

Answer 1 (a)**Cost of new plant of ABC Ltd. as per AS 10 PPE:-**

Cost of Plant	31,25,000
Estimated cost of dismantling	2,50,000
Initial Delivery & Handling Cost	1,85,000
Cost of site preparation	4,50,000
Consultant Fee	<u>6,50,000</u>
	<u>46,60,000</u>

Note 1 : Initial operational losses is not included is cost of PPE it is already become ready to use as management intended because.

Note 2 : In absence of cost of capital rate and present value factor undiscounted cost of dismantling has been added.

Answer 1 (b)**Situation (i)**

When Net Realisable Value of the Finished Goods Y is ₹ 800 : NRV is greater than the cost of Finished Goods Y i.e. ₹ 660 Hence, Raw Material and Finished Goods are to be valued at cost Value of Closing Stock:

	Qty	Rate	Amount (₹)
Raw Material X	1,000	440	4,40,000
Finished Goods Y	2,400	660	15,84,000
Total Cost of Closing Stock			20,24,000

Situation (ii)

When Net Realisable Value of the Finished Goods Y is ₹ 600 : NRV is less than the cost of Finished Goods Y i.e. ₹ 660 Hence, Raw Material is to be valued at replacement cost and Finished Goods are to be valued at NRV since NRV is less than the cost Value of Closing Stock:

	Qty	Rate	Amount (₹)
Raw Material X	1,000	300	3,00,000
Finished Goods Y	2,400	600	<u>14,40,000</u>
Total Cost of Closing Stock			<u>17,40,000</u>

Working Notes:

Raw Material X	(₹)
Cost Price	380
Add: Freight Inward	40
Unloading charges	<u>20</u>
Cost	<u>440</u>

Finished goods Y	(₹)
Materials consumed	440
Direct Labour	120
Direct overhead	80
Fixed overheads (₹ 4,00,000/20,000 units)	<u>20</u>
Cost	<u>660</u>

Answer 1 (c)

As per AS 9 sale of goods is to be recognized only when following condition is fulfilled :

- (i) Ownership or risk & reward or effective control have been transferred
- (ii) Amount can be reliably measurable.
- (iii) No uncertainty exit about the ultimate collection of the amount.

Given situation is to be managed as under as per AS 9 revenue recognition:-

- (i) In this case goods sold by consignee Rs. (4,00,000 x 75%) = 3,00,000 recognised as sales and goods unsold Rs. (4,00,000 x 25%) = 1,00,000 treated as closing stock .
- (ii) Delay of delivery of goods on buyer's request is to be recorded as the sale there fore recognized as sale on 25/3/2017.
- (iii) Approval has been received for 75% of 2,50,000 = 1,87,500 upto 31/12/2016 recognise accordingly and time period for remaining has been expired 28/2/2017 therefore recognized Rs. 62,500 on 28/02/2017. Therefore entire revenue to be recognized for year ended 31/3/2017.

Answer 1 (d)

Accounting Standards (ASs) are written policy documents issued by expert accounting body or by government or other regulatory body covering the aspects of recognition, measurement, presentation and disclosure of accounting transactions in the financial statements.

Accounting Standards deal with the issues of

- (i) recognition of events and transactions in the financial statements,
- (ii) measurement of these transactions and events,
- (iii) presentation of these transactions and events in the financial statements in a manner that is meaningful and understandable to the reader, and
- (iv) the disclosure requirements which should be there to enable the public at large and the stakeholders and the potential investors in particular, to get an insight into what these financial statements are trying to reflect and thereby facilitating them to take prudent and informed business decisions.

Answer 2 (a)**Journal of M/s Planet Ltd.**

		<i>Dr.</i>	<i>Cr.</i>
		<i>Lacks ₹</i>	<i>Lacks ₹</i>
	Equity Share Capital A/c (₹10) Dr.	1,500	
	To Capital Reduction A/c		1,200
	To Equity Share Capital A/c (₹2)		300
	(Reduction of equity shares of ₹ 10 each to shares of ₹ 2 each as per Reconstruction Scheme dated...)		
	8% Cum. Preference Share Capital A/c (₹100) Dr.	600	
	To Capital Reduction A/c		150
	To Pref. Share Capital A/c (₹ 75)		450
	(Reduction of preference shares of ₹ 100 each to shares of ₹ 75 each as per reconstruction scheme)		
	Freehold Property A/c Dr.	175	
	To Capital Reduction A/c		175
	(Appreciation in the value of property: Book value Revalued Figure 550 – (825 – 450) = 175)		
"	6% Debentures A/c Dr.	450	
	To Freehold Property A/c		450

