CA INTERMEDIATE

SUBJECT- ACCOUNTS

Test Code – PIN 5052

(Date :)

(100 Marks)

Question No. 1 is compulsory.

Answer any four questions from the remaining five questions.

NOTES: (1) WORKING NOTES SHOULD FORM PART OF ANSWERS.
(2) NEW QUESTION SHOULD BE ON NEW PAGE

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

A. Omega Ltd., has a normal wastage of 4% in the production process. During the year 2016 -17, the Company used 12,000 MT of raw material costing Rs. 150 per MT. At the end of the year 630 MT of wastage was ascertained in stock. The accountant wants to know how this wastage is to be treated in the books.

You are required to compute the amount of normal and abnormal loss and treatment thereof in line with AS 2 "Valuation of inventories".

B. Suhana Ltd. issued 12% secured debentures of Rs. 100 Lakhs on 01.05.2016, to be utilized as under:

Particulars	Amount (Rs. in lakhs)
Construction of factory building	40
Purchase of Machinery	35
Working Capital	25

In March 2017, construction of the factory building was completed and machinery was installed and ready for it's intended use. Total interest on debentures for the financial year ended 31.03.2017 was Rs. 11,00,000. During the year 2016-17, the company had invested idle fund out of money raised from debentures in banks' fixed deposit and had earned an interest of Rs. 2,00,000.

Explain the treatment of interest under Accounting Standard 16 and also explain nature of assets.

C. Entity A purchased an asset on 1st January 2016 for Rs. 1,00,000 and the asset had an estimated useful life of 10 years and a residual value of nil. On 1st January 2020, the directors review the estimated life and decide that the asset will probably be useful for a further 4 years. Calculate the amount of depreciation for each year, if company charges depreciation on Straight Line basis.

D. How you will deal with following in the financial statements of the Paridhi Electronics Ltd. as on 31.3.18 with reference to AS-13?

(i) Paridhi Electronics Ltd. invested in the shares of another unlisted company on 1st May 2014 at a cost of Rs. 3,00,000 with the intention of holding more than a year. The published accounts of unlisted company received in January, 2018 reveals that the company has incurred cash losses with decline in market share and investment of Paridhi Electronics L td. may not fetch more than Rs. 45,000.

(ii) Also Paridhi Electronics Ltd. has current investment (X Ltd.'s shares) purchased for Rs. 5 lakhs, which the company want to reclassify as long term investment. The market value of these investments as on date of Balance Sheet was Rs. 2.5 lakhs.

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

A. The partnership of Sakshi Agencies decided to convert the partnership into Private Limited Company named Rameshwar Company Pvt. Ltd. with effect from 1st January, 2008. The consideration was agreed at Rs. 2,34,00,000 based on firm's Balance Sheet as on 31st December, 2007. However, due to some procedural difficulties, the company could be incorporated only on 1st April, 2008. Meanwhile, the business was continued on behalf of the company and the consideration was settled on that day with interest at 12% p.a. The same books of accounts were continued by the company, which closed its accounts for the first time on 31st March, 2009 and prepared the following summarized Profit and Loss account

		Rs.		Rs.
To	Cost of goods sold	3,27,60,000	By Sales	4,68,00,000
To	Salaries	23,40,000		
To	Depreciation	3,60,000		
To	Advertisement	14,04,000		
To	Discount	23,40,000		
To	Managing Director's remuneration	1,80,000		
To	Miscellaneous office expenses	2,40,000		
To	Office cum showroom rent	14,40,000		
To	Interest	19,02,000		
To	Profit	38,34,000		
		4,68,00,000		4,68,00,000

The company's only borrowing was a loan of Rs. 1,00,00,000 at 12% p.a. to pay the purchase consideration due to the firm and for working capital requirements. The company was able to double the monthly average sales of the firm from 1st April, 2008, but the salaries trebled from the date. It had to occupy additional space from 1st July, 2008 for which rent was Rs. 60,000 per month.

Prepare a statement showing apportionment of costs and revenue between pre-incorporation and post-incorporation periods.

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.3 **(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 forRs. 25 each through a broker, who charged brokerage @ 2%.
10.07.2011	Purchased 60,000 equity shares of Rs. 10 each in Beeta Limited forRs. 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. Happy Valley Florists Ltd. acquired a delivery van on hire purchase on 01.04.2010 from Ganesh Enterprises. The terms were as follows:

Particulars	Amount (Rs.)
Hire Purchase Price	1,80,000
Down Payment	30,000
1st installment 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 and depreciation is charged at 10% WDV.

You are required to:

(i) Calculate Total Interest and Interest included in each installment

(ii) Prepare Van A/c., Ganesh Enterprises A/c. in the books of Happy Valley Florists Ltd. up to 31.03.2014.

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

A. M/s Heera & Co. has head office at U.S.A. and branch in Patna(India). Patna branch is an integral foreign operation of Heera & Co.

	Dr.	Cr.
	(Rupees in thousands)	
Stock on 1st April, 2017	300	
Purchases and Sales	800	1,200
Sundry Debtors & Creditors	400	300
Bills of Exchange	120	240
Wages & Salaries	560	-
Rent, Rates & Taxes	360	-
Sundry Charges	160	-
Plant	240	-
Bank Balance	420	-
New York Office A/c	-	1,620
	3,360	3,360

Patna branch furnishes you with its trial balance as on 31st March, 2018 and the additional information given thereafter:

Information:

(a) Plant was acquired from a remittance of US $ 6,000 received from USA head office and paid to the suppliers. Depreciate Plant at 60% for the year.

