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Solved SCANNER™ Appendix

PCC Gr. I Paper - 1

May - 2009

Solution of May 2009 Examination

Paper - 1 : Advanced Accounting

Chapter - 2 : **Accounting Standards**

2009 - May [5] Answer the following :

(vi) Enumerate two points which the financial statements should disclose in respect of Borrowing costs as per AS-16. (2 marks)

Answer :

As per AS 16, the Financial Statements should disclose the following:

(a) The accounting policy adopted for borrowing costs and

(b) The amount of borrowing costs capitalized during the period.

2009 - May [6] Answer the following :

(a) Sony Pharma ordered 12,000 kg. of certain material at Rs. 80 per unit. The purchase price includes excise duty Rs. 4 per kg in respect of which full CENVAT credit is admissible. Freight incurred amounted to Rs. 77,400. Normal transit loss is 3%. The company actually received 11,600 kg. and consumed 10,100 kg. of material. Compute cost of inventory under AS-2 and abnormal loss. (4 marks)

(b) Explain the provisions of AS-5 regarding accounting treatment of prior period items. (4 marks)

(d) From the following information relating to X Ltd. calculate Diluted earning per share as per AS-20 :

Net profit for the current year	Rs. 2,00,00,000
Number of equity shares outstanding	40,00,000
Basic earning per share	Rs. 5.00
Number of 11% convertible debentures of Rs. 100 each	50,000

Each debenture is convertible into 8 equity shares.

Interest expense for the current year	Rs. 5,50,000
Tax saving relating to interest expense (30%)	Rs. 1,65,000

(4 marks)

Answer :

		Rs.
(a)	Purchase price (12,000 kg × Rs.80)	9,60,000
	Less: CENVAT credit (12,000 kg. × Rs.4)	48,000
		9,12,000
	Add: Freight	77,400
	Total material cost	9,89,400
	Number of units after normal loss = 97% of 12,000 kgs.	11,640 kgs.
	Normal cost per kg. $\left(\frac{9,89,400}{11,640}\right)$	Rs.85

Value of closing stock under AS 2 = (11,600 kgs. –10,100 kgs.) × Rs. 85 = Rs.1,27,500

Abnormal loss = (11,640 kgs. – 11,600 kgs.) × Rs.85 = Rs.3,400

(b) As per AS 5, period items are income or expenses, which arise, in the current period as a result of errors or omission in the preparation of financial statements of one or more prior periods. The term does not include other adjustments necessitated by circumstances, which though related to prior periods, are determined in the current period. Example: arrears payable to workers in current period as a result of retrospective revision of wages.

The nature and amount of prior period items should be separately disclosed in the statement of profit and loss in manner that their impact on current profit or loss can be perceived.

As per para 19 of AS 5, prior period items are normally included in determination of net profit or loss for the current profit, they can be added (or deducted as the case may be) from the current profit. An alternative approach is to show such items in the statement of profit or loss after determination of current net profit or loss. In either case, the objective is to indicate the effect of such items on the current profit or loss.

(d) **Adjusted Net profit for the current year**

= 2,00,00,000 + 5,50,000 – 1,65,000 = Rs. 2,03,85,000

Number of equity shares resulting from conversion of debentures

= 50,000 × 8 = 4,00,000 equity shares

Total number of equity shares resulting from conversion of debentures

= 40,00,000 + 4,00,000 = 44,00,000 shares

Diluted Earnings per share $= \dfrac{\text{Rs. } 2{,}03{,}85{,}000}{44{,}00{,}000}$

= Rs. 4.63 (Approximately)

Chapter - 3 : **Company Accounts- Preparation of Financial Statements**

2009 - May [5] Answer the following :

(x) The Managing Director of A Ltd. is entitled to 5% of the annual net profits, as his remuneration, subject to a minimum of Rs. 25,000 per month. The net profits, for this purpose, are to be taken without charging income-tax and his remuneration itself. During the year, A Ltd. made net profit of Rs. 43,00,000 before charging MD's remuneration, but after charging provision for taxation of Rs.17,20,000. Compute remuneration payable to the Managing Director. (2 marks)

Answer :

(x) Calculation of remuneration of the Managing Director

	Rs. in Lacs
Net profit as per books	43.00
Add: Provision for taxation	17.20
Annual profit for the purpose of managerial remuneration	60.20
Managing Director's Remuneration @ 5% of above	3.01
Minimum remuneration to be paid to the Managing Director = Rs.25,000 per month × 12	3.00

Hence, in this case,

remuneration to be paid to the Managing Director of A Ltd. = Rs.3,01,000.

Chapter - 4 : **Cash Flow Statement**

2009 - May [2] (b) From the following summarised Cash account of S Ltd., prepare cash flow statement for the year ended 31st March, 2009 in accordance with AS-3 (revised) using direct method. The company does not have any cash requirement :

Summarised Cash Account

(Rs. 000)

Opening Balance	50	Payment to suppliers	2,000
Issue of Share capital	300	Purchase of Fixed assets	200
Received from customers	2,800	Overhead expenses	200
Sale of Fixed assets	100	Wages and salaries	100
		Tax paid	250
		Dividend paid	50
		Bank Loan	300
		Closing Balance	150
	3,250		3,250

(8 marks)

Answer :

Cash Flow Statement for the year ended 31.3.2009

Particulars			Rs. In '000
Cash flow from Operating Activities			
Cash received from customers		2,800	
Less: Cash paid to suppliers	2,000		
Cash paid for overhead expenses	200		
Cash paid for wages and salaries	100	2,300	
		500	
Less: Income tax paid		250	
Net cash generated from Operating Activities			250
Cash flow from Investing Activities			
Sales of fixed assets	100		
Less: Purchase of fixed assets	200		
Net cash used in Investing Activities			(100)
Cash flow from Financing Activities			
Received from issue of share capital		300	
Less: Payment of bank loan	300		
Payment of dividend	50	350	
Net cash used in Financing Activities			(50)
Net increase in cash and equivalents			100
Add: Cash and equivalents at the beginning of the year			50
Cash and equivalents at the end of the year			150

Chapter - 6 : **Underwriting of Shares and Debentures**

2009 - May [5] Answer the following :

(v) A company entered into an underwriting agreement with Mr. B for 60% of the issue of Rs. 50,00,000, 15% debentures, with a firm underwriting of Rs. 5,00,000. Marked applications were in respect of debentures worth Rs. 35,00,000. Compute liability of Mr. B and commission payable to him. (2 marks)

Answer :

Gross Liability (Rs.50,00,000 × 60%)	30,00,000
Less: Marked applications Rs.35,00,000 which is more than the Liability but credit will not be given more than gross liability	30,00,000
Net liability	NIL
Add: Firm underwriting	5,00,000
Total liability	5,00,000

Calculation of underwriting commission

$= 30,00,000 \times \frac{2.5}{100}$ = Rs. 75,000

Underwriting Commission payable @ 2.5%[1] 75,000

Chapter - 8: Amalgamation and reconstruction

2009 - May [5] Answer the following :

(iii) Give the journal entry to be passed for accounting unrealised profit on stock, under amalgamation.. (2 marks)

(ix) Name two methods of accounting for amalgamations as contemplated by AS-14.. (2 marks)

Answer :

(iii) Journal entry to be passed for accounting unrealized Profit on stock:

Under amalgamation in the nature of merger:

General Reserve/Profit and Loss A/c Dr

To Stock A/c (Stock Reserve A/c)

(Being amount adjusted for unrealized profit on stock)

OR

If amalgamation is in nature of purchase, Journal entry would be:

Goodwill or Capital Reserve A/c Dr.

