1. (a) State the meaning of contingent assets. Explain about the principles to be considered for the measurement of a provision according to AS 29. (6)

(b) Write short note on :

(i) Convention of full disclosure

(ii) Cost concept (6)

(c) State the accounting principle involved in the following statements.

(i) Drawings account is debited for cash withdrawn from bank by the proprietor for his personal expenses.

(ii) Unless there is evidence to the contrary it is assumed that business will not be liquidated in the near future.

(iii) Advance received from customer is not recorded as sales.

(iv) Life of a business is broken into several parts called accounting years or financial years.

(v) A pair of scissors acquired at ₹50 is included in profit and Loss A/c.

(vi) ₹1 lakh Capital contributed by the owner results in increase in cash by ₹1 lakh. (6)

OR

(a) What is meant by international financial reporting standards (IFRS). Why there is need for convergence of IFRS? (8)

(b) What are accounting policies as per AS 5? Explain the considerations in the selection of accounting policies. In what conditions change in accounting policy should be made? (6)

(c) Write a note on mercantile basis of accounting. (4)

2. (a) Shoba Traders depreciated its machinery at 10% per annum according to the diminishing balance method and had ₹4,86,000 balance in its machinery account on April 1, 2022. During the year ended 31st March 2023 the machinery purchased on April 1, 2020, for ₹60,000 was sold for ₹40,000 on 1st October 2022 and a new machinery costing ₹70,000 was purchased and installed on the same date with installation charges being ₹5,000.

The company changed its method of depreciation on 1-4-2022 from diminishing balances to straight-line method, rate of depreciation being 8% per annum.

Show machinery account for the year ended 31st March 2023. (8)

(b) Oil India is a leading distributor of petrol. A detailed inventory of petrol in hand is taken when the books are closed at the end of each month. At the end of the month, the following information is available :

Sales	₹9,45,000
General overheads cost	₹25,000
Inventory in the beginning	1,00,000 litres @ ₹3 per litre
Purchases	
June 1	2,00,000 litres @ ₹2.85 per litre
June 30	1,00,000 litres @ ₹3.03 per litre
Closing inventory	1,30,000 litres

Using periodic system compute the following by FIFO as per AS-2 :

(i) Value of inventory on June 30.

(ii) Amount of cost of goods sold for June

(iii) Profit/ Loss for the month of June. (6)

(c) Write down any four revenues sources where AS 9 is not applicable. (4)

OR

(a) Given below is the information of Tushar Ltd.

(i) Radhika publications publish a monthly magazine on 15th of every month. It sells advertising space in the magazine. The sale of space for the march 2024 issue was made in February 2024. The magazine was published on its scheduled date. It received ₹1,50,000 on 5-3-2024 and ₹50,000 on 15-4-2024 for the March 2024 issue.

(ii) On 10-12-2023 goods worth ₹3,50,000 were sold on approval basis to Varun Ltd. The period of approval was 2 months after which goods were considered sold. Buyer sent approval for 60% of goods up to 30-1-2024 but no approval or disapproval received for remaining goods till 31-3-2024.

(iii) Sold goods ₹6,00,000 lakhs to R Ltd on 12-3-2024 but at the request of the buyer these were delivered on 20-04-2024.

(iv) On 5 November, 2023 goods worth ₹1,00,000 were sent on consignment basis of which 30% of goods remain unsold and lying with the consignee as on 31st March 2024.

In each of the above cases, you are required to advise, with valid reasons, the amount to be recognised as revenue under the provisions of AS-9 if the company is closing its accounts every year on 31st March. (8)

(b) M/s Ishan and Co. had a property plant and equipment having book value of ₹25,00,000 on 31st March 2024. The entity follows the practice of revaluating assets on yearly basis. The fair value was assessed on 31st March 2024. You are required to pass journal entries in the following cases :

(i) If fair value as a result of revaluation done 31st March 2024 was ₹29,00,000.

(ii) If in the previous year, the property was revalued downwards by ₹4,00,000 and a decrease of that asset was recognised in the profit and loss account and fair value was assessed at ₹29,00,000 on 31st March 2024.

(iii) If in the previous year, the property was revalued downwards by ₹3,00,000 and decrease of that asset was recognised in the profit and loss account and fair value was assessed at ₹29,00,000 on 31st March 2024. (6)

(c) A company acquired a patent at a cost of ₹20,00,000 for a period of five years and its product life cycle is also five years. The company capitalised the cost and started amortising the asset at ₹2,50,000 per annum. After two years it was found that the product life cycle may continue for another five years. The net cash flows from the product during these 5 years are expected to be ₹9,00,000, ₹11,50,000, ₹11,00,000, ₹10,00,000 and ₹8,50,000. Find out amortisation expense of the patent for each of these years assuming that the patent is renewed after every five years and company changed amortisation method from Straight Line Method to ratio of expected cash flows. (4)

