National Test Series – II

Test Paper 1

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 **29th September 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.

We will share your results and score only if you are able to send the answer sheets by **29th September evening 7 PM.**

Subject: Accounting

Marks: 100 Marks **Duration:** 3 Hrs.

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

Question 1.

(A) A Limited is engaged in manufacturing of Chemical Y for which Raw Material X is required. The company provides you following information for the year ended 31st March, 2020.

	₹ Per unit
Raw Material X	
Cost price	400
Freight Inward	40
Replacement cost	320
Chemical Y	
Material consumed	440
Direct Labour	120
Variable Overheads	80

Additional Information:

(i) Total fixed overhead for the year was ₹ 4,00,000 on normal capacity of 25,000 units.

(ii) Closing balance of Raw Material X was 1,000 units and Chemical Y was 2,400 units.

You are required to calculate the total value of closing stock of Raw Material X and Chemical Y according to AS 2, when Net realizable value of Chemical Y is ₹ 600 per unit.

(5 Marks)

(B) How would you treat the following in the accounts in accordance with AS 12 'Government Grants'?

I. ₹ 35 Lakhs received from the Local Authority for providing Medical facilities to the employees.

II. ₹ 100 Lakhs received as Subsidy from the Central Government for setting up a unit in notified backward area.

(5 Marks)

(C) Omega Ltd. contracted with a supplier to purchase machinery which is to be installed in its one department in three months' time. Special foundations were required for the machinery which were to be prepared within this supply lead time. The cost of the site preparation and laying foundations were ₹ 1,40,000. These activities were supervised by a technician during the entire period, who is employed for this purpose of ₹ 45,000 per month.

The machine was purchased at ₹ 1,58,00,000 and ₹ 50,000 transportation charges were incurred to bring the machine to the factory site. An Architect was appointed at a fee of ₹ 30,000 to supervise machinery installation at the factory site.

You are required to ascertain the amount at which the Machinery should be capitalized under AS 10.

(5 Marks)

(D) Vital Limited borrowed an amount of ₹150 crores on 1.4.2019 for construction of boiler plant @ 10% p.a. The plant is expected to be completed in 4 years. Since the weighted average cost of capital is 13% p.a., the accountant of Vital Ltd. Capitalized ₹19.50 crores for the accounting period ending on 31.3.2020. Due to surplus fund out of ₹150 crores, an income of ₹1.50 crores was earned and credited to profit and loss account. Comment on the above treatment of accountant with reference to relevant accounting standard.

(5 Marks)

Question 2.

(A) On 31st March, 2020, Om Ltd. provides to you the following ledger balances after preparing its Profit and Loss Account for the year ended 31st March, 2020:

Credit Balance

	₹
Equity shares capital (fully paid shares of ₹ 10 each)	1,05,00,000
General Reserve	21,84,000
Loan from State Finance Corporation (Secured by hypothecation of Plant & Machinery - Repayable within one year ₹ 3,00,000)	15,75,000
Loans: Unsecured (Long term)	12,70,500
Sundry Creditors for goods & expenses (Payable within 6 months)	21,00,000
Profit & Loss Account	10,50,000
Provision for Taxation	12,25,350
	199,04,850

Debit Balance

	₹
Calls in arrear	10,500
Land	21,00,000
Buildings	30,75,000
Plant and Machinery	55,12,500
Furniture & Fixture	5,25,000
Inventories : Finished goods	21,00,000
Raw Materials	5,25,000
Trade Receivables	21,00,000
Advances: Short-term	4,48,350

Cash in hand	3,15,000
Balances with banks	25,93,500
Patents & Trade marks	6,00,000
	199,04,850

The following additional information is also provided in respect of the above balances:

i. 6,30,000 fully paid equity shares were allotted as consideration for land & buildings.

ii. Cost of Building ₹ 42,00,000
Cost of Plant & Machinery ₹ 73,50,000
Cost of Furniture & Fixture ₹ 6,56,250

iii. Trade receivables for ₹ 5,70,000 are due for more than 6 months.

iv. The amount of Balances with Bank includes ₹27,000 with a bank which is not a scheduled Bank and the deposits of ₹ 7,50,000 are for a period of 9 months.

v. Unsecured loan includes ₹ 3,00,000 from a Bank and ₹ 1,50,000 from related parties.

