



MTP Accounting Dec 21 (G1 - Series II)

Special class

Learn the concepts of FR from Kapileshwar Bhalla

Use referral code **CAKB10**
and get 10% off



Have a referral code?

Proceed to pay



CHARTERED PREMIER LEAGUE

CA Intermediate

- ✓ 20 Question - 30 Minutes
- ✓ Test your concept with MCQs



Enroll Now



ALL INDIA MOCK TEST CA INTERMEDIATE



FULL-LENGTH MOCK TESTS



TYPE	TEST DATE	TEST TIME
Subjective	Started <u>15 Nov</u>	10:00 AM TO 1:00 PM
MCQs	Started <u>14 Nov</u>	8:00 PM TO <u>9:30 PM</u>

- Benchmark yourself against your own preparation
- Model solutions available once you end the tests

- Important questions for practice (Subjective & MCQs)
- Questions curated by Top educators
- Test available for future reference

[Enroll Now](#)



**COMBO
OFFER**

CA Foundation + Intermediate

12+2

Months Free

24+2

Months Free

Hurry Up!

Offer Valid from 15th to 17th November'2021!!

CAKBI0



**COMBO
OFFER**

CA Final G1+G2

6+2

Months Free

12+2

Months Free

Hurry Up!

Offer Valid from 15th to 17th November'2021!!



**BUMPER
OFFER**

CA Final Group 2

6+2

Months Free

12+2

Months Free

Hurry Up!

Offer Valid from 15th to 17th November'2021!!



**BUMPER
OFFER**

CA Final Group 1

6+2

Months Free

12+2

Months Free

Hurry Up!

Offer Valid from 15th to 17th November'2021!!

Qus 5 (a)

14/18 — 31/3/19

MEMO TRD

Op st	211000 ✓	Sales	860000 ✓
= Purchases	642000		
	655000 ✓		
Wag	82000 ✓		248000
Crp	172000	Cl st (after w/dwn)	252000 ✓
	⇒ 20 %		↓ 4000

TRD

1/4/19 - 30/9/19

52000

x 80%

Op St

248000

Purchases

390000

(-) 41600

[448k - 58k] (-) 8500

78000

Wag

[85k - 7k]

119400

Capex

Salaries

602000

(-) 50000

CSOL

448000

Cl St

143500

143500

value of stock (on date of fire)

Amnt of claim

111500 x

$\frac{120000}{146500}$

$\Rightarrow 91331$

143500 +

3000 = 146500

Ab

(- salvaged 35000)

111500

12000

9000

Salv

3000

CSL

Abnormal items

memo Txd

Purchase (-)	12k ↑↑ <u>COST</u> "	cl sr	(-)	4k ↑↑ <u>value</u> "
--------------	-------------------------------	-------	-----	-------------------------------

Txd

Sales (-)	5k ↑↑ <u>value</u>	cl sr	<u>B/F</u> *
-----------	--------------------------	-------	-----------------

Amt of Claim

Stock on date of five *

Add

Abnormal Item +

15-21

10 Qns
17 days

1 1/2

6th Dec

12-14 hrs

4 - 5 days

1st Dec / 2nd Dec

11 AS + small

↑
2

↑

↓
2

2)