3. The following is the Trial Balance of Mr. Amitesh as at 31.12.2022.

Particular	Debit (₹)	Credit (₹)
Mr. Amitesh's Capital A/c		86,690
Stock as on 01.01.2022	46,800	
Sales		3,89,600
Return inward	8,600	
Purchases	3,21,700	
Return outward		5,800
Freight and carriage	18,600	
Rent and taxes	5,700	
Salaries and wages	9,300	
Sundry debtors	24,000	
Sundry creditors		14,800
Bank loan at the rate 6% per annum		20,000
Bank interest	900	
Printing and advertising	14,600	
Miscellaneous income		250
Cash at bank	8,000	
Discount earned		4,190
Furniture and fitting	5,000	
Discount allowed	1,800	
General expenses	11,450	
Insurance	1,300	
Postage and telegram	2,330	
Cash in hand	380	
Travelling expenses	870	
Drawings	40,000	
Input CGST	3,000	
Input SGST	3,000	
Output CGST		2,000
Output SGST		4,000
	5,27,330	5,27,330

The following adjustment should be made :

(a) Included amongst the debtors is Rs. 3,000 due from Barun and included among the creditors Rs. 1000 due to him.

(b) Provision for doubtful debts is to be created at 5% and discount on debtors at 2% on sundry debtors.

(c) Depreciation on Furniture & Fitting @ 10% shall be written off.

(d) Mr. Amitesh has withdrawn goods worth ₹600 during the year which were purchased with 5% SGST and 5% CGST.

(e) Interest on Bank Loan shall be provided for the whole year.

(f) A quarter of the amount of printing & advertising is to be carried forward to the next year.

(g) Credit purchase invoice amounting to Rs. 400 had been omitted from the books.

(h) Stock on 31.12.2022 was Rs. 78,600

Prepare Trading and P&L A/c for the year ended 31.12.2022 and Balance Sheet as on 31.12.2022. (18)

OR

(a) Titan club has following balances as on 1 January, 2023.

Prize fund	₹1,00,000
10% Sports fund investments (Face value 2,00,000 fully paid)	₹1,00,000
Transactions for the year	
Donation for prize fund received during the year	₹18,000
Prizes awarded during the year	₹7,000
Interest received on prize fund investments during the year	₹12,000
Expenses incurred on sports events during the year	₹4,000
Interest received on general fund investments during the year	₹30,000

How will you deal with the above items while preparing the income and expenditure account for the year ended 31st December 2023 and Balance sheet as on that date. Show the extracts of final statements. (6)

(b) The final accounts of a Nano club are prepared annually as at 31st March. At 31st March, 2022 subscriptions in arrear amounted to ₹17,400 and subscription received in advance for the year 2022-23 amounted to ₹14,200. During 2022-23 ₹2,42,800 were received in respect of subscriptions including ₹15000 arrears for the year 2021-22 and ?21,600 in advance for the year 2023-24. At 31st March 2023 subscription in arrears amounted to ₹10,600. Calculate the amount of subscriptions to be credited to income and expenditure account by preparing subscription account for the year 2022-23. (6)

(c) How will you deal with the following items while preparing the income and expenditure account for the year ended 31st December 2022 and balance sheet as on that date.

Particulars	As at 31st December	
	2022 (₹)	2023 (₹)
Creditors for stationery	30,000	50,000
Stock of stationery	90,000	70,000

During 2022 payments made to the creditors for stationery amounted ₹3,00,000 and cash purchases of stationary amounted to 20% of the total purchase. (6)

4. A Ltd. Opened branch shops at Jaipur and Agra. Goods are invoiced to branches at a profit of 50% on cost. The following information relates to Jaipur branch for the year ending on 31st March, 2024.

Balances as on April 1, 2023:	Amount ₹
Stock (at cost to H.O.)	60,000
Debtors	10,000
Petty Cash	1,000
Furniture	20,000
Goods received by branch at selling price from H.O.	1,95,000
Credit Sales	80,000
Cash Sales	1,10,000
Transfer from Agra to Jaipur branch at selling price	12,000
Transfer from Jaipur to Agra branch at selling price	24,000
Goods returned by branch to H.O. at selling price	6,000
Cash received from debtors	55,000
Bad debts written off	2,000
Petty expenses paid by branch	600
Goods returned by debtors to the branch	3,000
Goods returned by debtors directly to H.O.	9,000
Goods purchased by branch from local suppliers costing ₹ 18,000; payment made by H.O.	
Cash sent to branch for expenses	10,000
Balances as on 31st March, 2024	
Stock	?
Debtors	?
Petty cash	400

Additional Information :

(a) Goods amounting to ₹15,000 at selling price were in transit from H.O. to Jaipur branch.

(b) Depreciation at 10% p.a. to be provided on furniture.

(c) Goods purchased from local suppliers were sold at a profit of 50% on cost. There was no stock left on March, 2024 out of these goods.