To Stock A/c (Stock Reserve A/c)

(Being adjustment for unrealized profit on stock)

(ix) Two method of accounting for amalgamation as contemplated by AS 14 are:

(a) The pooling of interests method and

(b) The purchase method

Chapter - 9 : Liquidation of Companies

2009 - May [4] (b) From the data relating to a company which went into voluntary liquidation, you are required to prepare the liquidator's Final Statement of Account.

(i) Cash with liquidators (after all assets are realised and secured creditors and debentureholders are paid) is Rs. 7,50,000.

(ii) Preferential creditors to be paid Rs. 35,000.

(iii) Other unsecured creditors Rs. 2,30,000.

(iv) 5,000, 10% preference shares of Rs. 100 each fully paid.

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[1] Section 76 of the Companies Act provides that underwriting commission is provided only at a rate authorized by the articles of the company, not exceeding 2.5% of the issue price of debentures. Therefore, in the above solution, underwriting commission has been calculated at 2.5%.

(v) 3,000 equity shares of Rs.100 each, Rs. 75 per shares paid up.
(vi) 7,000 equity shares of Rs. 100 each Rs. 60 per share paid up.
(vii) Liquidator's remuneration is 2% on payments to preferential and other unsecured creditors. (8 marks)

Answer :

Liquidator's Final Statement of Account

	Rs.		Rs.
To Cash in hand	7,50,000	By Liquidator's remuneration (2% on 2,65,000*)	5,300
To Cash/ bank (Amount received on call for 7,000 equity shares @ Rs.6.53 per share)	45,710	By Preferential creditors	35,000
		By Unsecured creditors	2,30,000
		By Preference shareholders	5,00,000
		By Equity shareholders (Amount paid to holders of 3,000 equity shares @ Rs.8 47 per equity share)	25,410
	7,95,710		7,95,710

Working Note:

Calculation of amount receivable from equity shareholders or payable to equity shareholders

	Rs.	Rs.
Cash in hand (Assets realized		7,50,000
Less: Payments made:		
Liquidator's remuneration	5,300	
Preference creditors	35,000	
Unsecured creditors	2,30,000	
Preference shareholders	5,00,000	7,70,300
		20,300
Add: Amount payable to equity shareholders (paid up); 3,000 equity share of Rs.100 each Rs. 75 paid up	2,25,000	
7,000 equity share of Rs.100 each Rs. 60 paid up	4,20,000	6,45,000
Total loss to be borne by equity shareholders		6,65,300
No. of equity shares		10,000 shares

Loss per equity shares $\frac{6,65,300}{10,000}$ = Rs.66.53

Amount receivable from 7,000 equity shareholders = 7,000 × 6.53 (i.e. 66.53 – 60) = Rs. 45,710

Amount payable to 3,000 equity shareholders = 3,000 × 8.47 (i.e. 75 – 66.53) = Rs. 25,410

* 35,000 + 2,30,000 = 2,65,000

Chapter - 11 : **Financial Statement of Insurance Companies**

2009 - May [5] Answer the following :

(i) Amount of Life Assurance Fund is Rs. 5,000 lacs and net liabilities were Rs. 4,800 lacs. Calculate profit under Valuation Balance Sheet. (2 marks)

Answer :

Valuation Balance Sheet as on ....

	Rs. in Lacs		Rs. In Lacs
To Net liabilities	4,800	By Life Assurance Fund	5,000
To Profit b/d	200		_____
	5,000		5,000

2009 - May [6] Answer the following :

(e) The Revenue Account of a Life Insurance Company shows the Life Assurance Fund on 31st March, 2009 at Rs. 62,21,310 before taking into account the following items :

(i) Claims recovered under re-insurance Rs. 12,000

(ii) Bonus utilised in reduction of Life Insurance premium of Rs. 4,500.

(iii) Interest accrued on securities Rs. 8,260.

(iv) Outstanding premium Rs. 5,410.

(v) Claims intimated but not admitted Rs. 26,500.

Compute the Life Assurance Fund on 31st March, 2009, after taking into account the above omission. (4 marks)

Answer :

Statement showing Correct Life Assurance Fund

			Rs.
Balance of Life Assurance Fund			62,21,310
Add: (i)	Bonus utilized in reduction of premium	4,500	
(ii)	Interest on Securities	8,260	
(iii)	Outstanding premium	5,410	18,170
			62,39,480
Less: (i)	Claims intimated but not admitted	26,500	
	Less: Recovered under reinsurance	12,000	
		14,500	
(ii)	Bonus in reduction of premium	4,500	19,000
	Correct Balance of Life Assurance Fund		62,20,480

Chapter - 12 : **Financial Statements of Electricity Companies**

2009 - May [4] (a) An electricity company decided to replace some parts of its plant by an improved plant. The plant to be replaced was built in 1995 for Rs. 35,00,000. It is estimated that it would cost Rs. 65,00,000 to build a new plant of the same size and capacity. The cost of the new plant as per the improved design was Rs. 1,05,00,000 and in addition, material belonging to the old plant valued at Rs. 3,80,000 was used in the construction of the new plant. The balance of the plant was sold for Rs. 3,00,000.

Compute the amount to be written off to revenue and the amount to be capitalised. Also prepare Plant account and Replacement account. (8 marks)

Answer :

(i) Calculation of amount chargeable to revenue

	Rs.	Rs.
Estimated current cost of replacing old plant		65,00,000
Less: Value of replacing old plant	3,00,000	
Value of materials belonging to the old Plant used in the construction of new plant	3,80,000	6,80,000
Total		58,20,000

(ii) Calculation of amount to be capitalized

	Rs.	Rs.
Cost of building new plant (cash)	1,05,00,000	
Add: Value of materials belonging to the old plant used in the construction of the new plant	3,80,000	1,08,80,000
Less: Estimated current cost of replacing old plant		65,00,000
Total		43,80,000

(iii) Plant Account

	Rs.		Rs.
To Balance b/d	35,00,000	By Balance c/d	78,80,000
To Cost of construction:			
Cash (1,05,00,000-65,00,000)	40,00,000		
Cost of old material used	3,80,000		
	78,80,000		78,80,000

(iv) Replacement Account

	Rs.		Rs.
To Bank account (portion to be written off out of the replacement cost)	65,00,000	By Bank account	3,00,000
		By Plant account	3,80,000
		By Revenue account	58,20,000
	65,00,000		65,00,000

Chapter - 15 : Self Balancing Ledgers

2009 - May [6] Answer the following :

(f) What is the difference between the Sectional and Self-balancing system? (4 marks)

Answer :

(f)

(i) Under Sectional balancing system only one trial balance is prepared in General Ledger while under self balancing system, separate trial balance is prepared in each ledger.

