BATCH : LI –1, 2, 3 & 4

DATE: 08.08.2016 **MAXIMUM MARKS: 100** **TIMING: 3 Hours**

PAPER – 1 : ACCOUNTING

Answer Sheet

Solution 1:

(a)

(i) Total Depreciation to be charged in the Profit and Loss Account

Particulars	Rs.
Depreciation on old machinery in use [10% of (560000-160000)]	40000
Add: Depreciation on new machine @ 10% for six months (150000 x 10% x 6/12)	7500
Total depreciation on machinery in use	47500
Add: Depreciation on machine disposed of (10% for 6 months) (160000 x 10% x 6/12)	8000
So, total depreciation to be charged in Profit and Loss Account	55500

(ii) Loss on Exchange of Machine

Particulars	Rs.
Book value of machine as on 1.4.2010	160000
Less: Depreciation for 6 months @ 10%	8000
Written Down Value as on 30.09.2010	152000
Less: Exchange Value	135000
Loss on exchange of machine	17000

(iii) Book Value of Machinery in the Balance Sheet as on 31.03.2011

Particulars	Rs.
Balance as per trial balance	560000
Less: Book value of machine sold	(160000)
	400000
Add: Purchase of new machine	150000
	550000
Less: Depreciation on machinery in use	(47500)
Book value of machinery as on 31.03.2011	502500

(b) In the given case, selling price of product X is Rs. 300 and total cost per unit for production is Rs. 320.

Hence the valuation will be done as under:

(i) 600 units of raw material will be written down to replacement cost as market value of finished product is less than its cost, hence valued at Rs. 90 per unit.

(ii) 500 units of partly finished goods will be valued at 240 per unit i.e. lower of cost Rs. 320 (Rs. 260 + additional cost Rs. 60).

(iii) 1500 units of finished product X will be valued at NRV of Rs. 300 per unit since it is lower than cost Rs. 320 of product X

Valuation of Total Inventory as on 31.03.2015:

	Units	Cost (Rs.)	NRV/Replacement cost	Value = units x cost or NRV whichever is less (Rs.)
Raw material A	600	120	90	54000
Partly finished goods	500	260	240	120000
Finished goods X	1500	320	300	450000
Value of Inventory				624000

(c)

	Rs. in crore
Cost of construction of bridge incurred 31.3.16	4.00
Add: Estimated future cost	6.00
Total estimated cost of construction	10.00
Contract Price (12 crore x 1.05)	12.60 crore

Stage of completion

Percentage of completion till date to total estimated cost of construction

= (4/10)×100 = 40%

Revenue and Profit to be recognized for the year ended 31st March, 2016 as per AS 7

Proportion of total contract value recognized as revenue = Contract price x percentage of completion

= Rs. 12.60 crore x 40% = Rs. 5.04 crore

Profit for the year ended 31st March, 2016 =Rs. 5.04 crore less Rs. 4 crore = 1.04 crore

(d)

As per para 9.2 of AS 9 "Revenue Recognition", "where the ability to assess the ultimate collection with reasonable certainty is lacking at the time of raising any claim, the revenue recognition is postponed to the extent of uncertainty involved. In such cases, the revenue is recognized only when it is reasonably certain that the ultimate collection will be made".

In this case, the company never realized interest for the delayed payments made by the agent. Hence, based on the past experience, the realization of interest for the delayed payments by the agent is very much uncertain. The interest should be recognized only if the ultimate collection is certain. Therefore, the interest income of Rs. 1,72,000 should not be recognized in the books for the year ended 31st March, 2015. Thus the contention of accountant is incorrect.

However, if the agents have agreed to pay the amount of interest and there is an element of certainty associated with these receipts, the accountant is correct regarding booking of Rs. 1,72,000 as interest amount.