~~big~~
6

AS
1

Big
CFS
INS

Final
ring

small

Pr-Prin
BRMS

PSL

DB

INS

HP

ANY

ORDER

30M+

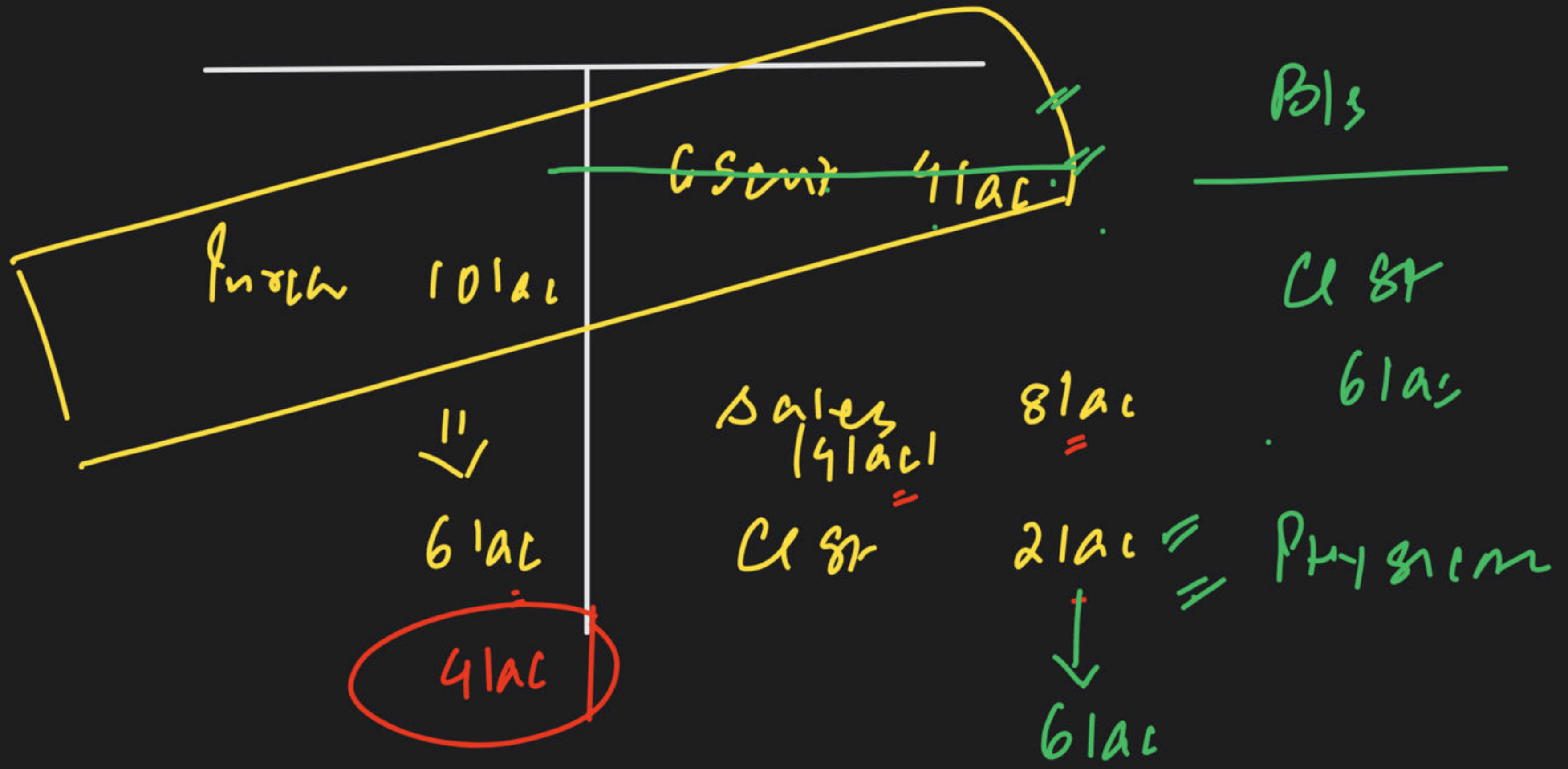
WRITERS

Fresh Page

4(a)

4(b)

Index
(now ii)



Income 101 ac

61 ac

41 ac

~~G Sent 41 ac~~

Sales 141 ac
CSR =

81 ac =

21 ac = =

61 ac

B/S

CSR

61 ac

Physio

MOCK TEST PAPER – 2
INTERMEDIATE (NEW) : 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) ABC Limited has started construction of an asset on 1st December, 2020, which continues till 31st March, 2021 (and is expected to go beyond a year). The entity has not taken any specific borrowings to finance the construction of the asset but has incurred finance costs on its general borrowings during the construction period. The directly attributable expenditure at the beginning of the month on this asset was ₹ 10 lakh in December 2020 and ₹ 4 lakh in each of the months of January to March 2021. At the beginning of the year, the entity had taken Inter Corporate Deposits of ₹ 20 lakh at 9% rate of interest and had an overdraft of ₹ 4 lakh, which increased to ₹ 8 lakh on 1st March, 2021. Interest was paid on the overdraft at 10% until 1st January, 2021 and then the rate was increased to 12%. You are required to calculate the annual capitalization rate for computation of borrowing cost in accordance with AS 16 'Borrowing Costs'.
- (b) In the books of Rani Ltd., closing inventory as on 31.03.2020 amounts to ₹ 1,75,000 (valued on the basis of FIFO method). The Company decides to change from FIFO method to weighted average method for ascertaining the costs of inventory from the year 2019-20. On the basis of weighted average method, closing inventory as on 31.03.2020 amounts to ₹ 1,59,000. Realizable value of the inventory as on 31.03.2020 amounts to ₹ 2,07,000. Discuss disclosure requirements of change in accounting policy as per AS 1.
- (c) Caseworker Limited received a specific grant of ₹ 6 crore for acquiring the plant of ₹ 30 crore during financial year 2015-2016 having useful life of 10 years. During the financial year 2020-2021, due to non-compliance of conditions laid down for the grant of ₹ 6 crore, the company had to refund the grant to the Government. What should be the treatment of the refund if grant was deducted from the cost of the plant during financial year 2015-2016? Assume depreciation is charged on fixed assets as per Straight Line Method.
- (d) Arush Ltd. is installing a new plant in its factory. It provides you the following information:

Cost of the plant (cost as per supplier's invoice)	₹ 31,25,000
Estimated dismantling costs to be incurred after 5 years	₹ 2,50,000
Initial delivery and handling costs	₹ 1,85,000
Cost of site preparation	₹ 4,50,000
Consultants used for advice on the acquisition of the plant	₹ 6,50,000

You are required to advise Arush Ltd. on the costs that can be capitalised for plant in accordance with AS 10 'Property, Plant and Equipment'. **(4 Parts x 5 Marks= 20 Marks)**

2. (a) The following figures have been extracted from the books of Manan Limited for the year ended on 31.3.2020. You are required to prepare the Cash Flow statement as per AS 3 using indirect method.

- (i) Net profit before taking into account income tax and income from law suits but after taking into account the following items was ₹ 30 lakhs :
- Depreciation on Property, Plant & Equipment ₹ 7.50 lakhs.
 - Discount on issue of Debentures written off ₹ 45,000.
 - Interest on Debentures paid ₹ 5,25,000.
 - Book value of investments ₹ 4.50 lakhs (Sale of Investments for ₹ 4,80,000).
 - Interest received on investments ₹ 90,000.
- (ii) Compensation received ₹1,35,000 by the company in a suit filed.
- (iii) Income tax paid during the year ₹ 15,75,000.
- (iv) 22,500, 10% preference shares of ₹ 100 each were redeemed on 02-04-2019 at a premium of 5%.
- (v) Further the company issued 75,000 equity shares of ₹10 each at a premium of 20% on 30.3.2020 (Out of 75,000 equity shares, 25,000 equity shares were issued to a supplier of machinery)
- (vi) Dividend for FY 2018-19 on preference shares were paid at the time of redemption.
- (vii) Dividend on Equity shares paid on 31.01.2020 for the year 2018-2019 ₹ 7.50 lakhs and interim dividend paid ₹ 2.50 lakhs for the year 2019-2020.
- (viii) Land was purchased on 02.4.2019 for ₹3,00,000 for which the company issued 22,000 equity shares of ₹ 10 each at a premium of 20% to the land owner and balance in cash as consideration.
- (ix) Current assets and current liabilities in the beginning and at the end of the years were as detailed below:

