#### **Question 1** – <u>(Inter Nov 2022)</u> (20 Marks)

The following is the Trial Balance of Anmol Limited as on 31st March 2022:

	he following is the Irial Balance of Anmol Limited as on 31st March, 2022:			
	Debit Balance	Amount(₹)	Credit Balances	Amount(₹)
	Purchases	82,95,000	Sales RFO	1,25,87,000
	Wages and Salaries 🛛 🥵 🗲	12,72,000	Commission 05	72,500
	Rent – OE	2,20,000	Equity Share Capital	<b>7</b> 10,00,000
	Rates and Taxes 🛛 🛛 🗲	50,000	General Reserve	10,00,000
	Selling & Distribution Expenses	<b>E</b> 4,36,000	Surplus (P&L A/c) 01.04.2021 🗚	8,75,500
	Directors Fees 06	<b>5</b> 32,000	Securities Premium	2,50,000
	Bad Debts OE	<b>f</b> 38,500	Term Loan from Public 178	1,02,00,000
			Sector Bank	
	Interest on Term Loan FC	<b>\$</b> ,05,000	Trade Payables	55,08,875
	Land	<b>~</b> 24,00,000	Provision for Depreciation:	
	Factory Building	636,80,000	On Plant & Machinery	9,37,500
	Plant and Machinery	62,50,000	On Furniture and Fittings	<b>6</b> 82,500
	Furniture and Fittings	6,25,000	On Factory Building	<b>1</b> ,84,000
•	Trade Receivables	64,75,000	Provision for Doubtful Debts	<b>5</b> 25,000
	Advance Income Tax Paid	7,500	Bills Payable	<b>f</b> 1,25,000
	Stock (1st April,2021)	9,25,000		
	Bank Balances 7 (166	9,75,000		
	Cash on Hand	1,31,875		
	Total	3,28,47,875	Total	3,28,47,875

Following information is provided:

- Y The Authorized Share Capital of the Company is 2,00,000 Equity Shares of ₹ 10 each. The Company has issued 1,00,000 Equity Shares of ₹ 10 each.
  - 2. Rent of ₹ 20,000 and Wages of ₹ 1,56,500 are outstanding as on 31<sup>st</sup> March, 2022. 🤇 οζι
- 3. Provide Depreciation @ 10% per annum on Plant and Machinery, 10% on Furniture and Fittings and 5% on Factory Building on written down value basis. Deb-
- Closing Stock as on 31<sup>st</sup> March, 2022 is ₹ 11,37,500. PLC Com As-
- 5. Make a provision for Doubtful Debt @ 5% on Debtors. PLL, Trade Rec-6. Make a provision of 25% for Corporate Income Tax. PLC, ST
- Iransfer ₹ 1,00,000 to General Reserve.
- 各 Term Loan from Public Sector Bank is secured against Hypothecation of Plant and Machinery. Installment of Term Loan falling due within one year is ₹ 17,00,000.
- Trade Receivables of ₹ 85,600 are outstanding for more than six months. T.K. [ Disu.) 10. The Board declared a dividend @10% on Paid up Share Capital on 5th April, 2022.

You are required to prepare Balance Sheet as on 31<sup>st</sup> March 2022 and Statement of Profit and Loss with Note to Accounts for the year ending 31st March, 2022 as per Schedule III of the Companies Act, 2013. Ignore previous years' figures.

or Dividu Nore:

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#### Question 2

	012 .	cloi-
The following are the summarized Balance Sheets	of 'X' Ltd. as on March	n 31, 2021 and 2022:
Liabilities	As on 31.03.2021	As on 31.03.2022
Equity share capital	10,00,000	12,50,000
Capital Reserve	-	<b>7</b> 10,000
General Reserve	2,50,000	3,00,000
Profit and Loss A/c	<b>1</b> ,50,000	1,80,000
Long term Joan from the bank	5,00,000	4,00,000
Trade Payables	5,00,000	4,00,000
Provision for Taxation	<b>6</b> 50,000	€ 60,000
Dividend payable	<b>~</b> 1,00,000	1,25,000
	25,50,000	27,25,000
Assets	As on 31.03.2021	As on 31.03.2022
Land and Building 🗕 🛶	5,00,000	4,80,000
Machinery ->	7,50,000	9,20,000
Investment	<b>f</b> 1,00,000	<b>f</b> 50,000
Inventory	3,00,000	2,80,000
Trade Receivables	4,00,000	4.20,000
Cash in Hand	2,00,000	1,65,000
Cash at Bank	3,00,000	4,10.000
	25,50,000	27,25,000

Additional Information:

Dividend of ₹ 1,00,000 was paid during the year ended March 31, 2022.

