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SUBJECT- ACCOUNTS AND ADVANCED ACCOUNTS

Test Code – CIM 8668

BRANCH - () (Date :)

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- NOTES: (1) WORKING NOTES SHOULD FORM PART OF ANSWERS.
 (2) INTERNAL WORKING NOTES SHOULD ALSO BE CONSIDERED.
 (3) NEW QUESTION SHOULD BE ON NEW PAGE

ANSWER -1

X Ltd.

Cash Flow Statement

for the year ended 31st March, 2019

	Rs.	Rs.
Cash flow from Operating Activities		
Net profit before income tax and extraordinary items:		20,00,000
Adjustments for:		
Depreciation on PPE	5,00,000	
Discount on issue of debentures	30,000	
Interest on debentures paid	3,50,000	
Interest on investments received	(60,000)	
Profit on sale of investments	<u>(20,000)</u>	<u>8,00,000</u>
Operating profit before working capital changes		28,00,000
Adjustments for:		
Increase in inventory	(1,18,000)	
Decrease in trade receivable	4,900	
Increase in trade payables	300	
Increase in outstanding expenses	<u>6,800</u>	<u>(1,06,000)</u>
Cash generated from operations		26,94,000
Income tax paid		<u>(10,50,000)</u>
Cash flow from operating activity before extraordinary items:		16,44,000
Compensation received in a suit filed		<u>90,000</u>
Net cash flow from operating activities		17,34,000

Cash flow from Investing Activities		
Sale proceeds of investments	3,20,000	
Interest received on investments	<u>60,000</u>	
Net cash flow from investing activities		3,80,000
Cash flow from Financing Activities		
Proceeds by issue of equity shares at 20% premium	6,00,000	
Redemption of preference shares at 5% premium	(15,75,000)	
Preference dividend paid	(1,50,000)	
Interest on debentures paid	(3,50,000)	
Dividend paid (5,00,000 + 3,00,000)	<u>(8,00,000)</u>	
Net cash used in financing activities		<u>(22,75,000)</u>
Net decrease in cash and cash equivalents during the year		(1,61,000)
<i>Add:</i> Cash and cash equivalents as on 31.3.2018		<u>1,96,300</u>
Cash and cash equivalents as on 31.3.2019		<u>35,300</u>

Note: Purchase of land in exchange of equity shares (issued at 20% premium) has not been considered in the cash flow statement as it does not involve any cash transaction.

(10 MARKS)

ANSWER -2

BT Limited

Liquidator's Statement of Account

Receipts	Rs.	Payments	Rs.
To Assets realized: Bank	75,700	By Liquidation expenses	45,000
Other assets:		By Liquidator	1,29,600
Land & building 24,50,000		Remuneration (W.N.1)	
Plant & Machinery 9,00,000		By Debenture holders:	
Furniture 2,85,000		Debentures 10,00,000	
Patents 90,000		Interest accrued 1,20,000	
Stock 2,80,000		Interest 1-4-18 to <u>30,000</u>	11,50,000
		30-6-18	
Trade receivables 3,15,000	43,20,000	By Unsecured creditors 7,36,250	
		(+) Preferential creditors <u>75,000</u>	8,11,250

		By Preferential shareholders	
		Preference capital	10,00,000
		Arrear of Dividend	1,20,000
			<u>11,20,000</u>
			32,55,850
		By Equity shareholders -	
		Rs. 32.995 on	20,000
		Shares	
		Rs. 47.995 on	10,000
		shares	
			6,59,900
			4,79,950
			<u>43,95,700</u>
	43,95,700		43,95,700

(6 MARKS)

Working Notes:

(1) Liquidator's remuneration $43,20,000 \times 3/100 = \text{Rs. } 1,29,600$

(2) As the company is solvent, interest on the debentures will have to be paid for the period 1-4-2018 to 30-6-2018

$10,00,000 \times 12\% \times 3/12 = \text{Rs. } 30,000$

(3) Total equity capital - paid up (7,50,000 +12,00,000) Rs. 19,50,000

Less: Balance available after payment to unsecured and preference shares

(43,95,700 — 32,55,850) Rs. (11,39,850)

Rs.8,10,150

Loss to be born by 30,000 equity shares

Loss per share Rs.27.005

Hence, Refund for share on Rs. 60 paid share (60 - 27.005) Rs.32.995

Refund for share on Rs. 75 paid (75 - 27.005) Rs.47.995

(4 MARKS)

ANSWER -3

M/s MNT Ltd.

Cash Flow Statement for the year ended 31st March, 20X1 (Using direct method)

<i>Particulars</i>	<i>Rs.</i>	<i>Rs.</i>
<i>Cash flows from Operating Activities</i>		
Cash sales (Rs. 3,82,500/.30)		12,75,000
Less: Cash payments for trade payables	(4,60,000)	

Wages Paid	(4,92,500)	
Office and selling expenses	(75,000)	(10,27,500)
Cash generated from operations before taxes		2,47,500
Income tax paid		(65,000)
Net cash generated from operating activities (A)		1,82,500
<i>Cash flows from investing activities</i>		
Sale of investments (7,00,000 + 20,000)	7,20,000	
Payments for purchase of Plant & machinery	(2,50,000)	
Net cash used in investing activities (B)		4,70,000
<i>Cash flows from financing activities</i>		
Bank loan repayment(including interest)	(2,15,000)	
Dividend paid(including dividend distribution tax)	(30,000)	
Net cash used in financing activities (C)		(2,45,000)
Net increase in cash (A+B+C)		4,07,500
Cash and cash equivalents at beginning of the period		2,00,000
Cash and cash equivalents at end of the period		6,07,500

(10 MARKS)

ANSWER -4

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	1,000
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	

(5 MARKS)

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 1st August 2017 and 15th 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. 1,500 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 :

Calculation of Ratio for discharge of Liabilities

Date	Cumulative liability Rs.	Increase in liabilities Rs.	Ratio of no. of shares held by L, M, N, O
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

(5 MARKS)

ANSWER -5

**Statement of Affairs of Insol Ltd. (in Liquidation)
as on 30th September, 2016**

					Estimated Realisable Value (Rs.)
Assets not specifically pledged (As per list A) :					
Other fixed assets					18,00,000
Current assets					35,00,000
					53,00,000
Assets specifically pledged(As per List B)					
	Estimated realisable value	Due to secured creditors	Deficiency	Surplus	
	Rs.	Rs.	Rs.	Rs.	
Land & Buildings	11,00,000	10,00,000		1,00,000	1,00,000

	Estimated total assets available to unsecured creditors	54,00,000
	Summary of Gross Assets	
	Gross realisable value of assets specifically pledged	11,00,000
	Other assets	53,00,000
	Gross Assets	64,00,000
Gross liabilities Rs.	Liabilities	
	Secured Creditors (as per list B) to the extent to which claims are estimated to be covered by assets	
10,00,000	Specifically pledged	
1,50,000	Preferential creditors (as per list C)	1,50,000
		52,50,000
	Unsecured creditors(as per list E)	
20,00,000	Unsecured Loans	20,00,000
35,00,000	Trade creditors	35,00,000
1,00,000	Contingent Liability on Bills Discounted	1,00,000
67,50,000	Estimated deficiency as regards creditors (67,50,000 — 64,00,000)	3,50,000
	2,50,000 Equity Shares of Rs. 10 each : (as per list G)	25,00,000
	Estimated deficiency as regards members	28,50,000

(10 MARKS)