IPCE (New Syllabus)

Paper - 5

MAY 2023

Roll No. .... **Advanced Accounting**

Total No. of Questions – **6**

14/05/2023 5:05PM

Total No. of Printed Pages – **12**

Time Allowed – **3** Hours

Maximum Marks – **100**

NCK

Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate who has not opted for Hindi Medium, his/her answers in Hindi will not be valued.

Question No. **1** is compulsory.

Candidate are also required to answer any **Four** questions from the remaining **Five** questions.

Working Notes should form part of the respective answers.

Marks

1. (a) Fisher Construction Co. obtained a contract for construction of a commercial complex. The following details are available in records of a company for the year ended 31st March, 2023 : **5**

Particulars	Amount in lakhs
Total contract price	24000
Work certified	12500
Work not certified	2500
Estimated further cost to completion of work	17500
Progress payment received	11000
Progress payment to be received	3000

Marks

Applying the provisions of AS 7, you are required to compute :

(i) Profit / Loss for the year ended 31st March, 2023

(ii) Contract work in progress at the end of financial year 2022-2023

(iii) Revenue to be recognized out of the total contract value

(iv) Amount due from/ to customers as at the year end

(b) Toy Ltd. is engaged in manufacturing toys. They provide you the following information as on 31st March, 2023 : **5**

(i) On 15th January, 2023, Toys worth ₹ 5,00,000 were sent to A Ltd. on consignment basis of which 25% Toys unsold were lying with A Ltd. as on 31st March, 2023.

(ii) Toys worth ₹ 2,25,000 were sold to S Ltd. on 25th March, 2023 but at the request of S Ltd., these were delivered on 15th April, 2023.

(iii) On 1st November, 2022, toys worth ₹ 3,50,000 were sold on approval basis. The period of approval was 4 months after which they were considered sold. Buyer sent approval for 75% goods upto 31st December, 2022 and no approval or disapproval received for the remaining goods till 31st March, 2023.

You are required to advise the accountant of Toy Ltd., the amount to be recognised as revenue in above cases in the context of AS-9.

(c) Answer the following with respect to AS-18 : **5**

(i) ABC Ltd. sold goods of ₹ 2,00,000 to its associate company for the 1st quarter ending 30.06.2022. After that the related party relationship ceased to exist. However, goods were supplied to any other ordinary customer. Decide whether transactions of the entire year have to be disclosed as related party transaction.

(ii) If the majority of directors of Arjun Ltd. constitute the majority of the Board of another Company Bheem Ltd. in their individual capacity as professionals (and not by virtue of their being Directors in Arjun Ltd.). Are both the companies related ?

(iii) Asha Ltd. sells all the manufactured furniture of ₹ 1,00,00,000 to Sasha Ltd. as per agreement. Sasha Ltd. is the only customer to Asha Ltd. In the financial statements, Asha Ltd. wants to present Sasha company as a related party. Comment on the disclosure requirement.

(d) The Accountant of X. Ltd. provides the following data regarding its five segments : **5**

Particulars	**A**	**B**	**C**	**D**	**E**	**Total (₹ in Crore)**
Segment Assets	50	20	15	10	5	100
Segment Results	(85)	10	10	(15)	5	(75)
Segment Revenue	250	50	40	60	30	430

The accountant is of the opinion that segment 'A' alone should be reported.

Is he justified in his view ? Examine his opinion in the light of provisions of AS -17 Segment Reporting.

2. X Ltd. and Y Ltd. had been carrying on business independently. They agreed to amalgamate and form a new company XY Ltd. with an authorized share capital of ₹ 40,00,000 divided into 8,00,000 equity shares of ₹ 5 each. On 31st March, 2023 the respective information of X Ltd. and Y Ltd. were as follows : **20**

	X Ltd. (₹)	**Y Ltd. (₹)**
Share Capital	34,25,000	36,10,000
Trade Payable	59,70,000	18,02,500
Property, Plant and Equipment	58,25,000	37,40,000
Current Assets	31,45,000	15,99,500

Additional Information :

The following revalued figures of non-current and current assets are :

	X Ltd. (₹)	Y Ltd. (₹)
Property, Plant and Equipment	71,00,000	39,00,000
Current Assets	29,95,000	15,77,500

The debtors and creditors include ₹ 1,37,250 owed by X Ltd. to Y Ltd.

The purchase consideration is satisfied by issue of the following shares and debentures.

