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Question Paper	
Accounting	**Duration**: 180
Details: Test – 1 (Full Syllabus)	**Marks**: 100

Instructions:

- All the questions are compulsory
- Properly mention test number and page number on your answer sheet, Try to upload sheets in arranged manner.
- In case of multiple choice questions, mention option number only Working notes are compulsory wherever required in support of your solution
- Do not copy any solution from any material. Attempt as much as you know to fairly judge your performance.

Question No. 1 is compulsory.

Answer any **four** questions from the remaining **five** questions.

Wherever necessary suitable assumptions may be made and disclosed by way of a note.
Working Notes should form part of the answer.

Q-1: (a) Option Ltd. Is engaged in the manufacturing of steel. For its steel plant, it required machineries of latest technology. It usually resorts to long Term Foreign currency Borrowings for its fund requirements. On 1st April, 2011, it borrowed US $1 million from international Funding Agency, USA when exchange rate was 1$=Rs 52. The funds were used for acquiring machineries is 10 years and their residual value is Rs 2.00.000.

Earlier also the company used to purchase machineries out of foreign borrowings. The exchange differences arising on such borrowings were charged to profit and loss account and were not capitalized even though the company had an option to capitalize it as per notified AS 11 (notification issued by the MCA in 2009).

Now for this new purchase of machinery, Option Ltd, is interested to avail the option of capitalizing the same to the cost of asset. Exchange rate on 31st March, 2012 is 1US $=Rs 51. Assume that on 31st March, 2012. Option Ltd, is not having any old machinery purchased on 1st April, 2011.

Can Option Ltd, capitalize the exchange difference to the cost of asset on 31st March, 2012? If yes, then calculate the depreciation amount on machineries as on 31stMarch, 2012.

Would your answer differ, if Option Ltd. was not accompany and was a LLP?

(b) JVR Limited has made investments of Rs.97.84 crores in equity shares of QSR Limited in pursuance of Joint Venture agreement in 2001-02. The investment has been made at par. QSR Limited has been continuous losses for the last 2 years. JVR Limited is willing to re-assess the carrying amount of its investment in QSR Limited' and wish to provide for diminution in value of investments. However, QSR Limited has a futuristic and profitable business plans and projection for the coming years.

Discuss whether the contention of JVR Limited to bring down the carrying amount of investment in QSR Limited is in accordance with Accounting Standard.

(c) In a manufacturing process of Vijoy Ltd, one by product BP emerges besides two main products MPI and MP2 apart from scrap. Detail of cost production process is hereunder:

Item	**Unit**	**Amount (Rs.)**	**Output (unit)**	**Closing stock as on 31.03.2012**
Raw material	15000	1,60,000	MP 1-6250	800
Wages		82,000	MP2 - 5000	200
Fixed overhead		58,000	BP-1600	
Variable overhead		40,000		

Average market price of MP1 and MP2 is Rs.80 per unit and Rs. 50 per unit respectively; by product is sold @ 25 per unit. There is a profit of Rs.5000 on sale of by-product after incurring separate processing charges of Rs. 4000 and packing charges of Rs.6000. Rs. 6000 was realized from scrap. Calculate the value of closing stock of MP12 and MP2 as on 31.03.2012.

(d) XYZ Ltd. has acquired a heavy road transporter at a cost of Rs 1,00,000 (with no breakdown of the component parts). The estimated useful life is 10 years. At the end of the sixth year, the power train (one of its component) requires replacement, as further maintenance is uneconomical due to the off-road time required. The remainder of the vehicle is perfectly roadworthy and is expected to last for the next four years. The cost of a new power train is Rs 45,000. Can the cost of the new power train be recognized as an asset, and, if so, what treatment should be used?

(5 x 4 = 20 Marks)

Q-2: (a) Akash Ltd. Had 4,000 Equity Share of X limited, at a book value of Rs. 15 per share (Face value of Rs. 10 each) on 1^{St} April 2017. On 1^{st} September 2017, akash Ltd. acquired 1,000 equity shares of X limited at a premium of Rs. 4 per share. X limited announced a bonus and right issue for existing share holders.

The terms of bonus and right issue were -

(1) Bonus was declared, at the rate of two equity shares for every five equity held on 30^{th} September, 2017.

(2) Right shares are to be issued to the existing shareholders on 1^{st} December 2017. The company issued two right shares for every seven shares held at 25% premium. No dividend was payable on these shares. The whole sum being payable by 31^{st} December,2017.

(3) Existing shareholders were entitled to transfer their rights to outsiders, either wholly or in part.

