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

DATE: 22.06.2022 **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) Tip top Limited has borrowed a sum of US $ 10,00,000 at the beginning of Financial Year 2014-15 for its residential project at 4 %. The interest is payable at the end of the Financial Year. At the time of availment exchange rate was Rs. 56 per US $ and the rate as on 31st March, 2015 was Rs. 62 per US $. If Tip top Builders Limited borrowed the loan in India in Indian Rupee equivalent, the pricing of loan would have been 10.50%. Compute Borrowing Cost and exchange difference for the year ending 31st March, 2015 as per applicable Accounting Standards.

(5 Marks)

(b) State with reference to accounting standard, how will you value the inventories in the following cases:

(i) Raw material was purchased at Rs. 100 per kilo. Price of raw material is on the decline. The finished goods in which the raw material is incorporated is expected to be sold at below cost. 10,000 kgs. of raw material is on stock at the year end. Replacement cost is Rs. 80 per kg.

(ii) In a production process, normal waste is 5% of input. 5,000 MT of input were put in process resulting in a wastage of 300 MT. Cost per MT of input is Rs. 1,000. The entire quantity of waste is on stock at the year end.

(iii) Per kg. of finished goods consisted of:

Material cost	Rs. 100 per kg.
Direct labour cost	Rs. 20 per kg.
Direct variable production overhead	Rs. 10 per kg.

Fixed production charges for the year on normal capacity of one lakh kgs. is Rs. 10 lakhs. 2,000 kgs.of finished goods are on stock at the year end.

(5 Marks)

(c) 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)

(d) (a) Sterling Ltd. purchased a plant for US $ 20,000 on 31st December, 2011 payable after 4 months. The company entered into a forward contract for 4 months @ Rs. 48.85 per dollar. On 31st December, 2011, the exchange rate was Rs. 47.50 per dollar.
How will you recognize the profit or loss on forward contract in the books of Sterling Limited for the year ended 31st March, 2012.

(b)

	Exchange Rate per $
Goods purchased on 1.1.2011 of US $ 10,000	Rs. 45
Exchange rate on 31.3.2011	Rs. 44
Date of actual payment 7.7.2011	Rs. 43

Ascertain the loss/gain for financial years 2010-11 and 2011-12, also give their treatment as per AS 11.

(5 Marks)

Question 2:

(a) The following balances were extracted from the books of Beta. You are required to prepare Departmental Trading Account and general Profit & Loss Account for the year ended 31st December, 2016:

Particulars	Deptt. A Rs.	Deptt. B Rs.
Opening Stock	3,00,000	2,40,000
Purchases	39,00,000	54,60,000
Sales	60,00,000	90,00,000

General expenses incurred for both the Departments were Rs. 7,50,000 and you are also supplied with the following information:

(i) Closing stock of Department A Rs. 6,00,000 including goods from Department B for Rs. 1,20,000 at cost to Department A.

(ii) Closing stock of Department B Rs. 12,00,000 including goods from Department A for Rs. 1,80,000 at cost to Department B.

(iii) Opening stock of Department A and Department B include goods of the value of Rs. 60,000 and Rs. 90,000 taken from Department B and Department A respectively at cost to transferee departments.

(iv) The gross profit is uniform from year to year.

(8 Marks)

(b) M/s Marena, Delhi has a branch at Bangalore to which office goods are invoiced at cost plus 25%. The branch sells both for cash and on credit. Branch Expenses are paid direct from head office and the Branch has to remit all cash received into the Head Office Bank Account.

From the following details, relating to calendar year 2017, prepare the accounts in the Head Office Ledger and ascertain the Branch Profit.

Branch does not maintain any books of account, but sends weekly returns to the Head Office.

	Rs.
Goods received from Head Office at invoice price	45,00,000
Returns to Heads Office at invoice price	90,000
Stock at Bangalore as on 1st January, 2017	4,50,000
Sales during the year - Cash	15,00,000
- Credit	27,00,000
Sundry Debtors at Bangalore as on 1st January, 2017	5,40,000
Cash received from Debtors	24,00,000
Discount allowed to Debtors	45,000

Bad Debts in the year	30,000
Sales returns at Bangalore Branch	60,000
Rent, Rates and Taxes at Branch	1,35,000
Salaries, Wages and Bonus at Branch	4,50,000
Office Expenses	45,000
Stock at Branch on 31st December, 2017 at invoice price	9,00,000

(8 Marks)

(c) M/s. Kodam Enterprises purchased a generator on hire purchase from M/s. Sanctum Ltd. on 1st April, 2017. The hire purchase price was Rs. 48,000. Down payment was Rs. 12,000 and the balance is payable in 3 annual installments of Rs. 12,000 each payable at the end of each financial year. Interest is payable @ 8% p.a. and is included in the annual payment of Rs. 12,000.

