The Institute of Chartered Accountants of India

Code: IN5AA247797 **Total Marks:** 100

Subject : 05 Advanced Accounting **Marks Obtained :** 74.5

Intermediate Examination

Group 2 Paper No. 5

Subject Advanced Accounting

Number of Answer Books used : Main + 2 additional sheets

For use by ICAI only

247797

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA DECEMBER 2021

14 DEC 2021

Q.No.	To be ticked (✓) by the candidate against the Questions answered	Marks Awarded (To be filled by Examiner) a	b	c	d	e	Total
1	✓						
2	✓						
3							
4	✓						
5	✓						
6	✓						
7							
8							
9							
10							
11							
12							
13							
14							
Total							

Total Marks awarded (in words)

Examiner's Signature

Use only Blue / Black Ball Point Pen to write and shade the circles. AVOID RED PEN. Write the marks in the boxes before shading the respective circles.

Total Marks awarded

0 1 2 3 4 5 6 7 8 9

0 1 2 3 4 5 6 7 8 9

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DO NOT

INSTRUCTIONS TO THE CANDIDATE

[redacted]nswers are not to be written on this page

[redacted]hould be written in figures and words in the allotted space at the right hand corner of the [redacted]nly and nowhere else including additional answer book/s and graph paper.

[redacted]ber should be written in the box in numbers and darken the appropriate circles of the OMR [redacted]ion provided in the right hand corner of the cover page with **Black / Blue** ball point pen.

[redacted]ill particulars such as name of Examination, Group No., Paper No. and subject at the appropriate space at the left hand upper corner.

4. Remove the Bar Code sticker of the particular paper from the Attendance sheet and affix the same on the box provided in the right hand corner of the cover page.

5. Since a machine will read the Roll no., please check and ensure that Roll number written in numbers, words and circles darkened are correct. In case any candidate fills this information wrongly, Institute will not take any responsibility for rectifying the mistake.

6. The answers should be written neatly and legibly

7. The answer to each question must be commenced on a fresh page and question number prominently written at the top of each answer. Alternatively, the question number should be distinctly written in the margin.

8. The answer to each question in all parts should be fully completed in one page or in a consecutive set of pages, before the next question is taken up.

9. Writing of Roll number in place/s other than the space provided for the purpose or writing distinguishing mark, symbols like "OM", "Sri", "Jesus", "786", etc., will tantamount to adoption of "unfair means"

10. Before submission of answer book to the invigilator take care to score out (X) blank pages, if any, that you might have left.

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R 19 6

3

Q.6 (b)

[Q.6] (b)

As per sec. 41 of Companies Act, 2013, where in respect of any matter, both equity shareholders & preference shareholders have right to vote, then they have, among themselves, right to vote in the same proportion, which the paid up equity share capital bears to paid up preference share capital.

R 5 6b

∴ Voting rights of shareholders will be as follows:

Paid-up equity share capital = ₹ 60 lacs
Paid-up preference share capital = ₹ 30 lacs
Total = ₹ 90 lacs

∴ Ratio = 60 l : 30 l
= 2 : 1

$$P = \frac{10}{100} \times \frac{2}{3} = \frac{2}{30}$$

$$Q = \frac{40}{100} \times \frac{2}{3} = \frac{8}{30}$$

$$R = \frac{20}{100} \times \frac{2}{3} = \frac{4}{30}$$

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$S = \frac{30}{100} \times \frac{2}{3} = \frac{6}{30}$

$K = \frac{20}{100} \times \frac{1}{3} = \frac{2}{30}$

$L = \frac{10}{100} \times \frac{1}{3} = \frac{1}{30}$

$M = \frac{40}{100} \times \frac{1}{3} = \frac{4}{30}$

$N = \frac{30}{100} \times \frac{1}{3} = \frac{3}{30}$

Note:

$\therefore$ Ratio = 2 : 8 : 4 : 6 : 2 : 1 : 4 : 3

R

5 6bStep1

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5

Q.6 (C)

Q.6(C)

R
4.5 6c

i) Total expected output in 5 years = 450,000 units

Output during lease period (3 years) = 225000 units

Cost = ₹ 225000
Profit Margin = 30% on cost.

