MOCK TEST PAPER 1

INTERMEDIATE (IPC): GROUP – I

PAPER – 1: ACCOUNTING

SUGGESTED ANSWERS/HINTS

1. (a) (i) Statement showing amount of depreciation as per Componentization Method

Component	Depreciation (Per annum) (Rs.)
Land	Nil
Roof	60,000
Lifts	37,500
Fixtures	25,000
Remainder of Building	80,000
	2,02,500

Note: When the roof requires replacement at the end of its useful life the carrying amount will be nil. The cost of replacing the roof should be recognised as a new component.

(ii) The expenditure in remodelling the store will create future economic benefits (in the form of 15% of increase in sales). Moreover, the cost of remodelling can be measured reliably, therefore, it should be capitalized in line with AS 10 PPE.

(b)

	Rs. in crore
Cost of construction of bridge incurred till 31.3.19	4.00
Add: Estimated future cost	6.00
Total estimated cost of construction	10.00
Contract Price (12 crore x 1.05)	12.60 crore

Stage of completion

Percentage of completion till date to total estimated cost of construction

= (4/10)×100 = 40%

Revenue and Profit to be recognized for the year ended 31st March, 2019 as per AS 7

Proportion of total contract value recognized as revenue = Contract price x percentage of completion

=Rs. 12.60 crore x 40% =Rs. 5.04 crore

Profit for the year ended 31st March, 2019 = Rs. 5.04 crore less Rs. 4 crore = 1.04 crore

(c) As per AS 2 "Valuation of Inventories", materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at cost or above cost. However, when there has been a decline in the price of materials and it is estimated that the cost of the finished products will exceed net realizable value, the materials are written down to net realizable value. In such circumstances, the replacement cost of the materials may be the best available measure of their net realizable value. In the given case, selling price of product X is Rs. 300 and total cost per unit for production is Rs. 320.

Hence the valuation will be done as under:

(i) 600 units of raw material will be written down to replacement cost as market value of finished product is less than its cost, hence valued at Rs. 90 per unit.

(ii) 500 units of partly finished goods will be valued at 240 per unit i.e. lower of cost Rs. 320 (Rs. 260 + additional cost Rs. 60) or Net estimated selling price or NRV i.e.Rs. 240 (Estimated selling price Rs. 300 per unit less additional cost of Rs. 60).

(iii) 1,500 units of finished product X will be valued at NRV of Rs. 300 per unit since it is lower than cost Rs. 320 of product X.

Valuation of Total Inventory as on 31.03.2019:

	Units	*Cost (Rs.)*	*NRV/Replacement cost*	*Value = units x cost or NRV whichever is less (Rs.)*
Raw material A	600	120	90	54,000
Partly finished goods	500	260	240	1,20,000
Finished goods X	1,500	320	300	4,50,000
Value of Inventory				6,24,000

(d) **(i)** **False;** As per AS 1 "Disclosure of Accounting Policies", certain fundamental accounting assumptions underlie the preparation and presentation of financial statements. They are usually not specifically stated because their acceptance and use are assumed. Disclosure is necessary if they are not followed.

(ii) **False;** As per AS 1, if the fundamental accounting assumptions, viz. Going Concern, Consistency and Accrual are followed in financial statements, specific disclosure is not required. If a fundamental accounting assumption is not followed, the fact should be disclosed.

(iii) **True;** To ensure proper understanding of financial statements, it is necessary that all significant accounting policies adopted in the preparation and presentation of financial statements should be disclosed. The disclosure of the significant accounting policies as such should form part of the financial statements and they should be disclosed at one place.

(iv) **False;** Any change in the accounting policies which has a material effect in the current period or which is reasonably expected to have a material effect in later periods should be disclosed. Where such amount is not ascertainable, wholly or in part, the fact should be indicated.

(v) **True**; As per AS 1, there is no single list of accounting policies which are applicable to all circumstances. The differing circumstances in which enterprises operate in a situation of diverse and complex economic activity make alternative accounting principles and methods of applying those principles acceptable.

