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MOCK TEST -2

CA INTER

(13-02-2022)

PAPER 1 – ACCOUNTING

TOPICS COVERED

ACCOUNTING STANDARD 2

ACCOUNTING STANDARD 12

DEPARTMENTAL ACCOUNTS

INCOMPLETE RECORDS

BONUS AND RIGHT ISSUE

REDEMPTION OF PREFERENCE SHARES

Roll No ………………

Total No. of Question: 6	**Total No. of Printed Pages: 6**
Time allowed: 3 hours	**Maximum Marks: 100**

Question No. 1 is compulsory.

Candidates are required to **answer any four questions from the remaining five questions.**

Working notes should from part of the answer.

Whenever necessary, suitable assumptions may be made and indicated in the answer by the candidates.

Question 1 (a) **(5 Marks)**

What are the advantages of Departmental Accounting?

Question 1 (b) **(5 Marks)**

What are the advantages and disadvantages of a rights issue?

Question 1 (c) **(5 Marks)**

Viva Ltd. received a specific grant of Rs. 30 lakhs for acquiring the plant of Rs. 150 lakhs during 2007-08 having useful life of 10 years. The grant received was credited to deferred income in the balance sheet. During 2010-11, due to non-compliance of conditions laid down for the grant, the company had to refund the whole grant to the Government. Balance in the deferred income on that date was Rs. 21 lakhs and written down value of plant was Rs. 105 lakhs.

(i) What should be the treatment of the refund of the grant and the effect on cost of the fixed asset and the amount of depreciation to be charged during the year 2010-11 in profit and loss account?

(ii) What should be the treatment of the refund, if grant was deducted from the cost of the plant during 2007-08 assuming plant account showed the balance of Rs. 84 lakhs as on 1.4.2010?

Question 1(d) **(5 Marks)**

Mr. Mehul gives the following information relating to items forming part of inventory as on 31-3-2019. His factory produces Product X using Raw material A.

(a) 600 units of raw material A (purchased @ Rs. 120). Replacement cost of raw material A as on 31-3-2019 is Rs. 90 per unit.

(b) 500 units of partly finished goods in the process of producing X and cost incurred till date Rs. 260 per unit. These units can be finished next year by incurring additional cost of Rs. 60 per unit.

(c) 1500 units of finished Product X and total cost incurred Rs. 320 per unit. Expected selling price of Product X is Rs. 300 per unit.

Determine how each item of inventory will be valued as on 31-3-2019. Also calculate the value of total inventory as on 31-3-2019.

Question 2 **(20 Marks)**

The Summarized Balance Sheet of ABC Ltd. as on 31st March, 2020 is as follows:

	Particulars	(₹)
	EQUITY AND LIABILITIES	
1.	Shareholder's funds:	
	(a) Share capital	5,80,000
	(b) Reserves and Surplus	96,000
2.	Current Liabilities:	
	Trade Payable	1,13,000
	Total	7,89,000
	ASSETS:	
1.	Non-Current Assets	

(a) Property, Plant and Equipment	
Tangible Assets	6,90,000
(b) Non-current investments	37,000
2. Current-Assets	
Cash and cash equivalents (Bank)	62,000
Total	7,89,000

The Share Capital of the company consists of ₹ 50 each Equity shares of ₹ 4,50,000 and ₹ 100 each 8% Redeemable Preference Shares of ₹ 1,30,000 (issued on 1.4.2019).

Reserves and Surplus comprises statement of profit and loss only.

In order to facilitate the redemption of preference shares at a premium of 10%, the Company decided:

(a) to sell all the investments for ₹ 30,000.

(b) to finance part of redemption from company funds, subject to, leaving a Bank balance of ₹ 24,000.

(c) to issue minimum equity share of ₹ 50 each at a premium of ₹ 10 per share to raise the balance of funds required.

You are required to:

(1) Pass Journal Entries to record the above transactions.

(2) Prepare Balance Sheet after completion of the above transactions.

Question 3 **(20 Marks)**

From the following information in respect of Mr. Preet, prepare Trading and Profit and Loss Account for the year ended 31st March, 2020 and a Balance Sheet as at that date:

		31-03-2019	31-03-2020
(1)	Liabilities and Assets	₹	₹
	Stock in trade	1,60,000	1,40,000
	Debtors for sales	3,20,000	?
	Bills receivable	-	?
	Creditors for purchases	2,20,000	3,00,000
	Furniture at written down value	1,20,000	1,27,000
	Expenses outstanding	40,000	36,000
	Prepaid expenses	12,000	14,000
	Cash on hand	4,000	3,000
	Bank Balance	20,000	1,500
(2)	Receipts and Payments during 2019-2020:		
	Collections from Debtors		
	(after allowing 2-1/2% discount)		11,70,000
	Payments to Creditors (after receiving 2% discount)		7,84,000
	Proceeds of Bills receivable discounted at 2%)		1,22,500
	Proprietor's drawings		1,40,000

	Purchase of furniture on 30.09.2019		20,000
	12% Government securities purchased on 01-10-2019		2,00,000
	Expenses		3,50,000
	Miscellaneous Income		10,000
(3)	Sales are effected so as to realize a gross profit of 50% on the cost.		
(4)	Capital introduced during the year by the proprietor by cheques was omitted to be recorded in the Cash Book, though the bank balance on 31st March, 2020 (as shown above), is after taking the same into account.		
(5)	Purchases and Sales are made only on credit.		
(6)	During the year, Bills Receivable of ₹2,00,000 were drawn on debtors. out of these, Bills amount to ₹40,000 were endorsed in favour of creditors. Out of this latter amount, a Bill for ₹ 8,000 was dishonoured by the debtor.		

