Roll No. ....

Total No. of Questions – **7** INTERMEDIATE (IPC) GROUP I - PAPER 1 ACCOUNTING Total No. of Printed Pages – **16**

Time Allowed – **3** Hours Maximum Marks – **100**

BML

Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate who has not opted for Hindi Medium, his/her answers in Hindi will not be valued.

Questions No. **1** is compulsory.

Candidates are required to attempt any **five** questions from the remaining **six** questions. In case, any candidate answers extra question(s)/sub-question(s) over and above the required number, then only the requisite number of questions first answered in the answer book shall be valued and subsequent extra questions answered shall be ignored.

Working notes should form part of the answer.

Wherever necessary, suitable assumptions should be made and indicated in answer by the candidates.

Marks
4×5
=20

1. (a) Uday Constructions undertake to construct a bridge for the Government of Uttar Pradesh. The construction commenced during the financial year ending 31.03.2016 and is likely to be completed by the next financial year. The contract is for a fixed price of ₹ 12 crores with an escalation clause. The costs to complete the whole contract are estimated at ₹ 9.50 crores of rupees. You are given the following information for the year ended 31.03.2016 : **5**

Marks

Cost incurred upto 31.03.2016 ₹ 4 crores

Cost estimated to complete the contract ₹ 6 crores

Escalation in cost by 5% and accordingly the contract price is increased by 5%.

You are required to ascertain the state of completion and state the revenue and profit to be recognized for the year as per AS-7.

5

(b) M/s Active Builders Ltd.. invested in the shares of another company on 31st October, 2015 at a cost of ₹ 4,50,000. It also earlier purchased Gold of ₹ 5,00,000 and Silver of ₹ 2,25,000 on 31st March, 2013. Market values as on 31st March, 2016 of the above investments are as follows :

Shares ₹ 3,75,000; Gold ₹ 7,50,000 and Silver ₹ 4,35,000

How will the above investments be shown in the books of account of M/s Active Builders Ltd. for the year ending 31st March, 2016 as per the provision of AS-13 ? 5

(c) Argon Ltd. purchased a shop on 1st January, 2001 at a cost of ₹ 8,50,000. The useful life of the shop is estimated as 30 years with residual value of ₹ 25,000 and depreciation is provided on a straight line basis. The shop was revalued on 30th June, 2015 for ₹ 19,50,000 and the revaluation was incorporated in the accounts.

Calculate :

(i) The surplus on revaluation;

(ii) Depreciation to be charged in the Profit and Loss account for the year ended on 31st December, 2015.

Marks

(d) Z Limited ordered 13,000 kg. of chemicals at ₹ 90 per kg. The purchase price includes excise duty of ₹ 5 per kg, in respect of which full CENVAT credit is admissible. Further, State VAT is leviable at ₹ 2.5 per kg on purchase price. Freight incurred amounted to ₹ 30,000. Normal transit loss is 4%. The company actually received 12,400 kg and consumed 10,000 kg. The company has received trade discount in the form of cash amounting to ₹ 1 per kg. The chemicals were delivered in containers. The containers were not reusable, hence sold for ₹ 500. The administrative expenses incurred to bring the chemicals were ₹ 10,000. **5**

Compute the value of inventory and allocate the material cost as per AS-2.

2. Given below are the Balance Sheet of two companies as on 31st December, 2015. **16**

A Limited

Liabilities	₹	Assets	₹
Share Capital:		Patent	1,00,000
Issued and fully paid up		Building	5,40,000
50,000 8% Cumulative Preference Shares of ₹ 10 each	5,00,000	Plant and Machinery	15,10,000
1,50,000 Equity shares of ₹ 10 each	15,00,000	Furniture	75,000
		Investment	1,55,000
General Reserve	7,65,000	Stock	3,58,000
Profit and Loss account	1,25,000	Sundry Debtors	72,000
Sundry Creditors	60,000	Cash and Bank	1,40,000
	29,50,000		**29,50,000**

Marks

B Limited

Liabilities	₹	Assets	₹
Share Capital:		Goodwill	62,000
Issued and fully paid		Motor Car	1,26,000
50,000 Shares of ₹ 10 each	5,00,000	Furniture	58,000
Profit and Loss Account	45,000	Stock	2,40,000
Sundry Creditors	31,000	Sundry Debtors	70,000
		Cash and Bank	20,000
	5,76,000		**5,76,000**

It has been agreed that both these companies should be wound up and a new company AB Ltd. should be formed to acquire the assets of both the companies on the following terms and conditions :

(i) AB Ltd. is to have an authorized capital of ₹ 36,00,000 divided into 60,000, 8% cumulative preference shares of ₹ 10 each and 3,00,000 equity shares of ₹ 10 each.