2. **(i)** **In the books of Lili Ltd.**

Journal Entries

			Dr.	*Cr.*
	2017		*Rs.*	*Rs.*
1	March 31	Equity Share Capital A/c (Rs.10) Dr.	3,00,000	

		To Capital Reduction A/c		90,000
		To Equity Share Capital A/c (Rs.7)		2,10,000
		(Being reduction of equity shares of Rs.10 each to shares of Rs. 7 each as per Reconstruction Scheme dated...)		
2.		8% Cum. Preference Share Capital A/c (Rs. 10) Dr.	4,00,000	
		To Capital Reduction A/c		2,00,000
		To Preference Share Capital A/c (Rs. 5)		2,00,000
		(Being reduction of preference shares of Rs.10 each to shares of Rs.5 each as per reconstruction scheme)		
3.		Equity Share Capital A/c (30,000 x Rs.7) Dr.	2,10,000	
		Preference Share Capital A/c (40,000 x Rs.5) Dr.	2,00,000	
		To Equity Share Capital A/c (21,000 x Rs. 10)		2,10,000
		To Preference Share Capital A/c (20,000 x Rs.10)		2,00,000
		(Being post reduction, both classes of shares reconsolidated into Rs.10 each)		
4.		Cash Account Dr.	64,000	
		To Trade Investments		64,000
		(Being trade investments liquidated in the open market)		
5.		Capital Reduction Account Dr.	32,000	
		To Equity Share Capital Account		32,000
		(Being arrears of preference dividends of 4 years satisfied by the issue of 3,200 equity shares of Rs.10 each)		
6.		Capital Reduction Account Dr.	10,000	
		To Cash Account		10,000
		(Being expenses of reconstruction scheme paid in cash)		
7.		9% Debentures Account Dr.	1,20,000	
		Accrued Interest Account Dr.	5,400	
		To Debenture holders Account		1,25,400
		(Being amount due to debenture holders)		
8.		Debenture holders Account Dr.	1,25,400	
		Cash Account (2,10,000 – 1,25,400) Dr.	84,600	
		To Freehold Land		1,20,000
		To Capital Reduction Account (2,10,000 – 1,20,000)		90,000
		(Being Debenture holders took over freehold land at Rs.2,10,000 and settled the balance)		
9.		Capital Reduction Account Dr.	54,000	
		To Cash Account		54,000
		(Being contingent liability of Rs.54,000 paid)		

10.		Cash Account	Dr.	12,500	
		To Capital Reduction Account			12,500
		(Being pending insurance claim received)			
11.		Capital Reduction Account	Dr.	1,68,100	
		To Trademarks and Patents			1,10,000
		To Goodwill			36,100
		To Raw materials & Packing materials			10,000
		To Trade receivables			12,000
		(Being intangible assets written off along with raw materials and packing materials worth Rs.10,000 and 10% of trade receivables)			
12.		Cash Account	Dr.	1,26,000	
		To Equity Share Capital Account			1,26,000
		(Being 12,600 shares issued to existing shareholders)			
13.		Bank Overdraft Account	Dr.	2,23,100	
		To Cash Account			2,23,100
		(Being cash balance utilized to pay off bank overdraft)			
14.		Capital Reduction Account	Dr.	1,28,400	
		To Capital reserve Account			1,28,400
		(Being balance of capital reduction account transferred to capital reserve account)			

(ii) Capital Reduction Account

Particulars	*Rs.*	*Particulars*	*Rs.*
To Equity share capital	32,000	By Preference share capital	2,00,000
To Cash (contingent liability settled)	54,000	By Equity share capital	90,000
To Trademarks and Patents	1,10,000	By Freehold land	90,000
To Goodwill	36,100	By Cash (insurance claim)	12,500
To Raw material and Packing materials	10,000		
To Trade receivables	12,000		
To Cash account	10,000		
To Capital reserve account	1,28,400		
	3,92,500		3,92,500

(iii) Cash Account

Particulars	*Rs.*	*Particulars*	*Rs.*
To Investment	64,000	By Capital reduction (Contingent liability)	54,000
To 9% Debenture holders			

	(2,10,000-1,25,400)	84,600	By	Expenses	10,000
To	Capital reduction (insurance claim)	12,500	By	Temporary bank overdraft - From available cash (64,000 +84,600 + 12,500 - 54,000 -10,000) 97,100	
To	Equity share capital 12,600 shares @ *Rs.*10 each	1,26,000		- From proceeds of equity share capital (2,23,100–97,100) 1,26,000	2,23,100
		2,87,100			2,87,100

