

**GUJARAT NATIONAL LAW UNIVERSITY
GANDHINAGAR**

Course: **Advanced Accounting and Auditing**
Semester- III (Batch: 2021-26)

End Semester Examination: November 2022

Date: 11th Nov, 2022

Duration: 3 hours

Max. Marks: 50

Instructions:

- Read the questions properly and write the answers in the given answer book.
- Do not write anything on the question paper.
- The respective marks for each question are indicated in-line.
- Indicate correct question numbers in front of the answer.
- No questions or clarification can be sought during the exam period, answer as it is, giving reason, if any.
- Use of a calculator is permitted. Calculator in mobile phone or any other device/s, gadgets is not permitted.

- | | | Marks |
|-----|---|-----------------|
| Q.1 | <p>a) SEWA (an NGO) received a donation of Rs.5,00,000 for the construction of an orphanage during the financial year 2020-21 (Previous Year). The management invested Rs.2,00,000 out of that in State Government Bonds, on which the interest of Rs.16,000 is received in the current year. The charity spent Rs.2,75,000 for the construction during the previous year itself and the balance in the current year. Assuming that the construction is completed in the current year 2021-22, you are required to show the effect of the accounting treatment of the transactions in the current year's balance sheet.</p> <p>b) Members of Rofel Club, are paying an annual subscription of Rs.500. On 31st march, 2021, subscriptions were in arrears from 10 members and received in advance from 5 members. Subscriptions are received during the year ended 31st March, 2022 from 444 member (including 20 members for the year 2022-23). Subscriptions are in arrears as on 31st March, 2022 from 31 members. Calculate the amount of subscription income for the year ended 31st March, 2022.</p> | <p>(5x2=10)</p> |

OR

- | | | |
|-----|---|------|
| | <p>a) Define 'Business' as per Ind AS 103. Also explain, optional concentration test, applied for identifying 'business combination' as prescribed in the Accounting Standard.</p> <p>b) Write a note highlighting key differences and pros and cons of 'Partnership' and 'Limited Liability Partnership (LLP)'.</p> | |
| Q.2 | <p>Arogyaniketan, an NGO in Ahmedabad, is established with one of the objectives to provide, low cost, affordable healthcare services to the downtrodden and the needy people of the community. The management seeks your expert services in preparing financial statements for the purpose of filing the same with the state commissionerate of charity as well as taxation authorities. The accountant provided you the following Receipts and Payments Account with some additional information:</p> | (10) |

| <i>Receipts</i> | <i>Amt. Rs.</i> | <i>Payments</i> | <i>Amt. Rs.</i> |
|-----------------------------------|-----------------|--------------------------------------|-----------------|
| To Balance B/d: | | By operation theatre | 80,000 |
| Cash | 4,000 | expenses | |
| To Subscriptions | 1,00,000 | By purchase of medicines | 56,000 |
| To donations | 50,000 | By doctor's honorarium | 50,000 |
| To interest on investments | 10,000 | By salaries | 36,000 |
| To income from charity show | 20,000 | By sundry expenses | 1,000 |
| To donation for operation theatre | 1,00,000 | By equipment | 44,000 |
| To government aid | 30,000 | By charity show expenses | 6,000 |
| To sale of old newspapers | 1,000 | By subscriptions of health magazines | 6,000 |
| | | By fixed deposit in bank | 30,000 |
| | | By Balance C/d | 6,000 |
| | 3,15,000 | | 3,15,000 |

Additional information:

| | 31.03.2021 | 31.03.2022 |
|----------------------------|------------|------------|
| | Rs. | Rs. |
| Subscriptions in arrears | 600 | 1,000 |
| Subscriptions in advance | 200 | 400 |
| Stock of medicines | 12,000 | 14,000 |
| Equipment | 70,000 | 1,04,000 |
| Building less depreciation | 80,000 | 76,000 |
| Investments | 50,000 | 50,000 |
| Capital fund | 2,16,400 | ? |

You are required to prepare Income & Expenditure Account and the Balance sheet.

Q.3 Dr. Daruwala, a veterinary physician, had the following balance sheet as on March 2022. (5)

| Liabilities | Amt. Rs. | Assets | Amt. Rs. |
|-----------------------------------|-----------------|--------------------------|-----------------|
| Capital Fund | 18,900 | F.D. in bank | 10,000 |
| Outstanding salaries to assistant | 600 | Miscellaneous advances | 650 |
| Liability for stationery | 700 | Accrued fees | 400 |
| Provision for fees | 400 | Accrued interest on F.D. | 250 |
| | | Bank Balance | 9,200 |
| | | Cash in hand | 100 |
| | 20,600 | | 20,600 |

Analysis of cash statement shows the following receipts and payments:

Sundry creditors (for stationery) Rs. 1,800; salaries Rs. 7,700; subscriptions to periodicals Rs. 1,200; withdrawals for petty cash Rs. 6,000; additional fixed deposits Rs. 5,000 (made on October 1, 2021); Fees received Rs. 19,500.