	As on 01.04.2019	As on 31.3.2020
	₹	₹
Inventory	18,00,000	19,77,000
Trade receivables	3,87,000	3,79,650
Cash in hand	3,94,450	16,950
Trade payables	3,16,500	3,16,950
Outstanding expenses	1,12,500	1,22,700

- (b) From the following information, prepare extract of Balance Sheet of A Limited along with notes making necessary compliance of Schedule III to the Companies Act, 2013:

	Amount (₹)
Loan Funds	
(a) Secured Loans	18,12,000
(b) Unsecured Loan - Short term from bank	2,25,000
Other information is as under:	
Secured Loans	
Term Loans from:	
Banks	8,95,000

Others		<u>9,17,000</u>
		<u>18,12,000</u>
Current Maturities of long-term loan from Bank		1,24,000
Current Maturities of long- term loan from Others		85,000

There was no interest accrued / due as at the end of the year. Current maturities of long-term loans amounting ₹ 2,09,000 is included in the value of secured loans of ₹ 18,12,000.

(c) The following information of Gaurav Ltd. was obtained on 31st March, 2021:

	₹
Authorized capital:	
90,000, 14% preference shares of ₹ 100	90,00,000
9,00,000 Equity shares of ₹100 each	<u>9,00,00,000</u>
	<u>9,90,00,000</u>
Issued and subscribed capital:	
67,500, 14% preference shares of ₹ 100 each fully paid	67,50,000
5,40,000 Equity shares of ₹ 100 each, ₹ 80 paid-up	4,32,00,000
Share suspense account	90,00,000
Reserves and surplus:	
Capital reserves (₹ 6,75,000 is revaluation reserve)	8,77,500
Securities premium	2,25,000
Secured loans:	
15% Debentures	2,92,50,000
Unsecured loans:	
Public deposits	16,65,000
Cash credit loan from SBI (short term)	5,92,500
Current Liabilities:	
Trade Payables	15,52,500
Assets:	
Investment in shares, debentures, etc.	3,37,50,000
Profit and Loss account (Dr. balance)	68,62,500

Share suspense account represents application money received on shares, the allotment of which is not yet made. You are required to compute effective capital as per the provisions of Schedule V if Gaurav Ltd. is a non-investment company? **(10+5+5 = 20 Marks)**

3. (a) The following is the Balance Sheet of Manish and Suresh as on 1st April, 2020:

Equity and Liabilities	₹	Assets	₹
Capital Accounts:		Building	1,00,000
Manish	1,50,000	Machinery	65,000
Suresh	75,000	Stock	40,000
Creditors for goods	30,000	Debtors	50,000

Creditors for expenses	25,000	Bank	25,000
	<u>2,80,000</u>		<u>2,80,000</u>

They give you the following additional information:

- (i) Creditors' Velocity 1.5 month & Debtors' Velocity 2 months. Here velocity indicates the no. of times the creditors and debtors are turned over a year.
- (ii) Stock level is maintained uniformly in value throughout all over the year.
- (iii) Depreciation on machinery is charged @ 10%, Depreciation on building @ 5% in the current year.
- (iv) Cost price will go up 15% as compared to last year and also sales in the current year will increase by 25% in volume.
- (v) Rate of gross profit remains the same.
- (vi) Business Expenditures are ₹ 50,000 for the year. All expenditures are paid off in cash.
- (vii) Closing stock is to be valued on LIFO Basis.
- (viii) All sales and purchases are on credit basis and there are no cash purchases and sales.

You are required to prepare Trading, Profit and Loss Account, Trade Debtors Account and Trade Creditors Account for the year ending 31.03.2021.

- (b) Pass necessary Journal entries in the books of an independent Branch of a Company, wherever required, to rectify or adjust the following:
 - (i) Branch incurred travelling expenses of ₹ 4,000 on behalf of other Branches, but not recorded in the books of Branch.
 - (ii) Goods dispatched by the Head office amounting to ₹ 8,000, but not received by the Branch till date of reconciliation. The Goods have been received subsequently.
 - (iii) Provision for doubtful debts, whose accounts are kept by the Head Office, not provided earlier for ₹ 2,000.
 - (iv) Branch paid ₹ 2,000 as salary to a Head Office Manager, but the amount paid has been debited by the Branch to Salaries Account. (16+4 = 20 Marks)

4. (a) Following is the Trial Balance of Mr. Mohan as on 31.03.2021:

	Particulars	Debit (₹)	Credit (₹)
Capital Account			40,000
Drawing Account		1,500	
Opening Stock	Department A	8,500	
	Department B	5,700	
	Department C	1,200	
Purchases	Department A	22,000	
	Department B	17,000	
	Department C	8,000	
Sales	Department A		54,000
	Department B		33,000

	Department C		21,000
Sales Returns	Department A	4,000	
	Department B	3,000	
	Department C	1,000	
Freight and Carriage	Department A	1,400	
	Department B	800	
	Department C	200	
Furniture and fixtures		4,600	
Plant and Machinery		20,000	
Motor Vehicles		40,000	
Sundry Debtors		12,200	
Sundry Creditors			15,000
Salaries		4,500	
Power and water		1,200	
Telephone charges		2,100	
Bad Debts		750	
Rent and taxes		6,000	
Insurance		1,500	
Wages	Department A	800	
	Department B	550	
	Department C	150	
Printing and Stationeries		2,000	
Advertising		3,500	
Bank Overdraft			12,000
Cash in hand		850	
		<u>1,75,000</u>	<u>1,75,000</u>

You are required to prepare Department Trading, Profit and Loss Account and the Balance Sheet taking into account the following adjustments:

- Outstanding Wages: Department B- ₹ 150, Department C – ₹ 50.
 - Depreciate Plant and Machinery and Motor Vehicles at the rate of 10%.
 - Each Department shall share all expenses in proportion to their sales.
 - Closing Stock: Department A - ₹ 3,500, Department B - ₹ 2,000, Department C - ₹ 1,500.
- (b) The Capital structure of a company BK Ltd. consists of 30,000 Equity Shares of ₹ 10 each fully paid up and 2,000 9% Redeemable Preference Shares of ₹ 100 each fully paid up as on 31.03.2020. the other particulars as at 31.03.2020 are as follows:

	Amount (₹)
General Reserve	1,20,000
Profit & Loss Account	60,000
Investment Allowance Reserve (not free for distribution as dividend)	15,000
Cash at bank	1,95,000

Preference Shares are to be redeemed at a premium of 10%. For the purpose of redemption, the directors are empowered to make fresh issue of Equity Shares at par after utilizing the undistributed reserve & surplus, subject to the conditions that a sum of ₹ 40,000 shall be retained in General Reserve and which should not be utilized. Company also sold investment of 4500 Equity Shares in G Ltd., costing ₹45,000 at ₹ 9 per share.

