

Test Paper 1

National Test Series

Test Instruction:

1. Please write your solution in new sheets of paper. It is advisable to create a separate notebook for writing test.
2. You have to give the test between 2 PM to 5 PM .
3. Suppose, if you are not able to complete the test (or any part of the test) in prescribed time, then please draw line in the sheet whenever the prescribed time is getting over and clearly mention "Time Over". But keep writing the remaining part we will check that. We want to check your accuracy.
4. Include all rough work in your answer sheet only. Don't use separate pages for rough work.
5. Start different part of the test paper in new pages. Properly mention **page number** on your every answer sheet.
6. Send us your answer sheets by way of email on paper@konceptca.com.
(Make sure pictures are sharp, also make sure that you send single email for the whole paper after converting them into PDF for instructions how to make PDF watch <https://youtu.be/q2hzXylYe0o>)
7. Email received after **20th April evening 7 PM** will not be assessed.
8. For instruction on how to submit the test please watch http://bit.ly/CA_Inter_Test
9. Do mention your KE-ID, name of the test series you are attempting for and name of the test in your answer sheet as well as in the subject of the mail while submitting your answer sheet.
Don't forget to fill in this feedback form after you finish your test.
https://docs.google.com/forms/d/13yDq2pvHROSAPyRJ4KYK_GU-GXYUcgE67rpcOesulv0/edit

We will share your results and score only if you are able to send the answer sheets by **20th April evening 7 PM**

Youtube Live at 7:30 pm
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Subject: Accounting.

Marks: 100 Marks

Duration: 3 Hrs.

**Question 1 is compulsory.
Answer any four out of remaining five questions.**

Question 1.

- (A)** In the books of M/s Prashant Ltd., closing inventory as on 31.03.2015 amounts to Rs. 1,63,000 (on the basis of FIFO method).

The company decides to change from FIFO method to weighted average method for ascertaining the cost of inventory from the year 2014-15. On the basis of weighted average method, closing inventory as on 31.03.2015 amounts to Rs. 1,47,000. Realizable value of the inventory as on 31.03.2015 amounts to Rs. 1,95,000.

Discuss disclosure requirement of change in accounting policy as per AS-1.

(5 Marks)

- (B)** In a production process, normal waste is 5% of input. 5,000 MT of input were put in process resulting in wastage of 300 MT. Cost per MT of input is Rs. 1,000. The entire quantity of waste is on stock at the year end. State with reference to Accounting Standard, how will you value the inventories in this case?

(5 Marks)

- (C)** Opportunity Ltd. purchased an equipment costing Rs. 24,00,000 on 1.4.2015 and the same was fully financed by foreign currency loan (US Dollars) payable in four annual equal installments. Exchange rates were 1 Dollar = Rs. 60.00 and Rs. 62.50 as on 1.4.2015 and 31.3.2016 respectively. First installment was paid on 31.3.2016. The entire difference in foreign exchange has been capitalized. You are required to state that how these transactions would be accounted for.

(5 Marks)

- (D)** On 1st April, 2016, Amazing Construction Ltd. obtained a loan of Rs. 32 crores to be utilised as under:

(i) Construction of sealink across two cities (work was held up totally for a month during the year due to high water levels)	: Rs. 25 crores
(ii) Purchase of equipments and machineries	: Rs. 3 crores
(iii) Working capital	: Rs. 2 crores
(iv) Purchase of vehicles	: Rs. 50,00,000
(v) Advance for tools/cranes etc.	: Rs. 50,00,000
(vi) Purchase of technical know-how	: Rs. 1 crores
(vii) Total interest charged by the bank for the year ending 31st March, 2017	: Rs. 80,00,000

Show the treatment of interest by Amazing Construction Ltd.

(5 Marks)

Question 2.

(A) From the following particulars furnished by the Prashant Ltd., prepare the Balance Sheet as at 31st March, 2019 as required by Schedule III of the Companies Act, 2013 :

Particulars	Debit (Rs.)	Credit (Rs.)
Equity share capital (Face value of Rs. 10 each)		15,00,000
Calls-in-arrears	5,000	
Land	5,50,000	
Building	4,85,000	
Plant and machinery	5,60,000	
General Reserve		2,70,000
Loan from state Financial corporation		2,10,000
Inventories	3,15,000	
Provision for taxation		72,000
Trade receivables	2,95,000	
Short-term loans and advances	58,500	
Profit and loss Account		1,06,800
Cash in hand	37,300	
Cash at bank	2,85,000	
Unsecured loans		1,65,000
Trade payables		2,67,000
Total	25,90,800	25,90,800

