SUGGESTED SOLUTION

INTERMEDIATE N' 2018 EXAM

SUBJECT- ACCOUNTS

Test Code - PIN 5005

Date:

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ANSWER-1

ANSWER-A

According to AS 12 on Accounting for Government Grants, the amount refundable in respect of a grant related to a specific fixed asset (if the grant had been credited to the cost of fixed asset at the time of receipt of grant) should be recorded by increasing the book value of the asset, by the amount refundable. Where the book value is increased, depreciation on the revised book value should be provided prospectively over the residual useful life of the asset.

		(Rs. in lakhs)
1st April, 2014	Acquisition cost of machinery (Rs. 500 – Rs. 100)	400.00
31st March, 2015	*Less*: Depreciation @ 20%	(80)
1st April, 2015	Book value	320.00
31st March, 2016	*Less*: Depreciation @ 20%	(64)
1st April, 2016	Book value	256.00
31st March, 2017	*Less*: Depreciation @ 20%	(51.20)
1st April, 2017	Book value	204.80
2nd April, 2017	*Add*: Refund of grant	100.00
	Revised book value	304.80

Depreciation @ 20% on the revised book value amounting Rs. 304.80 lakhs is to be provided prospectively over the residual useful life of the asset.

(5 MARKS)

ANSWER-B

(i) As per the provisions of AS 5 "Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies", prior period items are income or expenses, which arise, in the current period as a result of error or omissions in the preparation of financial statements of one or more prior periods. Further, the nature and amount of prior period items should be separately disclosed in the statement of profit and loss in a manner that their impact on current profit or loss can be perceived.

In the given instance, it is clearly a case of error/omission in preparation of financial statements for the year 2015-16. Hence, claim received in the financial year 2017-18 is a prior period item and should be separately disclosed in the statement of Profit and Loss. **(2.5 MARKS)**

(ii) In the given case, a limited company created 2.5% provision for doubtful debts for the year 2017-2018. Subsequently, the company revised the estimates based on the changed circumstances and wants to create 8% provision.

As per AS 5, the revision in rate of provision for doubtful debts will be considered as change in estimate and is neither a prior period item nor an extraordinary item.

The effect of such change should be shown in the profit and loss account for the year ending 31st March, 2018. **(2.5 MARKS)**

ANSWER-C

AS 16 clearly states that capitalization of borrowing costs should cease when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed. Therefore, interest on the amount that has been used for the construction of the building up to the date of completion (January, 2017) i.e. Rs. 18 lakhs alone can be capitalized. It cannot be extended to Rs. 25 lakhs.

(5 MARKS)

ANSWER-D

As per AS 13, "Accounting for Investments" Investments classified as long term investments should be carried in the financial statements at cost. However, provision for diminution shall be made to recognize a decline, other than temporary, in the value of the investments, such reduction being determined and made for each investment individually. The standard also states that indicators of the value of an investment are obtained by reference to its market value, the investee's assets and results and the expected cash flows from the investment.

On this basis, the facts of the case given in the question clearly suggest that the provision for diminution should be made to reduce the carrying amount of shares to Rs. 45,000 in the financial statements for the year ended 31st March, 2017 and charge the difference of loss of Rs. 2,55,000 to profit and loss account. **(5 MARKS)**

ANSWER-2

ANSWER-A

(i) Calculation of Interest and Cash Price

No. of installment	Outstanding balance at the end after the payment of installment	Amount due at the time of installment	Outstanding balance at the end before the payment of installment	Interest	Outstanding balance at the beginning
[1]	[2]	[3]	[4]= 2 +3	[5]= 4 x 10/110	[6]= 4-5
3rd	-	2,75,000	2,75,000	25,000	2,50,000
2nd	2,50,000	2,45,000	4,95,000	45,000	4,50,000
1st	4,50,000	2,65,000	7,15,000	65,000	6,50,000

Total cash price = Rs. 6,50,000+ 5,00,000 (down payment) =Rs. 11,50,000.

