

CA Inter Group 1 - Accounts – Mock Test

Time: 3 hours

100 Marks

Question NO. 1 is mandatory and write 5 questions out of remaining 6

Question No. 1

- a) Explain the meaning of the terms 'cash' and 'cash equivalent' for the purpose of CFS as per AS-3

Ruby Exports had a bank balance of USD 25,000, stated in books at ₹16,76,250 using the rate of exchange ₹67.05 per USD prevailing on the date of receipt of dollars. However, on the balance sheet date, the closing rate of exchange was ₹67.80 and the bank balance had to be restated at ₹16,95,000.

Comment on the effect of change in bank balance due to exchange rate fluctuation and also discuss how it will be disclosed in Cash Flow Statement of Ruby Exports with reference to AS 3. (5 Marks)

- b) Calculate the value of raw materials and closing stock based on the following information:

Raw material X	
Closing balance	500 units
	₹ Per unit
Cost price including excise duty	200
GST (input credit is receivable on the excise duty paid)	10
Freight inward	20
Unloading charges	10
Replacement cost	150
Finished goods Y	
Closing Balance	1200 units
	₹ Per unit
Material consumed	220
Direct labour	60
Direct overhead	40

Total Fixed overhead for the year was ₹ 2,00,000 on normal capacity of 20,000 units. Calculate the value of the closing stock, when

- (i) Net Realizable Value of the Finished Goods Y is ₹ 400.
(ii) Net Realizable Value of the Finished Goods Y is ₹ 300.

(5 Marks)

- c)

On 1st April, 2017, Amazing Construction Ltd. obtained a loan of ₹32 crores to be utilized as under:

CA Inter Group 1 - Accounts – Mock Test

- (i) Construction of sea link across two cities: ₹25 crores
(Work was held up totally for a month during the year due to high water levels)
- (ii) Purchase of equipment's and machineries: ₹3 crores
- (iii) Working capital: ₹2 crores
- (iv) Purchase of vehicles: ₹50,00,000
- (v) Advance for tools/cranes etc.: ₹50,00,000
- (vi) Purchase of technical know-how: ₹1 crores
- (vii) Total interest charged by the bank for the year ending 31st March, 2018: ₹80,00,000

Show the treatment of interest by Amazing Construction Ltd.

(5 Marks)

- d) Chandra Ltd. expects that a plant becomes useless which is appearing in the books at ₹10 lakh gross value. The company charges SLM depreciation over an estimated period of 10 years and estimated scrap value is 3% of the cost. At the end of 7th year the plant has been assessed as useless and decided to sell. Its estimated net realizable value is ₹3,10,000. Determine the loss/gain on retirement of the PPE.

(5 Marks)

Question No. 2

- a) A Ltd. purchased on 1st April, 2018 8% convertible debenture in C Ltd. of face value of ₹2,00,000 @ ₹108. On 1st July, 2018 A Ltd. purchased another ₹1,00,000 debenture @ ₹112 cum interest.

On 1st October, 2018 ₹80,000 debenture was sold @ ₹105. On 1st December, 2018, C Ltd. give option for conversion of 8% convertible debentures into equity share of ₹10 each. A Ltd. receive 5,000 equity share in C Ltd. in conversion of 25% debenture held on that date. The market price of debenture and equity share in C Ltd. at the end of year 2018 is ₹110 and ₹15 respectively.

Interest on debenture is payable each year on 31st March, and 30th September. **The accounting year of A Ltd. is calendar year.**

Prepare investment account in the books of A Ltd. on average cost basis. **(8 Marks)**

- b) On 30th March, 2018 fire occurred in the premises of M/s Alok & Co. The concern had taken an insurance policy of ₹ 1,20,000 which was subject to the average clause. From the books of accounts the following particulars are available relating to the period 1st January to 30th March, 2018:

(i)	Stock as per Balance Sheet at 31st December, 2017	₹ 1,91,200
(ii)	Purchases (including purchase of machinery costing ₹ 60,000)	₹ 3,40,000
(iii)	Wages (including wages ₹ 6,000 for installation of machinery)	₹ 1,00,000
(iv)	Sales (including goods sold on approval basis amounting to ₹ 99,000)	₹ 5,50,000

No approval has been received in respect of 2/3rd of the goods sold on approval.

- (v) The average rate of gross profit is 20% of sales.

