

MOCK TEST

ACCOUNTING (Group 1)

INVESTMENT AND CASH FLOW

Time allowed 1.5 Hours

Marks 50

ATTEMPT ALL QUESTIONS

Question. 1

(10 Marks)

Explain: (i) Investments (ii) current investment (iii) long term investment (iv) Fair value (v) Market value
(vi) Classification of Investments (vii) Reclassification of Investments

Question.2.

(10 Marks)

Mr. Harsh provides the following details relating to his holding in 10% debentures (face value of ₹ 100 each) of Exe Ltd., held as current assets:

01.04.2019	Opening balance – 12,500 debentures, cost ₹ 12,25,000
01.06.2019	Purchased 9,000 debentures @ 98 each ex-interest
01.11.2019	Purchased 12,000 debentures @ ₹ 115 each cum-interest
31.01.2020	Sold 13,500 debentures @ ₹ 110 each cum-interest
31.03.2020	Market value of debentures @ ₹ 115 each

Due dates of interest are 30th June and 31st December.

Brokerage at 1% is to be paid for each transaction. Mr. Harsh closes his books on 31.03.2019. Show investment account as it would appear in his books assuming FIFO method is followed.

Question. 3.

(10 Marks)

XYZ Limited held on 1st April, 2019, 1000 9% Government Securities at ₹ 90,000. (Face Value of Security ₹ 100 each) : Three month's interest had accrued on the above date. Interest on the security was paid each year on 30th June and 31st December and was credited by the bank on the same date.

On 1st May, the company purchased the same Government Securities of the face value of ₹ 80,000 at ₹ 95 cum-interest.

On 1st June, ₹ 60,000 face value of the security was sold at ₹ 94 cum-interest.

On 30th September ₹ 40,000 face value of the Govt. securities were sold at ₹ 97 cum-interest.

On 1st December, the company purchased the same security ₹ 10,000 at par ex-interest.

On 1st March, the company sold ₹ 10,000 face value of the government securities at ₹ 95 ex-interest.

You are required to draw up the 9% Government Securities Account in the books of XYZ Limited. FIFO method shall be followed. Calculation shall be made to the nearest rupee or multiple thereof.

Question. 4.

(4 Marks)

Explain Operating activities with example.

Question. 5.

(4 Marks)

Explain Investing activities with example.

Question. 6.**(4 Marks)**

Prepare cash flow from investing activities as per AS 3 of M/s Subham Creative Limited for year ended 31.03.2020.

Particulars	Amount (₹)
Machinery acquired by issue of shares at face value	2,00,000
Claim received for loss of machinery in earthquake	55,000
Unsecured loans given to associates	5,00,000
Interest on loan received from associate company	70,000
Pre-acquisition dividend received on investment made	52,600
Debenture interest paid	1,45,200
Term loan repaid	4,50,000
Interest received on investment (TDS of ₹ 8,200 was deducted on the above interest)	73,800
Purchased debentures of X Ltd., on 1 st December, 2019 which are redeemable within 3 months	3,00,000
Book value of plant & machinery sold (loss incurred ₹ 9,600)	90,000

Question. 7.**(8 Marks)**

Prepare cash flow for ABC Ltd., using Direct Method for the year ending 31-3-2020 from the following information:

- (1) Sales for the year amounted to ₹ 270 Lakh out of which 50% was cash sales.
- (2) Purchases for the year amounted to ₹ 60 lakh out of which credit purchases were 80%.
- (3) Administrative expenses amounted to ₹ 18 lakh. Salary of ₹ 16 lakh was charged to profit and loss account for the year. Salary of ₹ 4 lakh was outstanding as on 31-03-2020. (Salary does not form part of Administrative expenses)
- (4) The company has 15% debentures of ₹ 10 lakh, which it redeemed during the year at a premium of 10% by issue of equity shares of ₹ 9 lakh towards redemption and the balance was paid in cash. Debenture interest was also paid during the year.
- (5) Dividend paid during the year amounted to ₹ 12 lakh. (including dividend distribution tax)
- (6) Investment costing ₹ 10 lakh were sold at a profit of ₹ 2.50 lakh.
- (7) Income tax payable for the year was ₹ 80,000.
- (8) Depreciation of 25% is charged by the company on opening balance of Plant and Machinery. At the year end one old plant costing ₹ 5,00,000 (WDV 2,00,000) was sold for ₹ 3,50,000.
- (9) The following balances are also provided:

	₹ in Lakh 31-03-2019	₹ in Lakh 31-03-2020
Debtors	40	45
Creditors	20	23
Bank	5	-
Plant & Machinery	50	70
Provision for tax	1	0.7

