

FINANCIAL ACCOUNTING PAPER -VII**Time: 2 Hrs.30 Mins****[Marks: 75]****Note: 1) All questions are compulsory and carry 15 marks.****2) Working notes should form part of your answer.****Q.1. A MATCH THE COLUMN****[5]**

<u>GROUP A</u>	<u>GROUP B</u>
1. Currency of enterprises	a) Foreign currency
2. Currency conversion	b) Exchange difference
3. Currency of other party	c) Transfer to profit and loss account
4. Difference in rates of two dates	d) Reporting currency
5. Balance in exchange difference	e) AS-11

**B. MULTIPLE CHOICE QUESTIONS: (Any 10)****[10]**

- Average capital employed in M/s X Ltd. is ₹ 30,00,000 whereas net trading profits for the last three years have been ₹ 14,60,000; ₹ 14,45,000 and ₹ 15,20,000. In these three years, a manager was paid a salary of ₹ 5,000 p.m. But now he would be paid a salary of ₹ 7,500 per month. Normal rate of return expected in the industry in which M/s. X Ltd. is engaged is 20%. Calculate Goodwill on the basis of two years purchase of the super profits of past 3 years.
  - ₹ 9,16,000
  - ₹ 17,10,000
  - ₹ 16,90,000
  - ₹ 18,90,000
- Goodwill is to be valued when
  - Amalgamation takes place
  - One company takes over another company
  - A Partner is admitted
  - All of the above
- Net asset value method is based on the assumption that the company is
  - A Going concern
  - Going to be liquidated
  - A & B
  - None of the above
- Balance of Accrued Interest on Security deposit from electricity consumers
  - Is written off
  - Is shown as non-current liability
  - is shown as current liability
  - is shown as current assets
- Formats of financial statements of Electricity Companies are laid down in
  - The Central Electricity Regulatory Commission Act
  - The Companies Act
  - The Income Tax Act
  - The Electricity Act, 2003
- If a foreign operation which sells goods imported from the reporting enterprise and remits the proceeds to the reporting enterprise, it is
  - An Integral foreign operation
  - A Non-Integral Foreign Operation
  - Either (a) or (b)
  - Neither (a) nor (b)

7. AS 11 classifies the foreign branches into
  - a. (i)Integral Foreign Operation & (ii)Non- Integral Foreign Operation
  - b. Branches following (i) Debtors Method & (ii) Stock and Debtors Method
  - c. Branches receiving goods at (i) cost and (ii) invoice price
  - d. None of the above
  
8. Exchange difference of Non-Integral Foreign Operation is
  - a. Transferred to suspense account
  - b. Transferred to profits and loss account
  - c. Transferred to foreign currency translation reserve
  - d. Transferred to “ Net investment in Integral foreign operation Account”
  
9. Under the Maharashtra Co-op Societies Act, audit of a co-op. society can be conducted by
  - a. A chartered accountant
  - b. A person who holds a Government diploma in Co-op. accounts & audit
  - c. A person who has served as an auditor in the Co-operative department of the State Government
  - d. Any of the above
  
10. Under the Maharashtra Co-op Societies Act, Audit charges is
 

a) ₹1/-per member	c) at 10% of service charges
b) ₹ 250	d) ₹ 36 per member per year
  
11. Balance of Security deposit from electricity consumers
 

a. Is written off	b. is shown as current liability
c. Is shown as non-current liability	d. is shown as current assets
  
12. While deciding net asset value fictitious assets
  - a. Should be considered
  - b. Should not be considered
  - c. Added to total assets
  - d. None of the above

**Q.2.** The following is the Balance Sheet of A Limited as on 31<sup>st</sup> March 2002. **[15 Marks]**

<b>Liabilities</b>	<b>₹</b>	<b>Assets</b>	<b>₹</b>	<b>₹</b>
Share capital 5,000 shares of ₹100 each	5,00,000	Goodwill		1,25,000
Reserve Fund	1,50,000	Land & Building	1,80,000	
Workmen Compensation Fund	25,000	Less: Depreciation	36,000	1,44,000
Workmen Profit Sharing Fund	45,000	Plant & machinery (at Cost)	2,40,000	
Creditors	2,30,000	Less: Depreciation	40,000	2,00,000
Other Liabilities	1,00,000	Investments ( to provide replacement of Plant & machinery)		1,00,000
P & L A/c	1,50,000	Book Debts	3,60,000	
		Less: Provision	30,000	3,30,000
		Stock		2,00,000
		Cash at Bank		75,000
		Preliminary Expense		26,000
<b>Total</b>	<b>12,00,000</b>	<b>Total</b>		<b>12,00,000</b>

Further Information:

1. The profits earned by the company for the three years were as under:  
 Year ended 31<sup>st</sup> March, 2000 ₹ 3,15,000  
 Year ended 31<sup>st</sup> March, 2001 ₹ 2,73,000  
 Year ended 31<sup>st</sup> March, 2002 ₹ 2,94,000  
 The profits given are profit before tax, which was 30% throughout.
2. A Ltd. had been carrying on business for the past several years. The company is to be taken over by another company. For this purpose you are required to value Goodwill by "capitalisation of maintainable profits method" For this purpose following additional information is available.
  - (a) The new company expects to carry on business with its own board of directors, without any addition. The fees paid by A Ltd. to its directors amounted to ₹ 9,000 per year.
  - (b) The new company expects a large increase in volume of business and therefore, will have to take an additional office for which it will have to pay extra rent of ₹ 12,000 per year.
  - (c) As on 31<sup>st</sup> March, 2002 Land and buildings were worth ₹ 3,00,000 whereas Plant and Machinery were worth only ₹ 1,80,000. There is sufficient provision for doubtful debts. There is no fluctuation in the values of investments and stocks.
  - (d) Liability under Workmen Compensation Fund was only ₹ 5,000.
3. The expected rate of return on similar business may be taken at 12%. You are required to value Goodwill according to above instructions. All your workings should form part of your answer. Consider average capital Employed, the same as closing capital employed for your calculations.

**OR**

**Q.2.** The Balance Sheet of Gayatri Ltd. as on 31<sup>st</sup> December, 2004 was as follows:

<b>Liabilities</b>	<b>₹</b>	<b>Assets</b>	<b>₹</b>
<b>SHARE CAPITAL</b>		<b>FIXED ASSETS</b>	
90,000 Equity Shares of ₹10 each fully paid	9,00,000	Goodwill	30,000
4,000 10% Preference shares of ₹100 each fully paid	4,00,000	Land & Building	3,00,000
<b>RESERVES &amp; SURPLUS</b>		Plant & Machinery	6,50,000
Capital Reserves	1,50,000	<b>INVESTMENTS</b>	
General Reserve	60,000	6% Govt. Securities at Cost (Face value ₹ 80,000)	90,000
<b>SECURED LOAN</b>		<b>CURRENT ASSETS</b>	
8% Debentures	2,40,000	Stock	5,00,000
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		Debtors	4,00,000
Trade Creditors	2,50,000	Cash & Bank	60,000
Provision for Tax	30,000		
<b>Total</b>	<b>20,30,000</b>	<b>Total</b>	<b>20,30,000</b>

The assets are revalued as follows:

Land and Building ₹ 2,00,000

Plant & Machinery ₹ 7,50,000

The normal rate of return on capital employed for the valuation of goodwill is 10%

Goodwill should be valued on the basis of 3 years purchase of super-profits of the company. The average annual profit of the company is ₹ 1,80,000.

40% of money invested in Building is treated as non-trading assets because Rent of ₹ 15,000 is collected from the building.

Compute the intrinsic value of an Equity share of company. Ignore Taxation. **[15 Marks]**

- Q. 3** The trail balance of Vivan Electric Supply Ltd. for the year ended 31<sup>st</sup> March, 2013 is as below:

Particulars	Dr. ₹ (000)	Cr. ₹ (000)
Share Capital: Equity shares of ₹ 10 each		50,000
14% Preference Shares of ₹ 100 each		15,000
Patents & Trademarks	2,504	
14% Debentures		24,700
11% Term Loan		15,300
Land (addition during the year 20, 50)	12,450	
Building (addition during the year 50, 80)	35,134	
Plant & Machinery	57,058	
Mains	4,524	
Meters	3,150	
Electrical Instruments	1,530	
Office Furniture	2,450	
Capital Reserve		4,020
Contingency Reserve		12,030
General Reserve		1,000
Transformers	16,440	
Opening Balance of Profit & Loss A/c		350
Profit for the year 2012-13 subject to adjustments		5,000
Stock in Hand	12,050	
Sundry Debtors/ Creditors	6,246	6,524
Contingency Reserve Investment: SBI Bonds - 2020	10,010	
Other Investment	2,000	
Cash & Bank	3,254	
Public Lamps	3,040	
Depreciation Fund		25,816
Proposed Dividend		12,100
<b>Total</b>	<b>1,71,840</b>	<b>1,71,840</b>

During 2012 -13 1,00,000, 14% Preference Shares were redeemed at a premium of 10% out of proceeds of fresh issue of Equity Shares of necessary amounts at a premium of 10%.

Required to prepare for the above period general balance sheet as on 31<sup>st</sup> March, 2013 as per Scheme III of the Companies Act, 2013.

