MOCK TEST PAPER – 1

INTERMEDIATE (NEW) : GROUP – I

PAPER – 1: ACCOUNTING

1. **(a)** Exchange differences arising on restatement or repayment of liabilities incurred for the purpose of acquiring an item of property, plant and equipment should be adjusted in the carrying amount of the respective item of property, plant and equipment as Om Ltd. has exercised the option and it is long term foreign currency monetary item. Thus, the entire exchange loss due to variation of ₹ 20 lakh on 31.03.2021 on payment of US $ 10 lakh, should be added to the carrying amount of an item of property, plant and equipment and not to the cost of goods sold. Further, depreciation on the unamortized depreciable amount should also be provided.

Calculation of Exchange loss:

Foreign currency loan (in ₹) = (50 lakh $ x ₹ 60) = ₹ 3,000 lakh

Exchange loss on outstanding loan on 31.03.2021 = ₹ 40 lakh US $ x (62.00-60.00) = ₹ 80 lakh.

So, ₹ 80 lakh should also be added to cost of an item of property, plant and equipment with corresponding credit to outstanding loan in addition to ₹ 20 lakh on account of exchange loss on payment of instalment. The total cost of an item of property, plant and equipment to be increased by ₹ 100 lakh. Total depreciation to be provided for the year 2020 - 2021 = 20% of (₹ 3,000 lakh + 100 lakh) = ₹ 620 lakh.

(b) **(i)** **When Net Realizable Value of the Finished Good Q is ₹ 450 per unit**

Value of Closing Stock:

	Valuation Base	*Qty.*	*Rate (₹)*	*Amount (₹)*
Raw Material P	Cost	600	275	1,65,000
Finished Good Q	Cost	1,500	360	5,40,000
Total value of closing stock				7,05,000

(ii) **When Net Realizable Value of the Finished Good Q is ₹ 340 per unit**

Since NRV of finished goods Q is less than its cost i.e. ₹ 360 (Refer W.N.), raw material P is to be valued at replacement cost and finished goods is to be valued at NRV.

Value of Closing Stock:

	Valuation Base	*Qty.*	*Rate (₹)*	*Amount (₹)*
Raw material P	Replacement cost	600	180	1,08,000
Finished good Q	Net Realisable Value	1,500	340	5,10,000
Total value of closing stock				6,18,000

Working Note:

Statement showing calculation of cost of raw material P and finished good Q

Raw Material P	**₹**
Cost Price (250-20)	230
Add: Freight Inward	30
Handling charges	15
Cost	275
Finished Goods Q	**₹**
Materials consumed	250
Direct Labour	70
Variable overheads	30
Fixed overheads (₹ 3,00,000 / 30,000 units)	10
	360

(c) **Borrowing Cost**: As per AS 16 'Borrowing Costs', borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset should be capitalized as part of the cost of that asset. Other borrowing costs should be recognized as an expense in the period in which they are incurred. Borrowing costs should be expensed except where they are directly attributable to acquisition, construction or production of qualifying asset.

Qualifying Asset: A qualifying asset is an asset that necessarily takes a substantial period of time (ordinarily, a period of twelve months unless a shorter or longer period can be justified on the basis of the facts and circumstances of the case) to get ready for its intended use or sale.

(i) When construction of asset completed on 30th April, 2021

The treatment for total borrowing cost of ₹ 68.20 lakhs will be as follows:

Purpose	*Nature*	*Interest to be capitalized* *₹ in lakhs*	*Interest to be charged to profit and loss account* *₹ in lakhs*
Plant and machinery under Modernization and renovation scheme	Qualifying asset	[68.20 x (564/620)] = 62.04	
Working Capital	Not a qualifying asset		[68.20 x (56/620)] = 6.16
		62.04	6.16

(ii) When construction of assets is completed by 28th February, 2019

In this scenario, when the process of renovation gets completed in less than 12 months, the plant and machinery will not be considered as qualifying assets (until and unless the entity specifically considers that the asset took substantial period of time for completing their construction) and the whole of interest will be required to be charged off / expensed off to Profit and loss account.