(3 MARKS)

(ii) In the books of Lucky

Tractors Account

Date	Particulars	Rs.	Date	Particulars	Rs.
1.10.20X1	To Happy A/c	11,50,000	30.9.20X2	By Depreciation A/c.	2,30,000
				Balance c/d	9,20,000
		11,50,000			11,50,000
1.10.20X2	To Balance b/d	9,20,000	30.9.20X3	By Depreciation A/c.	1,84,000
				Balance c/d	7,36,000
		9,20,000			9,20,000
1.10.20X3	To Balance b/d	7,36,000	30.9.20X4	By Depreciation A/c.	1,47,200

				By Happy a/c. (Value of 1 Tractor taken over after depreciation for 3 years @ 30% p.a.) {5,75,000 – (1,72,500 + 1,20,750 + 84,525)}	1,97,225
				By Loss transferred to Profit & Loss a/c. on surrender (Bal. fig.) or (2,94,400 – 1,97,225)	97,175
				By Balance c/d ½ (7,36,000 – 1,47,200 = 5,88,800)	2,94,400
		7,36,000			7,36,000

(4 MARKS)

Happy Account

Date	Particulars	Rs.	Date	Particulars	Rs.
1.10.X1	To Bank (down payment)	5,00,000	1.10.X1	By Tractors a/c.	11,50,000
30.9.X2	To Bank (1st Instalment)	2,65,000	30.9.X2	By Interest a/c.	65,000
	To Balance c/d	4,50,000			
		12,15,000			12,15,000
30.9.X3	To Bank (2nd Instalment)	2,45,000	1.10.X2	By Balance b/d	4,50,000
	To Balance c/d	2,50,000	30.9.X3	By Interest	45,000
		4,95,000			4,95,000
30.9.X4	To Tractor a/c	1,97,225	1.10.X3	By Balance b/d	2,50,000
	To Balance c/d (b. f)	77,775	30.9.X4	By Interest a/c.	25,000
		2,75,000			2,75,000
31.12.X4	To Bank (Amount settled after 3 months)	81,275	1.10.X4	By Balance b/d	77,775
			31.12.X4	By Interest a/c. (@ 18% on bal.) (77,775 × 3/12 × 18/100)	3,500
		81,275			81,275

(3 MARKS)

ANSWER-B

Books of Alpha Ltd.

Investment in 13.5% Debentures in Pergot Ltd. Account

(Interest payable on 31st March & 30th September)

Date	Particulars	Nominal	Interest	Amount	Date	Particulars	Nominal	Interest	Amount
2017		Rs.	Rs.	Rs.	2017		Rs.	Rs.	Rs.
May 1	To Bank	5,00,000	5,625	5,19,375	Sept.30	By Bank		50,625	
		2,50,000				(6 months Int)			
Aug.1	To Bank		11,250	2,45,000	Oct.1	By Bank	2,00,000		2,06,000
Oct.1	To P&L A/c			2,167					
Dec.31	To P&L A/c		52,313		Dec.31	By Balance c/d	5,50,000	18,563	5,60,542
		7,50,000	69,188	7,66,542			7,50,000	69,188	7,66,542

(4 MARKS)

Note: Cost being lower than Market Value the debentures are carried forward at Cost.

Working Notes:

1. Interest paid on Rs. 5,00,000 purchased on May 1st, 2017 for the month of April 2017, as part of purchase price: 5,00,000 x 13.5% x 1/12 = Rs. 5,625
2. Interest received on 30th Sept. 2017

   On Rs. 5,00,000 = 5,00,000 x 13.5% x ½ = 33,750

   On Rs. 2,50,000 = 2,50,000 x 13.5% x ½ = 16,875

   Total Rs. 50,625

3. Interest paid on Rs. 2,50,000 purchased on Aug. 1st 2017 for April 2017 to July 2017 as part of purchase price:

   2,50,000 x 13.5% x 4/12 = Rs. 11,250

4. Loss on Sale of Debentures Cost of acquisition

   (Rs. 5,19,375 + Rs. 2,45,000) x Rs. 2,00,000/Rs. 7,50,000 = 2,03,833

   Less: Sale Price (2,000 x 103) = 2,06,000

   Profit on sale = Rs. 2,167

5. Cost of Balance Debentures

   (Rs. 5,19,375 + Rs. 2,45,000) x Rs. 5,50,000/Rs. 7,50,000 = Rs. 5,60,542

6. Interest on Closing Debentures for period Oct.-Dec. 2017 carried forward (accrued interest)

   Rs. 5,50,000 x 13.5% x 3/12 = Rs. 18,563 **(1*6= 6 MARKS)**

ANSWER-3

ANSWER-A

Memorandum Trading Account for the period 1st April, 2017 to 29th August 2017

		Rs.		*Rs.*
To Opening Stock		3,95,050	By Sales	22,68,000
To Purchases	16,55,350		By Closing stock (Bal. fig.)	4,41,300
Less: Advertisement	(20,500)			
Drawings	(1,000)	16,33,850		
To Gross Profit [30% of Sales] [W N]		6,80,400		
		27,09,300		27,09,300