You are required to pass Journal entries to give effect to the above arrangements.

(12 + 8 =20 Marks)

5. (a) A Fire occurred in the premises of M/s B & Co. on 30th September, 2019. The firm had taken an insurance policy for ₹ 1,20,000 which was subject to an average clause. Following particulars were ascertained from the available records for the period from 1st April, 2018 to 30th September, 2019:

	Amount (₹)
Stock at cost on 1-04-2018	2,11,000
Stock at cost on 31-03-2019 after adjustment of written off amount in respect of slow-moving item)	2,52,000
Purchases during 2018-19	6,55,000
Wages during 2018-19	82,000
Sales during 2018-19	8,60,000
Purchases from 01-04-2019 to 30-09-2019 (including purchase of machinery costing ₹ 58,000)	4,48,000
Wages from 01-04-2019 to 30-09-2019 (including wages for installation of machinery costing ₹ 7,000)	85,000
Sales from 01-04-2019 to 30-09-2019	6,02,000
Sale value of goods drawn by partners (1-4-19 to 30-9-19)	52,000
Cost of Goods sent to consignee on 18th September, 2019 lying unsold with them	44,800
Cost of Goods distributed as free samples (1-4-19 to 30-9-19)	8,500

While valuing the Stock at 31st March, 2019, ₹ 8,000 were written off in respect of a slow moving item, cost of which was ₹ 12,000. A portion of these goods was sold at a loss of ₹ 4,000 on the original cost of ₹ 9,000. The remainder of the stock is estimated to be worth the original cost. The value of Goods salvaged was estimated at ₹ 35,000.

You are required to ascertain the amount of claim to be lodged with the Insurance Company for the loss of stock.

- (b) Alpha Ltd. purchased 5,000, 13.5% Debentures of Face Value of ₹ 100 each of Pergot Ltd. on 1st May 2020 @ ₹ 105 on cum interest basis. The interest on these instruments is payable on 31st & 30th of March & September respectively. On August 1st 2020 the company again purchased 2,500 of such debentures @ ₹ 102.50 each on cum interest basis. On October 1st, 2020 the company sold 2,000 Debentures @ ₹ 103 each on ex- interest basis. The market value of the debentures as at the close of the year was ₹ 106. You are required to prepare the Investment in Debentures Account in the books of Alpha Ltd. for the year ended 31st Dec. 2020 on Average Cost Basis. **(12 + 8 = 20 Marks)**
6. (a) "Accounting Standards standardize diverse accounting policies with a view to eliminate the non-comparability of financial statements and improve the reliability of financial statements." Discuss and explain the benefits of Accounting Standards.

OR

"Explain "monetary item" as per Accounting Standard 11. How are foreign currency monetary items to be recognized at each Balance Sheet date? Classify the following as monetary or non-monetary item:

- (i) Share Capital
 - (ii) Trade Receivables
 - (iii) Investments
 - (iv) Fixed Assets.
- (b) The following particulars relate to hire purchase transactions:
- (a) X purchased three cars from Y on hire purchase basis, the cash price of each car being ₹ 2,00,000.
 - (b) The hire purchaser charged depreciation @ 20% on diminishing balance method.
 - (c) Two cars were seized by on hire vendor when second installment was not paid at the end of the second year. The hire vendor valued the two cars at cash price less 30% depreciation charged under it diminishing balance method.
 - (d) The hire vendor spent ₹ 10,000 on repairs of the cars and then sold them for a total amount of ₹ 1,70,000.
- You are required to compute:
- (i) Agreed value of two cars taken back by the hire vendor.
 - (ii) Book value of car left with the hire purchaser.
 - (iii) Profit or loss to hire purchaser on two cars taken back by their hire vendor.
 - (iv) Profit or loss of cars repossessed, when sold by the hire vendor.
- (c) The Business carried on by Kamal under the name "K" was taken over as a running business with effect from 1st April, 2020 by Sanjana Ltd., which was incorporated on 1st July, 2020. The same set of books was continued since there was no change in the type of business and the following particulars of profits for the year ended 31st March, 2021 were available.

	₹	₹
Sales: Company period	40,000	
Prior period	<u>10,000</u>	50,000
Selling Expenses	3,500	
Preliminary Expenses written off	1,200	
Salaries	3,600	
Directors' Fees	1,200	
Interest on Capital (Up to 30.6.2020)	700	
Depreciation	2,800	
Rent	4,800	
Purchases	25,000	
Carriage Inwards	<u>1,019</u>	<u>43,819</u>
Net Profit		<u>6,181</u>

The purchase price (including carriage inwards) for the post-incorporation period had increased by 10 percent as compared to pre-incorporation period. No stocks were carried either at the beginning or at the end.

You are required to prepare a statement showing the amount of pre and post incorporation period profits stating the basis of allocation of expenses.

- (d) Z Bank has classified its total investment on 31-3-2021 into three categories (a) held to maturity (b) available for sale (c) held for trading as per the RBI Guidelines. 'Held to maturity' investments are carried at acquisition cost less amortized amount. 'Available for sale' investments are carried at marked to market. 'Held for trading' investments are valued at weekly intervals at market rates. Net depreciation, if any, is charged to revenue and net appreciation, if any, is ignored. You are required to comment whether the policy of the bank is in accordance with AS 13?

