

NOV 2020

Roll No. ....

Total No. of Questions – 7 **INTERMEDIATE (IPC)** Total No. of Printed Pages – 15  
**GROUP I - PAPER 1**  
**ACCOUNTING** Maximum Marks – 100

Time Allowed – 3 Hours

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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 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 respective answer.

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|--|--------------------|
| 1. (a) On 1 <sup>st</sup> December, 2019, Mahindra Construction Co. Ltd. undertook a contract to construct a building for ₹ 170 lakhs. On 31 <sup>st</sup> March, 2020, the company found that it had already spent ₹ 1,29,98,000 on the construction. Prudent estimate of additional cost for completion was ₹ 64,02,000. Calculate total estimated loss on contract and what should be charged to statement of profit and loss account as contract revenue and contract cost in the final accounts for the year ended 31 <sup>st</sup> March, 2020, as per provision of Accounting Standard 7 (Revised). | <b>4×5<br/>=20</b> |

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- (b) In the year 2019-20, an entity has acquired a new freehold building with a useful life of 50 years for ₹ 45,00,000. The entity desired to calculate the depreciation charge per annum using a straight line method. It has identified the following components (with no residual value of lifts & fixtures at the end of their useful life) as follows :

Component	Useful life (years)	Cost (Amounts in ₹)
Land	Infinite	10,00,000
Roof	25	5,00,000
Lifts	20	2,50,000
Fixtures	10	2,50,000
Remainder of Building	50	<u>25,00,000</u>
		<b>45,00,000</b>

Calculate depreciation expense for the year 2019-20 as per componentization method.

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- (c) M/s. Gowtham Limited invested in shares of another company (with the intention to hold the shares for short-term period) on 30<sup>th</sup> November, 2019 at a cost of ₹ 4,25,000. It also earlier purchased Gold of ₹ 8,00,000 and Silver of ₹ 3,50,000 on 31<sup>st</sup> March, 2017.

Market values as on 31<sup>st</sup> March, 2020, of the above investments are as follows :

Shares ₹ 3,50,000

Gold ₹ 10,25,000

Silver ₹ 5,10,000

You are required to explain how will the above investments be shown (individually and in total) in the books of account of M/s. Gowtham Limited for the year ending 31<sup>st</sup> March, 2020 as per the provisions of AS 13.

- (d) In the books of Rani Ltd., closing inventory as on 31.03.2020 amounts to ₹ 1,75,000 (valued on the basis of FIFO method).

The Company decides to change from FIFO method to weighted average method for ascertaining the costs of inventory from the year 2019-20. On the basis of weighted average method, closing inventory as on 31.03.2020 amounts to ₹ 1,59,000. Realizable value of the inventory as on 31.03.2020 amounts to ₹ 2,07,000.

Discuss disclosure requirements of changes in accounting policy as per AS 1.

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2. The summarized Balance Sheet of Galaxy Limited, as at 31<sup>st</sup> March, 2020

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was as follows :

Liabilities	Amounts (₹)	Assets	Amounts (₹)
Authorized and subscribed Capital :		Fixed Assets :	
20,000 Equity shares of 100 each fully paid	20,00,000	Machineries	8,00,000
Unsecured Loans :		Current Assets :	
10% Debentures	3,00,000	Inventory	3,50,000
Accrued interest on above	36,000	Trade Receivables	3,20,000
Current liabilities :		Bank	50,000
Trade payables	84,000	Profit & Loss Account	9,80,000
Provision for Income tax	80,000		
	<b>25,00,000</b>		<b>25,00,000</b>

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It was decided to reconstruct the company for which necessary resolution was passed and sanctions were obtained from appropriate authorities. Accordingly, it was decided that :

- (a) Each share is sub-divided into ten fully paid equity shares of ₹ 10 each.
- (b) After sub-division, each shareholder shall surrender to the company 50% of his holding, for the purpose of re-issue to debenture holders and trade payables as necessary.
- (c) Out of shares surrendered, 20,000 shares of ₹ 10 each shall be converted into 15% preference shares of ₹ 10 each, fully paid.
- (d) The claims of the debenture holders (including accrued interest) shall be reduced by 75%. In consideration of the reduction, the debenture holders shall receive all the preference shares of ₹ 10 each as issued above.
- (e) Trade payables claim shall be reduced to 50%. Balance outstanding is settled by the issue of equity shares of ₹ 10 each out of the shares surrendered.
- (f) Balance of profit & loss account to be written off.
- (g) The shares surrendered and not re-issued shall be cancelled.

You are required to show the journal entries giving effect to the above and the resultant Balance Sheet.

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3. (a) A fire occurred on 1<sup>st</sup> February, 2019, in the premises of Omkar Limited, a retail store and business was partially disorganized up to 30<sup>th</sup> June, 2019. The Company was insured under a loss of Profits for ₹ 2,50,000 with a six months period indemnity. From the following information, compute the amount of claim under the loss of profit policy assuming entire sales during interrupted period was due to additional expenses.

