

Seat No. : _____

JA-103

January-2025

MBA-I, Sem.-I

Financial Accounting

Time : 2:30 Hours]

[Max. Marks : 70

1. (A) Explain following with example : 10
- (i) Materiality Concept
 - (ii) Going Concern Concept
 - (iii) Substance Over Form
 - (iv) Depletion and Amortization
 - (v) Reserve vs. Provision
1. (B) Define Accounting, Accountancy and Account. 4

2. (A) For the year ended 31st March 20X1, KY Enterprises has entered into the following transactions. On 31st March 20X1, KY supplied two machines to its customer ST. Both machines were accepted by ST on 31st March 20X1. Machine 1 was a machine that was routinely supplied by KY to many customers and the installation process was very simple. 4

Machine 1 was installed on 2nd April 20X1 by ST's employees.

Machine 2 being more specialised in nature requires an installation process which is more complicated, requiring significant assistance from KY. Machine 2 was installed between 2 and 5 April 20X1. Details of costs and sales prices are as follows :

	Machine 1	Machine 2
Sale Price	3,20,000	3,00,000
Cost of production	1,60,000	1,50,000
Installation fee	nil	10,000

Advice with Relevant Accounting Standard, how should above transactions be recognized by KY Enterprises for the year ended 31st March 20X1 ?

- (B) Star Limited purchased machinery for INR 6,80,000 (inclusive of GST of INR 40,000). Input credit is available for entire amount of GST paid. The company incurred the following other expense for installation :

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Cost of preparation of site for installation	21,200
Total Labour charges (200 out of the total of 500 men hours worked, were spent on installation of the machinery)	56,000
Spare parts and tools consumed in installation	5,000
Total salary of supervisor (Time spent for installation was 25% of the total time worked)	26,000
Total Technical Expense (1/10 relates to the plant installation)	34,000
Test run and experimental production expenses	18,000
Consultancy charges to architect for plant set up	11,000
Depreciation on assets used for installation	12,000

Estimate of Dismantling and Site Restoration costs : INR 50,000 after 10 years. (Present Value is INR 30,000).

The machine was ready for use on 15-01-20X1 but was used from 01-02-20X1. Due to this delay further expenses of INR 8,900 were incurred. Calculate the value at which the plant should be capitalized in the books of Star Limited as per AS 10 PPE.

- (C) Swift Ltd. acquired a patent at a cost of INR 80,00,000 for a period of 5 years and the product life-cycle is also 5 years. The company capitalized the cost and started amortizing the asset at INR 10,00,000 per annum. The company had amortized the patent at 10,00,000 per annum in first two years on the basis of economic benefits derived from the product manufactured under the patent. After two years it was found that the product life-cycle may continue for another 5 years from then. The patent was renewable and Swift Ltd. got it renewed after expiry of five years. The net cash flows from the product during these 5 years were expected to be INR 36,00,000, INR 46,00,000, INR 44,00,000, INR 40,00,000 and INR 34,00,000.

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Find out the amortization cost of the patent for each of the years.

OR

2. (A) Write a note on Users of Financial Statements/Reporting. 6
2. (B) Due to inadequacy of profits during the year ended 31st March, 20X2, XYZ Ltd. proposes to declare 10% dividend out of general reserves. From the following particulars, ascertain the amount that can be utilised from general reserves, according to the Companies (Declaration of Dividend out of Reserves) Rules, 2014 : 4

	INR
17,500 9% Preference shares of INR 100 each, fully paid up	17,50,000
8,00,000 Equity shares of INR 10 each, fully paid up	80,00,000
General Reserves as on 1.4.20X1	25,00,000
Capital Reserves as on 1.4.20X1	3,00,000
Revaluation Reserves as on 1.4.20X1	3,50,000
Net profit for the year ended 31st March, 20X2	3,00,000
Average rate of dividend during the last three years has been 12%.	