Note: Shares issued to existing equity shareholders for bringing cash for payment of balance of bank overdraft =Rs.2,23,100 – Rs.97,100 = Rs.1,26,000

3. **Happy Sports Club**

Receipt and Payments Account for the year ended 31st March, 2017

	Receipts	*Amount (Rs.)*		*Payments*	*Amount (Rs.)*
To	Balance b/d (Bal. Fig.)	27,800	By	Salaries:	
To	Subscription:			for 2015-2016	8,000
	for 2015-2016	12,000		for 2016-2017	1,10,000
	for 2016-2017 (W.N.3)	1,36,000	By	Printing and Stationery	6,000
	for 2017-2018	5,400	By	Rent	12,000
To	Entrance Fees	10,000	By	Repairs	10,000
To	Contribution for Annual Dinner	20,000	By	Sundry Expenses (8,000 + 1,200)	9,200
To	Profit on Annual Sports Meet	20,000*	By	Annual Dinner Expenses	30,000
			By	Interest to Bank	6,000
			By	Sports Equipment (W.N.2)	8,000
			By	Balance c/d	32,000
		2,31,200			2,31,200

Balance Sheet as at 31st March, 2017

Liabilities	*Amount (Rs.)*	*Amount (Rs.)*	*Assets*	*Amount (Rs.)*	*Amount (Rs.)*
Capital Fund (W.N.1)	2,34,800		Freehold Ground		2,00,000
Add: Excess of income over expenditure			Sports Equipment	52,000	
			Add: Additions during the year (Bal. Fig.)	8,000	
	12,000	2,46,800		60,000	
Bank Loan		40,000	*Less:* Depreciation	(6,000)	54,000
Outstanding Salaries		10,000	Subscription in Arrear		15,000

* It is assumed that the profit on annual sports meet has been realized in cash.

Subscription in Advance		5,400	Prepaid Insurance Cash in hand		1,200 32,000
		3,02,200			3,02,200

Working Notes:

(1) Opening Balance of Capital Fund:

Balance Sheet as at 31st March, 2016

	Rs.		*Rs.*
Capital Fund (Bal. Fig.)	2,34,800	Freehold Ground	2,00,000
Bank Loan	40,000	Sports Equipment	52,000
Outstanding Salaries	8,000	Subscription in Arrear	12,000
Subscription in Advance	9,000	Cash in hand	27,800
	2,91,800		2,91,800

(2) Sports Equipment Account

	Rs.		Rs.
To Balance b/d	52,000	By Depreciation Account	6,000
To Bank Account	8,000	By Balance c/d	54,000
	60,000		60,000

(3) Subscription received during 2016-17

	Rs.	*Rs.*
Subscription for 2016-17		1,60,000
Less: Subscription outstanding as on 31.3.17	15,000	
Less: Subscription received in advance as on 31.3.16	9,000	24,000
		1,36,000

4. (a) Ascertainment of rate of gross profit for the year 2015-16

Trading A/c for the year ended 31-3-2016

	₹		₹
To Opening stock	4,81,100	By Sales	26,00,000
To Purchases	22,62,500	By Closing stock	6,63,600
To Gross profit	5,20,000		
	32,63,600		32,63,600

$$\text{Rate of gross profit} = \frac{\text{GP}}{\text{Sales}} \times 100 = \frac{5,20,000}{26,00,000} \times 100 = 20\%$$

Memorandum Trading A/c for the period from 1-4-2016 to 22-01-2017

	₹	₹		₹	₹
To Opening stock		6,63,600	By Sales	24,58,500	
To Purchases	17,41,350		*Add*: Unrecorded cash	20,000	24,78,500

			sales (W.N.)		
Less: Goods used for advertisement	(50,000)	16,91,350	By Closing stock		3,72,150
To Gross profit (20% of ₹ 24,78,500)		4,95,700			
		28,50,650			28,50,650

Estimated stock in hand on the date of fire was ₹ 3,72,150.

Working Note:

Cash sales defalcated by the Accountant:

Defalcation period = 1.4.2016 to 18.8.2016= 140 days

Since, 140 days / 7 weeks = 20 weeks

Therefore, amount of defalcation = 20 weeks × ₹ 1,000 = ₹ 20,000.

(b) Investment Account-Equity Shares in X Ltd.

