MOCK TEST PAPER 1

INTERMEDIATE (IPC) (OLD) COURSE: GROUP – II

PAPER – 5: ADVANCED ACCOUNTING

1. (a) Basic Earnings per share (EPS) =

$$\frac{\text{Net profit attributable to equity shareholders}}{\text{Weighted average number of equity shares outstanding during the year}}$$

$$= \frac{21,96,000}{4,57,500 \text{ Shares (as per working note)}} = ₹\ 4.80 \text{ per share}$$

Working Note:

Calculation of weighted average number of equity shares

As per AS 20 'Earnings Per Share', partly paid equity shares are treated as a fraction of equity share to the extent that they were entitled to participate in dividend relative to a fully paid equity share during the reporting period. Assuming that the partly paid shares are entitled to participate in the dividend to the extent of amount paid, weighted average number of shares will be calculated as follows:

Date	*No. of equity shares*	*Amount paid per share*	*Weighted average no. of equity shares*
	₹	₹	₹
1.4.2020	6,00,000	5	6,00,000 x 5/10 x 5/12 = 1,25,000
1.9.2020	5,40,000	10	5,40,000 x 7/12 = 3,15,000
1.9.2020	60,000	5	60,000 x 5/10 x 7/12 = 17,500
Total weighted average equity shares			4,57,500

(b) Events occurring after the balance sheet date are those significant events, both favourable and unfavourable, that occur between the balance sheet date and the date on which the financial statements are approved by the Board of Directors in the case of a company, and, by the corresponding approving authority in the case of any other entity.

Assets and liabilities should be adjusted for events occurring after the balance sheet date that provide additional evidence to assist the estimation of amounts relating to conditions existing at the balance sheet date or that indicate that the fundamental accounting assumption of going concern is not appropriate.

In the given case, financial statements are approved by the approving authority on 30 June 2020.

On the basis of above principles, following will be the accounting treatment in the financial statements for the year ended at 31 March 2020:

(i) Since on 31 March 2020, Tee Ltd. was expecting a heavy decline in the demand of the stitching machine. Therefore, decline in the value during April, 2020 will be considered as an adjusting event. Hence, Tee Ltd. needs to adjust the amounts recognized in its financial statements w.r.t. net realisable value at the end of the reporting period. Accordingly, inventory should be written down to ₹ 4,000 per machine. Total value of inventory in the books will be 50 machines x ₹ 4,000 = ₹ 2,00,000.

(ii) A fire took place after the balance sheet date i.e. during 2020-2021 financial year. Hence, corresponding financials of 2019-2020 financial year should not be adjusted for loss occurred due to fire. However, in this circumstance, the going concern assumption will be evaluated. In case the going concern assumption is considered to be appropriate even after the occurrence of fire, no disclosure of the same is required in the financial statements. Otherwise, disclosure should be given.

(iii) Since the transfer of risk and reward and sale was complete in the month of May, 2020 when conveyance and possession got complete, no revenue should be recognised with respect to it in the financial statements of 2019-2020. However, a disclosure for the same should be given by the entity.

(iv) Since the notice has been received after 31 March but before 30 June 2020 (approval date), the said grant shall be adjusted in the financial statements for financial year 2019-2020 because the violation of the conditions took place in the financial year 2019-2020 and the company must be aware of it.

(c) Following will be the treatment in the given cases:

(i) When sales price of ₹ 500 lakhs is equal to fair value, Monu Ltd. should immediately recognise the profit of ₹ 100 lakhs (i.e. 500 – 400) in its books.

(ii) When fair value of leased machinery is ₹ 450 lakhs & sales price is ₹ 380 lakhs, then loss of ₹ 20 lakhs (400 – 380) to be immediately recognised by Monu Ltd. in its books provided loss is not compensated by future lease payment.

(iii) When fair value is ₹ 400 lakhs & sales price is ₹ 500 lakhs then, profit of ₹ 100 lakhs is to be deferred and amortised over the lease period.

(iv) When fair value is ₹ 460 lakhs & sales price is ₹ 500 lakhs, profit of ₹ 60 lakhs (460-400) to be immediately recognised in its books and balance profit of ₹ 40 lakhs (500-460) is to be amortised/deferred over lease period.

(d) **(i)** As per AS 29, an obligation is a present obligation if, based on the evidence available, its existence at the balance sheet date is considered probable, i.e., more likely than not.

Liability is a present obligation of the enterprise arising from past events, the settlement of which is expected to result in an outflow from the enterprise of resources embodying economic benefits.

In the given case, there are 75% chances that the penalty may not be levied. Accordingly, Saharsh Ltd. should not make the provision for penalty.

