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CA INTERMEDIATE NOV'19

**SUBJECT- ACCOUNTS AND ADVANCED
ACCOUNTS**

Test Code - CIM 8262 M

BRANCH - () (Date :)

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ANSWER-1

Date	Particulars	Nominal value (Rs.)	Interest (Rs.)	Cost (Rs.)	Date	Particulars	Nominal Value (Rs.)	Interest (Rs.)	Cost (Rs.)
1.4.18	To Bank A/c.	2,00,000	-	2,16,000	30.09.18	By Bank A/c.	-	12,000	-
1.7.18	To Bank A/c.	1,00,000	2,000	1,10,000		[Rs. 3,00,000 × 8% × 6/12]			
	(W.N.1)				1.10.18	By Bank A/c.	80,000		84,000
31.12.18	To P & L A/c.	-	14,033	-	1.10.18	By P & L A/c (loss)			2,933
	[Interest]					(W.N.1)			
					1.12.18	By Bank A/c (Accrued interest)		733	
						(Rs. 55,000 × .08 × 2/12)			
					1.12.18	By Equity share in C	55,000		59,767
						Ltd. (W.N. 3 and 4)			
					31.12.18	By Balance c/d (W.N.5)	1,65,000	3,300	1,79,300
		3,00,000	16,033	3,26,000			3,00,000	16,033	3,26,000

(4 MARKS)

SCRIP : Equity Shares in C LTD.

Date	Particulars	Cost (Rs.)	Date	Particulars	Cost (Rs.)
1.12.18	To 8% debentures	59,767	31.12.18	By balance c/d	59,767

Working Notes :

- (i) Cost of Debenture purchased on 1st July = Rs. 1,12,000 – Rs. 2,000 (Interest) =
Rs. 1,10,000
- (ii) Cost of Debentures sold on 1st Oct.
= (Rs. 2,16,000 + Rs. 1,10,000) × 80,000/3,00,000 = Rs. 86,933
- (iii) Loss on sale of Debenture = Rs. 86,933 – Rs. 84,000 = Rs. 2,933
Nominal value of debentures converted into equity shares = Rs. 55,000
[(rs. 3,00,000 – 80,000) × .25]

Interest received before the conversion of debentures

Interest on 25% of total debentures – $55,000 \times 8\% \times 2/12 = 733$

(iv) Cost of Debenture converted = $(Rs. 2,16,000 + Rs. 1,10,000) \times 55,000 / 3,00,000$
= Rs. 59,767

(v) Cost of closing balance of Debentures = $(Rs. 2,16,000 + Rs. 1,10,000)$
 $\times 1,65,000 / 3,00,000$
= Rs. 1,79,300

(vi) Closing balance of Debentures has been valued at cost being lower than the market value i.e. Rs. 1,81,500 (Rs. 1,65,000@ Rs. 110)

(vii) 5,000 equity shares in C Ltd. will be valued at cost of Rs. 59,767 being lower than the market value Rs. 75,000 (Rs. 15 \times 5,000)

Note : It is assumed that interest on debentures, which are converted into cash, has been received at the time of conversion.

(6 MARKS)

Alternative Solution

Ans.:1

In the books of A Ltd.

Investment in 8% Debenture of Ltd. A/c

		Nominal Value	Int. (Rs.)	Cost (Rs.)			N.V. (Rs.)	Int (Rs.)	Cost (Rs.)
1.4.18	To Bank A/c.	2,00,000	-	2,16,000	30.9.18	By Bank A/c.	-	12,000	-
							$[3,00,000 \times \frac{8}{100} \times \frac{6}{12}]$		
1.7.18	To Bank A/c. (W.N.1)	1,00,000	2,000	1,10,000	1.10.18	By Bank [w.N.2]	80,000	-	86,400
31.12.18	To P & L A/c.		14,033		1.10.18	By P /L A/c [loss] [W.N. 3]	-	-	533
	[Int. Bal. fig]				1.12.18	By Equity shares in C Ltd. [W.N. 3]	55,000	-	59,767
					1.12.18	By Bank A/c. [W.N. 4]	-	733	-
					31.12.18	By Accrued Int. [W.N.5]		3,300	-
					31.12.18	By balance c/d [W.N. 6]	1,65,000	-	1,73,930
		3,00,000	16,033	3,26,000			3,00,000	16,033	3,26,000

