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SUBJECT- ACCOUNTS

Test Code - CIM 8728

BRANCH - () (Date :)

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ANSWER -1

ANSWER –A

As per AS 2 (Revised) "Valuation of Inventories", materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at cost or above cost. However, when there has been a decline in the price of materials and it is estimated that the cost of the finished products will exceed net realizable value, the materials are written down to net realizable value. In such circumstances, the replacement cost of the materials may be the best available measure of their net realizable value. In the given case, selling price of product X is Rs. 350 and total cost per unit for production is Rs.360.

Hence the valuation will be done as under:

(i) 800 units of raw material will be valued at cost 140.

(ii) 650 units of partly finished goods will be valued at 300 per unit* i.e. lower of cost (Rs. 310) or Net realizable value Rs. 300 (Estimated selling price Rs. 350 per unit less additional cost of Rs.50).

(iii) 1,800 units of finished product X will be valued at NRV of Rs. 350 per unit since it is lower than cost Rs. 360 of product X.

Valuation of Total Inventory as on 31.03.2019:

	Units	Cost (Rs.)	NRV / Replacement cost Rs.	Value = units x cost or NRV whichever is less (Rs.)	Rs.
Raw material A	800	140	190	1,12,000	(800 x 140)
Partly finished goods	650	310	300	1,95,000	(650 x 300)
Finished goods X	1,800	360	350	6,30,000	(1,800 x 350)
Value of Inventory				9,37,000	

*It has been assumed that the partly finished unit cannot be sold in semi-finished form and its NRV is zero without processing it further.

(5 marks)

ANSWER –B

According to AS 16 "Borrowing Costs", borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset should be capitalised as part of the cost of that asset. The amount of borrowing costs eligible for capitalisation should be determined in accordance with this Standard. Other borrowing costs should be recognised as an expense in the period in which they are incurred.

It also states that to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation on that asset should be determined as the actual borrowing costs incurred on that borrowing during the period less any income on the temporary investment of those borrowings.

Thus, eligible borrowing cost

= Rs. 12,00,000 – Rs. 3,00,000

= Rs. 9,00,000

Sr. No.	Particulars	Nature of assets	Interest to be capitalized (Rs.)	Interest to be charged to Profit & Loss Account (Rs.)
i	Construction of factory building	Qualifying Asset	9,00,000x40/100 = Rs. 3,60,000	NIL
ii	Purchase of Machinery	Not a Qualifying Asset	NIL	9,00,000x35/100 = Rs. 3,15,000
iii	Working Capital	Not a Qualifying Asset	NIL	9,00,000x25/100 = Rs. 2,25,000
	Total		Rs. 3,60,000	Rs. 5,40,000

(5 marks)

ANSWER –C

(i) Statement showing amount of depreciation as per Componentization Method

Component	**Depreciation (Per annum) (Rs.)**
Land	Nil
Roof	60,000
Lifts	37,500
Fixtures	25,000
Remainder of Building	80,000
	2,02,500

Note: When the roof requires replacement at the end of its useful life the carrying amount will be nil. The cost of replacing the roof should be recognised as a new component.

(ii) The expenditure in remodelling the store will create future economic benefits (in the form of 15% of increase in sales). Moreover, the cost of remodelling can be measured reliably, therefore, it should be capitalized in line with AS 10 PPE.

(5 marks)

ANSWER –D

The decision of making provision for non-moving inventories on the basis of technical evaluation does not amount to change in accounting policy. Accounting policy of a company may require that provision for non-moving inventories should be made. The method of estimating the amount of provision may be changed in case a more prudent estimate can be made. In the given case, considering the total value of inventory, the change in the amount of required provision of non-moving inventory from Rs. 3.5 lakhs to Rs. 2.5 lakhs is also not material. The disclosure can be made for such change in the following lines by way of notes to the accounts in the annual accounts of ABC Ltd. for the year 2019-20:

"The company has provided for non-moving inventories on the basis of technical evaluation unlike preceding years. Had the same method been followed as in the previous year, the profit for the year and the corresponding effect on the year end net assets would have been lower by Rs. 1 lakh."

