SUGGESTED SOLUTION

CA INTERMEDIATE NOV'19

SUBJECT- ACCOUNTS

Test Code - CIM 8264

BRANCH - () (Date :)

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ANSWER-1

Memorandum Trading Account for the Period from 1.1.2018 to 30.6.2018

		Rs.			Rs.
To Opening stock (1.1.2018)		1,50,000	By Sales	11,50,000	
To Purchases	9,50,000		Less : Sales Returns	(40,000)	11,10,000
Less : Returns	(12,500)	9,37,500	By closing stock		2,80,000
To Cartage Inwards		17,500	(Bal. Fig.)		
To Wages		7,500			
To Gross Profit		2,77,500			
		13,90,000			13,90,000

(5 MARKS)

Stock destroyed Account

	Rs.		Rs.
To Trading Account	2,80,000	By stock Salvaged Account	20,000
		BY Balance c/d (For Claim)	2,60,000
	2,80,000		2,80,000

(2 MARKS)

Statement of claim

Items	Cost (Rs.)	Depreciation (Rs.)	Salvage (Rs.)	Claim (Rs.)
A	B	C	D	(E- B – C – D)
Stock	2,80,000		20,000	2,60,000
Buildings	3,75,000	1,25,000 + 9,375	4,000	2,36,625
Equipment	75,000	22,500 + 5,625	2,500	44,375
				5,41,000

(3 MARKS)

Alternative Solution

Memorandum Trading A/c for the period from 1.1.18 to 30.6.18

To Opening Stock		1,50,000	By Sales	11,50,000	
To purchases	9,50,000		(-) Returns	(40,000)	11,10,000
Less : Returns	(12,500)	9,37,500	By closing stock		2,80,000
To carriage inwards		17,500	(Balance figure)		
To Wages		7,500			
To Gross profit		2,77,500			
		13,90,000			13,90,000

Statement of claims :

Stock on date of fire	2,80,000
Less : Salvage value	(20,000)
Loss on date of fire / Loss due to fire	2,60,000

		Cost	Dep.	Salvage	Claims
1.	Stock	2,80,000	-	20,000	2,60,000
2.	Building	3,75,000	(1,25,000 + 9375)	4,000	2,36,625
3.	Equipment	75,000	(22,500 + 5625)	2,500	44,375
					5,41,000

ANSWER-2

In the books of AP Ltd.

Journal Entries

Date	Particulars		Dr. (Rs.)	Cr.(Rs.)
	Bank A/c.	Dr.	25,000	
	To Equity Share Capital A/c.			25,000
	(Being the issue of 2,500 Equity shares of Rs. 10 each at par, as per Board's Resolution No…. dated…..)			
	8% Redeemable Preference Share Capital A/c.	Dr.	1,00,000	
	Premium on Redemption of Pref. Shares A/c.	Dr.	10,000	
	To Preference Shareholders A/c.			1,10,000
	(Being the amount paid on redemption transferred to Preference Shareholders Account)			
	Preference Shareholders A/c.	Dr.	1,10,000	
	To Bank A/c.			1,10,000
	(Being the amount paid on redemption of preference shares)			
	Profit & Loss A/c.	Dr.	10,000	
	To Premium on Redemption of Preference Shares A/c.			10,000
	(Being the premium payable on redemption is adjusted against Profit & Loss Account)			
	General Reserve A/c.	Dr.	60,000	
	Profit & Loss A/c.	Dr.	10,000	
	Investment Allowance Reserve A/c.	Dr.	5,000	
	To Capital Redemption Reserve A/c.			75,000
	(Being the amount transferred to Capital Redemption Reserve Account as per the requirement of the Act)			

(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	1,00,000
		Total		?
		ASSETS		
2.		**Current Assets**		
		Cash and Cash equivalents		13,000

	(98,000 + 25,000 – 1,10,000) **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 Notes :

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)

Alternative Solution

Working Note can be made in the following manner :

(a) Calculation of No. of equity share to be issued :

	F.V.	Premium
Redemption of 8% Pref. Shares	1,00,000	10,000
(-) F.V. of Fresh Issue (Balance figure)	25,000	
CRR of only F.V.	75,000	10,000
Utilisation of Reserves		
General Reserve	60,000	
Investment allowance Reserve	5,000	
P & L A/c.	10,000	10,000
CRR	75,000	10,000

$\therefore$ **No. of equity shares to be issued =** $\frac{25{,}000}{10}$

= 2,500 shares

OR

(b) F.V. of Pref. Share Redemption = Fresh Issue + CRR

∴ 1,00,000 = Fresh Issue + [60,000 + 10,000 + 5,000]

Therefore, 100000-75000 = Fresh Issue

∴ Share capital = 25,000

No. of share = $\frac{25,000}{10}$ = 2,500 shares.

