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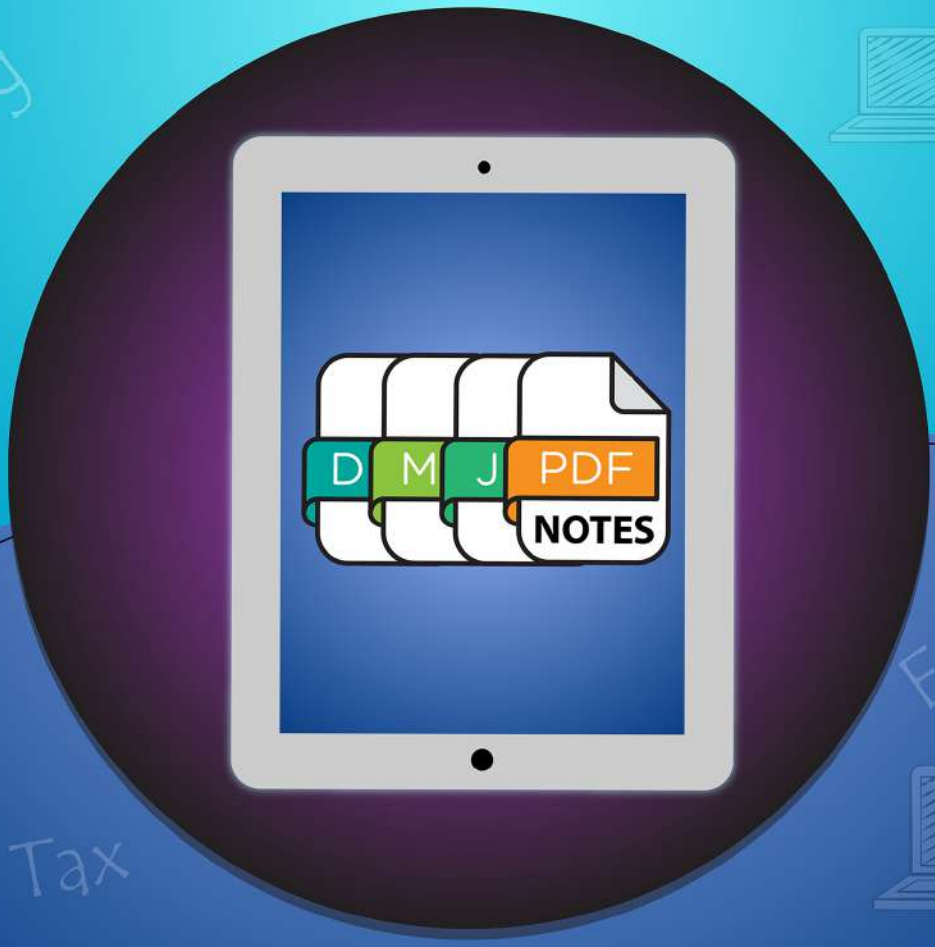

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CA Inter

Accounting

Paper-1

Roll No. .....

MAY 2022

IPCE (New Syllabus)
Paper - 1 Accounting

Total No. of Questions – 6

Total No. of Printed Pages – 16

Time Allowed – 3 Hours

Maximum Marks – 100

15/05 5:25PM

DSG

Answer to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate who has not opted for Hindi Medium, his/her answers in Hindi will not be valued.

Question No. 1 is compulsory.

Candidate are also required to answer any **four** questions from the remaining **five** questions.

Working notes should form part of the answer.

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1. Answer the following questions : **5×4 =20**

(a) Suraj Limited provides you the following information :

(i) It received a Government Grant @40% towards the acquisition of Machinery worth ₹ 25 Crores.

(ii) It received a Capital Subsidy of ₹ 150 Lakhs from Government for setting up a Plant costing ₹ 300 Lakhs in a notified backward region.

(iii) It received ₹ 50 Lakhs from Government for setting up a project for supply of arsenic free water in a notified area.

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(iv) It received ₹ 5 Lakhs from the Local Authority for providing Corona Vaccine free of charge to its employees and their families.

(v) It also received a performance award of ₹ 500 Lakhs from Government with a condition of major renovation in the Power Plant within 3 years. Suraj Limited incurred 90% of amount towards Capital expenditure and balance for Revenue Expenditure.

