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MOCK TEST - 1
CA INTER
(25-09-2022)
PAPER 1 – ACCOUNTING

TOPICS COVERED

1. **INVESTMENT ACCOUNTING**
2. **DEPARTMENTAL ACCOUNTING**
3. **AS 2**

Roll No …354128……………

Total No. of Question: 6 | **Total No. of Printed Pages: 7**

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.

Q.1. (a) **(5 x 4 = 20 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?

Q.1. (b)

Kunal Securities Ltd. wants to reclassify its investments in accordance with AS-13 (Revised). State the values, at which the investments have to be reclassified in the following cases:

(i) Long term investment in Company A, costing ₹ 10.5 lakhs is to be re-classified as current investment. The company had reduced the value of these investments to ₹ 9 lakhs to recognize a permanent decline in value. The fair value on the date of reclassification is ₹ 9.3 lakhs.

(ii) Long term investment in Company B, costing ₹ 14 lakhs is to be re-classified as current investment The fair value on the date of reclassification is ₹ 16 lakhs and book value is ₹ 14 lakhs.

(iii) Current investment in Company C, costing ₹12 lakhs is to be re-classified as long-term investment as the company wants to retain them. The market value on the date of reclassification is ₹ 13.5 lakhs.

(iv) Current investment in Company D, costing ₹ 18 lakhs is to be re-classified as long-term investment. The market value on the date of reclassification is ₹ 16.5 lakhs.

Q.1. (c)

Mr. Jatin gives the following information relating to the items forming part of the inventory as on 31.03.2019. His enterprise produces product P using Raw Material X.

(i) 900 units of Raw Material X (purchases @ ₹ 100 per unit). Replacement cost of Raw Material X as on 3103.2019 is ₹ 80 per unit

(ii) 400 units of partly finished goods in the process of producing P. Cost incurred till date is ₹ 245 per unit. These units can be finished next year by incurring additional cost of ₹ 50 per unit.

(iii) 800 units of Finished goods P and total cost incurred is ₹ 295 per unit.

Expected selling price of product P is ₹280 per unit, subject to a payment of 5% brokerage on selling price. Determine how each item of inventory will be valued as on 31.03.2019.

Also calculate the value of total Inventory as on 31.03.2019.

Q.1. (d)

A Limited invested in the shares of XYZ Ltd. On 1st December, 2019 at a cost of ₹ 50,000. Out of these shares, ₹ 25,000 shares were purchased with an intention to hold for 6 months and ₹ 25,000 shares were purchased with an intention to hold as long-term Investment.

A Limited also earlier purchased Gold of ₹ 1,00,000 and Silver of ₹ 30,00,000 on 1st April, 2019. Market value as on 31st March, 2020 of above investments are as follows:

Shares	₹ 47,500 (Decline in the value of shares is temporary.)
Gold	₹ 1,80,000
Silver	₹ 30,55,000

How above investments will be shown in the books of accounts of M/s A Limited for the year ended 31st March, 2020 as per the provisions of AS 13 (Revised)?

Q.2 **(20 Marks)**

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 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 31,2021:

	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, 2021 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 2021 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 that were marked down, were sold except Silks of the value of ₹ 5,000 (that were marked down by ₹ 1,000).

(4) At the time of stock-taking on December 31, 2021 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 2021 The Memorandum Stock Account; The Memorandum Mark up Account and Extract of Profit and Loss Account.

Q. 3 **(20 Marks)**

The following transactions of Nidhi took place during the year ended 31.03.2022

1st April	Purchased ₹ 12,00,000, 8% bonds of ₹100 at ₹ 80.50 cum-interest. Interest is payable on 1st November and 1st May.
12th April	Purchased 1,00,000 equity shares of ₹ 10 each in X Ltd. for ₹ 40,00,000
1st May	Received half-year's interest on 8% bonds
15th May	X Ltd. made a bonus issue of three equity shares for every two held. Nidhi sold 1,25,000 bonus shares for ₹ 20 each
1st October	Sold ₹ 3,00,000, 8% bonds at ₹ 81 ex-interest.
1st November	Received half-year's bond interest.
1st December	Received 18% interim dividend on equity shares (including bonus shares) in X Ltd.

Prepare the relevant investment account in the books of Nidhi for the year ended 31.03.2022.

