

TOPIC : Theoretical framework, Company Accounts, Inventories, Bills of exchange, Depreciation

(Time allowed : 1.5 hours)

QUESTION : 1

State with reasons, whether the following statements are true or false :

Valuation of inventory, at cost or net realizable value, whichever less, is based on principle of Conservatism

(2 MARKS)

QUESTION : 2

State with reasons, whether the following statements are true or false :

Accounting Standards for non – corporate entities in India are issued by the Central Government.

(2 MARKS)

QUESTION : 3

Rita owed Rs. 1,00,000 to Siriman. On 1st October, 2019, Rita accepted a bill drawn by Siriman for the amount at 3 months. Siriman got the bill discounted with his bank for Rs. 99,000 on 3rd October, 2019. Before the due date, Rita approached Siriman for renewal of the bill. Siriman agreed on the conditions that Rs. 50,000 be paid immediately together with interest on the remaining amount at 12% per annum for 3 months and for the balance, Rita should accept a new bill at three months. These arrangements were carried out. But afterwards, Rita became insolvent and 40% of the amount could be recovered from his estate.

Pass journal entries (with narration) in the books of Siriman.

(8 MARKS)

QUESTION : 4

Aruna Ltd. provides the following information. Find the value of inventory for Balance sheet purposes.

Value of stocks as per Physical Verification on 31st March = Rs. 28,00,000. The following items are to be considered.

- Goods held by Sub – Contractors and Job Workers of Aruna Ltd. for which Confirmation Certificates have been received Rs. 8,30,000
- Goods Sold to Harini Ltd. , a customer, who has requested for despatch only on 7th April, included in above physical stock = Rs. 10,00,000.
- Goods held by Aruna Ltd. on behalf of Padmini Ltd. (Consignor) = Rs. 2,50,000
- Goods sold on approval to Sankari Ltd. Rs. 7,00,000 for which confirmation not yet received in respect of Rs. 2,00,000.
- Goods purchased under Firm Contracts, still in transit at year – end = Rs. 3,50,000.

(6 MARKS)

QUESTION : 5

M/s. JP Wires Co. purchased a second-hand machine on 1st January, 2017 for Rs. 3,20,000. Overhauling and erection charges amounted to Rs. 80,000.

Another machine was purchased for Rs. 1,60,000 on 1st July, 2017.

On 1st July, 2019, the machine installed on 1st January, 2017 was sold for Rs. 1,60,000. Another machine amounted to Rs. 60,000 was purchased and was installed on 30th September, 2019.

Under the existing practice the company provides depreciation @ 20% p.a. on original cost. However, from the year 2020 it decided to adopt WDV method and to charge depreciation @ 15% p.a. You are required to prepare Machinery account for the years 2017 to 2020.

(10 MARKS)

QUESTION : 6

Piyush Limited is a company with an authorized share capital of Rs. 2,00,00,000 in equity shares of Rs. 10 each, of which 15,00,000 shares had been issued and fully paid on 30th June, 2018. The company proposed to make a further issue of 1,30,000 shares of Rs. 10 each at a price of Rs. 12 each, the arrangements for payment being:

- (i) Rs. 2 per share payable on application, to be received by 1st July, 2018;
- (ii) Allotment to be made on 10th July, 2018 and a further Rs. 5 per share (including the premium) to be payable;
- (iii) The final call for the balance to be made, and the money received by 30th April, 2019.

Applications were received for 4,20,000 shares and were dealt with as follows:

- (1) Applicants for 20,000 shares received allotment in full;
- (2) Applicants for 1,00,000 shares received an allotment of one share for every two applied for; no money was returned to these applicants, the surplus on application being used to reduce the amount due on allotment;
- (3) Applicants for 3,00,000 shares received an allotment of one share for every five shares applied for; the money due on allotment was retained by the company, the excess being returned to the applicants; and
- (4) The money due on final call was received on the due date.

You are required to record these transactions (including cash items) in the journal of Piyush limited.

(8 Marks)

QUESTION : 7

Pihu Ltd. issued 50,00,000, 9% debentures of Rs. 100 each at a discount of 10% redeemable at par at the end of 10th year. Money was payable as follows:

- Rs. 40 on application
- Rs. 50 on allotment

You are required to give necessary journal entries regarding issue of debenture.

(4 MARKS)