

CA INTER – ADVANCED ACCOUNTS

CLASS TEST 6 – AS 2, 9, 10, 13, 16, 26

Maximum Marks – 50

Time – 1.5 Hours

INSTRUCTIONS:

1. Write your Full Name, Registered Mobile Number and Email id on the front page of your Answer Sheet.
2. After completing the Test, SCAN the Answer sheet with any Document canner app (cam scanner/doc scanner etc) and make a one pdf file save it in your phone.
3. Upload the PDF file in your Test Login Portal under your login and submit. (File Size should not be more than 15 MB)

Question 1 (7 Marks):

Joy Ltd. purchased 20,000 kilograms of Raw Material @ Rs. 20 per kilogram during the year 2020-21. They have furnished you with the following further information for the year ended 31st March, 2021:

Particulars	Units	Amount (Rs.)
Opening Inventory:		
Finished Goods	2,000	1,00,000
Raw Materials	2,200	44,000
Direct Labour		3,06,000
Fixed Overheads		3,00,000
Sales	20,000	11,20,000
Closing Inventory:		
Finished Goods	2,400	
Raw Materials	1,800	

The plant has a capacity to produce 30,000 units of finished product per annum. However, the actual production of finished products during the year 2020-21 was 20,400 units. Due to a fall in the market demand, the price of the finished goods in which the raw material has been utilized is expected to be sold @ Rs. 40 per unit. The replacement cost of the raw material was Rs. 19 per kilogram.

You are required to ascertain the value of closing inventory as at 31st March, 2021 as per AS 2.

Question 2 (10 Marks):

On 1 April 20X1, Sun Ltd purchased some Land for Rs.10000 (including legal costs of Rs 1000) in order to construct a new factory. Construction work commenced on 1st May 20X1. Sun Ltd incurred the following costs in relation with its construction:

- Preparation and levelling of the land - Rs. 300
- Purchase of materials for the construction - Rs. 6080 in total.
- Employment costs of the construction workers - Rs. 200 per month.
- Overhead costs incurred directly on the construction of the factory - Rs. 100 per month.

- Ongoing overhead costs allocated to the construction project using the company's normal overhead allocation model - Rs. 50 per month.
- Income received during the temporary use of the factory premises as a car park during the construction period - Rs. 50.
- Costs of relocating employees to work at the new factory - Rs. 300
- Costs of the opening ceremony on 31st January 20X1 - Rs. 150

The factory was completed on 30th November 20X1 and production began on 1 February 20X2. The overall useful life of the factory building was estimated at 40 years from the date of completion. However, it is estimated that the roof will need to be replaced 20 years after the date of completion and that the cost of replacing the roof at current prices would be 30% of the total cost of the building.

At the end of the 40-year period, Sun Ltd has a legally enforceable obligation to demolish the factory and restore the site to its original condition. The directors estimate that the cost of demolition in 40 years' time (based on prices prevailing at that time) will be Rs 20000. An annual risk adjusted discount rate which is appropriate to this project is 8%. The present value of Rs 1 payable in 40 years' time at an annual discount rate of 8% is Rs. 0.046

The construction of the factory was partly financed by a loan of Rs. 17500 taken out on 1 April 20X1. The loan was at an annual rate of interest of 6%. During the period 1 April 20X1 to 31 August 20X1 (when the loan proceeds had been fully utilised to finance the construction), Sun Ltd received an investment income of Rs 100 on the temporary investment of the proceeds.

Required:

Compute the carrying amount of the factory in the Balance Sheet of Sun Ltd on 31st March 20X2. You should explain your treatment of all the amounts referred to in this part in your answer.

Question 3 (8 Marks):

On 1st April, 20X1, Mr. Vijay had 30,000 Equity shares in X Ltd. at a book value of ₹ 4,50,000 (Face Value ₹ 10 per share). On 22nd June, 20X1, he purchased another 5000 shares of the same company for ₹ 80,000.

