### (GI-2, GI-6, GI-7, VI-1, VDI-1, DRIVE & FMT) DATE: 17.09.2023 MAXIMUM MARKS: 100 TIMING: 3<sup>1</sup>/<sub>4</sub> 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)	<u>(1,200.00)</u>	
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 $\div$ 6 years)	450.00	] .
Carrying Amount at the end of Year 5	2,250.00	}{2 <sup>1/</sup>
Less: Depreciation for Year 6 (Rs. 2,700 lakhs $\div$ 6 years)	450.00	]
Carrying Amount at the end of Year 6	1,800.00	}{2 <sup>1/2</sup>

#### 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.

hability, by recognition as income of expense	in each or such perious.		
Trade receivables	Foreign Currency Rate	Rs.	
Initial recognition US \$ 8,547	1 US \$ = Rs. 58.50	5,00,000	
(5,00,000/58.50)			
Rate on Balance sheet date	1 US \$ = Rs. 61.20		
Exchange Difference Gain US \$ 8,547		23,077	
X (61.20-58.50)			{1 <sup>1/2</sup> M}
Treatment: Credit Profit and Loss A/c			( - ···)
by Rs. 23,077			J
Long term Loan			
Initial recognition US \$ 1,07,913.67	1 US \$ = Rs. 55.60	60,00,000	
(60,00,000/55.60)			
Rate on Balance sheet date	1 US \$ = Rs. 61.20		
Exchange Difference Loss US \$		6,04,317	
1,07,913.67 X (61.20 - 55.60)			{1 <sup>1/2</sup> M}
Treatment: Credit Loan A/c			J
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.
    {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.
  - (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. {1 M} 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.  $\{1 M\}$
  - (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.

### 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.

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) /  $\{1 M\}$ (iv) 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	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-	3	20,400	∫12 Iton
	progress and Inventory-in-Trade			$\sqrt{\frac{12}{3}}$
	Finance costs	4	3,52,410	
	Depreciation and amortization expenses	5	3,57,765	6 IVI }
	Other expenses	6	6,65,040	
	Total expenses		42,82,215	
٧.	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	J

### 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		<u>13,260</u>	
	Total		<u>3,52,410</u>	}{1/2 M}
5	Depreciation and Amortization expenses			
	Depreciation on Plant & Machinery		3,57,765	}{1/2 M}
	(10% x 37,43,400 - 1,65,750)			
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	J

Item

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 {1 M} 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>b)</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., <b>4 : 8 or 1 : 2</b>	{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	64.00
		Therefore, sales from April 2022 to July 2022	= Rs. 34,20,000	{1 IVI}
		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	ļ

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

			Rs.	Rs.	
	Ratio	Total	Pre-	Post-	
			Incorporation	Incorporation	١
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	{31 Item
Sales Manager Salary	W.N. 1	81,000	17,000	64,000	x 1/8
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	]

Such profit/ loss is disclosed separately from normal trading profits/losses of (iii) the business in the financial statements of the business entity. Preacquisition profit will be treated as capital profits and post-acquisition \{2 M} profit will be treated as normal profit and it will be transferred to profit and loss account.

### Working Notes:

#### 1. Sales Manager Salary

Sales I lanager Salary		
	Rs.	
Total Salary	81,000	
Less: Increased Salary	45,000	
	<u>36,000</u>	
Monthly Salary = Rs. 36,000/12	3,000	
Salary from April to July	3,000 + 3,000 + 3,000 + 8,000 = <b>17,000</b>	111 111
Salary from August to March	8,000 x 8 = <b>64,000</b>	

#### 2. **Apportionment of Rent**

Total Rent Less: Additional rent from 1.6.2022 to 31 Rent of old premises for 12 months	.8.2022	Rs. 1,35,000 <u>15,000</u> <u>1,20,000</u>
Apportionment in time ratio (4:8 or 1:2) <i>Add:</i> Rent for new space Total	<b>Pre</b> 40,000 <u>10,000</u> <b>50,000</b>	Post 80,000 <u>5,000</u> 85,000

