

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 remaining five questions.

Working notes should form part of the answer.

- Q.1 (a)** Hanuman Ltd. (Chennai) has a branch in New Jersey, USA. At the end of 31st March 2020 the following ledger balances have been extracted from the books of the New Jersey office:

| | New Jersey (American dollars thousand) | |
|---|---|---------------|
| | Debit | Credit |
| Plant & Machinery (Cost) | 200 | |
| Depreciation on Plant & Machinery (Accumulated) | | 130 |
| Debtors/Creditors | 60 | 30 |
| Stock (1-4-2019) | 20 | |
| Cash/Bank balances | 10 | |
| Purchases & Sales | 20 | 123 |
| Goods received from HO | 5 | |
| Salaries | 45 | |
| Office Rent | 12 | |
| Admin Expenses | 18 | |
| Commission Receipts | | 100 |
| Branch/H.O. Current A/c | | 7 |
| | 390 | 390 |

The following information is also available:

Goods sent by H.O. □ 100 thousand. Branch A/c in H.O. □ 120 thousand.

Stock at 31 -3-2020, New Jersey Branch \$ 3,125, you are required to convert the Branch Trial Balance into rupees:

(Use the following rate of exchange :

Opening rate \$= ₹ 20

Closing rate \$ = ₹ 24

Average rate \$ = ₹ 22 which approximate the actual exchange rate

For fixed assets \$ = ₹ 18

Required - Translate the branch trial balance if it is classified as - Non-integral foreign operation.

- (b) Gopal Ltd. has borrowed a sum of US \$ 12.50 million at the commencement of the financial year 2019-20 for its solar energy project at LIBOR (London Inter bank offered rate of 1%) + 5%. The interest is payable at the end of the respective financial year. The loan was availed at the then rate of Rs 45 to the US dollar while the rate as on 31st March, 2020 is Rs 48 to the US dollar. Had Gopal Ltd borrowed the Rupee equivalent Loan in India, the interest would have been 12%. You are required to compute 'Borrowing Cost' also showing the amount of exchange difference as per prevailing Accounting Standards.
- (c) A Company sells Whiskey and beer to the customers, some of the customers consumed the beer in the bars run by it. While leaving the bar, the consumers left the empty bottles in the bars and the company takes the possession of these empty bottles. These empty bottles are disposed of by the company. The company has laid down detailed procedures for the maintenance of the records, tenders to be called for the disposal of empty bottles etc.
Keep in view the above—
- Whether the stock of empty bottles is an asset of the company.
 - If so, whether the stock of empty bottles existing as on the date of the balance sheet is to be considered as inventories of the company.
 - If the answer to (b) above is positive, whether the stock of empty bottles existing as on the date of the balance sheet is to be valued at net realisable value and considered as income to be shown in the profit and loss account or is to be considered as a stock suspense account on the liabilities side of the balance sheet if the cost of empty bottles is NIL.

(d) Sultan Ltd. received a specific grant of ₹ 400 lakhs for acquiring the machinery of ₹ 1,600 lakhs during 2016-17 having useful life of 10 years. The grant received was credited to deferred income in the balance sheet. During 2019-20 and due to non-compliance of conditions laid down for the grant of ₹ 400 lakhs the company had to refund the grant to the Government. Balance in the deferred income on that date was ₹ 280 lakhs and written down value of plant was ₹ 1,120 lakhs.

- (a) What should be the treatment of the refund of the grant and the effect on cost of the fixed asset and the amount of depreciation to be charged during the year 2019-20 in profit and loss account?
- (b) What should be the treatment of the refund if grant was deducted from the cost of the plant during 2016-17?

Q.2 (a) 'V' kept his books by single entry. His statement of affairs as on 31-03-2017 was as follows.

| Liabilities | ₹ | Assets | ₹ |
|------------------|---------------|---------------|---------------|
| Creditors..... | 4,800 | Premises..... | 7,000 |
| V's Capital..... | 7,800 | Stock..... | 2,000 |
| | | Debtors..... | 1,500 |
| | | Bank..... | 2,100 |
| | 12,600 | | 12,600 |

He Takes 'S' into partnership as on 01-04-2017. 'S' is to pay a premium of ₹ 900 out of his share of profit (including interest) if it exceeds ₹ 750 p.a. over which he is not authorised to draw. 'S' brought ₹ 1,500 as his capital on 01-04-2017. The profits are to be divided between 'V' and 'S' in the ratio 2 : 1 interest is to be allowed @ 5% p.a. on the opening balance of capitals each year.

'V's Drawings were ₹ 1,800, ₹ 1,620, ₹ 1,740 for 2017 – 2018, 2018 – 2019 and 2019 – 2020 respectively. 'S' Drew ₹ 750 each year.

