

STD : I.P.C.C.
MARKS : 100

PRACTISE PAPER – I

SUB. : ACCOUNTS
TIME : 3 HRS

Q.1. Answer the following:- (any 4) (16)

(a) A major fire has damaged assets in a factory of X Co. Ltd. on 8.4.2004, 8 days after the year end closure of account. The loss is estimated to be Rs. 16 crores (after estimating the recoverable amount of Rs. 24 crores from the Insurance Company).

If the company had no insurance cover, the loss due to fire would be Rs. 40 crores.

Explain, how the loss should be treated in the Final accounts of the year ended 31.3.2004.

(b) A Company had deferred research and development cost of Rs. 150 lakhs. Sales expected in the subsequent years are as under:

Years	Sales (Rs. In lakhs)
I	400
II	300
III	200
IV	100

You are asked to suggest how should Research and Development cost is to be charged to Profit and Loss account.

If at the end of the III year, it is felt that no further benefit will accrue in the IV year, how the unamortized expenditure would be dealt with in the accounts of the Company?

(c) In April, 2004 a Limited Company issued 1,20,000 equity shares of Rs.100 each. Rs. 50 per share was called up on that date which was paid by all shareholders. The remaining Rs. 50 was called up on 1.9.2004. All shareholders paid the sum in September, 2004, except one shareholder having 24,000 shares. The net profit for the year ended 31.3.2005 is Rs. 2,64,000 after dividend on preference shares and dividend distribution tax of Rs. 64,000.

Compute basis EPS for the year ended 31.3.2005 as per Accounting Standard 20.

(d) A plant was depreciated under two different methods as under:

Year	SLM (Rs. In lakh)	W.D.V. (Rs. In lakh)
1	7.80	21.38
2	7.80	15.80
3	7.80	11.68
4	7.80	8.64
	<u>31.20</u>	<u>57.50</u>
5	7.80	6.38

What should be the amount of resultant surplus/deficiency, if the company decides to switch over from W.D.V. method to SLM method for first four years? Also state, how will you treat the same in Accounts.

IDEAL/e-LIVE/I.P.C.C./ACCOUNTS/PRACTISE PAPER-I

- (e) On 20.4.2003 JLC Ltd. obtained a loan from the Bank for Rs. 50 lakhs to be utilized as under:

	Rs.
Construction of a shed	20 lakh
Purchase of Machinery	15 lakh
Working Capital	10 lakh
Advance for Purchase of Truck	5 lakh

In March, 2004 construction of shed was completed and machinery installed. Delivery of truck was not received. Total interest charged by the bank for the year ending 31.3.2004 was Rs.9 lakhs. Show the treatment of interest under AS 16.

- Q.2.** From the following information, calculate Cash Flow from Operating Activities: **(12)**

Income Statement for the year ended 31st March, 2002

Particulars	Rs	Particulars	Rs
To Opening Stock	10,000	By Sales:	
To Purchases:		Cash Sales	40,000
Cash Purchases	20,000	Credit Sales	1,70,000
Credit Purchases	85,000		2,10,000
	1,05,000	Less: Returns	10,000
Less: Returns	5,000	By Trading Commission	2,00,000
To Office and Selling Expenses	1,00,000	By Closing Stock	1,02,000
To Discount allowed to customers	51,000	By Discount received from suppliers	5,000
To Bad Debts	6,000		3,000
To Depreciation	4,000		
To Provision for Tax	19,000		
To Profit	40,000		
	80,000		
	3,10,000		3,10,000

Additional Information:

	31.03.2001	31.03.2002
Trade Debtors	Rs 1,00,000	Rs 2,00,000
Trade Creditors	Rs 1,00,000	Rs 50,000
Outstanding Office and Selling Expenses	Rs 500	Rs 1,000
Prepaid Office and Selling Expenses	Rs 1,000	Rs 500
Accrued Trading Commission	Rs 1,000	Rs 2,000
Advance Trading Commission	Rs 2,000	Rs 1,000
Provision for Tax	Rs 50,000	Rs 60,000

