Question No. 1 is compulsory.

Candidates are also required to answer any five questions from the remaining six questions.
Wherever appropriate, suitable assumption/s should be made and indicated in answer by the candidate. Working notes should form part of the answer.

Q.1 (a) What are the three fundamental accounting assumptions recognised by Accounting Standard (AS) 1? Briefly describe each one of them.

(b) A company produced the main products X and Y and one by –product Z emerges from the production process product apart from waste. Cost description of the production process is hereunder.

Item	Units	Rs.	Output	Closing stock as on 31.3.2018
Raw material	10,000	1,50,000	X = 6,000 units	600 units
Wages		80,000	Y = 3,000 units	500 units
Fixed overhead		90,000	Z = 1,000 units	---
Variable overhead		30,000		---

Scrap realization is `12,000. By – product (Z) is sold @ `25 per unit. There is separate processing charge of `4,000, packing on by product cost `5,000 reasonable profit on by-product after separate processing is `3,000. Average market price of X and Y is `70 per unit and `30 per unit, respectively.

Calculate the closing stock of X and Y products.

(c) On 15th December, 2017, a fire occurred in the premises of M/s CA Exports. Most of the stocks were destroyed. Cost of stock salvaged being `1,40,000. From the books of account, the following particulars were available:
(i) Stock at the close of account on 31st March, 2017 was valued at `9,60,000.
(ii) Purchases from 01-04-2017 to 15-12-2017 amounted to `13,70,000 and the sales during that period amounted to `20,65,000.
(iii) The proprietor used Goods of the sale value of `10,000 personally.
On the basis of his accounts for the past three years, it appears that average gross profit ratio is 25% on cost.
Compute the amount of the claim, if the stock were insured for `4,00,000.

(d) In 2011, M/s. Wye Ltd. issued 12% fully paid debentures of `100 each, interest being payable half yearly on 30th September and 31st March of every accounting year.
On 1st December, 2016, M/s CA Ltd. purchased 12,000 of these debentures at ` 97 cum-interest price, also paying brokerage @ 1% of cum-interest amount of the purchase. On 1st March, 2013 the firm sold 10,000 of these debentures at `105 cum-interest price, again paying brokerage @ 1% of cum-interest amount.
Prepare Investment Account in the books of M/s CA ltd. for the period 1st December, 2012 to 31st March, 2013.

[4 x 5 Marks]

Q.2 (a) Sanju of Bihar invoices goods to its Noida branch at 25% less than the list price which is cost plus 80 per cent with instructions that cash sales were to be made at invoice price and credit sales at list price. From the following particulars available from Noida Branch, ***Prepare:***

- Necessary accounts under stock & Debtors system and
- Branch Account to verify the profit for the year ending on 31.3.2018.

	`
Stock on 1st April 2017 at invoice price	18,000
Debtors on 1.4.2017	10,000
Personal Computer (P.C.) purchased at Branch on 1.7.2017	50,000
Goods received from Head Office at Invoice Price	1,80,000
Cash Sales (75% of credit sale)	84,000
Goods in transit on 31st March 2018	10,000
Cash sent to branch for expenses	32,000
Actual expenses at branch	30,000
Bill receivable accepted from debtor	8,000
Stock at the end at invoice price	16,000

Bad debts written off (net of bad debts recovered of Rs.300)	400
Goods returned by customers direct to Head Office at list price	1,200
Debtors at the end	8,100
B/R at the end	2,000
Furniture at the end	14,000
Depreciate Personal Computer by	20% p.a.

Sale of furniture on 1st July, 2017 (book value of furniture on the date of sale `950) amounted to `600. Furniture is depreciated @ 20% p.a. B/R discounted by bank after deducting discounted charges of `500.

[10]

(b) Happy Valley Florists Ltd. acquired a delivery van on hire purchase on 01.04.2010 from Ganesh Enterprises. The terms were as follows:

Particulars	Amount (Rs.)
Down payment	60,000
1st installment payable after 2 years	50,000
2nd installment after 3 years	40,000
3rd installment after 4 years	30,000
4th installment after 5 years	20,000

Interest is charged at 10% p.a. compounded half yearly.

<u>You are required to</u>

Calculate Total Interest and Interest included in each installment. [6]

Q.3 (a) Fire occurred in the same premises of X Ltd on 10th January 2018. All stocks were destroyed except to the extent of Rs.35,000 at book value. From the following figures, ***ascertain*** the amount of claim to be lodged for loss suffered by the
company.

