## (GI-2, GI-6, GI-7, VI-1, VDI-1, DRIVE \& FMT) <br> DATE: 17.09.2023 <br> MAXIMUM MARKS: 100 <br> TIMING: 3¼ Hours

## ACCOUNTE

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.

## Answer 1:

(a)

| Particulars | Rs. in lakhs |
| :--- | ---: |
| Original Cost of the Asset | $3,000.00$ |
| Less: Depreciation for 4 years (Rs. 3,000 lakhs $\times 10 \% \times 4$ years) | $(1,200.00)$ |
| Book Value at the end of Year 4 | $1,800.00$ |
| Add: Revaluation Surplus (balancing figure) | 9000.00 |
| Revalued Amount as given ( = revised depreciable value) | $2,700.00$ |
| Less: Depreciation for Year 5 (Rs. 2,700 lakhs $\div 6$ years) | $\mathbf{4 5 0 . 0 0}$ |
| Carrying Amount at the end of Year 5 | $\mathbf{2 , 2 5 0 . 0 0}$ |
| Less: Depreciation for Year 6 (Rs. 2,700 lakhs $\div 6$ years) | $\underline{450.00}$ |
| Carrying Amount at the end of Year 6 | $\mathbf{M}\}$ |

## Answer:

(b) As per AS 11 "The Effects of Changes in Foreign Exchange Rates", exchange) differences arising on the settlement of monetary items or on reporting an enterprise's monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, should be recognised as income or as expenses in the period in which they arise.
However, at the option of an entity, exchange differences arising on reporting of long-term foreign currency monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, in so far as they relate to the acquisition of a depreciable capital asset can be added to or deducted from the cost of the asset and should be depreciated over the balance life of the asset, and in other cases, can be accumulated in a "Foreign Currency Monetary Item Translation Difference Account" in the enterprise's financial statements and amortised over the balance period of such long-term asset/ liability, by recognition as income or expense in each of such periods.

| Trade receivables | Foreign Currency Rate | Rs. |
| :---: | :---: | :---: |
| Initial recognition US \$ 8,547 $(5,00,000 / 58.50)$ | 1 US \$ = Rs. 58.50 | 5,00,000 |
| Rate on Balance sheet date | 1 US \$ = Rs. 61.20 |  |
| Exchange Difference Gain US \$ 8,547 X (61.20-58.50) |  | 23,077 |
| Treatment: Credit Profit and Loss A/c by Rs. 23,077 |  |  |
| Long term Loan |  |  |
| Initial recognition <br> $(60,00,000 / 55.60)$ US $\quad 1,07,913.67$ | 1 US \$ = Rs. 55.60 | 60,00,000 |
| Rate on Balance sheet date | 1 US \$ = Rs. 61.20 |  |
| Exchange Difference Loss US $\$$ <br> $1,07,913.67 \times(61.20-55.60)$   |  | 6,04,317 |
| Treatment: Credit Loan A/c |  |  |

## And Debit FCMITD A/C or Profit and Loss A/c by Rs. 6,04,317

Thus Exchange Difference on Long term loan amounting Rs. 6,04,317 may either be charged to Profit and Loss A/c or to Foreign Currency Monetary Item Translation Difference Account but exchange difference on debtors amounting Rs. 23,077 is required to be transferred to Profit and Loss A/c.

## Answer:

## (c) (i)

False; As per AS 1 "Disclosure of Accounting Policies", certain fundamental accounting assumptions underlie the preparation and presentation of financial statements. They are usually not specifically stated because their acceptance and use are assumed. Disclosure is necessary if they are not followed.
(ii) False; As per AS 1, if the fundamental accounting assumptions, viz. Going Concern, Consistency and Accrual are followed in financial statements, specific disclosure is not required. If a fundamental accounting assumption is not followed, the fact should be disclosed.
(iii) True; To ensure proper understanding of financial statements, it is necessary that all significant accounting policies adopted in the preparation and presentation of financial statements should be disclosed. The disclosure of the significant accounting policies as such should form part of the financial statements and they should be disclosed in one place.
(iv) False; Any change in the accounting policies which has a material effect in the current period or which is reasonably expected to have a material effect in later periods should be disclosed. Where such amount is not ascertainable, wholly or in part, the fact should be indicated.
(v) True; As per AS 1, there is no single list of accounting policies which are applicable to all circumstances. The differing circumstances in which enterprises operate in a situation of diverse and complex economic activity make alternative accounting principles and methods of applying those principles acceptable.

## Answer:

(d) Calculation of depreciation as per AS 12 for the financial year 2022-23:
(i) If the grant amount is deducted from the value of Plant, then the amount of deprecation will be Rs. 3,00,000 p.a. (Rs. 60,00,000 - Rs. 10,00,000 - Rs. 20,00,000) / 10 year.
(ii) If the grant is treated as deferred income, then amount of depreciation will be Rs. 5,00,000 p.a. (Rs. 60,00,000-Rs. 10,00,000) / 10 year.
(iii) If the grant amount is deducted from the value of plant, but at the end of the year 2022-23 grant is refunded to the extent of Rs. 4 lakh then the amount of depreciation will be Rs. 3,00,000 p.a. (Rs. 60,00,000 - Rs. 10,00,000 - Rs. 20,00,000) /10 year for year 2021-22 and for the year 2022-23 Depreciation will be Rs. 3,00,000 calculated as follows, (Rs. 60,00,000-Rs. 10,00,000 Rs. 20,00,000-Rs. 3,00,000) / 10 years.

