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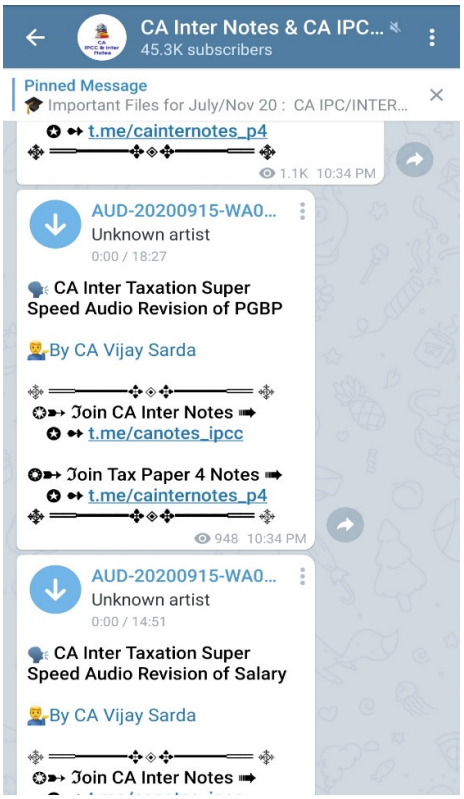

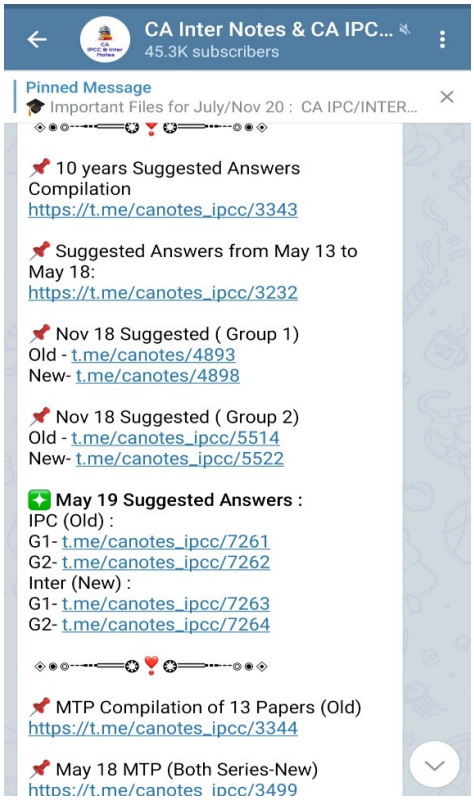

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Roll No. .....

Total No. of Questions – 7 | Total No. of Printed Pages – 15

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 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 five questions from the remaining six questions.

Working notes should form part of the respective answers.

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1. (a) Following information of M/s BS Products Ltd. is given : **5**

(i) Goods of ₹ 2,00,000 sold to M/s Den Ltd. on 20-03-2020 but at the request of the buyer these were delivered on 10-04-2020.

(ii) On 15-01-2020 goods of ₹ 3,00,000 were sent on consignment basis, of which 20% of the goods unsold are lying with the consignee as on 31-03-2020.

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(iii) ₹ 4,00,000 worth of goods were sold on approval basis on 01-12-2019. The period of approval was 3 months after which they were considered as sold. Buyer sent approval for 75% goods upto 31-01-2020 and no approval or disapproval received for the remaining goods till 31-03-2020.

(iv) Apart from the above, M/s BS Products Ltd. sells goods to dealers also. One of the condition of sale is that interest is payable @ 2% p.m for delayed payments by dealers. Percentage of interest recovery is only 10% i.e. ₹ 50,000 on such overdue outstanding due to various reasons. During the year 2019-20 , company wants to recognize the entire interest receivable of ₹ 60,000.

You are required to advise the accountant of M/s BS Products Ltd., with valid reasons, the amount to be recognized as revenue in above cases in the context of AS-9 and also determine the total revenue to be recognized for the year ending 31-03-2020.

(b) The closing inventory at cost of a company amounted to ₹ 11,38,800 as on 31st March, 2020. The following items were included at cost in the total : 5

(i) 1600 units of coats, which had cost of ₹ 150 each. These goods can be sold for ₹ 300 each subject to 5% brokerage on proceeds. Owing to the defect in manufacture, they were all sold after the balance sheet date at 50% of their selling price.

