



J.K. SHAH[®]
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SUGGESTED SOLUTION

CA INTERMEDIATE

SUBJECT- ACCOUNTS

Test Code – CIM 8675

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

In the books of Nisha

8% Bonds for the year ended 31st March, 2018

Date	Particulars	No*	Income Rs.	Amount Rs.	Date	Particulars	No*	Income Rs.	Amount Rs.
2017 1 April,	To Bank A/c	9,000	30,000	6,94,500	1 May 2017	By Bank- Interest	-	36,000	
Oct. 1	To P & L A/c (W.N.1)	-	-	8,625					
2018 March 31	To P & L A/c		63,000		1 Oct. 2017	By Bank A/c	2,250	7,500	1,82,250
					1 Nov. 2018	By Bank- Interest		27,000	
					31.03. 2018	By accrued interest		22,500	
					2018 Mar. 31	By Balance c/d (W.N.2)	6,750	-	5,20,875
		9,000	93,000	7,03,125			9,000	93,000	7,03,125

*Note : students may write nominal value/face value of bonds instead of showing number of bonds only and in that case number of bonds shall be multiplied with 100 . And presentation of working note might differ and marks should be allotted to them

(4 MARKS)

Investment in Equity shares of Moon Ltd. for the year ended 31st March, 2018

Date	Particulars	No.	Income Rs.	Amount Rs.	Date	Particulars	No.	Income Rs.	Amount Rs.
2017 July 10	To Bank A/c	12,000	--	5,38,560	2018 March 15	By Bank – dividend *	-	23,760	
2018 Jan. 15	To Bank A/c (W.N. 3)	1,200	-	6,000	March 31	By Balance c/d (bal. fig.)	13,200	-	5,44,560
March 31	To P & L A/c	-	23,760						
		13,200	23,760	5,44,560			13,200	23,760	5,44,560

* Considering that dividend was received on right shares also.

(3 MARKS)

Working Notes:

- Profit on sale of 8% Bonds

Sales price	Rs. 1,82,250
Less: Cost of bond sold = $6,94,500/9,000 \times 2,250$	(Rs. 1,73,625)
Profit on sale	<u>Rs. 8,625</u>

2. Closing balance as on 31.3.2018 of 8 % Bonds

$6,94,500/9,000 \times 6,750 = \text{Rs. } 5,20,875$

3. Calculation of right shares subscribed by Moon Ltd.

Right Shares = $12,000/4 \times 1 = 3,000$ shares

Shares subscribed by Nisha = $3,000 \times 40\% = 1,200$ shares

Value of right shares subscribed = $1,200$ shares @ Rs. 5 per share = Rs. 6,000

4. Calculation of sale of right entitlement by Moon Ltd.

No. of right shares sold = $3,000 - 1,200 = 1,800$ rights for Rs. 4,050

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

5. Calculation of accrued interest

Accrued interest = $6,75,000 \times 8/100 \times 5/12 = 22,500$

(3 MARKS)

ANSWER – 2

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

Shreya (P) Limited

Profit and Loss Account for 15 months ended 31st March, 2019

	Pre. inc. (5 months)	Post inc. (10 months)		Pre. inc. (5 months)	Post inc. (10 months)
	(Rs.)	(Rs.)		(Rs.)	(Rs.)
To Cost of sales	1,80,000	10,08,000	By Sales	3,00,000	16,80,000
To Gross profit	<u>1,20,000</u>	<u>6,72,000</u>	(W.N.1)		
	<u>3,00,000</u>	<u>16,80,000</u>		<u>3,00,000</u>	<u>16,80,000</u>
To Discount to dealers	7,000	39,200	By Gross profit	1,20,000	6,72,000
To Directors' remuneration	-	60,000	By Loss	750	
To Salaries (W.N.2)	18,750	71,250			
To Rent (W.N.3)	15,000	1,20,000			
To Interest (W.N.4)	30,000	75,000			
To Depreciation	10,000	20,000			
To Office expenses	35,000	70,000			
To Preliminary expenses	-	15,000			
To Sales promotion expenses	5,000	28,000			
To Net profit	<u>-</u>	<u>1,73,550</u>			

	<u>1,20,750</u>	<u>6,72,000</u>		<u>1,20,750</u>	<u>6,72,000</u>
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(8 MARKS)

ALTERNATIVE PRESENTATION

	Basis	Pre	Post	Total
Gross profit	S.R.	1,20,000	6,72,000	7,92,000
	(A)	1,20,000	6,72,000	7,92,000
Less: expenses				
Discount	SR	7,000	39,200	46,200
Directors remuneration	POST	-	60,000	60,000
Salaries	WN 2	18,750	71,250	90,000
Rent	WN 3	15,000	1,20,000	1,35,000
Interest	WN 4	30,000	75,000	1,05,000
Depreciation	TR	10,000	20,000	30,000
Office expenses	TR	35,000	70,000	1,05,000
Preliminary expenses	POST	-	15,000	15,000
Sales promotion expenses	SR	5,000	28,000	33,000
	(B)	1,20,750	4,98,450	6,19,200
(A-B)				
Goodwill		(750)		(750)
Net profit			1,73,550	1,73,550

Working Notes:

1. Calculation of sales ratio:

Let the average sales per month in pre-incorporation period be x

Average Sales (Pre-incorporation) = x X 5 = 5x

Sales (Post incorporation) from June to December, 2018 = $2\frac{1}{2} \times x \times 7 = 17.5x$

From January to March, 2019 = $3\frac{1}{2} \times x \times 3 = \dots\dots\dots x$

Total Sales x

Sales ratio of pre-incorporation & post incorporation is 5x : 28x

2. Calculation of ratio for salaries

Let the average salary be x

Pre-incorporation salary = x X 5 = 5x

Post incorporation salary

June, 2018 = x

July 18 to March, 2019 = $\frac{x \times 9 \times 2}{19x} = 18x$

Ratio is 5 : 19

3.

