

(ALL BATCHES)

DATE: 10.09.2018

MAXIMUM MARKS: 100

TIMING: 3¼Hours

PAPER 1: 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)** State with reference to accounting standard, how will you value the inventories in the following cases:

- (i) Raw material was purchased at Rs. 100 per kilo. Price of raw material is on the decline. The finished goods in which the raw material is incorporated is expected to be sold at below cost. 10,000 kgs. Of raw material is on stock at the year end. Replacement cost is Rs. 80 per kg.
- (ii) In a production process, normal waste is 5% of input. 5,000 MT of input were put in process resulting in a wastage of 300 MT. Cost per MT of input is Rs. 1,000. The entire quantity of waste is on stock at the year end.
- (iii) Per kg. of finished goods consisted of:
- | | |
|-------------------------------------|-----------------|
| Material cost | Rs. 100 per kg. |
| Direct labour cost | Rs. 20 per kg. |
| Direct variable production overhead | Rs. 10 per kg. |
- Fixed production charges for the year on normal capacity of one lakh kgs. is Rs. 10 lakhs. 2,000 kgs. of finished goods are on stock at the year end.

(5 Marks)**(b)** A Limited Company finds that the stock sheets as on 31.03.2005 had included twice an item the cost of which was Rs. 20,000.You are asked to suggest, how the error would be dealt with in the accounts of the year ended 31.03.2006. **(5 Marks)****(c)** X Limited started construction on a Building for its own use on 1st April. The following costs are incurred:

Purchase Price of Land	Rs. 30,00,000
Stamp Duty & Legal Fee	Rs. 2,00,000
Architect Fee	Rs. 2,00,000
Site Preparation	Rs. 50,000
Materials	Rs. 10,00,000
Direct Labour Cost	Rs. 4,00,000
General Overheads	Rs. 1,00,000

Other relevant information: Material costing Rs. 1,00,000 had been spoiled and therefore wasted and a further Rs. 1,50,000 was spent on account of faulty design work. As a result of these problems, work on the building was stopped for two weeks and it is estimated that Rs. 22,000 of the Labour Cost relate to that period. The Building was completed 9 months from the date of construction start, and brought in use on 1st April next year (i.e. 1 year from start date). The Company had taken a Loan of Rs. 40,00,000 on at the start date, from construction of the building (which is a Qualifying Asset as per AS-16). The Loan carried an interest Rate of 8% per annum and is repayable 2 years later. Calculate the cost of the PPE.

(5 Marks)

- (d) X Ltd. began construction of a new building on 1st January, 2016. It obtained Rs. 1 lakh special loan for the construction of the building on 1st January, 2016 at an interest rate of 10%. The company's other outstanding two non-specific loans were:

Amount	Rate of Interest
Rs. 5,00,000	11%
Rs. 9,00,000	13%

The expenditures that were made on the building project were as follows:

		Rs.
January	2016	2,00,000
April	2016	2,50,000
July	2016	4,50,000
December	2016	1,20,000

Building was completed by 31st December, 2016. Following the principles prescribed in AS 16 'Borrowing Cost,' calculate the amount of interest to be capitalised and pass one Journal Entry for capitalising the cost and borrowing cost in respect of the building. **(5 Marks)**

Question 2:

- (a) From the following ratios and further information given below, prepare a trading and profit and loss account and a balance sheet of Mr. Green.

- Fixed Assets / Capital = $\frac{5}{4}$
- Fixed Assets Rs. 5,00,000
- Capital / Liabilities = $\frac{1}{2}$
- Net Profit / Capital = $\frac{1}{5}$
- Gross profit ratio = 25%
- Stock turnover ratio = 10
- Fixed Assets / Total Current Asset = $\frac{5}{7}$
- Net profit to sales 20%
- Closing Stock Rs. 50,000

Out of current Assets, sundry debtors are Rs. 6,00,000. The balance represents cash and Closing stock. **(15 Marks)**

- (b) The Following particulars relate to hire purchase transactions:

- X purchase three cars from Y on hire purchase basis, the cash price of each car being Rs. 2,00,000.
- Three hire purchaser charged depreciation @ 20% on diminishing balance method.
- Two cars were seized by on hire vendor when second installment was not paid at the end of the second year. The hire vendor valued the two cars at cash price less 30% depreciation charged under it diminishing balance method.
- The hire vendor spent Rs. 10,000 on repairs of the cars and then sold them for a total amount Rs. 1,70,000.

