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**SUGGESTED SOLUTION**

**CA INTERMEDIATE**

**SUBJECT- ACCOUNTS AND ADVANCED ACCOUNTS**

**Test Code – CIM 8445**

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

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## ANSWER -1

### (a) (i) Capital Funds –

<b>Tier I :</b>	<b>Rs. In crore</b>
Equity Share Capital	600
Statutory Reserve	470
Capital Reserve (arising out of sale of assets)	105
Less : Profit & Loss (Dr. bal)	(30)
	1,145
<b>Capital Funds – Tier II :</b>	
Capital Reserve (arising out of revaluation of assets)	25
Less : Discount to the extent of 55%	(13.75)
	11.25

(3 MARKS)

### (ii) Risk Adjusted Assets

<b>Funded Risk Assets</b>	<b>Rs. In crore</b>	<b>Percentage weight</b>	<b>Amount Rs. In crore</b>
Cash Balance with RBI	35.50	0	-
Balances with other Banks	15	20	3
Claims on banks	52.50	20	10.50
Other Investments	70	100	70
Loans and Advances :			
(i) guaranteed by government	22.50	0	-
(ii) guaranteed by DICGC/ECGC	110	50	55
(iii) Others	9,365	100	9,365
Premises, furniture and fixtures	92.50	100	92.50
Leased Assets	40	100	40
			9,636

<b>Off – Balance Sheet Item</b>	<b>Rs. In Crore</b>	<b>Credit Conversion Factor</b>	<b>Rs. In Crore</b>
(i) Acceptances, Endorsements and Letters of credit	1,100	100	1,100
(ii) Guarantees and other obligations	6,200	100	6,200
			<u>7,300</u>

**Risk Weighted Assets Ratio :**  $\frac{\text{Capital Funds (Tier I \& Tier II)}}{\text{Risk Adjusted Assets + off Balance sheet items}} \times 100$

$$= (1,145 + 11.25) / (9,636 + 7,300)$$

$$= (1,156.25/16,936) \times 100 = 6.83\% \text{ (rounded off)}$$

(7 MARKS)

## ANSWER -2

OM Ltd.

### Liquidator's Final Statement of Account

Receipts	Value Realised		Payments	Payments
<u>Assets Realised:</u>				
Cash at Bank	2,40,000	Liquidator's Remuneration (W.N. 1)		1,02,224
Trade receivables	8,00,000	Liquidation Expenses		1,17,736
Inventory	6,40,000	<u>Debentureholders:</u>		
Plant and Machinery	20,00,000	14% Debentures	9,20,000	
Patent	2,00,000	Interest Accrued (W.N. 2)	<u>1,61,000</u>	10,81,000
Surplus from Securities (W.N. 3)	5,20,000	<u>Creditors:</u>		
		Preferential	1,20,000	
		Unsecured	<u>3,51,200</u>	4,71,200
		<u>Preference Shareholders:</u>		
		Preference Share Capital	16,00,000	
		Arrears of Dividend	<u>2,24,000</u>	18,24,000
		<u>Equity Shareholders (W.N.4)</u>		
		25.12 per share on 32,000 shares		<u>8,03,840</u>
	<u>44,00,000</u>			<u>44,00,000</u>

(6 MARKS)

### Working Notes:

		Rs.
1	Liquidator's remuneration: 2% on assets realised (2% of Rs.47,60,000) 2% on payments to unsecured creditors (2% on Rs.3,51,200)	95,200 <u>7,024</u> <u>1,02,224</u>
2	Interest accrued on 14% Debentures: Interest accrued as on 31.3.2019 Interest accrued upto the date of payment i.e. 30.6.2019	1,28,800 <u>32,200</u> <u>1,61,000</u>
3	Surplus from Securities: Amount realised from Land and Buildings (Rs.3,20,000 + Rs.8,00,000) Less: Mortgage Loan	11,20,000 <u>(6,00,000)</u> <u>5,20,000</u>
4	Amount payable to Equity Shareholders:	

