(GI-8, FMT)

DATE: 26.03.2023 **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.

Answer 1:

(a) Calculation of Cost of Plant

Particulars		Rs.
Purchase Price	Given	6,80,000
Add: Site Preparation Cost	Given	21,200
Labour charges	(56,000×200/500) Given	22,400
Spare parts		5,000
Supervisor's Salary	25% of Rs. 26,000	6,500
Technical costs	1/10 of Rs. 34,000	3,400
Test run and experimental production charges	Given	18,000
Architect Fees for set up	Given	11,000
Depreciation on assets used for installation	Given	12,000
Total Cost of Asset		7,79,500
Less: GST credit receivable		(40,000)
Value to be capitalized		**7,39,500**

{4 M}

Note: Further Expenses of Rs. 8,900 from 15.1.2021 to 1.2.2021 to be charged to profit and loss A/c as plant was ready for production on 15.1.2021. {1 M}

Answer:

(b) According to AS 16 "Borrowing Costs", a qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use. As per the Standard, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset should be capitalized as part of the cost of that asset.

The amount of borrowing costs eligible for capitalization should be determined in accordance with this Standard. Other borrowing costs should be recognized as an expense in the period in which they are incurred.

It also states that to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset should be determined as the actual borrowing costs incurred on that borrowing during the period less any income on the temporary investment of those borrowings. {2 M}

Thus, eligible borrowing cost = Rs. 10,00,000 (100 lakhs x 12% x 10/12) – Rs. 50,000 = Rs. 9,50,000 {1 M}

Particulars	Nature of assets	Interest to be capitalized (Rs.)	Interest to be charged to Profit & Loss Account (Rs.)
Construction of factory building	Qualifying Asset	9,50,000 x 40/100 = Rs. 3,80,000	NIL

Purchase of Machinery	Not a Qualifying Asset	NIL	9,50,000 x 15/100 = 1,42,500
Purchase of and furniture	Not a Qualifying Asset	NIL	9,50,000 x 2/100 =19,000
Purchase of truck	Not a Qualifying Asset	NIL	9,50,000 x 13/100 = 1,23,500
Working Capital	Not a Qualifying Asset	NIL	9,50,000 x 30/100 = Rs. 2,85,000
Total		**Rs. 3,80,000**	**Rs. 5,70,000**

{2 item x 1 = 2 M}

Answer:

(c) As per AS 12 'Accounting for Government Grants', Government grants sometimes become refundable because certain conditions are not fulfilled. A government grant that becomes refundable is treated as an extraordinary item as per AS 5.

The amount refundable in respect of a government grant related to revenue is applied first against any unamortised deferred credit remaining in respect of the grant. To the extent that the amount refundable exceeds any such deferred credit, or where no deferred credit exists, the amount is charged immediately to profit and loss statement.

In the present case, the amount of refund of government grant should be shown in the profit & loss account of the company as an extraordinary item during the year.

{5 M}

Answer:

(d) (i) **When Net Realizable Value of the Finished Good Q is Rs. 450 per unit**

Value of Closing Stock:

	Valuation Base	Qty.	Rate (Rs.)	Amount (Rs.)
Raw Material P	Cost	600	275	**1,65,000**
Finished Good Q	Cost	1,500	360	**5,40,000**
Total value of closing stock				**7,05,000**

{3 item x 1/2 = 1.5 M}

(ii) **When Net Realizable Value of the Finished Good Q is Rs. 340 per unit**

Since NRV of finished goods Q is less than its cost i.e. Rs. 360 (Refer W.N.), raw material P is to be valued at replacement cost and finished goods is to be valued at NRV.

Value of Closing Stock:

	Valuation Base	Qty.	Rate (Rs.)	Amount (Rs.)
Raw material P	Replacement cost	600	180	**1,08,000**
Finished good Q	Net Realisable Value	1,500	340	**5,10,000**
Total value of closing stock				**6,18,000**

{3 item x 1/2 = 1.5 M}

Working Note:

Statement showing calculation of cost of raw material P and finished good Q

Raw Material P	**Rs.**
Cost Price (250-20)	230
Add: Freight Inward	30
Handling charges	15
Cost	**275**
Finished Goods Q	**Rs.**

{1 M}

Materials consumed	250
Direct Labour	70
Variable overheads	30
Fixed overheads (Rs. 3,00,000 / 30,000 units)	10
	360

{1 M}

Answer 2:

(a) **Trading and Profit and Loss Account of ABC enterprise for the year ended 31st March, 2022**

