

## 10. 2058 Q.No.16 OR

The Balance Sheet of B Ltd. has been given below:

## Balance Sheet of Baishakh 1

Liabilities	Rs.	Assets	Rs.
Share capital of Rs. 100	300,000	Land & building	200,000
10% debentures of Rs. 100 each	200,000	Plant & machinery	400,000
Reserve fund	50,000	Furniture & fixture	50,000
Accounts payable	60,000	Inventory	60,000
Workmen provident fund	40,000	Accounts receivable	30,000
Workmen compensation fund	50,000	Cash at bank	60,000
Profit & loss a/c	100,000		
	800,000		800,000

The business of B Ltd. is absorbed by A. Ltd. The consideration begin assumption of assets and liabilities, discharge of 10% debenture by issuing sufficient no. of 12% debenture of Rs. 100 each to discharge at a premium of 10%, payment of Rs. 20, in cash each for equity shares and exchange of three equity share is Rs. 100 each in A Ltd; for every two share of B Ltd. at an agreed market value of Rs. 120 each.

The cost of liquidation of B Ltd. amounted to Rs. 20,000

## Required:

- Amount of purchase consideration. [2]
- Entries in the book of B Ltd. to close the book of account. [7]
- Realization account.
- Bank account. [4+2]

Ans: a. Rs. 8,20,000; c. Realization Gain= Rs. 80,000

## 11. 2059 Q.No.10

On 1<sup>st</sup> Baishakh, this year, the business of V co. is absorbed by P Co. on the following terms.

P. Co. was to:

- take over all assets except cash for meeting liquidation expense.
- assume all liabilities.
- discharge the debenture debt at a discount of 10% by issue 12% debentures in P. Co.
- issue one share of Rs. 100 each in P Co. at the market value of Rs. 120 each for one share in V. Co.

The balance sheet of V Co. as on 31<sup>st</sup>, Chaitra, last year was as under:

Liabilities	Rs.	Assets	Rs.
Equity shares of Rs. 100 each	500,000	Goodwill	40,000
Profit & loss a/c	50,000	Fixed assets	560,000
10% debentures	200,000	Investment	100,000
Reserve	20,000	Current asset other than cash	180,000
Accounts payable	130,000	Cash	10,000
		Discount on share issued	10,000
	900,000		900,000

The cost of liquidation amounted to Rs. 10,000.

## Required:

- Calculation of purchase consideration.
- Realization account in the books of V Co. Ltd. [2+6=8]

Ans: a. Purchase Consideration=Rs. 7,80,000; b. Realization Gain = Rs. 40,000

## 12. 2060 Q.No.16

The assets of X Co. Ltd. Are purchased by Y Co. Ltd., the consideration for the absorption is:

- Y Ltd. is to assume all assets except investment.
- Y Ltd. is to discharge the debentures of X Ltd. at a premium of 10% by issuing 10% debenture in Y Ltd.
- Holder of every 3 share of X Ltd. was to receive 2 shares of Y Ltd. of Rs. 100 each at a market value of Rs. 150 per share.

The balance sheet of X. Ltd. as on 31<sup>st</sup>, Chaitra, last year stood as follows:

Liabilities	Rs.	Assets	Rs.
Equity share capital of Rs.100 each	1,000,000	Goodwill	50,000
Accident compensation fund	100,000	Land and building	700,000
Profit & loss a/c	150,000	Plant & building	300,000
9% debenture	500,000	Investment	500,000
Provision for tax	50,000	Inventories	300,000
Accounts payable	300,000	Account receivable*	200,000
		Cash at bank	40,000
		Preliminary expenses	10,000
	2,100,000		2,100,000

Investment realized Rs. 700,000 and accounts payable were paid at a discount of Rs. 50,000. The tax liability was discharged at Rs. 60,000. The cost of liquidation amounted to Rs. 10,000.

**Required:**

- Calculation of purchase consideration.
- Realization account in the books of X. Ltd.
- Shareholders' account in the books of X Ltd.
- Journal entries in the books of Y Ltd.

[2+4+3+6]

Ans: a. Rs. 1,550,000; b. Realization gain = Rs. 140,000; c. Goodwill = Rs. 10,000

**13. 2061 Q.No.16**

Strong Ltd. agreed to acquire the business of Weak Ltd. on 31st Chaitra, last year, on which date the Balance Sheet of Weak Ltd. was as under:

Liabilities	Rs.	Assets	Rs.
10% Pref. share capital of Rs.100 each	500,000	Land and building	800,000
Equity share capital of Rs. 100 each	1,000,000	Plant & machinery	200,000
Share forfeited account	10,000	Inventories	200,000
General reserve	40,000	Account receivable	350,000
Account payable	120,000	Profit & Loss A/C	150,000
Bank overdraft	30,000		
	1,700,000		1,700,000

The cost of liquidation amounted to Rs. 15,000

The consideration payable by Strong Ltd. was agreed as under:

- The preference Shareholders of Weak Ltd. were to be allotted 12% preference share of Rs. 550,000 in strong Ltd.
- Equity Shareholders to be allotted two equity shares of Rs. 100 each at a premium of 20% against every three shares held.
- The balance in cash after adjusting the value of assets in following way:  
 Land and building @ 120% of book value.      Plant and machinery @ 90% of book value.  
 Investment @ 80% of book value.              Accounts receivable @ 100% of book value.

**Required:**

- Calculation of purchase consideration.
- Journal entries to close the books of Weak Ltd.
- Realization Account in the books of Weak Ltd.
- Shareholder's Account in the books of Weak Ltd.

[2+9+2+2=15]

Ans: a. Amount of purchase consideration Rs.15,00,000; c. Amount of realization gain Rs. 35,000

**14. 2062 Q.No.16 OR**

The Balance Sheet of X Co. Ltd. as on 31<sup>st</sup> Chaitra, last year was as follows:

Liabilities	Rs.	Assets	Rs.
18,000 share of Rs. 100 each	18,00,000	Land and building	15,00,000
10% Debentures of Rs. 100 each	800,000	Furniture	400,000
Creditors	100,000	Inventory	300,000
		Debtors	200,000
		Cash	60,000
		Profit & Loss a/c	240,000
	27,00,000		27,00,000

Y Co. Ltd. is formed to take over the assets of X Co. Ltd. but not the liabilities. The company adopted the following scheme:



- A payment in cash at Rs. 90 each for every debenture in X. Co.
- A further payment of cash at the rate of Rs. 10 for every share in X. Co.
- The holders of every five shares of X Co. will be allotted two shares of Rs.100 each in Y Co. Ltd.
- The creditors agreed to receive Rs. 80,000 in full satisfaction of their claim.
- The cost of liquidation Rs. 10,000 is paid by X. Co. Ltd.

**Required:** ① Purchase consideration amount. ② Journal entries to close the books of X. Co. Ltd. ③ Realization account in the books of X Co. Ltd. ④ Shareholder's account in the books of X Co. Ltd.

[2+7+4+2]

Ans: (i) Amount of purchase consideration Rs. 16,20,000 (ii) Realization loss Rs. 750,000 (iii) Cash paid to equity shareholders Rs. 90,000

## 15. 2064 Q.No. 16

The Balance Sheet of X Co. Ltd. and Y Co. Ltd. as at 31st December 20X6 are as under:

Liabilities	X Ltd. (Rs.)	Y Ltd. (Rs.)	Assets	X Ltd. (Rs.)	Y Ltd. (Rs.)
10% Preference share capital of Rs. 100 each	300,000	—	Plant and machinery	250,000	300,000
Equity share capital of Rs. 100 each	700,000	1,000,000	Land and building	800,000	520,000
Bank overdraft	200,000	—	Furniture	100,000	60,000
Accounts payable	200,000	110,000	Stock	70,000	80,000
Bills payable	100,000	—	Accounts receivable	130,000	120,000
Profit and loss a/c	—	90,000	Cash and bank	50,000	40,000
			Profit and loss a/c	100,000	—
			Preliminary expenses	—	40,000
			Discount on shares issued	—	40,000
	1,500,000	1,200,000		1,500,000	1,200,000

A new Z Co. Ltd. will be formed to take over the assets and liabilities of the both companies. The authorized capital of Z. Co. Ltd. will be Rs. 2,000,000 divided in 5,000; 12% Preference shares of Rs. 100 each and 15,000 Equity shares of Rs. 100 each. The conditions of merger have been met terms of acquisition will be as under:

- The holder of 10% Preference shares of X Co. Ltd. would be allotted 2; 12% Preference shares of Rs. 100 each in Z. Co. Ltd for every three shares in X. Co. Ltd.
- The holders of every 5 equity shares in X Co. and Y Co. would be allotted 4 equity shares in Z Co.
- Z. Co. Ltd. would pay the liquidation expenses of Rs. 20,000 and Rs. 10,000 for X Co. and Y Co. respectively.

