(GI-2, GI-6, GI-7, VI-1, VDI-1, DRIVE & FMT)

DATE: 15.07.2023 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) Mr. Mohan has invested some money in various Mutual funds. Following information in this regard is given:

Mutual Funds	Date of Purchase	Purchase Cost (Rs.)	Brokerage Cost (Rs.)	Stamp Duty (Rs.)	Market value as on 31.03.2021 (Rs.)
A	01.05.2017	50,000	200	20	48,225
B	05.08.2020	25,000	150	25	24,220
C	01.01.2021	75,000	300	75	78,190
D	07.05.2020	70,000	275	50	65,880

You are required to:
1. Classify his investment in accordance with AS-13 (revised).
2. Value of Investment in mutual fund as on 31.03.2021

(5 Marks)

(b) Joy Ltd. purchased 20,000 kilograms of Raw Material @ Rs. 20 per kilogram during the year 2020-21. They have furnished you with the following further information for the year ended 31st March, 2021:

Particulars	Units	Amount (Rs.)
Opening Inventory:		
Finished Goods	2,000	1,00,000
Raw Materials	2,200	44,000
Direct Labour		3,06,000
Fixed Overheads		3,00,000
Sales	20,000	11,20,000
Closing Inventory:		
Finished Goods	2,400	
Raw Materials	1,800	

The plant has a capacity to produce 30,000 units of finished product per annum. However, the actual production of finished products during the year 2020-21 was 20,400 units. Due to a fall in the market demand, the price of the finished goods in which the raw material has been utilized is expected to be sold @ Rs. 40 per unit. The replacement cost of the raw material was Rs. 19 per kilogram.
You are required to ascertain the value of closing inventory as at 31st March, 2021 as per AS 2.

(5 Marks)

(c) Suraj Limited provides you the following information:

(i) It received a Government Grant @40% towards the acquisition of Machinery worth Rs. 25 Crores.

(ii) It received a Capital Subsidy of Rs. 150 Lakhs from Government for setting up a Plant costing Rs. 300 Lakhs in a notified backward region.

(iii) It received Rs. 50 Lakhs from Government for setting up a project for supply of arsenic free water in a notified area.

(iv) It received Rs. 5 Lakhs from the Local Authority for providing Corona Vaccine free of charge to its employees and their families.

(v) It also received a performance award of Rs. 500 Lakhs from Government with a condition of major renovation in the Power Plant within 3 years. Suraj Limited incurred 90% of amount towards Capital expenditure and balance for Revenue Expenditure.

State, how you will treat the above in the books of Suraj Limited.

(5 Marks)

(d) Following are the extracts from the Balance Sheet of ABC Ltd.

Liabilities	**31.3.2020**	**31.3.2021**
	(Rs.)	**(Rs.)**
Equity Share Capital	25,00,0000	35,60,000
10% Preference Share Capital	7,00,000	6,00,000
Securities Premium Account	5,00,000	5,50,000
Profit & Loss A/c	20,00,000	28,00,000

Equity Share Capital for the year ended 31st March, 2021 includes Rs. 60,000 of equity shares issued to Grey Ltd. at par for supply of Machinery of Rs. 60,000.

Profit & Loss account on 31st March, 2021 includes Rs. 50,000 of dividend received on Equity shares invested in X Ltd.

Show how the related items will appear in the Cash Flow Statement of ABC Ltd. as per AS-3 (Revised).

(5 Marks)

Question 2:

(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) 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)

Question 3:

(a) A fire occurred in the premises of M/s Preet Enterprises on the night of 28th September, 2022. The firm has taken an Insurance Policy for Rs. 5,00,000 which is subject to average clause. The value of goods salvaged was estimated at Rs. 62,500. The firm continues to maintain the same rate of Gross Profit as during the preceding year.

The following information were available:

	Particulars	**Rs.**
(i)	Stock at Cost on 1st April, 2021	5,25,000
(ii)	Stock at Cost on 31st March, 2022	4,20,000
(iii)	Purchases for the year ended 31st March, 2022	37,35,000
(iv)	Sales for the year ended 31st March, 2022	48,00,000
(v)	Purchases from 1st April,2022 to 28th September, 2022	27,22,000
(vi)	Sales from 1st April, 2022 to 28th September, 2022	33,30,000

Additional Information:

(i) Purchase up to 28th September,2022 did not include Rs. 1,20,000 for which purchase invoice had not been received from suppliers though the goods had been received in the warehouse.
(ii) Sale value of goods distributed for advertisement from 1st April,2022 to 28th September,2022 is Rs. 90,000.
(iii) Sales up to 28thSeptember, 2022 include Rs. 90,000 for which the goods had not been dispatched.
(iv) On 1st July,2022, goods worth Rs. 1,50,000 was sold to Ram and Co. on approval basis which was included in the sales but no approval had been received for 2/3rd of the goods sold to them till 28th September,2022.

You are required to ascertain the amount of claim to be lodged with the Insurance Company for Loss of Stock.

(8 Marks)

(b) Mr. Saurabh held 10,000 equity shares of BT Limited on 1st April,2021. Nominal value of the shares is Rs. 2 each and their book value is Rs. 7 per share.