		Rs.		Rs.
To Opening Inventory		**80,000**	By Sales	**6,08,750**
To Purchases	4,56,000		By Closing inventory	**70,000**
Less: For advertising	(9,000)	**4,47,000**		
To Freight inwards		**30,000**		
To Gross profit c/d		**1,21,750**		
		6,78,750		6,78,750
To Sundry expenses		**92,000**	By Gross profit b/d	**1,21,750**
To Advertisement		**9,000**	By Interest on investment	**600**
To Discount allowed –			(20,000 x 6/100 x ½)	
Debtors	**15,000**		By Discount received	**8,000**
Bills Receivable	**1,250**	**16,250**	By Miscellaneous income	**5,000**
To Depreciation on furniture		**6,500**		
To Provision for doubtful debts		**1,455**		
To Net profit		**10,145**		
		1,35,350		1,35,350

{6 item x 1/4 = 1.5 M}

{12 item x 1/4 = 3 M}

Balance Sheet as on 31st March, 2022

Liabilities	Amount		Assets		Amount
	Rs.	Rs.		Rs.	Rs.
Capital as on 1.4.2021	**1,88,000**		Furniture (w.d.v.)	60,000	
			Additions during the year	10,000	
Less: Drawings	**(91,000)**		*Less:* Depreciation	(6,500)	**63,500**
			Investment		**19,000**
Add: Net Profit	**10,145**	**1,07,145**	Interest accrued		**600**
Sundry creditors		**1,50,000**	Closing inventory		**70,000**
Outstanding expenses		**18,000**	Sundry debtors	72,750	
			Less: Provision for doubtful debts	1,455	**71,295**
			Bills receivable		**17,500**
			Cash in hand and at bank		**26,250**
			Prepaid expenses		**7,000**
		2,75,145			2,75,145

{14 item x 1/4 = 3.5 M}

Working Notes:

(1) Capital on 1st April, 2021

Balance Sheet as on 1st April, 2021

Liabilities	Rs.	Assets	Rs.
Capital (Bal.fig.)	**1,88,000**	Furniture (w.d.v.)	60,000
Creditors	1,10,000	Closing Inventory	80,000
Outstanding expenses	20,000	Sundry debtors	1,60,000
		Cash in hand and at bank	12,000
		Prepaid expenses	6,000
	3,18,000		3,18,000

{1 M}

(2) Purchases made during the year

Sundry Creditors Account

	Rs.		Rs.
To Cash and bank A/c	3,92,000	By Balance b/d	1,10,000
To Discount received A/c	8,000	By Sundry debtors A/c	4,000
To Bills Receivable A/c	20,000	**By Purchases A/c**	**4,56,000**
To Balance c/d	1,50,000	**(Balancing figure)**	
	5,70,000		5,70,000

{1 M}

(3) Sales made during the year

		Rs.
Opening inventory		80,000
Purchases	4,56,000	
Less: For advertising	(9,000)	4,47,000
Freight inwards		30,000
		5,57,000
Less: Closing inventory		(70,000)
Cost of goods sold		4,87,000
Add: Gross profit (25% on cost)		1,21,750
		6,08,750

{1 M}

(4) Debtors on 31st March, 2022

Sundry Debtors Account

	Rs.		Rs.
To Balance b/d	1,60,000	By Cash and bank A/c	5,85,000
To Sales A/c	6,08,750	By Discount allowed A/c	15,000
To Sundry creditors A/c		By Bills receivable A/c	1,00,000
(bill dishonoured)	4,000	**By Balance c/d (Bal.fig.)**	**72,750**
	7,72,750		7,72,750

{1 M}

(5) Additional drawings by proprietors of ABC enterprises

Cash and Bank Account

	Rs.		Rs.
To Balance b/d	12,000	By Freight inwards A/c	30,000
To Sundry debtors A/c	5,85,000	By Furniture A/c	10,000
To Bills Receivable A/c	61,250	By Investment A/c	19,000
To Miscellaneous income A/c	5,000	By Expenses A/c	95,000

{1 M}

		By Creditors A/c	3,92,000
		By Drawings A/c	
		[Rs. 70,000 + Rs. 21,000)	91,000
		(Additional drawings)]	
		By Balance c/d	26,250
	6,63,250		6,63,250

(6) Amount of expenses debited to Profit and Loss A/c

Sundry Expenses Account

	Rs.		Rs.
To Prepaid expenses A/c (on 1.4.2021)	6,000	By Outstanding expenses A/c (on 1.4.2021)	20,000
To Bank A/c	95,000	**By Profit and Loss A/c (Balancing figure)**	**92,000**
To Outstanding expenses A/c (on 31.3.2022)	18,000	By Prepaid expenses A/c (on 31.3.22)	7,000
	1,19,000		1,19,000

{1 M}

(7) Bills Receivable on 31st March, 2022

Bills Receivable Account

	Rs.		Rs.
To Debtors A/c	1,00,000	By Creditors A/c	20,000
		By Bank A/c	61,250
		By Discount on bills receivable A/c	1,250
		By Balance c/d (Balancing figure)	**17,500**
	1,00,000		1,00,000

{1 M}

Note: All sales and purchases are assumed to be on credit basis.