Date		*No. of shares*	*Dividend*	*Amount*	*Date*		*No. of shares*	*Dividend*	*Amount*
			Rs.	*Rs.*				*Rs.*	*Rs.*
2018					2019				
April 1	To Balance b/d	4,000	-	60,000	Jan. 20	By Bank (dividend)		8,000	2,000
Sept 1	To Bank	1,000	-	14,000	Feb. 1	By Bank	4,000		56,000
Sept.30	To Bonus Issue	2,000		—	Mar. 31	By Balance c/d	4,000		42,250
Dec.1	To Bank (Right)	1,000	-	12,500					
2019									
Feb. 1	To Profit & Loss A/c			13,750					
Feb. 1	To Profit & Loss A/c (Dividend income)		8,000						
		8,000	8,000	1,00,250			8,000	8,000	1,00,250
April. 1	To Balance b/d	4,000		42,250					

Working Notes:

1. **Cost of shares sold — Amount paid for 8,000 shares**

	Rs.
(Rs. 60,000 + Rs. 14,000 + Rs. 12,500)	86,500
Less: Dividend on shares purchased on 1st Sept, 2018	(2,000)
Cost of 8,000 shares	84,500
Cost of 4,000 shares (Average cost basis*)	42,250
Sale proceeds (4,000 shares @ 14/-)	56,000

Profit on sale	13,750

* For ascertainment of cost for equity shares sold, average cost basis has been applied.

2. **Value of investment at the end of the year**

   Closing balance will be valued based on lower of cost (Rs. 42,250) or net realizable value (Rs.13 x 4,000). Thus investment will be valued at Rs. 42,250.

3. **Calculation of sale of right entitlement**

   1,000 shares x Rs. 8 per share = Rs. 8,000

   Amount received from sale of rights will be credited to P & L A/c as per AS 13 'Accounting for Investments'.

4. **Dividend received on investment held as on 1st April, 2018**

   = 4,000 shares x Rs. 10 x 20%

   = Rs. 8,000 will be transferred to Profit and Loss A/c

   Dividend received on shares purchased on 1stSep. 2018

   = 1,000 shares x Rs. 10 x 20% = Rs. 2,000 will be adjusted to Investment A/c

Note: It is presumed that no dividend is received on bonus shares as bonus shares are declared on 30th Sept., 2018 and dividend pertains to the year ended 31.3.2018.

5. (a) Cash Flow Statement as per AS 3

		Rs. in lacs
Cash flows from operating activities:		36,000
Net profit before tax provision		
Add: Non cash expenditures:		
Depreciation	24,000	
Loss on sale of assets	48	
Interest expenditure (non operating activity)	12,000	36,048
		72,048
Less: Non cash income		
Amortisation of capital grant received	(10)	
Profit on sale of investments (non operating income)	(120)	
Interest income from investments (non operating income)	(3,000)	3,130
Operating profit		68,918
Less: Increase in working capital		(67,290)
Cash from operations		1,628
Less: Income tax paid		(5,100)
Net cash generated from operating activities		(3,472)
Cash flows from investing activities:		
Sale of assets (222 – 48)	174	
Sale of investments (33,318+120)	33,438	

Interest income from investments	3,000	
Purchase of fixed assets	(22,092)	
Expenditure on construction work	(41,688)	
Net cash used in investing activities		(27,168)
Cash flows from financing activities:		
Grants for capital projects	18	
Long term borrowings	55,866	
Interest paid	(13,042)	
Dividend paid	(10,202)	
Net cash from financing activities		32,640
Net increase in cash		2,000
Add: Cash and bank balance as on 1.4.2018		6,000
Cash and bank balance as on 31.3.2019		8,000

(b) In Debtors Ledger

General Ledger Adjustment Account

Particulars	***Rs.***	***Particulars***	***Rs.***
To Debtors Ledger Adjustment A/c:		To Debtors Ledger Adjustment A/c:	
Discount Allowed	3,000	Endorsed Bills receivable dishonoured	2,000
Bad Debts (4,400 + 600)	5,000		
Transfer to creditor ledger	2,200		

In Creditors Ledger

General Ledger Adjustment Account

Particulars	***Rs.***	***Particulars***	***Rs.***
To Creditors Leger Adjustment A/c:		By Creditors Ledger Adjustment A/c	
Endorsed Bills receivable dishonoured	2,000	Transfer from debtor ledger	2,200
		Bill receivable endorsed to creditors	8,000
		Discount received	1,200
		Allowances	6,400

Notes:

(i) The following items do not appear in GLA Account in Debtors Ledger.