Depreciation at 10% p.a. is to be written off using the straight line method. You are required to calculate the cash price of the generator and the interest paid on each installment.

(4 Marks)

Question 3:

(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.

(12 Marks)

(b) The premises of Anmol Ltd. caught fire on 22nd January 2017, and the stock was damaged. The firm makes account up to 31st March each year. On 31st March, 2016 the stock at cost was Rs. 6,63,600 as against Rs. 4,81,100 on 31st March, 2015.
Purchases from 1st April, 2016 to the date of fire were Rs. 17,41,350 as against Rs. 22,62,500 for the full year 2015-16 and the corresponding sales figures were Rs. 24,58,500 and Rs. 26,00,000 respectively. You are given the following further information:
(i) In July, 2016, goods costing Rs. 50,000 were given away for advertising purposes, no entries being made in the books.
(ii) During 2016-17, a clerk had misappropriated unrecorded cash sales. It is estimated that the defalcation averaged Rs. 1,000 per week from 1st April, 2016 until the clerk was dismissed on 18th August, 2016.
(iii) The rate of gross profit is constant.
You are required to calculate the value of stock in hand on the date of fire with the help of above information.

(8 Marks)

Question 4:

(a) A partnership firm M/s. Nice Sons was carrying on business from 1st May, 2017. The partners of the firm decided to convert the partnership firm into a private company called Zenith (P) Ltd. with effect from 1st September, 2017. The annual accounts were drawn upto 31st March, 2018. The summarised Profit and Loss Account from 1st May, 2017 to 31st March, 2018 is as follows:

Particulars		Amount (Rs.)
Turnover		55,20,000
Interest on Investment		60,000
Profit on sale of Investment		42,000
		56,22,000
Less:		
Cost of goods sold	34,50,000	
Printing & Stationery	77,000	
Manager's Salary	82,000	
Audit Fees	41,000	
Rent	1,33,000	
Bad Debts	33,000	
Underwriting Commission	56,000	
Depreciation	71,500	
Interest on Debentures	8,900	
Advertising campaign expenses	69,800	
Sundry office expenses	1,06,700	

Interest on borrowings	1,25,000	42,53,900
Net Profit		13,68,100

Additional Information Provided:

(1) The company's only borrowing was a loan of Rs. 15,00,000 at 9% p.a., to pay the purchase consideration due to the firm and for working capital requirements. The loan was taken on 1st September, 2017.

(2) The company occupied additional space from 1st September, 2017 for which rent of Rs. 8,000 per month was incurred.

(3) Audit fee pertains to the company.

(4) Bad debts recovered amounting to Rs. 36,000 for a sale made in June 2017, has been deducted from bad debts mentioned above.

(5) All investments were sold in August 2017.

(6) Zenith (P) Ltd. initiated an advertising campaign on 1st September, 2017, which resulted increase in monthly average sales by 40%.

(7) The salary of Manager was increased by Rs. 3,000 p.m. from 1st July, 2017.

(8) Prepare a statement showing pre-incorporation and post-incorporation profit for the year ended 31st March 2018.

(10 Marks)

(b) Mr. Brown has made following transactions during the financial year 20X1-X2:

Date	Particulars
01.05.20X1	Purchased 24,000 12% Bonds of Rs. 100 each at Rs. 84 cum-interest. Interest is payable on 30th September and 31st March every year.
15.06.20X1	Purchased 1,50,000 equity shares of Rs. 10 each in Alpha Limited for Rs. 25 each through a broker, who charged brokerage @ 2%.
10.07.20X1	Purchased 60,000 equity shares of Rs.10 each in Beeta Limited for Rs. 44 each through a broker, who charged brokerage @2%.
14.10.20X1	Alpha Limited made a bonus issue of two shares for every three shares held.
31.10.20X1	Sold 80,000 shares in Alpha Limited for Rs. 22 each.
01.01.20X2	Received 15% interim dividend on equity shares of Alpha Limited.
15.01.20X2	Beeta Limited made a right issue of one equity share for every four shares held at Rs. 5 per share. Mr. Brown exercised his option for 40% of his entitlements and sold the balance rights in the market at Rs. 2.25 per share.
01.03.20X2	Sold 15,000 12% Bonds at Rs. 90 ex-interest.
15.03.20X2	Received 18% interim dividend on equity shares of Beeta Limited.

