MOCK TEST FOR MAY 2012 EXAM

VIDHYA SAGAR CAREER INSTITUTE LIMITED

Total No. of Questions: - 7 | Total No. of Printed Pages - 5

Time Allowed: - 3 Hours | Maximum Marks: 100

IPCC PAPER (ACCOUNTING)

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, answers in Hindi, his answers in Hindi will not be valued.

Question no. 1 is compulsory. Attempt any five questions from the remaining six questions.
Wherever required, suitable assumptions may be made by the candidate and stated clearly in the answer.

Working notes should form part of the answer.

Q. 1

A. A Limited company charged depreciation on its assets on the basis of W.D.V. method from the date of assets coming to use till date amounts to Rs. 32.33 lakhs. Now the company decides to switch over to Straight Line method of providing for depreciation. The amount of depreciation computed on the basis of S.L.M. from the date of assets coming to use till the date of change of method amounts to Rs. 20 lakhs.

Discuss as per AS-6, when such changes in method of can be adopted by the company and what would be the accounting treatment and disclosure requirement.

B. List the conditions to be fulfilled as per Accounting Standard 14 for an amalgamation to be in the nature of merger, in the case of companies.

C. Mention six areas in which different accounting policies are followed by companies.

D. From the following information available from the books of a trader from 1.1.2011 to 31.3.2011, you are required to draw up the Debtors Ledger Adjustment Account in the General Ledger:

(a) Total sales amounted to Rs. 1,80,000 including the sale of old zerox machine for Rs. 4,800 (book value Rs. 8,000). The total cash sales were 80% less than the total credit sales.

(b) Cash collections from debtors amounted to 70% of the aggregate of the opening debtors and credit sales for the period. Debtors were allowed a cash discount of Rs. 20,000.

(c) Bills receivable drawn during the three months totaled Rs. 30,000 of which bills amounting to Rs. 10,000 were endorsed in favor of suppliers. Out of ;the endorsed bills, one bill for Rs. 6,000 was dishonoured for non-payment as the party became insolvent, his estate realized nothing.

(d) Cheque received from customers Rs. 8,000 were dishonoured, a sum of Rs. 2,000 was irrecoverable; Bad debts written off in the earlier years realised Rs. 11,000.

(e) Sundry debtors as on 1.1.2011 stood at Rs. 50,000. **(Marks 5 Each)**

Q.2. The Balance Sheet of New Light Ltd. for the ended 31st March, 2010 and 2011 are as follows:

Liabilities	31st March 2010 (Rs.)	31st March 2011 (Rs.)	Assets	31st March 2010 (Rs.)	31st March 2011 (Rs.)
Equity share capital	12,00,000	16,00,000	Fixed Assets	32,00,000	38,00,000
10% Preference share Capital	4,00,000	2,80,000	Less Depreciation	9,20,000	11,60,000
				22,80,000	26,40,000
Capital Reserve	–	40,000	Investment	4,00,000	3,20,000
General Reserve	6,80,000	8,00,000	Cash	10,000	10,000
Profit and Loss A/c	2,40,000	3,00,000	Other current Assets	11,10,000	13,10,000
9% Debentures	4,00,000	2,80,000	Preliminary Expenses	80,000	40,000
Current Liabilities	4,80,000	5,20,000			
Proposed dividend	1,20,000	1,44,000			
Provision for Tax	3,60,000	3,40,000			
unpaid dividend	-	16,000		.	.
	38,80,000	43,20,000		38,80,000	43,20,000

Additional Information:

(i) The company sold one fixed asset for Rs. 1,00,000, the cost of which was Rs. 2,00,000 and the depreciation provided on it was Rs. 80,000.

(ii) The company also decided to write off another fixed asset costing Rs. 56,000 on which depreciation amounting to Rs. 40,000 has been provided.

(iii) Depreciation on fixed assets provided Rs. 3,60,000.

(iv) Company sold some investment at a profit of Rs. 40,000, which was credited to capital reserve.

(v) Debentures and preference share capital redeemed at 5% premium.

