SAPAN PARIKH
COMMERCE CLASSES

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TYBAF - SEM VI (15-16)

Board Questions

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BANKING COMPANY FINAL ACCOUNT

Q.1 From the following Trial Balance and the additional information, prepare the Balance Sheet of Dollar Bank Ltd. as on 31st March 2006, giving the relevant Schedules.**[April,06]**

Particulars	Debit [₹ In' 000]	Particulars	Credit [₹ In'000]
Cash Credits	1,23,815	Share Capital [29,70,000 Equity Shares of ₹10 each fully paid up]	29,700
Cash in hand	23,065		
Cash with Reserve Bank of India	7,740		
Cash with other banks	13,281	Statutory Reserves Opening Balance	38,650
Money at call and short notice	31,518		
Gold	6,284	Profit & Loss A/c Opening balance	61,800
Government Securities	36,525		
Current Accounts	6,200	Net Profit for the year [Before appropriations]	18,500
Premises	12,355		
Furniture	8,518	Fixed Deposits	57,050
Term Loans	1,18,932	Recurring Deposits	25,500
		Saving Deposits	62,500
		Current Accounts	78,018
		Bills Payable	150
		Borrowings from other banks	16,365
Total	**3,88,233**	**Total**	**3,88,233**

Additional Information:

a. Bill for collection ₹ 15, 30,000.
b. Acceptance and Endorsements ₹ 10,12,000.
c. Claims against the bank not acknowledge as debts ₹ 45,000.
d. Depreciation charged during the year – Premises ₹ 4,45,000, Furniture ₹ 5,72,000.

Q.2

A. While closing its books of Accounts Mumbai Bank Ltd. Has its Advance classified as follows: **[07]**

Particulars	**Cash Credit A/c. (₹ In '000)**	**Term Loan (₹ In '000)**
Standard Assets	1,200	2,000
Sub- Standard Assets	120	160
Doubtful Assets upto one year	100	20
One year to three years	160	60
More than three years	60	80
Loss Assets	60	80
Total	**1,700**	**2,400**

No provision has been made against these assets. Doubtful Assets are secured to the extent of 50% of amount due.

You are required to prepare a Statement of Provision to be made for each Category. Percentages required for the Provisions are as follows:

1. Standard Assets @ 0.25%.
2. Sub-Standard Assets @10%.
3. Secured Provisions of Doubtful Assets up to one year @20%.
4. Secured Provisions of Doubtful Assets one year to three years @30%.
5. Secured Portions of doubtful Assets more than three years and unsecured portion of doubtful assets and Loss of Assets @100%.

B. On 31st March, 2006 Rupees Bank Ltd. had balances of ₹ 10 crores in 'rebate on bills discounted' account. During the year ended 31st March 2007, Rupees Bank Ltd. discounted bills of exchange of ₹ 10,000 crores charging interest at 10% per annum, the average period of discount being 73 days. Of these, bills of exchange of ₹ 1,500 crores were due for realization from the acceptors/customers after 31st March 2007 being 36 ½ days. Rupees Bank Ltd. asks you to pass journal entries and show the ledger accounts pertaining to : **[08]**

1. Discounting of bills of exchange, and
2. Rebate on bills discounted **[April 2007]**

Q.3 The following is available in the books of AB Bank Ltd. as on 31st March, 2013.

Bills Discounted ₹ 1,37,05,000
Rebate on bills discounted ₹ 2,21,600
(as on 01-04-2012)
Discount received ₹ 10,56,650

Details of Bills discounted are as follows:

Value of Bills (₹)	Date of Bills	Period	Rate of Discount
1) 18,25,000	15-12-2012	5 Months	8%
2) 50,00,000	08-01-2013	4 Months	7%
3) 28,20,000	25-10-2012	4 Months	7%
4) 40,60,000	20-02-2013	3 Months	9%

AB Bank Ltd. has requested you the following:

1. Statement showing Rebate on Bills Discounted as on 31st March, 2013.
2. Pass relevant Journal Entries.
3. Show ledger account pertaining to:
   a. Discounting of Bills of exchange
   b. Rebate on bills discounted. **[April 2014]**

Q.4 From the following information Prepare Profit & Loss A/C of Apana Bank Ltd. For the year ended 31st March,2008 along with necessary schedules:

Items	₹in Thousand
Interest on cash Credit	1,820
Interest on Overdraft	750
Interest on term loans	2,540
Income on investments	840
Interest on Balance with RBI	150
Commission on remittances & transfer	75
Commission on letter of Credit	118
Commission on Government Business	82
Profit on Sale of Land & Building	27
Loss on Exchange Transactions	52
Interest Paid on deposits	1,726
Auditors Fees & Allowances	120
Directors fees & Allowances	250
Advertisement	180
Salaries, Allowances & Bonus Paid to Employees	1,240
Payment to Provident fund	280
Printing & Stationery	140
Repairs & Maintenance	50
Postage, Telegrams, Telephones	80

Other Information:
The following adjustments have to be made:

1. The Above mentioned figure of interest on Advance includes ₹ 2,020 thousands of interest on NPA out of which 750 thousands only has been received.
2. Classification of Advance:

	% of Provision	₹in Thousand
Standard	0.40%	3,000
Sub-Standard	10%	1,120
Doubtful assets not covered by Security	100%	200
Doubtful assets not covered by Security for 1 Year	20%	50
Loss Assets	100%	200

The necessary Provisions against above mentioned advance to be made.

1. Make Provision for tax @ 30%. **[April 2008]**

Q.5 A. From the following details of Arya Bank Ltd. calculate the amount of interest to be credited to Profit and Loss Account for the year ended 31st March, 2010. **[07]**

	Interest Accrued (1/04/09) ₹ in Crores	Interest received (2009-2010) ₹ in Crores	Interest Accrued (31-3-2010) ₹ in Crores
Performing Assets			
Loans	350	960	480
Bills purchased and Discounted	560	1400	670
Cash Credit	785	3600	850
Non Performing Assets			
Loans	2500	600	1950
Bills Purchased and Discounted	1850	700	2050
Cash Credit	2980	900	1800

B. The following is an extract from the Trial Balance of Money-Penny Bank Ltd. as on 31st March, 2010

Particular	Dr. ₹	Cr. ₹
Bills Discounted	65,50,000	
Rebate on Bills discounted not Yet due (1-4-2009)		35,250
Discount Received		1,98,500

Date of Bill	₹	Period(Months)	Discount @ % p.a.
Jan, 15 2010	12,50,0000	4	9
Feb, 05 2010	8,00,000	4	12
Feb,15 2010	5,00,000	2	10
March,20 2010	3,25,000	3	12

Calculate the amount of Discount received to be credited to the Profit and loss Account and pass Journal entries for the same. **[April 2011]**

Q.6 From the following information, prepare Profit & Loss A/c of Tare Jamin Par Bank Ltd. for the year ended on 31st March 2009 along with necessary schedules. **[May 2009]**

Particulars	₹In Lakh
Interest on Loans	400
Interest on Fixed Deposits	275
Commission	10
Exchange & Brokerage	20

Salaries & Allowances	150
Discount in bills (Gross)	152
Interest on Cash Credit	240
Interest on temporary overdraft in Current A/c	40
Interest on Savings bank deposits	86
Postage, Telegram & Stamps	10
Printing & Stationary	20
Sundry Expenses	52
Rent	15
Taxes & Licenses	10
Audit Fees	10
Share Capital	100
Salary of Managing Director	30

Additional Information:-

1. Provide for rebate of bills discounted ₹ 30 lakhs
2. Provision for Income tax is to be made @ 40%
3. Interest of ₹4lakhs on doubtful debts was wrongly credited to interest on loans A/c.
4. Proposed dividend @ 10%.
5. Profit & Loss A/c balance as on 01-04-2008 is ₹40 lakhs
6. An advance of ₹10 lakhs has become doubtful and bad. Necessary provision to be made in accounts.
   Transfer to Statutory Reserve @ 20% of current year's profit and 4.8 lakhs to other reserve.

Q.7 During the two years of the following bills were discounted @ 18% p.a by New Mumbai bank LTD. **[April 2013]**

Customer	Date of bill	Amount	Term months
Rajesh	20/10/09	2,00,000	3
Ramesh	09/02/10	3,00,000	4
Ashok	10/06/10	6,00,000	5
Amit	09/02/11	9,00,000	4

Above the bill were realized on due date.

A. Give the necessary journal entries in the books of Navi Mumbai bank ltd for the year 2009-10 and 2010-11 financial year is accounting year.
B. Calculate the Interest Income to be recognized for the year ending 31st
   2013 of Navi Mumbai bank LTD.

Particular	**Total Earned**	**On NPA**	
		Earned and	**Collected**
Interest on cash credit	1,860	640	300
Interest on term loan	2,040	860	420
Interest on Overdraft	1,420	480	240

Q.8 Pass Journal Entries for following:- **08**

Transactions for 2013-14

Bills purchased & discounted	₹ 8,00,000
Discount & Interest	₹ 65,000
Rebate on Bills Discounted (Beginning of year)	₹ 8,500
Rebate on Bills Discounted (Ending of year)	₹ 10,000

[April 2014]

Q.9 Following figures have been obtained from the books of Money Bank Ltd. for the year ended 31st March,2006

Particulars	₹ In'000
Issued And Subscribed Capital	500
Interest and discount earned	1900
Interest Paid	1000
Salaries And Wages	100
Directors Fees	15
Rent And Taxes	50
Postages on sale of Investments	120
Loss on Sale of Investments	20
Rent Received	40
Depreciation	10
Stationery	30
Auditor's Fees	5

Additional Information:

a. The P/L A/c had a balance Sheet of ₹ 5,00,000 on 1st April,2005
b. An advance of ₹ 2,40,000 has become doubtful and it is expected that only ₹ 1,20,000 of the amount can be recovered from security.
c. The Provision for tax to be made of ₹ 3,40,000.
d. A dividend @ 10% is proposed. Also provide for dividend Tax @ 10% of the amount proposed to be distributed.
e. Every year bank transfer 20% of profit to Statutory Reserve.

Prepare Profit & Loss Account Of the Money Bank Ltd. along with necessary Schedules for the year ended 31st March,2006 **[Nov 2006]**

Q.10 The following figures have been obtained from the books of Richie-Rich Bank Ltd. for the year ending 31st March, 2010. **[Oct 2011]**

Particulars	₹ ('000)
Interest and Discount Earned	7600
Commission and Exchange	390
Interest paid	4000
Salaries and wages	420
Director's Fees	70
Rent and Taxes	140
Postage and Telegram	122
Profit on sale of Investment	480
Loss on sale of Investment	76
Depreciation	62
Stationery	120
Auditor's Fees	16
Rent Received	124
Share Capital	2000

Additional Information:

1. The profit and Loss account had a balance of ₹ 20,00,000 on 1st April,2009.
2. An advance of ₹ 11,36,000 has become doubtful and it is expected that only 50% of the amount due can be recovered from the security.
3. Provision for tax to be made at 35%.
4. A dividend of 10% is proposed. Also provide for dividend tax @ 10% of the amount proposed to be distributed.
5. Transfer 20% of profit of current year to Statutory Reserve.

Prepare Profit and Loss Account of Richie-Rich Bank Ltd. for year ending 31st Mar, 10.

Q.11 From the following information Of Hiral Bank Ltd. Prepare Profit & Loss A/c for the year ended 31/3/2012 and 31/3/2012 along with necessary schedules. **[April 2012]**

Particular	Year ended 31/3/2012 ₹000	Year ended 31/3/2011 ₹000
Interest / Discount on advance	60,000	50,000
Income on investment	12,000	10,500
Interest on balance with RBI	4,500	4,000
Commission, Exchange & Brokerage	3,000	2,500
Profit on sale of investment	120	125
Interest on deposit	31,500	28,000
Interest on RBI borrowing	3,350	3,000
Payment to provision for employees	10,000	8,500
Rent, taxes and lighting	1,000	800
Printing & Stationery	250	200
Advertisement	100	50
Depreciation on bank property	250	200
	100	50
Director's fees, allowances & expenses		
Auditor's fees and expenses	50	30
Law charges	20	15
Postage, Telegrams and Telephone	400	250
Repairs and Maintenance	100	75
Insurance	900	800
Other Expenditure	850	900
Balance in P&L A/c b/f	?	1,000

The following adjustments are to be made:

1. Make provision for income tax @ 30% for the current year. The rate of income tax for the year ended 31/3/2011 was also 30%.
2. Every year, the bank transfer 25% of Profit to statutory reserve.
   Rebates on bill discounted on 31/3/2011, 31/3/12and 31/3/12 were ₹500Thousand, 650 thousand and 750 thousand respectively.

Q.12 From the following information, Prepare a Balance Sheet of Chak De India Bank Ltd. As on 31-03-08 along with relevant schedules taking into account additional Information:

₹in Crores

Particulars	Debit	Credit
Share Capital (Share of ₹10 each)		100
Statutory Reserve (Opening Balance)		70
Capital Reserve		50
Security Premium		40
Profit/Loss A/C (Opening Balance)		60
Net Profit before Appropriations		80
Demand Deposit		128
Saving Deposit		212
Term Deposit		160
Borrowing with other Banks		32
Bills Payable		18
Inter office Adjustments		8

Interest Accrual		26
Cash on Hand	62	
Cash with RBI	34	
Money at Call & Short Notice	82	
Term Loans	346	
Cash Credit	114	
Premises	112	
Furniture	18	
Gold	88	
Government Security	58	
Cash with Other Banks	70	
Total	**984**	**984**

Additional Information:

1. 60% of the term loans are secured by tangible assets. 40% of the term loans are secured by Government Guarantee & 10% of Cash credit is unsecured.
2. Bills for collection ₹ 28 Crores.
3. Acceptance & Endorsement ₹32 Crores.
4. Depreciation on Premises ₹20 Crores & Furniture ₹2 Crores Provided during the Year.
5. Transfer 20 % of Current year Profit to Statutory Reserve.
6. Also Calculate Cash Reserve Required & Statutory Liquidity Reserve required.
   Note: Cash Reserve required is 3% of Demand & Time Liability & Statutory Liquidity Reserve required is 30% of Demand & Time Liability. **[April 2008]**

Q.3. The following figures are extracted from the books of XYZ Bank Ltd., as on 31st March, 2010. **15**

	₹
Interest and discount received	40,60,000
Interest paid on deposits	24,04,000
Issued and Subscribed capital	10,00,000
Reserve under section 17	7,00,000
Commission, exchange and brokerage (Dr)	1,80,000
Rent Received	60,000
Profit and sale of investments	1,90,000
Salaries and allowances	2,10,000
Directors fees and allowances	24,000
Rents and Taxes paid	1,08,000
Stationery and printing	48,000
Postage and telegraph	40,000
Preliminary expenses	10,000
Audit fees	8,000
Depreciation on banks properties	25,000

The following further information is given:

(a) Provision for bad and doubtful debts ₹ 1,00,000 to be made.
(b) Income tax to be provided @ 35%.
(c) Rebate on bills discounted as on 31st March, 2010 was ₹ 6,20,000
(d) Proposed dividend @ 10% to be provided.