(4 Parts X 5 Marks = 20 Marks)

MOCK TEST PAPER – 2
INTERMEDIATE (NEW) : GROUP – I
PAPER – 1: ACCOUNTING

1. (a) Calculation of capitalization rate on borrowings other than specific borrowings

Nature of general borrowings	Period of outstanding balance	Amount of loan (₹)	Rate of interest p.a.	Weighted average amount of interest (₹)
	a	b	c	d = [(b x c) x (a/12)]
9% Debentures	12 months	20,00,000	9%	1,80,000
Bank overdraft	9 months	4,00,000	10%	30,000
	2 months	4,00,000	12%	8,000
	1 month	8,00,000	12%	8,000
		<u>36,00,000</u>		<u>2,26,000</u>

Weighted average cost of borrowings

$$= \{20,00,000 \times (12/12)\} + \{4,00,000 \times (11/12)\} + \{8,00,000 \times (1/12)\} = 24,33,334$$

$$\text{Capitalisation rate} = \left[\frac{\text{Weighted average amount of interest}}{\text{Weighted average of general borrowings}} \times 100 \right] = \left[\frac{2,26,000}{24,33,334} \times 100 \right] = 9.29\% \text{ p.a.}$$

- (b) As per AS 1 "Disclosure of Accounting Policies", any change in an accounting policy which has a material effect should be disclosed in the financial statements. The amount by which any item in the financial statements is affected by such change should also be disclosed to the extent ascertainable. Where such amount is not ascertainable, wholly or in part, the fact should be indicated. Thus Rani Ltd. should disclose the change in valuation method of inventory and its effect on financial statements. The company may disclose the change in accounting policy in the following manner:

"The company values its inventory at lower of cost and net realizable value. Since net realizable value of all items of inventory in the current year was greater than respective costs, the company valued its inventory at cost. In the present year i.e. 2019-20, the company has changed to weighted average method, which better reflects the consumption pattern of inventory, for ascertaining inventory costs from the earlier practice of using FIFO for the purpose. The change in policy has reduced current profit and value of inventory by ₹ 16,000 (1,75,000 – 1,59,000)."

- (c) As per AS 12, the amount refundable in respect of grant related to specific fixed assets should be recorded by increasing the book value of the asset or by reducing the capital reserve or the deferred income balance, as appropriate, by the amount refundable. Where the book value of the asset is increased, depreciation on the revised book value should be provided prospectively over the residual useful life of the asset.

Where grant was deducted from the cost of the asset, initial value of the plant after deduction of grant amount of ₹ 6 crore would have been = ₹ 30 crore – ₹ 6 crore = ₹ 24 crore.

Carrying value of the plant after 5 years on 1.4.2020 = [(₹ 24 crore / 10 years) x 5 years] = ₹ 12 crore.

Annual depreciation charge would be ₹ 2.4 crore.

On refund of grant to the Government, the book value of the plant shall be increased by ₹ 6 crore i.e. ₹ 12 crore + ₹ 6 crore = ₹ 18 crore. The increased cost of ₹ 18 crore of the plant should be amortised prospectively over remaining 5 years of useful residual life. Depreciation charge in the year 2020-2021 would be ₹ 18 crore / 5 years = ₹ 3.6 crore instead of earlier ₹ 2.4 crore.

(d) According to AS 10 'Property, Plant and Equipment', following costs will be capitalized by Arush Ltd.:

	₹
Cost of the plant	31,25,000
Initial delivery and handling costs	1,85,000
Cost of site preparation	4,50,000
Consultants' fee	6,50,000
Estimated dismantling costs to be incurred after 5 years	<u>2,50,000</u>
Total cost of Plant	<u>46,60,000</u>

2. (a)

Manan Ltd.

Cash Flow Statement

for the year ended 31st March, 2020

	₹	₹
Cash flow from Operating Activities		
Net profit before income tax and extraordinary items:		30,00,000
Adjustments for:		
Depreciation on Property, plant and equipment	7,50,000	
Discount on issue of debentures	45,000	
Interest on debentures paid	5,25,000	
Interest on investments received	(90,000)	
Profit on sale of investments	<u>(30,000)</u>	<u>12,00,000</u>
Operating profit before working capital changes		42,00,000
Adjustments for:		
Increase in inventory	(1,77,000)	
Decrease in trade receivable	7,350	
Increase in trade payables	450	
Increase in outstanding expenses	<u>10,200</u>	<u>(1,59,000)</u>
Cash generated from operations		40,41,000
Income tax paid		<u>(15,75,000)</u>
Cash flow from ordinary items		24,66,000
Cash flow from extraordinary items:		
Compensation received in a suit filed		<u>1,35,000</u>

Net cash flow from operating activities		26,01,000
Cash flow from Investing Activities:		
Sale proceeds of investments	4,80,000	
Interest received on investments	90,000	
Purchase of land (3,00,000 less 2,64,000)	<u>(36,000)</u>	
Net cash flow from investing activities		5,34,000
Cash flow from Financing Activities		
Proceeds of issue of equity shares at 20% premium	6,00,000	
Redemption of preference shares at 5% premium	(23,62,500)	
Preference dividend paid	(2,25,000)	
Interest on debentures paid	(5,25,000)	
Dividend paid (7,50,000 + 2,50,000)	<u>(10,00,000)</u>	
Net cash used in financing activities		<u>(35,12,500)</u>
Net decrease in cash and cash equivalents during the year		(3,77,500)
Add: Cash and cash equivalents as on 31.3.2019		<u>3,94,450</u>
Cash and cash equivalents as on 31.3.2020		<u>16,950</u>