You are required to compute:

- Agreed value of two cars taken back by the hire vendor.
- Book value of car left with the hire purchaser.
- Profit or loss to hire purchaser on two cars taken back by their hire vendor.
- Profit or loss of cars repossessed, when sold by the hire vendor. **(5 Marks)**

Question 3:

- (a) T of Calcutta has a branch at Dibrugarh. The branch does not maintain separate books of accounts. The branch has the following assets and liabilities on 31st August, 2010 and 30th September, 2010:

	31st August 2010	30th September 2010
	Rs.	Rs.
Stock to tea	1,80,000	1,50,000
Advance to Suppliers	5,00,000	4,50,000
Bank Balance	75,000	1,00,000
Prepaid expenses	10,000	12,000
Outstanding expenses	13,000	11,000
Creditors for purchase	3,00,000	to be ascertained

During the month, Dibrugarh branch:

- received by electronic mail transfer Rs. 10,00,000 from Calcutta head office;
- purchased tea worth Rs. 12,00,000.
- sent tea costing Rs. 12,30,000 to Calcutta, freight of Rs. 80,000 being payable at the destination by the receiver;
- spent Rs. 25,000 on office expenses;
- paid Rs. 3,00,000 as advance to suppliers;
- paid Rs. 6,50,000 to suppliers in settlement to outstanding dues.

In addition, T informs you that the Calcutta had directly paid Rs. 3,50,000 to Dibrugarh suppliers by cheques drawn on bank accounts in Calcutta during the month. T informs you that for the purpose of accounting, Dibrugarh branch is not treated as an outsider. He wants you to write the detailed accounts relating to the transactions of the Dibrugarh branch as would appear in the books of Calcutta Head Office.

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(10Marks)

- (b) Brahma Limited has three departments and submits the following information for the year ending on 31st March, 20X1:

Particulars	A	B	C	Total (Rs.)
Purchases (units)	5,000	10,000	15,000	
Purchases (Amount)				8,40,000
Sales (units)	5,200	9,800	15,300	
Selling price (Rs. per unit)	40	45	50	
Closing Stock (Units)	400	600	700	

You are required to prepare departmental trading account of Brahma Limited assuming that the rate of profit on sales is uniform in each case. (10 Marks)

Question 4:

A, B and C were in partnership sharing profits and losses 3:2:1. There was no provision in the agreement for interest on capitals or drawings.

A died on 31.12.20X0 and on that date, the partners' balance were as under:

Capital Account : A – Rs. 60,000; B- Rs.40,000; C- Rs.20,000

Current Account: A – Rs. 29,000; B – Rs.20,000; C- Rs.5,000 (Dr.).

By the partnership agreement, the sum due to A's estate was required to be paid within a period of 3 years, and minimum instalment of Rs.20,000 each were to be

paid, the first such instalment falling due immediately after death and the subsequent instalments at half-yearly intervals. Interest @ 5% p.a. was to be credited half-yearly.

In ascertaining his share, goodwill (not recorded in the books) was to be valued at Rs.60,000 and the assets, excluding the Joint Endowment Policy (mentioned below), were valued at Rs.36,000 in excess of the book values.

No Goodwill Account was raised and no alteration was made to the book values of fixed assets. The Joint Assurance Policy shown in the books at Rs.20,000 matured on 1.1.20X1, realising Rs. 26,000; payments of Rs. 20,000 each were made to A's Executors on 1.1.20X1, 30.6.20X1 and 31.12.20X1. B and C continued trading on the same terms as previously and the net profit for the year to 31.12.20X1 (before charging the interest due to A's estate) amounted to Rs. 32,000. During that period, the partners drawings were: B- Rs. 15,000; and C- Rs.8,000.

On 1.1.20X2, the partnership was dissolved and an offer to purchase the business as a going concern for Rs. 1,40,000 was accepted on that day. A cheque for that sum was received on 30.6.20X2.

The balance due to A's estate, including interest, was paid on 30.6.20X2 and on that day, B and C received the sums due to them.

You are required to write-up the Partners' Capital and Current Accounts from 1.1.20X1 to 30.6.20X2. Show also the account of the executors of A.

