(GI-11, GI-12+15, GI-13+14, SI-5)

DATE: 16.06.2020 **MAXIMUM MARKS: 100** **TIMING: 3¼ Hours**

ACCOUNTS

Q. No. 1 is compulsory.

Candidates are required to answer any four questions from the remaining five questions.
Wherever necessary suitable assumptions should be made by the candidates.
Working notes should form part of the answer.

Question 1:

(a) (i) ABC Ltd. a Indian Company obtained long term loan from WWW private Ltd., a U.S. company amounting to Rs. 30,00,000. It was recorded at US $1 = Rs. 60.00, taking exchange rate prevailing at the date of transaction. The exchange rate on balance sheet date (31.03.2018) was US $1 = Rs. 62.00.

(ii) Trade receivable includes amount receivable from Preksha Ltd., Rs. 10,00,000 recorded at the prevailing exchange rate on the date of sales, transaction recorded at US $1 = Rs. 59.00. The exchange rate on balance sheet date (31.03.2018) was US $1 = Rs. 62.00.

You are required to calculate the amount of exchange difference and also explain the accounting treatment needed in the above two cases as per AS 11 in the books of ABC Ltd.

(5 Marks)

(b) X Limited started construction on a Building for its own use on 1st April. The following costs are incurred:

Purchase Price of Land	Rs. 30,00,000
Stamp Duty & Legal Fee	Rs. 2,00,000
Architect Fee	Rs. 2,00,000
Site Preparation	Rs. 50,000
Materials	Rs. 10,00,000
Direct Labour Cost	Rs. 4,00,000
General Overheads	Rs. 1,00,000

Other relevant information: Material costing Rs. 1,00,000 had been spoiled and therefore wasted and a further Rs. 1,50,000 was spent on account of faulty design work. As a result of these problems, work on the building was stopped for two weeks and it is estimated that Rs. 22,000 of the Labour Cost relate to that period. The Building was completed 9 months from the date of construction start, and brought in use on 1st April next year (i.e. 1 year from start date). The Company had taken a Loan of Rs. 40,00,000 on at the start date, from construction of the building (which is a Qualifying Asset as per AS-16). The Loan carried an interest Rate of 8% per annum and is repayable 2 years later. Calculate the cost of the PPE.

(5 Marks)

(c) State whether the following statements are 'True' or 'False'. Also give reason for your answer.

(i) Certain fundamental accounting assumptions underline the preparation and presentation of financial statements. They are usually specifically stated because their acceptance and use are not assumed.

(ii) If fundamental accounting assumptions are not followed in presentation and preparation of financial statements, a specific disclosure is not required.

(iii) All significant accounting policies adopted in the preparation and presentation of financial statements should form part of the financial statements.

(iv) Any change in an accounting policy, which has a material effect should be disclosed. Where the amount by which any item in the financial statements is affected by such change is not ascertainable, wholly or in part, the fact need not to be indicated.

(v) There is no single list of accounting policies which are applicable to all circumstances.

(5 Marks)

(d) Calculate the value of raw materials and closing stock based on the following information:

Raw material X	
Closing balance	500 units

	Rs. per unit
Cost price including excise duty	200
Excise duty (Cenvat credit is receivable on the excise duty paid)	10
Freight inward	20
Unloading charges	10
Replacement cost	150
Finished goods Y	
Closing Balance	1200 units
	Rs. per unit
Material consumed	220
Direct labour	60
Direct overhead	40

Total Fixed overhead for the year was Rs. 2,00,000 on normal capacity of 20,000 units.

Calculate the value of the closing stock, when

(i) Net Realizable Value of the Finished Goods Y is Rs. 400.

(ii) Net Realizable Value of the Finished Goods Y is Rs. 300.

(5 Marks)

Question 2:

(a) The following information relates to the business of ABC Enterprises, who requests you to prepare a Trading and Profit & Loss A/c for the year ended 31st March, 2017 and a Balance Sheet as on that date.

(a) Assets and Liabilities as on:

		in Rs.
	1.4.2016	**31.3.2017**
Furniture	60,000	63,500
Stock	80,000	70,000
Sundry Debtors	1,60,000	?
Sundry Creditors	1,10,000	1,50,000
Prepaid Expenses	6,000	7,000
Outstanding Expenses	20,000	18,000
Cash in Hand & Bank Balance	12,000	26,250

(b) Cash transaction during the year:

(i) Collection from Debtors, after allowing discount of Rs. 15,000 amounted to Rs. 5,85,000.

