SUGGESTED SOLUTION

I.P.C.C MAY 2014 EXAM

ACCOUNTING

Prelims (Test Code - I M J 4 0 6 7)

(Date : 07 April, 2014)

Head Office : Shraddha, 3rd Floor, Near Chinai College, Andheri (E), Mumbai – 69.

Tel : (022) 26836666

Ans. 1

(a)

In the General Ledger

Dr. **Sales Ledger Adjustment Account** **Cr.**

Date	Particulars	₹	Date	Particulars	₹
1.4.12	To Balance b/d	90,600	1.4.12 to 31.3.13	By General Ledger Adjustment A/c:	
31.3.13	To General Ledger Adjustment A/c:			Cash	1,78,200
	Sales	3,80,800		Returns Inward	17,600
				Bills Receivable recd.	1,36,000
				Bad Debts written off	24,000
				Discount Allowed	1,800
				Transfer from Purchase Ledger	26,600
			31.3.13	By Balance c/d	87,200
		4,71,400			**4,71,400**

Dr. **Purchase Ledger Adjustment Account** **Cr.**

Date	Particulars	₹	Date	Particulars	₹
1.4.12 to 31.3.13	To General Ledger Adjustment A/c:		1.4.12	By Balance b/d	78,600
	Cash	1,86,000	31.3.13	By General Ledger Adjustment A/c:	
	Returns outward	14,000		Purchases	3,26,000
	Bills Payable accepted	1,22,000			
	Discount received	4,000			
	Transfer to Sales Ledger	26,600			
1.3.13	To Balance c/d	52,000			
		4,04,600			**4,04,600**

(b)

In the books of Mr. Jeel

Investment Account (Equity Shares of Sheel Ltd.)

Dr. **for the year ended 31st March, 2014** **Cr.**

Date	Particulars	Nominal Value(₹)	Cost (₹)	Date	Particulars	Nominal Value(₹)	Cost (₹)
1.04.13	To Bank A/c (note 1)	5,00,000	6,15,000	31.01.14	By Bank A/c (note 2)	2,50,000	2,20,500
31.01.14	To Bonus shares	2,50,000	—	31.03.14	By Balance c/d	5,00,000	4,10,000
31.03.14	To P&L A/c (note 3)	—	15,500				
		7,50,000	**6,30,500**			**7,50,000**	**6,30,500**

Working Notes:

1. **Calculation of cost of equity shares purchased on 1.4.2013**
   = 5,000 × ₹120 + 2% of ₹6,00,000 + ½ % of ₹6,00,000 = ₹ 6,15,000

2. **Calculation of profit proceeds of equity shares sold on 31.01.2014**
   = 2,500 × ₹90 – 2% of ₹2,25,000 = ₹2,20,500

3. **Calculation of profit on sale of bonus shares on 31.3.2014**
   = Sale proceeds – Average cost
   = ₹2,20,500 – 2,05,000 i.e. [₹6,15,000 × $\frac{2,50,000}{7,50,000}$] = ₹15,500

(c)

Calculation of Average Due Date (Base date: 1.4.2008)

Installments	Due Dates	Months Since 1st April, 2008
1	1st May, 2008	1
2	1st June, 2008	2
3	1st July, 2008	3
4	1st August, 2008	4
5	1st September, 2008	5
5	1st October, 2008	6
		21

Average Due Date = Date of Loan + $\frac{\text{Sum of months from the date of lending to the date of repayment}}{\text{Number of instalments}}$

= 1st April, 2008 + $\frac{21}{6}$

= 1st April, 2008 + 3.5 months

= 16th July, 2008

(d)

Memorandum Trading Account of Rim

Dr. **for the period 1st January, 2013 to 25th August, 2013** **Cr.**

Particulars		₹	Particulars	₹
To Opening Stock		40,000	By Sales	90,000
To Purchases	85,000		By Closing Stock (Balancing Figure)	60,000
Less: Drawings	5,000	80,000		
To Gross Profit (@ $33\frac{1}{3}$% of ₹90,000)		30,000		
		1,50,000		**1,50,000**

Statement of Claim for loss of stock as on 25th August, 2013

Particulars	₹
Book Value of stock	60,000
Less: Salvaged	15,000
Gross Claim	45,000

Since the policy value is less than book value of the stock, average clause is applicable.

