CA INTER
Test Code – JK-ACC-11
(Date: 02-08-2020)

(Marks - 100)

Answers to questions are to be given only in English
Question No. 1 is compulsory
Candidates are required to answer any four questions from the remaing five questions.
Working notes should form part of the answer.

Q.1 (a) A company produced the main products A and B and one by product C emerges from the production process apart from waste. Cost description of the production process is hereunder:

Item	Unit	₹	Output	Closing Stock as on 31.03.2020
Raw Material	10,000	1,00,000	A = 4000 units	500
Wages		50,000	B = 3000 units	100
Fixed overhead		50,000	C = 1000 units	–
Variable overhead		30,000		–

Scrap realization is ₹5,000. By-product (C) is sold @ 18 per unit. There is separate processing charge of ₹ 1,000, packing of by product cost ₹ 2,000, reasonable profit on by-product after separate processing is ₹ 2000. Average market price of A and B is ₹ 60 per unit and ₹ 40 per unit, respectively. Calculate the value of closing stock of A and B products. **(5 Marks)**

(b) X Ltd. purchased machinery from A Ltd. on 30-9-2019. The price was 370.44 lakhs before charging 8% GST and giving a trade discount of 2% on the quoted price. Transport charges were 0.25% on the quoted price and installation charges come to 1% on the quoted price.

A loan of ₹ 300 lakhs was taken from the bank on which interest at 15% per annum was to be paid. Expenditure incurred on the trial run was Material ₹50,000, wages ₹ 40,000 and Overheads ₹ 20,000.

Machinery was ready for use on 01.12.2019. However, it was actually put to use only on 1-5-2020. Find out the cost of the machine and suggest the accounting treatment for the expenses incurred in the interval between the dates 1-12-2019- to 1-5-2020. The entire loan amount remained unpaid on 1-5-2020. **(5 Marks)**

(c) Sunder Limited has set up its business in a designated backward area, which entitles the company to receive from the Government of India a subsidy of 30% of the cost of investment. Having fulfilled all the conditions under the scheme, the company on its investment of ₹ 80 crore in capital assets, received ₹ 24 crore from the Government in March 2020 (accounting period being 2019-2020). The company wants to treat this receipt as an item of revenue and thereby reduce the losses on profit and loss account for the year ended 31st March, 2020. Keeping in view the relevant Accounting Standard, discuss whether this action is justified or not. **(5 Marks)**

(d) Amit Ltd. acquired 40% of Sumit Ltd.'s equity shares for ₹ 5,00,000 on 1.8.2019. Amit's 40% interest in Sumit gave Amit the ability to exercise significant influence over Sumit in operating and financial policies. During the financial year 2018-19 Sumit earned ₹ 1,00,000 and declared dividend of ₹ 60,000 on 16.8.2019. Sumit reported earning of ₹ 4,00,000 for the financial year 2019- 20 and declared dividend of ₹ 80,000 on 12.5.2020.
Calculate the carrying amount of investment in separate financial statement of Amit Ltd. on 31.3.2020. **(5 Marks)**

Q.2 (a) A Company issued ₹ 1,80,000 Redeemable preference shares at par on 1-1- 2016, redeemable at the option of the company on or after 31-12-2017 in whole or in part. The following redemptions were made out of profits:-
On 30-06-2018: ₹ 60,000
On 30-06-2019: ₹ 40,000
In December 2019, the company issued equity shares of the face value of ₹ 60,000 at a premium of 2% and on 31.12.2019, It redeemed the balance of preference shares.
Pass the necessary Journal Entries to record all the above transactions.
(10 Marks)

(b) Pass appropriate Journal entries in respect of the following:

- **i.** In 2017 'A' Ltd. redeemed ₹ 1,00,000 preference shares by converting them into equity shares issued at 25% premium.
- **ii.** In 2018 'B' Ltd. redeemed ₹ 95,000 preference shares by converting them into 10% Debentures issued at 5% Discount.
- **iii.** In 2020 'C' Ltd. redeemed 10,000 preference shares of ₹ 10 each at a premium of ₹ 2.5 per share, by converting into equity share of ₹ 10 each issued at 100% premium. **(10 Marks)**

Q.3 (a) S & S Ltd. has 3 whole – Time Directors on its board, the others being part time Directors. From the following particulars of the company calculate the maximum remuneration payable to the whole – Time Directors and the part time Directors, assuming that the remuneration payable to the whole – Time Directors to be calculated on the net profits remaing after payment of commission to part – Time Directors and that the commission to part – Time Directors is to be calculated on the net profits reaming after payment of remuneration to the whole – Time Direction:-

