

Roll No. ....

NOV 2022

Total No. of Questions – 6

Total No. of Printed Pages – 16

Time Allowed – 3 Hours

*Intermediate.*  
**IPCE (New Syllabus)**  
**Paper - 1 Accounting**

Maximum Marks – 100

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*Sus*  
*5:20 PM 04/11/2022*

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.

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Answer the following questions :

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(a) Following information of Sarah Limited is given :

Sarah Limited uses Raw Material 'A' for production of Finished Goods 'B'

Closing balance of Raw Material 'A' in units on 31 <sup>st</sup> March, 2022	750
	<b>Price Per Unit in ₹</b>
Cost Price	150
Freight inward	10
Replacement Cost	152
Closing balance of Finished Goods 'B' in units on 31 <sup>st</sup> March, 2022	1600
	<b>Price Per Unit in ₹</b>
Material Consumed	225
Direct Labour	75
Direct variable overhead	60

Total Fixed Overheads amounts to ₹ 1,00,000 on normal capacity of 20,000 units.

You are required to calculate the value of Closing Stock of Raw materials and Closing Stock of Finished Goods, as on 31<sup>st</sup> March, 2022, as per AS 2, when selling price of Finished Goods 'B' is ₹ 360 per unit.

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(b) Ridgeway Limited, a Non-Financial company has the following activities :

- (i) Dividend paid for the year.
- (ii) TDS on interest income earned on investments made.
- (iii) Loans and advances given to suppliers and interest earned from them.
- (iv) Deposit with bank for a term of two years.
- (v) Highly liquid Marketable Securities (without risk of change in value).
- (vi) Investments made and dividends earned on them.
- (vii) Insurance claims received against loss of stock or loss of profits.
- (viii) Loans and advances given to subsidiaries and interest earned from them.
- (ix) Issue of Bonus Shares.
- (x) Term loan repaid.

You are required to classify the above activities in Cash Flow Statement as per 'AS-3'.

(c) (i) Jared Limited purchased a Machine for US \$ 20,000 on 31<sup>st</sup> December, 2021 payable after four months. It entered into a forward contract for four months @ ₹ 78.85 per US \$. On 31<sup>st</sup> December, 2021, the exchange rate was ₹ 77.50 per US \$.

How will you recognize the Profit or Loss on Forward Contract for the year ended 31<sup>st</sup> March, 2022 in the books of Jared Limited ?

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- (ii) Trade Payables of Jared Limited includes amount due to Sterling Limited ₹ 9,75,000 recorded at the prevailing exchange rate on the date of purchase; transaction recorded at US \$ 1 = ₹ 75.00. The exchange rate on Balance Sheet date (31<sup>st</sup> March, 2022) was US \$ 1 = ₹ 79.00. The payment was made on 1<sup>st</sup> May, 2022 when the exchange rate was US \$ 1 = ₹ 78.30.

You are required to calculate the amount of exchange difference on 31<sup>st</sup> March, 2022 and 1<sup>st</sup> May, 2022 and also explain the accounting treatment needed in the above case as per AS 11 in the books of Jared Limited.

- (d) (i) An unquoted long term investment made in the shares of Rachel Limited is carried in the books of Ziva Limited at a cost of ₹ 1,00,000. The audited financial statements of Rachel Limited received in May, 2021 showed that the company had been incurring cash losses with declining market share and the long term investment may not fetch more than ₹ 55,000.
- (ii) On 1<sup>st</sup> December, 2021 Ziva Limited had made an investment of ₹ 5,00,000 in 4000 Equity Shares of Garry Limited at a price of ₹ 125 per share with an intention to hold it for not more than six months. In the first week of March, 2022, Garry Limited suffered heavy loss due to an earthquake; the loss was not covered by an insurance policy. On 31<sup>st</sup> March, 2022, the shares of Garry Limited were trading at a price of ₹ 80 per share on the Stock Exchange.