(5x4 = 20 Marks)

Solution 2:

WN-1:

Calculation of Purchase Consideration

To	In	Working	Amount
Equity Share Holder	ES	$\left[\left[\frac{4}{6} \text{ x } (15000\text{-}600)\right]\text{-}30\right] \text{ x } 12$	114840

Equity Share Holder	Cash	2 x (15000)	30000
Equity Share Holder (dissent)	Cash	600 x 13	7800
Equity Share holder (fresher)	Cash	30 x 10	300
Preference Share Holder	PS	$\frac{50000 \times 15}{10}$	75000
			227940

Book of V. Company
Realisation A/c

Particulars	Amount	Particulars	Amount
To Goodwill	20000	By Creditor	60000
Land & Building	220000	Outstanding wages	10000
Patent	15000	10% Debenture	100000
Machine	25000	By working Capital fund liability	10000
Investment	30000	By provision for tax	25000
Stock	75000	By P. Co-PC	227940
Ins.	50000	By Cash Exp	5000
Debtor	45000	By R/ Loss	107060
Cash	35000		
To Cash	5000		
To PSH a/c	25000		
	545000		545000

Equity Share Holder A/c

Particulars	Amount	Particulars	Amount
To Discount on Shares	5000	By Equity share Capital	150000
To Equity Share of PCO	114840	By CRR	30000
To Cash of SH	38100	By D.E Res	10000
Particulars	**Amount**	**Particulars**	**Amount**
To R/ Loss	107060	By W. Fund	20000
		By Proposed dividend	15000
	265000		265000

Preferences Share holder A/c

Particulars	Amount	Particulars	Amount
To PS of PCo.	75000	By PSC	50000
		By Realisation A/c	25000
	75000		75000

P. Co

Particulars	Amount	Particulars	Amount
To Real A/c	227940	By Es of P. Co	114840
		By cash for P. Co	30000
		By PS of P. Co	75000
		By Cash	8100
	227940		227940

Cash A/c

Particulars	Amount	Particulars	Amount
To Realisation	5000	By Realisation	5000

Books of P.Co

1.	Business purchased	Dr.	227940	
	To Liquidator of V.Co			227940
	(being business purchased)			
2.	Land & Building	Dr.	22000	

	Motor Car	Dr.	25000	
	Patents	Dr.	11250	
	Investments	Dr.	24000	
	Stock	Dr.	75000	
	Ins pohey	Dr.	30000	
	Debtors	Dr.	45000	
	Cash	Dr.	35000	
	To Capital reserve (balancing figure)			25310
	To Deb holders			100000
	To Creditor			60000
	To O/s Wages			10000
	To Provision for tax			25000
	To WCF- Liability			10000
	To (contingent) Liability taken ones			7000
	To Business Purchased			227940
3.	Liquidator of V. Co.	Dr.	227940	
	To Equity Share Capital			95700
	To Cash			38100
	To 10% PSC			75000
	To Security Premium			19140
	(Being PC discharged)			
4.	Goodwill A/c	Dr.	5000	
	To Cash			5000
	(Being liquidator expenses re)			
5.	Debenture Holder A/c		100000	
	To 10% Debenture			100000
	(Being debenture issued)			

(16 Marks)

Solution 3:

(i) **Journal Entries**

		₹	₹
(i)	Equity share capital (₹ 50) A/c Dr.	60,00,000	
	To Equity share capital (₹ 10)* A/c		8,00,000
	To 9% Preference share capital A/c (25,000 x ₹ 8)		2,00,000
	To 10% Debentures A/c (3,500 x ₹ 80)		2,80,000
	To Capital Reduction A/c		47,20,000
	(Being payment made in lieu of equity share capital of ₹ 50 each by issue of equity shares of ₹ 10 each, 9% Preference share capital and 10% Debentures as per reconstruction scheme)		
(ii)	9% Preference Share capital (₹ 10) A/c Dr.	40,00,000	
	To 9% Preference Share Capital (₹ 8) A/c		32,00,000
	To Capital Reduction A/c		8,00,000
	(Being 9% preference share capital of ₹ 10 each reduced to ₹ 8 each as per reconstruction scheme)		

* Holding interpreted as number of shares i.e. number of newly issued shares computed as 2/3rd of 1,20,000 = 80,000

