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**SUGGESTED SOLUTION**

**CA INTERMEDIATE**

**SUBJECT- ACCOUNTS**

**Test Code – CIM 8619**

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

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**ANSWER -1****ANSWER -A****Calculation of effective capital and maximum amount of monthly remuneration**

	(Rs. In lakhs)
Paid up equity share capital	180
Paid up Preference Share Capital	30
Reserve excluding Revaluation reserve (225 – 15)	210
Securities Premium	60
Long term loans	60
Deposits repayable after one year	<u>30</u>
	570
Less : Accumulated losses not written off	(30)
Investments	<u>(270)</u>
Effective capital for the purpose of managerial remuneration	<u>270</u>

Since PQ Ltd. is incurring losses and no special resolution has been passed by the company for payment of remuneration, managerial remuneration will be calculated on the basis of effective capital of the company, therefore maximum remuneration payable to the Managing Director should be @ Rs. 60,00,000 per annum\*.

\*If the effective capital is less than 5 Crore, limit of yearly remuneration payable should not exceed Rs. 60 lakhs as per Companies Act, 2013.

**(5 MARKS)****ANSWER –B****Statement of profit and Loss of Shweta Ltd. for the year ended 31<sup>st</sup> March, 2018**

	<b>Particulars</b>	<b>Note</b>	<b>Rs.</b>
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 31<sup>st</sup> March, 2018**

	Particulars as on 31 <sup>st</sup> March	Note	
I			
(1)	<b>Shareholders' funds :</b>		
	(a) Share Capital	1	12,00,000
	(b) Reserves and surplus	2	66,150
(2)	<b>Non current liabilities :</b>		
	Long term borrowings	3	4,50,000
(3)	<b>Current Liabilities :</b>		
	(a) Short term borrowings	4	4,50,000
	(b) Trade payables		2,63,550
	(c) Other current liabilities	5	29,250
	<b>Total</b>		<b>24,58,950</b>
II	<b>ASSETS</b>		
(1)	<b>Non – current Assets</b>		
	(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
	<b>Current Assets :</b>		
	(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
	<b>Total</b>		<b>24,58,950</b>

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.)
<b>1.</b>	<b>Share Capital</b>		
	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
<b>2.</b>	<b>Reserves and Surplus</b>		
	Balance as on 1 <sup>st</sup> April, 2017	85,500	
	Add: surplus for current year	16,650	1,02,150
	Less : Preference Dividend		36,000
	Balance as on 31 <sup>st</sup> March, 2018		66,150
<b>3.</b>	<b>Long Term Borrowings</b>		
	5% Mortgage Debentures (Secured against Freehold Properties)		4,50,000
<b>4.</b>	<b>Short Term Borrowings</b>		
	Secured Borrowings : Loans Repayable on Demand Overdraft from Banks (Secured by Hypothecation of Stocks & Receivables)		4,50,000
<b>5.</b>	<b>Other Current liabilities</b>		
	Interest Accrued and due on Borrowings (5% Debentures)	11,250	
	Unpaid Preference Dividends	18,000	29,250
<b>6.</b>	<b>Tangible Fixed assets</b>		
	<b>Furniture</b>		
	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	99,900
	Freehold property (at cost)		10,50,000
			11,49,900

<b>7.</b>	<b>Intangible Fixed Assets</b>			
	Technical Knowhow		4,50,00	
	Less : Written off		45,000	4,05,000
<b>8.</b>	<b>Trade Receivables</b>			
	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
<b>9.</b>	<b>Employee benefit expenses</b>			
	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	
	<b>Balance Amount</b>			120000
<b>10.</b>	<b>Finance Costs</b>			
	Interest on bank overdraft		29,400	
	Interest on debentures		22,500	51,900
<b>11.</b>	<b>Other Expenses</b>			
	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	<u>(2,250)</u>
Adjusted Sundry Debtors	1,52,550
Less : Debts due for more than 6 months (as per information given)	<u>(18,000)</u>
Total of other Debtors i.e. Debtors outstanding for less than 6 months	<u>1,34,550</u>

**(5 MARKS)**