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FOR CA INTERMEDIATE EXAM PREPARATION

CA Intermediate 2023 Question Paper · Paper 1 Accounting

EXAM	YEAR	TYPE	SUBJECT
CA Intermediate	2023	Question Paper	Paper 1 Accounting

DATE

November 2023

Roll No. .....

NOV 2023

IPCE (New Syllabus)
Paper - 1 Accounting

Total No. of Questions – **6**

Total No. of Printed Pages – **16**

Time Allowed – **3** Hours

Maximum Marks – **100**

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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 who has not opted for Hindi Medium, his/her answers in Hindi will not be valued.

Question No. **1** is compulsory.

Candidates are also required to answer any **Four** questions from the remaining **Five** questions.

Working Notes should form part of the respective answers.

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1. Answer the following questions :

(a) Glen Ltd. began construction of a new building on 1st January, 2022. On 1st April, 2022, following two loans were obtained to fund the construction cost : **5**

(i) Loan of ₹ 60,00,000 from Data Bank Ltd. was taken at interest rate of 8% per annum. This loan was fully utilized for construction of the new building.

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(ii) Loan of ₹ 20,00,000 from Satya Bank Ltd. Out of this, loan amount of ₹ 6,00,000 was utilized for working capital purpose. Total interest of ₹ 1,92,000 were paid to Satya Bank Ltd. for the financial year 2022-23.

Construction of the new building was completed on 31st January, 2023 and was ready for its intended use on the same date.

None of the loan was repaid during the year. The building is a qualifying asset for the purpose of AS-16.

Out of loan from Data Bank Ltd., surplus funds were temporarily invested for the short period of time. This temporary investment earned interest of ₹ 30,000.

You are required to calculate the amount of interest (a) to be capitalized, (b) to be charged to profit and loss account from the total interest incurred as borrowing cost during the year 2022-23. (as per AS-16).

(b) Karna Ltd., an Indian Company, has the following foreign currency transactions during the financial year 2022-23 : 5

(i) On 1st July, 2022, imported goods from Try Ltd., a German based company, amounting to ₹ 30,96,000.

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(ii) On 1st October, 2022, imported plant and machinery from Lucy Ltd., a German based company, for € 18,500. The amount was paid on the date of import itself. (Ignore depreciation).

(iii) On 1st December, 2022, exported good on credit to Cream Ltd., a German based company, amounting to ₹ 50,40,000.

All the above transactions were recorded in the books of account at the prevailing exchange rate on the date of the transactions. Ignore taxes and duty on the above transactions.

Payment due from Cream Ltd. and payment due to Try Ltd. is outstanding as on 31st March, 2023.

Rate of exchange between reporting currency (₹) and foreign currency (€) on different dates are as under :

On 1st July, 2022	1 € = ₹ 86
On 1st October, 2022	1 € = ₹ 88
On 1st December, 2022	1 € = ₹ 84
On 31st March, 2023	1 € = ₹ 90

You are required, as per AS-11 :

(i) To show value at which above items will appear in Balance sheet as on 31st March, 2023;

(ii) To calculate the amount of gain / loss on each of above transactions on account of exchange differences, if any.

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(c) In the following cases, find the value of closing stock as per AS 2 : 5

(i) Sonu is a retailer dealing in toys. During the year, he purchased items worth for ₹ 1,47,000 and made a total sale ₹ 1,54,000. The average percentage of gross margin is 10% on cost. Opening stock of toys at cost was ₹ 20,000.

(ii) On 21st March, 2023, Mohan purchased 250 chairs at ₹ 300 each. The selling price of the chair is ₹ 400 each. Owing to a manufacturing defect, net realisable value of the whole lot of chair was determined at 70% of their normal selling price. No chairs were sold during the year.

(d) A Ltd. purchased a Machinery for ₹ 75 Lakhs. Government Grant received towards this Machinery is ₹ 10 Lakhs. Residual Value of Machinery at the end of useful life of 6 Years is ₹ 5 Lakhs. 5

Asset is shown in Balance Sheet at net of grant.

At the beginning of the 3rd year, an amount becomes refundable to the extent of ₹ 8 Lakhs due to non-compliance of certain conditions of grant.

You are required to give necessary Journal entries for the 1st year and the 3rd year in the books of A Ltd.