(b) **Extract of Balance Sheet of A Ltd.**

Particulars	Note No	Amount
Non - Current Liabilities		
Long term borrowings	1	16,03,000
Current Liabilities		
Short term borrowings	2	2,25,000
Other current liabilities	3	2,09,000

Notes to Accounts

1. Long-Term Borrowings	
Term loans – Secured	
- From banks	8,95,000
- From other parties	<u>9,17,000</u>
	18,12,000
Less: Current maturities of long-term debt (Refer Note 3)	<u>(2,09,000)</u>
	<u>16,03,000</u>
2. Short-Term Borrowings	
(Unsecured loan)	
- from bank	2,25,000
3. Other Current Liabilities	
Current maturities of long-term debt	

- From banks	1,24,000
- From others	<u>85,000</u>
	<u>2,09,000</u>

(c) Computation of effective capital:

Where Gaurav Ltd. is a non-investment company

Paid-up share capital —	
67,500, 14% Preference shares	67,50,000
5,40,000 Equity shares	4,32,00,000
Capital reserves	2,02,500
Securities premium	2,25,000
15% Debentures	2,92,50,000
Public Deposits	<u>16,65,000</u>
(A)	<u>8,12,92,500</u>
Investments	3,37,50,000
Profit and Loss account (Dr. balance)	<u>68,62,500</u>
(B)	<u>4,06,12,500</u>
Effective capital (A-B)	<u>4,06,80,000</u>

3. Trading and Profit and Loss account for the year ending 31st March, 2021

Particulars	₹	Particulars	₹
To Opening Stock	40,000	By Sales	4,31,250
To Purchases (Working Note)	3,45,000	By Closing Stock	40,000
To Gross Profit c/d (20% on sales)	<u>86,250</u>		
	<u>4,71,250</u>		<u>4,71,250</u>
To Business Expenses	50,000	By Gross Profit b/d	86,250
To Depreciation on:			
Machinery 6,500			
Building 5,000	11,500		
To Net profit	<u>24,750</u>		
	<u>86,250</u>		<u>86,250</u>

Trade Debtors Account

Particulars	₹	Particulars	₹
To Balance b/d	50,000	By Bank (bal.fig.)	4,09,375

To Sales	<u>4,31,250</u>	By Balance c/d (1/6 of 4,31,250)	<u>71,875</u>
	<u>4,81,250</u>		<u>4,81,250</u>

Trade Creditors Account

Particulars	₹	Particulars	₹
To Bank (Balancing figure)	3,31,875	By Balancing b/d	30,000
To Balance c/d/ (1/8 of ₹ 3,45,000)	<u>43,125</u>	By Purchases	<u>3,45,000</u>
	<u>3,75,000</u>		<u>3,75,000</u>

Working Note:

	₹
(i) Calculation of Rate of Gross Profit earned during previous year	
A Sales during previous year (₹ 50,000 x 12/2)	3,00,000
B Purchases (₹ 30,000 x 12/1.5)	2,40,000
C Cost of Goods Sold (₹ 40,000 + ₹ 2,40,000 – ₹ 40,000)	2,40,000
D Gross Profit (A-C)	60,000
E Rate of Gross Profit $\frac{₹ 60,000}{₹ 3,00,000} \times 100$	20%
(ii) Calculation of sales and Purchases during current year	₹
A Cost of goods sold during previous year	2,40,000
B Add: Increases in volume @ 25 %	<u>60,000</u>
	3,00,000
C Add: Increase in cost @ 15%	<u>45,000</u>
D Cost of Goods Sold during Current Year	3,45,000
E Add: Gross profit @ 25% on cost (20% on sales)	<u>86,250</u>
F Sales for current year [D+E]	<u>4,31,250</u>

(b) Journal Entries in Books of Branch

		Amount in ₹	
		Dr.	Cr.
(i)	Head Office Account To Cash Account (Being expenditure incurred on account of other branch, now recorded in books)	Dr. 4,000	4,000
(ii)	Goods –in- transit Account To Head Office Account (Being goods sent by Head Office still in-transit)	Dr. 8,000	8,000
(iii)	Provision for Doubtful Debts A/c To Head Office Account (Being the provision for doubtful debts not provided earlier, now provided for)	Dr. 2,000	2,000
(iv)	Head Office Account To Salaries Account	Dr. 2,000	2,000

(Being rectification of salary paid on behalf of Head Office)

4. (a) **Trading and Profit and Loss Account**
for the year ended on 31st March, 2021

Particulars	A (₹)	B (₹)	C (₹)	Particulars	A (₹)	B (₹)	C (₹)
To Opening Stock	8,500	5,700	1,200	By Sales less Sales returns	50,000	30,000	20,000
To Purchases	22,000	17,000	8,000	By Closing Stock	3,500	2,000	1,500
To Freight & carriage	1,400	800	200				
To Wages	800	700	200				
To Gross profit	<u>20,800</u>	<u>7,800</u>	<u>11,900</u>				
	<u>53,500</u>	<u>32,000</u>	<u>21,500</u>		<u>53,500</u>	<u>32,000</u>	<u>21,500</u>
To Salaries	2,250	1,350	900	By Gross Profit	20,800	7,800	11,900
To Power & Water	600	360	240	By Net Loss	-	465	-
To Telephone Charges	1,050	630	420				
To Bad Debts	375	225	150				
To Rent & Taxes	3,000	1,800	1,200				
To Insurance	750	450	300				
To Printing & Stationery	1,000	600	400				
To Advertising	1,750	1,050	700				
To Depreciation (2,000 +4,000)	3,000	1,800	1,200				
To Net Profit	<u>7,025</u>		<u>6,390</u>				
	<u>20,800</u>	<u>8,265</u>	<u>11,900</u>		<u>20,800</u>	<u>8,265</u>	<u>11,900</u>