Premium on Redemption = Rs. 10,000 to be w/off against profit and loss.

Note: Student can even write off Premium against General Reserve.

ANSWER-3

Departmental Trading and Loss Account of M/S Division for the year ended 31st December, 2018

	Deptt. A	Deptt. B		Deptt. A	Deptt.B
	Rs.	Rs.		Rs.	Rs.
To Opening stock	50,000	40,000	By Sales	10,00,000	15,00,000
To Purchases	6,50,000	9,10,000	By Closing stock	1,00,000	2,00,000
To Gross Profit	4,00,000	7,50,000			
	11,00,000	17,00,000		11,00,000	17,00,000
To General Expenses			By Gross Profit	4,00,000	7,50,000
(in ratio of sales)	50,000	75,000			
To Profit to general profit and loss account	3,50,000	6,75,000			
	4,00,000	**7,50,000**		**4,00,000**	**7,50,000**

(5 MARKS)

General Profit and Loss Account

	Rs.		Rs.
To stock reserve required (additional :		By Profit from :	
Stock in Deptt. A		Deptt. A	3,50,000
50% of (Rs. 20,000 – Rs. 10,000)	5,000	Deptt. B	6,75,000
(W.N. 1)			
Stock in Deptt. B			
40% of (Rs. 30,000 – Rs. 15,000)	6,000		
(W.N. 2)			
To Net Profit	10,14,000		
	10,25,000		10,25,000

(5 MARKS)

Working Notes :

1. Stock of department A will be adjusted according to the rate applicable to department

B = [(7,50,000 ÷ 15,00,000) × 100] = 50%

2. Stock of department B will be adjusted according to the rate applicable to department A = [(4,00,000 ÷ 10,00,000) × 100] = 40%

Alternative Solution

In the books of M/s Division
Departmental Trading & P /L Account for the year ended 31/12/18

Particulars	Dept A	Dept B	Particular	Dept A	Dept B
To Opening stock	50,000	40,000	By Sales	10,00,000	15,00,000
To purchases	6,50,000	9,10,000	By Closing stock	1,00,000	2,00,000
To Gross Profit	4,00,000	7,50,000			
	11,00,000	17,00,000		11,00,000	17,00,000
			By G.P.	4,00,000	7,50,000
To N.P.	4,00,000	7,50,000			

(a) General P/L (as per Working Note a)

To General Exps.		1,25,000	By N.P. :-		
To Closing Stock Reserve			Dept A	4,00,000	
Dept A	10,000		Dept B	7,50,000	11,50,000
Dept B	12,000	22,000	By Opening Stock Reserve		
To Net profit		10,14,000	Dept A	5,000	
			Dept B	6,000	11,000
		11,61,000			11,61,000

OR

General P/L (as per WN b)

(b)

To General Exps.		1,25,000	By N.P. :		
To Net Stock Reserve			Dept A	4,00,000	
Dept A	5,000		Dept B	7,50,000	11,50,000
Dept B	6,000	11,000			
To N.P.		10,14,000			
		11,61,000			11,61,000

(i) Calculation of closing stock Reserve

	Dept. A	Dept. B
Closing stock as on 31/12/18	1,00,000	2,00,000
Goods included of other dept.	20,000	30,000
GP Rate :		
For Dept. A, GP % of Dept. B	50%	
For Dept. B, GP % of Dept. A		40%
∴ Closing stock Reserve	10,000	12,000

(ii) Calculation of opening stock Reserve

	Dept. A	**Dept. B**
Opening stock as on 01/01/18	50,000	40,000
Goods included of other dept.	10,000	15,000
GP Rate		
For Dept A, GP % of Dept. B	50%	
For Dept B, GP % of Dept. A		40%
∴ Opening stock Reserve	5,000	6,000

OR

(b)(i) Calculation of Net stock Reserve [closing stock – Opening stock]

	Dept A	**Dept B.**
Net stock of other dept [Closing – Opening]	10,000	15,000
GP Rate		
For Dept A, GP % of Dept B	50%	
For Dept B, GP % of Dept A		40%
Net Stock Reserve	5,000	6,000