(iii)	Bank A/c	Dr.	16,00,000	
	To Equity Share Capital (₹ 10) A/c			16,00,000
	(Being preference share holders subscribed for 2 new equity shares of 10 each against every 5 shares)			
(iv)	(a) Provision for Taxation A/c	Dr.	75,000	
	To Capital Reduction A/c			9,000
	To Taxation Liability A/c			66,000
	(Being liability for taxation settled)			
	(b) Taxation Liability A/c	Dr.	66,000	
	To Bank A/c			66,000
	(Being liability for taxation paid)			
(v)	Trade payables A/c	Dr.	1,00,000	
	To Equity share capital A/c (7,000 x ₹ 10)			70,000
	To Capital Reduction A/c			30,000
	(Being payment made to creditors in shares to the extent of 70% as per reconstruction scheme)			
(vi)	Trade Payables A/c	Dr.	5,00,000	
	To 9% Preference share capital A/c (43,750 x ₹ 8)			3,50,000
	To Bank A/c			1,20,000
	To Capital Reduction A/c			30,000
	(Being payment made to creditors in shares and cash as per reconstruction scheme)			
(vii)	Capital Reduction A/c	Dr.	26,000	
	To Bank A/c			26,000
	(Being contractual commitment settled by payment of 4% penalty)			
(viii)	7% Debentures A/c	Dr.	23,00,000	
	To Plant & Machinery A/c			22,00,000
	To Capital Reduction A/c			1,00,000
	(Being 7% debentures holders settled through charge of plant & machinery as per reconstruction scheme)			
(ix)	8% Debentures A/c (34,000 x ₹ 50)	Dr.	17,00,000	
	To 10% Debentures A/c (17,000 x ₹ 80)			13,60,000
	To Capital Reduction A/c			3,40,000
	(Being conversion of 8% debentures to 10% debentures at one for every two debentures held by them as per reconstruction scheme)			

(x)	Capital Reduction A/c Dr.	12,30,000	
	To Land & building A/c		3,75,000
	To Profit and Loss A/c		2,15,000
	To Trade receivables A/c		4,50,000
	To Inventories A/c		1,90,000
	(Being amount of Capital Reduction utilized in writing off Profit & loss Dr. bal., Land & building, Current Assets, Inventories through capital reduction account)		
(xi)	Capital Reduction A/c Dr.	47,73,000	
	To Capital Reserve A/c		47,73,000
	(Being balance in capital reduction account transferred to capital reserve account)		

(ii) Balance Sheet of M/s Clean Ltd. (as reduced) as on 31.3.2015

		Particulars	*Notes*	₹
		Equity and Liabilities		
1		**Shareholders' funds**		
	a	Share Capital	1	62,20,000
	b	Reserves and Surplus	2	47,73,000
2		**Non-current liabilities**		
	a	Long-term Borrowings	3	16,40,000
		Total		**1,26,33,000**
		Assets		
1		**Non-current assets**		
	a	Fixed Assets		
		Tangible Assets	4	71,25,000
	b	Investments		16,50,000
2		**Current assets**		
	a	Inventories	5	7,60,000
	b	Trade Receivables	6	13,50,000
	c	Cash and Cash equivalents		17,48,000
		Total		**1,26,33,000**

Notes to accounts

			₹
1.	**Share Capital**		
	Equity share capital		
	Issued, subscribed and paid up		
	2,47,000 equity shares of ₹ 10 each		24,70,000
	(out of which 7,000 equity shares have been issued for consideration for other that cash)		
	Preference share capital		
	Issued, subscribed and paid up		
	4,68,750 Preference shares of ₹ 8 each		37,50,000
	(out of which 43,750 equity shares have been issued for consideration for other that cash)		62,20,000
2.	**Reserves and Surplus**		
	Capital Reserve		47,73,000
3.	**Long-term borrowings**		
	Secured		
	20,500 10% Debentures of ₹ 80 each		16,40,000
4.	**Tangible assets**		
	Land & building	75,00,000	
	Adjustment under scheme of reconstruction	(3,75,000)	71,25,000
5.	**Inventories**	9,50,000	
	Adjustment under scheme of reconstruction	(1,90,000)	7,60,000
6.	**Trade receivables**	18,00,000	
	Adjustment under scheme of reconstruction	(4,50,000)	13,50,000

Working Notes:

1. **Cash at Bank Account**

Particulars	₹	*Particulars*	₹
To Balance b/d	3,60,000	By Taxation liability	66,000
To Equity Share capital A/c	16,00,000	By Trade Payables A/c	1,20,000
		By Penalty A/c	26,000
		By Balance c/d (bal. fig.)	17,48,000
	19,60,000		19,60,000

