(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.

Answer 1:
(a)

Particulars	Rs. in lakhs	
Original Cost of the Asset	3,000.00	
Less: Depreciation for 4 years (Rs. 3,000 lakhs x 10% x 4 years)	(1,200.00)	
Book Value at the end of Year 4	1,800.00	
Add: Revaluation Surplus (balancing figure)	900.00	
Revalued Amount as given (= revised depreciable value)	2,700.00	
Less: Depreciation for Year 5 (Rs. 2,700 lakhs ÷ 6 years)	450.00	
Carrying Amount at the end of Year 5	**2,250.00**	{2 1/2 M}
Less: Depreciation for Year 6 (Rs. 2,700 lakhs ÷ 6 years)	450.00	
Carrying Amount at the end of Year 6	**1,800.00**	{2 1/2 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. {1 M}

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	{1 1/2 M}
Treatment: Credit Profit and Loss A/c by Rs. 23,077			
Long term Loan			
Initial recognition US $ 1,07,913.67 (60,00,000/55.60)	1 US $ = Rs. 55.60	60,00,000	
Rate on Balance sheet date	1 US $ = Rs. 61.20		
Exchange Difference Loss US $ 1,07,913.67 X (61.20 – 55.60)		**6,04,317**	{1 1/2 M}
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. **{1 M}**

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. **{1 M}**

(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. **{1 M}**

(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. **{1 M}**

(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. **{1 M}**

(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. **{1 M}**

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. **{1 M}**

(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. **{1 M}**

(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. **{2 M}**

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. **{2 M}**

(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) / 10 year. {1 M}

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	**47,22,600**
II.	Other income	2	**1,61,465**
III.	Total Income (I + II)		**48,84,065**
IV.	Expenses:		
	Purchases of Inventory-in-Trade		**28,86,600**
	Changes in inventories of finished goods, work-in-progress and Inventory-in-Trade	3	**20,400**
	Finance costs	4	**3,52,410**
	Depreciation and amortization expenses	5	**3,57,765**
	Other expenses	6	**6,65,040**
	Total expenses		**42,82,215**
V.	Profit (Loss) for the period (III - IV) before tax		**6,01,850**
VI	Provision for tax		**(1,50,463)**
VII	Profit for the period		**4,51,387**

{12 Item x 1/2 = 6 M }

Notes to accounts

			Rs.	
1	Revenue from operations			
	Sale		**47,22,600**	{1/2 M}
2	Other Income			
	Transfer fees		38,250	
	Discount received		66,300	
	Interest on Investment		55,000	
	Profit on sale of plant		1,915	
	Total		**1,61,465**	{1/2 M}
3	Changes in inventories of finished goods, work-in-progress and Inventory-in-Trade			
	Opening Inventory	4,97,250		
	Less: Closing Inventory	(4,76,850)	20,400	
	Total		**20,400**	{1/2 M}
4	Finance costs			
	Interest on Debentures		3,39,150	
	Bank Interest		13,260	
	Total		**3,52,410**	{1/2 M}
5	Depreciation and Amortization expenses			
	Depreciation on Plant & Machinery (10% x 37,43,400 - 1,65,750)		**3,57,765**	{1/2 M}
6	Other expenses			
	Factory expense		2,58,060	
	Rent, Taxes and Insurance		65,025	
	Repairs		1,49,685	
	Sundry expenses		1,27,500	
	Selling expenses		26,520	

	Director's fees	38,250
	Total	**6,65,040**

{1/2 M}

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. {1 M}

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
4 Months: 8 Months i.e., **4 : 8 or 1 : 2** {1/8 M}

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** {1 M}

(ii) Statement showing the calculation of Profits for the pre-incorporation and post- incorporation periods

	Ratio	Total	Rs. Pre-Incorporation	Rs. Post-Incorporation
Sales	1:2.5	1,19,70,000	**34,20,000**	**85,50,000**
Interest on Investments	Pre	60,000	**60,000**	
Bad debts recovered	Post	17,000	**-**	**17,000**
Profit on sale of investment	Pre	40,000	**40,000**	**-**
(i)		1,20,87,000	**35,20,000**	**85,67,000**
Cost of goods sold	1:2.5	64,40,000	**18,40,000**	**46,00,000**
Donation	Post	41,000	**-**	**41,000**
Sundry office expenses	4:8	55,500	**18,500**	**37,000**
Printing & Stationary	4:8	87,000	**29,000**	**58,000**
Sales Manager Salary	W.N. 1	81,000	**17,000**	**64,000**
Interest on Debentures	Post	8,900	**-**	**8,900**
Rent W.N. 2	Actual	1,35,000	**50,000**	**85,000**
Bad Debts (67,000 + 17,000)	1:2.5	84,000	**24,000**	**60,000**
Underwriting commission	Post	56,000	**-**	**56,000**
Audit fees	Post	15,000	**- 23,400**	**15,000**
Depreciation	Actual	70,200	**50,000**	**46,800**
Interest on Loan	W.N. 3	62,500		**12,500**
(ii)		71,36,100	**20,51,900**	**50,84,200**
Net Profit [(i) – (ii)]		49,50,900	**14,68,100**	**34,82,800**