#### 3. **Interest on Loan**

Borrowing Interest = Rs. 15,00,000 x 10% x 5 / 12 = Rs. 62,500 Rs. 62,500 x 4 / 5 = **Rs. 50,000** Rs. 62,500 x 1 / 5 = **Rs. 12,500** {1 M} Interest for Pre-incorporation period = Interest for Post-incorporation period =

### 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	Department	Particulars	Department	Department	
	Y (Rs.)	Z (Rs.)		Y (Rs.)	Z (Rs.)	
To Opening Stock	60,000	40,000	By Sales	3,10,300	3,72,700	Ν
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	74,000	46,000				
c/u	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				(50 100
To General	1,850	1,150				{50 Item
Expenses						6 25 ML
To Depreciation	11,100	6,900				0.25 M
(all expenses						
divided in ratio of						
37:23)						
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				11
	22,200	13,800		22,200	13,800	¥.

### **XWorking 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. <u>Calculation of Manager's Commission</u>

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.	1
To Opening	60,000	4,000	64,000	By Sales	4,00,000	2,300	4,02,300	h i
stock (W.N.5)				(W.N. 3)				
To Purchases	2,80,000	-	2,80,000	By Loss	-	700	700	11
(W.N. 1)								
To Wages	50,000	-	50,000	By Goods on	8,000	-	8,000	1  +
(W.N. 4)				Approval				$\left \right\rangle$
				(W.N. 2)				11
To Gross	80,000	-	80,000	By Closing	62,000	1,000	63,000	11
profit				stock				
@ 20%				(Bal. fig.)				
	4,70,000	4,000	4,74,000		4,70,000	4,000	4,74,000	1)

{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

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

{1.5 M}

= Rs. 58,000 x (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	2,80,000 }{1/2

2.	<b>Calculation of Goods with Customers</b> Approval for sale has not been received = Rs. 40,000 X Hence, these should be valued at cost i.e. (Rs. 10,000 = <b>Rs. 8,000</b>	1/4 = - 20	= Rs. 10,000. % of Rs. 10,000)	{1 M}
3.	<b>Calculation of Actual Sales</b> Total Sales Less: Approval for sale not received (1/4 X Rs. 40,000) Actual Sales	Rs. <u>Rs.</u> <b>Rs.</b>	4,12,300 <u>10,000</u> <b>4,02,300 }</b> {1/2 M	1}
4.	<b>Calculation of Wages</b> Total Wages Less: Wages for installation of machinery	Rs. ( <u>Rs.</u> <b>Rs.</b>	53,000 <u>3,000)</u> <b>50,000</b> }{1/2 N	<b>/</b> 1}
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			Ar	nount	
		Rs.				Rs.	
То	Opening stock	3,20,000	By	Sales	27,	96,000	
То	Purchases (W.N. 5)	18,24,000	By	Closing stock	2,	80,000	
То	Gross profit c/d (Bal. fig.)	9,32,000					
		30,76,000			30,	76,000	
То	Expenses (W.N. 7)	6,88,000	By	Gross profit b/d	9,	32,000	{17 Iten
То	Discount allowed (W.N. 9)	65,000	By	Discount received		32,000	x 1/4 =
				(W.N. 10)			4.25 M }
То	Depreciation on furniture	26,000	By	Interest on Govt. Securities		24,000	
	(W.N. 1)			(W.N. 8)			
То	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

		Amount		Amount
Liabilities		Rs.	Assets	Rs.
Capital (W.N.6)	7,52,000		Furniture	2,54,000
Add: Additional capital (W.N.2)	3,44,000		12% Government Securities Accrued interest on Govt.	4,00,000
Add: Profit during the year	2,29,000		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}

# MITTAL COMMERCE CLASSES INTERMEDIATE – MOCK TEST

### Working Notes:

1.

Furniture account							
		Rs.			Rs.		
То	Balance b/d	2,40,000	By	Depreciation (bal.fig.)	26,000		
То	Bank	40,000	By	Balance c/d	2,54,000		
		2,80,000			2,80,000		

#### 2.

### Cash and Bank account

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

#### 3.

### Debtors account

		Rs.			Rs.	
То	Balance b/d	6,40,000	By	Cash and Bank	23,40,000	)
То	Creditors (Bills receivable dishonoured)	16,000	Ву	Discount	60,000	{1/2 M}
То	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	J

#### 4.

### **Bills Receivable account**

		Rs.			Rs.	
То	Debtors	4,00,000	By	Bank	2,45,000	
			By	Discount	5,000	{1/2 M}
			By	Creditors	80,000	(1,2,0)
			By	Balance c/d (bal. fig.)	70,000	
		4,00,000			4,00,000	)

5.