## Alternative

Note: It is assumed that the depreciation for the year has been charged on the book value on the plant before making adjustment for grant. Alternatively, if it is considered otherwise then the depreciation will be charged after making adjustment for grant. In that case depreciation for the year 2022-23 will be as Rs. 3,44,444 calculated as follows, (Rs. 60,00,000 Rs. 10,00,000-Rs. 20,00,000 + 4,00,000-Rs. 3,00,000 / 9 years.
(iv) If the grant is treated as promoter's contribution, then the amount of depreciation will be Rs. 5,00,000 p.a. (Rs. 60,00,000 -10,00,000) / $\}\{1 \mathrm{M}\}$ 10 year.

Answer 2:
(a)

Statement of Profit and Loss of Travese Limited for the year ended 31st March, 2023

|  | Particulars | Notes | Amount |
| :---: | :--- | :---: | ---: |
| I. | Revenue from operations | 1 | $\mathbf{4 7 , 2 2 , 6 0 0}$ |
| II. | Other income | 2 | $\mathbf{1 , 6 1 , 4 6 5}$ |
| III. | Total Income (I + II) |  | $\mathbf{4 8 , 8 4 , 0 6 5}$ |
| IV. | Expenses: |  | $\mathbf{2 8 , 8 6 , 6 0 0}$ |
|  | Purchases of Inventory-in-Trade | 3 | $\mathbf{2 0 , 4 0 0}$ |
|  | Changes in inventories of finished goods, work-in- <br> progress and Inventory-in-Trade | 4 | $\mathbf{3 , 5 2 , 4 1 0}$ |
|  | Finance costs | 5 | $\mathbf{3 , 5 7 , 7 6 5}$ |
|  | Depreciation and amortization expenses | 6 | $\mathbf{6 , 6 5 , 0 4 0}$ |
|  | Other expenses |  | $\mathbf{4 2 , 8 2 , 2 1 5}$ |
|  | Total expenses |  | $\mathbf{6 , 0 1 , 8 5 0}$ |
| V. | Profit (Loss) for the period (III - IV) before tax |  | $\mathbf{( 1 , 5 0 , 4 6 3 )}$ |
| VI | Provision for tax |  | $\mathbf{4 , 5 1 , 3 8 7}$ |
| VII | Profit for the period |  |  |

Notes to accounts

$\left.\left.\begin{array}{|l|l|r|}\hline & \text { Director's fees } & 38,250 \\ \hline & \text { Total } & \mathbf{6 , 6 5 , 0 4 0}\end{array}\right\} \mathbf{1 / 2 ~ M}\right\}$

## Note:

The final dividend will not be recognized as a liability at the balance sheet date (even if it is declared after reporting date but before approval of financial statements) as per accounting standards. Hence, it is not recognized in the financial statement for the year ending 31st March 2023. Such dividend will be disclosed in notes only.

## Answer:

(b) (i)

Calculation of Time Ratio
1st April 2022 to 31st July 2022= 4 months
1st August 2022 to 31st March 2023= 8 months
$\{1 / 8 \mathrm{M}\}$
4 Months: 8 Months i.e., 4 : 8 or 1: 2

## Calculation of Sales Ratio

Sales from April 2022 to June 2022 (3 months) = Rs. 8,40,000 pm
Sales from July 2022 to Jan 2023 (7 months) = Rs. 9,00,000 pm
Sales from Feb 2023 to March 2023 ( 2 months) = Rs. 15,75,000 pm
Therefore, sales from April 2022 to July 2022 = Rs. 34,20,000
Sales from 1st August 2022 to 31st March 2023 = Rs. 85,50,000
Sales ratio will be 34,20,000: 85,50,000 i.e., 1 : 2.5 or 2 : 5
(ii) Statement showing the calculation of Profits for the pre-incorporation and post- incorporation periods

|  |  |  | Rs. | Rs. |
| :--- | ---: | ---: | ---: | ---: |
|  | Ratio | Total | Pre- <br> Incorporation | Post- <br> Incorporation |
| Sales | $1: 2.5$ | $1,19,70,000$ | $\mathbf{3 4 , 2 0 , 0 0 0}$ | $\mathbf{8 5 , 5 0 , 0 0 0}$ |
| Interest on Investments | Pre | 60,000 | $\mathbf{6 0 , 0 0 0}$ | - |
| Bad debts recovered | Post | 17,000 | $\mathbf{1 7 , 0 0 0}$ |  |
| Profit on sale of investment | Pre | 40,000 | $\mathbf{4 0 , 0 0 0}$ | - |
|  |  | $1,20,87,000$ | $\mathbf{3 5 , 2 0 , 0 0 0}$ | $\mathbf{8 5 , 6 7 , 0 0 0}$ |
| Cost of goods sold | $1: 2.5$ | $64,40,000$ | $\mathbf{1 8 , 4 0 , 0 0 0}$ | $\mathbf{4 6 , 0 0 , 0 0 0}$ |
| Donation | Post | 41,000 | - | $\mathbf{4 1 , 0 0 0}$ |
| Sundry office expenses | $4: 8$ | 55,500 | $\mathbf{1 8 , 5 0 0}$ | $\mathbf{3 7 , 0 0 0}$ |
| Printing \& Stationary | $4: 8$ | 87,000 | $\mathbf{2 9 , 0 0 0}$ | $\mathbf{5 8 , 0 0 0}$ |
| Sales Manager Salary | W.N. 1 | 81,000 | $\mathbf{1 7 , 0 0 0}$ | $\mathbf{6 4 , 0 0 0}$ |
| Interest on Debentures | Post | 8,900 | - | $\mathbf{8 , 9 0 0}$ |
| Rent W.N. 2 | Actual | $1,35,000$ | $\mathbf{5 0 , 0 0 0}$ | $\mathbf{8 5 , 0 0 0}$ |
| Bad Debts (67,000 + 17,000) | $1: 2.5$ | 84,000 | $\mathbf{2 4 , 0 0 0}$ | $\mathbf{6 0 , 0 0 0}$ |
| Underwriting commission | Post | 56,000 |  | $\mathbf{5 6 , 0 0 0}$ |
| Audit fees | Post | 15,000 | $\mathbf{- 2 3 , 4 0 0}$ | $\mathbf{1 5 , 0 0 0}$ |
| Depreciation | Actual | 70,200 | $\mathbf{5 0 , 0 0 0}$ | $\mathbf{4 6 , 8 0 0}$ |
| Interest on Loan | W.N. 3 | 62,500 |  | $\mathbf{1 2 , 5 0 0}$ |
|  |  | $71,36,100$ | $\mathbf{2 0 , 5 1 , 9 0 0}$ | $\mathbf{5 0 , 8 4 , 2 0 0}$ |
| Net Profit [(i) - (ii)] |  | $49,50,900$ | $\mathbf{1 4 , 6 8 , 1 0 0}$ | $\mathbf{3 4 , 8 2 , 8 0 0}$ |