R
1.5 6cStep1

∴ Total Lease Rental = $\left(\frac{225000 \times 225000}{450000}\right) \times 130\%$

= ₹ 146250

∴ Annual Lease Rent = $\frac{146250}{3}$

= $\boxed{₹ 48750}$

ii) Total lease rent to be recognised as income will be in the ratio of output.

Output Ratio = 60000 : 75000 : 90000
= 4 : 5 : 6

∴ Lease rent income to be recognised:
1st operating year = 146250 × 4/15
= ₹ 39000

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6

R
1.5 6cStep2

Excess rent of ₹ 9750 (48750 − 39000) is to be credited to 'Lease Equalization A/c' which will become Nil at the end of 3 years by way of set-off in later years (2nd & 3rd year).

2nd year = 146250 × 5/15
= ₹ 48750

(No 'Lease Equalization A/c' involved)

3rd year = 146250 × 6/15
= ₹ 58500

('Lease Equalization A/c' will be debited by ₹ 9750 (58500 − 48750) & becomes Nil).

(iii) As per AS 19, 'Leases', depreciation on lease is to be provided on straight line basis over the useful life, unless some other method better reflect the usage pattern.

Accordingly, depreciation will be charged in the output ratio over 5 years.

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7

R
1.5
6cStep3

Depreciation :

1st year = 225000 × $\frac{60000}{450000}$

= ₹ 30000

2nd year = 225000 × $\frac{75000}{450000}$

= ₹ 37500

3rd year = 225000 × $\frac{90000}{450000}$

= ₹ 45000

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R
4.5 6d

8

Q.6(d)

Q.6 (d)

→

1) As per AS 20, 'Earnings per share', at the time of calculating diluted earnings per share, effect is given to all dilutive potential equity shares that are outstanding during the period.

2) It is assumed that all potential equity shares have been converted to equity shares at the beginning of the year, or if later, the date of issue.

3) If they have anti-dilutive effect, i.e. if Basic EPS increases by taking into account potential equity shares, then they are ignored.

R
0.5 6dStep1

(ii) Basic Earnings per share

$$= \frac{\text{Net Profit after tax}}{\text{No. of equity shares outstanding}}$$

$$= \frac{6412500}{1500000}$$

$$= ₹\ 4.275$$

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(iii) Diluted EPS :

Particulars	₹
Net Profit after tax	6412500
(+) Interest on debentures [75000 x100 x 9% x 9/12]	506250
(−) Tax on interest expen (506250 x 35%)	(177188)
Adjusted Net Profit	67,41,562

Weighted Average No. of equity shares outstanding during the year

$1500000 + \left(75000 \times 8 \times \frac{9}{12}\right)$

R

4 6dStep2

= 1950,000 shares.

Diluted EPS

$= \frac{\text{~~Net~~ Adjusted Net Profit After Tax}}{\text{Weighted Avg. No. of equity shares outstanding}}$

$= \frac{6741562}{1950000}$

= ₹ 3.4572 per share.

Code: IN5AA247797 Total Marks: 100
Subject : 05 Advanced Accounting Marks Obtained : 74.5

10

R

5 6e

Q.6 (e)

Journal Entries

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
31/3/2019	Employees Compensation Expenses A/c Dr. [2000 x (170 − 60) /2.5]		88000	
	To Stock Option Outstanding A/c			88000
	(Being issue of 2000 stock options, at the exercise price of ₹60, with vesting period of 2.5 years)			
31/3/19	Profit & Loss A/c Dr.		88000	
	To Employees Compensation Expenses A/c			88000
	(Being transfer of expenses to P&L A/c)			
31/3/20	Employees Compensation Expenses A/c Dr. {[2000 x (170 − 60) x 2/2.5] − 88000}		88000	
	To Stock Option Outstanding A/c			88000
	(Being recognition of expenses on employees stock option)			

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Code: IN5AA247797 Total Marks: 100
Subject : 05 Advanced Accounting Marks Obtained : 74.5

Date	Particulars	Dr.	Cr.
31/3/20	P & L A/c Dr.	88000	
	To Employees Compensation Expenses A/c		88000
	(Being transfer of expenses on options to P&L A/c)		
30/9/20	Stock Option Outstanding A/c Dr.	22000	
	{[(2000 − 600) × (170 − 60)] − 176000}		
	To General Reserve A/c		22000
	(Being excess expense recognized is reversed to general P&L at the expiry of vesting period due to lapse of 600 options.)		
30/6/21	Bank A/c (1200 × 60) Dr.	72000	
	Stock Option Outstanding A/c (1200 × 110) Dr.	132000	
	To Equity Share Capital A/c (1200 × 10)		12000
	To Securities Premium A/c (1200 × 160)		192000
	(Being granted options & amount received.)		