**Required:** (a) Calculate purchase consideration (b) Journal entries in the books of Z.Co. Ltd. (c) Balance sheet of Z.Co. Ltd.

[3+7+5=15]

Ans: (a) X Ltd: Rs. 760,000; Y Ltd: Rs. 800,000 (c) B/S total Rs. 25,20,000

## 16. 2063 Q.No. 16

The business of A Co. Ltd., is absorbed by B Co. Ltd. The terms of absorption are as follows:

- The holders of 10% preference shares will be allotted four, 12% preferences shares of Rs. 100 each for every five preference shares held in A Co. Ltd.
- The 10% debentures will be paid off by the issue of equal number of 12% debentures of Rs. 100 each in B Co. Ltd., at a discount of 10%.
- The equity shareholders will be allotted 6 shares of Rs. 100 each for every 5 shares hold by them at a premium of Rs. 20.

The balance sheet of A Co. Ltd., at the date of absorption is as under.

Liabilities	Rs.	Assets	Rs.
7,000 equity share of Rs. 100 each	700,000	Goodwill	50,000
10% Preference share of Rs. 100 each	400,000	Plant and machinery	1,100,000
10% debentures of Rs. 100 each	300,000	Stock	100,000
Sundry creditors	150,000	Sundry debtors	70,000
		Cash at bank	50,000
		Discount on issue of shares	10,000

	Profit and loss account.	170,000
		1,550,000

**Required:** ① Calculate purchase consideration ② Entries to close the books of A Co. Ltd. ③ Realisation account ④ Equity shareholders' account [3+7+3+2]

Ans: (i) Rs. 15,98,000 (iii) Total Rs. 18,58,000 (iv) Total Rs. 11,88,000

17. 2065 Q.No. 16 OR

The following is the Balance Sheet of Weak Co. Ltd., as on 31st December, 20X7

Liabilities	Rs.	Assets	Rs.
10,000 Shares of Rs. 100 each	1,000,000	Fixed assets	1,450,000
10% Debentures of Rs. 100 each	700,000	Investment	25,000
Reserve fund	125,000	Patent rights	70,000
Sundry creditors	115,000	Stock	100,000
Profit and loss a/c	10,000	Sundry debtors	280,000
		Cash at bank	25,000
	1,950,000		1,950,000

The business of the Weak Company is taken over by Strong Co. Ltd. as on that date on the following terms:

- Strong Co. Ltd. to take over all assets and liabilities.
- The shareholders were to be discharged by paying Rs. 20 per share and the exchange of four Rs. 100 shares in Strong Co. Ltd. at an agreed market value of Rs. 150 each for every shares in Weak Co. Ltd.
- Strong Co. Ltd. is to make a further payment in cash of Rs. 110 for every debentures in Weak Co. Ltd.

**Required:**

- Calculate Purchase Consideration
- Entries to close the books of Weak Co. Ltd.
- Realisation Account
- Shareholder's Account.

[3+7+3+2=15]

Ans: (a) Rs. 69,70,000 (c) Gain = Rs. 50,65,000 (d) Bank a/c = Rs. 200,000

18. 2066 Q.No. 16 OR

The Balance Sheet of Clux Company is as follows:

Equities	Rs.	Assets	Rs.
Equity shares of Rs. 100 each	600,000	Goodwill	80,000
Share premium	60,000	Land & building	500,000
8% Debentures of Rs. 50 each	400,000	Plant & machinery	580,000
General reserve	80,000	Inventory	120,000
Workmen bonus fund	150,000	Account receivable	130,000
Profit & loss account	90,000	Cash at bank	40,000
Account payable	75,000	Preliminary expenses	50,000
Bills payable	45,000		
	1,500,000		1,500,000

Quick company acquired the business of Clux Company on the following terms and conditions:

- Quick company issued 10% debentures of Rs. 100 each to discharge the claims of 8% debentures of Clux Company at 10% premium.
- A cash payment of Rs. 10 cash was made to equity shareholders.
- A further payment was made in cash to discharge bills payable amount.
- Quick company issued three shares of Rs. 100 each for every two shares of Clux Company at a market value of Rs. 105 each.
- The realization expenses amounting to Rs. 25,000 were paid by Clux Company.

**Required:**

- Closing entries in the book of Clux Company.
- Realization account.
- Quick company's opening entries.

[8+3+4=15]

Ans: (1) Purchase consideration = Rs. 14,90,000 (2) Profit on realization Rs. 2,00,000



## 4. HOLDING COMPANY

## Theoretical Questions

## 1. 2057 Q.No.15 (Cancelled)

Define inter-company unrealized profits and show its accounting treatments. [3+2=5]

## 2. 2062 Q.No.1

Write the meaning of inter-company unrealized profit and show its accounting treatment. [2+3]

## 3. 2063 Q.No.7

What is minority interest? How is it determined? [2+3]

## Numerical Problems

## 4. 2055 Q.No.16

The assets and liabilities of Holding Company and Subsidiary Company as on 31<sup>st</sup> Chaitra of previous year given below:

	Holding Co.	Subsidiary Co.
Fixed assets	Rs. 470,000	Rs. 175,000
Current assets	300,000	200,000
Profit & loss account	100,000	60,000
Reserve	340,000	80,000
Current liabilities	70,000	35,000
Fully paid equity shares of Rs. 10 each	600,000	200,000

## Additional Information:

- Holding company acquired 16,000 shares on 1<sup>st</sup> Kartik of last year for Rs. 340,000.
- Profit and loss account of subsidiary company stood at Rs. 30,000 on 1<sup>st</sup> Baishak, last year. The general reserve remained unchanged since that date.
- The debtors of subsidiary company include a sum of Rs. 10,000 due from Holding company for goods supplied at a profit of 25% on cost.
- The current assets further include the entire stock purchased from subsidiary company as mentioned in (iii).
- Holding company remitted Rs. 5,000 to Subsidiary company but the later company received it only on 2<sup>nd</sup> Baishak of this year.

## Required:

- Goodwill/capital reserve [3+2]
- Minority interest. [3+2]
- Inter-company owing [1+2]
- Unrealised profit. [1+2]
- Cash remitted and not received. [1+6]
- Consolidated balance sheet. [1+6]

Ans: a. Goodwill = Rs. 80,000; b. Rs. 68,000; c. Rs. 10,000, Rs. 5,000; d. Rs. 2,000; e. Rs. 5,000; f. Total = Rs. 1,218,000

## 5. 2056 Q.No.3

The equity capital of a subsidiary company is Rs. 400,000 divided into 4,000 shares of Rs. 100 each. Out of these, the holding company acquired 3,000 shares @ Rs. 200 each. The general reserve and undistributed profit on the date of share acquired were Rs. 40,000 and Rs. 60,000 respectively. On balance sheet date the minority interest, in total, was of Rs. 145,000.

## Required:

- Computation of capital profit.
- Cost of control.
- Profit after the date of acquisition. [2+2+4]

Ans: a. Rs. 100,000; b. Rs. 225,000; c. Rs. 80,000

## 6. 2057 (Cancelled) Q.No.1

The compiled balance sheet of P. Ltd. and Q. Ltd. are given below:

## As at Chaitra last of the previous year

Liabilities	P Ltd. Rs.	Q Ltd. Rs.	Assets	P Ltd. Rs.	Q Ltd. Rs.
Equity capital of Rs. 100 each	2,000,000	800,000	Fixed assets	1,200,000	450,000
12% preference capital	—	200,000	Current assets excluding stock	400,000	300,000
General reserve	400,000	—	Stock	200,000	150,000

Profit & loss account	200,000	—	Investment	850,000	70,000
Trade creditors	80,000	50,000	Bank	30,000	20,000
			Profit & loss a/c	—	60,000
	2,680,000	1,050,000		2,680,000	1,050,000

- Investment of P. Ltd. includes Rs. 750,000 paid to Q Ltd. for the purchase of 6,000 equity shares of Shrawan 1 of the previous year.
- The profit and loss account of Q Ltd. showed a credit balance of Rs. 30,000 on Baishak 1 of the previous year.
- Q Ltd. supplied goods worth Rs. 80,000 to P. Ltd. on credit at a profit of 25 percent on cost price.
- Half of the goods received from Q Ltd. are still in the stock of P Ltd.
- P Ltd. has paid 25 percent of the amount due against credit purchase of goods from Q Ltd. before closing accounts for Balance Sheet.

