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CA INTERMEDIATE

SUBJECT- ACCOUNTS

Test Code – CIM 8600

BRANCH - () (Date :)

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ANSWER : 1**1. Memorandum Stock Account**

Particulars	Rs.	Particulars	Rs.
To balance b/d (Cost 65,000 + 25% Mark-Up)	81,250	By balance b/d (Mark Down on OpgSk)	600
To Purchases A/c	2,00,000	By Sales (given)	3,00,000
To Memorandum Mark-Up (2,00,000 x 25%)	50,000	By Abnormal Loss A/c(Cost transferred to P&L A/c)	1,000
To balance c/d [1,200 x (5,000 ÷ 15,000)] (Mark-down on Closing Stock)	400	By Memorandum Mark Up A/c(Mark-up on Stock Lost)	250
		By Memorandum Mark Up A/c(Mark Down = given)	1,200
		By balance c/d (Closing Stock - bal.fig)	28,600
Total	3,31,650	Total	3,31,650

(3 MARKS)**2. Trading Account for the year**

Particulars	Rs.	Particulars	Rs.
To Opening Stock	65,000	By Sales	3,00,000
To Purchases	2,00,000	By Closing Stock (As per Note above)	22,880
To Gross Profit (bal. fig.)	58,880	By Abnormal Loss (given)	1,000
Total	3,23,880	Total	3,23,880

Note: Closing Stock at Cost

= Invoice Price as per Memorandum Stock A/c less Loading 25/125 thereon

= 28,600 (-) 25/125 thereon = 28,600 (-) 5,720 = 22,880

(2 MARKS)**3. Memorandum Mark Up Account**

Particulars	Rs.	Particulars	Rs.
To balance b/d (Mark Down-given - per contra)	600	By balance b/d (65,000 x 25%)	16,250
To Memorandum Stock A/c (Mark-up on Abn. Loss)	250	By Memorandum Stock A/c (25% of Rs.2,00,000)	50,000
To Memorandum Stock A/c (Mark Down - given)	1,200	By balance c/d (Mark Down on Closing Stock)	400
To Gross Profit (as above)	58,800		

To balance c/d[28,600 x (25 ÷ 125)]	5,720		
Total	66,650	Total	66,650

(3 MARKS)

4. Confirmation / Verification of Gross Profit

Particulars	Rs.
Sales (given)	3,00,000
Add back: Reduction / Mark down on Goods Sold during the period = (Opg Stock 600 + Current 800*)	1,400
Total	3,01,400
Normal Gross Profit at 1/5 of the above	60,280
Less: Reduction / Mark down on Goods Sold during the period as above	1,400
Gross Profit (as per Memo Mark Up A/c)	58,880

Note: Total Mark-down on the current period purchases is Rs.1,200 (given). Since 1/3rd of these goods are unsold, (i.e. Rs. 5,000 out of Rs. 15,000), the mark-down attributable to Unsold Stock is 1/3rd of Rs. 1,200 = Rs. 400. Hence, Mark-down attributable to goods sold out of current purchases = 2/3rd of Rs. 1,200 = Rs. 800.

(2 MARKS)

ANSWER : 2

Statement of profit and Loss of Shweta Ltd. for the year ended 31st March, 2018

	Particulars	Note	Rs.
I	Revenue from Operations		20,11,050
II	Other income (Divided income)		12,750
III	Total Revenue (I & II)		20,23,800
IV	Expenses :		
	(a) Purchases (14,71,500 – Advertisement Expenses 15,000)		14,56,500
	(b) Changes in Inventories of finished Goods /Work in progress (4,35,600 – 4,27,500)		8,100
	(c) Employee Benefits expense	9	1,20,000
	(d) Finance costs	10	51,900
	(e) Depreciation & Amortization Expenses [10% of (1,05,000 + 6,000)]		11,100
	(f) Other Expenses	11	3,47,550
	Total Expenses		19,95,150
V	Profit before exceptional, extraordinary items and tax (III – IV)		28,650
VI	Exceptional items		-
VII	Profit before extra ordinary items and tax (V – IV)		28,650
VIII	Extraordinary items		-