Working Notes : 4

Interest received on conversion of debentures

$$\text{Interest on 25\% of total deb} = (2,20,000) \times 25\% \times \frac{2}{12} \times \frac{8}{10} = \text{Rs. 733}$$

Working Notes : 5

Calculation of Accrued Interest on debenture on 31.12.18

$$\begin{aligned} \text{Accrued Interest} &= 1,65,000 \times \frac{8}{100} \times \frac{3}{12} \\ &= \text{Rs. 3,300} \end{aligned}$$

Working Notes : 6

Valuation of Debentures as on 31.12.2018

Valuation is an least of the following :

(1) Cost $(2,16,000 + 1,10,000 - 86,400 - 533 - 59767) = 1,79,300$

(2) Market Value $= (16,500 \times 110) = 1,81,500$

∴ Valuation of debentures will be at cost = 1,79,300

ANSWER-2**1. Computation of Interest at 12% p.a. on various dates**

Date	Particulars	FV(Rs.)	Period(months)	Int. Amt at 12% p.a (Rs.)
1st May	Interest on Cum-Interest Purchase (24,000 x Rs. 100)	24,00,000	1	24,000
30th Sept	Interest Received on Holding	24,00,000	6	1,44,000
1st Mar	Interest on Ex-Interest Sale(15,000 x Rs. 100)	3,00,000	5	10,000
31st Mar	Interest Received on Holding (12,00,000 - 3,00,000)	9,00,000	6	36,000

(3 marks)

2. Computation of Cost of Purchase

Particulars	Computation	Rs.
Amount paid on 1st May	24,000 x Rs. 84	20,16,000
Less: Interest (for Cum-Interest purchase only)	(WN 1)	(24,000)
Net Cost of Purchase		19,92,000

(1 mark)

3. Computation of Profit / (Loss) on Sale of Investments

Particulars	Computation	Rs.
Sale Proceeds		
(No Interest adjt for ex-interest sale)	15,000 x Rs. 90	13,50,000
Less: Cost on FIFO basis	Rs.19,92,000 x $\frac{15,00,000}{24,00,000}$	(12,45,000)
Profit / (Loss) on Sale		1,05,000

(1 mark)

4. Investment in 8% Bonds Account

Date	Item	FV	Int.	Cost	Date	Item	FV	Int.	Cost
1 May	To Bank	24,00,000	24,000	19,92,000	30 Sept	By Bank (Int reed)		1,44,000	
1 Mar	To P&L A/c - Profit tfr	-	-	1,05,000	1 Mar	By Bank	15,00,000	75,000	13,50,000
31 Mar	To P&L A/c - Int tfr		2,49,000		31 Mar	By Bank (Int reed)	-	54,000	-
					-do-	By bal c/d	9,00,000		7,47,000
	Total	24,00,000	2,73,000	20,97,000		Total	24,00,000	2,73,000	20,97,000

(2 marks)

5. Investment in Equity Shares of Alpha Ltd

Date	Particulars	Shares	Dividend	Cost	Date	Particulars	FV	Dividend	Cost
15 June	To Bank	1,50,000		38,25,000	31 Oct	By Bank (Sale at 22 per Share)	80,000	-	17,60,000
14 Oct	To Bonus Shares	1,00,000		-	1 Jan	By Bank (Dividend)	-	2,55,000	-
31 Mar	To P&L - Dividend	-	2,55,000	-	1 Jan	To P&L A/c	-	-	2,80,000
					31 Mar	- Loss on Sale By bal c/d	1,70,000		17,85,000
	Total	2,50,000	2,55,000	38,25,000		Total	2,50,000	2,55,000	38,25,000

(2 marks)

Note: Cost of Investments sold = Rs. 38,25,000 x $\frac{80,000 \text{ shares}}{1,50,000 \text{ shares}}$ = Rs. 20,40,000.

Hence, **Loss on Sale** = Sale Proceeds Rs. 17,60,000 less Cost as above Rs. 20,40,000 = Rs.2,80,000.