{31 Item x 1/8}

(iii) Such profit/ loss is disclosed separately from normal trading profits/losses of the business in the financial statements of the business entity. **Pre-acquisition** 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.** {2 M}

Working Notes:

1. Sales Manager Salary

	Rs.
Total Salary	81,000
Less: Increased Salary	45,000
	36,000
Monthly Salary = Rs. 36,000/12	3,000
Salary from April to July	3,000 + 3,000 + 3,000 + 8,000 = **17,000**
Salary from August to March	8,000 x 8 = **64,000**

{1 M}

2. Apportionment of Rent

		Rs.
Total Rent		1,35,000
Less: Additional rent from 1.6.2022 to 31.8.2022		15,000
Rent of old premises for 12 months		1,20,000
	Pre	**Post**
Apportionment in time ratio (4:8 or 1:2)	40,000	80,000
Add: Rent for new space	10,000	5,000
Total	**50,000**	**85,000**

{1 M}

3. Interest on Loan

Borrowing Interest = Rs. 15,00,000 x 10% x 5 / 12 = Rs. 62,500

Interest for Pre-incorporation period = Rs. 62,500 x 4 / 5 = **Rs. 50,000**

Interest for Post-incorporation period = Rs. 62,500 x 1 / 5 = **Rs. 12,500**

{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

Particulars	Department Y (Rs.)	Department Z (Rs.)	Particulars	Department Y (Rs.)	Department Z (Rs.)
To Opening Stock	**60,000**	**40,000**	By Sales	**3,10,300**	**3,72,700**
To Purchase	**1,20,000**	**3,05,400**	By Transfers	**40,000**	**50,000**
To Wages	**70,000**	**32,000**	By Closing Stock	**23,700**	**40,700**
To Transfers	**50,000**	**40,000**			
To Gross Profit c/d	**74,000**	**46,000**			
	3,74,000	**4,63,400**		**3,74,000**	**4,63,400**
To Salaries	**18,500**	**11,500**	By Gross Profit b/d	**74,000**	**46,000**
To Rent	**5,550**	**3,450**			
To Advertisement	**14,800**	**9,200**			
To General Expenses	**1,850**	**1,150**			
To Depreciation (all expenses divided in ratio of 37: 23)	**11,100**	**6,900**			
To Net profit c/d	**22,200**	**13,800**			
	74,000	**46,000**		**74,000**	**46,000**
To Unrealized profit	**3,000**	**4,638**	By Net Profit b/d	**22,200**	**13,800**
To Manager's commission	**1,920**	**916**			
To Net profit	**17,280**	**8,246**			
	22,200	**13,800**		**22,200**	**13,800**

{50 Item x 1/8 = 6.25 M}

x**Working notes:**

1. Unrealized profit included in the closing stock

   Department Y = 21,200 x $\frac{28}{128}$ = **4,637.50** (rounded off as Rs. 4,638) }{1 M}

   Department Z = 12,000 x 25%= **3,000** }{1 M}

2. Calculation of Manager's Commission

Particulars	Department Y (Rs.)	Department Z (Rs.)
Net Profit	22,200	13,800
Less: Stock Reserve	3,000	4,638
	19,200	9,162
Manager's Commission @ 10%	**1,920** }{1 M}	**916** }{3/4 M}

Answer:

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

	Normal Items	Abnormal Items	Total		Normal Items	Abnormal Items	Total
	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.
To Opening stock (W.N.5)	**60,000**	**4,000**	**64,000**	By Sales (W.N. 3)	**4,00,000**	**2,300**	**4,02,300**
To Purchases (W.N. 1)	**2,80,000**	-	**2,80,000**	By Loss	-	**700**	**700**
To Wages (W.N. 4)	**50,000**	-	**50,000**	By Goods on Approval (W.N. 2)	**8,000**	-	**8,000**
To Gross profit @ 20%	**80,000**	-	**80,000**	By Closing stock (Bal. fig.)	**62,000**	**1,000**	**63,000**
	4,70,000	4,000	4,74,000		4,70,000	4,000	4,74,000

