PAPER – 1 : ADVANCED ACCOUNTING

Answer all questions.

Working notes should form part of the answer.

Question 1

X and Y are partners sharing profits and losses in the ratio of 3:2. On 30th September, 2006 they admitted Z as a partner. The new profit sharing ratio agreed was 2:2:1.

At the time of admission Z brought in a fixture valued at Rs. 6,000 and a machinery worth Rs.24,000. No accounting entry was passed for the fixture brought in by partner Z in the books of the firm.

Also at the time of admission the valuation of goodwill was made. The value of goodwill of X and Y was decided at Rs. 40,000 and value of goodwill of partner Z was fixed at Rs. 20,000. No effect was given to the goodwill value in the books of the firm.

On 31.3.2007, it was decided that partner X would retire and the other partners viz., Y and Z would continue the business of the firm by converting it into a company called YZ Ltd., with equal shareholding in the company.

The partners agreed as below:

(i) The goodwill of the firm shall be fixed at Rs.80,000. Necessary effect for goodwill value not recorded earlier shall be given. The present goodwill value being Rs.80,000 shall be reflected in the books of the company.

(ii) All the assets and liabilities of the firm shall be taken over by the company.

(iii) Partner X would take motor car of the firm at a value of Rs.7,400.

(iv) A plant owned by the firm is sold for Rs.6,000.

(v) The profit of the firm upto 30.9.2006 was Rs.44,000.

(vi) Partner X agreed to leave Rs.90,000 as loan with the firm in return for 12% interest per annum.

Following is the Trial Balance of the firm as on 31.3.2007:

Particulars	Dr.	Cr.
	Rs.	Rs.
Capital Account:		
X	-	80,000
Y	-	50,000
Z	-	24,000
Drawings Account:		

X	22,000	-
Y	20,000	-
Z	9,600	-
Sundry Debtors	70,000	-
Sundry Creditors	-	32,000
Plant (Book value of plant sold Rs.8,000)	46,000	-
Fixtures	14,000	-
Stock	24,000	-
Motor car	5,400	-
Cash at bank	34,600	-
Profit and Loss A/c (for the year)	–	59,600
	2,45,600	2,45,600

You are required to prepare:

(i) Goodwill Adjustment Account

(ii) Profit and Loss Appropriation Account

(iii) Partners' Capital Accounts

(iv) Balance Sheet of YZ Ltd. after conversion. (20 Marks)

Answer

(i) Goodwill Adjustment Account

			Rs.				Rs.
30.9.06	To	Partners' Capital A/cs		30.9.06	By	Partners' Capital A/cs	
		X (3/5)	24,000			X (2/5)	24,000
		Y (2/5)	16,000			Y (2/5)	24,000
		Z	20,000			Z (1/5)	12,000
31.3.07	To	Partners' Capital A/cs		31.3.07	By	Goodwill A/c	
		X (2/5)	32,000			(Goodwill raised in the books)	80,000
		Y (2/5)	32,000				
		Z (1/5)	16,000				
			1,40,000				1,40,000

(ii) Profit and Loss Appropriation Account

To	Plant - Loss on sale of plant		2,000	By	Motor Car	2,000
To	Partners' Capital A/cs*			By	Profit and Loss A/c	59,600
		X	32,640			
		Y	23,840			
		Z	3,120			
			61,600			61,600

*Calculation of profit apportionment:	Total	X	Y	Z
	Rs.	Rs.	Rs.	Rs.
Upto 30.9.2006 (in 3:2)	44,000	26,400	17,600	NIL
From 01.10.2006 to 31.3.2007 (in 2:2:1)	15,600	6,240	6,240	3,120
	59,600	32,640	23,840	3,120

