

TEST SERIES: OCTOBER, 2020

MOCK TEST PAPER

CA INTER PAPER 1

ACCOUNTING

EXPLANATION TO ANSWER TO Q.1.(A)

The respective journal entries are as follows:

	Particulars		Dr. Amount Rs. In lakhs	Cr. Amount Rs. In lakhs
1/4	Property, Plant and Equipment a/c To Bank loan A/c (Being foreign loan taken for 50 lakh US \$ converted at exchange rate of Rs.60)	Dr.	3,000	3,000
31/3	Bank Loan A/c (10 L US \$ x 60) Exchange difference A/c (10 L US \$ x 2) To Bank A/c (10 L US \$ x 62) (Being first installment of 10 lakh US \$ paid converted at exchange rate of Rs.62)	Dr. Dr.	600 20	620
(iii)	Exchange difference A/c To Bank Loan A/c (40 L US \$ x 2) (Being pending foreign bank loan of 40 lakh US \$ converted at exchange rate of Rs. 62)	Dr.	80	80

Total exchange loss = 100 Lakhs

It shall be added to the cost of Property, Plant and Equipment. Now cost shall be 3,100 lakhs.

Depreciation = 3,100 x 20% = 620 lakhs

EXPLANATION TO ANSWER TO Q.5.(B)

The question has asked for **Trading and Profit and Loss Account** of Pune branch only.

For your better understanding, here is the Goa Branch Trading and P and L also.

Dr. Trading and Profit and Loss Account for the year ended Cr.

Particulars	Pune Branch	Goa Branch	Particulars	Pune Branch	Goa Branch
	Rs.	Rs.		Rs.	Rs.
To Opening Stock	40,000 (includes 10,000 from Goa br.)	30,000 (includes 17,000 from Pune br.)	By Sales	2,80,000 (includes 20,000 to Goa br.)	2,95,625 (includes 15,000 to Pune br.)
To Purchase	2,00,000	2,50,000	By Closing Stock	30,000 (includes 5,000 from Goa br.)	43,500 (includes 4,000 from Pune br.)
To chargeable expenses	15,000	27,500			
To Gross Profit c/d	55,000	31,625			
	3,10,000	3,39,125		3,10,000	3,39,125
To office and administration Expenses	13,250	7,000	By G P b/d	55,000	31,625
To selling and distribution expenses	15,000	10,000	By Opening Stock Reserve	4,250 (WN 2)	2,000 (WN 4)
To Closing Stock Reserve	1,000 (WN 1)	1,000 (WN 3)			
To Net Profit	30,000	15,625			
	59,250	33,625		59,250	33,625

Working notes:

1. Closing stock reserve of Pune Branch:

Closing stock of Pune branch lying at Goa Branch = 4,000

Profit margin of Pune branch = $\frac{1}{4}$ on invoice

So, closing stock reserve = $\frac{1}{4} \times 4000 = 1,000$

2. Opening stock reserve of Pune branch:

Opening stock of Pune branch lying at Goa Branch = 17,000

Profit margin of Pune branch = $\frac{1}{4}$ on invoice

So, opening stock reserve = $\frac{1}{4} \times 17000 = 4,250$

3. Closing stock reserve of Goa Branch:

Closing stock of Goa branch lying at Pune Branch = 5,000

Profit margin of Goa branch = $\frac{1}{5}$ on invoice

So, closing stock reserve = $\frac{1}{5} \times 5000 = 1,000$

4. Opening stock reserve of Goa branch:

Opening stock of Goa lying at Pune Branch = 10,000

Profit margin of Goa branch = $\frac{1}{5}$ on invoice

So, closing stock reserve = $\frac{1}{5} \times 10000 = 2,000$