

Roll No. ....

Total No. of Questions – 6

Time Allowed – 3 Hours

Total No. of Printed Pages – 16

Maximum Marks – 100

## TMP

Answers 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.

Candidates are also required to answer any **FOUR** questions from the remaining **FIVE** questions.

Working Notes should form part of the respective answers.

1. Answer the following questions :

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- (a) In the books of Topmaker Limited, carrying amount of Plant and Machinery as on 1<sup>st</sup> April, 2022 is ₹ 56,30,000.

On scrutiny, it was found that a purchase of Machinery worth ₹ 21,12,000 was included in the purchase of goods on 1<sup>st</sup> June, 2022.

On 30<sup>th</sup> June, 2022 the company disposed a Machine having book value of ₹ 9,60,000 (as on 1<sup>st</sup> April, 2022) for ₹ 8,25,000 in part exchange of a new machine costing ₹ 15,65,000.

The company charges depreciation @ 10% p.a. on written down value method on Plant and Machinery.



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You are required to compute :

- (i) Depreciation to be charged to Profit & Loss Account;
- (ii) Book value of Plant & Machinery as on 31<sup>st</sup> March, 2023; and
- (iii) Profit/Loss on exchange of Plant & Machinery.

- (b) Trower Limited is an Indian importer. It imports goods from True View Limited situated at London. Trower Limited has a payable of £ 50,000 to True View Limited as on 31<sup>st</sup> March, 2023. True View Limited has given Trower Limited the following two options :

- (i) Pay immediately with a cash discount of 1% on the payable.
- (ii) Pay after 6 months with interest @ 5% p.a. on the payable.

The borrowing rate for Trower Limited in rupees is 15% p.a.

The following are the exchange rates :

| Date                             | ₹/£ |
|----------------------------------|-----|
| 31 <sup>st</sup> March, 2023     | 97  |
| 30 <sup>th</sup> September, 2023 | 99  |

You are required to give your opinion to Trower Limited on which of the above two options to be chosen.

- (c) On 1<sup>st</sup> April 2021, Eleanor Limited purchased a manufacturing Plant for ₹ 60 lakhs, which has an estimated useful life of 10 years with a salvage value of ₹ 10 lakhs. On purchase of the Plant, a grant of ₹ 20 lakhs was received from the government.

You are required to calculate the amount of depreciation as per AS-12 for the financial year 2022-23 in the following cases :

- (i) If the grant amount is deducted from the value of Plant.
- (ii) If the grant is treated as deferred income.



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(iii) If the grant amount is deducted from the value of Plant, but at the end of the year 2022-2023 grant is refunded to the extent of ₹ 4 lakhs, due to non-compliance of certain conditions.

(iv) If the grant is treated as the promoter's contribution.

(Assume depreciation on the basis of Straight-Line Method.)

(d) On 1<sup>st</sup> April, 2022 Workhouse Limited took a loan from a Financial Institution for ₹ 25,00,000 for the construction of Building. The rate of interest is 12%.

In addition to above loan, the company has taken multiple borrowings as follows :

|                       |             |
|-----------------------|-------------|
| (i) 8% Debentures     | ₹ 15,00,000 |
| (ii) 15% Term Loan    | ₹ 30,00,000 |
| (iii) 10% Other Loans | ₹ 18,00,000 |

The company has utilised the above funds in construction/purchase of the following assets :

|                         |             |
|-------------------------|-------------|
| (i) Building            | ₹ 70,00,000 |
| (ii) Furniture          | ₹ 22,00,000 |
| (iii) Plant & Machinery | ₹ 90,00,000 |
| (iv) Factory Shed       | ₹ 43,00,000 |

The construction of Building, Plant & Machinery and Factory Shed was completed on 31<sup>st</sup> March 2023. Readymade Furniture was purchased directly from the market. The factory was ready for production on 1<sup>st</sup> April 2023.

You are required to calculate the borrowing cost for both qualifying and non-qualifying assets.

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2. (a) Montrek Limited purchased 2 Machines costing ₹ 2,80,000 each from M. K. Traders on 1<sup>st</sup> April, 2021 on hire purchase basis.