(vi) Company decided to value stock at cost, whereas previously the practice was to value stock at cost less 10%. The stock according to books on 31-3-2010 was Rs. 2,16,000. The stock on 31-3-2011 was correctly valued at Rs. 3,00,000. Prepare CFS as per revised Accounting Standard 3 by indirect method. **(Marks 16)**

Q.3. The financial position of two companies Hari Ltd. and Vayu Ltd. as on 31st as on 31st March, 2012 was under:

Assets	Hari Ltd. (Rs.)	Vayu Ltd. (Rs.)
Goodwill	50,000	25,000
Building	3,00,000	1,00,000
Machinery	5,00,000	1,50,000
Stock	2,50,000	1,75,000
Debtors	2,00,000	1,00,000
Cash at Bank	50,000	20,000

Preliminary Expenses	30,000	10,000
	13,80,000	5,80,000

Liabilities	Hari Ltd. (Rs.)	Vayu Ltd. (Rs.)
Euqity Shares of Rs. 10 each	10,00,000	3,00,000
9% Preference Shares of Rs. 100 each	1,00,000	–
10% Preference Share of Rs. 100 each	–	1,00,000
General Reserve	1,00,000	80,000
Retirement Gratuity fund	50,000	20,000
Sundry Creditors	1,30,000	80,000
	13,80,000	5,80,000

Hari Ltd., absorbs Vayu Ltd. on the following terms :

(a) 10% preference Shareholders are to be paid at 10% premium by issue of 9% preference Shares of Hari Ltd.

(b) Goodwill of Vayu Ltd. is valued at Rs. 50,000, buildings are valued at Rs. 1,50,000 and the Machinery at Rs. 1,60,000.

(c) Stock to be taken over at 10% less value and Reserve for Bad and Doubtful Debts to be Created @ 7.5%.

(d) Equity Shareholders of Vayu Ltd. will be issued Euqity Shares @ 5% premium.

Prepare necessary Ledger Accounts to close the books of Vayu Ltd. and show the acquisition entries in the books of Hari Ltd. Also draft the Balance Sheet after absorption as at 31st March, 2012. **(Marks 16)**

Q. 4. Summary of receipts and payments of Bombay Medical Aid society for the year ended 31.12.2011 are as follows:

Opening cash balance in hand Rs. 8,000, subscription Rs. 50,000, donation Rs. 15,000, interest on investment @ 9% p.a. Rs. 9,000, payments for medicine supply Rs. 30,000 Honorarium to doctor Rs. 10,000, salaries Rs. 28,000, sundry expenses Rs. 1,000, equipment purchase Rs. 15,000, charity show expenses Rs. 1,500, charity show collection Rs. 12,500.

Additional Information:

	1.1.2011	31.12.2011
Subscription due	1,500	2,200
Subscription received in advance	1,200	700
Stock of medicine	10,000	15,000
Amount due for medicine supply	9,000	13,000
Value of equipment	21,000	30,000
Value of building	50,000	48,000

You are required to prepare receipts and payments account and income and expenditure account for the year ended 31-12-2011 and balance sheet as on 31-12-2011. **(Marks 16)**

Q.5

A. On 1st April, 2009, XY Ltd. has 15,000 equity shares of ABC Ltd. at a book value of Rs. 15 per share (face value Rs. 10 per share). On 1st June, 2009, XY Ltd. acquired 5,000 equity shares of ABC Ltd. for Rs. 1,00,000 on cum right basis. ABC Ltd. announced a bonus and right issue.

I. Bonus was declared, at the rate of one equity share for every five shares held, on 1st July 2009.

II. Right shares are to be issued to the existing shareholders on 1st September 2009. The company will issue one right share for every 6 shares at 20% premium. No dividend was payable on these shares.

III. Dividend for the year ended 31-3-2009 were declared by ABC Ltd. @ 20%, which was received by XY Ltd. on 31st October 2009.

XY Ltd.:

(i) Took up half the right issue.

(ii) Sold the remaining rights for Rs. 8 per share.

(iii) Sold half of its share holding on 1st January 2010 at Rs. 16.50 per share. Brokerage being 1%.