Prepare as on 31st March, 2010 & Sch. 1 & Sch. 2 of Balance Sheet. **[April 2015]**

INSURANCE COMPANY FINAL ACCOUNT

Q.13 From the following information as on 31st December 2005 prepare the Revenue Account of the Indian Marine Insurance Company Ltd. **[15]**

	Direct Business ₹	Re-Insurance ₹
1. Premium:		
Received	4,600,000	7,20,000
Receivable – 1st January	2,48,000	27,000
- 31st December	3,36,000	34,000
Paid		4,60,000
Payable – 1st January		37,500
- 31st December		62,000
2. Claims:		
Paid	23,50,000	3,00,000
Payable – 1st January	1,66,000	39,000
31st December	2,08,000	44,000
Received		1,70,000
Receivable – 1st January		16,000
- 31st December		23,000
3. Commission:		
On Insurance Accepted	2,20,000	19,000
On Re-insurance Ceded		26,000

Other Expenses and Income: Salaries ₹3,00,000, Rent, Rates and Taxes ₹29,000, Postage, Telegrams, Stationery and Printing ₹43,000, Interest, Dividend and Rent received ₹1,37,500, Legal Expenses ₹72,000, Overtime to Employees ₹20,000.

Balance of funds on 1st January ₹34, 00,000 including Additional Reserve of ₹4,45,000. Create Reserve for unexpired risks @ 100% of premium received less reinsurance and additional Reserve has to be maintained at 5% of the premium received during the year.

[April 2006]

Q.14 From the following information extracted from trial Balance, prepare Revenue Account of AG Marine Insurance Company Ltd. For the year ended 31st March 2006 :

Debit Balance	₹	Credit Balance	₹
Claims Paid	24,80,000	Balance of Funds A/c (including Additional Reserve ₹ 2,46,525)	38,45,000
Surveyor's charges for Settlement of Claims	40,000	Premium Received and Receivable	54,15,000
Commission Re-Insurance Accepted	19,000	Interest, Dividends & Rent Received (Net)	1,37,500
Re-Insurance Premium Paid	4,84,500	Commission on Re-Insurance ended	26,000
Expenses of Management	4,24,000	Claims intimated but not paid as on 31-3-2005	1,89,000
Indian and Foreign Taxes	4,40,000		
Outstanding Premium	3,08,000		
Commission on Direct Business	2,20,000		

Additional Information:
1. Claims intimated but not paid as on 31-3-2006 is ₹ 2,29,000
2. Create additional reserve same as last year.

Q.15 The following balances relate to the India Insurance Co. Ltd.

Particulars	Year ending 31st March, 2010 (₹)	Year ending 31st March, 2009 (₹)
Premium	12,00,000	10,00,000
Commission on direct business	60,000	45,000
Commission on Re-insurance Accepted	50,000	35,000
Commission on Re-insurance ceded	48,000	8,000
Claim under policies (Paid during the year)	3,24,500	1,72,500
Depreciation on Furniture, Car etc	31,500	25,500
Interest on Income Tax Refund	14,000	28,000
Audit Fees	20,000	20,000
Salaries to staff	2,70,000	2,50,000
Printing, Portage and stationary	1,15,000	93,000
Legal Expenses	8,000	10,000
Miscellaneous Expenses	45,000	31,000
Bad Debts	44,400	1,500
Recoveries in respect of claim under re-insurance	40,000	20,000
Re-insurance premium ceded	2,00,000	1,00,000

Total amount of estimated liabilities in respect of outstanding claims as at 31/03/2008; 31/03/2009; 31/03/2010: were ₹ 68,500, ₹ 89,500, and ₹ 1,11,100 respectively. Reserve for unexpired risks as at 31/03/2008 was at ₹ 6,40,0000 and the additional reserve was at ₹ 64,000. Reserve for unexpired risk is to be provided for at 100%, additional reserve is 10% of Net Premium.
Prepare Marine Revenue Accounts of New India Insurance Co. Ltd for the year ending 31/03/2009 and 31/03/2010 in the prescribed form. **[April 2011]**

Q.16 The following Balances are extracted from the Books of HIC Life Insurance Co. Ltd.

Life Insurance Fund (as on 31st March 2009)	₹ 2,000 Lakhs
Net Liabilities as per Valuation	₹ 1,200 lakhs
Interim Bonus Paid	₹ 200 lakhs

You are required to show:-
1. The valuation Balance sheet as on 31st March 2009
2. The Distribution Statement
Assume share of Policy holder is 95% of Profit as Bonus.

Q.17 From the following figures appearing in the books of Fire Insurance Division of RRC General Insurance Company Ltd., show the amount of claims as it would appear in the Revenue Account for the ended 31st March 2009. **[May 2009]**

(Fig. in ₹ Lakhs)

	Direct Business	Reinsurance Business
Claims Paid during the Year	52.40	9.15
Claims Payable-1st April 2008	7.20	0.96
- 31st March 2009		8.28
		0.53
Claims Received		2.40
Claims Receivable-1st April 2008		0.70
- 31st March 2009		1.20
Expenses of Management		2.40

(Includes ₹40000 Surveyors Fees & ₹30000 Legal Expenses for settlement of Claims)

Q.18 Following the Trial balance of Sindhu Sagar Marine Insurance company ltd as at 31st March, 2013. **[April 2013]**

Particulars	**Debit ₹**	**Credit ₹**
Marine insurance fund 31/3/2012		2,930,000
General reserve		450,000
Investment	3,600,000	
Premium		2,710,000
Claim paid	603,000	
Share capital		
10,000 equity shares of ₹ 100 each		1,000,000
Additional reserve		130,000
Profit and loss Account		375,000
Reinsurance premium	113,000	
Claim recover from reinsurance		21,000
Commission on reinsurance ceded		48,000
Loans	250,000	
Commission on direct business	300,000	
Commission on reinsurance Accepted	60,000	
Outstanding premium (31/3/2012)	22,000	
Outstanding claim(31/3/2012)		60,000
Expenses of management	432,000	
Audit fees	36,000	
Rate & taxes	6,000	
Rent	67,000	
Income from investment		155,000
Sundry Creditors		23,000
Sundry Debtors	52,000	
Agent Balance	20,000	
Cash on hand and bank	341,000	
Premises	1,980,000	
Depreciation	20,000	
Total	**7,902,000**	**7,902,000**

The Following Adjustment be made;

1. Expenses of Management includes Survey fees ₹ 20,000 and legal Expenses ₹ –10,000 Relating to claim.
2. Claim intimated but not paid on 31/3/2013 ₹ -1,04,000
3. Income tax to be provided at ₹ -4,50,000
4. Transfer ₹ -2,00,000 To general reserve.
5. Premium outstanding as on 31/03/2013 is ₹ 35,000 .
6. Reserve for unexpired risk to be maintained at 100% of next premium.
7. Provides additional reserve for unexpired risk at 10% of net premium.

From the above prepared marine insurance Account, Profit and loss Account for the year ended 31st march 2013 and balance sheet as on that date making above adjustment.

Q.19 From the following balances extracted from the books of Pune General Insurance Company Ltd. as on 31st March, 2009, you are required to prepare Revenue Accounts in respect of Fire and Marine Insurance business for the year ended 31st March 2009 and Profit/Loss A/c for the same period. **[May 2009]**

Particulars	₹
Directors fees	58,000
Dividend Received	80,000
Provision for tax (as on 01-04-2008)	90,000
Interest received	20,000
Fixed Assets (01-04-2008)	1,00,000
Income tax paid during the year	60,000

	Fire(₹)	Marine(₹)
Outstanding Claims on 01/04/08	38,000	17,000
Claims Paid	1,00,000	80,000
Reserve for Unexpired Risk on 1/4/08	2,00,000	1,40,000
Premium Received	4,55,000	3,30,000
Agent's Commission	40,000	30,000
Expenses of Management	70,000	35,000
Re-Insurance Premium (Dr.)	25,000	15,000

The following additional points are also to be taken into account:-

A. Depreciation on Fixed Assets to be provided at 10% p.a.
B. Interest accrued on investments ₹20,000.
C. Closing provision for taxation on 31-3-2009 be maintained at ₹1,00,000
D. Claims outstanding on 31-3-2009 were Fire Insurance ₹20,000; Marine Insurance ₹25,000
E. Premium outstanding on 31-3-2009 were Fire Insurance ₹30,000 and Marine Insurance ₹20,000.
F. Reserve for unexpired risk to be maintained at 50% and 100% of net premium in respect of Fire and Marine Insurance respectively, Expenses of Management due on 31-3-2009 were ₹10,000 for Fire Insurance and ₹5,000 in respect of Marine Insurance

Q.20 From the following information as on 31st March 2010, prepare the Revenue Account of the Indian Marine Insurance Company Ltd.

Particulars	Direct Business ₹	Re-Insurance ₹
Premium:		
Received	92,00,000	14,40,000
Receivable – 1st April,2009	4,96,000	54,000
- 31st March,2010	6,72,000	68,000
Paid during the year Claims:		9,20,000
Paid		
Payable – 1st April,2009	47,00,000	6,00,000
31st March,2010	3,32,000	78,000
Received	4,16,000	88,000
Receivable – 1st April,2009		3,40,000
- 31st March,2010		32,000
4. Commission:		46,000
On Insurance Accepted	4,40,000	38,000
On Re-insurance Ceded		52,000

Other Expenses and Income in respect of Marine Insurance business: Salaries ₹ 6,40,000, Rent, Rates and Taxes ₹ 58,000, Postage and Telegrams ₹86,000, Interest, Dividend and Rent received (net) ₹ 2,75,000,Income tax deducted at source ₹ 80,500, Legal Expenses (inclusive of ₹80,000 in connection with settlement of claims) ₹1,44,000.

Balance of funds on 1st April, 2009 ₹ 76,90,000 excluding Additional Reserve of ₹8,90,000.Reserve for unexpired risk to provided at 100% of net premium. Additional Reserve has to be maintained at 5% of the net premium of the year. **[Oct 2011]**

Q.21 Following figures are from books of oriental Fire Insurance Company Ltd for the year ended 31st March, 2012.

Trial Balance For the year ended 31st March, 2012

Particular	Dr (₹)	Cr (₹)
Equity share capital Share of ₹ 10 each		18,00,000
General Reserve		9,00,000
Investment	6,00,000	
Reserve for unexpired risk 1st April 2011		18,60,000
Additional Reserve 1st April 2011		6,60,000
Premium		54,03,000
Claim Paid	12,06,000	
Profit & Loss 1/04/2011		1,50,000
Re-insurance premium ceded	2,25,000	
Claim recovered from reinsurance		42,000
Commission on direct business	5,99,000	
Commission on reinsurance accepted	1,20,000	
Commission on reinsurance ceded		96,000
Outstanding premium 31/3/2012	45,000	
Claim intimated but not paid 01/01/11		1,20,000
Operating Expenses of Management	8,64,000	
Audit fees	36,000	
Direct fees	36,000	
Rent , Rates & Taxes	1,47,000	
Income from Investment		3,00,000
Share Transfer Fees		6,000
Loans	12,00,000	
Fixed Assets	54,00,000	
Sundry Creditors		45,000
Agent Balance	5,40,000	
Cash & bank	3,64,000	
Total	**1,13,82,000**	**1,13,82,000**

From the above you are required to prepare fire revenue A/c, profit & loss A/c, Profit & Loss Appropriation A/c, And Balance Sheet of the company for the year 2011-12 taking in to account of the following.

1. Transfer to general reserve ₹ 3,00,000
2. Claim outstanding as on 31st March, 2012 ₹ 1,82,000.
3. Proposed dividend @ 12%.
4. Provision for income Tax to be made ₹ 7,50,000.
5. Make provision for unexpired risk @ 50% of net premium received & additional reserve to be maintained at same level i.e. ₹ 6,60,000. **[April 2012]**

Q.22 From the following information as at 31st Mach, 2008 Prepare Revenue A/C of Bima Marine Co. Ltd. engaged in Marine Business Only for the Year 01-04-07 to 31-03-08.

Particulars	Direct ₹	Re-Insurance ₹
PREMIUM:		
Received	24,00,000	3,60,000
Receivable-1st April,07	1,20,000	21,000
Receivable-31st March,08	1,80,000	28,000
Premium Paid		2,40,000
Payble-1st April,07		20,000
Payable-31st March,08		42,000
CLAIMS:		
Paid	16,50,000	1,25,000
Payble-1st April,07	95,000	13,000
Payable-31st March,08	1,75,000	22,000
Received		1,00,000
Receivable-1st April,07		9,000
Receivable-31st March,08		12,000
COMMSSION:		
Insurance Accepted	1,50,000	11,000
Insurance ceded		14,000

<u>Operating Expenses relating to Marine Insurance Business:</u>
Salaries ₹2,60,000, Rent ₹18,000, Printing & Stationary ₹23,000, Legal Expenses ₹65,000(including ₹20,000 in connection with settlement of claims), Balance of fund on1st April,07 was 26,50,000 including additional received less ₹ 3,25,000. Create Reserve for unexpired Risk @ 10% of Premium Received less reinsurance. Additional reserve is to be maintained at 5% of the net Premium of the Year. **[April 2008]**

Q.23 Prepare a Revenue Account in respect of Fire business from the following details for the year 20005-06.