- On 4th July, 2021 he purchased another 7,500 shares at Rs. 10 each.
- On 31st July, 2021 the company announced a Bonus and Right issue.
- Bonus was declared of one share for every five shares held and was received on 5th August, 2021.
- Right issue to be issued on 12th September, 2021, which entitled the holders to subscribe to additional 2 shares for every 7 shares held at Rs. 2 per share. Shareholders were entitled to transfer their rights in full or part. Mr. Saurabh sold whole of his entitlements to Mr. Nihal at Rs. 1.50 per share.
- Dividend was declared for the year ended 31st March, 2021 @ 25% and received by Mr. Saurabh on 19th September 2021.
- On 11th December 2021 Mr. Saurabh sold 7,500 shares at Rs. 8 per share.
- The market price of the shares on 31st March, 2022 was Rs. 7 per share.

You are required to prepare the Investment Account of Mr. Saurabh on 31st March, 2022 considering the above mentioned points, also state the value of shares held on that date. (Assume investment as current investment)

(8 Marks)

(c) Opening Balance Sheet of Mr. A is showing the aggregate value of assets, liabilities and equity Rs. 8 lakh, Rs. 3 lakh and Rs. 5 lakh respectively. During accounting period, Mr. A has the following transactions:

(1) Earned 10% dividend on 2,000 equity shares held of Rs. 100 each
(2) Paid Rs. 50,000 to creditors for settlement of Rs. 70,000
(3) Rent of the premises is outstanding Rs. 10,000
(4) Mr. A withdrew Rs. 9,000 for his personal use.

You are required to show the effect of above transactions on Balance Sheet in the form of Assets- Liabilities = Equity after each transaction.

(4 Marks)

Question 4:

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

	Rs.
Down payment	5,00,000
1st installment at the end of first year	2,65,000
2nd installment at the end of 2nd year	2,45,000
3rd installment at the end of 3rd 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.

(10 Marks)

(b) Summarised Balance Sheet of Cloth Trader as on 31.03.2021 is given below:

Equity & Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Proprietor's Capital	3,00,000	Property, plant and equipment	3,60,000
Profit & Loss Account	1,25,000	Closing Inventory	1,50,000
10% Loan Account	2,10,000	Trade receivables	1,00,000
Trade payables	50,000	Deferred Expenses	50,000
		Cash & Bank	25,000
	6,85,000		6,85,000

Additional Information is as follows :

(1) The remaining life of Property, plant and equipment is 8 years. The pattern of use of the asset is even. The net realisable value of Property, plant and equipment on 31.03.2022 was Rs. 3,25,000.

(2) Purchases and Sales in 2021-22 amounted to Rs. 22,50,000 and Rs. 27,50,000 respectively.

(3) The cost and net realizable value of inventory on 31.03.2022 were Rs. 2,00,000 and Rs. 2,50,000 respectively.

(4) Expenses including interest on loan for the year amounted to Rs. 78,000.

(5) Deferred Expenses are amortized equally over 5 years.

(6) Sundry Debtors on 31.03.2022 are Rs. 1,50,000 of which Rs. 5,000 is doubtful. Collection of another Rs. 25,000 depends on successful re-installation of certain product supplied to the customer;

(7) Closing Sundry Creditors are Rs. 75,000, likely to be settled at 10% discount.

(8) Cash balance as on 31.03.2022 is Rs. 4,22,000.

(9) There is an early repayment penalty for the loan of Rs. 25,000.

You are required to prepare: (Not assuming going concern)

(1) Profit & Loss Account for the year 2021-22.

(2) Balance Sheet as on 31st March, 2022.

(10 Marks)

Question 5:

(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) 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 of Rs. 2,000)	6,400	Discount earned	1,200
General Expenses	1,600	Cash paid to Creditors	60,000
Fire Insurance (paid for one year)	3,200	Building Account (further payment)	4,000
Remittance to H.O.	38,400	Cash in Hand	1,600
		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.

(8 Marks)

Question 6: (Answer any four questions)

(a) What is meant by 'Measurement'? What are the bases of measurement of Elements of Financial Statements? Explain the brief.

(5 Marks)

(b) Harish Construction Company is constructing a huge building project consisting of four phases. It is expected that the full building will be constructed over several years but Phase I and Phase II of the building will be started as soon as they are completed.
Following is the detail of the work done on different phases of the building during the current year:

(Rs. in lakhs)

	Phase I	**Phase II**	**Phase III**	**Phase IV**
	Rs.	**Rs.**	**Rs.**	**Rs.**
Cash expenditure	10	30	25	30
Building purchased	24	34	30	38
Total expenditure	34	64	55	68
Total expenditure of all phases				221
Loan taken @ 15% at the beginning of the year				200

During mid of the current year, Phase I and Phase II have become operational. Find out the total amount to be capitalized and to be expensed during the year.

(5 Marks)

(c) 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 31 st 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)

(d) 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 and also show how the relevant items will appear in the Balance Sheet of the company after the redemption carried out.

(5 Marks)

(e) S. Ltd. was incorporated on 30th November 2020 to take over the running business of proprietorship firm of Mr. S. The various expenses debited to the profit and loss Account for the year 2020-21 included:

(i) Directors fees
(ii) Preliminary expenses written off
(iii) Salaries and general expenses
(iv) Statutory Audit fees
(v) Tax Audit fees u/s 44 AB of the Income Tax Act, 1961
(vi) Commission to travelling agents
(vii) Sale promotion expenses
(viii) Advertisement expenses
(ix) Rent expenses
(x) Bad debts

You are required to determine the basis of apportionment of above expenses between pre incorporation and post incorporation periods.

(5 Marks)

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