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Solved Scanner Appendix

IPCC Group-I
(Solution of November - 2017 & Question of May - 2018)

Paper - 1 : Accounting

Chapter - 1 : Accounting Standards

2017 - Nov [1] {C} (a), (b) (c), (d)

(a) As per AS-10, PPE, the costs will be capitalised as follows:

Particulars	**Amount** (₹)
Purchase Price	31,25,000
Add: Estimated Dismantling Costs	2,50,000
Initial Delivery & Handling Costs	1,85,000
Site Preparation Cost	4,50,000
Consultancy Charges	6,50,000
Total Capitalized Cost of Asset	**46,60,000**

(b) Valuation of finished goods stock:

(a) **Cost per unit of finished goods:**

	Material	440
Add:	Direct Labour	120
	Direct Overhead	80
	Fixed Production $\left[\frac{4,00,000}{20,000}\right]$	20
		₹ 660

∴ Cost per unit of finished goods = ₹ 660 per unit.

(b) **Valuation of finished goods will be:**

If NRV is ₹ 800 per unit,

Value per unit (Lower of cost ₹ 660 & NRV) = 660

Total value of finished goods stock = ₹ 660 × 2400 units
= ₹ 15,84,000

If NRV is ₹ 600 per unit,

Value per unit (Lower of cost ₹ 660 & NRV) = 600

Total value of finished goods stock = ₹ 600 × 2400 units
= ₹ 14,40,000

Valuation of Raw Materials:

(a) **Cost per unit of Raw Material:**

Particulars	**Cost per unit**
Purchase Price	380
Add: Freight Charges	40
Add: Unloading cost per unit	20
	₹ **440**

(b) **Total value of Raw Materials (Closing Stock)**

1. Finished Goods are valued at cost
   - Raw Materials cost per unit ₹ 440
   - Replacement cost per unit ₹ 300
   - Relevant value per unit ₹ 440 [Since finished goods are valued at cost.]
   - Total value for ₹ 1,000 units = 1000 × ₹ 440
     = ₹ 4,40,000
2. Finished goods are valued at NRV
   - Raw Materials cost per unit ₹ 440
   - Replacement cost per unit ₹ 300
   - Relevant value per unit ₹ 300 [Since finished goods are valued at NRV]
   - Total value for ₹ 1,000 units = 1000 × ₹ 300
     = ₹ 3,00,000

(c) (i) As per As 9 “Revenue Recognition”, in a transaction involving the sale of goods, performance should be regarded as being achieved when the following conditions are fulfilled:

(i) the seller of goods has transferred to the buyer the property in the goods for a price or all significant risks and rewards of ownership have been transferred to the buyer and the seller retains no effective control of the goods transferred to a degree usually associated with ownership; and

(ii) no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of the goods.

Situation: Consignment Sales**.**

Amount to be recognised as Revenue: ₹ 4,00,000 × 75%
= ₹ 3,00,000

Reason: Revenue on Consignment Sales is recognised only when goods are sold by the agent to a third party. Since 25% is unsold, 75% would have been sold.

Note: Cost of Inventory 25% should also be accounted for.

(ii) **Situation:** Delay in delivery at Buyer’s request.

Amount to be recognised as Revenue: ₹ 1,95,000

Reason: Revenue should be recognised notwithstanding that physically delivery has not been completed so long as there is expectation that delivery will be made.

(iii) **Situation:** Sales on approval basis.

Amount to be recognised as Revenue: ₹ 2,50,000

Reason:

- **For 75% approved:** Revenue should be recognised since the buyer has formally accepted the goods.
- **For 25%:** Revenue should be recognised as time period for rejection has elapsed.

(d) Accounting Standards (AS) are written policy documents issued by an Expert Accounting Body or by Government or by other Regulatory Body.

Issues with which Accounting Standards deal are:

(i) **Recognition:** Accounting standards should recognise the transactions and events in the financial statement.

(ii) **Measurement:** Accounting standards measure these transactions and events.

(iii) **Presentation:** Presentation of these transactions and events in financial statements, in a meaningful and understandable manner.

(iv) **Disclosure:** Requires disclosure in financial statements.

2018 - May [1] {C} (b) State whether the following statements are 'True' or 'False'. Also give reason for your answer.

(i) Certain fundamental accounting assumptions underline the preparation and presentation of financial statements. They are usually specifically stated because their acceptance and use are not assumed.

(ii) If fundamental accounting assumptions are not followed in presentation and preparation of financial statements, a specific disclosure is not required.

(iii) All significant accounting policies adopted in the preparation and presentation of financial statements should form part of the financial statements.

(iv) Any change in an accounting policy, which has a material effect should be disclosed. Where the amount by which any item in the financial statements is affected by such change is not ascertainable, wholly or in part, the fact need not to be indicated.

(v) There is no single list of accounting policies which are applicable to all circumstances. (5 marks)

2018 - May [1] {C} (d) Explain 'Bearer Plant' & 'Biological Asset' as per AS-10. (5 marks)

2018 - May [7] Answer any question:

(c) Sun Ltd. wants to re-classify its investments in accordance with AS-13. State the values at which the investments have to be re-classified as per AS-13 in the following cases:

1. Current investments in Company Fine Ltd., costing ₹ 39,000 are to be re-classified as long term investments. The fair value on the date of transfer is ₹ 37,000.