Answer:

(b) A liability is recognised when outflow of economic resources in settlement of a present obligation can be anticipated and the value of outflow can be reliably measured. In the given case, A Ltd. should recognise a liability of Rs. 1,00,000 to Gamma Ltd. {1 M}

When flow of economic benefit to the enterprise beyond the current accounting period is considered improbable, the expenditure incurred is recognised as an expense rather than as an asset. In the present case, flow of future economic benefit from the machine to the enterprise is improbable. The entire amount of purchase price of the machine should be recognised as an expense. {1 M}

Journal entry

Loss on change in production method Dr.	1,00,000	
To Gamma Ltd.		1,00,000
(Loss due to change in production method)		
Profit and loss A/c Dr.	1,00,000	
To Loss on change in production method		1,00,000
(Loss transferred to profit and loss account)		

{$1^{1/2}$ M} {$1^{1/2}$ M}

Answer 3:

(a)

In the books of Mr. Brown

12% Bonds for the year ended 31st March, 20X2

Date	*Particulars*	*Nos.*	*Income*	*Amount*	*Date*	*Particulars*	*Nos.*	*Income*	*Amount*
			Rs.	**Rs.**				**Rs.**	**Rs.**
20X1	To Bank A/c	24,000	**24,000**	**19,92,000**	20X1	By Bank-Interest	-	**1,44,000**	
May, 1	(W.N.7)		**½ M**	**½ M**	Sept.	(24,000 x 100 x		**½ M**	
						12% x 6/12)			
20X2	To P & L A/c			**1,05,000**	3020X2	By Bank A/c	15,000	**75,000**	**13,50,000**
March 1	(W.N.1)			**½ M**	Mar. 1	(W.N.8)		**½ M**	**½ M**
20X2	To P & L A/c		**2,49,000**		20X2	By Bank-Interest		**54,000**	
March	(b.f.)		**½ M**		Mar. 31	(9,000 x 100 x		**½ M**	
31						12% x 6/12)			
						By Balance c/d	9,000		**7,47,000**
						(W.N.2)			**½ M**
		24,000	2,73,000	20,97,000			24,000	2,73,000	20,97,000

9 items x 1/2 M = $4^{1/2}$ M

Investment in Equity Share of Alpha Ltd. for the year ended 31st March, 20X2

Date	*Particulars*	*Nos.*	*Income* Rs.	*Amount* Rs.	*Date*	*Particulars*	*Nos.*	*Income* Rs.	*Amount* Rs.
20X1	To Bank A/c	1,50,000	-	**38,25,000**	20X1	By Bank A/c	80,000	-	**17,60,000**
June	([1,50,000 x			**½ M**	Oct. 31				**½ M**
15	25] + [2% x								
	(1,50,000 x								
	25)])								
Oct. 14	To Bonus	1,00,000	-	-	20X2	By Bank A/c		**2,55,000**	
	Issue				Jan. 1	–dividend		**½ M**	
	(1,50,000/					(1,70,000 x			
	3 x2)					10 x 15%)			
20X1	To P & L A/c			**5,36,000**	March	By Balance	1,70,000	-	**26,01,000**
Oct. 31	(W.N.3)			**½ M**	31	c/d			**½ M**
20X2	To P & L A/c					(W.N.4)			
Mar.			**2,55,000**						
31			**½ M**						
		2,50,000	2,55,000	43,61,000			2,50,000	2,55,000	43,61,000

6 items x 1/2 M 3 M.

Investment in Equity Share of Beeta Ltd. for the year ended 31st March, 20X2

Date	*Particulars*	*Nos.*	*Income*	*Amount*	*Date*	*Particulars*	*Nos.*	*Income*	*Amount*
			Rs.	**Rs.**				**Rs.**	**Rs.**
20X1	To Bank A/c	60,000	-	**26,92,800**	20X2	By Bank –	-	**1,18,800**	
July 10	([60,000 x			**1/2 M**	Mar. 15	dividend		**1/2 M**	
	44] + [2%					[(60,000 + 6,000)			
	x (60,000 x					x 10 x 18%]			
	44)])								
20X2	To Bank A/c	6000	-	**30,000**	March	By Balance c/d	66,000		**27,22,800**
Jan. 15	(W.N. 5)			**1/2 M**	31	(bal. fig.)			**1/2 M**
March	To P & L A/c		**1,18,800**						
31			**1/2 M**						
		66,000		27,22,800			66,000	1,18,800	27,22,800