Particulars	**₹**
Profit earned by the company………	2,50,000
The above profit have been ascertained after taking into account the following:	
• Depreciation on Fixed Assets ……	47,800
• Provision for Income – Tax made ……	1,22,500
• Capital expenditure relating to cost of a showroom has been included in general expenses charged to P/L Account ……	12,500

You are informed that the Depreciation admissible as per schedule II amounts to ₹ 32,800. **(10 Marks)**

(b) N.P. Ltd. was registered on 01-01-2020, to buy business of D.R & Sons, as on 01-10-2019, and obtained its certificate for commencement of business on 01-02-2020. The account of the company for the period of 12 months ended 30-09-2020 disclosed the net profit of ₹ 67,540 after having charged the following amount:

- Salary: ₹ 15,000 (There were 4 employees in the pre – incorporation period and 7 in the post – incorporation period.)
- Wages: ₹ 5,460 (There were 4 workers in the pre – incorporation period and 5 workers in the post – incorporation period and the rates of wages were ₹ 80 and ₹ 100 per month in pre and post period respectively. These workers were employed in work, not directly related to production.)
- Sales: ₹ 2,40,000, out of which ₹ 40,000 related to the pre – incorporation period.
- Directors Salary ₹ 8,000

You are required to calculate profits separately for pre and post incorporations periods by preparing a statement. **(10 Marks)**

Q.4 (a) Following are the particulars of Investments made by Mr. Y in equity shares of ₹ 10 each in ITC Ltd. during the year ended 31-03-2020.

- Balance as on 01-04-2019 - ₹ 5,22,000 (1200 shares)
- 15-05-2019 – Sold 200 shares @ ₹ 900 per share
- 30-09-2010 – Bonus in the ratio of 1 : 2 (eligible for pro – rata dividend for the year 2019 – 2020.)
- 01.11.2019 – Right issued in the ratio of 1 : 5 @ ₹ 250 per share. He subscribed for all the shares. Right shares are eligible for pro – rata dividend for the year 2019 – 2020

Dividend by the company, during the year 2019 – 2020

- 15-06-2019 – Final Dividend @ ₹ 4 per share for the company's year ended 2018 – 2019
- 31-12-2019 – Interim Dividend @ 30% p.a.

Prepare Investment account in the books of Mr. Y for the year ended 31-03-2020. **(10 Marks)**

(b) On 30-04-2020 premises of a Trader was damaged by fire and a part of the stock was destroyed. Stock was taken on 05-05-2020 and amounted at cost ₹ 14,950.

Following information was given

i. Stock on 31-12-19 – ₹ 18,320 at cost
ii. Purchases from 01-01-20 to 30-04 2020 –₹ 73,680
iii. Purchases from 01-05-20 to 05-05-2020 – ₹ 6,872
iv. Debtors on 01-01-20 – ₹ 19,660
v. Debtors on 30-04-20 – ₹ 21,240
vi. Cash Received from Debtors from 01-01-20 to 30-04-20 – ₹ 92,550
vii. Sales from 01-05-20 to 05-05-20 – ₹ 4,375
viii. GP @ 20% on sales.

You are required to calculate the amount of claim. **(10 Marks)**

Q.5 (a) X Ltd. has a branch in Calcutta. Goods are sent to Branch at cost plus 50%.

Particulars	**₹**
• Opening Stock at branch at its cost…….	₹ 6,00,000
• Opening Debtors at branch…….	₹ 2,00,000
• Goods received by the branch during the year…..	₹ 18,00,000
• Goods in Transit to Branch (opening) at Invoice Price……	₹ 30,000
• Cash Sales (₹ 30,000 below invoice price)……	₹ 6,30,000
• Credit Sales (₹ 7,500 above invoice price)……	₹ 12,00,000
• Closing Stock at branch at cost to branch …….	₹ 4,65,000
• Goods returned by branch during the year at invoice price	₹ 90,000
• Bad Debts written off……	₹ 20,000
• Branch expenses paid by head office…….	₹ 40,000
• Closing Debtors at Branch……	₹ 1,80,000

From the above information prepare

- Branch Stock A/c
- Branch Stock Adjustment A/c
- Branch P/L A/c

All in the Books of Head office **(10 Marks)**

(b) Doll and Dolly are in partnership sharing profit and losses equally. They keep their books by single entry system no ready figures of sales are available, but they maintain a steady gross profit rate of 20% on sales.

