(GI-8, FMT)

DATE: 01.02.2023 **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.

Question 1:

(a) RS Ltd. has acquired a heavy plant at a cost of Rs. 2,00,00,000. The estimated useful life is 10 years. At the end of the 2nd year, one of the major components i.e. the Boiler has become obsolete (which was acquired at price of Rs. 50,00,000) and requires replacement, as further maintenance is uneconomical. The remainder of the plant is perfect and is expected to last for next 8 years. The cost of a new boiler is Rs. 60,00,000.
Can the cost of the new boiler be recognised as an asset, and, if so, what should be the carrying value of the plant at the end of second year?

(5 Marks)

(b) JVR Limited has made investment of Rs. 97.84 Crores in Equity Shares of QSR Limited in 2016-17. The investment has been made at par. QSR Limited has been in continuous losses for the last 2 years. JVR Limited is willing to re-assess the carrying amount of its investment in QSR Limited and wish to provide for diminution in value of investment for the year ended 31st March, 2021. Discuss whether the connection of JVR Limited to bring down the carrying Amount of investment in QSR Limited is in accordance with Accounting Standards.

(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) On 01.04.2018, XYZ Ltd. received Government grant of Rs. 100 Lakhs for an acquisition of new machinery costing Rs. 500 lakhs. The grant was received and credited to the cost of the assets. The life span of the machinery is 5 years. The machinery is depreciated at 20% on WDV method. The company had to refund the entire grant in 2nd April, 2021 due to non-fulfilment of certain conditions which was imposed by the government at the time of approval of grant. How do you deal with the refund of grant to the Government in the books of XYZ Ltd. as per AS 12?

(5 Marks)

Question 2:

(a) M/s. Bombay Cotton has 2 Departments Y and Z. The following information is provided for the year ended 31st March, 2022:

Particulars	Department Y (Rs.)	Department Z (Rs.)
Opening Stock	60,000	40,000
Purchases	1,20,000	3,05,400
Wages	70,000	32,000
Sales	3,10,300	3,72,700
Closing Stock	23,700	40,700

Other Expenses are:

Particulars	Amount in (Rs.)
Salaries	30,000
Rent	9,000
Advertisement	24,000
General Expenses	3,000
Depreciation	18,000

All Expenses are to be allocated between the Departments in the ratio of their Gross Profit.

Department Y sells goods to Department Z at a profit of 25% on sales. Department Z sells goods to Department Y at a profit of 28% on cost.

Each Department Manager is entitled to 10% Commission on Net Profit subject to unrealized profit on departmental sales being eliminated.

Stock Transfer during the year from Department Y to Department Z was Rs. 40,000 and from Department Z to Department Y was Rs. 50,000.

Closing Stock includes transfer from Department Y to Department Z Rs. 12,000 and from Department Z to Department Y Rs. 21,200. Opening stocks do not include any inter department transfer.

Prepare Departmental Trading and Profit & Loss Account for the year ended 31st March, 2022.

(10 Marks)

(b) P Ltd. had 8,000 equity shares of K Ltd., at a book value of Rs. 15 per share (face value of Rs. 10 each) on 1st April,2019. On 1st September, 2019, P Ltd. acquired another 2,000 equity shares of K Ltd. at a premium of Rs. 4 per share. K Ltd. announced a bonus and right issue for existing shareholders.

The term of bonus and right issue were:

(i) Bonus was declared at the rate for two equity shares for every five shares held on 30th September, 2019.

(ii) Right shares are to be issued to the existing shareholders on 1st December, 2019. The Company had issued two right shares for every seven shares held at 25% premium on face value. No dividend was payable on these shares. The whole sum being payable by 31st December, 2019.

(iii) Existing shareholders were entitled to transfer their right to outsiders either wholly or in part.

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

(v) Dividend for the year ended 31st March,2019 at the rate of 20% was declared by K Ltd. and received by P Ltd. on 20th January, 2020.

(vi) On 1st February, 2020, P Ltd. sold half of its shareholdings at a premium of Rs. 4 per share.

(vii) The market price of share on 31st March,2020 was Rs. 13 per share.

You are required to prepare the Investment account of P Ltd. for the year ended 31st March,2020 and determine the value of shares held on that date, assuming the investment as current investment. Consider average cost basis for ascertainment for cost for equity shares sold.

(10 Marks)

Question 3:

(a) The following is the Balance Sheet of Chirag as on 31st March, 2020:

Liabilities	**Rs.**	**Assets**	**Rs.**
Capital Account	48,000	Building	32,500
Loan	15,000	Furniture	5,000
Creditor	31,000	Motor car	9,000
		Stock	20,000
		Debtors	17,000
		Cash in hand	2,000
		Cash at bank	8,500
	94,000		94,000

A riot occurred on the night of 31st March, 2021 in which all books and records were lost. The cashier had absconded with the available cash. He gives you the following information:

(a) His sales for the year ended 31st March, 2021 were 20% higher than the previous year's sales. He always sells his goods at cost plus 25%; 20% of the total sales for the year ended 31st March, 2021 were for cash. There were no cash purchases.

