

CA INTER – ADVANCED ACCOUNTS
WEEKLY TEST 2 – QUESTION PAPER

Total No. of Questions – 03

Maximum Marks – 26

Time: - 50 Minutes

Question 1.

14 Marks

Sustain Limited is incurring losses due to adverse market conditions. It decided to reorganize its capital structure. The summarized Balance Sheet of the company as on 31st March, 2024 is as follows:

Particulars	Notes	₹
Equity and Liabilities		
1. Shareholders' Fund	1	10,00,000
(a) Share Capital	2	(2,50,000)
(b) Reserves and Surplus		
2. Non-current liabilities		
Long term borrowing	3	4,50,000
3. Current liabilities		
(a) Trade Payables		1,30,000
(b) Short term borrowings – Bank Overdraft		65,000
(c) Other Current Liabilities (Interest payable on Debentures)		45,000
(d) Short term provision (Provision for Income Tax)		1,00,000
Total		15,40,000
Assets		
1. Non-current assets		
(a) Property, Plant & Equipment	4	8,50,000
(b) Intangible assets	5	60,000
(c) Non-current investments	6	2,80,000
2. Current assets		
(a) Inventories		1,20,000
(b) Trade receivables		2,30,000
Total		15,40,000

Notes to accounts:

1. Share Capital	
Equity share capital:	
50,000 Equity shares of ₹ 10 each fully paid up	5,00,000
25,000 Equity shares of ₹ 10 each, ₹ 8 paid up	2,00,000

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Preference share capital:	
30,000 8% Cumulative Preference shares of ₹ 10 each (Preference dividend has been in arrears for 3 years)	3,00,000
	10,00,000
2. Reserves and Surplus	
Profit and Loss account (debit balance)	(2,50,000)
3. Long-term borrowings	
Secured:	4,50,000
10% Debentures of ₹ 100 each	4,50,000
4. Property, Plant and Equipment	4,50,000
Freehold property	1,00,000
Plant and machinery	7,50,000
5. Intangible assets	8,50,000
Goodwill	60,000
6. Non-current investments	60,000
Non-trade investments at cost	2,80,000
	2,80,000

Subsequent to approval by court and all interested parties, the following scheme of reconstruction were agreed:-

- (1) Uncalled capital is to be called up in full and such shares and other fully paid -up equity shares to be reduced to ₹ 5 per share.
- (2) The preference shareholders will accept a reduction of ₹ 2.5 per share, in exchange the rate of dividend is to be increased to 9%.
- (3) Preference shareholders will forgo their claim of dividend for one year and one equity share of ₹ 5 each is to be issued for the remaining arrears of dividend.
- (4) Mr. X holds 10% debentures for ₹ 2,50,000. He is also a creditor for ₹ 50,000. He agreed to cancel 50% of his total debt, including interest on debentures, pay ₹ 20,000 to the company and to receive new 12% debentures for the balance amount.
- (5) The remaining claim of the debenture holders, including outstanding interest to be reduced to 60%. In consideration of the reduction, the debenture holders are to receive new 9% preference shares at new face value.
- (6) The taxation liability is to be settled at ₹ 1,20,000.
- (7) Market value of Non-current Investments is ₹ 2,50,000. Investments to be brought to their market value.
- (8) Inventory equal to ₹ 1,00,000 at book value will be taken over by remaining creditors in full settlement of their claim.
- (9) A bad debt provision of 2% is to be created on trade receivables.
- (10) Plant and Machinery is to be written down by 20%.
- (11) The company will further issue 12% debentures for such amount which is sufficient to pay off bank overdraft and other outstanding liabilities and maintain its cash/bank balance at ₹ 85,000.

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(12) The amount available by the scheme shall be utilized in writing of Goodwill, debit balance of profit and loss a/c and balance of inventory.

You are required to:

- Show the journal entries, necessary to record the above transaction in the company's books and
- Prepare a note to show revised Share capital structure of the company after completion of the scheme.

Question 2.

5 Marks

SR Limited is a manufacturing company engaged in the production of finished goods 'MP' for which Raw material 'RP' is required.

The company provides the following information for the year ended March 31, 2025:

Particulars		Units	₹
Opening Inventory	MP	4,000	1,20,000
	RP	4,400	52,800
Purchase of RP		40,000	4,80,000
Labour			3,23,200
Overheads (Fixed)			3,15,000
Sales		40,200	11,20,000
Closing Inventory	MP	4,200	
	RP	4,000	

The expected production for the year was 45,000 units of the MP. Due to fall in market demand, the sales price for the MP was ₹ 22 per unit and the replacement cost for the RP was ₹ 11.50 per unit on the closing day.

You are required to calculate the value of Closing Stock of 'MP' and 'RP' as on 31st March 2025.

Question 3. (7 Marks)

Hardy Ltd. intends to extend the factory set up on the adjacent plot with disintegrated old premises. It acquired the land having an area of 250 hectares at a cost of ₹ 25,000 per hectare.

Hardy Ltd. incurred Stamp duty and registration charges of 5% of land value. Legal fees were paid ₹ 4,75,000 for land acquisition.

Hardy Ltd. incurred ₹ 37,85,000 for demolishing old premises thereon. A sum of ₹ 12,60,000 (including 5% GST thereon) was realized from the sale of material salvaged from the site.

Till the new site with extended factory premises is ready, the company needs to move the present production facilities to another (temporary) site. The following incremental costs will be incurred.

- Set up costs of ₹ 7,50,000 to install machinery in the new location
- Rent of ₹ 12,00,000

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- (3) Removal costs of ₹ 2,50,000 to transport the machinery from the old location to the temporary location.
- (i) Management is of the opinion that the cost of moving the production facilities to another temporary location can be capitalized.
 - (ii) You are also required to compute the cost of land acquired.



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