

**INTERMEDIATE (IPC)
GROUP I - PAPER 1
ACCOUNTING**

JAN 2021

Roll No.

Total No. of Questions – 7

Total No. of Printed Pages – 16

Time Allowed – 3 Hours

Maximum Marks – 100

BHR

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.

Question No. 1 is compulsory.

Candidates are also required to answer any **five** questions from the remaining **six** questions.

Working notes should form part of the answer.

Marks

1. (a) P Ltd., a construction contractor, undertakes the construction of a commercial complex. This commercial complex consists of three towers. Each tower is subject to separate negotiation. P Ltd. entered into an agreement for this commercial complex construction. The agreement lays down the contract revenue for each tower as ₹ 40 lakhs, ₹ 50 lakhs and ₹ 65 lakhs respectively besides other terms and conditions for each tower. 5

P Ltd. is of view that since a single agreement has been entered, with a single customer, the above contract should be treated as a single construction contract. Comment in context of AS-7 (Revised).

BHR

P.T.O.

(2)

BHR

Marks

(b) Following is the Cash Flow abstract of Beta Ltd., for the year ended

5

31st March 2020 :

Inflows	₹	Outflows	₹
Opening balance :		Payment to creditors	1,00,000
Cash	20,000	Salaries and wages	25,000
Bank	90,000	Debentures redeemed	50,000
Collection from Debtors	4,10,000	Bank loan repaid	3,50,000
Sale of Fixed assets	1,15,000	Taxation	60,000
		Closing balance :	
		Cash	10,000
		Bank	40,000
	6,35,000		6,35,000

Prepare Cash Flow Statement for the year ended 31-03-2020 using direct method in accordance with AS 3.

(c) (i) A Ltd. purchased an asset on 1st April 2014 for ₹ 5,00,000 and asset had useful life of 8 years with NIL residual value.

5

BHR

(3)

BHR

Marks

On 1st April 2019, directors reviewed the estimated life of the asset and decided that the asset would probably be useful for further 2 years with residual value of 5% of the original cost.

Calculate the amount of depreciation to be charged for each year as per AS-10, if the company charges depreciation on straight line basis.

- (ii) A company manufactures a machine for its own use. The manufacturing of machine was completed on November 1st 2019. The machine was finally capable of operating as on December 15th 2019, however company started using the machinery from February 1st 2020. The company charged depreciation from February 1st 2020. Comment in context of AS-10.

5

- (d) A company purchased 20,000 kg of certain material at ₹ 140 per kg. Purchase price includes the GST of ₹ 1,00,000, in respect of which full input tax credit is admissible. The company availed full GST input tax credit. Freight inward incurred ₹ 1,20,000. Unloading charges ₹ 32,000. Normal loss during transit is 8%. The enterprise actually received 18,200 kg and consumed 16,500 kg. Compute Cost of inventory as per AS 2 and also allocate material cost.

BHR

P.T.O.

(4)

BHR**Marks**2. The Balance Sheet of Y Ltd. as on March 31st 2020 was as follows :**16**

Particulars	Note	Amount (₹)
Equity & Liabilities		
<u>Shareholders' funds</u>		
(a) 1,28,000, Equity shares of ₹ 10 each, ₹ 7.5 each paid up		9,60,000.00
(b) 1,28,000, 8% Cumulative Preference Shares ₹ 10 each fully paid up		12,80,000.00
(c) Profit & Loss A/c.		(-) 9,76,000.00
<u>Non-Current Liabilities</u>		
Unsecured Loan from Directors		1,20,000.00
<u>Current Liabilities</u>		
Sundry Creditors		8,80,000.00
Bank Overdraft		4,16,000.00
		26,80,000.00
Assets		
<u>Non-Current Assets</u>		
– Freehold land at cost		2,80,000.00
– Plant & Equipment (at cost less depreciation)		4,80,000.00
– Goodwill		1,36,000.00
– Long term investment in shares in B Ltd (at cost)		6,48,000.00
<u>Current Assets</u>		
Inventories		4,96,000.00
Sundry Debtors		6,40,000.00
		26,80,000.00

BHR

(5)

BHR

Marks

Note : The arrears of preference dividends amount to ₹ 1,02,400

A scheme of reconstruction was duly approved with effect from 1st April, 2020 under the conditions stated below :

