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FOR CA INTERMEDIATE EXAM PREPARATION

CA Intermediate 2019 Question Paper · Paper 1 Accounting

EXAM	YEAR	TYPE	SUBJECT
CA Intermediate	2019	Question Paper	Paper 1 Accounting

DATE

November 2019

November - 2019

NOV 2019

Roll No. .....

Inter

~~IPCC~~ (New Syllabus)

Paper - 1 Accounting

Total No. of Questions – 6 Total No. of Printed Pages – 16

Time Allowed – 3 Hours Maximum Marks – 100

BJS

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 required to answer any **four** questions from the remaining **five** questions.

Working notes should form part of the answer.

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1. Answer the following questions : **5×4 =20**

(a) Prepare cash flow from investing activities as per AS 3 of M/s Subham Creative Limited for year ended 31.3.2019.

Particulars	Amount (₹)
Machinery acquired by issue of shares at face value	2,00,000
Claim received for loss of machinery in earthquake	55,000
Unsecured loans given to associates	5,00,000
Interest on loan received form associate company	70,000
Pre-acquisition dividend received on investment made	52,600
Debenture interest paid	1,45,200
Term loan repaid	4,50,000
Interest received on investment (TDS of ₹ 8,200 was deducted on the above interest)	73,800
Purchased debentures of X Ltd., on 1st December, 2018 which are redeemable within 3 months	3,00,000
Book value of plant & machinery sold (loss incurred ₹ 9,600)	90,000

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(b) Karan Enterprises having its Head Office in Mangalore, Karnataka has a branch in Greenville, USA. Following is the trial balance of Branch as at 31-3-2019 :

Particulars	Amount ($) Dr.	Amount ($) Cr.
Fixed assets	8,000	
Opening inventory	800	
Cash	700	
Goods received form Head Office	2,800	
Sales		24,050
Purchases	11,800	
Expenses	1,800	
Remittance to head office	2,450	
Head office account		4,300
	28,350	**28,350**

(i) Fixed assets were purchased on 1st April, 2015.

(ii) Depreciation at 10% p.a. is to be charged on fixed assets on straight line method.

(iii) Closing inventory at branch is $ 700 as on 31-3-2019.

(iv) Goods received form Head Office (HO) were recorded at ₹ 1,85,500 in HO books.

(v) Remittances to HO were recorded at ₹ 1,62,000 in HO books.

(vi) HO account is recorded in HO books at ₹ 2,84,500.

(vii) Exchange rates of US Dollar at different dates can be taken as :

1-4-2015 ₹ 63;
1-4-2018 ₹ 65 and
31-3-2019 ₹ 67.

Prepare the trial balance after been converted into Indian rupees in accordance with AS-11.

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(c) Mr. Rakshit gives the following information relating to items forming part of inventory as on 31st March, 2019. His factory produces product X using raw material A.

(i) 800 units of raw material A (purchased @ ₹ 140 per unit). Replacement cost of raw material A as on 31st March, 2019 is ₹ 190 per unit.

(ii) 650 units of partly finished goods in the process of producing X and cost incurred till date ₹ 310 per unit. These units can be finished next year by incurring additional cost of ₹ 50 per unit.

(iii) 1,800 units of finished product X and total cost incurred ₹ 360 per unit.

Expected selling price of product X is ₹ 350 per unit.

In the context of AS-2, determine how each item of inventory will be valued as on 31st March, 2019. Also, calculate the value of total inventory as on 31st March, 2019.

(d) Sheetal Ltd. has provided the following information for the year ended 31st March, 2019 :

Particulars	Amount (₹)
Accounting profit	9,00,000
Book profit as per MAT	5,25,000
Profit as per Income Tax Act	95,000
Tax rate	30%
MAT rate	7.5%

You are required to calculate the deferred tax asset/liability as per AS-22 and amount of tax to be debited to the profit and loss account for the year.

