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Scanner Appendix

CA Inter Group- I
(Solutions of May - 2023 and Questions of November - 2023)

Paper - 1 : Advanced Accounting

Chapter - 2 : Framework for Preparation and Presentation of Financial Statements

8 ***Capital Maintenance***

2023 - May [6] (d)

(i) Historical Cost:

Opening Equity = ₹ 15,00,000 (1500 units @ ₹ 1,000)
Closing Equity = ₹ 22,50,000 (1500 units × 1500)
Trader can withdraw ₹ 7,50,000 and keep the capital Intact.

(ii) Current Purchase Power:

Opening Index = 100; Closing Index = 125
Opening Equity = ₹ 15,00,000

Opening capital as closing price = $\frac{15,00,000}{100} \times 125$ = ₹ 18,75,000

Closing Capital = ₹ 22,50,000
Mile can withdraw = ₹ 22,50,000 - ₹ 18,75,000 = ₹ 3,75,000

(iii) Physical Capital Maintenance:

Current cost of opening stock = $\frac{15,00,000}{100} \times 135$ = 20,25,000
Closing capital at current cost = 22,50,000
Amount that can be withdrawn = 2,25,000

Chapter - 3 : Applicability of Accounting Standards

2 *Applicability of Accounting Standards*

2023 - Nov [6] (Or) (b) List down the applicable criteria under the companies (Accounting Standards) Rule, 2021, to classify a company as Small and Medium Sized Company (SMC). (5 marks)

Chapter - 4 : Presentation & Disclosures Based Accounting Standards

1 *AS -1 Disclosure of Accounting Policies*

2023 - May [6] (a)

1. As per AS-2 Compliance of AS-2 is mandatory and disclosure of non-compliance of AS-2 is not a remedy, Management has to comply with AS-2 so that financial statements given true & fair view.
2. As per AS-4 and AS-1 Management should show the sale in books and should not record the amount received as advance. The correct disclosure should be given in the notes to the accounts of financial statement.
3. As per AS-1 all organization should follow the Fundamental Accounting Assumption. If accrual basis of accounting is not followed then full disclosure with reasons should be specified in the notes to the account. So Dee Ltd. should disclose full infomation as per AS-1.
4. As per AS-1 all Significant Accounting policies should be disclosed in the notes to the account. So Jee Ltd. is not correct in disclosing information in the Directors Report.

2023 - Nov [5] (b) Discuss Disclosure requirements in following cases as per AS I.

(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. (5 marks)

Chapter - 5 : Asset Based Accounting Standards

2	*AS - 10 Property, Plant and Equipment*

2023 - May [1] {C} (a)

(i) **Calculation of Depreciation to be charged to P & L:**

Book value of Machinery on 1 - 4 - 22 = 56,30,000

(a) Depreciation on Machinery disposed $\frac{96,000}{4}$	₹ 24,000
(b) Depreciation on balance [56,30,000 - 9,60,000] × $\frac{10}{100}$	₹ 4,67,000
(c) Depreciation on new Machinery 15,65,000 × $\frac{10}{100}$ × $\frac{9}{12}$	₹ 1,17,375
(d) Depreciation on Machinery purchased 21,12,000 × $\frac{10}{100}$ × $\frac{10}{12}$	₹ 1,76,000
Total Depreciation to be charged	**₹ 7,84,375**

(ii) **Book value of Plant & Machinery as on 31-3-23:**

(a) Book value of opening balance	56,30,000
(-) BV of Machinery sold	(9,60,000)
	46,70,000
(+) Cost of Machinery purchased in exchange	15,65,000
(+) Cost of Machinery included in goods	21,12,000
	83,47,000
(-) Depreciation an above [4,67,000 + 1,17,375 + 1,76,000]	(7,60,375)
Book Value	**(75,86,625)**

(iii) **Calculation on P & L on Exchange of Machinery:**

Book value of Machinery disposed on 1-4-22	9,60,000
(-) Depreciation upto 30-6-22 for 3 months (9,60,000 × 3/12 × 10/100)	(24,000)
Book value of Machinery on due date	9,36,000
(-) Exchange value	(8,25,000)
Loss on exchange of Machinery	**(1,11,000)**

4 *AS - 16 Borrowing Costs*

2023 - May [1] {C} (d)

Interest to be Capitalized (on qualifying asset):

	Particulars	Computation	₹
(i)	On specific Borrowings	25,00,000×12%	3,00,000
(ii)	On non-specific borrowings	(W.N.1)	6,67,500
(iii)	Amount of interest to be Capitalised	(i) + (ii)	9,67,500

Interest transferred to P&L (on non-qualifying asset)

	Particulars	Computation	₹
(i)	On non-specific Borrowings	(W.N.1)	82,500

Working note:

1. Treatment of interest under AS 16 on non-specific borrowings:

	Particulars	Qualifying asset	# Computation	Interest-Capitalized	Interest-charged to P&L A/c
(i)	Building	Yes	45,00,000/2,00,00,000 × 63,00,000 × 11.9048%	1,68,750	-
(ii)	Furniture	No	22,00,000/2,00,00,000 × 63,00,000 × 11.9048%	-	82,500
(iii)	Plant & Machinery	Yes	90,00,000/2,00,00,000 × 63,00,000 × 11.9048%	3,37,500	-

(iv)	Factory shed	Yes	43,00,000/2,00,00,000 × 63,00,000 × 11.9048%	1,61,250	-
	Total			6,67,500	82,500

Total Amt. invested in furniture purchase in from the internal resources of the company.