2. Long term investments in Company Bold Ltd., costing ₹ 16 lakhs are to be re-classified as current investments. The fair value on the date of transfer is ₹ 15 lakhs and book value is ₹ 16 lakhs. (4 marks)

Chapter - 2 : Company Accounts — Preparation of Financial Statements

2018 - May [2] On 31st March, 2018, SR Ltd. provides the following ledger balances after preparing its Profit & Loss Account for the year ended 31st March, 2018.

Particulars	Amount (₹)	
	Debit	Credit
Equity Share Capital, fully paid shares of ₹ 50 each		80,00,000
Calls in arrear	15,000	
Land	25,00,000	
Buildings	30,00,000	
Plant & Machinery	24,00,000	
Furniture & Fixture	13,00,000	
Securities Premium		15,00,000
General Reserve		9,41,000
Profit & Loss Account		5,80,000
Loan from Public Finance Corporation (Secured by Hypothecation of Land)		26,30,000
Other Long Term Loans		22,50,000
Short Term Borrowings		4,60,000
Inventories: Finished goods	45,00,000	
Raw materials	13,00,000	

Trade Receivables	17,50,000	
Advances: Short Term	3,75,000	
Trade Payables		8,13,000
Provision for Taxation		3,80,000
Unpaid Dividend		70,000
Cash in Hand	70,000	
Balances with Banks	4,14,000	
Total	**1,76,24,000**	**1,76,24,000**

The following additional information was also provided in respect of the above balances:

(1) 50,000 fully paid equity shares were allotted as considered for land.

(2) The cost of assets were:

Building	₹ 32,00,000
Plant and Machinery	₹ 30,00,000
Furniture and Fixture	₹ 16,50,000

(3) Trade Receivables for ₹ 4,86,000 due for more than 6 months.

(4) Balances with banks include ₹ 56,000 with Naya bank, which is not a scheduled bank.

(5) Loan from Public Finance Corporation repayable after 3 years.

(6) The balance of ₹ 26,30,000 in the loan account with Public Finance Corporation is inclusive of ₹ 1,34,000 for interest accrued but not due. The loan is secured by hypothecation of land.

(7) Other long term loans (unsecured) includes:

Loan taken from Nixes Bank	₹ 13,80,000
(Amount repayable within one year	₹ 4,80,000)
Loan taken from Directors	₹ 8,50,000.

(8) Bills Receivable for ₹ 1,60,000 maturing on 15th June, 2018 has been discounted.

(9) Short term borrowings includes:
Loan from Naya bank ₹ 1,16,000 (Secured)
Loan from Directors ₹ 48,000

(10) Transfer of ₹ 35,000 to general reserve has been proposed by the Board of Directors out of the profits for the year.

(11) Inventory of finished goods includes loose tools costing ₹ 5 lakhs (which do not meet definition of property, plant & equipment as per AS-10)

You are required to prepare the Balance Sheet of the Company as on March 31st, 2018 as required under Part-I of Schedule III of the Companies Act, 2013.

You are not required to give previous year figures. (16 marks)

Chapter - 3 : Cash Flow Statement

2017 - Nov [5] (a)

Investment Account

Particulars	₹	Particulars	₹
To Balance b/d	28,000	By Bank A/c (Investment Sold)	10,000
To Bank	6,000		
To Profit and Loss A/c (Profit on Sale = 10,000 – 2,000)	8,000	By Balance c/d	32,000
Total	**42,000**	**Total**	**42,000**

CAR Account

Particulars	₹	Particulars	₹
To Balance b/d	16,000	By Bank A/c (Sale of Car)	3,400
To Profit and Loss Account (Profit on Sale = 3,400 – 2,000)	1,400	By Depreciation A/c	5,000
To Bank A/c (Balancing figure → Asset Purchased)	16,000	By Balance c/d	25,000
Total	**33,400**	**Total**	**33,400**

Furniture and Fixtures Account

Particulars	₹	Particulars	₹
To Balance b/d	22,000	By Depreciation	2,000
To Bank A/c (Balancing fig. Asset Purchased)	14,000	By Balance c/d	34,000
Total	**36,000**	**Total**	**36,000**

Cash Flow Statement of Harry Ltd.
for the year ended
31st March, 2017

Particulars	₹	₹
A. Cash Flow From Operating Activities		
Profit before taxation	8,000	
Adjustment for non-cash and non-operation items		
1. Depreciation		
(Building + Furniture + Car)	8,000	
2. Profit on Sale of Asset		
(Investment + Car)	(9,400)	
Operating profit before working capital changes	6,600	
Increase in Payables (8,000 – 5,000)	3,000	
Increase in Trade Receivables (8,000 – 6,000)	(2,000)	
Increase in Inventory (14,000 – 8,000)	(6,000)	
Cash Generated from Operations	1,600	
(–) Income taxes paid	(2,000)	
Net Cash Flow from Operating Activities [A]		(400)

B.	Cash Flow from Investing Activities		
	Purchase of fixed assets (16,000 + 14,000)	(30,000)	
	Purchase of Investment	(6,000)	
	Proceeds from Sale of Cars	3,400	
	Proceeds from Sale of Investment	10,000	
	Net Cash Flow from Investing Activities (B)		(22,600)
C.	Cash Flow From Financing Activities		
	1. Proceeds from issuance of share capital (1,20,000 – 1,00,000)	20,000	
	2. Dividend paid	(2,000)	
			18,000
	Net Cash Flow from Financing Activities (C)		
D.	Net Increase or Decrease in Cash and Cash Equivalent (A + B + C)		(5,000)
E.	Cash and Cash Equivalents at the beginning of the year		17,000
F.	Cash and Cash Equivalent at the end of the year		12,000

2018 - May [1] {C} (a) How will you disclose following items while preparing Cash Flow Statement of Gagan Ltd. as per AS-3 for the year ended 31st March, 2018?