(b) On 1st April, 2020 the stock level was raised to Rs. 30,000 and stock was maintained at this new level all throughout the year.

(c) Collection from debtors amounted to Rs. 1,40,000 of which Rs. 35,000 was received in cash, Business expenses amounted to Rs. 20,000 of which Rs. 5,000 was outstanding on 31st March, 2021 and Rs. 6,000 was paid by cheques.

(d) Analysis of the Pass Book revealed the Payment to Creditors Rs. 1,37,500, Personal Drawing Rs. 7,500, Cash deposited in Bank Rs. 71,500, and Cash withdrawn from Bank Rs. 12,000.

(e) Gross profit as per last year's audited accounts was Rs. 30,000.

(f) Provide depreciation on Building and Furniture at 5% and Motor Car at 20%.

(g) The amount defalcated by the cashier may be treated as recoverable from him.

You are required to prepare the Trading and Profit and Loss Account for the year ended 31st March, 2021 and Balance Sheet as on that date.

(12 Marks)

(b) Lucky bought 2 tractors from Happy on 1-10-2011 on the following terms:

	Rs.
Down payment	5,00,000
1^{st} installment at the end of first year	2,65,000
2^{nd} installment at the end of 2^{nd} year	2,45,000
3^{rd} installment at the end of 3^{rd} year	2,75,000
Interest is charged at 10% p.a.	

Lucky provides depreciation @ 20% on the diminishing balances.

On 30-9-2014 Lucky failed to pay the 3rd installment upon which Happy repossessed 1 tractor. Happy agreed to leave one tractor with Lucky and adjusted the value of the tractor against the amount due. The tractor taken over was valued on the basis of 30% depreciation annually on written down basis. The balance amount remaining in the vendor's account after the above adjustment was paid by Lucky after 3 months with interest @ 18% p.a.

You are required to:

(1) Calculate the cash price of the tractors and the interest paid with each installment.

(2) Prepare Tractor Account and Happy Account in the books of Lucky assuming that books are closed on September 30 every year. Figures may be rounded off to the nearest rupee.

(8 Marks)

Question 4:

(a) AFFIX of Kolkata has a branch at Delhi to which the goods are supplied from Kolkata but the cost thereof is not recorded in the Head Office books. On 31st March, 20X1 the Branch Balance Sheet was as follows:

Liabilities	Rs.	Assets	Rs.
Creditors Balance	40,000	Debtors Balance	2,00,000
Head Office	1,68,000	Building Extension A/c closed by transfer to H.O. A/c	—
		Cash at Bank	8,000
	2,08,000		2,08,000

During the six months ending on 30-9-20X1, the following transactions took place at Delhi.

	Rs.		Rs.
Sales	2,40,000	Manager's Salary	4,800
Purchases	48,000	Collections from Debtors	1,60,000
Wages paid	20,000	Discounts allowed	8,000
Salaries (inclusive of advance		Discount earned	1,200
of Rs. 2,000)	6,400	Cash paid to Creditors	60,000
General Expenses	1,600	Building Account (further payment)	4,000
Fire Insurance (paid for one year)	3,200	Cash in Hand	1,600
Remittance to H.O.	38,400	Cash at Bank	28,000

Set out the Head Office Account in Delhi books and the Branch Balance Sheet as on 30-9-20X1. Also give journal entries in the Delhi books.

(10 Marks)

(b) Sumedha 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 30.09.20X1 of Rs. 1,00,000. Determine how the loan will be classified in preparation of Financial Statements of Sumedha Ltd. for the year ended 31st March, 20X1 according to Schedule III.

(5 Marks)

(c) A trader intends to take a loss of profit policy with indemnity period of 6 months, however, he could not decide the policy amount. From the following details, you are required to suggest the policy amount to him.

Turnover in last financial year	Rs. 4,50,000
Standing Charges in last financial year	Rs. 90,000

1. Net profit earned in last year was 10% of turnover and the same trend expected in subsequent year;
2. Increase in turnover expected 25%;
3. To achieve additional sales, trader has to incur additional expenditure of Rs. 31,250.

(5 Marks)

Question 5:

(a) Prepare Cash flow for Gamma Ltd., for the year ending 31.3.20X1 from the following information:

(1) Sales for the year amounted to Rs. 135 crores out of which 60% was cash sales.

(2) Purchases for the year amounted to Rs. 55 crores out of which credit purchase was 80%.

(3) Administrative and selling expenses amounted to Rs. 18 crores and salary paid amounted to Rs. 22 crores.

(4) The Company redeemed debentures of Rs. 20 crores at a premium of 10%. Debenture holders were issued equity shares of Rs. 15 crores towards redemption and the balance was paid in cash. Debenture interest paid during the year was Rs. 1.5 crores.