(5 marks)

ANSWER -2

ANSWER –A

Hire Purchase accounts in the buyer's books

(a) **Tractors on Hire Purchase Account**

2011				₹	2011				₹
April 1	To	HP Co. - Cash price			Dec. 31	By	Balance c/d		
		Tractor A		14,000			Tractor A	14,000	
Oct. 1	"	HP Co. - Cash price					Tractor B	19,000	33,000
		Tractor B		19,000					
				33,000					33,000
2012				₹	2012				₹
Jan. 1	To	Balance b/d			June 30	By	Disposal of Tractor A/c - Transfer		19,000
		Tractor A	14,000			By	Balance c/d		14,000
		Tractor B	19,000	33,000	Dec. 31				33,000
				33,000					
2013									
Jan. 1	To	Balance b/d		14,000					

(4 Marks)

(b) **Provision for Depreciation of Tractors Account**

2011		₹	2011				₹
Dec. 31	To Balance c/d	3,050	Dec.31	By P & L A/c:			
					Tractor A	2,100	
					Tractor B	950	3,050
		3,050					3,050

2012			₹	2012			₹
June30	To	Disposal of Tractor account—Transfer	2,850	Jan. 1	By	Balance b/d	3,050
				Jun. 30	By	P & L A/c	
Dec. 31	To	Balance c/d	4,900			(Depn. for Tractor B)	1,900
				Dec. 31	By	P & L A/c	
						(Depn. for Tractor A)	2,800
			7,750				7,750
				2013			₹
				Jan.	1	By Balance b/d	4,900

(4 Marks)

(c) **Disposal of Tractor Account**

2012			₹	2012			₹
June30	To	Tractors on hire purchase—Tractor B	19,000	June 30	By	Provision for Depn. of Tractors A/c	2,850
				July 10	By	Cash : Insurance	15,000
				Dec. 31	By	P & L A/c : Loss	1,150
			19,000				19,000

(2 Marks)

ANSWER – B

Computation of loss of profit insurance claim

		Rs.
(1)	**Rate of gross profit**	
	Net profit for the last financial year	3,00,000
	Add: insured standing charges	60,000
		3,60,000
	Turnover for the last financial year	12,00,000
	Rate of gross profit = $\frac{Rs.360000}{Rs.1200000} \times 100 = 30\%$	
	Gross profit after adding 2% = 30% + 2%	
(2)	**Short sales:**	

	Standard turnover	4,50,000
	Add: 10% increasing trend	45,000
		4,95,000
	Less: turnover during the dislocation period	(50,000)
		4,45,000
(3)	**Annual (adjusted turnover):**	
	Annual turnover (01-01-2018 to 31-12-2018)	10,00,000
	Add: 10% increasing trend	1,00,000
		11,00,000

Note: Assumed that trend adjustment is required on total amount of annual turnover. However, part of the annual turnover represents trend adjusted figure. Alternatively, trend may be ignored and annual turnover can be taken simply.

(4) Additional Expenses: Rs.

(i) Actual Expenses 20,000

(ii) Gross profit on sales generated by additional expenses
32/100× (Rs.50,000 – Rs.35,000) = 4,800

(iii) $\frac{gross\ profit\ on\ annual\ (adjusted\ )turnover}{gross\ profit\ shown\ in\ the\ numerator+unisured\ standing\ charges} \times$ $additional\ expenses$

(32% on Rs. 11,00,000)/ [(32% on Rs. 11,00,000)+18,000)] x Rs. 20,000

[Rs. 3,52,000/(Rs. 3,52,000+ Rs. 18,000)] x Rs. 20,000 = Rs. 19,027

Least of the above three figures, *i.e.* Rs. 4,800 allowable.

(5) **Computation of Claim*:*** *Rs.*

Loss of profit on short sales (32% on Rs. 4,45,000) 1,42,400

Add: Allowable additional expenses 4,800

1,47,200

Less: Savings in insured standing charges (5,000)

1,42,200

Application of average clause

(3,30,000/3,52,000) x 1,42,200 = Rs. 1,33,312.50

(10 marks)

ANSWER -3

ANSWER –A

Investment Account-Equity Shares in X Ltd.

