

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

1. (a) (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	<u>5,40,000</u>
Total value of closing stock				<u>7,05,000</u>

- (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	<u>5,10,000</u>
Total value of closing stock				<u>6,18,000</u>

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	<u>15</u>
Cost	<u>275</u>
Finished Goods Q	₹
Materials consumed	250
Direct Labour	70
Variable overheads	30
Fixed overheads (₹ 3,00,000 / 30,000 units)	<u>10</u>
	<u>360</u>

(b)

	₹ in crore
Cost of construction of bridge incurred 31.3.21	4.00
Add: Estimated future cost	<u>6.00</u>
Total estimated cost of construction	<u>10.00</u>
Contract Price (12 crore x 1.05)	12.60 crore

Stage of completion

Percentage of completion till date to total estimated cost of construction

$$= (4/10) \times 100 = 40\%$$

Revenue and Profit to be recognized for the year ended 31st March, 2021 as per AS 7

Proportion of total contract value recognized as revenue = Contract price x percentage of completion
 $= ₹ 12.60 \text{ crore} \times 40\% = ₹ 5.04 \text{ crore}$

Profit for the year ended 31st March, 2021 = ₹ 5.04 crore less ₹ 4 crore = 1.04 crore

- (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.

(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	<u>12,00,000</u>	
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	<u>1,44,000</u>	<u>(23,84,000)</u>
Net cash inflow from financing activity		<u>8,16,000</u>

2.

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 above 50,000 shares have been issued for consideration other than cash)	80,00,000
	Less: Calls in arrears	<u>(15,000)</u>
		79,85,000
2.	Reserves and Surplus	
	General Reserve	9,41,000
	Add: Transferred from Profit and loss account	<u>35,000</u>
		9,76,000
	Securities premium	15,00,000
	Surplus (Profit & Loss A/c)	5,80,000
	Less: Appropriation to General Reserve (proposed)	<u>(35,000)</u>
		<u>5,45,000</u>
		<u>30,21,000</u>
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)]	24,96,000
	Secured by hypothecation of land	
	Unsecured	
	Bank Loan (Nixes bank) 9,00,000	
	(₹ 13,80,000 - ₹ 4,80,000 repayable within 1 year)	

	Loan from Directors	8,50,000		
	Others_	<u>20,000</u>		<u>17,70,000</u>
			Total	<u>42,66,000</u>
4.	Short-term borrowings			
	Loan from Naya bank (Secured)	1,16,000		
	Loan from Directors	48,000		
	Others	<u>2,96,000</u>		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	<u>1,34,000</u>		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	<u>(2,00,000)</u>		30,00,000
	Plant & Machinery	30,00,000		
	Less: Depreciation	<u>(6,00,000)</u>		24,00,000
	Furniture & Fittings	16,50,000		
	Less: Depreciation	<u>(3,50,000)</u>		<u>13,00,000</u>
			Total	<u>92,00,000</u>
8.	Inventories			
	Raw Material	13,00,000		
	Finished goods	40,00,000		
	Loose tools	<u>5,00,000</u>		58,00,000
9.	Trade receivables			
	Outstanding for a period exceeding six months			4,86,000
	Others			<u>12,64,000</u>
			Total	<u>17,50,000</u>
10.	Cash and cash equivalents			
	Balances with banks			
	with Scheduled Banks	2,88,000		
	with others banks	<u>56,000</u>		3,44,000
	Cash in hand			<u>70,000</u>
			Total	<u>4,14,000</u>

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

3.