(d) Statement showing Cash Flow from Financing Activities

		₹
Cash inflow from financing activity		
Proceeds from issuance of equity share capital	20,00,000	
Proceeds from long term borrowings	12,00,000	
Total cash inflow from financing activity		32,00,000
Less: Cash outflow from financing activity		
Amount paid for redemption of debentures	22,00,000	
Underwriting commission paid	40,000	
Interest paid on long-term borrowings	1,44,000	(23,84,000)
Net cash inflow from financing activity		8,16,000

2. (a) Morya Ltd.

Balance Sheet as at 31st March, 2021

	Particulars	Notes	Figures at the end of current reporting period (₹)
Equity and Liabilities			
1	**Shareholders' funds**		
a	Share capital	1	79,85,000
b	Reserves and Surplus	2	30,21,000
2	**Non-current liabilities**		
a	Long-term borrowings	3	42,66,000
3	**Current liabilities**		
a	Short-term borrowings	4	4,60,000
b	Trade Payables		8,13,000
c	Other current liabilities	5	6,14,000
d	Short-term provisions	6	3,80,000
	Total		1,75,39,000
Assets			
1	**Non-current assets**		
A	PPE	7	92,00,000
2	**Current assets**		
A	Inventories	8	58,00,000
B	Trade receivables	9	17,50,000
C	Cash and cash equivalents	10	4,14,000
D	Short-term loans and advances		3,75,000
	Total		1,75,39,000

Notes to accounts

				₹
1.	**Share Capital**			
	Equity share capital			
	Issued, subscribed and called up			
	1,60,000 Equity Shares of ₹ 50 each (Out of the these shares 50,000 shares have been issued for consideration other than cash)		80,00,000	
	Less: Calls in arrears		(15,000)	79,85,000
2.	**Reserves and Surplus**			
	General Reserve		9,41,000	
	Add: Transferred from Profit and loss account		35,000	9,76,000
	Securities premium			15,00,000
	Surplus (Profit & Loss A/c)		5,80,000	
	Less: Appropriation to General Reserve (proposed)		(35,000)	5,45,000
				30,21,000
3.	**Long-term borrowings**			
	Secured: Term Loans			
	Loan from Public Finance Corporation [repayable after 3 years (₹ 26,30,000 - ₹ 1,34,000 for interest accrued but not due)] Secured by hypothecation of land			24,96,000
	Unsecured			
	Bank Loan (Nixes bank) (₹ 13,80,000 - ₹ 4,80,000 repayable within 1 year)	9,00,000		
	Loan from Directors	8,50,000		
	Others	20,000		17,70,000
	Total			42,66,000
4.	**Short-term borrowings**			
	Loan from Naya bank (Secured)		1,16,000	
	Loan from Directors		48,000	
	Others		2,96,000	4,60,000
5.	**Other current liabilities**			
	Loan from Nixes bank repayable within one year		4,80,000	
	Interest accrued but not due on borrowings		1,34,000	6,14,000
6.	**Short-term provisions**			
	Provision for taxation			3,80,000
7.	**PPE**			
	Land			25,00,000

	Buildings	32,00,000	
	Less: Depreciation	(2,00,000)	30,00,000
	Plant & Machinery	30,00,000	
	Less: Depreciation	(6,00,000)	24,00,000
	Furniture & Fittings	16,50,000	
	Less: Depreciation	(3,50,000)	13,00,000
	Total		92,00,000
8.	**Inventories**		
	Raw Material	13,00,000	
	Finished goods	40,00,000	
	Loose tools	5,00,000	58,00,000
9.	**Trade receivables**		
	Outstanding for a period exceeding six months		4,86,000
	Others		12,64,000
	Total		17,50,000
10.	**Cash and cash equivalents**		
	Balances with banks		
	with Scheduled Banks	2,88,000	
	with others banks	56,000	3,44,000
	Cash in hand		70,000
	Total		4,14,000

Note: There is a Contingent Liability amounting ₹ 1,60,000

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

	₹	₹
Gross profit		42,00,000
Less: Administrative, selling and distribution expenses	8,22,540	
Director's fees	1,34,780	
Interest on debentures	31,240	
Depreciation on PPE as per Schedule II	5,75,345	(15,63,905)
Profit u/s 198		26,36,095