(i) 10% Debentures issued — As on 01-04-2017 ₹ 1,10,000
As on 31-03-2018 ₹ 77,000

(ii) Debentures were redeemed at 5% premium at the end of the year. Premium was charged to the Profit & Loss Account for the year.

(iii) Unpaid Interest on Debentures: — As on 01- 04 - 2017 ₹ 275
As on 31- 03 - 2018 ₹ 1,175

(iv) Debtors of ₹ 36,000 were written off against the Provision for Doubtful Debts A/c during the year.

(v)	10% Bonds (Investments):	As on 01-04-2017 ₹ 3,50,000
		As on 31-03-2018 ₹ 3,50,000
(vi)	Accrued Interest on Investments:	As on 31-03-2018 ₹ 10,500

(5 marks)

Chapter - 4 : Profit or Loss Pre and Post Incorporation

2018 - May [3] (a) A partnership firm M/s. Nice Sons was carrying on business from 1st May, 2017. The partners of the firm decided to convert the partnership firm into a private company called Zenith (P) Ltd. with effect from 1st September, 2017. The annual accounts were drawn upto 31st March, 2018. The summarised Profit and Loss Account from 1st May, 2017 to 31st March, 2018 is as follows:

Particulars		Amount (₹)
Turnover		55,20,000
Interest on Investment		60,000
Profit on sale of Investment		42,000
		56,22,000
Less:		
Cost of goods sold	34,50,000	
Printing & Stationery	77,000	
Manager's Salary	82,000	
Audit Fees	41,000	
Rent	1,33,000	
Bad Debts	33,000	
Underwriting Commission	56,000	
Depreciation	71,500	
Interest on Debentures	8,900	

Advertising campaign expenses	69,800	
Sundry office expenses	1,06,700	
Interest on borrowings	1,25,000	
		42,53,900
Net Profit		**13,68,100**

Additional Information Provided:

(1) The company's only borrowing was a loan of ₹ 15,00,000 at 9% p.a., to pay the purchase consideration due to the firm and for working capital requirements. The loan was taken on 1st September, 2017.

(2) The company occupied additional space from 1st September, 2017 for which rent of ₹ 8,000 per month was incurred.

(3) Audit fee pertains to the company.

(4) Bad debts recovered amounting to ₹ 36,000 for a sale made in June 2017, has been deducted from bad debts mentioned above.

(5) All investments were sold in August, 2017.

(6) Zenith (P) Ltd. initiated an advertising campaign on 1st September, 2017, which resulted increase in monthly average sales by 40%.

(7) The salary of Manager was increased by ₹ 3,000 p.m. from 1st July, 2017.

Prepare a statement showing pre-incorporation and post-incorporation profit for the year ended 31st March, 2018. (8 marks)

Chapter - 6 : Accounting for Business Acquisition, Amalgamation and Reconstruction

2017 - Nov [2]

Journal Entry of Planet Ltd.
(As on 31st March, 2017)

S. No.	Particulars	Dr. Amount	Cr. Amount
1.	8% Preference Share Capital A/c Dr.	600	
	To 8% Preference Share Capital A/c		450
	To Capital Reduction A/c		150

	(Being Preference Shares of ₹ 100 each reduced to ₹ 75 each, balance transferred to Reconstruction A/c)		
2.	Equity Share Capital A/c Dr. To Equity Share Capital A/c To Capital Reduction A/c (Being equity shares of ₹ 100 each reduced to ₹ 20 each, and balance transferred to Reconstruction A/c)	1,500	 300 1,200
3.	Capital Reduction A/c Dr. To Equity Share Capital A/c (Being Preference Share dividend in arrears of 3 years waived by 2/3rd and for balance 1/3rd equity shares of ₹ 2 each allotted)	48	 48
4.	6% Debentures A/c Dr. To Freehold Property A/c (Being transfer of title deed on freehold property to debenture holders of the company)	450	 450
5.	Interest Accrued & due on Debentures A/c Dr. To Cash A/c (Being Interest Accrued and due on debentures paid in cash)	36	 36
6.	Freehold Property A/c Dr. To Capital Reduction A/c (Being balance freehold property re-valued)	175	 175
7.	Bank A/c Dr. To Investment A/c To Capital Reduction A/c (Being investments sold for ₹ 425 lakhs)	425	 300 125
8.	Loan for Director's A/c Dr. To Capital Reduction A/c To Equity Share Capital A/c (Being 70% of Director's loan waived off and the balance equity shares allotted)	450	 315 135

9.	Capital Reduction A/c Dr. To Stock A/c To Trade Receivables A/c To Profit & Loss A/c To Bank A/c (Being writing off of losses, penalty paid for contractual commitments, and reduction in the value of assets)	1,485	 360 270 783 72
10.	Capital Reduction A/c Dr. To Capital Reserve A/c (Being balance in Capital Reduction A/c transferred to Capital Reserve)	432	 432

Capital Reduction A/c

Dr. **Cr.**

Particulars	Amt.	Particulars	Amt.
To Equity Share Capital A/c	48	By 8% Preference Share Capital A/c	150
To Stock A/c	360		
To Trade Receivable A/c	270	By Equity Share Capital A/c	1,200
To Profit & Loss A/c	783	By Freehold Property A/c	175
To Bank A/c	72	By Loan from directors A/c	315
To Capital Reserve A/c (Balancing fig.)	432	By Bank	125
	1,965		**1,965**