- Machinery during the year purchased for ₹ 1,25,000.
- Machinery of another company was purchased for a consideration of ₹ 1,00,000 payable in equity shares.
  - Income-tax provided during the year ₹ 55,000.

Company sold some investment at profit of ₹ 10,000, which was credited to Capital reserve. There was no sale of machinery during the year.

Depreciation written off on Land and Building ₹ 20,000.

From the above particulars, prepare a cash flow statement for the year ended March, 2022 as per AS 3 (Indirect method).

#### Question 3 (ICAI Study Material) (Similar)

A Ltd. purchased machinery for ₹ 40 lakhs. (Useful life 4 years and residual value ₹ 8 lakhs) Government grant received is ₹ 16 lakhs. Grant becomes refundable in the third year.

Pass necessary journal entries for a general f: 3 rear only

(1) the grant is credited to Fixed Assets A/c.

(2) the grant is credited to Deferred Grant A/c.

#### Question 4 (Inter Dec 2021) (5 Marks)

Apr to Nar

Calculate the basic and diluted earnings per share for the year 2020-21 from the following information:

Net profit after tax for the year	64,12,500
No. of equity shares outstanding	15,00,000
No. of 9% convertible debentures of ₹ 100 each issued on 1 <sup>st</sup> July,2020	75,000
Each debenture is convertible into 8 equity shares	
Tax relating to interest expense	35%

#### CA NITIN GOEL

#### Question 5: Case Study 1

Axis limited is a manufacturing company. It purchased a machinery costing  $\gtrless$  10 Lakhs in April'23. It paid  $\gtrless$  4 lakhs upfront and paid remaining  $\gtrless$  6,00,000 as deferred payment by paying instalment of  $\gtrless$  1,05,000 for next 6 months. During the year, the Company sold a land which was classified as its property, plant and equipment' for  $\gtrless$  25,00,000 and paid  $\gtrless$  1,00,000 as income tax as long term capital gain on such sale. During the year, the Company also received income tax refund along with interest.

Based on above case study answer the following multiple-choice questions

- 1. As per the requirements of AS 3, 'Cash Flow Statements', how the amount for purchase of machinery should be presented:
- a) ₹ 10 lakhs as 'Cash flows from Investing Activities' and ₹ 30,000 will simply be booked in profit and loss with no presentation if Cash Flow Statement.
- b) ₹ 10.30 lakhs as Cash flows from Investing Activities' as entire amount is spend on purchase of machinery.

✓ ₹ 10 lakhs as 'Cash flows from Investing Activities' and ₹ 30,000 as 'Cash flows from Financing Activities.

- A) ₹ 10.30 lakhs as 'Cash flows from Financing Activities' as the machinery has been purchased on finance.
- 2. At what amount, the machinery should be recognised in the financial statements:
  - a) ₹ 4,00,000
  - b) ₹10,30,000
  - c) ₹6,00,000
  - ₩7 ₹ 10,00,000
- 3. How should the income tax paid on sale of land should be disclosed in Cash flows statement:
  - a) Cash flows from Operating Activities
  - Cash flows from Investing Activities
    - c) Cash flows from Financing Activities
    - d) No disclosure in Cash Flow Statement

#### CA NITIN GOEL

#### Question 6: Case Study 2

Venus Limited received a parcel of land at no cost from the government for the purpose of developing a factory in an outlying area. The land is valued at ₹ 75 lakhs, while the nominal value is ₹ 10 lakhs. Additionally, the company received a government grant of ₹ 30 lakhs, which represents 25% of the total investment needed for the factory development. Furthermore, the company received ₹ 15 lakhs with the stipulation that it be used to purchase machinery. There is no expectation from the government for the repayment of these grants.

Nominal volue

Based on above case study answer the following multiple-choice questions

- 1. The land received from Government, free of cost should be presented at:
  - a) ₹75 Lakhs
  - b) ₹ 30 Lakhs
  - 💓 ₹ 10 Lakhs
  - d) ₹ 45 Lakhs

+ Promoter cont.