Particulars	₹
Reserve for Unexpired Risk on 1-4-2005 @ 50%	18,00,000
Additional Reserve	3,60,000
Estimated Liability for claims intimated on 1-4-2005	3,10,000
Estimated Liability for claims intimated on 31-3-2006	4,20,000
Claims Paid	36,50,000
Legal Charges	60,000
Re-insurance Recoveries(Ceded)	3,20,000
Miscellaneous Expenses	40,000
Bad Debts	8,000
Premiums on re-insurance accepted	48,60,000
Premiums on re-insurance ceded	3,20,000
Commission on Direct Business	4,30,000
Commission on re-insurance accepted	4,86,000
Commission on re-insurance ceded	16,000
Expenses on Management	21,500
Interest, Dividend and Rent	9,00,000
Profit on Sale of Investment	2,40,000
	30,000

Create Reserve on 31-3-06 to the same extent as on 1-4-2005. **[Nov 2006]**

Q.24 The following figures have been extracted from the books of New India Insurance Co. Ltd. in the respect of marine business for the year 2012-13. **15**

(₹ in Lakhs)

Particulars	₹	Particulars	₹
Direct Business Income received	50.00	Commission paid on direct business	5.00
Reserve for unexpired risk as on 01-04-2012	60.00	Expenses of Management	5.00
Claims outstanding as on 01-04-2012 (net)	20.00	Income tax deducted at source	3.00
Bad debts	10.00	Profit & Loss A/c (Cr. Balance as on 01-04-2012)	10.00
Income from Dividends (Gross)	10.00	Other Expenses	1.25
Rent Received from properties	5.00	Reinsurance premium receipts	5.00
Investment in Govt. securities as on 01-04-2007	100.00	Outstanding claims as on 31-03-2013 (net)	30.00
Investments in shares as on 01-04-2012	20.00	Direct claims paid (Gross)	25.00
		Reinsurance claims paid	4.00

Additional Information:

1. All direct risk are reinsured for 20% of the risk.
2. Claim a commission of 25% on reinsurance ceded.
3. Market value of investments as on 31st March, 2013 is as follows:
   a. Government securities ₹ 105 Lakhs
   b. Shares: ₹ 18 Lakhs
4. Provide 30% for Income Tax.

You are required to prepare a revenue Account and Profit & Loss Account for the year ended 31st March, 2013. **(April 2014)**

Q.25 Prepare Fire Insurance Revenue A/c for the year ended 31st March, 2014 from the following details: - **15**

Particulars	Amount	Particulars	Amount
Claims paid	9,60,000	Balance of fire funds (including additional Reserve of ₹ 6,90,000)	76,90,000
Surveyor's charges for Claims	80,000		
Commission on re-insurance Accepted	38,000	Premium Received	1,08,30,000
Re-insurance premium paid	9,69,000		
Expenses of Management	8,48,000	Interest Dividend & Rent Received	2,75,000
Indian & Foreign taxes	8,80,000		
Outstanding Premium	6,16,000	Commission on Re-insurance ceded	52,000
Commission on direct Business	4,40,000	Claims intimated but not paid as on 31/3/13	3,78,000

Additional Information: -

b. Claims intimated but not paid as on 31/03/2014 is ₹ 4,58,000.

c. Create additional Reserves same as last year. **(April 2014)**

Q.26 Calculate claims amount to be shown in Revenue Account: **07**

	Direct Business	Re-Insurance
Claims paid	70,000	8,000
Outstanding claim 1-4-12	5,000	2,000
31-3-13	8,000	1,000
Claims Received	--	2,000
Outstanding	--	500

Legal Expenses & surveyor's fees amounted to ₹ 5,000 & ₹ 2,000 respectively.

[April 2014]

LIMITED LIABILITY PARTNERSHIP

Q.27 Following is a Balance Sheet of M/s. BMW who are into partnership sharing profits in the ratio of 5:3:2.

Liabilities		Amt (₹)	Assets	Amt (₹)
Capital	B	50,000	Plant	20,000
	M	10,000	Land	80,000
	W	30,000	Debtors	40,000
Reserves		70,000	Bills Receivable	20,000
Creditors		20,000	Bank	20,000
Bills Payable		20,000		
		2,00,000		**2,00,000**

On 1st April, they decided to convert their business into Limited Liability partnership in the name of M/s FORD. For the purpose they decided to revalue Plant at 90% & Land at 1,00,000. Creditor amounting to ₹ 5,000 were paid by Mr. B personally. Closing capitals to become contribution to new firms. Prepare Balance Sheet in the books of M/s. FORD as per prescribed format.

PERSONAL INVESTMENT ACCOUNT

Q.28 On 01-04-2009 Mr. Soman had 10,000 Equity shares in MadhuRebock Ltd. Face value of the share was ₹ 10 each but their book value was ₹ 16 per share. On 11-06-2009 Mr. Soman purchased 2,500 more equity shares of the same company for a price of ₹ 14. On 02-07-2009 the directors of MadhuRebock Ltd. announced a bonus and rights issue. Bonus was declared at the rate of one Equity share for every five shares held. Bonus shares were received on 08-08-2009.

Rights issue was as per following terms:

a. Rights shares to be issued to the existing holders on 14—08-2009.
b. Rights offered were at the rate of one share for every three shares held at ₹ 15 per share. Full amount was payable by 28-09-2009.
c. Existing shareholders may, to the extent of their entitlement, either wholly or in part transfer their right to outsiders.
d. Mr. Soman exercised his option and subscribed for 50% of his entitlements and the balance of rights, he sold to Mr. Milind for a consideration of ₹ 4.50 per share.
e. Dividend for the year ended 31—03-2009 @ 15 % was declared by the company and received by Mr. Soman on 25-10-2009.
f. On 11-11-2009 he sold 10,000 shares at ₹ 13 per share.

You are required to prepare:-

i. Investment Account
ii. Dividend received account and

Abstract of profit and loss account for the year ended 31st March, 2010 **[Nov 2010]**

Q.29 On 1st April, 2010 Ms. Amisha Nair held 1,200 8% Government bonds of ₹ 100 each at a cost ₹ 1,32,000. Interest is payable on 31st December every year. Other details are as follows. **(15)**

Date	Bonds	Details	₹
01-06-2010	300	Purchased cum-interest at	31,500
01-08-2010	600	Sold ex-interest at	67,500
30-11-2010	200	Purchased ex-interest for	22,500
31-01-2011	500	Sold ex-interest cum for	53,000

Prepare in Attemtestment account in the books of Ms Amisha Nair for the year ended 31st March 2011 valuing closing balance at cost or market price whichever is lower. The debentures are quoted at par on 31st march 2011. Use Weighted Average cost. **(Nov 12)**

Q.30 Ms. Mitali Gupta held as investment 12% debentures of ₹ 100 each of arias Ltd. On 1st April 2011. Interest is payable on 30th June and 31st December every year.

The following were the transactions for the year ended 31st March, 2012.

Date	No. of Debentures	Details
01-04-2011	1000	Opening balance at a cost of ₹ 1,10,000
31-07-2011	250	Sale at ₹ 115 each cum-interest.
01-11-2011	300	Purchase at ₹ 112 each ex-interest
01-02-2012	450	Purchase at ₹ 118 each cum interest
01-03-2012	500	Sale at ₹ 120 each ex-interest

Prepare investment account of 12% debentures in the books of Ms. Mitali Gupta for the year ended 31st March, 2012 valuing closing balance at cost or market price whichever is lower. The market value on 31st march, 2012 was ₹ 125 per debenture of the said investment. Use weighted average cost. **(Nov 11)**

Q.31 Mr. Dhoni holds 1,000 12% Debentures of Rs.100 each in Wankhede Industries Ltd. as on 1st April 2005 at a cost of Rs.1, 04,000 ex-interest. Interest is payable on June 30th and December 31st every year. **[15]**

1. On 1st May 2005, 500 debentures are purchased cum interest at Rs.54,000.
2. On 1st November 2005, 600 debentures are sold ex-interest at Rs.57, 300.
3. On 30th November 2005, 400 debentures are purchased ex-interest at Rs.38, 400.
4. On 31st December 2005, 400 debentures are sold cum interest for Rs.55,000.

Prepare Investment A/c in the books of Mr. Dhoni for the financial year 1.4.2005 to 31.3.2006.
Use Weighted Average Method.

Q.32 Mr. Apte holds 600, 12% debentures of Rs. 100 each in NMG Ltd. as on 1st April 2006 at cost of Rs. 70,000. Interest is payable on 30th June and 31st December every year. On 1st June 2006, 200 debentures were purchased cum-interest at Rs. 20,400. On 1st November 2006, 200 Debentures were purchased ex-interest at Rs. 19,200. On 30th November 2006, 300 debentures were sold cum-interest at 32,250. On 31st December 2006, 400 debentures are sold ex-interest at Rs. 38,650.

Prepare investment account valuing the debentures as on 31st March 2007 at cost or Market price whichever is lower. The debentures were quoted at par on 31st March 2007. Apply AS 13 for the purpose of valuation. Use weighted average method. **(15)**

Q.33 Mr. Ezekiel furnishes the following details relating to his 6% Government Bonds holding:
1. Opening balance on 1-1-2007 Face Value Rs.1,00,000 cost Rs.95,000
2. 01/03/2007 100bonds Purchased ex-interest at Rs.98.
3. 01/07/2007 Sold 200 Bonds ex-interest out of the original holding at Rs.100
4. 01/10/2007 Purchased 50 bonds @ 98.
5. 01/11/2007 Sold 202 bonds ex-interest at Rs.99 out of the original holding.
6. Interest dates are 30th September & 31st March.
7. Mr. Ezekiel Closes his Accounts on 31st December. Face Value of Each bonds is Rs.100

Prepare Investment A/C as it would appear in his books for the calander year 2007.

Q.34 Mr. Nitin Shringapure entered into following transactions of Purchase & sale of Equity Shares of Omni Ltd.
The shares have paid up value of Rs.10 per share.

Date	No. of Shares	Terms
01-01-08	1500	Buy @ Rs.50 Per Share
15-03-08	2250	Buy @ Rs.62.5 Per Share
20-05-08	2500	Buy @ Rs.57.5 Per Share
25-07-08	6250	Bonus shares Received
20-12-08	7000	Sale @ Rs.55 Per Share

Additional Information:
1. On 15th September 2008, dividend @ Rs.7.5 per share was received for the year ended 31st March 2008
2. On 12th November 2008, the company made a rights issue of equity shares in the ration of one share for five shares held on payment of Rs.50 per share. He subscribed to 60% of the share & renounced the remaining shares on receipt of premium of Rs.7.5 per share.
3. Shares are to be valued on weighted average cost basis.

Prepare Investment A/c for the year ended 31-3-08 & 31-3-09. **[May 2009]**

Q.35 Mr. Panchal purchased on 1st May 2005, 15% 2000 Convertible debentures of Rs.100 each ex-interest in XY Ltd. @ Rs.105, Interest on the debentures is payable each year on 30th June and 31st December. Panchal closes his books of account every year on 31st March. The following others transactions were entered into in the year ended 31st March,2006 in regard to these debentures. (15)

2005

August,01 Purchase of Rs.1,20,000 Debentures @ Rs.109 cum- interest.
August,31 Sale of Rs.1,00,000 Debentures @ Rs.104 Ex interest.
October,31 Purchase of Rs.80,000 Debentures @ Rs.102 ex-interest.

2006

March,31 Receipt of 6,000 Equity Shares in XY Ltd. of Rs.10 each in conversion of 40% of the Debenture Held.
Prepare the Debenture Investment Account in the books of Panchal for the year 2005-06. Use Weighted Average. **[Nov 2006]**

Q.36 On 1st April,2005 Miss. Aishwarya held 50,000 fully paid Equity shares of Rs.10 each in A Ltd. at book value Rs. 16 per Share. (15)
On 22nd June 2005 she purchased another 10,000 shares of A Ltd. @ Rs. 20 per Share.
On 10th August Director of A Ltd. announced a bonus issue. Bonus was declared at the rate if one equity shares for Five shares held.
Dividend for the year ended 31st March,2005 at the rate of 20% was declared by the Company and was received by Aishwarya on 10th Octomber,2005.
On 1st November 2005 Miss Aishwarya sol 20,000 Equity Shares at Rs.18 per share.

Prepare:
1. Investment in Equity Shares in A Ltd. A/c.
2. Dividend Received A/c
3. Profit and Loss A/c of Aishwarya

In the Books of Aishwarya for the financial year 2005-06.
Use Weighted Average Method. **[Nov 2006]**

FOREIGN CURRENCY TRANSACTION

Q.1. 15th December ,2010 overseas traders imported goods worth ₹ 80,00,000 from Atlanta Ltd. on that date the exchange rate was US $1=₹40.
The payment schedule was as follows:-

Date	Paid in US $	Exchange rate for one US $
1-1-2011	50,000	39.50
15-2-2011	70,000	41.00
1-3-2011	60,000	42.50
15-3-2011	20,000	41.50

You are required to prepare the following ledger Account in the books of overseas traders for the year ending 31st March, 2011:-

1. Atlanta Ltd. Account
2. Foreign exchange fluctuation Account. **[Nov 2012]**

Q.1 Axe Ltd exported goods to star ltd. California, on 30th November 2010 worth US $ 50,000 when the exchange rate was US $ 1=₹ 45.00. The payment for the same was to be received in five equal installments along with interest @ 6% p.a. accordingly star Ltd. Made the payment on the following dates.
31st December 2010
31st January, 2011
28th February, 2011
31st March, 2011
30th April, 2011.
The exchange rate per US $ was as follows:
30-11-10 ₹45.00 31-12-10 ₹46.00 31-1-11 ₹45.50
28-2-11 ₹ 46.50 31-3-11 ₹ 46.00 30-4-11 ₹ 45.50
You are required to prepare in the books of Axe ltd. For the year ended 31st march, 2011 and 31st march, 2012.

1. Star Ltd. A/c
2. Foreign Exchange fluctuation A/c
3. Interest A/c **[Nov 2011]**

VALUATION OF GOODWILL

Q.1 On 31st March 2006 Ronus Co. Ltd. proposes to purchase the business carried on by M/s. Kanus Co. Ltd. Goodwill for this purpose is agreed to be valued at three year's purchase of the weighted average profit for the last four years. The Appropriate weights to be used were decided as follows:

Years	Profit	Weights
2002-03	18,68,500	1
2003-04	22,94,000	2
2004-05	18,50,000	3
2005-06	25,90,000	4

By verifying the accounts, the following information obtained.

1. On 1st December 2003 major repairs of the plant, spending ₹5, 55,000 the amount was charged to revenue. The said sum is agreed to be capitalized for the purpose of calculation of goodwill subject to the adjustment for depreciation @ 12% p.a. on Straight Line Method.
2. The closing stock for the year 2003-04 was overvalued by ₹2, 22,000.

