M.K.G CA EDUCATION

9811429230 / 9212011367

WEBSITE : WWW.MKGEDUCATION.COM
EMAIL : MKCAEDUCATION@GMAIL.COM
Youtube channel: MKG CA EDUCATION
Facebook Page : https://www.facebook.com/mkgcaeducation/
Instagram : https://www.instagram.com/mkcaeducation/

MOCK TEST -3

CA INTER (20-11-2022)

PAPER 1 – ACCOUNTING

TOPICS COVERED

1. INVESTMENT ACCOUNTS
2. DEPARTMENTAL ACCOUNTS
3. ACCOUNTING STANDARD 2
4. INCOMPLETE RECORDS
5. PROFIT OR LOSS PRE POST INCORPORATION
6. REDEMPTION OF PREFERENCE SHARES
7. BONUS AND RIGHT ISSUE

Roll No …365487……………

Total No. of Question: 6 | **Total No. of Printed Pages: 10**

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)**

ABC Ltd. wants to re-classify its investments in accordance with AS 13 (Revised). Decide and state on the amount of transfer, based on the following information:

(1) A portion of current investments purchased for ₹20 lakhs, to be reclassified as long term investment, as the company has decided to retain them. The market value as on the date of Balance Sheet was ₹25 lakhs.

(2) Another portion of current investments purchased for ₹15 lakhs, to be reclassified as long term investments. The market value of these investments as on the date of balance sheet was ₹6.5 lakhs.

(3) Certain long term investments no longer considered for holding purposes, to be reclassified as current investments. The original cost of these was ₹18 lakhs but had been written down to ₹12 lakhs to recognise other than temporary decline as per AS 13 (Revised).

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

What are the advantages of departmental accounting?

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

Write difference between statement of affairs and balance sheet.

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

Lotus Ltd. was incorporated on 1st July, 2019 to acquire a running business of Feel goods with effect from 1st April, 2019. During the year 2019-20, the total sales were ₹ 48,00,000 of which ₹ 9,60,000 were for the first six months. The Gross profit of the company ₹ 7,81,600. The expenses debited to the Profit & Loss statement included:

(i) Director's fees ₹ 60,000
(ii) Bad debts ₹ 14,400
(iii) Advertising ₹ 48,000 (under a contract amounting to ₹ 4,000 per month)
(iv) Salaries and General Expenses ₹ 2,56,000
(v) Preliminary Expenses written off ₹ 20,000
(vi) Donation to a political party given by the company ₹ 20,000.

Prepare a statement showing pre-incorporation and post-incorporation profit for the year ended 31st March, 2020.

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

The partners of Ojasvi Enterprises decided to convert the partnership firm into a Private Limited Company Tejasvi (P) Ltd. with effect from 1st January, 2019. However, company could be incorporated only on 1st June, 2019. The business was continued on behalf of the company and the consideration of ₹ 6,00,000 was settled on that day along with interest @ 12% per annum. The company availed loan of ₹ 9,00,000 @ 10% per annum on 1st June, 2019 to pay purchase consideration and for working capital. The company closed its accounts for the first time on 31st March, 2020 and presents you the following information:

	₹	₹
Sales		19,80,000

Cost of goods sold	11,88,000	
Discount to dealers	46,200	
Directors' remuneration	60,000	
Salaries	90,000	
Rent	1,35,000	
Interest	1,05,000	
Depreciation	30,000	
Office expenses	1,05,000	
Preliminary expenses (to be written off in first year itself)	15,000	
		17,74,200
Profit		2,05,800

Sales from June, 2019 to December, 2019 were 2½ times of the average sales, which further increased to 3½ times in January to March quarter, 2019. The company recruited additional work force to expand the business. The salaries from July, 2019 doubled. The company also acquired additional showroom at monthly rent of ₹10,000 from July, 2019.

You are required to prepare a statement showing apportionment of cost and revenue between pre - incorporation and post-incorporation periods.

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

Bumbum Limited gives you the following information as at 31st March, 2021:

	₹
Authorized capital:	
50,000 Equity shares of ₹10 each	5,00,000
10,000 Preference shares of ₹100 each (8% redeemable)	10,00,000
	15,00,000
Issued, subscribed and paid up capital:	
30,000 Equity shares of ₹10 each	3,00,000
5,000, 8% Redeemable Preference shares of ₹100 each	5,00,000
	8,00,000
Reserves & Surplus:	
Securities Premium	6,00,000
General Reserve	6,50,000
Profit & Loss A/c	40,000
	12,90,000
2,500, 9% Debentures of ₹100 each	2,50,000
Trade payables	1,70,000

Property, Plant and Equipment (net)	7,80,000
Investments (market value ₹5,80,000)	4,90,000
Deferred Tax Assets	3,40,000
Trade receivables	6,20,000
Cash & Bank balance	2,80,000

In Annual General Meeting held on 20th June, 2021 the company passed the following resolutions:

(i) To split equity share of ₹10 each into 5 equity shares of ₹2 each from1st July.

