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CA INTERMEDIATE NOV'19

SUBJECT- ACCOUNTS AND ADVANCED ACCOUNTS

Test Code – CIM 8255

BRANCH - () (Date :)

Head Office : Shraddha, 3rd Floor, Near Chinai College, Andheri (E), Mumbai – 69.

Tel : (022) 26836666

ANSWER-1

Statement showing distribution of cash amongst the partners

	Creditors	B's loan	A	B	C
2018	Rs.	Rs.	Rs.	Rs.	Rs.
Jun-30					
Balance b/d	60,000	20,000	1,52,000	96,000	72,000
Cash balance less Provision for expenses (Rs. 21,600– Rs. 10,800)	10,800	-	-	-	-
Balances unpaid	49,200	20,000	1,52,000	96,000	72,000
Jul-05					
1st Instalment of Rs. 50,400	47,200	3,200	-	-	-
Discount received on full settlement	2,000	16,800	1,52,000	96,000	72,000
Less: Transferred to Realisation A/c	2,000				
Aug-30					
2nd instalment of Rs. 1,20,000 (W.N. 2)		16,800	65,280	9,280	28,640
Balance unpaid			86,720	86,720	43,360
Sep-15					
Amount realised Rs. 1,60,000					
Add: Balance out of the Provision for Expenses A/c 2,800					
1,62,800			65,120	65,120	32,560
Amount unpaid being loss on Realisation in the ratio of 2 : 2 : 1			21,600	21,600	10,800

(6 MARKS)

Working Notes:

1. Highest relative capital basis

		A	B	C
		Rs.	Rs.	Rs.
1.	Present Capitals	1,52,000	96,000	72,000
2.	Profit-sharing ratio	2	2	1
3	Capital per unit of Profit share (1 ÷ 2)	76,000	48,000	72,000
4.	Proportionate capitals taking B, whose capital is the least, as the basis	96,000	96,000	48,000
5.	Excess capital (1-4)	56,000	Nil	24,000
6.	Profit-sharing ratio	2	-	1
7.	Excess capital per unit of Profit share (5 ÷ 6)	28,000		24,000
8.	Proportionate capitals as between A and C taking C capital as the basis	48,000	-	24,000
9.	Excess of A's Capital over C's Excess capital (5-8)	8,000	-	-
10.	Balance of Excess capital (5-9)	48,000		24,000
11.	Distribution sequence:			
	First Rs. 8,000 (2 : 0 : 0)	8,000	-	-
	Next Rs. 72,000 (2 : 0 : 1)	48,000	-	24,000
	Over Rs. 80,000 (2 : 2 : 1)			

2. Distribution of Second installment

	Creditors	A	B	C
First Rs. 16,800	16,800	-	-	-
Next Rs. 8,000 (2 : 0 : 0)		8,000	-	-
Next Rs. 72,000 (2 : 0 : 1)		48,000	-	24,000
Balance Rs. 23,200 (2 : 2 : 1)		9,280	9,280	4,640
1,20,000	16,800	65,280	9,280	28,640

(6 MARKS)

ANSWER-2

(i) Computation of total liability of underwriters in shares

	(In Shares)			
	A	**B**	**C**	**Total**
Gross liability Less : Marked applications (excluding firm underwriting)	3,60,000 (1,18,500)	1,50,000 (58,000)	90,000 (33,500)	6,00,000 (2,10,000)
 Less : Unmarked applications in the ratio of gross liabilities of 12 : 5 : 3 (excluding firm underwriting)	2,41,500 (54,000)	92,000 (22,500)	56,500 (13,500)	3,90,000 (90,000)
 Less : Firm underwriting	1,87,500 (48,000)	69,500 (18,000)	43,000 (60,000)	3,00,000 1,26,000)
 Less : Surplus of C shared by A & B in 12 : 5	1,39,500 (12,000)	51,500 (5,000)	(17,000) 17,000	1,74,000 -
Net liability Add : firm underwriting	1,27,500 48,000	46,500 18,000	- 60,000	1,74,000 1,26,000
Total liability	1,75,500	64,500	60,000	3,00,000

(6 MARKS)

(ii) Calculation of amount payable to or due from underwriters

	A	B	C	Total
Total Liability in shares	1,75,500	64,500	60,000	3,00,000
Amount receivable @ Rs. 10 from underwriter (in Rs.)	17,55,000	6,45,000	6,00,000	30,00,000
Less : underwriting commission (4%)	(1,44,000)	(60,000)	(36,000)	(2,40,000)
Net amount receivable	16,11,000	5,85,000	5,64,000	27,60,000