You are not required to give previous year figures. You are required to prepare the Balance Sheet of the Company as on 31st March, 2020 as required under Schedule III of the Companies Act, 2013.

(10 Marks)

(B) The following balances appeared in the books of Paradise Ltd (unlisted company other than AIFI, Banking company, NBFC and HFC)as on 1-4-20X1:

i. 12 % Debentures ₹ 7,50,000

ii. Balance of DRR ₹ 25,000

iii. DRR Investment 1,12,500 represented by 10% ₹ 1,125 secured bonds of government of India of ₹ 100 each.

Annual contribution to the DRR was made on 31st March every year. On 31-3-20X2, balance at bank was ₹ 7,50,000 before receipt of interest. The investment were realised at par for redemption of debentures at a premium of 10% on the above date.

You are required to prepare the following accounts for the year ended 31st march, 20X2:
(1) Debentures Account
(2) DRR Account
(3) DRR Investment Account
(4) Bank Account
(5) Debenture Holders Account.

(10 Marks)

Question 3.

(A) From the following details relating to the Accounts of Grow More Ltd. prepare Cash Flow Statement:

Liabilities	**31.3.20X1 (₹)**	**31.3.20X0 (₹)**
Share capital	10,00,000	8,00,000
Reserve	2,00,000	1,50,000
Profit and loss Account	1,00,000	60,000
Debentures	2,00,000	-
Provision for taxation	1,00,000	70,000
Dividend payable	2,00,000	1,00,000
Trade payables	7,00,000	8,20,000
	25,00,000	20,00,000
Assets		
Plant and machinery	7,00,000	5,00,000
Land and building	6,00,000	4,00,000
Investments	1,00,000	-
Trade receivables	5,00,000	7,00,000
Inventories	4,00,000	2,00,000
Cash and hand/ bank	2,00,000	2,00,000
	25,00,000	**20,00,000**

(i) Depreciation @ 25% was charged on the opening value of Plant and Machinery.

(ii) At the year end, one old machine costing 50,000 (WDV 20,000) was sold for ₹35,000. Purchase was also made at the year end.

(iii) ₹50,000 was paid towards Income tax during the year.

(iv) Building under construction was not subject to any depreciation.

Prepare Cash flow Statement.

(10 Marks)

(B) Green Ltd. took over a running business with effect from 1st April, 2019. The company was incorporated on 1st August, 2019. The following summarized Profit and Loss Account has been prepared for the year ended 31.3.2020:

	₹		₹
To Salaries	72,000	By Gross profit	4,80,000
To Stationery	7,200		
To Travelling expenses	25,200		
To Advertisement	24,000		
To Miscellaneous trade expenses	56,700		
To Rent (office buildings)	39,600		
To Electricity charges	6,300		

To Director's fee	16,800		
To Bad debts	4,800		
To Commission to selling agents	33,000		
To Debenture interest	4,500		
To Interest paid to vendor	6,300		
To Selling expenses	37,800		
To Depreciation on fixed assets	14,400		
To Net profit	1,31,400		
	4,80,000		**4,80,000**

Additional information:

(a) Sales ratio between pre and post incorporation periods was 1:3.

(b) Rent of office building was paid @ ₹ 3,000 per month up to September, 2019 and thereafter it was increased by ₹ 600 per month.

(c) Travelling expenses include ₹ 7,200 towards sales promotion. Travelling expenses are to be allocated between pre and post incorporation periods on time basis.

(d) Depreciation include ₹ 900 for assets acquired in the post incorporation period.

(e) Purchase consideration was discharged by the company on 30th September, 2019 by issuing equity shares of ₹ 10 each.

You are required to prepare Statement showing calculation of profits and allocation of expenses between pre and post incorporation periods.

(10 Marks)

Question 4.

(A) Lucky bought 2 tractors from Happy on 1-10-20X1 on the following terms:

	₹
Down payment	5,00,000
1st installment at the end of first year	2,65,000
2nd installment at the end of 2nd year	2,45,000
3rd installment at the end of 3rd year	2,75,000

Interest is charged at 10% p.a.

Lucky provides depreciation @ 20% on the diminishing balances.

