

# M.K.G CA EDUCATION

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## MOCK TEST -3

### CA INTER

(13-03-2022)

## PAPER 1 – ACCOUNTING

### TOPICS COVERED

1. AS 2
2. Accounts from incomplete records
3. AS 12
4. Departmental Accounts
5. Bonus issue
6. Right issue
7. Redemption of preference shares
8. AS 1
9. Managerial remuneration
10. Financial statement of companies
11. Profit or loss prior to incorporation
12. Redemption of debentures

Roll No .....

Total No. of Question: 6

Time allowed: 3 hours

Total No. of Printed Pages: 9

Maximum Marks: 100

**Question No. 1 is compulsory.**

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

Working notes should form part of the answer.

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

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

Mr. Rakshit gives the following information relating to items forming part of inventory as on 31<sup>st</sup> March, 2019. His factory produces product X using raw material A.

- (i) 800 units of raw material A (purchased @ ₹ 140 per unit). Replacement cost of raw material A as on 31<sup>st</sup> March, 2019 is ₹ 190 per unit.
- (ii) 650 units of partly finished goods in the process of producing X and cost incurred till date ₹ 310 per unit. These units can be finished next year by incurring additional cost of ₹ 50 per unit.
- (iii) 1,800 units of finished product X and total cost incurred ₹ 360 per unit.

Expected selling price of product X is ₹ 350 per unit.

In the context of AS-2, determine how each item of inventory will be valued as on 31<sup>st</sup> March, 2019. Also, calculated the value of total inventory as on 31<sup>st</sup> March, 2019.

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

What is meant by Bonus issue? Explain its related provisions as per the Companies Act, 2013.

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

The Accountant of Mobile Limited has sought your opinion with relevant reasons, whether the following transactions will be treated as change in Accounting Policy or not for the year ended 31<sup>st</sup> March, 2019. Please advise him in the following situations in accordance with the provisions of relevant Accounting Standard;

- (i) Provision for doubtful debts was created @ 2% till 31<sup>st</sup> March, 2018. From the Financial year 2018-2019, the rate of provision has been changed to 3%.
- (ii) During the year ended 31<sup>st</sup> March, 2019, the management has introduced a formal gratuity scheme in place of ad-hoc ex-gratia payments to employees on retirement.
- (iii) Till the previous year the furniture was depreciated on straight line basis over a period of 5 years. From current year, the useful life of furniture has been changed to 3 years.
- (iv) Management decided to pay pension to those employees who have retired after completing 5 years of service in the organization. Such employees will get pension of ₹ 20,000 per month. Earlier there was no such scheme of pension in the organization.
- (v) During the year ended 31<sup>st</sup> March, 2019, there was change in cost formula in measuring the cost of inventories.

**Question 1(d)****(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 2**

**(20 Marks)**

Following is the trial balance of ABC Limited as on 31.3.2020.

**(Figures in ₹ 000)**

Particulars	Debit	Particulars	Credit
Land at cost	800	Equity capital (shares of ₹ 10 each)	500
Calls in arrears	5	10% Debentures	300
Cash in hand	2	General reserve	150
Plant & Machinery at cost	824	Profit & Loss A/c (F.Y. 2018-19)	75
Trade receivables	120	Securities premium	40
Inventories (31-3-20)	96	Sales	1200
Cash at Bank	28	Trade payables	30
Adjusted Purchases	400	Provision for depreciation	150
Factory expenses	80	Suspense Account	10
Administrative expenses	45		
Selling expenses	25		
Debenture Interest	30		
	2455		2455

\* It has been considered that the fair value of the investments on the date of transfer is same as the market value on the balance sheet date.

**Additional Information:**

- (i) The authorized share capital of the company is 80,000 shares of ₹ 10 each.  
(ii) The company revalued the land at ₹ 9,60,000.  
(iii) Equity capital includes shares of ₹ 50,000 issued for consideration other than cash.  
(iv) Suspense account of ₹ 10,000 represent cash received from the sale of some of the machinery on 1.4.2019.

The cost of the machinery was ₹ 24,000 and the accumulated depreciation thereon being ₹20,000.

- (v) Depreciation is to be provided on plant and machinery at 10% on cost.  
(vi) Balance at bank includes ₹ 5,000 with Abhay Bank Ltd., which is not a Scheduled Bank.

You are required to prepare ABC Limited's Balance Sheet as on 31.3.2020 and Statement of Profit and Loss with notes to accounts for the year ended 31.3.2020 as per Schedule III. Ignore previous year's figures & taxation.

