

(GI-7, VI-VDI-SI-3)

DATE: 22.03.2022

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) 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) In the year 2016-17, an entity has acquired a new freehold building with a useful life of 50 years for Rs. 90,00,000. The entity desires to calculate the depreciation charge per annum using a straight-line method. It has identified the following components (with no residual value of lifts & fixtures at the end of their useful life) as follows:

Component	Useful life (Years)	Cost
Land	Infinite	Rs. 20,00,000
Roof	25	Rs. 10,00,000
Lifts	20	Rs. 5,00,000
Fixtures	10	Rs. 5,00,000
Remainder of building	50	Rs. 50,00,000
		Rs. 90,00,000

You are required to calculate depreciation for the year 2016-17 as per componentization method.

(5 Marks)

- (c) A Limited invested in the shares of XYZ Ltd. on 1st December, 2019 at a cost of Rs. 50,000. Out of these shares, Rs. 25,000 shares were purchased with an intention to hold for 6 months and Rs. 25,000 shares were purchased with an intention to hold as long-term Investment.

A Limited also earlier purchased Gold of Rs. 1,00,000 and Silver of Rs. 30,00,000 on 1st April, 2019. Market value as on 31st March, 2020 of above investments are as follows:

Shares	Rs. 47,500 (Decline in the value of shares is temporary.)
Gold	Rs. 1,80,000
Silver	Rs. 30,55,000

How above investments will be shown in the books of accounts of M/s A Limited for the year ended 31st March, 2020 as per the provisions of AS 13 (Revised)?

(5 Marks)

- (d) Tip top Limited has borrowed a sum of US \$ 10,00,000 at the beginning of Financial Year 2014-15 for its residential project at 4 %. The interest is payable at the end of the Financial Year. At the time of avilment exchange rate was Rs. 56 per US \$ and

the rate as on 31st March, 2015 was Rs. 62 per US \$. If Tip top Builders Limited borrowed the loan in India in Indian Rupee equivalent, the pricing of loan would have been 10.50%. Compute Borrowing Cost and exchange difference for the year ending 31st March, 2015 as per applicable Accounting Standards.

(5 Marks)

Question 2:

- (a) Mobile Limited has authorized share capital of 1,00,000 equity shares @ Rs. 10 each. The company has already issued 60% of its capital for cash. Now the company wishes to issue bonus shares in the ratio 1:5 to its existing shareholders. The following is the status of Reserve and Surplus of the company:

General Reserve	Rs. 1,60,000
Plant Revaluation Reserve	Rs. 25,000
Securities Premium Account (Realised in cash)	Rs. 60,000
Capital Redemption Reserve	Rs. 80,000

Answer the following questions:

- (a) What is the number of Bonus shares to be issued?
 (b) Can company issue Bonus out of General Reserve only?
 (c) Give Journal Entries and also give the extracts of the balance-sheet after such Bonus issue.
 (d) Is it possible for the company to issue partly paid-up bonus shares?

(8 Marks)

- (b) Rohan Ltd. gives you following information as at 31st March, 2021:

Particulars		Rs.	Rs.
Equity and Liabilities			
Issued & subscribed capital:			
Equity shares capital:			
60,000 Equity shares of Rs. 10 each fully paid up		6,00,000	
12% Redeemable Preference share Capital:			
5,000 share of Rs. 100 each		5,00,000	
Less: Calls in arrear (final call of Rs. 20 on 200 shares)		(4,000)	4,96,000
Reserve & surplus			
Profit and Loss Account		3,00,000	
Securities Premium Account		30,000	3,30,000
Non- current liability			
Long term borrowings: 14% Debentures			1,50,000
Current liabilities			
Trade payables			74,000
Assets			
Non-current Assets			
(i) Property, Plant & Equipment			13,00,000
(ii) Non- current Investment			1,00,000
Current Assets			
(i) Inventory			50,000
(ii) Trade Receivables			20,000
(iii) Bank			1,80,000

On April 1, 2021, the Board of Directors decided to redeem the preference shares (excluding 200 shares on which there are calls in arrear) at 10% premium and to sell the investment at its market price of Rs. 80,000. They also decided to issue sufficient number of equity shares of Rs. 10 at a premium of Rs. 1 per share and the balance in

profit and loss account was to be maintained at Rs. 1,00,000. Premium on redemption can't be set off against securities premium account as Rohan Ltd. is governed by section 133 of the Companies act, 2013 and comply with Accounting Standards.