	(Claims of debenture-holders, in part, in respect of principal discharged by transfer of freehold property vide Scheme of Reconstruction)		
	Accrued Interest A/c	Dr.	36
	To Bank A/c		36
	(Debenture interest paid)		
"	Bank A/c	Dr.	425
	To Trade Investment A/c		300
	To Capital Reduction A/c		125
	(Sale of Trade Investment for ` 425 cost being `300; profit credited to Capital Reduction Account)		
"	Directors' Loan A/c	Dr.	450
	To Equity Share Capital A/c		135
	To Capital Reduction A/c		315
	(Directors' loan discharged by issue of equity shares of ` 135,		
	Capital Reduction Account	Dr.	48
	To Equity Share Capital Account		48
	(Arrears of preference dividends satisfied by the issue of equity shares, 1/3 of the amount due, ₹ 144)		
"	Capital Reduction A/c	Dr.	1,917
	To Inventory		360
	To Provision for Doubtful Debts		270
	To Bank		72
	To Profit & Loss Account		783
	To Capital Reserve (B/F)		432
	(Writing off patents, goodwill, profit and loss account and reducing the value of stock, making the required provision for doubtful debts and payment for cancellation of capital commitments)		

Capital Reduction A/c

	In Lacks		In Lacks
To Equity Share Capital	48	By Equity Share Capital	1,200
To Inventory	360	By Preference Share Capital	150
To Trade receivables	272	By Free hold property	175
To Bank	70	By Investment	125
To Plant & Machinery A/c	783	By Director Loan	315
To Capital Reserve	432		
	1965		1965

Bank A/c

	In Lacks		In Lacks
To Balance b/d	6	By Accrued Interest	36
To Investment	425	By Capital (Reduction) Penalty	72
		By Balance c/d	323
	431		431

Notes to Accounts

Amount in Lacks

1. Share Capital

Authorised Capital

1500 lack equity share of ₹ 2/-	3000
16 lack 8% preference of ₹ 75/-	1200
	4,200

Issued Capital

241.5 lacks equity share of ₹ 2/- (out of these 91.5 lacks equity share capital issued for consideration other than cash)	483
8% 6 lack preference share of ₹ 75/-	450
	933

2. Tangible Assets

Freehold property	825	
Less : given to Debenture holder	450	
	375	
Add : Appreciation	175	550
Plant & Machinery		300
		850

Answer 3 (a)

Memorandum Trading Account (1.4.2016 to 27.7.2016)

Particular	Normal	Abnormal	Total	Particular	Normal	Abnormal	Total
To Opening Stock	60,000	4,000	64,000	By Sales	4,00,000	2,300	4,02,300
To Purchase	2,80,000	-	2,80,000	By Stock with customer	8,000	-	8,000
To Wages (53,000 – 3000)	50,000	-	50,000	By Gross Loss	-	700	700
To GP (4,00,000 x 20%)	80,000	-	80,000	By closing 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
Abnormal Stock	<u>1,000</u>
Total Stock on Date of Fire	63,000

(-) Salvaged Stock	5,000
Loss of stock	58,000
Add : Fire Fighting Exp.	<u>1,300</u>
Total Loss	59,300

Calculation of net claim with Average clause since policy amount is less than insurable amount :

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

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

Or

(b) $\frac{55,000}{63,000} \times 58,000 = 50,635$
 Add Fire Fighting 1,300
51,935

1.

Note :

Opening Stock (63,000 + 1,000)=64,000

(-) Abnormal 4,000

Normal 60,000

2.

Sales given **4,12,300**

(-) Approval not Received 10,000

(-) Abnormal Sales 2,300

Normal Sale 4,00,000

3.

Stock with customer :- Sale price = (40,000 x ¼) = **10,000**

(-) Profit 20% 2,000

Cost 8,000

4.