1. Cash Sales
2. Provision *for* Doubtful Debts
3. Provision for Discount on Debtors
4. Bad Debts Recovered

5. Bills Receivable matured/collected on maturity
6. Bills Receivable discounted
7. Bills Receivable endorsed

(ii) The following items do not appear in GLA Account in Creditors Ledger
1. Cash Purchases
2. Reserve for Discount on Creditors
3. Bills Payable matured

6. Trading and Profit and Loss Account

for the year ended 31st March, 2017

	Rs.	*Rs.*
Sales		1,20,000
Less: Cost of goods sold:		
Opening Stock	15,500	
Purchases	84,000	
	99,500	
Less: Closing stock	(18,550)	(80,950)
Gross Profit		39,050

	Half year to 30th September 2016		*Half year to 31st March 2017*	
	Rs.	*Rs.*	*Rs.*	*Rs.*
Gross profit allocated on time basis		19,525		19,525
Less: Expenses				
Salaries (W.N. 1)	6,750		5,250	
Travelling expenses	400		400	
Office maintenance	600		600	
Conveyance	250		250	
Trade expenses (W.N.2)	625		625	
Rent and rates (W.N. 3)	1,200		1,200	
Bad debts	500		400	
Provision for doubtful debts	-		270	
Depreciation:				
Plant and machinery	1,100		1,100	
Motor vehicles	1,500		1,500	
Interest on loan (W.N. 4)	-	(12,925)	1,638	(13,233)
		6,600		6,292
Appropriation of profits:				
Remaining profits				
L and M (2:1)	4,400			
	2,200	6,600	3,775	
M and N (3:2)			2,517	6,292

Partners' Capital Accounts

	L	*M*	*N*		*L*	*M*	*N*
	Rs.	*Rs.*	*Rs.*		*Rs.*	*Rs.*	*Rs.*
To L (goodwill)		4,000	6,000	By Balance b/d	24,000	12,000	-
To Drawings	2,000	3,000	1,000	By Cash	-	-	9,000
To Transfer to loan a/c	36,400	-	-	By M (Goodwill)	4,000	-	-
				By N (Goodwill)	6,000	-	-
To Balance c/d	-	10,975	4,517	By Profit	4,400	5,975	2,517
	38,400	17,975	11,517		38,400	17,975	11,517

Balance Sheet as on 31st March, 2017

Liabilities		*Amount (Rs.)*	*Assets*	*Amount (Rs.)*
Capital A/c			Plant & Machinery	
M	10,975		*Less:* Depreciation	
N	4,517	15,492	(22,000 – 6,600)	15,400
L's Loan	36,400		Motor Car	
Interest	1,638	38,038	*Less:* Depreciation	
			(30,000 – 9,000)	21,000
Current Liabilities			Current Assets:	
Creditors		10,100	Stock	18,550
Out-standing Trade expenses		250	Debtors (*Less:* Provision (5,400-270)	5,130
			Prepaid Rent	600
			Balance at bank	3,200
Total		63,880		63,880

Working Notes:

			Rs.	*Rs.*
1.	**Salaries**			
	Total as per trial balance			18,000
	Less: Partners' Drawings -	L	2,000	
		M	3,000	
		N	1,000	(6,000)
				12,000
	Less: N's Salary up to 30.09.2016			1,500
				10,500
			Upto 30.09.2016	Upto 31.03.2017
	Allocation on time basis		5,250	5,250
	Add: N's salary upto 30.09.2016		1,500	0

		6,750	5,250
2.	**Trade Expenses**		
	Total as per trial balance		1,000
	Add: Accrual		250
			1,250
	Allocation: on time basis (50 : 50)	625	625
3.	**Rent and rates**		
	Total as per trial balance		3,000
	Less: Rent paid in advance		(600)
			2,400
	Allocation: on time basis (50 : 50)	1,200	1,200
4.	**Interest on loan account of 'L'**		
	Balance in Capital a/c as per trial balance		24,000
	Less: Drawings		(2,000)
	Add: Share of Goodwill	10,000	
	Share in Profit	4,400	14,400
			36,400
	Interest payable @9% p.a. from 01.10.2016 to 31.03.2017 (6 months) 36,400 x 6/12 x 9/100 =		1,638