[PTO]

Code: IN5AA247797 | Total Marks: 100
Subject : 05 Advanced Accounting | Marks Obtained : 74.5

30/9/21	Stock Option Outstanding A/c (200 × 110) Dr.	22000	
	To General Reserve A/c		22000
	(Being amount in stock option A/c transferred to general reserves on lapse of 200 options at the end of exercise period.)		

R 3.5 6eStep1

R 0 6eStep3

★ Note:

Assumed ⇒ Face Value = ₹10/- per share

R 1.5 6eStep2

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Subject : 05 Advanced Accounting **Marks Obtained :** 74.5

R 15 4
R 13 4a

(Q.4(a))

In the books of TJM & Sons.

Dr. Realisation A/c Cr.

Particulars	₹	Particulars	₹
To Plant & Machinery	750000	By Trade Payable A/c	450000
To Furniture, Fixtures	750	By JEK Ltd.	1050,000
To Inventories	300000	Purchase Consideration due → 75000 shares @₹14)	
To Trade Receivables	30000		
To Profit on realisation trfd. to capital A/c : T (2/5) 30000, J (2/5) 30000, M (1/5) 15000	75000		
	1500000		1500000

R 4 4aStep1
R 3 4aStep2

Dr. Partner's Capital A/c Cr.

Particulars	T	J	M	Particulars	T	J	M
To Equity Shares in JEK Ltd. (2:2:1, amt. ₹10.5 e)	420000	420000	00	By Bal b/d	300000	450000	150000
				By General Reserve	60000	60000	30000
				By Realisation A/c (Pro	30000	30000	15000
To Cash/Bank A/c (Bal. fig.)	—	120000	—	By Cash/Bank A/c (Bal.)	30000	—	15000
	420000	540000	210000		420000	540000	210000

The Institute of Chartered Accountants of India

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Dr. Cash in hand/bank A/c Cr.

Particulars	₹	Particulars	₹
To Balance b/d (15000 + 60000)	75000	By J's Capital A/c	120000
To T's Capital A/c	300		
To M's Capital A/c	150		
	120000		120000

R
1.5 4aStep3

★ Purchase Consideration:
= 75000 shares x ₹14/- each (10+4)
= ₹10,50,000

R
2 4aStep5

(ii) In the books of JEK Ltd.
Journal

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2021				
31/03	Plant & Machinery A/c Dr.		850000	
	Furniture & fixture A/c Dr.		100000	
	Inventories A/c Dr.		300000	
	Trade Receivables A/c Dr.		300000	
	To Capital Reserve A/c (Balancing figure)			12500
	To Trade Payables A/c		~~4500~~	450000

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Date	Particulars	Dr.	Cr.
	To Unrecorded Liability A/c		37500
	To TJM & Sons. A/c (Purchase Consideration)		1[illegible]00
~~31/03~~	(Being assets & liabilities of firm TJM & Sons. taken over & purchase consideration due.)		
31/03	TJM & Sons. A/c Dr.	1050,000	
	To Equity Share Capital A/c (75000x10)		750,000
	To Securities Premium A/c (75000 X4)		300,000
	(Being purchase consideration discharged by issue of shares at premium.)		
31/03	Trade Payables A/c Dr.	150000	
	To Trade Receivables A/c		150000
	(Being inter-company dues eliminated.)		
	Total	2750000	2750000

R

3 4aStep4

The Institute of Chartered Accountants of India

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Subject : 05 Advanced Accounting

Total Marks: 100
Marks Obtained : 74.5

16

R 2 4b

[Q. 4(b)]

Q.4(b) →

* Garner v/s Murray Principle :

1) This principle is applicable when one partner (or more) becomes insolvent & firm & is to be dissolved.