Particulars	Amount in ₹
Actual sales from 1 <sup>st</sup> February 2019 to 30 <sup>th</sup> June, 2019	1,60,000
Sales from 1 <sup>st</sup> February, 2018 to 30 <sup>th</sup> June, 2018	4,00,000
Sales from 1 <sup>st</sup> February, 2018 to 31 <sup>st</sup> January, 2019	9,00,000
Net Profit for last financial year	1,40,000
Insured standing charges for last financial year	1,12,000
Total standing charges for last financial year	1,28,000
Sales for last financial year	8,40,000

The company incurred additional expenses amounting to ₹ 13,400 which reduced the loss in turnover. There was also a saving during the indemnity period ₹ 4,900 in the insured standing charges as a result of fire.

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There had been a considerable increase in trade since the date of the last annual accounts and it has been agreed that an adjustment of 15% be made in respect of the upward trend in turnover.

(b) The following particulars relate to hire purchase transactions :

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- (i) R (hire purchaser) purchased three machineries from S on hire purchase system. The cash price of each machinery being ₹ 3,00,000.
- (ii) The hire purchaser charged depreciation @ 20% on written down value method.
- (iii) Two machineries were seized by hire vendor when second installment was not paid at the end of the second year. The hire vendor valued the two machineries at cash price less 30% depreciation charge for each of the years under written down value method.
- (iv) The hire vendor spent ₹ 15,000 on repairs of the machineries and then sold them for a total amount of ₹ 2,55,000.

You are required to compute :

- (1) Agreed value of two machineries taken back by the hire vendor.
- (2) Book value of one machine left with the Hire purchaser.

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(3) Profit or loss to hire purchaser on two machineries taken back by the hire vendor.

(4) Profit or loss on machineries repossessed, when sold by the hire vendor.

4. The following is the Receipt and Payment Account of TT Club in respect of the year ended 31<sup>st</sup> March, 2020. 16

Receipts	Amount (₹)	Payments	Amount (₹)
To Balance b/d	3,07,500	By Salaries	6,24,000
To Subscriptions :		By Stationery	1,20,000
2018-19 - 13,500		By Rent	1,80,000
2019-20 - 6,33,000		By Telephone	
2020-21 - <u>22,500</u>	6,69,000	Expenses	30,000
To Profit on sports meet	4,65,000	By Investment	
To Income from		Purchase	3,75,000
Investments	3,00,000	By Sundry Expenses	2,77,500
		By Balance c/d	1,35,000
	<b>17,41,500</b>		<b>17,41,500</b>

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**Additional Information :**

(1) There are 1,350 members each paying annual subscription of ₹ 500.

On 1<sup>st</sup> April, 2019, outstanding subscription was ₹ 15,000.

(2) There was an outstanding telephone bill for ₹ 10,500 on 31<sup>st</sup> March, 2020.

(3) Outstanding Sundry Expenses as on 31<sup>st</sup> March, 2019 were totalled ₹ 21,000.

(4) Stock of Stationery :

On 31<sup>st</sup> March, 2019 ₹ 15,000

On 31<sup>st</sup> March, 2020 ₹ 27,000

(5) On 31<sup>st</sup> March, 2019 building stood in the books at ₹ 30,00,000 and it was subject to depreciation @ 5% per annum.

(6) Investment on 31<sup>st</sup> March, 2019 stood at ₹ 60,00,000.

(7) On 31<sup>st</sup> March, 2020, income accrued on the investments purchased during the year amounted to ₹ 11,250.

Prepare an Income and Expenditure Account for the year ended 31<sup>st</sup> March, 2020, and the Balance Sheet as at that date.

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5. (a) From the following summary cash account of K Ltd., prepare cash flow statement for the year ended 31<sup>st</sup> March, 2020, in accordance with AS 3 (Revised) using the direct method. 8

The company does not have any cash equivalents.

**Summary Cash Account for the year ended 31-03-2020**

Particulars	Amount in (₹) '000	Particulars	Amount in (₹) '000
Balance as on 01.04.2019	100	Payment to Suppliers	4,000
Issue of Equity Share	600	Purchase of Fixed Assets	400
Receipts from Customers	5,600	Overhead Expenses	400
Sale of Fixed Assets	200	Wages and Salaries	200
		Taxation	500
		Dividend	100
		Repayment of bank loan	600
		Balance as on 31.03.2020	300
	<b>6,500</b>		<b>6,500</b>

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- (b) A business concern maintains self – balancing ledgers. On the basis of the following information, prepare General Ledger Adjustment Account in Debtors Ledger for the month of April, 2019

