

State with reasons (attempt any six) whether the following statements are true or false.

- Accounting performs only one function, i.e. maintenance of systematic accounting records.
- Expense incurred to keep the machine in working condition is capital expenditure.
- An expenditure intended to benefit the current period is revenue expenditure.
- Accrual means recognition of revenue as it is earned and of costs as they are paid.
- As per the consistency principle, accounting policy once adopted for similar items should be followed consistently from year to year and should never be changed under any circumstance.
- All the enterprises are required to apply Ind AS.
- Going concern, consistency and accrual are the fundamental accounting assumptions.
- An outstanding expense account is a nominal account. (1.5×6)

(b) Write short notes on any two of the following :

- Prior Period Items
- Money measurement concept
- "Event Occurring after Balance Reporting Period" as per Ind AS 10 (4.5×2)

2. (a) On 1<sup>st</sup> January 2015, a new plant was purchased by Mr. A for ₹ 2,00,000 and a further sum of ₹ 10,000 was spent on its installation. On 1<sup>st</sup> June 2016, a new plant was purchased for ₹ 1,30,000.
- On 20<sup>th</sup> October, 2017, the first plant was destroyed by fire and ₹ 2,000 only was realized by selling the scrap. It was not insured.

On 2<sup>nd</sup> October, 2017, a second-hand plant was purchased for ₹ 1,50,000 and a further sum of ₹ 15,000 was spent on its repairs and ₹ 5,000 on its erection. It came into use on 1<sup>st</sup> November, 2017. Depreciation has been provided at the rate of 10% p.a. on the original cost annually on 31<sup>st</sup> December. It was the practice to charge the full year's depreciation on all the acquisitions made during the year and to ignore depreciation on the item sold during the year. The accounts are closed annually on 31<sup>st</sup> December. In December 2017, it was decided to change the method of depreciation and to follow the rate of 15% p.a. on diminishing balance method in respect of the existing items of plant because of the change in the statute to best reflect the consumption pattern of the asset.

Show Plant A/c, Accumulated Depreciation A/c and the Plant Disposal A/c for 3 years. (12)

- (b) X Ltd gives you the following details of the inventory for the year 2021-22. Find out the value of closing inventory by (a) Group method; (b) Item by item method. (6)

Article	Group	No. of units	Cost per unit (₹)	Realizable value per unit (₹)	Realization expenses
1.	A	200	100	120	25.0%
2.	B	400	200	200	10%
3.	A	600	150	160	25.0%
4.	B	800	250	300	10%

OR

- (a) Explain in brief the following :

- Meaning of Property, Plant and Equipment
- Impairment Loss as per AS 26

(iii) Features of AS 2

- (b) HP is a leading distributor of petrol. A detail inventory of petrol is taken when the books are closed at the end of each month. At the end of month following information is available. (6)

Sales	₹ 47,25,000
General overheads cost	₹ 1,25,000
Inventory at the beginning	1,00,000 litres @ ₹ 12 per litre
Purchases :	
June 1	Two lakh litres @ ₹ 14.25
June 30	One lakh litres @ ₹ 15.15

Closing inventory 1.30 lakh litres. Compute the following by the FIFO method :

- Value of inventory on June 30
- Amount of cost of goods sold for June
- Profit/Loss for the month of June

3. (a) Chandigarh Cricket Club provides you with the following information related to its restaurant for the year ended 31<sup>st</sup> March, 2022. (6)

Particulars	₹	Particulars	₹
Opening stock of restaurant on 1-4-2021	9,750	Closing stock of restaurant on 31-3-2022	11,250
Restaurant takings	9,04,000	Restaurant purchases	5,12,000
Wages (including ₹ 1,25,000 for restaurant)	2,03,750	Fuel	44,250
China glass cutlery on 1-4-2021	6,250	China glass cutlery @20% p.a.	

Prepare Restaurant Trading A/c and show the extract of Income and Expenditure A/c and extract of Balance Sheet for the year ended 2021-22.