R 2 4bStep1

2) However, there are circumstances in which this principle is not applicable. They are as follows :

a) When the partnership deed specifically specifies the manner in which accounts are to be settled in case of insolvency.

b) When there are only two partners.

R

c) When all partners, except one, ~~becomes~~ have Dr. balance of their capital A/c.

d) When statute prescribes not to apply the principle (rare circumstances.)

DO NOT WRITE ANYTHING HERE

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Subject : 05 Advanced Accounting | Marks Obtained : 74.5

R 13.5 5

Q.5(a)

Q.5(a)

a) Calculation of maximum possible number of equity shares, that can be bought back : (As per sec-68)

R 3.5 5a

i) Shares Outstanding Test :

Particulars	No. of shares
Equity Shares (780 lacs ÷ 10)	78,00,000
(x) Maximum ~~no. of~~ buyback	25 %

R 0 5aStep1

∴ Maximum no. of equity shares that can be bought back | 1[illegible],000 shares

(ii) Resource Test :

R 1 5aStep2

Particulars	Amt. (₹) (lakhs)
Paid-up equity share capital	780
(+) General Reserve (after crediting CRR on 01.04.20) 625-240	~~625~~ 385
(+) Profit & Loss A/c	148
(+) Securities Premium A/c 52	
(-) Premium on redemption of preference shares (240x10%) ([illegible])	28
Total	~~1581~~ 1341
(x) Maximum portion	25%
∴ Amt. of buyback	335.25
(÷) ~~Issue~~ Per share equity to be used	₹40/-
∴ Maximum No. of shares to be bought back	8,38125 ~~988125~~ shares

R

(iii) Debt-equity ratio test :

Particulars	₹ (lakhs)
7% Debentures (268-75) cancelled.	~~268~~ 193
Unsecured Loans	36
Total Debt	~~304~~ 229
Max. Debt-equity ratio	2 : 1

Ratio of debt after buyback shall not exceed twice the paid up equity share capital.

∴ Minimum Equity to be maintained	~~152~~ 114.50
Existing equity ~~share~~ capital	1341 ~~780~~ ~~1581~~
∴ Max. amt. can be bought back	~~1189~~ ~~628~~ ~~1429~~ 1226.50
(÷) ~~Face Value~~ Per share equity to be used	40
∴ Maximum shares can be bought back	~~35.725~~ ~~30.6625~~ ~~29.725~~ 30.6625 lakhs shares

R
0.5 5aStep3

Hence, maximum no. of equity shares that can be bought-back will be lower of above three conditions, ~~i.e. 988,125 shares~~ i.e. 838125 shares

(*) Per-share equity to be used :

Particulars	₹
Face Value per share	10
Premium on buyback	20
Creation of CRR	10
Total	40

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Mohan Ltd.

Journal Entries

Date	Particulars	L.F.	Dr. ₹ (lakhs)	Cr. ₹ (lakhs)
2021				
01/04	6% Preference Share Capital A/c Dr.		240	
	Premium on Redemption A/c (240 x 10%) Dr.		24	
	To Preference Shareholders A/c			264
	(Being amt. due on redemption of preference shares at premium of 10%)			
01/04	Preference Shareholders A/c Dr.		264	
	To Bank A/c			264
	(Being payment of amt. due.)			
~~01/04~~	~~P&L A/c~~			
01/04	Securities Premium A/c Dr.		24	
	To Premium on Redemption A/c			24
	(Being premium written off)			
01/04	General Reserve A/c Dr.		240	
	To Capital Redemption Reserve A/c			240
	(Being creation of CRR to the			

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Date	Particulars		Dr.	Cr.
	extent of reduction of capital.)			
02/04	Equity Share Capital A/c (838125 x 10) Dr.		8381250	
	Premium on buyback A/c (838125 x 20) Dr.		16762500	
	To Equity Share Buyback A/c			251.4375
	(Being amt. due on buyback of 838125 shares)			
02/04	~~Bank~~ Equity Share Buy-back A/c Dr.		251.4375	
	To Bank A/c			251.4375
	(Being payment of amt. due.)			
02/04	Securities Premium A/c Dr. (52 — 24)		28	
	P & L A/c Dr.		139.625	
	To Premium on buyback A/c			167.625
	(Being premium written off.)			
02/04	General Reserve A/c Dr.		83.8125	
	To Capital Redemption			