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Particulars	All amounts in (₹)
Debit balances in Debtors Ledger on 01.04.2019	2,52,300
Credit balances in Debtors Ledger on 01.04.2019	6,500
Transactions during the month of April, 2019 are :	
Total sales (including cash sales ₹ 85,000)	12,10,200
Return inwards	18,680
Cash received from Debtors	9,57,640
Discount allowed to Debtors for prompt payment	14,740
Bills Receivable received from Debtors	62,400
Bills Receivable dishonored	5,260
Noting charges on Bills Receivable Dishonored	600
Interest debited for delay in payment	2,500
Cash paid to Debtors for returns	4,200
Bad Debts recovered (written off in 2015-16)	4,800
Transfers to Creditors Ledger	12,000
Credit balance in Debtors Ledger on 30.04.2019	5,500

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6. A, B and C were partners sharing profits & losses in the ratio of 3 : 2 : 1. 16

Their Balance Sheet as on 31<sup>st</sup> March, 2019 stood as follows :

Liabilities	Amounts (₹)	Assets	Amounts (₹)
Capital Accounts :		Fixed Assets	2,50,000
A                      1,80,000		Stock in trade	1,00,000
B                      1,50,000		Debtors	1,20,000
C <u>1,20,000</u>	4,50,000	Cash and Bank	70,000
Reserves	60,000		
Creditors	30,000		
	<b>5,40,000</b>		<b>5,40,000</b>

On 30<sup>th</sup> September, 2019, C died. His representatives agreed that :

- Goodwill of the firm be valued at ₹ 1,20,000
- Opening : Fixed Assets as on April 1, 2019 to be revalued at ₹ 2,20,000
- In lieu of profits, for the half year ended 30<sup>th</sup> September 2019, C should be paid at the rate of 20% per annum on his capital as on 31<sup>st</sup> March 2019.

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Current Years (2019-20) profits after charging depreciation of ₹ 14,000 (₹ 6,000 related to the period up to 30<sup>th</sup> September, 2019) was ₹ 1,54,000. The year-end figures of Stock, Debtors, Creditors and Cash & Bank were respectively ₹ 80,000, ₹ 90,000, ₹ 25,000 and ₹ 79,765. The particulars regarding their drawings are given below :

Particulars	Up to 30.09.2019 (Amounts ₹)	After 30.09.2019 (Amounts ₹)
A	6,500	7,200
B	5,000	6,000
C	3,000	

Prepare the Balance Sheet (along with other relevant schedules and working notes) of the firm as on 31<sup>st</sup> March, 2020, assuming the final settlement to C's executors was made on 31<sup>st</sup> March, 2020.

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

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(a) What is an ERP and what are the key considerations for selection of an ERP ?

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(b) Mr. PK purchased 1000 equity shares of ₹ 100 each in Savera Co. Ltd. for ₹ 1,25,000 inclusive of brokerage and stamp duty. Some years later the company resolved to capitalize its profit and to issue to the holders of equity shares, one equity bonus share for every share held by them. Prior to capitalization, the shares of Savera Co. Ltd. were quoted at ₹ 175 per share. After the capitalization, the shares were quoted at ₹ 92.50 per share. Mr. PK sold the bonus shares and received ₹ 90 per share.

Prepare the Investment Account in PK's books on average cost basis.

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- (c) The following transactions took place between Akil and Nikil for the three month ending 31<sup>st</sup> March, 2020

**Books of Akil**

Date	Particulars	Amounts (₹)
01.01.2020	Nikil's Opening Balance	50,000
10.01.2020	Sold goods to Nikil	1,00,000
15.01.2020	Cash received from Nikil	1,00,000
15.02.2020	Sold goods to Nikil	1,00,000
29.02.2020	Cash received from Nikil	50,000

You are required to calculate the amount of interest to be paid by one party to the other at 10% per annum using Epoque Method. Also prepare Account current of Mr. Nikil with Akil .

- (d) Following is the extract of the Balance Sheet of Sindhu Limited as at 31<sup>st</sup> March, 2020

**All amounts in ₹**

50,000 Equity shares of ₹ 10 each, ₹ 8 paid up	4,00,000
General Reserve	80,000
Revaluation Reserve	20,000
Securities Premium	10,000
Surplus i.e. credit in Profit & Loss Account	1,60,000

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On 1<sup>st</sup> April, 2020 the company made a final call of ₹ 2 each on 50,000 Equity shares. The call money was received on 15<sup>th</sup> April, 2020. Thereafter, the company decided to capitalize its reserves by way of bonus at the rate of one share for every five shares held. Additionally, the Company passed the board resolution to use securities premium, general reserve and balance, if any from the surplus in the profit and loss account. Show necessary entries in the books of Sindhu Limited.

- (e) Identify four differences between Hire Purchase and Installment Payment agreement.

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