

Sub: ACCOUNTS

Topics – Company Accounts, Branch Accounts, Hire Purchase, Investments Accounts, Redemption of Debentures.

Test Code – N47

Branch: Multiple

Date:

(50 Marks)

Question 1 (i – 3 marks, ii – 5 marks)  
( 8 MARKS )

(i) Calculation of Interest and Cash Price

No. of installments	Outstanding balance at the end after the payment of installment	Amount due at the time of installment	Outstanding balance at the end before the payment of installment	Interest	Outstanding balance at the beginning
[1]	[2]	[3]	[4]= 2 +3	[5]= 4 x 10/110	[6]= 4-5
3 <sup>rd</sup>	-	2,75,000	2,75,000	25,000	2,50,000
2 <sup>nd</sup>	2,50,000	2,45,000	4,95,000	45,000	4,50,000
1 <sup>st</sup>	4,50,000	2,65,000	7,15,000	65,000	6,50,000

Total cash price = ₹ 6,50,000+ 5,00,000 (down payment) = ₹ 11,50,000.

(ii) In the books of Lucky

Tractors Account

Date	Particulars	₹	Date	Particulars	₹
1.10.2011	To Happy a/c	11,50,000	30.9.2012	By Depreciation A/c	2,30,000
				Balance c/d	9,20,000
		11,50,000			11,50,000
1.10.2012	To Balance b/d	9,20,000	30.9.2013	By Depreciation A/c	1,84,000
				Balance c/d	7,36,000
		9,20,000			9,20,000
1.10.2013	To Balance b/d	7,36,000	30.9.2014	By Depreciation A/c	1,47,200
				By Happy a/c (Value of 1 Tractor taken over after depreciation for 3 years @30% p.a.) (5,75,000-(1,72,500+1,20,750+84,525))	1,97,225
				By Loss transferred to Profit and Loss a/c on surrender (Bal. fig.) or (2,94,400-1,97,225)	97,175
				By Balance c/d	2,94,400
				½ (7,36,000-1,47,200+5,88,800)	
		7,36,000			7,36,000

Question 2

(8 marks)

Investment Account-Equity Shares in X Ltd.

Date		No. of shares	Divident	Amount	Date		No. of shares	Divident	Amount
			₹	₹				₹	₹
20X1 Jan. 1	To Balance b/d	20,000	—	3,20,000	20X1 Oct. 20	By Bank (dividend)*		30,000	7,500
June 1	To Bank	5,000	—	70,000	Nov. 1	By Bank	20,000		2,60,000
Aug. 2	To Bonus Issue	5,000	—	—	Nov. 1	By P & L A/c (W.N.2)			1,429
Sep. 30	To Bank (Right) (W.N.1)	5,000	—	75,000	Dec. 31	By Balance c/d (W.N.3)	15,000		1,96,071
Nov. 1	To Profit & Loss A/c (Dividend income)		30,000						
		35,000	30,000	4,65,000			35,000	30,000	4,65,000
Jan. 1, 20X2	To Balance b/d	15,000		1,96,071					

\* Dividend =  $[20,000 \times 10 \times 15\%] + [5,000 \times 10 \times 15\%]$

Working Notes :

1. Right shares

No. of right shares issued =  $(20,000 + 5,000 + 5,000) / 3 = 10,000$  shares

No. of right shares subscribed =  $10,000 \times 50\% = 5,000$  shares

Amount of right shares issued =  $5,000 \times 15 = ₹ 75,000$

No. of right shares sold =  $10,000 - 5,000 = 5,000$  shares

Sale of right shares =  $5,000 \times 1.5 = ₹ 7,500$  to be credited to statement of profit and loss

2. Cost of shares sold

	₹
Amount paid for 35,000 shares (₹ 3,20,000 + ₹ 70,000 + ₹ 75,000)	4,65,000
Less: Dividend on shares purchased on June 1 (since the dividend pertains to the year ended 31st March, 20x1, i.e., the pre-acquisition period)	<u>(7,500)</u>
Cost of 35,000 shares	<u>4,57,500</u>
Cost of 20,000 shares (Average cost basis)	<u>2,61,429</u>
Sale proceeds	<u>2,60,000</u>
Loss on sale	<u>1,429</u>

3. Value of investment at the end of the year

Assuming investment as current investment, closing balance will be valued based on lower of cost or net realisable value.