5 items = 1/2 M = 2.5 M

Working Notes:

1. Profit on sale of 12% Bond

Sales price	Rs. 13,50,000
Less : Cost of bond sold = $\frac{19,92,000}{24,000} \times 15,000$	(Rs.12,45,000)
Profit on sale	Rs. 1,05,000

1/4 M

2. Closing balance as on 31.3.20X2 of 12 % Bonds

$\frac{19,92,000}{24,000} \times 9,000$ = Rs. 7,47,000

1/4 M

3. Profit on sale of equity shares of Alpha Ltd.

Sales price	Rs. 17,60,000
Less : Cost of bond sold = $\frac{38,25,000}{2,50,000} \times 80,000$	(Rs. 12,24,000)
Profit on sale	Rs. 5,36,000

1/4 M

4. Closing balance as on 31.3.20X2 of equity shares of Alpha Ltd.

$\frac{38,25,000}{2,50,000} \times 1,70,000$ = Rs. 26,01,000

1/4 M

5. Calculation of right shares subscribed by Beeta Ltd.

Right Shares = $\frac{60,000 \text{ Shares}}{4} \times 1$ = 15,000 shares

Shares subscribed by Mr. Brown= 15,000 x 40%= 6,000 shares

Value of right shares subscribed= 6,000 shares @ Rs. 5 per share = Rs. 30,000

1/4 M

6. Calculation of sale of right entitlement by Beeta Ltd.

No. of right shares sold = 15,000 - 6,000 = 9,000 shares

Sale value of right = 9,000 shares x Rs. 2.25 per share = Rs. 20,250

Note: As per para 13 of AS 13, sale proceeds of rights is to be credited to P & L A/c.

1/4 M

7. Purchase of bonds on 01.05.20X1

Interest element in purchase of bonds	= 24,000 x 100 x 12% x 1/12
	= Rs. 24,000
Investment element in purchase of bonds	= (24,000 x 84) –24,000
	= Rs. 19,92,000

1/4 M

8. Sale of bonds on 01.03.20X2

Interest element in purchase of bonds	= 15,000 x 100 x 12% x 5/12
	= Rs. 75,000
Investment element in purchase of bonds	= 15,000 x 90 = Rs. 13,50,000

1/4 M

Answer:

(b) **Ascertainment of rate of gross profit for the year 2015-16**

Trading A/c for the year ended 31-3-2016

	Rs.		Rs.
To Opening stock	**4,81,100**	By Sales	**26,00,000**
To Purchases	**22,62,500**	By Closing stock	**6,63,600**
To Gross profit	**5,20,000**		
	32,63,600		32,63,600

{5 Item X 1/2 M = 2.5 M}

$$\text{Rate of Gross Profit} = \frac{GP}{\text{sales}} \times 100$$

$$= \frac{5,20,000}{26,00,000} \times 100 = 20\%$$

{1 M}

Memorandum Trading A/c for the period from 1-4-2016 to 22-01-2017

	Rs.	Rs.		Rs.	Rs.
To Opening stock		**6,63,600**	By Sales	24,58,500	
To Purchases	17,41,350		*Add*: Unrecorded cash sales (W.N.)	20,000	**24,78,500**
Less: Goods used for advertisement	(50,000)	**16,91,350**	By Closing stock		**3,72,150**
To Gross profit (20% of Rs. 24,78,500)		**4,95,700**			
		28,50,650			28,50,650

{5 Item X 1/2 M = 2.5 M}

Estimated stock in hand on the date of fire was Rs. 3,72,150. **{1/2 M}**

Working Note:

Cash sales defalcated by the Accountant:

Defalcation period = 1.4.2016 to 18.8.2016= 140 days

Since, 140 days / 7 weeks = 20 weeks

Therefore, amount of defalcation = 20 weeks × Rs. 1,000 = Rs. 20,000.

