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SUGGESTED SOLUTION

CA INTERMEDIATE

SUBJECT- ACCOUNTS

Test Code – CIM 8648

BRANCH - () (Date :)

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ANSWER 1(A)

**In the books of AP Ltd.
Journal Entries**

Date	Particulars	Dr. (Rs.)	Cr.(Rs.)
	Bank A/c. Dr. To Equity Share Capital A/c. (Being the issue of 2,500 Equity shares of Rs. 10 each at par, as per Board's Resolution No.... dated.....)	25,000	25,000
	8% Redeemable Preference Share Capital A/c. Dr. Premium on Redemption of Pref. Shares A/c. Dr. To Preference Shareholders A/c. (Being the amount paid on redemption transferred to Preference Shareholders Account)	1,00,000 10,000	1,10,000
	Preference Shareholders A/c. Dr. To Bank A/c. (Being the amount paid on redemption of preference shares)	1,10,000	1,10,000
	Profit & Loss A/c. Dr. To Premium on Redemption of Preference Shares A/c. (Being the premium payable on redemption is adjusted against Profit & Loss Account)	10,000	10,000
	General Reserve A/c. Dr. Profit & Loss A/c. Dr. Investment Allowance Reserve A/c. Dr. To Capital Redemption Reserve A/c. (Being the amount transferred to Capital Redemption Reserve Account as per the requirement of the Act)	60,000 10,000 5,000	75,000

(6 MARKS)**Balance Sheet as on [Extracts]**

Particulars		Notes No.	Rs.
EQUITY AND LIABILITIES			
1.	Shareholders' funds		
	a Share Capital	1	2,25,000
	b Reserves and Surplus	2	1,00,000
	Total		?
ASSETS			
2.	Current Assets		
	Cash and Cash equivalents (98,000 + 25,000 – 1,10,000)		13,000
	Total		?

Notes to accounts

1. Share Capital	2,25,000
22,500 Equity shares (20,000 + 2,500) of Rs.10 each fully paid up	
2. Reserves and Surplus	
General Reserve	20,000
Capital Redemption Reserve	75,000
Investment Allowance Reserve	5,000
	<u>1,00,000</u>

(3 MARKS)

Working Notes :

No. of Shares to be issued for redemption of Preference shares :		
Face value of shares redeemed		Rs. 1,00,000
Less : profit available for distribution as dividend :		
General Reserve : (Rs. 80,000 – 20,000)	Rs. 60,000	
Profit and Loss (20,000 – 10,000 set aside for adjusting premium payable on redemption of preference shares)	Rs. 10,000	
Investment Allowance Reserve : (Rs. 10,000 – 5,000)	Rs. 5,000	(Rs. 75,000)
		<hr/>
		Rs. 25,000

Therefore, No. of shares to be issued = 25,000/ Rs. 10 = 2,500 shares.

(3 MARKS)**Alternative Solution**

Working Note can be made in the following manner :

(a) Calculation of No. of equity share to be issued :

	F.V.	Premium
Redemption of 8% Pref. Shares	1,00,000	10,000
(-) F.V. of Fresh Issue (Balance figure)	25,000	
CRR of only F.V.	75,000	10,000
Utilisation of Reserves		
General Reserve	60,000	
Investment allowance Reserve	5,000	
P & L A/c.	10,000	10,000
CRR	75,000	10,000

$$\therefore \text{No. of equity shares to be issued} = \frac{25,000}{10}$$

$$= 2,500 \text{ shares}$$

OR

(b) F.V. of Pref. Share Redemption = Fresh Issue + CRR

$$\therefore 1,00,000 = \text{Fresh Issue} + [60,000 + 10,000 + 5,000]$$

Therefore, 100000-75000 = Fresh Issue

$$\therefore \text{Share capital} = 25,000$$

$$\text{No. of share} = \frac{25,000}{10} = 2,500 \text{ shares.}$$

Premium on Redemption = Rs. 10,000 to be w/off against profit and loss.

Note: Student can even write off Premium against General Reserve.