Date		No. of shares	Dividend	Amount	Date		No. of shares	Dividend	Amount
			Rs.	Rs.				Rs.	Rs.
2018					2019				
April 1	To Balance b/d	4,000	-	60,000	Jan. 20	By Bank (dividend)		8,000	2,000
Sept 1	To Bank	1,000	-	14,000	Feb. 1	By Bank	4,000		56,000
Sept.30	To Bonus Issue	2,000		—	Mar. 31	By Balance c/d	4,000		42,250
Dec.1	To Bank (Right)	1,000	-	12,500					
2019									
Feb. 1	To Profit &Loss A/c			13,750					
Feb. 1	To Profit & Loss A/c (Dividend income)		8,000						
		8,000	8,000	1,00,250			8,000	8,000	1,00,250
April. 1	To Balance b/d	4,000		42,250					

(5 marks)

Working Notes:

1. **Cost of shares sold — Amount paid for 8,000 shares**

	Rs.
(Rs. 60,000 + Rs. 14,000 + Rs. 12,500)	86,500
Less: Dividend on shares purchased on 1st Sept, 2018	(2,000)
Cost of 8,000 shares	84,500
Cost of 4,000 shares (Average cost basis*)	42,250
Sale proceeds (4,000 shares @ 14/-)	56,000
Profit on sale	13,750

* For ascertainment of cost for equity shares sold, average cost basis has been applied.

2. **Value of investment at the end of the year**

   Closing balance will be valued based on lower of cost (Rs. 42,250) or net realizable value (Rs.13 x 4,000). Thus investment will be valued at Rs. 42,250.

3. **Calculation of sale of right entitlement**

   1,000 shares x Rs. 8 per share = Rs. 8,000

Amount received from sale of rights will be credited to P & L A/c as per AS 13 'Accounting for Investments'.

4. **Dividend received on investment held as on 1st April, 2018**

= 4,000 shares x Rs. 10 x 20%

= Rs. 8,000 will be transferred to Profit and Loss A/c

Dividend received on shares purchased on 1stSep. 2018

= 1,000 shares x Rs. 10 x 20% = Rs. 2,000 will be adjusted to Investment A/c

Note: It is presumed that no dividend is received on bonus shares as bonus shares are declared on 30th Sept., 2018 and dividend pertains to the year ended 31.3.2018.

(5 marks)

ANSWER –B

Trading and Profit and Loss A/c for the year ended 31.3.2019

		Rs.			*Rs.*
To Opening stock (Balancing figure)		82,500	By Sales- Cash (W.N.1)	1,25,000	
To Purchases-Cash	1,80,000		Credit	5,00,000	6,25,000
Credit (W.N.1)	2,70,000	4,50,000	By Closing stock		32,500
To Gross profit c/d		1,25,000			
		6,57,500			6,57,500
To Loss on sale of		7,500	By Gross profit b/d		1,25,000
Machine			By Discount		
To Depreciation			received		2,250
Land & Building	12,500				
Plant & Machinery	11,875				
Office Equipment	6,375	30,750			
To Expenses paid					
Salary	16,000				
Selling Expenses	7,500				
Office Expenses	18,500	42,000			
To Bed debt		2,250			
To Discount allowed		2,750			
To Interest on loan		6,250			
To Net profit		35,750			
		1,27,250			1,27,250

Balance Sheet as on 31-3-2019

Liabilities		*Rs.*	*Assets*		*Rs.*
Capital (Balancing Figure)	4,65,250		Land & Building	2,50,000	
Add: Net profit	35,750	5,01,000	*Less:* Depreciation	(12,500)	2,37,500
Sundry creditors (W.N.3)		52,750	Plant & Machinery	1,65,000	
Bank loan		50,000	*Less:* Depreciation	(10,875)	1,54,125
Provision for expenses		7,500	Office Equipment	42,500	
			Less: Depreciation	(6,375)	36,125
			Debtors		1,10,250
			Stock		32,500
			Bank balance (W.N.4)		40,750
		6,11,250			**6,11,250**

(6 marks)

Working Notes:

1. **Calculation of Sales and Purchases**

Total sales = Rs.6,25,000

Cash sales = 20% of total sales (6,25,000) = Rs. 1,25,000

Credit sales = 80% of total sales = (6,25,000) Rs. 5,00,000

Gross Profit 25% on cost= 625000 X 25/125 = Rs. 125000

Credit purchases = Rs.2,70,000

Credit purchases = 60% of total purchases
Cash purchases = 40% of total purchases

Total purchases = 270000/60 X 100 = Rs. 4,50,000

Cash purchases = 4,50,000 – 2,70,000 = Rs. 1,80,000

2. **Plant & Machinery**

		Rs.			*Rs.*
To	Balance b/d	1,10,000	By	Sale of Machinery A/c	20,000
To	Cash-purchase (Bal. Fig.)	75,000	By	Balance c/d	1,65,000
		1,85,000			1,85,000