Net Claim = $\frac{\text{Gross Claim} \times \text{Policy Value}}{\text{Closing Stock}}$

= ₹ $\frac{45,000 \times 50,000}{60,000}$

= ₹37,500

Ans. 2

Calculation of purchase consideration:

Particulars	₹
(1) 1,00,000 Equity shares of ₹10 each @ ₹12	12,00,000
(2) Cash (Balancing figure)	2,47,500
Purchase consideration (3/4th of Net Asset)	**14,47,500**

Calculation of Net Asset:

Particulars	₹
Realised Value of Assets (13,10,000+9,70,000)	22,80,000
Less: Realised value of Liability	3,50,000
Net Asset	**19,30,000**

In the books of Shah Ltd.

Dr. Realisation A/c Cr.

Particulars		₹	Particulars	₹
To. Sundry Assets			By Equity Share Capital(1/4)	5,00,000
Fixed Assets	13,10,000		By Sundry Liability	
Current Assets	9,70,000	22,80,000	Current Liability	3,50,000
To Equity Share holders (Profit)		17,500	By Sharma Ltd.	14,47,500
		22,97,500		**22,97,500**

Dr. Capital A/c Cr.

Particulars	₹	Particulars	₹
To Profit and Loss A/c	70,000	By equity share capital (3/4)	15,00,000
To Cash A/c	2,47,500	By Realisation A/c	17,500
To Equity share in Sharma Ltd.	12,00,000		
	15,17,500		**15,17,500**

Dr. Sharma Ltd. A/c Cr.

Particulars	₹	Particulars	₹
To Realisation A/c	14,47,500	By Cash A/c	2,47,500
		By Equity share in Sharma Ltd.	12,00,000
	14,47,500		**14,47,500**

Dr. Cash A/c Cr.

Particulars	₹	Particulars	₹
To Sharma Ltd A/c	2,47,500	By Equity share holders	2,47,500
	2,47,500		**2,47,500**

Dr. Equity share in Sharma ltd. A/c Cr.

Particulars	₹	Particulars	₹
To Sharma Ltd A/c	12,00,000	By Equity share holders	12,00,000
	12,00,000		**12,00,000**

In the books of Sharma Ltd. Journal Entries

Date	Particulars		L.F.	Dr.(₹)	Cr. (₹)
2013					
March 31	Business Purchase A/c	Dr.		14,47,500	
	To Liquidator of Shah Ltd. A/c				14,47,500
	(Being among payable to Liquidator of Shah Ltd. for the Business taken over)				
March 31	Fixed Assets A/c	Dr.		13,10,000	
	Current Assets A/c	Dr.		9,70,000	
	To Current Liabilities A/c				3,50,000
	To Business Purchase A/c				14,47,500
	To Investment in Equity Shares of Shah Ltd. A/c				4,75,000
	To Capital Reserve A/c				7,500
	(Being assets and liabilities of Shah Ltd. taken over, consideration payable now, cancellation of shares of vendor company on take over and the resultant capital profit on acquisition credited to Capital Reserve Account)				
March 31	Liquidator of Shah Ltd.	Dr.		14,47,500	
	To Equity Share Capital A/c				10,00,000
	To Securities Premium A/c				2,00,000

	To Bank A/c			2,47,500
	(Being allotment of 1,00,000 Equity Shares of ₹10 each, at a premium of ₹2 each and payment of cash to a liquidator of Shah Ltd. in discharge consideration)			
March 31	Capital Reserve A/c Dr.		7,500	
	Goodwill A/c Dr.		1,500	
	To Bank A/c			9,000
	(Being payment of winding up cost in Shah Ltd. ₹9,000 resulting in Goodwill of ₹1,500 after exhausting ₹7,500 of Capital Reserve on acquisition)			

