

(GI-5+7, GI-6, GI-8, GI-9, SI-2+4, SI-3 & VI-2)

DATE: 13.08.2019

MAXIMUM MARKS: 100

TIMING: 3¼ Hours

PAPER : 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) 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)

- (b) A company, ABC Ltd., prepares its accounts annually on 31st March. The company has incurred a loss of Rs. 1,00,000 in the year 20x1 and made profits of Rs. 50,000 and 60,000 in year 20x2 and year 20x3 respectively. It is assumed that under the tax laws, loss can be carried forward for 8 years and tax rate is 40% and at the end of year 20x1, it was virtually certain, supported by convincing evidence, that the company would have sufficient taxable income in the future years against which unabsorbed depreciation and carry forward of losses can be set-off. It is also assumed that there is no difference between taxable income and accounting income except that set-off of loss is allowed in years 20x2 and 20x3 for tax purposes. Prepare statement of Profit and Loss for year ended 2011, 2012 & 2013.

(5 Marks)

- (c) A specific government grant of Rs. 15 lakhs was received by USB Ltd. for acquiring the Hi-Tech Dairy plant of Rs. 95 lakhs during the year 2014-15. Plant has useful life of 10 years. The grant received was credited to deferred income in the balance sheet. During 2017-18, due to non-compliance of conditions laid down for the grant, the company had to refund the whole grant to the Government. Balance in the deferred income on that date was Rs. 10.50 lakhs and written down value of plant was Rs. 66.50 lakhs.

- (i) What should be the treatment of the refund of the grant and the effect on cost of plant and the amount of depreciation to be charged during the year 2017 - 18 in profit and loss account?
- (ii) What should be the treatment of the refund, if grant was deducted from the cost of the plant during 2014-15 assuming plant account showed the balance of Rs. 56 lakhs as on 1.4.2017?

You are required to explain in the line with provisions of AS 12.

(5 Marks)

- (d) M/s X& Co. (a partnership firm), had a turnover of Rs. 1.25 crores (excluding other income) and borrowings of Rs. 0.95 crores in the previous year. It wants to avail the exemptions available in application of Accounting Standards to non-corporate entities for the year ended 31.3.2016. Advise the management of M/s X & Co in respect of the exemptions of provisions of ASs, as per the directive issued by the ICAI.

(5 Marks)

Question 2:

- (a) 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.

(10 Marks)

- (b) Akash Ltd. had 4,000 equity share of X Limited, at a book value of Rs. 15 per share (face value of Rs. 10 each) on 1st April 2017. On 1st September 2017, Akash Ltd. acquired 1,000 equity shares of X Limited at a premium of Rs. 4 per share. X Limited announced a bonus and right issue for existing shareholders.

The terms of bonus and right issue were -

- (1) Bonus was declared, at the rate of two equity shares for every five equity shares held on 30th September, 2017.
- (2) Right shares are to be issued to the existing shareholders on 1st December, 2017. The company issued two right shares for every seven shares held at 25% premium. No dividend was payable on these shares. The whole sum being payable by 31st December, 2017.
- (3) Existing shareholders were entitled to transfer their rights to outsiders, either wholly or in part.
- (4) Akash Ltd. exercised its option under the issue for 50% of its entitlements and sold the remaining rights for Rs. 8 per share.

- (5) Dividend for the year ended 31st March 2017, at the rate of 20% was declared by the company and received by Akash Ltd., on 20th January 2018.
 - (6) On 1st February 2018, Akash Ltd., sold half of its shareholdings at a premium of Rs. 4 per share.
 - (7) The market price of share on 31.03.2018 was Rs. 13 per share.
- You are required to prepare the Investment Account of Akash Ltd. for the year ended 31st March, 2018 and determine the value of share held on that date assuming the investment as current investment. Consider average cost basis for ascertainment of cost for equity share sold.

(10 Marks)

Question 3:

(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.

- (i) Fixed Assets / Capital = 5/4
- (ii) Fixed Assets Rs. 5,00,000
- (iii) Capital / Liabilities = $\frac{1}{2}$
- (iv) Net Profit / Capital = 1/5
- (v) Gross profit ratio = 25%
- (vi) Stock turnover ratio = 10
- (vii) Fixed Assets / Total Current Asset = 5/7
- (viii) Net profit to sales 20%
- (ix) 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) X Ltd has three departments A, B and C. From the particulars given below compute:

- (a) the values of stock as on 31st Dec. 2011 and
- (b) the departmental results

