J.K. SHAH TEST SERIES
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CA INTERMEDIATE

SUBJECT- ACCOUNTS

Test Code – CIM 8647

(Date :)

(Marks - 100)

Question No. 1 is compulsory and attempt any four out of remaining five questions.

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

A. **How will you disclose following items while preparing Cash Flow Statement of Gagan Ltd. as per AS-3 for the year ended 31st March , 2018?**

(i) 10% debentures issued: As on 01.04.2017 Rs. 1,10,000

As on 31.03.2018 Rs. 77,000

(ii) Debentures were redemmed at 5% premium at the end of the year . Premium was charged to the Profit and Loss Account for the year.

(iii) Unpaid Interest on debentures: As on 01.04.2017 Rs. 275

As on 31.03.2018 Rs. 1,175

(iv) Debtors of Rs. 36000 were written off againast the Provision for Doubtful Debts A/c during the year.

(v) 10% bonds (Investments): As on 01.04.2017 Rs. 3,50,000

As on 31.03.2018 Rs. 3,50,000

(vi) Accrued interest on investments: As on 31.03.2018 Rs. 10,500

B. On 01.04.2014, XYZ Ltd. received Government grant of Rs. 100 Lakhs for an acquisition of new machinery costing Rs. 500 lakhs. The grant was received and credited to the cost of the assets. The life span of the machinery is 5 years. The machinery is depreciated at 20% on WDV method.

The company had to refund the entire grant in 2nd April, 2017 due to non-fulfilment of certain conditions which was imposed by the government at the time of approval of grant.

How do you deal with the refund of grant to the Government in the books of XYZ Ltd., as per AS 12?

C.

Particulars		Kg.	Rs.
Opening Inventory:	Finished Goods	1,000	25,000
	Raw Materials	1,100	11,000
Purchases		10,000	1,00,000
Labour			76,500
Overheads (Fixed)			75,000
Sales		10,000	2,80,000
Closing Inventory:	Raw Materials	900	
	Finished Goods	1200	

The expected production for the year was 15,000 kg of the finished product. Due to fall in market demand the sales price for the finished goods was Rs. 20 per kg and the replacement cost for the raw material was Rs. 9.50 per kg on the closing day. **You are required to calculate the closing inventory as on that date**.

D. (i) AXE Limited purchased fixed assets costing \$ 5,00,000 on 1st Jan. 2018 from an American company M/s M&M Limited. The amount was payable after 6 months. The company entered into a forward contract on 1st January 2018 for five months @ Rs. 62.50 per dollar. The exchange rate per dollar was as follows :

On 1st January, 2018 Rs. 60.75 per dollar

On 31st March, 2018 Rs. 63.00 per dollar

You are required to state how the profit or loss on forward contract would be recognized in the books of AXE Limited for the year ending 2017-18, as per the provisions of AS 11.

(ii) Assets and liabilities and income and expenditure items in respect of integral foreign operations are translated into Indian rupees at the prevailing rate of exchange at the end of the year. The resultant exchange differences in the case of profit, is carried to other Liabilities Account and the Loss, if any, is charged to revenue. **You are required to comment in line with AS 11 .**

QUESTION NO.2

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	4,500	
			Long-term	21,000	25,500
Salaries and wages		40,200	Fixed Deposits (unsecured): Short -term	1,500	
General Charges		16,500	Long - term	3,300	4,800
Interim Dividend paid (inclusive of Dividend Distribution Tax)		27,000	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.

(12 MARKS)

B. The summarised Balance Sheet of Convertible Limited (unlisted company other than AIFI, Banking company, NBFC and HFC), as on 30th June, 20X1, stood as follows:

Liabilities	**Rs.**
Share Capital: 5,00,000 equity shares of Rs. 10 each fully paid	50,00,000
General Reserve	90,00,000
Profit And loss A/c	10,00,000
Debenture Redemption Reserve	10,00,000
13.5% Convertible Debentures, 1,00,000 Debentures of Rs. 100 each	1,00,00,000
Other loans	65,00,000
Current Liabilities and Provisions	1,25,00,000
	4,50,00,000
Assets :	
Fixed Assets (at cost less depreciation)	1,60,00,000
Debenture Redemption Reserve Investments	15,00,000
Cash and bank Balances	75,00,000
Other Current Assets	2,00,00,000
	4,50,00,000

The debentures are due for redemption on 1st July, 20X1. The terms of issue of debentures provided that they were redeemable at a premium of 5% and also conferred option to the debenture holders to convert 20% of their holdings into equity shares at a predetermined price of Rs. 15.75 per share and the payment in cash.