Maximum Managerial remuneration under Companies Act, 2013= 11% of ₹ 26,36,095= ₹ 2,89,970

3. (a) In the books of M/s Shyam

Trading and Profit and Loss Account

for the year ended 31st March, 2020

	₹	₹		₹	₹
To Opening stock		10,000	By Sales:		
To Purchases:			Cash	500	

	Cash	1,000			Credit	71,500	
	Credit (W.N. 3)	56,100			Less: Returns	(1,450)	70,550
		57,100		By	Closing stock		12,000
	Less: Returns	(400)	56,700				
To	Gross Profit c/d		15,850				
			82,550				82,550
To	Discount allowed		4,000	By	Gross profit b/d		15,850
To	Bad debts		500	By	Discount received		700
To	General expenses (W.N. 5)		9,200	By	Net Loss (balancing fig.)		150
To	Depreciation (W.N. 4)		3,000				
			16,700				16,700

Balance Sheet as at 31st March, 2020

Liabilities		₹	Assets		₹
Capital (W.N. 1)	39,850		Fixed Assets	12,000	
Less: Net loss	150		Add: New asset	4,000	
	39,700			16,000	
Less: Drawings	(500)	39,200	Less: Depreciation	(3,000)	13,000
Sundry creditors		15,000	Stock in trade		12,000
Expenses outstanding		800	Sundry debtors (W.N. 2)		18,000
			Cash in hand		2,000
			Cash in Bank		10,000
		55,000			55,000

Working Notes:

(1) **Ascertainment of Opening Capital - Statement of Affairs as at 1.4.19**

Liabilities	₹	Assets	₹
Sundry creditors	20,000	Fixed Assets	12,000
Outstanding expenses	600	Stock	10,000
Prasad's Capital		Debtors	28,450
(Balancing figure)	39,850	Cash in hand	7,500
		Cash at Bank	2,500
	60,450		60,450

(2) **Sundry Debtors Account**

	₹		₹
To Balance b/d (bal. fig)	28,450	By Cash	76,000
To Sales (72,000 – 500)	71,500	By Discount	4,000
		By Returns (sales)	1,450
		By Bad debts	500
		By Balance c/d (given)	18,000
	99,950		99,950

(3) **Sundry Creditors Account**

	₹		₹
To Bank – Payments	60,000	By Balance b/d	20,000
To Discount	700	By Purchases - credit (Balancing figure)	56,100
To Returns	400		
To Balance c/d (closing balance)	15,000		
	76,100		76,100

(4) **Depreciation on Fixed Assets**

	₹
Opening balance of fixed assets	12,000
Add: Additions	4,000
	16,000
Less: Closing balance of fixed assets	(13,000)
Depreciation	3,000

(5) **Expenses to be shown in profit and loss account**

Expenses (in cash)	9,000
Add: Outstanding of 2020	800
	9,800
Less: Outstanding of 2019	600
	9,200

(6) **Cash and Bank Account**

	Cash	Bank		Cash	Bank
	₹	₹		₹	₹
To Balance b/d	7,500	2,500	By Purchases	1,000	–

To Debtors	-	76,000	By Expenses	9,000	
To Bank (C)	9,000	-	By Fixed Asset		4,000
To Cash (C)	-	5,000	By Drawings		500
To Sales (balancing figure considered as cash sales)	500	-	By Creditors		60,000
			By Cash (C)		9,000
			By Bank (C)	5,000	
			By Balance c/d	2,000	10,000
	17,000	83,500		17,000	83,500

(b) Branch Stock Reserve in respect of unrealized profit

on opening stock = ₹ 3,45,000 x (15/115) = ₹ 45,000

on closing stock = ₹ 2,30,000 x (15/115) = ₹ 30,000

Working Note: ₹

Cost Price	100
Invoice Price	115
Sale Price	140
Calculation of closing stock at invoice price	₹
Opening stock at invoice price	3,45,000
Goods received during the year at invoice price	16,10,000
	19,55,000
Less: Cost of goods sold at invoice price [21,00,000 X (115/140)]	(17,25,000)
Closing stock	2,30,000