(ii) AB Ltd. is to purchase the whole of the assets of A Ltd. (except cash and Bank balances) for ₹ 28,25,000 to be settled as to ₹ 5,75,000 in cash and as to the balance by issue of 1,80,000 equity shares, credited as fully paid, to be treated as valued at ₹ 12.50 each.

(iii) AB Ltd. is to purchase the whole of the assets of B Ltd. (except cash and Bank balances) for ₹ 4,91,000 to be settled as to ₹ 16,000 in cash and as to the balance by issue of 38,000 equity shares, credited as fully paid, to be treated as valued at ₹ 12.50 each.

(iv) A Ltd. and B Ltd. both are to be wound up, the two liquidators distributing the shares in AB Ltd. in kind among the equity shareholders of the respective companies.

(v) The liquidator of A Ltd. is to pay the preference shareholders ₹ 12 in cash for every share held in full satisfaction of their claims.

(vi) AB Ltd. is to make a public issue of 60,000, 5% cumulative preference shares at a premium of 10% and 30,000 equity shares at the issue price of ₹ 12.50 per share, all amount payable in full on application.

It is estimated that the cost of liquidation (including the liquidators' remuneration) will be ₹ 10,000 in case of A Ltd. and ₹ 5,000 in case of B Ltd. and that the preliminary expenses of AB Ltd. will amount to ₹ 24,000 exclusive of the underwriting commission of ₹ 38,900 payable on the public issue.

You are required to prepare the initial Balance Sheet of AB Ltd. on the basis that all assets other than goodwill are taken over at the book value.

Marks

3\. (a) The following is the Balance Sheet of Manish and Suresh as on 1st April, 2015 : 8

Liabilities	₹	Assets	₹
Capital :		Building	1,00,000
Manish	1,50,000	Machinery	65,000
Suresh	75,000	Stock	40,000
Creditors for goods	30,000	Debtors	50,000
Creditors for expenses	25,000	Bank	25,000
	2,80,000		**2,80,000**

They give you the following additional information :

(i) Creditors' Velocity 1.5 month & Debtors' Velocity 2 months.

(ii) Stock level is maintained uniformly in value throughout all over the year.

(iii) Depreciation on machinery is charged @ 10%, Depreciation on building @ 5% in the current year.

(iv) Cost price will go up 15% as compared to last year and also sales in the current year will increase by 25% in volume.

(v) Rate of gross profit remains the same.

(vi) Business Expenditures are ₹ 50,000 for the year. All expenditures are paid off in cash.

(vii) Closing stock is to be valued on LIFO Basis.

Prepare Trading, Profit and Loss Account, Trade Debtors A/c and Trade Creditors A/c for the year ending 31.03.2016.

Marks

(b) Following information has been given for Bharat Sports Club, Delhi for the year ending 31.12.2014 and 31.12.2015. **8**

	31.12.2014	31.12.2015
Building (subject to 10% depreciation for the current year)	60,000	?
Furniture (subject to 10% depreciation for the current year)	–	20,000
Stock of Sports Materials	5,000	2,000
Prepaid Insurance	3,000	6,000
Outstanding Subscription	12,000	8,000
Advance Subscription	6,000	4,000
Outstanding Locker Rent	–	6,000
Advance Locker Rent received	–	2,000
Outstanding Rent for Godown	6,000	3,000
12% General Fund Investments	2,00,000	2,00,000
Accrued Interest on above	–	4,000
Cash Balance	1,000	64,000
Bank Balance	2,000	–
Bank Overdraft	–	2,000

Marks

Additional Information :

(i) Entrance fees received ₹ 20,000, Life membership fees received ₹ 20,000 during the year.