Bank A/c

Dr. **Cr.**

Particulars	Amt.	Particulars	Amt.
To Balance b/d	6	By Interest accrued & due on debentures A/c	36
To Investment A/c	300		
To Capital Reduction A/c (Gain of Sale)	125	By Capital Reduction A/c	72
		By Balance c/d	323
	431		**431**

Share Capital:

Authorised = 1,500 lakhs equity shares of ₹ 2 each = 3,000

16 lakhs 8% preference shares of ₹ 75 each = 1,200

Issued, subscribed and paid up:

241.5 lakhs equity shares of ₹ 2 each = 483

(Out of above, 24 lakhs equity shares of ₹ 2 each has been issued for Non Cash Consideration)

6 lakhs 8% Preference Shares of ₹ 75 each = 450

= 483 + 450 = 933.

Reconciliation of Equity Shares (in lakhs)

Particulars	Preference Shares		Equity Shares	
	No. of Shares	**Amount**	**No. of Shares**	**Amount**
Opening Balance	6	600	150	1,500
Less: Capital Reduction	—	(150)	—	(1,200)
Add: Issues of new shares for arrears of preference dividend	—	—	24	48
Add: Issue of new shares to directors	—	—	67.50	135
Total	**6**	**450**	**241.50**	**483**

Tangible Fixed Assets

Item	Opg. Bal. (1)	Addns (2)	Dedns (3)	Clg. Bal. (4) = 1+2 = 3
Freehold property	825	Due to revaluation 175	(450)	550
Plant & Machinery	300	—	—	300
				850

(**Note:** Since no information about depreciation is given, Gross block/Cost is prepared)

2017 - Nov [7] (d)
According to AS 14, 'consideration' for the amalgamation means the aggregate of the shares and other securities issued and the payment made in the form of cash or other assets by the transferee company to the shareholders of the transferor company. Therefore, debentures issued to the debenture holders will not be included in purchase consideration.

Computation of Purchase Consideration

Shares	Shares Issued	Calculation	Amount
Preference Shares	9% Preference Shares of ₹ 100 each	$5{,}000 \times \frac{3}{4} \times 100$	3,75,000
Equity Shares	Equity Shares issued (Assumed at par)	$12{,}500 \times \frac{6}{5} \times 125$	18,75,000
Cash	For Equity Shares	$12{,}500 \times 20$	2,50,000
Total Purchase			**25,00,000**

2018 - May [1] {C} (c) Som Ltd. agreed to takeover Dove Ltd. on 1st April, 2018. The terms and conditions of takeover were as follows:

(i) Som Ltd. issued 56,000 equity shares of ₹ 100 each at a premium of ₹ 15 per share to the equity shareholders of Dove Ltd.
(ii) Cash payment of ₹ 39,000 was made to equity shareholders of Dove Ltd.
(iii) 24,000 fully paid preference shares of ₹ 50 each issued at par to discharge the preference shareholders of Dove Ltd.
(iv) The 8% Debentures of Dove Ltd. (₹ 78,000) converted into equivalent value of 9% debentures in Som Ltd.
(v) The actual cost of liquidation of Dove Ltd. was ₹ 23,000. Liquidation cost is to be reimbursed by Som Ltd. to the extent of ₹ 15,000.

You are required to:
(1) calculate the amount of purchase consideration as per the provisions of AS-14 and
(2) pass Journal Entry relating to discharge of purchase consideration in books of Som Ltd. (5 marks)

2018 - May [7] Answer the question:

(a) Pass Journal Entries in the following conditions:

1. Super Ltd. had 62,000 equity shares of ₹ 50 each on which ₹ 45 is paid up. In September 2017 company decided to sub-divide each share into 5 shares of ₹ 10 with ₹ 9 paid up.
2. Top Ltd. had 1,05,000 equity shares of ₹ 10 each fully paid up. In November 2017 company decided to convert the issue shares into stock. But in January 2018 the company re-converted the stock into equity shares of ₹ 100 each fully paid up.
3. New Ltd. had capital of ₹ 15,00,000 divided into 1,50,000 equity shares of ₹ 10 each on which ₹ 6 is paid up. During the year, company decided to reorganize its capital by consolidating 5 shares into one share of ₹ 50 each, ₹ 30 paid up. (4 marks)

Chapter - 7 : Average Due Date

2018 - May [7] Answer any questions:

(b) The following transactions took place between Chiron and Berry during the year 2017-18:

Date	Particulars	Amount (₹)
April 3, 2017	Sales by Berry to Chiron	1,17,000
April 9, 2017	Purchases by Berry from Chiron	46,800
May 8, 2017	Purchases by Berry from Chiron	79,300
May 25, 2017	Sales by Berry to Chiron	1,07,250

They decided to settle their account on average due date.

Calculate Average Due Date and the amount to be paid or received by Chiron. Any fraction of a day arising from the calculation to be considered as full day. (4 marks)

Chapter - 8 : Account Current

2017 - Nov [7] (b)

Date	Due	Particulars	₹	Days	Product	Date	Due	Particulars	₹	Days	Product
1 Jan	1 Jan	To Bal. b/d	2,16,000	90	1,94,40,000	15 Jan	15 Jan	By Purchase	3,50,000	75	2,62,50,000
15 Feb	15 Feb	To Cash A/c	1,00,000	44	44,00,000			By Bal. of Product			7,90,000
15 Mar	15 Mar	To Sale A/c	2,00,000	16	32,00,000	31 Mar	31 Mar	By Bal. c/d	1,66,195		
31 Mar	31 Mar	To Interest	195								
			5,16,195		2,70,40,000				5,16,195		2,70,40,000

Chapter - 9 : Self Balancing Ledgers

2017 - Nov [3] (b)

Books of Martin Ltd.