However, a provision should be made for remaining 50% fees of the lawyer in the financial statements of financial year 2019-2020.

(ii) Loss due to accident ₹ 30,00,000

Insurance claim receivable by company = ₹ 30,00,000 x 90% = ₹ 27,00,000

Loss to be recognised in the books for 2019-2020 ₹ 3,00,000

Insurance claim receivable to be recorded in the books ₹ 27,00,000

Compensation claim by dealer against company to be provided for in the books = ₹ 30,00,000 x 15% = ₹ 4,50,000

2. **(i)** **Number of Shares to be issued to Partners**

	₹
Assets: Machinery ₹ 1,40,000 + Inventory ₹ 1,37,400 + Trade Receivable ₹ 1,24,000 + Bank ₹ 1,00,000	5,01,400
Less: Liabilities taken over	(1,69,400)
Net Assets taken over (Purchase Consideration)	3,32,000

Classes of Shares to be issued:	M	N	O	Total
10% Preference Shares of ₹ 10 each (to retain rights as to Interest on Capital)	1,36,000	90,000	46,000	2,72,000
Balance in Equity Shares of ₹ 10 each (3,32,000 -2,72,000) (issued in profit sharing ratio)	30,000	18,000	12,000	60,000
	1,66,000	1,08,000	58,000	3,32,000

(ii) Partners' Capital Accounts

Particulars	M	N	O	Particulars	M	N	O
To Drawings	50,000	46,000	34,000	By balance b/d	1,36,000	90,000	46,000
To 10% Preference share capital	1,36,000	90,000	46,000	By Interest on Capital	13,600	9,000	4,600
To Equity Shares	30,000	18,000	12,000	By profit for the year 5:3:2 (W.N. 1)	1,10,700	66,420	44,280
To Bank – Additional Drawings (W.N. 2)	54,300	17,420	6,880	By Machinery* A/c	10,000	6,000	4,000
Total	2,70,300	1,71,420	98,880		2,70,300	1,71,420	98,880

* Gain on Transfer of Machinery = ₹ 1,40,000 – (₹ 2,00,000-₹ 80,000) = ₹ 20,000 in 5:3:2 ratio.

(iii) Balance sheet of MNO Ltd. as at 31st March, 2020 (after Takeover of Firm)

		Note no.	₹
I	**Equity and Liabilities:**		
	(1) Shareholders Funds		
	Share Capital	1	3,32,000
	(2) Current Liabilities		
	Trade Payables		1,69,400
	Total		5,01,400
II	**Assets**		
	(1) Non-Current Assets		
	Property, plant and equipment - Machinery		1,40,000
	(2) Current Assets:		
	(a) Inventories		1,37,400
	(b) Trade Receivables		1,24,000
	(c) Cash and Cash Equivalents		1,00,000
	Total		5,01,400

Notes to Accounts

	Particulars	₹
1.	Share capital	
	Authorized shares capital	
	2,00,000 Equity Shares of ₹ 10 each	20,00,000
	Issued, Subscribed & paid up	

	6,000 Equity Shares of ₹ 10 each	60,000
	27,200 10% Preference Shares capital of ₹ 10 each	2,72,000
	(All above shares issued for consideration other than cash, in takeover of partnership firm)	**3,32,000**

Working Notes:

1. **Profit & Loss Appropriation Account for the year ended 31st March, 2020**

Particulars	**₹**	**₹**	**Particulars**	**₹**
To Interest on Capital:			By Net Profit	2,48,600
M [₹ 1,36,000 x 10%]	13,600		(given)	
N [₹ 90,000 x 10%]	9,000			
O [₹ 46,000 x 10%]	4,600	27,200		
To Profits transferred to Capital in profit sharing ratio 5:3:2				
M	1,10,700			
N	66,420			
O	44,280	2,21,400		
		2,48,600		2,48,600

2. **Statement showing Additional Drawings in Cash**

(a) Funds available for Drawings

	Total Drawing of Partners (given)	1,30,000
Add:	Further Funds available for Drawings (1,78,600-1,00,000)	78,600
		2,08,600
Less:	Interest on Capital	(27,200)
	Amount available for Drawings	1,81,400

(b) Ascertainment of Additional Drawings

Particulars	**M**	**N**	**O**
As per above statement ₹ 1,81,400 (in profit sharing ratio)	90,700	54,420	36,280
Add: Interest	13,600	9,000	4,600
	1,04,300	63,420	40,880
Less: Already drawn	(50,000)	(46,000)	(34,000)
Additional Drawings	54,300	17,420	6,880