The following additional information is also provided :

- 10,000 equity shares were issued for consideration other than cash.
- Trade receivables of Rs. 55,000 are due for more than six months.
- The cost of building and plant & machinery is Rs. 5,50,000 and Rs. 6,25,000 respectively.
- The loan from State Financial Corporation is secured by hypothecation of plant & machinery. The balance of Rs. 2,10,000 in this account is inclusive of Rs. 10,000 for interest accrued but not due.
- Balance at Bank included Rs. 15,000 with Aakash Bank Ltd., which is not a scheduled bank.

(10 Marks)

(B) YZ Ltd (an unlisted company other than AIFI, Banking company, NBFC and HFC) had 16,000, 12% debentures of Rs. 100 each outstanding as on 1st April, 20X1, redeemable on 31st March, 20X2.

On 1 April 20X1, the following balances appeared in the books of accounts- Investment in 2,000 9% secured Govt. bonds of Rs. 100 each. DRR is Rs. 1,00,000. Interest on investments is received yearly at the end of financial year.

2,000 own debentures were purchased on 31st March 20X2 at an average price of Rs. 99 and cancelled on the same date.

On 31st March, 20X2, the investments were realised at par and the debentures were redeemed. You are required to write up the following accounts for the year ended 31st March 20X2:

(1) 12% Debentures Account

(2) Debenture Redemption Reserve Account

(3) Debenture Redemption Investments Account.

(10 Marks)

Question 3.

(A) The partners of Shri Enterprises decided to convert the partnership firm into a Private Limited Company Shreya (P) Ltd. with effect from 1st January, 2018. However, company could be incorporated only on 1st June, 2018. The business was continued on behalf of the company and the consideration of Rs. 6,00,000 was settled on that day along with interest @ 12% per annum. The company availed loan of Rs. 9,00,000 @ 10% per annum on 1st June, 2018 to pay purchase consideration and for working capital. The company closed its accounts for the first time on 31st March, 2019 and presents you the following summarized profit and loss account:

	Rs.	Rs.
Sales		19,80,000
Cost of goods sold	11,88,000	
Discount to dealers	46,200	
Director's remuneration	60,000	
salaries	90,000	
Rent	1,35,000	
Interest	1,05,000	
Depreciation	30,000	
Office expense	1,05,000	
Sales promotion expenses	33,000	
Preliminary expenses (to be written off in first year itself)	<u>15,000</u>	<u>18,07,200</u>
Profit		<u>1,72,800</u>

Sales from June, 2018 to December, 2018 were $2\frac{1}{2}$ times of the average sales, which further increased to $3\frac{1}{2}$ times in January to March quarter, 2019. The company recruited additional work force to expand the business. The salaries from July, 2018 doubled. The company also acquired additional showroom at monthly rent of Rs. 10,000 from July, 2018.

You are required to prepare a Profit and Loss Account showing apportionment of cost and revenue between pre-incorporation and post-incorporation periods.

(10 Marks)

(B) The Balance Sheet of Harry Ltd. for the year ending 31st March, 2018 and 31st March, 2017 were summarized as follows:

	2018 (Rs.)	2017 (Rs.)
Equity share capital	1,20,000	1,00,000
Reserves:		
Profit and Loss Account	9,000	8,000
Current Liabilities:		

Trade Payables	8,000	5,000
Income tax payable	3,000	2,000
Declared Dividends	<u>4,000</u>	<u>2,000</u>
	1,44,000	1,17,000
Fixed Assets (at W.D.V) :		
Building	19,000	20,000
Furniture & Fixture	34,000	22,000
Cars	25,000	16,000
Long Term Investments	32,000	28,000
Current Assets:		
Inventory	14,000	8,000
Trade Receivables	8,000	6,000
Cash & Bank	<u>12,000</u>	<u>17,000</u>
	1,44,000	1,17,000

The Profit and Loss account for the year ended 31st March, 2018 disclosed:

	Rs.
Profit before tax	8,000
Income Tax	<u>(3,000)</u>
Profit after tax	5,000
Declared Dividends	<u>(4,000)</u>
Retained Profit	1,000

Further Information is available:

1. Depreciation on Building Rs. 1,000.
2. Depreciation on Furniture & Fixtures for the year Rs. 2,000.
3. Depreciation on Cars for the year Rs. 5,000. One car was disposed during the year for Rs. 3,400 whose written down value was Rs.2,000.
4. Purchase investments for Rs. 6,000.
5. Sold investments for Rs. 10,000, these investments cost Rs. 2,000.