Purchase given **2,92,000**

(-) P/M purchased 10,000

(-) Free Sample 2,000

2,80,000

Answer 3 (b)

**General Ledger Adjustment A/c
(In Debtor Ledger)**

To Balance b/d	12,600	By Balance b/d	4,36,200
To DLA A/c		BY DLA A/c	
Sales return	40,000	Credit Sale (18,00,000 – 2,50,000)	15,50,000
Cash received	16,55,000	Interest	3,500
BR drawn	98,000	Br dishonoured	6,000
Discount Allowed	1,500	Noting Charges	300
To Balance c/d	2,04,300	By Balance C/d	15,400
	20,11,400		20,11,400

Note :- BR Endorsed and bad debts recovered to supplier not disclosed in general ledger adjustment Account because not effecting balancing of debtor.

Answer 4

Income & Expenditure Account

Expenses	Amount	Income	Amount
To Medicine Consumed	2,03,000	By Donation	1,05,000
To Salaries	70,000	By collection	87,500
To Dep. on Equipment	37,800	By Subscription	
To Honorarium to Doctor	1,90,000	Received	3,50,000
To Telephone Exp.	6,000	Add: C/o Due	15,400
To Medical Camp Exp.	10,500	Less : Op Due	10,500
To Misc Exp.	7,000	Add :Op. Adv.	8,400
To Dep. On building	35,000	Less : C/o Adv.	4,900
To Surplus	54,600	By Int. on Investment (7,00,000 x 9%)	63,000

	6,13,900		6,13,900

Balance Sheet on 31/03/2017

Building Fund	50,000	Stock of Medicine	1,05,000
Creditor	91,000	Equipment	2,14,200
Adv. Subscription	4,900	Subscription Due	15,400
OP. Capital Fund 12,62,100		Investment	7,00,000
Add : Surplus 54,600	13,16,700	Building	3,15,000
		Cash	1,13,000
	14,62,600		14,62,600

Balance Sheet on 01/04/2016

Creditor	63,000	Cash	56,000
Adv. Subscription	8,400	Stock of Medicine	70,000
Capital Fund (B/F)	12,62,100	Equipment	1,47,000
		Sub. Due	10,500
		Investment	7,00,000
		Building	3,50,000
	13,33,500		13,33,500

Receipt & Payment Account

Receipt	Amount	Payment	Amount
To Balance b/d	56,000	By Creditor	2,10,000
To Donation	1,55,000	By Salaries	70,000
To Medical Cap	87,500	By Equipment	1,05,000
To Subscription	3,50,000	By Honorarium to doctors	1,90,000
To Interest on investment	63,000	By Telephone Exp.	6,000
		By Medical Camp Exp.	10,500
		By Misc. Exp.	7,000
		By Balance c/d	1,13,000
	7,11,500		7,11,500

Note 1 : Medicine Consumed :-

Payment for medicine	2,10,000
Add : Closing Creditor	91,000
Less : Opening creditor	<u>63,000</u>
Purchase	2,38,000

Add : Opening Stock	70,000
Less : Closing Stock	<u>1,05,000</u>
	2,03,000

Note 2 : Equipment Account :-

To Balance b/d	1,47,000	By Depreciation	37,800
To Bank	1,05,000	(B/f)	

By Balance c/d

2,14,200

Answer 5 (A)

**Cash flow statement of Harry Ltd.
For year ended 31/3/2017
(Indirect Method)**

(A)	Cash Flow from operating Activity :	
	Profit before Tax & Extra ordinary item	8,000
	Depreciation on building	1,000
	Depreciation on Furniture & Fitting	2,000
	Depreciation on Car	5,000
	Profit on Sales of Car	(1,400)
	Profit on Sales of Investment	(8,000)
	Operating activity before adjustment of W.C. Item	6,600
	Increase in Trade payable	3,000
	Increase in Stock	(6,000)
	Increase in Trade receivable	(2,000)
	Operating activity before adjustment of tax	1,600
	Tax Paid	(2,000)
		(400)
(B)	Cash Flow from Investing Activity :	
	Purchase of Furniture	(14,000)
	Sale on Car	3,400
	Purchase of Car	(16,000)
	Purchase of Investment	(6,000)
	Sale of Investment	10,000
		(22,600)
(C)	Cash Flow from Financing Activity :	
	Dividend Paid	(2,000)
	Issue of equity share capital	20,000
		18,000
	Cash Flow from (A + B + C) activity	(5,000)
	Add : Opening balance of Cash & C.E.	17,000
	Closing Balance of Cash & C.E.	12,000

Note 1.