(4 MARKS)

Statement of Insurance Claim

	Rs.
Value of stock destroyed by fire	4,41,300
Less: Salvaged Stock	(54,000)
Add: Fire Fighting Expenses	2,350
Insurance Claim	3,89,650

Note: Since policy amount is more than claim amount, average clause will not apply. Therefore, claim amount of Rs. 3,89,650 will be admitted by the Insurance Company.

(3 MARKS)

Working Note:

Trading Account for the year ended 31st March, 2017

	Rs.		*Rs.*
To Opening Stock	3,55,250	By Sales	40,00,000
To Purchases	28,39,800	By Closing stock	3,95,050
To Gross Profit	12,00,000		
	43,95,050		43,95,050

Rate of Gross Profit in 2016-17

$$\frac{Gross\ Profit}{Sales} \times 100$$

= 1200000/4000000 x 100

= 30% **(3 MARKS)**

ANSWER-B

In the books of Head Office – XYZ Kolkata Branch Account (at invoice)

	Rs.		Rs.
To Balance b/d		By Stock reserve (opening)	6,000
Stock	30,000	By Remittances:	
Debtors	18,000	Cash Sales 1,00,000	
Cash in hand	800	Cash from Debtors 60,000	1,60,000
Furniture	3,000	By Goods sent to branch (loading)	32,000
To Goods sent to		By Goods returned by	
branch	1,60,000	branch (Return to H.O.)	2,000
To Goods returned by	400	By Balance c/d	
branch (loading)		Stock	28,000
To Bank (expenses		Debtors	16,880
paid by H.O.)		Cash (800-600)	200
Rent 1,800		Furniture (3,000-300)	2,700
Salary 3,200			
Stationary &			
printing 800	5,800		
To Stock reserve (closing)	5,600		
To Profit transferred to			
General Profit & Loss A/c	24,180		
	2,47,780		2,47,780

(7 MARKS)

Working Note:

Debtors Account

	Rs.		Rs.
To Balance b/d	18,000	By Cash account	60,000
To Sales account (credit)	60,000	By Sales return account	960
		By Discount allowed account	160
		By Balance c/d	16,880
	78,000		78,000

Note: It is assumed that goods returned by branch are at invoice price.

(3 MARKS)

ANSWER-4

ANSWER-A

Statement showing calculation of profits for pre and post incorporation periods for the year ended 31.3.2017

Particulars	*Pre-incorporation period Rs.*	*Post- incorporation period Rs.*
Gross profit (1:3)	80,000	2,40,000
Less: Salaries (1:2)	16,000	32,000
Stationery (1:2)	1,600	3,200
Advertisement (1:3)	4,000	12,000

Travelling expenses (W.N.3)	4,000	8,000
Sales promotion expenses (W.N.3)	1,200	3,600
Misc. trade expenses (1:2)	12,600	25,200
Rent (office building) (W.N.2)	8,000	18,400
Electricity charges (1:2)	1,400	2,800
Director's fee	-	11,200
Bad debts (1:3)	800	2,400
Selling agents commission (1:3)	4,000	12,000
Audit fee (1:3)	1,500	4,500
Debenture interest	-	3,000
Interest paid to vendor (2:1) (W.N.4)	2,800	1,400
Selling expenses (1:3)	6,300	18,900
Depreciation on fixed assets (W.N.5)	3,000	6,600
Capital reserve (Bal. Fig.)	12,800	-
Net profit (Bal. Fig.)	-	74,800

(4 MARKS)

Working Notes:

1. **Time Ratio**

   Pre incorporation period = 1st April, 2016 to 31st July, 2016

   i.e. 4 months

   Post incorporation period is 8 months

   Time ratio is 1: 2.