{19 Item x 1/4 = 4.75 M}

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	**58,000** }{3/4 M}

Amount of claim to be lodged with insurance company

= Loss x $\frac{\textit{Policy Value}}{\textit{Value of stock on the date of fire}}$

= Rs. 58,000 x (55,000/ 63,000) = **Rs. 50,635** (rounded off)

{1.5 M}

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	**2,80,000** }{1/2 M}

2. Calculation of Goods with Customers

Approval for sale has not been received = Rs. 40,000 X 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** {1 M}

3. Calculation of Actual Sales

Total Sales	Rs. 4,12,300
Less: Approval for sale not received (1/4 X Rs. 40,000)	Rs. 10,000
Actual Sales	**Rs. 4,02,300** }{1/2 M}

4. Calculation of Wages

Total Wages	Rs. 53,000
Less: Wages for installation of machinery	(Rs. 3,000)
	Rs. 50,000 }{1/2 M}

5. Value of Opening Stock

Original cost of stock as on 31st March,2022
= Rs. 63,000 + Rs. 1,000 (Amount written off)
= Rs. 64,000 {1/2 M}

Answer 4:

(a) **Trading and Profit and Loss Account of Mr. Aman for the year ended 31st March, 2023**

	Amount Rs.		Amount Rs.
To Opening stock	**3,20,000**	By Sales	**27,96,000**
To Purchases (W.N. 5)	**18,24,000**	By 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 (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**

{17 Item x 1/4 = 4.25 M}

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

Liabilities		Amount Rs.	Assets	Amount Rs.
Capital (W.N.6)	7,52,000		Furniture	**2,54,000**
Add: Additional capital (W.N.2)	3,44,000		12% Government Securities	**4,00,000**
Add: Profit during the year	2,29,000		Accrued interest on Govt. securities (W.N.8)	**24,000**
	13,25,000		Debtors (W.N.3)	**6,52,000**
Less: Drawings	(2,80,000)	**10,45,000**	Bills Receivable (W.N.4)	**70,000**
Creditors		**6,00,000**	Stock	**2,80,000**
Outstanding expenses		**72,000**	Prepaid expenses	**28,000**
			Cash on hand	**6,000**
			Bank balance	**3,000**
		17,17,000		**17,17,000**

{14 Item x 1/4 = 3.5 M}

Working Notes:

1. Furniture account

	Rs.		Rs.
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

{1/4 M}

2. Cash and Bank account

	Rs.		Rs.
To Balance b/d		By Creditors	15,68,000
Cash	8,000	By Drawings	2,80,000
Bank	40,000	By Furniture	40,000
To Debtors	23,40,000	By 12% Govt. securities	4,00,000
To Bill Receivable	2,45,000	By Expenses	7,00,000
To Miscellaneous income	20,000	By Balance c/d	
To Additional Capital (bal. fig.)	**3,44,000**	Cash	6,000
		Bank	3,000
	29,97,000		29,97,000

{2 M}

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

{1/2 M}

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.)	**70,000**
	4,00,000		4,00,000

{1/2 M}

5. Creditors account

	Rs.		Rs.
To Bank	15,68,000	By Balance b/d	4,40,000
To Discount	32,000	By Debtors (Bills receivable dishonoured)	16,000
To Bills receivable	80,000	By Purchases (bal. fig.)	**18,24,000**
To Balance c/d	6,00,000		
	22,80,000		22,80,000

{1/2 M}

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)	**7,52,000**	Stock	3,20,000
		Prepaid expenses	24,000
		Cash	8,000
		Bank balance	40,000
	12,72,000		12,72,000

{1/2 M}

7. Expenses incurred during the year

		Rs.
Expenses paid during the year		7,00,000
Add: Outstanding expenses as on 31.3.2023	72,000	
Prepaid expenses as on 31.3.2022	24,000	96,000
		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		**6,88,000**

{1/2 M}

8. Interest on Government securities

4,00,000 x 12% x 6/12= Rs. 24,000

Interest on Government securities receivables for 6 months = **Rs. 24,000** }{1/2 M}

9. Discount allowed

		Rs.
Discount to Debtors	23,40,000/97.5% x 2.5%	60,000
Discount on Bills Receivable	2,45,000/98% x 2%	5,000
		65,000

{1/2 M}

10. Discount received

		Rs.
Discount to Creditors	15,68,000/98% x 2%	**32,000**

{1/2 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

{2 M}

Answer:

(b)
- **(i) Shareholders' Fund / Reserve & Surplus**
- **(ii) Current liabilities/Other Current Liabilities**
- **(iii) Contingent Liabilities and Commitments**
- **(iv) Shareholders' Fund / Money received against share warrants**