Q. 4 **(20 Marks)**

M/s. Suman Enterprises has two Departments, Finished Leather and Shoes. Shoes are made by the Firm itself out of leather supplied by Leather Department at its usual selling price. From the following figures, prepare Departmental Trading and Profit & Loss Account for the year ended 31st March, 2023:

	Finished Leather Department (₹)	**Shoes Department (₹)**
Opening Stock (As on 01.04.2022)	30,20,000	4,30,000
Purchases	1,50,00,000	2,60,000
Sales	1,80,00,000	45,20,000
Transfer to Shoes Department	30,00,000	-
Manufacturing Expenses	-	5,00,000
Selling Expenses	1,50,000	60,000
Rent and Warehousing	5,00,000	3,00,000
Stock on 31.03.2023	12,20,000	5,00,000

The following further information are available for necessary consideration:

(i) The stock in Shoes Department may be considered as consisting of 75% of Leather and 25% of other expenses.

(ii) The Finished Leather Department earned a Gross Profit @ 15% in 2021-22.

(iii) General expenses of the business as a whole amount to ₹ 8,50,000.

Q. 5 **(20 Marks)**

Smart Investments made the following investments in the year 2021-22:

12% State Government Bonds having nominal value ₹100

Date	Particulars
01.04.2021	Opening Balance (1200 bonds) book value of ₹ 126,000
02.05.2021	Purchased 2,000 bonds @ ₹ 100 cum interest
30.09.2021	Sold 1,500 bonds at ₹ 105 ex interest

Interest on the bonds is received on 30th June and 31st Dec. each year:

Equity Shares of X Ltd.	
15.04.2021	Purchased 5,000 equity shares @ ₹ 200 on cum right basis Brokerage of 1% was paid in addition (Nominal Value of shares ₹ 10)
03.06.2021	The company announced a bonus issue of 2 shares for every 5 shares held.
16.08.2021	The company made a rights issue of 1 share for every 7 shares held at ₹250 per share. The entire money was payable by 31.08.2021.
22.08.2021	Rights to the extent of 20% was sold @ ₹60. The remaining rights were subscribed.
02.09.2021	Dividend @ 15% for the year ended 31.03.2021 was received on 16.09.2021
15.12.2021	Sold 3000 shares @ ₹300. Brokerage of 1% was incurred extra
15.01.2022	Received interim dividend @ 10% for the year 2021 –22
31.03.2022	The shares were quoted in the stock exchange @ ₹220

Prepare Investment Accounts in the books of Smart Investments. Assume that the average cost method is followed and no dividend is received on bonus shares as bonus shares are declared on 03.06.2021 and dividend pertains to the year ended 31.03.2021.

Q. 6. (a) **(10 Marks)**

Department R sells goods to Department S at a profit of 25% on cost and Department T at 10% profit on cost. Department S sells goods to R and T at a profit of 15% and 20% on sales respectively. Department T charges 20% and 25% profit on cost to Department R and S respectively.

Department managers are entitled to 10% commission on net profit subject to unrealised profit on departmental sales being eliminated. Departmental profits after charging manager's commission, but before adjustment of unrealised profit are as under:

Department R	54,000
Department S	40,500
Department T	27,000

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

	Deptt. R ₹	Deptt. S ₹	Deptt. T ₹
Transfer from Department R	--	22,500	16,500
Transfer from Department S	21,000	-	18,000
Transfer from Department T	9,000	7,500	-

Find out the correct departmental profits after charging manager's commission.

Q. 6. (b) **(10 Marks)**

P Ltd. had 8,000 equity shares of K Ltd., at a book value of ₹ 15 per share (face value of ₹ 10 each) on 1st April,2019. On 1st September, 2019, P Ltd. acquired another 2,000 equity shares of K Ltd. at a premium of ₹4 per share. K Ltd. announced a bonus and right issue for existing shareholders.

The term of bonus and right issue were:

(i) Bonus was declared at the rate for two equity shares for every five shares held on 30th September, 2019.

(ii) Right shares are to be issued to the existing shareholders on 1st December, 219. The Company had issued two right shares for every seven shares held at 25% premium on face value. No dividend was payable on these shares. The whole sum being payable by 31st December, 2019.

(iii) Existing shareholders were entitled to transfer their right to outsiders either wholly or in part.

(iv) P Ltd. exercised its option under the issue for 50% of its entitlements and sold the remaining rights for ₹ 8 per share.

(v) Dividend for the year ended 31st March,2019 at the rate of 20% was declared by K Ltd. and received by P Ltd. on 20th January, 2020.

(vi) On 1st February, 2020, P Ltd. sold half of its shareholdings at a premium of ₹ 4 per share.

(vii) The market price of share on 31st March,2020 was ₹13 per share.

You are required to prepare the Investment account of P Ltd. for the year ended 31st March,2020 and determine the value of shares held on that date, assuming the investment as current investment. Consider average cost basis for ascertainment for cost for equity shares sold.

SPACE FOR ROUGH WORK