Terms of payments for both the Machines together are as follows :

| Date       | Particulars                | (₹)      |
|------------|----------------------------|----------|
| 01-04-2021 | Down Payment               | 1,40,000 |
| 30-09-2021 | 1 <sup>st</sup> Instalment | 1,00,000 |
| 31-03-2022 | 2 <sup>nd</sup> Instalment | 95,000   |
| 30-09-2022 | 3 <sup>rd</sup> Instalment | 85,000   |
| 31-03-2023 | 4 <sup>th</sup> Instalment | 70,000   |
| 30-09-2023 | 5 <sup>th</sup> Instalment | 65,000   |
| 31-03-2024 | 6 <sup>th</sup> Instalment | 59,700   |

The following information was provided :

- M. K. Traders charges interest @ 8% p.a. payable half-yearly.
- Instalment payments are towards principal repayment and interest.
- Montrek Limited writes off depreciation @ 20% p.a. on the diminishing balance method.
- Montrek Limited has paid 3 half-yearly instalments but could not pay 4<sup>th</sup> instalment due on 31<sup>st</sup> March, 2023.
- M. K. Traders re-possessed one of the Machines on 31<sup>st</sup> March, 2023 adjusting its value against the amount due.
- Re-possession was done on the basis of 25% p.a. depreciation on diminishing balance method, assuming that the balance due will be paid off in the next year.

You are required to prepare following accounts in the books of Montrek Limited up to 31<sup>st</sup> March, 2023 :

- Machinery Account;
- M. K. Traders Account

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- (b) The following information is given for Mr. Atwood for the year ended 31.03.2023 :

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|            |                                                                                                                                                       |
|------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|
| 01.04.2022 | Mr. Atwood has 3,000 equity shares in Sun Limited at a book value of ₹ 3,30,000 (nominal value ₹ 100 each).                                           |
| 01.07.2022 | Purchased 1,500 equity shares in Sun Limited for ₹ 1,38,600.                                                                                          |
| 01.08.2022 | Purchased 5,000, 9% Bonds at ₹ 97 cum-interest (face value ₹ 100). The due dates of interest are 1 <sup>st</sup> September and 1 <sup>st</sup> March. |
| 02.10.2022 | Dividend declared on equity shares and paid by Sun Limited for the year 2021-2022 @ 10%.                                                              |
| 15.10.2022 | Sun Limited made a bonus issue of two equity shares for every five shares held.                                                                       |
| 01.01.2023 | 1,000 equity shares in Sun Limited sold @ ₹ 115 per share.                                                                                            |
| 31.03.2023 | Sold 4,000, 9% Bonds @ ₹ 99 ex-interest                                                                                                               |

- The market price of Equity Shares of Sun Limited is ₹ 125 each and Bonds ₹ 98 each on 31<sup>st</sup> March 2023.
- Interest on bonds was received on due dates.

You are required to prepare Investment Account in the books of Mr. Atwood for the year ended 31<sup>st</sup> March 2023, assuming that the investments are valued at the average cost or market value, whichever is lower. (Round off to nearest Rupee)

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3. (a) Pearsons Enterprises, a manufacturer of Bed Sheets, has three Departments A, B and C. Department A processes Gray Cloth and transfers 100% production to Department B for further processing. Department B does Dyeing and Printing of Cloth received from Department A and transfers 100% production to Department C for further processing. Department C manufactures Bed Sheets from cloth received from Department B and sells the same into the market.