On 30-9-20X4 Lucky failed to pay the 3rd installment upon which Happy repossessed 1 tractor. Happy agreed to leave one tractor with Lucky and adjusted the value of the tractor against the amount due. The tractor taken over was valued on the basis of 30% depreciation annually on written down basis. The balance amount remaining in the vendor's account after the above adjustment was paid by Lucky after 3 months with interest @ 18% p.a.

You are required to :

1. Calculate the cash price of the tractors and the interest paid with each installment.
2. Prepare Tractor Account and Happy Account in the books of Lucky assuming that books are closed on September 30 every year. Figures may be rounded off to the nearest rupee.

(10 Marks)

(B) Ram carried on business as retail merchant. He has not maintained regular account books. However, he always maintained ₹ 10,000 in cash and deposited the balance into the bank account. He informs you that he has sold goods at profit of 25% on sales.

The following information is given to you:

Assets and Liabilities	As on 1.4.20X1	As on 31.3.20X2
Cash in Hand	10,000	10,000
Sundry Creditors	40,000	90,000
Cash at Bank	50,000 (Cr.)	80,000 (Dr.)
Sundry Debtors	1,00,000	3,50,000
Stock in Trade	2,80,000	?
Ram's capital	3,00,000	

Analysis of his bank passbook reveals the following information:

(a) Payment to creditors ₹ 7,00,000

(b) Payment for business expenses ₹ 1,20,000

(c) Receipts from debtors ₹ 7,50,000

(d) Loan from Laxman ₹ 1,00,000 taken on 1.10.2016 at 10% per annum

(e) Cash deposited in the bank ₹ 1,00,000

He informs you that he paid creditors for goods ₹ 20,000 in cash and salaries ₹ 40,000 in cash. He has drawn ₹ 80,000 in cash for personal expenses. During the year Ram had not introduced any additional capital. Surplus cash if any, to be taken as cash sales.

You are required to prepare:

(i) Trading and Profit and Loss Account for the year ended 31.3.20X2.

(ii) Balance Sheet as at 31s t March, 20X2.

(10 Marks)

Question 5.

(A) Gram Udyog, a retail store, has two departments, 'Khadi and Silks' for each of which stock account and memorandum 'mark up' accounts are kept. All the goods supplied to each department are debited to the stock account at cost plus a 'mark up', which together make-up the selling-price of the goods and in the account of the sale proceeds of the goods are credited. The amount of 'mark-up' is credited to the Departmental Mark up Account. If the selling price of any goods is reduced below its normal selling price, the reduction 'marked down' is adjusted both in the Stock Account and the Departmental 'Mark up' Account. The rate of 'Mark up' for Khadi Department is 33-1/3% of the cost and for Silks Department it is 50% of the cost.

The following figures have been taken from the books for the year ended December 31,20X1 :

	Khadi Deptt.	Silks Deptt.
Stock as on January 1st at cost	10,500	18,600
Purchases	75,900	93,400
Sales	95,600	1,25,000

(1) The stock of Khadi on January 1, 20X1 included goods the selling price of which had been marked down by ₹1,260. These goods were sold during the year at the reduced prices.

(2) Certain stock of the value of ₹ 6,900 purchased for the Khadi Department were later in the year transferred to the Silks department and sold for ₹10,350. As a result though cost of the goods is included in the Khadi Department the sale proceeds have been credited to the Silks Department.

(3) During the year 20X1 to promote sales the goods were marked down as follows:

	Cost	Marked Down
	₹	₹
Khadi	5,600	360
Silk	10,000	2,000

All the goods marked down, were sold except Silks of the value of ₹ 5,000 marked down by ₹ 1,000.

(4) At the time of stock-taking on December 31, 20X1 it was discovered that Khadi cloth of the cost of ₹390 was missing and it was decided that the amount be written off.

You are required to prepare for both the departments for the year 20X1.

(a) The Memorandum Stock Account; and

(b) The Memorandum Mark up Account.

(10 Marks)

(B) M/s ABC & Co. has head office at New York (U.S.A.) and branch in Bangalore (India). Bangalore branch is an integral foreign operation of ABC & Co.