Assuming that:

(i) except for 100 debenture holders holding totally 25,000 debentures, the rest of them exercised the option for maximum conversion.

(ii) the investments were realised at par on sale; and

(iii) all the transactions are put through, without any lag, on 1st July, 20X1.

Redraft the balance sheet of the company as on 1st July, 20X1 after giving effect to the redemption. Show your calculations in respect of the number of equity shares to be allotted and the necessary cash payment.

(8 MARKS)

QUESTION NO.3 **(10*2 = 20 MARKS)**

A. The following balances appeared in the books of M/s Sunshine Traders:

	As on 31-03-2018 (Rs.)	As on 31-03-2019 (Rs.)
Land and Building	2,50,000	2,50,000
Plant and Machinery	1,10,000	1,65,000
Office Equipment	52,500	42,500
Sundry Debtors	77,750	1,10,250
Creditors for Purchases	47,500	?
Provision for office expenses	10,000	7,500
Stock	?	32,500
Long Term loan from ABC Bank @ 10% per annum	62,500	50,000
Bank	12,500	?
Capital	4,65,250	?

Other information was as follows:

	In (Rs.)
- Collection from Sundry Debtors	4,62,500
- Payments to Creditors for Purchases	2,62,500
- Payment of office Expenses	21,000
- Salary paid	16,000
- Selling Expenses paid	7,500
- Total sales	6,25,000
Credit sales (80% of Total sales)	
- Credit Purchases	2,70,000
Cash Purchases (40% of Total Purchases)	
- Gross Profit Margin was 25% on cost	

- Discount Allowed	2,750
- Discount Received	2,250
- Bad debts	2,250

- Depreciation to be provided as follows:

  Land and Building - 5% per annum

  Plant and Machinery - 10% per annum

  Office Equipment - 15% Per annum

- On 01.10.2018 the firm sold machine having book value, Rs. 20,000 (as on 31.03.2018) at a loss of Rs. 7,500. New machine was purchased on 01.01.2019.
- Office equipment was sold at its book value on 01.04.2018.
- Loan was partly repaid on 31.03.2019 together with interest for the year.

You are required to prepare:

(i) Trading and Profit & Loss account for the year ended 31st March, 2019.

(ii) Balance Sheet as on 31st March 2019.

B. Mr. Vijay entered into the following transactions of purchase and sale of equity shares of JP Power Ltd. The shares have paid up value of Rs. 10 per share.

Date	No. of Shares	Terms
01.01.2016	600	Buy @ Rs. 20 per share
15.03.2016	900	Buy @ Rs. 25 per share
20.05.2016	1000	Buy @ Rs. 23 per share
25.07.2016	2500	Bonus Shares received
20.12.2016	1500	Sale @ Rs. 22 per share
01.02.2017	1000	Sale @ Rs. 24 per share

Addition information:

a. On 15.09.2016 dividend @ Rs. 3 per share was received for the year ended 31.03.2016.

b. On 12.11.2016 company made a right issue of equity shares in the ratio of one share for five shares held on payment of Rs. 20 per share. He subscribed to 60% of the shares and renounced the remaining shares on receipt of the premium of Rs. 3 per share.

c. Shares are to be valued on weighted average cost basis.

You are required to **prepare Investment Account** for the year ended 31.03.2016 and 31.03.2017

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

A. A fire engulfed the premises of a business of M/S Kite Ltd. in the morning, of 1 st October, 2017. The entire stock was destroyed except, stock salvaged of Rs. 50,000. Insurance Policy was for Rs. 5,00,000 with average clause.

The following information was obtained from the records saved for the period from 1st April to 30th September, 2017:

	Rs.
Sales	27,75,000
Purchases	18,75,000
Carriage inward	35,000
Carriage outward	20,000
Wages	40,000
Salaries	50,000
Stock in hand on 31st March, 2017	3,50,000

Additional Information:

(1) Sales upto 30th September, 2017, includes Rs. 75,000 for which goods had not been dispatched.