(iii) Such profit/ loss is disclosed separately from normal trading profits/losses of the business in the financial statements of the business entity. Preacquisition profit will be treated as capital profits and post-acquisition profit will be treated as normal profit and it will be transferred to profit and loss account.

## Working Notes:

1. Sales Manager Salary

|  | Rs. |
| :--- | ---: |
| Total Salary | 81,000 |
| Less: Increased Salary | $\underline{45,000}$ |
|  | $\underline{36,000}$ |
| Monthly Salary = Rs. $36,000 / 12$ | 3,000 |
| Salary from April to July | $3,000+3,000+3,000+8,000=\mathbf{1 7 , 0 0 0}$ |
| Salary from August to March | $8,000 \times 8=\mathbf{6 4 , 0 0 0}$ |

2. Apportionment of Rent

Total Rent
Less: Additional rent from 1.6.2022 to 31.8.2022
Rent of old premises for 12 months
Rs.

|  |  | $\underline{1,20,00}$ |
| :--- | :--- | :--- |
| Apportionment in time ratio (4:8 or 1:2) | 40,000 | Post <br> Add: Rent for new space |
| Total | $\underline{10,000}$ | $\underline{\mathbf{5 0 , 0 0 0}}$ |
|  | $\underline{\mathbf{8 5 , 0 0 0}}$ | $\underline{1 ~ M ~}\}$. |

3. Interest on Loan

Borrowing Interest $=$ Rs. 15,00,000 x 10\% x $5 / 12=$ Rs. 62,500
$\left.\begin{array}{ll}\text { Interest for Pre-incorporation period }= & \text { Rs. } 62,500 \times 4 / 5=\text { Rs. 50,000 } \\ \text { Interest for Post-incorporation period }= & \text { Rs. } 62,500 \times 1 / 5=\text { Rs. 12,500 }\end{array}\right\}\{\mathbf{1 ~ M ~}\}$
Answer 3:
(a) Departmental Trading and Profit \& Loss Account in the books of M/s. Bombay Cotton for the year ended 31st March, 2022


## xWorking notes:

1. Unrealized profit included in the closing stock

Department $Y=21,200 \times \frac{28}{128}=\mathbf{4 , 6 3 7 . 5 0}$ (rounded off as Rs. 4,638$)\{1 \mathbf{~ M}\}$
Department $Z=12,000 \times 25 \%=\mathbf{3 , 0 0 0}\} \mathbf{1 M}\}$
2. Calculation of Manager's Commission


## Answer:

(b) Memorandum Trading Account for the period 1st April, 2022 to 27th July, 2022


Statement of Claim for Loss of Stock

|  | Rs. |
| :--- | ---: |
| Book value of stock as on 27th July, 2022 | 62,000 |
| Add: Abnormal Stock | 1,000 |
| Less: Stock salvaged | $(5,000)$ |
| Loss of stock | $\mathbf{5 8 , 0 0 0}$ |$\left.\} \mathbf{3 / 4} \mathbf{~ M}\right\}$

Amount of claim to be lodged with insurance company
$=$ Loss $x \frac{\text { Policy Value }}{\text { Value of stock on the date of fire }}$
$=$ Rs. $58,000 \times(55,000 / 63,000)=$ Rs. 50,635 $($ rounded off $)$

## Working Notes:

1. Calculation of Adjusted Purchases

|  | Rs. |
| :--- | ---: |
| Purchases | $2,92,000$ |
| Less: Purchase of Machinery | $(10,000)$ |
| Less: Free samples | $(2,000)$ |
| Adjusted purchases | $\mathbf{2 , 8 0 , 0 0 0}$ |$\left.\} \mathbf{1 / 2} \mathbf{~ M}\right\}$

2. Calculation of Goods with Customers

Approval for sale has not been received $=$ Rs. $40,000 \times 1 / 4=$ Rs. 10,000 . Hence, these should be valued at cost i.e. (Rs. $10,000-20 \%$ of Rs. 10,000 ) $=$ Rs. 8,000
3. Calculation of Actual Sales
Total Sales
Less: Approval for sale not received (1/4 X Rs. 40,000)
Actual Sales
Rs. 4,12,300
Rs. 10,000
Rs. $4,02,300\} 1 / 2 \mathrm{M}\}$
4. Calculation of Wages

Total Wages
Rs. 53,000
Less: Wages for installation of machinery
(Rs. 3,000)
Rs. $\quad 50,000\} 1 / 2 \mathrm{M}\}$
5. Value of Opening Stock