### **Creditors account**

		Rs.			Rs.	
То	Bank	15,68,000	By	Balance b/d	4,40,000	
То	Discount	32,000	By	Debtors (Bills receivable	16,000	
			-	dishonoured)		51/2 N
То	Bills receivable	80,000	By	Purchases (bal. fig.)	18,24,000	11/2 1
То	Balance c/d	6,00,000				
		22,80,000			22,80,000	

	-	
1	6	
	D	

### Balance Sheet as on 1st April, 2022

Liabilities	Rs.	Assets	Rs.
Creditors	4,40,000	Furniture	2,40,000

### **INTERMEDIATE – MOCK TEST**

Outstanding expenses	80,000	Debtors	6,40,000	)
Capital (balancing figure)	7,52,000	Stock	3,20,000	
		Prepaid expenses	24,000	(1/2 MI)
		Cash	8,000	{1/2 IVI}
		Bank balance	40,000	
	12,72,000		12,72,000	

### 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	{1/2 M}
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	J

### 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	(1/2 04)
Discount on Bills Receivable	2,45,000/98% x 2%	5,000	{1/2 IVI}
		65,000	

### 10. Discount received

		Rs.	]
Discount to Creditors	15,68,000/98% x 2%	32,000	} {1/2 M}
			,

### 11. Credit sales

Salas prize - De	= RS. 18,64,000	
	= Rs. 3,20,000 + Rs. 18,24,000 - Rs. 2,80,000	{2 M}
Cost of Goods sold	= Opening stock + Net purchases - Closing stock	

Sales price = Rs. 18,64,000 + 50% of 18,64,000 = Rs. 27,96,000

### Answer:

(b)	(i)	Shareholders' Fund / Reserve & Surplus	4 Item x
	(ii)	Current liabilities/Other Current Liabilities	1 M =
	(iii)	Contingent Liabilities and Commitments	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, 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)		1∕₂ M	1⁄2 M	Sept.	(24,000 x 100 x		1⁄2 M	

### **INTERMEDIATE – MOCK TEST**

						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)			1⁄2 M	Mar. 1	(W.N.8)		1⁄2 M	1⁄2 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		1⁄2 M	
31						12% x 6/12)			
						By Balance c/d	9,000		7,47,000
						(W.N.2)			1⁄2 M
		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.	<i>Income</i> Rs.	<i>Amount</i> Rs.	Date	Particulars	Nos.	<i>Income</i> 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			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	
	lssue				Jan. 1	-dividend		1⁄2 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)			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

Date	Particulars	Nos.	Income	Amount	Date	Particulars	Nos.	Income	Amount	
			Rs.	Rs.				Rs.	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	