- 2. As per AS 12, how the Government Grant of ₹ 30 Lakhs should be presented:
- **x** a) It should be recognised in the profit and loss statement as per the related cost.
  - It will be treated as capital reserve.
    - c) It will be treated as deferred income.
    - d) It will not be recognised in the financial statements.

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- 3. As per AS 12, how the Government Grant of ₹ 15 Lakhs with a condition to purchase machinery may be presented as:
  - a) Capital Reserve
  - b) Shareholders Fund 🗡
  - 🖉 Deferred Income 🛩
- 4. Which of the above grants are required to be recognised in the statement of profit and loss on a systematic and rational basis over the useful life of the asset:
  - a) Land received as Grant
  - b) Government Grant of ₹ 30 Lakhs
  - Government Grant of ₹ 15 Lakhs with a condition to purchase machinery
    - d) None of the above

#### Question 7 (Inter Jan 2021) (12 Marks)

Following information was extracted from books of S Ltd. for the year ended 31st March, 2022:

- (1) Net profit before taking into account income tax and after talking into account the following items was ₹ 30 lakhs;
  - (i) Depreciation on Property, Plant & Equipment ₹ 7,00,000
  - (ii) Discount on issue of debentures written off ₹ 45,000.
  - (iii) Interest on debentures paid ₹ 4,35,000
  - (iv) Investment of Book value ₹3,50,000 sold for ₹3,75,000.
  - (v) Interest received on Investments ₹70,000
- (2) Income tax paid during the year ₹ 12,80,000
- (3) Company issued 60,000 Equity Shares of ₹ 10 each at premium of 20% on 10th April, 2021.
- (4) 20,000,9% Preference Shares of ₹ 100 each were redeemed on 31st March, 2022 at a premium of 5%
- (5) Dividend paid during the year amounted to ₹ 11 Lakhs
- (6) A new Plant costing ₹ 7 Lakhs was purchased in part exchange of an old plant on 1st January,2022. The book value of the old plant was ₹ 8 Lakhs but the vendor took over the old plant at a value of ₹ 6 Lakhs only. The balance amount was paid to vendor through cheque on 30th March, 2022.
- (7) Company decided to value inventory at cost, whereas previously the practice was to value inventory at cost less 10%. The inventory according to books on 31.03.2022 was ₹ 14,76,000. The inventory on 31.03.2021 was correctly valued at ₹ 13,50,000.
- (8) Current Assets & Current Liabilities in the beginning & at the end of year 21-22 were as:

	As on 01.04.2021	As on 31.03.2022
Inventory	13,50,000	14,76,000
Trade receivables	3,27,000	3,13,200
Cash & Bank	2,40,700	3,70,500
Trade payables	2,84,700	2,87,300
Outstanding expenses	97,000	1,01,400

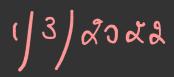
You are required to prepare a Cash Flow Statement for the year ended 31st March, 2022 as per AS 3 using the indirect method.

#### <u>Solution</u>

Cash Flow Statement for the year ended 31st March, 2022		
	Amount	Amount
Cash flow from Operating Activities		
Net profit before income tax and extraordinary items:		30,00,000
Adjustments for:		
Depreciation on Property, plant and equipment	7,00,000	
Discount on issue of debentures	45,000	
Interest on debentures paid	4,35,000	
Interest on investments received	(70,000)	
Profit on sale of investments	(25,000)	
Stock adjustment {14,76,000 less16,40,000(14,76,000/90X100)}	1,64,000	12,49,000
Operating profit before working capital changes		42,49,000
Adjustments for:		
Increase in inventory	(2,90,000)	
{16,40,000(14,76,000/90X100) less 13,50,000}		
Decrease in trade receivable	13,800	
Increase in trade payables	2,600	
ncrease in outstanding expenses	4,400	(2,69,200)
Cash generated from operations		39,79,800
ncome tax paid		<u>(12,80,000)</u>
Net cash flow from operating activities		26,99,800
Cash flow from Investing Activities;		
Sale proceeds of investments	3,75,000	
interest received on investments	70,000	
Purchase of Fixed Assets (7,00,000 less 6,00,000)	<u>(1,00,000)</u>	
Net cash flow from investing activities		3,45,000
Cash flow from Financing Activities		
Proceeds of issue of equity shares	7,20,000	
Redemption of preference shares	(21,00,000)	
Dividend paid	(11,00,000)	
interest on debentures paid	(4,35,000)	
Net cash used in financing activities		<u>(29,15,000)</u>
Net increase in cash and cash equivalents during theyear		1,29,800
Add: Cash and cash equivalents as on 31.3.2021		2,40,700
Cash and cash equivalents as on 31.3.2022		3,70,500