**Adjustments:**

1. Transfer to Contingency Reserve ₹ 1,70,000 & to General Reserve ₹ 2,00,000.
2. Loss on Contingency Reserve Investment ₹ 10,000 Make a Provision for debts considered doubtful of ₹ 10,14,000.

**OR**

- Q.3. A** An Electricity company has incurred Capital Expenditure of ₹ 100 lakhs having life of 10 Years. This is partly financed as 40% of cost contributed by consumer & 25% is grant from central government.  
Account this transactions & their amortization.

**Q.3. B** From the following details of assets, calculate weighted average rate of depreciation:

<b>Particulars</b>	<b>Closing Balance at Cost</b>	<b>Rate of Depreciation</b>
<b>Land</b>		
a. Freehold	6,69,800	0
b. Leasehold	2,15,450	3.34%
<b>Buildings</b>	36,85,350	3.34%
Railway Sidings	11,700	3.34%
<b>Plant &amp; Machinery</b>		
a. Steam Station	1,41,64,950	5.28%
b. Others including "Switchgears & Transformers"	1,02,89,450	5.28%
<b>Transmission &amp; Distributing Systems</b>		
a. Overhead	21,21,450	5.28%
b. Underground	84,48,050	5.28%
Electrical Fittings & Apparatus	2,50,650	6.33%
Furniture, Fixture & Office Equipments	3,51,800	6.33%
Vehicles	1,07,400	5.28%

**Q. 4** Kanu Banega Karodpati Computers Ltd. has Head Office at Mumbai and branch at California. The branch submits the following Trial Balance as on 31<sup>st</sup> March 2015.

<b>Particulars</b>	<b>Debit (US \$)</b>	<b>Credit (US \$)</b>
Head Office Account	-	11,606
Goods received from Head office	12,725	
Purchases and Sales	5,06,323	7,87,777
Stock as on 1 <sup>st</sup> April 2004	13,100	-
Plant & Machinery	27,650	-
Furniture & Fixtures	18,220	-
Cash at Bank	60,180	-
Cash in hand	3,233	-
Salaries	71,130	-
Office Rent	44,316	-
Taxes and Insurance	13,655	-
Debtors & Creditors	1,17,117	1,57,617
Printing & Stationery	37,119	-
Postage & telegram	16,303	-
Freight	14,784	-
Conveyance	1,145	-
<b>Total</b>	<b>9,57,000</b>	<b>9,57,000</b>

The Branch Account in Head Office showed a debit balance of ₹ 5,11,100 and "Goods sent to Branch Account" showed a credit balance of ₹ 5,66,600.

Plant & Machinery was acquired when US\$ = ₹ 60. Furniture was acquired by the Branch on 1<sup>st</sup> January 2015 when ₹ 100 was equivalent to US \$ 2.50. Head Office charges depreciation on Plant & Machinery @ 20% p.a. and on furniture and fixture @ 10% p.a. The Closing stock as on 31<sup>st</sup> March 2015 at the Branch was US\$ 16,550.

**The exchange rates ware as under.**

1 <sup>st</sup> April 2014	US \$ 1 = ₹ 60
31 <sup>st</sup> March 2015	₹ 124 = US \$ 2.50
Average	US \$ 1 = ₹ 61

Convert the Branch Trial Balance into Rupees and prepare Branch Profit and Loss A/c for the year ended 31<sup>st</sup> March 2015.

Also prepare Balance Sheet of California branch of Kanu Banega Karodpati Computers Ltd. as on 31<sup>st</sup> March, 15. The foreign operation is in the nature of an integral operation.

**OR**

**Q.4** ABCD Ltd. had a branch at Washington. trial Balance as at 30-09-2015 is as follows:

Particulars	Dr. US \$	Cr. US \$	Particulars	Dr. US \$	Cr. US \$
Plant & Machinery	1,20,000	-	Rent, Rates & Taxes	2,000	-
Furniture and Fixtures	8,000	-	Insurance	1,000	-
Stock, October 1 <sup>st</sup> , 2012	56,000	-	Trade Expenses	1,000	-
Purchases	2,40,000	-	Head Office A/c	-	1,14,000
Sales	-	4,16,000	Trade Debtors	24,000	-
Goods from Indian Co. (HO)	80,000	-	Trade Creditors	-	17,000
Wages	2,000	-	Cash at Bank	5,000	-
Carriage Inward	1,000	-	Cash in Hand	1,000	-
Salaries	6,000	-			
			<b>TOTAL</b>	<b>5,47,000</b>	<b>5,47,000</b>