To cover administrative cost an annual charge of ₹4, 44,000 is to be made while calculating goodwill. Calculate the goodwill. **[April 2006]**

Q.2 Balance Sheet of Shubhangi Co. Ltd. as on 31st March, 2007 is as follows :

Liabilities	₹	Assets	₹	₹
Share Capital		**Fixed Assets**		
Equity share capital	3,00,000	Goodwill		30,000
Preference share capital	2,00,000	Land		2,00,000
Reserves and Surplus		Building		2,50,000
General Reserve	1,50,000	Furniture		75,000
Capital Reserve	50,000	**Current Assets and Loans and Advances**		
Profit and Loss	1,27,500	Debtors	1,20,000	
		Less: R.D.D	20,000	1,00,000
Current Liabilities and Provisions		Stock		1,30,000
Creditors	1,17,500	Cash		75,000
Provisions for Taxation Current Year	75,000	Bills Receivable		50,000
		Bank		1,10,000
	10,20,000			**10,20,000**

The following information is available

1. The reasonable return on invested in the class of business done by the company is 10%.
2. 50% provision has been made in accounts for income tax and adequate provision has been made for depreciation.
3. In future cost reduction scheme will save ₹ 25,000 expenditure.

You are required to value the goodwill by:

A. Five years purchase of super profit method.
B. Capitalization of super profit method. **[April 2007]**

Q.3 The Balance Sheet of Gorakhnath Alloy Ltd. as on 31st December, 07 were as follows:

LIABILITES	₹	ASSTES	₹
Equity Share Capital (50000 @10 Each)	5,00,000	Land & Building	5,00,000
P& LA/c	2,00,000	Plant & Machinery	2,00,000
Debentures	1,80,000	Furniture & Fixture	1,00,000
Creditors	1,50,000	10% Government Bonds	50,000
Provision for Taxation	50,000	Stock	80,000
Proposed Dividend	1,00,000	Debtors	2,00,000
		Cash	50,000
Total	**1,18,000**	**Total**	**1,18,000**

1) The net Profit of the company after charging depreciation & taxes were as follows:

Year	₹
2003	1,00,000
2004	1,25,000
2005	1,50,000
2006	1,75,000
2007	2,00,000

2) On 31st December,07 Land & Building were revalued at ₹ 6,00,000, Plant & Machinery at ₹ 1,50,000 & Furniture & Fixture at ₹ 80,000
3) Normal Rate of return is 10%
4) Find Value of goodwill by 5 years Purchase of Super Profits & Capitalisation of Future Maintainable Profit Method.
5) One of the Machinery was Purchased on 1-1-05 for ₹ 50,000 was Wrongly Charged to Profit & Loss A/C has to be rectified & depreciation Charge on that Machinery @ 10 % by WDV Method.
6) Use simple Average.
Government bonds are purchased on 1-1-2003. **[April 2008]**

Q.4 MRF Ltd. Provides you the following information for the financial year ended on 31st March 2009

1. Share Capital of the company was ₹ 10,00,000
2. General Reserve was ₹ 50,000, Profit and Loss Account was ₹1,25,000
3. During the year one of the Plant & Machinery was revalued and its value was reduced by ₹ 20,000
4. Closing Stock was overvalued by ₹ 15,000
5. Average Profit before provision for tax and after adjusting the assets valuation and depreciation on revalued Plant and Machinery was ₹ 3,00,000
6. In future additional expenditure is expected of ₹ 8,000 per year.
7. Normal Rate of Return is 10%
8. Tax Rate is 50%

You are asked to calculate the value of goodwill by:-

1. 3 years purchase of Super Profit Method.
2. Annuity of Super Profit Method where annuity factor is 3.78

Capitalization of Future Maintainable Profit Method. **[May 2009]**

Q.5 Greg Cappell & Co. want to purchase the business of Saurabh & Co. on 31-12-2005 Balance Sheet and Profits of Saurabh & Co. for the last Four years were:

Balance Sheet as on 31-12-2005

Liabilities	**₹**	**Assets**	**₹**
Capital	2,00,000	Land And Building	1,20,000
General Reserve	70,000	Machinery	90,000
Profit And Loss	1,03,050	Vehicle	50,000
Creditors	30,000	10% Non-Trade Investments [Cost ₹20,000 & purchase on 1-1-2005]	25,000
Bills Payable	31,475	Debtors	55,000
Outstanding Expenses	18,475	Cash in hand	48,000
		Cash at Bank	50,000
		Bills Receivable	15,000
Total	4,53,000	Total	4,53,000

Years	**Profits (₹)**
2002	37,200
2003	49,600
2004	77,500
2005	96,100

The following additional information about Saurabh & Co. is also available:

(1) An unexpected income of ₹9300 was included in the profit of 2002 which can never be expected in future.
(2) There was a fire in the premises in the year 2003 which caused loss of ₹3100
(3) After acquisition Greg Chappell & Co. has to pay rent of ₹3100 p.a. Which was not paid by Saurabh & Co
(4) Normal Rate of Return is 10%
(5) Proprietor had a practice to withdraw profits at regular basis.
(6) Greg Chappell, the proprietor of Greg Chappell & Co. will be managing a company at a salary of ₹3100 p.a. The business of Saurabh & Co. was managed by a salaried manager who was Paid a salary of ₹1,240 p.a.

Calculate the Goodwill by:

A. 3 years purchase of super profit.
B. Capitalization of Future Maintainable Profit Method.

Use simple average **[Nov 2006]**

VALUATION OF SHARES

Q.6 The Balance Sheet of Mahi Ltd. As on 31st December,07 is as follows:

LAIBILITES	₹	ASSTES	₹
10% Cum Pref. Share Capital	1,00,000	Goodwill	50,000
Equity Share Capital (5000 @ 100 Each)	5,00,000	Land & Building	3,00,000
Profit & Loss	2,50,000	Plant & Machinery	2,00,000
Bank Loan	1,00,000	Investment (Market Price 2,00,000)	50,000
Creditors	2,00,000	Stock	1,00,000
Bills Payable	50,000	Debtors	3,00,000
		Cash	1,00,000
		Bank	1,00,000
Total	**1,200,000**	**Total**	**1,200,000**

Additional Information:

1) Land & Building Revalued at ₹4,00,000
2) Plant & Machinery revalued at ₹2,50,000
3) Investment should be taken at market Price.
4) Closing Stock include stock of ₹ 20,000 worthless
5) Net Profits for the Year 2003, 2004, 2005, 2006 & 2007 amounted to ₹ 50,000, ₹ 75,000, ₹ 1,00,000, ₹ 2,50,000 & ₹ 2,00,000 respectively.
6) Normal Rate of Return is 10%
7) Transfer 10% Profit to general Reserve.
8) Preference dividends are in arrears for one year.

Calculate Value of Equity Shares:

1) Net Assets Method
2) Yield Method

Fair Value Method. **[April 2008]**

Q.7 The balance sheet of Bob Woolmer Ltd. as on 31st December, 2006.

Liabilities	₹	Assets	₹
Share Capital		Goodwill	68,000
Equity shares of ₹ 10 each	5,00,000	Motor Car	1,00,000
10% Preference Shares of ₹ 10 each	2,00,000	Land & Building	5,00,000
General Reserve	2,75,000	Machinery	3,00,000
Profit & Loss Account	2,86,000	Furniture and Fixture	2,50,000
Creditors	2,00,000	Investment	1,00,000
Bills Payable	50,000	Debtors	1,50,000
Dena Bank Loan	1,00,000	Stock	90,000
		Cash	43,000
		Discount on Issue of Debentures	10,000
	16,11,000		**16,11,000**

1. You are required to value each fully paid equity share by:
   A. Assets Backing Method
   B. Earning capacity Method
2. In the year 2004 Motor Car of ₹ 10,000 wrongly charged to Profit & Loss Account for which rectification not yet done.
3. Depreciation is charged @10% on motor car Straight Line method.
4. Goodwill is valued at ₹ 90,000.
5. All other assets are taken at book value.
6. Closing Stock of 2006 is undervalued by 10% Remaining assets should be taken at book value.
7. Debtors to be reduced by ₹ 2,000.
8. Normal Rate of Return is 8%.
9. Profits for 4 years are given as follows (Use simple average).

Years	Profits (₹)
2003	60,000
2004	1,00,000
2005	1,25,000
2006	2,00,000

Q.8 The following is Balance Sheet of ASSAI GLASS Ltd. as on 31st December, 2008

Liabilities	₹	Assets	₹
1,00,000 Equity Shares of ₹10 each	10,00,000	Business Premises	8,62,000
10% Preference Share Capital	3,00,000	Furniture	4,00,000
Profit & Loss Account	2,50,000	Investments	1,00,000
General Reserves	1,00,000	Stock	55,000
Sundry Creditors	2,50,000	Bank	2,25,000
Bills Payable	75,000	Debtors	3,00,000
Outstanding Expenses	52,000	Bills Receivable	85,000
Total	**20,27,000**	**Total**	**20,27,000**

Other Information:-

1. The average adjusted profits before transferring ₹25,000 p.a. to reserve is ₹2,50,000.
2. Arrears of preference dividend are for last one year.
3. Normal Rate of Return is 10%
4. The business Premises and Furniture are undervalued by 20%
5. ₹20,000 Debtors are bad.
6. Closing Stock was overvalued by 10%.

You are required to calculate value of equity shares by following method.

1. Net Assets Method
2. Yield Value Method
3. Fair Value Method

[May 2009]

Q.9 Mohan Enterprises provides following details in its:

Balance sheet as on 31-12-2005

Liabilities	₹	Assets	₹
Equity Share Capital of (₹ 10 each fully paid)	8,00,000	Goodwill	80,000
		Fixed Assets	10,00,000
General Reserve	3,80,000	Current Assets	8,00,000
Profit and loss A/c	2,40,000		
14% Debentures	2,00,000		
Current Liabilities	2,60,000		
	18,80,000		18,80,000

Following additional information is provided:
(1) The Fixed Assets were valued at ₹ 7,60,000 and Goodwill ₹1,00,000
(2) The Net Profits for the three years are 2002-03 was ₹1,89,600,2003-04 was ₹2,08,000 and 2004-05 was ₹2,02,400.
(3) The company transfers 20% of profit to General Reserves.
(4) The profit earned by similar companies is 16%.
(5) Ignore Taxation.

Calculate the value per share under:
1. Intrinsic Value Method.
2. Yield Value Method.
3. Fair Value Method. **[Nov 2006]**

Q.10 The following figures are extracted from the books of m/s prosperous limited as on 31st March, 2012.

Share capital	₹
9 percent preference shares at ₹ 100 each	3,00,000
1,000 Equity shares at ₹ 100 each , ₹ 50 called up	50,000
1,000 Equity shares at ₹ 100 each, ₹ 25 called up	25,000
1,000 Equity shares at ₹ 100 each, fully called up	1,00,000
Reserve and surplus	
General reserve	2,00,000
Profit and loss account	50,000
Total	7,25,000

On the fair of valuation of assets of the company it is found that they have an appreciation ₹ 1,05,000. The articles of association provided that, in case of liquidation, the preference share holder will have a further claim to the extent of 10% of the surplus assets, Ascertain the value of each preference and equity shares ,assuming.
1. Company makes a call on equity shares, which is paid by all share holders.
2. Company does not make calls on equity shares. **[April 2013]**

Q.11 XYZ Enterprise Limited has the following items appearing in its balance Sheet as on 31st March,2010:

Particular	**(Rs)**	**Particular**	**(Rs)**
Share Capital		Goodwill	3,50,000
Equity Shares RS 10	10,00,000	Freehold Property	4,50,000
10%Preference Shares of Rs 10	5,00,000	Plant and Machinery	12,50,000
Profit And Loss A/c	5,00,000	Investment	1,00,000
Bank Loan	10,00,000	Stock	5,00,000
Current Liabilities	1,50,000	Debtors	3,50,000
		Bank and Cash	1,50,000
Total	31,50,000		31,50,000

a) The profit for the past three year ended 31st :
March, 2008 Rs 340,000/-
March, 2009 Rs 325,000/-
March, 2010 Rs 550,000/-

b) The profit shown above are after debiting :s
a. Goodwill @ Rs 50,000/-p.a.
b. Dividend on preference share as applicable

c. Dividend on equity shares capital:
- @ 10% in 2008-09, And
- @ 12% in 2009-10.

c) The recent evaluation of fixed assets revealed that property is worth Rs 5,00,000/- and machinery worth Rs 25,00,000/-
d) The investment are trade investment worth Rs 2,50,000
e) Obsolete and worthless stock included above is Rs 400,000/- Estimated realizable value there of Rs 50,000/-.

You are required to calculate:

a) Further maintainable profit on simple average method
b) Value equity shares on the basis of :
   1. Capitalised value of future maintainable profit @ 8.33%; and
   2. Net Assets method **[Oct 2012]**

FOREIGN BRANCHES CONVERSION

Q.12 Big Apple and co. has its Head office at New York (USA) and branch at Chennai (India). Chennai branch furnishes you it's trial balance as on 31-03-2011 and the additional information given there after :

(₹ '000')

Particular	(₹) Debit	(₹) Credit
Stock as on 1-4-2010	300	-
Purchase and sales	800	1,200
Debtors and creditors	400	300
Bills of Exchange	120	240
Wages and Salaries	560	-
Rent, Rates and Taxes	360	-
Sundry Charges	160	-
Computers	240	-
Bank Balance	420	-
New York Office A/c	-	1,620
Total	**3,360**	**3,360**

Additional Information:

a) Computers were acquired from a remittance of US $6,000 received from New York Head Office and paid to supplier. Depreciate computers @ 60% for the year

b) Unsold stock of Chennai Branch was ₹ 420,000 on 31-3-2011.

c) The rates of Exchange may be taken as follows :

1. On 1-4-2010 @ ₹ 40 per US $;
2. On 31-3-2011 @ ₹ 40 per US $;
3. Average Exchange Rate for the year @ ₹ 41 per US $.

You are asked to prepare in US $ the Revenue Statement for the year ended 31-3-2011 and Balance Sheet as on that date of Chennai Branch as would appear in the books of New York head office of Big Apple and Co. You are informed that Chennai Branch Account Showed a debit balance of US $ 39.609 on 31-3-2011 in New York books and there were no items pending reconciliation. **[Oct 2012]**

Q.13 Home & company has a head office in Mumbai, A branch in New York, America. The trial Balance of the branch as on 31st march, 2012 was given below:-

Particulars	Dr side	Cr side
Head office Account		17,000
Sales		1,22,000
Goods from head office	88,000	
Stock on1st April 2008	17,000	
Furniture	18,000	
Cash on hand	500	
Bank balance	2,500	
Salaries	5,600	
Rent	2,400	
Insurance	300	
Outstanding expenses		1,600
Sundry debtor	6,300	
	1,40,600	**1,40,600**

Additional information:-

1. The branch account in books of head office shows debt balance ₹ 6,43,000 and goods send to branch account shows credit balance of ₹ 39,37,500
2. Provide depreciation on furniture @ 10%
3. Closing stock was $ 7,500.
4. The exchange rate were on31st march, 2012 $ 1 = ₹ 54.
   On 1st April, 2011 $ 1 =₹ 56.
   Average rate was $ 1 = ₹53 and the furniture it was $ 1 = ₹ 52

You are requires to prepare:-

1) Branch trial balance in Indian rupees
2) Profit & loss Account for the year ending 31st March, 2012

Balance sheet as on that date. **[April 2013]**

Q.14 Gopal Electrical Ltd.has head office at Kolhapur and Branch at California. The branch submits the following Trial Balance as on 31ST March,2013. **(15)**

Particulars	Dr. US $	Cr. US $	Particulars	Dr. US $	Cr. US $
Head office Account		11,606	Salaries	71,130	
Goods received			Office Rent	44,316	
From H.O	12,725		Taxes and Ins.	13,655	
Purchase and Sales	5,06,323	7,87,777	Debtors and Creditors	1,17,117	11,57,617
Stock (1-04-2012)	13,100		Printing & Stationery	37,119	
Plant & Machinery	27,650		Postage & Telegram	16,303	
Furniture & Fixture	18,220		Freight	14,784	
Cash in Hand	3,233		Conveyance	1,145	
Cash at Bank	60,180				
			Total	**9,57,000**	**9,57,000**

The Branch Account in Head office showed a Debit balance of Rs. 5, 11,100 and goods sent to branch Account showed a credit balance of Rs.5, 66,600.