(5) Dividend paid during the year amounted to Rs. 11.7 crores.

(6) Investment costing Rs. 12 crores were sold at a profit of Rs. 2.4 crores.

(7) Rs. 8 crores was paid towards income tax during the year.

(8) A new plant costing Rs. 21 crores was purchased in part exchange of an old plant. The book value of the old plant was Rs. 12 crores but the vendor took over the old plant at a value of Rs. 10 crores only. The balance was paid in cash to the vendor.

(9) The following balances are also provided:

	Rs. in crores 1.4.20X0	**Rs. in crores 31.3.20X1**
Debtors	45	50
Creditors	21	23
Bank	6	18.2

(8 Marks)

(b) The following balances appeared in the books of Paradise Ltd (unlisted company other than AIFI, Banking company, NBFC and HFC) as on 1-4-20X1:

(i) 12 % Debentures Rs. 7,50,000

(ii) Balance of DRR Rs. 25,000

(iii) DRR Investment 1,12,500 represented by 10% Rs. 1,125 Secured Bonds of the Government of India of Rs. 100 each.

Annual contribution to the DRR was made on 31st March every year. On 31-3-20X2, balance at bank was Rs. 7,50,000 before receipt of interest. The investment were realised at par for redemption of debentures at a premium of 10% on the above date.

You are required to prepare the following accounts for the year ended 31st March, 20X2:

(1) Debentures Account
(2) DRR Account
(3) DRR Investment Account
(4) Bank Account
(5) Debenture Holders Account.

(8 Marks)

(c) The Board of Directors of a Company decided to issue minimum number of equity shares of Rs. 9 to redeem Rs. 5,00,000 preference shares. The maximum amount of divisible profits available for redemption is Rs. 3,00,000. Calculate the number of shares to be issued by the company to ensure that the provisions of Section 55 are not violated. Also determine the number of shares if the company decides to issue shares in multiples of Rs. 50 only.

(4 Marks)

Question 6: (Answer any four questions)

(a) The following information is provided by Exe Limited for 31st March,2022:

Particulars	**Rs.**
Net Profit before Income Tax and Managerial Remuneration, but after	
Depreciation and Provision for Repairs	9,40,000
Depreciation provided in the Books	4,05,000
Provision for repairs for Machinery during the year	35,000
Depreciation Allowable under Schedule II	3,40,000
Actual Expenditure incurred on Repairs during the year	25,000
Provision for Income Tax	1,50,000

You are required to calculate the Managerial Remuneration for Exe Limited as on 31st March, 2022 in the following situations:

(i) There is only one Whole Time Director.
(ii) There are two Whole Time Directors.
(iii) There are two Whole Time Directors, a part time Director and a Manager.

(5 Marks)

(b) A trader commenced business on April 1, 2020 with Rs. 1,20,000 represented by 6,000 units of a certain product at Rs. 20 per unit. During the year 2020-21 he sold these units at Rs. 30/- per unit and had withdrawn Rs. 60,000. The price of the product at the end of financial year was Rs. 25/- per unit. Compute retained profit of the trader under the concept of physical capital maintenance at current cost. Also state, whether answer would be different if the trader had not withdrawn any amount.

(5 Marks)

(c) On 13th Jan, 2021 fire occurred in the premises of Mr. X, a cloth merchant. The goods were totally destroyed. From the books of account, for the period 01 -04-2020 to the date of fire the following particulars were available:

Particulars	**Rs.**
Stock as on 01-04-2020	57,000
Purchases	3,05,000
Manufacturing Expenses	60,000
Selling Expenses	24,200
Sales	4,98,000

At the time of valuing stock as on 31st March, 2020, a sum of Rs. 7,000 was written off on a particular item, which was originally purchased for Rs. 20,000 and was sold during the year for Rs. 18,000. Barring the transaction relating to this item, the gross profit earned during the period was 25% on sales. Mr. X has insured his stock for Rs. 40,000. Compute the amount of the claim.

(5 Marks)

(d) Following items appear in the Trail Balance of Star Ltd. as on 31 st March, 2019:

Particulars	**Rs.**
80,000 Equity shares of Rs. 10 each, Rs. 8 paid-up	6,40,000
Capital Reserve (including Rs. 45,000 being profit on sale of Machinery)	1,10,000
Revaluation Reserve	80,000
Capital Redemption Reserve	75,000
Securities Premium	60,000
General Reserve	2,10,000
Profit & Loss Account (Cr. Balance)	1,00,000

On 1st April,2019, the Company has made final call on Equity shares @Rs. 2 per share. The entire money was received in the month of April, 2019.
On 1st June, 2019, the Company decided to issue to Equity shareholders bonus shares at the rate of 2 shares for every 5 shares held and for this purpose, it was decided that there should be minimum reduction in free reserves.
Pass necessary journal entries in the Books of Star Ltd.

(5 Marks)

(e) Explain main elements of Financial Statements.

(5 Marks)

__**__