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2. (a) G, S & J were partners sharing profits and losses in the ratio of 4:3:2, no partnership salary or interest on capital being allowed. Their Balance Sheet as on 31.3.2019 is as follows : 15

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Fixed capital			**Fixed assets**		
G	24,000		Goodwill	48,000	
S	24,000		Land	9,600	
J	12,000	60,000	Plant & Machinery	15,360	
Current accounts			Motor car	840	73,800
G	600		**Current assets**		
S	10,800		Stock		4,680
J	(480)	10,920	Trade debtors	2,400	
Loan from G		9,600	Less : provision	120	2,280
Trade creditors		14,880	Cash at bank		240
			Miscellaneous losses		
			Profit & loss a/c		14,400
		95,400			**95,400**

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On 1st April, 2019, the partnership was dissolved. Motor car was taken over by G at a value of ₹ 600, but no cash passed specifically in respect of this transaction. Sale of other assets realized the following amounts :

Particulars	₹
Goodwill	Nil
Land	8,400
Plant & machinery	6,000
Stock	3,600
Trade debtors	1,920

Trade creditors were paid ₹ 14,040 in full settlement of their debts. The cost of dissolution amounted to ₹ 1,800. The loan from G was repaid ; G and S were both fully solvent and able to bring in any cash required but J was forced into bankruptcy and was only able to bring 1/2 of the amount due.

You are required to prepare :

(i) Cash & Bank account

(ii) Realization account, and

(iii) Partner's Fixed Capital Accounts (after transferring current accounts balances)

Apply Garner Vs. Murray rule.

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(b) AD, BD & SD are partners sharing profits and losses in the ratio of 5:3:2. There capitals were ₹ 13,440, ₹ 8,400, ₹ 11,760 respectively. **5**

Liabilities and assets of the firm are as under :

Liabilities :	₹
Trade creditors	2,800
Loan from partners	1,400
Assets of the firm :	
Patent	1,400
Furniture	2,800
Machinery	1,680
Stock	5,600

The assets realized in full in the order in which they are listed above. BD is insolvent.

You are required to prepare a statement showing the distribution of cash as and when available, applying maximum possible loss procedure.

3 (a) Mr. Harsh provides the following details relating to his holding in 10% debentures (face value of ₹ 100 each) of Exe Ltd., held as current assets : **10**

1.4.2018	opening balance – 12,500 debentures, cost ₹ 12,25,000
1.6.2018	purchased 9,000 debentures @ ₹ 98 each ex-interest
1.11.2018	purchased 12,000 debentures @ ₹ 115 each cum-interest
31.1.2019	sold 13,500 debentures @ ₹ 110 each cum-interest
31.3.2019	Market value of debentures @ ₹ 115 each

Due dates of interest are 30th June and 31st December.

Brokerage at 1% is to be paid for each transaction. Mr. Harsh closes his books on 31.3.2019. Show investment account as it would appear in his books assuming FIFO method is followed.

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(b) A fire occurred in the premises of M/s Kirti & Co. on 15th December, 2018. The working remained disturbed upto 15th March, 2019 as a result of which sales adversely affected. The firm had taken out an insurance policy with an average clause against consequential losses for ₹ 2,50,000. **10**

Following details are available form the quarterly sales tax return filed / GST return filed :

Sales	2015-16 (₹)	2016-17 (₹)	2017-18 (₹)	2018-19 (₹)
From 1st April to 30th June	3,80,000	3,15,000	4,11,900	3,24,000
From 1st July to 30th September	1,86,000	3,92,000	3,86,000	4,42,000
From 1st October to 31st December	3,86,000	4,00,000	4,62,000	3,50,000
From 1st January to 31st March	2,88,000	3,19,000	3,80,000	2,96,000
Total	**12,40,000**	**14,26,000**	**16,39,900**	**14,12,000**

A period of 3 months (i.e. from 16-12-2018 to 15-3-2019) has been agreed upon as indemnity period.

Sales from 16-12-2017 to 31-12-2017	68,000
Sales from 16-12-2018 to 31-12-2018	Nil
Sales from 16-03-2018 to 31-03-2018	1,20,000
Sales from 16-03-2019 to 31-03-2019	40,000

Net profit was ₹ 2,50,000 and standing charges (all insured) amounted to ₹ 77,980 for the year ending 31st March, 2018.

You are required to calculate the loss of profit claim amount.

4. (a) ABC 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 amount of mark-up is credited to a Memorandum Departmental Markup account. If the selling price of goods is reduced below its normal selling prices, the reduction (mark-down) will require **10**

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adjustment both in the stock account and the mark-up account. The mark-up for department X for the last three years has been 20%. Figures relevant to department X for the year ended 31st March, 2019 were as follows :

Stock as on 1st April, 2018, at cost	₹ 1,50,000
Purchases at cost	₹ 4,30,000
Sales	₹ 6,50,000

It is further ascertained that :

(1) Shortage of stock found in the year ending 31.3.2019, costing ₹ 4,000 were written off.