You are required to prepare Investment account of XY Ltd. for the year ended 31st March 2010 assuming the shares are being valued at average cost. **(Marks 10)**

B. On 20th October, 2009, the godown and business premises of Aman Ltd. were affected by fire. From the salvaged accounting records, the following information is available.

	Rs.
Sotck of goods @ 10% lower than cost as on 31st March, 09	2,16,000
Purchases less returns (1.4.09 to 20.10.09)	2,80,000
Sales less returns (1.4.09 to 20.10.09)	6,20,000

Additional information:

(1) Sales upto 20th October, 09 includes Rs. 80,000 which goods had not been dispatched.

(2) Purchases upto 20th October, 09 did not include Rs. 40,000 for which purchase invoices had not been received from suppliers, though goods have been received in Godown.

(3) Past records show the gross profit rate of 25%.

(4) The value of goods salvaged from fire Rs. 31,000.

(5) Aman Ltd. has insured their stock for Rs. 1,00,000.

Compute the amount of claim to be lodged to the insurance company. **(Marks 6)**

Q. 6. M/s Neptune & Co.'s Balance Sheet as at 31st March, 2011

Liabilities		**Amount (Rs.)**	**Assets**		**Amount (Rs.)**
Bank Overdraft (State Bank)		54,000	Cash at Bank of India		800
Sundry Creditors		1,56,000	Sundry Debtors		2,80,000
Capital Accounts :			Stock		1,00,000
Mr. A.			Motor Cars cost as per last B/S	1,60,000	
Balance as per last B/S	4,02,000		Less: Depreciation till date	54,000	1,06,000
Add: Profit for the year	95,400		Machinery :		
	4,97,400		Cost as per last B/S	3,00,000	
Less: Drawings	40,000	4,57,400	Less: Depreciation till date	1,40,000	1,60,000
Mr. B			Land and Building		2,40,000
Balance as per last B/s	2,00,000				
Add: Profit for the year	95,400				
	2,95,400				
Less: Drawings	76,000	2,19,400			
		8,86,800			8,86,800

You have examined the foregoing Draft of the Balance Sheet and have ascertained that the following adjustments are required to be carried out:

(i) Land and Buildings are shown at cost less Rs. 60,000 being the proceeds of the sale during the year of premises costing Rs. 70,000.

(ii) Machinery having a net book value of Rs. 4,300 had been scrapped during the year. The original cost was Rs. 12,300.

(iii) Rs. 2,000 paid for the License fees for the year ending 30th September, 2011 had been written off.

(iv) Debts amounting to Rs. 10,420 were considered to be bad and further debts amounting to Rs. 5,400 were considered doubtful and required 100% provision. Provision for doubtful debts had previously been made for Rs. 10,000.

(v) An item in the Inventory was valued at Rs. 37,400, but had a realizable value of Rs. 26,000 only. Scrap Material having a vlaue of Rs. 6,600 had been omitted from the stock valuation.

(vi) The cashier had misappropriated Rs. 700.

(vii) The cash-book for the year ending 31st March, 2011 included payments amounting to Rs. 6,924, the cheques having been made out, but not despatched to suppliers until April 2011.

(viii) Interest is to be allowed on the Partners opening Capital Account balances less drawings during the year at 9%.

You are required to prepare: (a) Profit & Loss Adjustment Accounts for the year. (b) Capital Accounts of the Partners. **(Marks 16)**

Q. 7 Sameera Corporation sells computers on Hire-purchase basis at cost plus 25%. Terms of sales are Rs. 5,000 as Down payments and 10 monthly installments of Rs. 2,500 for each Computer. From the following particulars, prepare Hire-purchase Trading A/c for the year 2010-2011:

As on 1st April 2010, last installment on 20 Computers were outstanding as these were not due up to the end of the previous year. During 2010-2011, the firm sold 120 Computers. As on 31st March, 2011 the position of installments outstanding were as under:

Installments due but not collected	4 installments on 4 computers and last installments on 9 computers
Installments not yet due	6 installments on 50 computers, 4 installments on 20 and last installment on 40 computers

Two Computers on which 8 installments were due and one installment not yet due on 31-03-2011, had to be repossessed. Repossessed stock is valued at 50% of cost. All other installments have been received. **(Marks 16)**