Roll No. ....

Total No. of Questions – **6**

Total No. of Printed Pages – **16**

Time Allowed – **3** Hours

Maximum Marks – **100**

RMPY

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 has not opted for Hindi Medium, his/her answers in Hindi will not be valued.

Question No. **1** is compulsory.

Candidates are also required to answer any **four** questions from the remaining **five** questions.

Working notes should form part of the respective answers.

Marks

1. *Answer the following questions :* 5x4 =20

(a) From the following information given by Sampark Ltd., Calculate Basis EPS and Diluted EPS as per AS 20 :

	₹
Net Profit for the current year	2,50,00,000
No. of Equity Shares Outstanding	50,00,000
No. of 12% convertible debentures of ₹ 100 each	50,000
Each debenture is convertible into 8 Equity Shares	
Interest expense for the current year	6,00,000
Tax saving relating to interest expense (30%)	1,80,000

Marks

(b) On 1st April, 2018, Tina Ltd. take over the business of Rina Ltd. and discharged purchase consideration as follows :

(i) Issued 50,000 fully paid Equity shares of ₹ 10 each at a premium of ₹ 5 per share to the equity shareholders of Rina Ltd.

(ii) Cash payment of ₹ 50,000 was made to equity shareholders of Rina Ltd.

(iii) Issued 2,000 fully paid 12% Preference shares of ₹ 100 each at par to discharge the preference shareholders of Rina Ltd.

(iv) Debentures of Rina Ltd. (₹ 1,20,000) will be converted into equal number and amount of 10% debentures of Tina Ltd.

Calculate the amount of Purchase consideration as per AS-14 and pass Journal Entry relating to discharge of purchase consideration in the books of Tina Ltd.

(c) Following transactions are disclosed as on 31st March, 2018 :

(i) Mr. Sumit, a relative of Managing Director, received remuneration of ₹ 2,10,000 for his services in the company for the period from 1st April, 2017 to 30th June, 2017. He left the service on 1st July, 2017.

Should the relative be identified as on closing date i.e. on 31-3-2018 for the purpose of AS-18.

(ii) Goods sold amounting to ₹ 50 lakhs to associate company during the 1st quarter ended on 30th June, 2017. After that related party relationship ceased to exist. However, goods were supplied as was supplied to any other ordinary customer.

Decide whether transactions of the entire year have to be disclosed as related party transactions.

Marks

(d) Sagar Ltd. has issued convertible bonds for ₹ 65 crores which are due to mature on 30th September, 2018.

While preparing financial statements for the year ending 31st March, 2018, company expects that bond holders will not exercise their option of converting bonds to equity shares. How should the company classify the convertible bonds as per the requirements of Schedule-III to the Companies Act, 2013 as on 31st March, 2018 ?

Also state, whether classification of convertible Bonds as per Schedule-III to the Companies Act will change if the company expects that convertible bond holders will convert their holdings into equity shares of Sagar Ltd.

2. (a) Lucky Ltd. grants 100 stock options to each of its 1,500 employees on 1-4-2014 for ₹ 40, depending upon the employees at the time of vesting of options. Options would be exercisable within a year it is vested. The market price of the share is ₹ 70 each. These options will vest at the end of year 1 if the earning of Lucky Ltd. is 15%, or it will vest at the end of the year 2 if the average earning of two years is 13% or lastly it will vest at the end of the third year if the average earning of 3 years will be 10% 8,000 unvested options lapsed on 31-3-2015. 6,000 unvested options lapsed on 31-3-2016 and finally 4,000 unvested options lapsed on 31-3-2017. **10**

The earnings of Lucky Ltd. for the three financial years ended on 31st March, 2015; 2016 and 2017 are 14%, 10% and 8% respectively.

 Marks

1,250 employees exercised their vested options within a year and remaining options were unexercised at the end of the contractual life.

You are required to give the necessary journal entries for the above and also prepare the statement showing compensation expense to be recognized at the end of each year.

