CA INTERMEDIATE

SUBJECT- ACCOUNTS

Test Code – PIN 5069

(Date :)

(Marks - 100)

QUESTION NO.1 is compulsory and attempt any four out of remaining five questions.

QUESTION NO.1 **(5 MARKS X 4 = 20 MARKS)**

A. On 31st March 2017, a business firm finds that cost of a partly finished unit on that date is Rs. 530. The unit can be finished in 2017-18 by an additional expenditure of Rs. 310. The finished unit can be sold for Rs. 750 subject to payment of 4% brokerage on selling price. The firm seeks your advice regarding the amount at which the unfinished unit should be valued as at 31st March, 2017 for preparation of final accounts. Assume that the partly finished unit cannot be sold in semi finished form and its NRV is zero without processing it further.

B. Samrat Limited has set up its business in a designated backward area which entitles the company for subsidy of 25% of the total investment from Government of India. The company has invested Rs. 80 crores in the eligible investments. The company is eligible for the subsidy and has received Rs. 20 crores from the government in February 2019. The company wants to recognize the said subsidy as its income to improve the bottom line of the company.

Do you approve the action of the company in accordance with the Accounting Standard?

C. (i) Trade receivables as on 31.3.2019 in the books of XYZ Ltd. include an amount receivable from Umesh Rs. 5,00,000 recorded at the prevailing exchange rate on the date of sales, i.e. at US $ 1= Rs. 58.50. US $ 1 = Rs. 61.20 on 31.3.2019.

Explain briefly the accounting treatment needed in this case as per AS 11 as on 31.3.2019.

(ii) Power Track Ltd. purchased a plant for US$ 50,000 on 31st October, 2018 payable after 6 months. The company entered into a forward contract for 6 months @Rs. 64.25 per Dollar. On 31st October, 2018, the exchange rate was Rs.61.50 per Dollar.

You are required to **recognise the profit or loss on forward contract** in the books of the company for the year ended 31st March, 2019.

D. A company incorporated in June 2017, has setup a factory within a period of 8 months with borrowed funds. The construction period of the assets had reduced drastically due to usage of technical innovations by the company. Whether interest on borrowings for the period prior to the date of setting up the factory should be capitalized although it has taken less than 12 months for the assets to get ready for use. **You are required to comment on the necessary treatment with reference to AS 16.**

QUESTION NO.2 **(10 MARKS X 2 = 20 MARKS)**

A. Mr. Brown has made following transactions during the financial year 2011-12:

Date	Particulars
01.05.2011	Purchased 24,000 12% Bonds of Rs. 100 each at Rs. 84 cum-interest. Interest is payable on 30th September and 31st March every year.
15.06.2011	Purchased 1,50,000 equity shares of Rs. 10 each in Alpha Limited for Rs. 25 each through a broker, who charged brokerage @ 2%.
10.07.2011	Purchased 60,000 equity shares of Rs. 10 each in Beeta Limited for Rs. 44 each through a broker, who charged brokerage @2%.
14.10.2011	Alpha Limited made a bonus issue of two shares for every three shares held.
31.10.2011	Sold 80,000 shares in Alpha Limited for Rs. 22 each.
01.01.2012	Received 15% interim dividend on equity shares of Alpha Limited.
15. 01.2012	Beeta Limited made a right issue of one equity share for every four shares held at Rs. 5 per share. Mr. Brown exercised his option for 40% of his entitlements and sold the balance rights in the market atRs. 2.25 per share.
01.03.2012	Sold 15,000 12% Bonds at Rs. 90 ex-interest.
15.03.2012	Received 18% interim dividend on equity shares of Beeta Limited.

Interest on 12% Bonds was duly received on due dates. **Prepare separate investment account for 12% Bonds, Equity Shares of Alpha Limited and Equity Shares of Beeta Limited in the books of Mr. Brown for the year ended on 31st March, 2012.**

B. On 27th July, 2017, a fire occurred in the godown of M/s. Vijay Exports and most of the stocks were destroyed. However goods costing Rs. 5,000 could be salvaged. Their fire fighting expenses were amounting to Rs. 1,300.

