

2023

FINANCIAL ACCOUNTING-III — HONOURS

Fifth Paper

(A-31-A)

(Accounting and Finance Group)

Full Marks : 100

*The figures in the margin indicate full marks.**Candidates are required to give their answers in their own words as far as practicable.*

Group - A

1. From the following information, prepare a Comparative Income Statement.

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Particulars	2020 (₹)	2021 (₹)
Gross Sales	1,50,000	1,80,000
Less : Returns	3,000	6,000
	1,47,000	1,74,000
Less : Cost of goods sold	87,000	1,04,000
Gross Profit	60,000	70,000
Less : Other Expenses	25,000	30,000
Net Profit	35,000	40,000

Or,

Name five tools of Financial Statement Analysis.

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2. Classify the following transactions according to 'Operating', 'Investing' and 'Financing' activities :

- Profit on sale of Non-current Assets ₹ 25,000.
- 5,000 Preference Shares of ₹ 100 each were redeemed.
- Payment of Income Tax ₹ 60,000.
- Dividend paid ₹ 1,00,000 on Equity Shares.
- Dividend received on shares ₹ 12,000.

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Group - B

3. On 1st April, 2021 Kanak Ltd. had current investment of ₹ 3,00,000, 6% Government Stock at ₹ 94 (face value ₹ 100). Interest is payable half-yearly on 31st March and 30th September. On 1st June 2021, the company sold ₹ 90,000 of the stock at ₹ 95 ex-interest. Prepare 6% Govt. Stock Account in the Investment Ledger of the company for the year ended 31st March, 2022. Ignore brokerage and income tax. The stock was quoted at ₹ 96 ex-interest at the stock exchange on that date. 10

Or,

T & T Ltd. agreed to purchase the business of a firm consisting of two brothers, Thomson and Thompson as on 31st March, 2022. The Balance Sheet of the firm on that date was as follows :

Liabilities	₹	Assets	₹
Capital Accounts:		Land & Building	47,000
Thomson	76,000	Plant & Machinery	28,000
Thompson	58,000	Furniture & Fixtures	7,000
		Stock-in-trade	62,000
General Reserve	30,000	Debtors	55,000
Creditors	40,000	Cash	5,000
	<u>2,04,000</u>		<u>2,04,000</u>

The company agreed to take over the liabilities and all the assets except cash, the agreed purchase price being ₹ 1,80,000 to be satisfied as to 1/4th in cash and the remaining by issue of fully paid equity shares of ₹ 10 each at an agreed value of ₹ 12.50 per share.

The Company made the following revaluations of the assets taken over when bringing them to books: Land and Building - ₹ 62,000; Stock-in-trade - ₹ 58,000; Plant and Machinery - ₹ 25,000; Debtors - ₹ 50,000; Furniture and Fixtures - ₹ 5,000.

Pass necessary journal entries in the books of T and T Ltd. (no narration required) and show the number of equity shares issued as purchase consideration.

4. The following information is related to Rex Ltd. as on 31st March, 2022 are as follows :

Particulars	Amount (₹)
I. EQUITY AND LIABILITIES	
1. Shareholders' funds	
a. Share Capital	6,00,000
b. Reserves and Surplus	50,000
2. Current Liabilities	
a. Trade Payables: Sundry Creditors	1,70,000
b. Short term provisions (Provision for Tax)	70,000
Total	8,90,000
II. ASSETS	
1. Non-current Assets	
a. Property, Plant and Equipment—Tangible Assets	3,70,000
2. Current Assets	
a. Inventories	2,20,000
b. Trade Receivables: Debtors	2,80,000
c. Cash and cash equivalents: Bank	20,000
Total	8,90,000

The net profits of the company before tax were - 2019-20: ₹ 3,18,000; 2020-21: ₹ 3,40,000; 2021-22: ₹ 3,12,000. On 31st March, 2022, the Property, Plant and Equipment are valued at ₹ 4,50,000. Sundry Debtors on the same date included ₹ 10,000 which is unrealisable. Having regard to the type of business, a 10% return on capital employed is considered reasonable. Assume tax rate at 30%.

Calculate the Value of Goodwill based on three years' purchase of annual super profits. Ignore depreciation on revalued asset.

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Or,

The following particulars are available in respect of Hexaware Pvt. Ltd. :

- The company has 6000, 6% Preference Shares of ₹ 100 each fully paid and 5000 equity shares of ₹ 100 each fully paid.
- External Liabilities ₹ 75,000
- Reserves and Surplus ₹ 50,000
- Average expected profits (after tax) ₹ 90,000
- Normal profit earned by the same type of company 10%
- Transfer to Reserve 10% of Net Profit

Compute value per equity shares according to Yield Basis.