(2) Opening stock on 1.4.2018 including goods costing ₹ 12,000 had been sold during the year and had been marked-down in the selling price by ₹ 1,600. The remaining stock had been sold during the year.

(3) Goods purchased during the year were marked down by ₹ 3,600 from a cost of ₹ 30,000. Marked-down stock costing ₹ 10,000 remained unsold on 31.3.2019.

(4) The departmental closing stock is to be valued at cost subject to adjustment for mark-up and mark-down.

You are required to prepare for the year ended 31st March, 2019 :

(i) Departmental Trading Account for department X for the year ended 31st March, 2019 in the books of head office.

(ii) Memorandum Stock Account for the year ended 31st March, 2019.

(iii) Memorandum Mark-Up account for the year ended 31st March, 2019.

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(b) Archana Enterprises maintain their books of accounts under single entry system. The Balance Sheet as on 31st March, 2018 was as follows : 10

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital A/c	6,75,000	Furniture & fixtures	1,50,000
Trade creditors	7,57,500	Stock	9,15,000
Outstanding exp.	67,500	Trade debtors	3,12,000
		Prepaid insurance	3,000
		Cash in hand & at bank	1,20,000
	15,00,000		**15,00,000**

The following was the summary of cash and bank book for the year ended 31st March, 2019 :

Receipts	Amount (₹)	Payments	Amount (₹)
Cash in hand & at Bank on 1st April, 2018	1,20,000	Payment to trade creditors	1,24,83,000
Cash sales	1,10,70,000	Sundry expenses paid	9,31,050
Receipts from trade debtors	27,75,000	Drawings	3,60,000
		Cash in hand & at Bank on 31st March, 2019	1,90,950
	1,39,65,000		**1,39,65,000**

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Additional Information :

(i) Discount allowed to trade debtors and received from trade creditors amounted to ₹ 54,000 and ₹ 42,500 respectively. (for the year ended 31st March, 2019)

(ii) Annual fire insurance premium of ₹ 9,000 was paid every year on 1st August for the renewal of the policy.

(iii) Furniture & fixtures were subject to depreciation @ 15% p.a. on diminishing balance method.

(iv) The following are the balances as on 31st March, 2019 :

Stock	₹ 9,75,000
Trade debtors	₹ 3,43,000
Outstanding expenses	₹ 55,200

(v) Gross profit ratio of 10% on sales is maintained throughout the year.

You are required to prepare Trading and Profit & Loss account for the year ended 31st March, 2019, and Balance Sheet as on that date.

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5. (a) From the following particulars furnished by the Prashant Ltd., prepare the Balance Sheet as at 31st March, 2019 as required by Schedule III of the Companies Act, 2013 : 10

Particulars	Debit (₹)	Credit (₹)
Equity share capital (face value of ₹ 10 each)		15,00,000
Calls-in-arrears	5,000	
Land	5,50,000	
Building	4,85,000	
Plant & machinery	5,60,000	
General reserve		2,70,000
Loan from State Financial Corporation		2,10,000
Inventories	3,15,000	
Provision for taxation		72,000
Trade receivables	2,95,000	
Short-term loans & advances	58,500	
Profit & loss account		1,06,800
Cash in hand	37,300	
Cash at bank	2,85,000	
Unsecured loans		1,65,000
Trade payables		2,67,000
Total	**25,90,800**	**25,90,800**

The following additional information is also provided :

(1) 10,000 equity shares were issued for consideration other than cash.

(2) Trade receivables of ₹ 55,000 are due for more than six months.

(3) The cost of building and plant & machinery is ₹ 5,50,000 and ₹ 6,25,000 respectively.

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(4) The loan from State Financial Corporation is secured by hypothecation of plant & machinery. The balance of ₹ 2,10,000 in this account is inclusive of ₹ 10,000 for interest accrued but not due.

(5) Balance at Bank included ₹ 15,000 with Aakash Bank Ltd., which is not a scheduled bank.

(b) The partners of C&G decided to convert their existing partnership business into a private limited called CG trading Pvt. Ltd. with effect from 1.7.2018. **10**

The same books of accounts were continued by the company which closed its accounts for the first term on 31.3.2019.