(iii) Partners' Capital Accounts

			X	Y	Z				X	Y	Z
			Rs.	Rs.	Rs.				Rs.	Rs.	Rs.
30.9.06	To	Goodwill Adjustment A/c	24,000	24,000	12,000	30.9.06	By	Balance b/d	80,000	50,000	–
31.3.07	To	Motor car	7,400	–	–		By	Plant & machinery	–	–	24,000
	To	Drawings	22,000	20,000	9,600		By	Fixtures	–	–	6,000
	To	12% Loan	90,000	–	–		By	Goodwill Adjustment A/c	24,000	16,000	20,000
	To	Bank	25,240	–	–		By	Profit upto 30.9.06	26,400	17,600	–
	To	Balance c/d	–	77,840	47,520	31.3.07	By	Profit for 6 months ended 31.3.07	6,240	6,240	3,120
							By	Goodwill Adjusment A/c	32,000	32,000	16,000
			1,68,640	1,21,840	69,120				1,68,640	1,21,840	69,120
31.3.07	To	Bank		15,160	–	31.3.07	By	Balance b/d		77,840	47,520
	To	Shares of YZ Ltd. (W.N. 2)		62,680	62,680		By	Bank		–	15,160
				77,840	62,680					77,840	62,680

(iv) Balance Sheet of YZ Ltd.

Liabilities	Rs.	Assets	Rs.
Share capital	1,25,360	Goodwill	80,000
12% Loan	90,000	Plant (46,000 – 8,000)	38,000
Sundry creditors	32,000	Fixtures (14,000 + 6,000)	20,000
		Stock	24,000
		Sundry debtors	70,000
		Cash at bank (W.N. 1)	15,360
	2,47,360		2,47,360

Working Notes:

1. Bank Account

		Rs.			Rs.
To	Balance b/d	34,600	By	X's Capital A/c	25,240
To	Plant (sold) A/c	6,000	By	Y's Capital A/c	15,160
To	Z's capital A/c	15,160	By	Balance c/d	15,360
		55,760			55,760

2. Total capital of the firm before conversion

	Rs.
Y	77,840
Z	47,520
	1,25,360

As Y and Z would continue with equal shareholding, therefore, share capital of Y and Z would be Rs.1,25,360 / 2 = Rs.62,680 each.

	Rs.
Z should bring cash Rs.(62,680 – 47,520) =	15,160
Y should withdraw cash Rs.(77,840 – 62,680) =	15,160

Question 2

Following is the Balance Sheet of ABC Ltd. as at 31st March, 2007:

Liabilities	Rs.	Assets	Rs.
Share capital:		Plant and machinery	9,00,000
2,00,000 Equity shares of		Furniture and fixtures	2,50,000
Rs 10 each fully paid up	20,00,000	Patents and copyrights	70,000
6,000 8% Preference shares		Investments (at cost)	

of Rs. 100 each	6,00,000	(Market value Rs. 55,000)	68,000
9% Debentures	12,00,000	Stock	14,00,000
Bank overdraft	1,50,000	Sundry debtors	14,39,000
Sundry creditors	5,92,000	Cash and bank balance	10,000
		Profit and Loss A/c	4,05,000
	45,42,000		45,42,000

The following scheme of reconstruction was finalised:

(i) Preference shareholders would give up 30% of their capital in exchange for allotment of 11% Debentures to them.

(ii) Debentureholders having charge on plant and machinery would accept plant and machinery in full settlement of their dues.

(iii) Stock equal to Rs.5,00,000 in book value will be taken over by sundry creditors in full settlement of their dues.

(iv) Investment value to be reduced to market price.

(v) The company would issue 11% Debentures for Rs.3,00,000 and augment its working capital requirement after settlement of bank overdraft.

Pass necessary Journal Entries in the books of the company. Prepare Capital Reduction account and Balance Sheet of the company after internal reconstruction. (16 Marks)

Answer

In the Books of ABC Ltd.