{4 Item x 1 M = 4 M}

Answer 5:

(a)

In the books of Mr. Brown

12% Bonds for the year ended 31st March, 20X2

Date	*Particulars*	*Nos.*	*Income*	*Amount*	*Date*	*Particulars*	*Nos.*	*Income*	*Amount*
			Rs.	**Rs.**				**Rs.**	**Rs.**
20X1	To Bank A/c	24,000	**24,000**	**19,92,000**	20X1	By Bank-Interest	-	**1,44,000**	
May, 1	(W.N.7)		**½ M**	**½ M**	Sept.	(24,000 x 100 x		**½ M**	

						12% x 6/12)			
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)			**½ M**	Mar. 1	(W.N.8)		**½ M**	**½ M**
20X2	To P & L A/c		**2,49,000**		20X2	By Bank-Interest		**54,000**	
March	(b.f.)		**½ M**		Mar. 31	(9,000 x 100 x		**½ M**	
31						12% x 6/12)			
						By Balance c/d	9,000		**7,47,000**
						(W.N.2)			**½ M**
		24,000	2,73,000	20,97,000			24,000	2,73,000	20,97,000

9 items = 1/2 M = $4^{1/2}$ M

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.
20X1	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			**½ M**	Oct. 31				**½ 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		**½ M**	
	(1,50,000/					(1,70,000 x			
	3 x2)					10 x 15%)			
20X1	To P & L A/c			**5,36,000**	March	By Balance	1,70,000	-	**26,01,000**
Oct. 31	(W.N.3)			**½ M**	31	c/d			**½ M**
20X2	To P & L A/c					(W.N.4)			
Mar.			**2,55,000**						
31			**½ M**						
		2,50,000	2,55,000	43,61,000			2,50,000	2,55,000	43,61,000

6 items = 1/2 M 3 M.

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

Date	*Particulars*	*Nos.*	*Income* Rs.	*Amount* Rs.	*Date*	*Particulars*	*Nos.*	*Income* Rs.	*Amount* Rs.
20X1	To Bank A/c	60,000	-	**26,92,800**	20X2	By Bank –	-	**1,18,800**	
July 10	([60,000 x			**1/2 M**	Mar. 15	dividend		**1/2 M**	
	44] + [2%					[(60,000 + 6,000)			
	x (60,000 x					x 10 x 18%]			
	44)])								
20X2	To Bank A/c	6000	-	**30,000**	March	By Balance c/d	66,000		**27,22,800**
Jan. 15	(W.N. 5)			**1/2 M**	31	(bal. fig.)			**1/2 M**
March	To P & L A/c		**1,18,800**						
31			**1/2 M**						
		66,000		27,22,800			66,000	1,18,800	27,22,800

5 items = 1/4 M = 1.25 M

Working Notes:

1. **Profit on sale of 12% 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)	1/8 M
Profit on sale	Rs. 1,05,000	

2. **Closing balance as on 31.3.20X2 of 12 % Bonds**

$\frac{19,92,000}{24,000} \times 9,000$ = Rs. 7,47,000 **1/8 M**

3. **Profit on sale of equity shares of Alpha Ltd.**

Sales price	Rs. 17,60,000	
Less : Cost of bond sold = $\frac{38,25,000}{2,50,000} \times 80,000$	(Rs. 12,24,000)	1/8 M
Profit on sale	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 **1/8 M**

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 x 40%= 6,000 shares
Value of right shares subscribed= 6,000 shares @ Rs. 5 per share = Rs. 30,000 **1/8 M**

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 x 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 & L A/c. **1/8 M**

7. **Purchase of bonds on 01.05.20X1**

Interest element in purchase of bonds = 24,000 x 100 x 12% x 1/12 = Rs. 24,000
Investment element in purchase of bonds = (24,000 x 84) –24,000 = Rs. 19,92,000 **1/4 M**

8. **Sale of bonds on 01.03.20X2**

Interest element in purchase of bonds = 15,000 x 100 x 12% x 5/12 = Rs. 75,000
Investment element in purchase of bonds = 15,000 x 90 = Rs. 13,50,000 **1/4 M**

Answer:

(b)

Journal Entries in the books of Libra Ltd.
Journal Entries

Date	Particulars	Amount Dr.	Amount Cr.
		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 1,50,000 debentures @ Rs. 100 each)		
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)		
	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)		
	Bank A/c Dr.	46,00,000	
	To Underwriters A/c		46,00,000
	(Amount received from underwriters in settlement of account)		
01.06.20X1	Debenture Redemption Investment A/c Dr.	12,00,000	
	To Bank A/c (200,000 X 100 x 15% X 40%)		12,00,000
	(Being Investments made for redemption purpose)		
30.9.20X1	Debenture InterestA/c Dr.	10,00,000	
	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	
	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	
	To Bank A/c		7,50,000
	(Interest paid on debentures for the half year)**(Refer working note below)**		