(ii) 2000 units of partly finished sets of dresses, cost incurred till date (31st March, 2020) is ₹ 220 per unit. These units can be sold in next year by incurring additional expense of ₹ 80 per unit. Expected Selling price is ₹ 310 subject to selling expenses of ₹ 15 per unit.

What should the inventory value be according to AS-2 after considering the above items ?

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(c) A construction contractor has a fixed price contract for ₹ 36,000 lakhs to build a bridge in 3 years time frame. A summary of some of the financial data is as under : 5

(Amount in lakhs)

Particulars	Year 1	Year 2	Year 3
Initial amount for revenue agreed in contract	36,000	36,000	36,000
Variation in revenue (+)	....	800	800
Construction cost incurred upto the reporting date	8,372	24,672*	32,800**
Estimated Profit for whole contract	3,800	4,000	4,000

* includes ₹ 400 lakhs for standard materials stored at the site to be used in year 3 to complete the work.

** includes ₹ 400 lakhs for standard material brought forward from year 2.

The variation of cost and revenue in year 2 has been approved by customer.

Compute year wise amount of revenue, expenses, contract cost to complete and profit or loss to be recognized in the statement of profit & loss as per AS-7. (Revised)

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(d) Fast Ltd. decides to absorb Slow Ltd. Following particulars of Slow Ltd. are given : 5

Particulars	Amount (₹)
56,000 Equity shares of ₹ 10 each fully paid up	5,60,000
9% Preference Shares of ₹ 100 each	4,00,000
7% Debentures of ₹ 100 each	3,50,000

Other information :

(i) 7% Debenture holders of Slow Ltd. will be discharged by Fast Ltd. at 10% premium by issuing 6% New Debentures of Fast Ltd.

(ii) 9% Preference Share holders of Slow Ltd. will be discharged at 5% premium by issuing necessary number of 10 % preference shares of Fast Ltd. (Face value ₹ 100 each)

(iii) Equity share holders of Slow Ltd. will be issued 6 equity shares of Fast Ltd. for 7 Equity shares of Slow Ltd. at par. Nominal Value of each equity share of Fast Ltd. is ₹ 10 each,

(iv) Equity Share holders of Slow Ltd. will get ₹ 2 in cash for each share they held in Slow Ltd.

Compute Purchase consideration as per AS 14.

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2. Summarized Balance Sheet of R Ltd. and V Ltd. as on 31st March, 2020 was as under : **16**

	R Ltd.	V Ltd.
Liabilities		
Share Capital :		
Equity Shares of 10 each	5,00,000	1,50,000
9% Preference Shares of 100 each	50,000	—
10% Preference Shares of 100 each		50,000
General Reserve		35,000
Capital Reserve	35,000	
Unsecured Loan	25,000	10,000
Trade Payables	65,000	40,000
	6,75,000	**2,85,000**
Assets		
Non Current assets		
Building	1,70,000	60,000
Machinery	2,50,000	75,000
Current Assets		
Inventory	1,25,000	61,000
Trade Receivables	1,00,000	50,000
Cash at Bank	30,000	39,000
	6,75,000	**2,85,000**

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R Ltd. took over all assets (except cash and Bank Balance) and all liabilities (except trade payables) of V Ltd. on the following terms :

(a) 10% Preference shareholders of V Ltd. are to be paid at 10% premium by issue of 9% preference shares of R Ltd.

(b) V Ltd's Building to be valued at ₹ 75,000 and Machinery at ₹ 80,000.

(c) V Ltd's Inventory to be taken over at 10% less Book value

(d) Equity shareholders of V Ltd. will be issued 20,000 equity shares of ₹ 10 each.

(e) Liquidation Expenses to be reimbursed by R Ltd. to the extent of ₹ 5,000. Actual liquidation expenses are ₹ 8,000.

(f) Trade payables of V Ltd. were settled by V Ltd. at 10% discount.

Prepare necessary Ledger Accounts to close the books of V Ltd. and show the acquisition entries in the books of R Ltd. Also draft the Balance Sheet after absorption as at 31st March, 2020.