The Assets & Liabilities of the firm (exclusive of capital) as on 31st March 2018, 2019 and 2020.

| | 31-03-18 | 31-03-19 | 31-03-20 |
|------------------|----------|----------|----------|
| Assets..... | 15,000 | 14,850 | 17,100 |
| Liabilities..... | 5,250 | 4,500 | 4,800 |

Amounts due from 'S' to 'V' in respect of premium were to be transferred from his Capital A/c to 'V' Capital A/c.

You are required to prepare capital account of the partners. **(15 Marks)**

(b) H.M. Ltd. (an unlisted company) gave notice of its intension to redeem its 6% debentures amounting to ₹ 8,00,000 of ₹ 100 each at ₹ 102 and offered the debenture holders the following three options, to apply the redemption money to subscribe for:-

(a) 5% Cumulative preference shares of ₹ 20 each at ₹ 22.50 per share.

(b) 6% Debentures of ₹ 100 each at ₹ 96, and

(c) to have their holdings redeemed for cash.

Debenture holders for ₹ 3,42,000 accepted Proposal (a)

Debenture holders for ₹ 2,88,000 accepted Proposal (b)

Remaing Debenture holders accepted the Proposal (c)

You are required to calculate the number of shares and debentures to be issued and amount of cash payment necessary. **(5 Marks)**

Q.3 (a) The following is the Balance Sheet of A.M. Ltd. as 31-03-2020 after redemption of 14% redeemable preference shares.

| Particulars | | Note No. | C.Y. (₹) | P.Y. (₹) |
|-------------|----------------------------------|----------|------------------|----------|
| I. | EQUITY AND LIABILITIES | | | |
| | (1) Shareholders' funds | | | |
| | (a) Share capital | 1 | 13,00,000 | |
| | (b) Reserve and surplus | 2 | 20,000 | |
| | (2) Current Liabilities | | 1,00,000 | |
| | Total | | 14,20,000 | |
| II. | ASSETS | | | |
| | (1) Non-current assets | | | |
| | (a) Property, plant & equipments | | | |
| | (i) Tangible assets | 3 | 9,50,000 | |
| | (ii) Intangible assets | 4 | 80,000 | |
| | (2) Current Assets | | | |
| | (a) Current Investments | 5 | - | |
| | (b) Inventories | | 1,70,000 | |
| | (c) Trade Receivable | | 1,60,000 | |
| | (d) Cash & Cash Equivalent | | 20,000 | |
| | (e) Short Term Loans & Advances | | 40,000 | |
| | (f) Other Current Assets | 6 | - | |
| | Total | | 14,20,000 | |

Notes to Accounts

| 1. Share Capital | | |
|--|------------|------------------|
| Authorised | | |
| 1,50,000 Equity Shares of ₹ 10 each..... | 15,00,000 | |
| 1,00,000 14% Preference Shares of ₹ 10 each | 10,00,000 | 25,00,000 |
| Issued, Subscribed and paid up | | |
| 1,30,000 Equity Shares of ₹ 10 each fully paid | | 13,00,000 |
| a. of the above 30,000 Equity Shares of shares of ₹ 10 each have been issued by way of fully paid bonus shares in the ratio of 1 share for every 2 original shares held | | |
| b. The company has Redeemed 14% preference shares of ₹ 10 each at a premium of 10% | | |
| Total | | 13,00,000 |
| 2. Reserve & Surplus | | |
| Capital Redemption Reserve: | | |
| Created on Redemption | 2,00,000 | |
| Less: Capitalised as Bonus Share | (2,00,000) | - |
| Securities Premium | | |
| Opening Balance | 70,000 | |
| Add: Collected on fresh issue on @ 10% for redemption | 40,000 | |
| Less: Premium on Redemption w/off | (60,000) | |
| Less: Capitalised as Bonus Shares | (50,000) | - |
| Capital Reserve | | |
| as per last balance sheet.... | 60,000 | |
| Less: Preliminary expenses w/off | (10,000) | |
| Less: Capitalised as bonus shares | (50,000) | - |
| Dividend Equilisation Reserve | | |
| as per last Balance Sheet | 2,00,000 | |
| Less: Transferred to CRR A/c.... | (2,00,000) | - |

| | | |
|--|------------|-----------------|
| Profit and Loss Account as per last Balance sheet..... | 30,000 | |
| Add: Profit on sale of Investment | 10,000 | |
| Less: Goodwill w/off | (20,000) | 20,000 |
| Total | | 20,000 |
| 3. Tangible Assets | | |
| Land..... | 5,20,000 | |
| Building..... | 2,90,000 | |
| Plant and Machinery..... | 1,40,000 | 9,50,000 |
| Total | | 9,50,000 |
| 4. Intangible Assets | | |
| Goodwill | 1,00,000 | |
| Less: W/off at the time of Redemption | (20,000) | 80,000 |
| Total | | 80,000 |
| 5. Current Investments as per last balance sheet | 1,00,000 | |
| Less: sold at the time of redemption | (1,00,000) | - |
| | | |
| 6. Other Current Assets | | |
| Preliminary expenses | 10,000 | |
| Less: w/off at the time of redemption | (10,000) | - |

