Solved IPCC Paper -1 Accounting (Theory Questions)

Q.No 1 a

Total Estimated Cost = Rs. 1.4 + Rs. 1.8 = 3.2 Crores

Percentage Completion = 1.8/3.2 = 56.25%

Revenue to be recognized = 56.25% of Rs. 3 Crores = Rs. 1.68 Crores.

Provision for Loss = 3.2 – 3 = 20 lacs.

Q.No 1b

As per Accounting Standard 13, Investments are classified as –

i. Current Investments which are valued at Cost or Realisable Value which ever is loss &
ii. Long Term Investments which are valued at cost only, except for permanent dimunition in value of asset.

Given Case –

Shares are assumed to be a current investment and thus is valued at Rs. 2,25,000/- (Realisable Value)

Gold and Silver are Long Term Investments and are valued at RS. 4,00,000 and Rs. 2,00,000/- Respectively

Q.No 1c

As Per AS-6, Depreciation is a measure of wearing out, consumption or other loss of value of a depreciable asset arising from use, ***effluxion of time*** or obsolescence through technological and market changes. Thus, even though the bus was not use during the year, it was ready to use and depreciation arises due to passage of time. Thus the depreciation on bus is to be provided.

AS 10 states that the value of self constructed fixed asset included cost of construction and other cost that are directly attributable to the construction activity. Thus in the instance case, the factory building should be debited with Rs. 4,50,000/- which is the actual cost of construction and not Rs. 6,00,000/- which is an estimate from an outside contractor.

Q.No 1d

Amalgamations are of two types –

i. In the nature of merger
ii. In the nature of purchase.

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In the nature of Merger – Conditions :

i. All assets and liabilities of the transferor company should become asset and liabilities of transferee company
ii. Not less than 90% of shareholders become shareholders in the transferee company
iii. Consideration for amalgamation is discharged fully in equity shares other than cash for fractional shares.
iv. The business is intended to be carried on by the transferee company.
v. The assets and liabilities are transferred at book value and no changes are made theron other than to maintain uniformity in accounting policy.

In the nature of Purchase –
If any of the above conditions are not satisfied, the amalgamation is in the nature of purchase.

Q. No 7

a. **Average due date**

Due Date	No of days	Amount	Product
14.08	10	44000	440000
13.10	70	45000	3150000
04.08	0	14000	0
23.09	50	17000	850000
	Total	120000	4440000

Let the base date be 4^{th} August.

Average due date = base date + Total Product/Total Amount
= 4^{th} August + 37
= 10^{th} September.

b. Under Section 37 of Partnership Act,

Z is entitled for higher of the two amounts –

i. Interest – 50,000 @ 6% for 3 months = 750
ii. Profit Share using Z's Capital = 50000/170000 X 30000 = 8,824

Thus, Z can claim Rs. 8,824 in addition to his unsettled capital.

c. Depreciation per year = 60000/10 = 6000
   WDV at the end of three years = 60000-6000X3 = 42000
   Revised useful life = 5 years
   Effect – Prospectively
   Depreciation to be charges = 42000/5 = Rs. 8,400 per month.

d. The following are the limits of managerial remuneration for companies having adequate profits :

Overall	11% of Net Profit
One Managerial Person	5% of N.P
More than One Managerial Person	10% of N.P
Part Time directors (No whole time director)	3% of N.P
Part Time Directors (With whole time/Managing Director)	1% of N.P

e. Advantages of ERP are –

- Increases organizational transparency and responsibility
- Accurate and faster access to data for timely decisions
- Can reach more vendors, producing more competitive bids ;
- Improved customer response
- Saves enormous time and effort in data entry ;
- More controls thereby lowering the risk of mis-utilization of resources
- Facilitates strategic planning
- Uniform reporting according to global standards