(b) Rakshit Ltd., issued 3,00,000 shares of ₹ 10 each at a premium of ₹ 5. **10**

The entire issue was underwritten by P, Q and R in the ratio of 3 : 2 : 1. Their firm underwriting was as follows :

P – 35,000 shares, Q – 20,000 shares, R – 22,500 shares

The total subscriptions, excluding firm underwriting, including marked applications were for 1,60,000 shares. Marked applications received were as follows :

P – 45,000 shares, Q – 22,500 shares, R – 17,500 shares

The underwriting contract provided that credit for unmarked applications be given to the underwriters in proportion to the shares underwritten and benefit of firm underwriting is to be given to individual underwriters. The underwriters were entitled to commission @ 5%. You are required to :

(i) Compute the underwriter's liability in number of shares.

(ii) Compute the amount payable or due to underwriters.

(iii) Pass Journal entries in the books of the company relating to underwriting.

Marks

3. (a) Virat Ltd. furnishes the following summarized Balance Sheet as at 31st March, 2018 : **10**

Particulars	₹	₹
Equity and Liabilities :		
(1) Shareholders Funds :		
(a) Share Capital		
10,000, 12% Pref. Shares of ₹ 100 each fully paid up	10,00,000	
1,00,000 Equity shares of ₹ 10 each fully paid up	10,00,000	
50,000 Equity shares of ₹ 10 each, ₹ 8 paid up	4,00,000	24,00,000
(b) Reserve and Surplus		
Profit & Loss A/c. (Dr. Balance)		(3,50,000)
(2) Non-current Liabilities :		
12% Debentures	15,00,000	
Loan on Mortgage	4,50,000	19,50,000
(3) Current Liabilities :		
Bank Overdraft	2,75,000	
Trade Payables	7,30,000	10,05,000
Total		**50,05,000**
Assets :		
(1) Non-current Assets :		
Fixed Assets – Land & Buildings		6,00,000
(2) Current Assets : Sundry Current Assets		44,05,000
Total		**50,05,000**

Marks

The mortgage loan was secured against the Land & Buildings. Debentures were secured by a floating charge on all the assets of the company. The debenture holders appointed a Receiver. The company being voluntarily wound up, a liquidator was also appointed. The Receiver was entrusted with the task of realising the Land & Buildings which fetched ₹ 7,50,000. Receiver also took charge of Sundry current assets of value ₹ 30,00,000 and sold them for ₹ 28,75,000. The Bank overdraft was secured by a personal guarantee of the directors who discharged their obligations in full from personal resources. The costs of the Receiver amounted to ₹ 10,000 and his remuneration ₹ 15,000. The expenses of liquidator was ₹ 17,500 and his remuneration was decided at 2% on the value of the assets realised by him. The remaining assets were realised by liquidator for ₹ 12,50,000. Preference dividend was in arrear for 2 years. Articles of Association of the company provide for payment of preference dividend arrears in priority to return of equity capital.

Prepare the accounts to be submitted by the Receiver and the Liquidator.

Marks

(b) The summarized Balance Sheet of SK Ltd. as on 31st March, 2018 is given below. **10**

(₹ in '000)

Liabilities	Amount
Equity Shares of ₹ 10 each	35,000
8%, Cumulative Preference Shares of ₹ 100 each	17,500
6% Debentures of ₹ 100 each	14,000
Sundry Creditors	17,500
Provision for taxation	350
Total	**84,350**
Assets	
Fixed Assets	43,750
Investments (Market value ₹ 3325 thousand)	3,500
Current Assets (Including Bank Balance)	35,000
Profit and Loss Account	2,100
Total	**84,350**

 Marks

The following Scheme of Internal Reconstruction is approved and put into effect on 31st March, 2018.

(i) Investments are to be brought to their market value.

(ii) The Taxation Liability is settled at ₹ 5,25,000 out of current Assets.

(iii) The balance of Profit and Loss Account to be written off.

(iv) All the existing equity shares are reduced to ₹ 4 each.

(v) All preference shares are reduced to ₹ 60 each.