IX	Profit before tax (VII – VIII)		28,650
X	Tax expense :		
	Current Tax		12,000
XI	Profit / Loss for the period (after tax)		16,650

(5 MARKS)

Balance sheet of Shweta Ltd. as on 31st March, 2018

	Particulars as on 31 st March	Note	
I			
(1)	Shareholders' funds :		
	(a) Share Capital	1	12,00,000
	(b) Reserves and surplus	2	66,150
(2)	Non current liabilities :		
	Long term borrowings	3	4,50,000
(3)	Current Liabilities :		
	(a) Short term borrowings	4	4,50,000
	(b) Trade payables		2,63,550
	(c) Other current liabilities	5	29,250
	Total		24,58,950
II	ASSETS		
(1)	Non – current Assets		
	(a) Property, Plant & Equipment		
	(i) Tangible assets	6	11,49,900
	(ii) Intangible assets	7	4,05,000
	(b) Non current investments (Shares at cost)		1,50,000
	Current Assets :		
	(a) Inventories		4,27,500
	(b) Trade receivables	8	2,72,550
	(c) Cash and Cash equivalents – Cash on hand		36,000
	(d) Short term loans and advances – Income tax (paid 30,000 – Provision 12,000)		18,000
	Total		24,58,950

Note : There is a Contingent liability for Bills receivable discounted with Bank Rs. 6,000.

* **Alternatively Provision for tax can be shown as short term provision on the liability side.**

(5 MARKS)

Notes to accounts

			(Rs.)
1.	Share Capital		
	Authorized		
	90,000 Equity shares of Rs. 10 each	9,00,000	

	6,000 6% Preference shares of Rs. 100 each	6,00,000	15,00,000
	Issued, subscribed & called up		
	60,000, Equity Shares of Rs. 10 each	6,00,000	
	6,000 6% Redeemable Preference shares of 100 each	6,00,000	12,00,000
2.	Reserves and Surplus		
	Balance as on 1 st April, 2017	85,500	
	Add: surplus for current year	16,650	1,02,150
	Less : Preference Dividend		36,000
	Balance as on 31 st March, 2018		66,150
3.	Long Term Borrowings		
	5% Mortgage Debentures (Secured against Freehold Properties)		4,50,000
4.	Short Term Borrowings		
	Secured Borrowings : Loans Repayable on Demand Overdraft from Banks (Secured by Hypothecation of Stocks & Receivables)		4,50,000
5.	Other Current liabilities		
	Interest Accrued and due on Borrowings (5% Debentures)	11,250	
	Unpaid Preference Dividends	18,000	29,250
6.	Tangible Fixed assets		
	Furniture		
	Furniture at Cost Less depreciation Rs. 45,000 (as given in Trial Balance	1,05,000	
	Add : Depreciation	45,000	
	Cost of Furniture	1,50,000	
	Add: Installation charge of Electrical Fittings wrongly included under the heading Salaries and Wages	6,000	
	Total Gross block of Furniture A/c.	1,56,000	
	Accumulated Depreciation Account : Opening Balance – given in Trial Balance	45,000	
	Depreciation for the year : On Opening WDV at 10% i.e. (10% × 1,05,000)	10,500	
	On additional purchase during the year at 10% i.e. (10% × 6,000)	600	
	Less : Accumulated Depreciation		56,100
	Freehold property (at cost)		10,50,000
			11,49,900
7.	Intangible Fixed Assets		
	Technical Knowhow	4,50,00	
	Less : Written off	45,000	4,05,000
8.	Trade Receivables		
	Sundry Debtors (a) Debt outstanding for more than six months	18,000	

