Note: Question 1 is compulsory. Attempt any five from the rest.

Question 1 (5 marks each)

A) Vinayak Chemicals Ltd, a Government Company, is engaged in production of fertilizers and various nitrogenous chemicals. As per Company's accounting policy, expenses incurred upto ` 25,000 relating to future period are expensed in the current year.
The Statutory Auditors of the Company, opine that the company has not compiled with AS – 1 and the provisions of Companies Act, 2013, which prescribes accrual basis of accounting. Does the aforesaid accounting policy of the Company violate the provisions of AS – 1 and the provisions of Companies Act, 2013?

B) HP is a leading distributor of Petrol. A detail Inventory of Petrol in hand is taken when the books are closed at the end of each month. At the end of the month, the following information is available:
Sales - ` 47, 25,000, General Overheads Cost - ` 1, 25,000, Inventory at beginning – 1, 00,000 Litres at ` 15 per Litre. Purchases : (a) June 1 Two Litres at 14.25; (b) June 30 One Lakh Litres at 15.15; (c) Closing Inventory 1.30 Lakh Litres. Compute the following by the FIFO as per AS 2:
(a) Value of Inventory on June 30. (b) Amount of Cost of goods sold for June. (c) Profit /Loss for the month of June.

C) Entity A, which operates a major chain of Supermarkets, has acquired a new store location. The new location requires significant Renovation Expenditure. Management expects that the renovations will last for 3 months during which the Supermarket will be closed. Management has prepared the budget for this period including expenditure related to Construction and Re-Modeling Costs, Salaries of staff who will be preparing the Store before its opening and related Utilities Costs. What will be the treatment of such expenditures?

D) A Fixed Asset is purchased for ` 20 Lakhs, Government Grant received towards it is ` 8 Lakhs. Residual Value is ` 4 Lakhs and useful life is 4 years. Assume SLM Depreciation. Asset is shown net of Grant. After 1 year, Grant becomes refundable to the extent of ` 5 Lakhs due to non – compliance with conditions. Pass Journal Entries.

Question 2 (16 marks)

P and Q are Partners of P & Co. sharing Profit and Losses in the Ratio of 3:1, and Q and R are Partners of R & Co. sharing Profits and Losses in the ratio of 2:1. On 31st March 2015, they decide to amalgamate and form a new Firm M/s PQR & Co wherein P, Q and R would be Partners sharing Profits and Losses in the Ratio of 3:2:1. The Balance Sheets of the two Firms on the above date are as under:

Liabilities	P & Co.	R & Co.	Assets	P & Co.	R & Co.
Capitals:			Fixed Assets:		
P	2,50,000	-	Buildings	50,000	60,000
Q	1,80,000	2,20,000	Plant & Machinery	1,60,000	1,70,000
R	-	1,20,000	Office Equipment	50,000	46,000
Reserves	60,000	1,50,000	Current Assets:		
Sundry Creditors	1,30,000	1,36,000	Stock-in-Trade	1,20,000	1,40,000
Due to P & Co.	-	1,00,000	Sundry Debtors	1,60,000	2,00,000
Bank Overdraft	80,000	-	Bank Balance	40,000	1,00,000
			Cash in Hand	20,000	10,000
			Due to R & Co.	1,00,000	-
Total	7,00,000	7,26,000	Total	7,00,000	7,26,000

The amalgamated Firm took over the business on the following terms:

(a) Building of P & Co. was valued at ` 1, 50,000.
(b) Plant & Machinery of P & Co. was valued at ` 2, 75,000 and that of R & Co. at ` 2, 50,000.

(c) All Stocks in Trade is to be appreciated by 20%.

(d) Goodwill of P & Co. was valued at ` 1, 20,000 and of R & Co. at ` 60,000, but the same will not appear in the books of PQR & Co.

(e) Partners of New Firm will bring the necessary cash to pay other Partners to adjust their Capitals according to the Profit Sharing Ratio.

(f) Provisions for Doubtful Debts has to be carried forward at ` 15,000 in respect of Debtors of P & Co, and ` 30,000 in respect of Debtors of R & Co.