(ii) Under sectional balancing system, Total Debtors account and Total Creditors account are memorandum accounts and not the part of double entry system but under self balancing system adjustment accounts are the parts of double entry system.

(iii) Under sectional balancing system, arithmetical accuracy of Sales Ledger and Bought Ledger can be checked by preparing Total Debtors account and Total Creditors account while under self balancing arithmetical accuracy of each ledger can be checked by preparing trial balance of each ledger.

(iv) Under sectional balancing system, Total Debtors account and Total Creditors account are opened in General Ledger while under Self Balancing System, adjustment accounts are opened in General Ledger, Sales Ledger and bought ledger.

Chapter - 16 : Financial Statement of Not for Profit Organisation

2009 - May [1] Following is the Receipts and Payments Account of Nanoo Club for the year ended 31st March, 2009:

Receipts	Amount (Rs.)	Payments	Amount (Rs.)
Opening Balance :		Salaries	1,20,000
Cash	10,000	Creditors	15,20,000
Bank	3,850	Printing and Stationery	70,000
Subscription received	2,02,750	Postage	40,000
Entrance donation	1,00,000	Telephone and Fax	52,000
Interest received	58,000	Repairs and Maintenance	48,000
Sale of Fixed assets	8,000	Glass and Table linen	12,000
Miscellaneous Income	9,000	Crockery and Cutlery	14,000
Receipts at coffee room	10,70,000	Garden upkeep	8,000
Wines and Spirits	5,10,000	Membership fees	4,000
Swimming Pool	80,000	Insurance	5,000
Tennis court	1,02,000	Electricity	28,000
		Closing Balance :	
		Cash	8,000
		Bank	2,24,600
	21,53,600		21,53,600

Following additional information is provided to you:

(i) Assets and liabilities as on 1.4.2008 were as follows:

	Rs.
Fixed assets (Net)	5,00,000
Stock	3,80,000
Investment in 12% government securities	5,00,000
Outstanding subscription	12,000
Gratuity fund	1,50,000
Prepaid insurance	1,000
Sundry creditors	1,12,000
Subscription received in advance	15,000
Entrance donation received pending membership	1,00,000

(ii) Subscription received in advance as on 31.3.09 was Rs. 18,000

(iii) Outstanding subscription as on 31.3.09 was Rs. 7,000.

(iv) Outstanding expenses as on 31.3.09 are :

Salaries : Rs. 8,000

Electricity : Rs. 15,000

(v) 50% of the entrance donation was to be capitalised. There was no pending membership as on 31.3.09.

(vi) The cost of assets sold as on 1.4.08 was Rs. 10,000.

(vii) Depreciation was provided @ 10% p.a. on fixed assets on written down value basis.

(viii) A sum of Rs. 20,000 received in October, 2008 as entrance donation from an applicant was to be refunded, as he has not fulfilled the requisite membership qualification. The refund was made on 3.6.09.

(ix) Purchases made during the year 2008-09 amounted to Rs. 15,00,000.

(x) The value of closing stock as on 31.3.09 was Rs. 2,10,000.

(xi) The Club as a matter of policy charges off to Income and Expenditure account, all purchases made on account of crockery, cutlery, glass and linen in the year of purchase.

You are required to prepare :

(i) Income and Expenditure account for the year ended 31st March, 2009.

(ii) Balance Sheet as on 31st March, 2009. (20 marks)

Answer :

Income and Expenditure Account of Nanoo club for the year ended 31st March, 2009

Expenditure	Amount Rs.	Income	Amount Rs.
To Salaries (W.N.8)	1,28,000	By Subscriptions (W.N.2)	1,94,750
To Printing and stationery	70,000	By Entrance donation (W.N.3)	90,000
To Postage	40,000	By Interest (W.N.4)	60,000
To Telephone & Fax	52,000	By Miscellaneous income	9,000
To Repairs and maintenance	48,000	By Profit from operations (W.N.6)	92,000
To Glass and table linen	12,000	By Excess of expenditure over income transferred to capital fund (deficit)	30,250
To Crockery and cutlery	14,000		
To Garden upkeep	8,000		
To Membership fees	4,000		
To Insurance (W.N.5)	6,000		
To Electricity charges (W.N.8)	43,000		
To Loss on sale of assets (10,000 - 8,000)	2,000		
To Depreciation (W.N.9)	49,000		
	4,76,000		4,76,000

Balance Sheet of Nanoo Club as on 31st March, 2009

Liabilities	Amount Rs.	Assets	Amount Rs.
Capital fund (W.N.10)	10,89,600	Fixed assets (W.N.9)	4,41,000
Gratuity fund	1,50,000	Stock	2,10,000
Sundry creditors (W.N.7)	92,000	Investments in 12% Government securities	5,00,000
Subscription received in advance	18,000	Subscription outstanding	7,000
Entrance donation refundable	20,000	Interest accrued (W.N.4)	2,000
Outstanding salary	8,000	Bank	2,24,600
Outstanding electricity charges	15,000	Cash	8,000
	13,92,600		13,92,600

Working Notes:

(1) Opening Balance Sheet as on 1st April, 2008

Liabilities	Amount Rs.	Assets	Amount Rs.
Capital fund (Bal. Fig.)	10, 29,850	Fixed assets	5,00,000
Sundry creditors	1,12,000	Stock	3,80,000
Subscription received in advance	15,000	Investment in 12% Government securities	5,00,000
Entrance donation received in advance (pending membership)	1,00,000	Subscription outstanding	12,000
		Prepaid insurance	1,000
Gratuity fund	1,50,000	Cash	10,000
		Bank	3,850
	14,06,850		14,06,850

(2) Subscription

Particulars	Rs.
Subscription received during the year	2,02,750
Add: Outstanding subscription on 31.3.2009	7,000
Add: Received in advance as on 1.4.2008	15,000
	2,24,750
Less: Outstanding subscription as on 1.4.2008	(12,000)
Less: Received in advance as on 31.3.2009	(18,000)
	1,94,750

(3) Entrance Donation

Particulars	Rs.
Entrance Donation received during the year	1,00,000
Add: Received in Advance as on 1.4.2008	1,00,000
	2,00,000
Less: Refundable to Ineligible Member	20,000
	1,80,000
Less: 50% Capitalized	90,000
	90,000