General Ledger Adjustment A/c

Particulars	₹	Particulars	₹
To Bal. b/d (Debtors ledger cr. balance)	12,600	By Bal. b/d	4,36,200
To Debtors Ledger Adjustment A/c:		By Debtors Ledger Adjustment A/c:	
Sales Return	40,000	Credit Sales (18,00,000 – 2,50,000)	15,50,000
Discount Allowed	1,500	Interest Debited	3,500
Cash Received	16,55,000	B/R Dishonoured	6,000
B/R Received	98,000	Nothing Charges Paid	300
To Bal. C/d	2,04,300	By Bal. c/d	15,400
	20,11,400		**20,11,400**

Note: Recovery of previously written off Bad Debts and B/R endorsed will not affect General Ledger Adjustment A/c.

2017 - Nov [7] (e)

1. In case if the volume of transaction is high, then ledgers are classified as follows:
   (i) General or Nominal Ledger (For all Impersonal A/c)
   (ii) Debtors or Sales Ledger (For all Debtors A/c)
   (iii) Creditors or Purchase Ledger (For all Creditors A/c)
2. This System of maintaining Book of Account is known as Self Balancing Ledger System and this is generally used when accounts are maintained manually.
3. **Information Access:** Details of all relevant transactions related to Debtors and creditors of the firm during the concerned period can be immediately accessed for managerial use and also if needed these details need not to be disclosed to all clerical staff and also total balance of such ledger can be directly incorporated in the Trial Balance.

2018 - May [3] (b) M/s. Heavy keeps self-balancing ledgers. From the following information available, you are required to prepare Debtor's Ledger Adjustment Account in the General Ledger and General Ledger Adjustment Account in Creditor's Ledger for the year ended 31st March, 2018:

(a) Debtor's Ledger Adjustment Account balance as on 01-04-2017 (Dr.) ₹ 8,78,500 & (Cr.) ₹ 75,250.
(b) Creditor's Ledger Adjustment Account balance as on 01-04-2017 (Dr.)? & (Cr.) ₹ 2,34,500.
(c) Goods purchased from Mr. Suraj ₹ 1,61,000 against advance which was paid last year.
(d) Goods returned by Mr. Ginni ₹ 70,000.
(e) From Debtor's ledger ₹ 87,500 transferred to Creditor's ledger.
(f) Total sales amounted to ₹ 49,70,000 including the sale of old machinery for ₹ 1,40,000.
(g) The total credit sales were 25% less than the total cash sales.
(h) A cheque received from a customer for ₹ 33,000 was dishonoured.
(i) Bad debts written off in the earlier years and now recovered from debtors amounted ₹ 9,800.
(j) Cash collection from debtors amounted to 90% of the opening debtors and 80% of the credit sales for the year.

(k) Debtors were allowed cash discount for ₹ 10,850.
(l) Bad debts written off ₹ 9,100.
(m) Paid advance ₹ 66,000 to M/s. Chi Traders for purchase of goods.
(n) Purchased goods from Mr. Rachel ₹ 6,13,000.
(o) Cash purchases during the year amounted to ₹ 86,000.
(p) Payment to creditors ₹ 3,23,000.
(q) Goods returned to Mr. Rachel ₹ 15,000.
(r) Bills Payable accepted during the year ₹ 89,000.
(s) Bills Receivable dishonoured ₹ 54,000.
(t) Bills Receivable matured ₹ 23,000.
(u) Bills Receivable endorsed to creditors ₹ 5,800.
(v) Overpayments refunded by suppliers ₹ 5,900.
(w) Interest charged on overdue Customer's Accounts ₹ 2,100. (8 marks)

Chapter - 10 : Financial Statements of Not for Profit Organisations

2017 - Nov [4]

Corrected Receipts & Payments A/c for the year 31.03.2017

Receipts	₹	Payments	₹
To Bal. B/d	56,000	By Payment for Medicines Supply	2,10,000
To Donation	1,05,000	By Salaries	70,000
To Donation	50,000	By Purchase of Medical Equipment	1,05,000
To Medical Camp.	87,500	By Telephone Expenses	6,000
To Subscription	3,50,000	By Medical Campus Expenses	10,500
To Interest Income	63,000	By Misc. Expenses	7,000
		By Honorarium	1,90,000
		By Balance c/d	1,13,000
	7,11,500		**7,11,500**

Income and Expenditure A/c for the year 31-03-17

Expenditure	₹	Income		₹
To Salaries	70,000	By Subscription Investment (WN 1)		3,58,400
To Honorarium to doctor	1,90,000			
To Telephone Exp.	6,000	By Medical Campus Receipt	87,500	
To Misc. Expenses	7,000			

To Depreciation (WN6)	72,800	(–) Expenses (10,500)	77,000
To Stock of Medicine Consumed	2,03,000	By Interest income	63,000
		By Donation	
To Excess of Income	54,600	(1,55,000 – 50,000)	1,05,000
	6,03,400		**6,03,400**

