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**SUGGESTED SOLUTION**

**CA INTERMEDIATE**

**SUBJECT- ACCOUNTS**

**Test Code – CIM 8656**

**BRANCH - () (Date :)**

**Head Office : Shraddha, 3<sup>rd</sup> Floor, Near Chinai College, Andheri (E), Mumbai – 69.**

**Tel : (022) 26836666**

**ANSWER -1****Journal Entries in the books of Libra Ltd.****Journal Entries**

<b>Date</b>	<b>Particulars</b>	<b>Amount (Dr.)</b>	<b>Amount (Cr.)</b>
01.05.20X1	Bank A/c Dr. To Debenture application A/c (Application money received on 1,50,000 debentures @ Rs. 100 each)	1,50,00,000	1,50,00,000
01.06.20X1	Debenture application A/c Dr. Underwriters A/c Dr. To 15% Debentures A/c (Allotment of 1,50,000 debentures to applicants and 50,000 debentures to underwriters)	1,50,00,000 50,00,000	2,00,00,000
	Underwriting Commission A/c Dr. To Underwriters A/c (Commission payable to underwriters @ 2% on Rs. 2,00,00,000)	4,00,000	4,00,000
	Bank A/c Dr. To Underwriters A/c (Amount received from underwriters in settlement of account)	46,00,000	46,00,000
01.06.20X1	Debenture Investment A/c Dr. To Bank A/c (200000 x 100% x 15% x 40%)  (Being investments made for redemption purpose)	12,00,000	12,00,000
30.09.20X1	Debenture Interest A/c Dr. To Bank A/c (Interest paid on debentures for 4 months @ 15% on Rs. 2,00,00,000)	10,00,000	10,00,000
31.10.20X1	15% Debentures A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Conversion of 60% of debentures into shares of Rs. 60 each with a face value of Rs. 10)	1,20,00,000	20,00,000 10,00,00,000
31.03.20X2	Debenture Interest A/c Dr. To Bank A/c (Interest paid on debentures for the half year)  Refer working note below	7,50,000	7,50,000

**Working Note:**

Calculation of Debenture Interest for the half year ended 31st March, 20X2

On Rs.80,00,000 for 6 months @ 15% = Rs.6,00,000

On Rs.1,20,00,000 for 1 months @ 15% = Rs. 1,50,000

**ANSWER -2**

In the books of Mr. Black

**Trading Account for the year ended 31.3.2019**

	Rs.		Rs.
To Opening Stock	1,35,000	By Sales	9,00,000
To Purchases	6,45,000	By Closing Stock at cost	1,80,000
To Gross Profit	3,00,000	$\left(1,62,000 \times \frac{100}{90}\right)$	
	<b>10,80,000</b>		<b>10,80,000</b>

(2 MARKS)

**Memorandum Trading A/c.**

For the period from 1.4.2019 to 02.06.2019

	Rs.		Rs.
To Opening Stock (at cost)	1,80,000	By Sales	4,80,000
To Purchases	2,25,000	Less : Goods not dispatched	75,000
Add : Goods received but invoice not received	30,000	By Closing stock (Balancing figure)	1,50,000
	2,55,000		
Less : Machinery	15,000		
To Gross Profit	1,35,000		
	5,55,000		5,55,000

**Calculation of Insurance Claim**

Claim subject to average clause =  $\left(\frac{\text{Actual loss of stock}}{\text{Value of stock on the date of fire}} \times \text{Amount of policy}\right)$

$$= 1,20,000 \times \left(\frac{1,50,000}{1,50,000}\right) = \text{Rs. } 1,20,000$$

**Working Note :**

$$\text{G.P. ratio} = \frac{3,00,000}{9,00,000} \times 100 = 33\frac{1}{3}\%$$

$$\text{Amount of Gross Profit} = \text{Rs. } 4,05,000 \times 33\frac{1}{3}\% = \text{Rs. } 1,35,000$$

(6 MARKS)

**ANSWER -3**

M/s ABC &amp; Co.

**Bangalore Branch Trial Balance in (US \$)**as on 31<sup>st</sup> March, 2018

	Conversion rate per US \$ (Rs.)	Dr. US \$	Cr. US \$
Stock on 1.4.17	55	5,454.55	-
Purchases and sales	58	13,793.10	20,689.66
Sundry debtors and Creditors	60	6,666.67	5,000.00
Bills of exchange	60	2,000.00	4,000.00
Wages and Salaries	58	9,655.17	-
Rent, rates and taxes	58	6,206.90	-
Sundry Charges	58	2,758.62	-
Computers	-	6,000.00	-
Bank Balance	60	7,000.00	-
New York office A/c.	-	-	29,845.35
		59,535.01	59,535.01

(5 MARKS)