(1 mark)

6. Investment in Equity Shares of Beeta Ltd

Date	Particulars	Shares	Dvd.	Cost	Date	Particulars	FV	Dvd.	Cost
10 Jul	To Bank	60,000	-	26,92,800	31Mar	By bal c/d	66,000	-	27,22,800
14 Oct	To Bank(Rights)	6,000		30,000					
	Total	66,000	-	27,22,800		Total	66,000	-	27,22,800

Note: Total Rights Entitlement = 60,000 x 1/4th = 15,000 Shares. Of these, 40%, i.e. 6,000 Shares are subscribed for at Rs. 5 per Share. The balance 60%, i.e. 9,000 Shares are renounced at Rs. 2.25 per Share for Rs. 20,250. This amount received will be considered directly in the P&L A/c. **(2 marks)**

Alternative Solution

In the books of Maruti

Investment in 12% Bonds for year ending 31/3/18

Date	Particulars	Nominal Value	Int. (Rs.)	Cost (Rs.)	Date	Particular	N.V. (Rs.)	Int (Rs.)	Cost (Rs.)
1.5.17	To Bank A/c. (W.N. 1)	24,00,000	24,000	19,92,000	30.9.17	By Bank A/c. [2400000 × $\frac{6}{12} \times \frac{12}{100}$]	-	1,44,000	-
1.3.18	To P/L A/c [profit][W.N.6]	-	-	1,05,000	1.3.18	By Bank [W.N. 6]	15,00,000	75,000	13,50,000
31.3.18	To P/L A/c [Bal Fig]	-	2,49,000	-	31.3.18	By Bank A/c. [9,00,000 × $\frac{6}{12} \times \frac{12}{100}$]	-	54,000	-
					31.3.18	By bal. c/d (Bal fig)	9,00,000	-	7,47,000
		24,00,00		20,97,000			24,00,000		20,97,000

Investment in Equity shares of Alpha Ltd. for year ending 31/3/18

Date	Particulars	Shares	Div.	Cost	Date	Particulars	Shares	div.	Cost (Rs.)
15.06.17	To Bank A/c.	1,50,000	-	38,25,000	31.10.17	By Bank A/c.	80,000	-	17,60,000
	[1,50,000 × 25%] + 2%					[80,000 × Rs. 22]			
14.12.17	To Bonus shares [W.N. 2]	1,00,000	-	-	1.1.18	By Bank A/c. [W.N.4]	-	2,55,000	-
31.10.17	To P/L A/c. [profit on sale] [W.N. 3]	-	-	5,36,000	31.3.18	By Balance c/d	1,70,000	-	26,01,000
31.3.18	To P/L/ A/c. (Bal Fig)	-	2,55,000	-		(Bal. Figure)			
		2,50,000	2,55,000	43,61,000			2,50,000	2,55,000	43,61,000

Investment in equity shares of Beeta Ltd. for year ending 31/3/18

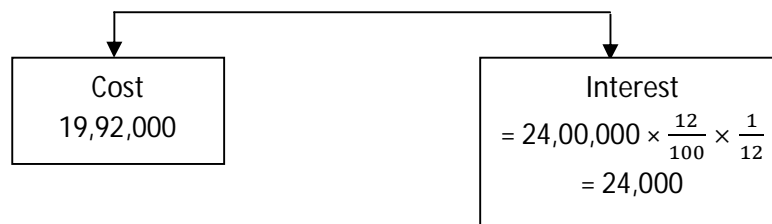
Dt.	Particulars	Shares	Div.	Cost	Dt.	Particulars	Share	Div.	Cost
10.7.17	To Bank A/c.	60,000	-	26,92,800	15.3.18	By Bank A/c.	-	1,18,800	-
	[60,000 × 44] + 2%								
15.1.18	To Bank A/c [W.N. 5]	6,000	-	30,000	31.3.18	By balance c/d	66,000	-	27,22,800
31.3.18	To P/L A/c.		1,18,800			(Bal. figure)			
		66,000	1,18,800	27,22,800			66,000	1,18,800	27,22,800

Working Note : 1

Calculation of cost & Interest on Purchase of 12% Bonds on 1/5/17

Cash / Bank Payment = Rs. 84 × 24,000 bonds =

Rs. 20,16,000



Working Note : 2

Calculation of No. of shares issued by Alpha Ltd.

