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SUBJECT- ACCOUNTS

Test Code – CIM 8699

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

Journal Entries

Date	Particulars		Dr. (Rs.)	Cr. (Rs.)
	Bank A/c 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.....)	Dr.	25,000	25,000
	8% Redeemable Preference Share Capital A/c Premium on Redemption of Preference Shares A/c To Preference Shareholders A/c (Being the amount paid on redemption transferred to Preference Shareholders Account)	Dr. Dr.	1,00,000 10,000	1,10,000
	Preference Shareholders A/c To Bank A/c (Being the amount paid on redemption of preference shares)	Dr.	1,10,000	1,10,000
	Profit & Loss A/c To Premium on Redemption of Preference Shares A/c (Being the premium payable on redemption is adjusted against Profit & Loss Account)	Dr.	10,000	10,000
	General Reserve A/c Profit & Loss A/c Investment Allowance Reserve A/c To Capital Redemption Reserve A/c (Being the amount transferred to Capital Redemption Reserve Account as per the requirement of the Act)	Dr. Dr. Dr.	60,000 10,000 5,000	75,000

(5*1 = 5 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	1,02,000
	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	
	22,500 Equity shares (20,000 + 2,500) of Rs.10 each fully paid up	2,25,000
2.	Reserves and Surplus	
	General Reserve	20,000
	Capital Redemption Reserve	75,000
	Investment Allowance Reserve	5,000
		1,00,000

Working Note:

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)

Rs. 25,000

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

(5 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	24,000	24,000	19,92,000	2011 Sept. 30	By Bank- Interest	-	1,44,000	
2012	To P & L A/c (W.N.1)	-	-	1,05,000	2012 Mar.	By Bank A/c	15,000	75,000	13,50,000

March 31	To P & L A/c		2,49,000		1				
					2012	By Bank- Mar. Interest		54,000	
					31				
						By Balance c/d (W.N.2)			
								<u>9,000</u>	<u>7,47,000</u>
		<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>

(3 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	To Bank A/c	1,50,000	--	38,25,000	2011	By Bank A/c	80,000	-	17,60,000
June 15					Oct. 31			2,55,000	
Oct. 14	To Bonus Issue (1,50,000/3 x2)	1,00,000	-	-	2012	By Bank A/c - dividend	1,70,000	-	26,01,000
2012				5,36,000	Jan. 1				
Mar. 31	To P & L A/c (W.N.3)				March 31	By Balance c/d (W.N.4)			
	To P & L A/c								
			<u>2,55,000</u>						
		<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>

(2 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	To Bank A/c	60,000	--	26,92,800	2012	By Bank - dividend	-	1,18,800	
July 10					Mar. 15				
2012	To Bank A/c (W.N. 5)	6,000	-	30,000	March 31	By Balance c/d (bal.fig.)			
Jan. 15									

March 31	To P & L A/c						66,000	-	27,22,800
		-	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>

Working Notes:

1. Profit on sale of 12% Bond

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

2. Closing balance as on 31.3.2012 of 12 % Bond

$$= \frac{1992000}{24000} \times 9000 = Rs. 747000$$

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

Sales price	Rs. 17,60,000
Less: Cost of bond sold = $\frac{3825000}{250000} \times 80000$	(12,24,000)
Profit on sale	Rs. 5,36,000

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

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

5. Calculation of right shares subscribed by Beeta Ltd.

$$\text{Right Shares} = 60000 \text{ shares} / 4 \times 1 = 15000 \text{ shares}$$

$$\text{Shares subscribed by Mr. Brown} = 15,000 \times 40\% = 6,000 \text{ shares}$$

$$\text{Value of right shares subscribed} = 6,000 \text{ shares} @ \text{Rs. 5 per share} = \text{Rs. 30,000}$$

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

$$\text{No. of right shares sold} = 15,000 - 6,000 = 9,000 \text{ shares}$$

$$\text{Sale value of right} = 9,000 \text{ shares} \times \text{Rs. 2.25 per share} = \text{Rs. 20,250}$$

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

(5 MARKS)

ANSWER – 3

In the Books of Jyotishikha Traders

Trading Account for the year ended 31.03.2019

Particulars	Rs.	Particulars	Rs.
To Opening Stock A/c (Bal. fig.)	1,65,000	By Sales (W.N.1)	12,50,000
To Purchases (W.N.2)	9,00,000	By Closing Stock	65,000
To Gross profit (12,50,000x25/125)	<u>2,50,000</u>		
	<u>13,15,000</u>		<u>13,15,000</u>