Equity share capital (paid up)	19,20,000
Less: Amount available for equity shareholders	<u>(8,03,840)</u>
Loss to be borne by equity shareholders	<u>11,16,160</u>
Loss per equity share (Rs.11,16,160/32,000)	34.88
Amount payable to equity shareholders for each equity share (60-34.88)	25.12

(4 MARKS)

### ANSWER -3

### ANSWER -A

Calculation of total Interest and Interest included in each installment

Hire Purchase Price (HPP) = Down Payment + instalments

= 30,000 + 50,000 + 50,000 + 30,000 + 20,000 = 1,80,000

Total Interest = 1,80,000 – 1,50,000 = 30,000

**Computation of IRR (considering two guessed rates of 6% and 12%)**

Year	Cash Flow	DF @6%	PV	DF @12 %	PV
0	30,000	1.00	30,000	1.00	30,000
1	50,000	0.94	47,000	0.89	44,500
2	50,000	0.89	44,500	0.80	40,000
3	30,000	0.84	25,200	0.71	21,300
4	20,000	0.79	15,800	0.64	12,800
		NPV	1,62,500	NPV	1,48,600

Interest rate implicit on lease is computed below by interpolation:

$$\text{Interest rate implicit on lease} = 6\% + \frac{162500 - 150000}{162500 - 148600} \times (12 - 6) = 11.39\%$$

$$= 6\% + \frac{12500}{13900} \times 6 = 11.39\%$$

**Thus repayment schedule and interest would be as under:**

Installment no.	Principal at beginning	Interest included in each installment	Gross amount	Installment	Principle at end
Cash down	1,50,000		1,50,000	30,000	1,20,000
1	1,20,000	13,668	1,33,668	50,000	83,668

2	83,668	9,530	93,198	50,000	43,198
3	43,198	4,920	48,118	30,000	18,118
4	18,118	2,064	20,182	20,000	182*
		30,182*			

(5 MARKS)

**Ledger Accounts in the books of Happy Valley Florist Ltd.**

**Van Account**

Date	Particulars	Rs.	Date	Particulars	Rs.
1.4.2010	To Ganesh Enterprises	1,50,000	31.03.2011	By Depreciation A/c	15,000
				By Balance c/d	1,35,000
		1,50,000			1,50,000
1.4.2011	To Balance b/d	1,35,000	31.03.2012	By Depreciation A/c	13,500
				By Balance c/d	1,21,500
		1,35,000			1,35,000
1.4.2012	To Balance b/d	1,21,500	31.03.2013	By Depreciation A/c	12,150
				By Balance c/d	1,09,350
		1,21,500			1,21,500
1.4.2013	To Balance b/d	1,09,350	31.03.2014	By Depreciation A/c	10,935
				By Balance c/d	98,415
		1,09,350			1,09,350

(2.5 MARKS)

**Ganesh Enterprises Account**

Date	Particulars	Rs.	Date	Particulars	Rs.
1.4.2010	To Bank A/c	30,000	1.4.10	By Van A/c	1,50,000
31.03.2011	To Bank A/c	50,000	31.03.11	By Interest c/d	13,668
	To Balance c/d	83,668			
		1,63,668			1,63,668

31.03.2012	To Bank A/c	50,000	1.4.11	By Balance b/d	83,668
	To Balance c/d	43,198	31.03.12	By Interest A/c	9,530
		93,198			93,198
31.3.2013	To Bank A/c	30,000	1.4.12	By Balance b/d	43,198
	To Balance c/d	18,118	31.3.13	By Interest A/c	4,920
		48,118			48,118
31.3.2014	To Bank A/c	20,000	1.4.13	By Balance b/d	18,118
			31.3.14	By Interest A/c	1,882*
		20,000			20,000

\*Balanced due to approximation in interest calculations.