(b) Unsold stock of Patna branch was worth Rs. 4,20,000 on 31st March, 2018.

(c) The rates of exchange may be taken as follows:

- On 01.04.2017 @ Rs. 55 per US$
- On 31.03.2018 @ Rs. 60 per US$
- Average exchange rate for the year @ Rs.58 per US $
- Conversion in $ shall be made up to two decimal accuracy.

You are asked to prepare in US dollars the revenue statement for the year ended 31st March, 2018 and the balance sheet as on that date of Patna branch as would appear in the books of USA head office of Heera & Co. You are informed that Patna branch account showed a debit balance of US $ 29845.35 on 31.3.2018 in USA books and there were no items pending reconciliation.

B. A fire occurred in the premises of M/s. Fireproof Co. on 31st August, 2010. From the following particulars relating to the period from 1st April, 2010 to 31st August, 2010, **you are requested to ascertain the amount of claim to be filed with the insurance company for the loss of stock.** The concern had taken an insurance policy for Rs. 60,000 which is subject to an average clause.

		Rs.
(i)	Stock as per Balance Sheet at 31-03-2010	99,000
(ii)	Purchases	1,70,000
(iii)	Wages (including wages for the installation of a machine Rs. 3,000)	50,000
(iv)	Sales	2,42,000
(v)	Sale value of goods drawn by partners	15,000
(vi)	Cost of goods sent to consignee on 16th August, 2010, lying unsold with them	16,500
(vii)	Cost of goods distributed as free samples	1,500

While valuing the stock at 31st March, 2010, Rs. 1,000 were written off in respect of a slow moving item. The cost of which was Rs. 5,000. A portion of these goods were sold at a loss of Rs. 500 on the original cost of Rs. 2,500. The remainder of the stock is now estimated to be worth the original cost. The value of goods salvaged was estimated at Rs. 20,000. The average rate of gross profit was 20% throughout.

QUESTION NO.5

A. Libra Limited recently made a public issue in respect of which the following information is available:

(a) No. of partly convertible debentures issued- 2,00,000; face value and issue price- Rs. 100 per debenture.

(b) Convertible portion per debenture- 60%, date of conversion- on expiry of 6 months from the date of closing of issue.

(c) Date of closure of subscription lists- 1.5.20X1, date of allotment- 1.6.20X1, rate of interest on debenture- 15% payable from the date of allotment, value of equity share for the purpose of conversion- Rs. 60 (Face Value Rs. 10).

(d) Underwriting Commission- 2%.

(e) No. of debentures applied for- 1,50,000.

(f) Interest payable on debentures half-yearly on 30th September and 31st March.

Write relevant journal entries for all transactions arising out of the above during the year ended 31st March, 20X2 (including cash and bank entries). **(10 MARKS)**

B. Omega company offers new shares of Rs. 100 each at 25% premium to existing shareholders on the basis one for five shares. The cum-right market price of a share is Rs. 200.

You are required to calculate the (i) Ex-right value of a share; (ii) Value of a right share? (5 MARKS)

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

	`		`
To Administrative, Selling and distribution expenses	41,12,710	By Balance b/d	28,61,750
To Directors fees	6,73,900	By Balance from Trading A/c	201,26,825
To Interest on debentures	1,56,200	By Subsidies received from Govt.	13,69,625
To Managerial remuneration	14,26,750		
To Depreciation on fixed assets	26,12,715		
To Provision for Taxation	62,12,500		
To General Reserve	20,00,000		
To Investment Revaluation Reserve	62,500		
To 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 ` 28,76,725. You are required to calculate the maximum limits of the managerial remuneration as per Companies Act, 2013.

(5 MARKS)

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

A. In the books of M/s Prashant Ltd., closing inventory as on 31.03.2015 amounts to Rs. 1,63,000 (on the basis of FIFO method).

The company decides to change from FIFO method to weighted average method for ascertaining the cost of inventory from the year 2014-15. On the basis of weighted average method, closing inventory as on 31.03.2015 amounts to Rs. 1,47,000. Realisable value of the inventory as on 31.03.2015 amounts to Rs. 1,95,000.

Discuss disclosure requirement of change in accounting policy as per AS-1.

B. **Classify the following activities as (i) Operating Activities, (ii) Investing Activities, (iii) Financing Activities:**

a. Purchase of Machinery.
b. Proceeds from issuance of equity share capital
c. Cash Sales.
d. Proceeds from long-term borrowings.
e. Proceeds from Trade receivables.
f. Cash receipts from Trade receivables.
g. Trading Commission received.
h. Purchase of investment.
i. Redemption of Preference Shares.
j. Cash Purchases.

C. Following items appear in the Trial Balance of Beta Ltd. as on 31st March, 2017:

Particulars	Amount
3,000 Equity Shares of Rs. 100 each	3,00,000
Securities Premium (collected in cash)	40,000
Capital Redemption Reserve	30,000
General Reserve	1,00,000

The company decided to issue to equity shareholders bonus shares at the rate of 1 share for every 3 shares held. Company decided that there should be the minimum reduction in free reserves. **Pass necessary Journal Entries in the books of Beta Ltd.**

D. How will you allocate the following expenses among different departments:

(i) Rent, rates and taxes, repairs and maintenance, insurance of building;

(ii) Maintenance of capital assets

(iii) PF/ESI contributions

(iv) Carriage inward/ Discount received

(v) Lighting and Heating expenses