2023 - Nov [1] {C} (a) Answer the following questions:
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:

(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.

(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). (5 marks)

1 *AS-2 Valuation of Inventories*

2023 - Nov [1] {C} (c) Answer the following questions:
In the following cases, find the value of closing stock as per AS 2:

(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. (5 marks)

3	***AS - 13 Accounting for Investments***

2023 - Nov [3] (a) Following information is given by Mr. Happy (stock broker) relating to his holding in 10% Government Bonds:

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. (10 marks)

Chapter - 7 : Accounting Standards Based on Items Impacting Financial Statements

3	***AS - 11 The Effects of Changes in Foreign Exchange Rates***

2023 - May [1] {C} (b)

(i) **If payment in made immediately with Cash Discount @ 1%:**

Value of goods imported (50,000 × 97)	48,50,000
(-) 1% cash discount	(48,500)
Net purchase price	48,01,500
(+) Int. for 6 months @ 15% p.a. $\left[48{,}01{,}500 \times \frac{6}{12} \times \frac{15}{100}\right]$	3,60,113
Total	**51,61,613**

(ii) **If payment after 6 months with int. @ 5% p.a.:**

Value in pound	£ 50,000
(+) 5% p.a. Int. 50,000 × 5% × $\frac{6}{12}$	1,250
Total Amount payable	£ 51,250

Amount in rupee (51,250 × 99) ₹ 50,73,750

Option (ii) is better as ₹ 50,73,750 in outflow as compered to ₹ 51,61,613 in option (i).

3 AS - 11 The Effects of Changes in Foreign Exchange Rates

2023 - Nov [1] {C} (b) Answer the following questions:

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

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

(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. (5 marks)

Chapter - 9 : Other Accounting Standards

1	***AS - 12 Accounting for Government Grants***

2023 - May [1] {C} (c)

(i) **If Grant Amount is deducted from the value of plant:**

Purchase price	60,00,000
(-) Salvage value	(10,00,000)
(-) Current Amount	(20,00,000)
Depreciable Amount	30,00,000
Useful life	10 years
Per year Depreciation	₹ 3,00,000

(ii) **If Grant Amount treated as deferred income:**

Purchase price	60,00,000
(-) Salvage value	(10,00,000)
Depreciable Amount	50,00,000
Useful life	10 years
Per year Depreciation	₹ 5,00,000

(iii) **If Grant Amt. in refunded at year end 31-3-23 to the extent of ₹ 4 lakhs:**

Purchase price on 1-4-21	60,00,000
(-) Salvage value	(10,00,000)
(-) Govt. grant received	(20,00,000)
Depreciable Amount	30,00,000
(-) Dep^n for year ended 31-3-22	(3,00,000)
Book value on 1-4-22	27,00,000
(+) Amount of grant to be refunded	4,00,000
	31,00,000
Balance life of 9 years	9
Depreciable Amount	₹ 3,44,444

(iv) **If the grant is treated as the promoter's contribution:**

Purchase price on 1-4-21	₹ 60,00,000
(-) Salvage value	(10,00,000)
Balance	50,00,000
Useful life	10
Depreciation	₹ 5,00,000 p.a.

The whole amount of grant treated as promoter's contribution will be credited to capital reserve for ₹ 20,00,000.

2023 - Nov [1] {C} (d) Answer the following questions:
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.
Asset is shown is 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. (5 marks)

Chapter - 11A : Financial Statements of Companies : Preparation of Financial Statements

5 *Final Accounts*

2023 - May [4] (a)

Statement of Profit and Loss of Travese Limited.
for the year ended 31st March, 2023

	Particulars	Notes	Amount
I.	Revenue from operations	1	47,22,600
II.	Other income	2	1,61,465
III.	Total Income (I + II)		48,84,065
IV.	Expenses:		
	Purchases of Inventory-in-Trade		28,86,600
	Changes in inventories of finished goods, work-in-progress and Inventory-in-Trade	3	20,400
	Finance costs	4	3,52,410
	Depreciation and amortization expenses	5	3,57,765

	Other expenses	6	6,65,040
	Total expenses		42,82,215
V.	Profit (Loss) for the period (III - IV) before tax		6,01,850
VI.	Provision for tax		(1,50,463)
VII.	Profit for the period		4,51,387