21

	Reserve A/c		83.8125
	(Being creation of CRR to the extent of reduction of capital.)		
2/04	7% Debentures A/c Dr.	75	
	To Investment in own Debentures A/c		60
	To Profit on cancellation A/c		15
	(Being own debentures cancelled.)		
~~02/04~~	~~P&L A/c Dr.~~		
	~~To P~~		
02/04	Profit on cancellation A/c Dr.	15	
	To P&L A/c		15
	(Being profit on cancellation transferred to P&L.)		
04/04	Capital Redemption Reserve A/c Dr.	139.2375	
	To Bonus to Shareholders A/c		139.2375
	(Being sanction of bonus issue.)		

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04/04	Bonus to Shareholders A/c Dr.	139.2375	
	To Equity Share Capital A/c		139.2375
	(Being bonus shares issued in the ratio 1:5.)		

R

2 5aStep4

23

Q.5(b)

R 10 5b

Q.5(b)

Popular Bank
"Form B"
Profit & Loss A/c
for the year ended 31.03.2021

Particulars	Schedule No.	Amt. (₹)
I) Income :		
Interest received	13	2872500
Other Income	14	187500
Total		3060000
II) Expenditure :		
Interest expended	15	2040000
Operating Expenses	16	755000
Provisions & Contingencies	W.N. [illegible]	510000
Total		4305000
Profit/(Loss) for the year		(1245000)
(+) B/f profit/(loss) of last year		—
Total		(1245000)
Appropriations		
i) Transfer to statutory reserve	Nil	
ii) Transfer to Balance Sheet (P&L A/c)	(1245000)	(1245000)

R 2 5bStep1

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* Schedules :

Particulars	₹
1) Sch. 13 : Interest income	
Interest on cash credit	1365000
Interest on overdraft	562500
Interest on term loans	1155000
Less : Interest earned but not received on NPA	
Cash credit (615000 – 300000)	(315000)
Overdraft (337500 – 75000)	(262500)
Term Loans (562500 – 187500)	(375000)
Income on investment	630000
Interest on balance with R	112500
	2872500
2) Sch. 14 : Other Income	
Commission on remittance ₹	56250
Commission on LC	88500
Commission on Govt. business	61500
Profit on sale of land	20250
Less : Loss on exchange transaction	(39000)
Total	187500
3) Sch. 15 : Interest expended	
Interest paid (deposits)	2040000
	2040000

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R
4.5 5bStep2

R
3.5 5bStep3

Sch. 16 : Operating expenses

Auditors fees	90000
Directors fees	187500
Advertisement	135000
Salaries	93000
P.F. payment	210000
Printing & Stationery	105000
Repairs & Maintenance	37500
Postage, Telegrams, etc.	60000
Total = ₹ 1755000 ~~Total~~	~~1755000~~
~~Loss in investment~~	~~65625~~
~~Total~~	~~1820625~~

~~* W.N.01: Provisions & Contingencies~~

(*) i) ~~Provision for~~ loss in investment (Provision)

Market Value 1481250

(-) Book Value (2062500 × 75%) (1546875)

∴ ~~Provision~~ Loss (Provision) 65625

W.N.01 : Provisions & Contingencies

ii) Provision on NPA

Category	Amt.	Rate	Provision
Standard	2250000	0.40%	9000
Sub-standard	840000	15%	126000
Doubtful (Unsecured)	150000	100%	50000
Doubtful (secured)			
D1	37500	25%	9375
Loss Assets	150000	100%	150000
Total			444375
Total Provision (65625 + 444375)			510000

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R 13 2

Q.2(a)

[Q. 2 (a)]

→ (i) 1) As per Companies Act, 2013 preference shares cannot be issued with differential rights.

R 5 2a

2) Only equity shares can be issued with differential rights.

R 1 2aStep1

→ (ii) Conditions under Co. (Share Capital & Debentures) Rules, 2014 :

R 4 2aStep2

1) The issue shall be authorized by ~~ordinary~~ special resolution in general meeting.

2) Articles of Association should permit issue of such shares

3) The total voting power of shares with differential rights shall not exceed 26% of total voting power

4) The company should not have defaulted in repayment of deposits, debentures, interest thereon.

5) It shall not be convicted by any law regulatory body.