(4) Interest received

Particulars	Rs.
Interest on Rs.5,00,000 @ 12% p.a.	60,000
Less: Interest received during the year	58,000
Interest accrued as on 31.3.2009	2,000
Interest credited to Income and Expenditure A/c	60,000

(5) Insurance

Particulars	Rs.
Insurance paid during the year	5,000
Add: Prepaid Insurance as on 1.4.2008	1,000
	6,000

(6) Profit from Operations

Particulars	Rs.
Cost of Goods sold:	
Opening Stock as on 1.4.2008	3,80,000
Add: Purchases	15,00,000
	18,80,000
Less: Closing Stock	2,10,000
Cost of Goods Sold (A)	16,70,000
Receipts from operations	
Receipts from Coffee Room	10,70,000
Receipts from Wines & Sprits	5,10,000
Receipts from Swimming Pool	80,000
Receipts from Tennis Court	1,02,000
Total of Receipts (B)	17, 62,000
Profit from Operations (B-A)	92,000

(7) Sundry Creditors

Particulars	Rs.
Opening Balance as on 1.4.2008	1,12,000
Add: Purchases made during the year	15,00,000
	16,12,000
Less: Payment made during the year	15,20,000
Closing Balance as on 31.3.2009	92,000

(8) (a) Salary

Salary paid as on 31.3.2009	1,20,000	
Add: Outstanding Salary as on 31.3.2009	8,000	1,28,000
(b) Electricity charges paid	28,000	
Add: Outstanding Electricity charges as on 31.3.2009	15,000	43,000

(9) Fixed Assets

Fixed Assets as per Trial Balance	5,00,000
Less: W.D.V. of Assets sold	10,000
	4,90,000
Less: Depreciation @ 10% on Rs.4,90,000	49,000
Fixed Assets as on 31.3.2009	4,41,000

(10) Capital fund

	Rs.
Capital fund as on 31.3.2008	10,29,850
Add: Entrance donation capitalized	90,000
	11,19,850
Less: Deficit	30,250
	10,89,600

Chapter - 17 : Accounts from Incomplete Records

2009 - May [2] (a) Following is the Balance Sheet of Mr. Ram, a small trader, as on 31st March, 2008 :

Liabilities	Rs.	Assets	Rs.
Creditors	1,00,000	Cash	10,000
Capital	4,00,000	Bank	20,000
		Stock	80,000
		Debtors	1,00,000
		Fixed Assets	2,90,000
	5,00,000		5,00,000

A fire occurred on the night of 31st March, 2009, destroying the accounting records as well as the closing cash of the trader. However, the following information was available :

(i) Debtors and creditors as on 31st March, 2009 showed an increase of 20% as compared to 31st March, 2008.

(ii) Credit period :
Debtors : 1 month
Creditors : 2 months

(iii) Stock was maintained at the same level throughout the year.

(iv) Cash sales constituted at 20% of the total sales.

(v) All purchases were on credit basis only.

(vi) Current ratio on 31st March, 2009 was exactly 2.

(vii) Total expenses excluding depreciation for the year amounted to Rs. 5,00,000.

(viii) Depreciation was provided @ 10% on the closing book value of fixed assets.

(ix) Bank and cash transactions for the financial year 2008-09 were as under :

(a) Payment to creditors included Rs. 1,00,000 by cash.

(b) Received from debtors included Rs. 11,80,000 by way of cheques.

(c) Cash deposited into the Bank Rs. 2,40,000.

(d) Personal drawings from Bank Rs. 1,00,000.

(e) Fixed assets purchased and paid by cheques Rs. 4,50,000.

(x) Assume that cash destroyed by fire is written off in the Profit and Loss account.

You are required to prepare :

(i) Trading and Profit and Loss account of Shri Ram for the year ended 31st March, 2009.

(ii) A Balance Sheet as at that date. (8 marks)

Answer :

Trading and Profit and Loss Account
for the year ended 31.3.2009

Particulars	Rs.	Particulars		Rs.
To Opening stock	80,000	By Sales (W.N.2)		
To Purchases (W.N.1)	7,20,000	Cash	3,60,000	
To Gross profit	10,80,000	Credit	14,40,000	18,00,000
		By Closing Stock		80,000
	18,80,000			18,80,000
To Expenses	5,00,000	By Gross Profit		10,80,000
To Loss of cash by fire	20,000			
To Depreciation	74,000			
To Net profit transfered to Capital A/c	4,86,000			
	10,80,000			10,80,000

Balance Sheet as on 31.3.2009

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Creditors		1,20,000	Cash at bank (W.N.3)		40,000
Capital	4,00,000		Debtors		1,20,000
Add: Net profit			Stock		80,000
during the year	4,86,000		Fixed assets	2,90,000	
	8,86,000		During the year	4,50,000	
Less: Drawings	1,00,000	7,86,000		7,40,000	
			Less: Depreciation	74,000	6,66,000
		9,06,000			9,06,000

Working Notes:

(1) Calculation of creditors as on 31.3.2009 and credit purchase for 2008-2009

Creditors = Previous year creditors + 20% increase
= 1,00,000 + 20,000
= Rs. 1,20,000

Credit purchases = Creditors at the end × $\frac{12}{2}$

= 1,20,000 × $\frac{12}{2}$ = Rs. 7,20,000

(2) Calculation of Debtors as 31.3.2009 and Cash and Credit Sales for 2008-2009

Debtors on 31.3.2009 = Debtors on 31.3.2008 + 20% Increase
= 1,00,000 + 20,000
= Rs. 1,20,000

Credit sales for 2008-2009 = Debtors at the end (i.e. one month credit) × 12

= Rs. 1,20,000 × 12 = Rs. 14,40,000

Total sales = Rs. 14,40,000 × $\frac{100}{80}$ = Rs. 18,00,000

Cash sales = Total sales – Credit sales
= Rs. 18,00,000 – Rs. 14,40,000
= Rs. 3,60,000

(3) Cash and Bank Balance as on 31.3.2009

Current ratio = 2

Current ratio = $\frac{\text{Current assets}}{\text{Current liabilities}} = \frac{2}{1}$

Current assets = Current liabilities × 2

Current assets = 1,20,000 × 2 = 2,40,000

Cash and bank balance = Current assets – (Debtors + Stock)
Cash and bank balance = 2,40,000 – (1,20,000 + 80,000)
Cash and bank balance = 2,40,000 – 2,00,000 = Rs. 40,000

(4) Cash Account

Particulars	Rs.	Particulars	Rs.
To Balance b/d	10,000	By Creditors A/c	1,00,000
To Sales A/c	3,60,000	By Bank A/c	2,40,000
To Debtors A/c (W.N.6)	2,40,000	By Expenses A/c (5,00,000 –2,50,000)	2,50,000
		By Loss by fire (Bal.fig.)	20,000
	6,10,000		6,10,000