4. (a) Ram, Sham and Mahaan

Departmental Trading and Profit & Loss Account for the year ended 31-3-2021

	A	B	C		A	B	C
To Opening Stock	25,650	18,000	19,500	By Sales	2,70,000	1,65,000	86,700
To Purchases	2,35,000	1,56,000	84,200	By Transfer	9,300		1,500
To Transfer		10,800		By Closing Stock	55,300	31,800	42,500
To Gross profit c/d	73,950	12,000	27,000				
	3,34,600	1,96,800	1,30,700		3,34,600	1,96,800	1,30,700
To Salaries:				By Gross profit b/d	73,950	12,000	27,000
Admin	10,320	6,880	3,440	By Discount Received	650	600	400
To Royalty	3,200	3,200	1,600	By Net loss	-	12,064	
To Parking	2,000	2,000	2,000				
To Salaries: Pantry	6,880	6,880					

To Car wash	1,440	1,440	720				
To Discount Allowed	1,000	1,000	500				
To Misc Expenses	2,800	2,800	1,400				
To Depreciation	464	464	232				
To Net Profit c/d	46,496	-	17,508				
	74,600	24,664	27,400		74,600	24,664	27,400

Note: Gross profit of Department A is 26.48% (approx.) of Sales price (including transfer to Department C) 73,950/(2,70,000+9,300).There is some unrealized profit only on inter departmental stock 26.48% of ₹ 3,500 is as stock reserve i.e. ₹ 927. This will be debited to Profit and Loss (combined) Account.

Profit and Loss Account (combined)

	₹		₹
To Stock Reserve (See Note)	927	By Net Profit transferred from Profit & Loss A/c	64,004
To Net loss transferred from profit & loss A/c	12,064		
To Profit transfer	51,013		
	64,004		64,004

Profit and Loss Appropriation Account

To Ram: 60% of Profit of Deptt. A		27,898	By Profit transfer	51,013
To Mahaan: 60% of Profit of Deptt. C		10,505		
To Share in Combined profits				
Ram	5,044			
Sham	5,044			
Mahaan	2,522	12,610		
		51,013		51,013

Working Note:

Calculation of combined profit ₹

Ram	46,496
Mahaan	17,508
Sham	(12,064)
Total	51,940
Less: Ram share	(27,898)
Less: Mahaan share	(10,505)
Less: stock reserve	(927)
Remaining profit	12,610

(b) **In the books of Beta Ltd.**

Journal Entries

Date	Particulars		Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.	25,000	
	To Equity Share Capital A/c			25,000
	(Being the issue of 2,500 Equity Shares of ₹ 10 each at par, as per Board's Resolution No.....dated.......)			
	8% Redeemable Preference Share Capital A/c	Dr.	1,00,000	
	Premium on Redemption of Preference Shares A/c	Dr.	10,000	
	To Preference Shareholders A/c			1,10,000
	(Being the amount paid on redemption transferred to Preference Shareholders Account)			
	Preference Shareholders A/c	Dr.	1,10,000	
	To Bank A/c			1,10,000
	(Being the amount paid on redemption of preference shares)			
	Profit & Loss A/c	Dr.	10,000	
	To Premium on Redemption of Preference Shares A/c			10,000
	(Being the premium payable on redemption is adjusted against Profit & Loss Account)			
	General Reserve A/c	Dr.	60,000	
	Profit & Loss A/c	Dr.	10,000	
	Investment Allowance Reserve A/c	Dr.	5,000	
	To Capital Redemption Reserve A/c			75,000
	(Being the amount transferred to Capital Redemption Reserve Account as per the requirement of the Act)			

Balance Sheet as on ....[Extracts]

		Particulars	Notes No.	₹
		EQUITY AND LIABILITIES		
1.	**Shareholders' funds**			
	a	Share capital	1	2,25,000
	b	Reserves and Surplus	2	1,00,000
		Total		?
	ASSETS			
2.	**Current Assets**			
		Cash and cash equivalents (98,000 + 25,000 – 1,10,000)		13,000
		Total		?