You are required to prepare the Balance Sheet of New Firm and Capital Accounts of the Partners in the Books of Old Firms.

Question 3 (16 marks)

A Sole Trader requests you to prepare his Trading and Profit & Loss Account for the year ended 31st March and Balance Sheet as on that date. He provides you the following information -

Statement of Affairs as at 1st April (Opening)

Capital and Liabilities		`	Properties and Assets	`
Bank Over Draft		4,270	Furniture	96,000
Outstanding Expenses			Computer	24,300
Salaries	8,000		Mobile Phone	8,000
Rent	6,000	14,000	Stock	89,500
Bills Payable		22,500	Trade Debtors	55,000
Trade Creditors		52,500	Bills Receivable	15,000
Capital(Balancing Figure)		1,97,430	Unexpired Insurance	2,400
			Stock of Stationery	200
			Cash in Hand	300
Total		2,90,700	Total	2,90,700

He informs you that there has been no addition to or sale of Furniture, Computer and Mobile Phone during the Accounting Year. The other Assets and Liabilities on 31st March are as follows –

Particulars	`	Particulars	`	Particulars	`
Stock	95,400	Stock of Stationery	250	Rent Outstanding	6,000
Trade Debtors	65,000	Cash at Bank	18,000	Bills Payable	26,500
Bills Receivable	20,000	Cash in Hand	7,230	Trade Creditors	76,000
Unexpired Insurance	2,500	Salaries Outstanding	8,300		

He also provides to you the following summary of his Cash transactions –

Receipts	`	Payments	`
Cash Sales	5,09,800	Trade Creditors	3,06,000
Trade Debtors	1,51,900	Bills Payable	80,000
Bills Receivable	65,000	Salaries	99,000
		Rent	72,000
		Insurance Premium	10,000
		Stationery	1,500
		Mobile Phone Expenses	9,000
		Drawings	1,20,000

It is found prudent to depreciate Furniture at 5%, Computer at 10% and Mobile Phone at 25%. A Provision for Bad Debts at 5% on Trade Debtors is also considered desirable.

Question 4 (8 marks each)

A) Jyothi Associates entered in to a Financial Lease Agreement on 01.04.2017 with Futura Leasing Company Ltd for lease of a Car. The price of the Car was ` 2, 00,000 and the Quarterly Lease Rentals were agreed at ` 90 Per Thousand payable at the beginning of every quarter.

Jyothi Associates kept up their payments but by 25.03.2018 they approached and obtained the consent of the Leasing Company for treating the arrangement as one of Hire – Purchase from the beginning on the following terms:

- Period – 3 years
- Quarterly Hire - ` 30,000 payable at the beginning of the quarter.

It was agreed that the Lease Rentals paid will be treated as Hire Monies and that the balance due upto 31.03.2018 will be settled by Jyothi Associates on that date with interest at 18% p.a. on various instalments due during the year. The rate of depreciation on the Car is 25%.

Prepare and show the following accounts in the books of Jyothi Associates for the year 2017 – 2018: (a) Futura Leasing Company Ltd, and (b) Interet Suspense Account.

B) M/s Shyam Udyog, a Retail Store, has two Departments X and Department Y for each of which Stock Account and Memorandum Mark-Up Account are kept. All the goods supplied to each Departments are debited to the Stock Account at Cost plus Mark-Up, which together make up the Selling Price of the goods, and in the account the Sale Proceeds of the goods are credited. The amount of 'Mark – Up' is credited to the Departmental Mark-Up Account. If the Selling Proice of any goods is reduced below its Normal Selling Price, the reduction 'Marked Down' is adjusted both in the Stock Account and the Departmental Mark – Up Account. The rate of 'Mark – Up' for X Department is 33-1/3%of the cost and for Y Department it is 50% of the cost.

The following figures have been taken from the books of the year ended March 2016.

Particulars	Dept. X (`)	Dept. Y (`)
Stock on April 1st at Cost	3,15,000	5,58,000
Purchases	22,77,000	28,02,000
Sales	28,68,000	37,50,000

(1) The Stock of Department X on 1st April 2015 included goods the Selling Price of which had been marked down by ` 37,800. These goods were sold the year at the reduced prices.