(5) Bank Account

Particulars	Rs.	Particulars	Rs.
To Balance b/d	20,000	By Creditors A/c (W.N.7)	6,00,000
To Debtors A/c	11,80,000	By Fixed Assets A/c	4,50,000
To Cash A/c	2,40,000	By Drawings	1,00,000
		By Expenses (Bal. fig.)	2,50,000
		By Balance c/d	40,000
	14,40,000		14,40,000

(6) Debtors Account

Particulars	Rs.	Particulars	Rs.
To Balance b/d	1,00,000	By Bank	11,80,000
To Sales	14,40,000	By Cash (Bal. Fig.)	2,40,000
		By Balance c/d	1,20,000[1]
	15,40,000		15,40,000

(7) Creditors Account

Particulars	Rs.	Particulars	Rs.
To Cash A/c	1,00,000	By Balance b/d	1,00,000
To Bank (Bal. fig.)	6,00,000	By Purchases A/c	7,20,000
To Balance c/d	1,20,000[2]		
	8,20,000		8,20,000

1. Debtors on 31.3.2009 = Debtors on 31.3.2008 × 120% i.e. 1,00,000 x 120% = Rs. 1,20,000
2. Creditors on 31.3.2009 = Creditors on 31.3.2008 x 120% i.e. 1,00,000 x 120% = Rs. 1,20,000.

Chapter - 18 : Hire Purchase and Instalment Sale Transactions

2009 - May [5] Answer the following :

(vii) Mr. X purchased a machine on hire-purchase system. Rs. 30,000 being paid on delivery and the balance in five instalments of Rs. 60,000 each, payable annually on 31st December. The cash price of the machine was Rs. 3,00,000. Compute the amount of interest for each year.. (2 marks)

Answer :

1^{st} year = Amount outstanding for interest after down payment	3,00,000
2^{nd} year = Amount outstanding for interest after 1^{st} Instalment	2,40,000
3^{rd} year = Amount outstanding for interest after 2^{nd} instalment	1,80,000
4^{th} year = Amount outstanding for interest after 3^{rd} instalment	1,20,000
5^{th} year = Amount outstanding for interest after 4^{th} instalment	60,000

Total interest = Hire Purchase price – Cash Price

= 3,30,000 – 3,00,000 = 30,000

Instalment outstanding ratio= 3,00,000:2,40,000 :1,80,000:1,20,000:60,000 = 5:4:3:2:1

			Rs.
Interest for 1 year	=	$\frac{5}{15} \times 30,000 =$	10,000
Interest for II year	=	$\frac{4}{15} \times 30,000 =$	8,000
Interest for III year	=	$\frac{3}{15} \times 30,000 =$	6,000
Interest for IV year	=	$\frac{2}{15} \times 30,000 =$	4,000
Interest for V year	=	$\frac{1}{15} \times 30,000 =$	2,000
			30,000

Chapter - 19 : Investment Accounts

2009 - May [3] (b) On 1st April, 2008, Mr. Neel purchased 5,000 equity shares of Rs. 100 each in X Ltd. @ Rs. 120 each from a Broker, who charged 2% brokerage. He incurred 1/2% as cost of shares transfer stamps. On 31st January, 2009, Bonus was declared in the ratio of 1:2 Before and after the record date of bonus shares, the shares were quoted at Rs. 175 per share and Rs. 90 per share respectively. On 31st March, 2009, Mr. Neel sold bonus shares to a broker, who charged 2% brokerage.

Show the Investment Account in the books of Mr. Neel, who held the shares as current assets and closing value of investments shall be made at cost or Market value, whichever is lower. (8 marks)

Answer :

Investment Account in the books of Mr. Neel
For the year ended 31st March, 2009
(Scrip: Equity Shares of X Ltd.)

Dr. Cr.

Date	Particulars	Nominal Value (Rs.)	Cost (Rs.)	Date	Particulars	Nominal Value (Rs.)	Cost (Rs.)
1.4.08	To Bank A/c (W.N.1)	5,00,000	6,15,000	31.3.09	By Bank A/c (W.N.2)	2,50,000	2,20,500
31.01.09	To Bonus Shares	2,50,000		31.3.09	By Balance c/d (W.N.4)	5,00,000	4,10,000
31.03.09	To Profit and Loss A/c (W.N.3)	—	15,500				
		7,50,000	6,30,500			7,50,000	6,30,500

Working Notes:

1. **Calculation of cost of equity shares purchased on 1.4.08**

$= 5,000 \times \text{Rs.}120 - 2\% \text{ of Rs. } 6,00,000 + \frac{1}{2}\% \text{ of Rs. } 6,00,000 = \text{Rs. } 6,15,000$

2. **Calculation of profit proceeds of equity shares sold on 31.3.09**
   = 2,500 × Rs.90 – 2% of Rs. 2,25,000 = Rs. 2,20,500
3. **Calculation of profit on sale of bonus shares on 31.3.09**
   = Sale proceeds – Average cost
   $= 2,20,500 - 2,05,000 \text{ i.e. } \left(\text{Rs. } 6,15,000 \times \frac{2,50,000}{7,50,000}\right) = \text{Rs. } 15,500$
4. **Valuation of equity shares on 31.3.09**
   $\text{Cost} = 6,15,000 \times \frac{5,00,000}{7,50,000} = \text{Rs. } 4,10,000$
   Market value = 5,000 shares × Rs.90 = Rs. 4,50,000
   Closing Balance has been valued at Rs. 4,10,000 i.e. at cost which is lower than the market value.

2009 - May [5] Answer the following :

(viii) Mr. T purchased 1,000 nos. 10% debentures of Rs. 100 each on Ist April, 2009 at Rs. 96 cum-interest, the previous interest date being 31st December, 2008. Compute cost of investment. (2 marks)

Answer :

Total amount payable 1,000 × 96 =	96,000
Less: Interest included in the price for January, February and March i.e. $1,00,000 \times \frac{10}{100} \times \frac{3}{12} =$	2,500
Cost of the Investment	93,500

Chapter - 22 : Insurance Claims

2009 - May [5] Answer the following :

(ii) What is "average clause" under insurance claim? (2 marks)

Answer :

When a businessman wants to reduce the burden of Insurance Premium and wants to take an insurance policy which is less than the value of average stock, it is known as under insurance. For discouraging the under-insurance, fire insurance policies contain an average clause. In such a case, the net claim is calculated by using following formula.

$$\text{Amount of claim} = \frac{\text{Amount of Policy}}{\text{Insurable Amount}} \times \text{Actual Loss}$$

Chapter - 23 : Introduction to Partnership Accounts

2009 - May [5] Answer the following :

(iv) A and M are partners, sharing profit and losses in the ratio of 3 : 2. G is admitted for 1/4th share. Thereafter, N enters the partnership for 20 Paise in a Rupee. Compute new profit sharing ratio (2 marks)

Answer :