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5. Write short notes on :

(a) Fair Value Accounting and (b) GAAP.

5+5

Group - C

6. The statement of assets and liabilities of H Ltd. and its subsidiary S Ltd. as on 31.03.2022 stood as follows :

Particulars	Notes No.	H Ltd. (₹)	S Ltd. (₹)
I. Equity and Liabilities			
1. Shareholders' Funds			
a. Equity Share Capital (₹10 each fully paid)		5,00,000	1,50,000
b. Reserves and Surplus			
i. General Reserve		2,00,000	1,30,000
ii. Profit & Loss Balance (cr.)		2,50,000	1,00,000
2. Non-current Liabilities		—	—
3. Current Liabilities			
a. Trade payable		2,80,000	1,70,000
Total		12,30,000	5,50,000
II. ASSETS			
1. Non-current Assets			
a. Property, Plant and Equipment			
i. Land and Building		5,00,000	2,20,000
ii. Plant and Machinery		2,00,000	1,00,000
b. Non-current Investment			
Investment in S Ltd.		1,50,000	—
2. Current Assets			
a. Inventories		1,60,000	1,40,000
b. Trade Receivables		1,60,000	80,000
c. Cash and Cash Equivalents		60,000	10,000
Total		12,30,000	5,50,000

The following information is also available :

- H Ltd. acquired 12000 Equity Shares of S Ltd. on 01.07.2021 at a cost of ₹ 1,50,000 and immediately after acquisition, H Ltd. received dividend on equity shares @20% for the year 2020-21. H Ltd. credited its shares of dividend to Profit and Loss Account.
- On 01.04.2021, the balance of General Reserve of S Ltd. was ₹ 70,000 and the balance of Profit and Loss was ₹ 40,000 (cr.).
- Debtors of H Ltd. include ₹ 20,000 for goods sold to S Ltd. at cost plus 25%; half of the goods are still in stock.

Prepare the Consolidated Balance Sheet of H Ltd. with its subsidiary S Ltd. as on 31.03.2022.

7. The following is the Balance Sheet of Titanic Ltd. as on 31st March, 2022.

Particulars	Note No.	Amount (₹)
I. EQUITY AND LIABILITIES		
1. Shareholders' Funds		
a. Share Capital	1	8,00,000
b. Reserves and Surplus	2	30,000
2. Non-current Liabilities		
a. Long-term borrowings : 6% Debentures of ₹ 100 each		1,00,000
3. Current Liabilities		40,000
Total		9,70,000
II. ASSETS		
1. Non-current Assets		
Property, Plant and Equipment		3,00,000
2. Current Assets		
a. Inventories		3,25,000
b. Trade Receivables : Debtors		2,75,000
c. Cash and Cash equivalents		70,000
Total		9,70,000

Notes to Balance Sheet (includes)

Particulars	Amount (₹)
1. Share Capital :	
2000, 8% Preference Shares of ₹ 100 each	2,00,000
60,000 Equity Shares of ₹ 10 each	6,00,000
	8,00,000
2. Reserves and Surplus :	
General Reserve	1,50,000
Balance in Statement of P/L	(1,20,000)
	30,000

During last few years, the company passed through very bad times. It now puts the following scheme of reconstruction after the approval of the Tribunal:

- Each existing equity share are to be converted into one equity share of the nominal value of ₹ 3 per share.
- 8% Preference Shares are to be converted into such number of 16% Preference Shares of ₹ 100 each as to generate the same amount of dividend as before.

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- (c) Each ₹ 100 debentures are to be exchanged for one ₹ 50 new 12% Debentures and six new Equity Shares of ₹ 3 each.
- (d) The reduction of capital and balance of Reserves are to be utilised for writing off losses, 60% of the Inventories and Debtors and the balance, if any, is to be used for writing down the Property, Plant and Equipment.

Show necessary journal entries (no narration required) and draw up the Revised Balance Sheet.