(3 MARKS)

(iii) Journal Entries in the books of the company (relating to underwriting)

			Rs.	Rs.
1.	A	Dr.	17,55,000	
	B	Dr.	6,45,000	
	C	Dr.	6,00,000	
	To Equity Share Capital A/c.			30,00,000
	(Being allotment of shares to underwriters)			
2.	Underwriting commission	Dr.	2,40,000	
	To A			1,44,000
	To B			60,000
	To C			36,000
	(Being amount of underwriting commission payable)			
3.	Bank A/c *	Dr.	27,60,000	

	To A To B To C (Being net amount received from underwriters for shares allotted less underwriting commission)			16,11,000 5,58,000 5,64,000

*Considering that the underwriters paid the amounts due.

(3*1 = 3 MARKS)

ANSWER-3

Date	Particulars		Rs.	Rs.
31.3.20X2	Employees compensation expense A/c	Dr.	14,25,000	
	To ESOP outstanding A/c			14,25,000
	(Being compensation expense recognized in respect of the ESOP i.e. 100 options each granted to 1,000 employees at a discount of Rs. 30 each, amortized on straight line basis over vesting years (Refer W.N.)			
	Profit and Loss A/c	Dr.	14,25,000	
	To Employees compensation expenses A/c			14,25,000
	(Being expenses transferred to profit and Loss A/c)			
31.3.20X3	Employees compensation expenses A/c	Dr.	3,95,000	
	To ESOP outstanding A/c			3,95,000
	(Being compensation expense recognized in respect of the ESOP- Refer W.N.)			
	Profit and Loss A/c	Dr.	3,95,000	
	To Employees compensation expenses A/c			3,95,000
	(Being expenses transferred to profit and Loss A/c)			
31.3.20X4	Employees compensation Expenses A/c	Dr.	8,05,000	
	To ESOP outstanding A/c			8,05,000
	(Being compensation expense recognized			

	in respect of the ESOP- Refer W.N.)			
	Profit and Loss A/c	Dr.	8,05,000	
	To Employees compensation expenses A/c			8,05,000
	(Being expenses transferred to profit and Loss A/c)			
20X4-X5	Bank A/c (85,000 × Rs. 20)	Dr.	17,00,000	
	ESOS outstanding A/c [(26,25,000/87,500) x 85,000]	Dr.	25,50,000	
	To Equity share capital (85,000 x Rs. 10)			8,50,000
	To Securities premium A/c (85,000 x Rs. 40)			34,00,000
	(Being 85,000 options exercised at an exercise price of Rs. 50 each)			
31.3.20X5	ESOP outstanding A/c	Dr.	75,000	
	To General Reserve A/c			75,000
	(Being ESOP outstanding A/c on lapse of 2,500 options at the end of exercise of option period transferred to General Reserve A/c)			

(7 MARKS)

Working Note:

Statement showing compensation expense to be recognized at the end of:

Particulars	**Year 1 (31.3.20X2)**	**Year 2 (31.3.20X3)**	**Year 3 (31.3.20X4)**
Number of options expected to vest	95,000 options	91,000 options	87,500 options
Total compensation expense accrued (50-20)	Rs. 28,50,000	Rs. 27,30,000	Rs. 26,25,000
Compensation expense of the year	28,50,000 x 1/2 =Rs. 14,25,000	27,30,000 x 2/3 =Rs. 18,20,000	Rs. 26,25,000
Compensation expense recognized previously	Nil	Rs.14,25,000	Rs.18,20,000
Compensation expenses to be recognized for the year	Rs.14,25,000	Rs.3,95,000	Rs.8,05,000

(3 MARKS)

ANSWER-4

1. Adjustment for raising & writing off of Goodwill

Particulars	A	B	C	D	Total
Goodwill of AB & Co. (2:1)	50,000	25,000	-	-	75,000
Goodwill of CD & Co. (3:2)	-	-	30,000	20,000	50,000
Total (Cr.)	50,000	25,000	30,000	20,000	1,25,000
Written off in New Ratio (2:1:3:2) (Dr.)	31,250	15,625	46,875	31,250	1,25,000
Difference	**Cr. 18,750**	**Cr. 9,375**	**Dr. 16,875**	**Dr. 11,250**	**-**

