

# M.K.G CA EDUCATION

9811429230 / 9212011367

WEBSITE : [WWW.MKGEDUCATION.COM](http://WWW.MKGEDUCATION.COM)

EMAIL : [MKGCAEDUCATION@GMAIL.COM](mailto:MKGCAEDUCATION@GMAIL.COM)

Youtube channel : MKG CA EDUCATION

Facebook Page : <https://www.facebook.com/mkgcaeducation/>

Instagram : <https://www.instagram.com/mkguptacaeducation/?hl=en>

## MOCK TEST -1

### CA INTER

(16-01-2022)

## PAPER 1 – ACCOUNTING

### TOPICS COVERED

1. ACCOUNTING STANDARD 2
2. ACCOUNTING STANDARD 12
3. DEPARTMENTAL ACCOUNTS
4. ACCOUNTS FROM INCOMPLETE RECORDS

Roll No .....

Total No. of Question: 6

Time allowed: 3 hours

Total No. of Printed Pages: 8

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)**

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

On 01.04.2017, 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 2<sup>nd</sup> April, 2020 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 1 (c)****(5 Marks)**

X Co. Limited purchased goods at the cost of Rs.40 lakhs in October, 2019. Till March, 2020, 75% of the stocks were sold. The company wants to disclose closing stock at Rs.10 lakhs. The expected sale value is Rs.11 lakhs and a commission at 10% on sale is payable to the agent. Advise, what is the correct closing stock to be disclosed as at 31.3.2020.

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

Viva Ltd. received a specific grant of Rs. 30 lakhs for acquiring the plant of Rs. 150 lakhs during 2017-18 having useful life of 10 years. The grant received was credited to deferred income in the balance sheet. During 2020-21, 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 2020-21 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 2017-18 assuming plant account showed the balance of Rs. 84 lakhs as on 1.4.2020?

**Question 2 (a)****(10 Marks)**

Archana Enterprises maintain their books of accounts under single entry system. The Balance Sheet as on 31<sup>st</sup> March, 2019 was as follows:

<b>Liabilities</b>	<b>Amount (₹)</b>	<b>Assets</b>	<b>Amount (₹)</b>
Capital A/c	6,75,000	Furniture & fixtures	1,50,000
Trade creditors	7,57,500	Stock	9,15,000
Outstanding exp.	67,500	Trade debtors	3,12,000
		Prepaid insurance	3,000
		Cash in hand & at bank	1,20,000
	<b>15,00,000</b>		<b>15,00,000</b>

The following was the summary of cash and bank book for the year ended 31<sup>st</sup> March, 2020:

<b>Receipts</b>	<b>Amount (₹)</b>	<b>Payments</b>	<b>Amount (₹)</b>
Cash in hand & at Bank on 1 <sup>st</sup> April, 2019	1,20,000	Payment to trade creditors	1,24,83,000
Cash sales	1,10,70,000	Sundry expenses paid	9,31,050
Receipts from trade debtors	27,75,000	Drawings	3,60,000
		Cash in hand & at Bank on 31 <sup>st</sup> March, 2020	1,90,950
	<b>1,39,65,000</b>		<b>1,39,65,000</b>

**Additional information:**

- (i) Discount allowed to trade debtors and received from trade creditors amounted to ₹54,000 and ₹42,500 respectively. (for the year ended 31<sup>st</sup> March, 2020)
- (ii) Annual fire insurance premium of ₹ 9,000 was paid every year on 1<sup>st</sup> August for the renewal of the Policy.
- (iii) Furniture & fixtures were subject to depreciation @ 15% p.a. on diminishing balance method.
- (iv) The following are the balances as on 31<sup>st</sup> March, 2020:

Stock	₹ 9,75,000
Trade debtors	₹ 3,43,000
Outstanding expenses	₹ 55,200

- (v) Gross profit ratio 10% on sales is maintained throughout the year.

You are required to prepare Trading and Profit & Loss account for the year ended 31<sup>st</sup> March, 2020, and Balance Sheet as on that date.

**Question 2 (b)****(10 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 3****(20 Marks)**

The following balances appeared in the books of M/s Sunshine Traders:

	As on 31-03-2019 (₹)	As on 31-03-2020 (₹)
Land and Building	2,50,000	2,50,000
Plant and Machinery	1,10,000	1,65,000
Office Equipment	52,500	42,500
Sundry Debtors	77,750	1,10,250
Creditors for Purchases	47,500	?
Provision for office expenses	10,000	7,500
Stock	?	32,500
Long Term loan from ABC Bank @ 10% per annum	62,500	50,000
Bank	12,500	?
Capital	4,65,250	?