Journal Entries

Particulars		Rs.	Rs.
8% Preference share capital A/c	Dr.	6,00,000	
To Preference shareholders A/c			4,20,000
To Capital reduction A/c			1,80,000
[Being 30% reduction in liability of preference share capital]			
Preference shareholders A/c	Dr.	4,20,000	
To 11% Debentures A/c			4,20,000
[Being the issue of debentures to preference shareholders]			
9% Debentures A/c	Dr.	12,00,000	
To Debenture holders A/c			12,00,000
[Being transfer of 9% debentures to debenture holders A/c]			

Debenture holders A/c	Dr.	12,00,000	
To Plant & machinery A/c			9,00,000
To Capital reduction A/c			3,00,000
[Being settlement of debenture holders by allotment of plant & machinery]			
Sundry creditors A/c	Dr.	5,92,000	
To Stock A/c			5,00,000
To Capital reduction A/c			92,000
[Being settlement of creditors by giving stocks]			
Bank A/c	Dr.	3,00,000	
To 11% Debentures A/c			3,00,000
[Being fresh issue of debentures]			
Bank overdraft A/c	Dr.	1,50,000	
To Bank A/c			1,50,000
[Being settlement of bank overdraft]			
Capital reduction A/c	Dr.	5,72,000	
To Investment A/c			13,000
To Profit and loss A/c			4,05,000
To Capital reserve A/c (Bal. Fig.)			1,54,000
[Being decrease in investment and profit and loss account (Dr. bal.); and balance of capital reduction account transferred to capital reserve]			

Capital Reduction Account

		Rs.			Rs.
To	Investments A/c	13,000	By	Preference share capital A/c	1,80,000
To	Profit and loss A/c	4,05,000	By	9% Debenture holders A/c	3,00,000
To	Capital reserve A/c(Bal. Fig.)	1,54,000	By	Sundry creditors A/c	92,000
		5,72,000			5,72,000

Balance Sheet of ABC Ltd. (And Reduced)
As on 31st March 2007

Liabilities	Rs.	Assets	Rs.
Share capital 2,00,000 Equity shares of Rs.10		Plant & machinery (9,00,000 – 9,00,000)	Nil
each fully paid-up	20,00,000	Furniture & fixtures	2,50,000
Capital reserve	1,54,000	Patents & copyrights	70,000
11% Debentures (Rs.4,20,000 + Rs.3,00,000)	7,20,000	Investments (Rs.68,000 – Rs.13,000)	55,000
		Stock (Rs.14,00,000 – Rs.5,00,000)	9,00,000
		Sundry debtors	14,39,000
		Cash at bank (refer W.N.)	1,60,000
	28,74,000		28,74,000

Working Note:

Cash at bank = Opening balance + 11% Debentures issued – Bank overdraft paid

= Rs.10,000 + Rs.3,00,000 – Rs.1,50,000

= Rs.1,60,000

Question 3

J Ltd. presents you the following information for the year ended 31st March, 2007:

		(Rs. in lacs)
(i)	Net profit before tax provision	36,000
(ii)	Dividend paid	10,202
(iii)	Income-tax paid	5,100
(iv)	Book value of assets sold	222
	Loss on sale of asset	48
(v)	Depreciation debited in P & L account	24,000
(vi)	Capital grant received - amortized in P & L A/c	10
(vii)	Book value of investment sold	33,318
	Profit on sale of investment	120
(viii)	Interest income from investment credited in P & L A/c	3,000
(ix)	Interest expenditure debited in P & L A/c	12,000
(x)	Interest actually paid (Financing activity)	13,042
(xi)	Increase in working capital [Excluding cash and bank balance]	67,290

(xii)	Purchase of fixed assets	22,092
(xiii)	Expenditure on construction work	41,688
(xiv)	Grant received for capital projects	18
(xv)	Long term borrowings from banks	55,866
(xvi)	Provision for Income-tax debited in P & L A/c	6,000
	Cash and bank balance on 1.4.2006	6,000
	Cash and bank balance on 31.3.2007	8,000

You are required to prepare a cash flow statement as per AS 3 (Revised). (16 Marks)