Depreciation on Plant & Machinery:

@ 10% p.a. on Rs. 20,000 for 6 months	=	1,000
@ 10% p.a. on Rs. 90,000 (i.e. Rs. 1,10,000 – Rs.20,000)	=	9,000

@ 10% p.a. on Rs. 75,000 for 3 months (i.e. during the year)	=	1,875
		11,875

Sale of Machinery Account

To Plant and Machinery	20,000	By Depreciation (20,000 x 10% x 1/2	1000
		By Profit and Loss A/c	7,500
		By Bank (Balancing figure)	11,500
	20,000		20,000

3. Creditors Account

	Rs.		Rs.
To Cash	2,62,500	By Balance b/d	47,500
To Discount received	2,250	By Credit purchases (W.N.2)	2,70,000
To Balance c/d (Bal. Fig.)	52,750		
	3,17,500		3,17,500

Debtors Account

	Rs.		Rs.
To Balance b/d (Given)	77,750	By Cash	4,62,500
To Sales (Credit)	5,00,000	By Discount allowed	2,750
		By Bad debts	2,250
		By Balance c/d	1,10,250
	5,77,750		5,77,750

Provision for Office Expenses Account

	Rs.		Rs.
To Bank	21,000	By balance b/d	10,000
To balance c/d	7,500	By Expenses. (Bal. fig.)	18,500
	28,500		28,500

4. Bank Account

	Rs.		Rs.
To Balance b/d	12,500	By Creditors	2,62,500
To Debtors	4,62,500	By Purchases	1,80,000
To Office Equipment (sales)	10,000	By Expenses Rs. (16,000 + 7,500 + 21,000)	44,500
To Cash sales (W.N.1)	1,25,000	By Bank loan paid	18,750
To Machine sold	11,500	By Machine purchased (W.N.4)	75,000
		By Balance c/d (Bal. Fig.)	40,750
	6,21,500		6,21,500

5. Office Equipment Account

To balance b/d	52,500	By Sales	10,000
		By balance c/d	42,500
	52,500		52,500

(4 marks)

ANSWER -4

ANSWER –A

(i) Department Trading Account for Department X For the year ending on 31.03.2019

In the books of Head Office

Particulars	*Rs.*	*Particulars*	*Rs.*
To Opening Stock	1,50,000	By Sales	6,50,000
To Purchases	4,30,000	By Shortage	4,000
To Gross Profit c/d	1,05,000	By Closing Stock	31,000
	6,85,000		6,85,000

(2 marks)

(ii) Memorandum Stock Account (for Department X) (at selling price)

Particulars	*Rs.*	*Particulars*	*Rs.*
To Balance b/d (Rs. 1,50,000+20% of Rs.1,50,000)	1,80,000	By Profit & Loss A/c (Cost of Shortage)	4,000
To Purchases (Rs. 4,30,000 + 20% of Rs.4,30,000)	5,16,000	By Memorandum Departmental Mark up A/c (Load on Shortage) (Rs.4,000 x 20%)	800
		By Memorandum Departmental Mark-up A/c (Mark-down on Current Purchases)	3,600
		By Debtors A/c (Sales)	6,50,000
		By Memorandum Departmental Mark-up A/c (Mark Down on Opening Stock)	1,600
		By Balance c/d	36,000
	6,96,000		6,96,000

(3 marks)

(iii) Memorandum Departmental Mark-up Account

Particulars	*Rs.*	*Particulars*	*Rs.*
To Memorandum Departmental Stock A/c (Rs.4,000 × 20/100)	800	By Balance b/d (Rs.1,80,000 x 20/120)	30,000
To Memorandum Departmental Stock A/c	3,600	By Memorandum Departmental Stock A/c (Rs.5,16,000 x 20/120)	86,000
To Memorandum Departmental Stock A/c	1,600		
To Gross Profit transferred to Profit & Loss A/c	1,05,000		
To Balance c/d [(Rs.36,000 + 1,200*) x 20/120 - Rs.1,200]	5,000		
	1,16,000		**1,16,000**

*[Rs. 3,600 ×10,000/30,000] = Rs. 1,200. Alternatively, this adjustment of Rs. 1,200 may be routed through Memorandum Stock Account.