From the salvaged accounting records, the following information is available relating to the period from 1.4.2017 to 27.7.2017 :

1.	Stock as per balance sheet as on 31.3.2017	Rs. 63,000
2.	Purchases (including purchase of machinery costing Rs. 10,000	Rs. 2,92,000
3.	Wages (including wages paid for installation of machinery Rs. 3,000)	Rs. 53,000
4.	Sales (including goods sold on approval basis amounting to Rs. 40,000. No approval has been received in respect of 1/4th of the goods sold on approval)	Rs. 4,12,300
5.	Cost of goods distributed as free sample	Rs. 2,000

Other Information :

(i) While valuing the stock on 31.3.2017, Rs. 1,000 had been written off in respect of certain slow moving items costing Rs. 4,000. A portion of these goods were sold in June, 2017 at a loss of Rs. 700 on original cost of Rs. 3,000. The remainder of these stocks is now estimated to be worth its original cost.

(ii) Past record shows the normal gross profit rate is 20%.

(iii) The insurance company also admitted fire fighting expenses. The Company had taken the fire insurance policy of Rs. 55,000 with the average clause.

You are required to compute the amount of claim of stock destroyed by fire, to be lodged to the Insurance Company. Also prepare Memorandum Trading Account for the period 1.4.2017 to 27.7.2017 for normal and abnormal items.

QUESTION NO.3

A.

The following balance appeared in the books of Oliva Company Ltd. as on 31-03-2019.

Particulars		**Rs.**	**Particulars**		**Rs.**
Inventory 01.04.2018			Sales		17,10,000
- Raw Material	30,000		Interest		3,900
- Finished goods	46,500	76,500	Profit and Loss A/c.		48,000
Purchases		12,15,000	Share Capital		3,15,000
Manufacturing Expenses		2,70,000	Secured loans:		
			Short - term	4500	
			Long - term	21,000	25,500
Salaries and wages		40,200	Fixed Deposits (unsecured):		
General Charges		16,500	Short – term	1,500	
Interim Dividend paid		27,000	Long – term	3,300	4,800
(inclusive of Dividend Distribution Tax)			Trade payables		3,27,000
Building		1,01,000			
Plant and Machinery		70,400			
Furniture		10,200			
Motor Vehicles		40,800			
Stores and Spare Parts Consumed		45,000			
Investments :					
Current	4,500				
Non - Current	7,500	12,000			
Trade receivables		2,38,500			
Cash in Bank		2,71,100			
		24,34,200			**24,34,200**

From the above balance and the following information, **prepare the company's Profit and Loss Account** for the year ended 31st March, 2019 and **Company's Balance Sheet** as on that date:

1. Inventory on 31st March,2019 Raw material Rs. 25,800 & finished goods Rs. 60,000.
2. Outstanding Expenses: Manufacturing Expenses Rs. 67,500 & Salaries & Wages Rs. 4,500.
3. Interest accrued on Securities Rs. 300.
4. General Charges prepaid Rs.2,490.
5. Provide depreciation: Building @ 2% p.a., Machinery @ 10% p.a., Furniture @ 10% p.a. & Motor Vehicles @ 20% p.a.
6. Current maturity of long term loan is Rs. 1,000
7. The Taxation provision of 40% on net profit is considered.

(15 MARKS)

B. Following are the balances appear in the trial balance of Arya Ltd. as at 31st March. 2018.

Issued and Subscribed Capital:

	Rs.
10,000; 10% Preference Shares of Rs. 10 each fully paid	1,00,000
1,00,000 Equity Shares of Rs. 10 each Rs. 8 paid up	8,00,000
Reserves and Surplus:	
General Reserve	2,40,000
Securities Premium (collected in cash)	25,000
Profit and Loss Account	1,20,000

On 1st April, 2018 the company has made final call @ Rs. 2 each on 1,00,000 Equity Shares. The call money was received by 15th April, 2018. Thereafter the company decided to issue bonus shares to equity shareholders at the rate of 1 share for every 5 shares held and for this purpose, it decided that there should be minimum reduction in free reserves. Pass Journal entries. **(5 MARKS)**

QUESTION NO.4 **(10 MARKS X 2 = 20 MARKS)**

A. **Pass necessary Journal entries** in the books of an independent Branch of M/s TPL Sons, wherever required, to rectify or adjust the following transactions :

(i) Branch paid Rs. 5,000 as salary to a Head Office Manager, but the amount paid has been debited by the Branch to Salaries Account.

