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Marks

of Rainbow Ltd., capitalised interest of Rs. 19.50 crores for the accounting period ending on 31.3.2010. Due to surplus fund out of Rs. 150 crores, an income of Rs. 3.50 crores was earned and credited to profit and loss account. Comment on the above treatment of accountant with reference to relevant accounting standard.

- (d) Y Ltd. is a full tax free enterprise for the first ten years of its existence and is in the second year of its operation. Depreciation timing difference resulting in a tax liability in year 1 and 2 is Rs. 200 lakhs and Rs. 400 lakhs respectively. From the third year it is expected that the timing difference would reverse each year by Rs. 10 lakhs. Assuming tax rate of 40%, find out the deferred tax liability at the end of the second year and any charge to the Profit and Loss account.

2. (a) While closing its books of account as on 31.12.2009 a non-banking finance company (NBFC) has its advances classified as under :

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	Rs. in lakhs
Standard assets	10,000
Sub-standard assets	1,000
Secured portion of doubtful debts	
— Upto one year	160
— One year to three year	70
— More than three years	20
Unsecured portion of doubtful debts	90
Loss assets	30

Calculate the provision to be made against advances by NBFC as per prudential norms.

- (b) Comforts Ltd. granted Rs. 10,00,000 loan to its employees on January 1, 2009 at a concessional interest rate of 4% per annum. Loan is to be repaid in five equal annual instalments alongwith interest. Market rate of interest for such loan is 10% per annum. Following the principles of recognition and measurement as laid down in AS-30—'Financial instruments : Recognition and measurement', record the entries for the year ended 31st December, 2009 for the loan transaction, and also calculate the value of loan initially to be recognised and amortised

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