Balance Sheet of Sharma Ltd. As on 1.4.2013 (As per Revised Schedule VI)

	Particulars	Notes	Amount ₹
I.	**EQUITY AND LIABILITIES**		
	1. Shareholders' funds		
	(a) Share capital	1	40,00,000
	(b) Reserves and Surplus:	2	12,00,000
	2. Non-current liabilities		
	3. Current liabilities (19,45,000+3,50,000)		22,95,000
			74,95,000
II.	**ASSETS**		
	1. Non-current assets		
	(a) Fixed assets		
	(b) Tangible Assets (32,10,000+13,10,000)		45,20,000
	(c) Intangible Assets (Goodwill)	3	1,500
	2. Current assets (22,60,000+9,70,000–2,47,500–9,000)		29,73,500
	Total		**74,95,000**

Notes of Accounts

	Particulars		Amount
(1)	**Share Capital**	**₹**	**₹**
	Authorised Issued, Subscribed and Paid-up:		-
	4,00,000 Equity Share of ₹10 each		40,00,000
	(of the above shares 1,00,000 eq. share have been allotted as fully paid up pursuant to contract in that payment being received in cash)		
(2)	**Reserves and Surplus:**		
	Securities Premium	2,00,000	
	General Reserve	10,00,000	12,00,000
(3)	**Intangible assets**		
	Goodwill		1,500

Ans. 3

Dr. Profit and Loss Adjustment (Revaluation) Account Cr.

Particulars		**₹**	**Particulars**	**₹**
To Furniture A/c		840	By Buildings A/c	14,000
To Stock A/c		2,800		
To Reserve for Doubtful Debts A/c		1,260		
To Profit transferred to:				
Tina's Capital A/c	3,900			
Mina's Capital A/c	3,250			
Rina's Capital A/c	1,950	9,100		
		14,000		**14,000**

Dr. Cash Account Cr.

Particulars	**₹**	**Particulars**	**₹**
To Balance b/d	1,800	By Tina's Capital A/c (note 1)	3,500
To Rina's Capital A/c (note 1)	1,250	By Mina's Capital A/c (note 1)	3,250
To Heena's Capital A/c	14,000	By Balance c/d	18,700
To Goodwill	8,400		
	25,450		**25,450**

Balance Sheet of the New Firm

Liabilities		₹	Assets		₹
Creditors		18,000	Cash		18,700
Bills Payable		6,000	Debtors	25,200	
Capital Accounts: (note 1)			Less: Reserve for Bad Debts	1,260	23,940
Tina	42,000		Stock		25,200
Mina	35,000		Furniture.		6,160
Rina	21,000		Land and Building		62,000
Heena	14,000	1,12,000			
		1,36,000			**1,36,000**

Working Notes:

Partners Capital Account

Dr. Cr.

Particulars	Tina ₹	Mina ₹	Rina ₹	Heena ₹	Particulars	Tina ₹	Mina ₹	Rina ₹	Heena ₹
To Cash A/c (Bal. fig.)	3,500	3,250	-	-	By Balance b/d	38,000	32,000	16,000	
					By Cash A/c	-	-	-	14,000
					By Goodwill A/c	3,600	3,000	1,800	-
					By Revaluation A/c	3,900	3,250	1,950	-
To Balance c/d (note 2)	42,000	35,000	21,000	14,000	By Cash A/c (Bal. fig.)	-	-	1,250	-
	45,500	**38,250**	**21,000**	**14,000**		**45,500**	**38,250**	**21,000**	**14,000**

1. **Adjustment of Capital** (on the basis of Heena's Capital or in the new profit sharing ratio)
   Heena's Capital for his 1/8th share is = ₹14,000.
   Capital of the new firm will be eight times of Heena's Capital i.e., ₹14,000 × 8 = ₹1,12,000. Out of ₹1,12,000 Heena's share of capital being ₹14,000, only ₹1,12,000 – ₹14,000 = ₹98,000 is to be distributed among Tina, Mina and Rina in their ratio i.e., 6:5:3.
   Tina's Capital = 98,000 × 6/14 = ₹ 42,000
   Mina's Capital = 98,000 × 5/14 = ₹ 35,000
   Rina's Capital = 98,000 × 3/14 = ₹ 21,000

Ans. 4

Trading and Profit and Loss Account of Mr. Yukt for the year ended 31st March, 2013

Dr. Cr.