ANSWER-4

Balance Sheet of Mehar Ltd. as at 31st March, 2018

		Note	**Rs.**
I	**EQUITY AND LIABILITIES**		
(1)	(a) Share Capital	1	1,60,00,000
	(b) Reserve and Surplus	2	98,64,424
(2)	**Non – current Liabilities**		
	Long term Borrowings – Terms Loans (Secured)		40,00,000
(3)	**Current Liabilities**		
	(a) Trade Payables	-	45,80,000
	(b) Other current liabilities	3	20,03,576
	(c) Short – term Provisions (Provision for taxation)		10,20,000
	Total		**3,74,68,000**
II	**ASSETS**		
(1)	**Non – current Assets**		
	(a) Fixed Assets :		
	(i) Tangible Assets	4	2,06,00,000
	(ii) Capital WIP		8,00,000
	(b) Non – current Investments		9,00,000
(2)	**Current Assets :**		
	(a) Inventories	5	48,00,000
	(b) Trade Receivables	6	48,20,000
	(c) Cash and Cash Equivalents		38,40,000
	(d) Short – term Loans and Advances	7	17,08,000
	Total		**3,74,68,000**

(6 Marks)

Notes to accounts

				(Rs.)
1.	**Share Capital**			
	Authorized, issued, subscribed & called up 1,20,000, Equity Shares of Rs. 100 each		1,20,00,000	
	40,000 10% Redeemable Preference Shares of 100 each		40,00,000	1,60,00,000
2.	**Reserves and Surplus**			
	Securities Premium Account		19,00,000	
	General Reserve		62,00,000	
	Profit & Loss Balance			
	Opening balance			
	Profit for the period	32,00,000		
	Less : Miscellaneous Expenditure written off	(2,32,000)		
		29,68,000		
	Less : Appropriations			
	Dividend	(10,00,000)		
	Dividend distribution tax	(2,03,576)	17,64,424	98,64,424
3.	**Other current Liabilities**			
	Loan from other parties		8,00,000	
	Dividend		10,00,000	
	Dividend Distribution tax [W.N.]		2,03,576	20,03,576
4.	**Tangible assets**			
	Fixed Assets			
	Opening balance		2,26,00,000	
	Less : Depreciation		(20,00,000)	
	Closing balance			2,06,00,000
5.	**Inventories**			
	Finished Goods		30,00,000	
	Stores		16,00,000	
	Loose Tools		2,00,000	48,00,000
6.	**Trade Receivables**			
	Trade receivables		49,00,000	
	Less : Provision for Doubtful Debts		(80,000)	48,20,000
7.	**Short Term loans & Advances**			
	Staff Advances		2,20,000	
	Other Advances		14,88,000	17,08,000

(3 Marks)

Working Note :

Calculation of Dividend Distribution tax

(i) Grossing – up of dividend : **(1 Mark)**

		Rs.
Dividend distributed by Mehar Ltd.		
Equity shares dividend	6,00,000	

Preference share dividend	4,00,000	10,00,000
Add : Increase for the purpose of grossing up of dividend		
10,00,000 × [15/(100 – 15)]		1,76,470
Gross dividend		11,76,470

(ii) Dividend distribution tax @ 17.304% 2,03,576

ANSWER-5

MA (P) Ltd.

Statement showing calculation of profit/losses for pre and post incorporation periods

	Basis of allocation	**Pre-inc.Rs.**	**Post-inc.Rs.**
Sales	Sales ratio	26,00,000	2,08,00,000
Less: Cost of goods sold	Sales ratio	18,20,000	1,45,60,000
Salaries	W.N.4	90,000	10,80,000
Depreciation	Time ratio	36,000	1,44,000
Advertisement	Sales ratio	78,000	6,24,000
Discounts	Sales ratio	1,30,000	10,40,000
M.D.'s remuneration	Post-inc	—	90,000
Misc. Office Expenses	Time ratio	24,000	96,000
Rent	W.N.5	90,000	6,30,000
Interest	Time ratio	3,51,000	6,00,000
Net Profit/(Loss)		(19,000)	19,36,000

(4 MARKS)

Working Notes: **(6 MARKS)**

(1) Calculation of Sales ratio:

Let the average sales per month in pre-incorporation period be x. Then the average sales in post-incorporation period are 2x. Thus total sales are (3 × x) +(12 × 2x) or 27x. Ratio of sales will be 3x : 24x or 1:8.

Time ratio is 3 months : 12 months or 1:4

(2) Expenses apportioned on turnover ratio basis are cost of goods sold, advertisement, discounts.

(3) Expenses apportioned on time ratio basis are Depreciation, and misc. office expenses.

(4) Ratio for apportionment of Salaries:

If pre-incorporation monthly average is x, for 3 months 3x.

Average for balance 12 months 3x, for 12 months 36x.

Hence ratio for division, 1:12.

(5) Apportionment of Rent:

		Rs.
Total Rent		7,20,000
Additional rent for 9 months (From 1st July 20X2 to31st March, 20X3)	(2,70,000)	
Rent for old premises for 15 months at Rs. 30,000 p.m.		4,50,000

	Pre-inc.	Post-inc.
Old Premises	90,000	3,60,000
Additional rent	___	2,70,000
	90,000	6,30,000