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MOCK TEST -4

CA INTER

(26-06-2022)

PAPER 1 – ACCOUNTING

TOPICS COVERED

1. HIRE PURCHASE TRANSACTION
2. ACCOUNTING FOR BRANCHES INCLUDING FOREIGN BRANCH
3. DEPARTMENTAL ACCOUNTS
4. INCOMPLETE RECORDS
5. INVESTMENT ACCOUNTS
6. BONUS AND RIGHT ISSUE
7. REDEMPTION OF PREFERENCE SHARES
8. REDEMPTION OF DEBENTURES
9. PROFIT OR LOSS PRE POST INCORPORATION
10. ACCOUNTING STANDARD 2

Roll No ...254615.....

Total No. of Question: 6

Time allowed: 3 hours

Total No. of Printed Pages: 6

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)
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)
Explain Difference between Hire Purchase and Instalment system.

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	<u>1,13,000</u>
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)	<u>62,000</u>
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:

- to sell all the investments for ₹ 30,000.
- to finance part of redemption from company funds, subject to, leaving a Bank balance of ₹ 24,000.
- 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:

- Pass Journal Entries to record the above transactions.
- 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)**

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
Less: 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
		74.53

The following additional information was provided:

- The average monthly sales doubled from 1.7.2018, GP ration 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)**

Mr. Harsh provides the following details relating to his holding in 10% debentures (face value of ₹100 each) of Exe Ltd., held as current assets:

01.04.2019	Opening balance – 12,500 debentures, cost ₹ 12,25,000
01.06.2019	Purchased 9,000 debentures @ 98 each ex-interest
01.11.2019	Purchased 12,000 debentures @ ₹ 115 each cum-interest
31.01.2020	Sold 13,500 debentures @ ₹ 110 each cum-interest
31.03.2020	Market value of debentures @ ₹ 115 each

Due dates of interest are 30th June and 31st December.

Brokerage at 1% is to be paid for each transaction. Mr. Harsh closes his books on 31.03.2019. Show investment account as it would appear in his books assuming FIFO method is followed.

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)**(8 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)**(12 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	<u>5,00,000</u>
	<u>45,00,000</u>
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.

SPACE FOR ROUGH WORK