Building Account

To Balance b/d	20,000	By Depreciation	1,000
		By Balance c/d	19,000
	20,000		20,000

Note 2.

Furniture Account

To Balance b/d	22,000	By Depreciation	2,000
To Bank (B/f)	14,000	By Balance c/d	34,000
	36,000		36,000

Note 3.

Car Account

To Balance b/d	16,000	By Depreciation	5,000
To P & L A/c	1,400	By Bank	3,400
To Bank (B/F)	16,000	By Balance c/d	25,000
	33,400		33,400

Note 4.

Investment Account

To Balance b/d	28,000	By Bank	10,000
To P & L A/c	8,000	By Balance c/d	32,000
To Bank	6,000		
	42,000		42,000

Note 5.

Provision for Tax

To Bank (B/f)	2,000	By Balance c/d	2,000
To Balance c/d	3,000	By P & L	3,000
	5,000		5,000

Note 6.

Proposed Dividend Account

To Bank (B/f)	2,000	By Balance c/d	2,000
To Balance c/d	4,000	By P & L	4,000
	6,000		6,000

Answer 5 (B)

1. **Possession:** The hire vendor transfers only possession of the goods to the hire purchaser immediately after the contract for hire purchase is made.
2. **Installments:** The goods are delivered by the hire vendor on the condition that a hire purchaser should pay the amount in periodical instalments.
3. **Down Payment:** The hire purchaser generally makes a down payment i.e an amount on signing the agreement.
4. **Constituents of Hire purchase instalments:** Each instalment consists partly of a finance charge (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 instalment and exercising the option conferred upon him under the agreement.
6. **Repossession:** In case of default in respect of payment of even the last instalment, the hire vendor has the right to take the goods back without making any compensation.

Answer 6

1.

Valuation of Goodwill :

Year	Profit	Weight	Product
31.3.2014	37,000	1	37,000
31.3.2015	40,000	2	80,000
31.3.2016	45,000	3	1,35,000
		6	2,52,000

$$\text{Goodwill} = \frac{252000}{6} = 42,000 \times 2 \text{ year} = 84,000$$

2.

Memorandum Revaluation Account

To Stock	30,000	By Building	1,11,000
To Plant & Machinery	50,000		
To Liability	10,000		
To Partner Capital (2:1)			
A = 14,000			
B = 7,000	21,000		
	1,11,000		1,11,000
To Building	1,11,000	By Stock	30,000
		By Plant	50,000
		By Liability	10,000
		By Partner Capital (A/c) (3:2:1:1)	
		A 9,000	
		B 6,000	
		C 3,000	
		D 3,000	21,000
	1,11,000		1,11,000

3.

Partner's Capital A/c

	A	B	P	Q		A	B	P	Q
To Reserve (3:2:1:1)	2,25,000	1,50,000	75,000	75,000	By Balance b/d	8,00,000	4,00,000		
To Goodwill (3:2:1:1)	36,000	24,000	12,000	12,000	By Reserve (2:1)	3,50,000	1,75,000		
To Revaluation	9,000	6,000	3,000	3,000	By Goodwill (2:1)	56,000	28,000		
					By Revaluation	14,000	7,000		
To Cash (B/F)	3,05,000	-	-	-	By Cash (B/f)			3,05,000	3,05,000
To Bal. C/d	6,45,000	4,30,000	2,15,000	2,15,000					
	12,20,000	6,10,000	3,05,000	3,05,000		12,20,000	6,10,000	3,05,000	3,05,000

4.

Closing Balance of "B"	=	4,30,000
Total Capital of Firm = $4,30,000 \times \frac{7}{2}$	=	15,05,000
Closing Balance of :		
A = $15,05,000 \times \frac{3}{7}$	=	6,45,000
B = $15,05,000 \times \frac{2}{7}$	=	4,30,000
P = $15,05,000 \times \frac{1}{7}$	=	2,15,000
Q = $15,05,000 \times \frac{1}{7}$	=	2,15,000

5.

Balance Sheet of Firm

Capital Account		Plant & Machine	5,00,000
A 6,45,000		Building	9,00,000
B 4,30,000		Debtors	2,50,000
C 2,15,000		Stock	3,00,000
D 2,15,000	15,05,000	Cash	4,55,000
Reserve	5,25,000		
Creditor	2,75,000		
Bills Payable	1,00,000		

	24,05,000		24,05,000
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6.

