CA INTER: ADVANCED ACCOUNTING
MKG/ADVACC/MAY/SEP2025/001

FINANCIAL STATEMENTS OF COMPANIES, INTERNAL RECONSTRUCTION, AS 4, 5, 7, 9

Maximum Marks: 66
Time Allowed – 2 hrs

1. If the total income of the company is less than ₹ 100 Crore, the figures appearing in the Financial Statements shall be rounded off -
   (a) To the nearest hundreds and thousands
   (b) To the nearest hundreds, thousands, lakhs or millions thereof.
   (c) To the nearest hundreds, thousands, lakhs or millions, or decimals thereof.
   (d) To the nearest lakhs, millions or crores, or decimals thereof.
2. As per Schedule III of the Companies Act, 2013, a Company shall disclose by way of notes additional information regarding aggregate expenditure and income in relation to any item of income or expenditure which exceeds:
   (a) 0.5% of the revenue from operations
   (b) ₹ 1,00,000
   (c) 1% of the revenue from operations or ₹ 1,00,000, whichever is higher
   (d) 0.5% of the revenue from operations or ₹ 10,000, whichever is less.
3. Which of the following is change in Accounting policy?
   (a) Provision for doubtful debts was created @ 2% till current year. From the next year, the rate of provision has been changed to 3%.
   (b) Till the previous year, the Furniture was depreciated on straight line basis over a period of 5 years. From current year, the useful life of Furniture has been changed to 3 years.
   (c) During the year ended 31st March, there was change in cost formula in measuring the cost of inventories.
   (d) Aarani Ltd finds that the Stock Sheets as on 31.3.2021 have included twice an item, the cost of which was Rs. 55,000.
4. Examples of Adjusting Events -
   (a) Settlement after the Reporting Period, of a Court Case, in a situation where the Entity did not have a present obligation at the end of the Reporting Period.
   (b) Settlement after the Reporting Period, of a Court Case, that confirms that the Entity had a present obligation at the end of the Reporting Period.
   (c) Commencing major litigation arising solely out of events that occurred after the Reporting Period.
   (d) None of the above ***[2 Marks x 4 parts = 8 marks]***
5. State under which head these accounts should be classified in Balance Sheet, as per Schedule III of the Companies Act, 2013:
   (i) Share option outstanding account.
   (ii) Unpaid matured debenture and interest accrued thereon.
   (iii) Uncalled liability on shares and other partly paid investments.
   (iv) Current maturity of long-term borrowing
   (v) Capital Advance
   (vi) Security Deposit
   (vii) Claims against the Company not acknowledged as debt
   (viii) Bills discounted, not yet matured
   (ix) Share application money received in excess of issued share capital.
   (x) Order placed for purchasing Machinery, machinery neither received nor recognised in the books. ***(5 Marks)***

6. The Balance Sheet of X Ltd. as at 31st March, 2024 was as follows:

Particulars	Amount (₹)
I. EQUITY AND LIABILITIES	
(1) Shareholders' Funds	
a) Share Capital	
40,000 Equity Shares of ₹100 each fully paid up	40,00,000
20,000 10% Preference shares of ₹100 each, fully paid	20,00,000
b) Reserves and Surplus	
Securities Premium	1,50,000
Profit & Loss Account	(23,00,000)
(2) Non – Current Liabilities	
a) Long-term borrowings	
7% Debentures of ₹ 100 each	4,00,000
(3) Current Liabilities	
a) Other Current Liabilities	
i) Creditors	10,00,000
ii) Loan from Director	2,00,000
Total	**54,50,000**
II. ASSETS	
(1) Non-current Assets	
a) Fixed Assets	
(i) Property, plant and equipments	
a. Land & Building	20,00,000
b. Plant & Machinery	12,00,000
(ii) Intangible Assets	
Goodwill	4,00,000
(2) Current Assets	
Trade Receivables	12,00,000
Stock	5,00,000
Cash at Bank	1,50,000
Total	**54,50,000**

No dividend on Preference shares has been paid for last 5 years.