Bangalore branch furnishes you with its trial balance as on 31st March, 20X2 and the additional information given thereafter:

	Dr.	**Cr.**
	(Rupees in thousands)	
Stock on 1st April, 20X1	300	
Purchases and sales	800	1,200
Sundry Debtor & Creditors	400	300
Bills of Exchange	120	240
Wages & Salaries	560	-
Rent, Rates & Taxes	360	-
Sundry Charges	160	-
Computers	240	-
Bank Balance	420	-
New york Office A/c	-	1,620
	3,360	3,360

Additional Information:

(a) Computers were acquired from a remittance of US $ 6,000 received from New York head office and paid to the suppliers. Depreciate computers at 60% for the year.

(b) Unsold stock of Bangalore branch was worth ₹ 4,20,000 on 31st March, 20X2.

(c) The rates of exchange may be taken as follows:

- On 01.04.20X1 @ ₹ 55 per US $
- On 31.03.20X2 @ ₹ 60 per US $
- Average exchange rate for the year @ ₹ 58 per US $

- Conversion in $ shall be made up to two decimal accuracy.

You are asked to prepare in US dollars the revenue statement for the year ended 31st March, 20X2 and the balance sheet as on that date of Bangalore branch as would appear in the books of New York head office of ABC & Co. You are informed that Bangalore branch account showed a debit balance of US $ 29845.35 on 31.3.20X2 in New York books and there were no items pending reconciliation.

(10 Marks)

Question 6.

(A) Following is the extract of the Balance Sheet of Madhu Ltd. as at 31st March, 2020

	₹
Authorized capital:	
45,000 12% Preference shares of ₹ 10 each	4,50,000
6,00,000 Equity shares of ₹ 10 each	60,00,000
	64,50,000
Issued and Subscribed capital:	
36,000 12% Preference shares of ₹ 10 each fully paid	3,60,000
4,05,000 Equity shares of ₹ 10 each, ₹ 8 paid up	32,40,000
Reserves and surplus:	
General Reserve	5,40,000
Capital Redemption Reserve	1,80,000
Securities premium (collected in cash)	1,12,500
Profit and Loss Account	9,00,000

On 1st April, 2020, the Company has made final call @ ₹ 2 each on 4,05,000 equity shares. The call money was received by 20th April, 2020. Thereafter, the company decided to capitalize its reserves by way of bonus at the rate of one share for every four shares held by utilizing the balance of profit and loss account to the minimum extent .

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, 2020 after bonus issue.

(5 Marks)

(B) The premises of Anmol Ltd. caught fire on 22nd January 20X2, and the stock was damaged. The firm makes account up to 31st March each year. On 31st March, 20X1 the stock at cost was ₹ 6,63,600 as against ₹ 4,81,100 on 31st March, 20X0.

Purchases from 1st April, 20X1 to the date of fire were ₹ 17,41,350 as against ₹ 22,62,500 for the full year 20X0-X1 and the corresponding sales figures were ₹ 24,58,500 and ₹ 26,00,000 respectively. You are given the following further information:

i. In July, 20X1, goods costing ₹ 50,000 were given away for advertising purposes, no entries being made in the books.
ii. During 20X1-X2, a clerk had misappropriated unrecorded cash sales. It is estimated that the defalcation averaged ₹ 1,000 per week from 1st April, 20X1 until the clerk was dismissed on 18th August, 20X1.
iii. The rate of gross profit is constant.

You are required to calculate the value of stock in hand on the date of fire with the help of above information.

(5 Marks)

(C) The following are the extracts from the Balance Sheet of Hari Ltd. as on 31st March, 2020:

Share capital: 75,000 Equity shares of ₹10 each fully paid – ₹7,50,000; 2,250 10% Redeemable preference shares of ₹100 each fully paid – ₹ 2,25,000.

Reserve & Surplus: Capital reserve – ₹ 1,50,000; General reserve –₹ 1,50,000; Profit and Loss Account – ₹1,12,500.

On 1st April 2020, the Board of Directors decided to redeem the preference shares at premium of 10% by utilization of reserves.

You are required to prepare necessary Journal Entries including cash transactions in the books of the company.

(5 Marks)

(D) What are the qualitative characteristics of the financial statements which improve the usefulness of the information furnished therein?

(5 Marks)

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