The summarized profit & loss account for the year ended 31.3.2019 is below :

Particulars	₹ in lakhs	₹ in lakhs
Turnover	245.00	
Interest on investments	6.00	251.00
Less : Cost of goods sold	124.32	
Advertisement	3.50	
Sales Commission	7.00	
Salaries	18.00	
Managing Director's Remuneration	6.00	
Interest on Debenture	2.00	
Rent	5.50	
Bad debt	1.15	
Underwriting Commission	1.00	
Audit fees	3.00	
Loss on sale of Investments	1.00	
Depreciation	4.00	176.47
		74.53

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The following additional information was provided :

(i) The average monthly sales doubled from 1.7.2018, GP ratio was constant.

(ii) All investments were sold on 31.5.2018.

(iii) Average monthly salaries doubled from 1.10.2018.

(iv) The company occupied additional space from 1.7.2018 for which rent of ₹ 20,000 per month was incurred.

(v) Bad debts recovered amounting to ₹ 60,000 for a sale made in 2016-17 has been deducted from bad debts mentioned above.

(vi) Audit fees pertains to the company.

Prepare a statement apportioning the expenses between pre and post incorporation periods and calculate the profit / loss for such periods.

6. Answer any **four** of the following : **4×5 =20**

(a) The following extract of Balance Sheet of Prabhat Ltd. (Non-investment Company) was obtained :

Balance Sheet (Extract) as on 31st March, 2019

Liabilities	₹
Issued and subscribed capital :	
30,000, 12% preference shares of ₹ 100 each (fully paid)	30,00,000
24,00,000 equity shares of ₹ 10 each, ₹ 8 paid up	1,92,00,000
Share suspense account	40,00,000
Reserves and Surplus :	
Securities premium	1,00,000
Capital reserves (₹ 3,00,000 is revaluation reserve)	3,90,000

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Secured loans :	
12% debentures	1,30,00,000
Unsecured loans :	
Public deposits	7,40,000
Current liabilities :	
Trade payables	6,90,000
Cash credit from SBI (short term)	9,30,000
Assets	
Investments in shares, debentures etc.	1,50,00,000
Profit & loss account (Dr. balance)	30,50,000

Share suspense account represents application money received on shares, the allotment of which is not yet made.

You are required to compute effective capital as per the provisions of Schedule V. Would your answer differ if Prabhat Ltd. is an investment company ?

(b) Following is the extract of Balance Sheet of Prem Ltd. as at 31st March, 2018 :

Authorized capital	₹
3,00,000 equity shares of ₹ 10 each	30,00,000
25,000, 10% preference shares of ₹ 10 each	2,50,000
	32,50,000

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Issued and subscribed capital :	
2,70,000 equity shares of ₹ 10 each fully paid up	27,00,000
24,000, 10% preference shares of ₹ 10 each fully paid up	2,40,000
	29,40,000
Reserves and surplus :	
General reserve	3,60,000
Capital redemption reserve	1,20,000
Securities premium (in cash)	75,000
Profit and loss account	6,00,000
	11,55,000

On 1st April, 2018, the company decided to capitalize its reserves by way of bonus at the rate of two shares for every five shares held.

Show necessary journal entries in the books of the company and prepare the extract of the balance sheet after bonus issue.

(c) Mac Ltd. gives the following data regarding to its six segments :

(₹ in lakhs)

Particulars	**A**	**B**	**C**	**D**	**E**	**F**	**Total**
Segment assets	80	160	60	40	40	20	400
Segment results	100	(380)	20	20	(20)	60	(200)
Segment revenue	600	1,240	160	120	160	120	2,400

The accountant contends that segments 'A' and 'B' alone are reportable segments. Is he justified in his view ? Discuss in the context of AS-17 'Segment Reporting'.

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(d) Give an analytical statement of distinction between an ordinary partnership firm and a limited liability partnership.

(e) A company had issued 40,000, 12% debentures of ₹ 100 each on 1st April, 2015. The debentures are due for redemption on 1st March, 2019. The terms of issue of debentures provided that they were redeemable at a premium of 5% and also conferred option to the debenture holders to convert 20% of their holding into equity shares (nominal value ₹ 10) at a predetermined price of ₹ 15 per share and the payment in cash. 50 debentures holders holding totally 5,000 debentures did not exercise the option. Calculate the number of equity shares to be allotted to the debenture holders and the amount to be paid in cash on redemption.

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