



J.K. SHAH[®]
TEST SERIES

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SUGGESTED SOLUTION

CA INTERMEDIATE

SUBJECT- COSTING AND ACCOUNTS

Test Code – CIM 8693

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

Calculation of Cost of Production of A Ltd. for the period

Particulars	Amount (Rs.)
Raw materials purchased	64,00,000
Add: Opening stock	2,88,000
Less: Closing stock	(4,46,000)
Material consumed	62,42,000
Wages paid	23,20,000
Prime cost	85,62,000
Repair and maintenance cost of plant & machinery	9,80,500
Insurance premium paid for inventories	26,000
Insurance premium paid for plant & machinery	96,000
Quality control cost	86,000
Research & development cost	92,600
Administrative overheads related with factory and production	9,00,000
	1,07,43,100
Add: Opening value of W-I-P	4,06,000
Less: Closing value of W-I-P	(6,02,100)
	1,05,47,000
Less: Amount realised by selling scrap	(9,200)
Add: Primary packing cost	10,200
Cost of Production	1,05,48,000

Notes:

- (i) Other administrative overhead does not form part of cost of production.
 (ii) Salary paid to Director (Technical) is an administrative cost.

(10 MARKS)

ANSWER -2**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 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 31st March, 2018**

	Particulars as on 31st 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

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.)
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	1,54,800
Less : Bad Debts written off – 50% Rs. 4,500	(2,250)
Adjusted Sundry Debtors	1,52,550
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	1,34,550

(6 MARKS)

ANSWER -3

Input – Output Relation

1 bag = 1 metre of cotton cloth

Therefore 1000 meter cotton cloth = 1000 units of bags because here opening stock and closing stock of input are zero. Therefore total input purchased = total input consumed

No. of bags manufactured = 1,000 units

Cost sheet for the month of September 2019

	Particulars	Total Cost (Rs.)	Cost per unit (Rs.)
1.	Direct materials consumed:		
	- Leather sheets	3,20,000	320.00
	- Cotton cloths	15,000	15.00
	Add: Freight paid on purchase	8,500	8.50
2.	Direct wages (Rs.80 × 2,000 hours)	1,60,000	160.00
3.	Direct expenses (Rs.10 × 2,000 hours)	20,000	20.00
4.	Prime Cost	5,23,500	523.50
5.	Factory Overheads: Depreciation on machines	16,500	16.50
	{(Rs.22,00,000×90%)÷120 months}		

	Apportion cost of factory rent	98,000	98.00
6.	Works/ Factory Cost	6,38,000	638.00
7.	Less: Realisable value of cuttings (Rs.150×35 kg.)	(5,250)	(5.25)
8.	Cost of Production	6,32,750	632.75
9.	Add: Opening stock of bags	0	
10.	Less: Closing stock of bags (100 bags × Rs.632.75)	(63,275)	
11.	Cost of Goods Sold	5,69,475	632.75
12.	Add: Administrative Overheads:		
	- Staff salary	45,000	45.00
	- Apportioned rent for administrative office	12,000	12.00
13.	Add: Selling and Distribution Overheads		
	- Staff salary	72,000	80.00
	- Apportioned rent for sales office	10,000	11.11
	- Freight paid on delivery of bags	18,000	20.00
14.	Cost of Sales (18+19+20)	7,26,475	800.86

Apportionment of Factory rent:

To factory building $\{(Rs.1,20,000 \div 2400 \text{ sq. feet}) \times 1,960 \text{ sq. feet}\} = Rs.98,000$

To administrative office $\{(Rs.1,20,000 \div 2400 \text{ sq. feet}) \times 240 \text{ sq. feet}\} = Rs.12,000$

To sale office $\{(Rs.1,20,000 \div 2400 \text{ sq. feet}) \times 200 \text{ sq. feet}\} = Rs.10,000$

(10 MARKS)

ANSWER -4

ANSWER -A

Computation of Effective Capital

	<i>Rs.</i>
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 – C

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.)

(6 MARKS)