(3 marks)

Working Notes:

(i) Calculation of Cost of Sales

		Rs.
A	Sales as per Books	6,50,000
B	*Add*: Mark-down in opening stock (given)	1,600
C	*Add*: mark-down in sales out of current Purchases (Rs.3,600 x 20,000 /30,000)	2,400
D	Value of sales if there was no mark-down (A+B+C)	6,54,000
E	*Less*: Gross Profit (20/120 of Rs.6,54,000) subject to Mark Down	(1,09,000)
F	Cost of sales (D-E)	5,45,000

(ii) Calculation of Closing Stock

		Rs.
A	Opening Stock	1,50,000
B	*Add*: Purchases	4,30,000
C	*Less*: Cost of Sales	(5,45,000)
D	*Less*: Shortage	(4,000)
E	Closing Stock (A+B-C-D)	31,000

(2 marks)

ANSWER –B

M & S Co. Ltd.

Canberra, Australia Branch Trial

Balance As on 31st March 2019

	($ 'thousands)			(Rs.' thousands)	
	Dr.	Cr.	Conversion rate per $	Dr.	Cr.
Plant & Machinery (cost)	200		Rs. 46	9,200	
Plant & Machinery Dep. Reserve		130	Rs. 46		5,980
Trade receivable/payable	60	30	Rs. 53	3,180	1,590
Stock (1.4.2018)	20		Rs. 50	1,000	
Cash & Bank Balances	10		Rs. 53	530	
Purchase / Sales	20	123	Rs. 51	1,020	6,273
Goods received from H.O.	5		Actual	100	
Wages & Salaries	45		Rs. 51	2,295	
Rent	12		Rs. 51	612	
Office expenses	18		Rs. 51	918	
Commission Receipts		100	Rs. 51		5,100
H.O. Current A/c		7	Actual		120
				18,855	19,063
Foreign Exchange Loss (bal. fig.)				208	
	390	390		19,063	19,063
Closing stock	3.125		53	165.625	

(5 marks)

Trading and Profit & Loss Account for the year ended 31st March, 2019

(Rs.'000)

	H.O.	*Branch*	*Total*		*H.O.*	*Branch*	*Total*
To Opening Stock	100	1,000.000	1,100.000	By Sales	520	6,273.000	6,793.000
To Purchases	240	1,020.000	1,260.000	By Goods sent to Branch	100	–	100.000
To Goods received from Head Office	–	100.000	100.000	By Closing Stock	150	165.625	315.625
To Wages & Salaries	75	2,295.000	2,370.000				
To Gross profit c/d	355	2,023.625	2,378.625				
	770	6,438.625	7,208.625		770	6,438.625	7,208.625

To Rent	–	612.000	612.000	By	Gross profit b/d	355	2,023.625	2,378.625
To Office expenses	25	918.000	943.000	By	Commission receipts	256	5,100.000	5,356.000
To Provision for doubtful debts @ 5%	14	159.000	173.000					
To Depreciation (W. N.)	460	644.000	1,104.000					
To Balance c/d	112	4,790.625	4,902.625					
	611	7,123.625	7,734.625			611	7,123.625	7,734.625
To Managing Partner's Salary			30.000	By	Balance b/d			4,902.625
To Exchange Loss			208.000	By	Branch stock reserve			4.000
To Balance c/d			4,668.625					
			4,906.625					4,906.625

Working Note:

Calculation of Depreciation

	H.O Rs. '000	*Branch Rs. '000*
Building – Cost	1,000	
Less: Dep. Reserve	(200)	
	800	
Depreciation @ 10% (A)	80	
Plant & Machinery Cost	2,500	9,200
Less: Dep. Reserve	(600)	(5,980)
	1,900	3,220
Depreciation @ 20% (B)	380	644
Total Depreciation (A+B)	460	644

Note: As the closing stock of Branch does not consist any stock transferred from M& S Co., there is no need to create closing stock reserve. But the opening branch stock reserve has to be reversed in the P&L A/c.