Notes to accounts

1.	**Share Capital**	
	22,500 Equity shares (20,000 + 2,500) of ₹10 each fully paid up	2,25,000
2.	**Reserves and Surplus**	
	General Reserve	20,000
	Capital Redemption Reserve	75,000
	Investment Allowance Reserve	5,000
		1,00,000

Working Note:

No of Shares to be issued for redemption of Preference Shares:

Face value of shares redeemed		₹1,00,000
Less: Profit available for distribution as dividend:		
General Reserve : ₹(80,000-20,000)	₹60,000	
Profit and Loss (20,000 – 10,000 set aside for adjusting premium payable on redemption of preference shares)	₹10,000	
Investment Allowance Reserve: (₹ 10,000-5,000)	₹ 5,000	(₹ 75,000)
		₹ 25,000

Therefore, No. of shares to be issued = 25,000/₹10 = 2,500 shares.

5. (a) **Memorandum Trading Account for the period 1st April, 2021 to 27th July, 2021**

	Normal Items ₹	Abnormal Items ₹	Total ₹		Normal Items ₹	Abnormal Items ₹	Total ₹
To Opening stock (W.N.5)	60,000	4,000	64,000	By Sales (W.N. 3)	4,00,000	2,300	4,02,300
To Purchases (W.N. 1)	2,80,000	-	2,80,000	By Loss	-	700	700
To Wages (W.N. 4)	50,000	-	50,000	By Goods on Approval (W.N. 2)	8,000	-	8,000
To Gross profit @ 20%	80,000	-	80,000	By Closing stock (Bal. fig.)	62,000	1,000	63,000
	4,70,000	4,000	4,74,000		4,70,000	4,000	4,74,000

Statement of Claim for Loss of Stock

	₹
Book value of stock as on 27th July, 2021	62,000
Add: Abnormal Stock	1,000
Less: Stock salvaged	(5,000)

Loss of stock	58,000
Add: Fire fighting expenses	1,300
Total Loss	59,300

Amount of claim to be lodged with insurance company

$$= \text{Loss} \times \frac{\text{Policy value}}{\text{Value of stock on the date of fire}}$$

= ₹ 59,300 x (55,000/ 63,000) = ₹ 51,770 (rounded off)

Working Notes:

1. Calculation of Adjusted Purchases

	₹
Purchases	2,92,000
Less: Purchase of Machinery	(10,000)
Less: Free samples	(2,000)
Adjusted purchases	2,80,000

2. Calculation of Goods with Customers

Approval for sale has not been received = ₹ 40,000 X 1/4 = ₹ 10,000.

Hence, these should be valued at cost i.e. (₹ 10,000 – 20% of ₹ 10,000) = ₹ 8,000

3. Calculation of Actual Sales

Total Sales shown	₹ 4,12,300
Less: Approval for sale not received (1/4 X ₹ 40,000)	₹ 10,000
Actual Sales	₹ 4,02,300

4. Calculation of Wages

Total Wages	₹ 53,000
Less: Wages for installation of machinery	₹ 3,000
	₹ 50,000

5. Value of Opening Stock

Original cost of stock as on 31st March,2021

= ₹ 63,000 + 1,000 (Amount written off)

= ₹ 64,000.

(b) **Books of Vijay**

Investment Account

(Scrip: Equity Shares in X Ltd.)

		No.	Amount			No.	Amount
			₹				₹
1.4.2019	To Bal b/d	30,000	4,50,000	31.10.2019	By Bank (dividend on shares acquired on 22/6/2019)	—	10,000
22.6.2019	To Bank	5,000	80,000				
10.8.2019	To Bonus	5,000	-				
30.9.2019	To Bank (Rights Shares)	10,000	1,50,000				
15.11.2019	To Profit (on sale of shares)		32,000	15.11.2019	By Bank (Sale of shares)	20,000	3,00,000
				31.3.2020	By Bal. c/d	30,000	4,02,000
		50,000	7,12,000			50,000	7,12,000

Working Notes:

(1) Bonus Shares = (30,000 + 5,000) / 7 = 5,000 shares

(2) Right Shares = $\frac{(30,000+5,000+5,000)}{8}\times 3$ = 15,000 shares

(3) Rights shares sold = 15,000×1/3 = 5,000 shares

(4) Dividend received = 30,000×10×20% = ₹60,000 will be taken to P&L statement

(5) Dividend on shares purchased on 22.6.2019= 5,000×10×20% = ₹ 10,000 is adjusted to Investment A/c

(6) Profit on sale of 20,000 shares

= Sales proceeds – Average cost

Sales proceeds = ₹ 3,00,000

Average cost = $\frac{(4,50,000 + 80,000 + 1,50,000 - 10,000)}{50,000} \times 20,000$ = ₹ 2,68,000

Profit = ₹ 3,00,000– ₹2,68,000= ₹32,000.

(7) Cost of shares on 31.3.2020

$\frac{(4,50,000 + 80,000 + 1,50,000 - 10,000)}{50,000} \times 30,000$ = ₹4,02,000

(8) Sale of rights amounting ₹ 10,000 (₹ 2 x 5,000 shares) will not be shown in investment A/c but will directly be taken to P & L statement.

(c) As per AS 13, "Accounting for Investments" Investments classified as long term investments should be carried in the financial statements at cost. However, provision for diminution shall be made to recognise a decline, other than temporary, in the value of the investments, such reduction being determined and made for each investment individually. The standard also states that indicators of the value of an investment are obtained by reference to its market value, the investee's assets and results and the expected cash flows from the investment.

On this basis, the facts of the case given in the question clearly suggest that the provision for diminution should be made to reduce the carrying amount of shares to ₹ 45,000 in the financial statements for the year ended 31st March, 2021 and charge the difference of loss of ₹ 2,55,000 to profit and loss account.

6. (a) Calculation of interest

	Total (₹)	*Interest in each instalment (1)*	*Cash price in each instalment (2)*
Cash Price	1,20,000		
Less: Down Payment	(32,433)	Nil	₹ 32,433
Balance due after down payment	87,567		
Interest/Cash Price of 1st instalment	-	₹ 87,567x10/100 = 8,757	₹ 23,100 – ₹ 8,757 = ₹ 14,343
Less: Cash price of 1st instalment	(14,343)		
Balance due after 1st instalment	73,224		
Interest/cash price of 2nd instalment	-	₹ 73,224x 10/100 = ₹ 7322	₹ 23,100 - ₹ 7,322 = ₹ 15,778
Less: Cash price of 2nd instalment	(15,778)		
Balance due after 2nd instalment	57,446		
Interest/Cash price of 3rd instalment	-	₹ 57,446 x 10/100 = ₹ 5745	₹ 23,100 - ₹ 5745 = ₹ 17,355
Less: Cash price of 3rd instalment	(17,355)		
Balance due after 3rd instalment	40,091		
Interest/Cash price of 4th instalment	-	₹ 40,091x10/100 = ₹ 4,009	₹ 23,100 - ₹ 4,009 = ₹ 19,091
Less: Cash price of 4th instalment	(19,091)		
Balance due after 4th instalment	21,000		
Interest/Cash price of 5th instalment	-	₹21,000 x10/100 = ₹ 2,100	₹ 23,100 – ₹ 2,100 = 21,000
Less: Cash price of 5th instalment	(21,000)		
Total	Nil	₹ 27,933	₹1,20,000

Total interest can also be calculated as follow:

(Down payment + instalments) – Cash Price = ₹ [32,433 +(23,100 x 5)] – ₹1,20,000 = ₹ 27,933

(b) Calculation of number of shares issued

	Number of debentures
Debenture holders opted for conversion (40,000 /100)	400
Option for conversion	20%
Number of debentures to be converted (20% of 400)	80
Redemption value of 80 debentures at a premium of 5% [80 x (100+5)]	₹ 8,400
Equity shares of ₹ 10 each issued on conversion [₹ 8,400/ ₹ 20]	420 shares

Calculation of cash to be paid :	₹
Number of debentures	400
Less: number of debentures to be converted into equity shares	(80)
	320
Redemption value of 320 debentures (320 × ₹ 105)	₹ 33,600