(ii) Collection on discounting of Bills of Exchange, after deduction of discount of Rs. 1,250 by bank, totaled to Rs. 61,250.

(iii) Creditors of Rs. 4,00,000 were paid Rs. 3,92,000 in full settlement of their dues.

(iv) Payment of Freight inward of Rs. 30,000.

(v) Amount withdrawn for personal use Rs. 70,000.

(vi) Payment for office furniture Rs. 10,000.

(vii) Investment carrying annual interest of 6% were purchased at Rs. 95 (200 Debenture, face Value Rs. 100 each) on 1st October 2016 and payment made thereof.

(viii) Expenses including salaries paid Rs. 95,000.

(ix) Miscellaneous receipt of Rs. 5,000.

(c) Bills of exchange drawn on and accepted by customers during the year amounted to Rs. 1,00,000. Of these, bills of exchange of Rs. 20,000 were endorsed in favour of creditors. An endorsed bill of exchange of Rs. 4,000 was dishonoured.

(d) Goods costing Rs. 9,000 were used as advertising material.

(e) Goods are invariably sold to show a gross profit of 20% on sales.

(f) Difference in cash book, if any, is to be treated as further drawing or introduction of capital by proprietor of ABC enterprises.

(g) Provide at 2% for doubtful debts on closing debtor.

(15 Marks)

(b) On 30th March, 20X2 fire occurred in the premises of M/s Suraj Brothers. The concern had taken an insurance policy of Rs. 60,000 which was subject to the average clause. From the books of accounts, the following particulars are available relating to the period 1st January to 30th March 20X2.

(1) Stock as per Balance Sheet at 31st December, 20X1, Rs. 95,600.

(2) Purchases (including purchase of machinery costing Rs. 30,000) Rs. 1,70,000.

(3) Wages (including wages Rs. 3,000 for installation of machinery) Rs. 50,000.

(4) Sales (including goods sold on approval basis amounting to Rs. 49,500) Rs. 2,75,000. No approval has been received in respect of 2/3rd of the goods sold on approval.

(5) The average rate of gross profit is 20% of sales.

(6) The value of the salvaged goods was Rs. 12,300.

You are required to compute the amount of the claim to be lodged to the insurance company.

(5 Marks)

Question 3:

(a) M/s X has two departments, A and B. From the following particulars prepare the consolidated Trading Account and Departmental Trading Account for the year ending 31st December, 20X1:

	A	**B**
	Rs.	**Rs.**
Opening Stock [consisting of purchased goods -at cost)]	20,000	12,000

Purchases	92,000	68,000
Sales	1,40,000	1,12,000
Wages	12,000	8,000
Carriage	2,000	2,000
Closing Stock:		
(i) Purchased goods	4,500	6,000
(ii) Finished goods	24,000	14,000
Purchased goods transferred:		
by B to A	10,000	
by A to B		8,000

Finished goods transferred:		
by A to B	35,000	
by B to A		40,000
Return of finished goods:		
by A to B	10,000	
by B to A		7,000

You are informed that purchased goods have been transferred mutually at their respective departmental purchase cost and finished goods at departmental market price and that 20% of the finished stock (closing) at each department represented finished goods received from the other department.

(12 Marks)

(b) The Business carried on by Kamal under the name "K" was taken over as a running business with effect from 1st April, 2016 by Sanjana Ltd., which was incorporated on 1st July, 2016. The same set of books was continued since there was no change in the type of business and the following particulars of profits for the year ended 31st March, 2017 were available.

	Rs.	**Rs.**
Sales: Company period	40,000	
Prior period	10,000	50,000
Selling Expenses	3,500	
Preliminary Expenses written off	1,200	
Salaries	3,600	
Directors' Fees	1,200	
Interest on Capital (Upto 30.6.2016)	700	
Depreciation	2,800	
Rent	4,800	
Purchases	25,000	
Carriage Inwards	1,019	43,819
Net Profit		6,181

The purchase price (including carriage inwards) for the post-incorporation period had increased by 10 percent as compared to pre-incorporation period. No stocks were carried either at the beginning or at the end.
You are required to **prepare a statement showing the amount of pre and post incorporation period profits** stating the basis of allocation of expenses.