Particulars		₹	Particulars		₹
To Opening Stock		11,400	By Sales:		
To Purchases (note 2)		8,28,000	Cash (note 3)	2,97,500	
To Gross Profit		3,78,100	Credit	9,00,000	11,97,500
			By Closing Stock		20,000
		12,17,500			**12,17,500**
To Salary & wages		78,000	By Gross Profit		3,78,100
To Rent Paid (note 4)	30,000				
Less: Outstanding on 1.4.2012	2,400				
	27,600				
Add: Outstanding on 31.3.2013	3,000	30,600			
To Electricity & Telephone Paid	24,000				
Add: Outstanding on 31.3.2013	6,400	30,400			
To Professional Charges		34,000			
To Shop Expenses		18,000			
To Depreciation s(₹54,000 × 10/100 × ½)		2,700			
To Net Profit		1,84,400			
		3,78,100			**3,78,100**

Statement of Affairs of Mr. Yukt as on 31-03-2012 & 31-03-2013

Liabilities	31-3-2012 (₹)	31-3-2013 (₹)	Assets	31-3-2012 (₹)	31-3-2013 (₹)
Capital Account	78,800 (Bal.fig.)	1,01,300 (Capital A/c)	Furniture 54,000		
Sundry Creditors	84,400	22,400	Less: Depreciation 2,700	-	51,300
Outstanding Expenses:			Stock	11,400	20,000
Rent	2,400	3,000	Sundry Debtors	35,400	58.800
Electricity & Telephone	-	6,400	Bank	1,08,400	2,500
			Cash	10,400	500
	1,65,600	**1,33,100**		**1,65,600**	**1,33,100**

Dr. **Capital A/c** **Cr.**

Particulars	₹	Particulars	₹
To Drawings	1,61,900	By Balance b/d	78,800
To Balance c/d	1,01,300	By Net profit	1,84,400
	2,63,200		**2,63,200**

Working Notes:

1. Dr. **Total Debtors Account** **Cr.**

Particulars	₹	Particulars	₹
To Balance b/d	35,400	By Cash A/c (Balancing Figure)	8,76,600
To Credit Sales A/c	9,00,000	By Balance c/d	58,800
	9,35,400		**9,35,400**

2. Dr. **Total Creditors Account** **Cr.**

Particulars	₹	Particulars	₹
To Bank A/c	8,90,000	By Balance b/d	84,400
To Balance c/d	22,400	By Credit Purchases A/c (Balancing Figure)	8,28,000
	9,12,400		**9,12,400**

3. Dr. **Cash Account** **Cr.**

Particulars	Cash (₹)	Bank (₹)	Particulars	Cash (₹)	Bank (₹)
To Balance b/d	10,400	1,08,400	By Bank (contra)	10,34,000	-
To Sundry Debtors A/c (note 1)	8,76,600	-	By Salary & wages	78,000	-
To Cash Sales (Balancing figure)	2,97,500	-	By Rent (note 4)	30,000	-
To Cash (Contra)		10,34,000	By Electricity and Telephone	24,000	-
			By Shop Expenses	18,000	-
			By Professional Charges	-	34,000
			By Sundry Creditors	-	,90,000
			By Furniture	-	54,000
			By Drawing	-	1,61,900
			By Balance c/d	500	2,500
	11,84,500	**11,42,400**		**11,84,500**	**11,42,400**

4. Rent paid:

Particulars	₹
Outstanding at the beginning	2,400
Actually paid for current year (₹2,400 × 9) + (₹3,000 × 2)	27,600
	30,000

Ans. 5

(a)

In the books of Bombay Club

Dr. Income & Expenditure Account for the year ended 31.12.2013 Cr.