2. **Sales ratio**

   Let the monthly sales for first 6 months (i.e. from 1.4.2016 to 30.09.16) be = x Then, sales for 6 months = 6x

Monthly sales for next 6 months (i.e. from 1.10.16 to 31.3.2017) = X + 2/3x

= 5/3 x

Then, sales for next 6 months = 5/3 x × 6 =10x

Total sales for the year = 6x + 10x = 16x

Monthly sales in the pre incorporation period = Rs.19,20,000/16 = Rs.1,20,000

Total sales for pre-incorporation period = Rs.1,20,000 x 4 =Rs.4,80,000

Total sales for post incorporation period = Rs.19,20,000 – Rs.4,80,000 = Rs.14,40,000 Sales Ratio = 4,80,000 : 14,40,000= 1 : 3

3. Rent

		Rs.
Rent for pre-incorporation period (Rs.2,000 x 4)		8,000 (pre)
Rent for post incorporation period		
August,2016& September,2016 (Rs.2,000 x 2)	4,000	
October,2016 to March,2017 (Rs.2,400 x 6)	14,400	18,400 (post)

4. Travelling expenses and sales promotion expenses

	Pre *Rs.*	*Post* *Rs.*
Traveling expenses Rs.12,000 (i.e. Rs.16,800-Rs.4,800) distributed in 1:2 ratio	4,000	8,000
Sales promotion expenses Rs.4,800 distributed in 1:3 ratio	1,200	3,600

5. **Interest paid to vendor till 30th September, 2016**

	Pre *Rs.*	*Post* *Rs.*
Interest for pre-incorporation period $\left\{\frac{4200}{6} \times 4\right\}$	2,800	
Interest for post incorporation period i.e. for August, 2016& September, 2016= $\left\{\frac{4200}{6} \times 2\right\}$		1,400

6. Depreciation

	Pre *Rs.*	*Post* *Rs.*
Total depreciation 9,600		
Less: Depreciation exclusively for post incorporation period 600		600
9,000		
Depreciation for pre-incorporation period $\left\{9000 \times \frac{4}{12}\right\}$	3,000	
Depreciation for post incorporation period $\left\{9000 \times \frac{8}{12}\right\}$		6,000
	3,000	6,600

(1*6=6 MARKS)

ANSWER-B

Journal Entries in the books of Brite Ltd.

20X1			Dr. Rs. in lakhs	Cr. Rs. in lakhs
April 2	Equity Share Final Call A/c	Dr.	2,000	
	To Equity Share Capital A/c			2,000
	(Final call of Rs. 2 per share on 10 crore equity shares made due)			
	Bank A/c	Dr.	2,000	
	To Equity Share Final Call A/c			2,000
	(Final call money on 10 crore equity shares received)			
June 1	Capital Redemption Reserve A/c	Dr.	1,485	
	Securities Premium A/c	Dr.	2,000	
	General Reserve A/c (b.f.)	Dr.	515	
	To Bonus to Shareholders A/c			4,000
	(Bonus issue of two shares for every five shares held, by utilising various reserves as per Board's resolution dated…….)			
	Bonus to Shareholders A/c	Dr.	4,000	
	To Equity Share Capital A/c			4,000
	(Capitalisation of profit)			

(1*4= 4 MARKS)

Notes to Accounts

			Rs. in lakhs
1.	Share Capital Authorised share capital 20 crore shares of Rs. 10 each		20,000
	Issued, subscribed and fully paid up share capital		14,000
	14 crore Equity shares of Rs. 10 each, fully paid up		
	(Out of the above, 4 crore equity shares @ Rs. 10 each were issued by way of bonus)		
	2 crore, 11% Cumulative Preference share capital of Rs. 10 each, fully paid up		2,000
			16,000
	Reserves and Surplus		
	Capital Redemption reserve	1485	
	Less: Utilised for bonus issue	(1485)	
	Securities Premium	2000	
	Less: Utilised for bonus issue	(2000)	
	General Reserve	1040	
	Less: Utilised for bonus issue	(515)	525
	Surplus (Profit and Loss Account)		273
	Total		798

(6 MARKS)