IDEAL/e-LIVE/I.P.C.C./ACCOUNTS/PRACTISE PAPER-I

- Q.3. (a)** The following balances appeared in the books of X Ltd as on 1.1.2001 **(10)**
 6% Debentures (face value Rs 100 each) Rs 2,00,000
 Debenture Redemption Fund Rs 1,00,000
 Debenture Redemption Fund Investment represented by Rs 50,000 own debentures purchased @ rs 90 and the remaining amount by Rs 60,000, 6% Govt. Securities.
 On 1.5.2001, the company sold the Govt. Securities of Rs 20,000 @ Rs 95 Ex-Interest and invested the amount realized in own debentures @ Rs 97. On 31.12.2001, Rs.12,400 was appropriated for the Sinking Fund which together with the interest received on the Sinking Fund during the year, was invested in Own Debentures @ Rs.95 each. Interest on the debentures was payable on 30th June and 31st Dec. and interest on Govt. Securities was receivable on the same dates
- Required:** Prepare (a) Debentures A/c. (b) Debenture Redemption Fund A/c. (c) Debenture Redemption Fund Investment (own Debenture) A/c and Debenture Interest A/c and Balance Sheet for the given items:
- (b)** Prepare Deficiency Account of X Ltd. which went into liquidation on 31st December, 2005 from the following information: **(10)**
- On 31.12.2001
 General Reserve Rs 40,000
 P & L A/c (Dr. Balance) Rs 25,000
 - Since 1.1.2002, the accounts of the Company have shown the following figures:

Year	2002 Rs	2003 Rs	2004 Rs	2005 Rs
A Gross Profit	1,37,000	70,000	50,000	10,700
B Less: Items Debited				
(a) Office & Adm Expenses	50,000	55,000	65,000	80,000
(b) Selling & Dist., Expenses	20,000	25,000	30,000	35,000
(c) Provision for Dep. on fixed Assets	15,000	15,000	15,000	15,000
(d) Income Tax	-	-	-	-
(e) Interest on Deb. & other fixed Loans	9,000	9,000	9,000	9,000
(f) Directors fees	3,000	3,000	3,000	3,000
(g) Loss of Stock due to fire	-	13,000	-	-
(h) Speculation Loss	-	-	17,000	-
(i) Penalty imposed by Exise & Custom Authorities for Tax Evasion	-	10,000	-	-
	40,000	(60,000)	(89,000)	(1,31,300)

3. Book Values and Estimated Realisation on Values of various assets are as under:

Assets	Book Values Rs.	Estimated Realization value Rs.
Plant & Machinery	1,20,000	75%
Fixture & Fittings	12,000	2/3 rd
Stock	80,000	25% Less
Patents	70,000	Rs.45,000
Book Debts	90,000	66 $\frac{2}{3}$ % Good
		1/6 th Doubtful out of which
		33 $\frac{1}{3}$ % expected to realize
		-Rest bad
Land & Building	1,50,000	10% more

IDEAL/e-LIVE/I.P.C.C./ACCOUNTS/PRACTISE PAPER-I

4. Details Regarding Contingent liability:
- (a) Bills Discounted & awaited maturity Rs.20,000 of which Rs.10,000 is expected to be dishonoured
- (b) A claim for Compensation filed by an employee for injuries suffered by him for Rs.37,500, which is expected to be settled for Rs.5,000.
5. Dividend on Equity Shares (@ 10%) and on preference shares was paid during 2002 with reference to paid up Capital.
6. Position of Share Capital since 1.1.2002 is as under:
- | | |
|--|-------------|
| 4000 Equity Shares of Rs.100 each Rs.60 called up & paid | Rs.2,40,000 |
| 6%, 1,000 Preference Shares of Rs.100 each fully called & Paid | 1,00,000 |
| Less: Call in arrear | 5,000 |
| | 95,000 |

Q.4. The financial position of Kaif Ltd. on 31st Dec., 2001 is summarized: **(12)**

Liabilities	Rs	Assets	Rs
15,000 Equity Shares of Rs 10 each	1,50,000	Freehold property	34,000
10,000 13% pref. Shares of Rs 10 each	1,00,000	Plant	96,000
12% Secured Debentures	60,000	Tool and Dies	27,300
Accured Interest thereon	4,200	Investments	15,000
Loan-Secured	20,000	Stocks	42,500
Creditors	50,000	Debtor	53,400
		R & D Expenditure	18,000
		Profit & Loss A/c	98,000
	3,84,200		3,84,200

The Scheme of Organisation detailed below is agreed and approved by Court.