Expenditures		**₹**	**Incomes**	**₹**
To Salary to Staff			By Subscription	5,500
₹(5,000 – 2,000 + 1,000)		4,000	By Interest on Govt. Securities	2,000
To Secretary's Remuneration		5,000	By Sale of old newspapers	500
To Newspapers & Magazines		1,000	By Excess of Expenditure over Income	7,200
To Loss on sale of old Furniture (note 5)		2,000		
To Loss on canteen:				
Canteen Expenses				
₹ (12,000 + 1,000 – 500)	12,500			
Less: Canteen Collection	10,000	2,500		
To Depreciation on Furniture (note 5)		700		
		15,200		**15,200**

Balance Sheet as at 31.12.2013

Liabilities		**₹**	**Assets**		**₹**
Subscriptions in Advance		100	Cash in Hand		800
Outstanding Expenses:			Cash at Bank		2,000
Salary to Staff		1,000	Subscription in Arrear (800 + 300) (note 3)		1,100
Construction Expenses		2,000	Canteen Expenses Prepaid		500
Capital Fund:			5% Govt, securities (note 2) (face value ₹40,000)		39,600
Opening Balance (note 1)	61,400		Furniture	10,000	
Add: Donation for Building	10,000		Less: Sale during the year	3,000	
	71,400			7,000	
Less: Excess of Expenditure Over Income	7,200	64,200	Less: Depreciation	700	6,300
			Buildings	15,000	
			Add: Construction Expenses Outstanding	2,000	17,000
		67,300			**67,300**

Working Notes:

1. Capital Fund as on 1.1.2013:

Balance Sheet as at 1.1.2013

Liabilities	**₹**	**Assets**	**₹**
Subscription in Advance	200	Cash in Hand	2,000
Outstanding Salary to Staff	2,000	Cash at Bank	10,000
Capital Fund (Balancing figure)	61,400	Canteen Expenses Prepaid	1,000
		Subscriptions in Arrear	1,000
		Investment in Govt. Securities (note 2)	39,600
		Furniture	10,000
	63,600		**63,600**

2. Book Value of Investment in Govt. Securities:

5% interest on Investment = ₹2,000

Therefore, total investments = ₹2,000 × 100/5

= ₹40,000

Book Value = ₹40,000 – 1 % of ₹40,000 = ₹39,600

3. Subscription in arrear as on 31.12.2012 was ₹1,000 out of which ₹200 has been received in 2013 leaving an arrear of ₹800 in respect of 2012. Out of current year's total subscription of ₹5,500, ₹5,000 has been received in this year and ₹200 was received in the last year leaving an arrear of ₹300.

4. Donation for the immediate purchase of a fixed asset will be added to the Capital Fund.

5.

Dr. **Furniture Account** Cr.

Particulars	**₹**	**Particulars**	**₹**
To Balance b/d	10,000	By Bank A/c	1,000
		By Loss on Sale A/c	2,000
		By Depreciation A/c	700
		By Balance c/d	6,300
	10,000		**10,000**

(b)

In the Books of Jeny Ltd.

Dr. **Buses Account** Cr.

Particulars	**₹**	**Particulars**	**₹**
To Tomy Motors A/c	2,25,000	By Depreciation A/c	45,000
		By Balance c/d	1,80,000
	2,25,000		**2,25,000**
To Balance b/d	1,80,000	By Depreciation A/c	36,000
		By Tomy Motors A/c (note 1)	60,000
		By Profit and Loss A/c	36,000
		By Balance c/d (note 2)	48,000
	1,80,000		**1,80,000**

Dr. **Tomy Motors Account** Cr.

