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

DATE: 17.09.2023 **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) Arka Ltd. purchased machinery for Rs. 3,000 lakhs. Depreciation was charged at 10% on SLM basis for a useful life of 10 years. At the end of Year 4, the machinery was revalued to Rs. 2,700 lakhs and the same was adopted. What will be the carrying amount of the asset at the end of Year 5 and Year 6? Assume no change in the useful life.

(5 Marks)

(b) Explain briefly the accounting treatment needed in the following cases as per AS 11 as on 31.3.20X1.

Trade receivables include amount receivable from Umesh Rs. 5,00,000 recorded at the prevailing exchange rate on the date of sales, transaction recorded at US \$ 1= Rs. 58.50.

Long term loan taken from a U.S. Company, amounting to Rs. 60,00,000. It was recorded at US \$ 1 = Rs. 55.60, taking exchange rate prevailing at the date of transaction. US \$ 1 = Rs. 61.20 was on 31.3.20X1.

(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 1st April 2021, Eleanor Limited purchased a manufacturing Plant for Rs. 60 lakhs, which has an estimated useful life of 10 years with a salvage value of Rs. 10 lakhs. On purchase of the Plant, a grant of Rs. 20 lakhs was received from the government. You are required to calculate the amount of depreciation as per AS-12 for the financial year 2022-23 in the following cases:

(i) If the grant amount is deducted from the value of Plant.

(ii) If the grant is treated as deferred income.

(iii) If the grant amount is deducted from the value of Plant, but at the end of the year 2022-2023 grant is refunded to the extent of Rs. 4 lakhs, due to non-compliance of certain conditions.

(iv) If the grant is treated as the promoter's contribution.

(Assume depreciation on the basis of Straight-Line Method.)

(5 Marks)

Question 2:

(a) The following balances are extracted from the books of Travese Limited as on 31st March 2023:

Particulars	Amount (Rs.)	
	Debit	Credit
7% Debentures		48,45,000
Plant & Machinery (at cost)	37,43,400	
Trade Receivable	35,70,000	
Land	97,37,000	
Debenture Interest	3,39,150	
Bank Interest	13,260	
Sales		47,22,600
Transfer Fees		38,250
Discount received		66,300
Purchases	28,86,600	
Inventories 1.04.2022	4,97,250	
Factory Expenses	2,58,060	
Rates, Taxes and Insurance	65,025	
Repairs	1,49,685	
Sundry Expenses	1,27,500	
Selling Expenses	26,520	
Directors Fees	38,250	
Interest on Investment for the year 2022-2023		55,000
Provision for depreciation		5,96,700
Miscellaneous receipts		1,42,800

Additional information:

(i) Closing inventory on 31.03.2023 is Rs. 4,76,850,

(ii) Miscellaneous receipts represent cash received from the sale of the Plant on 01.04.2022. The cost of the Plant wasRs. 1,65,750 and the accumulated depreciation thereon is Rs. 24865.

(iii) The Land is re-valued at 1,08,63,000.

(iv) Depreciation is to be provided on Plant & Machinery at 10% p.a. on cost.

(v) Make a provision for income tax @ 25%.

(vi) The Board of Directors declared a dividend of 10% on Equity shares on 4 th April, 2023.

You are required to prepare a Statement of Profit and Loss as per Schedule III of the Companies Act, 2013 for the year ended 31.03.2023. (Ignore previous year figures)

(10 Marks)

(b) Wringler Limited took over the running business of FIG Enterprises with effect from 1st April 2022. However, due to some procedural delay, the company could be incorporated on 1st August 2022.

The following information for the year ended 31.03.2023 is provided:

Particulars	Amount (Rs.)
Sales	1,19,70,000
Interest received on Investment	60,000
Profit on sale of investment	40,000
Cost of goods sold	64,40,000
Expenses:	
Printing & Stationery	87,000
Sales Manager's Salary	81,000
Donation	41,000
Rent	1,35,000
Bad debts	67,000
Underwriting Commission	56,000
Depreciation	70,200
Interest Paid on Debentures	8,900
Audit Fees	15,000
Sundry office expenses	55,500
Interest on Loan	62,500

Additional information:

(1) Details of Sales during the year 2022-23 are as follows:
- ➢ From April 2022 to June 2022 average monthly Sales was Rs. 8,40,000.
- ➢ From July 2022 to January 2023 average monthly Sales was Rs. 9,00,000.
- ➢ From February 2023 to March 2023 average monthly Sales was Rs. 15,75,000.