{1/2 M} {1/2 M} {1/2 M} {1/2 M} {1/2 M} {1/2 M} {1/2 M} {1/2 M}

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 {1 M}

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 recorded in branch books)		

{1 M}

(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				{1 M}

Answer 6:

(a)

Tractor Account

Date	Particulars	Rs.	Date	Particulars	Rs.
1.4.X1	To Raj	11,50,000	31.3.X2	By Dep.	1,15,000
				By Balance c/d	**10,35,000**
		11,50,000			11,50,000
1.4.X2	To Balance b/d	10,35,000	31.3.X3	By Dep.	1,15,000
				By Balance c/d	**9,20,000**
		10,35,000			10,35,000
1.4.X3	To balance b/d	9,20,000	31.3.X4	By Dep.	1,15,000
				By Balance c/d	**8,05,000**
		9,20,000			9,20,000

{3 Item x 3/4 M = 2.25 M}

H.P. Interest Suspense Account

Date	Particulars	Rs.	Date	Particulars	Rs.
1.4.X1	To Raj Ltd. A/c	1,44,000	31.3.X2	By Interest A/c	**72,000**
			31.3.X2	By Balance c/d	72,000
		1,44,000			1,44,000
1.4.X2	To Balance b/d	72,000	31.3.X3	By Interest A/c	**48,000**
			31.3.X3	By Balance c/d	24,000
		72,000			72,000
1.4.X3	To Balance b/d	24,000	31.3.X4	By Interest A/c	**24,000**

{3 Item x 3/4 M = 2.25 M}

Total Interest = Rs. 72,000 + Rs. 48,000 + Rs. 24,000 = **Rs. 1,44,000** }{1/2 M}

Answer:

(b)

Journal Entries in books of Solid Ltd.

			Dr.	Cr.	
20X1			Rs.	Rs.	
April 1	Equity Share Final Call A/c	Dr.	1,80,000		{1/2 M}
	To Equity Share Capital A/c			1,80,000	
	(Final call of Rs. 2 per share on 90,000 equity shares due as per Board's Resolution dated)				
April 20	Bank A/c	Dr.	1,80,000		{1/2 M}
	To Equity Share Final Call A/c			1,80,000	
	(Final Call money on 90,000 equity shares received)				

	Securities Premium A/c	Dr.	20,000		
	General Reserve A/c	Dr.	1,60,000		
	Profit and Loss A/c (b.f.)	Dr.	45,000		
	To Bonus to Shareholders A/c			2,25,000	{1 M}
	(Bonus issue @ one share for every four shares held by utilising various reserves as per Board's Resolution dated...)				
April 20	Bonus to Shareholders A/c	Dr.	2,25,000		
	To Equity Share Capital A/c			2,25,000	{1/2 M}
	(Capitalisation of profit)				

Balance Sheet (Extract) as at 30th April, 20X1 (after bonus issue)

		Particulars	Notes	Amount (Rs.)
		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** }{1 M}

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) (A)		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 (A + 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}

3	Long-term borrowings		
	Secured		
	12% Debentures @ Rs. 100 each		**5,00,000**

{1/2 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. {3 M}

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. {2 M}

Answer:
(d) **Journal Entries**

		Rs.	**Rs.**	
8% Preference Share Final Call A/c	Dr.	15,00,000		{1/2 M}
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	
(For receipt of application money on 50,000 equity shares @ Rs. 20 per share)				{1/2 M}
Equity Share Application A/c	Dr.	10,00,000		
To Equity Share Capital A/c			10,00,000	
(For capitalisation of application money received)				
Equity Share Allotment A/c	Dr.	17,50,000		
To Equity Share Capital A/c			12,50,000	{1/2 M}
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)				
General Reserve A/c	Dr.	27,50,000		{1/2 M}
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)			
8% Preference Share Capital A/c Dr.	50,00,000		{1/2 M}
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)			
Preference Shareholders A/c Dr.	52,50,000		{1/2 M}
To Bank A/c		52,50,000	
(For amount paid to preference shareholders)			
General Reserve A/c Dr.	2,50,000		{1/2 M}
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	{2 M}
Profits available			
Current year profit	3,00,000		
Less: Preference dividend	(1,57,500)	(1,42,500)	
Amount which can be utilised from reserves		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 declared. **{1 M}**

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)] **{1 M}**

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.) **{1 M}**

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