- (b) An NPO supplies the following information for the year ended 31<sup>st</sup> March, 2022. Calculate the amount of stock consumed and present the items in the financial statements of the NPO for the year ended 31<sup>st</sup> March, 2022 based on the following information: (6)

Particulars	As at 1-4-2021 (₹)	As at 1-4-2022 (₹)
Creditors for sports materials	5,750	14,750
Stock of sports materials	18,750	38,000

The payment to creditors amounted to ₹ 71,000, and cash purchases of sports materials amounted to ₹ 20,000.

- (c) The following information was obtained from the Secretary of the Crazy Jay Club:

Subscriptions received in 2022-23 as per Receipts and Payments Account	89,000
Advance Subscriptions received in 2021-22	5,000
Subscriptions outstanding at the end of 2022-23 (including ₹ 1,500 for 2021-22)	12,500
Advance Subscriptions received for 2023-24	3,000
Subscriptions written off during 2022-23	600
Subscriptions receivable on 1-4-2022	8,400

Prepare

- a statement/account showing the Subscriptions income for the year ended 31.3.2023 and
- show how the relevant items will appear in the Income and Expenditure Account for the year and in the Balance Sheet as at the end of the year. (6)

OR

The Trial Balance of Mr. Gopal Das at 31<sup>st</sup> March 2018 is given below.

Particulars	Dr (₹)	Cr (₹)
Purchases	8,12,525	12,62,000
Sales		20,940
Provision for Doubtful Debts	2,51,000	
Sundry Debtors		1,52,630
Sundry Creditors		20,250
Bills Payable		
Opening Stock	1,33,625	
Wages	1,15,685	
Salaries	27,875	
Furniture	36,250	
Postage	21,130	
Power and fuel	6,750	
General expenses	29,155	
Bad debts	2,625	
Loan to Ram @ 10% p.a. (on 1 <sup>st</sup> Dec. 17)	15,000	
Cash in hand and at bank	50,000	
General expenses outstanding		2,500
Drawings	27,250	
Capital		50,000
Outstanding wages		10,000
Input CGST	5,000	
Input SGST	5,000	
Input IGST	8,000	
Output CGST		4,000
Output SGST		4,000
Output IGST		9,500
Total	15,41,880	15,41,880

Prepare Trading and Profit and Loss Account for the year ended 31<sup>st</sup> March, 2018 and the Balance Sheet as at that date after taking into consideration the following information :

- Stock on 31<sup>st</sup> March, 2018 was ₹ 62,750
- Depreciation on furniture is to be charged @ 10%.
- Sundry debtors include an item of ₹ 2,500 from a customer who has become insolvent.
- The remaining debtors are not considered to be doubtful in recovery.
- Goods costing ₹ 7,500 plus IGST @ 12% were destroyed by fire and insurance company admitted a claim for ₹ 8,000.
- Received goods from Rahul & Co of ₹ 6,000 plus IGST @ 12% on 27<sup>th</sup> March, 2018 but the invoice of purchase was not recorded in the Purchases book. (18)

4. X Ltd. has two branches at Lucknow and Itawa. Goods are invoiced to branches at cost plus 50%. Goods are transferred by/to another branch at its cost. Following information is available about the transactions of the Lucknow branch for the year ended 31<sup>st</sup> March, 2022 :

Particulars	₹
Opening stock at its cost	4,80,600
Goods sent to branch (including goods invoiced at ₹ 27,000 to branch on 25 <sup>th</sup> March, 2022 but not received by the branch till 31 <sup>st</sup> March, 2022)	14,09,400
Goods received from Itawa branch	10,800
Goods transferred to Itawa branch	91,800
Goods returned by branch to H.O.	21,060
Goods returned by credit customers to branch	10,260
Goods returned by credit customers directly to H.O.	2,160
Agreed allowance to customers off the selling price (already considered while invoicing)	1,800
Normal loss due to wastage and deterioration of stock at cost to H.O.	1,800
Loss-in-transit (at invoice price) ₹ 11,880 against which a sum of ₹ 7,320 was received from the insurance company in full settlement of the claim	
Cash sales ₹ 57,600 and credit sales ₹ 13,12,920	
Branch expenses (including insurance charges) ₹ 90,000	
Bad debts ₹ 1,800 and discount allowed to customers ₹ 900	

The branch manager is entitled to a commission of 5% of profit of the branch after charging such commission.