2. (C) List down the cost which are not to be considered while determining the cost of Inventories as per AS 2. 4
3. (A) On 1.4.20X1, Mr. Krishna Murty purchased 1,000 equity shares of INR 100 each in TELCO Ltd. @ INR 120 each from a broker, who charged 2% brokerage. He incurred 50 paise per INR 100 as cost of shares transfer stamps. On 31.1.20X2, bonus was declared in the ratio of 1: 2. Before and after the record date of bonus shares, the shares were quoted at INR 175 per share and INR 90 per share respectively. On 31.3.20X2, Mr. Krishna Murty sold bonus shares to a Broker, who charged 2% brokerage.
- Show the Investment Account based on AS 13 in the books of Mr. Krishna Murty, who held the shares as Current assets and closing value of investments shall be made at Cost or Market value whichever is lower. 7

3. (B) Gig Ltd. has furnished the following information relating to the year ended 31st March, 2022 and 31st March, 2023 :

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	31st March, 2022 (INR)	31st March, 2023 (INR)
Share Capital	40,00,000	40,00,000
Reserve and Surplus	20,00,000	25,00,000
Long term loan	30,00,000	30,00,000

- Net profit ratio: 8%
- Gross profit ratio: 20%
- Long-term loan has been used to finance 40% of the fixed assets.
- Stock turnover with respect to cost of goods sold is 4.
- Debtors represent 90 days sales.
- The company holds cash equivalent to 1½ months cost of goods sold.
- Ignore taxation and assume 360 days in a year.

You are required to prepare Balance Sheet as on 31st March, 2023 in the following format :

Liabilities	(INR)	Assets	(INR)
Share Capital	–	Fixed Assets	–
Reserve and Surplus	–	Sundry Debtors	–
Long-term loan	–	Closing Stock	–
Sundry Creditors	–	Cash in hand	–

OR

3. (A) The Chief Accountant of Sports Ltd. gives the following data regarding its six segments :

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Particulars	M	N	O	P	Q	R	Total
Segment Assets	40	80	30	20	20	10	200
Segment Results	50	(190)	10	10	(10)	30	(100)
Segment Revenue	300	620	80	60	80	60	1,200

The Chief Accountant is of the opinion that segments “M” and “N” alone should be reported. Is he justified in his view? Discuss in line with AS 17 Segment Reporting.

3. (B) Define Related Party as per AS 18. Write down list of Related Party Transactions to be disclosed. 4
3. (C) Define Borrowing Cost and Qualifying Asset as per AS 16. 4

4. (A) (i) Write a note on Emergence of Global Accounting Standards and Need for Global Accounting Standards in India. 7
(ii) Prepare common size Balance Sheet of XRI Ltd. from the following information :

Particulars	Note No.	March 31, 2016	March 31, 2017
I. Equity and Liabilities			
(1) Shareholders' Fund		15,00,000	12,00,000
(a) Share capital			
(b) Reserves and surplus			
(2) Non-current liabilities Long-term borrowings			
(3) Current liabilities			
Trade Payable			
Total			
II. Assets			
(1) Non-current assets		5,00,000	5,00,000
(a) Fixed assets		6,00,000	5,00,000
– Tangible asset		15,50,000	10,50,000
Plant & machinery		41,50,000	32,50,000
– Intangible assets Goodwill			
(b) Non-current investments			
(2) Current assets		14,00,000	8,00,000
Inventories		16,00,000	12,00,000
Total		10,00,000	10,00,000
		1,50,000	2,50,000
		41,50,000	32,50,000

4. (B) The Balance Sheet of New Light Ltd. as at 31st March, 20X1 and 20X0 (for the years ended) are as follows : 7

		Notes	31 st March 20X0	31 st March 20X1
1	Equity and Liabilities			
	Shareholders' funds			
A	Share capital	1	16,00,000	18,80,000
B	Reserves and Surplus	2	8,40,000	11,00,000
2	Non-current liabilities			
	Long term borrowings	3	4,00,000	2,80,000
3	Current liabilities			
A	Other current liabilities	4	6,00,000	5,20,000
B	Short term provision (provision for tax)		3,60,000	3,40,000
	Total		38,00,000	41,20,000
	Assets			
1	Non-current assets			
A	Property, plant and Equipment	5	22,80,000	26,40,000
B	Non-Current Investments		4,00,000	3,20,000
2	Current assets			
A	Cash and Cash equivalents		10,000	10,000
B	Other Current assets		11,10,000	11,50,000
	Total		38,00,000	41,20,000