You are required to prepare Cash Flow Statement as per AS-3 (revised) using indirect method.

(10 Marks)

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Question 4.

(A) Gopal holds 2,000, 15% Debentures of Rs. 100 each in Ritu Industries Ltd. as on April 1, 2015 at a cost of Rs. 2,10,000. Interest is payable on June, 30 and December, 31 each year. On May 1, 2015, 1,000 debentures are purchased cum-interest at Rs. 1,07,000. On November 1, 2015, 1,200 debentures are sold ex-interest at Rs. 1,14,600. On November 30, 2015, 800 debentures are purchased ex-interest at Rs. 76,800. On December 31, 2015, 800 debentures are sold cum-interest for Rs. 1,10,000. You are required to prepare the Investment Account showing value of holdings on March 31, 2016 at cost, using FIFO Method.

(10 Marks)

(B) A fire engulfed the premises of a business of M/S Kite Ltd. in the morning, of 1st October, 2017. The entire stock was destroyed except, stock salvaged of Rs. 50,000. Insurance Policy was for Rs. 5,00,000 with average clause. The following information was obtained from the records saved for the period from 1st April to 30th September, 2017:

	Rs.
Sales	27,75,000
Purchases	18,75,000
Carriage inward	35,000
Carriage outward	20,000
Wages	40,000
Salaries	50,000
Stock in hand on 31st March, 2017	3,50,000

Additional Information:

(1) Sales upto 30th September, 2017, includes Rs. 75,000 for which goods had not been dispatched.

(2) On 1st June, 2017, goods worth Rs. 1,98,000 sold to Hari on approval basis which was included in sales but no approval has been received in respect of 2/3rd of the goods sold to him till 30th September, 2017.

(3) Purchases upto 30th September, 2017 did not include Rs. 1,00,000 for which purchase invoices had not been received from suppliers, though goods have been received in godown.

(4) Past records show the gross profit rate of 25% on sales.

You are required to prepare the statement of claim for loss of stock for submission to the Insurance Company.

(10 Marks)

Question 5.

(A) M/s. Delta is a Departmental Store having three departments X, Y and Z. The information regarding three departments for the year ended 31st March, 2018 are given below:

Particulars	Dept. X	Dept. Y	Dept. Z
Opening Stock	18,000	12,000	10,000
Purchases	66,000	44,000	22,000
Debtors at end	7,500	5,000	5,000
Sales	90,000	67,500	45,000
Closing stock	22,500	8,750	10,500
Value of furniture in each Department	10,000	10,000	5,000
Floor space occupied by each Dept. (in sq. Ft.)	1500	1,250	1,000
Number of employees in each Department	25	20	15
Electricity consumed by each Department (in units)	300	200	100

Additional Information:

	Amount (Rs.)
Carriage inwards	1,500
Carriage outward	2,700
salaries	24,000
Advertisement	2,700
Discount allowed	2,250
Discount received	1,800
Rent, Rates and Taxes	7,500
Depreciation on furniture	1,000
Electricity expenses	3,000
Labour welfare expenses	2,400

Prepare Departmental Trading and Profit & Loss Account for the year ended 31st March, 2018 after providing provision for Bad Debts at 5%.

(10 Marks)

(B) On 31st December, 2016 the following balances appeared in the books of Kolkata Branch of an English firm having its HO office in New York:

	Amount in Rs.	Amount in Rs.
Stock on 1st Jan., 2016	2,34,000	
Purchases and Sales	15,62,500	23,43,750
Debtors and Creditors	7,65,000	5,10,000
Bills Receivable and Payable	2,04,000	1,78,500
Salaries and Wages	1,00,000	-
Rent, Rates and T axes	1,06,250	-
Furniture	91,000	-
Bank A/c	5,68,650	
New York Account	-	5,99,150
	36,31,400	36,31,400

Stock on 31st December, 2016 was Rs. 6,37,500.

Branch account in New York books showed a debit balance of \$ 13,400 on 31st December, 2016 and Furniture appeared in the Head Office books at \$ 1,750.

The rate of exchange on 31st December, 2015 was Rs. 52 and on 31st December, 2016 was Rs. 51. The average rate for the year was Rs. 50.