(vi) The rate of interest on debentures is increased to 9%. The Debenture holders surrender their existing debentures of ₹ 100 each and exchange them for fresh debentures of ₹ 80 each. Each old debenture is exchanged for one new debenture.

(vii) Balance of Current Assets left after settlement of taxation liability are revalued at ₹ 1,57,50,000.

(viii) Fixed Assets are written down to 80%.

(ix) One of the creditors of the Company for ₹ 70,00,000 gives up 50% of his claim. He is allotted 8,75,000 equity shares of ₹ 4 each in full and final settlement of his claim.

Pass Journal entries for the above transactions.

Marks

4. (a) On 31st March, 2018 the books of Nutan Insurance Company Limited contained the following particulars in respect of marine insurance business: 10

	Direct Business (₹)	Re-insurance (₹)
Premium:		
Received	35,50,000	3,75,000
Receivable – 1.4.2017	2,14,500	18,700
Receivable – 31.3.2018	1,80,000	15,500
Paid		3,00,500
Payable – 1.4.2017		10,400
Payable – 31.3.2018		15,200
Claims :		
Paid	25,10,000	2,70,800
Payable – 1.4.2017	42,500	15,000
Payable – 31.3.2018	45,800	17,500
Received		2,17,000
Receivable – 1.4.2017		18,500
Receivable – 31.3. 2018		19,200
Commission :		
Paid	75,800	11,600
Received		12,400

Other Expenses and Income :

	₹
Salaries	3,75,000
Rent rates and taxes	1,21,000
Printing and Stationary	24,800
Legal expenses (Inclusive of ₹ 18,000 for settlement of claims)	50,000
Interest, Dividend & Rent received (net)	1,12,500
Income tax deducted at source in respect of above	12,500
Bad Debts	5,800

Balance of fund as on 1-4-2017 was ₹ 38,50,000 including Additional Reserve for ₹ 3,60,000. Provision for Unexpired Risk to be created @ 100% and Additional Reserve has to be maintained at 5% of net premium of the year.

Prepare the Revenue Account for the year ended 31st March, 2018.

Marks

(b) While closing its books of accounts on 31st March 2018, a Non-Banking Finance Company has its advances classified as follows : **10**

	₹ (In lakhs)
Standard assets	18,400
Sub-standard assets	1,250
Secured Portion of doubtful debts :	
Upto one year	300
One year to three years	90
More than three years	30
Unsecured portions of doubtful debts	92
Loss assets	47

Calculate the amount of provision which must be made against the Advances as per -

(i) The Non-banking Financial Company - Non-systematically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016; and

(ii) Non-banking Financial Company – Systematically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016.

Marks

5. (a) The Profit and Loss Accounts of A Ltd. and its subsidiary B Ltd. for the year ended 31st March, 2018 are given below : **10**

₹ in Lakhs

Incomes	A Ltd.	B Ltd.
Sales and other income	7,500	1,500
Increase in Inventory	1,500	300
Total	**9,000**	**1,800**
Expenses		
Raw material consumed	1,200	300
Wages and Salaries	1,200	225
Production expenses	300	150
Administrative expenses	300	150
Selling and distribution expenses	300	75
Interest	150	75
Depreciation	150	75
Total	**3,600**	**1,050**
Profit before tax	5,400	750
Provision for tax	1,800	300
Profit after tax	3,600	450
Dividend paid	1,800	225
Balance of Profit	1,800	225

Marks

The following information is also given :

(i) A Ltd sold goods of ₹ 180 Lakhs to B Ltd at cost plus 25%. (1/6 of such goods were still in inventory of B Ltd at the end of the year)

(ii) Administrative expenses of B Ltd include ₹ 8 Lakhs paid to A Ltd as consultancy fees.

(iii) Selling and distribution expenses of A Ltd include ₹ 15 Lakhs paid to B Ltd as commission.

(iv) A Ltd holds 72% of the Equity Capital of B Ltd. The Equity Capital of B Ltd prior to 2016-17 is ₹ 1,500 Lakhs

Prepare a consolidated Profit and Loss Account for the year ended 31st March, 2018.