2. **Capital Reduction Account**

Particulars	₹	Particulars	₹
To Land & building A/c	3,75,000	By Equity Share Capital A/c	47,20,000
To Machinery A/c	2,15,000	By 9% Preference share capital	8,00,000
To Trade receivables A/c	4,50,000	By 7% Debentures	1,00,000
To Inventories A/c	1,90,000	By Provision for tax	9,000
To Bank	26,000	By Trade Payables	60,000
To Capital Reserve		(30,000 + 30,000)	
(bal. fig.)	47,73,000	By 8% Debentures	3,40,000
	60,29,000		60,29,000

(16 Marks)

Solution 4:
(a)

Profit and Loss Appropriation Account
For the year ended 31st March, 2010

	(Rs.)	(Rs.)		(Rs.)
To Partner's Salaries			By Balance b/s (Net Profit)	147850
Ankur (1000 x 12)	12000			
Aarav (1000 x 12)	12000			
Aarush (1000 x 12)	12000	36000		
To Interest on Loan:		875		
Aarush $(25000 \times \frac{6}{12} \times \frac{7}{12})$				
To Interest on Capital:				
Ankur	9000			
Aarav	9000			
Aarush	13500	31000		
To Current Account				
(Share of Profit				
Ankur	22325			
Aarav	24325			
Aarush	33325			
		79975		
		147850		**147850**

Working Note: Distribution of profit:
Divisible Total Profit = (147850 – 68375) = Rs. 79975

	Ankur (Rs.)	Aarav (Rs.)	Aarush (Rs.)
First Rs. 35000 (Capital Ratio 2:2:3)	10000	10000	15000
Next Rs. 20000 (2:3:5)	4000	6000	10000
Balance Rs. 24975 (1:1:1)	8325	8325	8325
	22325	**24325**	**33325**

Partners' Current Account

Particulars	X (Rs.)	Y (Rs.)	Z (Rs.)	Particulars	X (Rs.)	Y (Rs.)	Z (Rs.)
To Balance b/d	-	1000	-	By Balance b/d	2000		3000
To Drawings	10000	10000	10000	By Salaries	12000	12000	12000

To Balance c/d	35325	34325	52700	By Interest on Loan	-	-	875
				By Interest on capital	9000	9000	13500
				By P/L Appropriation A/c	22325	24325	33325
	45325	45325	62700		45325	45325	62700

(b)

Cash Flow Statement of Priya Ltd.

for the year ended 31st March, 2015

		₹	₹
A. Cash flow from Operating Activities			
Net profit before tax (₹ 54,000 – ₹ 40,000 + ₹ 60,000)		74,000	
Add: Adjustment for depreciation (W.N.1)		24,000	
Interest on debentures (₹ 1,60,000 x 9%)		14,400	
Loss on sale of machinery (W.N.2)		4,000	
		1,16,400	
Less: Profit on redemption of debentures (Non Operating Income)		(1,600)	
		1,14,800	
Less :Income tax paid		(30,000)	
Operating profit before changes in Working Capital		84,800	
Add: Increase in outstanding expenses	18,000		
Decrease in trade receivables	80,000	98,000	
		1,82,800	
Less: Decrease in trade payables	14,000		
Increase in inventory	28,000		
Increase in prepaid expenses	2,000	(44,000)	
Net cash from operating activities			1,38,800
B. Cash flow from Investing Activities			
Sale of old machinery		10,000	
Purchase of machinery		(46,000)	
Net cash used in investing activities			(36,000)

C. Cash flow from Financing Activities		
Redemption of debentures (₹ 40,000 – ₹ 1,600)	(38,400)	
Payment of dividend	(60,000)	
Payment of interest on debentures	(14,400)	
Net cash used financing activities		(1,12,800)
Net decrease in cash and cash equivalents during the year		(10,000)
Cash and cash equivalents at the beginning of the year		1,20,000
Cash and cash equivalents at the end of the year		1,10,000

Working Notes:

1. **Depreciation Fund**

	₹		₹
To Machinery A/c	16,000	By Balance b/d	80,000
To Balance c/d	88,000	By Profit and Loss A/c (Current year depreciation)	24,000
	1,04,000		1,04,000

