(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.

Question 1:

(a) Star Limited purchased machinery for Rs. 6,80,000 (inclusive of GST of Rs. 40,000). Input credit is available for entire amount of GST paid. The company incurred the following other expense for installation.

	Rs.
Cost of preparation of site for installation	21,200
Total Labour charges	56,000
(200 out of the total of 500 men hours worked, were spent on installation of the machinery)	
Spare parts and tools consumed in installation	5,000
Total salary of supervisor	26,000
(Time spent for installation was 25% of the total time worked)	
Total technical expense (1/10 relates to the plant installation)	34,000
Test run and experimental production expenses	18,000
Consultancy charges to architect for plant set up	11,000
Depreciation on assets used for installation	12,000

The machine was ready for use on 15.01.2021 but was used from 01.02.2021. Due to this delay further expenses of Rs. 8,900 were incurred. Calculate the value at which the plant should be capitalized in the books of Star Limited.

(5 Marks)

(b) Expert Limited issued 12% secured debentures of Rs. 100 lakhs on 01.06.2021. Money raised from debentures to be utilized as under:

Intended Purpose	Amount Rs. in lakhs
Construction of factory building	40
Working Capital	30
Purchase of Machinery	15
Purchase of Furniture	2
Purchase of truck	13

Additional Information:

(i) Interest on debentures for the Financial Year 2021-2022 was paid by the Company.

(ii) During the year, the company invested idle fund of Rs. 5 lakhs (out of the money raised from debentures) in Bank's fixed deposit and earned interest of Rs. 50,000.

(iii) In March, 2022 construction of factory building was not completed (it is expected that it will take another 6 months).

(iv) In March 2022, Machinery was installed and ready for its intended use.

(v) Furniture was put to use at the end of March 2022.

(vi) Truck is going to be received in April, 2022.

You are required to show the treatment of interest as per AS 16 in respect of borrowing cost for the year ended 31st March, 2022 in the Books of Expert Limited.

(5 Marks)

(c) Supriya Ltd. received a grant of Rs. 2,500 lakhs during the accounting year 20X1-20X2 from government for welfare activities to be carried on by the company for its employees. The grant prescribed conditions for its utilisation. However, during the year 20X2-20X3, it was found that the conditions of grants were not complied with and the grant had to be refunded to the government in full. Elucidate the current accounting treatment, with reference to the provisions of AS-12.

(5 Marks)

(d) From the following information provided by XYZ Limited you are required to compute the closing inventory:

Raw Material P

Closing balance	600 units
	Rs. per unit
Cost price including GST	250
Input tax credit available	20
Freight inward	30
Handling charges	15
Replacement cost	180

Finished goods Q

Closing balance	1500 units
	Rs. per unit
Material consumed	250
Direct labour	70
Direct overhead	30

Total fixed overhead for the year was Rs. 3,00,000 on a normal capacity of 30,000 units while actual production has been of 25,000 units.

Calculate the value of closing stock, when

(i) Net realizable value of the finished good Q is Rs. 450 per unit.

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

(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, 2022 and a Balance Sheet as on that date.

(a) Assets and Liabilities as on:

		in Rs.
	1.4.2021	31.3.2022
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, totalled 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 shares, face Value Rs. 100 each) on 1st October 2021 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 debtors.

(15 Marks)

(b) A Ltd. has entered into a binding agreement with Gamma Ltd. to buy a custom-made machine Rs. 1,00,000. At the end of 20X1-X2, before delivery of the machine, A Ltd. had to change its method of production. The new method will not require the machine ordered and it will be scrapped after delivery. The expected scrap value is nil.

You are required to advise the accounting treatment and give necessary journal entry in the year 20X1-X2.

(5 Marks)

Question 3:

(a) 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.

(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) Martis Ltd. has several departments. Goods supplied to each department are debited to a Memorandum Departmental Stock Account at cost, plus a fixed percentage (mark- up) to give the normal selling price. The mark-up is credited to a memorandum departmental 'Mark-up account', any reduction in selling prices (mark-down) will require adjustment in the stock account and in mark-up account. The mark up for Department A for the last three years has been 25%. Figures relevant to Department A for the year ended 31st March, 20X2 were as follows:

Opening stock as on 1st April, 20X1, at cost	Rs. 65,000
Purchase at cost	Rs. 2,00,000
Sales	Rs. 3,00,000

It is further ascertained that :

(1) Shortage of stock found in the year ending 31.03.20X2, costing Rs. 1,000 were written off.

(2) Opening stock on 01.04.20X1 including goods costing Rs. 6,000 had been sold during the year and bad been marked down in the selling price by Rs. 600. The remaining stock had been sold during the year.

(3) Goods purchased during the year were marked down by Rs. 1,200 from a cost of Rs. 15,000. Marked-down stock costing Rs. 5,000 remained unsold on 31.03.20X2.

(4) The departmental closing stock is to be valued at cost subject to adjustment for mark-up and mark-down.

You are required to prepare:

(i) A Departmental Trading Account for Department A for the year ended 31st March, 20X2 in the books of Head Office.

(ii) A Memorandum Stock Account for the year.

(iii) A Memorandum Mark-up Account for the year.