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)	<u>56,100</u>		Less: Returns	<u>(1,450)</u>	70,550
	57,100		By Closing stock		12,000
Less: Returns	<u>(400)</u>	56,700			
To Gross Profit c/d		15,850			
		<u>82,550</u>			<u>82,550</u>
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)		<u>3,000</u>			
		<u>16,700</u>			<u>16,700</u>

Balance Sheet as at 31st March, 2020

Liabilities		₹	Assets		₹
Capital (W.N. 1)	39,850		Fixed Assets	12,000	
Less: Net loss	<u>150</u>		Add: New asset	<u>4,000</u>	
	39,700			16,000	
Less: Drawings	<u>(500)</u>	39,200	Less: Depreciation	<u>(3,000)</u>	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		<u>10,000</u>
		<u>55,000</u>			<u>55,000</u>

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	<u>2,500</u>
	<u>60,450</u>		<u>60,450</u>

(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)	<u>18,000</u>
	<u>99,950</u>		<u>99,950</u>

(3) **Sundry Creditors Account**

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

(4) **Depreciation on Fixed Assets**

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

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

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

(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	<u>2,000</u>	<u>10,000</u>
	<u>17,000</u>	<u>83,500</u>		<u>17,000</u>	<u>83,500</u>

4. (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
	<u>4,70,000</u>	<u>4,000</u>	<u>4,74,000</u>		<u>4,70,000</u>	<u>4,000</u>	<u>4,74,000</u>

Statement of Claim for Loss of Stock

	₹
Book value of stock as on 27 th July, 2021	62,000
Add: Abnormal Stock	1,000
Less: Stock salvaged	<u>(5,000)</u>
Loss of stock	58,000
Add: Fire fighting expenses	<u>1,300</u>
Total Loss	<u>59,300</u>

Amount of claim to be lodged with insurance company

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

$$= ₹ 59,300 \times (55,000 / 63,000) = ₹ 51,770 \text{ (rounded off)}$$

Working Notes:

1. Calculation of Adjusted Purchases

	₹
Purchases	2,92,000

Less: Purchase of Machinery	(10,000)
Less: Free samples	<u>(2,000)</u>
Adjusted purchases	<u>2,80,000</u>

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)	<u>₹ 10,000</u>
Actual Sales	<u>₹ 4,02,300</u>

4. Calculation of Wages

Total Wages	₹ 53,000
Less: Wages for installation of machinery	<u>₹ 3,000</u>
	<u>₹ 50,000</u>

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	<u>30,000</u>	<u>4,02,000</u>
		<u>50,000</u>	<u>7,12,000</u>			<u>50,000</u>	<u>7,12,000</u>

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 = $15,000 \times 1/3 = 5,000$ shares

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

- (5) Dividend on shares purchased on 22.6.2019 = $5,000 \times 10 \times 20\% = ₹ 10,000$ 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.

5. (a)

In the books of X Ltd.

Journal Entries

31 st March, 2021		₹	₹
(i)	Equity Share Capital A/c (₹ 100) Dr. To Equity Share Capital A/c (₹ 40) To Capital Reduction A/c (Being 24,000 equity shares of ₹ 100 each reduced to ₹ 40 each fully paid up)	24,00,000	9,60,000 14,40,000
(ii)	10% Preference Share Capital A/c (₹ 100) Dr. To 10% Preference Share Capital A/c (₹ 75) To Capital Reduction A/c (Being 12,000 Preference shares of ₹ 100 each reduced to ₹ 75 each fully paid up)	12,00,000	9,00,000 3,00,000
(iii)	10% Debentures A/c Dr. To Inventories A/c To Trade receivables A/c To Capital Reduction A/c (Being debenture holders given Inventories and Trade receivables in full settlement of their claims)	6,00,000	2,60,000 2,80,000 60,000
(iv)	Land & Building A/c Dr. To Capital Reduction A/c (Being Land & Building appreciated by 30%)	3,60,000	3,60,000
(v)	Capital reduction A/c Dr. To Cash A/c (Being expenses of reconstruction paid)	5,000	5,000

(vi)	Capital Reduction A/c	Dr.	20,70,000	
	To Goodwill A/c			90,000
	To Profit and Loss A/c			14,40,000
	To Plant & Machinery A/c			5,40,000
	(Being various losses written off, assets written down through Capital Reserve A/c)			
(vii)	Capital Reduction	Dr.	85,000	
	To Capital Reserve A/c (Bal. Fig.)			85,000
	(Being balance in Capital Reduction A/c transferred to Capital Reserve A/c)			