An abstract of their cash transaction for the year ended 31-03-2020, is given below.

Receipts	**₹**	**Payment**	**₹**
Cash in hand…..	10,800	Salaries…..	22,000
Receipt from customers	2,70,000	Rent…..	4,400
Cash Sales…..	32,000	Advertising….	1,800
		Printing…..	1,600
		General Expenses…..	19,100
		Payment to creditors….	2,24,000
		Dolls Drawings….	4,000
		Cash in hand…..	35,900
	3,12,800		**3,12,800**

The following balances are available from their books as on 31-03-19 and 31-03-20.

Receipts	31-03-19 ₹	31-03-20 ₹
Stock in Trade……..	44,000	50,000
Sundry Debtors…….	?	70,000
Sundry Creditors……	46,800	37,000
Furniture……	6,000	?

Other information

(a) Discount allowed ₹ 2,800

(b) Discount earned ₹ 2,400.

(c) Outstanding Printing expense ₹ 500

(d) Capital of Doll as on 31-03-20109 was ₹ 4,000 more than capital of Dolly.

(e) Provide depreciation on furniture @ 10% p.a.

From the above, prepare

i. The Trading, Profit and Loss A/c for the year ended 31-03-2020 and

ii. The Balance Sheet As on 31-03-2020, in the books of Doll and Dolly.

(10 Marks)

Answer any 4 out of 5 Questions

Q.6 (a) From the following, compute a consequential loss claim:

- Financial year ends on 31st December, Turnover ₹ 2,00,000
- Indemnity Period 6 months
- Period of Interruption 1st July to 31st October
- Net Profit ₹ 18,000
- Standing Charges ₹ 42,000, out of which ₹ 10,000 have not been insured
- Sum assured ₹ 50,000
- Standard Turnover ₹ 65,000
- Turnover in the period of interruption ₹ 25,000 out of which ₹ 6,000 was from a rented place @ ₹ 600 per month
- Annual Turnover ₹ 2,40,000
- Saving in standing charges ₹4,725 p.a.
- Date of fire:- night of 30th June

It was agreed between insurer and insured that the business trends would lead to an increase of 10% in the Turnover. **(10 Marks)**

(b) A company undertook repair and overhauling of its machinery at a cost of ₹ 3.50 lakhs to maintain them in good condition and capitalized the amount, as it is more than 20% of the original cost of the machinery. As an auditor, what would you do in this situation? **(5 Marks)**

(c) The Trading and Profit & Loss A/c of G.K. for the year ending 31-03-2020 is as under:

Particulars	₹	Particulars	₹
Purchases		**Sales**	
a. Transistors (A)……	1,60,000	**a.** Transistors (A)……	1,75,000
b. Tape Recorders (B)..	1,25,000	**b.** Tape Recorders (B)..	1,40,000
c. Spare parts for servicing & repairs Jobs (C)……	80,000	**c.** Servicing & repairs Jobs (C)……	35,000
• Salaries & Wages ….	48,000	**Stock on 31-03-20**	
• Rent…..	10,800	• Transistors (A)……	60,100
• Sundry Expenses…..	11,000	• Tape Recorders (B)..	20,300
• Net Profit…..	40,200	• Spare parts for servicing & repairs Jobs (C)……	44,600
	4,75,000		**4,75,000**

Prepare departmental A/c's for each of the 3 departments A, B & C mentioned above after taking into consideration the following:

(a) Transistors & Tape recorders are sold at showroom. Servicing & repairs are carried out at the workshop.

(b) Salaries and wages comprise as follows:

Showroom $\frac{3}{4}$ and workshop $\frac{1}{4}$

It was decided to allocate the showroom salaries and wages in ratio 1 : 2 between department A and B.

(c) Workshop rent is ₹ 500 per month. Showroom Rent is to be divided equally between department A and B.

(d) Sundry Expenses are to be allocated on the basis of turnover of each department. **(5 Marks)**

(d) Discuss the Disclosure requirements of AS 13.

(5 Marks)

(e) A Ltd. purchased an asset on hire purchase system. They pay ₹ 3,048 as down payment on 01-04-2014 and 3 installments of ₹ 3,600 each, at the interval of 2 years. Hire vendor charges interest at 10% p.a. on yearly rests. Find the amount of interest at the end of each accounting year on 31st March. **(5 Marks)**