Answer

Cash Flow Statement as per AS 3

Cash flows from operating activities		Rs. in lacs
Net profit before tax provision		36,000
Add: Non-cash expenditures		
Depreciation	24,000	
Loss on sale of assets	48	
Interest expenditure	12,000	36,048
		72,048
Less: Non-cash income		
Amortisation of capital grant received	(10)	
Profit on sale of investments	(120)	
Interest income from investment	(3,000)	(3,130)
Operating profit		68,918
Less: Increase in working capital		(67,290)
Cash from operations		1,628
Less: Income tax paid		(5,100)
Net cash used in operating activities		(3,472)
Cash flows from investing activities		
Sale of assets (222 – 48)	174	
Sale of investments (33,318+120)	33,438	
Interest income from investments	3,000	
Purchase of fixed assets	(22,092)	
Expenditure on construction work	(41,688)	
Net cash used in investing activities		(27,168)

Cash flows from financing activities		
Grants for capital projects	18	
Long term borrowings	55,866	
Interest paid	(13,042)	
Dividend paid	(10,202)	
Net cash from financing activities		32,640
Net increase in cash		2,000
Add: Cash and bank balance as on 1.4.2006		6,000
Cash and bank balance as on 31.3.2007		8,000

Note: For calculating cash flows from operating activities, 'net profit before tax provision' has been considered for calculation. Therefore, no effect for 'provision for income tax debited in P & L A/c' has been given.

Question 4

(a) Beta Ltd. having head office at Mumbai has a branch at Nagpur. The head office does wholesale trade only at cost plus 80%. The goods are sent to branch at the wholesale price viz., cost plus 80%. The branch at Nagpur is wholly engaged in retail trade and the goods are sold at cost to H.O. plus 100%.

Following details are furnished for the year ended 31st March, 2007:

	Head Office (Rs.)	Branch (Rs.)
Opening stock (as on 1.4.2006)	2,25,000	-
Purchases	25,50,000	-
Goods sent to branch (Cost to H.O. plus 80%)	9,54,000	-
Sales	27,81,000	9,50,000
Office expenses	90,000	8,500
Selling expenses	72,000	6,300
Staff salary	65,000	12,000

You are required to prepare Trading and Profit and Loss Account of the head office and branch for the year ended 31st March, 2007.

(b) The following information is available in the books of X Bank Limited as on 31st March, 2007:

	Rs.
Bills discounted	1,37,05,000
Rebate on Bills discounted (as on 1.4.2006)	2,21,600
Discount received	10,56,650

Details of bills discounted are as follows:

Value of bill (Rs.)	Due date	Rate of Discount
18,25,000	5.6.2007	12%
50,00,000	12.6.2007	12%
28,20,000	25.6.2007	14%
40,60,000	6.7.2007	16%

Calculate the rebate on bills discounted as on 31.3.2007 and give necessary journal entries. (8+8=16 Marks)

Answer

(a) Trading and Profit and Loss A/c of Beta Ltd.
For the year ended 31st March 2007

		Head office	Branch			Head office	Branch
		Rs.	Rs.			Rs.	Rs.
To	Opening stock	2,25,000	-	By	Sales	27,81,000	9,50,000
To	Purchases	25,50,000	-	By	Goods sent to branch	9,54,000	-
To	Goods received from head office	-	9,54,000	By	Closing stock (W.N.1 & 2)	7,00,000	99,000
To	Gross profit c/d	16,60,000	95,000				
		44,35,000	10,49,000			44,35,000	10,49,000
To	Office expenses	90,000	8,500	By	Gross profit b/d	16,60,000	95,000
To	Selling expenses	72,000	6,300				
To	Staff salaries	65,000	12,000				
To	Branch Stock Reserve (W.N.3)	44,000	-				
To	Net Profit	13,89,000	68,200				
		16,60,000	95,000			16,60,000	95,000

Working Notes:

(1) Calculation of closing stock of head office:

	Rs.
Opening Stock of head office	2,25,000
Goods purchased by head office	25,50,000
	27,75,000
Less: Cost of goods sold [37,35,000* x 100/180]	20,75,000
	7,00,000

* Rs.27,81,000 + Rs.9,54,000

(2) Calculation of closing stock of branch:

Goods received from head office [At invoice value]	9,54,000
Less: Invoice value of goods sold [9,50,000 x 180/200]	8,55,000
	99,000

(3) Calculation of unrealized profit in branch stock:

Branch stock	Rs.99,000
Profit included	80% of cost
Hence, unrealized profit would be = Rs. 99,000 x 80/180 =	Rs.44,000

(b) Statement showing rebate on bills discounted

Value	Due Date	Days after 31.3.2007	Rate of discount	Discount Amount
18,25,000	5.6.2007	(30+ 31+5) = 66	12%	39,600
50,00,000	12.6.2007	(30+31+12) = 73	12%	1,20,000
28,20,000	25.6.2007	(30+31+25) = 86	14%	93,021
40,60,000	6.7.2007	(30+ 31+ 30+ 6) = 97	16%	1,72,633
1,37,05,000	Rebate on bills discounted on 31.3.2007			4,25,254

In the books of X Bank Ltd.
Journal Entries

			Dr.	Cr.
(i)	Rebate on bills discounted Account	Dr.	2,21,600	
	To Discount on bills Account			2,21,600
	[Being opening balance of rebate on bills discounted account transferred to discount on bills account]			
(ii)	Discount on bills Account	Dr.	4,25,254	
	To Rebate on bills discounted Account			4,25,254
	[Being provision made on 31st March, 2007]			
(iii)	Discount on bills Account	Dr.	8,52,996*	
	To Profit and loss Account			8,52,996
	[Being transfer of discount on bills, of the year, to profit and loss account]			

* Credit to Profit and Loss A/c = Rs.10,56,650 + Rs.2,21,600 – Rs.4,25,254 = Rs.8,52,996

Question 5

Answer any eight out of the following:

(i) A, B, and C are partners sharing profits and losses in the ratio of 3:2:1. B retired from the firm. Partners A and C decided to take his share in 3:1 ratio. What is the new ratio of the partners A and C?

(ii) A company lodged a claim to insurance company for Rs. 5,00,000 in September, 2006. The claim was settled in February, 2007 for Rs. 3,50,000. How will you record the short fall in claim settlement in the books of the company.

(iii) X Ltd. acquired a fixed asset for Rs. 50,00,000. The estimated useful life of the asset is 5 years. The salvage value after useful life was estimated at Rs.5,00,000. The State Government gave a grant of Rs.10,00,000 to encourage the asset acquisition. At the end of the second year, the subsidy of the State Government became refundable. What is the fixed asset value after refund of grant/subsidy to the State Government but before amortising the asset value at the end of the second year?

(iv) What is meant by 'Red-Ink interest' in an Account Current?

(v) What do you understand by the term 'Firm Underwriting'?

(vi) The closing capital of Mr. A on 31.3.2007 was Rs. 1,50,000. On 1.4.2006 his capital was Rs. 60,000. During the year he had drawn Rs. 40,000 for domestic expenses. He introduced Rs. 25,000 as additional capital in February, 2007. Find out his net profit for the year.

(vii) What is the percentage of NPA provision to be made by banks in respect of fully secured doubtful advances of more than 3 years old?

(viii) A concern made a net profit of Rs. 2,00,000 for the year ended 31.3.2007. The normal rate of return in that type of business is 20%. What is the value of business under "Profit Capitalisation method"?

(ix) What are the two main methods of accounting for amalgamation of companies?

(x) What is meant by accounting estimate? Give two examples for accounting estimate.

(8 x 2 = 16 Marks)

Answer

(i) Calculation of new profit and loss sharing ratio of partners A and C

$1/3^{rd}$ share of B taken by partners A & C in 3:1 i.e.