(12 Marks)

(b) Alfa Ltd. (listed company) issued Rs. 3,00,000 5% Debentures on 30th September 20X0 on which interest is payable half yearly on 31st March and 30th September. The company has power to purchase debentures in the open market for cancellation thereof. The following purchases were made during the year ended 31st December, 20X2 and the cancellation were made on the same date. On 31 December 20X0, investments had been made for the purposes of redemption were Rs. 45,000.
1st March 20X2 - Rs. 50,000 nominal value purchased for Rs. 49,450 ex-interest.
1st September 20X2 - Rs. 40,000 nominal value purchased for Rs. 40,250 cum-interest.
You are required to draw up the following accounts for the year ended 31st December, 20X2:
(i) Debentures Account; and
(ii) Own Debentures (Investment) Account.
Ignore taxation. Interest to be rounded off to the nearest rupee on the higher side.

(8 Marks)

Question 5:

(a) Given below is the extract of Balance Sheet of Daisy Limited as at 31st March, 2021.

Particulars	Rs.
15% 650 Redeemable Preference Shares of Rs. 100 each, Rs. 80 per share paid up	52,000
22,500 Equity Shares off Rs. 10 each, Rs. 9.50 per share paid up	2,13,750
Revaluation Reserve	45,000
Capital Reserve (realized in cash)	500
General Reserve	40,000
Securities Premium	500
Profit & Loss Account	40,500
Current Liabilities	1,07,750
Fixed Assets	3,71,500
Non-Current Investments [Face value Rs. 50,000]	1,00,000
Bank Balance	28,500

The following information are provided:
On 1st April,2021, the Board of Directors decided to make a final call of Rs. 20 on Redeemable Preference Shares and to redeem the same at a premium of 10% on 1st June, 2021.
The investments of the face value of Rs. 20,000 are sold at the market price which was 150% of the face value.
It is decided to issue sufficient number of Equity Shares of Rs. 10 each at a premium of 25% after leaving a balance of Rs. 50,000 in bank account.
It was also decided to convert the partly paid-up Equity shares into fully paid up without requiring the shareholders to pay for the same.
On 1st July,2021 the Board decided to issue fully paid bonus shares to the equity shareholders in the ratio of one for five.
You are required to pass the necessary journal entries for the above.

(10 Marks)

(b) Walkaway Footwears has its head office at Nagpur and Branch at Patna. It invoiced goods to its branch at 20% less than the list price which is cost plus 100%, with instruction that cash sales were to be made at invoice price and credit sales at catalogue price (i.e. list price).

The following information was available at the branch for the year ended 31 st March, 2022.

(Figures in Rs.)

Stock on 1st April,2021 (invoice price)		12,000
Debtors on 1st April, 2021		10,000
Goods received from head office (invoice price)		1,32,000
Sales:		
Cash	46,000	
Credit	1,00,000	1,46,000
Cash received. from debtors		85,000
Expenses at branch		17,500
Debtors on 31st March, 2022		25,000
Stock on 31st March,2022 (invoice price)		17,600
Remittances to head office		1,20,000

You are required to prepare Branch Stock Account, Branch Adjustment Account, Branch Profit & Loss Account and Branch Debtors Account for the year ended 31st March, 2022.

(10 Marks)

Question 6: (Answer any four questions)

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

(5 Marks)

(b) 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)

(c) 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

(5 Marks)

(d) Following notes pertain to the Balance Sheet of Solid Ltd. as at 31st March, 20X1:

	Rs.
Authorised capital :	
10,000 12% Preference shares of Rs. 10 each	1,00,000
1,00,000 Equity shares of Rs. 10 each	10,00,000
	11,00,000
Issued and Subscribed capital:	
8,000 12% Preference shares of Rs. 10 each fully paid	80,000
90,000 Equity shares of Rs. 10 each, Rs. 8 paid up	7,20,000
Reserves and Surplus :	
General reserve	1,60,000
Revaluation reserve	35,000
Securities premium (collected in cash)	20,000
Profit and Loss Account	2,05,000
Secured Loan:	
12% Debentures @ Rs. 100 each	5,00,000

On 1st April, 20X1 the Company has made final call @ Rs. 2 each on 90,000 equity shares. The call money was received by 20th April, 20X1. Thereafter the company decided to capitalise its reserves by way of bonus at the rate of one share for every four shares held. Show necessary entries in the books of the company and prepare the extract of the Balance Sheet immediately after bonus issue assuming that the company has passed necessary resolution at its general body meeting for increasing the authorised capital.

(5 Marks)

(e) Roshani & Reshma working in partnership, registered a joint stock company under the name of Happy Ltd. on May 31st 2018 to take over their existing business. The summarized Profit & Loss A/c as given by Happy Ltd. for the year ending 31st March, 2019 is as under:

Happy Ltd.
Profit & Loss A/c for the year ending March 31, 2019

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Salary	1,44,000	By Gross Profit	4,50,000
To Interest on Debenture	36,000		
To Sales Commission	18,000		
To Bad Debts	49,000		
To Depreciation	19,250		
To Rent	38,400		
To CompanyAudit fees	12,000		
To Net Profit	1,33,350		
Total	4,50,000	Total	4,50,000

Prepare a Statement showing allocation of expenses & calculation of pre-incorporation & post- incorporation profits after considering the following information:

(i) GP ratio was constant throughout the year.
(ii) Depreciation includes Rs. 1,250 for assets acquired in post incorporation period.
(iii) Bad debts recovered amounting to Rs. 14,000 for a sale made in 2015-16 has been deducted from bad debts mentioned above.
(iv) Total sales were Rs. 18,00,000 of which Rs. 6,00,000 were for April to September.
(v) Happy Ltd. had to occupy additional space from 1st Oct. 2018 for which rent was Rs. 2,400 per month.

(5 Marks)

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