(3 MARKS)

ANSWER 1(B)**Calculation of correct Departmental Profits**

	Department P (Rs.)	Department S (Rs.)	Department Q (Rs.)
Profit after charging Manager's Commission	90,000	60,000	45,000
Add: Manager's Commission (1/9)	10,000	6,667	5,000
	1,00,000	66,667	50,000
Less: Unrealised profit on Stock (WN)	(5,426)	(21,000)	(2,727)
Profit Before Manager's Commission	94,574	45,667	47,273
Less: Manager's Commission 10%	(9,457)	(4,567)	(4,727)
Correct Profit after Manager's Commission	85,117	41,100	42,546

(3 MARKS)**Working Notes:**

	Department P (Rs.)	Department S (Rs.)	Department Q (Rs.)	Total (Rs.)
Unrealised Profit of:				
Department P	-	$25/125 \times 18,000$ =3,600	$15/115 \times 14,000$ =1,826	5,426
Department S	$20/100 \times 48,000$ =9,600	-	$30/100 \times 38,000$ =11,400	21,000
Department Q	$20/120 \times 12,000$ =2,000	$10/110 \times 8,000$ =727		2,727

(3 MARKS)

ANSWER 2

In the books of Mr. Brown

12% Bonds for the year ended 31st March, 2012

Date	Particulars	No.	Income Rs.	Amount Rs.	Date	Particulars	No.	Income Rs.	Amount Rs.
2011 May,1	To Bank A/c (W.N. 7)	24,000	24,000	19,92,000	2011 Sept. 30	By Bank- Interest(24,000 X 12 % X 6/12)	-	1,44,000	
2012 March 1	To P & L A/c (W.N.1)	-	-	1,05,000	2012 Mar.1	By Bank A/c (W.N. 8)	15,000	75,000	13,50,000
2012 March 31	To P & L A/c (b.f)		2,49,000		2012 Mar. 31	By Bank- Interest(9000 X 100 X 12 % X 6/12)		54,000	
						By Balance c/d (W.N.2)	9,000	-	7,47,000
		<u>24,000</u>	<u>2,73,000</u>	<u>20,97,000</u>			<u>24,000</u>	<u>2,73,000</u>	<u>20,97,000</u>

(4 MARKS)

Investment in Equity shares of Alpha Ltd. for the year ended 31st March, 2012

Date	Particulars	No.	Income Rs.	Amount Rs.	Date	Particulars	No.	Income Rs.	Amount Rs.
2011 June 15	To Bank A/c ((1,50,000 X 25) + [2% X (1,50,000 X 25)])	1,50,000	--	38,25,000	2011 Oct. 31	By Bank A/c	80,000	-	17,60,000
2012 Oct. 14	To Bonus Issue (1,50,000/3 x2)	1,00,000			2012 Jan. 1	By Bank A/c - dividend (1,70,000 X 10 X 15%)		2,55,000	
2011 Oct. 31	To P & L A/c (W.N.3)			5,36,000	2012 March 31	By Balance c/d (W.N.4)	1,70,000		26,01,000
2012 Mar. 31	To P & L A/c		2,55,000						
		<u>2,50,000</u>	<u>2,55,000</u>	<u>43,61,000</u>			<u>2,50,000</u>	<u>2,55,000</u>	<u>43,61,000</u>

(4 MARKS)

Investment in Equity shares of Beeta Ltd. for the year ended 31st March, 2012

Date	Particulars	No.	Income Rs.	Amount Rs.	Date	Particulars	No.	Income Rs.	Amount Rs.
2011 July 10	To Bank A/c([60,000 X 44] + [2% X (60,000 x 44)])	60,000	--	26,92,800	2012 Mar. 15	By Bank – dividend [(60,000 + 6000) X 10 X 18 %]	-	1,18,800	
2012 Jan. 15	To Bank A/c (W.N. 5)	6,000	-	30,000	March 31	By Balance c/d (bal.fig.)	66,000	-	27,22,800
March 31	To P & L A/c	-	1,18,800	-					
		<u>66,000</u>	<u>1,18,800</u>	<u>27,22,800</u>			<u>66,000</u>	<u>1,18,800</u>	<u>27,22,800</u>

(4 MARKS)

Working Notes:

1. Profit on sale of 12% Bond

Sales price	Rs. 13,50,000
Less: Cost of bond sold = $\frac{19,92,000}{24,000} \times 15,000$	<u>(Rs. 12,45,000)</u>
Profit on sale	<u>Rs. 1,05,000</u>

2. Closing balance as on 31.3.2012 of 12 % Bond

$$= \frac{19,92,000}{24,000} \times 9,000 = \text{Rs. } 7,47,000$$

3. Profit on sale of equity shares of Alpha Ltd.

Sales price	Rs. 17,60,000
Less: Cost of bond sold = $\frac{38,25,000}{2,50,000} \times 80000$	<u>(12,24,000)</u>
Profit on sale	<u>Rs. 5,36,000</u>

4. Closing balance as on 31.3.2012 of equity shares of Alpha Ltd.

$$\frac{38,25,000}{2,50,000} \times 1,70,000 = \text{Rs. } 26,01,000$$

5. Calculation of right shares subscribed by Beeta Ltd.

Right Shares = 60000 shares/ 4 x 1 = 15000 shares
 Shares subscribed by Mr. Brown = 15,000 x 40% = 6,000 shares
 Value of right shares subscribed = 6,000 shares @ Rs. 5 per share = Rs. 30,000

6. Calculation of sale of right entitlement by Beeta Ltd.

No. of right shares sold = 15,000 - 6,000 = 9,000 shares
 Sale value of right = 9,000 shares x Rs. 2.25 per share = Rs. 20,250

Note: As per para 13 of AS 13, sale proceeds of rights is to be credited to P & L A/c.