Plant And Machinery was acquired on 1ST October 2012 when US 1$ =Rs.46.Furniture Rs.2.50.Head office charges depreciation on Plant and machinery @20% p.a. and on furniture and fixture @10 % p.a

The closing stock as on 31ST March 2013 at the branch was $ 16,550. The exchange rates were as under:

1ST April, 2012	US $ 1	= Rs.38.50
31st March, 2013	Rs.100	= US $ 2.50
Average	US $ 1	= Rs.44

Convert the branch Trail Balance into Rupees and Prepare Branch Profit And Loss A/c for the year ended 31ST March, 2013. Also prepare Balance Sheet of California Branch of Gopal Electrical Ltd. as on 31ST March, 2013 .The foreign operation is in the nature of an integral operation. **[Apr 2014]**

FINAL A/C OF CO-OP HOUSING SOCIETY

Q.15 From the following information prepare balance sheet of Madhu Mangal co-operative housing society Limited as on 31st March 2010 in form 'N'. **[Nov, 2010]**

Particulars	₹
Cash on hand	1,500
Share Capital	50,000
Reserve Fund	5,000
Sinking fund	1,25,000
Repairs Fund	35,000
Society welfare fund	40,000
Bank balance with	
DombivaliNagarySahakari Bank Limited	15,500
Thane District central co-Operative Bank Limited	10,000
Saraswat Co-operative Bank Limited	3,000
Interest accrued on fixed Deposits	10,000
Furniture and Fixture s (net)	36,000
Member's Contribution for building	57,00,000
Computer (net)	50,000
Office premises(net)	10,500
Income and Expenditure Account Balance	1,07,000
Cost of Building	57,00,000
Provision for expenses	20,000
Members, Dues Outstanding for 2009-10	45,500
Audit Fees Payables	8,000
Accountant's Remuneration Payable	24,000
Fixed Deposits With-	
Thane district central co-operative Bank Li8mited (Sinking Fund)	1,25,000
DombivaliNagariSahakari Bank Limited	65,000
Saraswat Co-operative bank Limited	35,000
Deposit With Municipal Authorities	4,000
Deposit With MSEB	3,000

Q.16 Sunder Aamchi co-operative housing society limited has prepared the trial balance as on 31at march, 2011 which is as under:-

Particulars	**Dr. ₹**	**Cr. ₹**
Share capital		7,500
Land	5,00,000	
Building	70,00,000	
Contribution from members for land building		75,00,000
Sinking fund		3,50,000
Repairs fund		10,50,000
Sinking fund investment	3,50,000	
Repairs fund investment	10,50,000	
Members' contributions received during the year		2,55,000
Members dues outstanding as on 31-3-2010	7,500	
Reserve fund		1,11,500
Salaries	30,000	
Municipal taxes	58,000	
Water charges	28,000	
Printing stationary	4,000	
Legal fees and audit fees	11,080	
Bank interest		4,000

Other investment (made on 31-3-2011)	85,000	
Cash on hand	1,250	
Bank balance	1,23,575	
Electricity charges	7,500	
General expense	5,000	
Furniture and fixtures (net)	18,000	
Sundry income		325
Motor pump(net)	9,000	
Repairs and maintenance expenses	42,500	
Income and expenditures Account as on 31-32010		51,000
Audit fees payable.		1,080
	93,30,405	**93,30,405**

Additional information:

1. The society has 30 members. Every member has purchased 5 shares of ₹ 50 each.
2. The society transfer every year out of surplus 0.25% of cost of building to sinking fund and 0.75% p.a. of cost of building to Repairs fund. On the same date, an Equal amount is transfer from bank account to sinking fund investment and repairs fund investment account.
3. Every members pays ₹ 750 as monthly contribution towards maintenance to the society. The amount in the trial balance show the amount received during the year for 2010-11 and it includes the previous year's dues also. No members have paid advance contribution at any time.
4. The investment are all with thane Dist. Central co-operative bank Ltd. the bank balance consists of balance with the above bank ₹ 25275 while the balance with Dombivali Nagri Sahakari bank Ltd. is ₹98,300.

Prepare income and expenditure of the society for the year ending 31st march 2011 and the balance sheet as on the same date. **[Nov 2012]**

Q.17 Following is the trial balance of hill view co-operation housing society, Mumbai.

Trial balance as on 31-3-2010

Particular	₹	Particular	₹
Bank	7,70,482	Contribution from member:	
Cash	1,518	Property tax	36,000
Furniture	12,000	Water charges	1,70,000
Fire extinguishers	17,000	Lift maintenance	80,000
Water pump	19,000	Service charges	2,70,000
Garbage trolley	5,000	Insurance	22,000
Water tank	7,000	Sinking fund	25,000
Investment :		Repairs fund	30,000
Sinking fund	55,800	Interest from bank	16,000
Reserve fund	40,000	Interest from member	2,24,000
Repairs fund	1,41,600	Share capital	1,50,000
Deposit with reliance	19,000	Sinking fund	1,60,000
Dues from member	25,000	Reserve fund	21,800
Electricity charges	30,000	Repairs fund	1,58,000
Rent Rates and taxes	25,100	Income and expenditure account	2,24,000
Water charges	1,58,000		
Salary	51,000		
Printing and salary	22,000		
Conveyance	1,100		
Postage	4,000		

Sundry expenses	1,800		
Security charges	41,800		
Lift maintenance	50,400		
Fire insurance	48,000		
Accounting charges	32,000		
Audit fees	7,000		
Bank charges	8,00		
	15,86,800		**15,86,800**

Adjustments:-

1) Insurance paid in advance ₹4,500.
2) Provide for : Stationery ₹ 500, Telephone ₹1,200 and Salary ₹3,500.
3) Education fund payable ₹300
4) Depreciate : Furniture 10%, Water pump 15% , Fire extinguisher 15%, Garbage trolley 15% and Water tank 15%

Prepare income and Expenditure account for the year ended 31st march 2010 and balance sheet as on that date. **[Nov 2012]**

MARGINAL COSTING

Q.1. A Company produces and sells a single article at ₹10 each. The marginal cost of production is ₹6 each and fixed cost is ₹400 per annum. **[15]**

Calculate:

1. P/V ratio
2. Break-even sales [in ₹ and Nos.]
3. Sales to earn a profit of ₹500
4. New Break-even point if sales price is reduced by 10%
5. Profit at sales of ₹3,000
6. Margin of safety at sales ₹1,500
7. Selling price per unit if the Break-even point is reduced to 80 units. **(April 2006)**

Q.2. You are given the following information for the next year. **[15]**

Sales [10,000 units]	₹	1,20,000
Variable costs	₹	48,000
Fixed Costs	₹	60,000

1. Calculate P/V ratio, Break-even point and the Margin of safety.
2. Evaluate the effect of following on P/V ratio, Break-even point and Margin of safety.
   (a) 10% decrease in fixed cost.
   (b) 5% increase in selling price.
   (c) 10% increase in selling price and 10% decrease in physical sales volume.
   (d) 5% decrease in selling price and 10% increase in physical sales volume. **(April 2006)**

Q.3. The following information in respect of Product 'A' and Product 'B' of JMR Ltd. is available.

Particulars	Product 'A'	Product 'B'
Selling Price	₹1,000	₹640
Direct Materials	₹400	₹400
Direct Labour Hours [₹5 per hour]	20 hours	20 hours
Variable Overheads	100% of Direct Wages	100% of Direct Wages

Fixed overheads for the company are ₹30,000.

(1) You are required to calculate the marginal product cost and contribution per unit and
(2) State which of the following alternative sales mixes you would recommend and why?
   (a) 100 units of Product 'A' and 50 units of Product 'B'.
   (b) 50 units of Product 'A' and 100 units of Product 'B'.
   (c) 150 units of Product 'A' only.
   (d) 150 units of Product 'B' only. **(April 2006)**

Q.4. S. ltd. furnished you the following information relating to the half year ending 30th September, 01 **[15]**

Particulars	₹
Fixed Expenses	50,000
Sales value	2,00,000
Profit	50,000

During the second half of the year the company has projected a loss of ₹ 10,000

Calculate:

1. The P/V Ratio, break-even point & margin of safety for six months ending 30th September, 01
2. Expected sales volume for second half of the year assuming that selling price & fixed expenses remain unchanged in the Second half year also.
3. The break-even point & margin of safety for the whole year 2001-2002 **(Nov, 2006)**

Q.5. from the following data, calculate: **[5]**

1. Breakeven point expressed in amount of sales in Rupees **(Nov, 2006)**
2. Numbered of unit that must be sold to earn a profit of ₹ 1,68,000 per year

Selling Price	₹ 20 Per Unit
Variable Manufacturing cost	₹ 11 Per Unit
Variable selling Cost	₹ 3 Per Unit
Fixed Factory Overheads	₹ 5,40,000 Per Year
Fixed Selling Cost	₹ 2,52,000 Per Year

Q.6. There are two Plants manufacturing the same products under One corporate management which has decided to merge them. The following Particulars are available regarding the two plants: **[5]**

Particulars	**Plant I ₹**	**Plant II ₹**
Capacity operation	100%	60%
Sales	6,00,000	2,40,000
Variable Cost	4,40,000	1,80,000
Fixed Cost	80,000	50,000

Calculate:

1. Break-Even Point of the merged plant
2. Capacity of the merged Plant to be operated at the Break Even Point? **(Nov, 2006)**

Q.7. From the following data, calculate: **[5]**

1. Break even point expressed in amount of sales in Rupees **(Nov, 2006)**
2. Numbered of unit that must be sold to earn a profit of ₹ 1,68,000 per year

Selling Price	₹ 20 Per Unit
Variable Manufacturing cost	₹ 11 Per Unit
Variable selling Cost	₹ 3 Per Unit
Fixed Factory Overheads	₹ 5,40,000 Per Year
Fixed Selling Cost	₹ 2,52,000 Per Year

Q.8. The following Particulars are extracted from the records of a Company. **[15]**

Particulars	**Product A**	**Product B**
Sales (Per unit)	₹100	₹120
Consumption of Material	2kg	3kg
Material Cost	₹10	₹15
Direct Wages Cost	₹15	₹ 10
Direct Expenses	₹5	₹6
Fixed Expenses	₹5	₹10
Variable Expenses	₹15	₹20

Direct wages Per Hour is ₹5.

Comment on the profitability of each Product under following conditions When:

1. Total Sales Potential in units is limited.
2. Total Sales potential in Value is Limited
3. Labour hours is in Short Supply
4. Assuming Raw Material as the key factor, availability of which is 10,000 kg & maximum Sales potential of each product being 3,500 units, Find the product-mix which will yield the maximum profit. **(Nov,2006)**

Q.9. If margin of safety is ₹ 2,40,000 (40% of sales) and P/V ratio is 30% calculate **[8]**
1. break-even sales. **(May 2007)**
2. Amount of profit on sales ₹9,00,000

(a) **[3]**

Particulars	₹
Ascertain profit when sales Fixed costs BEP	2,00,000 40,000 1,60,000

(b) **[4]**

Particulars	₹
Ascertain sales when Fixed Cost Profit BEP	20,000 10,000 40,000

Q.10. The following information is obtained from Essar Co. for January. **[15]**

Particulars	₹
Sales Variable costs Fixed costs	20,000 10,000 6,000

(a) Find P/V ratio, B. E. P and Margin of safety at this level and the effect of:
(b)
1. 20%decrease in fixed costs.
2. 10% increase in fixed costs.
3. 10% decrease in variable costs.
4. 10% increase in selling price. **(May 2007)**

Q.11. A,B and C are three similar plants under the same management who. want them to be merged for operation **[15]**
The following particulars are available:

Plant	A	B	C
Capacity operated	100%	70%	50%
	₹ In lacs	₹ In lacs	₹ In lacs
Turnover	300	280	150
Variable cost	200	210	75
Fixed cost	70	50	62

You are required to ascertain :
1. The capacity of the merged plant for break even.
2. The profit or loss at 75% and 50 % capacity of merged plant. The turnover from the merged plant to give profit or ₹ 28 lacs. **(May 2007)**

Q.12. From the following particulars, find the most profitable product mix and Prepare a statement of profitability of the product mix:- **(May 2008)**

Particulars	Product A	Product B	Product C
Units budgeted to be produced and sold	1800	3000	1200
Selling price per unit [₹]	60	55	50
Requirement per Unit:			
Direct Material	5 kg.	3 kg.	4 kg.
Direct Labour	4 Hrs.	3 Hrs.	2 Hrs.
Variable Overheads	7	13	8
Fixed Overheads	10	10	10
Cost of Direct Material per kg.	4	4	4
Direct Labour Hour rate	2	2	2
Maximum possible units of sales	4,000	5,000	1,500

All the three products are produced from the same direct material using the same type of machines and labour. Direct Labour, which is the key factor, is limited to 18,600 hours.

