

AATMAN ACADEMY

Model Test – 1 Nov 2013 IPCC Gr. 1 Accounting

Time : 3 Hours

[100 marks]

Question 1 is compulsory, Attempt any Five from remaining.

Q.1

[5 x 4 = 20 Marks]

- (a) A had the following bills receivable and bills payable against T. Calculate average due date when the payment can be made or received without any loss or gain of interest to either party.

Bills Receivable			Bills Payable		
Date of the Bill	Amount (₹)	Tenure in months	Date of bill	Amount (₹)	Tenure in months
1.6.11	9,000	3	29.5.11	6,000	2
5.6.11	7,500	3	3.6.11	9,000	3
9.6.11	10,000	1	10.6.11	10,000	2
12.6.11	8,000	2	13.6.11	7,000	2
20.6.11	12,000	3	27.6.11	11,000	1

Holiday intervening in the period 15th August, 2011, 16th August, 2011, and 6th September, 2011.

b)

2. Kumar Ltd., a non investment company has been incurring losses for the past few years. The company provides the following information for the current year:

	(₹ in lakhs)
Paid up equity share capital	120
Paid up Preference share capital	20
Reserves (including Revaluation reserve ₹ 10 lakhs)	150
Securities premium	40
Long term loans	40
Deposits repayable after one year	20
Application money pending allotment	720
Accumulated losses not written off	20
Investments	180

Kumar Ltd. has only one whole-time director, Mr. X. You are required to calculate the amount of maximum remuneration that can be paid to him as per provisions of Part II of Schedule XIII, if no special resolution is passed at the general meeting of the company in respect of payment of remuneration for a period not exceeding three years.

c)

Raw material was purchased at Rs. 100 per kilo. Price of raw material is on the decline. The finished goods in which the raw material is incorporated is expected to be sold at below cost. 10,000 kgs. of raw material is on stock at the year end. Replacement cost is Rs. 80 per kg. Comment with reference to Accounting Standard.

d)

- (d) Change Ltd. wants to re-classify its investments in accordance with AS 13. Decide on the amount of transfer, based on the following information:

1. A portion of Current Investments purchased for ₹ 20 lakhs, to be re-classified as Long Term Investments, as the Company has decided to retain them. The market value as on the date of Balance Sheet was ₹ 25 lakhs.
2. Another portion of current investments purchased for ₹ 15 lakhs, to be re-classified as long term investments. The market value of these investments as on the date of balance sheet was ₹ 6.5 lakhs.
3. Certain long term investments no longer considered for holding purposes, to be reclassified as current investments. The original cost of these were ₹ 18 lakhs but had been written down to ₹ 12 lakhs to recognise permanent decline, as per AS 13.

(5 Marks each)

2. From the following Receipts and Payments Account of Dhoom Club for the year ended 31.3.2012 and additional information given, prepare an Income and Expenditure Account for the year ended 31.3.2012 and Balance Sheet as on 31.3.2012:

Receipts	₹	Payments	₹
Opening Balance:		Secretary's salary	24,000
Cash in Hand and at Bank	6,360	Salaries to staff	50,000
Subscription	36,000	Charities	2,000
Sale of old newspapers	5,000	Printing and stationary	1,200
Legacies	8,000	Postage expenses	240
Interest on investments	4,000	Rates and taxes	3,000
Endowment fund receipts	40,000	Upkeep of the land	4,000
Proceeds of sport and concerts	8,040	Purchase of sports materials	20,000
Advertisement in the year book	10,000	Telephone expenses	6,960
		Closing balance:	
		Cash in hand and at bank	6,000
	<u>1,17,400</u>		<u>1,17,400</u>

Assets and liabilities as on 31.3.2011 and 31.3.2012 were as follows:-

	31.3.2011 ₹	31.3.2012 ₹
Subscription in arrears	4,000	2,000
Subscription received in advance	1,000	800
Furniture	4,000	3,600
Land	20,000	20,000

Depreciation shall be charged at 10% p.a. under the diminishing value method. Legacies received shall be capitalized. Investments were made in securities, the rate of interest being 12% p.a., the date of investment was 1.6.2010 and the amount of investments was ₹ 40,000. Due date of interest is 31st March of every year. Stock of sports materials on 31.3.2012 was useless and valued at 'nil' price.