Profit and Loss Account for the year ended 31.03.2019

Particulars	Rs.	Particulars	Rs.
To Discount	5,500	By Gross profit	2,50,000
To Salaries Expenses	32,000	By Discount	4,500
To Office expenses (W.N.3)	37,000		
To Selling expenses	<u>15,000</u>		
To Interest on loan (12% on Rs.1,60,000)	19,200		
To Bad debts (2% of Rs.2,25,000)	4,500		
To Loss on sale of Machinery	15,000		
To Depreciation:			
Land & Building	25,000		
Plant & Machinery (W.N 4b)	23,750		
Office Equipment (W.N. 5)	<u>12,750</u>		
To Net profit after tax	<u>64,800</u>		
	<u>2,54,500</u>		<u>2,54,500</u>

(5 MARKS)

Balance sheet as on 31.3.2019

Liabilities	Rs.	Rs.	Assets	Rs.
Capital (W.N. 6)	8,95,500		Land and Building (5,00,000-25,000)	4,75,000
Add: Net Profit	<u>64,800</u>	9,60,300	Plant and Machinery (W.N.4a) (3,30,000-21,750)	3,08,250
Creditors for Purchases		1,05,500	Office Equipment (85,000-12,750)	72,250
(W.N. 8)				
Outstanding expenses		15,000	Debtors less Bad debts (W.N. 7)	2,20,500
Loan from SBI		1,00,000	Stock	65,000

		Bank Balance (W.N. 9)	39,800
	11,80,800		11,80,800

(3 MARKS)

Working Notes:

1. Calculation of Total Sales

	Rs.
Cash Sales	2,50,000
Credit Sales (80% of total sales)	
Cash Sales (20% of total sales)	
Thus total Sales (250000 x 100/20)	12,50,000
Credit Sales (1250000 x 80/100)	10,00,000

2. Calculation of Total Purchases

	Rs.
Credit Purchases	5,40,000
Cash Purchases (40% of total purchases)	
Credit Purchases (60% of total purchases)	
Thus total Purchases (5,40,000 x 100/60)	9,00,000
Cash Purchases 9,00,000 x 40/100)	3,60,000

3. Office Expenses Account

	Rs.		Rs.
To Bank A/c	42,000	By Balance b/d	20,000
To Balance c/d	15,000	By Profit & loss A/c	37,000
	<u>57,000</u>		<u>57,000</u>

4 (a) Plant and Machinery Account

	Rs.		Rs.
To Opening balance	2,20,000	By Sale	40,000
To Purchases	1,50,000	By Closing Balance	3,30,000
	<u>3,70,000</u>		<u>3,70,000</u>

(b) Depreciation calculations on Plant & Machinery

	Rs.
Depreciation on 1,80,000 x 10% (for full year)	18,000
1,50,000 x 10% x 3/12 (for 3 months)	3,750
40,000 x 10% x 6/12 (for 6 months)	<u>2,000</u>
	<u><u>23,750</u></u>

(c) Sale of Machinery Account

	Amount (Rs.)		Amount (Rs.)
To Plant & Machinery	40,000	By Depreciation	2,000
		By Profit and Loss A/c	15,000
		By Bank	<u>23,000</u>

40,00040,000**5.. Depreciation calculations on Office Equipments**

	<i>Rs.</i>
Opening Balance	1,05,000
Less: Closing Balance	<u>85,000</u>
Sale of Office Equipment	<u>20,000</u>
Balance of Office Equipment after sale	<u>85,000</u>
Depreciation @15%	<u>12,750</u>

6. Opening Balance Sheet as on 31.03.2018

	<i>Rs.</i>		<i>Rs.</i>
Creditors	95,000	Land & Building	5,00,000
Creditor for Exp.	20,000	Plant & Machinery	2,20,000
Loan	1,60,000	Office Equipment	1,05,000
Capital (Bal. fig.)	8,95,500	Debtors	1,55,500
		Stock	1,65,000
		Bank	25,000
	<u>11,70,500</u>		<u>11,70,500</u>

7. Sundry Debtors A/c

	<i>Rs.</i>		<i>Rs.</i>
To Balance b/d	1,55,500	By Bank	9,25,000
To Sales	10,00,000	By Discount	5,500
		By Bad debts	4,500
		By Bal. c/d	2,20,500
	<u>11,55,500</u>		<u>11,55,500</u>