Cash Account

To Balance b/d	1,50,000	By A Capital	3,05,000
To P Capital Account	3,05,000	By Balance C/d	4,55,000
To Q Capital Account	3,05,000		
	7,60,000		7,60,000

Answer 7 (A)

An ERP is an integrated software package that manages the business process across the entire enterprise.

Advantages of using an ERP

The advantages of using an ERP for maintaining accounts are as follows:

1. **Standardised processes and procedures:** An ERP is a generalised package which covers most of the common functionalities of any specific module.
2. **Standardised reporting:** Majority of the desired reports are available in an ERP package. These reports are standardised across industry and are generally acceptable to the users.
3. **Duplication of data entry** is avoided as it is an integrated package.
4. **Greater information** is available through the package.

Disadvantages of an ERP

The disadvantages of an ERP are the following:

1. **Lesser flexibility:** The user may have to modify their business procedure at times to be able to effectively use the ERP.
2. **Implementation hurdles:** Many of the consultants doing the implementation of the ERP may not be able to fully appreciate the business procedure to be able to do a good implementation of an ERP.
3. **Very expensive :** ERP are normally priced at an amount which is often beyond the reach of small and medium sized organisation. However, there are some ERP coming into the market which are moderately priced and may be useful to the small businesses.
4. **Complexity of the software :** Generally an ERP package has large number of options to choose from. Further the parameter settings and configuration makes it a little complex for the common users.

Answer 7 (B)

Dipak in Account Current with Abhik (Interest @ 9% p.a. upto 31.3.2017)

Date	Particulars	Due Date	Amt	Days.	Product	Date	Particulars	Due Date	Amt.	Days	Product
01.1.2017	To Balance	1.7.2017	2,16,000	90	1,94,4000	15.1.17	By Purchase	15.1.17	3,50,000	75	2,62,50,000
15.2.2017	To Cash	15.2.2017	1,00,000	44	44,00,000	31.3.17	By Bal. of product	-	-	-	7,90,000
15.3.2017	To Sales	15.3.2017	2,00,000	16	32,00,000	31.3.17	By Balance c/d	-	1,66,195	-	-
31.3.2017	To Interest			-	-						
	<u>7,90,000</u> 365 x 9%	-	195	-	-						
		5,16,195	2,70,40,000		2,70,40,000				5,16,195		2,70,40,000

Answer 7 (C)

(i)

Statement of affair on 01.4.2016

Liabilities	4,13,000	Sunday Assets	16,65,000
Capital Account (B/F)	12,52,000		
	16,65,000		16,65,000

(ii)

Statement of affair on 31.3.2017

Liabilities	5,80,000	Sunday Assets	28,40,000
Capital Account (B/F)	22,60,000		
	28,40,000		28,40,000

(iii)

Statement of Profit & Loss for year ended 31.3.2017

Closing balance of Capital o 31.3.2017	22,60,000
Add : Drawing (32,000 x 12)	3,84,000
Less : Additional Capital (LIC Amount)	50,000
Less : Opening Balance of Capital on 01/4/2016	<u>12,52,000</u>
Actual Income for 16 - 17	13,42,000
Income Disclosed in ITR of 16 – 17	<u>9,12,000</u>
Under disclosed of Income	<u>4,30,000</u>

Answer 7 (D)**Calculation of purchase consideration**

I. Payment to equity share holder :-

(i) By Cash (12500 x 20) 2,50,000

(ii) By Equity Share of A Ltd.

$$\frac{12500}{5} \times 6 = 15,000 \text{ Equity Share@ } 125/- = 18,75,000 \quad : \quad \text{ESC} = 15,000 \times 100 = 15,00,000$$

$$\text{SP} = 15,000 \times 25 = 3,75,000$$

II. Payment to 9% preference share holder :-

(i) By 9% preference Share of A Ltd.

$$\frac{5000}{4} \times 3 = 3,750 \text{ Preference Share} \times 100 = \underline{3,75,000}$$

Purchase consideration **25,00,000**

Note: Purchase consideration include only payment to shareholder of amalgamated company by amalgamating company therefore payment to debenture holder not considered in calculation.