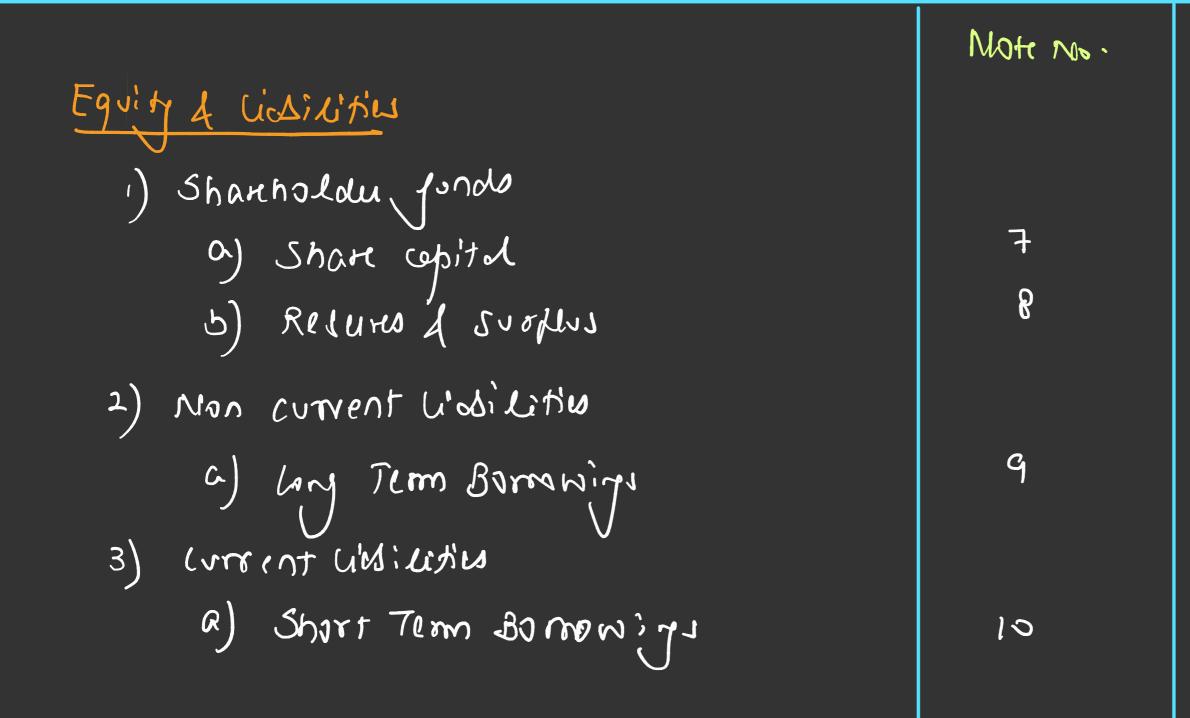
S Ltd.

Cash and cash equivalents as on 31.3.20223,70,500\*Net profit given in the question is after considering only the items listed as information point (1)of the question; hence amount of loss on plant not added back



roit byore Tan - Tau Eupense (Prov. for Tau) (467950 x 251) Profit after Jan

Balonce sheet as at 31/3/22



467950 (1)6988)

### 350962

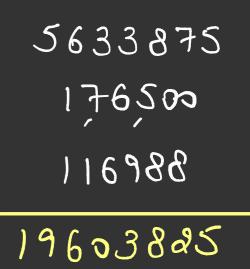
Amount

## 10,00,000 24,76,462

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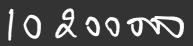
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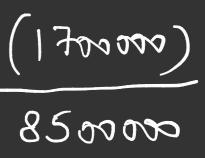


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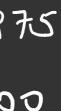


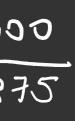
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15) Trade Receivasco

16

37500 Advonu Jan

#### Notes to Accounts

- Other Income 1) 72500 Compission
- Chape in Inventions 2) Openin stoch 925000 (1137500)- closing stoch (212500)

Fronu costa 4) Interest on Tem Loon 5) Deprication ( Amortisation lup. Dep-on a) Plont & Macn. (6250000-937500)X107. b) Fimilon & Fittings (825000 - 82500) X 107. C) Factory Building (368000 - 184000) × 5+

