740
(3) Current liabilities		
Trade Payables		2,37,000
Short term Borrowing (Bank OD)		70,000
Total		**14,57,200**
ASSETS		
(1) Non-current assets		
PPE		
Land & Building (1,90,000 + 1,35,000)		3,25,000
Plant & Machinery (Wn 1)		4,40,000
(2) Current assets		
Inventories (1,66,000 + 2,05,000 – 13,500 Stock Reserve)		3,57,500
Trade Receivable (1,33,500 + (1,68,300 + 1,700 Prov reve)		3,03,500
Cash and cash equivalents (24,500 + 6,700)		31,200
Total		**14,57,200**

Holding = 80%

Minority Int = 20%

Wn1 Revaluation

Profit or Loss on Revaluation of Plant & Machinery

	₹
Balance on 01-04-23	2,50,000
Less: Depreciation up 1st Oct (2,50,000 X 10% X 6/12)	12,500
Value on 1st Oct	2,37,500
Revised Value	2,20,000
Loss on Revaluation	17,500
Ant Ltd (80%)	14,000
MI (20%)	3,500

Saving in Depreciation

	₹
Depreciation already charged in post period	12,500
Less: Depreciation on revised value in post period (2,20,000 X 10% X 6/12)	11,000
Saving in Dep	**1,500**

Plant & Machinery in CBS

	₹
Ant Ltd	2,31,000
Craft Ltd (revied Value)	2,20,000
Less: Dep in post period on revised value)	(11,000)
P&M in CBS	**4,40,000**

Wn 2. Analysis of Profit Reserve

	Pre	Post	Total
Balance on 01-01-2020	40,000	--	40,000
Ant Ltd (80%) MI (20%)	32,000 8,000		

Profit & Loss a/c

	Pre (1-10-23)	Post	Total
Balance on 01-01-2020 + Provision for D. debts reversed (1,68,300 X 1/99)	58,700		2,08,000 1,700
Total Time Adjustment (6 Months) Add: saving in Depreciation	58,700 75,500	1,51,000 (75,500) 1,500	2,09,700
Balance	1,34,200	77,000	
Art Ltd (80%) Minority Interest (20%)	1,07,360 26,840	61,600 15,400	

Wn 3. Cost of Control

	₹
Cost of Investments	4,32,000
Less: Share Capital (80%)	(3,20,000)
Less: Share in Pre-Reserve	(32,000)
Less: Share in Pre-Profit	(1,07,360)
Add: Share in Revaluation Loss	14,000
Capital Reserve	**13,360**

Wn 4. Minority Interest

	₹
Share Capital (20%)	80,000
Share in Pre and Post Reserve	8,000
Share in Pre and Post Profit	42,240
Less: share in revaluation loss	(3,500)
Total	**1,26,740**

Wn 4. Consolidated Reserve & Surplus

	₹
Capital Reserve	13,360
Reserve (1,20,000 + 0)	1,20,000
Profit & Loss a/c (1,92,000 + 61,600)	2,53,600
Less: Stock reserve (1,03,500 15/115)	(13,500)
Total	**3,73,460**

ANSWER TO QUESTION NO 6 (a) (4 Marks)

Since lease term cover major part of useful life of assets (3 out 5), so it is Finance lease

Calculation of Unearned finance Income

	₹
Total Lease Rental (6,90,166 X 3) Add: UGRV	20,70,498 2,00,000
Gross Investments Less: Net Investments (Fair value)	22,70,498 18,00,000
Unearned Finance Income	**4,70,498**

Wn 1 Calculation of Lease rental p.a.

	₹
Net Investments (Fair value) Less: Present value of UGRV (2,00,000 X 0.7118)	18,00,000 (1,42,360)
Present Value of Rentals	16,57,640
Lease Rental p.a. (16,57,640 / 2.4018)	6,90,166

OR

Earnings available for ESH

	₹
PAT Less: Preference Dividend (Assumed cumulative)	3,44,000 (1,60,000)
Earning available for ESH for Basic EPS Add: Saving in Interest after conversion of Debentures (10,00,000 X 12% X 70%)	1,84,000 84,000
Revised Earning for Diluted EPS	**2,68,000**

Weighted Average No of shares

	₹
50,000 X 80/100 X 12/12 Call made: 50,000 – 10,000 (40,000 X 20/100 X 9/12)	40,000 6,000
WANOES for Basic EPS Add: Shares to be issued on conversion (10,000 X 3)	46,000 30,000
Revised WANOES for Diluted EPS	**76,000**

Basic EPS = 1,84,000/46,000 = ₹ 4
Diluted EPS = 2,68,000/76,000 = ₹ 3.53

ANSWER TO QUESTION NO 6 (b) (4 Marks)

(1) Average Rate of Dividend of last 3 years = (12% + 14% + 10%)/3 = 12%

(2) 10% of Paid-up cap and Free reserve (500 Lakhs + 100 Lakhs) X 10% = ₹ 60 Lakhs

(3)

Balance in General reserve	100 Lakhs
Less: 15% of paid-up capital to be maintained	(75)
Amount withdrawable	25

Maximum amount which can be withdrawn from reserve is 25 or 60 which ever is lower. So ₹ 25 Lakhs can be withdrawn. But out of such 25 Lakhs, first of all, current year loss of ₹ 5 Lakhs will be written off. So available amount for dividend will be 20 Lakhs.
Rate of Dividend = 20/500 X 100 = 4%

Company can not distribute 10% dividend out of reserve. It can distribute only 4%.

ANSWER TO QUESTION NO 6 (c) (6 Marks)

Trial Balance for the year ended 31-03-2009

	Rates	£		₹	
	₹/$	**Dr.**	**Cr.**	**Dr.**	**Cr.**
Expenditure (Excluding Dep)	56	1,03,095	--	57,73,320	--
Cash & Bank	58	2,175	--	1,26,150	--
Debtors	58	7,365	--	4,27,170	--
Fixed Assets (Net)	55	27,360		15,04,800	--
Depreciation	55	6,840	--	3,76,200	--
Inventory					
P	NRV	5,520	--	2,85,000	--
Q (1,035 at NRV in USD)	58	1,035	--	60,030	--
Incomes	56		1,32,000	--	73,92,000
Creditors	58		15,570	--	9,03,060
H.O. Control a/c	Actual		5,820	--	2,66,265
Exchange Difference (B/F)				**8,655**	
		1,53,390	**1,53,390**	**85,61,325**	**85,61,325**