3 (a) The partners of TP Enterprise decided to convert the partnership firm into a private limited company named BD Private Ltd. with effect from 1st February, 2019. However, the company could be incorporated only on 1st June, 2019. The business was continued on behalf of the company and the consideration of ₹ 10,00,000 was settled on that date (i.e on 1st June, 2019) along with interest @ 15% per annum. The company availed loan of ₹ 15,00,000 @ 10% per annum on 1st June, 2019 to pay purchase consideration and working capital. The company closed its accounts for the first time on 31st March, 2020 and presents you the following summarized profit and loss account : 10

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Particulars	(₹)	(₹)
Sales		22,68,000
Cost of Goods sold	12,48,000	
Discount to dealers	57,600	
Director's remuneration	80,000	
Salaries	1,08,000	
Rent	1,90,000	
Interest	1,75,000	
Depreciation	42,000	
Office Expenses	1,26,000	
Sales promotion expenses	48,000	
Preliminary Exps (to be written off in first year itself)	25,000	20,99,600
Profit		1,68,400

Additional information :

(i) Sales from 1st June, 2019 to 31st October, 2019 were 1.5 times of the average sales, which further increased to 2.5 times in November, 2019 to 31st March, 2020.

(ii) The company recruited additional work force to expand the business. The salary from 1st August, 2019 was 1.5 times of the previous rate.

(iii) The company also acquired additional shop at monthly rent of ₹ 15,000 from August, 2019.

You are required to prepare a Profit and Loss Account showing appropriation of cost and revenue between pre-incorporation and post-incorporation periods.

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(b) Big B Enterprise furnishes you the following information for the period June to September, 2020 : 6

(1) Total sales amounted to ₹ 2,50,000 including sale of old Machinery for ₹ 50,000 (book value ₹ 45,000). Total credit sales were 50% more than cash sales.

(2) Cash collection from debtors amounted to 70% of the aggregate of the opening debtors (amounting to ₹ 60,000) and credit sales for the period. Debtors were allowed discount of ₹ 15,000.

(3) Bills receivables drawn during the period for ₹ 30,000, of which one third was dishonoured for non-payment as the party became insolvent and his estate realized 50 paisa in a rupee.

(4) Bills Receivables collected ₹ 10,000

(5) A sum of ₹ 2,000 was written off as bad debts, ₹ 17,000 was realized against bad debts written off in earlier years and provision of ₹ 16,000 was made for doubtful debts.

You are required to prepare Debtors Ledger Adjustment Account in the General Ledger.

4. The following is the Balance Sheet of Mr. LMN as on 31st March, 2020 : 16

Liabilities	₹	Assets	₹
Capital Account	4,10,000	Machinery	1,60,000
Sundry Creditors for purchases	60,000	Furniture	35,000
		Stock	25,000
		Debtors	1,45,000
		Cash in Hand	25,000
		Cash at Bank	80,000
	4,70,000		**4,70,000**

Riots occurred and fire broke out on the evening of 31st March, 2021, destroying the books of account and furniture. The cash available in the cash box was stolen.

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The trader gives you the following information :

(i) Sales are 25% for cash and the balance on credit. His total sales for the year ended 31st March, 2021 were 25% higher than the previous year. All the sales and purchases of goods were evenly spread throughout the year (as also in the last year).

(ii) Terms of credit

Debtors	2 Months
Creditors	1 Month

(iii) Stock level was maintained at ₹ 25,000 all throughout the year.

(iv) A steady Gross Profit rate of 25% on the turnover was maintained throughout the year. Creditors are paid by cheque only, except for cash purchases of ₹ 60,000.

(v) His private records and the Bank Pass-book disclosed the following transactions for the year.

a.	Miscellaneous Business expenses	₹ 1,85,500 (including ₹ 10,000 paid by cheque)
b.	Repairs	₹ 4,000 (paid by cash)
c.	Addition to Machinery	₹ 1,00,000 (paid by cheque) (on 1st April, 2020)
d.	Private drawings	₹ 10,000 (paid by cash)
e.	Travelling expenses	₹ 20,000 (paid by cash)
f.	Introduction of additional capital by deposited into the Bank	₹ 50,000

(vi) Collection from debtors were all through cheques.

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(vii) Depreciation on Machinery is to be provided @ 15% p.a.

(viii) The Cash stolen is to be charged to the Profit and Loss Account,

(ix) Loss of furniture is to be adjusted from Capital Account.

Prepare Trading, Profit and Loss Account for the year ended 31st March, 2021 and a Balance Sheet as on that date.

5. (a) ABC Ltd. holds 2,000, 15% Debentures of ₹ 100 each in XYZ Ltd. as on April 1, 2020 at a cost of ₹ 2,50,000. 8

Interest is payable on June, 30 and December, 31 each year.