6) It has no default with respect to employees statutory dues, borrowings of banks, financial institution. (Default made good since atleast 5 years).

7) Permission of sectoral regulator (SEBI/RBI, etc.)

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R
8 2b

Q.2(b)

Q.2(b) →

W.N.01: Cal? of Purchase Consideration (PC)

Particulars	₹ (lakhs)
i) Dark Ltd.:	
Issue of equity shares (12 lakhs × 5 × 35)	2100
ii) Fair Ltd.:	
Issue of equity shares (11.25 lakhs × 4 × 35)	1575
Sub-Total	3675 lakhs
iii) Preference Shares:	
? % Preference Shares issued:	
Dark Ltd. (4.50 lakhs × 160)	720
Fair Ltd. (3 lakh × 160)	480
Sub-total	1200
Total	4875

R
2 2bStep3

R
1 2bStep5

W.N.02: Cal? of debentures to be issued

Particulars	Dark Ltd.	Fair Ltd.
10 % Debentures	₹ 90 lakhs	₹ 45 lakhs
∴ Interest	₹ 9 lakhs	₹ 4.5 lakhs
(÷) Rate of new debt	16 %	16 %
∴ Amt. of 16 % Debentures	5625000	2812500
(÷) Issue Price	100	100
∴ No. of debentures	56250	28125

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CHARTERED
THE INSTITUTE OF
DECEMBER 2021

Addl. Book No. 1

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
ADDL. BOOK

14 DEC 2021

DO NOT WRITE ROLL NUMBER ANYWHERE IN THIS ADDITIONAL ANSWER BOOK

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W.N.03: Calⁿ of Goodwill / Capital Reserve

Particulars	₹ in lakhs	
	Dark Ltd.	Fair Ltd.
Assets taken over:		
Property, Plant & Equipment	1350	975
Non-current investments	225	75
Inventories	525	375
Trade Receivables	450	525
Cash & equivalents	450	300
(Less): Liabilities taken over		
10% Debentures	(90)	(45)
Trade Payables	(630)	(285)
Net Assets (A)	2280	1920
Purchase Consideration		
Equity Shares	2100	1575
Preference Shares	720	480
Total (B)	2820	2055
Goodwill (B − A)	540	135

R
1 2bStep4

The Institute of Chartered Accountants of India

Code: IN5AA247797 Total Marks: 100
Subject : 05 Advanced Accounting Marks Obtained : 74.5

2

Balance Sheet
As on 01st April, 2021

Particulars	Note No.	Amt. (₹) (lakhs)
(I) Equity & Liabilities		
(1) Shareholder's Funds		
(a) Share Capital	01	2700
(b) Reserves & Surplus		3125.625
(2) Non-Current Liabilities		
(a) Long Term Borrowings (16% Debentures = 5625000 + 2812500)	–	8437500
(3) Current Liabilities		
(a) Trade Payables (630 + 285)	–	915
Total		
(II) Assets :		
(1) Non-Current Assets		
(a) Property, Plant & Equipment (1350 + 975)		2325
(b) Non-current investment (225 + 75)	–	300
(c) Goodwill (540 + 135 + 6 + 3)	–	684

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Subject : 05 Advanced Accounting Marks Obtained : 74.5

3

R

2 2bStep1

(2) Current Assets		
(a) Inventory (525+375)	-	900
(b) Trade Receivables (450+525)		975
(c) Cash & cash equivalents	03	~~1200~~ 1191
Total		

* Notes :

Particulars	₹ (lakhs)
1) Share Capital:	
Authorized Share Capital	
150,00,000 equity shares of ₹10/-	1500
12 lakhs preference shares of ₹100/-	1200
	~~1500~~ 2700
Issued, subscribed & Paid-up:	
1.5 crore equity shares of ₹10/-	1500
	~~1500~~
(Out of above 1.05 crore equity shares were issued for consideration other than cash.)	
16% Preference Share Capital	1200
	2700

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Code:	IN5AA247797	Total Marks:	100
Subject :	05 Advanced Accounting	Marks Obtained :	74.5

4

2) Reserves & Surplus :

R

2

2bStep2

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Code: IN5AA247797 **Total Marks:** 100
Subject : 05 Advanced Accounting **Marks Obtained :** 74.5

CHARTERED ACCOUNTANTS OF INDIA THE INSTITUTE OF
DECEMBER 2021

Addl. Book No. ....