Calculation of Rent	Rs.
Total rent	1,35,000
Less : Additional rent for 9 months @ Rs. 10,000 p.m.	90,000
Rent of old premises apportioned in time ratio	45,000

Apportionment	Pre Inc.	Post Inc.
Old Premises rent	15,000	30,000
Additional Rent	-	90,000
	15,000	1,20,000

4. Calculation of interest

Pre-incorporation period from January, 2018 to May, 2018

$$\left(\frac{6,00,000 \times 12 \times 5}{100 \times 12} \right) = \text{Rs. } 30,000$$

Post incorporation period from June, 2018 to March, 2019

$$\left(\frac{9,00,000 \times 10 \times 10}{100 \times 12} \right) = \text{Rs. } 75,000$$

(4*1 = 4 MARKS)

ANSWER – 4

Books of Alpha Ltd.

Investment in 13.5% Debentures in Pergot Ltd. Account

(Interest payable on 31st March & 30th September)

Date 2017	Particulars	Nominal Rs.	Interest Rs.	Amount Rs.	Date 2017	Particulars	Nominal Rs.	Interest Rs.	Amount Rs.
May 1	To Bank	5,00,000	5,625	5,19,375	Sept.30	By Bank(6 months Int)		50,625	
Aug.1	To Bank	2,50,000	11,250	2,45,000	Oct.1	By Bank	2,00,000		2,06,000
Oct.1	To P&L A/c			2,167	Dec.31	By Balance c/d	5,50,000	18,563	5,60,542
Dec.31	To P&L A/c		52,313						
		7,50,000	69,188	7,66,542			7,50,000	69,188	7,66,542

Note: Cost being lower than Market Value the debentures are carried forward at Cost.

(5 MARKS)

Working Notes:

1. Interest paid on Rs. 5,00,000 purchased on May 1st, 2017 for the month of April 2017, as part of purchase price: $5,00,000 \times 13.5\% \times 1/12 = \text{Rs. } 5,625$
2. Interest received on 30th Sept. 2017
 On Rs. 5,00,000 = $5,00,000 \times 13.5\% \times \frac{1}{2} = \text{Rs. } 33,750$
 On Rs. 2,50,000 = $2,50,000 \times 13.5\% \times \frac{1}{2} = \underline{\text{Rs. } 16,875}$
 Total Rs. 50,625
3. Interest paid on Rs. 2,50,000 purchased on Aug. 1st 2017 for April 2017 to July 2017 as part of purchase price:
 $2,50,000 \times 13.5\% \times 4/12 = \text{Rs. } 11,250$
4. Loss on Sale of Debentures
 Cost of acquisition
 $(\text{Rs. } 5,19,375 + \text{Rs. } 2,45,000) \times \text{Rs. } 2,00,000 / \text{Rs. } 7,50,000 = 2,03,833$
 Less: Sale Price (2,000 x 103) = 2,06,000
 Profit on sale = Rs. 2,167
5. Cost of Balance Debentures
 $(\text{Rs. } 5,19,375 + \text{Rs. } 2,45,000) \times \text{Rs. } 5,50,000 / \text{Rs. } 7,50,000 = \text{Rs. } 5,60,542$
6. Interest on Closing Debentures for period Oct.-Dec. 2017 carried forward (accrued interest)
 $\text{Rs. } 5,50,000 \times 13.5\% \times 3/12 = \text{Rs. } 18,563$

(5 MARKS)**ANSWER – 5****ANSWER -A**

- (i) Floor area occupied by each department (if given) otherwise on time basis;
- (ii) Value of assets of each department otherwise on time basis;
- (iii) Wages and salaries of each department;
- (iv) Purchases of each department;
- (v) Consumption of energy by each department.

(5* 1 = 5 MARKS)**ANSWER -B****Calculation of Correct Profit**

	<i>Department X</i>	<i>Department Y</i>	<i>Department Z</i>
	Rs.	Rs.	Rs.
Profit after charging managers' commission	1,80,000	1,35,000	90,000
<i>Add back: Managers' commission (1/9)</i>	<u>20,000</u>	<u>15,000</u>	<u>10,000</u>
	2,00,000	1,50,000	1,00,000

Less: Unrealized profit on stock (W.N.)	<u>(24,500)</u>	<u>(22,500)</u>	<u>(10,000)</u>
Profit before Manager's commission	1,75,500	1,27,500	90,000
Less: Commission for Department Manager @ 10%	<u>(17,550)</u>	<u>(12,750)</u>	<u>(9,000)</u>
Departmental Profits after manager's commission	<u>1,57,950</u>	<u>1,14,750</u>	<u>81,000</u>

Working Note:

Stock lying with

	Dept. X	Dept. Y	Dept. Z	Total
	Rs.	Rs.	Rs.	Rs.
Unrealized Profit of: Department X		$1/5 \times 75,000$ = 15,000	$20/120 \times 57,000$ = 9,500	24,500
Department Y	$0.15 \times 70,000$ = 10,500		$0.20 \times 60,000$ = 12,000	22,500
Department Z	$20/120 \times 30,000$ = 5,000	$25/125 \times 25,000$ = 5,000		10,000

(5 MARKS)