2. **Machinery A/c**

	₹		₹
To Balance b/d	1,64,000	By Depreciation Fund	16,000
To Bank (Purchased)	46,000	By Bank (realized on sale of old machinery	10,000
		By Profit and loss A/c (loss on sale) – Balancing Fig	4,000
		By Balance c/d	1,80,000
	2,10,000		2,10,000

(8x2 = 16 Marks)

Solution 5:

(a)

. **Statement of Affairs of Ms. Shreya as on 31.03.2014 and 31.03.2015**

Liabilities	*31.03.2014* ₹	*31.03.2015* ₹	*Assets*	*31.03.2014* ₹	*31.03.2015* ₹
Capital (Balancing Figure)	1,22,150	2,27,125	Machinery & Tools	25,000	27,125
Loan	50,000	46,000	Furniture & Fixtures	50,000	54,750
Creditors	20,000	35,000	Stock	60,000	1,35,000
			Debtors	20,000	45,000
			Cash at Bank	35,000	42,500
			Cash in Hand	2,150	3,750
	1,92,150	3,08,125		1,92,150	3,08,125

Determination of Profit:	₹
Capital Balance as on 31.03.2015	2,27,125
Less: Prize won, retained in business	20,000
	2,07,125
Add: Withdrawals (₹ 1,000 x 12)	12,000
	2,19,125
Less: Capital Balance as on 31.03.2014	1,22,150
Profit for the year ended 31st March, 2015	96,975

Working Notes:

1. **Written Down Value of Machinery and Tools**

	₹
W.D.V. as on 01.04.2014	25,000
Less: Depreciation on W.D.V. @ 10% p.a.	2,500
	22,500
Add: Addition during the year on 01.07.2014	5,000
	27,500
Less: Depreciation on Addition @ 10% p.a. (5,000 x 10/100x9/12)	375
W.D.V. of Machinery & tools as on 31.03.2015	27,125

2. **Written Down Value of Furniture and Fixtures**

	₹
W.D.V. as on 01.04.2014	50,000
Less: Depreciation on W.D.V. @ 10% p.a.	5,000
	45,000
Add: Addition during the year on 01.01.2015	10,000
	55,000
Less: Depreciation on Addition @ 10% p.a. (10,000 x 10/100x3/12)	250
W.D.V. of Furniture & Fixtures as on 31.03.2015	54,750

(b)

In the books of Bank

Account Current of Mr. Abhinav for the month ending April 2015

Date	Particulars	Dr.	Cr.	Dr. or Cr.	Balance	Days	Product
2015							
1st April	By Cash	–	40,000	Cr.	40,000		–
5th April	To Cash	1,20,000	–	Dr.	80,000	5	4,00,000
10th April	By Cash	–	60,000	Dr.	20,000	5	1,00,000
15th April	To interest	164	–	Dr.	20,164	1	20,164
16th April	To Cash	80,000	–	Dr.	1,00,164	2	2,00,328
18th April	By Cash	-	68,000	Dr.	32,164	7	2,25,148
25th April	To cash	1,00,000	-	Dr.	1,32,164	5	6,60,820
30th April	To Interest A/c	364		Dr.	1,32,528	-	-

Working notes

1. **Interest from 1st April, 2015 to 15th April, 2015**

   (Products for the period x rate of interest)/365

   (5,00,000 x 12/100)/365 = ₹ 164

2. **Interest from 16th April, 2015 to 30th April, 2015**

   (Products for the period x rate of interest)/365

   (11,06,460 x 12/100)/365 = ₹ 364

(8x2 = 16 Marks)

Solution 6:

(a)

Statement showing the calculation of Profits for the pre-incorporation and post-incorporation periods

Particulars	Total Amount	Basis of Allocation	Pre-incorporation	Post-incorporation
	Rs.		Rs.	Rs.
Gross Profit	6,00,000	1:3	1,50,000	4,50,000
Less: Salaries	1,20,000	Time	40,000	80,000
Rent, rates and taxes	80,000	Time	26,667	53,333
Sales' commission	21,000	Sales(2:5)	6,000	15,000
Depreciation	25,000	Time	8,333	16,667
Interest on debentures	32,000	Post		32,000
Directors' fee	12,000	Post		12,000
Advertisement	36,000	post		36,000
Net profit	2,74,000		69,000*	2,05,000

* Pre-incorporation profit is a capital profit and will be transferred to capital reserve.