6,20,000 equity shares of XY Ltd. to X Ltd. and Y Ltd. in the proportion to the profitability of their respective business based on the average net profit during the last four years which were as follows :

	X Ltd. (₹)	Y Ltd. (₹)
2020 Profit	42,50,000	26,50,000
2021 Profit	44,45,760	27,60,000
2022 (Loss)/Profit	(75,000)	34,00,000
2023 Profit	37,79,240	35,90,000

7.5% debenture in XY Ltd. at par to provide an income equivalent to 4% return business as on capital employed in their respective business as on 31st March, 2023 after revaluation of assets.

You are required to :

(1) Compute the amount of debenture and shares to be issued to 'X' Ltd. and 'Y' Ltd.

(2) A Balance Sheet of XY Ltd. showing the position immediately after amalgamation.

Marks

3. (a) G Ltd. and its subsidiary K Ltd. give the following information for the year ended 31st March, 2023 : (₹ in crores) **15**

Particulars	G Ltd.	K Ltd.
Sales and other Income	3000	750
Increase in Inventory	750	100
Raw material consumed	600	100
Wages and Salaries	600	75
Production expenses	100	50
Administrative expenses	75	50
Selling and Distribution expenses	100	25
Interest	75	30
Depreciation	75	30

The following information is also given :

(i) G Ltd. sold goods of ₹ 200 crores to K Ltd. at cost plus 25%. (1/5th of such goods were still in inventory of K Ltd. at the end of the year)

(ii) G Ltd. holds 75% of the Equity share capital of K Ltd. and the Equity share capital of K Ltd. is ₹ 800 crores on 01.04.2022 (date of acquisition of shares)

(iii) Administrative expenses of K Ltd. include ₹ 5 crore paid to G Ltd. as consultancy fees. Also, selling and distribution expenses of G Ltd. include ₹ 20 crores paid to K Ltd. as commission.

Prepare a consolidated statement of Profit and Loss of G Ltd. with its subsidiary K Ltd. for the year ended 31st March, 2023.

 Marks

(b) SR Finance Ltd. is a Non - Banking Finance Company. The extracts of its balance sheet are as follows : **5**

Particulars	**Amount (₹ in lakhs)**
Equity and Liabilities	
Shareholders' Funds	
Paid up Equity Capital	300
Free Reserves	900
Non - Current Liabilities	
Loans	750
Deposits	900
	2850
Assets	
Non - Current Assets	
Property, Plant and Equipment	1350
Investments :	
In shares of subsidiaries	375
In Debentures of group companies	600
Current Assets	
Cash and Bank balances	525
	2850

You are required to compute 'Net Owned Fund' of SR Finance Ltd. as per Non-Banking Financial Company - Systematically Important Non - Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

Marks

4. (a) H Ltd. acquired 15000 shares in S Ltd. for ₹ 1,55,000 on July 1, 2022. The Balance sheet of the two companies as on 31st March, 2023 were as follows : 15

	H Ltd. ₹	S Ltd. ₹
Equity and Liabilities :		
Equity Share Capital	9,00,000	2,50,000
(Fully paid shares of ₹ 10 each)		
General Reserve	1,60,000	40,000
Surplus i.e., Balance in Statement of Profit and Loss	80,000	25,000
Bills Payable	40,000	20,000
Trade Creditors	50,000	30,000
Total	**12,30,000**	**3,65,000**
Assets		
Machinery	7,00,000	1,50,000
Furniture	1,00,000	70,000
Investment in Equity Shares of S Ltd.	1,55,000	–
Stock-in-Trade	1,00,000	50,000
Trade Debtors	60,000	35,000
Bills Receivable	25,000	20,000
Cash at Bank	90,000	40,000
Total	**12,30,000**	**3,65,000**

Marks

The following additional information is provided to you :

(i) General reserve appearing in the Balance Sheet of S Ltd. remained unchanged since 31st March, 2022.

(ii) Profit earned by S Ltd. for the year ended 31st March, 2023 amounted to ₹ 20,000.

(iii) H Ltd. sold goods to S Ltd. costing ₹ 8,000 for ₹ 10,000, 25% of these goods remained unsold with S Ltd. on 31st March, 2023.

(iv) Creditors of S Ltd. include ₹ 4000 due to H Ltd. on account of these goods.

(v) Out of Bills payable issued by S Ltd. ₹ 15,000 are those which have been accepted in favour of H Ltd. Out of these, H Ltd. had endorsed by 31st March, 2023, ₹ 8000 worth of bills receivable in favour of its creditors.

You are required to draw a consolidated Balance Sheet as on 31st March, 2023.