(8 Mark)

Question 4:

(a) Harrison of Chennai has a branch at New Delhi to which goods are sent @ 20% above cost. The branch makes both cash and credit sales. Branch expenses are met partly from H.O. and partly by the branch. The statement of expenses incurred by the branch every month is sent to head office for recording.

Following further details are given for the year ended 31st December, 20X1:

			Rs.
Cost of goods sent to Branch at cost			2,00,000
Goods received by Branch till 31-12-20X1 at invoice price			2,20,000
Credit Sales for the year @ invoice price			1,65,000
Cash Sales for the year @ invoice price			59,000
Cash Remitted to head office			2,22,500
Expenses paid by H.O.			12,000
Bad Debts written off			750
Balances as on	1-1-20X1		31-12-20X1
	Rs.		Rs.
Stock	25,000 (Cost)		28,000 (invoice price)
Debtors	32,750		26,000
Cash in Hand	5,000		2,500

Show necessary ledger accounts in the books of the head office and determine the Profit and Loss of the Branch for the year ended 31st December, 20X1.

(8 Marks)

(b) Omega Limited (a manufacturing company) recently made a public issue in respect of which the following information is available:

(a) No. of partly convertible debentures issued- 2,00,000; face value and issue price- Rs. 100 per debenture.

(b) Convertible portion per debenture- 60%, date of conversion- on expiry of 6 months from the date of closing of issue i.e 31 10.20X1.

(c) Date of closure of subscription lists- 1.5.20X1, date of allotment- 1.6.20X1, rate of interest on debenture- 15% payable from the date of allotment, value of equity share for the purpose of conversion- Rs. 60 (Face Value Rs. 10).

(d) Underwriting Commission- 2%.

(e) Number of debentures applied for - 1,50,000.

(f) Interest payable on debentures half-yearly on 30th September and 31st March.

Write relevant journal entries for all transactions arising out of the above during the year ended 31st March, 20X2 (including cash and bank entries).

(8 Marks)

(c) The following is the Draft Profit & Loss A/c of Mudra Ltd., the year ended 31st March, 20X1:

	Rs.		Rs.
To Administrative, Selling and distribution expenses	8,22,542	By Balance b/d	5,72,350
To Direct fees	1,34,780	By Balance form Trading A/c	40,25,365
To Interest on debentures	31,240	By Subsidies received from Govt.	2,73,925
To Managerial remuneration	2,85,350		

To Depreciation on fixed assets	5,22,543		
To Provision for Taxation	12,42,500		
To General Reserve	4,00,000		
To Investment Revaluation Reserve	12,500		
To Balance c/d	14,20,185		
	48,71,640		48,71,640

Depreciation on fixed assets as per Schedule II of the Companies Act, 2013 was Rs. 5,75,345. You are required to calculate the maximum limits of the managerial remuneration as per Companies Act, 2013.

(4 Marks)

Question 5:

(a) The following particulars relate to hire purchase transactions:

(a) X purchased three cars from Y on hire purchase basis, the cash price of each car being Rs. 2,00,000.

(b) The hire purchaser charged depreciation @ 20% on diminishing balance method.

(c) Two cars were seized by on hire vendor when second installment was not paid at the end of the second year. The hire vendor valued the two cars at cash price less 30% depreciation charged under it diminishing balance method.

(d) The hire vendor spent Rs. 10,000 on repairs of the cars and then sold them for a total amount of Rs. 1,70,000.

You are required to compute:

(i) Agreed value of two cars taken back by the hire vendor.

(ii) Book value of car left with the hire purchaser.

(iii) Profit or loss to hire purchaser on two cars taken back by their hire vendor.

(iv) Profit or loss of cars repossessed, when sold by the hire vendor.

(10 Mark)

(b) Akash Ltd. had 4,000 equity share of X Limited, at a book value of Rs. 15 per share (face value of Rs. 10 each) on 1st April 2017. On 1st September 2017, Akash Ltd. acquired 1,000 equity shares of X Limited at a premium of Rs. 4 per share. X Limited announced a bonus and right issue for existing shareholders.

The terms of bonus and right issue were **-**

(1) Bonus was declared, at the rate of two equity shares for every five equity shares held on 30th September, 2017.

(2) Right shares are to be issued to the existing shareholders on 1st December, 2017. The company issued two right shares for every seven shares held at 25% premium. No dividend was payable on these shares. The whole sum being payable by 31st December, 2017.