3. (1) Computation of Amount of Debentures and Shares to be issued:

	Sun	*Neptune*
	₹	₹
(i) ***Average Net Profit***		
₹ (4,49,576-2,500+3,77,924)/3	2,75,000	
₹ (2,73,900+,3,42,100+3,59,000)/3		=3,25,000

(ii) *Equity Shares Issued*

(a) Ratio of distribution

Sun	:	Neptune
275	:	325

(b) Number

Sun	:	27,500
Neptune	:	32,500
		60,000

(c) Amount

	Sun ₹	Neptune ₹
27,500 shares of ₹ 5 each	1,37,500	
32,500 shares of ₹ 5 each		1,62,500

		₹	₹
(iii)	***Capital Employed (after revaluation of assets)***		
	Fixed Assets	7,10,000	3,90,000
	Current Assets	2,99,500	1,57,750
		10,09,500	5,47,750
	Less: Current Liabilities	(5,97,000)	(1,80,250)
		4,12,500	3,67,500
(iv)	***Debentures Issued***		
	8% Return on capital employed	33,000	29,400
	15% Debentures to be issued to provide equivalent income:		
	Sun: 33,000 × 100/15	2,20,000	
	Neptune: 29,400 × 100/15		1,96,000

(2) **Balance Sheet of Jupiter Ltd.**

As at 31st March 2021 (after amalgamation)

Particulars	Note No	₹
I. Equity and Liabilities		
(1) Shareholders' Funds		
(a) Share Capital	1	3,00,000
(b) Reserves and Surplus	2	64,000
(2) Non-Current Liabilities		
(a) Long-term borrowings	3	4,16,000
(3) Current Liabilities		
(a) Other current liabilities		7,33,900
Total		15,13,900
II. Assets		
(1) Non-current assets		
(a) Fixed assets		11,00,000
(2) Current assets		

(a) Other current assets		4,13,900
Total		15,13,900

Notes to Accounts

		₹
1	Share Capital	
	Authorized	
	80,000 Equity Shares of ₹ 5 each	4,00,000
	Issued and Subscribed	
	60,000 Equity Shares of ₹ 5 each	3,00,000
	(all the above shares are allotted as fully paid-up pursuant to a contract without payment being received in cash)	
2	Reserve and Surplus	
	Capital Reserve	64,000
3	Long-term borrowings	
	Secured Loans	
	15% Debentures	4,16,000

Working Notes:

			Sun ₹	***Neptune*** ₹	***Total*** ₹
(1)		*Purchase Consideration*			
		Equity Shares Issued	1,37,500	1,62,500	3,00,000
		15% Debentures Issued	2,20,000	1,96,000	4,16,000
			3,57,500	3,58,500	7,16,000
(2)		*Capital Reserve*			
	(a)	Net Assets taken over			
		Fixed Assets	7,10,000	3,90,000	11,00,000
		Current Assets	2,99,500	1,14,400*	4,13,900
			10,09,500	5,04,400	15,13,900
		Less: Current Liabilities	(5,53,650**)	(1,80,250)	(7,33,900)
			4,55,850	3,24,150	7,80,000
	(b)	Purchase Consideration	3,57,500	3,58,500	7,16,000
	(c)	Capital Reserve [(a) - (b)]	98,350		
	(d)	Goodwill [(b) - (a)]		34,350	
	(e)	Capital Reserve [Final Figure(c) -(d)]			64,000

* 1,57,750–43,350= 1,14,400

** 5,97,000–43,350= 5,53,650

4. (a) Fire Revenue Account for the year ended 31st March, 2020

Particulars	*Schedule*	*Amount (₹)*
Premium earned (net)	1	10,42,000
Profit or loss on sale/redemption of investment		12,000
Others		–
Interest and dividend* (gross)		74,750

Total (A)		11,28,750
Claims incurred (Net)	2	6,50,000
Commission	3	1,75,000
Operating expenses related to insurance	4	2,50,000
Total (B)		10,75,000
Operating profit/loss from insurance business (B) – (A)		53,750

Schedule –1 Premium earned (net)

	₹
Premium received	12,50,000
Less: Adjustment for change in Reserve for Unexpired risk (as per W.N.)	(2,08,000)
Total premium earned	10,42,000

Schedule -2 Claims incurred (net)

	₹
Claims paid	5,90,000
Add: Legal expenses regarding claims	30,000
	6,20,000
Add: Claims outstanding as on 31st March, 2020	85,000
	7,05,000
Less: Claims outstanding as on 31st March, 2019	(55,000)
	6,50,000

