(GI-1, GI-2, GI-3, GI-6, VI-1, SI-1, VDI-1)

DATE: 23.08.2021 **MAXIMUM MARKS: 100** **TIMING: 3¼ Hours**

PAPER 1: 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) ABC Ltd. was making provision for non-moving inventories based on issues for the last 12 months up to 31.3.2016.
The company wants to provide during the year ending 31.3.2017 based on technical evaluation:

Total value of inventory	Rs. 100 lakhs
Provision required based on 12 months issue	Rs. 3.5 lakhs
Provision required based on technical evaluation	Rs. 2.5 lakhs

Does this amount to change in Accounting Policy? Can the company change the method of provision?

(5 Marks)

(b) Explain 'Bearer Plant' & 'Biological Asset' as per AS-10.

(5 Marks)

(c) A company had 5,000 units of stock "A", costing @ Rs. 50 each on 31.3.2014. Out of this stock, 3,000 units are to be supplied under a firm contract at Rs. 45 each. Show how the valuation will be done of such stock when
(i) the general selling price is Rs. 49 each.
(ii) the general selling price is Rs. 52 each.

(5 Marks)

(d) What do you mean by the term "cash and cash equivalent" as per AS 3? From the following information of XYZ Limited, calculate cash and cash equivalent as on 31-03-2019.

Particulars	**Amount (Rs.)**
Cash balance with Bank	10,000
Fixed Deposit created on 01-11-2018 and maturing on 15-07-2019	75,000
Short Term Investment in highly liquid Sovereign Debt Mutual fund made on 01-03-2019 (having maturity period of less than 3 months)	1,00,000
Bank Balance in a Foreign Currency Account in India	$ 1,000
(Conversion Rate: on the day of deposit Rs. 69/USD; Rs. 70/USD as on 31-03-2019)	
Debentures purchased of Rs. 10 lacs of A Ltd., which are redeemable on 31st October, 2019	90,000
Shares of Alpha Ltd. purchased on 1st January, 2019	60,000

(5 Marks)

Question 2:

(a) Shree Ltd. has authorized capital of Rs. 50 lakhs divided into 5,00,000 equity shares of Rs. 10 each. Their books show the following balances as on 31st March, 2020:

	Rs.		Rs.
Inventory 1.4.2019	6,65,000	Bank balance in Current Account	20,000
Discounts & Rebates allowed	30,000	Cash in hand	8,000
Carriage Inwards	57,500	Interest (bank overdraft)	1,11,000
Patterns	3,75,000	Calls in Arrear @ Rs.2 per share	10,000
Rate, Taxes and Insurance	55,000	Equity share capital	20,00,000
Furniture & Fixtures	1,50,000	(2,00,000 shares of Rs. 10 each)	
Purchases	12,32,500	Bank Overdraft	12,67,000
Wages	13,68,000		
Freehold Land	16,25,000	Trade Payables (for goods)	2,40,500
Plant & Machinery	7,50,000	Sales	36,17,000
Engineering Tools	1,50,000	Rent (Cr.)	30,000
Trade Receivables	4,00,500	Transfer fees received	6,500
Advertisement	15,000	Profit & Loss A/c (Cr.)	67,000
Commission & Brokerage (Dr.)	67,500	Repairs to Building	56,500
Business Expenses	56,000	Bad debts	25,500

You are required to prepare Statement of Profit & Loss for the year ended 31st March, 2020 and Balance Sheet as on that date in line with Schedule III to the Companies Act, 2013 after considering the following:

The inventory (valued at cost or market value, which is lower) as on 31st March, 2020 was Rs. 7,08,000. Outstanding liabilities for wages Rs. 25,000 and business expenses Rs. 36,000.

Charge depreciation on closing written down value of Plant & Machinery @ 5%, Engineering Tools @ 20%; Patterns @ 10%; and Furniture & Fixtures @10%. Provide 25,000 as doubtful debts after writing off Rs. 16,000 as additional bad debts. Provide for income tax @ 30%.

