

Duration: Two Hours

Total marks: 80

- Instructions
- 1) Question No. 1 is compulsory
  - 2) Answer any **THREE** questions from Q.No. 2 to Q.No. 6
  - 3) Figures to the right indicates marks
  - 4) Give necessary working notes
  - 5) Answer each main question on a fresh page

Q1. a) The net profit of TCN Ltd for the year 2018 was ₹ 2,80,000 and net profit for the year 2019 is ₹ 4.50,000. The other details are as under:

| Date       | Particulars  | No. of shares |
|------------|--|---------------|
| 1-1-2019   | No. of shares outstanding at the beginning of the year | 9400 shares   |
| 1-6-2019   | Issue of fresh shares for each                         | 4200 shares   |
| 30-9-2019  | Buy back of shares                                     | 1500 shares   |
| 31-12-2019 | Balance at the end of the year                         | 12100 shares  |

You are required to calculate the EPS for the year ended 31-12-2018 and Basic EPS for the year ended 31-12-2019.

(5 Marks)

b) T & T publications publishes a monthly magazine on the 15th of every month. It sells advertising space in the magazine to advertisers on the terms of 80% sale value payable in advance and balance within 30 days of the release of the publication. The sale of space for the march 2018 issue was made in February 2018. The magazine was published on its scheduled date. It received ₹ 230000 on 10.3.2018 and ₹, 50000 on 10.4.2018 for the march 2018 issue.

Discuss in the context of AS 9 the amount of revenue to be recognized and the treatment of the amount received from advertisers for the year ending 31.3.2018.

(5 Marks)

c) The company has obtained Institutional Term Loan of 360 lakhs for modernisation and renovation of its Plant & Machinery. Plant & Machinery acquired under the modernisation scheme and installation completed on 31st March, 2017 amounted to ` 206 lakhs, 38 lakhs has been advanced to suppliers for additional assets and the balance loan of 116 lakhs has been utilised for working capital purpose. The Accountant is on a dilemma as to how to account for the total interest of 42.20 lakhs incurred during 2016-2017 on the entire Institutional Term Loan of 360 lakhs.

(5 Marks)

d) A computer costing ₹ 80,000 is depreciated on straight line basis assuming 10 years working life and nil residual value for three years. The estimates of remaining useful life after third year reassessed at 5 years. Calculate the depreciation as per AS 10 'Property Plant and Equipment'.

(5 Marks)

Q2. A) Following is the profit and loss account of Q Ltd for the year ended 31<sup>st</sup> March 2018. You are required to prepare value added statement from the following information

| Particulars                                       | Notes | Amount |
|---|-------|--------|
| Income  |       |        |
| Sales   | 1     | 57,050 |
| Other Income                                      |       | 1512   |
|   |       | 58,562 |
| Expenditure                                       |       |        |
| Operating cost                                    | 2     | 51,316 |
| GST   |       | 3436   |
| Interest on Bank overdraft                        | 3     | 186    |
| Interest on 10% Debentures                        |       | 2,314  |
|   |       | 57,252 |
| Profit before Depreciation                        |       | 1,310  |
| Less: Depreciation                                |       | -510   |
| Profit before tax                                 |       | 800    |
| Provision for tax                                 |       | -550   |
| Profit after tax                                  |       | 250    |
| Less: Transfer to Fixed Asset Replacement Reserve |       | -50    |
|   |       | 200    |
| Less: Dividend                                    |       | -90    |
| Retained profit                                   |       | 110    |

Notes:

- This represents the invoice value of goods supplied after deducting discounts, returns and sales tax.
- Operating cost includes 20494 as wages, salaries and other benefits to employees.
- The bank overdraft is treated as a temporary source of finance. **(10 marks)**

B) CARE Pvt Ltd has identified the following operating segments:

| Particulars         | Soap | Shampoo | Handwash | Total |
|---------------------|------|---------|----------|-------|
| Segment Revenue     |      |         |          |       |
| External Sales      | 500  | 40      | 120      | 660   |
| Inter Segment Sales | 240  | 20      | 110      | 370   |
| Total               | 740  | 60      | 230      | 1030  |
| Segment Results     |      |         |          |       |
| Profit/Loss         | -90  | -160    | 40       | -210  |
| Segment Assets      | 450  | 320     | 290      | 1060  |

Comment on the segment to be considered as Reportable segment. **(10 marks)**

Q3. A) Explain the need for IFRS.

(10 marks)

B) A company acquired a machine on 1.4.2015 for ₹ 10,00,000. The company charged depreciation upto 2017-18 on straight line basis with estimated working life of 10 years and scrap value of ₹ 1,00,000.

From 2018-19 the company decided to change depreciation method at 20% on reducing balance method. Compute the amount of depreciation to be debited to profit and loss account for the year ended 2018-19.

(10 marks)

Q4. A) Describe in brief Accounting Standard 1 Accounting policies. (10 marks)

B) From the following details provided by HOW Ltd, compute the total value of Human Resource of skilled and unskilled group of employees according to the Lev and Schwartz (1971) model:

(10 marks)

| Particulars                   | Skilled  | Unskilled |
|-------------------------------|----------|-----------|
| Annual average earnings       | 85000    | 65000     |
| Age of retirement             | 63 years | 62 years  |
| Discount rate                 | 15%      | 15%       |
| No. of employees in the group | 50       | 50        |
| Average age                   | 60 years | 60 years  |

Q5. A) Elaborate on the users of financial statements

(10 marks)

B) Explain the components of financial reporting.

(10 marks)

Q6. Answer **ANY FOUR** of the following in 350-400 words: (5x4=20 marks)

- What are the qualitative characteristics of financial report?
- What are the objectives of financial reporting?
- Explain the significance of accounting standard
- Write a short note on IFRS adoption and convergence
- What do you mean by Guidance notes?
- Explain the concept of Fair Value