(ii) A remittance of Rs. 1,50,000 sent by the Branch has not received by Head Office on the date of reconciliation of Accounts.

(iii) Branch assets accounts retained at head office, depreciation charged for the year Rs. 15,000 not recorded by Branch.

(iv) Head Office expenses Rs. 75,000 allocated to the Branch, but not yet been recorded by the Branch.

(v) Head Office collected Rs. 60,000 directly from a Branch Customer. The intimation of the fact has not been received by the Branch.

(vi) Goods dispatched by the Head Office amounting to Rs. 50,000, but not received by the Branch till date of reconciliation.

(vii) Branch incurred advertisement expenses of Rs. 10000 on behalf of other branches , but not recorded in the books of branch.

(viii) Head office made payment of Rs. 16000 for purchase of goods by branch, but not recorded in branch books.

B. The books of Mr. Z showed the following information:

	1.1.2007 (Rs.)	31.12.2007 (Rs.)
Bank balance	---	50,000
Debtors	---	87,500
Creditors	---	46,000
Stock	50,000	62,500
Fixed assets	7,500	9,000

The following are the details of the bank transactions:

	Rs.
Receipt from customers	3,40,000
Payments to creditors	2,80,000
Capital brought in	5,000
Sale of fixed assets	1,750
Expenses paid	49,250
Drawings	25,000
Purchase of fixed assets	5,000

Other information:

(i) Cost of goods sold Rs. 2,60,000

(ii) Gross profit 25% on cost of goods sold

(iii) Book value of assets sold Rs. 2,500

Prepare Trading, Profit and Loss account for the year ended 31.12.2007 and Balance Sheet as at 31.12.2007.

QUESTION NO.5 **(10 MARKS X 2 = 20 MARKS)**

A. ABC Ltd. took over a running business with effect from 1st April, 20X1. The company was incorporated on 1st August, 20X1. The following summarized Profit and Loss Account has been prepared for the year ended 31.3.20X2:

	Rs.		**Rs.**
To Salaries	48,000	By Gross profit	3,20,000
To Stationery	4,800		
To Travelling expenses	16,800		
To Advertisement	16,000		
To Miscellaneous trade expenses	37,800		
To Rent (office buildings)	26,400		
To Electricity charges	4,200		
To Director’s fee	11,200		
To Bad debts	3,200		
To Commission to selling agents	16,000		
To Tax Audit fee	6,000		
To Debenture interest	3,000		
To Interest paid to vendor	4,200		
To Selling expenses	25,200		
To Depreciation on fixed assets	9,600		
To Net profit	87,600		
	3,20,000		**3,20,000**

Additional information:

(a) Total sales for the year, which amounted to Rs. 19,20,000 arose evenly up to the date of 30.9.20X1. Thereafter they recorded an increase of two-third during the rest of the year.

(b) Rent of office building was paid @ Rs. 2,000 per month up to September, 20X1 and thereafter it was increased by Rs. 400 per month.

(c) Travelling expenses include Rs. 4,800 towards sales promotion.

(d) Depreciation include Rs. 600 for assets acquired in the post incorporation period.

(e) Purchase consideration was discharged by the company on 30th September, 20X1by issuing equity shares of Rs. 10 each.

Prepare Statement showing calculation of profits and allocation of expenses between pre and post incorporation periods.

