

FHP2

Roll No.

Total No. of Questions – 6

Total No. of Printed Pages – 16



Maximum Marks – 70

GENERAL INSTRUCTIONS TO CANDIDATES

1. The question paper comprises two parts, Part I and Part II.
2. Part I comprises Multiple Choice Questions (MCQs).
3. Part II comprises questions which require descriptive answers.
4. Ensure that you receive the question paper relating to both the parts. If you have not received both, bring it to the notice of the invigilator.
5. Answers to MCQs in Part I are to be marked on the OMR answer sheet as given on the cover page of descriptive answer book only. Answers to questions in Part II are to be written in the same descriptive answer book. Answers to MCQs, if written inside the descriptive answer book or on Part-I questions paper, will not be evaluated.
6. OMR answer sheet given on the cover page of descriptive answer book will be in English only for all candidates, including for Hindi medium candidates.
7. **The bar coded sticker provided in the attendance register, is to be affixed only on the descriptive answer book.**
8. You will be allowed to leave the examination hall only after the conclusion of the exam. If you have completed the paper before time, remain in your seat till the conclusion of the exam.
9. Duration of the examination is 3 hours. You will be required to submit the descriptive answer book with OMR cover page to the invigilator before leaving the exam hall, after the conclusion of the exam.
10. The invigilator will give you acknowledgement on Page 2 of the admit card, upon receipt of the descriptive answer book.
11. Candidate found copying or receiving or giving any help or defying instructions of the invigilators or having / using mobile phone or smart watch will be expelled from the examination and will also be liable for further punitive action.

PART – II

70 Marks

1. Question paper comprises 6 questions. Answer Question No. 1 which is compulsory and any 4 out of the remaining 5 questions.
2. Working notes should form part of the answer.
3. Answers to the questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.

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PART - II

1. (a) XYZ Limited has provided you the following information as on 5
31st March, 2024 :

Particulars	₹
Net profit (After Tax)	₹ 31,20,000
No. of shares outstanding as on 31-3-2024 of ₹ 10 each	8,00,000
Average fair value of one equity share during the year 2023-24	₹ 25
Weighted average no. of shares under option during the year 2023-24	80,000
Exercise price for shares under option during the year 2023-24	₹ 20
12% Debentures of ₹ 100 each. (Each debenture is convertible into 4 equity shares)	₹ 30,00,000
Tax rate	30%

The company issued one equity share as bonus for every 5 equity shares outstanding as on 1st October, 2023. It further issued 2,00,000 equity shares of ₹ 10 each as on 1st January, 2024. Financial Year of the company ends on 31st March each year.

You are required to calculate Basic and Diluted earnings per share as on 31st March, 2024 (round off your answer to 2 decimal places).

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(b) J Limited availed an equipment on lease from K Limited. The conditions of the lease terms are as under : 5

- (i) Lease starts from 1st April, 2020 for a period of 4 years and useful life of the equipment is 6 years. Both the cost and fair value of equipment are ₹ 12,50,000.
- (ii) The equipment reverts back to the lessor on termination of the lease.
- (iii) The unguaranteed residual value is estimated at ₹ 1,20,000 at the end of the financial year 2023-2024.
- (iv) The amount will be paid in 4 equal instalments at the end of each year.
- (v) Consider IRR = 8%
- (vi) The present value of ₹ 1 at the end of 4th year at 8% of interest is ₹ 0.735.
- (vii) The present value of annuity of ₹ 1 due at the end of 4th year at 8% IRR is ₹ 3.312

State whether this lease is Operating lease or Finance lease (by applying two deterministic parameters). Also calculate unearned finance Income.

(c) What is the difference between Defined Contribution Plan and Defined Benefit Plan ? From the following information calculate the amount of defined benefit liability/asset : 4

Particulars	₹ in lakhs
Present Value of Defined Benefit Obligation as on 31-3-2024	36.0
Fair Value of Plan asset	38.5
Past service cost not yet recognized	7.5
Present value of available future refund from the plan	6.0

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2. Sustain Limited is incurring losses due to adverse market conditions. It decided to reorganize its capital structure. The summarized Balance Sheet of the company as on 31st March, 2024 is as follows :

