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

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

A. While preparing its final accounts for the year ended 31st March, 2017, a company made provision for bad debts @ 5% of its total debtors. In the last week of February, 2017 a debtor for Rs. 20 lakhs had suffered heavy loss due to an earthquake; the loss was not covered by any insurance policy. In April, 2017 the debtor became a bankrupt. Can the company provide for the full loss arising out of insolvency of the debtor in the final accounts for the year ended 31st March, 2017 ? **You are required to advise the company in line with AS 4.**

B. A specific government grant of Rs. 15 lakhs was received by USB Ltd. for acquiring the Hi – tech Diary plant of Rs. 95 lakhs during the year 2014 – 15. Plant has useful life of 10 years. The grant received was credited to deferred income in the balance sheet. During 2017 – 18, due to non – compliance of conditions laid down for the grant, the company had to refund the whole grant to the Government. Balance in the deferred income on that date was Rs. 10.50 lakhs and written down value of plant was Rs. 66.50 lakhs.

(i) What should be the treatment of the refund of the grant and the effect on cost of plant and the amount of depreciation to be charged during the year 2017 – 18 in profit and loss account ?

(ii) What should be the treatment of the refund, if grant was deducted from the cost of the plant during 2014 – 15 assuming plant account showed the balance of Rs. 56 lakhs as on 1.4.2017 ?

You are required to explain in the line with provisions of AS 12.

C. PQR Ltd. is in the process of finalizing its accounts for the year ended 31 st March, 2018. The company seeks your advice on the following:

(i) Goods worth Rs. 5,00,000 were destroyed due to flood in September, 2015. A claim was lodged with insurance company. But no entry was passed in the books for insurance claim in the financial year 2015-16. In March, 2018, the claim was passed and the company received a payment of Rs. 3,50,000 against the claim. Explain the treatment of such receipt in final account for the year ended 31 st March, 2018.

(ii) Company created a provision for bad and doubtful debts at 2.5% on debtors in preparing the financial statements for the year 2017-18.

Subsequently, on a review of the credit period allowed and financial capacity of the customers, the company decides to increase the provision to 8% on debtors as on 31.03.2018. The accounts were not approved by the Board of Directors till the date of decision. While applying the relevant accounting standard, can this revision be considered as an extra ordinary item or prior period item?

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 Rs. 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. Ajay Enterprises, a Partnership firm in which A,B and C are three partners sharing profits and losses in the ratio of 4 : 3 : 3. the balance sheet of the firm as on 31st December, 20X1 is as below:

Liabilities	Rs.	Assets	Rs.
A' s Capital	15,000	Factory Building	24,160
B' s Capital	7,500	Plant & Machinery	16,275
C' s Capital	15,000	Debtors	5,400
B' s Loan	4,500	Stock	12,390
Sundry Capital	16,500	Cash at Bank	275
	58,500		**58,500**

On balance sheet date all the three partners have decided to dissolve their partnership. Since the realization of assets was protracted, they decided to distribute amounts as and when feasible and for this purpose they appoint C who was to get as his remunerations 1% of the value of the assets realized other than cash at Bank and 10% of the amount distributed to the partners.

Assets were realized piecemeal as under:

First installment	Rs. 18,650
Second installment	Rs. 17,320
Third installment	Rs. 10,000
Last installment	Rs. 7,000
Dissolution expenses were provided for estimated amount of	Rs. 3,000
The creditors were settled finally for	Rs. 15,900

<u>Prepare a statement showing distribution of cash amongst the partners by 'Higher Relative Capital Method'</u>. **(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. **<u>Pass necessary Journal entries</u>** 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. Ganapati LLC submits the following information pertaining to a year. Using the data, you are required to find the ending Cash and Bank Balances given an Opening Figure thereof was Rs. 1.55 Million.

Particulars	Rs. Millions	Particulars	Rs. Millions
Additional Shares issued	6.50	Gains from Disposal of Assets	(1.20)
CAPEX (Capital Expenditure)	9.90	Net Income	3.30
Proceeds from Assets sold	1.60	Increase in Accounts Receivable	1.50
Dividends declared	0.50	Redemption of 4.5% Debentures	2.50
		Depreciation & Amortization	0.75

B. PQ Ltd., a non – investment company has been incurring losses for the past few years. The company provides the following information for the current year :

	(Rs. In lakhs)
Paid up equity share capital	180
Paid up preference share capital	30
Reserves (including Revaluation reserve Rs. 15 lakhs)	225
Securities premium	60
Long term loans	60
Deposits repayable after one year	30
Application money pending allotment	1080
Accumulated losses not written off	30
Investments	270

PQ Ltd. has only one whole – time director, Mr. Hello. **You are required to calculate the amount of maximum remuneration** that can be paid to him as per provisions of Companies Act, 2013, if no special resolution is passed at the general meeting of the company in respect of payment of remuneration for a period not exceeding three years.

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.

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

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

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 ?