(b) State the circumstances when Garner v/s. Murry Rule is not applicable. 5

5. (a) VIJ Ltd. has the following capital structure as on 31st March, 2022 : 10

Particulars		(₹ In Lakhs)
Equity share capital (Shares of ₹ 10 each, fully paid)		990
Reserve and Surplus :		
General Reserve	720	
Securities Premium Account	270	
Profit & Loss Account	270	
Infrastructure development Reserve	540	1800
Loan Funds		5400

 Marks

On the recommendation of the Board of Directors, the shareholders of the company have approved on 2nd September 2022 a proposal to buy-back the maximum permissible number of equity shares, considering the sufficient funds available at the disposal of the company.

The current market value of the company's shares is ₹ 25 per share and in order to induce the existing shareholders to offer their shares for buy-back, it was decided to offer a price of 20% over market value.

You are also informed that the Infrastructure Development Reserve is created to satisfy income tax requirements.

You are required to compute the maximum permissible number of equity shares that can be brought back in the light of the above information and also under a situation where the loan funds of the company were either ₹ 3600 lakh or ₹ 4500 lakh.

The entire buy-back is completed by 09/12/2022, show the accounting entries with full narrations in the company's books in each situation.

(b) The following information are available in the books of Bank. **10**

Rebate on Bills discounted (01.04.2022) 65,500, Discount received during the year ₹ 1,25,000 .

An analysis of the bills discounted is as follows :

	Amount	Due Date	Rate of Discount (in %)
(i)	36,000	June 7, 2023	12
(ii)	34,200	June 14, 2023	12
(iii)	14,000	July 19, 2023	10
(iv)	14,000	August 10, 2023	15
(v)	12,500	September 5, 2023	13
(vi)	11,000	October 7, 2023	14

Marks

You are required to :

(i) Calculate the rebate on Bills Discounted as on 31-3-2023 and show necessary journal entries.

(ii) Compute the amount of discount credited to Profit and Loss Account.

6. Answer any **four** of the following : 4×5 =20

(a) What are the conditions to be fulfilled by a Joint Stock Company to buy-back its equity shares as per Companies Act, 2013 ? Explain. 5

(b) Following is the Balance Sheet of Hari Ltd. which is in the hands of the liquidators : 5

Balance Sheet as on 31/03/2023

Liabilities	(₹)	Assets	(₹)
Share Capital :		Fixed Assets	4,00,000
2,000 6% Preference Shares of ₹ 100 each fully paid	2,00,000	Inventory	2,40,000
4,000 Equity Shares of ₹ 100 each fully paid	4,00,000	Trade Receivables	4,80,000
4,000 Equity Shares of ₹ 100 each ₹ 75 paid-up	3,00,000	Cash in hand	80,000
Loan from Bank (on security of inventory)	2,00,000	Profit & Loss account	6,00,000
Trade payables	7,00,000		
	18,00,000		**18,00,000**

The assets realized the following amounts (after all costs of Realisation). Liquidator's commission amounting to ₹ 10,000 paid out of cash in hand.

	(₹)
Fixed Assets	3,36,000
Inventory	2,20,000
Trade Receivables	4,60,000

Calls on partly paid shares were made out of the amounts due on 400 shares were found to be irrecoverable.

You are required to prepare liquidator's final statement of account.

(c) What are the requirements an LLP regarding Financial Disclosures, Books of Accounts, Audits, and Annual returns ? **5**

(d) ABC Ltd. has its share capital divided into Equity Shares of ₹ 10 each. On 1st April, 2022, the company offered 150 share option to each of its 250 employees at ₹ 70 per share, when the market price was ₹ 160 per share. Fair value per option was ₹ 90. The options were to be exercised between 01-03-2023 and 31-03-2023. 200 employees accepted the offer and paid ₹ 70 per share and the remaining options lapsed. The company closes its books on 31st March every year. You are required to show Journal entries as would appear in the books of ABC Ltd. for the year ended 31st March, 2023 with regards to employee stock options. **5**

Marks

(e) X Ltd. had ₹ 1,00,000 equity share capital divided into 1,000 shares of ₹ 100 each out of which ₹ 80 per share was called up and paid up. It has 1,500 cumulative preference shares of ₹ 100 each fully paid up. Intangible assets include Goodwill of ₹ 80,000 and patents of ₹ 27,800. Preference dividends are in arrears of ₹ 33,000. 5

You are required to show the entries (Ignore dates) under each of the following conditions :

(i) If X Ltd. resolves to subdivide the equity shares into 10,000 equity shares of ₹ 10 each of which ₹ 8 per share is called up and paid up.

(ii) If X Ltd. resolves to convert its 1,000 equity shares of ₹ 100 each (assume fully- paid) into ₹ 1,00,000 worth of stock.

(iii) The preference shares are to be converted into 11% unsecured debentures of ₹ 100 each (including arrears of dividends).

(iv) Patents and Goodwill to be written-off.