**Required:** Consolidated balance sheet with necessary working notes. [4+4=8]

Ans: Balance Sheet total = Rs. 2,996,375

**7. 2057 (Cancelled) Q.No.10**

The balance sheet of S Ltd. has been given below:

**Balance Sheet on 30<sup>th</sup> Chaitra 2056**

	Rs.		Rs.	
Share capital of Rs. 100 each	200,000	Fixed assets	200,000	
Liabilities for creditors	50,000	Current assets	75,000	
Profit of the year	50,000	Cash at bank	25,000	
	300,000		300,000	

On the same day holding company purchased 80% of share for Rs. 220,000.

**Required:** Net value of the subsidiary purchase for investing activities.

[5]

Ans: (Rs. 25,000)

**8. 2057 Q.No.4**

White Ltd. Invested Rs.420,000 for 2,800 equity shares of Black Ltd. on Jestha 31 of the previous year. The summarized balance sheet of White Ltd. and Black Ltd. as at Chaitra last of the previous year are given below:

Capital Liabilities	Amount		Assets	Amount	
	White Ltd. Rs.	Black Ltd. Rs.		White Ltd. Rs.	Black Ltd. Rs.
Equity Share capital of Rs.100 each	15,00,000	4,00,000	Fixed Assets	11,80,000	7,00,000
9% Debentures of Rs.100 each	--	3,00,000	Investment for 2,800 equity shares	4,20,000	--
Capital Reserves	90,000	20,000	1000,8% Debentures of Black Ltd.	1,00,000	--
General Reserves	1,00,000	---	Stock	50,000	80,000
Profit & Loss A/c	2,20,000	1,70,000	Account Receivable	1,50,000	1,50,000
Account payable	80,000	60,000	Bills receivable		
Bills payable (Including Rs.20,000 to White Ltd.)	--	30,000	(including Rs.15,000 from Black Ltd.)	50,000	40,000
			Cash at Bank	40,000	10,000
	19,90,000	9,80,000		19,90,000	9,80,000

Further information for incorporation in consolidated balance sheet.

- The profit of Black Ltd. includes accumulated profit of Rs.50,000 in the beginning of the previous year.
- Black Ltd. holds 15,000 units of goods out of 20,000 units of finished goods supplied by White Ltd. at Rs.3 per unit. The supply of goods was made at cost plus 20 percent.

**Required:** Necessary working sheet and Consolidated Balance Sheet.

[4+4=8]

Ans: Rs. 24,27,500

**9. 2058 Q.No.3**

X Ltd. purchased a 90% shares of Y Ltd. on Pousha last of the previous year. The balance sheets of the two companies prepared as at Chaitra last of the previous year are given below:



Liabilities	X Ltd	Y Ltd	Assets	X Ltd.	Y Ltd.
Equity capital of Rs.100 each	8,00,000	3,00,000	Land & Building	4,00,000	2,10,000
General reserve	1,50,000	50,000	Plant & Machinery	2,90,000	2,00,000
Revenue account	2,50,000	90,000	Stock	1,30,000	50,000
Sundry creditors	70,000	30,000	Book Debts	50,000	40,000
Bills payable		30,000	Bills receivable	20,000	
			Investment in equity shares	3,80,000	
	12,70,000	5,00,000		12,70,000	5,00,000

- General reserve account reported credit balance of Rs.50000 in the beginning of the previous year.
- Y Ltd. has credit balance of profit of Rs.40000 on Baisakh 1<sup>st</sup> of the previous year
- Y Ltd.'s acceptance of bill was all in the favour of X Ltd.
- Goods costing Rs.10000 of Y Ltd. were destroyed by fire during Jetha of the previous year. The loss has been charged to revenue account of the year.

**Required:** Working sheet and consolidated balance sheet.

[4+4=8]

Ans: Total Balance = Rs. 1370,000

**10. 2058 Q.No.10**

The balance sheet of a subsidiary company as on 30<sup>th</sup> Chaitra, 2056 has been given below:

Liabilities	Amount	Assets	Amount
Share capital of Rs.100 each	4,00,000	Fixed Assets	5,00,000
Reserve fund: 01.01.2056	50,000	Current Assets	1,80,000
Current Liabilities	1,00,000	Cash at bank	20,000
Profit & Loss: 01.01.2056	50,000		
30.12.2056	1,00,000		
<b>Total</b>	<b>700000</b>	<b>Total</b>	<b>700000</b>

On 1<sup>st</sup> Kartik Holding Company Ltd purchased 75% of shares of subsidiary company for Rs.380000.

**Required:** Net value of subsidiary purchase for investing activities.

(5)

Ans: Rs. 17,500

**11. 2059 Q.No.15**

The balance sheet of S Ltd.; has been provided below:

**Balance sheet of S Ltd. on 31<sup>st</sup> December 2001**

Liabilities	Amount	Assets	Amount
Equity shares of Rs.100 each	800000	Fixed Assets	900000
Reserve fund	60000	Current Assets (excluding cash)	
Account payable	150000	Cash at bank	260000
Profit & Loss a/c	190000		40000
<b>Total</b>	<b>1200000</b>	<b>Total</b>	<b>1200000</b>

H Ltd. purchased 60% share capital of S Ltd; for Rs.500000 on 1<sup>st</sup> April 2001. S Ltd had credit balance of Rs.50000 in profit and loss account at the time shares purchased. The current assets of S Ltd; include Rs.20000 receivable from H Ltd.

**Required:** Net value of subsidiary purchase to be shown in investing activities.

(5)

Ans: Rs. 60,000

**12. 2059 Q.No.16**

On 1<sup>st</sup>, Kartik, 2058 X co. Ltd. acquired 1600 shares of Rs.100 each in Y Ltd. at a cost of Rs.400000. The other relevant information are:

- Profit & loss account and general reserve of Y Ltd. stood at Rs.50000 and Rs.60000 respectively on 1<sup>st</sup> Baisakh 2058
- Stock of X Ltd. includes Rs.15000 relating to stock purchased on credit from Y Ltd. which follows the practice of charging 25% extra on cost for determining the selling price.
- X Ltd. remitted Rs.10000 out of credit purchase of Rs.15000 to Y Ltd; but the latter company received it on 5<sup>th</sup> Baisakh, 2059
- Profit & Loss account of X Ltd. includes dividend @10% for the year 2057 from Y Ltd.; which was declared and paid after 1<sup>st</sup> Kartik, 2058.

The balance sheet of X Co. Ltd. and Y Co. Ltd. as at 31<sup>st</sup> Chaitra, 2058 are as follows:

### Balance Sheet

Liabilities	X Co.	Y Co.	Assets	X Co.	Y Co.
	Amount	Amount		Amount	Amount
Equity Share of Rs.100 each			Plant & Machinery	8,00,000	2,50,000
General Reserve	8,00,000	2,00,000	Furniture & Fixtures	50,000	70,000
Profit & Loss a/c	4,00,000	60,000	Investment:		
Accounts payable	3,00,000	80,000	Shares in Y Co. Ltd.	4,00,000	
	1,50,000	1,60,000	Stock	1,50,000	80,000
			Account Receivable	1,50,000	70,000
			Cash	1,00,000	30,000
	16,50,000	5,00,000		16,50,000	5,00,000

**Required:** Prepare consolidated Balance Sheet as on 31<sup>st</sup> Chaitra, 2058 by ascertaining Minority Interest, Cost of Control, Profit and Loss Balance and Account Receivable.

[2+2+2+2+7=15]

Ans: Rs. 68,000, Rs. 132,000, Rs. 3,01,000; Rs. 2,05,000; Total = Rs. 18,74,000

### 13. 2060 Q.No.7

Extracted from the Balance Sheets of H. Ltd. and S. Ltd. as on 31<sup>st</sup> Dec., last year are given below:

	H. Ltd.	S. Ltd.
Fixed assets	Rs. 600,000	Rs. 400,000
Current assets	150,000	100,000
Current liabilities	150,000	100,000
Share capital of Rs. 10 each	500,000	250,000
Profit & loss A/C (Cr.)	300,000	150,000

#### Additional information:

- H. Ltd. purchased 15,000 shares of S. Ltd. for Rs. 200,000 on 1<sup>st</sup> July, last year.
- Profit and loss a/c of S. Ltd. on 1<sup>st</sup> Jan., last year was Rs. 70,000.
- Current liabilities of S. Ltd. includes Rs. 20,000 for goods supplied by H. Ltd. on which the later company made a profit of Rs. 2,000 half the goods are still in the stock on 31<sup>st</sup> December, last year.