- (a) Assets to be revalued at – Plant Rs.59,000, Tools & Dies Rs.15,000; Stock Rs.30,000; Debtors Rs.48,700,
- (b) R & D Expenditure and Profit & Loss A/c. to be written off,
- (c) Land at book value of Rs.6,000 and valued at Rs.14,000 is taken over by debenture holders in part payment of principal. The remaining property is valued at Rs.40,000,
- (d) The investment valued at Rs.22,000 to be taken over by Loan Creditors, Rs.2,000, is refunded to company,
- (e) The Creditors for Rs.18,000 has agreed to accept new Second Mortgage Debentures carrying interest @ 12% p.a. in settlement of Rs.15,500. Another creditors for Rs.10,000 agree to accept cash at a discount of 15%,
- (f) The Equity shares are to be written down to Re.1 per share and Preference shares to Rs 8 per share,
- (g) The cost of Scheme amounting Rs.3,500 to be paid and written off,
- (h) Equity Shareholders to subscribe and pay for two new shares of Re.1 each for every one share held.

Required: Show the Journal Entries, and resultant Balance Sheet.

- Q.5. (a)** You are given the following information for the year 2001-2002 from the books of M/Oberio a firm engaged in Trading Operations: **(8)**
- Average monthly sales for the year amounted to Rs.60,000
- Goods are sold at cost plus 33.33%
- Closing Stock in trade on 31.3.2002 Rs.58,000
- Stock Turnover Ratio-10 Times
- Operating Ratio-85% on turnover
- Depreciation charged on fixed assets for the year-Rs.20,000
- Non-operating income for the year consisted of Bank interest Rs.3,000 and Dividends received from Investment Rs.5,000.
- Non-operating expenses amounted to Rs.5,000 towards loss on sale of Fixed Assets.

Required: Prepare the Trading and Profit and Loss Account of the firm for the year ended 31st March, 2002 in detail showing Gross Profit, Operating Profit and Net Profit.

IDEAL/e-LIVE/I.P.C.C./ACCOUNTS/PRACTISE PAPER-I

- (b) Mehta Ltd. carried on a retail business opened a branch X on 1st April, 2001 where all sales were on credit basis. All goods required by the branch were supplied from the head office and were invoiced to the branch at 10% above cost. The following were the transactions: (8)

	April Rs.	May Rs.	June Rs.
Goods sent to Branch (Cost to H.O.)	40,000	50,000	60,000
Sales as shown by the branch monthly report	38,000	42,000	55,000
Cash received from Debtors and remitted to H.O.	20,000	51,000	35,000
Returns to H.O. (Cost to Branch)	1,200	600	2,400

The stock of goods held by the branch on June 30, amounted to Rs.53,400 at invoice price to branch. Record these transactions in the Head Office books, showing balance as on 30th June, 2001 and the branch gross profit for the three months ended on that date.

- Q.6. (a)** Mr. Green and Mr. Red had the following mutual dealings and desire to settle their account on the average due date: (8)

Purchases by Green from Red:

	Rs.
6 th January, 1998	- 6,000
2 nd February, 1998	- 2,800
31 st March, 1998	- 2,000
Sales by Green to Red:	
6 th January, 1998	- 6,600
9 th March, 1998	- 2,400
20 th March, 1998	- 500

You are asked to ascertain the average due date.

- (b) On 1st Jan. 2001, Singh had 20,000 equity shares in X Ltd. as current assets. Face value of the shares was Rs.10 each but their book value was Rs.16 per share. On 1st June 2001, Singh purchased 5,000 more equity shares in the company at a premium of Rs.4 per share. (12)

On 30th June, 2001, the Directors of X Ltd. announced a bonus and rights issue. Bonus was declared at the rate of one equity share for every five shares held and these shares were received on 2nd August, 2001. The terms of the rights issue were:

- (a) Rights shares to be issued to the existing holders on 10th August, 2001.
- (b) Rights issue would entitle the holders to subscribe for additional equity shares in the Company at the rate of one share per every three held at Rs.15 per share- the whole sum being payable by 30th September, 2001.
- (c) Existing shareholders may, to the extent of their entitlement, either wholly in or part, transfer their rights to outsiders.
- (d) Singh exercised his option under the issue for 50% of his entitlements and the balance of rights he sold to Ananth for a consideration of Rs.1.50 per share.
- (e) Dividends for the year ending on 31st March, 2001, at the rate of 15% were declared by the Company and received by Singh on 20th October, 2001.
- (f) On 1st November, 2001, Singh sold 20,000 equity shares at a premium of Rs.3 per share.

Required: Show the Investment Account as it would appear in Singh's books as on 31.12.2001 and the value of shares held on that date.

(Market Price on 31.12.2001 Rs.15).