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
ADDL. BOOK

DO NOT WRITE ROLL NUMBER ANYWHERE IN THIS ADDITIONAL ANSWER BOOK

DO NOT WRITE ANYTHING HERE

R 3 1a

14 DEC 2021

Q.1(a)

R 13 1

1) As per AS 4 (Revised), 'Events occurring after balance sheet date', dividend declared after balance sheet date is a Non-Adjusting event, as it does not give further evidence of conditions existing at balance sheet date.

R 2 1aStep1

2) fraud pertaining to period, before balance sheet date, but detected thereafter is an adjusting event.

R 1 1aStep2

3) Loss by fire after year-end is Non-Adjusting event, because it was not a condition on balance sheet date.
However, if going concern is in danger, then it b mes adjusting event.

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Code: IN5AA247797 Total Marks: 100
Subject : 05 Advanced Accounting Marks Obtained : 74.5

R
2.5 1b

2

Q.1(b)
→ (i) Total ₹500000 should be recognised as revenue as per AS 9 'Revenue Recognition' because, in case of sale on approval, sale is completed when the buyer did not give approval/rejection till last date of approval.

R
2.5 1bStep1

(ii) In case of sale of goods, the performance is said to be achieved when all the risks & rewards incidental to ownership have been transferred & seller retains no effective control, irrespective of delivery. Hence, revenue to be recognized is ₹240000.

(iii) ₹600000 is the revenue to be recognized even if re-purchase in next year.

(iv) Interest → recognized on accrual basis

R

Royalty → on accrual basis, as per the terms of agreement.

R

v) Unsold goods with consignee should not be regarded as sold & no revenue recognized.

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Code: IN5AA247797 **Total Marks:** 100
Subject : 05 Advanced Accounting **Marks Obtained :** 74.5

R 5 1c

3

Q.1(c) →

AS 26, 'Intangible Assets'

i) Expenditure till recognition criteria is met → to be expensed
∴ Dr. to P&L A/c = ₹ 35 l.

R 1 1cStep1

ii) Intangible Asset = ₹67 − 35 l
(on 31·3·20) = ₹ 32 lakhs

R 1 1cStep2

iii) Expd. for 2020-21 :

Amt. capitalized	=	₹ 32 lakhs
(+) Further	=	₹ 105 lakhs
(−) Realisable Value	=	(₹ 89 lakhs)
Expense to P&L		₹ 48 lakhs.

R 2 1cStep3

iv) Carrying Amt. = ₹ 89 lakhs.

R 1 1cStep4

The Institute of Chartered Accountants of India

Code:	IN5AA247797	Total Marks:	100
Subject :	05 Advanced Accounting	Marks Obtained :	74.5

R
3 1d

4

Q.1(d)
→

Purchase Consideration :

Particulars	₹
11% Preference Shares (2 for every 3) 100000 × ₹ 18	1800000
Equity Shares 50000 × ₹ 13	650000
Cash (18 × 150000)	2700000
Total	4350000

R
3 1dStep1

DO NOT WRITE ANYTHING HERE

The Institute of Chartered Accountants of India

Code: IN5AA247797 **Total Marks:** 100
Subject : 05 Advanced Accounting **Marks Obtained :** 74.5

Result Overview

Awarded Marks: 74.5 **Max Marks:100**

NA **Not Attempted** O **Optional** M **Marked**

Q1_Compulsory (Score: 13.5/20)

Question No	Awarded Marks	Maximum Marks	Status
1	13.5	20	M
1a	3	5	M
1b	2.5	5	M
1c	5	5	M
1d	3	5	M

Q2_Q6 (Score: 61/80)

Question No	Awarded Marks	Maximum Marks	Status
2	13	20	M
2a	5	5	M
2b	8	15	M
3	0	20	O
3a	0	15	O
3b	0	5	O
4	15.5	20	M
4a	13.5	15	M
4b	2	5	M
5	13.5	20	M
5a	3.5	10	M
5b	10	10	M
6	19	20	M
6a	0	5	O
6b	5	5	M

6c	4.5	5	M
6d	4.5	5	M
6e	5	5	M