Also, the following is the summary of Petty Cash book for the year 2021-22:

| Receipts | Amt. Rs. | Payments | Amt. Rs. |
|-----------------------|--------------|-------------------|--------------|
| To balance | 100 | By Misc. expenses | 5,900 |
| To receipts form bank | 6,000 | By balance | 200 |
| | 6,100 | | 6,100 |

He had furnished the following additional information:

- (i) Fixed deposit is long term and carries interest rate @ 10% p.a.; during the year interest received is Rs. 1,000
- (ii) The expenses and incomes outstanding are : Salaries Rs. 700; creditors for stationery Rs. 200; Fees Rs. 500

Being a tax consultant, help him preparing P&L Account for the year for filing his Income tax return.

OR

Discuss provisions of section 44AD (Presumptive Taxation) of the Income tax Act, 1961 applicable for the 'businesses' with the help of hypothetical example of an assessee.

Q.4 The balance sheet Super Ltd. & Fast Ltd. As on 31st March 2022 were as follows: (15)

| <i>Liabilities</i> | | | <i>Assets</i> | | |
|---|-------------------|------------------|-------------------|-------------------|------------------|
| | <i>Super Ltd.</i> | <i>Fast Ltd.</i> | | <i>Super Ltd.</i> | <i>Fast Ltd.</i> |
| Share Capital: 15,00,000 Equity shares of Rs. 10 each 50,000, 10% preference shares of Rs. 100 each 4,00,000 equity shares of Rs. 10 each | 15,000 | - | Goodwill | - | 700 |
| | 5,000 | - | | | |
| | - | 4,000 | | | |
| General reserve | 8,000 | - | Patents | 2,000 | - |
| Profit & loss account | 900 | 320 | Land & building | 6,000 | - |
| Sundry creditors | 500 | 210 | Plant & machinery | 15,500 | - |
| | | | Motor vehicles | - | 400 |
| | | | Furniture | - | 250 |
| | | | Investments | 1,150 | - |
| | | | Stocks | 3,500 | 2,390 |
| | | | Debtors | 800 | 620 |
| | | | Cash at bank | 450 | 170 |
| | 29,400 | 4,530 | | 29,400 | 4,530 |

A new Company, Fastest Ltd., is formed to take over the assets and liabilities of Super Ltd. And Fast Ltd. As per the following terms:

- (i) Fastest Ltd. to have an authorised capital of Rs.3,50,00,000 divided into 50,000; 13% preference shares of Rs.100 each and 30,00,000 equity shares of Rs.10 each.
- (ii) Business of Super Ltd. is valued at Rs.3,00,00,000; settlement being Rs.60,00,000 cash and the balance by issuing fully paid equity shares valuing at Rs. 12
- (iii) Business of Fast Ltd. is valued at Rs.48,00,000; to be satisfied by issuing equity shares valuing Rs.12 per share.
- (iv) Preference shares are to be redeemed prior.
- (v) Fastest Ltd. is to make public issue of 30,000 preference shares at par and 3, 00,000 equity shares at Rs. 12 per share including premium.
- (vi) MFintech Ltd., who mooted the scheme, are to be allotted, 40,000 equity shares valued at Rs. 12 per share.

Pass necessary entries to effect the amalgamation and Prepare Balance-sheet of Fastest Ltd., considering applicability of AS-14 requirement to both transferor as well as transferee companies.

- Q.5 The Management of Resurrection Ltd. decided to recommend to the shareholders certain steps to put the affairs of the company back on the rails. On June 30,2022 the balance sheet of the company was as under: (10)

| <i>Liabilities</i> | <i>Amt Rs.</i> | <i>Assets</i> | <i>Amt. Rs.</i> |
|--|--------------------|---|--------------------|
| 1,00,000 equity shares of Rs. 100 each | 1,00,00,000 | Fixed assets | 1,00,00,000 |
| 12% cumulative pref. shares | 50,00,000 | Investments (Market value Rs. 9,50,000) | 10,00,000 |
| 10% debentures of Rs. 100 each | 40,00,000 | Current assets | 1,00,00,000 |
| Sundry creditors | 50,00,000 | P&L A/c. | 4,00,000 |
| Provision for taxation | 1,00,000 | Preliminary expenses | 2,00,000 |
| | 2,41,00,000 | | 2,41,00,000 |

The scheme of reorganisation as approved by competent authorities; was as under:

- a. The issued ordinary shares were reduced to Rs. 40 each paid up.
- b. All preference shares are reduced to Rs. 60 each.
- c. The rate of interest on debentures is increased to 12% in lieu of debenture holders surrendered their existing debentures to exchange debenture of Rs. 70 each.
- d. One of the creditors to whom the company owes Rs. 20, 00,000 agreed to forgo 40% of his claim against issuance of 30,000 equity shares of the new denomination in full satisfaction of his claim.
- e. Fixed assets are to be written down by 30% and the assets are to be revalued at Rs.45,00,000.
- f. The taxation authority consented to settle the taxation liability of the company for Rs. 1,50,000.

Show the journal entries to record the above scheme and prepare the balance sheet post reconstruction.