(16 Marks)

(b) Medha Ltd. took a loan from bank for Rs. 10,00,000 to be settled within 5 years in 10 equal half yearly instalments with interest. First instalment is due on 30.09.2020 of Rs. 1,00,000. Determine how the loan will be classified in preparation of Financial Statements of Medha Ltd. for the year ended 31st March, 2020 according to Schedule III.

(4 Marks)

Question 3:

(a) Monalisa & Co. runs plastic goods shop. Following details are available from quarterly sales tax return filed.

Sales	2009	2010	2011	2012
	Rs.	Rs.	Rs.	Rs.
From 1st January to 31st March	1,80,000	1,70,000	2,05,950	1,62,000
From 1st April to 30th June	1,28,000	1,86,000	1,93,000	2,21,000
From 1st July to 30th September	1,53,000	2,10,000	2,31,000	1,75,000
From 1st October to 31st December	1,59,000	1,47,000	1,90,000	1,48,000
Total	6,20,000	7,13,000	8,19,950	7,06,000

Period	Rs.
Sales from 16-09-2011 to 30-09-2011	34,000

Sales from 16-09-2012 to 30-09-2012	Nil
Sales from 16-12-2011 to 31-12-2011	60,000
Sales from 16-12-2012 to 31-12-2012	20,000

A loss of profit policy was taken for Rs. 1,00,000. Fire occurred on 15th September, 2012. Indemnity period was for 3 months. Net Profit was Rs. 1,20,000 and standing charges (all insured) amounted to Rs. 43,990 for year ending 31st December, 2011. Determine the Insurance Claim.

(10 Marks)

(b) On 1st January 2006, Singh had 20,000 equity shares in X Ltd. Face value of the shares was Rs. 10 each but their book value was Rs. 16 per share. On 1st June 2006, Singh purchased 5,000 more equity shares in the company at a premium of Rs. 4 per share. On 30th June, 2006, the directors of X Ltd. announced a bonus and rights issue. Bonus was declared at the rate of one equity share for every five shares held and these shares were received on 2nd August, 2006. The terms of the rights issue were:

(a) Rights shares to be issued to the existing holders on 10th August, 2006.
(b) Rights issue would entitle the holders to subscribe to additional equity shares in the Company at the rate of one share per every three held at Rs. 15 per share-the whole sum being payable by 30th September, 2006.
(c) Existing shareholders may, to the extent of their entitlement, either wholly in part, transfer their rights to outsiders.
(d) Singh exercised his option under the issue for 50% of his entitlements and the balance of rights he sold to Ananth for a consideration of Rs. 1.50 per share.
(e) Dividends for the year ended 31st March, 2006, at the rate of 15% were declared by the Company and received by Singh on 20th October, 2006.
(f) On 1st November, 2006, Singh sold 20,000 equity shares at a premium of Rs. 3 per share.

The market price of share on 31-12-2006 was Rs. 13. Show the Investment Account as it would appear in Singh's books on 31-12-2006 and the value of shares held on that date.

(10 Marks)

Question 4:

(a) From the following Balance Sheet and information, prepare Cash Flow Statement of Ryan Ltd. for the year ended 31st March 2003:

BALANCE SHEET

Liabilities	31st March 2003 Rs.	31st March 2002 Rs.
Equity Share Capital	6,00,000	5,00,000
10% Redeemable Preference Capital	--	2,00,000
Capital Redemption Reserve	1,00,000	---
Capital Reserve	1,00,000	---
General Reserve	1,00,000	2,50,000
Profit and Loss Account	70,000	50,000
9% Debentures	2,00,000	---
Sundry Creditors	95,000	80,000
Bills Payable	20,000	30,000
Liabilities for Expenses	30,000	20,000
Provision for Taxation	95,000	60,000