(2 MARKS)

2. Journal Entries in the Books of AD & Co.

	Particulars		Dr. (Rs.)	Cr. (Rs.)
1.	Cash A/c	Dr.	4,000	
	Bank A/c	Dr.	18,000	
	CD & Co.	Dr.	47,000	
	Sundry Debtors A/c	Dr.	65,000	
	Stock A/c	Dr.	24,000	
	Furniture A/c	Dr.	15,000	
	Machinery A/c	Dr.	1,25,000	
	Building A/c	Dr.	1,00,000	
	To Provision for Doubtful Debts A/c			5,000
	To Sundry Creditors A/c			52,000
	To A's Capital A/c			2,10,667
	To B's Capital A/c			1,30,333
	(Being Sundry Assets and Liabilities of M/s AB & Co. taken over at the values stated as per agreement dated __________)			
2.	Cash A/c	Dr.	5,000	
	Bank A/c	Dr.	15,000	
	Sundry Debtors A/c	Dr.	78,000	
	Stock A/c	Dr.	36,000	
	Furniture A/c	Dr.	12,000	
	Machinery A/c	Dr.	1,10,000	
	Building A/c	Dr.	1,25,000	
	To Provision for Doubtful Debts A/c			8,000
	To AB & Co.			47,000

	To Sundry Creditors A/c			35,000
	To C's Capital A/c			1,74,600
	To D's Capital A/c			1,16,400
	(Being Sundry Assets and Liabilities of M/s CD & Co. taken over at the values stated as per agreement dated_________)			
3.	C's Capital A/c	Dr.	16,875	
	D's Capital A/c	Dr.	11,250	
	To A's Capital Account			18,750
	To B's Capital Account			9,375
	(Being adjustment in Capital Accounts for raising Goodwill of AB & Co. forRs. 75,000, CD & Co. forRs. 50,000 and writing off the same in the new ratio between A, B, C & D as per agreement)			
4.	AB & Co.	Dr.	47,000	
	To CD & Co.			47,000
	(Being Mutual Owings of AB & Co. and CD & Co. cancelled on taking over of the two Firms)			
5.	A's Capital A/c	Dr.	1,24,267	
	To A's Current A/c			1,24,267
	(Being excess amount in A's Capital Account transferred to A's Current Account to reduce the balance in capital accounts in accordance with the new Profit Sharing ratio)			
6.	B's Capital A/c	Dr.	87,133	
	To B's Current A/c			87,133
	(Being excess amount in B's Capital Account transferred to B's Current Account to reduce the balance in Capital Accounts, in accordance with the new Profit Sharing ratio)			

(6*1 = 6 MARKS)

Working Notes:

1. Balance of Capital Accounts at the time of amalgamation of Firms (a) AB & Co.

Particulars	A's Capital	B's Capital
As per Balance Sheet	1,50,000	1,00,000
Credit for Reserve	44,000	22,000
Profit on Revaluation (Building 25,000 + Machinery 5,000 - Provn. for Doubtful Debts 5,000)	16,667	8,333
Total	**2,10,667**	**1,30,333**

(b) CD & Co.

Particulars	C's Capital	D's Capital
As per Balance Sheet	1,20,000	80,000
Credit for Reserve	32,400	21,600
Profit on Revaluation (Building 35,000 + Mach. 10,000 - Provn. for Doubtful Debts 8,000)	22,200	14,800
Total	1,74,600	1,16,400

(4 MARKS)

2. Balance of Capital Accounts in the Balance Sheet of New Firm as on 1st April

Particulars	A	B	C	D
Balance as taken over	2,10,667	1,30,333	1,74,600	1,16,400
Adjustment for Goodwill	18,750	9,375	(16,875)	(11,250)
Total Capital after Adjustment for Goodwill	2,29,419	1,39,708	1,57,725	1,05,150
Less: Total Capital, Rs. 4,20,600 (See Note) in new PSR 2:1:3:2, taking D's Capital as the base	1,05,150	52,575	1,57,725	1,05,150
Transfer to Current Account	(Cr.)1,24,267	(Cr.)87,133	-	-

Note: D's Capital isRs. 1,05,150 and it is 2/8th of Total Capital. So, the Total Capital will beRs.4,20,600.

(4 MARKS)