B. Vamsi Ltd has several Departments. Goods supplied to each Department are debited to a Memorandum Departmental Stock Account at Cost, plus fixed percentage (Mark-up) to give the Normal Selling Price. The Mark-up is credited to a Memorandum Departmental 'Mark-up Account', and any reduction in Selling Prices (mark-down) will require adjustment in the Stock Account and in Mark-up Account. The Mark-up for Department A for the last three years has been 25%. Figures relevant to Department A for the year ended 31st March 2018 were as follows -

Opening Stock as on 1st April 2017 at Cost	Rs. 65,000
Purchase at Cost	Rs. 2,00,000
Sales	Rs. 3,00,000

It is further ascertained that:

1. Shortage of Stock found in the year ending 31.03.2018, costing to Rs. 1,000 were written off.
2. Opening Stock on 01.04.2017 including goods costing Rs. 6,000 had been sold during the year and had been marked down in the Selling Price by Rs. 600. The remaining Stock had been sold during the year.
3. Goods purchased during the year were marked down by Rs. 1,200 from a cost of Rs.15,000. Marked-down Stock costing Rs. 5,000 remained unsold on 31.03.2018.
4. The Departmental Closing Stock is to be valued at Cost subject to adjustment for Mark-up and Mark-down.

You are required to prepare:

(i) A Departmental Trading Account for Department A for the year ended 31st March 2018, in the books of Head Office.

(ii) A Memorandum Stock Account for the year.

(iii) A Memorandum Mark-up Account for the year.

QUESTION NO.6 **(5 MARKS X 4 = 20 MARKS)**

A. Sencom Limited issued Rs. 1,50,000 5% Debentures on 30th September 20X0 on which interest is payable half yearly on 31st March and 30th September. The company has power to purchase debentures in the open market for cancellation thereof. The following purchases were made during the year ended 31st December, 20X2 and the cancellation were made on the same date. On 31 December 20X0, balance in the DRR of the company was Rs. 25,000 and investments made for the purpose of redemption were Rs. 20,000.

1st March 20X2 - Rs. 25,000 nominal value purchased for Rs. 24,725 ex-interest.

1st September 20X2 - Rs. 20,000 nominal value purchased for Rs. 20,125 cum-interest.

<u>You are required to draw up the following accounts up to the date of cancellation:</u>

(i) Debentures Account; and

(ii) Own Debenture (Investment) Account.

Ignore taxation.

B. Happy Valley Florists Ltd. acquired a delivery van on hire purchase on 01.04.20X1 from Ganesh Enterprises. The terms were as follows :

Particulars	Amount (Rs.)
Hire Purchase Price	180,000
Down Payment	30,000
1st instalment payable after 1 year	50,000
2nd installment after 2 years	50,000
3rd installment after 3 years	30,000
4th installment after 4 years	20,000

Cash price of van Rs. 1,50,000 You are required to **<u>calculate Total Interest and Interest included in each instalment.</u>**

C. The following are the extracts from the Balance Sheet of Meera Ltd. as on 31st December, 2017.

Share Capital : 60,000 Equity shares of Rs. 10 each fully paid – Rs. 6,00,000; 1,500 10% Redeemable preference shares of Rs. 100 each fully paid – Rs. 1,50,000.

Reserve & Surplus : Capital Reserve – Rs. 75,000; Securities premium – Rs. 75,000; General Reserve – Rs. 1,12,500; Profit and Loss Account – Rs. 62,500.

On 1st January 2018, the Board of Directors decided to redeem the preference shares at premium of 10% by utilization of reserve.

<u>You are required to prepare necessary Journal Entries including cash transactions in the books of the company.</u>

D. M/s Active Builders Ltd. invested in the shares of another company (with an intention to hold the shares for short term period) on 31st October, 2016 at a cost of Rs. 4,50,000. It also earlier purchased Gold of Rs. 5,00,000 and Silver of Rs. 2,25,000 on 31st March, 2014.

Market values as on 31st March, 2017 of the above investments are as follows :

Shares Rs. 3,75,000; Gold Rs. 7,50,000 and Silver Rs. 4,35,000

<u>You are required explain how will the above investments be shown in the books of account of M/s Active Builders Ltd. for the year ending 31st March, 2017 as per the provisions of AS 13</u> ?