Interest on 12% Bonds was duly received on due dates.

Prepare separate investment account for 12% Bonds, Equity Shares of Alpha Limited and Equity Shares of Beeta Limited in the books of Mr. Brown for the year ended on 31st March, 20X2.

(10 Marks)

Question 5:

(a) Bumbum Limited gives you the following information as at 31st March, 20X1:

	Rs.
Authorized capital:	
50,000 Equity shares of Rs. 10 each	5,00,000
10,000 Preference shares of Rs. 100 each (8% redeemable)	10,00,000
	15,00,000

Issued, subscribed and paid up capital:	
30,000 Equity shares of Rs. 10 each	3,00,000
5,000, 8% Redeemable Preference shares of Rs. 100 each	5,00,000
	8,00,000
Reserves & Surplus:	
Securities Premium	6,00,000
General Reserve	6,50,000
Profit & Loss A/c	40,000
	12,90,000
2,500, 9% Debentures of Rs. 100 each	2,50,000
Trade payables	1,70,000
Property, Plant and Equipment (net)	7,80,000
Investments (market value Rs. 5,80,000)	4,90,000
Deferred Tax Assets	3,40,000
Trade receivables	6,20,000
Cash & Bank balance	2,80,000

In Annual General Meeting held on 20th June, 20X1 the company passed the following resolutions:

(i) To split equity share of Rs. 10 each into 5 equity shares of Rs. 2 each from 1st July.

(ii) To redeem 8% preference shares at a premium of 5%.

(iii) To redeem 9% Debentures by making offer to debenture holders to convert their holdings into equity shares at Rs. 10 per share or accept cash on redemption.

(iv) To issue fully paid bonus shares in the ratio of one equity share for every 3 shares held on record date.

On 10th July, 20X1 investments were sold for Rs. 5,55,000 and preference shares were redeemed.

40% of Debenture holders exercised their option to accept cash and their claims were settled on 1st August, 20X1.

The company fixed 5th September, 20X1 as record date and bonus issue was concluded by 12th September, 20X1

You are requested to journalize the above transactions including cash transactions and prepare Balance Sheet as at 30th September, 20X1. All working notes should form part of your answer.

(15 Marks)

(b) In the financial statements of the financial year 20X1-20X2, Alpha Ltd. has mentioned in the notes to accounts that during financial year, 24,000 equity shares of Rs. 10 each were issued as fully paid bonus shares. However, the source from which these bonus shares were issued has not been disclosed. Is such non-disclosure a violation of the Schedule III to the Companies Act? Comment.

(5 Marks)

Question 6: (Answer any four questions)

(a) "One of the characteristic of the financial statement is neutrality. "Do you agree with this statement? Explain in brief.

(5 Marks)

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

(5 Marks)

(c) Libra Limited (a listed 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.

(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) No. 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).

(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) The following is the Draft Profit & Loss A/c of Brown Ltd. the year ended 31st March,2020:

	Amount (Rs.)		**Amount (Rs.)**
To Administrative expenses	4,99,200	By Balance b/d	6,27,550
To Advertisement	1,18,200	By Balance from	
To Commission on sales	95,225	Trading A/c	38,15,890
To Director's Fees	1,35,940	By Subsidies received from Govt.	2,50,000
To Interest on debentures	28,460	By Profit on sale of forfeited shares	20,000
To Managerial remuneration	2,75,550		
To Depreciation on fixed assets	4,82,565		
To Provision for Taxation	11,50,200		

To General Reserve	4,50,000		
To Investment Revaluation Reserve	52,800		
To Balance c/d	14,25,300		
	47,13,440		47,13,440

Depreciation on fixed assets as per Schedule II of the Companies Act, 2013 was Rs. 5,15,675. You are required to calculate the maximum limit of managerial remuneration as per Companies Act, 2013.

(5 Marks)

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