Q.13. Vijaya Chemicals Ltd. has two factories with similar plants and machines. The Board of Directors of the Company has expressed the desire to merge them and run them as one unit. Following data are available in respect of these factories:-

Particulars	Factory A	Factory B
Capacity in operation	60%	100%
Sales	12,00,000	30,00,000
Variable cost	9,00,000	22,00,000
Fixed cost	2,50,000	4,00,000

You are required to find out:-

a. What should be the capacity of the merged factory to be operated for break-even?
b. What is the profitability of working 80% of the integrated capacity?
c. What is the sales required to earn a profit of ₹8,00,000? **(May 2008)**

Q.14. Vidya pen manufacturing company produces pen, an analysis of their accounting reveals:- **(May 2009)**

Fixed cost ₹1,50,000 per year
Variable cost ₹50 per pen
<u>Total available</u>
Capacity 60,000 pens per year
Selling price ₹60 per pen

1. Find the break-even points and Margin of safety
2. Find the number of pens to be sold to get a profit of ₹3,00,000
3. What will be your answer for [i] if selling price is reduced to ₹55 per pen.

Q.15. Sapna engineering limited manufactures and sells four products-A,B,C and D.
The sales mix in value comprises $33\frac{1}{3}$%, $41\frac{2}{3}$ %, $16\frac{2}{3}$ %, $8\frac{1}{3}$% of A,B,C & D respectively.
The Total budgeted sales (100% are ₹1,20,000 per month)
Operating costs are as thus:
Product A -- 60% of selling price
Product B -- 68% of selling price
Product C -- 80% of selling price
Product D -- 40% of selling price
Fixed costs are ₹29,400 per month. **(May 2009)**
Calculate the break-even sales for the enterprise as a whole along with P/V Ratio.

Q.16. LML Ltd. Manufacturing two products A & B. Their cost records gives you the following information:--

	Product A	Product B
Materials	₹ 16	₹ 12
Wages	48 hours @ 50 paise	32 hours @ 50 paise
Other variable Exp.	150% of wages	150% of wages
Selling Price	₹80	₹60

Total Fixed cost for the company ₹1500
Company can manufacture 500 units in total for product A & B with a condition that at least 150 units of each product should be produced.

Show from the following alternative Sales mix which will be the best for the company:-

a. 250 units of A and 250 units of B
b. 200 units of A and 300 units of B
c. 150 units of A and 350 units of B **(April 2011)**

Q.17. Sadari Road lines Ltd. furnishes you the following income information for the year 2010:

	Upto 30/06/2010	From 01/07/2010 to 31/12/2010
Sales	₹16,20,000	₹20,52,000
Total cost	₹15,76,800	₹19,22,400

Calculate the following;

1. P/V Ratio
2. Fixed Cost
3. Profit or loss when sales are ₹12,96,000
4. Amount of sales required to earn profit of ₹ 2,16,000

Assume fixed cost remains constant upto 30/06/2010 and from 01/07/2010 to 31/12/2010. **(April 2011)**

Q.18. A.K. Ltd. a company has a fixed cost of ₹3,00,000/-.On sales of 15000 units which is equal to 40% of margin of safety, it earned contribution of ₹60000/-Calculate the following:-

a) Break-even point in unit.
b) Total present sales in units.
c) Total units sold at which it suffered loss of ₹62, 492.
d) If the present fixed cost is increased by 15%, what is revised Break Even point in units?
e) If the present fixed cost is increased by 15%, how many units should be sold to earn a profit of ₹1, 15,000/-? **(April 2012)**

Q.19. Bajrang Chemicals Ltd. Mumbai, manufacturing three Chemicals namely HN1,CN1 and KN1. **(April 2012)**

The income statement of the Company as under;-(Amt in ₹)

Details	HN1	CN1	KN1
Sales	40lac	30lac	20lac
Variable cost	28lac	15lac	16lac
Fixed cost	5lac	3lac	4lac

Company Management is seriously considering dropping product KN1 as it is not profitable for the company. What will be the impact on the profitability of the company if it is dropped or suggest suitable alternative on the profitability of the company.

Q.20. From the following data of M/S. ABC LTD:- **[15]**

Year	**Sales**	**Profit**
2011	6,00,000	20,000
2012	8,00,000	60,000

Calculate:-

a) P/V Ratio
b) Break Even Point(Value)
c) Margin of safety for both year (Value)
d) Profit when sale ₹ 7,00,000
e) Sale to earn the profit of ₹ 65,000 **(April 2013)**

Q.21. The Following Information in respect of product A and B of XYZ Co.LTD,is obtained:- **[15]**

Particulars	**products**	
	A	B
Sales price	2,000	1,200
Direct material	1,400	8,00
Direct labour hour(₹4 per hr)	20 Hours	40 hours
Variable Overheads	100% direct wages	80% of direct wages

Fixed Overheads are ₹ 50,000 in total .You are require to-

a) Calculate the present the margin product Costs and contribution per unit.

b) State which of the following Alternative sales mixes you would recommend?

1. 100 units of product A and 50 units of B
2. 50 unit of product A and 80 Unit of product B
3. 200 unit of product A only.
4. 150 unit of product B only. **(April 2013)**

Q.22. The sales turnover and profit during two years were as follows:-

Year	Sales [₹]	Profit [₹]
2003	3,00,000	40,000
2004	3,40,000	50,000

You are required to calculate:-

a. The P/V Ratio
b. The Break-even point
c. The sales required to earn a profit of ₹ 80,000.
d. The profit made when sales are ₹ 5,00,000.
e. The margin of safely at profit of ₹ 1,00,000.

Q.23. From the following particulars, find the most profitable product mix and prepare a statement of profitability of that product mix. **(May 2009)**

Particulars	Product A	Product B	Product C
Unit budgeted to be produced & sold	1800	3000	1200
Selling price per unit ₹	60	55	50
Requirement per unit:			
Direct materials	5 kg	3 kg	4 kg
Direct Labour	4 hrs.	3 hrs.	2 hrs.
Variable overheads	₹ 7	₹ 13	₹ 8
Fixed overheads	₹ 10	₹ 10	₹ 10
Cost of Direct Materials per kg.	₹ 4	₹ 4	₹ 4
Direct Labour Hour Rate	₹ 2	₹ 2	₹ 2
Maximum possible Units of sales	4,000	5,000	1,500

All the three products are produced from the same direct material using the same types of machines and labour. Direct labour, which is the key factor, is limited to 18,600 hrs.

STANDARD COSTING

Q.24. Following data is available from the records of a manufacturing company: **[15]**

Standard [per unit]

Materials:	6 Kg @ ₹4 per Kg.
Labour:	4 hours @ ₹4 per hour.
Standard Production for the month:	12,000 units
Actual Production for the month:	12,500 units
Actual material price per Kg.	₹4.50
Material consumed during the month:	7,800 kg.
Direct labour hours worked:	48,000 hours.
Actual wage rate per hour:	₹3.50

Calculate:
1. Material Cost Variance.
2. Material Price Variance.
3. Material Usage Variance.
4. Labour Cost Variance.
5. Labour Rate Variance.
6. Labour Efficiency Variance. **(April 2006)**

Q.25. ABC Ltd. has furnished the following information: **[15]**

Particulars	Budget	Actual
Output [units]	15,000	16,000
No. of working days	25	28
Fixed overheads [₹]	30,000	30,500
Variable overheads [₹]	45,000	47,000

Calculate:
1. Fixed overhead cost variance.
2. Fixed overhead expenditure variance.
3. Fixed overhead volume variance.
4. Variable overhead cost variance.
5. Variable overhead expenditure variance.
6. Variable overhead efficiency variance. **(April 2006)**

Q.26. The following details relating to a product are made available to you **[5]**

Standard Cost Per unit :	
Material	50 kg @ ₹40 per kg
Labour	400 hours @ ₹1 per hour
Actual Cost: (for an output 10 units)	
Material	590 kg @ ₹42 per kg
Labour	3,960 hours @ ₹ 1.10 per hour

Calculate following Variances:
1) Material Cost Variance
2) Material Usage Variance
3) Material price Variance
4) Labour Cost Variance
5) Labour Efficiency Variance
6) Labour Rate Variance **(Nov, 2006)**

Q.27. The following information is available from the record of a factory. **[8]**

Particulars	Budget	Actual
Fixed overheads for June (₹)	10,000	12,000
Production in June (units)	2,000	2,100
Standard time P.U. (hours)	10	-
Actual hours Worked in June	-	22,000

Calculate: Fixed Overheads:
1. Cost Variance
2. Expenditure Variance
3. Volume Variance

Calculate: Variable Overheads:

A. Cost Variance **[7]**
B. Expenditure Variance
C. Efficiency Variance from the following information **(Nov, 2006)**

Particulars	Budget ₹	Actual ₹
Variance overhead ₹	10,000	8,910
Hours	10,000	9,900
Output	5,000	4,500

Q.28. From the following data, calculate overhead variances:-

	Budgeted	Actual
Output [Units]	15,000	16,000
No. of working days	25	28
Fixed overheads [₹]	30,000	30,500
Variable overheads[₹]	45,000	47,000

There was an increase of 5% in capacity. **(May 2008)**

Q.29. The standard cost card of a product shows the following:-

Material Cost : 2 kg @ ₹ 2.50 per kg. ₹ 5.00 per unit
Wages : 2 hrs. @ 50p. per hour ₹ 1.00 per unit

The actual which have emerged from business operations are as follows :-

Production : 8,000 units
Materials consumed: 16,500 kg. @ 2.40 per kg. ₹39,600
Wages paid : 18,000 hrs. @ 40 p. per hr. ₹7,200

Calculate appropriate material and labour variances. **(May 2008)**

Q.30. The standard cost of card of a product shows the following :-
Material cost: 2kg @ ₹ 2.5 per kg ₹ 5.00 per unit
Wages : 2 hours @ 50paisa per hour. ₹ 1.00 per unit

The actual which have emerged from the business operations are as follows:
Production: 16,000 units
Material consumed: 33,000 kg @ ₹ 2.40 per kg ₹ 79,200
Wages Paid: 36,000 hours @ 40p. per hour ₹ 14,400

Calculate appropriate material and labour variances. **(May 2009)**

Q.31. Navin Ltd. has furnished the following information for the month of May,2008.

	Budget	Actual
Output (Units)	800	850
Hours	16,000	17,200
Fixed Overheads	₹ 80,000	₹ 94,600
Variable Overheads	₹ 1,28,000	₹ 1,46,200

Calculate the following variances:
(1) Fixed Overhead Variance
(2) Fixed Overhead Volume Variance
(3) Fixed Overhead Expenditure Variance
(4) Variable Overhead Variance
(5) Variable Overhead Expenditure Variance **(May 2009)**

Q.32. The Standard Cost of the product reveals:

Standard Materials and Labour requirement of 5 units
Materials: 10 kg of 'A' @ ₹ 5 per kg
15 kg of 'B' @ ₹ 7 per kg
Labour: 20 Hrs @ ₹ 10 per hour
Actual Data: Actual Production: 2500 units
Actual Material: 4800 kg of 'A' @ ₹ 4.80 per kg
7650 kg of 'B' @ ₹ 7.20 per kg.
Actual Labour: 9800 Hrs @ ₹ 9.50 per hour

Calculate:
(a) Material cost Variance
(b) Material Usage Variance
(c) Material Price Variance
(d) Labour Cost Variance
(e) Labour Efficiency Variance
(f) Labour Rae Variance **(April 2011)**

Q.33. The fixed production overhead of producing one unit of an item were ₹ 35. Fixed production overheads were absorbed on the expected annual output of ₹ 13,200 units. **[9]**

The actual production for one month was 1,000 units. The actual fixed overhead for the month were ₹ 39,000.

Calculate:
1. Fixed overhead cost variance.
2. Fixed overhead volume variance.
3. Fixed overhead expenditure variance. **(May 2007)**

Q.34. **The** following data is given: **[6]**

Particulars	**Budgeted**	**Actual**
Production I units	400	360
Man-hours to produce above	8,000	7,000
Variable overheads (Rs)	10,000	9,150

The standard time to produce one unit of the product is 20 hours. Calculate:
1. Variable overhead efficiency variance.
2. Variable overhead expenditure variance.
3. Variable overhead cost variance. **(May 2007)**

Q.35. The standard cost of the product 'SLR' reveals: **(15)**

Standard materials:

Particulars	**₹**
2 kg of S @ ₹2 per kg.	4.00
1kg of L @ ₹6 per kg.	6.00
Direct labour (3 hour @ ₹6 per hour)	18.00

Actual Data :

Direct Materials	₹
19,000 kg of S @ 2.20 per kg.	41,800
10,000 kg of L @ ₹ 5.60 per kg.	56,000
Direct Labour: (28500 hours @ ₹ 6.40 per hour)	1,82,400

Actual production was 9,000 units. Calculate :

1. Material price variance.
2. Material usage variance.
3. Material cost variance.
4. Labour rate variance.
5. Labour efficiency variance. **(May 2007)**

Q.36. Aditya Ltd. produces an article by blending two basic row materials. It operates standard costing system and the following standards have been set for raw materials and labour for one unit of output:-

Material "A":-5kgs @ ₹10per kg
Material "B":-8kgs @ ₹12 per kg
Labour: 4 Hrs @ ₹5per Hr.
Actual output 2,000 units
Actual position of purchases and stock is as under:-
Purchases: Material "A" 9800 Kgs @ ₹9 per kg.
Material "B" 15,500 Kgs @ ₹13 per kgs

Stock position in kgs	opening stock	closing stock
Material A	600kgs	200kgs
Material B	750kgs	150kgs

Actual wages paid: 8200 Hrs @ ₹4.5 per Hr.
Calculate the following variances (Use FIFO Method for materials):-

a. Materials cost variance
b. Materials usage variance
c. Materials price variance
d. Labour cost variance
e. Labour efficiency variance
f. Labour rate variance **(April 2012)**

Q.37. The following information is available from the record of Anand sagar Co-LTD for the April 2013.-

Particulars	Budget	Actual
Fixed Overhead for April 2013	20,000	24,000
Production in unit(April.2013)	4,000	4,200
Standard time per unit (Hours)	10	-
Actual hours worked in April,2013	-	44,000

Calculate:-

a) Fixed Overheads Cost variance.
b) Fixed Overhead Expenditure Variance.
c) Fixed Overhead Volume Variance.
d) Fixed Overheads Capacity Variance.

Fixed Overheads Efficiency Variance **(April 2013)**

BUDGETARY AND BUDGETARY CONTROL

Q.38. The following information at 50% capacity is given. Prepare a flexible budget and forecast the profit or loss at 60%, 70% and 90% capacity. **(April 2006) [15]**

Particulars	Expenses at 50% capacity [₹]
Fixed Expenses	
Salaries	50,000
Rent and taxes	40,000
Depreciation	60,000
Administration expenses	70,000
Variable Expenses	
Materials	2,00,000
Labour	2,50,000
Others	40,000
Semi-variable Expenses	
Repairs	1,00,000
Indirect labour	1,50,000
Others	90,000

It is estimated that fixed expenses will remain constant at all capacities. Semi-variable expenses will not change between 45% and 60% capacity, will rise by 10% between 60% and 75% capacity, a further increase of 5% when the capacity crossed by 75%.