Balance Sheet as on 31st March, 2017

Capital and Liabilities	₹	Asset	₹
Capital Fund	13,16,700	Non-current Asset	
* Opening Bal.		Building (WN6)	3,15,000
Surplus for the year		Medical Equipment	2,14,200
Building fund	50,000	(WN5) Investment	7,00,000
Current liabilities		Current Asset medicine	
Creditors for medicine in purchase	91,000	stock	1,05,000
Subscription Received in		Subscription Receive	15,400
advance	4,900	Cash and Bank	1,13,000
	14,62,600		**14,62,600**

Working Notes:

1. Subscription Account

Particulars	₹	Particulars	₹
To Bal. b/d (Opn. Bal. of sub receivable)	10,500	By Bal. b/d (Opg. bal. of subs.)	8,400
To Income & Exp. A/c	3,58,400	By Cash (Subs. received)	3,50,000
To Bal. c/d (Closing bal. of sub. receive in advance)	4,900	By Bal. c/d (Closing bal. of subs receivable)	15,400
	3,73,800		**3,73,800**

2. Creditors for Medical A/c

Particulars	₹	Particulars	₹
To Cash (Payment)	2,10,000	By Bal. b/d	63,000
To Bal. c/d	91,000	By Purchases for the year	2,38,000
	3,01,000		**3,01,000**

3. Stock of Medicine Account

Particulars	₹	Particulars	₹
To Bal. b/d	70,000	By Stock Consumed	2,03,000
To Medicine Purchases	2,38,000	By Bal. c/d	1,05,000
	3,08,000		**3,08,000**

4. Balance Sheet as on 1st April, 2016

Capital and Liabilities	₹	Properties and Assets	₹
Capital Fund	12,62,100	Non-Current assets building	3,50,000
Current liabilities creditors for medicine	63,000	Medical equipment Investment	1,47,000 7,00,000
Subscription received in advance	8,400	Current assets medicine stock	70,000
		Subscription receive	10,500
		Cash	56,000
	13,33,500		**13,33,500**

5. Fixed Assets A/c

Particulars	Medical Equipment	Building
Opening Balance	1,47,000	3,50,000
Add: Addition	1,05,000	—
Gross Value	2,52,000	3,50,000
Less: Closing Balance	(2,14,200)	(3,15,000)
Depreciation	37,800	35,000

2018 - May [4] From the following Receipts and Payments Account of M/s. Antony Education Society for the year ended 31st March, 2018, prepare Income and Expenditure Account for the year ended 31st March, 2018 and Balance Sheet as on that date:

Receipts and Payments Account

Receipts	₹	Payments	₹
To Opening Cash and Bank Balance	37,000	By Staff Salaries	4,00,000
		By Electricity Charges	48,000
To Tuition Fees	7,00,000	By Repairs	60,000
To Hire of School's Hall	70,000	By Purchase of Building	9,50,000
To Sale of Investment (Building Fund)	9,50,000	By Purchase of Materials & Supplies	6,00,000
To Grant-in-aid	5,00,000	By Students Welfare Expenses	80,000
To Laboratory & Library Security Deposit	6,000	By Closing Cash and Bank Balance	1,25,000
	22,63,000		**22,63,000**

Additional Information:

(a) The Education Society maintained separate Building Fund of ₹ 9,50,000 from previous year represented by investment of equivalent amount. Building was acquired on 1st April, 2017 and payment of ₹ 9,50,000 was made and reflected in the Receipts and Payments Account. It was decided that maintenance of separate Building Fund is no longer required.

(b) Grant-in-aid receivable from the State Govt. for backward students ₹ 1,00,000.

(c) Opening stock of materials and supplies was ₹ 2,00,000. The consumption of materials and supplies during the year was as follows:

For Students Welfare	₹ 4,70,000
For Teaching	₹ 20,000
For Laboratory	₹ 1,30,000

(d) Laboratory equipments of ₹ 1,80,000 received from Mr. Khaitan as donation.

(e) Annual tuition fee receivable ₹ 20,000.

(f) Annual tuition fees received in advance ₹ 10,000.

(g) Staff salaries outstanding ₹ 40,000.

(h) Depreciation is to be provided for full year on straight line basis on the following:

Building — 5%

Laboratory Equipments — 10% (16 marks)

Chapter - 11 : Accounts From Incomplete Records

2017 - Nov [7] (c)

Statement of Affairs

Capital & Liabilities	31st March 2016	31st March 2017	Assets	31st March 2016	31st March 2017
Capital (Balancing Fig.)	12,52,000	22,60,000	Sundry assets	16,65,000	28,40,000
Liabilities	4,13,000	5,80,000			
	16,65,000	28,40,000		16,65,000	28,40,000

Computation of Profit

Particulars	₹	Particulars	₹
To Drawing	3,84,000	By Balance b/d	12,52,000
		By Additional Capital	50,000
To Balance c/d	22,60,000	By Profit for the year (Balancing Fig.)	13,42,000
	26,44,000		26,44,000

Chapter - 12 : Hire Purchase and Instalment Sale Transactions

2017 - Nov [5] (b)

1. **Possession :**
   The hire vender transfers only possession of the goods to the hire purchaser immediately after the contract of hire purchase is made.
2. **Installments :**
   The goods are delivered by hire vender on the condition that a hire purchaser should pay the amount in periodical installments.
3. **Down Payment :**
   The hire purchaser generally makes a down payment i.e., an amount on signing the agreement.
4. **Constituents of Hire Purchase Installments :**
   Each installment consists partly of a finance charges (interest) and partly of a capital payment.
5. **Ownership :**
   The property in goods is to pass to the hire purchaser on the payment of the last installment and exercising the option conferred upon him under the agreement.