Original cost of stock as on 31st March, 2022
$\left.\begin{array}{l}=\text { Rs. } 63,000+\text { Rs. 1,000 (Amount written off) } \\ =\text { Rs. } \mathbf{6 4 , 0 0 0}\end{array}\right\}\{1 / \mathbf{2} \mathbf{~ M}\}$
Answer 4:
(a) Trading and Profit and Loss Account of Mr. Aman for the year ended 31st March, 2023

|  | Amount |  |  | Amount |
| :---: | :---: | :---: | :---: | :---: |
|  | Rs. |  |  | Rs. |
| To Opening stock | 3,20,000 | By | Sales | 27,96,000 |
| To Purchases (W.N. 5) | 18,24,000 | B | Closing stock | 2,80,000 |
| To Gross profit c/d (Bal. fig.) | 9,32,000 |  |  |  |
|  | 30,76,000 |  |  | 30,76,000 |
| To Expenses (W.N. 7) | 6,88,000 | By | Gross profit b/d | 9,32,000 |
| To Discount allowed (W.N. 9) | 65,000 | By | Discount received (W.N. 10) | 32,000 |
| To Depreciation on furniture <br> (W.N. 1) | 26,000 | By | Interest on Govt. Securities (W.N. 8) | 24,000 |
| To Net profit | 2,29,000 | By | Miscellaneous income | 20,000 |
|  | 10,08,000 |  |  | 10,08,000 |

Balance Sheet of Mr. Aman as on 31st March, 2023

| Liabilities |  | Amount |  | Assets |
| :--- | ---: | ---: | :--- | ---: |

## Working Notes:

1. 

## Furniture account

| Rs. ${ }^{\text {Rs. }}$ |  |  |  |  | \{1/4 M |
| :---: | :---: | :---: | :---: | :---: | :---: |
| To Balance b/d | 2,40,000 | By | Depreciation (bal.fig.) | 26,000 |  |
| To Bank | 40,000 | By | Balance c/d | 2,54,000 |  |
|  | 2,80,000 |  |  | 2,80,000 |  |

2. 

## Cash and Bank account

|  |  | Rs. | By Creditors |
| :--- | ---: | ---: | ---: |
| To Balance b/d | 8,000 | By | Rrawings |
|  | Cash | $15,68,000$ |  |
|  | Bank | 40,000 | By |

3. 

Debtors account

|  | Rs. |  | Rs. |
| :---: | :---: | :---: | :---: |
| To Balance b/d | 6,40,000 | By Cash and Bank | 23,40,000 |
| To Creditors (Bills receivable dishonoured) | 16,000 | By Discount | 60,000 |
| To Sales (W.N. 11) | 27,96,000 | By Bills Receivable | 4,00,000 |
|  |  | By Balance c/d (bal.fig.) | 6,52,000 |
|  | 34,52,000 |  | 34,52,000 |

4. 

Bills Receivable account

|  | Rs. |  | Rs. |
| :--- | ---: | ---: | :--- | ---: |
| To Debtors | $4,00,000$ | By Bank | $2,45,000$ |
|  |  | By Discount | 5,000 |
|  |  | By Creditors | 80,000 |
|  |  | By Balance c/d (bal. fig.) | $\mathbf{7 0 , 0 0 0}$ |
|  | $4,00,000$ |  | $4,00,000$ |

5. 

Creditors account

|  | Rs. |  | Rs. | $4,40,000$ |
| :--- | ---: | :--- | :--- | ---: |
| To Bank | $15,68,000$ | By Balance b/d | 16,000 |  |
| To Discount | 32,000 | ByDebtors (Bills receivable <br> dishonoured) | $\mathbf{1 8 , 2 4 , 0 0 0}$ |  |
| To Bills receivable | 80,000 | By Purchases (bal. fig.) |  |  |
| To Balance c/d | $6,00,000$ |  | $22,80,000$ |  |

6. 

Balance Sheet as on 1st April, 2022

| Liabilities | Rs. | Assets | Rs. |
| :---: | :---: | :--- | :---: |
| Creditors | $4,40,000$ | Furniture | $2,40,000$ |


| Outstanding expenses | 80,000 | Debtors | $6,40,000$ |
| :--- | ---: | :--- | ---: |
| Capital (balancing figure) | $\mathbf{7 , 5 2 , 0 0 0}$ | Stock | $3,20,000$ |
|  |  | Prepaid expenses | 24,000 |
|  |  | Cash | 8,000 |
|  |  | Bank balance | 40,000 |
|  | $12,72,000$ |  | $12,72,000$ |

7. Expenses incurred during the year

| Expenses paid during the year |  | Rs. |
| :--- | ---: | ---: |
| Add: Outstanding expenses as on 31.3 .2023 |  | $7,00,000$ |
| Prepaid expenses as on 31.3.2022 | 24,000 |  |
|  |  | $7,96,000$ |
| Less: Outstanding expenses as on 31.3 .2022 | 80,000 |  |
| Prepaid expenses as on 31.3.2023 | 28,000 | $(1,08,000)$ |
| Expenses incurred during the year |  | $\mathbf{6 , 8 8 , 0 0 0}$ |

8. Interest on Government securities
$4,00,000 \times 12 \% \times 6 / 12=$ Rs. 24,000
Interest on Government securities receivables for 6 months = Rs. 24,000 $\{\mathbf{1 / 2} \mathbf{~ M}\}$
9. Discount allowed

|  |  | Rs. |
| :--- | :---: | ---: |
| Discount to Debtors | $23,40,000 / 97.5 \% \times 2.5 \%$ | 60,000 |
| Discount on Bills Receivable | $2,45,000 / 98 \% \times 2 \%$ | 5,000 |
|  |  | $\mathbf{6 5 , 0 0 0}$ |