Let the total share be = 1

Share of new partner G = $\frac{1}{4}$

Remaining share of profit $= 1-\frac{1}{4} = \frac{3}{4}$

New ratio of (A) $= \frac{3}{4}\times\frac{3}{5} = \frac{9}{20}$

New ratio of (M) $= \frac{3}{4}\times\frac{2}{5} = \frac{6}{20}$

New ratio of A:MG

9: 6: 5

Again, let the total share at the time of admission of N = 1

Share of new partner N is 20% i.e. $\frac{1}{5}$

Remaining share $= 1- \frac{1}{5} = \frac{4}{5}$

New ratio of A $= \frac{4}{5}\times\frac{9}{20} = \frac{9}{25}$

New ratio of M $= \frac{4}{5}\times\frac{6}{20} = \frac{6}{25}$

$\therefore$ New ratio of G $= \frac{4}{5}\times\frac{5}{20} = \frac{5}{25}$

New ratio of A:M:G:N = 9:6:5:5

Chapter - 25 : Amalgamation, Conversion and Sale of Partnership Firms

2009 - May [3] (a) The partnership of Sakshi Agencies decided to convert the partnership into Private Limited Company named Rameshwar Company Pvt. Ltd. with effect from 1st January, 2008. The consideration was agreed at Rs. 2,34,00,000 based on firm's Balance Sheet as on 31st December, 2007. However, due to some procedural difficulties, the company could be incorporated only on 1st April, 2008. Meanwhile, the business was continued on behalf of the company and the consideration was settled on that day with interest at 12% p.a. The same books of accounts were continued by the company, which closed its accounts for the first time on 31st March, 2009 and prepared the following summarised Profit and Loss account :

	Rs.		Rs.
To Cost of goods sold	3,27,60,000	By sales	4,68,00,000
To Salaries	23,40,000		
To Depreciation	3,60,000		
To Advertisement	14,04,000		
To Discount	23,40,000		
To Managing Director's remuneration	1,80,000		
To Miscellaneous office expenses	2,40,000		
To Office cum showroom rent			14,40,000
To Interest	19,02,000		
To Profit	38,34,000		
	4,68,00,000		4,68,00,000

The company's only borrowing was a loan of Rs. 1,00,00,000 at 12% p.a. to pay the purchase consideration due to the firm and for working capital requirements. The company was able to double the monthly average sales of the firm from 1st April, 2008, but the salaries trebled from the date. It had to occupy additional space from 1st July, 2008 for which rent was Rs. 60,000 per month.

Prepare a Profit and Loss account in columnar form apportioning costs and revenue between pre-incorporation and post-incorporation periods.

(8 marks)

Answer :

(a) **Profit and Loss Account for the year ended 31.3.09**

	Total (Rs.)	Ratio	Pre (Rs.)	Post (Rs.)		Total (Rs.)	Ratio	Pre (Rs.)	Post (Rs.)
To Salaries	23,40,000	1:12	1,80,000	21,60,00	By Gross profit	1,40,40,000	1:8	15,60,000	1,24,80,000
To Depreciation	3,60,000	1:4	72,000	2,88,000	By Goodwill (bal. fig.)			38,000	
To Advertisement	14,04,000	1:8	1,56,000	12,48,000					
To Discount	23,40,000	1:8	2,60,00	20,80,000					
To Managing director's remuneration	1,80,000	Post		1,80,000					
To Office cum showroom rent	14,40,000	Actual	1,80,000	12,60,000					
To Mis-cellaneous office expenses	2,40,000	1:4	48,000	1,92,000					
To Interest	19,02,000	Actual	7,02,000	12,00,000					
To Net profit (Bal. fig.)				38,72,000					
			15,98,000	1,24,80,000				15,98,000	1,24,80,000

Note: Since the profits prior to incorporation are in the negative, they would:

(a) either be considered as a reduction from any capital reserve accruing in relation to the transaction, or

(b) be treated as goodwill.

Working Notes:

(1) **Calculation of Time Ratio**

Pre-Incorporation Period	Post-Incorporation Period
1st January, 2008 to 31st March, 2008	1st April, 2008 to 31st March, 2009 (12 Months)
(3 Months)	
3:	12
1:	4

(2) **Calculation of Sales Ratio**

Pre-Incorporation Period	Post-Incorporation Period
3 Months	12 Months
3 × 1	12 × 2
3:	24
1:	8

(3) **Calculation of Staff Salary Ratio**

Pre-Incorporation Period	Post-Incorporation Period
3 Months	12 Months
3 × 1	12 × 3
3:	36
1:	12

(4) **Calculation of Interest**

Pre-Incorporation Period	Post-Incorporation Period
2,34,00,000 × 3/12 × 12/100	1,00,00,000 × 12/100
= Rs. 7,02,000	= Rs. 12,00,000

(5) **Calculation of Rent**

1 July 2008 to 31st March, 2009 = 9 Months

Total additional rent = 60,000 × 9 = Rs.5,40,000

Remaining rent = 14,40,000 –5,40,000 = Rs.9,00,000

Rent per month = $\frac{9,00,000}{15}$ = Rs. 60,000 per month

Pre-Incorporation Period rent	= 60,000 × 3	=	1,80,000
Post-Incorporation Period rent	= 60,000 × 12	=	7,20,000
	Additional rent	=	5,40,000
			12,60,000

(6) **Calculation of Gross Profit**

Trading Account

	Rs.		Rs.
To Cost of goods sold	3,27,60,000	By Sales	4,68,00,000
To Gross profit (Bal.fig.)	1,40,40,000		
	4,68,00,000		4,68,00,000

Chapter - 26 : Accounting in Computerised Environment

2009 - May [6] Answer the following :

(c) Mention, four advantages and four disadvantages of pre-packaged accounting software. (4 marks)

Answer :

Advantages of Pre-packaged Accounting Software

1. Easy to install
2. Relatively inexpensive
3. Easy to use
4. Back-up-procedure is simple.
5. Certain flexibility of report formats provided by some of the software
6. Very effective for small and medium size businesses.