(20 Marks)

Question 5:

(a) The following data were provided by the accounting records of Ryan Ltd. at year-end, March 31, 20X1:

Income Statement

		Rs.
Sales		6,98,000
Cost of Goods Sold		<u>(5,20,000)</u>
Gross Margin		1,78,000
Operating Expenses (including Depreciation Expense of Rs. 37,000)		<u>(1,47,000)</u>
		31,000
Other Income / (Expenses)		
Interest Expense paid	(23,000)	
Interest Income received	6,000	
Gain on Sale of Investments	12,000	
Loss on Sale of Plant	<u>(3,000)</u>	
		<u>(8,000)</u>
		23,000
Income tax		<u>(7,000)</u>
		<u>16,000</u>

Comparative Balance Sheets

	31st March	31st March

	20X1	20X0
Assets		
Plant Assets	7,15,000	5,05,000
Less: Accumulated Depreciation	(1,03,000)	(68,000)
	6,12,000	4,37,000
Investments (Long term)	1,15,000	1,27,000
Current Assets:		
Inventory	1,44,000	1,10,000
Accounts receivable	47,000	55,000
Cash	46,000	15,000
Prepaid expenses	1,000	5,000
	<u>9,65,000</u>	<u>7,49,000</u>
Liabilities		
Share Capital	4,65,000	3,15,000
Reserves and surplus	1,40,000	1,32,000
Bonds	2,95,000	2,45,000
Current liabilities :		
Accounts payable	50,000	43,000
Accrued liabilities	12,000	9,000
Income taxes payable	3,000	5,000
	<u>9,65,000</u>	<u>7,49,000</u>

Analysis of selected accounts and transactions during 20X0-X1

1. Purchased investments for Rs.78,000.
2. Sold investments for Rs.1,02,000. These investments cost Rs.90,000.
3. Purchased plant assets for Rs.1,20,000.
4. Sold plant asset that cost Rs.10,000 with accumulated depreciation of Rs.2,000 for Rs.5,000.
5. Issued Rs.1,00,000 of bonds at face value in an exchange for plant assets on 31st March, 20X1.
6. Repaid Rs.50,000 of bonds at face value at maturity.
7. Issued 15,000 shares of Rs. 10 each.
8. Paid cash dividends Rs.8,000.

Prepare Cash Flow Statement as per AS-3 (Revised), using indirect method.

(15Marks)

(b) 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:

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 31 st March, 20X2	3,00,000
Average rate of dividend during the last five year has been 12%.	

(5 Marks)**Question 6: (Any four)**

(a) ABC Ltd. was making provision for non-moving inventories based on issues for the last 12 months up to 31.3.2016.

The company wants to provide during the year ending 31.3.2017 based on technical evaluation:

Total value of inventory	Rs. 100 lakhs
Provision required based on 12 months issue	Rs. 3.5 lakhs
Provision required based on technical evaluation	Rs. 2.5 lakhs

Does this amount to change in Accounting Policy? Can the company change the method of provision?

(5 Marks)

(b) Kumar Ltd., a non investment company has been incurring losses for the past few years. The company provides the following information for the current year:

	(Rs. in lakhs)
Paid up equity share capital	120
Paid up Preference share capital	20
Reserves (including Revaluation reserve Rs. 10 lakhs)	150
Securities premium	40
Long term loans	40
Deposits repayable after one year	20
Application money pending allotment	720
Accumulated losses not written off	20
Investments	180

Kumar Ltd. has only one whole-time director, Mr. X. You are required to calculate the amount of maximum remuneration that can be paid to him as per provisions of Part II of Schedule XIII, if no special resolution is passed at the general meeting of the company in respect of payment of remuneration for a period not exceeding three years.

(5 Marks)

(c) CLimited had 3,000, 12% Redeemable Preference Shares of Rs. 100 each, fully paid up. The company had to redeem these shares at a premium of 10%.

It was decided by the company to issue the following:

- 25,000 Equity Shares of Rs. 10 each at par,
- 1,000 14% Debentures of Rs. 100 each.

The issue was fully subscribed and all amounts were received in full. The payment was duly made. The company had sufficient profits. Show Journal Entries in the books of the company.

(5 Marks)

(d) Following is the extract of the Balance Sheet of Preet Ltd. as at 31st March, 20X1

Authorised capital :	Rs.
15,000 12% Preference shares of Rs. 10 each	1,50,000

1,50,000 Equity shares of Rs. 10 each	<u>15,00,000</u>
	<u>16,50,000</u>
Issued and Subscribed capital:	
12,000 12% Preference shares of Rs. 10 each fully paid	1,20,000
1,35,000 Equity shares of Rs. 10 each, Rs. 8 paid up	10,80,000
Reserves and surplus:	
General Reserve	1,80,000
Capital Redemption Reserve	60,000
Securities premium (collected in cash)	37,500
Profit and Loss Account	3,00,000

On 1st April, 20X1, the Company has made final call @ Rs. 2 each on 1,35,000 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 journal entries in the books of the company and prepare the extract of the balance sheet as on 30th April, 20X1 after bonus issue.

(5 Marks)

(e) Can a partner be called upon to pay the liability of the LLP? If yes, under what circumstances? **(5 Marks)**

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