The following information is provided :

| Particulars                             | Department A<br>(₹) | Department B<br>(₹) | Department C<br>(₹) |
|-----------------------------------------|---------------------|---------------------|---------------------|
| Opening Stock                           | 3,50,000            | 2,20,000            | 5,80,000            |
| Consumption of Materials                | 7,20,000            | 7,60,000            | —                   |
| Wages                                   | 1,60,000            | 1,80,000            | 3,20,000            |
| Closing Stock                           | 4,30,000            | 2,80,000            | 10,20,000           |
| Sales                                   | —                   | —                   | 26,40,000           |
| No. of Employees                        | 18                  | 15                  | 12                  |
| Floor space occupied by each department | 10,000 sq. ft.      | 8,000 sq.ft.        | 6,000 sq.ft.        |
| Value of machinery used (at cost)       | 12,00,000           | 15,00,000           | 6,00,000            |

**Additional Information :**

- (i) Other Expenses were :

|                             |            |
|-----------------------------|------------|
| — Salaries to employees     | ₹ 1,80,000 |
| — Rent paid                 | ₹ 2,88,000 |
| — Depreciation on Machinery | ₹ 2,42,000 |
| — Interest on Loan          | ₹ 1,02,000 |

- (ii) Stock of Department A is transferred to Department B at cost plus 40% margin.

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- (iii) Stock of Department B is transferred to Department C at cost plus 25% margin.
- (iv) Stock of each department is valued at cost to the respective department.
- (v) Opening and closing stock of Department B and C comprises of 100% stock transferred from Department A and B respectively.

You are required to prepare Departmental –

- (i) Trading Account;
- (ii) Profit and Loss Account; and
- (iii) General Profit & Loss Account
- (b) Mr. Takewood keeps his books on single entry system. The following information of Mr. Takewood is given :

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- (i) Balances as on 1<sup>st</sup> April, 2022 :

|                  |          |                |          |
|------------------|----------|----------------|----------|
| Cash in Hand     | ₹ 4,000  | Stock          | ₹ 35,000 |
| Cash at Bank     | ₹ 28,000 | Fixed Assets   | ₹ 20,000 |
| Sundry Creditors | ₹ 15,000 | Sundry Debtors | ₹ 23,000 |
| Capital Account  | ₹ 95,000 |                |          |

- (ii) During the year 2022-2023 Sundry Creditors were paid ₹ 26,000 in cash and ₹ 1,55,000 by cheque, and received ₹ 55,000 in cash and ₹ 1,90,000 by cheque from Sundry Debtors.
- (iii) All Sales and Purchases were on credit.
- (iv) Balances as on 31<sup>st</sup> March, 2023 were, Sundry Debtors ₹ 27,000 and Sundry Creditors ₹ 35,000.
- (v) All expenses which are debited to profit and loss accounts were disbursed by cheques except petty expenses amounting to ₹ 7,500 paid in cash.
- (vi) Outstanding expenses as on 31<sup>st</sup> March 2023 were ₹ 2,000.
- (vii) Net Profit for the year was ₹ 41,000 after allowing 10% depreciation on fixed assets.
- (viii) Closing Stock was valued at ₹ 75,000.
- (ix) His Drawings during the year were ₹ 10,000 in cash and ₹ 14,000 by cheques.

You are required to prepare Profit and Loss Account for the year ended 31<sup>st</sup> March 2023 and Balance Sheet as at that date.

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4. (a) The following balances are extracted from the books of Travesse Limited as on 31<sup>st</sup> March 2023 :

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| Particulars                                   | Amount (₹) |           |
|-----------------------------------------------|------------|-----------|
|                                               | Debit      | Credit    |
| 7% Debentures                                 |            | 48,45,000 |
| Plant & Machinery (at cost)                   | 37,43,400  |           |
| Trade Receivables                             | 35,70,000  |           |
| Land                                          | 97,37,000  |           |
| Debenture Interest                            | 3,39,150   |           |
| Bank Interest                                 | 13,260     |           |
| Sales                                         |            | 47,22,600 |
| Transfer Fees                                 |            | 38,250    |
| Discount received                             |            | 66,300    |
| Purchases                                     | 28,86,600  |           |
| Inventories 1.04.2022                         | 4,97,250   |           |
| Factory Expenses                              | 2,58,060   |           |
| Rates, Taxes and Insurance                    | 65,025     |           |
| Repairs                                       | 1,49,685   |           |
| Sundry Expenses                               | 1,27,500   |           |
| Selling Expenses                              | 26,520     |           |
| Directors Fees                                | 38,250     |           |
| Interest on Investment for the year 2022-2023 |            | 55,000    |
| Provision for depreciation                    |            | 5,96,700  |
| Miscellaneous receipts                        |            | 1,42,800  |