5\. **Repossession :**
   In case of default in respect of payment of even the last installment, the hire vender has the right to take the goods back without making any compensation.

2018 - May [5] (a) M/s. Kodam Enterprises purchased a generator on hire purchase from M/s. Sanctum Ltd. on 1st April, 2017. The hire purchase price was ₹ 48,000. Down payment was ₹ 12,000 and the balance is payable in 3 annual instalments of ₹ 12,000 each payable at the end of each financial year. Interest is payable @ 8% p.a. and is included in the annual payment of ₹ 12,000.

Depreciation at 10% p.a. is to be written off using the straight line method.

You are required to:

(i) calculate the cash price of the generator and the interest paid on each instalment.

(ii) pass relevant journal entries in the books of M/s. Kodam Enterprises from 1st April, 2017 to 31st March, 2018 following the interest suspense method. (8 marks)

Chapter - 14 : Insurance Claims for Loss of Stock and Loss of Profit

2017 - Nov [3] (a)

Trading A/c
(For the year 1.4.2016 to 27.7.2016)

Particulars	Normal	Abnormal	Total	Particulars	Normal	Abnormal	Total
To Ope. Stock	60,000	4,000	64,000	By Sales	4,00,000	2,300	4,02,300
To Purchase (Note)	2,80,000	—	2,80,000	By C/s Stock with Customer	8,000	—	8,000
To Wages (53,000 – 3,000)	50,000	—	50,000	By Gross Loss	—	700	700
To Gross Profit	80,000		80,000	By Clo. Stock (B/f)	62,000	1,000	63,000
	4,70,000	**4,000**	**4,74,000**		**4,70,000**	**4,000**	**4,74,000**

Total stock on date of fire

Normal stock	62,000
Add : Abnormal stock	1,000
	63,000
Less: Salvaged stock	(5,000)
	58,000
Add : Fire fighting expenses	1,300
∴Total Loss	59,300

Calculation of net claim with average clause since policy amount is less than insurable amount.

(a) $\frac{\textbf{Policy Amount}}{\textbf{Insurable Amount}} \times \text{Total Loss}$

$= \frac{\textbf{55,000}}{\textbf{63,000}} \times 59,300 = 51,770$

or

(b) $\frac{\textbf{55,000}}{\textbf{63,000}} \times 58,000 \qquad = 50,635$

Add : Fire fighting expense 1,300

51,935

2018 - May [5] (b) A fire occurred in the premises of M/s. Raxby & Co. on 30-06-2017.

From the salvaged accounting records, the following particulars were ascertained:

	₹
Stock at cost as on 01-04-2016	1,20,000
Stock at cost as on 31-03-2017	1,30,000
Purchases less return during 2016-17	5,25,000
Sales less return during 2016-17	6,00,000
Purchases from 01-04-2017 to 30-06-2017	97,000
Purchases upto 30-06-2017 did not include ₹ 35,000 for which purchase invoices had not been received from suppliers, though goods have been received in godown.	
Sales from 01-04-2017 to 30-06-2017	1,66,000

In valuing the stock for the Balance Sheet at 31st March, 2017, ₹ 5,000 had been written off on certain stock which was a poor selling line having the cost of ₹ 8,000. A portion of these goods were sold in May, 2017 at a loss of ₹ 1,000 on original cost of ₹ 7,000. The remainder of the stock was now estimated to be worth its original cost. Subject to that exception, gross profit had remained at a uniform rate throughout the year.

The value of the salvaged stock was ₹ 10,000. M/s. Raxby & Co. had insured their stock for ₹ 1,00,000 subject to average clause.
Compute the amount of claim to be lodged to the insurance company.
(8 marks)

Chapter - 15 : Introduction to Partnership Accounts
2017 - Nov [6]

Memorandum Revaluation Account

	₹		₹
To Stock	30,000	By Building	1,11,000
To Plant & machinery	50,000		
To Unrecorded liability	10,000		
To Profit transferred to Partners' Capital A/cs (in old ratio)			
A = 14,000	21,000		
B = 7,000	1,11,000		1,11,000
To Building	1,11,000	By Stock	30,000
		By Plant & machinery	50,000
		By Unrecorded liability	10,000
		By Loss transferred to Partners' Capital A/cs (in new ratio)	
		A = 9,000	
		B = 6,000	
		P = 3,000	
		Q = 3,000	21,000
	1,11,000		**1,11,000**

Partners' Capital Accounts

		A	B	P	Q			A	B	P	Q
To	Memorandum Revaluation	9,000	6,000	3,000	3,000	By	Balance b/d	8,00,000	4,00,000	—	—
To	Reserves	2,25,000	1,50,000	75,000	75,000	By	Memorandum Revaluation A/c	14,000	7,000		
To	A&B (W.N.2)	—	—	12,000	12,000	By	Reserves	3,50,000	1,75,000	—	—
To	Balance c/d					By	P&Q (W.N.2)	20,000	4,000	—	—
	(Refer W.N. 3)	9,50,000	4,30,000	2,15,000	2,15,000						
						By	Cash (Bal. Fig.)	—	—	3,05,000	3,05,000
		11,84,000	**5,86,000**	**3,05,000**	**3,05,000**			**11,84,000**	**5,86,000**	**3,05,000**	**3,05,000**

Balance Sheet of newly reconstituted firm as on 31.3.2017

Liabilities	₹	Assets	₹
Capital Accounts		Plant & Machinery	5,00,000
A 9,50,000		Building	9,00,000
B 4,30,000		Sundry Debtors	2,50,000
P 2,15,000		Stock	3,00,000
Q 2,15,000	18,10,000	Cash	7,60,000
Reserve	5,25,000	((1,50,000+3,05,000+ 3,05,000)	
Sundry Creditors	2,75,000		
Bill Payable	1,00,000		
	27,10,000		27,10,000

