Test Series: September, 2013

MOCK TEST PAPER - 1

INTERMEDIATE (IPC): GROUP – I

PAPER – 1: ACCOUNTING

Question No. 1 is compulsory.

*Answer any **five** questions from the remaining **six** questions.*

Working notes should form part of the answer.

Time Allowed – 3 Hours | Maximum Marks – 100

1. (a) Mohan Ltd. incorporated on 1st April, 2012 and took over running business of Mr. Mohan w.e.f. 1st January, 2012. The company prepares its first final accounts on 31st December, 2012. From the following information, you are required to calculate the sales ratio of pre-incorporation and post-incorporation periods:

   1. Sales for January, 2012 to December, 2012 is ₹ 7,20,000,
   2. The sales for the month of January is twice of the average sales. Sale for the month of February is equal to average sales. Sales for four months from May to August is 1/4 of the average sales; and sales for October and November is three times the average sales.

   (b) Innovative Garments Manufacturing Limited invested in the shares of another company on 1st October, 2012 at a cost of ₹ 5,00,000. It also earlier purchased Gold of ₹ 8,00,000 and Silver of ₹ 4,00,000 on 1st March, 2010. Market value as on 31st March, 2013 of above investments are as follows:

	₹
Shares	4,50,000
Gold	12,00,000
Silver	7,00,000

   How above investments will be shown in the books of accounts of Innovative Garments Manufacturing Limited for the year ending 31st March, 2013 as per the provisions of Accounting Standard 13 "Accounting for Investments"?

   (c) Define Small and Medium-Sized Company (SMC) as per Clause 2(f) of the Companies (Accounting Standards) Rules, 2006.

   (d) From the following Summary Cash Account of X Ltd., prepare Cash Flow Statement for the year ended 31st March, 2013 in accordance with AS 3 (Revised) using direct method. The company does not have any cash equivalents.

Summary Cash Account for the year ended 31.3.2013

	₹ '000		₹ '000
To Balance on 1.4.2012	50	By Payment to Suppliers	2,000
To Issue of Equity Shares	300	By Purchase of Fixed Assets	200
To Receipts from Customers	2,450	By Wages and Salaries	300
To Sale of Fixed Assets	100	By Taxation	150
		By Dividend	100
		By Balance on 31.3.2013	150
	2,900		2,900

(4 x 5 = 20 Marks)

2. (a) Shyam keeps his books of account by single entry system. However, he is able to give you the following lists of his assets and liabilities at the beginning as well as at the end of the year ended 31st March, 2013:

	On 1st April, 2012 ₹	*On 31st March, 2013* ₹
Cash in hand	1,750	1,400
Cash at bank	20,000	-
Bank Overdraft	-	1,800
Bills Receivable	15,000	25,000
Stock	93,500	98,700
Debtors	60,000	70,000
Furniture and Fittings	65,000	65,000
Creditors	45,000	31,000
Bills Payable	5,000	Nil

Shyam introduced ₹ 10,000 as fresh capital on 1st October, 2012. He also withdrew ₹ 5,000 every month for his household expenses.

During the year, there was no sale or fresh purchase of furniture and fittings. Ascertain the profit earned by Shyam during the year ended 31st March, 2013 after depreciating furniture and fittings @ 10% per annum and creating a provision for doubtful debts @ 5% on debtors.

(b) M accepted the following bills drawn by S:

On 8th March, 2013, ₹ 4,000 for 4 months.

On 16th March, 2013, ₹ 5,000 for 3 months.

On 7th April, 2013, ₹ 6,000 for 5 months.

On 17th May, 2013, ₹ 5,000 for 3 months.