State, how you will treat the above in the books of Suraj Limited.

(b) SM Enterprises is a leading distributor of petrol. A detail inventory of petrol in hand is taken when the books are closed at the end of each month. For the end month of June 2021 following information is available :

(i) Sales for the month of June 2021 was ₹ 30,40,000.

(ii) General overheads cost ₹ 4,00,000.

(iii) Inventory at beginning 10,000 litres @ ₹ 92 per litre.

(iv) Purchases – June 1 2021, 20,000 litres @ ₹ 90 per litre, June 30 2021, 10,000 litres @ ₹ 95 per litre.

(v) Closing inventory 13,000 litres.

You are required to compute the following by FIFO method as per AS 2 :

(i) Value of Inventory on 30th June, 2021.

(ii) Amount of cost of goods sold for June, 2021.

(iii) Profit/Loss for the month of June, 2021.

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(c) XYZ Limited provided you the following information for the year ended 31st March. 2022:-

(i) The carrying amount of a property at the end of the year amounted to ₹ 2,16,000 (cost/value ₹ 2,50,000 and accumulated depreciation ₹ 34,000). On this date the property was revalued and was deemed to have a fair value of ₹ 1,90,000. The balance on the revaluation surplus relating to a previous revaluation gain for this property was ₹ 20,000.

You are required to calculate the revaluation loss as per AS-10 (Revised) and give its treatment in the books of accounts.

(ii) An asset that originally cost ₹ 76,000 and had accumulated depreciation of ₹ 62,000 was disposed of during the year for ₹ 4,000 cash.

You are required to explain how the disposal should be accounted for in the financial statements as per AS-10 (Revised).

(d) Zebra Limited began construction of a new plant on 1st April, 2021 and obtained a special loan of ₹ 20,00,000 to finance the construction of the plant. The rate of interest on loan was 10%.

The expenditure that was incurred on the construction of plant was as follows :

	₹
1st April, 2021	10,00,000
1st August, 2021	24,00,000
1st January, 2022	4,00,000

The company's other outstanding non-specific loan was ₹ 46,00,000 at an interest rate of 12%.

The construction of the plant completed on 31st March, 2022.

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You are required to :

(a) Calculate the amount of interest to be capitalized as per the provisions of AS 16 "Borrowing Cost".

(b) Pass a journal entry for capitalizing the cost and the borrowing cost in respect of the plant.

2. (a) The following particulars relate to hire purchase transactions : **10**

(i) Mita purchased three bikes from Nita on hire purchase basis, the cash price of each bike being ₹ 1,00,000

(ii) Mita charged depreciation @ 20% on written down value method.

(iii) Two bikes were seized by the Nita when second instalment was not paid at the end of the second year. Nita valued the two bikes at cash price less 30% depreciation charged under it written down valued method.

(iv) Nita spent ₹ 5,000 on repairs of the bikes and then sold them for a total amount of ₹ 85,000.

You are required to compute :

(i) Agreed value of two bikes taken back by Nita.

(ii) Book value of the bike left with Mita.

(iii) Profit or loss to Mita on two bikes taken back by Nita.

(iv) Profit or loss of bikes repossessed, when sold by Nita.

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(b) Surya Limited, which operates a wholesale warehouse, had a fire in the premises on January 31st, 2022 which destroyed most of the building, although stock of the value of ₹ 3.96 lakhs was salvaged. **10**

The company has an insurance policy covering the stock for ₹ 600 Lakhs, and loss of profits including standing charges for ₹ 250 Lakhs with a six-month period of indemnity.

The company's last annual accounts for the year ended December 31st, 2021 showed the following position :

Particulars	₹ (in Lakhs)	Particulars	₹ (in Lakhs)
To Opening Stock	412.50	By Sales	2000.00
To Purchases	1812.50	By Closing Stock	525.00
To Gross Profit c/d	300.00		
	2525.00		**2525.00**
To Variable Expenses	80.00	By Gross Profit b/d	300.00
To Standing Charges	167.50		
To Net Profit	52.50		
	300.00		**300.00**

The company's record show that the turnover for January 2022 of ₹ 100 Lakhs had been the same as for the corresponding month in the previous year, payments made in January 2022 to trade creditors were ₹ 106.68 Lakhs and at the end of that month the balance owing to trade creditors had increased by ₹ 3.32 Lakhs.