How would you deal with the above investments in the books of Ziva Limited for the year ended 31<sup>st</sup> March, 2022 as per the provisions of Accounting Standard 13 'Accounting for Investments' ?

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2. (a) A fire occurred in the premises of M/s Preet Enterprises on the night of 28<sup>th</sup> September, 2022. The firm has taken an Insurance Policy for ₹ 5,00,000 which is subject to average clause. The value of goods salvaged was estimated at ₹ 62,500. The firm continues to maintain the same rate of Gross Profit as during the preceding year.

The following information were available :

	Particulars	₹
(i)	Stock at Cost on 1 <sup>st</sup> April, 2021	5,25,000
(ii)	Stock at Cost on 31 <sup>st</sup> March, 2022	4,20,000
(iii)	Purchases for the year ended 31 <sup>st</sup> March, 2022	37,35,000
(iv)	Sales for the year ended 31 <sup>st</sup> March, 2022	48,00,000
(v)	Purchases from 1 <sup>st</sup> April, 2022 to 28 <sup>th</sup> September, 2022	27,22,000
(vi)	Sales from 1 <sup>st</sup> April, 2022 to 28 <sup>th</sup> September, 2022	33,30,000

**Additional Information :**

- (i) Purchases up to 28<sup>th</sup> September, 2022 did not include ₹ 1,20,000 for which purchase invoice had not been received from suppliers though the goods had been received in the warehouse.
- (ii) Sale value of goods distributed for advertisement from 1<sup>st</sup> April, 2022 to 28<sup>th</sup> September, 2022 is ₹ 90,000.
- (iii) Sales up to 28<sup>th</sup> September, 2022 include ₹ 90,000 for which the goods had not been dispatched.
- (iv) On 1<sup>st</sup> July, 2022, goods worth ₹ 1,50,000 was sold to Ram and Co. on approval basis which was included in the Sales but no approval had been received for 2/3<sup>rd</sup> of the goods sold to them till 28<sup>th</sup> September, 2022.

You are required to ascertain the amount of claim to be lodged with the Insurance Company for Loss of Stock.

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(b) Mr. Saurabh held 10,000 equity share of BT Limited on 1<sup>st</sup> April 2021. **10**

Nominal value of the shares is ₹ 2 each and their book value is ₹ 7 per share.

- On 4<sup>th</sup> July, 2021 he purchased another 7,500 shares at ₹ 10 each.
- On 31<sup>st</sup> July, 2021 the company announced a Bonus and Right issue.
- Bonus was declared of one share for every five shares held and was received on 5<sup>th</sup> August, 2021.
- Right issue to be issued on 12<sup>th</sup> September 2021, which entitled the holders to subscribe to additional shares of 2 shares for every 7 shares held at ₹ 2 per share. Shareholders were entitled to transfer their rights in full or part. Mr. Saurabh sold whole of his entitlements to Mr. Nihal at ₹ 1.50 per share.
- Dividend was declared for the year ended 31<sup>st</sup> March 2021 @ 25% and received by Mr. Saurabh on 19<sup>th</sup> September 2021.
- On 11<sup>th</sup> December 2021 Mr. Saurabh sold 7,500 shares at ₹ 8 per share.
- The market price of the shares on 31<sup>st</sup> March 2022 was ₹ 7 per share.

You are required to prepare the Investment Account of Mr. Saurabh on 31<sup>st</sup> March, 2022 considering the above mentioned points, also state the value of shares held on that date. (Assume investment as current investment).

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3. (a) Modern Stores of Delhi operates a retail branch at Nagpur. The Head office affects all the purchases and the branch is charged at cost plus 60%. All the cash received by the Nagpur Branch is remitted to Delhi. The Branch expenses are met by the Branch out of an Imprest Account which is reimbursed by the Delhi Head Office every month. The Branch maintains a Sales Ledger and certain essential subsidiary records, but otherwise all branch transactions are recorded at Delhi.