Here, Net realisable value is ₹ 14 per share i.e.  $15,000 \text{ shares} \times ₹ 14 = ₹ 2,10,000$

and cost =  $\frac{4,57,500}{35,000} \times 15,000 = ₹ 1,96,071$ . Therefore, value of investment at the end of the year will be ₹ 1,96,071.

Question 3  
(12 marks)

(3 marks for each accounts, 3 marks for working)

In the Books of Progressive Ltd.

Debenture Account

2010			2010		
		₹			₹
Sept. 30	To Debenture Redemption A/c	1,20,000	Jan. 1	By Balance b/d	10,00,000
Dec. 31	To Balance c/d	<u>8,80,000</u>			<u>10,00,000</u>
		10,00,000			
2011			2011		
		₹			₹
May 31	To Debenture Redemption A/c	75,000	Jan. 1	By Balance b/d	8,80,000
Dec. 31	To Debenture Redemption A/c	25,000			
	To Balance c/d	<u>7,80,000</u>			<u>8,80,000</u>
		8,80,000			
2012			2012		
		₹			₹
July 31	To Debenture Redemption A/c	1,15,000	Jan. 1	By Balance b/d	7,80,000
Dec. 31	To Balance c/d	<u>6,65,000</u>			<u>7,80,000</u>
		7,80,000			

Debenture Redemption Account

2010			2010		
		₹			₹
Sept. 30	To Bank A/c (₹1,20,000 × 0.98 = ₹1,800)	1,15,800	Sept. 30	By Debenture Stock A/c	1,20,000
	To Capital Reserve A/c	<u>4,200</u>			<u>1,20,000</u>
		1,20,000			
2011			2011		
		₹			₹
May 30	To Bank A/c (₹75,000 × 0.95)	71,250	May 31	By Debenture Stock A/c	75,000
	To Capital Reserve A/c (Profit on cancellation)	3,750	Dec. 31	By Debenture Stock A/c	25,000
Dec. 31	To Bank A/c (Shortfall ₹1,00,000 - ₹75,000)	25,000			
		<u>1,00,000</u>			<u>1,00,000</u>

2012		₹	2012		₹
July 31	To Bank A/c (₹1,15,000 × .92 – ₹575)	1,05,225	July 31	By Debenture Stock A/c	1,15,000
	To Capital Reserve A/c (Profit on cancellation)	9,775			
		<u>1,15,000</u>			<u>1,15,000</u>

**Debenture Interest Account**

2010		₹	2010		₹
June 30	To Bank A/c	30,000	Dec. 31	By Profit and Loss A/c	58,200
Sept. 30	To Bank A/c	1,000			
Dec. 31	To Bank A/c	<u>26,400</u>			
		<u>58,200</u>			<u>58,200</u>
2011		₹	2011		₹
May 31	To Bank A/c	1,875	Dec. 31	By Profit and Loss A/c	50,175
June 31	To Bank A/c	24,150			
Dec. 31	To Bank A/c	<u>24,150</u>			
		<u>50,175</u>			<u>50,175</u>
2012		₹	2012		₹
June 30	To Bank A/c	23,400	Dec. 31	By Profit and Loss A/c	43,925
July 31	To Bank A/c	575			
Dec. 31	To Bank A/c	<u>19,950</u>			
		<u>43,925</u>			<u>43,925</u>

**Working Notes :**

Interest paid on Debentures @6% per annum:

Date	Amount of Debentures	Period	Interest
	₹		₹
<b>2010</b>			
June 30	10,00,000	6 months	30,000
Sept. 30	1,20,000	3 months	1,800
Dec. 31	8,80,000	6 months	26,400
<b>2011</b>			
May 31	75,000	5 months	1,875
June 30	8,05,000	6 months	24,150

**Question 4**

**Branch Debtors A/c (1 mark)**

To Branch Stock A/c	1,16,000	By Branch Cash A/c (balancing figure)	74,000
		By Bad Debts (written off)	400
		By Balance c/d	41,600
	<u>1,16,000</u>		<u>1,16,000</u>