- (a) The unpaid amount on the equity shares would be called up.
- (b) The preference shareholders would forego their arrear dividends. In addition, they would accept a reduction of ₹ 2.5 per share. The dividend rate would be enhanced to 10%.
- (c) The equity shareholders would accept a reduction of ₹ 7.5 per share.
- (d) Y Ltd. holds 21,600 shares in B Ltd. This represents 15% of the share capital of that company. B Ltd. is not a listed company. The average net profit (after tax) of the company is ₹ 5,00,000. The shares would be valued based on 12% capitalization rate.
- (e) A bad debt provision at 2% would be created.
- (f) The other assets would be valued as under :

Plant & Equipment	₹ 2,80,000
Freehold Land	₹ 7,60,000
Inventories	₹ 5,00,000
- (g) The Profit & Loss A/c negative balance would be eliminated. Goodwill would be written off.
- (h) The directors would have to take equity shares at the new face value of ₹ 2.5 per share in settlement of their loan.
- (i) The equity shareholders including the directors, who would receive equity shares in settlement of their loans, would subscribe two new equity shares for every one share held in cash.
- (j) The preference shareholders would subscribe one new preference share for every four preference shares held, in cash.
- (k) The new face values of the shares - preference and equity will be maintained at their reduced levels.

BHR

P.T.O.

(6)

BHR

Marks

You are required to prepare :

- (i) Capital Reduction Account, Equity Share Capital Account, 8% Cumulative Preference Share Capital Account, 10% Cumulative Preference Share Capital Account and Bank Account.
- (ii) Balance Sheet of the company after reconstruction.

3. (a) The Balance Sheet of Gamma Ltd. as on March 31st 2020 is as follows :

8

Particulars	Note	Amount ₹
Equity and Liabilities		
<u>Shareholders' Funds</u>		
(a) Share Capital	1	16,00,000
(b) Reserve and Surplus	2	28,60,000
<u>Non-Current Liabilities</u>		
5,000, 9% Debentures of ₹ 100 each		5,00,000
<u>Current Liabilities</u>		
Sundry Creditors		3,40,000
		53,00,000
Assets		
<u>Non-Current Assets</u>		
Property Plant and Equipment		15,60,000
Long Term Investments (Market Value ₹ 11,60,000)		9,80,000
Deferred Tax Asset		6,80,000
<u>Current Assets</u>		
Cash and Bank Balance		5,60,000
Sundry Debtors		12,40,000
Others - Preliminary expenses		2,80,000
		53,00,000

BHR

(7)

BHR

Marks

Particulars	Amount ₹
Notes :	
1. Share Capital	
Authorised Share Capital	
1,00,000, Equity shares of ₹ 10 each	10,00,000
20,000, Preference shares of ₹ 100 each	20,00,000
	<hr/> 30,00,000
Issued, subscribed and paid up	
60,000, Equity shares of ₹ 10 each	6,00,000
10,000, Redeemable 8% Preference shares of ₹ 100 each	10,00,000
	<hr/> 16,00,000
2. Reserve and Surplus	
Securities Premium	12,00,000
General Reserve	13,00,000
Profit & Loss A/c	3,60,000
	<hr/> 28,60,000

In Annual General Meeting held on 20th June 2020 the company passed the following resolutions :

- To split equity shares of ₹ 10 each into five equity shares of ₹ 2 each from 1st July.
- To redeem 8% preference shares. Capital redemption reserve out of free reserves to be created for the purpose of redemption of preference shares.

BHR

P.T.O.

- (iii) To redeem 9% debentures by making offer to debenture holders to convert their holding 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 three shares held on record date. The company decided that there should be minimum reduction in free reserves.
- (v) Preliminary expenses to be written off on 1st July 2020.

On 10th July, 2020 investments were sold for ₹ 11,10,000 and preference shares were redeemed.

40% of debenture holders exercised their option to accept cash and their claims were settled on 1st August 2020. The company fixed 5th September 2020 as record date and bonus issue was concluded by 12th September 2020.

You are requested to journalize the above transactions including cash transactions.