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The following branch transactions took place during the year ended 31<sup>st</sup> March, 2022:

	₹
Goods received from Delhi at Selling Price	1,50,000
Cash Sales	69,000
Goods returned to Delhi at Selling Price	3,000
Credit Sales (Net of returns)	63,000
Authorized Reduction in Selling Price of Goods Sold	1,500
Cash Received from Debtors	48,000
Debtors written off as irrecoverable	2,000
Cash Discount allowed to Debtors	1,500

- On 1<sup>st</sup> April, 2021 the Stock in trade at the Branch at Selling Price amounted to ₹ 60,000 and the Debtors were ₹ 40,000.
- A consignment of goods sent to the Branch on 27<sup>th</sup> March, 2022 with a Selling Price of ₹ 1,800 was not received until 5<sup>th</sup> April, 2022 and had not been accounted for in stock.
- The Closing Stock at Selling Price was ₹ 72,900.
- The expenses relating to the Branch for the year ended 31<sup>st</sup> March, 2022 amounted to ₹ 18,000.

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You are required to prepare the Branch Stock Account, Branch Debtors Account, Branch Adjustment Account and Branch Profit and Loss Account maintained at Delhi under Stock and Debtors method. Any stock unaccounted for is to be regarded as normal wastage.

- (b) Ramesh had ₹ 3,30,000 in the bank account on 1<sup>st</sup> January, 2021 when he started his business. He closed his accounts on 31<sup>st</sup> March, 2022. His single-entry books (in which he did not maintain any bank account for the bank) showed his position as follows :

	31.3.2021	31.3.2022
	₹	₹
Stock	20,900	31,900
Debtors	1,100	3,200
Cash	2,200	3,300
Creditors	5,500	4,300

On and from 1<sup>st</sup> February, 2021, he began drawings at ₹ 770 per month for his personal expenses from the cash box of the business. His account with the bank had the following entries :

	Deposits	Withdrawals
	₹	₹
1.1.2021 to 31.3.2021	—	2,45,300
1.4.2021 to 31.3.2022	2,53,000	2,97,000

- The above withdrawals included payment by cheque of ₹ 2,20,000 and ₹ 66,000 during the period from 1<sup>st</sup> January, 2021 to 31<sup>st</sup> March, 2021 and from 1<sup>st</sup> April, 2021 to 31<sup>st</sup> March, 2022 respectively for the purchase of Machines for the business.

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- The deposits after 1<sup>st</sup> January, 2021 consisted wholly of sale proceeds received from the customers by cheques.
- One customer (Suresh) had directly deposited a cheque of ₹ 2,700 on 25<sup>th</sup> March, 2022 into bank account of Ramesh. Ramesh has no knowledge of this and this cheque is not included in the deposits for the period 1<sup>st</sup> April 2021 to 31<sup>st</sup> March 2022 given above.

You are required to draw up Ramesh's Statement of Affairs as at 31<sup>st</sup> March, 2021 and 31<sup>st</sup> March, 2022 respectively and work out his Profit or Loss for the year ended 31<sup>st</sup> March, 2021 and 31<sup>st</sup> March, 2022.

The following is the Trial Balance of Anmol Limited as on 31<sup>st</sup> March, 2022 :

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Debit Balances	Amount (₹)	Credit Balances	Amount (₹)
Purchases	82,95,000	Sales	1,25,87,000
Wages and Salaries	12,72,000	Commission	72,500
Rent	2,20,000	Equity Share Capital	10,00,000
Rates and Taxes	50,000	General Reserve	10,00,000
Selling & Distribution Expenses	4,36,000	Surplus (P & L A/c) 01.04.2021	8,75,500
Directors Fees	32,000	Securities Premium	2,50,000