	A Rs.	B Rs.	C Rs.
Stock (on 1.1.2011)	24,000	36,000	12,000
Purchases	1,46,000	1,24,000	48,000
Actual sales	1,72,500	1,59,400	74,600
Gross Profit on normal selling price	20%	25%	33 1/3%

(ii) During the year certain items were sold at discount and these discounts were reflected in the value of sales shown above. The items sold at discount were:

	A Rs.	B Rs.	C Rs.
Sales at normal price	10,000	3,000	1,000
Sales at actual price	7,500	2,400	600

(5 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 partners of Shri Enterprises decided to convert the partnership Firm into a Private Limited Company Shreya (P) Ltd net effect from 1st January 2017. However, Company could be incorporated only on 1st June 2017. The business was continued on behalf of the Company and the consideration of Rs. 6,00,000 was settled on that day along with interest at 12% per annum. The Company availed Loan of Rs. 9,00,000 at 10% per annum on 1st June 2017, to pay Purchase Consideration and for Working Capital. The Company closed its accounts for the first time on 31st March 2018, and presents you the following summarized Profit and Loss Account. You are also informed that Sales that June 2017 to Dec. 2017 were 2½ times of the Average Sales, which further increased to 3½ times in January to March Quarter, 2018. The Company recruited additional work force to expand the business. The Salaries from July 2017 doubled. The Company also acquired additional Showroom at monthly rent of Rs. 10,000 from July 2017.

You are required to prepare a Profit and Loss Account showing apportionment of cost and revenue between Pre-Incorporation and Post-Incorporation periods. Also suggest how the pre-incorporation Profits / Losses are to be dealt with.

	Particulars	Rs.	Rs.
	Sales		19,80,000
Less:	Cost of Goods Sold	11,88,000	
	Discount to dealers	46,200	
	Director's Remuneration	60,000	
	Salaries	90,000	
	Rent	1,35,000	
	Interest	1,05,000	
	Depreciation	30,000	

Office Expenses	1,05,000	
Sales Promotion Expenses	33,000	
Preliminary Expenses (to be written off in first year itself)	15,000	(18,07,200)
Profit		1,72,800

(12 Marks)

(b) The Summarized Balance Sheet of BEE Co. Ltd. as on 31st March, 20X1 is as under:

Liabilities	Rs.	Assets	Rs.
Share Capital :		Freehold property	1,15,000
Authorised:		Stock	1,35,000
30,000 Equity Shares of Rs. 10 each	3,00,000	Trade receivables	75,000
Issued and Subscribed:		Cash	30,000
20,000 Equity Shares of Rs. 10 each		Balance at Bank	2,00,000
fully paid	2,00,000		
Profit and Loss Account	1,20,000		
12% Debentures	1,20,000		
Trade payables	1,15,000		
	5,55,000		5,55,000

At the Annual General Meeting, it was resolved:

- (a) To give existing shareholders the option to purchase one Rs. 10 share at Rs. 15 for every four shares (held prior to the bonus distribution), this option being taken up by all shareholders.
 - (b) To issue one bonus share for every five shares held.
 - (c) To repay the debentures at a premium of 3%.
- Give the necessary journal entries and the company's Balance Sheet after these transactions are completed.

(8 Marks)

Question 6: (Answer any four questions)

(a) What are Accounting Standards? Explain the issues, with which they deal.

(5 Marks)

- (b)** (i) Classify the following items as monetary or non-monetary item:
 Share Capital
 Trade Receivables
 Investment in Equity shares
 Fixed Assets.

(ii)

	Exchange Rate per \$
Goods purchased on 1.1.2017 for US \$ 15,000	Rs. 75
Exchange rate on 31.3.2017	Rs. 74
Date of actual payment 7.7.2017	Rs. 73

You are required to ascertain the loss/gain for financial years 2016-17 and 2017- 18, also give their treatment as per AS 11.

(5 Marks)

- (c)** X Transport Ltd. purchased from Delhi Motors 3 Tempos costing Rs. 50,000 each on the hire purchase system on 1-1-20X1. Payment was to be made Rs. 30,000 down and the remainder in 3 equal annual instalments payable on 31-12-20X1, 31-12-

20X2 and 31-12-20X3 together with interest @ 9%. X Transport Ltd. writes off depreciation at the rate of 20% on the diminishing balance. It paid the instalment due at the end of the first year i.e. 31-12-20X1 but could not pay the next on 31-12-20X2 and goods fully repossessed by vendor. Show the necessary accounts in the books of X Transport Ltd. for the years 20X1 and 20X2.

(5 Marks)

- (d) 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)

- (e) Explain the concept of 'materiality' in brief.

(5 Marks)
