

PART - A

- Q.1. (i) State with reasons in brief, whether the following statements are true or false: (5)**
- A company cannot purchase its own equity shares
 - Interim dividend is declared after the closure of the accounting year, but before the annual general meeting of the shareholders is held.
 - As per Accounting Standards, investments classified as long-term investments should be carried in the financial statements at lower of cost or fair value.
 - An underwriter while entering into a contract for issue of shares should be a company.
 - Interest on debentures is payable only when there is profit.
- (ii) Re-write the following sentences after filling – up the blank space with appropriate word(s) so as to convey the correct meaning: (5)**
- According to section 209(4A) of the Companies Act, 1956, the books of account and relevant vouchers must be preserved for a minimum period of _____
 - Register of Members is a _____ book.
 - Two basic methods of valuation of inventories are _____ and _____.
 - Accounting Standards are issued by _____
 - The maximum limit of managerial remuneration payable by a limited company can not exceed more than _____ percent of net profit in any financial year.
- (iii) Indra Ltd. issued 10,000 debentures of Rs.100 each at a discount of 6%. The expenses on issue amounted to Rs.35,000. The debentures have to be redeemed at the rate of Rs.1,00,000 each year commencing with end of fifth year. How much discount and expenses should be written off each year? (5)**
- Q.2 (i) Write short notes (12)**
- Marked and unmarked applications
 - Issue of shares for consideration other than cash
 - Statutory Book
- (ii) Emees Ltd. issued 40,000 shares which were underwritten as: (8)**
P: 24,000 shares; Q: 10,000 shares and R: 6,000 shares. The underwriters made applications for firm underwriting as under:
P: 3,200 shares; Q: 1,200 shares; and R: 4,000 shares. The total subscriptions excluding firm underwriting (including marked applications) were 20,000 shares.
The marked applications were – p: 4,000 shares; Q: 8,000 shares; and R: 2,000 shares
Prepare a statement showing the net liability of underwriters.

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Q.3 Below is the Balance Sheet of the Excellent Ltd. as at 31st March, 2008. **(7)**

Liabilities	Rs.	Assets	Rs.
Share Capital:		Fixed Assets:	
Authorised	15,00,000	Plant and Machinery	6,00,000
Issued and Subscribed:		Furniture and Fittings	75,000
2,000 8% Redeemable Preference Shares of Rs.100 each, fully paid-up	2,00,000	Investments	1,00,000
50,000 Equity Shares of Rs.10 each fully paid-up	5,00,000	Current Assets & Loans & Advances:	
Reserves and Surplus:		(a) Current Assets	
Capital Reserve	25,000	Stock	1,70,000
Securities Premium	30,000	Debtors	65,000
General reserve	1,60,000	Cash at Bank	80,000
Profit and Loss Account	1,38,000	(b) Loans and Advances:	Nil
Current Liabilities & Provisions:			
(A) Current liabilities			
Sundry Creditors	37,000		
(B) Provisions	-		
	10,90,000		10,90,000

On this date the company decided to redeem its preference shares at a premium of 5%. For this purpose, investments were sold for Rs.1,10,000 and 10,000 equity shares of Rs.10 each were issued at a premium of Re. 1 each.

After redemption of preference shares, the company issued one bonus share of Rs.10 each for every five equity shares held.

Pass journal entries to record the above-mentioned transactions and prepare the balance sheet as it would appear thereafter.

Q.4. From the following balance sheet of M.P. Products Ltd., find out the values of equity shares and preference shares: **(8)**

Balance Sheet of M.P. Products Ltd.

Liabilities	Rs.	Assets	Rs.
20,000 equity shares of Rs.10 each	2,00,000	Goodwill	25,000
8% 1,000 preference shares of Rs.100 each	1,00,000	Machinery	1,60,000
Reserves	30,000	Furniture	5,000
Profit and loss account	10,000	Stock	80,000
Sundry creditors	60,000	Debtors	1,50,000
Other liabilities	12,000	Cash	2,000
Overdraft	5,000	Preliminary expenses	3,000
Proposed preference dividend	8,000		
	4,25,000		4,25,000

Goodwill is valued at Rs.15,000. Stock is overvalued by Rs.10,000. Machinery is undervalued by Rs.15,000.