The following scheme of reorganisation was duly approved by the Court:

- Equity shares to be reduced to ₹ 25.
- Each existing preference shares to be reduced to ₹ 75 and then exchanged for one new 13% Preference Share of ₹ 50 each and one Equity Share of ₹ 25 each.
- Preference Shareholders have foregone their right of dividend for 4 years. One year's dividend at the old rate is however payable to them in fully paid Equity shares of ₹ 25.
- The Debenture-holders be given the option to either accept 90% of their claims in cash or to convert their claims in full into new 13% Preference Shares of ₹ 50 each issued at par. One-fourth (in value) of the Debenture-holders accepted Preference Shares for their claims. The rest were paid in cash.
- Contingent liability of ₹ 2,00,000 is payable which has been created by wrong action of one director. He has agreed to compensate this loss out of the loan given by the Director to the Company.
- Goodwill does not have any value in the present. Decrease the value of Plant & Machinery, Stock and Debtors by ₹ 3,00,000, ₹ 1,00,000 and ₹ 2,00,000 respectively. Increase the value of land & building to ₹ 25,00,000.

- 50,000 new Equity Shares of ₹ 25 each are to be issued at par payable in full on application. The issue was underwritten for commission of 4%. Shares were fully taken up.
- Total expenses incurred by the Company in connection with the scheme excluding underwriting commission amounted to ₹ 20,000.

Pass necessary journal entries to record the above transactions **(*14 Marks*)**

7. XYZ Ltd. proposes to declare 10% dividend out of General Reserves due to inadequacy of profits in the year ending 31-03-2024.

   From the following particulars ascertain the amount that can be utilized from general reserves, according to the Companies Rules, 2014:

8,00,000 Equity Shares of ₹ 10 each fully paid up	80,00,000
General Reserves	25,00,000
Revaluation Reserves	6,50,000
Net profit for the year	1,42,500

   Average rate of dividend during the last 3 years has been 12%. ***(5 Marks)***

8. Om Ltd. has authorized capital of ₹ 50 lakhs divided into 5,00,000 equity shares of ₹ 10 each. Their books show the following ledger balances as on 31st March, 2021:

	₹		₹
Inventory 1.4.2020	6,65,000	Bank Current Account (Dr. balance)	20,000
Discounts & Rebates allowed	30,000		
Carriage Inwards	57,500	Cash in hand	11,000
Purchases	12,32,500	Calls in Arrear @ ₹ 2 per share	10,000
Rate, Taxes and Insurance	55,000	Equity share capital	20,00,000
Furniture & Fixtures	1,50,000	(2,00,000 shares of ₹10 each)	
Business Expenses	56,000	Trade Payables	2,40,500
Wages	14,79,000	Sales	36,17,000
Freehold Land	7,30,000	Rent (Cr.)	30,000
Plant & Machinery	7,50,000	Transfer fees received	6,500
Engineering Tools	1,50,000	Profit & Loss A/c (Cr.)	67,000
Trade Receivables	4,00,500	Repairs to Building	56,500
Advertisement Expenses	15,000	Bad debts	25,500
Commission & Brokerage Expenses	67,500		

The inventory (valued at cost or market value, which is lower) as on 31st March, 2021 was ₹ 7,05,000. Outstanding liabilities for wages ₹ 25,000 and business expenses ₹ 36,500.

It was decided to transfer ₹10,000 to reserves. Charge depreciation on written down values of Plant & Machinery @ 5%, Engineering Tools @ 20% and Furniture & Fixtures @10%. Provide ₹25,000 as doubtful debts for trade receivables. Provide for income tax @ 30%.

You are required to prepare Statement of Profit & Loss for the year ended 31st March, 2021 and Balance Sheet as at that date. ***(14 Marks)***

Ques. 9

The following data is provided for M/s. Raj Construction Co.