(ii) Surplus from Income and Expenditure Account ₹ 60,000.

(iii) It is the policy of the club to treat 60% of entrance fees and 40% of life membership fees as revenue nature.

(iv) The furniture was purchased on 01.01.2015.

Prepare Opening and Closing Balance Sheet of Bharat Sports Club as on 31st Dec., 2014 and 31st Dec., 2015 respectively.

4. (a) Girish Transport Ltd.. purchased from NCR Motors 3 electric rickshaws costing ₹ 60,000 each on the hire purchase system on 1.1.2013. Payment was to be made ₹ 30,000 down and the remainder in 3 equal installments payable on 31.12.2013, 31.12.2014 and 31.12.2015 together with interest @ 10% p.a. Girish Transport Ltd. writes off depreciation @ 20% p.a. on the reducing balance. It paid the installment due at the end of 1st year i.e. 31.12.2013 but could not pay next on 31.12.2014. NCR Motors agreed to leave one e-rickshaw with the purchaser on 31.12.2014 adjusting the value of the other two e-rickshaws against the amount due on 31.12.2014. The e-rickshaws were valued on the basis of 30% depreciation annually on WDV basis. **8**

Show the necessary Ledger accounts in the books of Girish Transport Ltd. for the year 2013, 2014 and 2015.

(b) A Ltd.. purchased on 1st April, 2015 8% convertible debenture in C Ltd.. of face value of ₹ 2,00,000 @ ₹ 108. On 1st July, 2015 A Ltd. purchased another ₹ 1,00,000 debenture @ ₹ 112 cum interest. **8**

On 1st October, 2015 ₹ 80,000 debenture was sold @ ₹ 105. On 1st December, 2015, C Ltd. give option for convertion of 8% convertible debentures into equity share of ₹ 10 each. A Ltd. receive 5000 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 2015 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 calander year.

Prepare investment account in the books of A Ltd. on average cost basis.

5. (a) A firm has decided to take out a loss of profit policy for the year 2016 and given the following information for the last accounting year 2015. **8**

Variable manufacturing expenses ₹ 14,20,000, Standing charges ₹ 1,50,000, Net profits ₹ 80,000, Non-operating income ₹ 2,500, Sales ₹ 18,00,000.

Compute the sum to be insured in each of the following alternative cases showing the anticipation for the year 2016 :

Marks

(i) If sales will increase by 15%.

(ii) If sales will increase by 15% and only 50% of the present standing charges are to be insured.

(iii) If sales and variable expenses will increase by 15% and standing charges will increase by 10%.

(iv) If sales will increase by 15% and variable expenses will decrease by 5%.

(v) If sales will increase by 10% and standing charges will increase by 15%.

(vi) If the turnover and standing charges will increase by 15% and variable expenses will decrease by 10% but only 50% of the present standing charges are to be insured.

(b) Rahim has a current account with partnership firm. It has debit balance of ₹ 2,40,000 as on 1.04.2015. He has further deposited the following amounts : 8

Date	Amount (₹)
14/04/2015	1,20,000
30/04/2015	3,00,000
18/05/2015	1,23,000

Marks

He withdrew the following amounts :

Date	Amount (₹)
29/04/2015	97,000
09/05/2015	1,71,000

Show Rahim's A/c in the ledger of the firm. Interest is to be calculated at 10% on debit balance and 8% on credit balance. You are required to prepare current account as on 31st May, 2015 by means of product of balance method.

6. Ajay, Vijay and Sanjay are partners sharing Profit & Loss in the ratio of 2:3:1. The Balance Sheet of the firm as on 31.03.2015 is as follows : **16**

Liabilities	₹	Assets	₹
Capital A/c :		Furniture & Fixture	30,000
Vijay's Capital	85,000	Office equipment	20,000
Sanjay's Capital	68,000	Motor Car	60,000
General Reserve A/c	30,000	Stock	40,000
Sundry Creditors	25,000	Sundry Debtors	20,000
		Cash at Bank	18,000
		Ajay's Capital	20,000
Total	**2,08,000**	**Total**	**2,08,000**

Kamal is admitted as a new partner with effect from 1st April, 2015 by receiving 1/4 share in the profit & loss of the firm. The profit or loss sharing ratios between other partners remain same as before. It was agreed that Kamal would bring some private furniture worth ₹ 3,000 and private stock worth ₹ 5,000 and balance in cash towards his capital.