Worki	ng Notes:		
1.	Profit on sale of 12% Bond	Rs 13 50 000	
	19,92,000	K3. 13,50,000	
	Less : Cost of bond sold = $\frac{1}{24,000} \times 15,000$	<u>(Rs.12,45,000)</u> }	1/8 M
	Profit on sale	<u> </u>	
2.	Closing balance as on 31.3.20X2 of 12 % $\frac{19,92,000}{24,000} \times 9,000 = \text{Rs. }7,47,000$	Bonds } 1/8 M	
2	Drofit on cale of equity charge of Alpha I t	Å	
5.	Sales price	Rs. 17,60,000	
	<b>Less :</b> Cost of bond sold = $\frac{38,25,000}{2,50,000} \times 80,000$	( <u>Rs. 12,24,000</u> )	1/8 M
	Profit on sale	<u></u>	
4.	Closing balance as on 31.3.20X2 of equity $\frac{38,25,000}{2,50,000} \times 1,70,000 = \text{Rs. } 26,01,000$	v shares of Alpha Ltd. } 1/8	М
5.	Calculation of right shares subscribed by Right Shares = $\frac{60,000 \text{ Shares}}{4} \times 1 = 15,000 \text{ shares}$	<b>Beeta Ltd.</b> ares	1/9 М
	4 Shares subscribed by Mr. Brown= 15,000 x 40 Value of right shares subscribed= 6,000 shares	9%= 6,000 shares @ Rs. 5 per share = Rs. 30,000	
6.	<b>Calculation of sale of right entitlement by</b> No. of right shares sold = 15,000 - 6,000 = 9, Sale value of right = 9,000 shares x Rs. 2.25 p Note: As per para 13 of AS 13, sale proceeds of	<b>Beeta Ltd.</b> 000 shares per share = Rs. 20,250 of rights is to be credited to P & L	A/c,
7.	<b>Purchase of bonds on 01.05.20X1</b> Interest element in purchase of bonds = Rs. 24,000 Investment element in purchase of bonds = Rs. 19,92,000	= 24,000 x 100 x 12% x 1/12 = (24,000 x 84) -24,000	) 1/4 M
8.	Sale of bonds on 01.03.20X2		
	interest element in purchase of bonds	$= 15,000 \times 100 \times 12\% \times 5/12$ = Rs. 75,000	<b>≥1/4 M</b>
	Investment element in purchase of bonds	= 15,000 x 90 = Rs. 13,50,000	J

#### Answer:

(b)

# Journal Entries in the books of Libra Ltd.

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	[{1/2 M}
	(Application money received on				Ĩ
	1,50,000 debentures @ Rs. 100 each)				h
1.6.20X1	Debenture Application A/c	Dr.	1,50,00,000		
	Underwriters A/c	Dr.	50,00,000		{1/2 M}
	To 15% Debentures A/c			2,00,00,000	ļ
	(Allotment of 1,50,000 debentures to applicants and 50,000 debentures to underwriters)				
	Underwriting Commission	Dr.	4,00,000		L 51/2 M3
	To Underwriters A/c			4,00,000	[ (1/2/1)
	(Commission payable to under writers @ 2% on Rs. 2,00,00,000)				
	Bank A/c	Dr.	46,00,000		- (1 / 2 M)
	To Underwriters A/c			46,00,000	
	(Amount received from underwriters in settlement of account)				h
01.06.20X1	Debenture Redemption Investment A/c	Dr.	12,00,000		
	To Bank A/c (200,000 X 100 x 15% X 40%) (Being Investments made for redemption			12,00,000	{1/2 M}
	purpose)		10.00.000		n
30.9.20X1	Debenture InterestA/c	Dr.	10,00,000	10.00.000	{1/2 M}
	To Bank A/c			10,00,000	J
	(Interest paid on depentures 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	{1/2 M}
	To Securities Premium A/c			1,00,00,000	IJ
	(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 20)
	To Bank A/c			7,50,000	{ 1 / 2 M }
	(Interest paid on debentures for the half year)( <b>Refer working note below</b> )				

### Working Note:

Calculation of Debenture Interest for the half year ended 31st March, 20X2On Rs. 80,00,000 for 6 months @ 15%= Rs. 6,00,000On Rs. 1,20,00,000 for 1 months @ 15%=  $\frac{Rs. 1,50,000}{Rs. 7,50,000}$ 

### Answer:

(c)

Books of	Branch A
Journal	Entries

(i)	Expense account	Dr.	3,500		)
	To Head office account			3,500	) } [1 NA]
	(Being the allocated expenditure by the head office recorded in branch books)				

{1 M}

# INTERMEDIATE - MOCK TEST

(ii)	Depreciation account	Dr.	1,500		]
	To Head Office account			1,500	} <b>{1 M</b> }
	(Being the depreciation provided)				]
(iii)	Head Office account	Dr.	2,000		]
	To Salaries account			2,000	}{1 M}
	(Being the rectification of salary paid on	behalf of			ļ
	Н.О.)				
(iv)	Head office account	Dr.	10,000		]
	To Debtors account			10,000	}{1 M}
	(Being the adjustment of collection from	n branch			ļ
	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		