Journal Entry

Debentures A/c	Dr.	40,000	
Premium on redemption A/c	Dr.	2,000	
To Debenture holders A/c			42,000
(Being amount due to debenture holders at redemption)			
Debenture holders A/c	Dr.	42,000	
To Equity Share capital A/c			4,200
To Securities premium A/c	Dr.		4,200
To Cash A/c			33,600
(Discharge of amount due to Debenture holders)			

OR

. **Journal Entries in the books of ABC Ltd.**

			₹	₹
1-4-2021	Equity share final call A/c	Dr.	8,10,000	
	To Equity share capital A/c			8,10,000
	(For final calls of ₹ 2 per share on 4,05,000 equity shares due as per Board's Resolution dated….)			
20-4-2021	Bank A/c	Dr.	8,10,000	
	To Equity share final call A/c			8,10,000
	(For final call money on 4,05,000 equity shares received)			
	Securities Premium A/c	Dr.	1,12,500	

	Capital redemption reserve A/c	Dr.	1,80,000	
	General Reserve A/c	Dr.	5,40,000	
	Profit and Loss A/c (b.f.)	Dr.	1,80,000	
	To Bonus to shareholders A/c			10,12,500
	(For making provision for bonus issue of one share for every four shares held)			
	Bonus to shareholders A/c	Dr.	10,12,500	
	To Equity share capital A/c			10,12,500
	(For issue of bonus shares)			

Extract of Balance Sheet as at 30th April, 2021 (after bonus issue)

	₹
Authorized Capital	
45,000 12% Preference shares of ₹ 10 each	4,50,000
6,00,000 Equity shares of ₹ 10 each	60,00,000
Issued and subscribed capital	
36,000 12% Preference shares of ₹10 each, fully paid	3,60,000
5,06,250 Equity shares of ₹ 10 each, fully paid	50,62,500
(Out of the above, 1,01,250 equity shares @ ₹ 10 each were issued by way of bonus shares)	
Reserves and surplus	
Profit and Loss Account	7,20,000

(c) As per 12 "Accounting for government grants", grants related to depreciable assets, if treated as deferred income are recognized in the profit and loss statement on a systematic and rational basis over the useful life of the asset.

Amount of depreciation and grant to be recognized in the profit and loss account each year

Depreciation per year:

	₹in lakhs
Cost of the Asset	130
Less: Salvage value	(60)
	70
Depreciation per year (70lakhs / 4)	17.50

₹ 17.50 Lakhs depreciation will be recognized for the year ending 31st March, 2017, 31st March, 2018, 31st March, 2019 and 31st March, 2020.

Amount of grant recognized in Profit and Loss account each year:

40 lakhs /4 years = ₹ 10 Lakhs for the year ending 31st March, 2017, 31st March, 2018, 31st March, 2019 and 31st March, 2020.

(d) Statement showing the calculation of Profits for the pre-incorporation and post-incorporation periods

For the year ended 31st March, 2020

Particulars	*Total Amount*	*Basis of Allocation*	*Pre-incorporation*	*Post-incorporation*
Gross Profit	7,81,600	Sales	78,160	7,03,440
Less: Directors' fee	60,000	Post		60,000
Bad debts	14,400	Sales	1,440	12,960
Advertising	48,000	Time	12,000	36,000
Salaries & general expenses	2,56,000	Time	64,000	1,92,000
Preliminary expenses	20,000	Post		20,000
Donation to Political Party	20,000	Post		20,000
Net Profit	3,63,200		720	3,62,480

Working Notes:

1. **Sales ratio**

Particulars	₹
Sales for period up to 30.06.2019 (9,60,000 x 3/6)	4,80,000
Sales for period from 01.07.2019 to 31.03.2020 (48,00,000 – 4,80,000)	43,20,000

Thus, Sales Ratio = 1 : 9

2. **Time ratio**

1st April, 2019 to 30 June, 2019: 1st July, 2019 to 31st March, 2020

= 3 months: 9 months = 1: 3

Thus, Time Ratio is 1: 3