(2) There was a loan of Rs. 15,00,000 at an interest rate of 10% p.a. The Loan was repaid on 1st September, 2022.

(3) Extra space was occupied from 1st June 2022 to 31st August 2022 for which additional rent of 5,000 per month was incurred.

(4) Audit fee pertains to Wringler Limited.

(5) Bad debts recovered amounting to Rs. 17,000 for a sale made in November have been deducted from bad debts mentioned above.

(6) All investments were sold in June 2022.

(7) Donation is given to a political party by the company.

(8) The salary of the Sales Manager was increased by Rs. 5,000 per month from 1st July 2022.

You are required to:

(i) Calculate the time ratio and sales ratio.

(ii) Prepare a Statement ascertaining pre-incorporation and post-incorporation profits/losses for the year ending 31.03.2023,

(iii) Explain how these would appear in the Balance Sheet of Wringler Limited.

(10 Marks)

Question 3:

(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) On 27th July, 2022, a fire occurred in the godown of M/s. Vijay Exports and most of the stocks were destroyed. However goods costing Rs. 5,000 could be salvaged.
From the salvaged accounting records, the following information is available relating to the period from 1 4.2022 to 27.7.2022:

1.	Stock as per balance sheet as on 1.4.2022	Rs. 63,000
2.	Purchases (including purchase of machinery costing Rs. 10,000)	Rs. 2,92,000
3.	Wages (including wages paid for installation of machinery Rs. 3,000)	Rs. 53,000
4.	Sales (including goods sold on approval basis amounting to Rs. 40,000). No approval has been received in respect of 1/4th of the goods sold on approval.	Rs. 4,12,300
5.	Cost of goods distributed as free sample	Rs. 2,000

Other Information:

(i) While valuing the stock on 31.3.2022, Rs. 1,000 had been written off in respect of certain slow moving items costing Rs. 4,000. A portion of these goods were sold in June, 2022 at a loss of Rs. 700 on original cost of Rs. 3,000. The remainder of these stocks is now estimated to be worth its original cost.

(ii) Past record shows the normal gross profit rate is 20%.

(iii) The Company had taken the fire insurance policy of Rs. 55,000 with the average clause.

Compute the amount of claim of stock destroyed by fire, to be lodged to the Insurance Company. Also prepare Memorandum Trading Account for the period 1.4.2022 to 27.7.2022 for normal and abnormal items.

(10 Marks)

Question 4:

(a) From the following information in respect of Mr. Aman, prepare Trading and Profit and Loss Account for the year ended 31st March, 2023 and a Balance Sheet as at that date:

		31-03-2022	31-03-2023
(1)	Liabilities and Assets	Rs.	Rs.
	Stock in trade	3,20,000	2,80,000
	Debtors for sales	6,40,000	?
	Bills receivable	-	?
	Creditors for purchases	4,40,000	6,00,000
	Furniture at written down value	2,40,000	2,54,000
	Expenses outstanding	80,000	72,000
	Prepaid expenses	24,000	28,000
	Cash on hand	8,000	6,000
	Bank Balance	40,000	3,000
(2)	Receipts and Payments during 2022-2023:		
	Collections from Debtors		
	(after allowing 2-1/2% discount)		23,40,000
	Payments to Creditors		
	(after receiving 2% discount)		15,68,000
	Proceeds of Bills receivable discounted at 2%)		2,45,000
	Proprietor's drawings		2,80,000
	Purchase of furniture on 30.09.2022		40,000
	12% Government securities purchased on 1-10-2022		4,00,000
	Expenses		7,00,000
	Miscellaneous Income		20,000

(3) Sales are effected so as to realize a gross profit of 50% on the cost.

(4) Capital introduced during the year by the proprietor by cheques was omitted to be recorded in the Cash Book, though the bank balance of 3,000 on 31st March, 2023 (as shown above), is after taking the same into account.