Balance Sheet as at 31.03.2021

Liabilities	₹	Assets	₹
Capital A/c	40,000	Furniture & Fixtures	4,600
Add: Net Profit (₹ 7,025 + ₹ 6,390)	<u>13,415</u>	Plant & Machinery	20,000
	53,415	Less: Depreciation	<u>2,000</u> 18,000
Less: Net loss in Dept B	<u>465</u>	Motor Vehicles	40,000
	52,950	Less: Depreciation	<u>4,000</u> 36,000
Less: Drawings	<u>1,500</u>	Sundry Debtors	12,200
Sundry Creditors	15,000	Cash in hand	850
Bank Overdraft	12,000	Closing Stock	7,000
Wages Outstanding	<u>200</u>		
	<u>78,650</u>		<u>78,650</u>

(b) Journal Entries

Date	Particulars		Dr. (₹)	Cr. (₹)
	Bank A/c To Equity Share Capital A/c (Being the issue of 8,450 Equity Shares of ₹ 10 each as per Board's Resolution No.....dated.....)	Dr.	84,500	84,500
	9% Redeemable Preference Share Capital A/c Premium on Redemption of Preference Shares A/c To Preference Shareholders A/c (Being the amount paid on redemption transferred to Preference Shareholders Account)	Dr. Dr.	2,00,000 20,000	2,20,000
	Bank A/c Profit and Loss A/c (loss on sale) A/c To Investment A/c (Being investment sold at loss of ₹ 4,500)	Dr. Dr.	40,500 4,500	45,000
	Preference Shareholders A/c To Bank A/c (Being the amount paid on redemption of preference shares)	Dr.	2,20,000	2,20,000
	Profit & Loss A/c To Premium on Redemption of Preference Shares A/c (Being the premium payable on redemption is adjusted against Profit & Loss Account)	Dr.	20,000	20,000
	General Reserve A/c Profit & Loss A/c To Capital Redemption Reserve A/c (Being the amount transferred to Capital Redemption Reserve Account)	Dr. Dr.	80,000 35,500	1,15,500

Working Note:

Number of Shares to be issued for redemption of Preference Shares:		
Face value of shares redeemed		₹2,00,000
Less: Profit available for distribution as dividend:		
General Reserve: ₹ (1,20,000-40,000)	₹80,000	
Profit and Loss (60,000 less 20,000 set aside for adjusting premium payable on redemption of Pref. shares less 4,500 loss on sale of investments)	<u>₹35,500</u>	<u>(1,15,500)</u>
		<u>₹ 84,500</u>

Therefore, No. of shares to be issued = 84,500/₹10 = 8,450 shares.

5. (a) **Memorandum Trading Account**
for the period 1st April, 2019 to 30th September, 2019

	Normal Items ₹	Abnormal Items ₹	Total ₹		Normal Items ₹	Abnormal Items ₹	Total ₹
To Opening stock	2,48,000	12,000	2,60,000	By Sales	5,97,000	5,000	6,02,000
To Purchases (W.N. 2)	3,39,900	-	3,39,900	By Goods sent to consignee	44,800	-	44,800
To Wages (85,000 – 7,000)	78,000	-	78,000	By Loss	-	4,000	4,000
To Gross profit @20%	1,19,400	-	1,19,400	By Closing stock (Bal. fig.)	1,43,500	3,000	1,46,500
	7,85,300	12,000	7,97,300		7,85,300	12,000	7,97,300

Statement of Claim for Loss of Stock

	₹
Book value of stock as on 30.9.2019	1,46,500
Less: Stock salvaged	(35,000)
Loss of stock	1,11,500

Amount of claim to be lodged with insurance company

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

$$= ₹ 1,11,500 \times \frac{1,20,000}{1,46,500} = ₹ 91,331 \text{ (approx.)}$$

Working Notes:

1. **Rate of gross profit for the year ended 31st March, 2019**

Trading Account for the year ended 31st March, 2019

	₹		₹
To Opening Stock	2,11,000	By Sales	8,60,000
To Purchases	6,55,000	By Closing stock 2,52,000	
To Wages	82,000	Add: written off <u>8,000</u>	2,60,000
To Gross Profit (b.f.)	1,72,000		
	11,20,000		11,20,000

Rate of Gross Profit in 2018-19

$$\frac{\text{Gross Profit}}{\text{Sales}} \times 100$$

$$= 1,72,000 \times 100 / 8,60,000 = 20\%$$

2. Calculation of Adjusted Purchases

	₹
Purchases (4,48,000 – 58,000)	3,90,000
Less: Drawings [52,000 – (20 % of 52,000)]	(41,600)
Free samples	<u>(8,500)</u>
Adjusted purchases	<u>3,39,900</u>

(b) Investment in 13.5% Debentures in Pergot Ltd. Account

(Interest payable on 31st March & 30th September)

Date	Particulars	Nominal	Interest	Amount	Date	Particulars	Nominal	Interest	Amount
2020		₹	₹	₹	2020		₹	₹	₹
May 1	To Bank	5,00,000	5,625	5,19,375	Sept.30	By Bank (6 months Int)		50,625	
Aug.1	To Bank	2,50,000	11,250	2,45,000	Oct.1	By Bank	2,00,000		2,06,000
Oct.1	To P&L A/c			2,167					
Dec.31	To P&L A/c		52,313		Dec.31	By Balance c/d			
							<u>5,50,000</u>	<u>18,563</u>	<u>5,60,542</u>
		<u>7,50,000</u>	<u>69,188</u>	<u>7,66,542</u>			<u>7,50,000</u>	<u>69,188</u>	<u>7,66,542</u>

Note: Cost being lower than Market Value the debentures are carried forward at Cost.