% Capacity	60%	70%	90%
Estimated Sales	11,00,000	13,00,000	15,00,000

Q.39. B Ltd. has furnished the following estimation pertaining to product "A" at 80% of its normal capacity level for the quarter ending March 31, 2005. **(Nov, 2006) [15]**

Sales	₹6,00,000
Administrative costs:	
Office salaries	₹90,000
General Expenses	2% of sale
Depreciation	₹7,500
Rates & Taxes	₹8,750
Selling Costs:	
Salaries	8%of Sales
Traveling Expenses	2%of sale
Sales Office Expenses	1%of sales
General Expenses	1% of sales
Distribution Costs	
Wages	₹15,000
Rent	1%of sales
Other Expenses	4% of sales

Prepare a flexible budget and forecast the profit or loss at 70% and 90% capacity

Q.40. Fun Toys Ltd. manufactures a toy monkey with moving parts & a Built-in voice box. Projected sales for 5 months are as follows. **[15]** **(Nov, 2006)**

Month	Projected Sales (in units)
July, 2004	4,200
August, 2004	4,500
September, 2004	4,800
October, 2004	4,600
November, 2004	4,700

1. Each toy requires direct material from a supplier at ₹ 35 for moving Parts.
2. Voice boxes are purchased from another supplier at ₹10 Per Toy
3. Labour Cost is ₹20 per toy & Variable overhead cost is ₹ 5 Per Toy.
4. Fixed manufacturing overhead applicable to Production is ₹ 45,000 per month.
5. It is practice of the company to manufacture an output in a month which is equivalent to 1.2 times of the Following month's sales.

Prepare the Production budget & the Production cost budget for July,2004 to Oct, 2004

Q.41. ABC manufacturing company produces 7,500 units by utilizing its 75% capacity supplies you the following cost information:- **(May 2008)**

Cost information at 75% capacity utilization [for 7,500 units]

Particulars	₹
Direct materials	7,50,000
Direct labour	6,00,000
Direct expenses	3,00,000
Factory overheads	4,50,000
Office overheads	3,00,000
Selling overheads	1,50,000

Additional Information:-

a. Direct material, direct labour, Direct expense are Variable cost.
b. Factory overheads per unit increased by 10% if capacity utilization goes down below the 75% and decrease by 15% if capacity utilization goes up above the 75%.
c. Office overheads are fixed overheads.
d. Selling overheads per unit increase by 20% if capacity utilization goes down below 75% and decreases by 25% if capacity goes up above 75%.
e. If is the policy of the company to change profit at 20% on selling price.

You are required to prepare a flexible budget at 50%, 75% and 100% capacity utilization.

Q.42. For production of 10,000 electrical automatic irons the following are the budgeted expenses:

Particulars	Per unit (₹)
Direct materials	60.00
Direct labour	30.00
Variable overheads	25.00
Fixed overheads [₹ 1,50,000]	15.00
Variable Expenses (Direct)	05.00
Selling expenses (10% fixed)	15.00
Administrative expenses (₹50,000 rigid for all level of production)	05.00
Distribution expenses (20% fixed)	05.00
Total cost of sales per unit	160.00

Prepare a budget for production of 6,000, 7,000 and 8,000 Irons showing distinctly marginal cost and total cost. **(May 2009)**

Q.43. Suruchi Manufacturing Co. is operating at 75% of normal capacity. It is proposed to offer a price reduction of 5% to 10% depending upon the sales volume desired. Given below are the relevant data: **(May 2009)**

Capacity	75%	85%	100%
Output (Units)	75,000	85,000	1,00,000
Selling price per unit	₹96	5% off	10% off
Material cost per unit	₹40	10% less	15% less
Wages cost per unit	₹10	₹10	₹10

Fixed production Overhead ₹14,00,000
Fixed Selling & Administration overhead ₹5,00,000
Variable Production Overhead ₹14,00,000 at 100% capacity
Variable Selling and Distribution Overhead ₹4,40,000 at 100% capacity
Prepare a statement to show per unit and total profit/loss at above levels of output.

Q.44. The expenses budgeted for production of 10,000 units in a factory are furnished below:- **(April 2012)**

Particular	₹ per unit
Material	70/-
Labour	25/-
Variable overheads	20/-
Fixed Overheads (₹1, 00,000)	10/-
Variable Expenses (Direct)	5/-
Selling expenses (10% fixed)	13/-
Distribution expenses (20% fixed)	7/-
Administration expenses (₹50, 000)	5/-
Total	155/-

Prepare a budget for production of (a) 8,000 units (b) 6,000 units.
Assume that Administration expenses are fixed for all levels of production.

Q.45. The following are the estimated sales of a company for eight months ending 30th November, 2011:

Month	Estimated Sales in Units
April, 2011	24,000
May, 2011	26,000
June, 2011	18,000
July, 2011	16,000
August, 2011	20,000
September, 2011	24,000
October, 2011	28,000
November, 2011	24,000

As a matter of policy, the company maintains the closing balance of finished goods and raw materials as follows:--

Stock Item	Closing Balance of a Month
Finished Goods (units)	40% of the estimated sales for next month
Raw materials (kg)	50% of the estimated consumption for next month

Every unit of production requires 4 kg raw materials costing ₹ 4 per kg.
Prepare Production Budget (in Units) & Raw Materials purchase Budget (in kg & cost) of the company for half year ended 30th September, 2011. **(April 2011)**

INCOME OF FIRM

Q.1. Given below the Profit and Loss Account of JP Associates for the year-ended 31st March2005. JP Associates is a partnership firm, which satisfies all the conditions of Section 184 and 40[B]. **[15]**

Particulars	Amount [₹]	Particulars	Amount [₹]
To Opening Stock	27,600	By Sales	12,53,500
To Purchases	24,120	By Closing Stock	30,000
To Salaries	20,235	By Rent Received	72,000
To General Expenses	55,500	By Interest on Investments	3,500
To Depreciation	23,550		
To Electricity Charges	16,800		
To Printing & Stationery	9,600		
To Municipal Tax	6,000		
To Remuneration to Partner			
J 3,00,000			
P 2,00,000			
Q 1,00,000	6,00,000		
To Interest to Partners @ 15%			
J 80,000			
P 20,000			
Q 1,20,000	2,20,000		
To Net Profit	3,55,595		
Total	**13,59,000**	**Total**	**13,59,000**

Additional Information:

1. Out of the General Expenses ₹20, 000 is not deductible under the Income Tax Act.
2. The salaries include an amount of ₹5, 000 being the bonus declared during the year. However, the bonus was unpaid till 31st October 2005, which is the due date for filling the return of income. Therefore, it is to be disallowed.
3. The rent received is in respect of a house property given on rent. The Municipal tax debited above relates to the same property.
4. Depreciation allowable as per the Income Tax Act is ₹53, 550.

Ascertain the Income from business of the firm with reference to Section 40[b] for the Assessment Year 2005-2006. **(April 2006)**

Q.2. Given below is the Profit and Loss Account of FIFA Ltd. for the year ended 31st March 2005. **[15]**

Particulars	Amount [₹]	Particulars	Amount [₹]
To Purchases	1,05,000	By Sales	21,01,000
To Salaries	1,58,000	By Amount withdrawn from General Reserve [created in earlier years by debiting P&L A/c.]	1,50,000
To Depreciation	4,62,000		
To Office expenses	16,000		
To Sales Tax	14,000		
To Income Tax	2,62,000		
To Proposed Dividend	45,000		
To Net Profit	11,89,000		
Total	**22,51,000**	**Total**	**22,51,000**

Additional Information:

1. Depreciation allowable under the Income Tax Law is ₹ 4, 02,000.
2. The entire Sales Tax debited above is unpaid as yet.
3. The Company is eligible for deduction u/s80I at the rate of 30% of the profits.
4. The Company has a brought forward business loss of ₹ 11, 10,000 relating to previous year 1999-2000.

Compute the net income of the company and the amount of tax payable as per section 115 JB. **(April 2006)**

Q.3. From the following data of M/s. Vodafone & Co. engaged in business, calculate the salary and interest to partners allowable under Section 40 (b) of the Income-tax Act, 1961: **[15]**

Profit and Loss A/c for the year ended 31-3-2006.

Particulars	Amount	Particulars	Amount
To Salaries :		By gross profit	16,25,300
(i) Staff	5,50,000	By Dividend from	
(ii) Partners **A**	2,00,000	companies	25,600
B	1,40,000	By Interest received on	
C	60,000	Fixed Deposits	72,500
To general Expenses	55,000	(held as 'Investments')	
To Depreciation on machinery	82,000		
To Rent	84,000		
To Bank Interest	22,500		
To Insurance premium	1,55,000		
To Telephone, printing, postage and Stationery	42,000		
To Interest to partners: **A**	30,000		
B	22,500		
C	15,000		
To Net Profit	2,65,400		
	17,23,400		**17,23,400**

You are further informed that:

(1) Rent paid includes Partners A's personal rent ₹ 14,000.
(2) Depreciation admissible as per the Income Tax Act is ₹ 60,000.
(3) Insurance premium paid for cover of Machinery is ₹ 35,000 for stock is ₹ 85,000 and the remaining is partners personal life insurance premium.
(4) General expenses include partners B's children school fees ₹ 15,000.
(5) Partners are paid interest @ 15% p.a. on their capitals and C is not a working partner. **(April 2007)**

Q.4. Kalu & Balu are parteners in KB & Co., a partnership firm which satisfies all Conditions of section 40[b] and 184. They share profits equally. Given below is the P&L Ac of the firm for the year ended 31-03-2009. **[15]**

Profit and Loss A/c

Particulars	₹	Particulars	₹
To Salaries	30,000	By Gross Profit	3,43,000
To Depreciation	27,000	By Int. on Invest.	4,000
To Conveyance	23,000		
To Stationery	3,000		
To Sales Tax [Unpaid]	12,000		
To Staff Welfare	5,000		
To Salary to partners			
Kalu 1,00,000			
Balu 1,00,000	2,00,000		
To Int. to Partners at 18% p.a.			

Kalu 9,000			
Balu 9,000	18,000		
To Net Profit	29,000		
Total	**3,47,000**	**Total**	**3,47,000**

Additional Information:-

1. The firm is carrying on business of trading in goods.
2. The depreciation allowable as per Income Tax Rules is ₹31,000.
3. Sales Tax liability [shown above] was remaining unpaid till the due date of filling the return of Income.
4. Staff Welfare expenses include ₹2,000 which are not allowed as expenses for Income Tax purposes.
5. You are also informed that the partner have following income [in addition to salary & interest from firm]

Particulars	Kalu ₹	Balu ₹
Income from House Property	19,000	--
Income from other Sources	--	14,000

You are required to calculate net taxable Income of the firm, as well as both the partners for A.Y. 10-11. **(April 2008)**

Q.5. M/s. Viswanath Industries, a partnership firm, submits the following profit & Loss A/c to you for computation of taxable business income for the assessment year 08-09.

Profit and Loss Account for the year ending 31-3-2008

Particulars	₹	Particulars	₹
To Salaries	3,48,000	By Gross profit	6,50,000
To Rent	24,000	By Sundry Creditors W/Back	7,000
To Printing & Stationery	4,700	By Dividend From UTI	13,000
To Telephone	2,800		
To Conveyance	19,500		
To Travelling	16,000		
To Interest	68,000		
To Depreciation	20,000		
To Legal Fees	12,000		
To Auditor's fees	12,000		
To PF contribution	18,000		
To Net Profit	1,25,000		
Total	**6,70,000**	**Total**	**6,70,000**

Additional Information:-

a. Salaries include ₹1,20,000 paid to working partner X and ₹80,000 to working partner Y.
b. Rent of ₹24,000 is paid to the premises belonging to partner Y who has let it out to the firm.
c. Interest paid includes ₹60,000, being interest paid on loan given by partner Y at the rate of 20% simple interest.
d. Out of PF contribution debited to P & L Account ₹7,000 is outstanding beyond the due date of filling of return.
e. The firm purchased goods by issuing crossed cheques and bank drafts except in the case of one bill for ₹75,000 for which payment has been made by cash. This has been debited to trading account as part of purchases. **(April 2009)**

Q.6. Tanaji, Dadoji and Suryaji are partnership TDS Enterprises.They furnish the following information for the year ended 31st march, 2010:-

Profit and Loss Account for the year ended 31st march,2010.

Debit	**Amount**	**Credit**	**Amount**
To tax Deducted at sourcefrom Business Receipts	12,000	By Gross Profit b/d	6,80,000
To Advance tax paid	90,000	By Profit on Sale of machinery	40,000
To Drawings of partners	48,000		
To Remuneration to partners Tanaji 80,000 Dadoji 1,60,000 Suryaji 1,60,000	4,00,000		
To Interest on Capital of partner(9%)	90,000		
To net Profit c/d	80,000		
	7,20,000		**7,20,000**

Additional Information :-

(a) Tanaji is a non – working partner. Dadoji looks after production and Suryaji is in – charge of marketing

From above information, for the assessment year 2010-2011-

(a) Calculate Book profit and Remuneration of partners allowable u/s 40 (b) of the Income tax Act, 1961.

(b) Compute the taxable income of the firm and

(c) Calculate net tax payable by the firm. **(April 2011)**

Q.7. Following is the profit and loss Account of DHK & Co.

Profit & loss Account for the year ending 31st March 2011.

Particulars	₹	Particulars	₹
To Income Tax To Expenses To Depreciation To Remuneration to partners To Interest to partners @ 15% p.a. To Net profit	50,000 4,76,000 64,000 3,00,000 60,000 50,000	By Professional fees	10,00,000
Total	10,00,000	Total	10,00,000

Additional Information:

a. Out of total expenses, expenses include the following:
   1. Capital expenditure ₹ 20,000
   2. Donations to trust ₹ 30,000
   3. Other expenses not deductible u/s 30 to 37 ₹ 24,000.

b. However the following expenses paid were inadvertently not records in books of account.
   1. Telephone Charges ₹ 12,000
   2. Electricity Charges ₹ 12,000
   3. Depreciation allowable as per income Tax Act is ₹ 70,000.