(2.5 MARKS)

#### ANSWER –B

		Rs.
(i)	Price of two cars = Rs. 2,00,000 × 2	4,00,000
	Less : Depreciation for the first year @ 30%	1,20,000
		2,80,000
	Less : Depreciation for the second year = $2,80,000 \times \frac{30}{100}$	84,000
	Agreed value of two cars taken back by the hire vendor	1,96,000
(ii)	Cash purchase price of one car	2,00,000
	Less : Depreciation on Rs. 2,00,000 @ 20% for the first year	40,000
	Written down value at the end of first year	1,60,000
	Less : Depreciation on Rs. 1,60,000 @ 20% for the second year	32,000
	Book value of car left with the hire purchaser	1,28,000
(iii)	Book value of one car as calculated in working note (ii) above	1,28,000
	Book value of Two cars = Rs. 1,28,000 × 2	2,56,000
	Value at which the two cars were taken back, calculated in working note (i) above	1,96,000
	Hence, loss on cars taken back = Rs. 2,56,000 – Rs. 1,96,000 =	Rs. 60,000
(iv)	Sale proceeds of cars repossessed	1,70,000
	Less : Value at which Cars were taken back	Rs. 1,96,000
	Repair	Rs. 10,000
	Loss on resale	36,000

(5 MARKS)

**ANSWER -4****ANSWER -A****Calculation of amount of provision to be made in the Profit and Loss Account**

Classification of Assets	Amount of Advances ( Rs. in lakhs)	% age of provision	Amount of provision ( Rs. in lakhs)
Standard assets	20,000	0.40	80
Sub-standard assets	16,000	15	2,400
Doubtful assets:			
For one year (secured)	6,000	25	1,500
For two to three years (secured)	4,000	40	1,600
For more than three years (unsecured)	1,400	100	1,400
(secured)	600	100	600
Non-recoverable assets (Loss assets)	1,500	100	1,500
Total provision required			<b>9,080</b>

**(5 MARKS)****ANSWER -B****Statement of Liabilities of B list contributors (showing the amount realized)**

Creditors Outstanding on the date of ceasing to be member	P 1,500 Shares Rs.	D 2,000 Shares Rs.	B 700 Shares Rs.	S 300 Shares Rs.	Amount to be paid to the creditors Rs.
a) 9,000	3,000	4,000	1,400	600	9,000
b) 3,000	-	2,000	700	300	3,000
c) 1,500	-	-	1,050	450	1,500
d) 1,000	-	-	-	1,000	150
Total (a)	3,000	6,000	3,150	2,350	
(b) maximum liability on shares held	7,500	10,000	3,500	1,500	
(c) Amount to be realized (a) or (b)					
Whichever is lower	3,000	6,000	3,150	1,500	

**Working Notes :**

1. C will not be liable since he transferred his shares prior to one year preceding the date of winding up.
2. P will not be responsible for further debts incurred after 01.01.2017 (from the date when he ceases to be a member). Similarly, D & B will not be liable for the debts incurred after the date of their transfer of shares.
3. The increase between 1<sup>st</sup> August 2017 and 15<sup>th</sup> September 2017, is solely the responsibility of S. Liability of S has been restricted to the maximum allowable limit of Rs. 1,500.

Therefore, amount payable by S on 15.09.2017 is Rs. 150 only.

4. Ratio of discharge of liability will be in the ratio of no. of shares held by B List Contributories which is as follows :

**(7 MARKS)**

**Calculation of Ratio for discharge of Liabilities**

<b>Date</b>	<b>Cumulative liability Rs.</b>	<b>Increase in liabilities Rs.</b>	<b>Ratio of no. of shares held by L, M, N, O</b>
01.01.2017	9,000	-	15 : 20 : 7 : 3
01.04.2017	12,000	3,000	20 : 7 : 3
01.08.2017	13,500	1,500	7: 3
15.09.2017	14,500	1,000	Only S

**(3 MARKS)**