**Trading and Profit & Loss Account**For the year ended 31<sup>st</sup> March, 2018

	US \$		US \$
To opening stock	5,454.55	By Sales	20,689.66
To Purchases	13,793.10	By Closing stock	7,000.00
To Wages and Salaries	9,655.17	(Rs. 4,20,000/60)	
		To Gross Loss c/d	1,213.16
	28,902.82		28,902.82
To Gross Loss b/d	1,213.16	By Net Loss	13,778.68
To Rent, rates and taxes	6,206.90		
To Sundry charges	2,758.62		
To Depreciation on computers (US \$ 6,000 × 0.6)	3,600.00		
	<b>13,778.68</b>		<b>13,778.68</b>

(4 MARKS)

**Balance Sheet of Bangalore Branch**As on 31<sup>st</sup> March, 2018

Liabilities	US \$	Assets	US \$	US \$
New York Office A/c.	29,845.35	Computers	6,000.00	
Less : Net Loss	(13,778.68)	Less : Depreciation	(3,600.00)	2,400.00
Sundry Creditors	5,000.00	Closing stock		7,000.00
Bills Payable	4,000.00	Sundry debtors		6,666.67
		Bills receivable		2,000.00
		Bank balance		7,000.00

25,066.67

25,066.67

(3 MARKS)

ANSWER -4

ANSWER –A

**Debenture Redemption Reserve Account**

Date	Particulars	Rs.	Date	Particulars	Rs.
31 <sup>st</sup> March, 20X2	To General reserve A/c note 1 (Refer Note 1)	3,75,000	1 <sup>st</sup> April, 20X1	By Balance b/d	1,25,000
		—	1 <sup>st</sup> April, 20X1	By Profit and loss A/c (Refer Note 1)	<u>2,50,000</u>
		<u>3,75,000</u>			<u>3,75,000</u>

(2 MARKS)

**10% Secured Bonds of Govt. (DRR Investment) A/c**

		Rs.			Rs.
1 <sup>st</sup> April, 20X1	To Balance b/d	<u>5,62,500</u>	31 <sup>st</sup> March, 20X2	By Bank A/c	<u>5,62,500</u>
		<u>5,62,500</u>			<u>5,62,500</u>

(1 MARK)

**Bank Account**

		Rs.			Rs.
31 <sup>st</sup> March, 20X2	To Balance b/d	37,50,000	31 <sup>st</sup> March, 20X2	By Debenture holders A/c	41,25,000
	To Interest on DRR Investment (5,62,500X 10%)	56,250		(110% of 37,50,000)	
	To DRR Investment A/c	<u>5,62,500</u>		By Balance c/d	<u>2,43,750</u>
		43,68,750			43,68,750

Working note –

Calculation of DRR before redemption = 10% of Rs. 37,50,000 = 3,75,000  
(for unlisted co.)

Available balance = Rs. 1,25,000

DRR required = 3,75,000 – 1,25,000 = Rs. 2,50,000.

(2 MARKS)

**ANSWER –B**

**Books of Branch A  
Journal Entries**

Particulars				Rs.
(i)	Expenses account	Dr.	3,500	
	To Head office account			3,500
	(Being the allocated expenditure by the head office recorded in branch books)			
(ii)	Depreciation account	Dr.	1,500	
	To Head office account			1,500
	(Being the depreciation provided)			
(iii)	Head office account	Dr.	2,000	
	To Salaries account			2,000
	(Being the rectification of salary paid on behalf of H.O.)			
(iv)	Head office account	Dr.	10,000	
	To Debtors account			10,000
	(Being the adjustment of collection from branch debtors)			
(v)	No entry in branch books			
(vi)	Head Office account	Dr.	3,000	
	To Cash account			3,000
	(Being the expenditure on account of Branch B, recorded in books)			

**Note :** Entry (vi) Inter branch transactions are routed through Head Office.

(5 MARKS)

**ANSWER -5**

**Memorandum Trading A/c for the period from 1.1.18 to 30.6.18**

To Opening Stock		1,50,000	By Sales	11,50,000	
To purchases	9,50,000		(-) Returns	(40,000)	11,10,000
<b>Less : Returns</b>	<u>(12,500)</u>	9,37,500	By closing stock		2,80,000
To carriage inwards		17,500	(Balance figure)		
To Wages		7,500			
To Gross profit		2,77,500			
(25% of Rs. 11,10,000)					
		13,90,000			13,90,000

(5 MARKS)

**Statement of claims :**

Stock on date of fire	2,80,000
Less : Salvage value	(20,000)
Loss on date of fire / Loss due to fire	2,60,000

(2 MARKS)

		<b>Cost</b>	<b>Dep.</b>	<b>Salvage</b>	<b>Claims</b>
1.	Stock	2,80,000	-	20,000	2,60,000
2.	Building	3,75,000	(1,25,000 + 9375)	4,000	2,36,625
3.	Equipment	75,000	(22,500 + 5625)	2,500	44,375
					5,41,000

(3 MARKS)