Disadvantages of Pre-packaged Accounting Software

1. Does not cover peculiarities of specific business
2. Does not cover all functional area
3. Customization may not be possible in most such software
4. Reports generated are not sufficient or serve the purpose
5. Lack of security
6. Bugs in the software

SCANNER™ Appendix

PCC Gr. I Paper - 1

November - 2009

Question Paper of November 2009 Examination

Paper - 1 : Advanced Accounting

Chapter-2 : Accounting Standards

2009 - Nov [1](v) A trader purchased goods for Rs. 1,70,000. The opening stock of inventory prior to the said purchase was Rs. 30,000. His sales was Rs.2,10,000. Find out the closing stock of inventory if the Gross profit margin is 25% on cost. (2 marks)

(vii) An earthquake destroyed a major warehouse of ACO Ltd. on 20.5.2009. The accounting year of the company ended on 31.3.2009. The accounts were approved on 30.6.2009. The loss from earthquake is estimated at Rs. 30 lakhs. State with reasons, whether the loss due to earthquake is an adjusting or non-adjusting event and how the fact of loss is to be disclosed by the company ? (2 marks)

(ix) ABC Ltd. developed a know-how by incurring expenditure of Rs. 20 lakhs. The know-how was used by the company from 1.4.2002. The useful life of the asset is 10 years from the year of commencement of its use. The company has not amortised the asset till 31.3.2009. Pass Journal entry to give effect to the value of know-how as per Accounting Standard-26 for the year ended 31.3.2009. (2 marks)

Chapter-4 : Cash Flow Statement

2009 - Nov [2] Balance Sheet of Raman Ltd. is given below :

(Rs. in '000)

Liabilities	31.3.08	31.3.09	Assets	31.3.08	31.3.09
Share capital	500	500	Land & building	300	300
9% debenture	200	160	Machinery	164	180
Sundry creditors	230	216	Stock-in-trade	200	228
Profit and Loss A/c	40	54	Sundry debtors	170	162
Depreciation fund	80	88	Cash and bank balances	120	110
Contingency reserve	140	110	Current Investment	262	190
Outstanding expenses	30	48	Pre-paid expenses	4	6
	1,220	1,176		1,220	1,176

The following information is furnished :

(i) One old machinery which has original cost of Rs. 30,000 was sold for Rs. 10,000. The accumulated depreciation in respect of the said machinery amounts to Rs. 16,000.

(ii) One new machinery was acquired for Rs. 46,000.

(iii) 9% debentures were redeemed at a discount of 4% on their face value.

(iv) Dividend at 12% was declared and Paid in cash.

(v) Income-tax liability of Rs. 30,000 paid was debited in contingency reserve.

You are required to prepare Cash flow statement in accordance with Accounting Standard-3. (16 marks)

Chapter-5 : Alteration & Conversion of Share Capital

2009 - Nov [6] (d) X Co. Ltd. has its share capital divided into Equity shares of Rs. 10 each. On 1.10.2008 it granted 20,000 employees' stock option at Rs. 50 per share, when the market price was Rs. 120 per share. The options were to be exercised between 10th December, 2008 and 31st March, 2009. The employees exercised their options for 16,000 shares only and the remaining options lapsed. The company closes its books on 31st March every year.
Show Journal entries (with narration) as would appear in the books of the company upto 31std March, 2009. (4 marks)

Chapter-7 : Redemption of Debentures

2009 - Nov [1] (ii) Arjun Ltd. issued 10,000 (Nos.) of 12% debentures of Rs. 100 each in April, 2007. Interest is payable on 30th Septemeber and 31st March every year. The company purchased 2,000 debentures at Rs. 104 per debenture on cum-interest basis on 1.7.2008. The own debentures were cancelled on 30.9.2009. Show Journal entries that are required to be passed for purchase of own debentures, interest on own debentures and for cancellation of those debentures. (2 marks)

Chapter-8 : Amalgamation and Reconstruction

2009 - Nov [1] (viii) X Co. Ltd. having share capital of Rs. 50 lakhs divided into equity shares of Rs. 10 each was taken over by Y Co. Ltd. X Co. Ltd. has General Reserve of Rs. 10,00,000 and Profit and Loss account Cr. Rs.5,00,000. Y Co. Ltd. issued 11 equity shares of Rs. 10 each for every 10 shares of X Co. Ltd.
How the Journal entry would be passed in the books of Y Co. Ltd. for the shares issued under the 'Pooling of interests method' of amalgamation.

(2 marks)

2009 - Nov [4] The Balance Sheet of Neptune Ltd. as on 31.3.2009 is given below :

Liabilities		Rs.	Assets	Rs.
Equity shares of Rs. 10 each			Freehold property	5,00,000
fully paid (80,000 shares)		8,00,000	Plant & machinery	1,80,000
6% cumulative pref. shares			Trade investment (at cost)	1,70,000
of 100 each fully paid			Sundry debtors	4,50,000
(5,000. shares)		5,00,000	Stock in trade	2,00,000
6% debentures (secured			Deferred advertisement	
by freehold property)	3,75,000		expenditure	1,50,000
Arrear interest	22,500	3,97,500	Profit and Loss A/c	3,65,000
Sundry creditors		17,500		
Director's loan		3,00,000		
		20,15,000		20,15,000

The Court approved a scheme of re-organisation to take effect on 1.4.2009 and the terms are given below :

(i) Preference shares are to be written down to Rs. 75 each and equity shares to Rs. 2 each.

(ii) Preference dividend in arrear for 4 years to be waived by 75% and for the balance equity shares of Rs. 2 each to be allotted.

(iii) Arrear of debenture interest to be paid in cash.

(iv) Debentureholders agreed to take one freehold property (Book value Rs. 3,00,000) at a valuation of Rs. 3,00,000 in part payment of their holding. Balance debentures to remain as liability of the company.

(v) Deferred Advertisement Expenditure to be written off.

(vi) Stock value to be written off fully in the books.

(vii) 50% of the Sundry Debtors to be written off as bad debt.

(viii) Remaining freehold property (after take over by Debentureholders) to be valued at Rs. 3,50,000.

(ix) Investments sold out for Rs. 2,00,000.

(x) 80% of the Director's loan to be waived and for the balance equity shares of Rs. 2 each to be issued.

(xi) Company's contractual commitments amounting to Rs. 5,00,000 to be cancelled by paying penalty at 3% of contract value.

(xii) Cost of Re-construction Scheme is Rs. 20,000.

Show the Journal entries (with narration) to be passed for giving effect to the above transactions and draw Balance Sheet of the company after effecting the Scheme. (16 marks)

Chapter-9 : Liquidation of Companies

2009 - Nov [5](b) TM Ltd. went in for voluntary liquidation on 31st March, 2009.

The Balance Sheet of the company as at 31.3.2009 is given below :

Liabilities	Rs.	Assets	Rs.
Share Capital :		Freehold property	11,85,000
Equity shares		Plant	6,03,000
1,00,000 of Rs. 10		Motor vehicles	1,15,000
each fully paid	10,00,000	Stock	3,72,000
10% pref. shares of		Sundry debtors	1,48,000
Rs. 100 each fully paid	12,00,000	Profit & Loss A/c	4,28,000
Share premium	1,00,000		
5% debentures `	2,00,000		
Interest on debenture	5,000		
Bank overdarft	1,16,000		
Sundry creditors	2,30,000		
	28,51,000		28,51,000

The preference dividends are in arrear for the years 2007-08 and 2008-09. The company's Articles provide that on liquidation, out of surplus assets remaining after payment of liquidation costs and outside liabilities, it shall be applied firstly towards arrears of preference dividend, secondly to preference shareholders with a premium thereon at Rs. 10 per share and finally any residue shall be paid to the equity shareholders.