- (b) EXE had accepted bills payables to Wye as follows :

8

29th January 2020 ₹ 8,000 for 3 Months

21st February 2020 ₹ 6,000 for 3 Months

27th February 2020 ₹ 4,000 for 4 Months

15th March 2020 ₹ 5,000 for 4 Months

On 1st May 2020 it was agreed that these bills should be withdrawn and that EXE should accept on that day two bills, one for ₹ 14,000 due on 4 months and the other for the balance amount with interest (as calculated on newly drawn bills), due on 5 months.

(9)

BHR**Marks**

Calculate the amount of the second bill taking interest @ 10% p.a.
Assume 366 days in the year. Earliest due date to be taken as base date. Any fraction of day resulting from calculation to be considered as full day.

4. P and Q are in partnership sharing profits & losses in equal ratio. They keep their books by single entry system. The following balances are available from their books as on 31st March, 2019 and 31st March, 2020 : **16**

	31-03-2019	31-03-2020
Land & Building	12,50,000	12,50,000
Tools & Equipments	6,26,000	7,10,000
Furniture	1,50,000	1,50,000
Debtors	10,50,000	11,80,000
Creditors	5,75,000	32,500
Stock	?	4,50,000
Bank Loan	80,000	55,000
Cash	62,000	?
Outstanding Indirect Expenses	9,000	15,000
Bills Receivable	5,000	9,500
Bills Payable	7,500	8,500

BHR**P.T.O.**

(10)

BHR

Marks

The transactions during the year ended 31st March, 2020 are as follows :

	₹
Collection from debtors	13,05,000
Payment to creditors	10,75,000
Indirect expenses paid	65,000
Cash purchases	1,80,000
Cash sales	2,55,000
Drawings by partner (P)	24,000
Sale of old newspapers	2,500

- On 1st April, 2019, some tools & equipments of book value ₹ 46,000 was sold for ₹ 49,000. On 31st March, 2020, some equipments were purchased.
- Cash sales are 15% of total sales
- Credit Purchases are 75% of total purchases.
- Firm sells goods at @ 20% profit on sales
- Opening Capital of P & Q as on 1st April, 2019, was in same proportion as their profit sharing ratio.
- Bills Receivable drawn during the year ₹ 10,000 and Bills Payable accepted during the year ₹ 7,500.
- Depreciation @ 10% p.a to be charged on Tools & Equipments and Furniture.
- No Depreciation to be charged on Land & Building.

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

Working notes will form part of the answer.

BHR

5. (a) M/s Super Enterprises bought 3 trucks from Kaya Ltd. on 01-04-2017 10
on the following terms :

	₹
Down Payment	6,50,000
3 Installments to be paid, each at the end of each year :	
1 st Installment ₹ 3,55,000	
2 nd Installment ₹ 3,38,000	
3 rd Installment ₹ 3,30,000	
Interest is charged @ 10% p.a. and included in above installments.	
M/s Super Enterprises provides depreciation @ 20% on the diminishing balance of the Trucks	

On 31st March, 2020, M/s Super Enterprises failed to pay the 3rd Installment upon which Kaya Ltd. repossessed 1 truck. Kaya Ltd. agreed to leave 2 trucks with M/s Super Enterprises and adjusted the value of 1 truck against the amount due.

The truck taken over was valued on the basis of 30% depreciation annually on written down value basis.

The balance amount remaining in the Vendor's Account after the above adjustment was paid by M/s. Super Enterprises after 2 months with interest @ 18% p.a.

You are required to :

- Calculate the Cash Price of the trucks and the amount of Interest paid with each installment.
- Prepare Truck Account, Kaya Ltd.'s Account in the books of M/s Super Enterprises assuming that the books of accounts are closed on 31st March every year.

- (b) A fire occurred in the premises of M/s Star & Sons on 21st March 2020. The concern had taken Insurance Policy of ₹ 75,000 which was subject to average clause. From the books of accounts, the following particulars are available relating to the period 1st April 2019 to March 21st 2020 :

(i) Stock as on April 1 st 2019	₹ 1,50,500
(ii) Purchases	₹ 3,17,000
(including purchase of ₹ 40,000 for which purchase invoices had not been received from suppliers, though goods have been received in godown)	
(iii) Cost of goods distributed as samples for advertising from April 1 st 2019 to the date of fire, included in above purchases	₹ 32,000
(iv) Sales (excluding goods sold on approval basis having sale value ₹ 35,000)	₹ 4,55,000
Approval has been received for goods before the date of fire.	
(v) Purchase return	₹ 15,000
(vi) Wages (Including salary of Manager ₹ 10000)	₹ 65,000
(vii) Average Rate of Gross Profit @ 20% on sales	
(viii) Cost of goods salvaged	₹ 12,000

You are required to calculate the amount of claim to be lodged to Insurance Company.