**Required:** Prepare consolidated balance sheet.

Ans: Capital Profit = Rs. 1,10,000, Revenue Profit = Rs. 40,000, Minority Interest = Rs. 160,000, Capital Reserve = Rs. 16,000, CBS total = Rs. 12,29,000 [8]

### 14. 2060 Q.No.15

The balance sheet of a subsidiary Ltd., as on 31<sup>st</sup>, Dec., 2001 has been given below:

#### Balance Sheet of S Ltd.

Liabilities	Rs.	Assets	Rs.
Share capital in equity shares of Rs. 100 each	800,000	Fixed assets	900,000
Reserve fund	100,000	Current assets other than cash	330,000
Accounts payable	200,000	Cash at bank	30,000
Profit & loss account	160,000		
	1,260,000		1,260,000

H. Ltd., purchase 80% shares of S. Ltd. 30<sup>th</sup> June 2001 at a price of Rs. 800,000. S. Ltd. has credit balance of Rs. 50,000 in reserve fund and Rs. 80,000 in profit and loss account, when H. Ltd., purchased shares. S. Ltd., paid a dividend of Rs. 40,000 for the year 2001.

**Required:** Net value of subsidiary purchase to be shown in investing activities.

Ans: Rs. 74,000 [5]

### 15. 2061 Q.No.10

The Balance Sheet of a S. Ltd., has been provided as under:

#### Balance Sheet of S. Ltd. as on December end 2001

Liabilities	Rs.	Assets	Rs.
Share capital in equity shares of Rs. 100 each	10,00,000	Fixed assets	1,200,000
Reserve fund	200,000	Current assets (other than)	
Accounts payable	250,000	Cash at bank	450,000
		Cash in hand	50,000



Profit & Loss A/c	250,000	
	17,00,000	1,700,000

H. Ltd., purchased 75% of shares of S. Ltd., for Rs. 800,000 on 1st July 2001. The S. Ltd., had credit balance of Rs. 150,000 and Rs. 80,000 in Reserve fund and Profit and Loss Account respectively when H. Ltd., purchased shares. The accounts payable of S. Ltd., include Rs. 50,000 payable to H. Ltd., for merchandise purchased.

**Required:** Net value of subsidiary purchase to be reported in investing activities. [5]  
Ans: Rs. 965,000

## 16. 2061 Q.No.11

H. Ltd. acquired 2,000 shares of S. Ltd. for Rs. 400,000 on 30th June last year. The accounts of both companies are closed on 31st December every year.

## The Balance Sheet of H/ Co. as on 31st December, last year was:

Liabilities	Rs.	Assets	Rs.
Issued & subscribed capital: 10,000 shares of Rs. 100 each	1,000,000	Fixed assets	950,000
Profit & loss A/c	550,000	Investment: 2,000 shares of Rs. 100 each	400,000
Current liabilities	150,000	Current assets	350,000
	1,700,000		1,700,000

The other information are:

- The issued shares of S. Ltd. was 2,500 shares of Rs. 100 each.
- The current assets and current liabilities of S. Ltd. on 31st December, last year were valued at Rs. 200,000 each and fixed assets Rs. 500,000. The current assets of S. Ltd. includes Account Receivable of Rs. 20,000 due from H. Ltd.
- General Reserve and Profit and Loss Account (credit balance) of S. Co. on 1st Jan., last year was Rs. 100,000 and Rs. 50,000 respectively. The profit earned by S. Co. during the year was Rs. 100,000

**Required:**

Prepare consolidated balance sheet ascertaining Minority interest and cost of control. [2+2+4=8]

Ans: Minority interest Rs. 100,000; Cost of control or goodwill Rs. 40,000 and consolidated balance sheet total Rs. 20,20,000

## 17. 2062 Q.No.9

The balance sheets as of 31.12.2060 of Alpha and Beta companies are as follows:

	Alpha Rs.	Beta Rs.		Alpha Rs.	Beta Rs.
Equity share capital (Fully paid)	500,000	200,000	Goodwill	50,000	-
Sundry creditors	100,000	60,000	Fixed assets	350,000	260,000
General reserve	80,000	70,000	Investment in shares of Beta	200,000	-
Profit & Loss a/c	120,000	95,000	Sundry debtors	80,000	70,000
			Inventory	50,000	45,000
			Cash at bank	70,000	50,000
	800,000	425,000		800,000	425,000

Beta Company has balance of Rs. 40,000 in general reserve and credit balance of Rs. 35,000 in profit and loss account on 1.1.2060.

Alpha company purchased 75% of the shares of Beta company on 1.5.2060.

The goods sold for Rs. 30,000 on credit during the period by Beta company to Alpha company at a cost plus 20% profit are still remaining outstanding.

The inventory of Alpha company includes 80% goods supplied by Beta company.

**Required:** Consolidated balanced sheet including necessary details. [1+1+1+1+4]

Ans: (i) Capital Profit Rs. 105,000 (ii) Revenue Profit Rs. 60,000 (iii) Minority Interest Rs. 91,250 (iv) Capital Reserve Rs. 28,750 (v) Balance Sheet Total Rs. 962,250

## 18. 2062 Q.No.15

The Balance Sheet of a Subsidiary Ltd. has been provided as under.

## Balance Sheet of Subsidiary Ltd.

Liabilities	Rs.	Assets	Rs.
Equity share capital of Rs. 100 each	100,000	Plant and machinery	100,000

Reserve fund	20,000	Inventory	50,000
Accounts payable	60,000	Account receivable	40,000
Profit and Loss a/c	20,000	Cash at bank	10,000
	200,000		200,000

H Ltd, purchased 805 of the shares capital of S. Ltd. on 30<sup>th</sup> June 2004 at Rs. 110.00. S. Ltd. had Reserve Fund of Rs. 10,000 and Profit and Loss of Rs. 20,000 as credit balances when H Ltd., purchased the shares of S. Ltd. S Ltd. paid on dividend of Rs. 15,000 for the last year.

**Required:** Net value of subsidiary purchased to be shown in investing activities. [5]

**Ans:** Net value of subsidiary purchase (Rs. 2,000)

**19. 2063 Q.No. 9**

H. Co. Ltd., acquired shares of S Co. Ltd., on 31st December, last year. The balance sheet of H. Co. and S. Co. as on 31st December, last year were as follows:

Liabilities	H Ltd.	S Ltd.	Assets	H Ltd.	S Ltd.
Share capital of Rs. 100 each	1,800,000	450,000	Fixed assets	1,670,000	700,000
10% Debentures	400,000		- Investment 4,000 shares in		
Profit and loss a/c	100,000	50,000	S Ltd.	480,000	
Bank loan	250,000	100,000	Sundry debtors	400,000	100,000
Sundry creditors	500,000	300,000	Stock	400,000	50,000
			Cash in hand	100,000	50,000
	3,050,000	900,000		3,050,000	900,000

Sundry creditors of H Ltd., includes a sum of Rs. 160,000 payable to S Ltd. for credit purchase, on which the latter company made a profit of 10% on sales. The stock of H Ltd. includes Rs. 80,000 purchases from S Ltd.

**Required:** Consolidated Balance Sheet. [1+1+2+4]

**Ans:** P/L a/c Rs. 50,000; Capital profit Rs. 55,556; goodwill Rs. 35,556; B/S Total Rs. 33,37,556

**20. 2063 Q.No. 14**

**Balance Sheet of X Ltd.  
Dec. 31st 2004**

Liabilities	Rs.	Assets	Rs.
Equity share of Rs. 100 each	100,000	Sundry fixed assets	100,000
Reserve fund	15,000	Current assets (other than cash)	40,000
Accounts payable	25,000	Cash at bank	10,000
Profit and loss a/c	10,000		
	150,000		150,000

On 1st July 2004, A Ltd., purchased 80% of share of x Ltd., at Rs. 100,000. The X Ltd., had not reserve fund when A Ltd. purchased the shares and profit and loss account had a credit balance of Rs. 10,000. The X Ltd. paid a dividend of Rs. 10,000 for last year in 2004.

**Required:** Net value of subsidiary purchased to be shown in investing activities. [5]

**Ans:** Net value of subsidiary purchased Rs. 82,000

**21. 2064 Q.No. 7 OR**

The Balance Sheets of Holding Company Ltd., and Subsidiary Ltd. have been provided below:

**Balance Sheets as on Chaitra end 2063**

	H. Ltd. (Rs.)	S Ltd. (Rs.)		H. Ltd. (Rs.)	S Ltd. (Rs.)
Equity share of Rs. 100 each	300,000	100,000	Fixed assets	300,000	100,000
Reserve fund	50,000	10,000	Investment on share's of		
Accounts payable	50,000	20,000	S. Ltd.	100,000	-
Profit and Loss A/c	50,000	20,000	Inventories	30,000	20,000
			Accounts receivables	20,000	20,000
			Cash at bank	-	10,000
	450,000	150,000		450,000	150,000

H. Ltd purchased 75% of the equity shares of S.Ltd, on Ashwin end. S. Ltd has credit balance of profit of Rs. 10,000 and no general reserve when shares were purchased. H.Ltd supplied goods worth of Rs. 10,000 at Rs. 15,000 and half of the goods have remained as unsold



stocks. S. Ltd remitted Rs. 5,000 on 28th Chaitra, but the H. Ltd. received it only after the balance sheet date.