Notes to accounts

				₹
1	Revenue from operations			
	Sale			47,22,600
2	Other Income			
	Transfer fees			38,250
	Discount received			66,300
	Interest on Investment			55,000
	Profit on sale of plant			1,915
		Total		1,61,465
3	Changes in inventories of finished goods, work-in- progress and Inventory-in-Trade			
	Opening Inventory		4,97,250	
	Less: Closing Inventory		(4,76,850)	20,400
		Total		20,400
4	Finance costs			
	Interest on Debentures			3,39,150
	Bank Interest			13,260
		Total		3,52,410
5	Depreciation and Amortization expenses			
	Depreciation on Plant & Machinery			3,57,765
	(10% × 37,43,400 - 1,65,750)			
6	Other expenses			
	Factory expenses			2,58,060
	Rent, Taxes and Insurance			65,025
	Repairs			1,49,685
	Sundry expenses			1,27,500
	Selling expenses			26,520
	Director's fees			38,250
		Total		6,65,040

Note:

The final dividend will not be recognized as a liability at the balance sheet date (even if it is declared after reporting date but before approval of financial statement) as per accounting standards. Hence, it is not recognized in the financial statement for the year ending 31st March 2023. such dividend will be disclosed in notes only.

2023 - Nov [4] The following is the Trial Balance of Falgun Ltd., as on 31st March, 2023:

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
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		24,000
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.

(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) (20 marks)

Chapter - 11B : Cash Flow Statements

7 *Calculation of Cash Flow by Indirect Method*

2023 - May [4] (b)

Cash Flow from Operating Activities:

PBT	92,000
(+) Depreciation	7,200
(+) Int. on 8% Deb.	12,000
(+) Loss on sale of Vehicle	800
(+) Good will W/O	13,000
(-) Profit on sale of Land	(25,000)
(-) Profit on sale of L/T Investments	(8,000)
(-) Int. Income Received	(6,500)
Operating Profit before Working Capital	85,500
(+) Inc. in O/S Exp.	1,500
(+) Inc. in trade payable	4,000
(-) Dec. in bills payable	(2,000)
(-) Inc. in stock	(8,000)
(-) Inc. in bills receivable	(3,650)
Dec. in trade receivable	6,000
Operating profit before tax	83,350
Income tax paid (WN 4)	9,000
Net cash from Operating Activities	74,350

Working Note:

1. Dr. Vehicle A/c Cr.

To Bal. b/d	28,000	By Bank A/c	3,000
		By Dep^n A/c	2,200
		By P&L A/c	800
		By Bal. c/d	22,000
	28,000		**28,000**

2. Dr. Land A/c Cr.

To Bal. b/d	6,00,000	By Bank A/c	1,25,000
To P&L A/c	25,000	By Bal. c/d	5,75,000
To Capital	75,000		
	7,00,000		**7,00,000**

3. Dr. Furniture/Fixture A/c Cr.

To Bal. b/d	44,000	By Dep^n	5,000
To Bank A/c	9,000	By Bal. c/d	48,000
	53,000		**53,000**

4. Dr. Provision for Taxation A/c Cr.

To Bank A/c	9,000	By Bal. b/d	11,000
To Bal. b/d	18,000	By P&L A/c	16,000
	27,000		**27,000**

5. Calculation of PBT:

Inc. in P&L A/c	41,000
Inc. in General Reserve A/c	30,000
(+) CY. Provision for Tax	16,000
(+) Interim Dividend Paid	5,000
Profit before Tax	**92,000**

Chapter - 15 : Accounting For Branch Including Foreign Branches

8 *Accounting for Foreign Branch*

2023 - May [5] (c)

Trial Balance

Particulars	$ Dr.	$ Cr.	Rate	₹ Dr.	₹ Cr.
Stock 1-1-22	22,000		79	17,38,000	
Purchases	1,00,000		79.5	79,50,000	

Sales	—	1,30,500	79.5	—	1,03,74,750
Goods from H.O.	30,000		—	24,00,000	
Salaries	4,500	—	79.5	3,57,750	
O/S Salaries		500	83	—	41,500
H.O.	—	27,000		—	21,90,000
S. Drs.	2,200		83	1,82,600	
S. Crs.		1,500	83	—	1,24,500
Cash/Bank	800		83	66,400	
	1,59,500	1,59,500		1,26,94,750	1,27,30,750
F. Ex. Loss				36,000	
				1,27,30,750	1,27,30,750

Working Note:

Adjusting Entry for Salaries:

Salaries A/c Dr. 500

To O/S Salaries 500

Foreign Exchange Loss as per AS - 11 = ₹ 36,000

3 *Accounting for Dependent Branches*

2023 - Nov [3] (b) Jolly Industries of Delhi is a trader is 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.

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.

(10 marks)

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