Particulars	**₹**	**Particulars**	**₹**
To Cash A/c (down payment)	1,35,000	By Buses A/c	2,25,000
To Cash A/c	40,800	By Interest A/c	10,800
To Balance c/d	60,000		
	2,35,800		**2,35,800**
To Buses A/c	60,000	By Balance b/d	60,000
To Balance c/d	7,200	By Interest A/c	7,200
	67,200		**67,200**

Working Notes:

1. Two buses were repossessed and valued at 30% on straight line method.

Hence, Cost of two buses	= ₹75,000 × 2	= ₹1,50,000
Lees: 30% Depreciation		= ₹45,000
		₹1,05,000
Less: 30% Depreciation		= ₹45,000
		₹60,000

2. Closing balance of Buses Account in 2nd year:

Cost of three Busses:	₹1,80,000 – ₹36,000	= ₹1,44,000
Cost of one Busses:	₹1,44,000 / 3	= ₹48,000

Ans. 6

(a)

Aadil Ltd. Cash Flow Statement for the period ended on 31.3.2013 (₹in lakhs)

Particulars	**Amount**	**Amount**
Cash Flows from Operating Activities:		
Net Profit before tax	36,000	
Adjustments for:		
Depreciation	24,000	
Loss on Sale of Asset	48	
Govt. Grant Amortised	(10)	
Profit on Sale of Investment	(120)	
Interest received	(3,000)	
Interest debited	12,000	
Cash from Operation before working capital changes	68,918	
Increase in working Capital	(67,290)	
Cash generated from operations	1,628	
Tax paid	(5,100)	

Net cash used in Operating Activities		(3,472)
Cash Flows from Investing Activities:		
Purchase of Fixed Asset	(22,092)	
Interest Income	3,000	
Sale of Investment ₹(33,318 + 120)	33,438	
Sale of Asset ₹(222 – 48)	174	
Expenses on Capital Project	(41,688)	
Net Cash used in Investing Activities		(27,168)
Cash Flows from Financing Activities:		
Dividend Paid	(10,202)	
Grant Received	18	
Interest Paid	(13,042)	
Long term Borrowing	55,866	
Net Cash from Financing Activities		32,640
Net Increase in Cash & Cash Equivalents		**2,000**
Cash & Cash Equivalents at the beginning of the period		**6,000**
Cash & Cash Equivalents at the end of the period		**8,000**

(b)

Statement Showing Profits earned prior to and after incorporation

Particulars	**Basis**	**Total**	**Pre-incorporation ₹**	**Post-incorporation ₹**
Gross Profits	Sales	98,000	14,000	84,000
Less: Expenses and Losses: Commission	Sales	2,625	375	2,250
Advertisement	Sales	5,250	750	4,500
Managing Directors' Remuneration	Post	9,000	-	9,000
Depreciation	Time	2,800	700	2,100
Salaries	Time	18,000	4,500	13,500
Insurance	Time	600	150	450
Preliminary Expenses	Post	700	-	700
Rent and Taxes (note 2)	Rent actual Taxes-time	3,000	638	2362
Discount	Sales	350	50	300
Bad Debts (note 3)	Actual and Sales	1,250	386	864
		43,575	7,549	36,026
Net Profit		**54,425**	**6,451**	**47,974**

Working Notes:

1.	**Calculation of Sales Ratio :**		
		Pre-incorporation	**Post-incorporation**
	April to June (1 unit each)	3	-
	July to March (2 units each)	-	18
	Ratio	**3**	**18**
2.	**Allocation of Rent and Taxes :**		
		₹	**₹**
	Rent actual basis	200 × 3 = 600	250 × 9 = 2,250
	Taxes ₹(3,000 – 2,850) or ₹150 on time basis 1:3	38	112
		638	**2,362**
3.	**Allocation of Bad Debts:**		
	Relating to sales after 1st Sept 2013	-	350
	Balance ₹(1,250 – 350) or ₹ 900 on turnover basis 3:4 (i.e. April to June: July to August)	386	514
		386	**864**

Ans. 7

(a) Calculation of Estimated Cost of Construction

Particulars	**₹in crores**
Cost of construction incurred till date	1.80
Add: Estimated future cost	1.40
Total estimated cost of construction	3.20

Percentage of completion of contract till date to total estimated cost of construction
= ₹(1.80/3.20) × 100 = 56.25%

Proportion of total contract value recognised as revenue as per AS 7 (Revised)
= Contract price × percentage of completion
= ₹3 crores × 56.25% = ₹1.6875 crores

(b) As per AS-9 revenue should be recognised only if it is measurable. When it is not measurable within reasonable limits, the recognition of revenue should be postponed. In the present case the increase in percentage of accidents does not constitute certainty of claim collection and is not a valid reason for revenue recognition. There are other uncertainties in the settlement of insurance claims. Therefore in this case the recognition of revenue should be postponed and it is advisable to recognise revenue on receipt basis, unless there is absolute certainty of claim admissibility.