(4) Akash Ltd. exercised its option under the issue for 50% of its entitlements and sold the remaining rights for Rs. 8 per share

(5) Dividend for the year ended 31st march 2017, at the rate of 20% was declared by the company and received by akash Ltd. on 20th January 2018

(6) On 1st February 2018, akash Ltd. sold half of its share holdings at a premium of Rs. 4 per share

(7) The market price of share on 31.03.2018 was Rs. 13 per share

You are required to prepare the investment account of Akash Ltd. for the year ended 31st march, 2018 and determine the value of share held on that date assuming the investment as current investment

(12 Marks)

(b) From the following information, compute the amount of claim under loss of Stock policy.

Sum Insured	Rs.50,000	Stock as on 1.1.2017	Rs.73,500
Accounting Year	Calendar Year	Stock as on 31.12.2017	Rs.79,600
Value of Salvaged Stock	5,800	Purchases during 2017	Rs.3,98,000
G.P. Ratio	Uniform from year to year	Sales during 2017	Rs.4,87,000
Reason for Damage on 30 -6- 2018	Due to fire accident	Purchases from 1.1.2018 to 30.6.2018	Rs.1,62,000
		Sales from on 1.1.2018 to 30.6.2018	Rs.2,31,200

In valuing the stock at 31st December, 2017, Rs. 2,300 had been written off certain stock which was poor selling line, it having a cost of Rs. 6,900. A portion of these goods were sold in March, 2018 at a loss of Rs.250 on original cost of Rs.3,450. The remainder of this stock was now estimated to be worth its original cost for the purpose of claim. Subject to above exception, gross profit had remained at an uniform rate throughout the year.

(8 Marks)

Q-3 (a) Lucky bought 2 tractors from Happy on 1-4-2015 on the following terms:

Particulars	**Rs.**
Down payment	5,00,000
1st installment at the end of first year	2,65,000
2nd installment at the end of 2nd year	2,45,000
3rd installment at the end of 3rd year	2,75,000

Interest is charged at 10% p.a. Lucky provides depreciation @20% on the diminishing balances.

On 31-3-2018 Lucky failed 10 pay the 3rd installment upon which happy repossessed 1 tractor. Happy agreed to leave one tractor with Lucky and adjusted the value of the tractor against the amount due. The tractor taken over was valued on the basis of 30% depreciation annually; on written down basis. The balance amount remaining in the vendor's account after the above adjustment was paid by Lucky after 3 months with interest @'18% p.a.

You are required to:

(1) Calculate the cash price of the tractors and the interest paid with each installment.

(2) Prepare Tractor Account and Happy Account in the books of Lucky assuming that books are closed on March 31 every year. Figures may be rounded off to the nearest rupee.

(b) XYZ (P) Limited was incorporated on 1.8.2019 to take over the business of Mis Rank & Co. from 01.04.2019. The Profit and Loss account as given by XYZ (P) Limited for the year ending 31.3.2020 is as under:

Profit and Loss Account for the year ended 31.3.2020

Particulars	Rs	Particulars	Rs
To Advertisement	99,000	By Gross Profit b/d	9,45,000
To Audit fee	15,000	By Interest on Investments	16,000
To bad debts (related to sales)	27,000		
To depreciation	21,000		
To Discount	9,000		
To Interest on Debentures	80,000		
To Preliminary expenses	12,000		
To Rent	1,40,000		
To Salaries	4,48,000		
To underwriting Commission	20,000		
To Net Profit	90,000		
	9,61,000		9,61,000

Prepare Profit and Loss statement showing allocation of pre-incorporation and post – incorporation profits after considering the following information:

(1) Gross profit ratio was constant throughout the year

(2) Sales for August 2019 to November 2019 were 1 ½ times the average monthly sales while for December, 2019 to March 2020 were 2 times the average sales.

(3) Company had to occupy additional space from 1st December 2019 for which rent was Rs 5,000 per month.

(4) Bad debts are shown after adjusting a recovery of Rs 9,000 of bad debts for a sale made in July 2019.

(5) Salary of one manager was increased by Rs 2,000 p.m. from August 2019. Salary of other employees remains unchanged.

(6) All investments were sold in May 2019 at a profit of Rs 27,000. Profit on sale of investment inadvertently included to sales and ultimately to gross profit.

(10 Marks)

Q-4 Riots occurred and fire broke out on the evening of 31st March, 2018 accounts and factory shed (book value (20,000) of Bharat, a small trader. The cashier had absconded with the available cash. The following information was available:

1. ASSETS AND LIABILITIES

Particulars	**31.03.2017**	**31.03.2018**
	Rs.	**Rs.**
Fixed Assets (after depreciation)	60,000	1,08,000
Stock	60,000	?
Trade Debtors	50,000	60,000
Bills Receivable	-	5,000
Cash	5,000	?
Bank	65,000	?
Prepaid Business Expenses	20,000	4,000
Outstanding Business Expenses	55,000	11,000
Trade Creditors for Goods	25,000	30,000
Bills Payable	-	25,000

Capital	?	1,01,000

2. Uniform Rate of Gross Profit - 20%.

3. Gross Profit for the year ended 31.03.2017 - Rs.80,000.

4. Cash Sales 66-2/3% less than the net credit sales. Sales Returns - $1/7^{th}$ of Gross Credit Sales

5. Cash Purchases - 20% of Net Credit Purchases, Purchases Returns $1/7^{th}$ of Gross Credit Purchases.

6. His sales for the year ended 21st March, 2018 were 20% higher than the previous year's.

7. On 1st April, 2017 the stock level was raised by Rs.42,000 and stock was maintained at this new level all throughout the year.