**Required:** Consolidated Balance Sheet with workings.

[4+4=8]

Ans: B/S total = Rs. 5,10,000

**22. 2064 Q.No. 11**

The Balance Sheet of S.Ltd, as on Chaitra end 2063, was as under

**Balance Sheet**

	Rs.		Rs.
Equity share of Rs. 100 each	100,000	Sundry assets (other)	240,000
General reserve	30,000	Cash at bank	10,000
Accounts payable	60,000		
Profit and Loss A/c	60,000		
	250,000		250,000

H. Ltd purchased 80% of the equity shares of S.Ltd on Poush end at a cost of Rs. 150,000. S.Ltd had the credit balance of Rs. 20,000 on general reserve and Rs. 30,000 on profit and loss account, when shares were purchased. The accounts payable of S.Ltd include Rs. 20,000 payable to H.Ltd.

**Required:** Net value of subsidiary purchase to be shown in combined cash flow.

[5]

Ans: Net value of subsidiary purchased Rs. 160,000

**23. 2065 Q.No. 7 OR**

The following are the Balance Sheet of H. Ltd., and its subsidiary S. Ltd. as on 31st December, last year:

Liabilities	H. Ltd. (Rs.)	S. Ltd. (Rs.)	Assets	H. Ltd. (Rs.)	S. Ltd. (Rs.)
Ordinary shares of Rs. 100 each	1,400,000	2,800,000	Fixed assets	1,400,000	154,000
General reserve	420,000	56,000	Investment: 2240 shares in S. Ltd.	336,000	—
Profit and loss a/c	210,000	69,600	Inventories	112,000	80,000
Accounts payable	168,000	56,000	Accounts receivables	140,000	172,000
Bills payable	—	28,000	Bills receivable	28,000	—
			Bank balance	182,000	103,600
<b>Total</b>	<b>2,198,000</b>	<b>509,600</b>	<b>Total</b>	<b>2,198,000</b>	<b>509,600</b>

a. Out of accounts payable of S. Ltd. Rs. 28,000 belong to H. Ltd.

b. The bills payable of S. Ltd. includes Rs. 14,000, accepted for H. Ltd.

c. On the date of acquisition of shares, the balance in profit and loss account in S. Ltd. was Rs. 40,000 and it was Rs. 56,000 in general reserve.

**Required:** Consolidated Balance Sheet

[8]

Ans: Capital profit = Rs. 96,000; Revenue profit = Rs. 49,600;

Minority interest = Rs. 85,120; Goodwill = Rs. 35,200; B/S Total Rs. 23,64,800

**24. 2065 Q.No. 11**

On January, 2007 A. Ltd. purchased 80% shares of X Ltd. at Rs. 300,000. The Balance Sheet of X. Ltd stood as under on December end, 2007

**Balance Sheet of X Ltd.**

Liabilities	Rs.	Assets	Rs.
Equity shares capital:		Fixed assets	200,000
Share of Rs. 100 each	250,000	Current assets	250,000
Reserves	50,000		
Profit and loss a/c	100,000		
Current liabilities	50,000		
	450,000		450,000

X. Ltd has a credit balance of Rs. 50,000 in Reserve and Rs. 20,000 in Profit and Loss Account at the time of purchase of its shares by A Ltd. X Ltd. declared 20% dividend out of profit of the year and still to be paid. There was cash at bank balance of Rs. 50,000 in current assets of X Ltd. at the time of purchase of shares by A Ltd.

**Required:** Net value of subsidiary purchased to be shown in investing activities.

[5]

Ans: Net value of sub. purchased = Rs. 2,00,000

## 25. 2066 Q.No. 7 OR

The followings are the Balance Sheets of H.Ltd., and S.Ltd., as on 30<sup>th</sup> Chaitra, 2064, when H.Ltd., acquired the shares.

Liabilities	H.Ltd. (Rs.)	S.Ltd. (Rs.)	Assets	H.Ltd. (Rs.)	S.Ltd. (Rs.)
Shares of Rs. 100 each	250,000	100,000	Land & buildings	75,000	90,000
Capital reserve	—	60,000	Machinery*	120,000	54,000
General reserve	120,000	—	800 shares in S.Ltd.	170,000	—
Retained earnings	28,600	18,000	Book debts	7,900	—
Creditors	23,400	4,000	Bills receivable (Rs. 1,500 from S.Ltd.)	60,000	18,000
Bills payable (Rs. 2,000 to H.Ltd.)	—	4,000	Inventory	7,100	4,000
Bank overdraft	40,000	—	Cash at bank	—	—
	462,000	186,000		462,000	186,000

## Additional information:

- Creditors of H.Ltd. include Rs. 6,000 due to S.Ltd.
- The directors decided that Land and buildings of S.Ltd. were under valued by Rs. 10,000 on the date of acquisition of shares.

## Required:

- Capital profit
- Cost of control
- Consolidated Balanced Sheet

[2+2+4=8]

Ans: (1) Rs. 88,000 (2) Rs. 19,600 (3) Total Rs. 5,00,100

## 26. 2066 Q.No. 14

## Balance Sheets of Y Ltd.

As on 30<sup>th</sup> Chaitra, 2064

Liabilities	Rs.	Assets	Rs.
Equity shares capital of Rs. 100 each	200,000	Fixed assets	200,000
Reserve fund	35,000	Current assets	80,000
Profit & Loss A/C	20,000	Cash at bank	20,000
Sundry creditors	50,000	Cash in hand	5,000
	305,000		305,000

X. Ltd. purchased 75% of shares in Y. Ltd. at Rs. 200,000 on 1<sup>st</sup> Kartik, 2064. Y Ltd. had a credit balance of Rs. 20,000 in P/L A/C and Rs. 15,000 in reserve fund on that date. Y Ltd. paid a dividend of Rs. 20,000 for the previous year in Ashad 2064.

Required: Net value of subsidiary purchase to be shown in investing activities.

[5]

Ans: (Rs. 5,000)

## 5. ANALYSIS OF FINANCIAL STATEMENT OF A COMPANY

## Theoretical Questions

## 1. 2055 Q.No.14

'Ratio analyze the financial statement.' Comment briefly.

[5]

## 2. 2057 (Cancelled) Q.No.14

What are the limitations of ratio analysis?

[5]

## 3. 2057 Q.No.13

Define ratio analysis and write any two benefits of ratio analysis.

[3+2]

## 4. 2058 Q.No.15

What is the purpose of computing short-term solvency ratios?

[5]

## 5. 2060 Q.No.1

Define ratio analysis and write about the limitations of ratio analysis.

[2+3]



6. 2062 Q.No.2

Which ratio will reflect the efficient collection of debtors? Write your answer with suitable examples. [5]

7. 2065 Q.No. 2

Write about the limitations of ratio analysis. [5]

8. 2065 Q.No. 9 OR

What is financial ratio? Why ratios are calculated? [2+3]

9. 2066 Q.No. 1

Define Ratio Analysis. Enumerate any three uses of ratio analysis. [2+3]

**Numerical Problems**

10. 2055 Q.No.5 OR

You are given the following information pertaining to financial statement of a firm:

i. Total assets (Including preliminary expenses)	Rs.2,40,000
ii. Inventory:	
at the beginning	Rs.80,000
at the end of the year	Rs.40,000
iii. Days in a year	360 days
iv. Gross profit (20% of sales)	Rs.1,20,000
v. Average collection period	36 days

**Required:**

a. Amount of sales

b. Amount of Debtors

c. Total assets turnover ratio

d. Inventory turnover ratio

2×4 = 8

Ans: Rs. 6,00,000; b. Rs. 60,000; c. 2.5 times; d. 8 times

11. 2056 Q.No.1

The following are extracted from the accounts of a company:

Opening Stock	Rs. 20,000
Closing stock	10,000
Purchases	60,000
Sales	1,02,000
Sales return	2,000
Carriage inward	5,000
Office & Administration expenses	5,000
Selling expenses	3,000

**Required:** (a) Stock Turnover Ratio (b) Net Profit Margin

(c) Return on Assets of value of Rs.170000

[3+3+2]

Ans: a. 5 times; b. 17%; c. 10%

12. 2057 (Cancelled) Q.No.2

The following information are given to you:

Annual sales	Rs.4,00,000
Opening stock	Rs.60,000
Quick assets	Rs.1,32,000
Current liabilities	Rs.1,00,000
Long term debt	Rs.1,70,000
Equity share capital	Rs.2,00,000
Preference share capital	Rs.1,00,000
Retained earning	Rs.50,000
Preliminary expenses	Rs.10,000
Gross profit margin	20%
Inventory turnover ratio	5 times

**Required:** a. Gross Profit

b. Closing Stock

c. Current Ratio

d. Debt-equity Ratio

e. Debt to total capital Ratio

[1+2+2+2+1=8]

Ans: a. Rs. 80,000; b. Rs. 68,000; c. 2:1; d. 50%; e. 33.33%

## 13. 2057 Q.No.8

Following particulars are provided:

Particulars	Amount
Equity share capital of Rs.100 each	Rs.5,00,000
Preference share Capital of Rs.100 each	Rs.3,00,000
Retained earning	Rs.1,30,000
Discount on shares issued	Rs.30,000
10% Debentures	Rs.2,25,000
Total Assets Turnover	3 times
Sales	Rs.45,00,000
Current Ratio	1.6:1
Current Liabilities	Rs.1,25,000

Required: a. Debt-equity ratio b. Total assets. c. Current assets.