The following adjustments are to be made prior to Kamal admission :

1. Goodwill of the firm is to be valued at 2 years purchase of the average profit of last 3 years. The profits for the last 3 years were ₹ 35,900, ₹ 38,200 and ₹ 31,500. However on checking of the past records it was noticed that on 01.04.11 a new furniture costing ₹ 8,000 was purchased but wrongly debited to revenue and also in year 2012-13, a purchase invoice for ₹ 4,000 has been omitted in the book. The firm charged depreciation on furniture @ 10% on original cost. Your calculation of goodwill is to be made on the basis of correct profits. It is agreed among existing partners that Sanjay's interest in the goodwill of the firm is only up to value of ₹ 42,000.

2. Motor Car is taken over by Vijay at ₹ 70,000.

3. Office equipment is revalued at ₹ 25,000.

4. Expenses incurred but not paid of ₹ 6,500 are provided for.

Marks

5. Value of the stock is to be reduced by 5%.

6. Kamal is to bring proportionate capital. Capital of Vijay, Ajay and Sanjay are also to be adjusted in profit sharing ratio.

Assuming the above mentioned adjustments are duly carried out, show the revaluation account, partner's capital account and the Balance Sheet of the firm after Kamal's admission.

7. Answer any **four** from the following : **4×4 =16**

(a) Anjana Ltd.. is absorbed by Sanjana Ltd.., the consideration being the takeover of liabilities, the payment of cost of absorption not exceeding ₹ 10,000 (actual cost ₹ 9,000) the payment of the 9% debentures of ₹ 50,000 at a premium of 20% in 8% debentures issued at a premium of 25% at face value and the payment of ₹ 15 per share in cash and allotment of three 11% preference share of ₹ 10 each at a discount of 10% and four equity share of ₹ 10 each at a premium of 20% fully paid for every five shares in Anjana Ltd.. The number of share of the vendor company are 1,50,000 of ₹ 10 each fully paid. **4**

Calculate purchase consideration as per Accounting Standard – 14.

Marks

(b) What are the disadvantages of a spreadsheet as an accounting tool ? **4**

(c) X owes Y the following sums of money due on the dates started : **4**

₹ 400 due on 5th January, 2016

₹ 200 due on 20th January, 2016

₹ 800 due on 4th February, 2016

₹ 100 due on 26th February, 2016

₹ 50 due on 10th March, 2016

Calculate such a date when payment may be made by X in one installment resulting in no loss of interest to either party. Assume base date as 5th January, 2016.

(d) Classify the following activities as per AS-3 Cash Flow Statement : **4**

(i) Interest paid by financial enterprise

(ii) Dividend paid

(iii) Tax deducted at source on interest received from subsidiary company

(iv) Deposit with Bank for a term of two years

Marks

(v) Insurance claim received towards loss of machinery by fire

(vi) Bad debts written off

Which activity does the purchase of business falls under and whether netting off of aggregate cash flows from disposal and acquisition of business units is possible ?

(e) From the following information available from the books of a trader from 01/01/2015 to 31/03/2015, you are required to draw up the Debtors Ledger Adjustment Account in the General Ledger : **4**

i. Total sales amounted to ₹ 2,00,000 including the sale of machine for ₹ 6,800 (book value ₹ 12,000). The total cash sales were 85% less than the total credit sales.

ii. Cash collections from debtors amounted to 70% of the aggregate of the opening debtors and credit sales for the period. Debtors were allowed a cash discount of ₹ 20,000.

iii. Bills receivable drawn during the three months totalled ₹ 45,000 of which bills amounting to ₹ 20,000 were endorsed in favour of suppliers. Out of the endorsed bills, one bill for ₹ 6,000 was dishonoured for non-payment as the party became insolvent, his estate realized nothing.

iv. Cheque received from debtors ₹ 15,000 were dishonoured, a sum of ₹ 3,500 was irrecoverable, Bad debts written off in the earlier year's realized ₹ 15,000.

v. Sundry debtors as on 01/01/2015 stood at ₹ 1,50,000.