(b) General Ledger Adjustment Account in Debtors Ledger

Date	Particulars	₹	Date	Particulars	₹
01.04.2021	To Balance b/d	6,500	1.4.2021	By Balance b/d	2,52,300
01.04.2021	To Debtors ledger		01.04.2021	By Debtors ledger	
to	adjustment A/c:		to	adjustment A/c:	
30.4.2021	Cash received	9,57,640	30.4.2021	Credit sales	11,25,200
	Sales Returns	18,680		Cash paid for returns	4,200
	Discount allowed	14,740		Bills receivable dishonoured	5,260
	Bills receivable received	62,400		Interest	2,500
	Transfer to creditors ledger	12,000	30.04.2021	By Balance c/d	5,500
30.04.2021	To Balance c/d (bal. fig)	<u>3,23,600</u>			
		<u>13,95,560</u>			<u>13,95,560</u>

Note: Bad debts of year (2015-16), recovered now, will not appear in the above account. It will be credited to profit and loss account.

6. (i) Balance Sheet as on 31st March, 2021

Liabilities	₹	₹	Assets	₹	₹
Capital Accounts			Fixed Assets	10,00,000	
A	5,09,385		Less: Written down	<u>(1,00,000)</u>	
B	<u>4,09,385</u>	9,18,770		9,00,000	
Trade Payables	3,50,000		Less: Depreciation	<u>(95,000)</u>	8,05,000
			Trade Receivables		1,90,000
			Inventory		2,30,000
			Cash and Bank		<u>43,770</u>
		<u>12,68,770</u>			<u>12,68,770</u>

(ii) **Partners' Capital Accounts as on 1-10-2020**

		A	B	C			A	B	C
To	Revaluation A/c (Loss of Fixed Assets)	40,000	40,000	20,000	By	Balance b/d	5,00,000	4,00,000	3,00,000
To	Drawings	41,250	41,250	17,500	By	Reserves	40,000	40,000	20,000
To	C	50,000	50,000	-	By	A & B (goodwill adjustment)	-	-	1,00,000
To	Executor's A/c	-	-	4,20,000	By	Profit and Loss Appropriation A/c (W.N.2)	81,250	81,250	37,500
To	Balance c/d	<u>4,90,000</u>	<u>3,90,000</u>	<u>-</u>					
		6,21,250	5,21,250	4,57,500			6,21,250	5,21,250	4,57,500

Partners' Capital Accounts as on 31-3-2021

Dr.				Cr.			
		A	B			A	B
To	Drawings	50,000	50,000	By	Balance b/d	4,90,000	3,90,000
To	Balance c/d	5,09,385	4,09,385	By	Profit & Loss Appropriation A/c	69,385	69,385
		<u>5,59,385</u>	<u>4,59,385</u>			<u>5,59,385</u>	<u>4,59,385</u>

Working Notes:**1. Calculation of profits**

	₹
(a) Profit after Depreciation	4,05,000
Add: Depreciation	<u>95,000</u>
Profit before Depreciation	<u>5,00,000</u>
(b) Profit for the 1st half (evenly spread)	2,50,000
Less: Depreciation with respect to 1st half	<u>(50,000)</u>
Post Depreciation profit	<u>2,00,000</u>
(c) Profit for the 2nd half	2,50,000
Less: Depreciation for the 2nd half	<u>(45,000)</u>
2nd half profit after Depreciation	<u>2,05,000</u>

2. Profit and Loss Appropriation A/c (for the first half)

Dr.				Cr.	
		₹	₹	₹	
To	Interest on C Capital (3,00,000 × 25% for 6 months)	37,500		By	Profit
To	A	81,250			2,00,000

B	<u>81,250</u>	<u>1,62,500</u>	
		<u>2,00,000</u>	<u>2,00,000</u>

3. Application of Section 37 of the Partnership Act

Either

$$(i) \text{ Interest on } 4,20,000 \times \frac{6}{100} \times \frac{6}{12} = ₹ 12,600$$

Or

(ii) Profit earned out of unsettled capital

$$2,05,000 \times \frac{4,20,000}{(4,90,000 + 3,90,000 + 4,20,000)} = ₹ 66,230$$

In the absence of specific agreement amongst partners on the above subject matter, the representatives of the deceased partner can receive at their option, interest at the rate of 6% p.a. or the share of profit earned for the amount due to the deceased partner.