Bonus Ratio : - 2 shares for every 3 held

∴ 2 : 3
1,00,000 : 1,50,000

Working Notes : 3

Calculation of Profit / loss on Sale of shares of Alpha Ltd. on 31.10.17

Sales = Rs. 17,60,000

Cost of Shares = $\frac{38,25,000}{2,50,000} \times 80,000$
= 12,24,000

∴ Profit on Sale = 17,60,000 – 12,24,000

= Rs. 5,36,000

Working Note : 4

Calculation of Interim Dividend received from Alpha Ltd. on 01.01.2018

$$= (1,50,000 \text{ shares} + 1,00,000 \text{ shares}) \times 10 \times 15\%$$

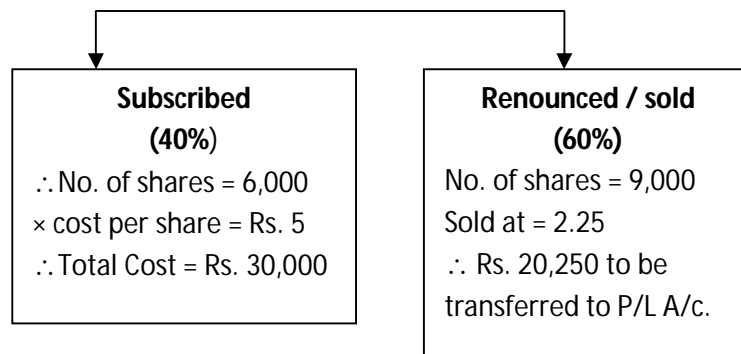
$$= \text{Rs. } 2,55,000$$

Working Notes : 5

Calculation of No. of Right issues offered & subscribed by Beeta Ltd. on 15.01.18

	Right shares	Share held
Offer received	1 15,000	4 60,000

∴ Offer received = 15,000 shares.



Working Note : 6

Calculation of Selling Price, Interest & P /L on sale of 12% bonds on 01.03.2018

$$\text{S.P.} = 15,000 \times 90 = \text{Rs. } 13,50,000$$

$$\text{Interest} = 15,00,000 \times \frac{12}{100} \times \frac{5}{12}$$

$$= \text{Rs. } 75,000$$

$$\text{Cost} = \frac{19,92,000}{24,00,000} \times 15,00,000$$

$$= 12,45,000$$

$$\therefore \text{Profit} = \text{S.P.} - \text{Cost}$$

$$= 13,50,000 - 12,45,000$$

$$= \text{Rs. } 1,05,000$$

Working Notes : 7

Calculation of Interim dividend received on equity shares of Beeta Ltd. on 15.3.18

$$= (60,000 + 6,000) \times 10 \times 18\%$$

$$= 1,18,800$$

ANSWER-3**In the books of Dee Limited****Journal Entries**

Particulars		Dr.	Cr.
		(Rs. in '000)	
(i)	Bank Account	Dr. 2,200	
	Profit and Loss Account	Dr. 800	
	To Investment Account		3,000
	(Being the investments sold at loss for the purpose of buy back)		
(ii)	Equity Share capital account	Dr. 500	
	Premium payable on buy back Account	Dr. 2,000	
	To Equity shares buy back Account		2,500
	(Being the amount due on buy back)		
(iii)	Securities premium Account	Dr. 2,000	
	To Premium payable on buy back Account		2,000
	(Being the premium payable on buy back adjusted against securities premium account)		
(iv)	Revenue reserve Account	Dr. 300	
	To Capital Redemption Reserve Account		300
	(Being the amount equal to nominal value of equity shares bought back out of free reserves transferred to capital redemption reserve account)		
(v)	Equity shares buy-back Account	Dr. 2,500	
	To Bank Account		2,500
	(Being the payment made on buy back)		

(5*1 = 5 MARKS)**Balance Sheet of Dee Limited as on 1st April, 20X1****(After buy back of shares)**

Particulars	Note No	(Rs. in 000)
I. Equity and Liabilities		
(1) Shareholder's Funds		
(a) Share Capital	1	2,200
(b) Reserves and Surplus	2	6,900
(2) Current Liabilities		1,400
Total		10,500
II. Assets		
(1) Non-current assets		
(a) Fixed assets		9,300
(2) Current assets (15,00 - 300)		1,200
Total		10,500

Notes to Accounts

			Rs. in 000
1	Share Capital		
	Authorized capital:		<u>3,000</u>
	Issued and subscribed capital:		
	2,00,000 Equity shares of ' 10 each fully paid up	2,000	
	2,000 10% Preference shares of ' 100 each fully paid up	<u>200</u>	2,200
2	Reserves and Surplus		
	Capital reserve	1,000	
	Capital redemption reserve	300	
	Securities Premium	2,200	
	Less: Premium payable on buy back of shares	<u>2,000</u>	200
	Revenue reserve	3,000	
	Less: Transfer to Capital redemption reserve	<u>300</u>	2,700
	Profit and loss A/c	3,500	
	Less: Loss on investment	<u>800</u>	<u>2,700</u>
			6,900