[2+2+1=5]

Ans: a. 25%; b. Rs.15,00,000; c. Rs. 2,00,000

## 14. 2058 Q.No.1

The following figures relate to trading activities of a company:

Net Fixed Assets	Rs.156250
Stock At beginning	Rs.100000
Average Inventory	Rs.125000
Shareholder's Equity	Rs.500000
Debt-Equity Ratio	40%
Inventory Turnover	4 times
Gross Profit	20% on sales
Return on Shareholder's Equity	15%

Required: a. Stock at end. b. Sales amount. c. Fixed assets turnover. d. Net profit after tax.  
e. Long term debt.

[1+2+1+2+2=8]

Ans: a. 150,000; b. Rs. 6,25,000; c. 4 times; d. Rs. 75,000; e. Rs. 2,00,000

## 15. 2059 Q.No.13

Following selected information were extracted from the book of a company:

Net sales	Rs.9,00,000
Inventory turnover ratio	12 times
Account receivable at the end of the period	Rs.1,80,000
Days in a year	360days
Net income after tax	Rs.52,500
Total assets value	Rs.7,50,000
Debt interest paid	Rs.25,000
Income tax paid	Rs.32,500
Share capital:	
8% preference share capital	Rs.75,000
Equity share capital of Rs.100 each	Rs.1,20,000

Required: (a) Value of inventory (b) Average collection period (c) Return on assets

[2+1+2=5]  
Ans: a. Rs. 75,000; b. 72 days; c. 7%

## 16. 2060 Q.No.13

The following figures were extracted from the book of a company.

Common stock Rs. 100 legal value	Rs. 200,000
10% preference stock, Rs. 50 par	Rs. 100,000
Net income after tax	Rs. 45,000
Interest expenses	Rs. 12,000
Total assets for the current year	Rs. 450,000
Market price of common stock, end of current year	12.75
Equity dividends were paid at the rate of Rs. 10 per share	Rs. 360,000
Shareholder's equity for current year	

Required:

- a. Return on assets  
b. Return on common shareholder's equity.  
c. Earning per share  
d. Price earning ratio.

[1.25×4=5]

Ans: a. 10%; b. 13.46%; c. Rs. 17.5; d. 72.86%



17. 2061 Q.No.14

Following figures were extracted from the book of a company:

Amount of current liabilities	Rs. 25,000
Amount of Net profit	Rs. 255,000
Quick ratio	0.55 times
Total assets	Rs. 2,000,000
Net profit margin	15%
Non liquid current assets	Rs. 25,000

Required:

- a. Amount of quick assets.  
c. Amount of total sales.

- b. Total assets turnover ratio.  
d. Current ratio.

[2+1+1+1=5]

Ans: a. Rs. 13,750; b. 0.85 times; c. Rs. 17,00,000; d. 1.55:1

18. 2062 Q.No.7

The following figure are extracted from the current financial statement of a company:

Sales	Rs. 600,000
Purchase	Rs. 488,000
Beginning stock	Rs. 116,000
Gross profit	Rs. 120,000
Equity share capital	Rs. 300,000
10% Debentures	Rs. 100,000
Net profit after tax	Rs. 40,000
Debtors turnover	5 times
Inventory turnover	4 times

Required:

- ① Stock at the end      ② Debtors  
③ Returns on capital employed      ④ net profit margin

[2+1+1+1]

Ans: (i) Stock at end Rs. 124,000 (ii) Amount of debtors Rs. 120,000  
(iii) Return on capital employed 12.5% (iv) Net profit margin 6.67%

19. 2063 Q.No.7 OR

The following information are given:

Current ratio	2
Current liabilities	Rs. 300,000
Stock	Rs. 130,000
Prepaid	Rs. 20,000
Debentures	Rs. 100,000
Share capital	Rs. 300,000
Retained earning	Rs. 50,000
Inventory turnover	5 times

Required:

- ① Total current assets    ② Quick ratio    ③ Debt to total capital ratio    ④ Sales amount    [1+1+1+2]

Ans: (i) Rs. 600,000 (ii) 1.5:1 (iii) 22.22% (iv) Rs. 650,000

20. 2064 Q.No. 9

The following are the information extracted from the books of a company:

Average inventory, Rs. 360,000	Average receivables, Rs. 240,000
Inventory turnover, 5 times	Gross profit margin, 20%
Credit sale, 80% of total sales	Total assets, Rs. 1,000,000

- Required: (a) Debtor's turnover (b) Average collection period (c) Total amount of sales (d) Total assets turnover    [1.25×4=5]

Ans: (a) 7.5 times (b) 48 days (c) 22,50,000 (d) 2.25 times

21. 2065 Q.No. 9

Following information were extracted from the books of a company at the end of December, year 8:

Net sales for the year	Rs. 810,000
Cost of goods sold	Rs. 450,000
common stockholder's equity	Rs. 530,000
Return on assets	6%
Net income after tax	Rs. 39,000
Income tax	Rs. 58,500

Inventory at the end of December	Rs. 90,000
Account receivable at December end	Rs. 70,000

**Required:**

- (a) Inventory turnover ratio (b) Amount of total assets  
 (c) Average collection period assuming 365 days working days in a year [1.25×4=5]  
 (d) Return on common shareholders' equity  
 Ans: (a) 9 times (b) Rs. 650,000 (c) 31.54 or 32 days (d) 7.358%

**22. 2066 Q.No. 9**

The following are the information extracted from the book of a company:

• Net profit after interest and tax	Rs. 100,000
• Current liabilities	Rs. 300,000
• Fixed assets	Rs. 650,000
• Capital employed	Rs. 1,500,000
• 10% long term debt	Rs. 300,000
• Fixed assets turnover ratio	2.5 times

**Required:**

- Current ratio
  - Net profit ratio
  - Return on capital employed
  - Return on shareholder's equity
- [1.25×4=5]  
 Ans: (1) 3.83:1 (2) 6.15% (3) 8.67% (4) 8.33%

**6. PREPARATION OF FUNDS FLOW STATEMENTS****Theoretical Questions****1. 2064 Q.No. 1**

"Changes in net income do not necessarily mean changes in cash flow." Briefly discuss. [5]

**Numerical Problems****2. 2055 Q.No.4**

The detailed income statement of a company is as under:

Particulars	Rs.	Rs.
Cash and credit sales		5,00,000
Less: Purchases	1,50,000	
Less: Direct wages	1,50,000	
Total cost of goods sold		3,00,000
Gross margin		2,00,000
Less: Operating Expenses	60,000	
Less: Depreciations	40,000	
Total operating expenses		1,00,000
Net income before tax		1,00,000
Less: Tax paid	30,000	
Less: Dividend paid	20,000	50,000
Retained earning		50,000

**Additional information:**

Current liabilities increased by	Rs.50,000
Current assets other than cash increased by	Rs.60,000
Net value of plant & Machinery increased by	Rs.1,60,000
Company issued additional shares of	Rs.1,00,000
Beginning balance of cash	Rs.50,000
Ending balance of cash	Rs.30,000

**Required:**

- Cash available from operating activities
- Cash available from investing activities

[3]

[2]



- c. Cash available from financing activities [2]  
 d. Changes in cash and cash equivalent position [1]

Ans: a. Rs. 1,00,000; b. (Rs. 2,00,000) c. Rs. 80,000; d. (Rs. 20,000)

3. 2055 Q.No.11

The related changes in balance sheet and income statement of a company are:

Share capital	Rs.1,00,000 increased
Bank loan	Rs.50,000 increased
Share premium	Rs.10,000 increased
Working capital	Rs.40,000 decreased
Fixed assets	Rs.2,00,000 increased
Debenture debts	Rs.50,000 decreased
Premium on debenture paid	20%
Tax paid	Rs.20,000
Dividend paid	Rs.20,000
Funds from operation	Rs.1,00,000

Required: Statement of sources and applications of funds.