(3) Existing shareholders were entitled to transfer their rights to outsiders, either wholly or in part.

(4) Akash Ltd. exercised its option under the issue for 50% of its entitlements and sold the remaining rights for Rs. 8 per share.

(5) Dividend for the year ended 31st March 2017, at the rate of 20% was declared by the company and received by Akash Ltd., on 20th January 2018.

(6) On 1st February 2018, Akash Ltd., sold half of its shareholdings at a premium of Rs. 4 per share.

(7) The market price of share on 31.03.2018 was Rs. 13 per share.

You are required to prepare the Investment Account of Akash Ltd. for the year ended 31st March, 2018 and determine the value of share held on that date assuming the investment as current investment. Consider average cost basis for ascertainment of cost for equity share sold.

(10 Marks)

Question 6: (Answer any four questions)

(a) Prepare cash flow statement of M/s MNT Ltd. for the year ended 31st March, 20X1 with the help of the following information:

(1) Company sold goods for cash only.
(2) Gross Profit Ratio was 30% for the year, gross profit amounts to Rs. 3,82,500.
(3) Opening inventory was lesser than closing inventory by Rs. 35,000.
(4) Wages paid during the year Rs. 4,92,500.
(5) Office and selling expenses paid during the year Rs. 75,000.
(6) Dividend paid during the year Rs. 30,000 (including dividend distribution tax.)
(7) Bank loan repaid during the year Rs. 2,15,000 (included interest Rs. 15,000)
(8) Trade payables on 31st March, 20X0 exceed the balance on 31st March, 20X1 by Rs. 25,000.
(9) Amount paid to trade payables during the year Rs. 4,60,000.
(10) Tax paid during the year amounts to Rs. 65,000 (Provision for taxation as on 31.03.20X1 Rs. 45,000).
(11) Investments of Rs. 7,00,000 sold during the year at a profit of Rs. 20,000.
(12) Depreciation on fixed assets amounts to Rs. 85,000.
(13) Plant and machinery purchased on 15th November, 20X0 for Rs. 2,50,000.
(14) Cash and Cash Equivalents on 31st March, 20X0Rs. 2,00,000.
(15) Cash and Cash Equivalents on 31st March, 20X1Rs. 6,07,500.

(5 Marks)

(b) A specific government grant of Rs. 15 lakhs was received by USB Ltd. for acquiring the Hi-Tech Diary plant of Rs. 95 lakhs during the year 2014-15. Plant has useful life of 10 years. The grant received was credited to deferred income in the balance sheet. During 2017-18, due to non-compliance of conditions laid down for the grant, the company had to refund the whole grant to the Government. Balance in the deferred income on that date was Rs. 10.50 lakhs and written down value of plant was Rs. 66.50 lakhs.

(i) What should be the treatment of the refund of the grant and the effect on cost of plant and the amount of depreciation to be charged during the year 2017 - 18 in profit and loss account?
(ii) What should be the treatment of the refund, if grant was deducted from the cost of the plant during 2014-15 assuming plant account showed the balance of Rs. 56 lakhs as on 1.4.2017?

You are required to explain in the line with provisions of AS 12.

(5 Marks)

(c) Explain the concept of 'materiality' in brief.

(5 Marks)

(d) A company offers new shares of Rs. 100 each at 25% premium to existing shareholders on one for four bases. The cum-right market price of a share is Rs. 150. Calculate the value of a right. What should be the ex-right market price of a share?

(5 Marks)

(e) The capital structure of a company consists of 20,000 Equity Shares of Rs. 10 each fully paid up and 1,000 8% Redeemable Preference Shares of Rs. 100 each fully paid up (issued on 1.4.20X1).

Undistributed reserve and surplus stood as: General Reserve Rs. 80,000; Profit and Loss Account Rs. 20,000; Investment Allowance Reserve out of which Rs. 5,000, (not free for distribution as dividend) Rs. 10,000; Securities Premium Rs. 2,000, Cash at bank amounted to Rs. 98,000. Preference shares are to be redeemed at a Premium of 10% and for the purpose of redemption, the directors are empowered to make fresh issue of Equity Shares at par after utilising the undistributed reserve and surplus, subject to the conditions that a sum of Rs. 20,000 shall be retained in general reserve and which should not be utilised.

Pass Journal Entries to give effect to the above arrangements.

(5 Marks)

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