



J.K. SHAH[®]
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SUGGESTED SOLUTION

CA INTERMEDIATE

SUBJECT- ACCOUNTS

Test Code – CIM 8686

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

ANSWER –A

Computation of Effective Capital

	Rs.
Paid-up share capital-	
15,000, 14% Preference shares	15,00,000
1,20,000 Equity shares	96,00,000
Capital reserves (excluding revaluation reserve)	45,000
Securities premium	50,000
15% Debentures	<u>65,00,000</u>
(A)	<u>1,76,95,000</u>
Investments	75,00,000
Profit and Loss account (Dr. balance)	<u>15,25,000</u>
(B)	<u>90,25,000</u>
Effective capital	(A–B) <u>86,70,000</u>

(4 MARKS)

ANSWER – B

Calculation of net profit u/s 198 of the Companies Act, 2013

	Rs.	Rs.
Balance from Trading A/c		40,25,365
Add : Subsidies received from Government		2,73,925
		42,99,290
Less : Administrative, selling and distribution expenses	8,22,542	
Director’s fees	1,34,780	
Interest on debentures	31,240	
Depreciation on fixed assets as per Schedule II	5,75,345	(15,63,907)
Profit u/s 198		27,35,383

Maximum Managerial remuneration under Companies Act, 2013=11% of Rs. 27,35,383=
 Rs.3,00,892

(4 MARKS)

ANSWER -2**ANSWER -A****Calculation of interest**

	Total (Rs.)	Interest in each instalment (1)	Cash price in each instalment (2)
Cash Price	80,000		
Less : Down Payment	(21,622)	Nil	Rs. 21,622
Balance due after down payment	58,378		
Interest/Cash Price of 1st instalment	-	Rs. 58,378 x10/100 = Rs. 5,838	Rs. 15,400 – Rs. 5,838 = Rs. 9,562
Less : Cash price of 1st instalment	(9,562)		
Balance due after 1st instalment	48,816		
Interest/cash price of 2nd instalment	-	Rs. 48,816 x 10/100 = Rs. 4,882	Rs. 15,400 - Rs. 4,882 = Rs. 10,518
Less: Cash price of 2nd instalment	(10,518)		
Balance due after 2nd instalment	38,298		
Interest/Cash price of 3rd instalment	-	Rs. 38,298x10/100 = Rs. 3,830	Rs. 15,400 - Rs. 3,830 = Rs. 11,570
Less: Cash price of 3rd instalment	(11,570)		
Balance due after 3rd instalment	26,728		
Interest/Cash price of 4th instalment	-	Rs. 26,728 x10/100 = Rs. 2,672	Rs. 15,400 - Rs. 2,672 = Rs. 12,728
Less : Cash price of 4th instalment	(12,728)		
Balance due after 4th instalment	14,000		
Interest/Cash price of 5th instalment	-	Rs.14,000 x10/100 =Rs. 1,400	Rs. 15400 – Rs. 1,400 = 14,000
Less : Cash price of 5th instalment	(14,000)		
Total	Nil	Rs. 18,622	Rs. 80,000

Total interest can also be calculated as follow:

(Down payment + instalments) – Cash Price = Rs. [21,622+(15400 x 5)] – Rs. 80,000 = Rs.18,622.

(10 MARKS)

ANSWER –B

Amount that can be drawn from reserves for 10% dividend		
10% dividend on Rs. 80,00,000		8,00,000
Profits available		
Current year profit	3,00,000	
Less : preference dividend	1,57,500	
		1,42,500
Amount which can be utilised from reserves		6,57,500

Conditions as per Companies (Declaration of dividend out of Reserves) Rules, 20X1:

Condition I

Since 10% is lower than the average rate of dividend (12%), 10% dividend can be declared.

Condition II

Maximum amount that can be drawn from the accumulated profits and reserves should not exceed 10% of paid up capital plus free reserves i.e. Rs. 12,25,000 [10% of (80,00,000+17,50,000+25,00,000)]

Condition III

The balance of reserves after drawl Rs. 18,42,500 (Rs. 25,00,000 - Rs. 6,57,500) should not fall below 15 % of its paid up capital ie. Rs. 14,62,500 (15% of Rs. 97,50,000]

Since all the three conditions are satisfied, the company can withdraw Rs. 6,57,500 from accumulated reserves (as per Declaration and Payment of Dividend Rules, 2014.)

(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
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Interest rate implicit on lease is computed below by interpolation:

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

$$= 6\% + \frac{12500}{13900} \times 6 = 11.39\%$$

Thus repayment schedule and interest would be as under:

Installment no.	Principal at beginning	Interest included in each installment	Gross amount	Installment	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*			

(5 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

(2.5 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
	To Balance c/d	18,118	31.3.13	By Interest A/c	4,920
		48,118			48,118
31.3.2014	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.

(2.5 MARKS)

ANSWER - 4

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		8,100

	progress (4,35,600 – 4,27,500)		
	(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
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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.**

(6 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	99,900
	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	1,20,000
	Balance Amount			
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>

(6 MARKS)