8. Freight inwards 4,000 in cash.

9. Goods costing 9,000 were used as advertising materials.

10. Collections from Debtors (after 6% discount) were 80% in cash.

11. Payments to creditors (after 5% discount) amounted to 2,18,500 of which 80% were by cheques.

12. 80% of indirect Business Expenses were paid by cheques.

13. On 30.9.2017 Fixed Assets are purchased and paid by cheques. Depreciate fixed Assets by 10%.

14. (a) Goods costing Rs. 1,000 were used by the proprietor for personal use.

(b) Personal Drawings amounting to 1,00,000 of which 80% were in Cash.

15. 4% Govt. securities purchased by cheque (at 96% on 01.10.2017) for 9,600.

16. Cash deposited into the Bank 1,00,000.

17. During the year, acceptances amounting to Rs.50,000 were discharged before maturity at a discount of 2% by means of a pay order and promissory notes amounting toRs.25,000 were also duly discharged at maturity by means of a pay order.

18. during the year, of the Bills drawn.

(a) Some bills were endorsed in favour of creditors. Out of these endorsed bills, bills for Rs. 25,000 were dishonored.

(b) Bills amounting to 25,000 were discounted at a discount of 2% of which a bill for 12,500 was dishonored.

(c) Out of these dishonored bills, drawees of bills of 18,750 became insolvent and paid 50% only by means of a bank draft.

(d) Bills amounting to 10,000 were discharged by drawees before maturity at a rebate of 2% by means of a bank draft.

(e) Bills amounting to 10,000 were collected at maturity by means of bank draft.

19. The amount defalcated by the cashier may be treated as recoverable from him.

Required: Prepare Trading & profit & Loss Account for the year ended 31st March 2018 and the Balance Sheet as at 31st March, 2018.

(20 Marks)

Q-5 (a) Complex Ltd., has 3 departments, A, B, C. The following information is provided:

Particulars	A	B	C

	Rs.	Rs.	Rs.
Opening Stock	3,000	4,000	6,000
Consumption of direct materials	8,000	12,000	----
Wages	5,000	10,000	----
Closing Stock	4,000	14,000	8,000
Sales	----	----	34,000

Stock of each department is valued at cost to the department concerned. Stocks of A department are transferred to B at a margin of 50% above departmental cost. Stocks of B department are transferred to C department at a margin of 10% above departmental cost. Other expenses were: Salaries Rs. 2,000, Printing & Stationery Rs. 1,000, Rent Rs.6,000, Interest paid Rs. 4,000, Depreciation Rs.3,000.

Allocate expenses in the ratio of departmental gross profit. Opening figures of reserves for unrealized Profits on departmental stocks were; Department B Rs. 1,000; Department C Rs. 2,000.

Required: Prepare Departmental Trading and Profit & Loss Account for the year ending on March 31, 2018.

(10 Marks)

(b) M/s. Sandeep, having Head Office at Delhi has a Branch at Kolkata. The Head Office does wholesale trade only at cost plus 80%. The Goods are sent to Branch at the wholesale price viz. cost plus 80%. The Branch at Kolkata wholly engaged in retail trade and the goods are sold at cost to Head Office plus 100%.Following details are furnished for the year ended 31st March, 2018:

Particulars	Head Office(Rs.)	Kolkata Branch (Rs.)

Opening Stock (As on 01.04.2017)	1,25,000	-
Purchases	21,50,000	-
Goods sent to Branch (cost to H.O. plus 80%)	7,38,000	-
Sales	23,79,600	7,30,000
Office Expenses	50,000	4,500
Selling Expenses	32,000	3,300
Staff Salary	45,000	8,000

You are required to prepare Trading and Profit & Loss Account of the Head Office and Branch for the Year ended 31st March, 2018.