**Other information was as follows:**

	<b>In (₹)</b>
- Collection from Sundry Debtors	4,62,500
- Payments to Creditors for Purchases	2,62,500
- Payment of office Expenses	21,000
- Salary paid	16,000
- Selling Expenses paid	7,500
- Total sales	6,25,000
Credit sales (80% of Total sales)	
- Credit Purchases	2,70,000
Cash Purchases (40% of Total Purchases)	
- Gross Profit Margin was 25% on cost	
- Discount Allowed	2,750
- Discount Received	2,250
- Bad Debts	2,250

- Depreciation to be provided as follows:

Land and Building - 5% per annum

Plant and Machinery - 10% per annum

Office Equipment - 15% Per annum

- On 01.10.2019 the firm sold machine having book value, ₹ 20,000 (as on 31.03.2019) at a loss of ₹7,500. New machine was purchased on 01.01.2020.

- Office equipment was sold at its book value on 01.04.2019.

- Loan was partly repaid on 31.03.2020 together with interest for the year.

You are required to prepare:

(i) Trading and Profit & Loss account for the year ended 31st March, 2020.

(ii) Balance Sheet as on 31st March 2020.

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

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 31<sup>st</sup> March, 2020.

	<b>₹ Per unit</b>
<b><u>Raw Material X</u></b>	
Cost price	380
Unloading Charges	20
Freight Inward	40
Replacement cost	300
<b><u>Chemical Y</u></b>	
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 20,000 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

- (a) Net realizable value of Chemical Y is ₹ 800 per unit  
 (b) Net realizable value of Chemical Y is ₹ 600 per unit

**Question. 4. (b)**

**(10 Marks)**

White Ltd. A fixed asset is purchased for Rs. 25 lakhs. Government grant received towards it is Rs. 10 lakhs. Residual Value is Rs. 5 lakhs and useful life is 5 years. Assume depreciation on the basis of Straight Line method. Asset is shown in the balance sheet net of grant. After 1 year, grant becomes refundable to the extent of Rs. 6 lakhs due to non compliance with certain conditions.

Pass journal entries for first two years.

**Question 5**

**(20 Marks)**

Z Ltd. has three departments and submits the following information for the year ending on 31st March, 2020:

	A	B	C	Total (₹)
Purchases (units)	6,000	12,000	14,400	
Purchases (Amount)				6,00,000
Sales (Units)	6,120	11,520	14,976	
Selling Price (per unit) ₹	40	45	50	
Closing Stock (Units)	600	960	36	

You are required to prepare departmental trading account of Z Ltd., assuming that the rate of profit on sales is uniform in each case.

**Question 6 (a)**

**(5 Marks)**

X Ltd. received a revenue grant of Rs.10 crores during 2016-17 from Government for welfare activities to be carried on by the company for its employees.

The grant prescribed the conditions for utilization.

However during the year 2018-19, it was found that the prescribed conditions were not fulfilled and the grant should be refunded to the Government.

State how this matter will have to be dealt with in the financial statements of X Ltd. for the year ended 2018-19.

**Question 6 (b)**

**(5 Marks)**

Wooden Plywood Limited has a normal wastage of 5% in the production process. During the year 2019-20, the Company used 16,000 MT of Raw material costing ₹ 190 per MT. At the end of the year, 950 MT of wastage was in stock. The accountant wants to know how this wastage is to be treated in the books. You are required to:

- (1) Calculate the amount of abnormal loss.
- (2) Explain the treatment of normal loss and abnormal loss. [In the context of AS-2 (Revised)]

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

Department A sells goods to Department B at a profit of 50% on cost and to Department C at 20% on cost. Department B sells goods to A and C at a profit of 25% and 15% respectively on sales. Department C charges 30% and 40% profit on cost to Department A and B respectively.

Stock lying at different departments at the end of the year are as under:

	Department A	Department B	Department C
Transfer from Department A	-	45,000	42,000
Transfer from Department B	40,000	-	72,000
Transfer from Department C	39,000	42,000	-

Calculate the unrealised profit of each department and also total unrealised profit.

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

**SPACE FOR ROUGH WORK**