Following are the details of 15% Debentures purchased and sold during the year 2020-21

Particulars
On May 1, 2020, 1000 debentures are purchased cum-interest at ₹ 1,05,000.
On November 1, 2020, 1200 debentures are sold ex-interest at ₹ 1,28,200.
On November 30, 2020, 500 debentures are purchased ex-interest at ₹ 54,500.
On December 31, 2020, 900 debentures are sold cum-interest for ₹ 1,18,000

You are required to prepare the investment Account showing value of holdings on March 31, 2021 at cost, using FIFO Method.

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(b) On account of a fire on 15th June, 2019 in the business house of R. Ramesh & Co, the working remained disturbed upto the 15th December, 2019 as a result of which it was not possible to affect any sales. The company had taken out an insurance policy with an average clause against consequential losses for ₹ 5,60,000 and a period of 7 months has been agreed upon as indemnity period. An increase of 25% was marked in the current year's sales as compared to the last year. The company incurred an additional expenditure of ₹ 48,000 to make sales possible and made a saving of ₹ 8,000 in the insured standing charges. 8

Particulars	Amount (₹)
Actual sales from 15th June, 2019 to 15th December, 2019	2,80,000
Sales from 15th June, 2018 to 15th December, 2018	9,60,000
Net Profit for last financial year	3,20,000
Insured Standing charges for the last financial year	2,80,000
Total standing charges for the last financial year	4,80,000
Turnover for the last financial year	24,00,000
Turnover for one year : 16th June, 2018 to 15th June, 2019	22,40,000

From the above information, compute the amount of claim under the loss of profit policy.

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6. A, B and C were partners sharing profits in the ratio of 7:5:3 respectively. On 31st March, 2020, B retired when the firm's Balance Sheet was as follows : 16

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Accounts :		Land and Building	6,00,000
A	4,50,000	Plant and Machinery	2,18,000
B	3,20,000	Furniture, Fixture and Fittings	1,40,000
C	2,15,000	Stock	90,800
General Reserve	1,05,000	Trade Debtors	1,00,000
Trade Creditors	1,02,550		
		Cash at Bank	43,750
	11,92,550		**11,92,550**

It was agreed that :

(i) Land and Building be appreciated by 20%.

(ii) There is an unrecorded Asset of tools ₹ 5,000.

(iii) Provision for bad debts to be made equal to 5% of trade debtors.

(iv) Goodwill of the firm be valued at ₹ 1,80,000 and B's Capital Account be credited with his share of goodwill without raising goodwill account.

(v) Half of the amount due to B be immediately paid off to him by means of a cheque and the balance be treated as loan bearing interest @ 12% per annum.

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After B's retirement, A and C admitted Kay (son of Mr B) as a new partner with effect from 1st April, 2020. At the time of admitting Kay as partner, it was decided among partners that Partner A and Partner B will sacrifice 1/10th each from their share towards partner Kay. Kay brought ₹ 2,00,000 in cash including payment for his share of goodwill as valued by the old firm. The entire amount of ₹ 2,00,000 was credited to Kay's Capital Account. Adjustments were made in the capital accounts for Kay's share of goodwill.

You are required to :

(a) Pass journal entries for all the above transactions without any narration, and

(b) Prepare the Capital Account of all the partners.

J. Answer any four of the following :

(a) Based upon criteria for rating of non-corporate entity, categorize the following as Level I, Level II (SMEs) and Level III(SMEs) entities for the purpose of compliance of Accounting Standards in India. 4

(a) Moon India Co. is having insurance business in India.

(b) Rama Textiles whose turnover (excluding other income) exceeds one crore but does not exceed rupees fifty crore in the immediately preceding accounting year.

(c) Star Industries is having borrowings (including public deposits) in excess of rupees one crore but not in excess of rupees ten crore at any time during the immediately preceding accounting year.

(d) Newman Industries is having borrowings (including public deposits) less than rupees fifty lakh at any time during the immediately preceding accounting year.

(e) SS Finance is a financial institution carrying its business in India since last 10 years.

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(f) DD Finance, holding company of SS Finance. (Entity mentioned at Point (v) above)

(g) Reliable Co-op Bank, a co-operative bank, carrying banking operations since last 15 years.

(h) PQR Granites whose turnover (excluding other income) exceeds rupees fifty crore in the immediately preceding accounting year.