Schedule -3 Commission

	₹
Commission paid	1,75,000

Schedule-4

	₹
Operating expenses related to Insurance Business:	
Expenses of management	2,50,000

Working Note:

Calculation for change in Reserve for Unexpired risk:

		₹
Reserve for Unexpired Risk as on 31st March, 2020	6,10,000	
Additional Reserve as on 31st March, 2020	78,000	6,88,000
Less: Reserve for Unexpired Risk as on 31st March, 2019	4,00,000	
Additional Reserve as on 31st March, 2019	80,000	(4,80,000)
Transfer to reserve for unexpired risk on 31st March 2020		2,08,000

Note: *Interest and dividends are shown at gross value in Revenue account. Amount of ₹ 74,750 given in the question has been considered as the gross amount (before deduction of tax). Income tax on it will not be shown in the Revenue account as it is the part of Profit and Loss account of an insurance company.

(b) **(i)** Banks discount hundreds of bills every day and when someone gets a bill discounted, the bank credits the discount account with the full amount of the discount, the bank will earn in respect of that bill. But in practice, it frequently happens that some of these bills will not mature by the close of the accounting year. The portion of the discount which relates to the period falling after the close of the accounting period is called 'rebate on bills discounted', or 'unearned discount'.

(ii) **Bills for Collection (Assets) Account**

	₹ in lacs		₹ in lacs
To Balance b/d	21	By Bills for collection	141
To Bills for collection	193.5	By Bills dishonoured	16.5
		By Balance c/d	57
	214.5		214.5

Bills for Collection (Liabilities) Account

	₹ in lacs		₹ in lacs
To Bills for collection	141	By Balance b/d	21
To Bills dishonoured	16.5	By Bills for collection	193.5
To Balance c/d	57		
	214.5		214.5

5. **(a)** **Journal entries**

In the books of Bhoomi Ltd.

			Dr.	*Cr.*
				₹ in lakhs
1	Bank A/c	Dr.	25,000	
	To Investments A/c			24,000
	To Profit and Loss A/c			1,000
	(Being Investments sold and, profit being credited to Profit and Loss Account)			
2	10% Redeemable Preference Share Capital A/c	Dr.	20,000	
	Premium payable on Redemption of Preference Shares A/c	Dr.	2,000	
	To Preference Shareholders A/c			22,000
	(Being amount payable on redemption of Preference shares, at a Premium of 10%)			
3	Securities Premium A/c	Dr.	2,000	
	To Premium payable on Redemption of Preference Shares A/c			2,000
	(Being Securities Premium utilised to provide Premium on Redemption of Preference Shares)			
4	Equity Share Capital A/c	Dr.	16,000	
	Premium payable on Buyback A/c	Dr.	16,000	
	To Equity Share buy back A/c			32,000
	(Being the amount due on buy-back)			

5	Securities Premium A/c (6,400 – 2,000)	Dr.	4,400	
	General Reserve A/c (balancing figure)	Dr.	11,600	
	To Premium payable on Buyback A/c			16,000
	(Being premium on buyback provided first out of Securities Premium and the balance out of General Reserves.)			
6	Bank A/c	Dr.	16,000	
	To Bank Loan A/c			16,000
	(Being Loan taken from Bank to finance Buyback)			
7	Preference Shareholders A/c	Dr.	22,000	
	Equity Shares buy back A/c	Dr.	32,000	
	To Bank A/c			54,000
	(Being payment made to Preference Shareholders and Equity Shareholders)			
8	General Reserve Account	Dr.	36,000	
	To Capital Redemption Reserve Account			36,000
	(Being amount transferred to Capital Redemption Reserve Account to the extent of face value of preference shares redeemed and equity Shares bought back) (20,000 + 16,000)			

(b) **Receiver's Receipts and Payments Account**

		₹		₹
Sundry Assets realized		28,75,000	Costs of the Receiver	10,000
Surplus received from			Remuneration to Receiver	15,000
Mortgage			Debentures holders	
Sale Proceeds of land and building	7,50,000		Principal*	15,00,000
Less: Applied to Discharge			Surplus transferred	
of mortgage loan	(4,50,000)	3,00,000	to the Liquidator	16,50,000
		31,75,000		31,75,000

Liquidator's Final Statement of Account

	₹		₹
Surplus received from		Cost of Liquidation (legal exp.)	17,500
Receiver	16,50,000	Remuneration to Liquidator	25,000
Assets Realized	12,50,000	(12,50,000 x 2%)	
Calls on partly paid Shareholders:		Unsecured Creditors: for Trade payables	7,30,000
		Directors for payment of Bank O/D	2,75,000
		Preferential Shareholders:	
		Capital	10,00,000
		Arrears of Preference Dividends	2,40,000
		Equity shareholders:	
		Return of money to contributors	

		to holders 1,00,000 shares at ₹ 4.75 50,000 shares at ₹ 2.75	 4,75,000 1,37,500
	29,00,000		29,00,000

