

MOCK TEST PAPER 1
INTERMEDIATE: GROUP – I
PAPER – 1: ACCOUNTING

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.

(Time allowed: Three hours)

(Maximum Marks: 100)

1. (a) How will you disclose following items while preparing Cash Flow Statement of Gagan Ltd. as per AS-3 for the year ended 31st March, 2022?
- (i) 10% Debentures issued: As on 01-04-2021 ₹ 1,10,000
As on 31-03-2022 ₹ 77,000
- (ii) Debentures were redeemed at 5% premium at the end of the year. Premium was charged to the Profit & Loss Account for the year.
- (iii) Unpaid Interest on Debentures: As on 01-04-2021 ₹ 275
As on 31-03-2022 ₹ 1,175
- (iv) Debtors of ₹ 36,000 were written off against the Provision for Doubtful Debts A/c during the year.
- (v) 10% Bonds (Investments): As on 01-04-2021 ₹ 3,50,000
As on 31-03-2022 ₹ 3,50,000
- (vi) Accrued Interest on Investments: As on 31-03-2022 ₹ 10,500
- (b) D Ltd. acquired a machine on 01-04-2017 for ₹ 20,00,000. The useful life is 5 years. The company had applied on 01-04-2017, for a subsidy to the tune of 80% of the cost. The sanction letter for subsidy was received in November 2020. The Company's Fixed Assets Account for the financial year 2020-21 shows a credit balance as under:

Particulars	₹
Machine (Original Cost)	20,00,000
Less: Accumulated Depreciation (from 2017-18- to 2019-20 on Straight Line Method)	<u>12,00,000</u>
	8,00,000
Less: Grant received	<u>(16,00,000)</u>
Balance	<u>(8,00,000)</u>

You are required to explain how should the company deal with this asset in its accounts for 2020-21?

(c)

Particulars		Kg.	₹
Opening Inventory:	Finished Goods	1,000	25,000
	Raw Materials	1,100	11,000
Purchases		10,000	1,00,000

Labour			76,500
Overheads (Fixed)			75,000
Sales		10,000	2,80,000
Closing Inventory:	Raw Materials	900	
	Finished Goods	1200	

The expected production for the year was 15,000 kg of the finished product. Due to fall in market demand the sales price for the finished goods was ₹ 20 per kg and the replacement cost for the raw material was ₹ 9.50 per kg on the closing day. You are required to calculate the closing inventory as on that date.

- (d) ABC Ltd. was making provision for non-moving inventories based on no issues for the last 12 months up to 31.3.2021.

The company wants to provide during the year ending 31.3.2022 based on technical evaluation:

Total value of inventory	₹ 100 lakhs
Provision required based on 12 months issue	₹ 3.5 lakhs
Provision required based on technical evaluation	₹ 2.5 lakhs

Does this amount to change in Accounting Policy? Can the company change the method of provision?
(4 parts x 5 Marks = 20 Marks)

2. (a) Sanket had 50,000 Equity shares of XYZ Ltd. on 01.01.2022 at a book value of ₹ 25 per share (face value ₹ 10). On 01.06.2022, he purchased another 10,000 shares of the company at ₹ 20 per share.

The director of XYZ Ltd. announces a bonus and right issue. No dividend was payable on these issues. The terms of the issue were as follows:

- Bonus basis 1:6 (Date: 16.08.2022)
- Right basis 3: 7 (Date: 31.08.2022) price ₹15 per share
- Due date for payment 30.09.2022
- Shareholders can transfer their rights in full or in part.

Accordingly, Sanket sold 33 1/3% of his entitlement in the market for consideration of ₹ 4 per share on 31.08.2022 & he procured other entitlement by payment.

Dividends for the year ended 31.03.2022 at the rate of 20% were declared by XYZ Ltd. and received by Sanket on 31.10.2022. Dividend amount for shares acquired by him on 01.06.2022 are to be adjusted against the cost of purchase.

On 15.11.2022, Sanket sold 25,000 equity shares at premium ₹ 12 per share.

You are required to prepare in books of Sanket.

- Investment Account
- Profit & Loss Account (Extract for Investment)

Books of accounts are closed by Sanket on 31.12.2022 and market price of shares on that date is ₹ 20 per share.

- (b) A fire occurred in the premises of M/s. Raxby & Co. on 30-06-2022. From the salvaged accounting records, the following particulars were ascertained

	₹
Stock at cost as on 01-04-2021	1,20,000

Stock at cost as on 31-03-2022	1,30,000
Purchases less return during 2021-22	5,25,000
Sales less return during 2021-2022	6,00,000
Purchases from 01-04-2022 to 30-06-2022	97,000
Purchases upto 30-06-2022 did not include ₹ 35,000 for which purchase invoices had not been received from suppliers, though goods have been received in godown.	
Sales from 1.4.2022 to 30.6.2022	1,66,000

In valuing the stock for the Balance Sheet at 31st March, 2022, ₹ 5,000 had been written off on certain stock which was a poor selling line having the cost of ₹ 8,000. A portion of these goods were sold in May, 2022 at a loss of ₹ 1,000 on original cost of ₹ 7,000. The remainder of the stock was now estimated to be worth its original cost. Subject to that exception, gross profit had remained at a uniform rate throughout the year.