(c) Computer information system environment exists when one or more computers of any type or size are involved in the processing of any information, whether those computers are operated by the entity or by a third party. A computerised accounting environment will therefore have the following salient features:

1. The processing of information will be by one or more computers.
2. The computer or computers may be operated by the entity or by a third party.
3. The processing of financial information by the computer is done with the help of one or more computer softwares.
4. A computer software includes any program or routine that performs a desired function or set of functions and the documentation required to describe and maintain that program or routine.
5. The computer software used for the accounting system may be an acquired software or may be developed specifically for the business.
6. Acquired software may consists of a spread sheet package or may be prepackaged accounting software. Larger organizations may use an Enterprise Resource Planning (ERP) package for:
   i. Developing a customised accounting package is an option that some organization prefers so as to suit the peculiarities of their business function.
   ii. Outsourcing of the accounting system is also becoming popular where an organization is having the financial accounting processed from a third party.

(d)

Particulars	**₹**
Purchase price (12,000 kg × ₹80)	9,60,000
Less: CENVAT credit (12,000 kg × ₹4)	48,000
	9,12,000
Add: Freight	77,400
Total material cost	9,89,400
Number of units after normal loss = 97% of 12,000 kgs.	11,640 kgs.
Normal cost per kg. $\left[\frac{9{,}89{,}400}{11{,}640}\right]$	₹85

Value of closing stock under AS-2 = (11,600 kgs. – 10,100 kgs.) × ₹85 = ₹1,27,500 Abnormal loss = (11,640 kgs. – 11,600 kgs.) × ₹85 = ₹3.400

(e) It is generally assumed that Financial Statements are prepared on the basis of Fundamental Accounting Assumptions. Disclosure is necessary if these are not followed.
The fundamental accounting assumptions are -

(i) Going Concern: The enterprise is normally viewed as a going concern, i.e., as continuing in operation for the foreseeable future. It is assumed that the enterprise has neither the intention nor the necessity of liquidation or of curtailing materially the scale of operations. Financial statement prepared on going concern basis recognises historical cost concept, any increase or decrease in the value of assets in the short run is ignored. This basis indicates that assets are Kept for generating economic benefit in future, not for immediate sale; current change in the asset value is not realisable and so it should not be counted. If any Financial Statement is prepared on a different basis, e.g. when assets of an enterprise are stated at net realisable values in its Financial Statements, the basis used should be disclosed.

(ii) Consistency: It is assumed that Accounting Policies are consistent from one period to another. Consistency improves comparability of Financial Statements through time. Accounting Policies can be changed only in circumstances specified in Accounting Standard.

(iii) Accrual: Revenues and costs are accrued i.e., recognized as they are earned or incurred (and not as money is received or paid) and recorded in the Financial Statements of the periods to which they relate. Under the Companies Act, 1956, every company is mandatorily required to keep accounts on accrual basis.