(ii) To redeem 8% preference shares at a premium of 5%.

(iii) To redeem 9% Debentures by making offer to debenture holders to convert their holdings into equity shares at ₹10 per share or accept cash on redemption.

(iv) To issue fully paid bonus shares in the ratio of one equity share for every 3 shares held on record date.

On 10th July, 2021 investments were sold for ₹5,55,000 and preference shares were redeemed.

40% of Debenture holders exercised their option to accept cash and their claims were settled on 1st August, 2021.

The company fixed 5th September, 2021 as record date and bonus issue was concluded by 12th September, 2021

You are requested to journalize the above transactions including cash transactions and prepare Balance Sheet as at 30th September, 2021. All working notes should form part of your answer.

Question 3 (a) **(10 Marks)**

Rohan Ltd. gives you following information as at 31st March, 2021:

Particulars		₹	₹
Equity and Liabilities			
Issued & subscribed capital:			
Equity shares capital:			
60,000 Equity shares of ₹ 10 each fully paid up		6,00,000	
12% Redeemable Preference share Capital:			
5,000 share of ₹ 100 each	5,00,000		
Less: Calls in arrear (final call of ₹ 20 on 200 shares)	(4,000)	4,96,000	10,96,000
Reserve & surplus			
Profit and Loss Account		3,00,000	
Securities Premium Account		30,000	3,30,000
Non- current liability			
Long term borrowings: 14% Debentures			1,50,000
Current liabilities			
Trade payables			74,000
Assets			
Non-current Assets			

(i) Property, Plant & Equipment		13,00,000
(ii) Non- current Investment		1,00,000
Current Assets		
(i) Inventory		50,000
(ii) Trade Receivables		20,000
(iii) Bank		1,80,000

On April 1, 2021, the Board of Directors decided to redeem the preference shares (excluding 200 shares on which there are calls in arrear) at 10% premium and to sell the investment at its market price of ₹ 80,000. They also decided to issue sufficient number of equity shares of ₹ 10 at a premium of ₹ 1 per share and the balance in profit and loss account was to be maintained at ₹ 1,00,000. Premium on redemption can't be set off against securities premium account as Rohan Ltd. is governed by section 133 of the Companies act, 2013 and comply with Accounting Standards.

You are required to show the journal entries and the balance sheet of the company immediately after completion of redemption as per Schedule III. Show working for availability of profits for redemption and determination of bank balance at the end. All the above formalities and transactions were completed up to the end of 15th May, 2021.

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

Joy Ltd. purchased 20,000 kilograms of Raw Material @ ₹ 20 per Kilogram during the year 2020-21. They have furnished you with the following further information for the year ended 31st March, 2021:

Particulars	Units	Amount (₹)
Opening Inventory:		
Finished Goods	2,000	1,00,000
Raw Materials	2,200	44,000
Direct Labour		3,06,000
Fixed Overheads		3,00,000
Sales	20,000	11,20,000
Closing Inventory:		
Finished Goods	2,400	
Raw Materials	1,800	

The Plant has a capacity to produce 30,000 Units of finished product per annum. However, the actual production of finished product during the year 2020-21 was 20,400 units. Due to a fall in the market demand, the price of the finished goods in which the raw material has been utilized is expected to be sold @ ₹ 40 per unit. The replacement cost of the raw material was ₹ 19 per kilogram.

You are required to ascertain the value of closing inventory as at 31st March, 2021 as per AS 2.

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

Mr. Arun runs a business of readymade garments. He closes the books of accounts on 31st March. The Balance Sheet as on 31st March, 2020 was as follows:

Liabilities	₹	Assets	₹
Capital A/c	5,05,000	Furniture	50,000

Creditors	1,02,500	Closing Stock	3,50,000
		Debtors	1,25,000
		Cash in Hand	35,000
		Cash at Bank	47,500
	6,07,500		6,07,500

You are furnished with following information :

(1) His sales, for the year ended 31st March, 2021 were 20% higher than the sales of previous year, out of which 20% sales was cash sales.

Total Sales during the year 2019-20 were ₹ 6,25,000

(2) Payments for all the purchases were made by cheques only.

(3) Goods were sold for cash and credit both. Credit customers pay by cheques only.

(4) Deprecation on furniture is to be charged 10% p.a.

(5) Mr. Arun sent to the bank the collection of the month at the last date of each month after paying salary of ₹2,500 to the clerk, office expenses ₹ 1,500 and personal expenses ₹ 625.