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Bad Debts	38,500	Term Loan from Public Sector Bank	1,02,00,000
Interest on Term Loan	8,05,000	Trade Payables	55,08,875
Land	24,00,000	Provision for Depreciation:	
Factory Building	36,80,000	On Plant	9,37,500
Plant and Machinery	62,50,000	On Furniture and Fittings	82,500
Furniture and Fittings	8,25,000	On Factory Building	1,84,000
Trade Receivables	64,75,000	Provision for Doubtful Debts	25,000
Advance Income Tax Paid	37,500	Bills Payable	1,25,000
Stock (1 <sup>st</sup> April, 2021)	9,25,000		
Bank Balances	9,75,000		
Cash on Hand	1,31,875		
<b>Total</b>	<b>3,28,47,875</b>	<b>Total</b>	<b>3,28,47,875</b>

Following information is provided :

- (1) The Authorized Share Capital of the Company is 2,00,000 Equity Shares of ₹ 10 each. The Company has issued 1,00,000 Equity Shares of ₹ 10 each.

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- (2) Rent of ₹ 20,000 and Wages of ₹ 1,56,500 are outstanding as on 31<sup>st</sup> March, 2022.
- (3) Provide Depreciation @ 10% per annum on Plant and Machinery, 10% on Furniture and Fittings and 5% on Factory Building on written down value basis.
- (4) Closing Stock as on 31<sup>st</sup> March, 2022 is ₹ 11,37,500.
- (5) Make a provision for Doubtful Debts @ 5% on Debtors.
- (6) Make a provision of 25% for Corporate Income Tax.
- (7) Transfer ₹ 1,00,000 to General Reserve.
- (8) Term Loan from Public Sector Bank is secured against Hypothecation of Plant and Machinery. Installment of Term Loan falling due within one year is ₹ 17,00,000.
- (9) Trade Receivables of ₹ 85,600 are outstanding for more than six months.
- (10) The Board declared a dividend @10% on Paid up Share Capital on 5<sup>th</sup> April, 2022.

You are required to prepare Balance Sheet as on 31<sup>st</sup> March 2022 and Statement of Profit and Loss with Note to Accounts for the year ending 31<sup>st</sup> March, 2022 as per Schedule III of the Companies Act, 2013. Ignore previous years' figures.

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5. (a) On 1<sup>st</sup> April, 2021, the following balances appeared in the books of Globe Limited (an unlisted company other than AIFI, Banking Company, NBFC and HFC) : 12

- (i) 50,000 9 % Debentures of ₹ 100 each issued at par.
- (ii) Balance of Debenture Redemption Reserve (DRR) ₹ 5,00,000.
- (iii) Debenture Redemption Reserve (DRR) Investment ₹ 5,00,000 represented by 8.75 % Secured Bonds of the Government of India of ₹ 100 each.

Interest on Debentures was paid half- yearly on 30<sup>th</sup> of September and 31<sup>st</sup> March every year.

On 31<sup>st</sup> May, 2021, the company purchased 8,000 Debentures of its own @ ₹ 98 (ex-interest) per debenture and cancelled them on the same date.

On 1<sup>st</sup> January, 2022, it further acquired another 10,000 own Debentures @ ₹ 101 (cum -interest) per debenture and cancelled them on the same date.

The funds required for purchasing the aforesaid debentures were partly raised by selling off the DRR Investment.

On 30<sup>th</sup> March, 2022, the remaining investments were realized at par and the Debentures were redeemed on 31<sup>st</sup> March, 2022.

You are required to prepare the following accounts for the year ended 31<sup>st</sup> March, 2022:

- (1) 9 % Debentures Account.
- (2) Debenture Redemption Reserve Account.
- (3) Debenture Redemption Reserve Investment Account.
- (4) Interest on Debentures Account.

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- (b) Grooming Enterprises has 2 Departments, Department A and Department B. Department A manufacture Dyed Thread which is used by Department B for its Clothes production. Total production of Department A is sold to Department B at Cost plus profit.