(5 marks)

ANSWER -5
ANSWER –A

Shreya (P) Limited

Profit and Loss Account

for 15 months ended 31st March, 2019

	Pre. inc. (5 months) (Rs.)	Post inc. (10 months) (Rs.)		Pre. inc. (5 months) (Rs.)	Post inc. (10 months) (Rs.)
To Cost of sales	1,80,000	10,08,000	By Sales (W.N.1)	3,00,000	16,80,000
To Gross profit	1,20,000	6,72,000			
	3,00,000	16,80,000		3,00,000	16,80,000
To Discount to dealers	7,000	39,200	By Gross profit	1,20,000	6,72,000
To Directors' remuneration	-	60,000	By Loss	750	
To Salaries (W.N.2)	18,750	71,250			
To Rent (W.N.3)	15,000	1,20,000			
To Interest (W.N.4)	30,000	75,000			
To Depreciation	10,000	20,000			
To Office expenses	35,000	70,000			
To Preliminary expenses	-	15,000			
To Sales promotion expenses	5,000	28,000			
To Net profit	-	1,73,550			
	1,20,750	6,72,000		1,20,750	6,72,000

(5 marks)

Working Notes:

1. **Calculation of sales ratio:**

   Let the average sales per month in pre-incorporation period be x

   Average Sales (Pre-incorporation) = x X 5 = 5x

   Sales (Post incorporation) from June to December, 2018 = 2½ x X 7 = 17.5x

   From January to March, 2019 = 3½ x X 3 = ...x

   Total Sales...x

   Sales ratio of pre-incorporation & post incorporation is 5x : 28x

2. Calculation of ratio for salaries

Let the average salary be x

Pre-incorporation salary = x X 5= 5x

Post incorporation salary

June, 2018 = x

July 18 to March, 2019 = x X 9 X 2 = 18x

19x

Ratio is 5 : 19

3. Calculation of Rent Rs.

Total rent 1,35,000

Less: Additional rent for 9 months @ Rs. 10,000 p.m.

90,000 Rent of old premises apportioned in time ratio

45,000

Apportionment	Pre Inc.	Post Inc.
Old premises rent	15,000	30,000
Additional Rent		90,000
	15,000	1,20,000

4. Calculation of interest

Pre-incorporation period from January, 2018 to May, 2018

$\left(\frac{6,00,000 \times 12 \times 5}{100 \times 12}\right)$ = Rs.30,000

Post incorporation period from June, 2018 to March, 2019

$\left(\frac{9,00,000 \times 10 \times 10}{100 \times 12}\right)$ = Rs.75,000

= Rs. 1,05,000

(5 marks)

ANSWER –B

(a) **Prashant Ltd.**

Balance Sheet as on 31st March, 2019

		Particulars	Notes	Rs.
		Equity and Liabilities		
1		**Shareholders' funds**		
	a	Share capital	1	14,95,000

	b	Reserves and Surplus	2	3,76,800
2		**Non-current liabilities**		
		Long-term borrowings	3	3,65,000
3		**Current liabilities**		
	a	Trade Payables		2,67,000
	b	Other current liabilities	4	10,000
	c	Short-term provisions	5	72,000
		Total		25,85,800
		Assets		
1		**Non-current assets**		
		Property, Plant and Equipment	6	15,95,000
2		**Current assets**		
	a	Inventories		3,15,000
	b	Trade receivables	7	2,95,000
	c	Cash and bank balances	8	3,22,300
	d	Short-term loans and advances		58,500
		Total		25,85,800

(6 Marks)

Notes to accounts

			Rs.
1	Share Capital		
	Equity share capital		
	Issued & subscribed & fully paid up		
	1,50,000 Equity Shares of `10 each		
	(of the above 10,000 shares have been issued for consideration other than cash)	15,00,000	
	Less: Calls in arrears	(5,000)	14,95,000
2	Reserves and Surplus		
	General Reserve		2,70,000
	Profit & Loss balance		1,06,800
		Total	3,76,800
3	Long-term borrowings		
	Secured		
	Loan from State Financial Corporation (2,10,000-10,000) (Secured by hypothecation of Plant and Machinery)		2,00,000
	Unsecured Loan		1,65,000
	Total		3,65,000
4	Other current liabilities		
	Interest accrued but not due on loans (SFC)		10,000
5	Short-term provisions		

	Provision for taxation		72,000
6	Property, Plant & Equipment		
	Land		5,50,000
	Building	5,50,000	
	Less: Depreciation(b.f.)	(65,000)	4,85,000
	Plant & Machinery	6,25,000	
	Less: Depreciation (b.f.)	(65,000)	5,60,000
	Total		15,95,000
7	Trade receivables		
	Outstanding for a period exceeding six months		55,000
	Other Amounts		2,40,000
	Total		2,95,000
8	Cash and bank balances		
	Cash and cash equivalents		
	Cash at bank		2,85,000
	Cash in hand		37,300
	Other bank balances		Nil
	Total		3,22,300

(8 × 0.5 mark = 4 Marks)

ANSWER -6

ANSWER –A

Ex-right value of the shares =

(Cum-right value of the existing shares + Rights shares x Issue Price) / (Existing No. of shares + Rights No. of shares) = (Rs. 360 x 2 Shares + Rs. 180 x 1 Share) / (2 + 1) Shares

= Rs. 900 / 3 shares = Rs. 300 per share.