Proposed Dividend	90,000	60,000
	15,00,000	12,50,000
Assets	**31st March 2003 Rs.**	**31st March 2002 Rs.**
Land and Building	1,50,000	2,00,000
Plant and Machinery	7,65,000	5,00,000
Investments	50,000	80,000
Inventory	95,000	90,000
Bills Receivable	65,000	70,000
Sundry Debtors	1,75,000	1,30,000
Cash and Bank	65,000	90,000
Preliminary Expenses	10,000	25,000
Voluntary Separation Payments	1,25,000	65,000
	15,00,000	12,50,000

Additional Information

(i) A piece of land has been sold out for Rs. 1,50,000 (Cost Rs. 1,20,000) and the balance land was revalued. Capital Reserve consisted of Profit on sale and profit on revaluation.

(ii) On 1st April, 2002 a plant was sold for Rs. 90,000 (Original Cost Rs. 70,000 and W.D.V. Rs. 50,000) and Debentures worth Rs. 1 lakh was issued at par as part consideration for Plant of Rs. 4.5 lakh acquired.

(iii) Part of the investments (Cost – Rs. 50,000) was sold for Rs. 70,000.

(iv) Pre-acquisition dividend received Rs. 5,000 was adjusted against cost of Investment.

(v) Directors have proposed 15% dividend for the current year.

(vi) Voluntary separation cost of Rs. 50,000 was adjusted against General Reserve.

(i) Income-tax liability for the current year was estimated at Rs. 1,35,000.

(ii) Depreciation @ 15% has been written off from Plant account but no depreciation has been charged on Land and Building.

(10 Marks)

(b) 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 Marks)

Question 5:

(a) The following is the Balance Sheet of Manish and Suresh as on 1st April, 2016:

Liabilities	Rs.	Assets	Rs.
Capital Accounts:		Building	1,00,000

Manish	1,50,000	Machinery	65,000
Suresh	75,000	Stock	40,000
Creditors for goods	30,000	Debtors	50,000
Creditors for expenses	25,000	Bank	25,000
	2,80,000		2,80,000

They give you the following additional information:

(i) Creditors' Velocity 1.5 month & Debtors' Velocity 2 months.

(ii) Stock level is maintained uniformly in value throughout all over the year.

(iii) Depreciation on machinery is charged @ 10%, Depreciation on building @ 5% in the current year.

(iv) Cost price will go up 15% as compared to last year and also sales in the current year will increase by 25% in volume.

(v) Rate of gross profit remains the same.

(vi) Business Expenditures are Rs. 50,000 for the year. All expenditures are paid off in cash.

(vii) Closing stock is to be valued on LIFO Basis.

(viii) All sales and purchases are on credit basis and there are no cash purchases and sales.

You are required to prepare Trading, Profit and Loss Account, Trade Debtors Account and Trade Creditors Account for the year ending 31.03.2017.

(15 Marks)

(b) C Limited had 3,000, 12% Redeemable Preference Shares of Rs. 100 each, fully paid up. The company had to redeem these shares at a premium of 10%.

It was decided by the company to issue the following:

(i) 25,000 Equity Shares of Rs. 10 each at par,

(ii) 1,000 14% Debentures of Rs. 100 each.

The issue was fully subscribed and all amounts were received in full .The payment was duly made. The company had sufficient profits. Show Journal Entries in the books of the company.

(5 Marks)

Question 6: (Answer any four questions)

(a) Brahma Limited has three departments and submits the following information for the year ending on 31st March, 2011.

	A	B	C	Total (Rs.)
Purchase (Units)	5,000	10,000	15,000	
Purchase (Amount)				8,40,000
Sales (units)	5,200	9,800	15,300	
Selling Price (Rs. Per unit)	40	45	50	
Closing Stock (Units)	400	600	700	

You are required to prepare departmental trading account of Brahma Limited assuming that the rate of profit on sales is uniform in each case.

(5 Marks)

(b) 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)

(c) 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)

(d) 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)

(e) (a) With regard to financial statements name any four.

(1) Users

(2) Qualitative characteristics

(3) Elements

(b) What are fundamental accounting assumptions?

(5 Marks)

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