(5) Purchases and Sales are made only on credit.

(6) During the year, Bills Receivable of Rs. 4,00,000 were drawn on debtors. out of these, Bills amount to Rs. 80,000 were endorsed in favour of creditors. Out of this latter amount, a Bill for Rs. 16,000 was dishonoured by the debtor.

(16 Marks)

(b) State under which head these accounts should be classified in Balance Sheet, as per Schedule III of the Companies Act, 2013:

(i) Share option outstanding account.

(ii) Unpaid matured debenture and interest accrued thereon

(iii) Uncalled liability on shares and other partly paid investments.

(iv) Money received against share warrant.

(4 Marks)

Question 5:

(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.

(10 Marks)

(b) 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)

(c) Give Journal Entries in the books of Branch A to rectify or adjust the following:

(i) Head Office expenses Rs. 3,500 allocated to the Branch, but not recorded in the Branch Books.

(ii) Depreciation of branch assets, whose accounts are kept by the Head Office not provided earlier for Rs. 1,500.

(iii) Branch paid Rs. 2,000 as salary to a H.O. Inspector, but the amount paid has been debited by the Branch to Salaries account.

(iv) H.O. collected Rs. 10,000 directly from a customer on behalf of the Branch, but no intimation to this effect has been received by the Branch.

(v) A remittance of Rs. 15,000 sent by the Branch has not yet been received by the Head Office.

(5 Marks)

Question 6 (Answer any four questions)

(a) On 1st April, 20X1, Mr. Nilesh acquired a Tractor on Hire purchase from Raj Ltd. The terms of contract were as follows:

(i) The Cash price of the Tractor was Rs. 11,50,000.

(ii) Rs. 2,50,000 were to be paid as down payment on the date of purchase.

(iii) The Balance was to be paid in annual instalments of Rs. 3,00,000 plus interest at the end of the year.

(iv) Interest chargeable on the outstanding balance was 8% p.a.

(v) Depreciation @ 10% p.a. is to be charged using straight line method.

Mr. Nilesh adopted the Interest Suspense method for recording his Hire purchase transactions. You are required to: prepare the Tractor account and Interest Suspense account in the books of Mr. Nilesh for the period of hire purchase.

(5 Marks)

(b) 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)

(c) Explain the concept of "Substance over from" in brief.

(5 Marks)

(d) The Balance Sheet of XYZ Ltd. as at 31st December, 20X1 inter alia includes the following information:

	Rs.
50,000, 8% Preference Shares of Rs.100 each, Rs.70 paid up	35,00,000
1,00,000 Equity Shares of Rs.100 each fully paid up	1,00,00,000
Securities Premium	5,00,000
Capital Redemption Reserve	20,00,000
General Reserve	50,00,000
Bank	15,00,000

Under the terms of their issue, the preference shares are redeemable on 31st March, 20X2 at 5% premium. In order to finance the redemption, the company makes a rights issue of 50,000 equity shares of Rs. 100 each at Rs. 110 per share, Rs. 20 being payable on application, Rs. 35 (including premium) on allotment and the balance on 1st January, 20X3. The issue was fully subscribed and allotment made on 1st March, 20X2. The money due on allotment were duly received by 31st March, 20X2. The preference shares were redeemed after fulfilling the necessary conditions of Section 55 of the Companies Act, 2013.
You are asked to pass the necessary Journal Entries.

(5 Marks)

(e) Due to inadequacy of profits during the year ended 31st March, 20X2, XYZ Ltd. proposes to declare 10% dividend out of general reserves. From the following particulars, ascertain the amount that can be utilised from general reserves, according to the Companies (Declaration of dividend out of Reserves) Rules, 2014:

	Rs.
17,500 9% Preference shares of Rs. 100 each, fully paid up	17,50,000
8,00,000 Equity shares of Rs. 10 each, fully paid up	80,00,000
General Reserves as on 1.4.20X1	25,00,000
Capital Reserves as on 1.4.20X1	3,00,000
Revaluation Reserves as on 1.4.20X1	3,50,000
Net profit for the year ended 31st March, 20X2	3,00,000
Average rate of dividend during the last five year has been 12%.	

(5 Marks)

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