The company's business was disrupted until the end of April 2022, during which period the turnover fell by ₹ 180.00 Lakhs compared with the same period in the previous year.

You are required to compute the claim to be lodged with the Insurance Company for Loss of Stock and Loss of Profit.

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3. (a) Stevie and Alicia are in partnership sharing profits and losses equally. They maintain their books on Single Entry System. 12

The following balances are available from their books as on 31.3.2021 and 31.3.2022 :

Particulars	31.3.2021 ₹	31.3.2022 ₹
Building	3,00,000	3,00,000
Equipment	4,80,000	5,44,000
Furniture	50,000	50,000
Debtors	?	2,00,000
Creditors	1,30,000	?
Stock	?	1,40,000
Bank loan	90,000	70,000
Cash	1,20,000	?

The transactions during the year ended 31.3.2022 were the following :

	₹
Collection from Debtors	7,60,000
Payment to Creditors	5,00,000
Expenses Paid	80,000
Drawings by Stevie	60,000
Discount allowed	11,000
Discount received	9,600

Other information :

(i) On 1.4.2021, an equipment of book value ₹ 40,000 was sold for ₹ 30,000. On 1.10.2021, some more equipment were purchased.

(ii) Cash sales amounted to 10% of total sales.

(iii) Credit sales amounted to ₹ 9,00,000.

(iv) Credit purchases were 80% of total purchases.

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(v) Cash Purchases amounted to ₹ 1,30,000.

(vi) The firm sells goods at cost plus 25%.

(vii) Outstanding expenses were ₹ 6,000 as on 31.3.2022.

(viii) Capital of Stevie as on 31.3.2021 was ₹ 30,000 more than the capital of Alicia, equipment and furniture to be depreciated at 10% p.a. and building @ 2% p.a. (apply depreciation of new equipment for ½ year)

You are required to prepare :

(i) Trading and Profit and Loss Account for the year ended 31.3.2022 and;

(ii) The Balance Sheet as on that date.

(b) PQR Limited has three departments L, M and N. The following information is provided for the year ended 31.3.2022 : 8

	L ₹	M ₹	N ₹
Opening stock	10,000	16,000	38,000
Opening reserve for unrealized Profit	—	4,000	6,000
Materials Consumed	32,000	40,000	—
Direct labour	18,000	20,000	—
Closing stock	10,000	40,000	10,000
Sales	—	—	1,60,000
Area occupied (sq. mtr.)	5,000	3,000	2,000
No. of employees	60	40	20

The following informations are provided :

- Stocks of each department are valued at cost to the department concerned.
- Stocks of L are transferred to M at cost plus 20% and stocks of M are transferred to N at a gross profit of 20% on sales.
- Other common expenses are salaries and staff welfare ₹ 36,000 and Rent ₹ 12,000.

You are required to prepare Departmental Trading, Profit and Loss Account for the year ending 31.3.2022.

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4. Cool Limited was formed to take over a running business of Fire Enterprises with effect from 1st April, 2021. The company was incorporated in 1st August, 2021 and the certificate of commencement of business was received on 1st October 2021. No entries relating to the transfer of the business were entered in the books which were continued until 31st March, 2022. The following Trial Balance was extracted from the books as on 31st March, 2022. **20**

Particulars	Dr (₹)	Cr. (₹)
Sales		19,20,000
Cost of Goods sold	15,54,000	
Rent	80,000	
Salaries	42,000	
Travelling Expenses	16,800	
Depreciation	9,600	
Carriage outward	800	
Printing & Stationary	4,800	
Advertisement	16,000	
Miscellaneous Expenses	25,200	
Directors' fees	1,200	
Managing Director's Remuneration	8,200	
Bad debts	3,200	
Commission & Brokerage to selling Agents	16,000	
Audit fees	6,000	
Interest on Debentures	3,000	
Interest to Vendors	4,200	
Selling & Distribution Expenses	24,000	
Preliminary Expenses	3,000	
Underwriting Commission	1,800	
Fixed Assets	7,30,000	
Current Assets	87,600	
Cool Limited's Capital as on 1st April, 2021		5,56,000
Current Liabilities		61,400
Debentures		1,00,000
Total	**26,37,400**	**26,37,400**

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Additional Information :

(a) Total Sales for the year arose evenly up to the date of the certificate of commencement where-after they spurted to record an increase of two-third during the rest of the year.

