

Paper – 1: ACCOUNTING

Question No. 1 is Compulsory

Answer any **two** questions from the remaining **three** questions

Wherever necessary, suitable assumptions may be made and indicated in answer by the candidates

Working Notes should form part of the answer

Question - 1

- a) The following is the Draft Profit and Loss A/c of Brown Ltd for the year ended 31
- st
- March, 2023: -

Particulars	Amount Rs	Particulars	Amount Rs
To Administrative Expenses	14,97,600	By Balance b/d	18,82,650
To Advertisement	3,54,600	By Balance from Trading A/c	1,14,47,670
To Commission on Sales	2,85,675	By Subsidies received from Government	7,50,000
To Director's Fees	4,07,820	By Profit on Sale of Forfeited Shares	60,000
To Interest on Debentures	85,380		
To Managerial Remuneration	8,26,650		
To Depreciation on Fixed Assets	14,47,695		
To Provision for Taxation	34,50,600		
To General Reserve	13,50,000		
To Investment Revaluation Reserve	1,58,400		
	42,75,900		
To Balance c/d	1,41,40,320		1,41,40,320

Depreciation on fixed assets as per Schedule II of the Companies Act, 2013 was Rs. 15, 47,025. You are required to calculate the maximum limit of managerial remuneration as per Companies Act, 2013. **(5 Marks)**

- b) Following are the extracts from the Balance Sheet of ABC Ltd: -

Particulars	31-03-2022	31-03-2023
Equity Share Capital	75,00,000	1,06,80,000
10% Preference Share Capital	21,00,000	18,00,000
Securities Premium Account	15,00,000	16,50,000
Profit and Loss A/c	60,00,000	84,00,000

Equity Share Capital for the year ended 31st March, 2023 includes Rs. 1, 80,000 of equity shares issued to Grey Ltd at par for supply of Machinery of Rs. 1, 80,000.

Profit and Loss Account on 31st March, 2023 includes Rs. 1, 50,000 of dividend received on Equity Shares invested in X Ltd.

Show how the related items will appear in the Cash Flow Statement of ABC Ltd as per AS – 3 (Revised). **(5 Marks)**

Question - 2

- a) Following information was extracted from the books of S Ltd for the year ended 31
- st
- March, 2023: -

- Net Profit before taking into account income tax and after taking into account the following items was Rs. 60 Lakhs: -
 - Depreciation on Property, Plant and Equipment Rs. 14,00,000;
 - Discount on issue of debentures written off Rs. 90,000;
 - Interest on debentures paid Rs. 8,70,000;
 - Investment of Book Value Rs. 7,00,000 sold for Rs. 7,50,000;
 - Interest received on Investments Rs. 1,40,000;
- Income tax paid during the year Rs. 25, 60,000;
- Company issued 1, 20,000 Equity Shares of Rs. 10 each at a premium of 20% on 10th April, 2022.

Financial Statement of Companies

- 4) 40,000, 9% Preference Shares of Rs. 100 each were redeemed on 31st March, 2023 at a premium of 5%.
- 5) Dividend paid during the year amounted to Rs. 22 Lakhs (including dividend distribution tax)
- 6) A New Plant costing Rs. 14 Lakhs was purchased in part exchange of an old plant on 1st January, 2023. The book value of the old plant was Rs. 16 Lakhs but the vendor took over the old plant at a value of Rs. 12 Lakhs only. The balance amount was paid to vendor through cheque on 30th March, 2023.
- 7) Company decided to value inventory at cost, whereas previously the practice was to value inventory at cost less 10%. The inventory according to books on 31-03-2023 was Rs. 29,52,000.
The inventory on 31-03-2022 was correctly valued at Rs. 27,00,000.
- 8) Current Assets and Current Liabilities in the beginning and at the end of year 2022 – 2023 were as: -

Particulars	As on 1 st April, 2022	As on 31 st March, 2023
Inventory	27,00,000	29,52,000
Trade Receivables	6,54,000	6,26,400
Cash and Bank Balances	4,81,400	7,41,000
Trade Payables	5,69,400	5,74,600
Outstanding Expenses	1,94,000	2,02,800

You are required to prepare a Cash Flow Statement for the year ended 31st March, 2023 as per AS – 3 (revised) using the Indirect Method. **(10 Marks)**

- b) X Ltd. a non investment company has been incurring losses for the past few years. The company provides the following information for the current year: -

Particulars	Rs (Lakhs)
Paid up Equity Share Capital	90
Paid up Preference Share Capital	10
Reserves (including Revaluation Reserve Rs. 15 Lakhs)	75
Securities Premium	30
Long term loans	20
Deposit repayable after one year	10
Application money pending allotment	360
Accumulated losses not written off	40
Investment	90

X Ltd has only one whole time director, Mr. Y. You are required to calculate the amount of maximum remuneration that can be paid to him if no special resolution is passed at the general meeting of the company in respect of payment of remuneration for a period not exceeding three years. **(5 Marks)**

- c) The following information is provided by Exe Limited for 31st March, 2023: -