(5 MARKS)

ANSWER-4**1. Journal Entries in the books of Lakshmi Ltd**

S.No.	Particulars	Dr. (Rs.)	Cr. (Rs.)
1.	7.5% Preference Share Capital (Rs. 100) A/c To Reconstruction A/c To 9% Preference Share Capital (Rs. 100) A/c (Being 20% holding of Preference Shareholders surrendered, and 9% Preference Shares issued for the balance)	Dr. 8,00,000	1,60,000 6,40,000
2.	11% Debentures A/c To Plant and Machinery A/c To Reconstruction A/c (Being Debenture holders accepting Plant and M/c in full satisfaction of their claim)	Dr. 10,00,000	8,50,000 1,50,000
3.	Sundry Creditors A/c To Stock (Being Sundry Creditors agreeing to take over Stock of the value of Rs. 6,20,000)	Dr. 6,20,000	6,20,000
4.	Equity Share Capital (Rs. 10) A/c To Reconstruction A/c To Equity Share Capital (Rs. 6) A/c (Being Equity Shareholders ageing for reduction of Rs.4 per Share, and new Share of Rs. 6 each fully paid up issued to them)	Dr. 18,00,000	7,20,000 10,80,000
5.	Reconstruction A/c To Investments A/c (Being Investments written down to Market Value of Rs. 60,000)	Dr. 5,000	5,000
6.	Reconstruction A/c To Sundry Debtors A/c To Stock A/c (Being Sundry Debtors and Stock valued at 90% of their Book Value)	Dr. 1,88,000	1,20,000 68,000
7.	Loan from Directors A/c To Reconstruction A/c (Being Loan from Directors waived by them)	Dr. 15,000	15,000
8.	Reconstruction A/c	Dr. 8,52,000	

To Profit and loss A/c	7,18,000
To Goodwill A/c	35,000
To Patents A/c	60,000
To Capital Reserve A/c (WN 2)	39,000
(Being balance in Reconstruction A/c used to write off Intangible Assets and balance transferred to Capital Reserve A/c)	

(8*1 = 8 MARKS)

2. Reconstruction A/c

Particulars	Rs.	Particulars	Rs.
To Investment A/c	5,000	By 7.5% Preference Share Capital A/c	1,60,000
To Sundry Debtors A/c	1,20,000	By 11% Debentures A/c	1,50,000
To Stock A/c	68,000	By Equity Share Capital A/c	7,20,000
To Goodwill A/c	35,000	By Loan from Directors A/c	15,000
To Patents A/c	60,000		
To Profit and Loss A/c	7,18,000		
To Capital Reserve A/c (balancing figure)	39,000		
	10,45,000		10,45,000

(5 MARKS)

3. Balance Sheet of Lakshmi Ltd as on 31st March (and reduced)

Particulars as at 31st March	Note	This Year	Prev. Yr
I EQUITY AND LIABILITIES:			
1) Shareholders' Funds:			
(a) Share Capital	1	17,20,000	
(b) Reserves and Surplus - Capital Reserve		39,000	
2) Current Liabilities:			
Short Term Borrowings - Bank Overdraft		1,65,000	
Total		19,24,000	
II ASSETS			
1) Non-Current Assets			
(a) Fixed Assets: Tangible Assets - Furniture & Fittings		1,60,000	
(b) Non-Current Investments	-	60,000	
Cost Rs. 65,000, taken at Market Value			
2) Current Assets:			
(a) Inventories -Stock-in-Trade		6,12,000	

(b)	Trade Receivables - Sundry Debtors	10,80,000
(c)	Cash and Cash Equivalents - Cash on Hand	12,000
Total		19,24,000

(4 MARKS)

Note 1: Share Capital

	Particulars	This Year	Prev. Yr
Authorised:	...Equity Shares of Rs. ...each...		
Preference Shares of Rs..... each		
Issued, Subscribed & Paid up:	1,80,000 Equity Shares of Rs. 6 each	10,80,000	
	6,400 9% Preference Shares of Rs. 100 each	6,40,000	
	Total	17,20,000	

(1 MARK)