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**Additional information :**

- (i) Closing inventory on 31.03.2023 is ₹ 4,76,850.
- (ii) Miscellaneous receipts represent cash received from the sale of the Plant on 01.04.2022. The cost of the Plant was ₹ 1,65,750 and the accumulated depreciation thereon is ₹ 24,865.
- (iii) The Land is re-valued at ₹ 1,08,63,000.
- (iv) Depreciation is to be provided on Plant & Machinery at 10% p.a. on cost.
- (v) Make a provision for income tax @ 25%.
- (vi) The Board of Directors declared a dividend of 10% on Equity shares on 4<sup>th</sup> April, 2023.

You are required to prepare a Statement of Profit and Loss as per Schedule III of the Companies Act, 2013 for the year ended 31.03.2023. (Ignore previous year figures)

- (b) The summarised Balance Sheet of Flora Limited for the year ended 31<sup>st</sup> March, 2022 and 31<sup>st</sup> March, 2023 are as below : 10

| Assets                 | 31/03/2023 (₹)   | 31/03/2022 (₹)  |
|------------------------|------------------|-----------------|
| Goodwill               | 15,000           | 28,000          |
| Land                   | 5,75,000         | 6,00,000        |
| Furniture and Fixtures | 48,000           | 44,000          |
| Vehicles               | 22,000           | 28,000          |
| Office Equipment       | 21,000           | —               |
| Long-term Investments  | 60,000           | 1,10,000        |
| Stock-in-hand          | 96,000           | 88,000          |
| Bills Receivables      | 18,150           | 14,500          |
| Trade Receivables      | 46,000           | 52,000          |
| Cash and Bank Balances | 1,29,850         | 34,500          |
| <b>Total</b>           | <b>10,31,000</b> | <b>9,99,000</b> |

| Liabilities                 | 31/03/2023 (₹)   | 31/03/2022 (₹)  |
|-----------------------------|------------------|-----------------|
| Equity Share Capital        | 6,80,000         | 5,00,000        |
| General Reserves            | 90,000           | 60,000          |
| Profit and Loss Account     | 93,000           | 52,000          |
| Capital Reserve             | 75,000           | —               |
| 8% Debentures of ₹ 100 each | —                | 3,00,000        |
| Loan from Mr. Andrew        | —                | 15,000          |
| Bills Payables              | 11,000           | 13,000          |
| Trade Payables              | 49,000           | 45,000          |
| Creditors for Equipment     | 10,500           | —               |
| Outstanding Expenses        | 4,500            | 3,000           |
| Provision for Taxation      | 18,000           | 11,000          |
| <b>Total</b>                | <b>10,31,000</b> | <b>9,99,000</b> |

**Additional Information :**

- (i) On 1<sup>st</sup> April, 2022, one of the vehicles was sold for ₹ 3,000. No new purchases were made during the year.
- (ii) A part of the total land was sold for ₹ 1,25,000 (Cost ₹ 1,00,000) and the balance land was revalued. Capital reserve consists of profit on revaluation of balance land. No new purchases were made during the year.
- (iii) Depreciation provided during the year –
  - Furniture and Fixtures ₹ 5,000
  - Vehicles ₹ 2,200
- (iv) Interim dividend of ₹ 5,000 was paid during the year.
- (v) Provision for taxation for the year 2022-2023 was ₹ 16,000.
- (vi) 8% Debentures were redeemed at par after half year interest payment on 30<sup>th</sup> September, 2022.



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(vii) Part of the long-term investments were sold at a profit of ₹ 8,000.

(viii) Interest income received during the year on long-term investment was ₹ 6,500.

You are required to prepare Cash Flow Statement from Operating Activities for the year ended 31<sup>st</sup> March, 2023 using indirect method. (All workings should form part of the answer)

5. (a) Wringler Limited took over the running business of FIG Enterprises with effect from 1<sup>st</sup> April 2022. However, due to some procedural delay, the company could be incorporated on 1<sup>st</sup> August 2022.