### **H.P. Interest Suspense Account**

	Rs.	Particulars	Date	Rs.	Particulars	Date	
D	72,000	By Interest A/c	31.3.X2	1,44,000	To Raj Ltd. A/c	1.4.X1	
) (3)	72,000	By Balance c/d	31.3.X2				
	1,44,000			1,44,000			
$\mathbf{D} \left( \begin{array}{c} \mathbf{z} \\ \mathbf{z} \end{array} \right)$	48,000	By Interest A/c	31.3.X3	72,000	To Balance b/d	1.4.X2	
5   <b>2.2</b>	24,000	By Balance c/d	31.3.X3				
2	72,000			72,000			
) כ	24,000	By Interest A/c	31.3.X4	24,000	To Balance b/d	1.4.X3	

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

	Securities Premium A/c	Dr.	20,000		1
	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)				ļ
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			
	а	Share capital	1	12,05,000	
	b	Reserves and Surplus	2	1,95,000	
2		Non-current			
		liabilities			
	а	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		11,25,000	
	were issued by way of bonus) (A)			
	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	1
	Profit & Loss Account	2,05,000		
	Less: Utilised for bonus issue	(45,000)	1,60,000	1
	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. 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.	l
8% Preference Share Final Call A/c	Dr.	15,00,000		51/2 M3
To 8% Preference Share Capital A/c			15,00,000	( <b>-</b> , <b>-</b> ,
(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	ļ · · ·
(For receipt of final call money on preference				Ļ
shares)				{1/2 M}
Bank A/c	Dr.	10,00,000		ļ · · ·
To Equity Share Application A/c			10,00,000	
(For receipt of application money on 50,000 equity				Ļ
shares @ Rs. 20 per share)				{1/2 M}
Equity Share Application A/c	Dr.	10,00,000		J (-/ - · · <b>j</b>
To Equity Share Capital A/c			10,00,000	
(For capitalisation of application money received)				l
Equity Share Allotment A/c	Dr.	17,50,000		1)
To Equity Share Capital A/c			12,50,000	}{1/2 M}
To Securities Premium A/c			5,00,000	μ
(For allotment money due on 50,000 equity shares				
@ Rs. 35 per share including a premium of Rs. 10				
per share)				l l
Bank A/c	Dr.	17,50,000		{1/2 M}
To Equity Share Allotment A/c			17,50,000	( - / - · · · <b>/</b>
(For receipt of allotment money on equity shares)				L .
General Reserve A/c	Dr.	27,50,000		{1/2 M}
To Capital Redemption Reserve A/c			27,50,000	↓ <b>、</b> = , = , <b>,</b>
(For transfer of CRR the amount not covered by the				ļ

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		h
Premium on Redemption of Preference Shares A/c	Dr.	2,50,000		}{1/2 M}
To Preference Shareholders A/c			52,50,000	J
(For amount payable to preference shareholders on				
redemption at 5% premium)				
Preference Shareholders A/c	Dr.	52,50,000		
To Bank A/c			52,50,000	{1/2 M}
(For amount paid to preference shareholders)				5
General Reserve A/c	Dr.	2,50,000		51/2 ML
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		{2 M}
	Less: Preference dividend	<u>(1,57,500)</u>	<u>(1,42,500)</u>	
	Amount which can be utilised from reserves		<u>6,57,500</u>	
	Conditions as per Companies (Declaration of	dividend out of Reserv	es) Rules, 2014:	
	Condition I			)
	Since 10% is lower than the average rate of	f dividend (12%), 10%	6 dividend can be	{ <b>1 M</b> }
	declared.			J
	Condition II			)
	Maximum amount that can be drawn from	the accumulated pro	fits and reserves	
	should not exceed 10% of paid up capital plu	us free reserves ie. Rs	. 12,25,000 [10%	
	of (80,00,000 +17,50,000+25,00,000)]			J
	Condition III			`
	The balance of reserves after drawl Rs. 18,	,42,500 (Rs. 25,00,00	0 - 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]			<pre> {1 M} </pre>
	Since all the three conditions are satisfied, t	he company can with	Iraw Rs. 6,57,500	
	from accumulated reserves.(as per Declara	ation and Payment of	f Dividend Rules,	,
	2014.)			)

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