(i) Contract Price - ₹ 85 lakhs

(ii) Materials issued - ₹ 21 Lakhs out of which Materials costing ₹ 4 Lakhs is still lying unused at the end of the period.

(iii) Labour Expenses for workers engaged at site - ₹ 16 Lakhs (out of which ₹ 1 Lakh is still unpaid)

(iv) Specific Contract Costs - ₹ 5 Lakhs

(v) Sub-Contract Costs for work executed - ₹ 7 Lakhs, Advances paid to sub-contractors - ₹ 4 Lakhs

(vi) Further Cost estimated to be incurred to complete the contract - ₹ 35 Lakhs

You are required to compute the Percentage of Completion, the Contract Revenue and Cost to be recognized as per AS-7.

(5 Marks)

Ques. 10

Following information of M/s BS Products Ltd. is given :

(i) Goods of ₹ 2,00,000 sold to M/s Den Ltd. on 20-03-2020 but at the request of the buyer these were delivered on 10-04-2020.

(ii) On 15-01-2020 goods of ₹ 3,00,000 were sent on consignment basis, of which 20% of the goods unsold are lying with the consignee as on 31-03-2020.

(iii) ₹ 4,00,000 worth of goods were sold on approval basis on 01-12-2019. The period of approval was 3 months after which they were considered as sold. Buyer sent approval for 75% goods upto 31-01-2020 and no approval or disapproval received for the remaining goods till 31-03-2020.

(iv) Apart from the above, M/s BS Products Ltd. sells goods to dealers also. One of the condition of sale is that interest is payable @ 2% p.m. for delayed payments by dealers. Percentage of interest recovery is only 10% i.e. ₹ 50,000 on such overdue outstanding due to various reasons. During the year 2019-20, company wants to recognize the entire interest receivable of ₹ 60,000.

You are required to advise the accountant of M/s BS Products Ltd., with valid reasons, the amount to be recognized as revenue in above cases in the context of AS-9 and also determine the total revenue to be recognized for the year ending 31-03-2020.

(5 Marks)

Ques. 11

State whether the following items are examples of change in Accounting Policy / Change in Accounting Estimates / Extraordinary items / Prior period items / Ordinary Activity:

(i) Actual bad debts turning out to be more than provisions.

(ii) Change from Cost model to Revaluation model for measurement of carrying amount of PPE.

(iii) Government grant receivable as compensation for expenses incurred in previous accounting period.

(iv) Treating operating lease as finance lease.

(v) Capitalisation of borrowing cost on working capital.

(vi) Legislative changes having long term retrospective application.

(vii) Change in the method of depreciation from straight line to WDV.

(viii) Government grant becoming refundable.

(ix) Applying 10% depreciation instead of 15% on furniture.

(x) Change in useful life of fixed assets.

(5 Marks)

Ques. 12

Tee Ltd. closes its books of accounts every year on 31st March. The financial statements for the year ended 31st March 2020 are to be approved by the approving authority on 30th June 2020. During the first quarter of 2020-2021, the following events / transactions has taken place. The accountant of the company seeks your guidance for the following:

(i) Tee Ltd. has an inventory of 50 stitching machines costing at ₹ 5,500 per machine as on 31st March 2020. The company is expecting a heavy decline in the demand in next year. The inventories are valued at cost or net realizable value, whichever is lower. During the month of April 2020, due to fall in demand, the prices have gone down drastically. The company has sold 5 machines during April, 2020 at a price of ₹ 4,000 per machine.

(ii) A fire has broken out in the company's godown on 15th April 2020. The company has estimated a loss of ₹ 25 lakhs of which 75% is recoverable from the Insurance company.

(iii) A suit against the company's advertisement was filed by a party on 10th April, 2020 10 days after the year end claiming damages of ₹ 20 lakhs.

You are required to state with reasons, how the above transactions will be dealt with in the financial statements for the year ended 31 March 2020.

(5 Marks)