8. Sundry Creditors A/c

	<i>Rs.</i>		<i>Rs.</i>
To Bank	5,25,000	By Balance b/d	95,000
To Discount	4,500	By Purchases	5,40,000
To Balance c/d	1,05,500		
	<u>6,35,000</u>		<u>6,35,000</u>

9. Bank Account

	<i>Rs.</i>		<i>Rs.</i>
To Balance b/d	25,000	By Creditors	5,25,000
To Debtors	9,25,000	By Office Expenses	42,000
To Cash Sales	2,50,000	By Salary Expense	32,000
To Sale of Machinery (W.N. 4c)	23,000	By Selling Expenses	15,000
To Sale of equipment	20,000	By Purchases (cash)	3,60,000
		By Purchase of Machinery	1,50,000
		By Bank Loan & Interest	79,200
		By Balance c/d	39,800

12,43,000

12,43,000

(7 MARKS allotted for working notes)**ANSWER – 4****ANSWER - 4****Points for Consideration**

- Sale Proceeds of Rights is to be credited to P&L A/c and not Investment A/c.
- Reduce the Dividend on Shares acquired on 1st September 2017 from the cost of acquisition, to arrive at the Net Cost of Shares as on 31st March 2018, since it is Pre-Acquisition Dividend.

Working Notes

Particulars	Computation	Result
1. No. of Bonus Shares	$(4,000 + 1,000) \div 5 \times 2$	2,000 Shares
2. No. of Rights Shares eligible	$(4,000 + 1,000 + 2,000) \times \frac{2}{7}$	2,000 Shares
3. No. of Rights Shares Renounced	2,000 x 1/2 = 1,000 Shares at Rs. 8 will be taken to P&L	Rs. 8,000
4. No. of Rights Shares subscribed	2,000 - 1,000 = 1,000 Shares at Rs. 10 + 25% Premium	Rs. 12,500
5. Total Dividend Received	On OB + Fresh Pure. = 5,000 Shares x Rs. 10 x 20%	Rs. 10,000
(a) Dividend on OB Shares taken to P&L	4,000 x Rs. 10 x 20%	Rs. 8,000
(b) Dividend on Shares pure, on 01.09.2017	1,000 x Rs. 10 x 20% is adjusted in Investment A/c.	Rs. 2,000
6. Cost of Shares sold on 01.02.2018	$(60,000 + 14,000 + 12,500 - 2,000) \times \frac{4,000}{8,000}$	Rs. 42,250
7. Net Sale Proceeds for sale on 01.02.2018	8,000 Shares x $\frac{1}{2}$ x (Rs. 10 + Rs. 4)	Rs. 56,000
8. Profit on Sale of Shares on 01.02.2018	Net Sale Proceeds Rs. 56,000 less Cost Rs. 42,250	Rs. 13,750

(6 MARKS)

Investment (Equity Shares in Akash Ltd) Account

Date	Particulars	Shares Nos.	Rs.	Date	Particulars	Shares Nos.	Rs.
01.04.17	To balance b/d at Rs. 15	4,000	60,000	20.01.18	By Bank (Dvd) (WN 5b)	-	2,000
01.09.17	To Bank at RS. 14 (10+4)	1,000	14,000	01.02.18	By Bank (Sale of Shares)(WN 7)	4,000	56,000
30.09.17	To Bonus(WN 1)	2,000	-	31.03.18	By balance c/d (Note)	4,000	42,250
31.12.17	To Bank(Rights) (WN4)	1,000	12,500				
31.03.18	To P&L- Pft tfr (WN 8)	-	13,750				
	Total	8,000	1,00,250		Total	8,000	1,07,250

Note: 50% of the Shareholdings are sold, for which cost is Rs. 42,250 as per WN 6. Hence, Cost of Balance 50% Shareholdings at period-end is also Rs. 42,250. Market Price = 4,500 x Rs. 13 = Rs. 58,500. Hence, Carrying Amount of current investment = Cost of Market Price, whichever is lower = Rs. 42,250.

(4 MARKS)

ANSWER – B

Nominal value of preference shares Rs. 5,00,000

Maximum possible redemption out of profits Rs. 3,00,000

Minimum proceeds of fresh issue Rs. 5,00,000 – 3,00,000 = Rs. 2,00,000

Proceed of one share = Rs. 9

Minimum number of shares = $\frac{2,00,000}{9} = 22222.22$ shares

As fractional shares are not permitted, the minimum number of shares to be issued is 22,223 shares.

If shares are to be issued in multiples of 50, then the next higher figure which is a multiple of 50 is 22,250. Hence, minimum number of shares to be issued in such a case is 22,250 shares.

(5 MARKS)