

National Management College – Perundurai

CA Intermediate

Paper-5 Advanced Accounting

Date: 23.09.2023

Total Marks : 100

Time: 3 Marks

Answer all the questions

1) A. Given below are the interests on advances of a commercial bank (₹ in lakhs)

	Performing Assets		NPA	
	Interest	Interest	Interest	Interest
	Earned	received	earned	received
Term Loans	120	80	75	5
Cash credits and overdrafts	750	650	150	12
Bills purchased and discounted	150	150	100	20

Find out the income to be recognized for the year ended 31st March, 20X1.

B. From the following information, find out the amount of provisions to be shown in the profit and Loss Account of AG bank.

	₹ in lakhs
Assets	
Standard	5000
Sub-standard	4000
Doubt full : for one year	800
: for three years	600
: for more than three years	200
Loss Assets	1000

C. The following is an extract from Trial Balance of overseas Bank as at 31st March,20X1

	₹	₹
Bills discounted	12,64,000	
Rebate on bills discounted not due on March 31 st , 20X0		22,160
Discount received		1,05,708

An analysis of the bills discounted is as follows:

	Amount ₹	Due Date20X1	Rate of Discount %
(i)	1,40,000	June 5	14
(ii)	4,36,000	June 12	14
(iii)	2,82,000	June 25	14
(iv)	4,06,000	June 6	16

Calculate Rebate on Bills Discounted as on 31-3-20X1 and show necessary journal entries.

D Templeton Finance Ltd. Is a non – banking finance company. It provides the following information:

	₹ in crores
Leased out assets	800
Investment:	
In shares of subsidiaries and group companies	100
In debentures of subsidiaries and group companies	100
Cash and bank balances	200
Deferred expenditure	200
Paid-up equity capital	100
Free reserves	500
Loans	400
Deposits	400

You are required to compute 'Net owned Fund' of Templeton Finance Ltd. As per Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions,2016

Commission on government business	82
Profit on sale of land and building	27
Loss on exchange transactions	52
Interest paid on deposit	27,20
Auditors' fees and allowances	1,20
Director's fees and allowances	2,50
Advertisements	1,80
Salaries, allowances and bonus to employees	12,40
Payment to Provident fund	2,80
Printing and stationery	1,40
Repairs and maintenance	50
Postage, telegrams, telephones	80

Other Information:

(i) Interest on NPA is as follows

	Earned (₹'000)	Collected(₹'000)
Cash credit	8,20	4,00
Overdraft	450	1,00
Term Loans	750	2,50

(ii) Classification of Non Performing Advances (,000 ₹)

Standard	30,00
Sub-standard	11,20
Doubtful assets not covered by security	2,00
Doubtful assets covered by security for one year	50
Loss Assets	2,00

(iii) Investments 27,50

Bank should not keep more than 25% of its investment as 'held-for-maturity' investment. The market value of its rest 75% investment is ₹ 19,75,000 as on 31-3-20X1. **(5Marks)**

3) (A) Peoples Financiers Ltd. Is an NBFC Providing Hire purchase Solutions for acquiring consumer durables

Asset Funded	Interest Overdue but recognized in Profit & loss		Net Book Value of Assets outstanding
	Period Overdue	Interest Amount	
		(₹ in crore)	(₹ in crore)
LCD Televisions	Upto 12 month	480,00	20,123.00
Washing Machines	For 24 month	102.00	2,410.00
Refrigerators	For 30 month	50.50	1,280.00
Air Conditioners	For 45 month	26.75	647.00

You are required to calculate the amount of provision to be made.

2)(A) A commercial bank has the following capital funds and assets. Segregate the capital funds into Tier I and Tier II capitals. Find out the risk-adjusted asset and risk weighted assets ratio-

Capital Funds:

(Figures in Lakhs)

Equity Share Capital	4,80,00
Statutory Reserve	2,80,00
Capital Reserve (of which ₹ 280 lakhs were due to revaluation of assets and the balance due to sale)	12,10

Assets:

Cash Balance with RBI	4,80
Balance with other Bank	12,50
Claims on Banks	28,50
Other Investments	782,50
Loans and Advances:	
(i) Guaranteed by government	128,20
(ii) Guaranteed by public sector undertakings of Government of India	702,10
(iii) Others	52,02,50
Premise, furniture and fixtures	182,00
Others Assets	201.20