The value of the salvaged stock was ₹ 10,000. M/s. Raxby & Co. had insured their stock for ₹ 1,00,000 subject to average clause.

Compute the amount of claim to be lodged to the insurance company. **(10 + 10 = 20 Marks)**

3. (a) On 31st March, 2022 Chennai Branch submits the following Trial Balance to its Head Office at Lucknow:

Debit Balances	₹ in lacs
Furniture and Equipment	18
Depreciation on furniture	2
Salaries	25
Rent	10
Advertising	6
Telephone, Postage and Stationery	3
Sundry Office Expenses	1
Stock on 1st April, 2021	60
Goods Received from Head Office	288
Debtors	20
Cash at bank and in hand	8
Carriage Inwards	<u>7</u>
	448
Credit Balances	
Outstanding Expenses	3
Goods Returned to Head Office	5
Sales	360
Head Office	<u>80</u>
	448

Additional Information:

Stock on 31st March, 2022 was valued at ₹ 62 lacs. On 29th March, 2022 the Head Office dispatched goods costing ₹ 10 lacs to its branch. Branch did not receive these goods before 1st

April, 2022. Hence, the figure of goods received from Head Office does not include these goods. Also the head office has charged the branch ₹ 1 lac for centralized services for which the branch has not passed the entry.

You are required to : (i) pass Journal Entries in the books of the Branch to make the necessary adjustments and (ii) prepare Final Accounts of the Branch including Balance Sheet.

- (b) M/s P have 2 Departments - X and Y. From the following information, prepare departmental Trading A/c and General Profit & Loss Account for the year ended on 31st March 2022.

	Amount (₹)	
	Department X	Department Y
Opening stock as on 1-04-2021 (at cost)	2,45,000	2,43,000
Purchases	13,72,000	13,41,000
Carriage Inward	21,000	40,500
Wages	1,89,000	1,62,000
Sales	20,02,000	20,70,000
<u>Purchased Goods Transferred:</u>		
By Department Y to X	2,25,000	
By Department X to Y		1,26,000
<u>Finished Goods Transferred:</u>		
By Department Y to X	6,75,000	
By Department X to Y		6,12,500
<u>Return of Finished Goods:</u>		
By Department Y to X	1,57,500	
By Department X to Y		1,44,000
<u>Closing Stock:</u>		
Purchased Goods	84,000	1,35,000
Finished Goods	3,57,000	2,79,000

Purchased goods have been transferred mutually at their respective departmental purchase cost and finished goods at departmental market price and 30% of the closing finished stock with each department represents finished goods received from the other department. **(12+ 8 = 20 Marks)**

- 4 (a) Lucky does not maintain proper books of accounts. However, he maintains a record of his bank transactions and also is able to give the following information from which you are requested to prepare his final accounts for the year 2021-22:

	1.4.2021	31.3.2022
	₹	₹
Debtors	1,02,500	—
Creditors	—	46,000
Inventory	50,000	62,500
Bank Balance	—	50,000
Fixed Assets	7,500	9,000

Details of his bank transactions were as follows:

	₹
Received from debtors	3,40,000

Additional capital brought in	5,000
Sale of fixed assets (book value ₹ 2,500)	1,750
Paid to creditors	2,80,000
Expenses paid	49,250
Personal drawings	25,000
Purchase of fixed assets	5,000

No cash transactions took place during the year. Goods are sold at cost plus 25%. Cost of goods sold was ₹ 2,60,000.

(b) The following are the extracts from the Balance Sheet of Alfa Ltd. as on 31st March, 2022:

Share capital: 1,12,500 Equity shares of ₹10 each fully paid – ₹ 11,25,000; 3,375 10% Redeemable preference shares of ₹100 each fully paid – ₹ 3,37,500.

Reserve & Surplus: Capital reserve – ₹2,25,000; General reserve – ₹ 2,25,000; Profit and Loss Account – ₹1,68,750.

On 1st April 2022, the Board of Directors decided to redeem the preference shares at premium of 10% by utilization of reserves.