You are required to show the journal entries and the balance sheet of the company immediately after completion of redemption as per Schedule III. Show working for availability of profits for redemption and determination of bank balance at the end. All the above formalities and transactions were completed up to the end of 15th May, 2021.

(12 Marks)

Question 3:

- (a) Mr. Wise had 12% Debentures of Face Value Rs. 100 of Alpha Ltd. as current investments. He provides the following details relating to the investments.

1-4-2020	Opening balance 4,000 debentures costing Rs. 98 each
1-6-2020	Purchased 2,000 debentures @ Rs. 120 cum interest
1-9-2020	Sold 3,000 debentures @ Rs. 110 cum interest
1-12-2020	Sold 2,000 debentures @ Rs. 105 ex interest
31-1-2021	Purchased 3,000 debentures @ Rs. 100 ex interest
31-3-2021	Market value of the investments Rs. 105 each

Interest due dates are 30th June and 31st December.

Mr. Wise closes his books on 31-3-2021. He incurred 2% brokerage for all his transactions.

Show investment account in the books of Mr. Wise assuming FIFO method is followed.

(10 Marks)

- (b) A fire occurred in the premises of M/s Star & Sons on 21st March 2020. The concern had taken Insurance Policy of Rs. 70,000 which was subject to average clause. From the books of accounts, the following particulars are available relating to the period 1st April 2019 to March 21st 2020:

(i)	Stock as on April 1st 2019	Rs. 1,50,500
(ii)	Purchases (including purchase of Rs. 40,000 for which purchase invoices had not been received from suppliers, though goods have been received in godown)	Rs. 3,17,000
(iii)	Cost of goods distributed as, samples for advertising from April 1st 2019 to the date of fire, included in above purchases	Rs. 32,000
(iv)	Sales (excluding goods sold on approval basis having sale value Rs. 35,000) Approval has been received for all goods sold on approval basis, before the date of fire.	Rs. 4,55,000
(v)	Purchase return	Rs. 15,000
(vi)	Wages (including salary of Manager Rs. 10000)	Rs. 65,000
(vii)	Average Rate of Gross Profit @ 20% on sales.	
(viii)	Cost of goods salvaged	Rs. 12,000

You are required to calculate the amount of claim to be lodged to Insurance Company.

(10 Marks)

Question 4:

- (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, 2017 and a Balance Sheet as on that date.

(a) Assets and Liabilities as on:

	in Rs.	
	1.4.2016	31.3.2017
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, totaled 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 Debenture, face Value Rs. 100 each) on 1st October 2016 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 debtor.

(15 Marks)

- (b) M/s. Kodam Enterprises purchased a generator on hire purchase from M/s. Sanctum Ltd. on 1st April, 2017. The hire purchase price was Rs. 48,000. Down payment was Rs. 12,000 and the balance is payable in 3 annual installments of Rs. 12,000 each payable at the end of each financial year. Interest is payable @ 8% p.a. and is included in the annual payment of Rs. 12,000. Depreciation at 10% p.a. is to be written off using the straight line method. You are required to calculate the cash price of the generator and the interest paid on each installment.

(5 Marks)

Question 5:

- (a) The partners Kamal and Vimal decided to convert their existing partnership business into a Private Limited Company called M/s. KV Trading Private Ltd. with effect from 1-7-2014.

The same books of accounts were continued by the company which closed its account for first year on 31-3-2015.