(2) On 1st June, 2017, goods worth Rs. 1,98,000 sold to Hari on approval basis which was included in sales but no approval has been received in respect of 2/3rd of the goods sold to him till 30th September, 2017.

(3) Purchases upto 30th September, 2017 did not include Rs. 1,00,000 for which purchase invoices had not been received from suppliers, though goods have been received in godown.

(4) Past records show the gross profit rate of 25% on sales.

You are required to prepare the statement of claim for loss of stock for submission to the Insurance Company.

B. The following balances were extracted from the books of Beta. You are **required to prepare Departmental Trading Account and general Profit & Loss Account** for the year ended 31st December, 2018:

Particulars	Deptt. A Rs.	Deptt. B Rs.
Opening Stock	3,00,000	2,40,000
Purchases	39,00,000	54,60,000
Sales	60,00,000	90,00,000

General expenses incurred for both the Departments were Rs. 7,50,000 and you are also supplied with the following information:

(i) Closing stock of Department A Rs. 6,00,000 including goods from Department B for Rs. 1,20,000 at cost to Department A.

(ii) Closing stock of Department B Rs. 12,00,000 including goods from Department A for Rs. 1,80,000 at cost to Department B.

(iii) Opening stock of Department A and Department B include goods of the value of Rs. 60,000 and Rs. 90,000 taken from Department B and Department A respectively at cost to transferee departments.

(iv) The gross profit is uniform from year to year.

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

A. Following is the balance sheet of Prakash Ltd. as on 31st March 2017:

Liabilities	Rs.	Assets	Rs.
2,000 – 8% redeemable preference shares of Rs. 100 each , fully paid	2,00,000	Fixed Assets	15,75,000
1,00,000 equity shares of Rs. 10 each, fully paid	10,00,000	Bank	2,18,000
Securities Premium	35,000	Investments (market value Rs. 190000)	1,50,000
Profit and loss account	4,50,000		
Sundry creditors	2,58,000		
	19,43,000		**19,43,000**

On the above date, the directors of the company took following steps to redeem 8% Preference Shares at a premium of 5%.

(a) The company issued 4,000 Equity shares of Rs. 10 at a premium of Rs. 2 per share for the purpose of redemption of preference shares.

(b) Investments were sold at market price.

(c) All the payments were made to the Preference Shareholders except those holding 100 shares who could not be traced.

<u>**You are required to :**</u>

(i) Pass necessary Journal Entries in the books of Prakash Limited complying with requirements of Companies Act, 2013.

(ii) Prepare the Balance Sheet of the company after redemption of Preference Shares.

B. M/s. Nimisha Pvt. Ltd. was incorporated on 1st August, 2016 to take over the business of Mr. Chinmay with effect from 1st April, 2016.

The following Profit and Loss Account was prepared for the year ended 31st March, 2017 :

Particulars	Rs.	Particulars	Rs.
To Office salaries	24,000	By Gross Profit	1,00,000
To Chinmay' s Salary	2,000	By share Transfer Fees	2,000
To Advertisement	18,000		
To Printing and Stationery	1,500		
To Traveling Expenses	4,000		
To Office Rent	9,600		
To Electricity Charges	5,100		
To Director's Fees	1,200		
To Auditor's Fees	600		
To Bad Debts	1,200		
To commission on Sales	7,000		
To Preliminary Expenses	2,000		
To Debenture Interest	2,300		
To Interest on Capital	800		
To Depreciation	2,100		
To Net Profit	20,600		
	1,02,000		1,02,000

Additional Information :

(1) Total Sales for the year amounted to Rs. 8,00,000, arose evenly per month upto 30.9.2016 whereafter they recorded an increase of two – third per month during the rest of the period.

(2) Office Rent was paid @ Rs. 8,400 p.a. upto 30th September, 2016 and thereafter, it was paid @ Rs. 10,800 p.a.

(3) Travelling expense include Rs. 1,600 toward sales promotion. The balance of the travelling expenses are fixed in the nature.