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2. (a) Mr. Harry had taken out a fire policy of the loss of stock for ₹ 11,00,000 and a loss of profits policy for ₹ 17,00,000 having an indemnity period of 6 months. Trading and Profit & Loss Account for the year ended 31-03-2023 were as follows : 12

Trading and Profit & Loss Account of Mr. Harry

for the year ended 31-03-2023

Particulars	Amount (₹)	Particulars	Amount (₹)
To Opening Stock	1,70,000	By Sales	85,00,000
To Purchases	49,30,000	By Closing Stock	7,65,000
To Manufacturing Expenses	14,45,000		
To Gross Profit c/d	27,20,000		
	92,65,000		**92,65,000**
To Salary to permanent employees	5,30,000	By Gross Profit b/d	27,20,000
To Advertisement Expenses	70,000		
To Interest on Mortgage Loan	1,65,000		
To Rent	2,80,000		
To Net Profit	16,75,000		
	27,20,000		**27,20,000**

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On 1st July 2023, a fire occurred on the premises of Mr. Harry and as a result, sales were seriously affected for 3 months. The entire stock was gutted with nil salvage value. The following information is available for the period 1-04-23 to 30-06-23 :

Particulars	Amount (₹)
Purchases	12,60,000
Manufacturing expenses	3,74,500
Sales	21,16,000

Other information :

Sales during the period 1-07-23 to 30-09-23 were ₹ 7,43,750.

The standing charges insured were ₹ 8,75,000.

Additional expenses incurred after the fire were ₹ 5,10,000.

The general trend of the industry shows an increase in sales by 15% and a decrease in Gross Profit by 5% due to increased costs.

Ascertain the claim for stock and loss of profit.

(b) Mr. Anuj bought eight Scooters from Bee Motors on 1st April, 2020 on the following Hire Purchase agreement terms : **8**

Down payment	₹ 10,00,000
1st installment payable at the end of 1st year	₹ 5,30,000
2nd installment payable at the end of 2nd year	₹ 4,90,000
3rd installment payable at the end of 3rd year	₹ 5,50,000

Interest is charged at the rate of 10% p.a.

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Mr. Anuj provides depreciation @ 20% p.a. on the diminishing balances.

On 31st March, 2023, Mr. Anuj failed to pay the 3rd installment, upon which Bee Motors repossessed three Scooters. Bee Motors agreed to leave the remaining Scooters with Mr. Anuj and adjusted the value of the repossessed Scooters against the amount due. The Scooters repossessed were valued at ₹ 3,94,450. The balance amount remaining in the vendor's account after the above adjustment was paid by Mr. Anuj after 3 months with interest @ 18% p.a.

You are required to :

(i) Calculate the cash price of the Scooters and the interest payable with each installment.

(ii) Prepare the Scooters Account and Bee Motors Account (up to the final payment made) in the books of Mr. Anuj.

3. (a) Following information is given by Mr. Happy (stock broker) relating to his holding in 10% Government Bonds : **10**

Opening Balance as 1st April, 22 was 5,000 units (Nominal value ₹ 100 each), Cost ₹ 4,85,000
On 1st June, 22, Purchased 600 units, cum-interest @ ₹ 99
On 1st August, 22, Purchased 2400 units, ex-interest @ ₹ 97.50
On 1st October, 22, Sold 2,500 units @ ₹ 98.50, ex-interest
On 1st January, 23 , Sold 3,000 units @ ₹ 99 cum interest

Interest is received on 30th June and 31st December each year.

Mr. Happy closes his books on 31st March each year.

Prepare Investment Account in the books of Mr. Happy assuming that FIFO method of valuation is followed by Mr. Happy.

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(b) Jolly Industries of Delhi is a trader in spices. It has a branch at Jalandhar to which Head office invoice goods at 20% on sales. The Jalandhar branch sells spices both on cash and credit. Branch remit all the cash received to Head Office Bank account, thus all expenses of branch are also directly paid from head office. 10

From the following information given, Prepare Branch Accounts in the Head office ledger using Stock and Debtors Method.

Branch does not maintain any books of account, but send fortnightly returns to Head office.

	₹
Stock at Jalandhar as on 1st April, 2022 (Cost Price)	1,00,000
Sundry Debtors at Jalandhar as on 1st April, 2022	1,10,000
Cash received from Debtors	3,45,000
Bad debts during the year	9,500
Discount allowed to Debtors	5,500
Goods received from Head Office at Invoice Price	6,00,000
Returns to Head office at Invoice Price	60,000
Normal loss of goods during transport (Out of Goods sent by H.O. to Branch)	12,000
Sales returns at Jalandhar Branch	11,000
Salaries and staff welfare expenses at Branch	54,000
Rent and taxes at Branch	9,000
Other Office Expenses	2,500
Sundry Debtors at Branch as at 31st March 2023	1,55,000
Stock at Jalandhar as on 31st March, 2023 (Cost Price)	1,20,000

Credit sales at Branch are four times of the cash Sales at Branch.