[5]

Ans: Rs. 3,00,000

4. 2056 Q.No.10

The balance sheets items of a company are:

	Period I (Rs.)	Period II (Rs.)
10% Debentures	1,00,000	50,000
Provision for taxation	40,000	50,000
Provision for dividend	50,000	60,000
Retained earning	10,000	90,000

Additional information:

- Company paid Rs.50000 as dividend for the last year and Rs.40000 for taxation
- A machine bought at a cost of Rs.50000 with an accumulated depreciation of Rs.40000 was sold for Rs.20000
- Debenture were redeemed at a premium of 10%
- The total depreciation for the year amounted to Rs.50000

Required: Funds from operation for the period II.

[5]

Ans: Rs. 2,35,000

5. 2056 Q.No.16 OR

The balance sheets of a company for the past two years are:

Capital Liabilities	Amount		Assets	Amount	
	Year I	Year II		Year I	Year II
Share capital	5,00,000	7,00,000	Land & Building at cost	3,00,000	3,00,000
Share premium	50,000	70,000	Plant & Machinery	3,60,000	6,30,000
10% Debentures	1,00,000	50,000	Trade Investment	40,000	
Bank overdraft	50,000	1,00,000	Inventories	1,50,000	1,50,000
Account payable	1,00,000	80,000	Account Receivable	1,00,000	1,50,000
Provision for dividend	50,000	70,000	Cash at bank	50,000	70,000
Provision for taxation	50,000	60,000			
Retained earning	1,00,000	1,70,000			
	10,00,000	13,00,000		10,00,000	13,00,000

Additional information:

Depreciation on plant & Machinery was written off by Rs.70000. Company paid a dividend and taxation of Rs.50000 each during the period II. Trade investment were sold for Rs.80000 and the profit realized was credited to profit & loss account. A premium of 10% was paid to debenture holders at the time of redemption of debenture debts.

Required:

[7+2+4+7]

- a. Cash available from operating activities. b. Cash available from investing activities.  
 c. Cash available from financing activities. d. Net change in cash and cash equivalent.

Ans: a. Rs. 1,65,000; b. (Rs. 2,60,000); c. Rs. 1,15,000; d. Rs. 20,000



## 6. 2057 (Cancelled) Q.No.11

The following profit & loss adjustment account and balance sheets of a company have been provided as under:

## Profit &amp; Loss Adjustment A/C

	Rs.		Rs.
To, Depreciation	30,000	By, Balance b/d	50,000
To, Loss on sale of investment	10,000	By, Profit on sale of plant & Machinery	20,000
To, Provision for taxation	20,000	By, Funds from operation	1,30,000
To, Provision for Dividend	30,000		
To, Interim Dividend	10,000		
To, Balance c/d	1,00,000		
Total	2,00,000	Total	2,00,000

## Balance Sheet

Particulars	Rs.	
	Last Year	This Year
<b>(Capital &amp; Liabilities)</b>		
Share capital	2,00,000	3,00,000
Account payable	1,10,000	50,000
Provision for taxation	20,000	20,000
Provision for dividend	20,000	30,000
Profit & Loss A/c	50,000	1,00,000
<b>Total</b>	<b>4,00,000</b>	<b>5,00,000</b>
<b>Assets</b>		
Plant & Machinery (net)	2,00,000	3,00,000
Investment	1,00,000	50,000
Inventories	40,000	50,000
Account Receivable	50,000	70,000
Cash at bank	10,000	30,000
<b>Total</b>	<b>4,00,000</b>	<b>5,00,000</b>

Book value of plant sold Rs.30,000

**Required:** Statement of sources and application of cash.

[3+5=8]

Ans: Cash from operation=Rs .40,000 , Total=Rs. 2,30,000

## 7. 2057 Q.No.11

The income statements of Holding company and Subsidiary company and other related information have been provided below:

## Income Statements

	H Ltd.	S Ltd.
Sales Revenue	3,00,000	2,00,000
Less: Cost of goods sold	1,50,000	1,00,000
Gross margin (a)	1,50,000	1,00,000
Operating Expenses:		
Depreciation	30,000	10,000
Other Operating Expenses	80,000	40,000
Total Operating expenses (b)	1,10,000	50,000
Net Income (a - b)	40,000	50,000
Less: Dividend	30,000	30,000
Retained earning	10,000	20,000
Add: Dividend from Subsidiary Co.	20,000	—
Total Retained Earning	30,000	20,000

H Ltd. purchased the sales of S Ltd. last year. The current assets of Holding company decreased by Rs.20,000 and that of S Ltd. increased by Rs.10,000.

**Required:** Combined cash from operating activities.

[4]

Ans: Rs. 1,40,000



8. 2057 Q.No.16

The Income Statement and other related information have been provided below:

**Income Statement for the year end 2056**

	Rs.	Rs.
Sales Revenue		5,00,000
Less: Cost of goods sold		3,00,000
Gross margin		2,00,000
Less: Operating Expenses:		
Office rent, rates and salaries	60,000	
Depreciation written off on machinery	50,000	
Premium on redemption of Debentures	5,000	
Interest on Debenture	10,000	
Provision for taxation	20,000	
Total Operating expenses		1,45,000
Net income before other income		55,000
Add: Profit on sale of plant (Book value 40,000)		10,000
Net income		65,000
Less: Provision for Dividend		30,000
Retained earning		35,000

**Other Balance Sheet Items:**

	Baisakh 1, 2056	Chaitra 30, 2056
Inventories	50,000	60,000
Account receivables	80,000	50,000
Account payables	40,000	70,000
Outstanding salaries	10,000	5,000
Debenture	1,50,000	1,00,000
Provision for taxation	30,000	20,000
Provision for Dividend	20,000	30,000
Plant & Machinery (net)	3,50,000	6,00,000
Investment at cost	50,000	1,00,000
Share capital	5,00,000	7,00,000
Cash at Bank	30,000	50,000

**Required:** Statement of sources and application of cash showing net cash available from operating, investing and financing activities. [6+3+4+2 = 15]

Ans: Rs. 145,000; Rs. (340,000), and Rs. 1,25,000

9. 2058 Q.No.16

The balance sheets and the income statements of a company have been given below:

**Balance Sheets**

Liabilities	Year I	Year II	Assets	Year I	Year II
Share capital	400,000	500,000	Land & building	100,000	100,000
Share premium	20,000	25,000	Plant & machinery, net	250,000	300,000
10% debenture	100,000	50,000	Investment at cost	100,000	150,000
Bank overdraft	—	20,000	Inventories	100,000	50,000
Accounts payable	80,000	50,000	Prepaid expenses	4,000	6,000
Outstanding expenses	10,000	5,000	Accounts receivable	96,000	74,000
Provision for taxation	30,000	40,000	Cash at bank	30,000	50,000
Profit & loss	40,000	40,000			
	680,000	730,000		680,000	730,000

**Income Statement Year II**

Sales revenue		Rs. 400,000
Less: Cost of goods sold		
Beginning inventory	Rs. 40,000	
Add: Purchases	150,000	
Less: Ending inventory	(30,000)	160,000
Wages		90,000
Total cost of goods sold		250,000



Gross margin	150,000
Less: Operating expenses	
Operating expenses (including depreciation Rs. 30,000 and interest Rs. 10,000)	80,000
Debenture premium	10,000
Provision for taxation	40,000
Total operating expenses	130,000
Net income before other income	20,000
Add: Gain on sale of plant (Cost Rs. 30,000 accumulated depreciation Rs. 10,000)	20,000
<b>Total net income</b>	<b>Rs. 40,000</b>

**Required:** Statement of cash collection and disbursements showing. Net cash available from operation, investing and financial activities.