Working Notes:

1. **Sales ratio**

   Let the monthly sales for first 4 months (i.e. from 1.4.2014 to 31.7.2014) be = x
   Then, sales for 4 months = 4x
   Monthly sales for next 8 months (i.e. from 1.8.14 to 31.3.2015) = x + 25% of x= 1.25x Then, sales for next 6 months = 1.25x X 8 = 10x
   Total sales for the year = 4x + 10x = 14x Sales
   Ratio = 4 x :10x i.e. 2:5

2. **Gross profit ratio**

   From 1.4.2014 to 31.7.2014 gross profit is 25% of sales Then, 25% of 4x= 1x

   gross profit for next 8 months (i.e. from 1.8.14 to 31.3.2015) is 30% Then, 30% of 10x = 3x Therefore gross profit ratio will be 1:3

3. **Time ratio**

   1st April, 2014 to 31st July, 2014 : 1st August, 2014 to 31st March, 2015
   = 4 months: 8 months = 1:2 Thus, time ratio is 1:2.

(b)

(b) **In the books of A Ltd.**

Investment in equity shares of Allianz Ltd.

for the year ended 31st March, 2015

Date	Particulars	No.	Income ₹	Amount ₹	Date	Particulars	No.	Income ₹	Amount ₹
2014					2014				
April 1	To Bank A/c	5,000	-	5,35,500	May 15	By Bank A/c (dividend)	-	-	10,000
June 30	To Bonus Issue(W.N 2)	1,000	-	-	Oct. 1	By Bank (rights sales)	-	1,250	-
Oct. 1	To Bank A/c (W.N. 3)	250	-	11,250	Nov. 30	By Bank A/c (Interim dividend)	-	6,000	-
Dec.31	To P & L A/c (W.N. 5)	-	-	21,660	Dec. 31	By Bank A/c (W.N.5)	3,000	-	2,79,300
2015					2015				
March 31	To P & L A/c	-	7,250	-	March 31	By Balance c/d (W.N. 7)	3,250	-	2,79,110
		6,250	7,250	5,68,410			6,250	7,250	5,68,410

Working Notes:

1. **Calculation of cost of purchase on 1st April, 2014**

   ₹ 105 X 5,000 shares = ₹ 5,25,000

   Add: Brokerage (2%) = ₹ 10,500

   ₹ 5,35,500

2. **Calculation of number of bonus shares issued**

   $$\text{Bonus Shares} = \frac{5,000}{5} \times 1 = 1,000$$

3. **Calculation of right shares subscribed**

   $$\text{Right Shares} = \frac{6,000}{12} = 500 \text{ shares}$$

   $$\text{Shares subscribed} = \frac{500}{2} = 250 \text{ shares}$$

   Value of right shares subscribed = 250 shares @ ₹ 45 per share = ₹ 11,250

4. **Calculation of sale of right entitlement**

   250 shares x ₹ 5 per share = ₹ 1,250

   (Amount received from sale of rights will be credited to P&L a/c)

5. **Calculation of profit on sale of shares**

Total holding	=	5,000 shares	original
		1,000 shares	bonus
		250 shares	right shares
		6,250 shares	

   3,000 shares were sold on 31.12.2014

   Cost of total holdings of 6,250 shares (on average basis)

   = ₹ 5,35,500 + ₹ 11,250 – ₹ 10,000 = ₹ 5,36,750

   Average cost of 3,000 shares would be

   $$= \frac{5,36,750}{6,250} \times 3,000 = ₹\ 2,57,640$$

	₹
Sale proceeds of 3,000 shares (3,000 x ₹ 95)	2,85,000
Less: 2% Brokerage	(5,700)
	2,79,300
Less: Cost of 3,000 shares	(2,57,640)
Profit on sale	21,660

6. **Dividend received on investment held as on 15th May, 2014**

   = ₹ 10,000 (5,000 x ₹ 100 x 2%) adjusted to Investment A/c

   Dividend amounting ₹ 6,000 received on 30.11.2014 will be credited to P&L A/c

7. **Calculation of closing value of shares (on average basis) as on 31st March, 2015**

$$\frac{5{,}36{,}750}{6{,}250} \times 3{,}250 = ₹\ 2{,}79{,}110$$

(8x2 = 16 Marks)

Solution 7:
(a)

7. Due date of maturity:

(i) 29th February, 2016. Year 2016 being leap year, due date will be 29th February, 2016.