You are required to record the journal entries which would have been passed to give effect to above redemption. (15 Marks)

- (b) State under which head following items will be disclosed in Balance Sheet of the company as per schedule III of the companies Act, 2013.
- a. Term loans from Banks
 - b. Stores and spares
 - c. Current maturities of finance lease obligations
 - d. Mastheads and publishing titles.
 - e. Provision for gratuities payable to employees
 - f. Goods – in – transit
 - g. Interest accrued but not due on borrowings
 - h. Long term Trade Receivables
 - i. Loans from banks repayable on demand
 - J. Licenses and franchises held by company. (5 Marks)

Q.4 (a) On 1st January, 2019:- 2,000, 6% Debentures of ₹ 100 each of Sigma Ltd. were held as investments by Mr. A at a cost ₹ 1,82,000. Interest is payable on 31st December.

| | |
|----------------|--|
| On 01-04-2019; | ₹ 40,000 of such debentures were purchased by Mr. A @ ₹ 98 Cum Interest. |
| On 01-09-2019; | ₹ 60,000 of such debentures were sold @ ₹ 96 Ex – Interest. |
| On 01-12-2019; | ₹ 80,000 of such debentures were sold @ ₹ 99 Cum Interest. |
| On 31-12-2019; | Mr. A Sold ₹ 1,00,000 debentures @ ₹ 95 Cum Interest. |

Prepare Investment Account for 6% Debentures of Sigma Ltd. in the books of Mr. A. **(8 Marks)**

(b) You do it Ltd. was incorporated to take over running business of M/s you & others from 01-01-2019. The company was incorporated on 01-05-2019 and the certificate of commencement of business was received on 01-07-2019. The following P & L A/c is prepared for the 15 months ended 31-03-2020.

| | ₹ | Assets | |
|---|-----------------|-----------------|-----------------|
| To Cost of Goods Sold | 4,49,000 | <u>By Sales</u> | |
| To Administrative expenses (including selling expenses of ₹ 16,000) | 40,000 | Customers..... | 1,70,000 |
| To Rent of office Building | 1,60,000 | Retailers | 1,20,000 |
| To Dep. on fixed asset | 48,000 | Whole sellers | 3,20,000 |
| To Interest paid to vendors up to 1-9-2019 | 24,000 | Exports | 1,50,000 |
| To Net Profit | 39,000 | | |
| | 7,60,000 | | 7,60,000 |

Additional Information:

1. Goods are sold on following terms & Conditions
 - a. At catalogue price to customers, which is cost plus 100%
 - b. At catalogue price less 6.25% to retailers
 - c. At catalogue price less 20% to whole sellers

- d. At catalogue price less 25% for exports.
2. M/s you & other sold goods through following channels only
- Customers &
 - Retailers
- However, you do it Ltd. discontinued the sale to customers from the date of its incorporation and decided to expand the market through wholesale and export sale.
- The monthly sales to retailers were spread evenly upto the date of certificate of commencement and thereafter recorded 100% increase for the rest of the accounting period.
3. Rent of the office building was ₹ 9,000 p.m. upto 30-06-2019 and thereafter it increased by ₹ 1,000 p.m. Company also acquired additional space from -1-12-2019 @ 4,000 p.m.
4. Depreciation includes ₹ 3,000 for the assets acquired in the post incorporation period. The other fixed assets were for the entire accounting period.
5. Average monthly administration expenses doubled from the date of certificate of commencement.

Apportion the profit between pre-incorporation and post incorporation period, showing the basis of apportionment. **(12 Marks)**

- Q.5 (a)** The premises of M/s X & Co. Caught fire on 31-03-2020 and considerable stock was destroyed. From the following particulars and additional information prepare a statement & claim to be submitted to insurance company.