10. Discount received
$\left.\begin{array}{|l|l|l|}\hline & & \text { Rs. } \\ \hline \text { Discount to Creditors } & 15,68,000 / 98 \% \times 2 \% & \mathbf{3 2 , 0 0 0}\end{array}\right\}\{1 / \mathbf{2} \mathbf{~ M}\}$
11. Credit sales

Cost of Goods sold = Opening stock + Net purchases - Closing stock
$=$ Rs. $3,20,000$ + Rs. $18,24,000-$ Rs. 2,80,000
$=$ Rs. $18,64,000$
Sales price $=$ Rs. 18,64,000 $+50 \%$ of 18,64,000 = Rs. 27,96,000

## Answer:

(b) (i) Shareholders' Fund / Reserve \& Surplus
(ii) Current liabilities/Other Current Liabilities
(iii) Contingent Liabilities and Commitments
\{4 Item $x$ $1 \mathrm{M}=$
4 M \}
(iv) Shareholders' Fund / Money received against share warrants

Answer 5:
(a)

In the books of Mr. Brown
12\% Bonds for the year ended 31st March, $20 \times 2$

| Date | Particulars | Nos. | Income | Amount | Date | Particulars | Nos. | Income | Amount |
| :--- | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  | Rs. | Rs. |  |  |  | Rs. | Rs. |
| 20X1 | To Bank A/c | 24,000 | $\mathbf{2 4 , 0 0 0}$ | $\mathbf{1 9 , 9 2 , 0 0 0}$ | $20 \times 1$ | By Bank-Interest | - | $\mathbf{1 , 4 4 , 0 0 0}$ |  |
| May, 1 | (W.N.7) |  | $\mathbf{1 / 2} \mathbf{M}$ | $\mathbf{1 / 2} \mathbf{M}$ | Sept. | $(24,000 \times 100 \times$ |  | $\mathbf{1 / 2} \mathbf{M}$ |  |$\}$


|  |  |  |  |  |  | 12\% x 6/12) |  |  |  | $\begin{gathered} 9 \text { items = } \\ 1 / 2 \mathrm{M} \\ =4^{1 / 2} \mathrm{M} \end{gathered}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 20X2 | To P \& L A/c |  |  | 1,05,000 | 3020X2 | By Bank A/c | 15,000 | 75,000 | 13,50,000 |  |
| March 1 | (W.N.1) |  |  | 1/2 M | Mar. 1 | (W.N.8) |  | $1 / 2 \mathrm{M}$ | 1/2M |  |
| 20X2 | To P \& L A/c |  | 2,49,000 |  | 20X2 | By Bank-Interest |  | 54,000 |  |  |
| March | (b.f.) |  | $1 / 2 \mathrm{M}$ |  | Mar. 31 | (9,000 x 100 x |  | $1 / 2 \mathrm{M}$ |  |  |
| 31 |  |  |  |  |  | $12 \% \times 6 / 12)$ |  |  |  |  |
|  |  |  |  |  |  | By Balance c/d | 9,000 |  | 7,47,000 |  |
|  |  |  |  |  |  | (W.N.2) |  |  | 1/2M |  |
|  |  | 24,000 | 2,73,000 | 20,97,000 |  |  | 24,000 | 2,73,000 | 20,97,000 |  |

Investment in Equity Share of Alpha Ltd. for the year ended 31st March, 20X2

| Date | Particulars | Nos. | Income Rs. | Amount Rs. | Date | Particulars | Nos. | Income Rs. | Amount Rs. | $\left\{\begin{array}{c} 6 \text { items }= \\ 1 / 2 \mathrm{M} \\ 3 \mathrm{M} . \end{array}\right.$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 20×1 | To Bank A/c | 1,50,000 | - | 38,25,000 | 20X1 | By Bank A/c | 80,000 | - | 17,60,000 |  |
| June | ([1,50,000 x |  |  | $\mathbf{1 / 2}$ M | Oct. 31 |  |  |  | 1/2 M |  |
| 15 | 25] + [2\% x |  |  |  |  |  |  |  |  |  |
|  | (1,50,000 x |  |  |  |  |  |  |  |  |  |
|  | 25)]) |  |  |  |  |  |  |  |  |  |
| Oct. 14 | To Bonus | 1,00,000 | - | - | 20X2 | By Bank A/c |  | 2,55,000 |  |  |
|  | Issue |  |  |  | Jan. 1 | -dividend |  | 1/2 M |  |  |
|  | (1,50,000/ |  |  |  |  | (1,70,000 x |  |  |  |  |
|  | $3 \times 2)$ |  |  |  |  | $10 \times 15 \%)$ |  |  |  |  |
| 20×1 | To P \& L A/c |  |  | 5,36,000 | March | By Balance | 1,70,000 | - | 26,01,000 |  |
| Oct. 31 | (W.N.3) |  |  | 1/2 M | 31 | c/d |  |  | 1/2 M |  |
| 20X2 | To P \& L A/c |  |  |  |  | (W.N.4) |  |  |  |  |
| Mar. |  |  | 2,55,000 |  |  |  |  |  |  |  |
| 31 |  |  | 1/2 M |  |  |  |  |  |  |  |
|  |  | 2,50,000 | 2,55,000 | 43,61,000 |  |  | 2,50,000 | 2,55,000 | 43,61,000 |  |

Investment in Equity Share of Beeta Ltd. for the year ended 31st March, 20X2


## Working Notes:

1. Profit on sale of $\mathbf{1 2 \%}$ Bond

Sales price Rs. 13,50,000
Less : Cost of bond sold $=\frac{19,92,000}{24,000} \times 15,000$
(Rs.12,45,000) $\} \mathbf{1 / 8} \mathbf{~ M}$
Profit on sale
Rs. 1,05,000
2. Closing balance as on 31.3.20X2 of $\mathbf{1 2}$ \% Bonds $\frac{19,92,000}{24,000} \times 9,000=$ Rs. 7,47,000
3. Profit on sale of equity shares of Alpha Ltd.