Value of right = Cum-right value of the share – Ex-right value of the share

= Rs. 360 – Rs. 300 = Rs. 60 per share.

Hence, any one desirous of having a confirmed allotment of one share from the company at Rs. 180 will have to pay Rs. 120 (2 shares x Rs. 60) to an existing shareholder holding 2 shares and willing to renounce his right of buying one share in favour of that person.

(5 marks)

ANSWER –B

In the books of Meera Limited Journal Entries

Date 2018	***Particulars***		***Dr. (Rs.)***	***Cr. (Rs.)***
Jan 1	10% Redeemable Preference Share Capital A/c	Dr.	1,50,000	

	Premium on Redemption of Pref. shares	Dr.	15,000	
	To Preference Shareholders A/c			1,65,000
	(Being the amount payable on redemption transferred to Preference Shareholders Account)			
	Preference Shareholders A/c	Dr.	1,65,000	
	To Bank A/c			1,65,000
	(Being the amount paid on redemption of preference shares)			
	Profit & Loss A/c	Dr.	15,000	
	To Premium on Redemption of Pref. Shares			15,000
	(Being adjustment of premium on redemption)			
	General Reserve A/c	Dr.	1,12,500	
	Profit & Loss A/c	Dr.	37,500	
	To Capital Redemption Reserve A/c			1,50,000
	(Being the amount transferred to Capital Redemption Reserve Account as per the requirement of the Act)			

Note: Securities premium and capital reserve cannot be utilized for transfer to Capital Redemption Reserve.

(5 marks)

ANSWER –C

As per AS 13 'Accounting for Investments', where long-term investments are reclassified as current investments, transfers are made at the lower of cost and carrying amount at the date of transfer**.** And where investments are reclassified from current to long term, transfers are made at lower of cost and fair value on the date of transfer. Accordingly, the re-classification will be done on the following basis:

(i) In this case, carrying amount of investment on the date of transfer is less than the cost; hence this re-classified current investment should be carried at ` 6.5 lakhs in the books.

(ii) In this case, reclassification of current investment into long-term investments will be made at ` 10 lakhs as cost is less than its market value of ` 12 lakhs.

(iii) In this case, the book value of the investment is ` 12 lakhs, which is lower than its cost i.e. ` 18 lakhs. Here, the transfer should be at carrying amount and hence this re-classified current investment should be carried at ` 12 lakhs.

(5 marks)

ANSWER –D

Calculation of net profit u/s 198 of the Companies Act, 2013

	Rs.	Rs.
Balance from Trading A/c		201,26,825
Add: Subsidies received from Government		13,69,625
		214,96,450
Less: Administrative, selling and distribution expenses	41,12,710	
Director's fees	6,73,900	
Interest on debentures	1,56,200	
Depreciation on fixed assets as per Schedule II	28,76,725	(78,19,535)
Profit u/s 198		136,76,915

Maximum Managerial remuneration under Companies Act, 2013 = 11% of Rs. 136,76,915= Rs. 15,04,461.

(5 marks)

ANSWER – E

Calculation of number of equity shares to be allotted

	Number of debentures
Total number of debentures	40,000
Less: Debenture holders not opted for conversion	(5,000)
Debenture holders opted for conversion	35,000
Option for conversion	20%
Number of debentures to be converted (20% of 35,000)	7,000

Redemption value of 7,000 debentures at a premium of 5% [7,000 x (100+5)]	Rs.7,35,000
Equity shares of Rs.10 each issued to debenture holders on redemption [Rs.7,35,000/ Rs.15]	49,000 shares
Amount of cash to be paid	
Amount to be paid into cash [42,00,000 (40,000 x Rs. 105) – 7,35,000] on redemption	Rs.34,65,000

(5 marks)