(2) Certain Stock of the value of ` 2,07,000 purchased from the Department X, was later in the year transferred to Department Y, and sold for ` 3,10,500. As a result, though cost of the goods is included in Department X, the Sale Proceeds have been credited to the Department Y.

(3) During the year 2015 – 2016, to promote the goods, they were marked down as follows

	Cost (`)	Marked Down (`)
Department X	1,68,000	10,800
Department Y	3,00,000	60,000

All the Goods Marked Down, were sold expect of Department Y of the value of ` 1,50,000 marked down by ` 30,000.

(4) At the time of stock taking on 31st Match 2016, it was discovered that Cloth of Department X of the cost of ` 11,700 was missing and it was decided that the amount be written – off.

You are required to prepare for both the Departments for the year ended 31st March, 2016 –

(a) The Memoramdum Stock Account, and

(b) The Memorandum Mark – Up Account.

Question 5 (8 marks each)

A) Krishnan Traders Ltd sends Goods to its Chennai Branch at Cost plus 25%. The following particulars are available in respect of the Branch for the year – ended 31st March –

Particulars	`
Opening Stock	80,000
Goods Sent to Branch (Invoice Price)	12,00,000
Loss In Transit (Invoice Price)	15,000
Pilferage (Invoice Price)	6,000
Sales	12,19,000
Expenses	60,000
Closing Stock	40,000
Recovered from Insurance Company against Loss in Transit	10,000

Show Ledger Account in the HO Books for – (1) Branch Stock Account, (2) Goods Sent TO Branch Account, (3) Branch Adjustment Account, and (4) Branch Proift & Loss Account .

B) Following is the extract from the Balance Sheet of Krishna Ltd as at 31st March –

Particulars	`
Authorised Capital: 50,000,10% Preference Shares of ` 10 each 2,00,000 Equity Shares of ` 10 each	5,00,000 20,00,000
Issued and Subscribed Capital: 40,000 10% Preference Shares of ` 10 each fully paid 1,80,000 Equity Shares of ` 10 each, of which ` 7.50 paid up	4,00,000 13,50,000
Reserves and Surplus: General Reserve Capital Reserve Securities Premium Profit and Loss Account	 2,40,000 1,50,000 50,000 4,00,000

On 1st April, the Company made a Final Call at ` 2.50 each on 1,80,000 Equity Shares. The call money was received by 30th April. Thereafter, the Company decided to capitalize its Reserves by issuing Bonus Shares at the rate of one share for every three shares held. Securities Premium of ` 50,000 includes a Premium of ` 20,000 for Shares issued to Vendor for purchase of a special machinery. Capital Reserve includes ` 60,000 being profit on exchange of Plant and Machinery.

Show necessary Journal Entries in the books of the Company and prepare the extract of the Balance Sheet after Bonus Issues. Necessary assumptions, if any, should form part of your answer.

Question 6 (8 marks each)

A) On 1st April 2017, in Mani Ltd's Ledger 9% Debentures appeared with a Opening Balance of ` 50,00,000 divided into fully paid Debentures of ` 100 each issued at par.

Interest on Debentures was paid half yearly on 30th of September and 31st March every year.

1. On 31.05.2017, the Company purchased 8,000 Debentures of its own at ` 98 (ex-interest) per Debenture.
2. On 31.12.2017, it cancelled 5,000 Debentures out of 8,000 Debentures acquired on 31.05.2017.
3. On 31.01.2018, it resold 2,000 of its Own Debentures in the Market at ` 101 (ex-interest) per Debenture.

Prepare:

- Own Debentures Account,
- Interest on Debentures Account, and
- Interest on Own Debentures Account.