{$1^{1/2}$ M}

Answer 4:

(a) (i) **Department Trading Account**

For the year ending on 31.03.20X2 in the books of Head Office

Particulars	Rs.	Particulars	Rs.
To Opening Stock	**65,000**	By Sales	**3,00,000**
To Purchases	**2,00,000**	By Shortage	**1,000**
To Gross Profit c/d (b.f.)	**58,880**	By Closing Stock	**22,880**
	3,23,880		3,23,880

{6 Item x 1/4 M = 1.5 M}

(ii) **Memorandum stock account (for Department A) (at selling price)**

Particulars	Rs.	Particulars	Rs.
To Balance b/d (Rs. 65,000 + 25% of Rs. 65,000)	**81,250**	By Profit & Loss A/c (Cost of Shortage)	**1,000**
To Purchases (Rs. 2,00,000 + 25% of Rs. 2,00,000)	**2,50,000**	By Memorandum Departmental Mark-up A/c (Load on Shortage)	**250**

{8 Item x 1/2 M = 4 M}

		(Rs. 1,000 x 25%)	
		By Memorandum Departmental Mark-up A/c (Mark-down on Current Purchases)	**1,200**
		By Debtors A/c (Sales)	**3,00,000**
		By Memorandum Departmental Mark-up A/c (Mark Down on Opening Stock)	**600**
		By Balance c/d (b.f.)	**28,200**
	3,31,250		3,31,250

(iii) **Memorandum Departmental Mark-up Account**

Particulars	Rs.	Particulars	Rs.
To Memorandum Departmental Stock A/c (Rs. 1,000 × 25/100)	**250**	By Balance b/d (Rs. 81,250 x 25/125)	**16,250**
To Memorandum Departmental Stock A/c	**1,200**	By Memorandum Departmental Stock A/c (Rs. 2,50,000 x 25/125)	**50,000**
To Memorandum Departmental Stock A/c	**600**		
To Gross Profit transferred to Profit & Loss A/c	**58,880**		
To Balance c/d [(Rs. 28,200 + 400*) x 25/125 - Rs. 400]	**5,320**		
	66,250		66,250

{7 Item x 1/2 M = 3.5 M}

*[Rs. 1,200 ×5,000/15,000] = Rs. 400

Working Notes:

(i) Calculation of Cost of Sales

		Rs.
A	Sales as per Books	3,00,000
B	Add: Mark-down in opening stock (given)	600
C	Add: mark-down in sales out of current Purchases (Rs. 1,200 x 10,000 /15,000)	800
D	Value of sales if there was no mark-down (A+B+C)	3,01,400
E	Less: Gross Profit (25/125 of Rs. 3,01,400) subject to Mark Down (Rs. 600 + Rs. 800)	(60,280)
F	Cost of sales (D-E)	**2,41,120**

}{1 M}

(ii) Calculation of Closing Stock

		Rs.
A	Opening Stock	65,000
B	Add: Purchases	2,00,000
C	Less: Cost of Sales	(2,41,120)
D	Less: Shortage	(1,000)
E	Closing Stock (A+B-C-D)	**22,880**

}{2 M}

Note: It has been assumed that mark up (given in question) is determined as a percentage of cost.

Answer:
(b)

Alfa Ltd.
Debentures Account

20X2		Rs.	20X2		Rs.
March 1	To Own Debentures	**49,450**	Jan 1	By Balance b/d	**3,00,000**
March 1	To Profit on cancellation (50,000-49,450)	**550**			
Sep 1	To Own Debentures (Note 3)	**39,416**			
Sep 1	To Profit on cancellation (40,000-39,416)	**584**			
Dec 31	Balance c/d	**2,10,000**			
		3,00,000			3,00,000

{6 Item x 1/2 M = 3 M}

Own Debentures (Investment) Account

		Nominal Cost Rs.	Interest Rs.	Cost Rs.			Nominal Cost Rs.	Interest Rs.	Cost Rs.
20X2					**20X2**				
March 1	To Bank (W.N. 1)	50,000	**1,042**	**49,450**	March 1	By Debentures A/c	50,000	-	**49,450**
Sep 1	To Bank (W.N. 2 & 3)	40,000	**834**	**39,416**	Sep 1	By Debentures A/c	40,000	-	**39,416**
			-	-	Dec. 31	By P&L A/c		**1,876**	-
		90,000	1,876	88,866			90,000	1,876	88,866

{7 Item x 1/2 M = 3.5 M}

Working notes:

1. 50,000 x 5% x 5/12 = 1,042
2. 40,000 x 5% x 5/12 = 834
3. 40,250 – 834 = 39,416

{3 Item x 1/2 M = 1.5 M}

Answer 5:
(a)