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Or,

The summarized Balance Sheet of two companies as at 31st March, 2020 stood as follows :

Particulars	Note No.	P Ltd.	Q Ltd.
EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital (shares of ₹ 10 each)		1,00,000	60,000
(b) Reserves & surplus	1	20,000	2,000
2. Current Liabilities			
(a) Trade Payables— Creditors		30,000	28,000
Total		<u>1,50,000</u>	<u>90,000</u>
ASSETS			
1. Non-current Assets			
(a) Property, Plant & Equipment			
(i) Tangible Assets		1,00,000	32,000
(b) Non-current Investments - 2000 shares of P Ltd.		—	20,000
2. Current Assets			
(a) Inventories		25,000	20,000
(b) Trade Receivables - Debtors		15,000	10,000
(c) Cash and Cash Equivalents		10,000	8,000
Total		<u>1,50,000</u>	<u>90,000</u>

Notes to Accounts :

	P Ltd.	Q Ltd.
Reserves and Surplus		
Balance of profit	20,000	2,000

Q Ltd. was absorbed by P Ltd. on 1st April, 2020 on the basis of intrinsic value of the shares. The purchase consideration was discharged in the form of fully paid shares, entries to be made at par value only. A sum of ₹ 5,000 was owed by P Ltd. to Q Ltd. The stock-in-trade of P Ltd. includes goods to the value of ₹ 15,000 which were supplied by Q Ltd. at a profit of 25% on cost.

Show the Journal entries in the books of P Ltd. and Q Ltd.

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8. Given below is the summary of assets and liabilities of Mitra Ltd. as on 31.03.2022 and 31.03.2023 (in ₹) :

Particulars	31.03.2022 (₹)	31.03.2023 (₹)
Liabilities and Equities		
Equity Share Capital (₹ 10 each fully paid)	4,00,000	4,80,000
Balance of Statement of Profit and Loss (cr.)	3,00,000	3,90,000
Long-term Borrowing	3,80,000	3,40,000
Trade Payables	1,70,000	1,25,000
Provision for Tax	50,000	55,000
Total	<u>13,00,000</u>	<u>13,90,000</u>
Assets		
Property, Plant and Equipment: Tangible	7,00,000	8,00,000
Inventory	2,20,000	1,40,000
Trade Receivables	2,30,000	2,80,000
Cash and Cash Equivalent	1,50,000	1,70,000
Total	<u>13,00,000</u>	<u>13,90,000</u>

Additional Information :

- (a) Tangible asset costing ₹ 1,00,000 (accumulated depreciation ₹ 70,000) was sold for ₹ 42,000 and the profit or loss transferred to Profit and Loss Account. Depreciation charged during the year on tangible assets was ₹ 1,10,000.
- (b) Income Tax and Dividend paid during the year were ₹ 58,000 and ₹ 66,000 respectively.

Prepare Statement of Changes in Working Capital and Fund Flow Statement of Mitra Ltd. for the year ended 31.03.2023.

Or,

From the following information of a company, prepare a Cash Flow Statement as per AS 3 for the year ended 31.03.2023

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Particulars	31.03.2022 (₹)	31.03.2023 (₹)
I. Equity and Liabilities :		
1. Shareholders' Fund		
a. Share Capital (Equity Shares of ₹ 100 each)	15,00,000	15,00,000
b. Reserves and Surplus : Statement of Profit and Loss (cr.)	13,00,000	15,00,000
2. Current Liabilities	10,00,000	6,00,000
	<u>38,00,000</u>	<u>36,00,000</u>
II. Assets		
1. Non-current Assets		
Property, Plant and Equipment	15,00,000	18,00,000
2. Current Assets		
Inventories	6,00,000	3,00,000
Trade Receivables	15,00,000	10,00,000
Cash and Cash Equivalents	2,00,000	5,00,000
	<u>38,00,000</u>	<u>36,00,000</u>

Additional Information :

- (a) During the year the company paid ₹ 2,00,000 as dividend.
- (b) During the year, one plant, whose book value was ₹ 1,00,000 was sold at a loss of ₹ 25,000 and the company purchased plant for ₹ 6,00,000.
9. (a) From the following particulars, prepare a summarized Balance Sheet of Sunrise Ltd. as on 31st March, 2022.
- | | |
|---|----------|
| (i) Current Ratio | 2 : 1 |
| (ii) Liquid Ratio | 1.25 : 1 |
| (iii) Non-current Assets to Proprietor's Fund | 0.75 : 1 |
| (iv) Gearing Ratio | 5 : 1 |
| (v) Working Capital | ₹ 80,000 |
| (vi) Reserves and Surplus | ₹ 20,000 |
| (vii) Bank Overdraft | ₹ 20,000 |
| (viii) Long-Term Loan | Nil |
- (b) Write short note on Debt-Equity Ratio.