



**J.K. SHAH<sup>®</sup>**  
**TEST SERIES**  
Evaluate Learn Succeed

**SUGGESTED SOLUTION**

**CA INTERMEDIATE**

**SUBJECT- ACCOUNTS**

**Test Code – CIM 8598**

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

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

**Tel : (022) 26836666**

## ANSWER - 1

Pre-incorporation period is for two months, from 1st April, 2018 to 31<sup>st</sup> May, 2018.

10 months' period (from 1st June, 2018 to 31st March, 2019) is post-incorporation period.

### Statement showing calculation of profit/losses for pre and post incorporation periods

	<i>Pre-Inc</i> Rs.	<i>Post Inc</i> Rs.
Gross Profit	50,000	4,00,000
Bad debts Recovery	<u>14,000</u>	
	64,000	4,00,000
<i>Less:</i> Salaries	24,000	1,20,000
Audit fees	-	12,000
Depreciation	3,000	16,250
Sales commission	2,000	16,000
Bad Debts (49,000 + 14,000)	7,000	56,000
Interest on Debentures	-	36,000
Rent	<u>4,000</u>	<u>34,400</u>
Net Profit	<u>24,000</u>	<u>1,09,350</u>

\* Pre-incorporation profit is a capital profit and will be transferred to Capital Reserve.

(5 MARKS)

#### Working Notes:

(i) Calculation of ratio of Sales

Sales from April to September = 6,00,000 (1,00,000 p.m. on average basis)

October to March = Rs. 12,00,000 (2,00,000 p.m. on average basis)

Thus, sales for pre-incorporation period = Rs.2,00,000

post-incorporation period = Rs. 16,00,000

Sales are in the ratio of 1:8

(ii) Gross profit, sales commission and bad debts written off have been allocated in pre and post incorporation periods in the ratio of Sales.

(iii) Rent, salary are allocated on time basis.

(iv) Interest on debentures is allocated in post incorporation period.

(v) Audit fees charged to post incorporation period as relating to company audit.

(vi) Depreciation of Rs. 18,000 divided in the ratio of 1:5 (time basis) and Rs. 1,250 charged to post incorporation period.

(vii) Bad debt recovery of Rs. 14,000/- is allocated in pre-incorporation period, being sale made in 2015-16.

(viii) Rent

(Rs. 38,400 – Additional rent for 6 months)		Rs.
[38,400- 14,400 (2,400 x 6) = Rs. 24,000 i.e. 2,000 per month]		
1/4/18 -31/5//18 (2,000 x 2)	=	4,000
1/6/18-31/3/19 – [(2,000 x 10) +14,400]	=	<u>34,400</u>
		<u>38,400</u>

(5 MARKS)

**ANSWER - 2**

**Memorandum Trading Account for the period 1<sup>st</sup> April, 2010 to 31<sup>st</sup> August, 2010**

	Normal Items Rs.	Abnorm al Items Rs.	Total Rs.		Normal Items Rs.	Abnor mal Items Rs.	Total Rs.
To Opening stock	95,000	5,000	1,00,000	By Sales	2,40,000	2,000	2,42,000
To Purchases (Refer W.N.)	1,56,500	-	1,56,500	By Goods sent to consignee	16,500	-	16,500
To Wages	47,000	-	47,000	By Loss		500	500
To Gross profit @ 20%	48,000	-	48,000	By Closing stock (Bal. fig.)	90,000	2,500	92,500
	3,46,500	5,000	3,51,500		3,46,500	5,000	3,51,500

**Statement of Claim for Loss of Stock**

	Rs.
Book value of stock as on 31.08.2010	92,500
Less: Stock salvaged	<u>(20,000)</u>
Loss of stock	<u>72,500</u>

Amount of claim to be lodged with insurance company = Loss of stock x

$$\frac{\text{Policy value}}{\text{Value of stock on the date of fire}}$$

$$= 72,500 \times 60,000/92,500$$

$$= \text{Rs. } 47,027$$

(8 MARKS)

**Working Note:**

**Calculation of Adjusted Purchases**

	<i>Rs.</i>
Purchases	1,70,000
<i>Less: Drawings</i>	(12,000)
Free samples	<u>(1,500)</u>
Adjusted purchases	<u>1,56,500</u>

**(2 MARKS)**