(b) The Company deals in one type of product. The unit cost of goods sold was reduced by 10% since 1st August, 2021 as compared to the pre-incorporation period.

(c) Rent of old office building was increased by 20% since 1st November, 2021. It had to also occupy additional space from 1st July, 2021 for which rent was ₹ 6,000 p.m.

(d) The Salaries were tripled from 1st July, 2021.

(e) Travelling Expenses include ₹ 4,800 towards sales promotion.

(f) Depreciation includes ₹ 600 for new assets acquired in August 2021.

(g) Purchase consideration was discharged by the company on 30th September, 2021 by issuing 60,000 Equity shares of ₹ 10 each.

You are required to prepare the Profit & Loss Statement in a columnar form for the year ended 31st March, 2022 showing the allocation of profits pre-incorporation and post-incorporation periods indicating the basis of apportionment.

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5. (a) Given below is the extracts of Balance Sheet of Daisy Limited as at 31st March, 2021. **10**

Particulars	₹
15% 650 Redeemable Preference Shares of ₹ 100 each, ₹ 80 per share paid up	52,000
22,500 Equity Shares of ₹ 10 each, ₹ 9.50 per share paid up	2,13,750
Revaluation Reserve	45,000
Capital Reserve (realized in cash)	500
General Reserve	40,000
Securities Premium	500
Profit & Loss Account	40,500
Current Liabilities	1,07,750
Fixed Assets	3,71,500
Non-Current Investments [Face value ₹ 50,000]	1,00,000
Bank Balance	28,500

The following information are provided :

- On 1st April, 2021, the Board of Directors decided to make a final call of ₹ 20 on Redeemable Preference Shares and to redeem the same at a premium of 10% on 1st June, 2021.
- The investments of the face value of ₹ 20,000 are sold at the market price which was 150% of the face value.
- It is decided to issue sufficient number of Equity Shares of ₹ 10 each at a premium of 25% after leaving a balance of ₹ 50,000 in bank account.

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- It was also decided to convert the partly paid-up Equity shares into fully paid up without requiring the shareholders to pay for the same.
- On 1st July, 2021 the Board decided to issue fully paid bonus shares to the equity shareholders in the ratio of one for five.

You are required to pass the necessary journal entries for the above.

(b) Walkaway Footwears has its head office at Nagpur and Branch at Patna. It invoiced goods to its branch at 20% less than the list price which is cost plus 100%, with instruction that cash sales were to be made at invoice price and credit sales at catalogue price (i.e. list price). **10**

The following information was available at the branch for the year ended 31st March, 2022.

(Figures in ₹)

Stock on 1st April, 2021 (invoice price)			12,000
Debtors on 1st April, 2021			10,000
Goods received from head office (invoice price)			1,32,000
Sales :	Cash	46,000	
	Credit	1,00,000	1,46,000
Cash received from debtors			85,000
Expenses at branch			17,500
Debtors on 31st March, 2022			25,000
Stock on 31st March, 2022 (invoice price)			17,600
Remittances to head office			1,20,000

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You are required to prepare Branch Stock Account, Branch Adjustment Account, Branch Profit & Loss Account and Branch Debtor Account for the year ended 31st March, 2022.

6. Answer any **four** of the following : 4×5 =20

(a) The following information is provided by Exe Limited for 31st March, 2022 :

Particulars	₹
Net Profit before Income Tax and Managerial Remuneration, but after Depreciation and Provision for Repairs	9,40,000
Depreciation provided in the Books	4,05,000
Provision for repairs for Machinery during the year	35,000
Depreciation Allowable under Schedule II	3,40,000
Actual Expenditure incurred on Repairs during the year	25,000
Provision for Income Tax	1,50,000

You are required to calculate the Managerial Remuneration for Exe Limited as on 31st March, 2022 in the following situations :

(i) There is only one Whole Time Director.

(ii) There are two Whole Time Directors.

(iii) There are two Whole Time Directors, a part time Director and a Manager.