Working Notes:

- Interest paid on ₹ 5,00,000 purchased on May 1st, 2020 for the month of April 2020, as part of purchase price: $5,00,000 \times 13.5\% \times 1/12 = ₹ 5,625$
- Interest received on 30th Sept. 2020
 $\text{On ₹ 5,00,000} = 5,00,000 \times 13.5\% \times 1/2 = 33,750$
 $\text{On ₹ 2,50,000} = 2,50,000 \times 13.5\% \times 1/2 = 16,875$
 Total ₹ 50,625
- Interest paid on ₹ 2,50,000 purchased on Aug. 1st 2020 for April 2020 to July 2020 as part of purchase price:
 $₹ 2,50,000 \times 13.5\% \times 4/12 = ₹ 11,250$
- Loss on Sale of Debentures
 Cost of acquisition
 $(₹ 5,19,375 + ₹ 2,45,000) \times ₹ 2,00,000 / ₹ 7,50,000 = 2,03,833$
 Less: Sale Price (2,000 x ₹103) = 2,06,000
 Profit on sale = ₹ 2,167
- Cost of Balance Debentures

$$(\text{₹ } 5,19,375 + \text{₹ } 2,45,000) \times \text{₹ } 5,50,000 / \text{₹ } 7,50,000 = \text{₹ } 5,60,542$$

6. Interest on Closing Debentures for period Oct.-Dec. 2020 carried forward (accrued interest)
 $\text{₹ } 5,50,000 \times 13.5\% \times 3/12 = \text{₹ } 18,563$ (rounded off)

6. (a) Accounting Standards standardize diverse accounting policies with a view to eliminate the non-comparability of financial statements and improve the reliability of financial statements. Accounting Standards provide a set of standard accounting policies, valuation norms and disclosure requirements. Accounting standards aim at improving the quality of financial reporting by promoting comparability, consistency and transparency, in the interests of users of financial statements.

The following are the benefits of Accounting Standards:

- (i) **Standardization of alternative accounting treatments:** Accounting Standards reduce to a reasonable extent confusing variations in the accounting treatment followed for the purpose of preparation of financial statements.
- (ii) **Requirements for additional disclosures:** There are certain areas where important is not statutorily required to be disclosed. Standards may call for disclosure beyond that required by law.
- (iii) **Comparability of financial statements:** The application of accounting standards would facilitate comparison of financial statements of different companies situated in India and facilitate comparison, to a limited extent, of financial statements of companies situated in different parts of the world. However, it should be noted in this respect that differences in the institutions, traditions and legal systems from one country to another give rise to differences in Accounting Standards adopted in different countries.

OR

As per AS 11 'The Effects of Changes in Foreign Exchange Rates', Monetary items are money held and assets and liabilities to be received or paid in fixed or determinable amounts of money.

Foreign currency monetary items should be reported using the closing rate at each balance sheet date. However, in certain circumstances, the closing rate may not reflect with reasonable accuracy the amount in reporting currency that is likely to be realised from, or required to disburse, a foreign currency monetary item at the balance sheet date. In such circumstances, the relevant monetary item should be reported in the reporting currency at the amount which is likely to be realised from or required to disburse, such item at the balance sheet date.

Share capital	Non-monetary
Trade receivables	Monetary
Investments	Non-monetary
Fixed assets	Non-monetary

(b)

		₹
(i)	Price of two cars = ₹ 2,00,000 x 2	4,00,000
	Less: Depreciation for the first year @ 30%	<u>1,20,000</u>
		2,80,000
	Less: Depreciation for the second year = ₹ 2,80,000 x $\frac{30}{100}$	<u>84,000</u>

	Agreed value of two cars taken back by the hire vendor	<u>1,96,000</u>
(ii)	Cash purchase price of one car	2,00,000
	Less: Depreciation on ₹ 2,00,000 @20% for the first year	<u>40,000</u>
	Written down value at the end of first year	1,60,000
	Less: Depreciation on ₹ 1,60,000 @ 20% for the second year	<u>32,000</u>
	Book value of car left with the hire purchaser	<u>1,28,000</u>
(iii)	Book value of one car as calculated in working note (ii) above	1,28,000
	Book value of Two cars = ₹ 1,28,000 x 2	2,56,000
	Value at which the two cars were taken back, calculated in working note (i) above	1,96,000
	Hence, loss on cars taken back = ₹ 2,56,000 – ₹ 1,96,000 =	₹ 60,000
(iv)	Sale proceeds of cars repossessed	1,70,000
	Less: Value at which cars were taken back ₹ 1,96,000	
	Repair ₹ 10,000	<u>2,06,000</u>
	Loss on resale	<u>36,000</u>

(c) Statement showing the calculation of profits/losses for pre incorporation and Post incorporation period profits of Sanjana Ltd. for year ended 31.3.2021

Particulars	Basis	Pre	Post
		₹	₹
Sales (given)		10,000	40,000
Less: Purchases	1:3.3	5,814	19,186
Carriage Inwards	1:3.3	<u>237</u>	<u>782</u>
Gross Profit (i)		<u>3,949</u>	<u>20,032</u>
Less: Selling Expenses	1:4	700	2,800
Preliminary Expenses			1,200
Salaries	1:3	900	2,700
Director Fees			1,200
Interest on capital		700	
Depreciation	1:3	700	2,100
Rent	1:3	<u>1,200</u>	<u>3,600</u>
Total of Expenses(ii)		<u>4,200</u>	<u>13,600</u>
Capital Loss/Net Profit (i-ii)		(251)	6,432

Working Notes:

1: Sales Ratio = 10,000 : 40,000 = 1 : 4

2: Time Ratio = 3:9 = 1:3

3: Purchase Price Ratio ∴ Ratio is 3 : 9

But purchase price was 10% higher in the company period

∴ Ratio is 3 : 9 + 10% = 3:9.9 = 1:3.3.

(d) As per AS 13 'Accounting for Investments', the accounting standard is not applicable to Bank, Insurance Company, Mutual Funds. In this case Z Bank is a bank, therefore, AS 13 does not apply to

it. For banks, the RBI has issued separate guidelines for classification and valuation of its investment and Z Bank should comply with those RBI Guidelines/Norms. Therefore, though Z Bank has not followed the provisions of AS 13, yet it would not be said as non-compliance since, it is complying with the norms stipulated by the RBI.