(4) Bad Debts written off were :
   (a) A debt of Rs. 400 taken over from the vendor.
   (b) A debt of Rs. 800 in respect of goods sold in September, 2016.

(5) Mr. Chinmay agreed to get his accounts audited.

(6) Depreciation includes Rs. 600 for assets acquired in the post incorporation period.

(7) Allocate other expenses and incomes in an appropriate manner.

Prepare Statement of Profit and Loss showing separately Pre – incorporation and Post – incorporation Profits for the year ended 31.3.2017.

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

A. ABC Ltd. was making provision for non-moving inventories based on no issues for the last 12 months up to 31.3.2019.

The company wants to provide during the year ending 31.3.2020 based on technical evaluation:

Total value of inventory	Rs. 100 lakhs
Provision required based on 12 months issue	Rs. 3.5 lakhs
Provision required based on technical evaluation	Rs. 2.5 lakhs

Does this amount to change in Accounting Policy? Can the company change the method of provision?

B. Following is the extract of the Balance Sheet of Manoj Ltd. as at 31st March, 20X1

	Rs.
Authorised capital:	
30,000 12% Preference shares of Rs. 10 each	3,00,000
4,00,000 Equity shares of Rs. 10 each	40,00,000
	43,00,000
Issued and Subscribed capital:	
24,000 12% Preference shares of Rs. 10 each fully paid	2,40,000
2,70,000 Equity shares of Rs. 10 each, Rs. 8 paid up	21,60,000
Reserves and surplus:	
General Reserve	3,60,000
Capital Redemption Reserve	1,20,000
Securities premium (collected in cash)	75,000
Profit and Loss Account	6,00,000

On 1st April, 20X1, the Company has made final call @ Rs. 2 each on 2,70,000 equity shares. The call money was received by 20th April, 20X1. Thereafter, the company decided to capitalize its reserves by way of bonus at the rate of one share for every four shares held.

Show necessary journal entries in the books of the company and **prepare the relevant extract of the balance sheet** as on 30th April, 20X1 **after bonus issue.**

C. Amandeep bought 2 cars from 'Fair Value Motors Pvt. Ltd. on 1.4.2016 on the following terms (for both cars):

Down payment	6,00,000
1st Installment at the end of first year	4,20,000
2nd Installment at the end of 2nd year	4,90,000
3rd Installment at the end of 3rd year	5,50,000

Interest is charged at 10% p.a.

Amandeep provides depreciation @ 25% on the diminishing balances.

On 31.3.2019 Amandeep failed to pay the 3rd installment upon which 'Fair Value Motors Pvt. Ltd.' repossessed 1 car. Amandeep agreed to leave one car with Fair Value Motors Pvt. Ltd. and adjusted the value of the car against the amount due. The car taken over was valued on the basis of 40% depreciation annually on written down basis. The balance amount remaining in the vendor's account after the above adjustment was paid by Amandeep after 3 months with interest @ 20% p.a.

You are required to:

(i) Calculate the cash price of the cars and the interest paid with each installment.

(ii) Prepare Cars Account in the books of Amandeep assuming books are closed on March 31, every year.

Figures may be rounded off to the nearest rupee.

D. Explain in brief, the alternative measurement bases, for determining the value at which an element can be recognized in the Balance Sheet or Statement of Profit and Loss.

E. The following is the Draft Profit & Loss A/c of Harsha Ltd., the year ended 31st March, 20X1:

		Rs.			Rs.
To	Administrative, Selling and distribution expenses	41,12,710	By	Balance b/d	28,61,750
"	Directors fees	6,73,900	"	Balance from Trading A/c	201,26,825
"	Interest on debentures	1,56,200	"	Subsidies received from Govt.	13,69,625
"	Managerial remuneration	14,26,750			
"	Depreciation on fixed assets	26,12,715			
"	Provision for Taxation	62,12,500			
"	General Reserve	20,00,000			
"	Investment Revaluation Reserve	62,500			
"	Balance c/d	71,00,925			
		243,58,200			243,58,200

Depreciation on fixed assets as per Schedule II of the Companies Act, 2013 was Rs. 28,76,725. **You are required to calculate the maximum limits of the managerial remuneration as per Companies Act, 2013**.