Analysis of bank pass book for the year ending 31st March, 2021 disclosed the following:

	₹
Payment to creditors	3,75,000
Payment to rent up to 31st March, 2021	20,000
Cash deposited into bank during the year	1,00,000

The following are the balances on 31st March, 2021:

	₹
Stock	2,00,000
Debtors	1,50,000
Creditors for goods	1,82,500

On the evening of 31st March, 2021, the cashier absconded with the available cash in the cash book.

You are required to prepare Trading and Profit and Loss A/c for the year ended 31st March, 2021 and Balance Sheet as on that date. All the working should form part of the answer.

Question. 4. (b) **(10 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.

Question 5 (a) **(10 Marks)**

The following balances were extracted from the books of Beta. You are required to prepare Departmental Trading Account and general Profit & Loss Account for the year ended 31st March, 2021:

Particulars	Deptt. A ₹	Deptt. B ₹
Opening Stock	3,00,000	2,40,000
Purchases	39,00,000	54,60,000
Sales	60,00,000	90,00,000

General expenses incurred for both the Departments were ₹ 7,50,000 and you are also supplied with the following information:

(i) Closing stock of Department A ₹ 6,00,000 including goods from Department B for ₹ 1,20,000 at cost to Department A.

(ii) Closing stock of Department B ₹ 12,00,000 including goods from Department A for ₹ 1,80,000 at cost to Department B.

(iii) Opening stock of Department A and Department B include goods of the value of ₹ 60,000 and ₹90,000 taken from Department B and Department A respectively at cost to transferee departments.

(iv) The gross profit is uniform from year to year.

Question 5 (b) **(10 Marks)**

Mr. Prakash furnishes following information for his readymade garments business:

(i) Receipts and Payments during 2019-20:

Receipts	Amount ₹	Payments	Amount ₹
Bank Balance as on		Payment to Sundry	
1-4-2019	16,250	Creditors	3,43,000
Received from Sundry Debtors	4,81,000	Salaries	75,000
Cash sales	1,70,800	General Expenses	22,500
Capital brought in the Business during the year	50,000	Rent and Taxes	11,800
Interest on Investment Received	9,750	Drawings	96,000

		Cash Purchases	1,22,750
		Balance at Bank on 31-03-2020	36,600
		Cash in hand on 31-03-2020	20,150
	7,27,800		7,27,800

(ii) Particulars of other Assets and Liabilities are as follows:

	1st April, 2019	31st March, 2020
	(₹)	**(₹)**
Machinery	85,000	85,000
Furniture	24,500	24,500
Trade Debtors	1,55,000	?
Trade Creditors	60,200	?
Stock	38,600	55,700
12% Investment	85,000	85,000
Outstanding Salaries	12,000	14,000

(iii) Additional information:

(1) 20% of Total sales and 20% of total purchases are in cash.

(2) Of the Debtors, a sum of ₹ 7,200 should be written off as Bad debt and further a provision for doubtful debts is to be provided @ 2%.

(3) Provide depreciation @ 10% p.a. on Machinery and Furniture.

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

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

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.

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

M/s Wee has two Departments X and Y. From the following particulars, Prepare Departmental Trading Account and Consolidated Trading Account for the year ending 31st March, 2021.

Particulars	Department X ₹	Department Y ₹
Opening Stock (at Cost)	1,40,000	1,08,000
Purchases	4,28,000	3,32,000

Carriage inwards	12,000	12,000
Carriage Outwards	5,000	4,000
Wages	42,000	48,900
Sales	5,70,000	4,74,000
Purchased goods transferred by Dept. Y to Dept. X	60,000	–
Purchased goods transferred by Dept. X to Dept. Y	–	48,000
Finished goods transferred by Dept. Y to Dept. X	1,60,000	–
Finished goods transferred by Dept. X to Dept. Y	–	2,00,000
Closing Stock of Purchased Goods	24,000	30,000
Closing Stock of Finished Goods	1,54,000	1,20,000

Purchased goods have been transferred mutually at their respective departmental purchase cost and finished goods at departmental market price that 15% of the finished stock (closing) at each department represented finished goods received from the other department.

Question 6 (c) **(5 Marks)**

Mobile Limited has authorized share capital of 1,00,000 equity shares @ ₹ 10 each. The company has already issued 60% of its capital for cash. Now the company wishes to issue bonus shares in the ratio 1:5 to its existing shareholders. The following is the status of Reserve and Surplus of the company:

General Reserve	₹ 1,60,000
Plant Revaluation Reserve	₹ 25,000
Securities Premium Account (Realised in cash)	₹ 60,000
Capital Redemption Reserve	₹ 80,000

Answer the following questions:

(a) What is the number of Bonus shares to be issued?

(b) Can company issue Bonus out of General Reserve only?

(c) Give Journal Entries and also give the extracts of the balance-sheet after such Bonus issue.

(d) Is it possible for the company to issue partly paid-up bonus shares?

SPACE FOR ROUGH WORK