Particulars	Notes	₹
Equity and Liabilities		
1. Shareholders' Fund		
(a) Share Capital	1	10,00,000
(b) Reserves and Surplus	2	(2,50,000)
2. Non-current liabilities		
Long term borrowings	3	4,50,000
3. Current liabilities		
(a) Trade Payables		1,30,000
(b) Short term borrowings – Bank Overdraft		65,000
(c) Other Current Liabilities (Interest payable on Debentures)		45,000
(d) Short term provision (Provision for Income Tax)		1,00,000
Total		15,40,000
Assets		
1. Non-current assets		
(a) Property, Plant & Equipment	4	8,50,000
(b) Intangible assets	5	60,000
(c) Non-current investments	6	2,80,000
2. Current assets		
(a) Inventories		1,20,000
(b) Trade Receivables		2,30,000
Total		15,40,000

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Notes to accounts :

	₹
1. Share Capital	
Equity share capital :	
50,000 Equity shares of ₹10 each fully paid up	5,00,000
25,000 Equity shares of ₹10 each, ₹ 8 paid up	2,00,000
Preference share capital :	
30,000 8% Cumulative Preference shares of ₹10 each (Preference dividend has been in arrears for 3 years)	3,00,000
	<u>10,00,000</u>
2. Reserves and Surplus	
Profit and Loss account (debit balance)	(2,50,000)
	<u>(2,50,000)</u>
3. Long-term borrowings	
Secured:	
10% Debentures of ₹ 100 each →	4,50,000
	<u>4,50,000</u>
4. Property, Plant and Equipment	
Freehold property	1,00,000
Plant and machinery	7,50,000
	<u>8,50,000</u>
5. Intangible assets	
Goodwill 375000	60,000
	<u>60,000</u>
6. Non-current investments	
Non-trade investments at cost	2,80,000
	<u>2,80,000</u>

Subsequent to approval by court and all interested parties, the following scheme of reconstruction were agreed : -

- (1) Uncalled capital is to be called up in full and such shares and other fully paid-up equity shares to be reduced to ₹ 5 per share.
- (2) The preference shareholders will accept a reduction of ₹ 2.5 per share, in exchange the rate of dividend is to be increased to 9%.

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- (3) Preference shareholders will forgo their claim of dividend for one year and one equity share of ₹ 5 each is to be issued for the remaining arrears of dividend. *Share issued other than cash*
- (4) Mr. X holds 10% debentures for ₹ 2,50,000. He is also a creditor for ₹ 50,000. He agreed to cancel 50% of his total debt, including interest on debentures, pay ₹ 20,000 to the company and to receive new 12% debentures for the balance amount.
- (5) The remaining claim of the debenture holders, including outstanding interest to be reduced to 60%. In consideration of the reduction, the debenture holders are to receive new 9% preference shares at new face value.
- (6) The taxation liability is to be settled at ₹ 1,20,000.
- (7) Market value of Non-current Investments is ₹ 2,50,000. Investments to be brought to their market value.
- (8) Inventory equal to ₹ 1,00,000 at book value will be taken over by remaining creditors in full settlement of their claim.
- (9) A bad debt provision of 2% is to be created on trade receivables.
- (10) Plant and Machinery is to be written down by 20%.
- (11) The company will further issue 12% debentures for such amount which is sufficient to pay off bank overdraft and other outstanding liabilities and maintain its cash/bank balance at ₹ 85,000.

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(12) The amount available by the scheme shall be utilized in writing of Goodwill, debit balance of profit and loss a/c and balance of inventory.

You are required to :

- (a) Show the journal entries, necessary to record the above transaction in the company's books and
- (b) Prepare a note to show revised Share capital structure of the company after completion of the scheme.

3. (a) An Engineering goods company provides 'after sales warranty' for 2 years to its customers. Based on the past experience, the company has been following policy for making provision for warranties on the Invoice amount on the remaining balance warranty period :

Invoice less than 1 year : 2.5 % provision

Invoice more than 1 year : 4.5 % provision

The Company has raised Invoices as under :

Invoice Date	₹
20 th February, 2021	42,000
17 th July, 2021	25,000
27 th January, 2022	47,000
1 st March, 2023	1,10,000
24 th August, 2023	34,000
20 th March, 2024	75,000

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You are required to :

- (i) Calculate the provision to be made for warranty under AS 29 as at 31st March, 2023 and 31st March, 2024 :
- (ii) Also compute the amount to be debited to Profit and Loss Account for the year ended 31st March, 2024.

(b) Given below are the extracts of the Balance Sheet of BGH Limited :

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Particulars	31 st March,	31 st March,
	2024 (₹)	2023 (₹)
Share Capital	5,00,000	4,00,000
Profit & Loss Account	1,10,000	60,000
10% Debentures (issued at the end of the year)	1,00,000	—
Bank Loan	2,50,000	2,00,000
Trade Payable	60,000	75,000
Dividend Payable	—	50,000
Interest Payable on Bank Loan (Current Year)	25,000	20,000
Goodwill	1,20,000	1,50,000
Trade Receivables	65,000	95,000
Inventory	55,000	30,000

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You are required to prepare for the year ended 31st March, 2024 :

- (i) Cash Flow from Operating Activities;
- (ii) Cash Flow from Financing Activities.