Journal Entries

2021			Dr. (Rs.)	Cr. (Rs.)	
April 1	15% Redeemable Preference Share Final Call A/c	Dr.	13,000		**{3/4 M}**
	To 15% Preference Share Capital A/c			13,000	
	(For final call made on 650 preference shares @ Rs. 20 each to make them fully paid up)				
	Bank A/c	Dr.	13,000		**{3/4 M}**
	To 15% Preference Share Final Call A/c			13,000	
	(For receipt of final call money on preference shares)				
1st June	15% Redeemable preference share capital A/c	Dr.	65,000		**{3/4 M}**
	Premium on redemption of pref. share A/c	Dr.	6,500		
	To Redeemable Preference Shareholders A/c			71,500	
	(Being amount payable to preference shareholders on redemption)				
	Bank A/c	Dr.	30,000		**{3/4 M}**
	Profit & Loss A/c	Dr.	10,000		
	To Investment A/c			40,000	
	(Being investment sold out and loss on sale				

	debited to Profit & Loss A/c) [Book value = Rs. 1,00,000 x Rs. 20,000/ Rs. 50,000 = Rs. 40,000. Sale proceeds = Rs. 20,000 x 150/100 = Rs. 30,000]			
	Bank A/c Dr.	50,000		{3/4 M}
	To Equity share capital A/c		40,000	
	To Securities premium A/c		10,000	
	(Being 4,000 equity shares of Rs. 10 issued at premium of Rs. 2.50 per share)			
	Preference shareholders A/c Dr.	71,500		{3/4 M}
	To Bank A/c		71,500	
	(Being amount paid to preference shareholders)			
	Profit and loss A/c/ General reserve A/c * Dr.	25,000		{3/4 M}
	To Capital redemption reserve A/c		25,000	
	(Being amount equal to nominal value of preference shares transferred to Capital Redemption Reserve A/c on its redemption as per the law i.e. face value of shares redeemed Rs. 65,000 less fresh equity shares issued Rs. 40,000)			
	Profit and Loss A/c ** Dr.	6,500		{3/4 M}
	To Premium on redemption of preference shares A/c		6,500	
	(Being premium on preference shares adjusted from P&L A/c)			
	Profit & Loss/ General reserve A/c* Dr.	11,250		{3/4 M}
	To Bonus to shareholders A/c		11,250	
	(Being 50 paisa for 22,500 shares making partly paid up as fully paid up)			
	Share final call A/c Dr.	11,250		{3/4 M}
	To Equity share capital A/c		11,250	
	(for making the final call due)			
	Bonus to shareholders A/c Dr.	11,250		{3/4 M}
	To Equity share final call A/c		11,250	
	(Adjusted at final call)			
July 1	Capital Redemption Reserve A/c Dr.	25,000		{1 M}
	Securities Premium A/c Dr.	10,500		
	Capital Reserve A/c Dr.	500		
	Profit & Loss A/c / General Reserve* Dr.	17,000		
	To Bonus to shareholders A/c		53,000	
	(Being balance in reserves capitalized to issue bonus shares)			
	Bonus to shareholders A/c Dr.	53,000		{3/4 M}
	To Equity share capital A/c		53,000	
	(Being 5,300 fully paid equity shares of Rs. 10 each issued as bonus in ratio of 1 share for every 5 shares held (22,500+4,000) divided by 5)			

Note: *Different combination of utilisation of available balances of general reserve and P& L A/c is possible in the given entries.
** Securities premium has not been utilized for the purpose of premium payable on redemption of preference shares assuming that the company referred in the question is governed by Section 133 of the Companies Act, 2013 and hence the company has to comply with the prescribed Accounting Standards.
*** As per the sequence of the information given in the question it has been considered that the fresh issue of equity shares is made at the time of the redemption of preference shares. Alternatively, it may be assumed that shares are issued after the redemption of preference shares. In that case the amount transferred to Capital Redemption Reserve will get changed.

Answer:
(b)

In the books of walkaway footwears
Patna Branch Stock Account

	Particulars	Amount (Rs.)		Particulars	Amount (Rs.)
1.1.21	To Balance b/d	**12,000**	31.12.21	By Bank A/c (Cash sales)	**46,000**
31.12.21	To Goods sent to Branch A/c	**1,32,000**		By Branch debtors A/c (credit sales)	**1,00,000**
	To Branch adjustment A/c	**20,000**	31.12.21	By Shortage in stock A/c	**400**
	(Surplus over invoice price)			By Balance c/d	**17,600**
		1,64,000			1,64,000

{7 M x 1/2 = 3.5 M}

Patna Branch Adjustment Account

	Particulars	Amount (Rs.)		Particulars	Amount (Rs.)
31.12.21	To Stock reserve - Rs. 17,600 x 60/160 (closing stock)	**6,600**	31.12.21	By Stock reserve – Rs. 12,000 x 60/160 (Opening stock)	**4,500**
	To Shortage (400 x 60/160)	**150**		By Goods sent to branch A/c	**49,500**
	To Branch profit & loss A/c (Gross profit)	**67,250**		(Rs. 1,32,000 x 60/ 160)	
				By Branch stock A/c	**20,000**
		74,000			74,000