	Rs.
Stock on 1st April 2016	4,00,000
Purchases less return during 2016 – 2017	13,40,000
Sales less returns during 2016 – 2017	20,00,000
Stock on 31st March 2017 (including stock of Rs.10,000 reduced to Rs.6,000)	1,36,000
Purchases less returns since 1st April 2017 upto the date of fire	15,52,000
Sales less returns since 1st April 2017 upto the date of fire (including ½ special item for Rs.4,000)	19,99,000
Policy amt	3,00,000

In the beginning of April 2017, purchase price was reduced by 3% & selling price was increased by 5%.

[8]

(b) SSP Ltd. has several departments. Goods supplied to each department are debited to a Memorandum Departmental Stock Account at Cost, plus a fixed percentage (mark up) to give the normal selling price. The mark up is credited to a memorandum departmental 'Mark-up account' any reduction in selling prices (mark-down) will require adjustment in the stock account and in mark-up account. The mark up for Department A for the last three years has been 40%. Figures relevant to Department A for the year ended 31st March, 2018 were as follows:

Opening stock as on 1st April 2017 , at Cost	**`80,000**
Purchase at Cost	**`2,60,000**
Sales	**` 3,50,000**

It is further ascertained that:

1. Shortage of stock found in the year ending 31.03.2018, costing `3,000 were written off.
2. Opening stock on 01.04.17 including goods costing `6,000 has been sold during the year and had been marked down in the selling price by `600.
3. Goods purchased during the year were marked down by ` 1,200 from a cost of `15,000. At the end of the year there were some items in the stock of department A, which had been marked down to `2,800.
4. The departmental closing stock is to be valued at cost subject to adjustment for mark –up and mark-down.

<u>You are required to prepare:</u>

i) A Memorandum Stock Account for the year.
ii) A Memorandum Mark-up Account for the year. [8]

Q.4 (a) Raja Babu Limited issued 2,000 – 12% debentures of `100 each at par in January 2001, redeemable at par on December 31st 2017. Interest was payable on debentures on 30th June and 31st December in each year. For redemption, the company has set up sinking fund by appropriating a sum of `16,000 annually and the amount was invested. As per the terms of issue, the company is empowered to purchase its own debentures in the market and to keep them available for reissue. On December 31st, 2016 the following balances were extracted from the company's books:-

10% Sinking fund investment in government Securities at cost.	`1,63,760
12% Debentures stock	`2,00,000
Sinking Fund Account	`1,86,000

The transactions during the year ended 31st December, 2017 included the following:

January 1	Government securities of the par value of `17,000 were purchased for `16,840.
February 1	60 own debentures were purchased ex-interest at a cost of `5,880.
September 1	Govt. securities worth `6,000 were disposed off at `5,900 ex-interest.
September 1	60 own debentures were purchased ex-interest for `5,900 with the proceeds of investment sold.
December 22	The balance of the sinking fund investment sold cum-interest at 98%.

The debentures stock was redeemed and cancelled in accordance with terms of issue. Appropriate for the year from the Profit and Loss Account to Sinking Fund Account to the extent of amount actually required for redemption. ***You are required*** to prepare the following accounts in the books of the company for the year ended 31st December, 2017:-

I. 12% Debentures Account
II. Sinking Fund Account
III. Sinking Fund investment Account. [10]

(b) SSP Ltd. hold 2,000 15 per cent debentures of Rs.100 each in TELCO Ltd. as on 1 April 2017, at a cost of Rs.2,15,000 & purchased on 1st June, 2017 face value of Rs.5,00,000 @ `106; Interest on the debentures is payable each year on 30th June and 31 December. The following other transactions were entered in 2017-18 by SSP Ltd in regard to these debentures.

Aug. 1 Purchased `2,50,000 Debentures @ 102 cum interest.
Oct. 1 Sale of `3,00,000 Debentures @ 107.
Dec.31 Receipt of 10,000 Equity Shares in Dee Ltd. of Rs.10 each in conversion of 30% of the Debentures held.
The market value of the Debentures and Equity shares in Dee Ltd at the end of 2017-18 was `106 and `15 respectively.
Prepare the Debenture Investment Account in the books of Tee Ltd on Average Cost basis. [6]

Q.5 (a) X,Y & Z are partners sharing profits in the ratio of 2 : 3 : 1. On 1st April,2018 their balance sheet was as under:-

Liabilities		***Amount***	***Assets***		***Amount***
Bills payable		15,000	Cash		12,000
Creditors		1,05,000	Plant and machinery		58,000
Mrs. X's Loan		25,000	Debtors	48,000	
Emp. Provident Fund		10,000	prov. for d/d	5,000	43,000
Prov. for Dep. on Plant & Machinery		15,000	Investments		10,000
Reserve Fund		30,000	Building		90,000
			Stock		72,000
Capitals:			Furniture		12,000
Y	75,000		Joint life policy		18,000
Z	50,000	1,25,000	X's Capital		20,000
		3,25,000			3,25,000