Notes to Accounts

No.	Particulars		31 st March, 20X0	31 st March, 20X1
1	Share capital			
	Equity share capital		12,00,000	16,00,000
	10% Preference share capital		<u>4,00,000</u>	<u>2,80,000</u>
	Total		<u>16,00,000</u>	<u>18,80,000</u>
2	Reserves and Surplus			
	General Reserve		6,00,000	7,60,000
	Profit and Loss account		<u>2,40,000</u>	<u>3,40,000</u>
	Total		<u>8,40,000</u>	<u>11,00,000</u>
3	Long term borrowing			
	9% Debentures		<u>4,00,000</u>	<u>2,80,000</u>
	Total		<u>4,00,000</u>	<u>2,80,000</u>
4	Other current liabilities			
	Dividend payable		1,20,000	—
	Current Liabilities		<u>4,80,000</u>	<u>5,20,000</u>
	Total		<u>6,00,000</u>	<u>5,20,000</u>
5	Property, plant and equipment			
	Property, plant and equipment		32,00,000	38,00,000
	Less: Depreciation		<u>(9,20,000)</u>	<u>(11,60,000)</u>
	Net carrying value		<u>22,80,000</u>	<u>26,40,000</u>

Additional information :

- (i) The company sold one property, plant and equipment for INR 1,00,000, the cost of which was INR 2,00,000 and the depreciation provided on it was INR 80,000.
- (ii) The company also decided to write off another item of property, plant and equipment costing INR 56,000 on which depreciation amounting to INR 40,000 has been provided.
- (iii) Depreciation on property, plant and equipment provided INR 3,60,000. Company sold some investment at a profit of INR 40,000.
- (iv) Debentures and preference share capital redeemed at 5% premium. Debentures were redeemed at the year end.
- (v) 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 31.3.20X0 was INR 2,16,000. The inventory on 31.3.20X1 was correctly valued at INR 3,00,000.
- (vi) Prepare Cash Flow Statement as per revised Accounting Standard 3 by indirect method.

5. You are required to prepare a Statement of Profit and Loss and Balance Sheet from the following Trial Balance extracted from the books of the Radisson Hotels Ltd., on 31st March, 20X0 :

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	Dr. INR	Cr. INR
Authorised Capital-divided into 5,000 6% Preference Shares of INR 100 each and 10,000 equity Shares of INR 100 each		<u>15,00,000</u>
Subscribed Capital -		
5,000 6% Preference Shares of INR 100 each		5,00,000
Equity Capital		8,05,000
Purchases – Wines, Cigarettes, Cigars, etc.	45,800	
– Foodstuffs	36,200	
Wages and Salaries	28,300	
Rent, Rates and Taxes	8,900	
Laundry	750	
Sales – Wines, Cigarettes, Cigars, etc.		68,400
– Food		57,600
Coal and Firewood	3,290	
Carriage and Cooliage	810	
Sundry Expenses	5,840	
Advertising	8,360	
Repairs	4,250	
Rent of Rooms		48,000
Billiard		5,700
Miscellaneous Receipts		2,800
Discount received		3,300
Transfer fees		700
Freehold Land and Building	8,50,000	
Furniture and Fittings	86,300	
Inventory on hand, 1 st April, 20X1		
Wines, Cigarettes. Cigars, etc.	12,800	
Foodstuffs	5,260	
Cash in hand	2,200	
Cash with Bankers	76,380	
Preliminary and formation expenses	8,000	
2,000 Debentures of INR 100 each (6%)		2,00,000
Profit and Loss Account		41,500
Trade payables		42,000
Trade receivables	19,260	
Investments	2,72,300	
Goodwill at cost	5,00,000	
General Reserve		<u>2,00,000</u>
	<u>1975,000</u>	<u>19,75,000</u>
Wages and Salaries Outstanding	1,280	
Inventory on 31 st March, 20X2		
Wines, Cigarettes and Cigars, etc.	22,500	
Foodstuffs	16,400	

Depreciation: Furniture and Fittings @ 5% p.a.: Land and Building @ 2% p.a.

The Equity capital on 1st April, 20X1 stood at INR 7,20,000, that is 6,000 shares fully paid and 2,000 shares INR 60 paid. The directors made a call of INR 40 per share on 1st October 20X1. A shareholder could not pay the call on 100 shares and his shares were then forfeited and reissued @ INR 90 per share as fully paid. The Directors declared a dividend of 8% on equity shares on 2nd April, 20X2, transferring any amount that may be required from General Reserve. Provide Taxation @ 30%.