Sales price
Less : Cost of bond sold $=\frac{38,25,000}{2,50,000} \times 80,000$
Profit on sale

Rs. 17,60,000
(Rs. $12,24,000$ ) $\} 1 / 8 \mathrm{~m}$
Rs. 5,36,000
4. Closing balance as on 31.3.20X2 of equity shares of Alpha Ltd. $\frac{38,25,000}{2,50,000} \times 1,70,000=$ Rs. $26,01,000$
5. Calculation of right shares subscribed by Beeta Ltd.

Right Shares $=\frac{60,000 \text { Shares }}{4} \times 1=15,000$ shares
Shares subscribed by Mr. Brown=15,000 $\times 40 \%=6,000$ shares Value of right shares subscribed=6,000 shares @ Rs. 5 per share = Rs. 30,000
6. Calculation of sale of right entitlement by Beeta Ltd.

No. of right shares sold $=15,000-6,000=9,000$ shares
Sale value of right $=9,000$ shares $\times$ Rs. 2.25 per share $=$ Rs. 20,250 Note: As per para 13 of AS 13, sale proceeds of rights is to be credited to P \& LA/c. .
7. Purchase of bonds on 01.05.20X1

Interest element in purchase of bonds
= Rs. 24,000
Investment element in purchase of bonds
$=$ Rs. 19,92,000

$$
\left.\begin{array}{l}
=24,000 \times 100 \times 12 \% \times 1 / 12 \\
=(24,000 \times 84)-24,000
\end{array}\right\} 1 / 4 \mathrm{M}
$$

8. Sale of bonds on 01.03.20X2

Interest element in purchase of bonds
Investment element in purchase of bonds
$\left.\begin{array}{l}=15,000 \times 100 \times 12 \% \times 5 / 12 \\ =\text { Rs. } 75,000 \\ =15,000 \times 90=\text { Rs. } 13,50,000\end{array}\right\} 1 / 4 \mathrm{M}$

## Answer:

(b)

## Journal Entries in the books of Libra Ltd. Journal Entries

| Date | Particulars | Amount Dr. | Amount Cr. | \{1/2 M \} |
| :---: | :---: | :---: | :---: | :---: |
|  |  | Rs. | Rs. |  |
| 1.5.20X1 | Bank A/c Dr. | 1,50,00,000 |  |  |
|  | To Debenture Application A/c |  | 1,50,00,000 |  |
|  | (Application money received on <br> $1,50,000$ debentures @ Rs. 100 each)  |  |  | \{1/2 M \} |
| 1.6.20X1 | Debenture Application A/c Dr. | 1,50,00,000 |  |  |
|  | Underwriters A/c Dr. | 50,00,000 |  |  |
|  | To 15\% Debentures A/c |  | 2,00,00,000 |  |
|  | (Allotment of $1,50,000$ debentures to applicants and 50,000 debentures to underwriters) |  |  | \{1/2 M |
|  | Underwriting Commission Dr. | 4,00,000 |  |  |
|  | To Underwriters A/c |  | 4,00,000 |  |
|  | (Commission payable to under writers @ $2 \%$ on Rs. $2,00,00,000$ ) |  |  | \{1/2 M \} |
|  | Bank A/c Dr. | 46,00,000 |  |  |
|  | To Underwriters A/c |  | 46,00,000 |  |
|  | (Amount received from underwriters in settlement of account) |  |  | \{1/2 M \} |
| 01.06.20X1 | Debenture Redemption Investment A/c Dr. | 12,00,000 |  |  |
|  | To Bank A/c $(200,000 \times 100 \times 15 \% \times 40 \%)$ |  | 12,00,000 |  |
|  | (Being Investments made for redemption purpose) |  |  |  |
| 30.9.20X1 | Debenture InterestA/c Dr. | 10,00,000 |  | \{1/2 M \} |
|  | To Bank A/c |  | 10,00,000 |  |
|  | (Interest paid on debentures for 4 months @ $15 \%$ on Rs. $2,00,00,000$ ) |  |  |  |
| 31.10.20X1 | 15\% Debentures A/c Dr. | 1,20,00,000 |  | \{1/2 M |
|  | To Equity Share Capital A/c |  | 20,00,000 |  |
|  | To Securities Premium A/c |  | 1,00,00,000 |  |
|  | (Conversion of 60\% of debentures into shares of Rs. 60 each with a face value of Rs. 10) |  |  |  |
| 31.3.20X2 | Debenture Interest A/c Dr. | 7,50,000 |  | 1/2 M $\}$ |
|  | To Bank A/c |  | 7,50,000 |  |
|  | (Interest paid on debentures for the half year)(Refer working note below) |  |  |  |

## Working Note:

Calculation of Debenture Interest for the half year ended 31st March, 20X2
On Rs. 80,00,000 for 6 months @ 15\%
= Rs. 6,00,000
On Rs. 1,20,00,000 for 1 months @ 15\%
= Rs. $1,50,000$
Rs. 7,50,000