CA Inter Group 1 - Accounts – Mock Test

(vi) The value of the salvaged goods was ₹ 24,600

You are required to compute the amount of the claim to be lodged to the Insurance Company.
(8 Marks)

Question No. 3

Shweta Ltd. has the Authorised Capital of ₹ 15,00,000 consisting of 6,000 6% Preference shares of ₹ 100 each and 90,000 equity Shares of ₹10 each. The following was the Trial Balance of the Company as on 31st March, 2018:

Particulars	Dr.	Cr.
Investment in Shares at cost	1,50,000	
Purchases	14,71,500	
Selling Expenses	2,37,300	
Inventory as at the beginning of the year	4,35,600	
Salaries and Wages	1,56,000	
Cash on Hand	36,000	
Interim Preference dividend for the half year to 30 th September	18,000	
Bills Receivable	1,24,500	
Interest on Bank overdraft	29,400	
Interest on Debentures upto 30 th Sep (1 st half year)	11,250	
Debtors	1,50,300	
Trade payables		2,63,550
Freehold property at cost	10,50,000	
Furniture at cost less depreciation of ₹ 45,000	1,05,000	
6% Preference share capital		6,00,000
Equity share capital fully paid up		6,00,000
5% mortgage debentures secured on Freehold properties		4,50,000
Income tax paid in advance for the current year	30,000	
Dividends		12,750
Profit and Loss A/c (opening balance)		85,500
Sales (Net)		20,11,050
Bank overdraft secured by hypothecation of stocks and receivables		4,50,000
Technical knowhow fees at cost paid during the year	4,50,000	
Audit fees	18,000	
Total	44,72,850	44,72,850

You are required to prepare the Profit and Loss Statement for the year ended 31st March, 2018 and the Balance Sheet as on 31st March, 2018 as per Schedule III of the

CA Inter Group 1 - Accounts – Mock Test

Companies Act, 2013 after taking into account the following –

1. Closing Stock was valued at ₹ 4,27,500.
2. Purchases include ₹ 15,000 worth of goods and articles distributed among valued customers.
3. Salaries and Wages include ₹ 6,000 being Wages incurred for installation of Electrical Fittings which were recorded under "Furniture".
4. Bills Receivable include ₹ 4,500 being dishonoured bills. 50% of which had been considered irrecoverable.
5. Bills Receivable of ₹ 6,000 maturing after 31st March were discounted.
6. Depreciation on Furniture to be charged at 10% on Written Down Value.
7. Investment in shares is to be treated as non-current investments.
8. Interest on Debentures for the half year ending on 31st March was due on that date.
9. Provide Provision for taxation ₹12,000.
10. Technical Knowhow Fees is to be written off over a period of 10 years.
11. Salaries and Wages include ₹ 30,000 being Director's Remuneration.
12. Trade receivables include ₹ 18,000 due for more than six months.

(16 marks)

Question No. 4

From the following information, prepare a Cash Flow Statement for the year ended 31st March, 2019.

Balance Sheets

	Particulars	Note	31.03.2019 (₹)	31.03.2018 (₹)
I	EQUITY AND LIABILITES			
	(1) Shareholder's Funds			
	(a) Share Capital	1	3,50,000	3,00,000
	(b) Reserves and Surplus	2	82,000	38,000
	(2) Non-Current Liabilities			
	(3) Current Liabilities			
	(a) Trade Payables		65,000	44,000
	(b) Other Current Liabilities	3	37,000	27,000
	(c) Short term Provisions (provision for tax)		32,000	28,000
	Total		5,66,000	4,37,000
I I	ASSETS			
	(1) Non-current Assets			
	(a) Tangible Assets	4	2,66,000	1,90,000
	(b) Intangible Assets (Goodwill)		47,000	60,000
	Non-Current Investments		35,000	10,000
	(2) Current Assets			

CA Inter Group 1 - Accounts – Mock Test

		78,000	85,000
(a) Inventories			
(b) Trade Receivables		1,08,000	75,000
(c) Cash & Cash Equivalents		<u>32,000</u>	<u>17,000</u>
Total		<u>5,66,000</u>	<u>4,37,000</u>

Note 1: Share Capital

Particulars	31.03.2019 (₹)	31.03.2018 (₹)
Equity Share Capital	2,50,000	1,50,000
8% Preference Share Capital	<u>1,00,000</u>	<u>1,50,000</u>
Total	3,50,000	3,00,000

Note 2: Reserves and Surplus

Particulars	31.03.2019 (₹)	31.03.2018 (₹)
General Reserve	30,000	20,000
Profit and Loss A/c	27,000	18,000
Capital Reserve	<u>25,000</u>	
Total	82,000	38,000