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4. The following is the Trial Balance of Falgun Ltd., as on 31st March, 2023 : 20

Particulars	Debit Amt. (₹)	Credit Amt. (₹)
Equity Share Capital (Fully paid-up shares of ₹ 100 each)		10,00,000
10% Preference Share Capital of Face Value ₹ 100 each		4,00,000
General Reserve		2,85,000
2,000 10% Debentures of ₹ 100 each		2,00,000
Securities Premium Account		50,000
Land (at Cost)	7,00,000	
Plant and Machinery	14,70,000	
Furniture	4,00,000	
Provision for Depreciation – Plant and Machinery		3,00,000
Provision for Depreciation – Furniture		1,90,000
Trade Receivables	3,10,000	
Trade Payables		72,000
Cash-in-Hand	1,34,000	
Cash-at-Bank	3,05,000	
Bank Over Drafts from Nationalized bank (Long Term) (Secured by Hypothecation of Stocks)		2,00,000
6% Secured Loan from State Finance Corporation (repayable after 3 years) (Secured by Hypothecation of Plant and Machinery)		4,50,000

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Unclaimed Dividend		23,000
Loan from Director (Short Term)		1,00,000
Adjusted Purchases	2,25,000	
Closing Stock	1,12,000	
Sales		8,46,000
Carriage Inward	17,200	
Miscellaneous Expenses	10,200	
Selling and Distribution Expenses	46,600	
Depreciation	1,80,000	
Salaries	72,000	
Director's Fees	40,000	
Travelling Expenses (include ₹ 50,000/- for foreign tour)	1,30,000	
Profit and Loss Account		40,000
Office Expenses	28,000	
Rent Received		24000
Total	**41,80,000**	**41,80,000**

Additional Information :

(i) Authorized Capital – divided into –

(a) 20,000 equity shares of ₹ 100 each.

(b) 10,000 10% preference shares of ₹ 100 each

(ii) Equity shares include, 2,500 equity shares issued for consideration other than cash.

(iii) The company has had land professionally valued and decides to include it in the Balance sheet at its valuation of ₹ 8,50,000.

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(iv) It is proposed to capitalize part of the undistributed profits by making bonus issue to the shareholders by allocating one equity share of ₹ 100 each for every 5 shares held.

(v) Trade Receivables of ₹ 46,000 are due for more than six months. There is no doubtful amount.

(vi) Depreciation expenses include depreciation of ₹ 1,10,000 on Plant and Machinery and that of ₹ 70,000 on Furniture.

(vii) Cash-at-Bank include ₹ 55,000 with Desire Bank Ltd., which is not scheduled Bank.

(viii) Miscellaneous expenses included ₹ 5,000 being audit fees paid to auditors.

(ix) Bills Receivables for ₹ 35,000 maturing on 31st July, 2023 has been discounted.

(x) Balance of secured loan from State Finance Corporation is inclusive of ₹ 36,000 for interest accrued but not due.

(xi) Director's declared final dividend @ 8% on 6th April, 2023, transferring any amount that may be required from General Reserve. Ignore Taxation.

(xii) Interest on debenture for the year is outstanding as on 31st March, 2023.

You are required to prepare Balance Sheet as on 31st March, 2023 and Statement of Profit and Loss with Notes to Accounts for the year ending 31st March, 2023 as per Schedule III of the Companies Act, 2013. Ignore previous years' figures. (Ignore taxation).

(All workings should form part of the answer)

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5. (a) Mr. Gurmeet runs the retail business and maintain books under single entry system. He has furnished the following information : 15

Balance Sheet as on 31st March, 2022

	Amount (₹)
Assets :	
Furniture	60,000
Stock	1,15,000
Trade Receivables	65,000
Cash at Bank	1,05,000
Cash in Hand	8,000
Total	**3,53,000**
Liabilities :	
Gurmeet's Capital A/c.	3,08,000
Trade Payable	45,000
Total	**3,53,000**

(i) Goods are invariably sold to show a gross profit of 20% on cost.

(ii) Depreciation is provided on furniture @ 10% p.a. on diminishing balance.

(iii) Payment for purchases is always made by cheque.

(iv) Goods are sold for cash and credit both. Credit customers are paid by cheque only.