85000

531250

74250

174800

780300

Other Elbenns		
Rent	2,20,000	
-t ols	20000	240000
Rates & ta	. V M	30000
Seller & Di		436000
Director Je		32000
Bad dests Actual	2 38500	
+ dosig po (6475000)	onision 323750 x 51) onision (25000)	)
- Opening Pr	anion (25000)	337250
		1095250

6)



Cash flow statement

A) Cash flow from Operation Activities	
Net Increation PALAJe	30,000
+ Tronger to General Researce	50000
+ Divident declared	125000
+ Privision for Tan	55000
Profit byon Jan 2 entraordinany items	260000
+ Diprivation on Land & Buildy	2000
f Dep: on Plant & Machinery	55000
Optrative Prit Sylore working capital charges	335000
Decrer in Jorning	2000
Inca in Trade Rewirdles	(2000)
Dec. in Trade Poyosles	(100 390)

### 190000

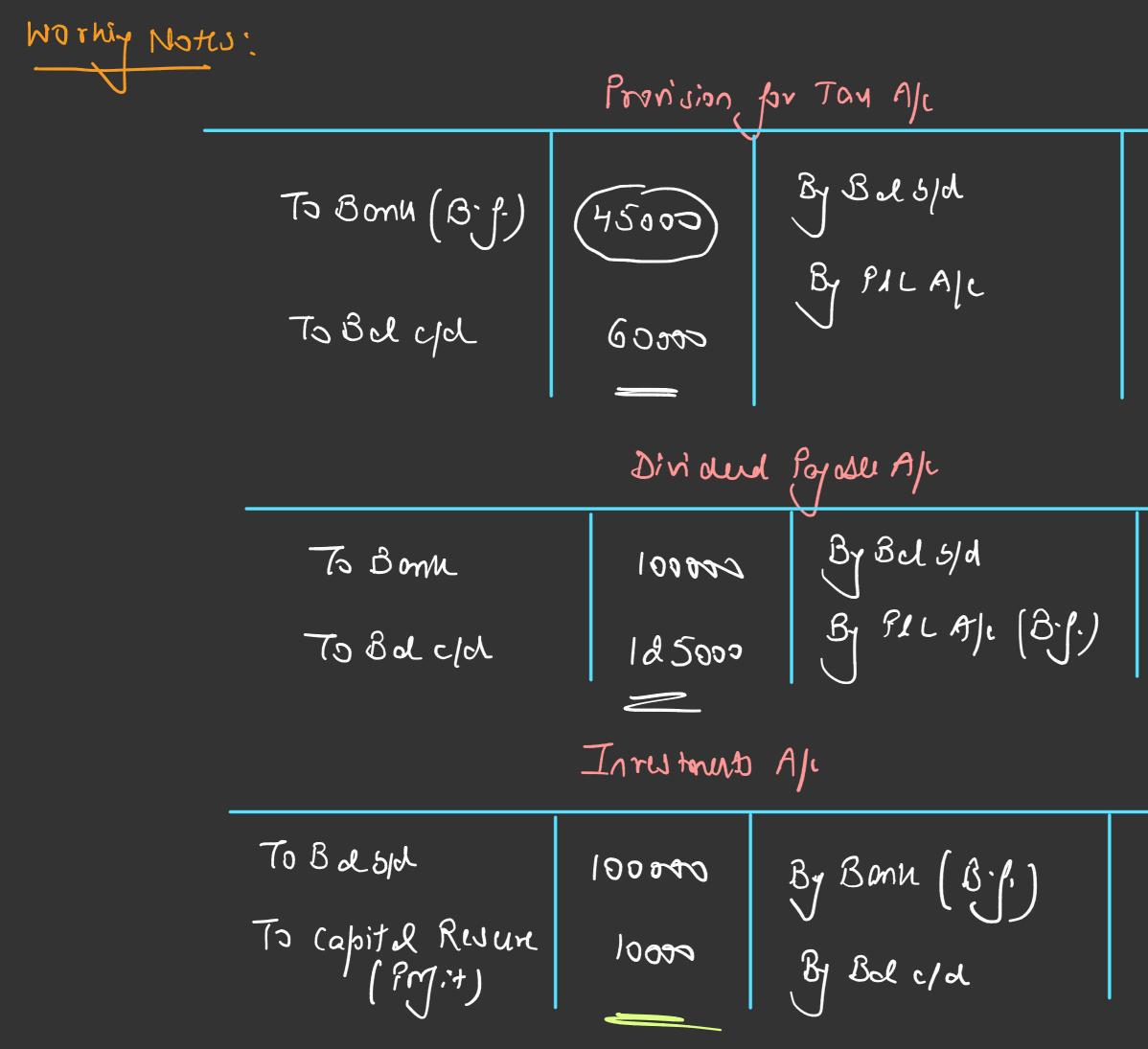
## (65000)