In the given case, it would be rational to assume that the representatives would opt for ₹ 66,230.

4. Profit and Loss Appropriation A/c for the second half

Dr.	₹		Cr.	₹
To Executors A/c	66,230	By Net Profit	2,05,000	
To A	69,385			
To B	<u>69,385</u>			
	<u>1,38,770</u>			
	<u>2,05,000</u>			<u>2,05,500</u>

5. C's Executors Account

Dr.		Cr.	
To Bank	4,86,230	By C's Capital A/c	4,20,000
		By Profit & Loss Appropriation	<u>66,230</u>
	<u>4,86,230</u>		<u>4,86,230</u>

7. (a) Calculation of interest

	Total (₹)	Interest in each instalment (1)	Cash price in each instalment (2)
Cash Price	1,20,000		
Less: Down Payment	<u>(32,433)</u>	Nil	₹ 32,433
Balance due after down payment	87,567		
Interest/Cash Price of 1 st instalment	-	₹ 87,567 × 10/100 = 8,757	₹ 23,100 – ₹ 8,757 = ₹ 14,343
Less: Cash price of 1 st instalment	<u>(14,343)</u>		
Balance due after 1 st instalment	73,224		
Interest/cash price of 2 nd instalment	-	₹ 73,224 × 10/100 = ₹ 7,322	₹ 23,100 – ₹ 7,322 = ₹ 15,778

Less: Cash price of 2 nd instalment	(15,778)		
Balance due after 2 nd instalment	57,446		
Interest/Cash price of 3 rd instalment	-	$\text{₹ } 57,446 \times 10/100 = \text{₹ } 5745$	$\text{₹ } 23,100 - \text{₹ } 5745 = \text{₹ } 17,355$
Less: Cash price of 3 rd instalment	<u>(17,355)</u>		
Balance due after 3 rd instalment	40,091		
Interest/Cash price of 4 th instalment	-	$\text{₹ } 40,091 \times 10/100 = \text{₹ } 4,009$	$\text{₹ } 23,100 - \text{₹ } 4,009 = \text{₹ } 19,091$
Less: Cash price of 4 th instalment	<u>(19,091)</u>		
Balance due after 4 th instalment	21,000		
Interest/Cash price of 5 th instalment	-	$\text{₹ } 21,000 \times 10/100 = \text{₹ } 2,100$	$\text{₹ } 23,100 - \text{₹ } 2,100 = \text{₹ } 21,000$
Less: Cash price of 5 th instalment	<u>(21,000)</u>		
Total	Nil	$\text{₹ } 27,933$	$\text{₹ } 1,20,000$

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 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

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

For the year ended 31st March, 2021

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

(d)**Calculation of number of days from base date 19.6.2021**

Transaction date	Due date	Amount ₹	No. of days from Base date (Base date 19.6.2021)	Product
8.3.2021	11.7.2021	4,000	22	88,000
16.3.2021	19.6.2021	5,000	0	0
7.4.2021	10.9.2021	6,000	83	4,98,000
17.5.2021	20.8.2021	<u>5,000</u>	62	<u>3,10,000</u>
		<u>20,000</u>		<u>8,96,000</u>

$$\text{Average due date} = \text{Base date} + \frac{\text{Total of Product}}{\text{Total of Amount}}$$

$$= 19.6.2021 + ₹ 8,96,000 / ₹ 20,000$$

$$= 19.6.2021 + 45 \text{ days approximately} = 3.8.2021$$

- (e)** Recently a growing trend has developed for outsourcing the accounting function to a third party. The consideration for doing this is to save cost and to utilise the expertise of the outsourced party. The third party maintains the accounting software and the client data, does the processing and hands over the report from time to time.

The choice of outsourcing vendor is made on the basis of the proposals received from these vendors. The proposals are evaluated and the decision is often taken based on the following criteria:

1. The type of services provided and whether the same matches with the requirements,
2. The reputation and background of the vendor,
3. The comparative costs of the various propositions,
4. The assurance of quality.