Adjustment for L's share of Goodwill

Value of goodwill Rs. 15,000

Net entry for Goodwill

M's Capital account Dr. Rs. 4,000

N's Capital account Dr. Rs. 6,000

To L's Capital account Rs. 10,000

(L's share in goodwill adjusted to existing partners in their gaining ratio)

7. (a) The proposals will be evaluated and vendor will be selected considering the following criteria:

1. Quantum of services provided and whether the same matches with the requirements of the hospital.
2. Reputation and background of the vendor.
3. Comparative costs of the various propositions.
4. Organizational set up of the vendor particularly technical staffing to obtain services without inordinate delay.
5. Assurance of quality, confidentiality and secrecy.
6. Data storage and processing facilities.

(b) **Calculation of number of days from base date**

Transaction date	Due date	Amount Rs.	No. of days from Base date (Base date 19.6.2017)	Product
8.3.2017	11.7.2017	4,000	22	88,000
16.3.2017	19.6.2017	5,000	0	0
7.4.2017	10.9.2017	6,000	83	4,98,000
17.5.2017	20.8.2017	5,000	62	3,10,000
		20,000		8,96,000

Average due date $= \text{Base date} + \dfrac{\text{Total of Product}}{\text{Total of Amount}}$

= 19.6.2017 + Rs. 8,96,000 / Rs. 20,000

= 19.6.2017 + 45 days approximately = 3.8.2017

(c) Note 6 (B) given under Part I of Schedule III to the Companies Act, 2013 provides that debit balance of Statement of Profit and Loss (after all allocations and appropriations) shall be shown as a negative figure under the head 'Surplus'. Similarly, the balance of 'Reserves and Surplus', after adjusting negative balance of surplus, shall be shown under the head 'Reserves and Surplus' even if the resulting figure is in the negative. In this case, the debit balance of profit and loss i.e. Rs. 250 lakhs exceeds the total of all the reserves i.e. Rs. 230 lakhs. Therefore, balance of 'Reserves and Surplus' after adjusting debit balance of profit and loss is negative by Rs. 20 lakhs, which should be disclosed on the face of the balance sheet. Thus the treatment done by the company is incorrect.

(d) **Determination of Capital balances of Mr. Aman on 31.3.2018 and 31.3.2019**

	31.3.2018	*31.3.2019*
	Rs.	*Rs.*
Assets	16,65,000	28,40,000
Less: Liabilities	(4,13,000)	(5,80,000)
Capital	12,52,000	22,60,000

Determination of Profit by applying the method of the capital comparison

	Rs.
Capital Balance as on 31-3-2019	22,60,000
Less: Fresh capital introduced (matured life insurance policy amount)	(50,000)
	22,10,000
Add: Drawings (Rs. 32,000 × 12)	3,84,000
	25,94,000
Less: Capital Balance as on 1.4.2018	(12,52,000)
Profit	13,42,000
Income declared	9,12,000
Suppressed Income	4,30,000

The Income-tax officer's contention that Mr. Aman has not declared his true income is correct. Mr. Aman's true income is in excess of the disclosed income by Rs. 4,30,000.

Note:

- Closing capital is increased due to fresh capital introduction, so it is deducted.

- Closing capital was reduced due to withdrawal by proprietor; so it is added back.

(e) As per AS 9 "Revenue Recognition", "where the ability to assess the ultimate collection with reasonable certainty is lacking at the time of raising any claim, the revenue recognition is postponed to the extent of uncertainty involved. In such cases, the revenue is recognized only when it is reasonably certain that the ultimate collection will be made". In this case, the company never realized interest for the delayed payments made by the agent. Hence, based on the past experience, the realization of interest for the delayed payments by the agent is very much uncertain. The interest should be recognized only if the ultimate collection is certain. Therefore, the interest income of Rs. 5 lakhs should not be recognized in the books for the year ended 31st March, 2019. Thus the contention of accountant is incorrect. However, if the agents have agreed to pay the amount of interest and there is an element of certainty associated with these receipts, the accountant is correct regarding booking of Rs. 5 lakhs as interest amount.