Prepare: Jaipur Branch account under debtor system of branch accounting. Also show various memorandum accounts like Branch stock account, Branch debtors account, Goods sent to branch and stock reserve account as a part of working notes. (18)

OR

Jai Prakash Ltd. Delhi invoiced goods to its Mumbai branch office at 20% less than the list price which is cost plus 50% with instructions that cash sales are to be made at invoice price and credit sales at list price. Mumbai Branch related information is given as follows :

Opening stock at Mumbai at its cost	₹1,80,000
Goods sent to Mumbai (at cost to Delhi)	₹2,20,000
Cash sales 60 % of net credit sales	
Goods returned by credit customers to Mumbai	₹75,000
Goods returned by Mumbai to Delhi	₹84,000
Loss of goods at Mumbai through normal pilferage (at list price)	₹6,000
Loss of goods by fire (at invoice price); 80% of cost was recovered from the insurance company by Mumbai branch.	₹6,000
Opening balance of debtors	₹20,000
Closing balance of debtors	₹45,000
Discount allowed to Mumbai branch credit customers	₹27,000
Provision to be made for a discount on debtors	₹6,075
Goods received by Mumbai branch till the end of the year	₹2,52,000
Cash remitted by credit customers to Mumbai branch	₹1,73,000
Mumbai Branch expenses paid by Delhi H.O. (Including the insurance premium of 4,000 paid for the year ending 30th June 2022.)	₹19,000
Outstanding Mumbai branch expenses	₹3,625
Manager is entitled to a commission @ 5% of net profit after charging such commissions. Round off the commission to the nearest rupee.	

Required : Mumbai Branch stock account, Mumbai Branch debtors account, Mumbai Branch adjustment account, Mumbai Branch expenses account and, Mumbai Branch profit and loss account and Goods sent to branch account under stock and debtor system of branch accounting for the year ended 31st March 2022. (18)

5. (a) Diamond Art Co. acquired machinery on lease from Tanya and Co. on April 1, 2018 on the following terms:

Lease term:	5 years
Fair Value of machinery:	₹35,00,000
Useful Life:	15 years

Annual Lease Rental payable at ₹3,00,000, ₹2,00,000, ₹1,00,000, ₹50,000 and ₹30,000. Implicit rate of return is 15%

Present Value factors are 0.8696, 0.7561, 0.6575, 0.5718 and 0.4972 for the first, second, third, fourth and fifth year respectively at 15% IRR.

Depreciation: 10% p.a. on straight line basis.

(i) Whether the lease is operating lease or finance lease giving reasons?

(ii) How would this lease be accounted for in the books of lessor and lessee? Pass Journal entries for this purpose for the first year in the books of both the lessor and lessee, assuming that the accounts are closed on 31st March every year. (10)

(b) Anjana Ltd. has two departments A and B. The latter department gets all requirements from the A Department at the cost price. On December 31st 2022, the following was the trial balance :

Particulars	Debit (₹)	Credit (₹)
Share Capital		1,00,000
Stock (A Department)	40,000	
Stock (B Department)	2,500	
Purchases- A	5,50,000	
Purchases- B	5,000	
Sales- A		6,25,000
Sales- B		75,000
Transfer of goods to B Department	25,000	25,000
Director's Fees and remuneration	15,000	
Wages and Salaries-A	10,000	
Wages and Salaries-B	20,000	
Rent and Rates (3/4 to A)	4,000	
Lighting (3/4 to B)	1,000	
Depreciation-B	2,500	
Depreciation -A	500	
Office Expenses	1,500	
Furniture and Fitting	10,000	
Office Salaries	8,000	
Equipment	25,000	
Carriage Inward(A)	33,000	
Investment	50,000	
Income from Investments		5,000
Cash at Bank	27,000	
Total	8,30,000	8,30,000

Closing Stock of A on hand was ₹48,000 and that in B amounted to ₹3,750. It is desired to prepare complete Departmental Accounts including General Profit and Loss Account and Balance Sheet. (8)

Or

(a) Arjun Ltd. has three departments A, B and C. The following information is supplied by these department for the year ending 31st March, 2022:

	A	B	C
Purchases (Units)	10,000	20,000	30,000
Sales (Units)	10,400	19,600	30,600
Selling Price per unit (₹)	21	22	24
Stock at the end (Units)	800	1200	1400

Total purchases during the year were ₹9,59,000.

Prepare Departmental Trading A/C of Arjun Ltd. Assuming that the percentage of Gross Profit on Turnover is the same in each case. (10)

(b) Smitha Ltd. Availed a lease from Narayana Ltd. The conditions of the lease terms are as under :

(i) Lease period is 3years, in the beginning of the year 2009, for equipment costing ₹10,00,000 and has an expected useful life of 5 years.

(ii) The fair market value is also ₹10,00,000.

(iii) The property reverts back to the lessor on the termination of the lease.

(iv) The unguaranteed residual value is estimated at ₹1,00,000 at the end of the year 2011.

(v) 3 equal annual payments are made at the end of each year.

Consider IRR = 10%

The present value of ₹1 due at the end of 3rd year at 10% rate of interest is ₹0.7513.

The present value of annuity of ?1 due at the end of 3rd year at 10% IRR is ₹2.4868.

(i) State whether the lease constitute finance lease and also calculate unearned finance income.

(ii) Differentiate between Operating and Financial lease. (4×2)