Met Increan in cooh & cooh Equivalents -f Opening cooh & cooh Eq. (200000 + 300000) closing cooh & cooh Eq. (165000 + 410000)

75000

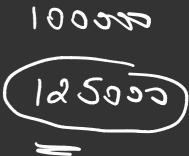
500000





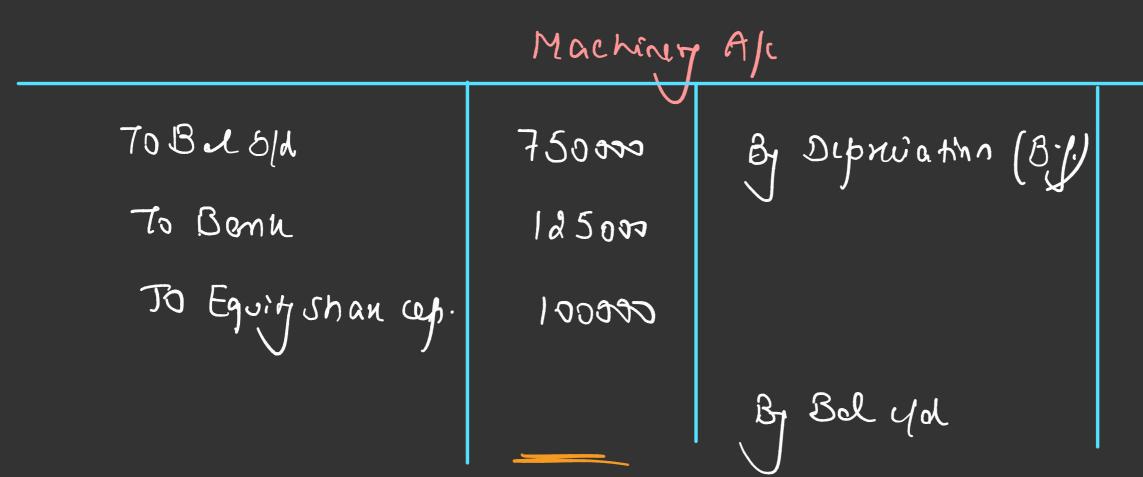
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Solution

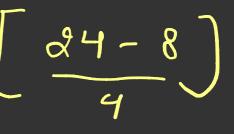
## Case 1. Grant is credited to Fined Assets

12

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Working Note  
Original cost of Marking = 40  
- Grant (16)  

$$\frac{39}{294}$$
  
- Dep: for Year 1 (4)  
- Dep: for Year 2 (4)  
- Dep: for Year 2 (4)  
16  
+ Refund of Grant 16  
32  
Dep: =  $\frac{3a-8}{2} = 12$  (aluns



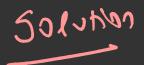
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= 4L



Basic EPS = Net Profit attributable to Equip shown  
Weighted Average of Equip shows  

$$= \frac{6412500}{150000} = 4.275$$

Diluted EPS = Net infit attributoser to ESH + Effect of Potensial Eq. shana On Earnings

$$= \frac{6412500 + 329062.50}{150000 + 450000} = 3.457$$



5 21 Equshaw

Potential Eq. shans: Convertible Deservices Effect on Earries Interest =  $(75000 \times 100) \times 94 \cdot \frac{9}{12} = 506250$ Tan C 354. (177187.

Effection shans  
(75000 x 8) 
$$\times \frac{9}{12} = 450000$$

## = 506250 (177187.50) 329062.50

Machinery (a) 
$$t = 120000$$
  
 $-9id = (40000)$   
 $-9id = (40000)$   
 $-60000$   
 $Tost = 105000 \times 6$   
 $= 630000$   
 $Tor' \leftarrow Machiner Ali - Sr 100000
Fromily  $\leftarrow Interest Ali - Sr 30000$   
 $70 Bonn 1030000$$ 

# Interest = 3000 Poloupel = 6L