MARKS ALLOCATION SHEET

Que. No.	***Sub point No.(if any)***	***Name of Chapter***	***Description of Concept***	***Mark Allocation***	***Total Marks***
1(a)	-	Self Balancing Ledger	Preparation of sales ledger A/c	2.5	
1(a)	-	Self Balancing Ledger	Preparation of purchase ledger A/c	2.5	5
1(b)	-	Investment Accounting	Preparation of investment A/c	3	
1(b)	-	Investment Accounting	Calculation of cost of equity share purchased	0.5	
1(b)	-	Investment Accounting	Calculation of equity share sold	0.5	
1(b)	-	Investment Accounting	Calculation of profit of bonus share	0.5	
1(b)	-	Investment Accounting	Calculation of valuation equity share	0.5	5
1(c)	-	Average due date	Calculation of sum of months	2	
1(c)	-	Average due date	Calculation of average due date	3	5
1(d)	-	Insurance claim	Preparation of trading A/c	2	
1(d)	-	Insurance claim	Statement of claim for loss of stock	2	
1(d)	-	Insurance claim	Calculation of net claim	1	5
2	-	Amalgamation	Calculation of purchase consideration	2	
2	-	Amalgamation	Preparation of realization A/c	1	
2	-	Amalgamation	Preparation of Sharma Ltd A/c	1	
2	-	Amalgamation	Preparation of equity share in Sharma Ltd. A/c	1	
2	-	Amalgamation	Preparation of equity share capital A/c	1	
2	-	Amalgamation	Preparation of equity share holder A/c	1	
2	-	Amalgamation	Journal entry in the Sharma Ltd. (per entry 0.5 mark)	2	
2	-	Amalgamation	Preparation of Balance Sheet	4	
2	-	Amalgamation	Notes of Account	2	
2	-	Amalgamation	WN – 1	1	16
3	-	Partnership	Preparation of P & L adjustment A/c	3	
3	-	Partnership	Preparation of cash A/c	3	
3	-	Partnership	Preparation of Balance sheet	4	
3	-	Partnership	Preparation of capital A/c	3	
3	-	Partnership	Preparation of adjustment of Capital A/c	3	16
4	-	Incomplete Records	Preparation of trading & P/L A/c	5	
4	-	Incomplete Records	Statement of affairs of Mr. Yukt	3	
4	-	Incomplete Records	Reconciliation of profit	2	
4	-	Incomplete Records	Preparation of total debtors A/c	1	
4	-	Incomplete Records	Preparation of total creditors A/c	1	
4	-	Incomplete Records	Preparation of cash A/c	3	
4	-	Incomplete Records	Calculation of Rent paid	1	16
5(a)	-	Not for profit organization	Calculation of income & expenditure A/c	2.5	
5(a)	-	Not for profit organization	Preparation of Balance sheet	2.5	

5(a)	-	Not for profit organization	Preparation of opening capital fund	2	
5(a)	-	Not for profit organization	Preparation of book value of inventory in government securities	1	
5(a)	-	Not for profit organization	Calculation of subscription	1	
5(a)	-	Not for profit organization	Preparation of furniture A/c	1	10
5(b)	-	Hire Purchase	Preparation of Buses A/c	2	
5(b)	-	Hire Purchase	Preparation of Arvind Motors A/c	2	
5(b)	-	Hire Purchase	WN – 1	1	
5(b)	-	Hire Purchase	WN – 2	1	6
6(a)	-	Cash flow statement	Cash from operating activities	3	
6(a)	-	Cash flow statement	Cash from investing activities	2	
6(a)	-	Cash flow statement	Cash from financing activities	2	
6(a)	-	Cash flow statement	Net cash	1	8
6(b)	-	Profit prior to incorporation	Calculation of sales ratio	1	
6(b)	-	Profit prior to incorporation	Calculation of rent & taxes	1	
6(b)	-	Profit prior to incorporation	Calculation of Bad debts	1	
6(b)	-	Profit prior to incorporation	Statement showing profit earned	5	8
7(a)	-	AS – 7	Calculation of estimated cost of construction	2	
7(a)	-	AS – 7	Percentage of completion of contract	1	
7(a)	-	AS – 7	Proportion of total contract	1	4
7(b)	-	AS – 9	Provision of AS – 9	1	
7(b)	-	AS – 9	Analysis	2	
7(b)	-	AS – 9	Conclusion	1	4
7(c)	-	Computerised Environment	Any 4 features (each has 1 mark)	4	4
7(d)	-	AS – 2	Calculation of normal cost	2	
7(d)	-	AS – 2	Value of closing stock	2	4
7(e)	-	AS – 1	Going concern	2	
7(e)	-	AS – 1	Consistency	1	
7(e)	-	AS – 1	Accrual	1	4