## Answer:

## (c)

## Books of Branch A Journal Entries

| (i) | Expense account | Dr. | 3,500 |
| :--- | :--- | :---: | :---: |
|  | To Head office account | 3,500 |  |
|  | (Being the allocated expenditure by the head office <br> recorded in branch books) |  |  |


| (ii) | Depreciation account Dr. | 1,500 |  | \{1 M \} |
| :---: | :---: | :---: | :---: | :---: |
|  | To Head Office account |  | 1,500 |  |
|  | (Being the depreciation provided) |  |  |  |
| (iii) | Head Office account Dr. | 2,000 |  | \{1 M \} |
|  | To Salaries account |  | 2,000 |  |
|  | (Being the rectification of salary paid on behalf of H.O.) |  |  |  |
| (iv) | Head office account Dr. | 10,000 |  | \{1 M |
|  | To Debtors account |  | 10,000 |  |
|  | (Being the adjustment of collection from branch debtors) |  |  |  |
| (v) | No entry in branch books |  |  | K1 M \} |

Answer 6:
(a)

Tractor Account

| Date | Particulars | Rs. | Date | Particulars | Rs. |
| :---: | :--- | ---: | :---: | :--- | ---: |
| $1.4 . \mathrm{X1}$ | To Raj | $11,50,000$ | $31.3 . X 2$ | By Dep. | $1,15,000$ |
|  |  |  |  | By Balance c/d | $\mathbf{1 0 , 3 5 , 0 0 0}$ |
|  |  | $11,50,000$ |  |  | $11,50,000$ |
| $1.4 . \mathrm{X2}$ | To Balance b/d | $10,35,000$ | $31.3 . X 3$ | By Dep. | $1,15,000$ |
|  |  |  |  | By Balance c/d | $\mathbf{9 , 2 0 , 0 0 0}$ |
|  |  | $10,35,000$ |  |  | $10,35,000$ |
| $1.4 . X 3$ | To balance b/d | $9,20,000$ | $31.3 . X 4$ | By Dep. | $1,15,000$ |
|  |  | $9,20,000$ |  | By Balance c/d | $\mathbf{8 , 0 5 , 0 0 0}$ |
|  |  |  |  | $\mathbf{9 , 2 0 , 0 0 0}$ |  |

H.P. Interest Suspense Account

| Date | Particulars | Rs. | Date | Particulars | Rs. |
| :---: | :--- | ---: | :--- | :--- | ---: |
| $1.4 . \mathrm{X1}$ | To Raj Ltd. A/c | $1,44,000$ | $31.3 . \mathrm{X} 2$ | By Interest A/c | $\mathbf{7 2 , 0 0 0}$ |
|  |  |  | $31.3 . \mathrm{X} 2$ | By Balance c/d | 72,000 |
|  |  | $1,44,000$ |  |  | $1,44,000$ |
| 1.4.X2 | To Balance b/d | 72,000 | $31.3 . \mathrm{X} 3$ | By Interest A/c | $\mathbf{4 8 , 0 0 0}$ |
|  |  |  | $31.3 . \mathrm{X} 3$ | By Balance c/d | $\mathbf{2 4 , 0 0 0}$ |
|  |  | 72,000 |  |  | 72,000 |
| $1.4 . \mathrm{X} 3$ | To Balance b/d | 24,000 | $31.3 . X 4$ | By Interest A/c | $\mathbf{2 4 , 0 0 0}$ |

Total Interest $=$ Rs. 72,000 + Rs. 48,000 + Rs. $24,000=$ Rs. $\mathbf{1 , 4 4 , 0 0 0}\}\{\mathbf{1 / 2} \mathbf{~ M \}}$

## Answer:

(b)

Journal Entries in books of Solid Ltd.

|  |  | Dr. | Cr. |
| :--- | :--- | :---: | :---: |
| $20 \times 1$ | Rs. | Rs. |  |
| April 1 | Equity Share Final Call A/c | $1,80,000$ |  |
|  | To Equity Share Capital A/c |  | $1,80,000$ |
|  | (Final call of Rs. 2 per share on 90,000 <br> equity shares due as per Board's <br> Resolution dated) |  |  |
| April 20 | Bank A/c | Dr. | $1,80,000$ |
|  | To Equity Share Final Call A/c <br> (Final Call money on 90,000 equity shares <br> received) |  | $1,80,000$ |



|  |  | Particulars | Notes | $\begin{aligned} & \text { Amount } \\ & \text { (Rs.) } \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: |
|  |  | Equity and Liabilities |  |  |
| 1 |  | Shareholders' funds |  |  |
|  | a | Share capital | 1 | 12,05,000 |
|  | b | Reserves and Surplus | 2 | 1,95,000 |
| 2 |  | Non-current liabilities |  |  |
|  | a | Long-term borrowings | 3 | 5,00,000 |
|  |  | Total |  | 19,00,000 |

Notes to Accounts

| 1 | Share Capital |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | Equity share capital |  |  |  |
|  | Authorised share capital |  |  |  |
|  | 1,12,500 Equity shares of Rs. 10 each |  | 11,25,000 |  |
|  | Issued, subscribed and fully paid share capital |  |  |  |
|  | 1,12,500 Equity shares of Rs. 10 each, fully paid |  |  |  |
|  | (Out of above, 22,500 equity shares @ Rs. 10 each were issued by way of bonus) |  | 11,25,000 |  |
|  | Preference share capital |  |  |  |
|  | Authorised share capital |  |  |  |
|  | 10,000 12\% Preference shares of Rs. 10 each |  | 1,00,000 |  |
|  | Issued, subscribed and fully paid share capital |  |  |  |
|  | 8,000 12\% Preference shares of Rs. 10 each (B) |  | 80,000 |  |
|  | Total ( $\mathrm{A}+\mathrm{B}$ ) |  | 12,05,000 | \{1/2 M |
| 2 | Reserves and Surplus |  |  |  |
|  | Revaluation Reserve |  | 35,000 |  |
|  | Securities Premium | 20,000 |  |  |
|  | Less: Utilised for bonus issue | $(20,000)$ | Nil |  |
|  | General reserve | 1,60,000 |  |  |
|  | Less: Utilised for bonus issue | (1,60,000) | Nil |  |
|  | Profit \& Loss Account | 2,05,000 |  |  |
|  | Less: Utilised for bonus issue | $(45,000)$ | 1,60,000 |  |
|  | Total |  | 1,95,000 | \{1/2 M |