PART - B

Q.5. (i) State whether the following statements are true or false: (4)

- (a) Costing is the techniques and processes of ascertaining costs.
- (b) There is no difference between financial accounting and management accounting..

(ii) Write short notes (10)

- (a) Importance of cost accounting
- (b) Difference between financial accounting and cost accounting

Q.6. (8)

Year ended 31 st March	Average net worth (excluding investment) (Rs.)	Adjusted taxed Profit (Rs.)
2006	18,50,000	1,80,000
2007	21,20,00	2,00,000
2008	21,30,000	2,30,000

The aforesaid figures relate to a company which has Rs.10,00,000 on equity shares of Rs.100 each and Rs.3,00,000 in 9% preference shares of Rs.100 each. The company has investments worth Rs.2,50,000 (at market value) on the valuation date the yield in respect of which has been excluded in arriving at the adjusted tax profit figures. It is usual for similar type of companies to set aside 25% of the taxed profit for rehabilitation and replacement purposes. On the valuation day the net worth (excluding investment) amounts to Rs.22,00,000. The normal rate of return expected is 9%. The company paid dividends consistently within a range of 8 to 10% on equity shares over the previous seven years and the company expects to maintain the same. Compute the value of each equity share on the basis of productivity.

Q.7. Materials X and Y are used as follows: (5)

- Minimum usage – 50 units each per week
- Maximum usage – 150 units each per week
- Normal usage – 100 units each per week
- Ordering quantities x = 600 units
Y = 1,000 units
- Delivery period x = 4 – 6 weeks
Y = 2 – 4 weeks

Calculate for each material (i) Maximum level (ii) Minimum level and (iii) Ordering level.

Q.8. A company draws up the standard cost of a product as follows: (8)

	Rs.	Rs.	Rs.
Direct Materials		12	
Direct Wages			
Dept. A 3 hours	15		
Dept. B 2 hours	12		
Dept. C 5 hours	<u>20</u>	47	
Factory Overhead:			
Dept. A	18		
Dept. B	18		
Dept. C	<u>40</u>	<u>76</u>	
Factory Cost			135
Administration Cost			12
Selling Cost			15
Distribution Cost			<u>18</u>
Total			<u>180</u>
Net Profit			<u>20</u>
Selling Price			<u>200</u>

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Factory overhead is absorbed by means of departmental hour rates. Analysis of these overheads reveal that in each department a rate of Rs.2 per hour is required to absorb the variable portion, the balance being of a fixed nature. As a general rule, all production is of first class quality.

After a batch of 1,000 units has been processed through all three departments, inspection reveals that half are faulty. The faulty products can be rectified by completely re-processing through departments B and C. Alternatively, they can be sold for Rs.120 each.

Present figures which indicate to management the most economic method of dealing with the faulty products.

- Q.9.** Stocks are issued at standard price and the following transactions occurred in a specific material: **(10)**

Date				
April				
1	Stock	10 tons		at Rs.240 per ton
4	Purchased	5 tons		at Rs.260 per ton
5	Issued	3 tons		
12	Issued	4 tons		
13	Purchased	3 tons		at Rs.250 per ton
19	Issued	4 tons		
26	Issued	3 tons		
30	Purchased	4 tons		at Rs.280 per ton
30	Issued	3 tons		

The debit balance of price variation on 1st April was Rs.20. Show the stock account for the material for the month of April indicating how would you deal with the difference in material price variance, while preparing the Profit and Loss Account for the month.

- Q.10.** The following data relate to a manufacturing company: **(5)**

Plant capacity: 4,00,000 units per annum

Present Utilisation: 40%

Actuals for the year were:

Selling price	Rs.50 per unit
Materials cost	Rs.20 per unit
Variable manufacturing costs	Rs.15 per unit
Fixed costs	Rs.27 lakhs

In order to improve capacity utilization the following proposals are being considered:

Reduce selling price by 10%.

Spend additionally Rs.3 lakhs on sales promotion.

How many units should be made and sold in order to earn a profit of Rs.5 lakhs per year?