(ii) 25th January, 2015. Due date, after grace days, is 26th January, 2015, but since 26th January, 2015 is holiday, due date will be 25th January, 2015.

(iii) 17th February, 2015. Due date after grace days, is 16th February, 2015, but since due to some emergency, it is declared as holiday, due date will be 17th February, 2015.

(iv) 14th August, 2015. Due date after grace days, is 16th August,2015 but since 16th August,2015 is holiday(Sunday) and 15th August,2015 is also holiday, due date will be 14th August,2015.

(b)

Accounting Standards deal with the issue of

(i) Recognition of events and transactions in the financial statements,

(ii) Measurement of these transactions and events,

(iii) Presentation of these transactions and events in the financial statements in a manner that is meaningful and understandable to the reader,

(iv) Disclosure requirements which should be here to enable the public at large and the stakeholders and the potential investors in particular, to get an insight into what these financial statements are trying to reflect and thereby facilitation them to take prudent and informed business decisions.

(c)

Advantages of spreadsheet software as an accounting tool are:

1. It is simple to use and easy to understand.
2. Most of the common functions like doing calculations, setting formulas, macros, replication of cell contents, etc. can be easily done in a spreadsheet.
3. Grouping and regrouping of accounts can be done.
4. Presentation can be made in various forms including graphical presentations like bar diagram, histogram, pie-chart, etc.
5. Basic protection like restricted access and password protection of cell can be used to give security to the spread sheet data.

(d)

Treatment of given items

- As per AS 10 "Accounting for Fixed Assets", goodwill, in general, is recorded in the books only when some consideration in money or money's worth has been paid for it. In the given situation, the company has valued its goodwill which will be considered as earned over the years i.e. it is self-generated goodwill. Therefore, the same shall not be recorded in the books, as consideration in money or money's worth has not been paid for it. Thus raising goodwill by giving corresponding credit to Reserve is incorrect.

- Only expenditure that increases the future benefits from the existing asset beyond its previously assessed standard of performance is included in the gross book value, e.g., an increase in capacity. The cost of an addition or extension to an existing asset which is of a capital nature and which becomes an integral part of the existing asset is usually added to its gross book value. Any other expenses incurred, though substantial, on machine towards its repairs and maintenance should not be capitalized but charged to profit and loss account since it does not increase capacity.
- If the interval between the date a project is ready to commence commercial production and the date at which commercial production actually begins is prolonged, all expenses incurred during this period are charged to the profit and loss statement. However, the expenditure incurred during this period is also sometimes treated as deferred revenue expenditure, to be amortized over a period not exceeding 3 to 5 years, after the commencement of commercial production. Thus the amount of ₹ 10 lakh should either be charged to profit and loss statement in the year ended 31st March, 2015 or may be amortized for a future period not exceeding 3 to 5 years after the commencement of commercial production i.e. 1.6.2014.

(e) As per As 9 'Revenue Recognition', revenue is the gross inflow of cash, receivable or other consideration arising in the course of the ordinary activities of an enterprise from the sale of goods. However, trade discounts and volume rebates given in the ordinary course of business should be deducted in determining revenue. Revenue from sales should be recognized at the time of transfer of significant risks and rewards. If the delivery of the sales is not subject to approval from customers, then the transfer of significant risks and rewards would take place when the sale is affected and goods are dispatched.

In the given case, if trade discounts allowed by M/s. Moon Ltd. are given in the ordinary course of business, M/s. Moon Ltd. should record the sales at Rs. 597000 (i.e. 650000 – Rs. 53000) and goods returned worth Rs. 67000 are to be recorded in the form of sales return. However, when trade discount allowed by M/s. Moon Ltd. is not in the ordinary course ofr business, M/s. Moon Ltd. should record the sales at gross value of Rs. 650000. Discount of Rs. 53000 in price and return of goods worth Rs. 67000 are to be adjusted by suitable provisions. M/s Moon Ltd. might have sent the credit note of Rs. 120000 to Mr. Star to account for these adjustments. In both the cases, the contention of the accountant to book the sales for Rs. 530000 is not correct.

(4x4 = 16 Marks)

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