Working Note :

Amount to be paid or received from Equity shareholders	₹
Total Equity share capital paid up	14,00,000
Less: Surplus before call from Equity Shares (29,00,000 — 22,87,500)	(6,12,500)
Loss to be borne by 1,50,000 shares	7,87,500
Loss per share = (7,87,500/ 1,50,000 shares)	5.25
Hence, Refund to Equity shareholders of 1,00,000 shares of ₹ 10 fully paid up	4.75
Refund to Equity shareholders of 50,000 shares of ₹ 8 paid up	2.75

6. (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	64,004

To	Net loss transferred from profit & loss A/c	12,064	Profit & Loss A/c	
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				
	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) 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

7. (a) According to AS 12 on Accounting for Government Grants, the amount refundable in respect of a grant related to a specific fixed asset (if the grant had been credited to the cost of fixed asset at the time of receipt of grant) should be recorded by increasing the book value of the asset, by the amount refundable. Where the book value is increased, depreciation on the revised book value should be provided prospectively over the residual useful life of the asset.

		(₹ *in lakhs)*
1st April, 2017	Acquisition cost of machinery (₹ 500 – ₹ 100)	400.00
31st March, 2018	*Less*: Depreciation @ 20%	(80)
1st April, 2018	Book value	320.00
31st March, 2019	*Less*: Depreciation @ 20%	(64)
1st April, 2019	Book value	256.00
31st March, 2020	*Less*: Depreciation @ 20%	(51.20)
1st April, 2020	Book value	204.80
2nd April, 2020	*Add*: Refund of grant	100.00
	Revised book value	304.80

Depreciation @ 20% on the revised book value amounting ₹ 304.80 lakhs is to be provided prospectively over the residual useful life of the asset.

(b) **Nature of Limited Liability Partnership:** A limited liability partnership is a body corporate formed and incorporated under the LLP Act, 2008 and is a legal entity separate from that of its partners. A limited liability partnership shall have perpetual succession and any change in the partners of a limited liability partnership shall not affect the existence, rights or liabilities of the limited liability partnership.

Designated partners: Every limited liability partnership shall have at least two designated partners who are individuals and at least one of them shall be a resident in India. In case of a limited liability partnership in which all the partners are bodies corporate or in which one or more partners are individuals and bodies corporate, at least two individuals who are partners of such limited liability partnership or nominees of such bodies corporate shall act as designated partners

(c) Interest on performing assets should be recognised on accrual basis, but interest on NPA should be recognised on cash basis.

	₹ in lakhs	
Interest on cash credits and overdraft :	(1800+70)	= 1,870
Interest on Term Loan	(480+40)	= 520
Income from bills purchased and discounted :	(700+36)	= 736
		3,126

(d) **Journal Entries in the books of A Ltd.**

Date	Particulars		*Dr. (₹)*	*Cr. (₹)*
01.12.2020 to	Bank A/c (18,000 x ₹ 70)	Dr.	12,60,000	
31.03.2021	Employee compensation expenses account [18,000 x (₹ 130- ₹ 70)]	Dr.	10,80,000	
	To Equity share capital account (18,000 x ₹ 10)			1,80,000
	To Securities premium account (18,000 x ₹120)			21,60,000
	(Being 18,000 employees stock option exercised at an exercise price of ₹ 70 each)			

31.3.2021	Profit and Loss account Dr.	10,80,000	
	To Employee compensation expenses account		10,80,000
	(Being transfer of employee compensation expenses account to profit and loss account)		

Working Note:

Fair value of an option = Market price of a share – Exercise price of a share

= ₹ 130 – ₹ 70 = ₹ 60 per share

(e) As per AS 26, costs incurred in creating a computer software product should be charged to research and development expense when incurred until technological feasibility/asset recognition criteria has been established for the product. Technological feasibility/asset recognition criteria have been established upon completion of detailed program design or working model.

In this case, ₹ 90,000 would be recorded as an expense (₹ 50,000 for completion of detailed program design and ₹ 40,000 for coding and testing to establish technological feasibility/asset recognition criteria).

Cost incurred from the point of technological feasibility/asset recognition criteria until the time when products costs are incurred are capitalized as software cost (63,000+ 18,000+ 19,500) = ₹ 1,00,500. Packing cost ₹ 16,500 should be recognized as expenses and charged to P & L A/c.