Off-Balance Sheet Items:

Acceptances, endorsements and letters of credit	37,02,50
---	----------

2) (B) From the following information, prepare profit and Loss A/c of KC Bank for the year ended 31st March, 20X1: (10 Marks)

Items	₹ 000
Interest on cash credit	18,20
Interest on overdraft	7,50
Interest on term loans	15,40
Income on investments	8,40
Interest on balance with RBI	1,50
Commission on remittances and transfer	75
Commission on letters of credit	1,18

3)(B) A Ltd acquired 1,600 ordinary shares of ₹ 100 each of B Ltd on 1st July, 20X1. On 31st December, 20X1, the balance sheets of the two companies were as given below:

Balance Sheet of A Ltd. And its subsidiary, B Ltd.

as at 31st December, 20X1

Particulars	Note No.	A Ltd. (₹)	B Ltd. (₹)
I Equity and Liabilities			
(1) Shareholder's Funds			
(a) Share Capital	1	5,00,000	2,00,000
(b) Reserves and Surplus	2	2,97,200	1,82,000
(2) Current Liabilities			
(a) Trade payable	3	47,100	17,400
(b) Short term borrowings		80,000	
Total		9,24,300	3,99,400
II Assets			
(1) Non-current assets			
(d) Property, Plant and Equipment	4	3,90,000	3,15,000
(b) Non-current Investments	5	3,40,000	--
(2) Current assets			
(a) Inventories		1,20,000	36,400
(b) Trade receivables		59,800	40,000
(c) Cash & Cash equivalents	6	14,500	8,000
Total		9,24,300	3,99,400

Notes to Accounts

		A Ltd. ₹	B. Ltd ₹
	Share Capital		
1.	5,000 shares of ₹ 100 each, fully paid up	5,00,000	--
	2,000 shares of ₹ 100 each, fully paid up	--	2,00,000
	Total	<u>5,00,000</u>	<u>2,00,000</u>
2.	Reserves and Surplus		
	General Reserves	2,40,000	1,00,000
	Profit & loss	57,200	82,000
	Total	<u>2,97,200</u>	<u>1,82,000</u>
	Short term borrowings		
3.	Bank overdraft	<u>80,000</u>	--
	Property plant and equipment		
4.	Land and building	1,50,000	1,80,000
	Plant & Machinery	<u>2,40,000</u>	<u>1,35,000</u>
	Total	<u>3,90,000</u>	<u>3,15,000</u>
5.	Non-current Investments		
	Investment in B Ltd (at cost)	<u>3,40,000</u>	--
6.	Cash & Cash equivalents		
	cash	<u>14,500</u>	<u>8,000</u>

The profit & Loss Accounts of B Ltd. Showed a credit balance of ₹ 30,000 on 1 st January, 20X1 out of which a dividend of 10% was paid on 1 st August, 20X1; A Ltd. Credited the dividend received to its profit & Loss Account. The plant & Machinery which stood at ₹ 1,50,000 on 1 st January, 20X1 was considered as worth ₹ 1,80,000 on 1 st July, 20X1; this figure is to be considered while consolidating the Balance Sheets. The rate of depreciation on plant & machinery is 10% (computed on the basis of useful lives).

Prepare consolidated Balance Sheet as at 31st December, 20X1.

(A) X Co. Ltd. Went into voluntary liquidation on 1 st April, 1992. The following balance are extracted from its books on that date: (10 Marks)

	₹		₹
Capital		Machinery	90,000
24,000 equity shares of ₹ 10 each	2,40,000	Leasehold Properties	1,20,000
Debentures (Secured by floating charge)	1,50,000	Stock	3,000
Bank overdraft	54,000	Debtors	1,50,000
Creditors	60,000	Investments	18,000
		Cash in hand	3,000
		Profit & Loss A/c	1,20,000
	<u>5,04,000</u>		<u>5,04,000</u>

The following assets are valued as under:

	₹
Machinery	1,80,000
Leasehold Properties	2,18,000
Investments	12,000
Stock	6,000
Debtors	1,40,000

The bank overdraft is secured by deposit of title deeds of leasehold properties: There were preferential creditors ₹ 3,000 which were not included in creditors ₹ 60,000