**The following further information is given:**

- 1) Wages outstanding \$ 1,000.
- 2) Depreciate Plant & Machinery & Furniture & Fixtures @ 10% p.a.
- 3) The Head Office sent goods to Branch for ₹ 39,40,000.
- 4) The Head Office shows an amount of ₹ 43,00,000 due from Branch.
- 5) Stock on 30<sup>th</sup> September, 2015 \$ 52,000.
- 6) There were no in transit items either at the start or at the end of the year.
- 7) On 1-09-2014 when fixed assets were purchased, rate of exchange was ₹ 61 to 1\$.  
On October 1<sup>st</sup>, 2014 the rate was ₹ 62 to 1\$.  
On September 30<sup>th</sup>, 2015 the rate was ₹ 66 to 1\$.  
Average rate during the year was ₹ 64 to 1\$

**You are asked to prepare** – assuming that the foreign operation is in the nature of an integral operation:

- 1) Trial Balance incorporating adjustments given under 1 to 4 above converting dollars into rupees.
- 2) Trading the Profit & Loss Account for the year ended 30<sup>th</sup> September, 2015 and
- 3) Balance Sheet as on 30<sup>th</sup> September, 2015.

- Q. 5** From the following Trail Balance of 'Akshay Co-operative Consumers Society Ltd.', Pune as on 31-3-2013, prepare Trading, Profit & Loss Account for the year ended on 31-3-2013 & Balance Sheet as on that date after considering the adjustments given.

**Trial Balance**

Particulars	Debit ₹	Credit ₹
Share Capital	-	1,60,000
Calls in arrears	10,000	
Reserve Fund	-	15,000
Common Goods Fund	-	5,000
Opening Stock of Consumers Goods	1,10,000	-
Furniture	48,000	-
Education Fund	-	8,000
Sundry Creditors	-	20,000
Sundry Debtors	30,000	-
Commission Payable	-	4,000
Salaries	71,000	-
Commission	17,400	-
Rent, Rate & Taxes	20,000	-
Postage	12,100	-
Land	9,000	-
Interest on Investment	-	10,000
Equipment	20,000	-
Purchases	16,40,000	-
Investment	1,00,000	-
Sales	-	20,60,500
Cash in Hand	25,000	-
Cash at Bank	1,70,000	-
<b>Total</b>	<b>22,82,500</b>	<b>22,82,500</b>

**Adjustments:**

1. Outstanding rent payable on 31-3-2013 was ₹ 1,000
2. Charge 5% depreciation on furniture
3. Closing Stock of Consumers goods in valued at cost ₹ 1,40,000
4. Interest accrued on investment ₹ 2,000
5. Outstanding salary on 31<sup>st</sup> March, 2013 was ₹ 2,000 & ₹ 3,000 paid in advance.
6. Authorised capital 20,000 shares of ₹ 10 each.

**OR**

- Q. 5** From the following Trail Balance as on 31-3-2015, prepare final accounts in the prescribed format as per applicable legal provisions

**BHUMI CHS LTD - Trail Balance**

Particulars	₹	Particulars	₹
Accumulated losses not written off	57,898	Advance from Members	3,42,038
Cash in Banks	6,93,755	Collection from Members	92,50,036
Cash on Hand	389	Interest	13,60,399
Dues from Members	9,63,266	Outstanding Expenses	5,39,205
Equipments	1,09,540	Outstanding Creditors: Purchases	7,68,000
Fixed Deposits – Repairs Fund	1,05,26,523	Repairs Fund - Opening	82,46,873
Fixed Deposits	39,19,301	Security Deposit from Members	2,20,672
Major Repairs	9,66,608	Statutory Reserve Fund-Opening	41,27,816
Office Expenses	1,74,424	Subscribed:	
Prepaid Expenses	34,899	1,280 Shares of ₹ 50 each	64,000
Property Taxes & Expenses	57,63,512	Tower Rent	36,126
Salaries	1,20,333		
Security	16,24,717		
<b>Total</b>	<b>2,49,55,165</b>	<b>Total</b>	<b>2,49,55,165</b>

**Additional Information:**

<b>1. Collection from members:</b>	₹
Property Taxes & Expenses	43,87,054
Establishment Expenses	29,21,350
Entrance fees	12,000
Transfer fees	4,000
Premium on transfers	1,00,000
Repair Fund	18,25,632
	<u>92,50,036</u>
<b>2. Interest</b>	
Interest – Savings Bank	1,05,506
Interest – FD	71,900
Interest on Repairs Fund FD	11,82,993
	<u>13,60,399</u>
<b>3. Depreciation</b>	18,079
<b>4. Major Repairs to be adjusted from Repairs Fund</b>	9,66,608
<b>5. Authorised Capital: 10,000 Shares of ₹ 50 each.</b>	

**ALL THE BEST**