[6+3+4+2=15]

Ans: Rs. 125,000, Rs. (1,10,000) and Rs. 5,000

10. 2059 Q.No.16 OR

The income statement and the balance sheets of a company have been provided below:

Sales (net)		Rs. 500,000
Less: Cost of goods sold:		
Beginning inventory	100,000	
Purchases	200,000	
Less: Ending inventory	(80,000)	220,000
Wages paid		80,000
Total cost of goods sold		300,000
Gross margin		200,000
Less: Operating expenses:		
Operating expenses (excluding depreciation)	50,000	
Depreciation on plant	40,000	
Provision for taxation	50,000	
Premium on redemption of debenture	5,000	
Total operating expenses		145,000
Net operating income		55,000
Add: Profit on sale of machine book value Rs. 25,000		15,000
Net income		70,000

Net changes in balance sheet items during the year were:

Share capital	Rs. 200,000	increase
Share premium	Rs. 20,000	increase
Debenture	Rs. 50,000	decrease
Accounts payable		no change
Provision for taxation	Rs. 10,000	increase
Profit & loss	Rs. 20,000	increase
Fixed assets (net)	Rs. 200,000	increase
Inventory	Rs. 20,000	decrease
Accounts receivable	Rs. 40,000	increase
Cash at bank	Rs. 20,000	decrease

**Required:** Cash flow statement by showing cash from operating, financing and investing activities.

[6+4+3+2=15]

Ans: Rs. 90,000, (Rs. 2,25,000) and Rs. 1,15,000

11. 2060 Q.No.16 OR

The income statement and balance sheet of a ltd. company have been given below:

**Income Statement for year two**

	Rs.	Rs.
Sales (net)		1,200,000
Less: Cost of goods sold		
Purchase	500,000	
Add: Beginning inventory	100,000	
Less: Ending inventory	(150,000)	450,000



Wages	400,000
Total cost of goods purchased	850,000
Gross margin	350,000
Operating expenses (including depreciation Rs. 80,000 Interest on debenture Rs. 20,000 and insurance premium)	200,000
Premium on redemption of debenture	10,000
Loss on sale of fixed assets (cost Rs. 80,000 Accumulated depreciation 40,000)	10,000
Provision for taxation	60,000
Provision for dividend	50,000
Total operating expenses	330,000
Net income	20,000

## Balance Sheet of A. Ltd. for year one and two

Liabilities	Year One	Year Two	Assets	Year One	Year Two
Equity share capital	800,000	1,000,000	Land & building (cost)	500,000	700,000
10% debenture	200,000	100,000	Plant & machinery (cost)	650,000	800,000
Bank loan	100,000	300,000	Inventory	100,000	150,000
Accumulated dep.	100,000	140,000	Account receivable	150,000	200,000
Accounts payable	100,000	100,000	Prepaid insurance	10,000	20,000
Wages accrued	—	20,000	Cash at bank	90,000	30,000
Provision for taxation	50,000	60,000			
Provision for dividend	50,000	60,000			
Retained earning	100,000	120,000			
	1,500,000	1,900,000		1,500,000	1,900,000

Required: Statement of sources and application of cash showing

- Cash from operating activities.
- Cash from investing activities.
- Cash from financing activities.
- Ending balance of cash and cash equivalent.

[6+4+3+2]

Ans: a. Rs. 90,000; b. Rs. (400,000); c. Rs. 250,000; d. Rs. (60,000)

## 12. 2061 Q.No.16 OR

The Balance Sheet of a company for 2001 is given below:

Liabilities	2000	2001	Assets	2000	2001
Share capital			Plant & machinery		
Eq. shares of Rs. 100 each	1,000,000	1,500,000	Less depreciation	770,000	1,540,000
Share premium	100,000	150,000	Investment	300,000	200,000
10% debenture	100,000	200,000	Inventories	150,000	200,000
Accounts payable	100,000	80,000	Accounts receivable	200,000	150,000
Accrued wages	10,000	20,000	Prepaid operating exp.	30,000	10,000
Provision for taxation	80,000	60,000	Cash at bank	50,000	100,000
Profit & loss A/C	110,000	190,000			
	1,500,000	2,200,000		1,500,000	2,200,000

## Income Statement for 2001

Sales net	Rs. 1,000,000
Less: Cost of goods sold	
Beginning inventory	150,000
Add: Purchases	500,000
Less: Ending inventory	(200,000)
Wages	150,000
Total cost of goods sold	600,000
Gross margin	400,000
Less: Operating expenses:	
Operating expenses other than depreciation	100,000
Depreciation on plant & machinery	100,000
Loss on sale of plant (book value 60,000)	10,000
Provision for taxation	80,000

Total	290,000
Net income	110,000
Add: Profit on sale of investment	70,000
Total net income	180,000

**Required:** Statement of sources and application of cash showing:

- Cash available from operating activities. [6]
- Cash available from investing activities. [4]
- Cash available from financing activities. [3]
- Ending balance of cash and cash equivalent. [2]

Ans: (a) Rs. 210,000 (b) Rs. (710,000) (c) Rs. 550,000 (d) Net change in cash Rs. 50,000 and ending balance of cash Rs. 1,00,000

**13. 2062 Q.No.16**

The financial statement of a Ltd. company have been presented below:

**Balance Sheet of Ltd. Company**

Liabilities	Year I	Year II	Assets	Year I	Year II
Equity share of Rs. 100 each	100,000	200,000	Land and building	80,000	120,000
Share premium	10,000	20,000	Plant & machinery at cost	100,000	160,000
10% Debenture	50,000	20,000	Depreciation on plant	(30,000)	(40,000)
Accounts payable	40,000	60,000	Investment	40,000	50,000
Provision for taxation	20,000	30,000	Inventories	20,000	50,000
Provision for dividend	10,000	20,000	Accounts receivable	30,000	40,000
Profit & Loss a/c	20,000	50,000	Cash at bank	10,000	20,000
	250,000	400,000		250,000	400,000

**Income Statement for Year II**

	Rs.
Sales	*200,000
Less: Cost of goods sold	
Beginning inventory	20,000
Purchases	80,000
Less: Ending inventory	(50,000)
Wages paid	30,000
Total cost of goods sold	80,000
Gross margin	120,000
Less: Operating expenses:	
Office expenses	30,000
Interest on debenture	5,000
Depreciation	20,000
Redemption of debentures (Premium)	3,000
Provision for taxation	30,000
Provision for dividend	20,000
Total operating expenses	108,000
Net income before other income	12,000
Add: Interest from investment	10,000
Add Profit on sale of plant (Cost 20,000) accumulated depreciation 10,000	8,000
Total Net income	30,000

**Required:** Cash flow statement showing cash from ① Operating activities ② Investing activities ③ Financing activities [6+4+3+2]

Ans: a. Rs. 55,000 b. (Rs. 112,000) c. Rs. 67,000

**14. 2063 Q.No. 16 OR**

The Balance Sheets and Income Statements of Ltd. Company have been given below:

**Balance Sheets**

	Year I	Year II		Year I	Year II
Equity share capital	80,000	100,000	Land and building at		
Share premium	8,000	10,000	cost	40,000	50,000
Bank loan		20,000	Plant and machinery at		
Accounts payable	15,000	10,000	cost	50,000	70,000



Outstanding wages	5,000	6,000	Accu. depreciation	(10,000)	(16,000)
Provision for taxation	8,000	10,000	Inventories	30,000	40,000
Profit and loss	14,000	24,000	Accounts receivable	20,000	15,000
			Provision for doubtful debts	(4,000)	(3,000)
			Cash at bank	4,000	24,000
	130,000	180,000		130,000	180,000

## Income Statement

Sales		100,000
Less: Cost of goods sold		
Purchase	50,000	
Add: Beginning inventory	30,000	
Less: Ending inventory	(40,000)	40,000
Wages		12,000
Total cost of goods sold		52,000
Gross margin		48,000
Less: Operating expenses		10,000
Interest on bank loan		2,000
Depreciation on machinery		10,000
Provision for taxation		8,000
Loss sales of machine (cost 10,000; accumulated depreciation Rs. 4,000)		4,000
Total operating expenses		34,000
Net income		14,000

Required: Statement of cash flow (apply direct method)

[15]

Ans: CFOA Rs. 20,000; CFIA Rs. (38,000); CFFA Rs. 38,000; Cash balance Rs. 24,000

## 15. 2064 Q.No. 16 OR

The Income Statement of the year and the Balance Sheets of last year and this year had been given below:

## Income Statement

	Amount (Rs.)
Sales revenue	1,200,000
Less: Cost of goods sold	405,000
	795,000
Less: Wages paid	315,000
Gross profit	480,000
Less: Operating expenses:	
Administrative expenses	180,000
Depreciation	75,000
Interest expenses	45,000
Provision for tax	60,000
Provision for dividend	30,000
Premium on redemption of debenture	15,000
Total operating expenses	405,000
Net profit before other income	75,000
Add: Gain on sale of machine (Cost Rs. 150,000 accumulated depreciation 60,000)	30,000
Retained earning	105,000

## Balance Sheets

Liabilities & Capital	Last Year (Rs.)	This Year (Rs.)	Assets	Last Year (Rs.)	This Year (Rs.)
Share capital	750,000	1,050,000	Fixed assets	1,350,000	1,725,000
Share premium	75,000	105,000	Inventory	75,000	120,000
12% Debenture	300,000	150,000	Accounts receivable	75,000	105,000
Provision for tax	30,000	60,000	Cash at bank	30,000	60,000
Provision for dividend	15,000	30,000			
Accounts payable	60,000	195,000			
Acc. depreciation	300,000	315,000			