The Liquidator realised the assets as below :

	Rs.
Freehold property	14,25,000
Plant	5,05,000
Motor vehicles	1,18,000
Stock in trade	3,00,000
Sundry debtors	1,20,000

Creditors were paid less discount of 5% debentures with accrued interest upto 30.6.2009 was paid.

Liquidators remuneration is 2% of the assets realised.

Cost of liquidation was Rs. 7,640.

Prepare the Liquidators Statement of Account. (8 marks)

Chapter-10 : Financial Statements of Banking Companies

2009 - Nov [1](vi) Find out the income to be recognised in the case of X Bank Ltd. for the year ended 31st March, 2009 :

(Rs. in lakhs)

	Performing Assets Interest accrued	Performing Assets Interest received	Non-performing Assets Interest accrued	Non-performing Assets Interest received
Term loans	240	160	150	10
Cash credits and overdrafts	1,500	1,240	300	24

(2 marks)

Chapter-13 : Average Due Date

2009 - Nov [6] (c) Harish has the following bills due on different dates. It was agreed to settle the total amount due by a single cheque payment. Find the date of the cheque.

(i) Rs. 5,000 due on 5.3.2009
(ii) Rs. 7,000 due on 7.4.2009
(iii) Rs. 6,000 due on 17.7.2009
(iv) Rs. 8,000 due on 14.9.2009 (4 marks)

Chapter-17 : Accounts From Incomplete Records

2009 - Nov [1] (iii) Find out the profit of Mr. A from the following information:

Capital at the beginning of the year	Rs.	20,00,000
Drawings made by Mr. A	Rs.	2,00,000
Capital at the end of the year	Rs.	25,00,000
Additional capital introduced during the year	Rs.	1,00,000

(2 marks)

2009 - Nov [6] (a) From the following information furnished by X & Co., prepare Total Debtors Account.

	Transactions for the month of March, 2009	Rs.
(i)	Sales (includes cash sales of Rs. 7,000)	68,000
(ii)	Collections from Debtors (cash)	57,000
(iii)	Discount allowed	2,000
(iv)	Bad debts written off	1,500
(v)	Cheques received	10,000
(vi)	Cheques dishonoured	2,000
(vii)	Return inward	700
(viii)	Bad debts written off - now recovered	500
(ix)	Provision for doubtful debts	1,200
(x)	Balance outstanding on 1.3.2009 (Receivables)	20,000

(4 marks)

Chapter-18 : Hire Purchase and Instalment Sale Transactions

2009 - Nov [1] (iv) Mr. X purchased a machine on hire purchase system. He made cash payment of Rs. 30,000 and the balance was payable in 5 annual instalments of Rs. 60,000 each. The cash price of the machine is Rs.3,00,000. Assume that the purchase was made on 1st April and the annual instalments are payable on 31st March of every year. Calculate the amount of interest for each year. (2 marks)

Chapter-21 : Branch Accounts and Foreign Branches

2009 - Nov [5] (a) Pawan & Co. of Delhi has a Branch at Jaipur. Goods are invoiced to the Branch at cost plus 25%. The Branch is instructed to deposit everyday in the Head office account with the bank. All the expenses are paid through cheque by the Head office except pettycash expenses which are paid by the Branch.

From the following information, you are required to prepare Branch Account in the books of Head office :

	Rs.
Stock at invoice price on 1.4.08	1,64,000
Stock at invoice price on 31.3.09	1,92,000
Debtors as on 1.4.08	63,400
Debtors as on 31.3.09	84,300
Furniture & fixtures as on 1.4.08	46,800
Cash sales	8,02,600
Credit sales	7,44,200
Goods invoiced to Branch by Head office	12,56,000
Expenses paid by Head office	2,64,000
Petty expenses paid by the Branch	20,900
Furniture acquired by the Branch on 1.10.08 (payment was made by the Branch from cash sales and collection from debtors)	5,000

Depreciation to be provided on Branch Furniture & fixtures @ 10% on WDV basis. (8 marks)

Chapter-22 : Insurance Claims

2009 - Nov [1] (i) Calculate the amount of Insurance claim to be lodged, based on the following information :

Value of stock destroyed by fire	Rs. 90,000
Insurance policy amount (Subject to average clause)	Rs. 65,000
Value of stock salvaged from fire	Rs. 40,000

Chapter-23 : Introduction to Partnership Accounts

2009 - Nov [1](x) P, N and T are equal partners. They decided to change their profit sharing ratio into 5 : 4 : 3. They raised the goodwill in the books to the extent of Rs. 2,40,000 and it is to be written off immediately. Show Journal entries with narration to be passed for raising the goodwill and for its subsequent write off. (2 marks)

Chapter-25 : Amalgamation, Conversion and Sale of Partnership Firms

2009 - Nov [3] XYZ & Co. is a partnership firm consisting of Mr. X, Mr. Y and Mr. Z who share profits and losses in the ratio of 2 : 2 : 1 and ABC Ltd. is a company doing similar business.

Following is the Balance Sheet of the firm and that of the company as at 31.3.2009 :

Liabilities	XYZ & Co.	ABC Ltd.	Assets	XYZ & Co.	ABC Ltd.
	Rs.	Rs.		Rs.	Rs.
Equity share			Plant & machinery	5,00,000	16,00,000
Capital :			Furniture & fixture	50,000	2,25,000
Equity shares of			Stock in trade	2,00,000	8,50,000
Rs. 10 each		20,00,000	Sundry debtors	2,00,000	8,25,000
Partners capital :			Cash at bank	10,000	4,00,000
X	2,00,000		Cash in hand	40,000	1,00,000
Y	3,00,000				
Z	1,00,000				
General reserve	1,00,000	7,00,000			
Sundry creditors	3,00,000	13,00,000			
	10,00,000	40,00,000		10,00,000	40,00,000

It was decided that the firm XYZ & Co. be dissolved and all the assets (except cash in hand and cash at bank) and all the liabilities of the firm be taken over by ABC Ltd. by issuing 50,000 shares of Rs. 10 each at a premium of Rs. 2 per share.

Partners of XYZ & Co. agreed to divide the shares issued by ABC Ltd. in the profit sharing ratio and bring necessary cash for settlement of their capital.

The creditors of XYZ & Co. includes Rs. 1,00,000 payable to ABC Ltd. An unrecorded liability of Rs. 25,000 of XYZ & Co. must also be taken over by ABC Ltd.

Prepare :

(i) Realisation account, Partners capital account and Cash in hand/Bank account in the books of ABC & Co.

(ii) Pass journal entries in the books of ABC Ltd. for acquisition of XYZ & Co. and draw the Balance Sheet after the takeover. (16 marks)

Chapter-26 : Accounting in Computerised Environment

2009 - Nov [6] (b) What are the disadvantages of Enterprise Resource Planning (ERP) ? (4 marks)

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