B) Roshani & Reshma working in Partnership, registered a Joint Stock Company under the name of Happy Ltd on May 31s1 2017, to takeover their existing business. The summarized Profit & Loss A/c as given by Happy Ltd for the year ending 31st March is as under:

Particulars	Amount in `	Particulars	Amount in `
To Salary	1,44,000	By Gross Profit	4,50,000
To Interest on Debentures	36,000		
To Sale Commission	18,000		
To Bad Debts	49,000		
To Depreciation	19,250		
To Rent	38,400		
To Audit Fees	12,000		
To Net Profit	1,33,350		
Total	4,50,000	Total	4,50,000

Prepare a Statement showing allocation of Expenses & calculation of Pre-Incorporation & Post-Incorporation Profits after considering the following information:

1. GP Ratio was constant throughout the year.
2. Depreciation includes ` 1,250 for Assets acquired in Post-Incorporation Period.

3. Bad Debts recovered amounting to ` 14,000 for sale made in 2014-15 has been deducted from Bad Debts mentioned above.
4. Total Sales were `  18,00,000 of which ` 6,00,000 were for April to September.
5. Happy Ltd. had to occupy additional space from 1st October 2017, for which Rent was ` 2,400 per month.

Question 7 (8 marks each)

A) Ramda & Sons had taken out policies (without Average Clause) both against Loss of Stock and Loss of Profit, for ` 2,10,000 and ` 3,20,000 respectively. A fire occurred on 1st July 2017, and as a result of which sales were seriously affected for a period of 3 months.

Trading and Profit & Loss A/c of Ramda & Sons for the year ended on 31st March 2017 is given below

Particulars	`	Particulars	`
To Opening Stock	96,000	By Sales	12,00,000
To Purchases	7,56,000	By Closing Stock	1,85,000
To Wages	1,58,000		
To Manufacturing Expenses	75,000		
To Gross Profit c/d	3,00,000		
Total	13,85,000	Total	13,85,000
To Administrative Expenses	83,600	By Gross Profit b/d	3,00,000
To Selling Expenses (Fixed)	72,400		
To Commission on Sales	34,200		
To Carriage Outwards	49,800		
To Net Profit	60,000		
Total	3,00,000	Total	3,00,000

Further detail provided is as below:

(a) Sales, Purchases, Wages and Manufacturing Expenses for the period 01.04.2017 to 30.06.2017 were ` 3,36,000, ` 2,14,000, 1 51,000 and 1 ,12,000 respectively.

(b) Other Sales figures were as follows: From 01.04.2016 to 30.06.2016- ` 3,00,000
From 01.07.2016 to 30.09.2016 - ` 3,20,000
From 01.07.2017 to 30.09.2017-` 48,000

(c) Due to decrease in the Material Cost, Gross Profit during 2017-2018 was expected to increase by 5% on Sales.

(d) ` 1,98,000 were additionally incurred during the period after fire. The amount of policy included ` 1,56,000 for Expenses leaving ` 42,000 uncovered.

Compute the Claim for Stock, Loss of Profit and Additional Expenses.

B) On 1st April 2017, Easwar had 25,000 Equity Shares of Milky Ocean Ltd, at a Book Value of ` 15 per Share (Face Value ` 10). On 20th June 2017, he purchased another 5,000 Shares of the Company at ` 16 per Share. The Directors of Milky Ocean Ltd announced a Bonus and Rights Issue. No Dividend was payable on their issues. The terms of the issue are as follows:

Bonus Basis 1: 6 (Date: 16th August 2017)

Rights Basis 3: 7 (Date: 31st August 2017) Price ` 15 per Share. Due date for payment 30th September 2017.

Shareholders can transfer their rights in full or in part. Accordingly, Easwar sold 1/3rd of his entitlement to Madhav for a consideration of ` 2 per Share.

Dividends: Dividends for the year ended 31st March 2017 at the rate of 20% were declared by Milky Ocean Ltd and received by Easwar on 31st October 2017. Dividends for Shares acquired by him on 20th June 2017 are to be adjusted against cost of purchase.On 15th November 2017, Easwar sold 25,000 Equity Shares at a Premium of ` 5 per Share.

Prepare - (1) Investment Account, and (2) Profit & Loss Account in the books of Easwar. Assume that the books are closed on 31st December 2017, and Shares are valued at Average Cost.

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