The following information for the year ended 31.03.2023 is provided :

| Particulars                     | Amount (₹)  |
|---------------------------------|-------------|
| Sales                           | 1,19,70,000 |
| Interest received on Investment | 60,000      |
| Profit on sale of investment    | 40,000      |
| Cost of goods sold              | 64,40,000   |
| <b>Expenses :</b>               |             |
| Printing & Stationery           | 87,000      |
| Sales Manager's Salary          | 81,000      |
| Donation                        | 41,000      |
| Rent                            | 1,35,000    |
| Bad debts                       | 67,000      |
| Underwriting Commission         | 56,000      |
| Depreciation                    | 70,200      |
| Interest paid on Debentures     | 8,900       |
| Audit Fees                      | 15,000      |
| Sundry office expenses          | 55,500      |
| Interest on Loan                | 62,500      |

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**Additional information :**

- (1) Details of Sales during the year 2022-23 are as follows :
  - From April 2022 to June 2022 average monthly Sales was ₹ 8,40,000.
  - From July 2022 to January 2023 average monthly Sales was ₹ 9,00,000.
  - From February 2023 to March 2023 average monthly Sales was ₹ 15,75,000.
- (2) There was a loan of ₹ 15,00,000 at an interest rate of 10% p.a. The Loan was repaid on 1<sup>st</sup> September, 2022.
- (3) Extra space was occupied from 1<sup>st</sup> June 2022 to 31<sup>st</sup> August 2022 for which additional rent of ₹ 5,000 per month was incurred.
- (4) Audit fee pertains to Wrangler Limited.
- (5) Bad debts recovered amounting to ₹ 17,000 for a sale made in November 2022, have been deducted from bad debts mentioned above.
- (6) All investments were sold in June 2022.
- (7) Donation is given to a political party by the company.
- (8) The salary of the Sales Manager was increased by ₹ 5,000 per month from 1<sup>st</sup> July 2022.

You are required to :

- (i) Calculate the time ratio and sales ratio.
- (ii) Prepare a Statement ascertaining pre-incorporation and post-incorporation profits/losses for the year ending 31.03.2023.
- (iii) Explain how these profits/losses would appear in the Balance Sheet of Wrangler Limited.



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- (b) On 24<sup>th</sup> July, 2022 fire occurred in the premises of Welsh Enterprises. Most of the stock was destroyed in fire, cost of stock salvaged being ₹ 51,200. In addition, some stock was salvaged in a damaged condition and its value in that condition was agreed at ₹ 30,540.

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The following information was available from the books of account :

- (i) Closing Stock as on 31.03.2022 was valued at ₹ 1,83,500
- (ii) Purchases from 01.04.2022 to 24.07.2022 amounted to ₹ 31,12,000, commission of 2% was paid on purchases.
- (iii) Sales from 01.04.2022 to 24.07.2022 amounted to ₹ 37,54,000.
- (iv) On the basis of the accounts of Welsh Enterprises for the past three years, it appears it has earned a Gross Profit of 20% on sales.
- (v) Welsh Enterprises has insured its stock for ₹ 3,00,000 which is subject to average clause.

You are required to compute the amount of claim for loss of stock.

- (c) Artis Limited has a branch at Seattle USA. Its Trial Balance as on 31<sup>st</sup> December, 2022 is as follows :

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|                        | Dr. in US \$    | Cr. in US \$    |
|------------------------|-----------------|-----------------|
| Stock as on 01.01.2022 | 22,000          | —               |
| Purchases              | 1,00,000        | —               |
| Sales                  | —               | 1,30,500        |
| Goods from H.O.        | 30,000          | —               |
| Salaries               | 4,000           | —               |
| Head Office A/c.       | —               | 27,000          |
| Sundry Debtors         | 2,200           | —               |
| Sundry Creditors       | —               | 1,500           |
| Cash at Bank & Hand    | 800             | —               |
| <b>Total</b>           | <b>1,59,000</b> | <b>1,59,000</b> |

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The following information is given :

- (i) Salaries outstanding are \$ 500.
- (ii) The Head Office sent goods to Branch for ₹ 24,00,000.
- (iii) The Head Office shows an amount of ₹ 21,90,000 due from Branch.