You are required to prepare necessary Journal Entries including cash transactions in the books of the company. **(15+5 = 20 Marks)**

5. (a) The following information of Harry Ltd. for the year ending 31st March, 2022 and 31st March, 2021 is provided as:

	2022 ₹	2021 ₹
Equity share capital	1,20,000	1,00,000
Reserves:		
Profit and Loss Account	9,000	8,000
Current Liabilities:		
Trade Payables	8,000	5,000
Income tax payable	3,000	2,000
Dividends payable	4,000	2,000
Fixed Assets (at W.D.V)		
Building	19,000	20,000
Furniture & Fixture	34,000	22,000
Cars	25,000	16,000
Long Term Investments	32,000	28,000
Current Assets:		
Inventory	14,000	8,000
Trade Receivables	8,000	6,000
Cash & Bank	12,000	17,000

The Profit and Loss account for the year ended 31st March, 2022 disclosed:

	₹
Profit before tax	8,000
Income Tax	<u>(3,000)</u>
Profit after tax	5,000

Further Information is available:

1. Depreciation on Building ₹ 1,000
2. Depreciation on Furniture & Fixtures for the year ₹ 2,000
3. Depreciation on Cars for the year ₹ 5,000. One car was disposed during the year for ₹ 3,400 whose written down value was ₹ 2,000.
4. Purchase investments for ₹ 6,000.
5. Sold investments for ₹ 10,000, these investments cost ₹ 2,000.
6. Dividend payable at 31.3.2021 has been paid during the current year.

Prepare Cash Flow Statements as per AS-3 (revised) using indirect method.

- (b) Omega Limited (listed company) issued ₹ 4,50,000 5% Debentures on 30th September 2020 on which interest is payable half yearly on 31st March and 30th September. The company has power to purchase debentures in the open market for cancellation thereof. On 31 December 2020, investments made for the purpose of redemption were ₹ 67,500. The following purchases were made during the year ended 31st December, 2022 and the cancellation were made on the same date

1st March 2022 - ₹ 75,000 nominal value purchased for ₹ 74,175 ex-interest.

1st September 2022 - ₹ 60,000 nominal value purchased for ₹ 60,375 cum-interest.

You are required to draw up the following accounts up to the date of cancellation:

- (i) Debentures Account; and
- (ii) Own Debenture (Investment) Account. Ignore taxation. **(15+5=20 Marks)**

6. (a) Preet Ltd. is installing a new plant at its production facility. It has incurred these costs:

Cost of the plant (cost per supplier's invoice plus taxes)	₹ 10,00,000
Initial delivery and handling costs	₹ 80,000
Cost of site preparation	₹ 2,40,000
Consultants used for advice on the acquisition of the plant	₹ 2,80,000
Estimated dismantling costs to be incurred after 7 years	₹ 1,20,000
Operating losses before commercial production	₹ 1,60,000

Please advise Preet Ltd. on the costs that can be capitalised in accordance with AS 10 (Revised).

- (b) Kartik Ltd. is a non-investment company and has been incurring losses for the past few years. The company provides the following information for the current year:

	(₹ in lakhs)
Paid up equity share capital	270
Paid up Preference share capital	45
Reserves (including Revaluation reserve ₹ 22.5 lakhs)	337.5
Securities premium	90

Long term loans	90
Deposits repayable after one year	45
Application money pending allotment	1620
Accumulated losses not written off	45
Investments	405

Kartik Ltd. has only one whole-time director, Mr. Kumar. You are required to calculate the amount of maximum remuneration that can be paid to him as per provisions of the Companies Act, 2013, if no special resolution is passed at the general meeting of the company in respect of payment of remuneration.

OR

Following is the extract of the Balance Sheet of Madhu Ltd. as at 31st March, 2022

	₹
Authorized capital:	
45,000 12% Preference shares of ₹ 10 each	4,50,000
6,00,000 Equity shares of ₹ 10 each	<u>60,00,000</u>
	<u>64,50,000</u>
Issued and Subscribed capital:	
36,000 12% Preference shares of ₹ 10 each fully paid	3,60,000
4,05,000 Equity shares of ₹ 10 each, ₹ 8 paid up	32,40,000
Reserves and surplus:	
General Reserve	5,40,000
Capital Redemption Reserve	1,80,000
Securities premium (collected in cash)	1,12,500
Profit and Loss Account	9,00,000

On 1st April, 2022, the Company has made final call @ ₹ 2 each on 4,05,000 equity shares. The call money was received by 20th April, 2022. Thereafter, the company decided to capitalize its reserves by way of bonus at the rate of one share for every four shares held by utilizing the balance of profit and loss account to the minimum extent.

You are required to prepare necessary journal entries in the books of the company and prepare the relevant extract of the balance sheet as on 30th April, 2022 after bonus issue.

- (c) Vital Limited borrowed an amount of ₹150 crores on 1.4.2021 for construction of boiler plant @ 10% p.a. The plant is expected to be completed in 4 years. Since the weighted average cost of capital is 13% p.a., the accountant of Vital Ltd. capitalized ₹ 19.50 crores for the accounting period ending on 31.3.2022. Due to surplus fund out of ₹150 crores, an income of ₹ 1.50 crores was earned and credited to profit and loss account. Comment on the above treatment of accountant with reference to relevant accounting standard.
- (d) (i) With regard to financial statements name any four.
- (1) Users
 - (2) Qualitative characteristics
 - (3) Elements
- (ii) What are fundamental accounting assumptions? **(4 Parts x 5 Marks = 20 Marks)**