**Question 3****(20 Marks)**

The Summarized Balance Sheet of BEE Co. Ltd. (unlisted company other than AIFI, Banking company, NBFC and HFC) as on 31st March, 2021 is as under:

Particulars	Note No	₹
<b>I. Equity and liabilities</b>		
<b>(1) Shareholder's Funds</b>		
(a) Share Capital	1	2,00,000
(b) Reserves and Surplus	2	1,20,000
<b>(2) Non-current liabilities</b>		
(a) Long term borrowings	3	1,20,000
<b>(3) Current Liabilities</b>		
(a) Trade payables		1,15,000
<b>Total</b>		5,55,000
<b>II. Assets</b>		
<b>(1) Non-current assets</b>		
(a) Property, Plant and Equipment	4	1,15,000
<b>(2) Current assets</b>		
(a) Inventories		1,35,000
(b) Trade receivables		75,000
(c) Cash and bank balances	5	2,30,000
<b>Total</b>		5,55,000

**Notes to Accounts**

		₹
<b>1. Share Capital</b>		
<b>Authorised share capital</b>		
30,000 shares of ₹ 10 each fully paid		<u>3,00,000</u>
<b>Issued and subscribed share capital</b>		
20,000 shares of ₹ 10 each fully paid		<u>2,00,000</u>
<b>2. Reserve and Surplus</b>		
Profit & Loss Account		1,20,000
<b>3. Long term borrowings</b>		
12% Debentures		1,20,000
<b>4. Property, Plant and Equipment</b>		
Freehold property		1,15,000
<b>5. Cash and bank balances</b>		
Cash at bank	2,00,000	
Cash in hand	<u>30,000</u>	2,30,000

At the Annual General Meeting, it was resolved:

- To give existing shareholders the option to purchase one ₹ 10 share at ₹ 15 for every four shares (held prior to the bonus distribution), this option being taken up by all shareholders.
- To issue one bonus share for every five shares held.
- To repay the debentures at a premium of 3%.

Give the necessary journal entries and the company's Balance Sheet after these transactions are completed.

**Question 4 (a)**

**(10 Marks)**

The partners of C&G decided to convert their existing partnership business into a private limited called CG trading Pvt. Ltd. with effect from 1.7.2018.

The same books of accounts were continued by the company which closed its accounts for the first term on 31.3.2019. The summarized profit & loss account for the year ended 31.3.2019 is below:

Particulars	₹ in lakhs	₹ in lakhs
Turnover	245.00	
Interest on investments	6.00	251.00
<b>Less:</b> Cost of goods sold	124.32	
Advertisement	3.50	
Sales commission	7.00	
Salaries	18.00	
Managing Director's Remuneration	6.00	
Interest on Debenture	2.00	
Rent	5.50	
Bad debt	1.15	
Underwriting commission	1.00	
Audit fees	3.00	
Loss on sale of Investments	1.00	
Depreciation	4.00	176.47
		<b>74.53</b>

The following additional information was provided:

- The average monthly sales doubled from 1.7.2018, GP ratio was constant.
- All investment were sold on 31.5.2018
- Average monthly salaries doubled from 1.10.2018.
- The company occupied additional space from 1.7.2018 for which rent of ₹ 20,000 per month was incurred.
- Bad debts recovered amounting to ₹ 60,000 for a sale made in 2016-17 has been deducted from bad debts mentioned above.
- Audit fees pertains to the company.

Prepare a statement apportioning the expenses between pre and post incorporation periods and calculate the profit / loss for such periods.

**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)****(10 Marks)**

The following extract of Balance Sheet of Prabhat Ltd. (Non-investment Company) was obtained:  
Balance Sheet (Extract) as on 31<sup>st</sup> March, 2020:

<b>Liabilities</b>	<b>₹</b>
<b>Issued and subscribed capital:</b>	
30,000, 12 % preference shares of ₹100 each (fully paid)	30,00,000
24,00,000 equity shares of ₹ 10 each, ₹ 8 paid up	1,92,00,000
Share suspense account	40,00,000
<b>Reserve and Surplus:</b>	
Securities premium	1,00,000
Capital reserves (₹ 3,00,000 is revaluation reserve)	3,90,000
<b>Secured loans:</b>	
12% debentures	1,30,00,000
<b>Unsecured loans:</b>	
Public deposits	7,40,000
<b>Current liabilities:</b>	
Trade payables	6,90,000
Cash credit from SBI (short term)	9,30,000
<b>Assets</b>	
Investments in shares, debentures etc.	1,50,00,000
Profit & loss account (Dr. balance)	30,50,000

Share suspense account represents application money received on shares, the allotment of which is not yet made.

You are required to compute effective capital as per the provisions of Schedule V. Would your answer differ if Prabhat Ltd. is an investment company?

**Question 6 (b)****(10 Marks)**

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

	<b>₹</b>
<b>Authorised capital:</b>	
4,00,000 Equity shares of ₹ 10 each	40,00,000
50,000 12% Preference shares of ₹ 10 each	<u>5,00,000</u>
	<u>45,00,000</u>

<b>Issued and Subscribed capital:</b>	
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 1<sup>st</sup> April, 2019, the Company has made final call @ ₹ 2 each on 2,70,000 equity shares. The call money was received by 20<sup>th</sup> 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 30<sup>th</sup> April, 2019 after bonus issue.

**SPACE FOR ROUGH WORK**