The exchange rates were as below :

- On 1<sup>st</sup> January 2022 – ₹ 79 to 1\$
- On 31<sup>st</sup> December 2022 – ₹ 83 to 1 \$
- Average rate during the year was ₹ 79.50 to 1 \$

You are required to prepare the Seattle Branch Trial Balance incorporating adjustments given above, converting dollars into rupees.

6. Answer any **four** of the following :

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(a) You are required to comment on the following cases as per the provisions of Accounting Standard-1 'Disclosure of Accounting Policies' :

- (1) Bee Limited has not complied with AS-2 "Valuation of inventories" and the same is disclosed in the Notes on Accounts. Management is of the view that the financial statements give a true and fair view as non-compliance with AS-2 is disclosed.
- (2) Cee Limited sold its Office Building for ₹ 10,00,000 on 1<sup>st</sup> March, 2023. The buyer has paid the full amount and taken possession of the building. The book value of the Office Building is ₹ 4,00,000. On 31<sup>st</sup> March 2023, documentation and legal formalities are pending. The company has not recorded the disposal and the amount received is shown as an advance.
- (3) Dee Limited has prepared its accounts on cash basis and the same is not disclosed.
- (4) Jee Limited disclosed significant accounting policies adopted in the preparation of financial statements, in the Directors' Report.



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(b) Olivia bought a Home Theatre System on Instalment basis from Liam on 01/10/2022 on the following terms :

- (i) ₹ 40,000 to be paid immediately;
- (ii) 6 half yearly instalments of ₹ 50,000 each to be paid commencing from 01/04/2023.
- (iii) Interest is charged at 8% p.a. at half yearly intervals.

You are required to calculate the cash price of the Home Theatre System and the interest paid with each instalment. (Round off figures to nearest rupee).

(c) On 1<sup>st</sup> April, 2018 Improvis Limited issued 75,000, 9% Debentures of ₹ 100 each at a premium of 5%. The Debentures are redeemable at 10% premium on 31.03.2023. Investment as required by law was made in Fixed Deposit of Bank on 30.04.2022 earning interest @8% p.a.

You are required to pass Journal Entries for the year 2022-2023 related to Investment and Redemption of the Debentures.

(d) Mille started a business on 01.04.2022 with a capital of ₹ 15,00,000. She purchased 1,500 units of stock at ₹ 1,000 each. She sold the entire stock for ₹ 1,500 each unit till 31.03.2023.

You are required to calculate the maximum amount which can be withdrawn by Mille in order to keep her capital intact, if Financial Capital is maintained at :

- (i) Historical Cost
- (ii) Current Purchasing Power  
(opening index at 100 and closing index at 125)
- (iii) Physical Capital Maintenance  
(Price per unit at the end of year is ₹ 1,350)

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- (e) Storek Limited has a subscribed capital of ₹ 21,00,000 in Equity Share Capital consisting of 1,50,000 shares of ₹ 10 each fully paid and 1,00,000 shares of ₹ 10 each, called up capital ₹ 6 per share.

On 01.04.2023 the company decides to convert the partly paid-up shares into fully paid-up shares by way of bonus issue and holders of fully paid-up shares are also allotted fully paid-up bonus share in the same ratio.

The following figures appear in trial balance of Storek Limited as on 31.03.2023 :

|                                                   | (₹)       |
|---------------------------------------------------|-----------|
| Capital Redemption Reserve                        | 80,000    |
| Capital Reserve                                   | 1,00,000  |
| Securities Premium                                | 2,20,000  |
| General Reserve                                   | 12,50,000 |
| Surplus (credit balance in Profit & Loss Account) | 2,40,000  |

Securities Premium Account includes a premium of ₹ 75,000 for shares issued to vendors pursuant to a scheme of absorption. It was decided that there should be minimum reduction in free reserves.

You are required to pass necessary Journal Entries.

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