{6 M x 1/2 = 3 M}

Branch Profit & Loss Account

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Branch expenses A/c	**17,500**	By Branch adjustment A/c	**67,250**
To Shortage in stock A/c	**250**	(Gross Profit)	
To Net profit (transferred to Profit & Loss A/c)	**49,500**		
	67,250		67,250

{4 M x 1/2 = 2 M}

Branch Debtors Account

	Particulars	Amount (Rs.)		Particulars	Amount (Rs.)
1.1.21	To Balance b/d	10,000	31.12.21	By Bank A/c	85,000
31.12.21	To Branch stock A/c	1,00,000		By Balance c/d (bal. fig.)	**25,000**
		1,10,000			1,10,000

{1 1/2 M}

Answer 6:

(a) As per AS 10 Property, Plant and Equipment Bearer plant is a plant that

(a) is used in the production or supply of agricultural produce; }{1 M}

(b) is expected to bear produce for more than a period of twelve months; and }{1 M}

(c) has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. }{1 M}

The following are not bearer plants:

(i) plants cultivated to be harvested as agricultural produce (for example, trees grown for use as lumber);

(ii) plants cultivated to produce agricultural produce when there is more than a remote likelihood that the entity will also harvest and sell the plant as agricultural produce, other than as incidental scrap sales (for example, trees that are cultivated both for their fruit and their lumber);and

(iii) annual crops (for example, maize and wheat).

When bearer plants are no longer used to bear produce they might be cut down and sold as scrap, for example, for use as firewood. Such incidental scrap sales would not prevent the plant from satisfying the definition of a bearer plant. {1 M}

Biological Asset is a living animal or plant. }{1 M}

Answer:

(b)

Calculation of net profit u/s 198 of the Companies Act, 2013

	Rs.	Rs.
Balance from Trading A/c		38,15,890
Add: Subsidies received from Government		2,50,000
		40,65,890
Less: Administrative, selling and distribution expenses	7,12,625	
(4,99,200 + 1,18,200 + 95,225)		
Director's fees	1,35,940	
Interest on debentures	28,460	
Depreciation on fixed assets as per Schedule II	5,15,675	(13,92,700)
Profit u/s 198		**26,73,190**

}{3 M}

Maximum Managerial remuneration under Companies Act, 2013= 11% of Rs. 26,73,190 = **Rs. 2,94,051** (rounded off). }{1 M}

Note:

1. Investment Revaluation reserve not to be deducted for calculation of profit under section 198; }{1/2 M}
2. Profit on sale of forfeited shares not to added for calculation of profit under section 198. }{1/2 M}

Answer:

(c)

Gamma Ltd.
Cash Flow Statement for the year ended 31st March, 20X1
(Using direct method)

Particulars	Rs. in crores	Rs. in crores	
Cash flows from operating activities			
Cash sales (60% of 135)	81		
Cash receipts from Debtors	49		
[45+ (135 x 40%) - 50]			
Cash purchases (20% of 55)	(11)		
Cash payments to suppliers	(42)		
[21+ (55 x 80%) – 23]			
Cash paid to employees	(22)		
Cash payments for overheads (Adm. and selling)	(18)		
Cash generated from operations	37		
Income tax paid	(8)		
Net cash generated from operating activities		**29**	{1 M}
Cash flows from investing activities			
Sale of investments (12+ 2.40)	14.4		
Payments for purchase of fixed assets (21 – 10)	(11)		
Net cash generated from investing activities		**3.4**	{1 M}
Cash flows from financing activities			
Redemption of debentures (22-15)	(7)		
Interest paid	(1.5)		
Dividend paid	(11.7)		
Net cash used in financing activities		**(20.2)**	{1 M}
Net increase in cash		12.2	
Cash at beginning of the period		6.0	
Cash at end of the period		**18.2**	{2 M}

Answer:

(d)

Journal Entries in books of Solid Ltd.

			Dr.	Cr.	
20X1			Rs.	Rs.	
April 1	Equity Share Final Call A/c	Dr.	1,80,000		{1/2 M}
	To Equity Share Capital A/c			1,80,000	
	(Final call of Rs. 2 per share on 90,000 equity shares due as per Board's Resolution dated……)				
April 20	Bank A/c	Dr.	1,80,000		{1/2 M}
	To Equity Share Final Call A/c			1,80,000	
	(Final Call money on 90,000 equity shares received)				
	Securities Premium A/c	Dr.	20,000		{1/2 M}
	General Reserve A/c	Dr.	1,60,000		
	Profit and Loss A/c (b.f.)	Dr.	45,000		
	To Bonus to Shareholders A/c			2,25,000	