| $\mathbf{3}$ | Long-term borrowings |  |  |
| :--- | :--- | :--- | ---: |
|  | Secured |  |  |
|  | $12 \%$ Debentures @ Rs. 100 each |  | $\mathbf{5 , 0 0 , 0 0 0}$ |
| $\}$ |  |  |  | $\mathbf{1 / 2 \mathbf { M } \}}$

The authorised capital has been increased by sufficient number of shares. (11,25,000-10,00,000)

## Working Note-

Number of Bonus shares to be issued (90,000 shares / 4) X $1=22,500$ shares

## Answer:

(c) If information is to represent faithfully the transactions and other events that it purports to represent, it is necessary that they are accounted for and presented in accordance with their substance and economic reality and not merely their legal form. The substance of transactions or other events is not always consistent with that which is apparent from their legal or contrived form.
For example, where rights and beneficial interest in an immovable property are transferred but the documentation and legal formalities are pending, the recording of acquisition/disposal (by the transferee and transferor respectively) would in substance represent the transaction entered into.

## Answer:

(d)

## Journal Entries

|  | Rs. | Rs. | \{1/2 M \} |
| :---: | :---: | :---: | :---: |
| 8\% Preference Share Final Call A/c Dr. | 15,00,000 |  |  |
| To 8\% Preference Share Capital A/c |  | 15,00,000 |  |
| (For final call made on preference shares @ Rs. 30 each to make them fully paid up) |  |  |  |
| Bank A/c Dr. | 15,00,000 |  | \{1/2 M \} |
| To 8\% Preference Share Final Call A/c |  | 15,00,000 |  |
| (For receipt of final call money on preference shares) |  |  | \{1/2 M |
| Bank A/c Dr. | 10,00,000 |  |  |
| To Equity Share Application A/c |  | 10,00,000 | \{1/2 M \} |
| (For receipt of application money on 50,000 equity shares @ Rs. 20 per share) |  |  |  |
| Equity Share Application A/c Dr. | 10,00,000 |  |  |
| To Equity Share Capital A/c |  | 10,00,000 | \{1/2 M \} |
| (For capitalisation of application money received) |  |  |  |
| Equity Share Allotment A/c Dr. | 17,50,000 |  |  |
| To Equity Share Capital A/c |  | 12,50,000 |  |
| To Securities Premium A/c |  | 5,00,000 |  |
| (For allotment money due on 50,000 equity shares @ Rs. 35 per share including a premium of Rs. 10 per share) |  |  |  |
| Bank A/c Dr. | 17,50,000 |  | \{1/2 M \} |
| To Equity Share Allotment A/c |  | 17,50,000 |  |
| (For receipt of allotment money on equity shares) |  |  | \{1/2 M |
| General Reserve A/c Dr. | 27,50,000 |  |  |
| To Capital Redemption Reserve A/C |  | 27,50,000 |  |
| (For transfer of CRR the amount not covered by the |  |  |  |


| proceeds of fresh issue of equity shares i.e., 50,00,000-10,00,000-12,50,000) |  |  | \{1/2 M \} |
| :---: | :---: | :---: | :---: |
| 8\% Preference Share Capital A/c Dr. | 50,00,000 |  |  |
| Premium on Redemption of Preference Shares A/c Dr. | 2,50,000 |  |  |
| To Preference Shareholders A/c |  | 52,50,000 |  |
| (For amount payable to preference shareholders on redemption at 5\% premium) |  |  | \{1/2 M \} |
| Preference Shareholders A/c Dr. | 52,50,000 |  |  |
| To Bank A/c |  | 52,50,000 |  |
| (For amount paid to preference shareholders) |  |  | \{1/2 M |
| General Reserve A/c Dr. | 2,50,000 |  |  |
| To Premium on Redemption A/c |  | 2,50,000 |  |
| (For writing off premium on redemption of preference shares) |  |  |  |

## Answer:

(e) Amount that can be drawn from reserves for 10\% dividend $10 \%$ dividend on Rs. 80,00,000

Rs. 8,00,000
Profits available
Current year profit
3,00,000

Less: Preference dividend
Amount which can be utilised from reserves
$(1,42,500)$
6,57,500
Conditions as per Companies (Declaration of dividend out of Reserves) Rules, 2014:
Condition I
Since $10 \%$ is lower than the average rate of dividend (12\%), $10 \%$ dividend can be $\{\mathbf{\{ 1} \mathbf{~ M \}}$ declared.
Condition II
Maximum amount that can be drawn from the accumulated profits and reserves should not exceed 10\% of paid up capital plus free reserves ie. Rs. 12,25,000 [10\% of ( $80,00,000+17,50,000+25,00,000$ )]

## Condition III

The balance of reserves after drawl Rs. 18,42,500 (Rs. $25,00,000$ - Rs. $6,57,500$ ) should not fall below 15 \% of its paid up capital ie. Rs. $14,62,500$ ( $15 \%$ of Rs. 97,50,000]
Since all the three conditions are satisfied, the company can withdraw Rs. 6,57,500 from accumulated reserves.(as per Declaration and Payment of Dividend Rules, 2014.)