	(b) Other Debts(refer Working Note)		1,34,550	
	Bills receivable (1,24,500 – 4,500)		1,20,000	2,72,550
9.	Employee benefit expenses			
	Amount as per Trial Balance		1,56,000	
	Less : Wages incurred for installation of electrical fittings to be capitalised		6,000	
	Less : Directors' Remuneration shown separately		30,000	
	Balance Amount			120000
10.	Finance Costs			
	Interest on bank overdraft		29,400	
	Interest on debentures		22,500	51,900
11.	Other Expenses			
	Payment to the auditors		18,000	
	Director's remuneration		30,000	
	Selling expenses		2,37,300	
	Technical knowhow written of (4,50,000/10)		45,000	
	Advertisement (Goods and Articles Distributed)		15,000	
	Bad Debts (4,500 × 50%)		2,250	3,47,550

NOTE : Presentation for Schedule 6 might differ, but final answer of Schedule 6 need to be consider

Working Note

Calculation of Sundry Debtors – Other Debts	1,50,300
Sundry Debtors as given in Trial Balance	4,500
Add Back : Bills Receivables Dishonoured	<u>1,54,800</u>
Less : Bad Debts written off – 50% Rs. 4,500	(2,250)
Adjusted Sundry Debtors	<u>1,52,550</u>
Less : Debts due for more than 6 months (as per information given)	(18,000)
Total of other Debtors i.e. Debtors outstanding for less than 6 months	<u>1,34,550</u>

(5 MARKS)

ANSWER : 3

Calculation of total Interest and Interest included in each installment

Hire Purchase Price (HPP) = Down Payment + instalments

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

$$\text{Total Interest} = 1,80,000 - 1,50,000 = 30,000$$

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:

$$\begin{aligned} \text{Interest rate implicit on lease} &= 6\% + \frac{162500 - 150000}{162500 - 148600} \times (12 - 6) = 11.39\% \\ &= 6\% + \frac{12500}{13900} \times 6 = 11.39\% \end{aligned}$$

(5 MARKS)

Thus repayment schedule and interest would be as under:

Instalment no.	Principal at beginning	Interest included in each instalment	Gross amount	Instalment	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*			

(2 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

(4 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

31.3.2014	To Balance c/d	18,118	31.3.13	By Interest A/c	4,920
		48,118			48,118
	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.

(4 MARKS)

ANSWER : 4

Step 1: Calculation of Deficiency

Branch stock account (at invoice price)

Particulars	Rs.	Particulars	Rs.
To Opening Stock (Rs. 74,736 + 1/3 of Rs. 74,736)	99,648	By Sales	3,61,280
To Goods sent to Branch A/c (Rs. 2,89,680 + 1/3 of Rs. 2,89,680)	3,86,240	By Closing Stock	1,23,328
		By Deficiency at sale price [Balancing figure]	1,280
	4,85,888		4,85,888

(3 MARKS)

Step 2: Calculation of Net Profit before Commission

Branch account

Particulars	Rs.	Particulars	Rs.
To Opening [Rs.74,736 + 1/3 of Rs. 74,736]	99,648	By Sales	3,61,280
To Gross sent to Branch A/c (Rs. 2,89,680 + 1/3 of Rs. 2,89,680)	3,86,240	By Closing Stock	1,23,328
To Expenses	49,120	By Stock Reserve A/c	24,912
To Stock Reserve A/c (Rs. 1,23,328 x 25/100]	30,832	By goods sent to Branch A/c	96,560
To Net Profit – subject to manager’s commission	40,240		
	6,06,080		6,06,080

(4 MARKS)

Step 3: Calculation of Commission still due to manager Rs.

		Rs.
A	Calculation at 10% profit before charging his commission [Rs. 40,240 x 10/100]	4,024
B	Less: 25% of cost of deficiency in stock (25% of (75% of Rs. 1,280))	(240)
C	Commission for the year [A-B]	3,784
D	Less: Paid on account	(2,400)
E	Balance due (C-D)	1,384

(3 MARKS)