Prepare a statement of affairs to be submitted to the meeting of members/creditors

4) (b) Bad Luck Ltd. Went into voluntary liquidation on 31 st December, 1992 when is Balance Sheet was as under:

Liabilities	₹	Assets	₹
Share Capital:		Freehold Property	5,80,000
6,000 5% Cumulative pref.		Plant & Machinery	2,89,000
Shares of ₹ 100 each		Motor Vehicles	57,500
Fully paid	6,00,000	Stock	1,86,000
50,000 Equity Shares of		Debtors	74,000
₹ 10 each fully called		P & L A/c	2,14,000
(less calls-in-arrear)			
Amounting to ₹ 25,000	4,75,000		
Share Premium A/c	50,000		
5% Debentures	1,00,000		
Interest on Debentures	2,500		
Bank Overdraft	58,000		
Creditors	1,15,000		
	14,00,500		14,00,500

The Preference dividends are in arrear from 1 st January, 1989

The company's articles provide for the repayment to the Preference Shareholders of their capital together with a premium thereon of ₹ 12.50 per share and any arrears of dividend. These sums to be paid in priority to the equity shareholders.

The bank overdraft was guaranteed by the directors who were called upon and duly implemented their guarantee.

The Liquidator realized the assets as follows: Freehold Property ₹ 7,00,000, plant & Machinery ₹ 2,40,000; Motor Vehicles ₹ 59,000; Stock ₹1,50,000; Debtors ₹60,000. He duly collected the call-in-arrear.

Creditors were paid less discount of 5 per cent. The Debentures and accrued interest were repaid on 31 st March, 1993.

Liquidation costs were ₹ 3,750 and the liquidator's remuneration was 2^{1/2}% on the amounts realized.

Prepare the Liquidator's Statement of Account

5) (A) Super Express Ltd. And fast Express Ltd. Were in company business. They decided to from a new company named Super Fast Express Ltd. The balance sheets of both the companies were as under:

Super Express Ltd.

Balance Sheet as at 31 st December,2002

Liabilities	₹	Assets	₹
20,000 Equity Share of ₹ 100 each	20,00,000	Building	10,00,000
Provident Fund	1,00,000	Machinery	4,00,000
Sunday Creditors	60,000	Stock	3,00,000
Insurance Reserve	1,00,000	Sunday Debtors	2,40,000
		Cash at Bank	2,20,000
		Cash in Hand	1,00,000
	22,60,000		22,60,000

Fast Express Ltd.

Balance Sheet as at 31 st December, 2002

Liabilities	₹	Assets	₹
10,000 Equity Shares Of ₹ 100 each	10,00,000	Goodwill	1,00,000
Employees Profit sharing Account	60,000	Building	6,00,000
Sundry Creditors	40,000	Machinery	5,00,000
Reserve Account	1,00,000	Stock	40,000
Surplus	1,00,000	Sundry Debtors	40,000
		Cash at Bank	10,000
		Cash in hand	10,000
	13,00,000		13,00,000

The assets and liabilities of both the companies were taken over by the new company their book values. The companies were allocated equity shares of ₹ 100 each in lieu of purchase consideration.

Prepare opening balance sheet of Super Fast Express Ltd.

5)(B)Following is the summarized Balance Sheet of Ravi Limited as on 31 st March, 2014.

Balance Sheet as on 31 st March 2014

Liabilities	Amount ₹	Assets	Amount ₹
Authorised and Issued equity share capital: 30,000 shares of ₹ 100 each fully paid	30,00,000	Patent	4,00,000
20,000 7% cumulative preference shares of ₹ 100 each fully paid	20,00,000	Plant & machinery	30,00,000
General Reserve	6,00,000	Building	5,50,000
Loan from Director	4,40,000	Trade receivables	23,50,000
Trade Payable	24,60,000	Inventory	16,30,000
Outstanding expenses	3,20,000	Cash	1,20,000
Proposed dividend	3,00,000	Bank Balance	2,30,000
		Profit and Loss account	8,40,000
	91,20,000		91,20,000

Note: The arrears of preference dividend amount to ₹ 2,80,000.

The company had suffered losses since last 3 years due to bad market conditions and hope for a better position in the future.