(10 Marks)

Q-6 Answer any four of the following

(a) Following are the Extracts of Balance Sheets of Tulsian Ltd.:

Particulars	**31.3.2018**	**31.3.2017**
Equity Share Capital	9,10,000	5,00,000
General Reserve	2,10,000	2,50,000
Profit & Loss A/c	9,50,000	(40,000)
Securities premium	50,000	-
Capital Redemption Reserve	-	1,00,000
Capital grant	8,00,000	Nil
Convertible debentures (into equity shares at 25% premium)	-	2,00,000
Trade payables	1,00,000	1,05,000

Goodwill	15,000	-
Plant & machinery	7,65,000	5,00,000
Inventories	95,640	54,000
Trade receivables	7,50,000	6,25,000
Less: Provision for doubtful debts	(1,90,000)	(1,50,000)
Voluntary separation payments	1,25,000	65,000

Additional Information:

(a) Depreciation on Plant & Machinery written off @ 15%

(b) It was decided to value Inventories at cost whereas previously the practice was to Inventories at cost less 10%. However the closing stock on 31.03.2018 was correctly valued at cost.

(c) on 31st march 2018, the business of Y Ltd. was purchased for Rs. 60000 payable in fully paid equity shares of Rs.10 each at a premium of 20%. The assets includes inventories Rs. 26,640 and trade receivables Rs.10,000 and Machine Rs. 18,360. In addition Trade Payables of Rs.15,000 were taken over.

(d) Debtors of 2,30,000 were written ort against the Provision for doubtful debts A/c during the year. Grant of 10,00,000 amortized in P&L a/c . Compensation received in a suit filed by the company 90,000. Voluntary separation payments 50,000 adjusted against general Reserve.

Required: How will you disclose these items while preparing Cash Flow Statement as per AS-3 issued by ICAI.

(b) Following is the Balance Sheet of Happy Limited as on March 31, 2018:

BALANCE SHEET AS ON 31-3-2018

Particulars	Rs.
Authorized Share Capital:	2,00,000
2,00,000 Equity shares of 10 each	
Issued and Subscribed Share Capital:	
2,00,000 Equity shares of Rs. 10 each, Rs.7 paid up	14,00,000
Reserves and Surplus:	
Capital reserve (Profit on sale of fixed Assets)	1,30,000
Securities Premium (Includes Rs. 20,000 received otherwise than in cash)	90,000
General reserve	2,40,000
Profit & Loss A/C	5,20,000
Secured loans:	
12% Fully convertible debentures @ Rs.100 each	4,00,000
Current Liabilities	2,20,000
Fixed assets	20,00,000
Investments	4,40,000
Current Assets	5,60,000

On April 01, 2018, company has made final call @ Rs.3 on 2,00,000 equity shares and received complete call money by April 30,2018

The company wants to issue bonus shares to its shareholders @ one share for every four shares held.

12% Debentures are convertible into equity shares of Rs. 10 each fully paid on June 01,2018

Necessary resolutions were passed and requisite legal requirements were complied with. For issue of bonus shares it was decided that reserves and surplus, other than Profit and loss account, should be first capitalized.

Required: Prepare Balance Sheet as on May 15, 2018, date on which all the formalities related to the issue of bonus shares completed. for the purpose of preparation of balance sheet, assume that , balance sheet items as on march 31,2018, which are not effected by issue of bonus shares as above , remains unchanged as on may 15,2018, also pass necessary journal entries in the books of the company related to issue of bonus shares, for the period from April 01,2018 to may 15,2018.

(c) On 1st April, 2012 the following balances were extracted from the ledger of Enkay Limited:

(1) 10% redeemable preference share capital account: 5,000shares of 100each, fully called-up	5,00,000
(2)calls unpaid account: Final call on 100 10% redeemable preference shares@ 20each	2,000
(3) Security premium account	14,000
(4)General Reserve	1,60,000
(5)Profit and loss account	1,18,546
(6)Declared preference dividend, not yet paid	49,800

The company redeemed all the preference shares at a premium of 5% and for the purpose, it issued equity shares of 10 each at a premium of 1 each for such an amount as was necessary for the purpose after utilizing the available profits to the maximum possible extent. It also paid the declared preference dividend.

Show journal entries for all the above mentioned transactions.

(d) On 1st January, 2017 CANHB Ltd. made an issue of 10,000 12% Debentures of 100 each @ Rs.98 per debenture. The terms of issue provided for the redemption of 50,000 debentures every year commencing from 2018 either by purchase or by drawing lots, at par, at the company's option. Profit if any, on the redemption of debentures is to be transferred to capital reserve account. The company's accounting year ends on 31st December. Interest is payable on 30th June and 31st December.

During 2017, the company wrote-off Rs. 5,000 from debenture discount account.

During 2018, the company purchased for cancellation debentures of the face value of:

(i) Rs. 20,000 at Rs. 97 per debenture on 30th June, and

(ii) 730,000 at Rs. 96 per debenture on 31st December.

Required: Show how these items will appear in the financial statements for the year ended 31st December, 2018. Also show the corresponding figures for the previous year.

(e) List the criteria to be applied for rating as Level-I enterprise for the purpose of compliance of Accounting Standard in India.

(5 x 4 = 20 Marks)