Particulars	Rs (Lakhs)
Net Profit before Income Tax and Managerial Remuneration, but after Depreciation and Provision for Repairs	9,40,000
Depreciation provided in the Books	4,05,000
Provision for repairs for Machinery during the year	35,000
Depreciation Allowable under Schedule II	3,40,000
Actual Expenditure incurred on Repairs during the year	25,000
Provision for Income tax	1,50,000

You are required to calculate the Managerial Remuneration for Exe Limited as on 31st March, 2023 in the following situations: -

- i) There is only one Whole Time Director.
- ii) There are two Whole Time Directors.
- iii) There are two Whole Time Directors, a part time Director and a Manager. **(5 Marks)**

Question – 3

The following is the summarized Balance Sheet of R Limited as at 31st March, 2023: -

Particulars	Amount Rs
Liabilities	
Authorized Capital	
1,50,000 Equity Shares of Rs. 10 each	15,00,000
30,000, 10% Redeemable Preference Shares of Rs. 100 each	30,00,000
	45,00,000
Issued, Subscribed and Paid Up	
90,000 Equity Shares of Rs. 10 each	9,00,000
15,000, 10% Redeemable Preference Shares of Rs. 100 each	15,00,000
Reserves & Surplus	
Securities Premium	18,00,000
General Reserve	16,50,000
Profit and Loss A/c	1,20,000
7500, 9% Debentures of Rs. 100 each	7,50,000
Trade Payables	2,12,500
	69,32,500
Assets	
Non-Current Assets	
Property, Plant & Equipment	31,60,000
Investments (Market Value, Rs. 17,40,000)	14,70,000
Trade Receivable	17,60,000
Cash and Bank Balance	5,42,500
	69,32,500

In Annual General Meeting held on 15th May, 2023 the company passed the following resolutions: -

- To redeem 10% preference shares at a premium of 5%.
- To redeem 9% Debentures by making offer to Debenture holders to convert their holding into equity shares at Rs. 40 per share or accept cash on redemption.
- To issue fully paid bonus shares in the ratio of one equity share for every three shares held on 31st March, 2023.
- Redemption of preference shares and debentures will be paid through company's cash and bank balance subject to leaving a minimum cash and bank balance of Rs. 2, 00,000.
- To issue sufficient number of equity shares @ Rs. 40 per share if required to finance redemption of Preference Shareholders and debenture holders.

On 5th June, 2023 investments were sold for Rs. 16, 80,000 and preference shares were redeemed.

30% of Debenture holders exercised their option to accept cash and their claims were settled on 1st August, 2023. The bonus issue was concluded by 10th August, 2023.

You are requested to journalize the above transactions including cash transactions and prepare Balance Sheet as at 30th September, 2023. All working notes should form part of your answer.

(20 Marks)

Question – 4

The following is the Trial Balance of H Ltd., as on 31st March, 2023: -

Particulars	Dr	Cr
Equity Capital (Shares of Rs. 100 each)		8,05,000
5,000, 6% Preference Shares of Rs. 100 each		5,00,000
9% Debentures		4,00,000
General Reserve		40,00,000
Profit and Loss A/c (of Previous Year)		72,000
Sales		60,00,000
Trade Payables		10,40,000
Provision for Depreciation on Plant & Machinery		1,72,000
Suspense Account		40,000

Financial Statement of Companies

Land at Cost	24,00,000	
Plant & Machinery at Cost	7,70,000	
Trade Receivables	19,60,000	
Inventories (31-03-2022)	9,50,000	
Bank	2,30,900	
Adjusted Purchases	22,32,100	
Factory Expenses	15,00,000	
Administration Expenses	3,00,000	
Selling Expenses	14,00,000	
Debenture Interest	36,000	
Goodwill	12,50,000	
	1,30,29,000	1,30,29,000

Additional Information: -

- i) The authorized share capital of the company is: -

5,000, 6% Preference Shares of Rs. 100 each	Rs. 5, 00,000
10,000 Equity Shares of Rs. 100 each	Rs. 10, 00,000

Issued equity capital as on 1st April, 2022 stood at Rs. 7, 20,000, that is 6,000 shares fully paid and 2,000 shares of Rs. 60 paid. The directors made a call of Rs. 40 per share on 1st October, 2022. A shareholder could not pay the call on 100 shares and his shares were then forfeited and reissued @ Rs. 90 per share as fully paid.
 - ii) On 31st March, 2023, the Directors declared a dividend of 5% on equity shares, transferring any amount that may be required from General Reserve. Ignore Taxation.
 - iii) The company on the advice of independent valuer wishes to revalue the land at Rs. 36, 00,000.
 - iv) Suspense account of Rs. 40,000 represents amount received for the sale of some of the machinery on 01-04-2022. The cost of the machinery was Rs. 1, 00,000 and the accumulated depreciation thereon being Rs. 30,000.
 - v) Depreciation is to be provided on plant and machinery at 10% on cost.
 - vi) Amortize 1/5th of Goodwill.
- You are required to prepare H Limited's Balance Sheet as on 31-03-2023 and Statement of Profit and Loss with notes to accounts for the year ended 31-03-2023 as per Schedule III of the Companies Act, 2013. Ignore previous year figures & taxation. **(20 Marks)**