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(v) It is practice of Mr. Gurmeet to send to the bank all collection of the month at last date of each month after paying :

Salaries	₹ 3,000 p.m.
Office expenses	₹ 1,800 p.m.
Personal withdrawals	₹ 1,500 p.m.

(vi) Analysis of passbook for the period ending 31st March, 2023 disclosed the following information :

	Amount (₹)
Cash deposited in bank during the year	2,12,000
Receipts from credit customers	12,28,000
Payment to creditors	12,15,000
Payment of insurance premium (for one year ending 30th June, 2023)	2,400
Miscellaneous Receipts – sale of old papers	1,400

(vii) Balances as on 31st March, 2023 are :

Trade Receivables	₹ 17,000
Trade Payable	₹ 35,000
Stock	₹ 90,000

(viii) Claim against Mr. Gurmeet for damages of ₹ 15,000 is under dispute. He anticipates defeat in the suit.

(ix) On physical verification of cash in cash box carried on 31st March, 2023, shortage of ₹ 10,000 was found. It was noticed that the cashier absconded with the shortage amount. Further, it is not possible to recover cash from cashier.

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You are required to prepare :

(i) Trading and Profit and Loss Account for the year ending 31st March, 2023;

(ii) Balance sheet as on 31st March, 2023.

(All workings should form part of the answer)

(b) Discuss Disclosure requirements in following cases as per AS 1. 5

(i) Accountant of A Ltd. charges a probable loss of losing a suit in books of accounts and also disclosed the same fact in financial statements. The probability of losing the suit is 25%.

(ii) Accountant of A Ltd. capitalized all the revenue expenses of repair and maintenance during the year to Plant & Machinery and is also disclosing the same as company policy in financial statements.

(iii) A Ltd. has followed accrual basis of accounting since incorporation. The chief accountant also disclosed this fact in financial statements.

(iv) A Ltd. was providing for after sales expenses @ 2% of sales for covering expenses during the warranty period. Now A Ltd. observes that actual after sales expenses were much less as compared to provision because of better technology used in manufacturing of the products. Now, the Board of A Ltd. decides to account for these expenses as and when they occur. Sales during the period are ₹ 50 crores.

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6. Answer the followings :

(a) Following is the Profit and Loss Account of Erick Ltd. for the year ended 31st March, 2023 : 5

Income :	**Amt. (₹)**
Gross Profit	26,20,500
Profit on Sale of Land	1,20,000
Subsidy received from State Government	3,00,000
Total	**30,40,500**
Expenses :	
Administrative and Selling Expenses	58,500
Salaries and Wages	5,80,000
Director's Fees	32,000
Development Rebate Reserve	15,000
Depreciation	4,80,000
Managerial Remuneration	1,25,000
Income Tax	2,40,000
Interest on Debentures	90,000
Total	**16,20,500**
Net Profit c/f	14,20,000
Total	**30,40,500**

Additional Information :

(i) Administrative and selling expenses include the cost of construction of new office building amounting to ₹ 8,000.

(ii) Depreciation as per Companies Act, 2013 was ₹ 3,95,000.

You are required to calculate the maximum limits of the managerial remuneration as per Companies Act, 2013.

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(b) Z Ltd. decides to increase its existing share capital by making rights issue to its existing shareholders. **5**

The company is offering 2 new shares for every 5 existing shares held by the shareholders. The market value of shares is ₹ 420 per share. Company is offering each share at ₹ 245 per share.

Calculate the value of right and the ex-right market price of a share.

OR

List down the applicable criteria under the companies (Accounting Standards) Rule, 2021, to classify a company as Small and Medium Sized Company (SMC).

(c) Vision Ltd. was incorporated on 1st June, 2022 to take over the running business of Dwar Brothers with effect from 1st April 2022. The following information for the year ended 31st March, 2023 is provided : **10**

	Amount (₹)
Gross Profit	32,63,000
Expenses :	
Rent, Rates and Taxes	6,72,000
General expenses	10,96,000
Carriage outward	1,92,400
Share issue expenses	55,000

Additional information :

- Monthly sales from 1st April, 2022 to 30th September, 2022 were evenly spread and monthly sales thereafter increased by two third during rest of the year.
- General expenses include ₹ 1,96,000 towards sales promotion.
- All investments were sold on 15th June, 2022 at a profit of ₹ 63,000. Profit on the sale of investment was inadvertently included in gross profit.

You are required to :

(i) Calculate the time ratio and the sales ratio.

(ii) Prepare a Statement Ascertaining Pre-incorporation and Post-Incorporation Profits/Losses for the year ending 31-03-2023.

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