**Goods Sent to Branch A/c(1 mark)**

To Branch Adjustment A/c	20,000	By Branch Stock A/c	1,20,000
$1,00,000 \times \frac{20}{100}$			
To Purchases/ Trading A/c	1,00,000		
	<u>1,20,000</u>		<u>1,20,000</u>

**Branch Cash A/c(1 mark)**

	₹		₹
To Branch Debtors A/c	74,000	By Branch Expenses A/c	24,000
To H.O. A/c (cash remittance)	6,000	By H.O. (cash remittance)	86,000
To Branch Stock A/c		By Balance c/d	4,000
- Cash Sales (balancing figure)	34,000		
	1,14,000		1,14,000

**Branch Stock A/c(1 mark)**

	₹		₹
To Goods sent to Branch A/c	1,20,000	By Branch Debtors A/c	1,16,000
To Branch Adjustment A/c	54,000	By Branch Cash A/c	34,000
		(Sales)	
(Excess profit over normal loading –balancing figure)		By Goods in Transit	12,000
		(1,20,000-1,08,000)	
		By Balance c/d	12,000
	1,74,000		1,74,000

**Branch Expenses A/c(1 mark)**

	₹		₹
To Branch Cash A/c	24,000	By Branch P&L A/c	24,000

**Branch Adjustment A/c(1 mark)**

	₹		₹
To Stock Reserve A/c	2,000	By Goods sent to Branch A/c	20,000
To Goods in transit Reserve A/c	2,000	By Branch Stock A/c	54,000
To Branch P&L A/c (Balancing figure)	70,000		
	74,000		74,000

**Branch P & L A/c(1 mark)**

	₹		₹
To Branch Expenses A/c	24,000	By Branch Adjustment A/c	70,000
To Bad Debts	400		
To Net Profit (transferred to General P&L A/c)	45,600		
	70,000		70,000

**Working Notes: (1 mark)**

- Loading is 20% of cost i.e. 16.67% (1/6th) of invoice value.  
Loading on closing stock = 1/6th of ₹ 12,000 = ₹ 2,000.
- Loading on goods sent to branch = 1/6th of ₹ 1,20,000 = ₹ 20,000.
- Loading on goods in transit = 1/6th of ₹ 12,000 = ₹ 2,000.

Question 5  
marks)

(12

Haria Chemicals Ltd.  
Balance Sheet as at 31st March, 20X1

	Schedule (1)	Rupees as at the No. end of 31st March 20X1 (2)
<b>Equity and Liabilities</b>		
<b>(1) Shareholders' funds :</b>		
(a) Share Capital	1	25,00,000
(b) Reserves and Surplus	2	7,40,000
<b>(2) Non Current Liabilities</b>		
(a) Long term borrowings	3	11,45,000
<b>(3) Current Liabilities</b>		
(a) Trade payables		2,81,000
<b>Total</b>		<b>46,66,000</b>
<b>Assets</b>		
<b>(1) Non current assets</b>		
<b>Fixed Assets:</b>		
(a) Tangible assets	4	30,05,000
(b) Intangible assets (goodwill)		2,65,000
<b>(2) Current assets</b>		
(a) Inventories		8,23,000
(b) Trade receivables		4,40,000
(c) Cash and bank balances	5	53,000
(d) Short term loans and advances	6	80,000
<b>Total</b>		<b>46,66,000</b>

3 marks

Haria Chemicals Ltd.  
Statement of Profit and Loss for the year ended 31st March, 20X1

	Schedule	Figures
Revenue from operations		42,68,000
Other income	(A) 7	56,000
		43,24,000
<b>Expenses</b>		
Cost of materials consumed	8	23,19,000
Change in inventory of finished goods	9	(1,43,000)
Employee benefit expenses	10	9,00,000
Finance cost	11	1,71,000
Other expenses	(B) 12	4,76,000
		<u>37,23,000</u>
Profit before tax (A – B)		6,01,000
Provision for tax		—
Profit for the period		6,01,000