(13)

BHR**Marks**

6. The Balance Sheet of Amit, Jatin and Rajat, who share Profits and Losses in the ratio 4 : 3 : 3 respectively, as on 01-04-2020 is as follows : **16**

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Accounts :		Land & Building	6,50,000
Amit	4,50,000		
Jatin	2,75,000		
Rajat	2,15,000		
	9,40,000		
General Reserve	1,50,000	Plant & Machinery	2,75,000
Creditors	2,05,000	Furniture, Fixtures & Fittings	1,45,000
Outstanding Liability	5,000	Stock	1,15,000
		Trade Debtors	80,000
		Less :	
		Provision for Doubtful Debts	(-)6,500
			73,500
		Cash at Bank	41,500
	13,00,000		13,00,000

BHR**P.T.O.**

- Sumit is admitted as a partner on above date i.e. 01-04-2020 for $\frac{1}{5}$ th share in profits and losses. Following terms are agreed upon :
- Sumit will bring in Furniture valued at ₹ 40,000 and ₹ 3,00,000 in cash as capital but he is unable to bring the required amount of premium for goodwill.
- Goodwill of the firm be valued at ₹ 2,00,000. (No Goodwill account to be raised or maintained). Necessary adjustments regarding Goodwill to be made through the partners' capital accounts.
- That the value of Plant & Machinery be reduced by 10%.
- Value of Stock be appreciated by 5%
- Provision for doubtful debts be made equal to 10% of Trade Debtors.
- Land & Building to be appreciated by 10%.
- A liability of repairs ₹ 2,000 to be recorded in books of accounts.
- The Outstanding Liability includes ₹ 1,000 due to Mr. X, which has been paid by Amit.
- Investments amounting ₹ 10,000 (not mentioned in Balance sheet) to be taken into books of accounts.
- The entire capital of the newly constituted firm is decided to be ₹ 15,00,000. Partners decided to maintain capital in their new profit sharing ratio, i.e. actual cash to be paid off or brought in by the partners as the case may be.

You are required to prepare Partners' Capital Accounts, Revaluation Account, Cash Account and Balance Sheet of newly constituted Firm as on date 01/04/2020.

(15)

BHR

Marks

7. Answer any **four** of the following:

4

- (a) The following information is given by Mr. X relating to his holding in 10% State Government Bonds.

Opening Balance as on 1st April, 2019

Face value ₹ 5,00,000 (5,000 units @ ₹ 100 each) and Cost ₹ 4,50,000.

On 1st June, 2019 Purchased 1,500 units ex interest @ 95 per unit

On 31st January, 2020 Sold 4,500 units, cum interest @ 94.50 per unit out of the original holdings.

Interest dates are 30th June and 31st December. Mr. X closes his books on every 31st March and he follows FIFO method.

Show the Investment Account as on March 31st 2020 as it would appear in his books.

- (b) Explain the significance of computerized accounting system in the modern time.

4

- (c) From the following particulars prepare an Account Current, as sent by Mr. S to Mr. R as on 31st December 2019 by means of product method charging interest @ 8% p.a. (Consider 1 year = 365 days)

4

2019	Particulars	₹
1 st May	Balance due from R	10,000
24 th August	Cash Received from R	7,500
15 th September	Sold goods to R	15,500
15 th October	Payment by R by cheque	12,000
12 th December	Cash Paid by R	3,000

BHR

P.T.O.

(16)

BHR

Marks

- (d) In each of the following companies, operating cycle and expected settlement of trade payables is given. State giving reasons whether the Trade Payables of each company are Current Liabilities or Non-Current Liabilities as per Schedule III of the Companies Act, 2013 : **4**

Company	Operating Cycle Period	Expected Payment period
1	10 months	12 Months
2	11 months	13 Months
3	18 months	15 Months
4	16 months	17 Months

- (e) List some cases where the third parties cannot bind the partnership firm unless all the partners have agreed. **4**

BHR