7. Purchase of bonds on 01.05.20X1

Interest element in purchase of bonds = $24,000 \times 100 \times 12\% \times 1/12 = \text{Rs. } 24,000$

Investment element in purchase of bonds = $(24,000 \times 84) - 24,000 = \text{Rs. } 19,92,000$

8. Sale of bonds on 01.03.20X2

Interest element in purchase of bonds = $15,000 \times 100 \times 12\% \times 5/12 = \text{Rs. } 75,000$

Investment element in purchase of bonds = $15,000 \times 90 = \text{Rs. } 13,50,000$

(4 MARKS)**ANSWER 3(A)****Departmental Trading and Profit and Loss Account**

Particulars	Sawmill	Furniture	Particulars	Sawmill	Furniture
To Opening stock	1,50,000	25,000	By Sales	12,00,000	2,00,000
To Purchase	10,00,000	7,500	By Transfer to furniture department	1,50,000	
To Wages	30,000	10,000	By Closing stock	1,00,000	30,000
To Transfer from saw mill	-	1,50,000			
To Gross profit	<u>2,70,000</u>	<u>37,500</u>			
	<u>14,50,000</u>	<u>2,30,000</u>		<u>14,50,000</u>	<u>2,30,000</u>
To Selling expenses	10,000	3,000	By Gross profit	2,70,000	37,500
To Net Profit	<u>2,60,000</u>	<u>34,500</u>			
	<u>2,70,000</u>	<u>37,500</u>		<u>2,70,000</u>	<u>37,500</u>

(5 MARKS)**General Profit & Loss Account**

Particulars	Amount	Particulars	Amount
To General Expenses	55,000	By Net Profit from	
To Stock reserve (WN-2)	4,500	Saw Mill	2,60,000
To Net Profit	2,37,813	Furniture	34,500
		By stock reserve (opening WN-1)	2,813
	2,97,313		2,97,313

(2 MARKS)**Working Notes****1. Calculation of Stock Reserve (opening)**

$25,000 \times 75\% \text{ wood} \times 15\% = \text{Rs. } 2,813$

2. Calculation of closing stock reserve

Gross profit Rate of Saw Mill of 2018

$2,70,000 / (12,00,000 + 1,50,000) \times 100 = 20\%$

$30,000 \times 75\% \times 20\% = \text{Rs. } 4,500$

(1 MARK)

ANSWER 3 (B)**In the books of Dheeraj Limited****Journal Entries**

Date	Particulars		Dr. (Rs.)	Cr. (Rs.)
	Bank A/c To Equity Share Capital A/c (Being the issue of 40,000 equity shares of Rs. 10 each at par as per Board's resolution No.....dated.....)	Dr.	4,00,000	4,00,000
	Bank A/c To 12% Debenture A/c (Being the issue of 2,000 Debentures of Rs. 100 each as per Board's Resolution No.....dated.....)	Dr.	2,00,000	2,00,000
	10% Redeemable Preference Share Capital A/c Premium on Redemption of Preference Shares A/c To Preference Shareholders A/c (Being the amount payable on redemption transferred to Preference Shareholders Account)	Dr. Dr.	5,00,000 50,000	5,50,000
	Preference Shareholders A/c To Bank A/c (Being the amount paid on redemption of preference shares)	Dr.	5,50,000	5,50,000
	Profit & Loss A/c To Premium on Redemption of Preference Shares A/c (Being the adjustment of premium on redemption against Profits & Loss Account)	Dr.	50,000	50,000
	Profit & Loss A/c To Capital Redemption Reserve A/c (Working Note) (Being the amount transferred to Capital Redemption Reserve Account as per the requirement of the Act)	Dr.	1,00,000	1,00,000

Working Note:**Amount to be transferred to Capital Redemption Reserve Account**

Face value of shares to be redeemed	Rs. 5,00,000
Less: Proceeds from new issue	<u>(Rs. 4,00,000)</u>
Balance	<u>Rs. 1,00,000</u>

(8 MARKS)