(16 Marks)

3. (a) The following transactions by Mr. Mohan took place during the year ended 31st March, 2011:

1 st April	Purchased ₹12,00,000 8% bonds @ ₹80.5 cum-interest. Interest is payable on 1 st November and 1 st May.
12 th April	Purchased 1,00,000 equity shares of ₹10 each in X Ltd. for ₹40,00,000.
1 st May	Received half year's interest on 8% bonds.
15 th May	X Ltd. made a bonus issue of three equity shares for every two held. Mr. Malamaal sold 1,25,000 bonus shares @ ₹20 each.
1 st October	Sold ₹3,00,000 8% bonds @ ₹81 ex-interest.
1 st November	Received half year's bond interest.
1 st December	Received 18% dividend on equity shares in X Ltd.

Prepare the relevant investment accounts in the books of Mr. Mohan for the year ended 31st March, 2011.

(b)

- (b) From the following Balance Sheets of Mr. L, prepare a Cash Flow Statement as per AS 3 for the year ended 31.3.2012:

Balance Sheets of Mr. L

	As on 1.4.2011	As on 31.3.2012
	₹	₹
Liabilities:		
L's capital account	2,50,000	3,06,000
Sundry creditors	80,000	88,000
Mrs. L's loan	50,000	--
Long term loan from bank	80,000	1,00,000
	4,60,000	4,94,000
Assets:		
Land	1,50,000	2,20,000
Plant and Machinery	1,60,000	1,10,000
Stock	70,000	50,000
Debtors	60,000	1,00,000
Cash	20,000	14,000
	4,60,000	4,94,000

Additional information:

A machine costing ₹ 20,000 (accumulated depreciation there on ₹ 6,000) was sold for ₹ 10,000. The provision for depreciation on 1.4.2011 was ₹ 50,000 and on 31.3.2012 was ₹ 80,000. The net profit for the year ended on 31.3.2012 was ₹ 90,000.

(8 Marks)

Q. 4

[8 + 8 Marks]

(a)

4. From the following information prepare Sales Ledger Adjustment Account and Bought Ledger Adjustment Account in the General Ledger:

On 1.4.2007 balance in bought ledger (Dr.) Rs. 10,000, (Cr.) Rs. 96,000, balance in sales ledger (Dr.) Rs. 1,41,880 (Cr.) Rs. 2,240:

31.3.2008	Rs.	31.3.2008	Rs.
Purchases	5,40,000	Discount received	7,200
Purchases return	20,000	Bills receivable received	40,000
Total sales	7,68,000	Bills payable issued	22,400
Cash sales	40,000	Reserve for doubtful debts	9,160
Sales return	10,000	Cash paid to customers	1,840
Cash received from customers	6,24,000	Bills receivable dishonoured	6,000
Discount allowed	11,200	Bought ledger balance	10,400
Cash paid to suppliers	4,80,000	Sales ledger balanced	1,83,200
Transfer from sales to bought ledger	20,800		

(b)

From the following details, calculate consequential loss claim:

1. Date of fire : 1st September
2. Indemnity period : 6 months
3. Period of disruption : 1st September to 1st February
4. Sum insured : Rs. 1,08,900
5. Sales were Rs. 6,00,000 for preceding financial year ended on 31st March
6. Net profit for preceding financial year Rs. 36,000 plus insured standing charges Rs. 72,000
7. Rate of gross profit 18%
8. Uninsured standing charges Rs. 6,000
9. Turnover during disruption period Rs. 67,500
10. Annual turnover for 12 months immediately preceding the date of fire Rs. 6,60,000
11. Standard turnover from 1st September to 1st February in the preceding year Rs. 2,25,000
12. Increase in the cost of working capital Rs. 12,000 with a savings of insured standing charges Rs. 4,500 during the disruption period.
13. Reduced turnover avoided through increase in working capital Rs. 30,000

14. Special clause stipulated:

- Increase in rate of G. P. 2%
- Increase in turnover (standard and annual) 10%

Q. 5

[16 Marks]

7. A Ltd. and B Ltd. were amalgamated on and from 1st April, 2012. A new company C Ltd. was formed to take over the business of the existing companies. The summarized Balance Sheets of A Ltd. and B Ltd. as on 31st March, 2012 are given below:

Liabilities	₹ in lakhs		Assets	₹ in lakhs	
	A Ltd.	B Ltd.		A Ltd.	B Ltd.
Share Capital			Fixed Assets		
Equity Shares of ₹ 100 each	800	750	Land and Building	550	400
12% Preference shares of ₹ 100 each	300	200	Plant and Machinery	350	250
Reserves and Surplus			Investments	150	50
Revaluation Reserve	150	100	Current Assets, Loans and Advances		
General Reserve	170	150	Stock	350	250
Investment Allowance Reserve	50	50	Sundry Debtors	250	300
Profit and Loss Account	50	30	Bills Receivable	50	50
Secured Loans			Cash and Bank	300	200
10% Debentures (₹ 100 each)	60	30			
Current Liabilities and Provisions					
Sundry Creditors	270	120			
Bills Payable	150	70			
	<u>2,000</u>	<u>1,500</u>		<u>2,000</u>	<u>1,500</u>

Additional Information:

- 10% Debentureholders of A Ltd. and B Ltd. are discharged by C Ltd. issuing such number of its 15% Debentures of ₹ 100 each so as to maintain the same amount of interest.
- Preference shareholders of the two companies are issued equivalent number of 15% preference shares of C Ltd. at a price of ₹ 150 per share (face value of ₹ 100).
- C Ltd. will issue 5 equity shares for each equity share of A Ltd. and 4 equity shares for each equity share of B Ltd. The shares are to be issued @ ₹ 30 each, having a face value of ₹ 10 per share.
- Investment allowance reserve is to be maintained for 4 more years.

Prepare the Balance Sheet of C Ltd. as on 1st April, 2012 after the amalgamation has been carried out on the basis of Amalgamation in the nature of purchase.

Q. 6

[16 Marks]

4. Jai and Vijay are partners in a firm, sharing Profits and Losses in the ratio of 3 : 2. The Balance Sheet of Jai and Vijay as on 1.1.2012 was as follow:

Liabilities	Amount ₹	Assets		Amount ₹
Sundry Creditors	25,800	Building		52,000
Bills Payable	8,200	Furniture		11,600
Bank Overdraft	18,000	Stock-in-Trade		42,800
Capital Account:		Debtors	70,000	
Jai 88,000		Less: Provision	<u>400</u>	69,600
Vijay <u>72,000</u>	1,60,000	Investment		5,000
		Cash		<u>31,000</u>
	<u>2,12,000</u>			<u>2,12,000</u>

'Ketan' was admitted to the firm on the above date on the following terms:

- (i) He is admitted for 1/6th share in future profits and to introduce a capital of ₹ 50,000.
- (ii) The new profit sharing ratio of Jai, Vijay and Ketan will be 3 : 2 : 1 respectively.
- (iii) 'Ketan' is unable to bring in cash for his share of goodwill, partners therefore, decide to adjust the value of goodwill through capital accounts. They further decided to calculate goodwill on the basis of Ketan's share in the profits and the capital contribution made by him to the firm.
- (iv) Furniture is to be written down by ₹ 1,740 and Stock to be depreciated by 5%. A provision is required for debtors @ 5% for bad debts. A provision would also be made for outstanding wages for ₹ 3,120. The value of Building has been appreciated and brought upto ₹ 58,400. The value of investment is increased by ₹ 900.
- (v) It is found that the creditors include a sum of ₹ 2,800, which is not to be paid off.

Prepare the following:

- (i) Revaluation Account.
- (ii) Partners' Capital Accounts.
- (iii) Balance Sheet of partnership firm after admission of 'Ketan'. (16 Marks)

Q. 7 [Answer Any four]

[16 Marks]

7. (a) Kumar Ltd. sold goods worth ₹ 50,000 to O Ltd. O Ltd asked for discount of ₹ 8,000 which was agreed by Kumar Ltd. The sale was affected and goods were dispatched. After receiving, goods worth ₹ 7,000 was found defective which O Ltd returned immediately. They made the payment of ₹ 35,000 to Kumar Ltd. Accountant of Kumar Ltd. booked the sales for ₹ 35,000. Please discuss.
- (b) What is meant by 'Cash' and 'Cash equivalents' as per AS-3?
- (c) "Recently a growing trend has developed for outsourcing the accounting function". Explain the advantages and disadvantages of outsourcing the accounting functions.
- (d) Classify 'Finance cost' as per the Revised Schedule VI to the Companies Act, 1956.
- (e) E Ltd. having share capital of ₹ 25 lakhs divided into equity shares of ₹ 10 each was taken over by T Ltd. E Ltd. has General Reserve of ₹ 5,00,000 and Profit and Loss account Cr. ₹ 2,50,000. T Ltd. issued 11 equity shares of ₹ 10 each for every 10 shares of E Ltd.

How the Journal entries would be passed in the books of T Ltd. for the shares issued under the 'Pooling of interest method' of amalgamation. (4 Marks each)



Good Luck