Prepare in the Head Office books the Profit and Loss a/c and the Balance Sheet of the Branch.

(10 Marks)

Question 6.

(A) Balance sheet of a trader on 31st March, 20X1 is given below:

Liabilities	Rs.	Assets	Rs.
Capital	60,000	Fixed Assets	65,000
Profit and loss Account	25,000	Stock	30,000
10% Loan	35,000	Trade receivables	20,000
Trade payables	10,000	Deferred Costs	10,000
		Bank	5,000
	1,30,000		1,30,000

Additional Information:

- The remaining life of fixed assets is 5 years. The pattern of use of the asset is even. The net realizable value of fixed assets on 31.03.X2 was Rs. 60,000.
- The trader's purchases and sales in 20X1-X2 amounted to Rs. 4 lakh and Rs. 4.5 lakh respectively.
- The cost and net realizable value of stock on 31.03.X2 were Rs. 32,000 and Rs. 40,000 respectively.
- Expenses for the year amounted to Rs. 14,900.
- Deferred cost is amortized equally over 4 years.
- Debtors on 31.03.X2 is Rs. 25,000, of which Rs. 2,000 is doubtful. Collection of another Rs. 4,000 depends on successful re-installation of certain product supplied to the customer.
- Closing trade payable is Rs. 12,000, which is likely to be settled at 5% discount.
- Cash balance on 31.03.X2 is Rs. 37,100.
- There is an early repayment penalty for the loan Rs. 2,500.

The Profit and Loss Accounts and Balance Sheets of the trader are shown below in two cases (i) assuming going concern (ii) not assuming going concern.

(5 Marks)

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(B) Following is the extract of the Balance Sheet of Manoj Ltd. as at 31st March, 20X1

	Rs.
Authorized capital:	
30,000 12% Preference shares of Rs. 10 each	3,00,000
4,00,000 Equity shares of Rs. 10 each	40,00,000
	43,00,000
Issued and Subscribed capital:	
24,000 12% Preference shares of Rs. 10 each fully paid	2,40,000
2,70,000 Equity shares of Rs. 10 each, Rs. 8 paid up	21,60,000
Reserves and surplus:	
General Reserve	3,60,000
Capital Redemption Reserve	1,20,000
Securities premium (collected in cash)	75,000
Profit and Loss Account	6,00,000

On 1st April, 20X1, the Company has made final call @ Rs. 2 each on 2,70,000 equity shares. The call money was received by 20th April, 20X1. Thereafter, the company decided to capitalize its reserves by way of bonus at the rate of one share for every four shares held.

You are required to prepare necessary journal entries in the books of the company and prepare the relevant extract of the balance sheet as on 30th April, 20X1 after bonus issue.

(5 Marks)

(C) Om Ltd. purchased a machine on hire purchase basis from Kumar Machinery Co. Ltd. on the following terms:

- a) Cash price Rs. 80,000
- b) Down payment at the time of signing the agreement on 1.1.20X1 Rs. 21,622.
- c) 5 annual installments of Rs. 15,400, the first to commence at the end of twelve months from the date of down payment.
- d) Rate of interest is 10% p.a.

You are required to calculate the total interest and interest included in cash installment.

(5 Marks)

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(D) The Income Tax Officer, on assessing the income of Shri Moti for the financial years 2015-2016 and 2016-2017 feels that Shri Moti has not disclosed the full income. He gives you the following particulars of assets and liabilities of Shri Moti as on 1st April, 2015 and 1st April, 2017.

				Rs.
1-4-2015	Assets	:	Cash in hand	25,500
			Inventory	56,000
			Sundry debtors	41,500
			Land and Building	1,90,000
			Wife's Jewellery	75,000
	Liabilities	:	Owing to Moti's Brother	40,000
			Sundry creditors	35,000
1-4-2017	Assets	:	Cash in hand	16,000
			Inventory	91,500
			Sundry debtors	52,500
			Land and Building	1,90,000
			Motor Car	1,25,000
			Wife's Jewellery	1,25,000
			Loan to Moti's Brother	20,000
	Liabilities	:	Sundry creditors	55,000

During the two years the domestic expenditure was Rs. 4,000 p.m. The declared income of the financial years were Rs. 1,05,000 for 2015-2016 and Rs. 1,23,000 for 2016-2017 respectively.

State whether the Income-tax Officer's contention is correct. Explain by giving your workings.

(5 Marks)

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