Question 4 (a) **(10 Marks)**

ABC Ltd. has several departments. Goods supplied to each department are debited to a Memorandum Departmental Stock Account at cost plus a fixed percentage (mark-up) to give the normal selling price. The amount of mark-up is credited to a Memorandum Departmental Markup account. If the selling price of goods is reduced below its normal selling prices, the reduction (mark-down) will require adjustment both in the stock account and the mark-up account. The mark-up for department X for the last three years has been 20%. Figures relevant to department X for the year ended 31st March, 2020 were as follows:

Stock as on 1st April, 2019, at cost	₹ 1,50,000
Purchases at cost	₹ 4,30,000
Sales	₹ 6,50,000

It is further ascertained that:

(1) Shortage of stock found in the year ending 31.3.2020, costing ₹ 4,000 were written off.

(2) Opening stock on 1.4.2019 including goods costing ₹ 12,000 had been sold during the year and had been marked - down in the selling price by ₹ 1,600. The remaining stock had been sold during the year.

(3) Goods purchased during the year were marked down by ₹ 3,600 from a cost of ₹ 30,000. Marked-down stock costing ₹ 10,000 remained unsold on 31.3.2020.

(4) The departmental closing stock is to be valued at cost subject to adjustment for mark-up and mark-down.

You are required to prepare for the year ended 31st March, 2020:

(i) Departmental Trading Account for department X for the year ended 31st March, 2020 in the books of head office.

(ii) Memorandum Stock Account for the year ended 31st March, 2020.

(iii) Memorandum Mark-Up account for the year ended 31st March, 2020.

Question 4(b) **(10 Marks)**

The capital structure of a company consists of 20,000 Equity Shares of ₹10 each fully paid up and 1,000 8% Redeemable Preference Shares of ₹100 each fully paid up (issued on 1.4.2019).

Undistributed reserve and surplus stood as: General Reserve ₹80,000; Profit and Loss Account ₹20,000; Investment Allowance Reserve out of which ₹5,000, (not free for distribution as dividend) ₹10,000; Securities Premium ₹2,000, Cash at bank amounted to ₹98,000. Preference shares are to be redeemed at a Premium of

10% and for the purpose of redemption, the directors are empowered to make fresh issue of Equity Shares at par after utilising the undistributed reserve and surplus, subject to the conditions that a sum of ₹20,000 shall be retained in general reserve and which should not be utilised.

Pass Journal Entries to give effect to the above arrangements and also show how the relevant items will appear in the Balance Sheet of the company after the redemption carried out.

Question 5 **(20 Marks)**

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, 2020 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.)	1,500	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 (₹)
Carriage inwards	1,500
Carriage outwards	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, 2020 after providing provision for Bad Debts at 5%.

Question 6(a) **(5 Marks)**

The closing stock of finished goods at cost of a company amounted to ₹4,50,000. The following items were included at cost in the total:

(a) 100 coats, which had cost ₹2,200 each and normally sold for ₹4,000 each. Owing to a defect in manufacture, they were all sold after the balance sheet date at 50% of their normal selling price.

(b) 200 skirts, which had cost ₹50 each. These too were found to be defective. Remedial work in April cost ₹2 per skirt, and selling expenses for the batch totaled ₹200. They were sold for ₹55 each.

(c) Shirts which had cost ₹50,000, their net realizable value at Balance sheet date was ₹55,000. Commission @ 10% on sales is payable to agents.

What should the inventory value be according to AS 2 after considering the above items?

Question 6 (b) **(5 Marks)**

On 01.04.2014, XYZ Ltd. received Government grant of ₹100 Lakhs for an acquisition of new machinery costing ₹500 Lakhs. The grant was received and credited to the cost of the assets. The life span of the machinery is 5 years. The machinery is depreciated at 20% on WDV method.

The company had to refund the entire grant on 2nd April, 2017 due to non-fulfilment of certain conditions which was imposed by the government at the time of approval of grant.

How do you deal with the refund of grant to the Government in the books of XYZ Ltd., as per AS 12?

Question 6 (c) **(10 Marks)**

Following is the extract of the Balance Sheet of Xeta Ltd. as at 31st March, 2019:

	₹
Authorised capital:	
4,00,000 Equity shares of ₹ 10 each	40,00,000
50,000 12% Preference shares of ₹ 10 each	5,00,000
	45,00,000
Issued and Subscribed capital:	
2,70,000 Equity shares of ₹ 10 each, ₹ 8 paid up	21,60,000
24,000 12% Preference shares of ₹ 10 each fully paid	2,40,000
Reserves and surplus:	
General Reserve	3,60,000
Securities premium	1,00,000
Profit and Loss Account	6,00,000

On 1st April, 2019, the Company has made final call @ ₹ 2 each on 2,70,000 equity shares. The call money was received by 20th April, 2019. Thereafter, the company decided to capitalize its reserves by way of bonus at the rate of one share for every four shares held.

Show necessary journal entries in the books of the company and prepare the extract of the balance sheet as on 30th April, 2019 after bonus issue.

********All the Best********

SPACE FOR ROUGH WORK