Find out the Taxation income of the firm for A.Y.2011-12 **(April 2012)**

Q.8. Following are the profit and loss account of ABC and company, where Mr. A, Mr. B, Mr. C is partner. Mr. A is sleeping partner where as Mr. B and Mr. C is working partner. You are require to compute the taxable income of the firm of A Y 2012-2013 and also the tax liability of the firm:- **[15]**

Profit and loss account for the year ended				
Particulars		**Amt**	**Particulars**	**Amt**
To salary to staff		2,40,000	By gross profit	6,08,000
To salary to partner			By net loss	64,000
Mr. A	96,000			
Mr. B	1,20,000			
Mr. C	1,44,000	3,60,000		
To interest to partner				
Mr. C on loan@24%		72,000		
		6,72,000		**6,72,000**

The deed of partnership provides for the payment of above remuneration and interest to partners. **(April 2013)**

RETURN OF INCOME

Q.9. Given below is the Profit & Loss A/c of AB & Co. a partnership for the year ended 31-3-09

Profit & Loss A/c

Particulars		**₹**	**Particulars**	**₹**
To Purchases		30,00,000	By Sales	57,00,000
To Other Expenses		10,00,000		
To Salary to Partner's				
A	2,50,000			
B	2,50,000	5,00,000		
To Net Profit		12,00,000		
Total		**57,00,000**	**Total**	**57,00,000**

Both A & B are working partners in the firm. Both of them do not have any income, other than salary received from firm.

From the information given above, determine the due date for furnishing the return of Income of the firm AB & Co. and both its partners A & B for the A. Y. 10-11. **[04]**

Q.10. Mr. X received a salary of ₹ 5,00,000 p.a. during 08-09 from Central Railway. He has no other income. What is the due date for filling return of income of Mr.X for A.Y. 10-11 **(April 2008) [2]**

SET OFF AND CARRY FORWARD OF LOSSES

Q.11. X, and individual submits the following information relevant for A.Y. 2005-06: **[7]**

[i.]	Income from Salary Computed	₹ 65, 000
[ii.]	**Income from House Property:**	
	House I [Income]	₹ 35, 000
	House II [Loss]	₹ 17, 000
	House III [Loss]	₹ 25, 000
[iii.]	**Income from Business:**	
	Business I [speculative] – Profit	₹ 45, 000
	Business II [non-speculative] – Loss	₹ 55, 000

Find out the net taxable income of Mr. X for A.Y. 2005-06 applying the provisions of set off and carry forward for losses. **(April 2006)**

Q.12. Mr. X furnishers the following particulars of his income for the previous year 2005-06: **(April 2007) [07]**

Income form	₹
Houses Property (Delhi)	5,00,000
Houses Property (Kolkotta)	(-) 2,00,000
Business (Jute)	(-) 15,00,000
Business (Cotton)	18,00,000
Speculation (Shares)	2,00,000
Speculation (Silver)	(-) 5,00,000
Capital Gain (Short term) :	
Land	3,00,000
Shares	(-) 2,00,000
Other Sources:	
Card Game	2,50,000
Race Horses	(-) 3,00,000

Q.13. Mr. Hirada submits the following information in respect of A.Y.10-11. Calculate his net Income. Also show losses to be carried forward. **(April 2008)**

Particulars	₹
Income from Salary	40,000
Income From House Property :	
House I	25,000
House II	[-]35,000
Income from Business :	
Business I [Non-speculative]	54,000
Business II [Non-speculative]	[-]14,000
Income from Capital Gains :	
Long Term Capital Gains	30,000
Income from other Sources :	
Interest on Debentures	1,000
Lottery Winnings	8,000

You are also informed that :

1. He spent ₹ 1,500 as collection charges towards interest on debentures[allowed to be deducted u/s 57 as an expenditure] **[12]**
2. He has following carried forward losses

Particulars	P. Y.	Amount ₹
Business Loss	2005-2006	10,000
Long Term, Capital Loss	2002-2003	35,000

Q.14. Mr. Z furnishes his following particulars for previous year 2005-06 : [07]

	₹		₹
Business Loss (plastics) Carried Forwards: Business Loss (First determined for Assessment Year 1998-99) Determine the Gross Total Income of Z for Assessment Year 2006-2007.	(-) 4,00,000 (-) 6,00,000	Business Profit (Grocery) Income from House Property	10,00,000 2,00,000

Q.15. For the assessment year 2012-2013, Mr. Ganesh a non-resident individual, furnishes the following information:- **(April 2013) [15]**

Business income	1,15,000
Income from house property	32,000
Long term capital gain	2,00,000
Short term capital gain	4,05,000
Income from owning and maintaining race horses	2,15,000
Income from card games(Besides, Mr. Ganesh has the following brought forward losses/allowances	1,10,000
Brought forward business loss of Assessment year 2007-08	1,21,000
Unabsorbed depreciation allowance of the assessment year 2005-06.	1,05,000
Long term capital loss in respect of assessment year 2010-11	3,45,000
Brought forward the loss from the activity of owning and maintaining race horses of the assessment year 2009-2010	2,75,000
Speculation losses of the assessment year 2008-2009	50,000

Determine the **gross total income** of Mr. Ganesh for the assessment year 2012-2013.

Q.16. Mrs. Asma submits the following information for the year ending 31-3-2008

Particulars	₹
Income from salaries (₹5,000 pm)	60,000
Income from houses property	
House 1	16000
House 2	(20,000)
House 3 (Self-occupied property)	(12,000)
Profits & gains of business/profession	
Business A	(25,000)
Business B (Speculative)	35,000
Capital gains	
Short term capital loss	(18,000)
Long term capital gain	10,000
Income from other sources	
Income from betting	9,000
Loss on maintenance of race horses	(12,000)
Interest on securities (Gross)	18,000
Interest on loan borrowed to invest in securities	20,000

Compute her total taxable income for the A/Y 2008-09 **(April 2009)**

Q.17. Balbir a resident individual , submits the following relevant for the previous year ending march 31 ,2010.

	₹
Income From Salary	16,00,000
Income from House Property :-	
House i	70,000
House ii	(-) 52,000
House iii (Self occupied)	(-) 25,000
Profit and Gains of Business or Profession :	
Business i	2,00,000
Business ii	(-) 75,000
Business iii (Speculative)	(-)60,000
Business iv (Speculative)	72,000
Capital Gains:-	
Short term capital loss	(-) 83,000
Long term capital gains on transfer of Preference Shares	70,000
Income From other Sources:	
Income from card games	80,000
Loss on maintenance of race horses	(-) 1,20,000.
Income from owing and maintaining race camels	2,00,000

Determine the Net Income for the assessment year 2010-11. **(April 2011)**

CLUBBING OF INCOME

Q.18. Mr. Pravin and Mrs. Anjali [Husband and wife] each hold 25% equity shares in kamdhenu Pvt. Ltd. They both are also employed in the same company on a monthly salary of Rs.25, 000, Rs.20, 000 respectively. They do not have any professional qualification. Income of Mr. Pravin from house property is Rs.20, 000 and that to Mrs. Anjali is Rs.75, 000 from other sources.

Compute the income taxable in the hands of both applying the provisions of clubbing of Income. **[6] [Apr 2006]**

Q.19. S. Apurva is minor daughter of Mr. Ginsh. She earned Rs.75, 000 during the P.Y. 2004-05 from acting in the film. In addition to that she earned Rs.25, 000 as interest of F.D. in Bank. [Amount was gifted by Ginsh to Ms. Apurva]. **[2] [Apr 2006]**

Find out who is liable to pay tax on above incomes

Q.20. Mr. A is one third partner in ABC & Co. which firm has paid is Rs. 75,000 salary to Mrs. A (wife of the said Mr. A) during the previous year 2005-06. During the same year, Mr. A has received Partners salary from the said firm of Rs. 2,25,000 and has also received interest on Debentures Rs. 25,000 and Dividend from Indian companies Rs. 22,000. Compute the Gross Total Income of Mr. A and Mrs. A for the Assessment year 2006-07. Given that Mrs. A does not possess any technical or professional qualification neither has any other income**.** **(7) [Apr 2007]**

Q.21. M gifts Rs. 5,00,000 to his wife N which she invests in 10% Fixed Deposit of Rs. 4,00,000 (for 9 months during previous year 2005-06) and gives a 18% Loan for the balance amount of Rs. 1,00,000 to her relative around the same time. M has house property income (net) of Rs.5,00,000 and income from other sources Rs. 1,25,000 in the same year. N does not have any other Income. Calculate M's and N's Gross Total Income for Assessment Year 2006-07**.** **(5)_[Apr 2007]**

Q.22. A. Master Chhote Mia, who is the minor son of Mr. Bade Mia, submits the following particulars of his income for the current previous year:

1) Income from house property (as computed) Rs.25,000. Th4e house was gifted to him by his uncle.
2) Income from debentures of an Indian company Rs.20,000. The debentures were gifted to him by his mother Ms. Mama Mia.
3) Income from liable to pay tax on the above income? If Mr. Bade Mia & Ms. Mama Mia earning taxable income of Rs.5,00,000 and Rs.6,00,000 respectively. **[Apr 2009]**

RETURN OF INCOME

Q.23. Mr. A has a chargeable salary income of Rs. 75,000 and is a 25% partner in a business wherefrom he earns salary of Rs. 95,000. The said business has net turnover of Rs.75,00,000. Mr. A has also earned interest on Debentures of Rs. 15,000 during the same year i.e. previous year 2005-06. Determine, with reasons, his date of filing the Return of Income for Assessment Year 2006-07. **(3) [Apr 2007]**

Q.24. Given below is the Profit & Loss A/c of AB & Co. a partnership for the year ended 31-03-09. [4]

Profit & Loss A/c

Particulars	Rs.	Particulars	Rs.
To Purchases	30,00,000	By Sales	57,00,000
To Other Expenses	10,00,000		
To Salary to Partner's			
A 2,50,000			
B 2,50,000	5,00,000		
To Net Profit	12,00,000		
Total	**57,00,000**	**Total**	**57,00,000**

Both A & B are working partners in the firm. Both of them do not have any income, other than salary received from firm.

From the information given above, determine the due date for furnishing the return of Income of the firm AB & Co. and both its partners A & B for the A. Y. 10-11.

Q.25. Mr. X received a salary of Rs.5,00,000 p.a. during 08-09 from Central Railway. He has no other income. What is the due date for filling return of income of Mr.X for A.Y. 10-11. [2] **[Apr 2008]**

ADVANCE TAX

Q.26. From the following information find out the amount of Advance tax Payable during the financial Year 2009-10 for Mr.Kishor Age 69 years)

	₹
Business Income : Speculative Business	1,00,000
Non- Speculative Business Business I (profit) Business II (Loss)	 2,30,000 (30,000)
Long Term Capital Gain(on 15/05/2009)	5,00,000
Short Term Capital Loss	(1,00,000)
Income From other sources Bank Interest Other Income	 80,000 1,90,000
Tax deducted at source	8,410

(April 2011)

Q.27. From the following information find out amount of advance tax payable during the year 2010-11. **(April 2012)**

Particular	Mr. Kapoor (72 yrs) Resident individual (₹)
Business income Other sources Deduction u/s chapter VI-A Tax deducted at sources	6,00,000 2,80,000 1,20,000 15,000

Q.28. N Ltd. paid ₹3,15,000 advance-tax during the year ended 31-3-2006 and furnished Return with Total Income of ₹ 10,00,000 along with T.D.S. Certificates for ₹ 20,500.

Determine N Ltd. tax liability (along with interest payable if any) for Assessment Year 2006-07 if its tax on Returned Total Income to be ₹ 3,00,000 and tax on assessed Total Income to be ₹ 4,50,000. **(April 2007] [07]**

Q.29. From the following Particulars are submitted by Mr. Raja ram (70 years), ascertain the Advance tax payable during the financial year 2011-2012. **[07]**

Particulars	Income	Tax deduction by payer
Salary	2,00,000	10,000
Rent@ ₹ 10,000 per months	1,20,000	-
Long term capital gain on sale of shares on September 1, 2012.	1,20,000	-
Winning from races	5,00,000	1,50,000
Bank interest	50,000	15,000

Mr. Raja ram has Contributed ₹ 10,500 towards recognized provident fund

(April 2013)

TAX DEDUCTION AT SOURCE

Q.30. Sun Ltd. makes the following payment during the financial year 2009-2010.

	Paid to	Nature of payment	₹
(i)	Desai & Co.	Audit fees	18,000
(ii)	Tilak & Co.	Account writing fees	25,000
(iii)	Tilak & Co.	Reimbursement of out of pocket expenses(Under separate bill)	20,000
(iv)	Naik & Co.	Fees for interior Decoration :- office	40,000
(v)	Patil & Co.	Brokerage for arranging office on Rental basis	2,000

Determine on which of the above payment tax is to be deducted at source for A.Y. 10-11.

(April 2011)

Q.31. Determine on which of the following payments tax is to be deducted at source for the assessment year 2010-2011. **(April 2011)**

	Payer	Payee	Nature of payment	₹
(i)	Manoj & Co.(a partnership firm)	Mr.Manoj (a partner)	Interest on capital	15,000
(ii)	Indian post office	Mr.Jagan(age 69 years)	Interest on senior citizen saving scheme account	18,000
(iii)	Janata Sahakari Bank Ltd.	Mr.Pramod	Interest on Fixed Deposit	21,000
(iv)	Motor Accident Claim Tribunal	Mrs.Sunita	Interest on compensation of ₹1,00,000	9,000
(v)	Income Tax Department	Mr.Suresh	Interest oon Income Tax refund	6,000

Q.32. Determine o which of the following payment tax is to be deducted at source for the Assessment year 2010-2011. **(April 2011)**

	Payer	Payee	Nature of Payment	₹
(i)	Mumbai University	Mr.Sagar	Contract charges for construction of over – bridge	49,000
(ii)	Sawant & Bros.(HUF) Having tax audit u/s 44 AB in the year 2008-2009	Mr.'X'	For Interior Decoration work carried out at home	75,000
(iii)	MTNL	Mr.Parag(PCO Operator)	Commission on PCO Collection	4,500
(iv)	Moon Ltd.	Shyam Ltd.	Accommodation of General Manager	1,10,000
(v)	Asha Ltd.	Mr.Mahendra	Refundable Deposit for flat taken on lease	1,50,000

INTEREST U/S 234A, 234B, 234C

Q.33. A. Mr. Davda informs you that the net tax payable by him for the year 2008-2009 is Rs.20,000. The advance tax paid by him during the year is as follows:- [9]

Date	Rs.
15-09-08	3,000
15-12-08	5,000
16-03-09	2,000

In addition to the above, the tax deducted at source on his income is Rs.4,000.
You are also informed that he filled his return of Income on 28-12-2009 even though the last date of filling the return of Income was 31-07-2009. Calculate interest u/s 234 A, 234 B, 234 C.