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4. Following are the summarized Balance Sheets of Light Limited and Bright Limited as at 31st March, 2024 :

Particulars	Notes	Light Limited (₹ in Lakhs)	Bright Limited (₹ in Lakhs)
Equity and Liabilities			
Shareholders' Funds			
(a) Share Capital	1	50.00	40.00
(b) Reserves and Surplus	2	27.00	24.00
Non-Current Liabilities			
Long Term Provisions		1.50	—
Current Liabilities			
Trade Payables		3.40	2.00
Total		81.90	66.00
Assets			
Non-Current Assets			
Property, Plant and Equipment	3	68.70	50.25
Current Assets			
(a) Inventories		5.75	7.10
(b) Trade Receivables		4.30	5.80
(c) Cash and Cash equivalents		3.15	2.85
Total		81.90	66.00

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Notes to Accounts :

Particulars	Light Limited (₹ in Lakhs)	Bright Limited (₹ in Lakhs)
1. Share Capital		
50,000 Equity Shares of ₹ 100 each	50.00	40.00
2. Reserves and Surplus		
Statutory Reserve	2.00	-
General Reserve	18.00	15.00
Securities Premium	-	5.00
Profit and loss	7.00	4.00
	27.00	24.00
3. Property, Plant and Equipment		
Land and Building	58.00	44.00
Plant and machinery	7.50	4.50
Other Assets	3.20	1.75
	68.70	50.25

Other Information :

- (a) A company Rainbow Limited is formed to acquire the Assets and Liabilities of both the companies. Assets were acquired at book values except Land and Building of Light Limited, which is revalued at ₹ 62 lakhs.
- (b) Other Assets of Bright Limited are obsolete and are scrapped and sold for ₹ 50,000 by Bright Limited itself before acquisition of its assets and liabilities by Rainbow Limited.
- (c) Light Limited and Bright Limited will be issued 80,000 and 64,000 equity shares of ₹ 100 each respectively of new company Rainbow Limited in lieu of purchase consideration due to them. *Done 22.10*

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You are required to Prepare :

- Realisation Account and Equity Shareholders Account in the books of Light Limited and Bright Limited;
- Opening Balance Sheet of Rainbow Limited as at 31st March, 2024.

5. The summarised Balance Sheets of Super Limited and Clear Limited as on 31st March, 2024 is as below : 14

Particulars	Note	Super Limited ₹	Clear Limited ₹
Equity and Liabilities			
Shareholders' Funds			
Share Capital	1	95,00,000	50,00,000
Reserves and Surplus	2	25,75,000	12,25,000
Non-Current Liabilities			
Long term borrowings	3	5,00,000	2,00,000
Current Liabilities			
Short term borrowings		4,50,000	—
Trade Payables		3,65,000	2,45,000
Total		1,33,90,000	66,70,000
Assets			
Non-current assets			
(a) Property, Plant and Equipment	4	77,00,000	54,00,000
(b) Non-Current Investment	5	41,50,000	—
Current Assets			
(a) Inventories		6,75,000	5,65,000
(b) Trade Receivables		5,85,000	4,90,000
(c) Cash and Cash equivalents		2,80,000	2,15,000
Total		1,33,90,000	66,70,000

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Notes to Accounts :

Particulars	Super Limited ₹	Clear Limited ₹
1. Share Capital		
8,00,000 Equity Shares of ₹ 10 each fully paid up	80,00,000	—
5,00,000 Equity Shares of ₹ 10 each fully paid up	—	50,00,000
15,000 Preference Shares of ₹ 100 each fully paid up	15,00,000	—
	95,00,000	50,00,000
2. Reserves and Surplus		
General Reserve	15,50,000	6,50,000
Profit and Loss Account	10,25,000	5,75,000
	25,75,000	12,25,000
3. Long term borrowings		
10% Debentures	5,00,000	—
9% Debentures	—	2,00,000
4. Property, Plant & Equipment		
Land & Building	65,00,000	45,50,000
Plant & Machinery	9,50,000	6,75,000
Furniture & Fittings	2,50,000	1,75,000
	77,00,000	54,00,000
5. Non-Current Investment		
Investment in Clear Limited	41,50,000	—

Additional Information :

- (a) Super Limited holds (75%) of Equity Shares in Clear Limited since the incorporation of Clear Limited.