	(Bonus issue @ one share for every four shares held by utilising various reserves as per Board's Resolution Dated……)			
April 20	Bonus to Shareholders A/c Dr.	2,25,000		
	To Equity Share Capital A/c		2,25,000	{1/2 M}
	(Capitalisation of profit)			

Balance Sheet (Extract) as at 30th April, 20X1 (after bonus issue)

		Particulars	Notes	Amount (Rs.)	
		Equity and Liabilities			
1		**Shareholders' funds**			
	a	Share capital	1	**12,05,000**	}{1/2 M}
	b	Reserves and Surplus	2	**1,95,000**	}{1/2 M}
2		**Non-current liabilities**			
	a	Long-term borrowings	3	**5,00,000**	}{1/2 M}
		Total		**19,00,000**	}{1/2 M}

Notes to Accounts

1	**Share Capital**			
	Equity share capital			
	Authorised share capital 1,12,500 Equity shares of Rs. 10 each		11,25,000	
	Issued, subscribed and fully paid share capital 1,12,500 Equity shares of Rs. 10 each, fully paid (Out of above, 22,500 equity shares @ Rs. 10 each were issued by way of bonus) (A)		11,25,000	
	Preference share capital Authorised share capital 10,000 12% Preference shares of Rs. 10 each		1,00,000	
	Issued, subscribed and fully paid share capital 8,000 12% Preference shares of Rs. 10 each (B)		80,000	
	Total (A + B)		**12,05,000**	}{1/4 M}
2	**Reserves and Surplus**			
	Revaluation Reserve		35,000	
	Securities Premium	20,000		
	Less: Utilised for bonus issue	(20,000)	Nil	
	General reserve	1,60,000		
	Less: Utilised for bonus issue	(1,60,000)	Nil	
	Profit & Loss Account	2,05,000		
	Less: Utilised for bonus issue	(45,000)	1,60,000	
	Total		**1,95,000**	}{1/4 M}
3	**Long-term borrowings**			
	Secured 12% Debentures @ Rs. 100 each		**5,00,000**	}{1/4 M}

The authorised capital has been increased by sufficient number of shares. (11,25,000 – 10,00,000)

Working Note-
Number of Bonus shares to be issued (90,000 shares / 4) X 1 = **22,500 shares.** }{1/4 M}

Answer:

(e) **Pre-incorporation period is for two months, from 1st April, 2018 to 31st May, 2018. 10 months' period (from 1st June, 2018 to 31st March, 2019) is post-incorporation period.** {1/8 M}

Statement showing calculation of profit/losses for pre and post incorporation periods

		Pre-Inc	Post Inc
		Rs.	**Rs.**
Gross Profit		**50,000**	**4,00,000**
Bad debts Recovery		**14,000**	
		64,000	**4,00,000**
Less:	Salaries	**24,000**	**1,20,000**
	Audit fees	-	**12,000**
	Depreciation	**3,000**	**16,250**
	Sales commission	**2,000**	**16,000**
	Bad Debts (49,000 + 14,000)	**7,000**	**56,000**
	Interest on Debentures	-	**36,000**
	Rent	**4,000**	**34,400**
Net Profit		**24,000**	**1,09,350**

{19 items x 1/8 M}

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

Working Notes:

(i) **Calculation of ratio of Sales**

Sales from April to September = 6,00,000 (1,00,000 p.m. on average basis)
October to March = Rs. 12,00,000 (2,00,000 p.m. on average basis)
Thus, sales for pre-incorporation period = Rs. 2,00,000
post-incorporation period = Rs. 16,00,000
Sales are in the ratio of 1:8 {1 M}

(ii) Gross profit, sales commission and bad debts written off have been allocated in pre and post incorporation periods in the ratio of Sales. {1/8 M}

(iii) Rent, salary are allocated on time basis. }{1/8 M}

(iv) Interest on debentures is allocated in post incorporation period. }{1/8 M}

(v) Audit fees charged to post incorporation period as relating to company audit. }{1/8 M}

(vi) Depreciation of Rs. 18,000 divided in the ratio of 1:5 (time basis) and Rs. 1,250 charged to post incorporation period. {1/8 M}

(vii) Bad debt recovery of Rs. 14,000/- is allocated in pre-incorporation period, being sale made in 2015-16. {1/8 M}

(viii) Rent

(Rs. 38,400 – Additional rent for 6 months)		Rs.
[38,400- 14,400 (2,400 x 6) = Rs. 24,000 i.e. 2,000 per month]		
1/4/18 -31/5//18 (2,000 x 2)	=	4,000
1/6/18-31/3/19 – [(2,000 x 10) +14,400]	=	34,400
		38,400

{3/4 M}

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