On this date partners decided to dissolve the firm on the following terms:-

(a) Creditors agreed to take over building at `85,000, Patents at `6,000 and balance to the creditors were paid 20% less in cash.
(b) Stock in the balance sheet represents 120% of market value.
(c) Part of the machinery taken by Y at `30,000 being book value less 15% and a special allowance of `500.
(d) Assets realized as follows:
Investments for `8,000; Furniture for `14,000; Stock at 20% below the market value. Remaining Machinery at 10% less than book value.
(e) Debtors of `10,000 were proved bad.

(f) Provident fund of `28,000 discharged in full.
(g) Dissolution expenses are to be paid by Y, for which he is allowed a commission of `5,000. Actual expenses were `7,500 paid by the firm.
(h) X is found to be insolvent and only 30% is recovered from his estate.

Close the books of the firm by preparing necessary ledger accounts applying Garner Vs Murray rule. [10]

(b) SSP Limited was incorporated on 01.09.2017 to take over the business of a partnership firm w.e.f. 01.04.2017. The following is the extract of profit and loss account for the year ended 31.03.2018:

Particulars	Amount	Particulars	Amount
To Salaries	1,20,000	By Gross Profit	6,00,000
To Rent Rates & Taxes	80,000		
To Commission on sales	21,000		
To Depreciation	25,000		
To Interest on debentures	32,000		
To Directors fees	12,000		
To Advertisement	38,000		
To Net profit for the year	2,72,000		
	6,00,000		6,00,000

i. SSP Limited initiated on advertising campaign which resulted increase in monthly average sales by 25% post incorporation.
ii. The Gross Profit Ratio post incorporation increased to 35% from 25%.

You are required to apportion the profit for the year between pre - incorporation and post – incorporation, also explain how pre – incorporation profit is treated in the accounts. [6]

Q.6 The following data were provided by the accounting records of Ryan Ltd. at year end, March 31,2017:

Comparative Balance Sheets

	31st March, 2017	31st March, 2016
Assets		
Plant Assets	Rs. 7,15,000	Rs. 5,05,000
Less: Accumulated Depreciation	(1,03,000)	(68,000)
	6,12,000	4,37,000
Investments (Long term)	1,15,000	1,27,000
Current Assets:		
Inventory	1,44,000	1,10,000
Accounts Receivable	47,000	55,000
Cash	46,000	15,000
Prepaid Expenses	1,000	5,000
	Rs. 9,65,000	**Rs. 7,49,000**
Liabilities		
Share Capital	Rs. 4,65,000	Rs. 3,15,000
P & L a/c	1,40,000	1,32,000
Securities premium	14,000	10,000
Bonds	2,95,000	2,45,000
Current Liabilities:		
Accounts Payable	36,000	33,000
Accrued Liabilities	12,000	9,000
Income Taxes Payable	3,000	5,000
	Rs. 9,65,000	**Rs. 7,49,000**

Income Statement

Particulars	Details	Amount
Sales		Rs. 6,98,000
Cost of goods sold		(5,20,000)
Gross Margin		1,78,000
Operating Expenses		
(including Depreciation Expenses of Rs.37,000)		(1,47,000)
		31,000
Other Income (Expenses)		
Interest Expense paid	(23,000)	
Dividend Income received	6,000	
Gain on Sale of Investments	12,000	
Loss on Sale of Plant	(3,000)	(8,000)
		23,000
Income tax		(7,000)
		Rs. 16,000

Analysis of selected accounts and transactions during 2016 – 17:

1. Dividend income includes 40% pre acquisition dividend.
2. Investments costing Rs.90,000 Sold for Rs.1,02,000.
3. Sold plant assets that cost Rs.10,000 with accumulated depreciation of Rs.2,000 for Rs.5,000.
4. Issued Rs.1,10,000 of bonds at face value in an exchange for plant assets on 31st March, 2017.
5. Repaid bonds at 10% premium on maturity.
6. The Company purchased Stock of Rs.20,000, Plant of Rs.82,000 and Creditors of Rs.15,000 from Modi G and issued equity shares of Rs.1,00,000 to him.
7. Issued 5,000 shares of Rs.10 each at a premium of 20%.

Prepare Cash Flow Statement as per AS - 3, using indirect method and verify by Direct Method. [16]