The summarized Profit and Loss Account for the year ended 31-3-2015 is below:

	(Rs.) in lakhs	(Rs.) in lakhs
Turnover		240.00
Interest on investments		6.00
		246.00
Less: Cost of goods sold	102.00	
Advertisement	3.00	
Sales Commission	6.00	
Salary	18.00	
Managing directors remuneration	6.00	
Interest on Debentures	2.00	
Rent	5.50	
Bad Debts	1.00	
Underwriting Commission	2.00	
Audit fees	2.00	
Loss on sale of investment	1.00	
Depreciation	4.00	152.50
		93.50

The following additional information was provided

- (i) The average monthly sales doubled from 1-7-2014. GP ratio was constant.
- (ii) All investments were sold on 31-5-2014.
- (iii) Average monthly salary double from 1-10-2014.
- (iv) The company occupied additional space from 1-7-2014 for which rent of Rs. 20000 per month was incurred.
- (v) Bad debts recovered amounting to Rs. 50000 for a sale made in 2012, has been deducted from bad debts mentioned above.
- (vi) Audit fees pertains to the company.

Prepare a statement apportioning the expenses between pre and post incorporation periods and calculate the Profit/Loss for such periods. Also suggest how the pre-incorporation profits are to be dealt with.

(10 Marks)

- (b)** Manohar of Mohali has a branch at Noida to which the goods are supplied from Mohali but the cost thereof is not recorded in the Head Office books. On 31st March, 2020 the Branch Balance Sheet was as follows:

Liabilities	Rs.	Assets	Rs.
Creditors Balance	62,000	Debtors Balance	2,24,000
Head Office	1,88,000	Building Extension A/c	
		Closed by transfer to H.O. A/c	-
		Cash at Bank	26,000
	2,50,000		2,50,000

During the six months ending on 30-09-2020, the following transactions took place at Noida:

	Rs.		Rs.
Sales	2,78,000	Manager's salary	16,400
Purchases	64,500	Collections from debtors	2,57,000
Wages Paid	24,000	Discounts allowed	16,000
Salaries (inclusive of advance of Rs. 5,000)	15,600	Discount earned	4,600

General Expenses	7,800	Cash paid to creditors	88,500
Fire Insurance (Paid for one year)	11,200	Building Account (further payment)	14,000
Remittance to H.O.	52,900	Cash in Hand	5,600
		Cash at Bank	47,000

Set out the Head Office Account in Noida Books and the Branch Balance Sheet as on 30.09.2020. Also give journal entries in the Noida books.

(10 Marks)

Question 6: (Answer any four questions)

(a) "One of the characteristic of the financial statement is neutrality. "Do you agree with this statement? Explain in brief.

(5 Marks)

(b) (a) A company offers new right shares of Rs. 100 each at 20% premium to existing shareholders on one for four shares. The cum-right market price of a share is Rs. 140. You are required to calculate (i) Ex-right value of a share; (ii) Value of a right.

(b) A company having 1,00,000 shares of Rs. 10 each as its issued share capital, and having a market value of Rs. 45 issues rights shares in the ratio of 1:5 at an issue price of Rs. 25. Pass journal entry for issue of right shares.

(5 Marks)

(c) Brahma Limited has three departments and submits the following information for the year ending on 31st March, 2011.

	A	B	C	Total (Rs.)
Purchase (Units)	5,000	10,000	15,000	
Purchase (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.

(5 Marks)

(d) (a) With regard to financial statements name any four.

- (1) Users
- (2) Qualitative characteristics
- (3) Elements

(b) What are fundamental accounting assumptions?

(5 Marks)

(e) A company had 5,000 units of stock "A", costing @ Rs. 50 each on 31.3.2014. Out of this stock, 3,000 units are to be supplied under a firm contract at Rs. 45 each. Show how the valuation will be done of such stock when

- (i) the general selling price is Rs. 49 each.
- (ii) the general selling price is Rs. 52 each.

(5 Marks)

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