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(b) Following is the extract of the Balance Sheet of Sujata Foods Limited as at 31st March, 2021 :

Particulars	₹
Authorised Capital	
1,00,000 12% Preference shares of ₹ 10 each	10,00,000
5,00,000 Equity shares of ₹ 10 each	50,00,000
	60,00,000
Issued and Subscribed capital	
8,000 12% Preference shares of ₹ 10 each fully paid	80,000
90,000 Equity shares of ₹ 10 each, ₹ 8 paid up	7,20,000
Reserves and Surplus	
General Reserve	1,20,000
Capital Redemption Reserve	75,000
Securities Premium(Collected in cash)	25,000
Profit and Loss Account	2,00,000
Revaluation Reserve	80,000

On 1st April 2021, the company has made final call @ ₹ 2 each on 90,000 equity shares. The call money was received by 15th April, 2021. Thereafter, the company decided to capitalize its reserves by way of bonus at the rate of one share for every four shares held, it also decided that there should be minimum reduction in free reserves.

On 1st June 2021, the Company issued Rights shares at the rate of two shares for every five shares held on that date at issue price of ₹ 12 per share. All the rights shares were accepted by the existing shareholders and the money was duly received by 20th June, 2021.

You are required to pass necessary journal entries in the books of the Sujata Foods Limited for bonus issue and rights issue.

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(c) State whether the following statements are 'True' or 'False'. Also give reason for your answer.

(i) Certain fundamental accounting assumptions underline the preparation and presentation of financial statements. They are usually specifically stated because their acceptance and use are not assumed.

(ii) If fundamental accounting assumptions are not followed in presentation and preparation of financial statements, a specific disclosure is not required.

(iii) All significant accounting policies adopted in the preparation and presentation of financial statements should form part of the financial statements.

(iv) Any change in an accounting policy, which has a material effect should be disclosed. Where the amount by which any item in the financial statements is affected by such change is not ascertainable, wholly or in part, the facts need not to be indicated.

(d) The following information is provided by Alpha Limited, for the year ended 31st March, 2022.

(i) Net profit before taking into account income tax and income from law suits but after taking into account the following items was ₹ 40 lakhs.

(ii) Depreciation on Fixed Assets ₹ 10 lakhs.

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(iii) Discount on issue of Debentures written off ₹ 60,000.

(iv) Interest on Debentures paid ₹ 7,00,000.

(v) Book value of investments ₹ 6 lakhs (Sale of Investments for ₹ 6,40,000).

(vi) Interest received on investments ₹ 1,20,000.

(vii) Compensation received ₹ 1,80,000 by the company in a suit filed.

(viii) Income tax paid ₹ 21,00,000

(ix) Current assets and current liabilities in the beginning and at the end of the year were as detailed below :

	As on 31.3.2021 ₹	As on 31.3.2022 ₹
Stock	24,00,000	26,36,000
Sundry Debtors	4,16,000	4,26,200
Cash in hand	3,92,600	70,600
Bills Receivable	1,00,000	80,000
Bills Payable	90,000	80,000
Sundry Creditors	3,32,000	3,42,600
Outstanding Expenses	1,50,000	1,63,600

You are required to prepare Cash Flow Statement from Operative Activities in accordance with AS-3 (revised) using the indirect method for the year ended 31st March, 2022

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(e) On 1st April 2021 Ms. Jayshree has 5,000 equity shares of Rama Limited (a listed company) of face value of ₹ 10 each. Ms. Jayshree has purchased the above shares at ₹ 15 per share and paid a brokerage of 2% and stamp duty of 1%.

On 15th May, 2021 Ms. Jayshree purchased another 5,000 shares of Rama Limited at ₹ 18 including brokerage and stamp duty.

On 26th August, 2021 Rama Limited issued one bonus equity share for every 1 equity share held by the shareholders.

On 23rd October, 2021 Rama Limited announced a Right Issue which entitles the holders to subscribe 1 equity share for every 2 equity shares held at ₹ 20 per share. Shareholders can exercise their rights in full or in part. Ms. Jayshree sold 1/4th of entitlement to Mr. Mike for a consideration of ₹ 10 per share and subscribed the rest on 1st November 2021.

Ms. Jayshree also sold 10,000 shares at ₹ 25 per share on 1st November, 2021.

The shares of Rama Limited were quoted at ₹ 11 per share on 31st March, 2022.

You are required to prepare Investment account for Ms. Jayshree for the year ended 31st March 2022.

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