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The following information is provided for year ending 31<sup>st</sup> March, 2022 :

	Department A Amount in ₹	Department B Amount in ₹
Opening Stock	1,25,000	4,20,000
Purchases	12,60,000	22,90,000 (Includes purchases from department A)
Sales	15,50,000	30,40,000
Wages	1,25,000	5,60,000
Closing Stock	3,47,500	5,36,000

Both Opening & Closing Stocks of Department B consist 80% of Department A. Department A earned a Gross Profit of 20% in previous year.

**Other information :**

- (a) Rent paid ₹ 60,000  
(b) Carriage outward ₹ 40,000  
(c) Other administrative expenses ₹ 1,55,000

You are required to prepare Departmental Trading and Profit & Loss account for the year ended 31<sup>st</sup> March, 2022.

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6. Answer any four of the following :

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- (a) Surabhi purchased a car on Hire Purchase from M/s Pawan Automobiles on 1st April, 2019. The Hire Purchase price was ₹ 3,00,000 and the same was payable in 5 half yearly installments of ₹ 60,000 each, the first installment being due on 1st October, 2019. Interest is payable @ 10 % per annum and the same is included in the half yearly installment of ₹ 60,000.

You are required to calculate the cash price of the car and the interest paid on each installment.

- (b) As on 1<sup>st</sup> April, 2021 opening Balance Sheet of Mr. Mohanty is showing the aggregate value of Assets, Liabilities and Equity at ₹ 12 Lakhs, 3 Lakhs and 9 lakhs respectively.

During the accounting period 01/04/2021 to 31/03/2022, Mr. Mohanty has the following transactions :

- (1) A liability of ₹ 50,000 was finally settled at a discount of 2 %.
- (2) Dividend earned @ 15% on 1000 (F.V ₹ 100 each) Equity shares held @ ₹ 12,000.
- (3) Rent of the premises paid ₹ 20,000.
- (4) Mr. Mohanty withdrew ₹ 10,000 for personal purposes and also withdrew Goods worth ₹ 5,000 for personal purposes.
- (5) ₹ 15,000 were received against Bill Receivables.

You are required to show the effect of the above transactions on Balance Sheet in the form of Assets – Liabilities = Equity equation after each transaction.

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- (c) Given below are the extracts of Balance Sheet of Sea Chemicals Limited as on 31<sup>st</sup> March, 2022 :

Particulars	Amount in ₹
9% Redeemable Preference Share Capital	10,00,000
Calls in arrears (Redeemable Preference Shares)	20,000
General Reserve	7,00,000
Securities Premium	80,000

It is provided that :

- Preference Shares are of ₹ 100 each fully-called, due for immediate redemption at a premium of 5%.
- Calls-in-arrears are on account of final call on 1000 shares held by four members whose whereabouts are not known.
- Balance of General Reserve and Securities Premium to be fully utilised for the purposes of redemption and the shortfall to be made good by issue of equity shares of ₹ 10 each at par.
- The redemption of preference shares was duly carried out.

You are required to pass the necessary journal entries (narration not required) to give effect to the above redemption.

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- (d) The following information is provided by Sarovar Limited, a Non-Investment company, incurring losses from past 2 years :

Particulars	Amount in ₹
Share Capital (Issued & Subscribed)	1,05,73,000
Capital Reserve	90,000
Securities Premium	67,000
Public Deposits	14,50,000
Trade Payables	1,98,000
Investment in other Co's Shares	50,00,000
Profit & Loss (Dr.)	10,25,000

Sarovar Limited has a one Whole time Director Mr. Shyam.

You are required to calculate the effective capital and the maximum remuneration that can be paid to Mr. Shyam, if, no special resolution is passed at the General Meeting of the company for the payment of remuneration for a period not exceeding three years.

- (e) Explain the objective of 'Accounting Standards' in brief. State the advantages of setting Accounting Standards.

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