He wants to pay all the bills on a single day. Find out this date. Interest is charged @ 18% p.a. and M wants to earn ₹ 150 by way of interest. Find out the date on which he has to effect the payment to earn interest of ₹ 150. *(10+ 6 =16 Marks)*

3. The Balance Sheet of P and T who share profits & losses in the ratio of 3 : 1 as at 31st March, 2013 was as follows:

Liabilities	*₹*	*Assets*	*₹*	*₹*
Sundry creditors	60,000	Cash at bank		5,250
Employee's provident fund	6,150	Bills receivable		33,000
Profit and loss account	4,500	Debtors	25,500	
Contingency reserve	1,500	*Less*: Provision	1,500	24,000
General reserve	1,500	Stock		90,000
P's capital	1,10,700	Furniture and fixtures		16,500
T's capital	96,900	Land & building		1,12,500
	2,81,250			2,81,250

On 31st March, 2013, O was admitted into partnership on the following terms:

(a) The new profit sharing ratio of P, T and O will be 3 : 1 : 1.

(b) Goodwill of the firm was to be valued at two and half years' purchase of the average profits of the last three completed years. The profits were 2008-09 - ₹ 30,000, 2009-10 - ₹ 45,000, 2010-11 - ₹ 60,000, 2011-12 - ₹ 75,000, 2012-13 - ₹ 90,000.

(c) The stock was found overvalued by ₹ 9,000. Fixtures are to be brought down to ₹ 14,850. Provision for doubtful debts is to be made up to 5% on the debtors and bills receivable. Land & building was found undervalued by ₹ 22,500.

(d) The unaccrued income is ₹ 1,275.

(e) A claim on account of workmen's compensation for ₹ 225 to be provided for.

(f) Mr. X, an old customer whose account for ₹ 1,500 was written off as bad has promised in writing to pay 65% in settlement of his full debt.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of a new firm when O pays ₹ 60,000 as his capital but is unable to bring in any cash for his share of goodwill. No account for goodwill should remain in the books of new firm. The capitals of all partners will be in the same ratio as profit sharing ratio taking original capital of "O" as basis. The necessary adjustment should be made through current accounts. *(16 Marks)*

4. (a) On 1.4.2012, Ms. Priya purchased 2,000 equity shares of ₹ 100 each in TELCO Ltd. @ ₹ 120 each from a Broker, who charged 2% brokerage. He incurred 50 paise per ₹ 100 as cost of shares transfer stamps. On 31.1.2013 one bonus share was declared for every two shares held. Before and after the record date of bonus issue, the shares were quoted at ₹ 175 per share and ₹ 90 per share respectively. On 31.3.2013, Ms. Priya sold bonus shares to a Broker, who charged 2% brokerage.

Show the Investment Account in the books of Ms. Priya, who held the shares as current assets and closing value of investments shall be made at cost or market value whichever is lower.

(b) A Ltd. purchased a machine on hire purchase basis from Y Ltd. on the following terms: (a) Cash Down payment- ₹ 3,17,000 (b) Four instalments of ₹ 4,43,800, ₹ 4,12,100, ₹ 3,80,400 and ₹ 3,48,700 at the end of the 1st year, 2nd year, 3rd year and 4th year respectively. (c) The payment of cash price in each instalment is uniform. Compute the amount of interest and total cash price of the machine. *(8+8=16 Marks)*

5. Given below are the summarized balance sheets of Vasudha Ltd. and Vaishali Ltd as at 31st March, 2012.

(Amount in ₹)

Liabilities	*Vasudha Ltd*	*Vaishali Ltd.*	*Assets*	*Vasudha Ltd.*	*Vaishali Ltd.*
Issued Share Capital:			Factory Building	2,10,000	1,60,000
			Trade receivables	2,86,900	1,72,900
Equity Shares of ₹ 10 each	5,40,000	4,03,300	Inventory	91,500	82,500
General Reserves	86,000	54,990	Goodwill	50,000	35,000
Profit & Loss A/c	66,000	43,500	Cash at Bank	98,000	1,09,590
Trade payables	44,400	58,200			
	7,36,400	5,59,990		7,36,400	5,59,990

Goodwill of the Companies Vasudha Ltd. and Vaishali Ltd. is to be valued at ₹ 75,000 and ₹ 50,000 respectively. Factory Building of Vasudha Ltd is worth ₹ 1,95,000 and of Vaishali Ltd ₹ 1,75,000. Stock of Vaishali has been shown at 10% above its cost.