9 marks

Notes to Accounts

	₹																												
<b>1. Share capital</b>																													
Authorised :																													
Equity share capital of ₹10 each	<u>25,00,000</u>																												
Issued and Subscribed :																													
Equity share capital of ₹10 each	25,00,000																												
<b>2. Reserves and Surplus</b>																													
Balance as per last balance sheet	1,39,000																												
Balance in profit and loss account	<u>6,01,000</u>																												
	<u>7,40,000</u>																												
<b>3. Long term Borrowings</b>																													
11% Debentures	5,00,000																												
Bank loans (assumed long-term)	<u>6,45,000</u>																												
	<u>11,45,000</u>																												
<b>4. Tangible Assets</b>																													
	<table border="1" style="width: 100%; border-collapse: collapse; margin: 10px 0;"> <thead> <tr style="background-color: #008000; color: white;"> <th style="width: 30%;"></th> <th style="width: 20%;">Gross block</th> <th style="width: 20%;">Depreciation</th> <th style="width: 30%;">Net Block</th> </tr> </thead> <tbody> <tr> <td>Freehold land</td> <td style="text-align: right;">15,46,000</td> <td></td> <td style="text-align: right;">15,46,000</td> </tr> <tr> <td>Furniture</td> <td style="text-align: right;">2,00,000</td> <td></td> <td style="text-align: right;">2,00,000</td> </tr> <tr> <td>Fixtures</td> <td style="text-align: right;">3,00,000</td> <td></td> <td style="text-align: right;">3,00,000</td> </tr> <tr> <td>Plant &amp; Machinery</td> <td style="text-align: right;">8,60,000</td> <td style="text-align: right;"><u>1,46,000</u></td> <td style="text-align: right;">7,14,000</td> </tr> <tr> <td>Tools &amp; Equipment</td> <td style="text-align: right;"><u>2,45,000</u></td> <td></td> <td style="text-align: right;"><u>2,45,000</u></td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: right;"><b>31,51,000</b></td> <td style="text-align: right;"><b>1,46,000</b></td> <td style="text-align: right;"><b>30,05,000</b></td> </tr> </tbody> </table>		Gross block	Depreciation	Net Block	Freehold land	15,46,000		15,46,000	Furniture	2,00,000		2,00,000	Fixtures	3,00,000		3,00,000	Plant & Machinery	8,60,000	<u>1,46,000</u>	7,14,000	Tools & Equipment	<u>2,45,000</u>		<u>2,45,000</u>	<b>Total</b>	<b>31,51,000</b>	<b>1,46,000</b>	<b>30,05,000</b>
	Gross block	Depreciation	Net Block																										
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Tools & Equipment	<u>2,45,000</u>		<u>2,45,000</u>																										
<b>Total</b>	<b>31,51,000</b>	<b>1,46,000</b>	<b>30,05,000</b>																										
<b>5. Cash and bank balances</b>																													
Cash and cash equivalents																													
Current account balance	45,000																												
Cash	8,000																												
Other bank balances	<u>Nil</u>																												
	<u>53,000</u>																												
<b>6. Short-term loans and Advances</b>																													
Loan to directors	80,000																												

<b>7. Other Income</b>		
Rent received		46,000
Transfer fees		<u>10,000</u>
		<u>56,000</u>
<b>8. Cost of materials consumed</b>		
Purchases		23,19,000
<b>9. Changes in inventory of finished goods, WIP &amp; Stock in trade</b>		
Opening inventory	6,80,000	
Closing inventory	<u>8,23,000</u>	(1,43,000)
<b>10. Employee benefit expense</b>		
Wages		9,00,000
<b>11. Finance cost</b>		
Interest on bank loans		1,16,000
Debenture interest		<u>55,000</u>
		<u>1,71,000</u>
<b>12. Other Expenses</b>		
Consumables		84,000
Preliminary expenses		10,000
Bad debts		35,000
Discount		40,000
Rentals		25,000
Commission		1,20,000
Advertisement		20,000
Dealers' aids		21,000
Transit insurance		30,000
Trade expenses		37,000
Distribution freight		<u>54,000</u>
		<u>4,76,000</u>

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