(b) The Balance sheet of Rupal Ltd. for the year ended 31st March, 2016, 2017 and 2018 are as under : **10**

Liabilities	(₹ In lakhs)		
	31.3.2016	**31.3.2017**	**31.3.2018**
Share Capital : 160 lakhs Equity shares of ₹ 10 each (Fully paid up)	3,500	3,500	3,500
General reserve	1,200	1,480	1,650
Profit & Loss A/c	415	565	675
Secured Loans :			
12% Debentures	75	75	75
Term Loan	250	230	210
Trade Payables	630	738	850
	6,070	**6,588**	**6,960**
Assets			
Land & Building	1,200	1,320	1,450
Plant & machinery	2,750	2,630	2,580
Inventory	1,210	1,520	1,830
Trade Receivables	760	950	1,055
Cash at bank	150	168	45
	6,070	**6,588**	**6,960**

Marks

Additional information :

(i) Actual valuations were shown as under :

	(₹ In lakhs)		
Land & Building	1,450	1,580	1,750
Plant & machinery	2,650	2,520	2,380
Inventory	1,520	1,830	2,140
Net profit (including opening balance after writing off depreciation, tax provision and transfer to General reserve)	1,325	1,550	1,660

(ii) On 1st April, 2015, balance in the General reserve and Profit & Loss a/c was ₹ 1,000 lakhs and ₹ 350 lakhs respectively. Capital employed in the business at market value at the beginning of 2015-16 was ₹ 5,185 lakhs.

(iii) The normal annual return on average capital employed in the same line of business is 10%.

Find out the average capital employed in each year and value of goodwill at 4 year's purchase of Super profits (simple average method).

6. Answer any **four** of the following :

(a) Equity capital is held by L, M, N and O in the proportion of 30 : 40 : 20 : 10. A, B, C and D hold Preference share capital in the proportion of 40 : 30 : 10 : 20. If the paid up Equity Share capital of the company is ₹ 60 lakhs and Preference share capital is ₹ 30 lakhs, find the voting rights of shareholders (in percentage) in case of resolution of winding up of the company. **5**

Marks

(b) What are the initial disclosure requirements of AS 24 for discontinuing operations ? **5**

(c) A Mutual Fund raised funds on 1st April, 2018 by issuing 10 lakhs units @ ₹ 20 per unit. Out of this Fund, ₹ 180 lakhs invested in several capital market securities. The initial expenses amount to ₹ 9 lakhs. During June, 2018, the fund sold certain securities of cost ₹ 140 lakhs for ₹ 175 lakhs and it bought certain securities for ₹ 125 lakhs. The Fund Management expenses amounted to ₹ 5 lakhs per month and ₹ 0.75 lakh was in arrear. The dividend earned was ₹ 4.50 lakhs. 80% of the realised earnings were distributed among the unit holders. The market value of the portfolio was ₹ 225 lakhs. Determine the Net Asset Value (NAV) per unit as on 30th June, 2018. **5**

(d) Forward Bank Ltd furnishes the following information as on 31st March, 2018 **5**

	Amount in ₹
Bills Discounted	82,23,000
Rebate on bills discounted as on 1st April, 2017	1,32,960
Discount received	6,33,990

Details of bills discounted is as given below :

Value of Bills (₹)	**Due Date**	**Rate of Discount**
10,95,000	15th June, 2018	14%
30,00,000	25th June, 2018	12%
16,92,000	5th July, 2018	16%
24,36,000	15th July, 2018	16%

(i) Calculate the rebate on bills discounted as on 31st March, 2018.

(ii) Pass necessary Journal Entries.

Marks

(e) Mutual fund has launched a new scheme "All Purpose Scheme". The Mutual Fund Asset Management Company wishes to Invest 25% of the NAV of the scheme in an unrated debt instrument of a company Zed Ltd, which has been paying above average returns for the past many years. The promoters of the company seek advice in light of the regulations of SEBI. Will the position change in case the debt instruments of the company Zed Ltd. are rated. **5**