It is decided that Vasudha Ltd. will absorb Vaishali Ltd., by taking over its entire business by issue of shares at the Intrinsic Value (Net Asset Value).

You are required to draft the balance sheet of Vasudha Ltd. after putting through the scheme assuming that the assets & liabilities of Vaishali Ltd. were incorporated in Vasudha Ltd. at fair value and assets and liabilities of Vasudha Ltd. have been carried at carrying values only. *(16 Marks)*

6. (a) A fire engulfed the premises of a business of M/s Danger on the morning of 1st July 2013. The building, equipment and stock were destroyed and the salvage value recorded for the following assets were:

Building – ₹ 8,000; Equipment – ₹ 5,000; Stock – ₹ 40,000. The following other information was obtained from the records saved for the period from 1st January to 30th June 2013:

	₹
Sales	23,00,000
Sales Returns	80,000
Purchases	19,00,000
Purchases Returns	25,000
Cartage inward	35,000
Wages	15,000
Stock in hand on 31st December, 2012	3,00,000
Building (valued on 31st December, 2012)	7,50,000
Equipment (valued on 31st December, 2012)	1,50,000
Depreciation provision till 31st December, 2012 on:	
Building	2,50,000
Equipment	45,000

No depreciation has been provided since December 31st 2012. The latest rate of depreciation is 5% p.a. on building and 15% p.a. on equipment by straight line method.

Normally business makes a profit of 25% on net sales. On a claim being made on the insurance company, the claim was settled for ₹ 10,50,000. Give necessary journal entries in this regard in the books of M/s Danger.

(b) M/s Govind keeps self-balancing ledgers. Record the following transactions in the General Ledger Adjustment Account in the Sales Ledger:

1.4.2013	Received ₹ 475 from Mr. X in full settlement. He was allowed a discount of ₹ 25.
2.4.2013	Received ₹ 2,000 from Mr. Y towards his dues in full.
3.4.2013	Goods supplied to Mr. T ₹ 700 and received ₹ 300 after adjustment of the advance of ₹ 400.
4.4.2013	Bad debts recovered from Mr. Q ₹ 1,000.
5.4.2013	Sales :
	Mr. A ₹ 1,000

	Mr. B	₹ 1,500
	Mr. C	₹ 2,000
15.4.2013	Mr. P paid ₹ 750 towards dues. Balance thereafter due was ₹ 250.	
25.4.2013	Received from customers :	
	Mr. A	₹ 750
	Mr. B	₹ 1,000
	Mr. C	₹ 2,000
30.4.2013	Advance received from Mr. R for supply ₹ 2,000.	

(8+8=16 Marks)

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

(a) Omega company has taken a Transit Insurance Policy. Suddenly in the year 2012-2013 the percentage of accident has gone up to 7% and the company wants to recognize insurance claim as revenue in 2012-2013 in accordance with relevant Accounting Standards. Do you agree? Explain in brief, as per the relevant Accounting Standards.

(b) Describe limitations of setting of accounting standards.

(c) Elite Club has 200 members with an annual subscription of ₹ 3,600 payable by every member. An analysis of subscriptions received by the club during the accounting year ended on 31st March, 2011 revealed the following:

	₹
For the year 2009-10	25,200
For the year 2010-11	6,98,400
For the year 2011-12	7,200
	7,30,800

On 31st March, 2011, it was noted that a sum of ₹ 3,600 was still in arrears for the year ended 31st March, 2010. Elite Club is not registered under the Companies Act. Calculate the amount of subscriptions that will appear on the credit side of the Club's Income and Expenditure Account for the year ended 31st March, 2011. Also show how items relating to subscriptions will appear in the Balance Sheet dated 31st March, 2011.

(d) What are the factors which you will take into consideration while choosing an ERP software?

(e) Beta Limited has not charged depreciation for the year ended on 31st March, 2013, in respect of a spare bus purchased during the financial year 2012-13 and kept ready by the company for use as a stand-by, on the ground that, it was not actually used during the year. State your views with reference to Accounting Standard 6 "Depreciation Accounting". *(4 x 4 =16 Marks)*