ANSWER-5

ANSWER-A

		Trade payable	Y's Loan	X (Rs.)	Capitals Y (Rs.)	Z (Rs.)
Balance Due		66,000	18,000	60,000	40,000	50,000
Including 1st Instalment amount with the firm Rs. (1100 + 74,600)	75,700					
Less : Dissolution expenses provided for	(12,000)					
	63,700					
Less : Z's remuneration of 1% on assets realized (74,600 × 1%)	(746)					
	62,954					
Less : Payment made to Trade Payables	(62,954)	(62,954)				
Balance due	Nil	3046				
2nd Instalment realised	69,301					
Less : Z's remuneration of 1% on assets realized (69,301 × 1%)	693					
	68,608					
Less : Payment made to Trade payables	646	646				
Transferred to P & L A/c.		2,400				
	67,962					
Less : Payment for Y's loan A/c.	(18,000)		(18,000)			
Amount available for distribution to partners	49,962		Nil			
Less : Z's remuneration of 10% of the amount	(4,542)					

distributed to partners (49,962 × 10/110)						
Balance to be distributed to partners on the basis of HRCM	45,420					
Less : Paid to Z (W.N.)	(2,000)					(2,000)
	43,420					48,000
Less : Paid to X and Z in 5 : 4 (W.N.)	(18,000)			(10,000)	-	(8,000)
Balance due	25,420			50,000	40,000	40,000
Less : Paid to X, Y & Z in 5 : 4 : 4	25,420			(9,778)	(7,821)	(7,821)
	Nil					
Amount of 3rd Instalment	40,000			40,222	32,179	32,179
Less : Z's remuneration of 1% on assets realized (40,000 × 1%)	(400)					
	39,600					
Less : Z's remuneration of 10% of the amount distributed to partners (39,600 × 10/110)	(3,600)					
	36,000					
Less : Paid To X, Y, Z in 5 : 4 : 4 for (W.N.)	(36,000)			(13,846)	(11,077)	11,077)
	Nil			26,376	21,102	21,102
Amount of 4th and last instalment	28,000					
Less : Z's remuneration of 1% on assets realized (28,000 × 1%)	(280)					
	27,720					
Less : Z's remuneration of						

10% of the amount distributed to partners (27,720 × 10/110)	(2,520)					
	25,200					
Less : Paid to X, Y and Z in 5 : 4 : 4	(25,200)			(9,692)	(7,754)	(7,754)
	Nil					
Loss suffered by partners				16,684	13,348	13,348

Statement showing distribution of cash amongst the partners

(10 MARKS)

Working Note:

(i) Rs. 1100 added to the first instalment received on sale of assets represents the Cash in Bank

(ii) The amount due to Creditors at the end of the utilization of First Instalment is Rs. 3046. However, since the creditors were settled for Rs. 63,600 only the balance Rs.646 were paid and the balance Rs. 2400 was transferred to the Profit & Loss Account. **(2 MARKS)**

(iii) Highest Relative Capital Basis

	X *Rs.*	*Y* *Rs.*	*Z* *Rs.*
Balance of Capital Accounts (A)	60,000	40,000	50,000
Profit sharing ratio	5	4	4
Capital Profit sharing ratio	12,000	10,000	12,500
Capital in profit sharing ratio taking Y's Capital as base (B)	50,000	40,000	40,000
Excess of X's Capital and Z's Capital (A-B) =(C)	10,000	nil	10,000
Again repeating the process			
Profit sharing ratio	5		4
Capital Profit sharing ratio	2,000		2,500

Capital in profit sharing ratio taking X's Capital as base (D)	10,000		8,000
Excess of Z's Capital (C-D)=(E)	nil		2,000

Therefore, firstly Rs.2,000 is to be paid to Z, then X and Z to be paid in proportion of 5:4 upto Rs. 18,000 to bring the capital of all partners X, Y and Z in proportion to their profit sharing ratio. Thereafter, balance available will be paid in the profit sharing ratio 5:4:4 to all partners viz X, Y and Z.

(3 MARKS)

ANSWER-B

Cash Flow Statement from Investing Activities of Creative Furnishings Limited for the year ended 31-03-2017

Cash generated from investing activities	*Rs.*	*Rs.*
Interest on loan received	82,500	
Pre-acquisition dividend received on investment made	62,400	
Unsecured loans given to subsidiaries	(4,85,000)	
Interest received on investments (gross value)	76,200	
TDS deducted on interest	(8,200)	
Sale of plant	74,400	
Cash used in investing activities (before extra ordinary item)		(1,97,700)
Extraordinary claim received for loss of plant		49,600
Net cash used in investing activities (after extra ordinary item)		(1,48,100)

Note:

1. Debenture interest paid and Term Loan repaid are financing activities and therefore not considered for preparing cash flow from investing activities.
2. Plant acquired by issue of 8% debentures does not amount to cash outflow, hence also not considered in the above cash flow statement.