Working Notes:

1. Calculation of Goodwill

Weighted Average Profit:

Year	Profit (₹)	Weight	Weighted Profit (₹)
2014	37,000	1	37,000
2015	40,000	2	80,000
2016	45,000	3	1,35,000
		6	2,52,000

Weighted Average Profit = ₹ 2,52,000/6 = ₹ 42,000

Goodwill is valued at 2 year's purchase

Value of Goodwill: ₹ 42,000 × 2 = ₹ 84,000

2. (a) Profit sacrificing Ratio

Particulars	Old Shares	New Shares	Share Sacrificed	Share Gained
A	2/3	3/7	5/21	—
B	1/3	2/7	1/21	—
P	—	1/7	—	1/7
Q	—	1/7	—	1/7

(b) Adjustment for goodwill

Partners	Goodwill as per old ratio	Goodwill as per new ratio	Effect	
A	56,000	36,000	+ 20,000	—
B	28,000	24,000	+ 4,000	—
P		12,000		12,000
Q	—	12,000	—	12,000
	84,000	84,000	24,000	24,000

Journal Entry

P's Capital A/c Dr.		12,000	
Q's Capital A/c Dr.		12,000	
To A's Capital A/c			20,000
To B's Capital A/c			4,000

3. Calculation of closing capitals of P and Q

B's capital is taken as base. Closing capital of B after all adjustments is 4,30,000.

Total capital of firm will be = 4,30,000 × 7/2 = 15,05,000

Hence, P's and Q's closing capital should be ₹ 2,15,000 (15,05,000 ×1/7) each i.e. at par with B (as per new profit and loss sharing ratio)

2018 - May [6] On 31st March, 2018, the Balance Sheet of Mary, Rima and Sunny who were sharing profits and losses in the ratio 3 : 4 : 2 stood as follows:

Liabilities	₹	₹	Assets	₹
Capital Account:			Land & Building	90,000
Mary	45,000		Machinery	55,000
Rima	60,000		Trade Receivable	60,000
Sunny	30,000	1,35,000	Inventories	30,000
General Reserve		45,000	Cash in hand and at Bank	20,000
Workmens' Compensation Reserve		5,000		
Trade payable		70,000		
		2,55,000		**2,55,000**

Sunny retired on 31st March, 2018. Mary and Rima continued in partnership sharing profits/losses in the ratio 6 : 4.

The following adjustments are agreed upon:

(a) Adjustment for Machinery having net book value of ₹ 4,000 which had been scrapped during the year. The original cost of Machinery was ₹ 15,000.

(b) Debts amounting ₹ 3,000 considered bad and further debts amounting ₹ 5,000 were considered doubtful and required 100% provision.

(c) An item of the inventory having value of ₹ 6,000 had been omitted from the stock valuation.

(d) Provision of ₹ 3,000 to be made in respect of an outstanding bill of purchase.

(e) Goodwill of the entire firm be fixed at ₹ 36,000 and Sunny's share of the same be adjusted into the accounts of Mary and Rima. No goodwill account to be raised.

(f) The entire capital of the firm as newly constructed be fixed at ₹ 1,40,000 between Mary and Rima in proportion to their profit sharing ratio after passing entries in the accounts for adjustment i.e. actual cash to be paid off or to be brought in by the continuing partners as the case may be.

Sunny to be paid ₹ 30,000 cash on the date of retirement and balance to be transferred to her Loan Account.

Prepare Revaluation Account, Capital Account of the Partners and the Balance Sheet of the firm of Mary and Rima after retirement of Sunny, (Journal entries are not required) (16 marks)

2018 - May [7] Answer any questions:

(e) (i) Total capital employed by a partnership firm is ₹ 1,50,000. Last 3 years' profit of the firm are as follows:

	₹
2014	30,000
2015	26,000
2016	28,000

Rate of normal profit in the industry is 15%.

It is agreed that goodwill is valued at 3 years' purchase. Calculate the value of goodwill of the firm under Super Profit Basis.

(ii) What are the conditions that require valuation of goodwill in a partnership firm? (4 marks)

Chapter - 16 : Accounting to Computerised Environment

2017 - Nov [7] (a)

1. **Benefits of ERP for Accounting:**
   - **(a) Standarized Processes:** ERP is a generalised package, which covers most of the functions of any specific module.
   - **(b) Reporting:** The reports in an ERP package, integrate are the financial and non-financial aspects to help managers to make an objective analysis.
   - **(c) Integrated:** Duplication of data entry is avoided as it an integrated package.
   - **(d) Information Use:** Reliable, accurate and relevant information is available through the EPR Package.
2. **Disadvantages of using ERP for Accounting**
   - **(a) Lack of Flexibility:** To modify their Effectivity users first have to enhance their business procedure at times.
   - **(b) Implementation hurdles:** Many consultants implementing the ERP package are not able to fully appreciate the business procedure, which affects the objective implementation of the ERP Packages.
   - **(c) Expensive:** ERP packages very costly and are often beyond the reach of small firms.
   - **(d) Complex Software:** ERP package has large number of options to choose from. Further the parameter setting and configuration makes it little difficult for common users.

2018 - May [7] Answer the questions:

(d) State the advantages of outsourcing the Accounting Functions of an enterprise. (4 marks)

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