Required: Prepare Branch Stock A/c, Branch Adjustment A/c and Branch P & L A/c assuming that the closing stock at the branch at its cost as per physical verification amounted to ₹ 3,60,000. (18)

Patna branch is supplied goods from the H.O. at 20% profit on invoice price. All expenses (except petty expenses) are paid by H.O. directly. Such petty expenses are paid by the branches that are allowed to maintain petty cash balance of ₹ 7,000 on imprest system. From the following balances, prepare Patna Branch A/c :

Balances as on 31<sup>st</sup> March, 2021 :

Petty cash at branch	₹ 7,000
Stock at branch at cost price	₹ 1,58,400
Debtors at branch	₹ 1,21,800
Creditors at branch	₹ 35,000
Furniture at branch	₹ 1,05,000
Prepaid rent for 3 months	₹ 8,400

Transactions for the year ended 31<sup>st</sup> March, 2022 :

Goods sent to branch at invoice price	₹ 16,24,000
Cash sales at branch	₹ 13,30,000
Credit sales at branch	₹ 9,10,000
Allowances to debtors	₹ 16,800
Cash received from customers	₹ 7,70,000
Bad debts written off	₹ 4,200
Goods returned by branch to H.O. at invoice price	₹ 14,000
Cash purchases by the branch (on H.O. permission)	₹ 2,10,000
Cash paid to Creditors	₹ 1,40,000

Payments made by the H.O.

Rent for one year (paid on October 1, 2021)	₹ 33,600
Salaries (paid in advance ₹ 7,000)	₹ 35,000
Insurance paid for one year (up to 30 <sup>th</sup> June, 2022)	₹ 25,200

Payment made by the branch:

Petty expenses	₹ 16,800
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Balances as on 31<sup>st</sup> March, 2022

Stock at cost	₹ 5,60,000
Creditors	₹ 49,000

Provide depreciation on furniture at 20% per annum. (18)

5. M/s. AKL Enterprise had two departments, Cloth and Readymade Clothes. The Readymade Cloths were made by the firm itself out of the cloth supplied by the cloth department at its usual selling price. From the following figures, prepare Departmental Trading and Profit & Loss Account for the year ended 31<sup>st</sup> March 2022 :

	Cloth Department (₹)	Readymade Clothes Department (₹)
Opening Stock on 1 <sup>st</sup> April, 2021	31,50,000	5,32,000
Purchases	2,10,00,000	1,68,000
Sales	2,31,00,000	47,25,000
Transfer to Readymade clothes Department	31,50,000	-----
Manufacturing Expenses	-----	6,30,000
Selling Expenses	2,10,000	73,500
Rent & Warehousing	8,40,000	5,60,000
Stock on 31 <sup>st</sup> March, 2022	21,00,000	6,72,000

In addition to the above, the following information is made available for necessary consideration:

The stock in the Readymade Clothes Department may be considered as consisting of 75% cloth and 25% other expenses. The Cloth Department earned a gross profit at the rate of 15% in 2021-22. General Expenses of the business as a whole amount to ₹ 10,85,000. (18)

OR

- (a) B & P Ltd. Availed a lease from N & L Ltd. The conditions of the lease terms are as under. (12)

- Lease period is 3 years in the beginning of the year 2019, for equipment costing ₹ 10,00,000 and has an expected useful life of 5 years.
- The fair market value is also ₹ 10,00,000.
- The Property reverts back to the lessor on termination of the lease.
- The unguaranteed residual value is estimated at ₹ 1,00,000 at the end of the year 2021.
- Three equal annual payments are made at the end of each year.

Consider implicit rate of return = 10%.

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

The present value of annuity of ₹ 1 at the end of third year at 10% IRR is ₹ 2.4868

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

- (b) Distinguish between operating lease and finance lease. (6)