The Directors of X Ltd. announced a bonus of equity shares in the ratio of one share for seven shares held on 10th August, 20X1.

On 31st August, 20X1 the Company made a right issue in the ratio of three shares for every eight shares held, on payment of ₹ 15 per share. Due date for the payment was 30th September, 20X1, Mr. Vijay subscribed to 2/3rd of the right shares and sold the remaining of his entitlement to Viru for a consideration of ₹ 2 per share.

On 31st October, 20X1, Vijay received dividends from X Ltd. @ 20% for the year ended 31st March, 20X1. Dividend for the shares acquired by him on 22nd June, 20X1 to be adjusted against the cost of purchase.

On 15th November, 20X1 Vijay sold 20,000 Equity shares at a premium of ₹ 5 per share. You are required to prepare Investment Account in the books of Mr. Vijay for the year ended 31st March, 20X2 assuming the shares are being valued at average cost.

Question 4 (5 Marks):

The company has obtained Institutional Term Loan of ₹580 lakhs for modernisation and renovation of its Plant & Machinery. Plant & Machinery acquired under the modernisation scheme & installation completed on 31st March, 20X2 amounted to ₹406 lakhs, ₹58 lakhs has been advanced to suppliers for additional assets and the balance loan of ₹116 lakhs has been utilised for working capital purpose. The accountant is on a dilemma as to how to account for the total interest of ₹52.20 lakhs incurred during 20X1-20X2 on the entire Institutional Term Loan of ₹580 lakhs.

Question 5 (6 Marks):

First Ltd. began construction of a new factory building on 1st April, 2017. It obtained Rs.2,00,000 as a special loan to finance the construction of the factory building on 1st April, 2017 at an interest rate of 8% per annum. Further, expenditure on construction of the factory building was financed through other non-specific loans. Details of other outstanding non-specific loans were:

Amount (Rs.)	Rate of Interest per annum
4,00,000	9%
5,00,000	12%
3,00,000	14%

The expenditures that were made on the factory building construction were as follows:

Date	Amount (Rs.)
1 st April, 2017	3,00,000
31 st May, 2017	2,40,000
1 st August, 2017	4,00,000
31 st December, 2017	3,60,000

The construction of factory building was completed by 31st March, 2018. As per the provisions of AS 16, you are required to:

- (1) Calculate the amount of interest to be capitalized.
- (2) Pass Journal entry for capitalizing the cost and borrowing cost in respect of the factory building.

Question 6 (5 Marks):

V'Smart Ltd. is developing a new Teaching and Learning process. During the FY ending 31st march, 2009, the expenditure incurred was Rs. 50 lacs. This process made the criteria for recognition as an intangible asset on 1stDec, 2008, expenditure incurred till this date was Rs. 22 lacs. Further expenditure incurred on the process for the FY ending 31st march, 20X0 was Rs. 80 lacs. As at 31st March, 2010, the recoverable amount of know-how is estimated to be Rs. 72 lacs. You are required to calculate:

- (a) Amount to be charged to P&L a/c for the year ending 31st march, 2009 and the carrying value as on 31st March, 2009.
- (b) Amount to be charged to P&L a/c and carrying value of intangible as on 31st March, 2010.

Question 7 (4 Marks)

What is meant by Intangible Assets and what are the important factors to consider the recognition of item as an Intangible asset? What is the recognition criteria in accordance with the provisions of AS 26?

Question 8 (5 Marks):

Mithya Ltd. entered into agreement with Satya Ltd. for sale of goods costing ` 8 lakh at a profit of 20% on cost. The sale transaction took place on 1st February, 2024. On the same day, Satya Ltd. entered into another agreement with Mithya Ltd. to resell the same goods at ` 10.80 lakh on 1st August, 2024. State the treatment of this transaction in the financial statements of Mithya Ltd. as on 31.03.2024. The pre-determined re-selling price covers the holding cost of Satya Ltd. Give the Journal Entries as on 31.03.2024 in the books of Mithya Ltd.