Note 3: Current Liabilities

Particulars	31.03.2019(₹)	31.03.2018 (₹)
Dividend declared	37,000	27,000

Note 4: Tangible Assets

Particulars	31.03.2019 (₹)	31.03.2018 (₹)
Land & Building	75,000	1,00,000
Machinery	<u>1,91,000</u>	<u>90,000</u>
Total	2,66,000	1,90,000

Additional Information:

- (i) ₹ 18,000 depreciation for the year has been written off on plant and machinery and no depreciation has been charged on Land and Building.
- (ii) A piece of land has been sold out for ₹ 50,000 and the balance has been revalued, profit on such sale and revaluation being transferred to capital reserve. There is no other entry in Capital Reserve Account.
- (iii) A plant was sold for ₹ 12,000 WDV being ₹ 15,000 on the date of sale (after charging depreciation).
- (iv) Dividend received amounted to ₹ 2,100 which included pre-acquisition dividend of

CA Inter Group 1 - Accounts – Mock Test

₹ 600.

- (v) An interim dividend of ₹ 10,000 including Dividend Distribution Tax has been paid.
- (vi) Non-current investments given in the balance sheet represents investment in shares of other companies.

Amount of provision for tax existing on 31.3.2018 was paid during the year 2018-19.

(16 Marks)

Question No. 5

- (a) Roshani & Reshma working in partnership, registered a joint stock company under the name of Happy Ltd. on May 31st 2018 to take over their existing business. The summarized Profit & Loss A/c as given by Happy Ltd. for the year ending 31st March, 2019 is as under:
Happy Ltd.

Profit & Loss A/c for the year ending March 31, 2019

Particulars	Amount (₹)	Particulars	Amount (₹)
To Salary	1,44,000	By Gross Profit	4,50,000
To Interest on Debenture	36,000		
To Sales Commission	18,000		
To Bad Debts	49,000		
To Depreciation	19,250		
To Rent	38,400		
To Company Audit fees	12,000		
To Net Profit	<u>1,33,350</u>		
Total	<u>4,50,000</u>	Total	<u>4,50,000</u>

Prepare a Statement showing allocation of expenses & calculation of pre-incorporation & post-incorporation profits after considering the following information:

- (i) GP ratio was constant throughout the year.
- (ii) Depreciation includes ₹ 1,250 for assets acquired in post incorporation period.
- (iii) Bad debts recovered amounting to ₹ 14,000 for a sale made in 2015-16 has been deducted from bad debts mentioned above.
- (iv) Total sales were ₹ 18,00,000 of which ₹ 6,00,000 were for April to September.
- (v) Happy Ltd. had to occupy additional space from 1st Oct. 2018 for which rent was ₹ 2,400 per month.

(8 Marks)

- (b) M & S Co. of Lucknow has an integral foreign branch in Canberra, Australia. At the

CA Inter Group 1 - Accounts – Mock Test

end of 31st March 2020, the following ledger balances have been extracted from the books of the Lucknow office and the Canberra branch.

	Lucknow office (₹ In thousand)		Canberra Branch (Aust. Dollars in thousand)	
	Dr.	Cr.	Dr.	Cr.
Capital		1,500		
Reserves & Surplus		1,500		
Land	500			
Buildings (Cost)	1,000			
Buildings - Accumulated Dep.		200		
Plant and Machinery (Cost)	2,500		200	
Plant and Machinery - Accumulated Dep.		600		130
Debtors/Creditors	280	200	60	30
Stock as on 1- 4-2019	100		20	
Branch Stock Reserve		4		
Cash & Bank Balances	10		10	
Purchases/Sales	240	520	20	123
Goods sent to Branch		100	5	
Managing Partner's Salary	30			
Wages and Salaries	75		45	
Rent			12	
Office Expenses	25		18	
Commission Receipts		256		100
Branch/HO Current Account	120			7
	4,880	4,880	390	390

You are required to convert the Branch Trial Balance given above into rupees by using the following exchange rates:

Opening rate	1 A \$ = ₹ 50
Closing rate	1 A \$ = ₹ 53
Average rate	1 A \$ = ₹ 51.00
for Fixed Assets	1 A \$ = ₹ 46.00

(8 Marks)

Question No. 6

Aman, a readymade garment trader, keeps his books of account under single entry system. On the closing date, i.e. on 31st March, 2017 his statement of affairs stood as follows:

CA Inter Group 1 - Accounts – Mock Test

Liabilities	Amount ₹	Assets	Amount ₹
Aman's capital	4,80,000	Building	3,25,000
Loan	1,50,000	Furniture	50,000
Creditors	3,10,000	Motor car	90,000
		Stock	2,00,000
		Debtors	1,70,000
		Cash in hand	20,000
		Cash at bank	85,000
	9,40,000		9,40,000

Riots occurred and a fire broke out on the evening of 31st March, 2018, destroying the books of accounts. On that day, the cashier had absconded with the available cash. You are furnished with the following information:

1. Sales for the year ended 31st March, 2018 were 20% higher than the previous year's sales, out of which, 20% sales were for cash. He always sells his goods at cost plus 25%. There were no cash purchases.
2. Collection from debtors amounted to ₹ 14,00,000, out of which ₹ 3,50,000 was received in cash.
3. Business expenses amounted to ₹ 2,00,000, of which ₹ 50,000 were outstanding on 31st March, 2018 and ₹ 60,000 paid by cheques.
4. Gross profit as per last year's audited accounts was ₹ 3,00,000.
5. Provide depreciation on building and furniture at 5% each and motor car at 20%.
6. His private records and the Bank Pass Book disclosed the following transactions for the year 2017-18:

	₹
Payment to creditors (paid by cheques)	13,75,000
Personal drawings (paid by cheques)	75,000
Repairs (paid by cash)	10,000
Travelling expenses (paid by cash)	15,000
Cash deposited in bank	7,15,000
Cash withdrawn from bank	1,20,000

7. Stock level was maintained at ₹ 3,00,000 all throughout the year.
8. The amount defalcated by the cashier is to be written off to the Profit and Loss Account.

You are required to prepare Trading and Profit and Loss A/c for the year ended 31st March, 2018 and Balance Sheet as on that date of Aman. All the workings should form part of the answer.

(16 Marks)

Question No. 7

- (a) Axe Limited has four departments, A, B, C and D. Department A sells goods to other departments at a profit of 25% on cost. Department B sells goods to other

CA Inter Group 1 - Accounts – Mock Test

department at a profit of 30% on sales. Department C sells goods to other departments at a profit of 10% on cost, Department D sells goods to other departments at a profit of 15% on sales.

Stock lying at different departments at the year-end was as follows:

	Department A	Department B	Department C	Department D
Transfer from Department A	-	45,000	50,000	60,000
Transfer from Department B	50,000	-	-	75,000
Transfer from Department C	33,000	22,000	-	-
Transfer from Department D	40,000	10,000	65,000	-

Departmental managers are entitled to 10% commission on net profit subject to unrealized profit on departmental sales being eliminated.

Departmental profits after charging manager's commission, but before adjustment of unrealized profit are as under:

	₹
Department A	2,25,000
Department B	3,37,500
Department C	1,80,000
Department D	4,50,000

Calculate the correct departmental profits after charging Manager's commission. **(4 Marks)**

(b) The following is the Draft Profit & Loss A/c of Harsha Ltd., the year ended 31st March, 20X1:

	₹		₹
To		By	
Administrative, Selling and distribution expenses	41,12,710	Balance b/d	28,61,750
Directors fees	6,73,900	Balance from Trading A/c	201,26,825
Interest on debentures	1,56,200	Subsidies received from Govt.	13,69,625
Managerial remuneration	14,26,750		
Depreciation on fixed assets	26,12,715		
Provision for Taxation	62,12,500		
General Reserve	20,00,000		
Investment Revaluation Reserve	62,500		
Balance c/d	71,00,925		
	243,58,200		243,58,200

CA Inter Group 1 - Accounts – Mock Test

Depreciation on fixed assets as per Schedule II of the Companies Act, 2013 was ₹ 28,76,725. You are required to calculate the maximum limits of the managerial remuneration as per Companies Act, 2013. **(4 Marks)**

(c) On January 1, 20X1 Kasturi Ltd. acquired a Pick-up Van on hire purchase from Shorya Ltd. The terms of the contract were as follows:

- (a) The cash price of the van was ₹ 25,000.
- (b) ₹ 10,000 were to be paid on signing of the contract.
- (c) The balance was to be paid in annual instalments of ₹ 5,000 plus interest.
- (d) Interest chargeable on the outstanding balance was 6% p.a.
- (e) Depreciation at 10% p.a. is to be written-off using the straight-line method.

You are required to show the Van account & Shorya Ltd. account in the books of Kasturi Ltd. from January 1, 20X1 to December 31, 20X3. **(8 Marks)**