| Particulars | ₹ |
|---|----------|
| Stock on 01-01-2019 | |
| Local goods | 2,93,400 |
| Export goods | 1,20,000 |
| Stock on 31-12-2019 | |
| Local goods | 1,92,000 |
| Export goods | 20,000 |
| Purchase for 2019 | |
| Local goods | 6,00,000 |
| Export goods | 3,00,000 |
| Purchase from 01-01-2020 to 31-03-2020 | |
| Local goods | 1,15,300 |

| | |
|--|-----------|
| Export goods | 2,09,500 |
| Carriage Inward for 2019 | |
| Local goods | 84,000 |
| Export goods | 50,000 |
| Carriage Inward from 01-01-20 to 31-03-20 | |
| Local goods | 15,000 |
| Export goods | 40,500 |
| Sales for 2019 | 14,81,750 |
| Sales from 01-01-2020 to 31-03-2020 | 6,00,000 |
| Goods salvaged at cost | 4,000 |

Additional Information:

1. Company earns gross profit @ 10% on selling price in export activities.
2. During 2020, All export goods were sold before the Date of fire.
3. In order to sell salvaged goods at Normal Selling Price repair charges of ₹ 2,700 were incurred.
4. Stock on the date of fire was under insured by 25%. **(10 Marks)**

Q.5 (b) A Mumbai firm whose accounting year ends on 31st March, has 2 Branches, one at Amdavad and the other at Benarus. The branches keep complete set of books. On 31-03-2020 the Amdavad and Benarus branch accounts in the Mumbai books showed debit balance of ₹ 30,450 and ₹ 45,000 respectively before taking into account the following information.

- a. Goods Transferred from Amdavad branch to Benarus branch valued at ₹ 2,000, under H.O. Instructions.
- b. The Amdavad branch collected ₹ 2,500 from an Amdavad Customer of the H.O.
- c. The Benarus branch paid ₹ 5,000 for certain goods purchased by H.O. in Benarus.
- d. ₹ 5,000 remitted by Amdavad Branch to Mumbai on 29-03-2020 was received on following 3rd April.
- e. The Benarus branch received on behalf of the H.O. ₹ 1,500 as dividend from a Benarus company.
- f. For the year ended 31-03-2020, the Amdavad branch showed a net loss of ₹ 1,250 and the Benarus branch a net profit of ₹ 5,400.

Pass Journal entries to record these matters in the H.O. books and then write up the 2 Branch Accounts. **(10 Marks)**

Answer any 4 out of 5 Questions

Q.6 (a) On 1st April 2017, F.M. Company Ltd. sells a truck on hire purchase basis to T. Transport Co. for a total hire purchase price of ₹ 9,00,000, payable as to ₹ 2,40,000 as down payment and the balance in 3 equal annual installments of ₹ 2,20,000 each payable on 31st march 2018, 2019 and 2020. The hire vendor charges interest at 10% p.a. you are required to ascertain the cash price of truck. Calculations to be made to nearest rupee. **(5 Marks)**

(b) A Company's plant and machinery was ₹ 3,000 lakhs as on 1-4-2019. It provided depreciation at 20% per annum under WDV method. However it noticed that about ₹ 750 lakhs worth of imported asset, which is component of above plant and machinery acquired on 1-4-2019, would be out dated in 2 years. Company wants to write-off this asset over 2 years. Can Company do so? Give comments. **(5 Marks)**

(c) From the following details prepare Patna branch account in the books of H.O. for the year ended 31-03-2020.

| | | |
|--|--------------|----------|
| Stock at branch on 01-04-2019..... | | 58,900 |
| Branch Debtors as on 01-04-2019..... | | 14,700 |
| Petty Cash at branch on 01-04-2019..... | | 720 |
| Goods sent to branch during the year..... | | 3,29,400 |
| Cash Sales during the year..... | | 3,15,800 |
| Credit Sales during the year..... | | 1,40,400 |
| Cash received from Debtors..... | | 1,37,900 |
| Cash Sent to Branch for expenses:- | | |
| Rent | 12,000 | |
| Salaries | 36,000 | |
| Petty Cash | <u>7,000</u> | 55,000 |
| Stock at Branch on 31-03-2020..... | | 55,400 |
| Petty Cash at Branch as on 31-03-2020..... | | 730 |
| Good Returned by branch..... | | 1,800 |

(5 Marks)

(d) What are the Considerations in the Selection of Accounting Policies?

(5 Marks)

- (e) B. Ltd. has 3 Departments and submits the following information for the year ending on 31-03-2020.

| Particulars | A | B | C | Total |
|------------------------------|-------|--------|--------|----------|
| Purchases (units).... | 5,000 | 10,000 | 15,000 | - |
| Purchases (Amount).... | | | | 8,40,000 |
| Sales (units)..... | 5,200 | 9,800 | 15,300 | - |
| Selling price per unit | ₹ 40 | ₹ 45 | ₹ 50 | |
| Closing Stock (units)..... | 400 | 600 | 700 | |

You are required to prepare departmental trading account of B Ltd. assuming that rate of profit on sales is uniform in each case.

(5 Marks)