A will receive from B = $\frac{1}{3} \times \frac{3}{4} = \frac{1}{4}$

C will receive from B = $\frac{1}{3} \times \frac{1}{4} = \frac{1}{12}$

Total share of A and C will be:

A = $\frac{3}{6}+\frac{1}{4}=\frac{12+6}{24}=\frac{18}{24}$ or $\frac{3}{4}$

C = $\frac{1}{6}+\frac{1}{12}=\frac{2+1}{12}=\frac{3}{12}$ or $\frac{1}{4}$

Therefore, new profit and loss sharing ratio of A and C will be 3 : 1.

(ii) Journal Entry

		Rs.	Rs.
Profit and Loss A/c	Dr.	1,50,000	
To Insurance Company A/c			1,50,000
[Being the shortfall in insurance claim is the loss, transferred to Profit and Loss A/c]			

(iii) Statement showing the calculation of fixed assets at the end of the second year

	Rs.
Original cost of fixed assets	50,00,000
Less: State Government grant received	(10,00,000)
	40,00,000
Less: Amount to be written off in the first year $\frac{40,00,000-5,00,000}{5 \text{ years}}$	(7,00,000)
	33,00,000
Add: Refund of State Government grant	10,00,000
Value of fixed assets, at the end of the second year, after refund of grant but before depreciation	43,00,000

(iv) Red ink interest: In an Account Current, interest is calculated on the amount of a bill from the date of transaction to the closing date of the period concerned. In case the due date of the bill falls after the closing date of the account, then no interest is allowed for that period. Such interest is customarily written in red ink in the appropriate side of the Account Current. This interest is called Red-Ink Interest and is treated as negative interest.

(v) Firm under-writing: 'Firm underwriting' signifies a definite commitment by underwriters to take up specified number of shares irrespective of the number of shares subscribed for by the public. In such a case, unless it has been otherwise agreed, the underwriter's liability is determined without taking into account the number of shares taken up 'firm' by him. In other words, the underwriter is obliged to take up:

1. the number of shares he has applied for 'firm'; and
2. the number of shares he is obliged to take up on the basis of the underwriting agreement.

(vi) Statement showing calculation of profit for the year ended 31.3.2007

	Rs.
Capital as on 31.3.2007	1,50,000
Add: Drawings during the year	40,000
	1,90,000
Less: Additional capital introduced in February 2007	(25,000)
	1,65,000
Less: Capital as on 1.4.2006	(60,000)
Net profit for the year 2006-2007	1,05,000

(vii) In case of Banking Companies, 100% NPA provision is made in respect of fully secured doubtful advances of more than 3 years. This provision is made irrespective of whether the advance is fully / partly secured or unsecured. However, in the case of government guaranteed advances this rate of provision does not apply.

(viii) Value of business as per profit capitalisation method $= \frac{\text{Net profit}}{\text{Normal rate of return}} \times 100$

$$= \frac{\text{Rs.}2,00,000}{20} \times 100$$

$$= \text{Rs.}10,00,000$$

(ix) Two main methods of accounting for amalgamations are:

(i) The Pooling of Interests method: Under this method, the assets, liabilities and reserves of the transferor company are recorded by the transferee company at their existing carrying amounts after making the adjustments required in para 11 of AS 14.

(ii) The Purchase method: Under this method, the transferee company accounts for the amalgamation either by incorporating the assets and liabilities at their existing carrying amounts or on the basis of their individual fair values on the date of amalgamation.

(x) As a result of the uncertainties in business activities, many financial statement items cannot be measured with precision but can only be estimated. This is called accounting estimates. On account of such uncertainties, management makes various estimates and assumptions of assets, liabilities, incomes and expenses as on the date of preparation of financial statements. This process of estimation involves judgments, which is based on the latest information available.

Examples of estimation in some fields are:

(i) Estimation of useful life of depreciable assets.

(ii) Estimation of provision to be made for bad and doubtful debts.

Question 6

Answer any four out of the following:

(a) Mention six areas in which different accounting policies are followed by companies.