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~~to trade receiv.~~

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- (b) 25% of Trade Receivables of Super Limited is due from Clear Limited.
- (c) During the year Super Limited sold inventory costing ₹ 2,00,000 to Clear Limited at a price of 15% above cost. The entire inventory remains unsold with Clear Limited at the end of financial year.

You are required to prepare Consolidated Balance Sheet of Super Limited and Clear Limited as on 31st March, 2024.

6. (a)

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The following information is provided for the year ended 31st March, 2024 :

- (i) AX Limited holds 70% shares of BX Limited
- (ii) BX Limited holds 30% shares of CX Limited
- (iii) DX Limited holds 40% shares in CX Limited
- (iv) DX Limited holds 49% shares in EX Limited

You are required to :

- (i) Identify the related parties for the reporting entities – AX Limited, CX Limited and EX Limited.
- (ii) If DX Limited would have sold its investment in EX Limited on 1st October, 2023, but goods were continued to be supplied by DX Limited to EX Limited throughout the year, will this scenario change your answer with respect to any of the reporting entity mentioned in point (i) ?

Give reasons for your answer as per AS 18.

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- (a) Given below is the Balance Sheet of Sky and Associates as on 31st March, 2023 :

Liabilities	₹	Assets	₹
Capital	1,60,000	Machinery	1,80,000
Profit & Loss Account	93,000	Stock	1,15,000
8% Loan	40,000	Trade Receivables	75,000
Trade Payables	66,000	Deferred Expenditure	9,000
Bank Overdraft	20,000		
	3,79,000		3,79,000

Additional information :

- (1) The firm is planning to shut down its business with immediate effect from 1st April, 2024.
- (2) The sale and purchase of the firm for the year 2023-24 amounts to ₹ 8,20,000 and ₹ 6,50,000 respectively.
- (3) The value of Closing Stock as on 31-3-2024 was ₹ 65,000. The net realizable value is estimated at 120% of cost.
- (4) Other expenses for the period amount to ₹ 25,000.
- (5) Deferred expenditure is getting amortized over 5 years starting from 31-3-2022.
- (6) The remaining life of Machinery is expected to be 3 years. The realizable value of Machine is expected at ₹ 1,65,000, an expense of ₹ 5,000 is to be incurred to realize the same.

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- (7) Out of trade receivables, ₹ 5,000 is expected to be unrealizable due to an ongoing dispute.
- (8) Bank has charged a penalty of ₹ 2,500 for crossing the overdraft limit.
- (9) The lender has agreed to forgo 50% of interest charge for the year.
- (10) The firm is expecting a discount of ₹ 4,000 from creditors at the time of full and final settlement.

You are required to prepare a Profit & Loss A/c. for the year ended 31st March, 2024 to ascertain its Profit/Loss for the period.

- (b) Following information are available in respect of Z Limited as on 31st March, 2024 :

4,00,000 Equity share capital of ₹ 10 each	₹ 40,00,000
Capital Reserve	₹ 20,000
Revenue Reserve	₹ 50,00,000
Securities Premium	₹ 6,00,000
Profit and Loss Account	₹ 19,00,000
Investments	₹ 40,00,000

The company decides to buy back 20% of its Equity capital @ ₹ 15 per share on 1st April, 2024. Buy back is as per provisions of the Companies Act and company passed the necessary resolutions for it. For this purpose, it sold its investments of ₹ 40 lakhs for ₹ 32 lakhs.

You are required to pass the necessary journal entries.

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- (c) Give Journal Entries (with Narrations) in the books of an Independent Branch of a business entity to rectify or adjust the following :
- (i) Commission (income) of ₹ 7,500 allocated to Branch by Head office but still no entry is passed in the books of branch.
 - (ii) Head office paid ₹ 12,000 directly to one of branch's supplier. The intimation is received by branch on reconciliation of bank statement of branch with its books.
 - (iii) A remittance of ₹ 85,000 is sent by branch to Head office has not been received by Head office till date.
 - (iv) Branch paid ₹ 9,800 as salary to Head office's employee, but the amount paid has been wrongly debited to salary account.
 - (v) Branch purchased Furniture for ₹ 18,000 through cheque, but the Furniture account was retained in Head Office Books. No entry has yet been passed.
 - (vi) Branch incurred ₹ 5,500 of expenses on behalf of other branches of Head office, this transaction was not recorded in the books of branch.
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