(5 MARKS)

ANSWER-6

ANSWER-A

The Framework for Recognition and Presentation of Financial statements recognises four alternative measurement bases for the purpose of determining the value at which an element can be recognized in the balance sheet or statement of profit and loss. These bases are: (i)Historical Cost; (ii)Current cost (iii) Realisable (Settlement) Value and (iv) Present Value. **(1 MARK)**

A brief explanation of each measurement basis is as follows:

1. **Historical Cost**: Historical cost means acquisition price. According to this, assets are recorded at an amount of cash or cash equivalent paid or the fair value of the asset at the time of acquisition. Liabilities are generally recorded at the amount of proceeds received in exchange for the obligation.
2. **Current Cost:** Current cost gives an alternative measurement basis. Assets are carried out at the amount of cash or cash equivalent that would have to be paid if the same or an equivalent asset was acquired currently. Liabilities are carried at the undiscounted amount of cash or cash equivalents that would be required to settle the obligation currently.
3. **Realisable (Settlement) Value:** As per realisable value, assets are carried at the amount of cash or cash equivalents that could currently be obtained by selling the assets in *an orderly disposal*. Liabilities are carried at their settlement values; i.e. the undiscounted amount of cash or cash equivalents paid to satisfy the liabilities in the normal course of business.
4. **Present Value**: Under present value convention, assets are carried at present value of future net cash flows generated by the concerned assets in the normal course of business. Liabilities under this convention are carried at present value of future net cash flows that are expected to be required to settle the liability in the normal course of business. **(1*4=4 MARKS)**

ANSWER-B

Nominal value of preference shares	Rs.5,00,000
Maximum possible redemption out of profits	Rs.3,00,000
Minimum proceeds of fresh issue	Rs. 5,00,000 - 3,00,000 = Rs.2,00,000
Proceed of one share	= Rs.9

Minimum number of shares = 200000/9

= 22222.22 shares

As fractional shares are not permitted, the minimum number of shares to be issued is 22,223 shares.

If shares are to be issued in multiples of 50, then the next higher figure which is a multiple of 50 is 22,250. Hence, minimum number of shares to be issued in such a case is 22,250 shares. **(5 MARKS)**

ANSWER-C

Table showing calculation of deferred tax asset / liability

Particulars	*Amount*	*Timing differences*	*Deferred tax*	*Amount @ 50%*
	Rs.			*Rs.*
Excess depreciation as per tax records (Rs. 5,00,000 – Rs. 2,00,000)	3,00,000	Timing	Deferred tax liability	1,50,000
Unamortized preliminary expenses as per tax records	30,000	Timing	Deferred tax asset	(15,000)
Net deferred tax liability				1,35,000

(5 MARKS)

ANSWER-D

Capital Account of Shri Moti

		1-4-2015		1-4-2017
	Rs.	Rs.	Rs.	Rs.
Assets:				
Cash in hand		25,500		16,000
Inventory		56,000		91,500
Sundry debtors		41,500		52,500
Land & Building		1,90,000		1,90,000
Wife's Jewellery		75,000		1,25,000
Motor Car		-		1,25,000
Loan to Moti's Brother		-		20,000
		3,88,000		6,20,000
Liabilities:				
Owing to Moti's Brother	40,000		-	
Sundry creditors	35,000	75,000	55,000	55,000
Capital		3,13,000		5,65,000
Income during the two years:				
Capital as on 1.4.2017				5,65,000
Add : Drawings – Domestic Expenses for the two years (4,000 × 24 months)				96,000
				6,61,000
Less : Capital as on 1.4.2015				(3,13,000)
Income earned in 2015 – 2016 and 2016 – 2017				3,48,000
Income declared (1,05,000 + 1,23,000)				2,28,000
Suppressed Income				1,20,000

The Income-tax officer's contention that Shri Moti has not declared his true income is correct. Shri Moti's true income is in excess of the disclosed income by Rs. 1,20,000.

(5 MARKS)