(b) What are the advantages of outsourcing the accounting functions?

(c) A company purchased its own 11% debentures in the open market for Rs. 50,00,000 (cum-interest). The interest amount included in the purchase price is Rs. 1,50,000. The face value of the debentures purchased is Rs. 52,00,000. The company cancelled the debentures so purchased.

Pass Journal Entries in the books of the company for purchase and immediate cancellation of debentures.

(d) What are the advantages of self-balancing ledger system?

(e) List the criteria to be applied for rating an enterprise as Level-I enterprise for the purpose of compliance of Accounting Standards in India.

(f) From the following information relating to Y Ltd. Calculate Earnings Per Share (EPS):

	Rs. in crores
Profit before V.R.S. payments but after depreciation	75.00
Depreciation	10.00
VRS payments	32.10
Provision for taxation	10.00
Fringe benefit tax	5.00
Paid up share capital (shares of Rs.10 each fully paid)	93.00

(4X4=16 Marks)

Answer

(a) Following are some of the areas in which different accounting policies may be adopted by different enterprises:

(i) Methods of depreciation, depletion and amortisation.

(ii) Treatment of expenditure during construction.

(iii) Valuation of inventories.

(iv) Treatment of goodwill.

(v) Valuation of investments.

(vi) Valuation of fixed assets.

(b) Following are the advantages of outsourcing the accounting functions:

(i) The organisation that outsources its accounting function is able to save time to concentrate on the core area of business activity.

(ii) The organisation is able to utilise the expertise of the third party in undertaking the accounting work.

(iii) Storage and maintenance of the data is in the hand of professional people.

(iv) The organisation is not bothered about people leaving the organisation in key accounting positions.

(v) The proposition is proving to be economically more sensible.

(c) Journal Entries

11% Own Debentures Account	Dr.	48,50,000	
Debenture interest Account	Dr.	1,50,000	
To Bank Account			50,00,000
[Being the purchase of cum – interest own debentures from the market]			
11% Debentures Account	Dr.	52,00,000	
To 11% Own Debentures Account			48,50,000
To Capital Reserve			3,50,000
[Being profit on cancellation of own debentures transferred to Capital Reserve Account]			

(d) Following are the advantages of self-balancing ledger system:

(i) It fixes the responsibility on the ledger keeper who had to balance the ledger. The error is localised.

(ii) Interim accounts can be prepared without personal ledger to be balanced.

(iii) The total amount due from debtors and total amount payable to suppliers and creditors is readily available.

(iv) The maintenance of general ledger would be easy as the voluminous debtors and creditors details are maintained in control accounts.

(e) Enterprises which fall in any one or more of the following categories, at any time during the accounting period, are classified as Level I enterprises:

(i) Enterprises, whose equity or debt securities are listed or is in the process of being listed in India or outside India.

(ii) Banks (including co-operative banks), Insurance companies and Financial Institutions.

(iii) All commercial, industrial and business reporting enterprises, whose turnover for the immediately preceding accounting period on the basis of audited financial statements exceeds. Rs.50 crores. Here turnover does not include 'other income'.

(iv) All commercial, industrial and business reporting enterprises whose total borrowings including public deposits exceeds Rs.10 crores, at any time during the accounting period.

(v) Holding and subsidiary companies of any of the above enterprises at any time during the accounting period.

(f) Statement showing calculation of Earnings for share of Y Ltd.

			Rs. in crores
Profit after depreciation but before VRS payment			75.00
Less:	Depreciation	No adjustment required	
	VRS payments	32.10	
	Provision for taxation	10.00	
	Fringe benefit tax	5.00	47.10
Net Earnings			27.90
Number of shares			9.30 crores shares

Earnings Per Shares $= \dfrac{\text{Net Earnings}}{\text{Number of shares}}$

$= \dfrac{27.90 \text{ crores}}{9.30 \text{ crores}}$

= Rs.3 per share.