(b) The following summary cash account has been extracted from the company's accounting records : 4

Summary Cash Account

Particulars	**('000)**	**('000)**
Balance as on 01.04.2019		175.00
Receipts from customers		13,915.00
Issue of Shares		1,500.00
Sale of fixed assets		640.00
		16,230.00
Payments to suppliers	10,235.00	
Payments for fixed assets	1,150.00	
Payments for overhead	575.00	
Wages and Salaries	345.00	
Taxation	1,215.00	
Dividends	400.00	
Repayments of bank loan	1,250.00	(15,170.00)
Balance as on 31.12.2019		1,060.00

Compute cash flow from Operating activities of the company Raja Ltd. for the year ended 31st March, 2020 in accordance with AS-3 (Revised)

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(c) Two traders R and S buy goods from one another, each allowing the other 30 days credit. At the end of 3 months the accounts rendered are as follows : **4**

	Goods sold by R to S		Goods sold by S to R
	₹		₹
15/02/2021	1,200	28/02/2021	600
16/03/2021	1,500		

Calculate the date upon which the balance should be paid so that no interest is due either to R or S. (Take 17th Feb, 2021 as base date).

(d) Kamal purchased a Bus on hire purchase system. As per terms he is required to pay ₹ 2,80,000 down, ₹ 2,12,000 at the end of first year, ₹ 1,96,000 at the end of second year and ₹ 2,20,000 at the end of the third year. Interest is charged @ 10% p.a. **4**

You are required to calculate the total cash price of the Bus and the interest paid with each installment.

(e) The following is the Balance Sheet of Anita and Kavita, who are equal partners as on 31.12.2019 : **4**

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Accounts :		Sundry Assets	1,40,000
Anita	60,000		
Kavita	30,000		
Reserves	30,000		
Accounts Payables	20,000		
	1,40,000		**1,40,000**

From 01.01.2020, the partners decided to share profit and losses in the ratio of 2:1. For this purpose, the goodwill of the firm is valued at ₹ 30,000 which will not be shown in the Balance Sheet.

Pass necessary Journal Entries and re-draft the Balance Sheet.

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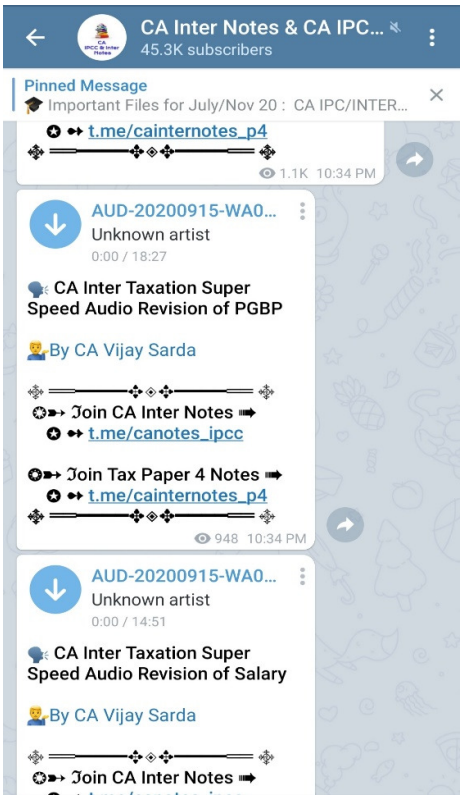

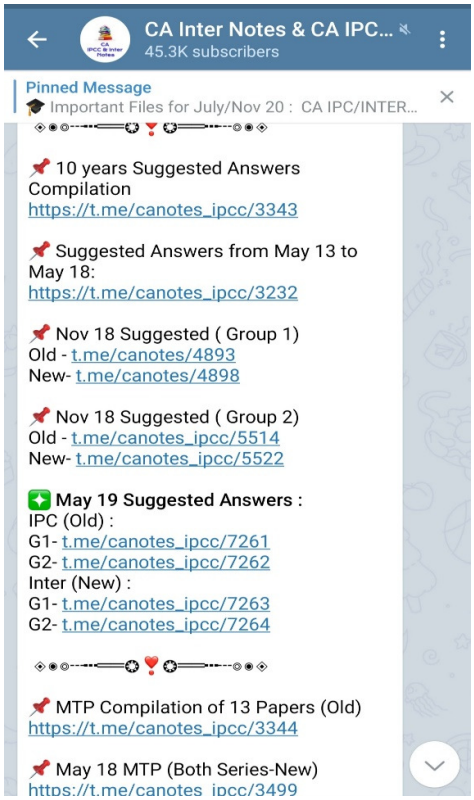

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