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**SUGGESTED SOLUTION**

**CA INTERMEDIATE NOV'19**

**SUBJECT- ACCOUNTS**

**Test Code - CIM 8331**

**BRANCH - () (Date :)**

**Head Office : Shraddha, 3<sup>rd</sup> Floor, Near Chinai College, Andheri (E), Mumbai – 69.**

**Tel : (022) 26836666**

**ANSWER-1****Step 1: Calculation of Deficiency****Branch stock account (at invoice price)**

Particulars	Rs.	Particulars	Rs.
To Opening Stock (Rs. 74,736 + 1/3 of Rs. 74,736)	99,648	By Sales	3,61,280
To Goods sent to Branch A/c (Rs. 2,89,680 + 1/3 of Rs. 2,89,680)	3,86,240	By Closing Stock	1,23,328
		By Deficiency at sale price [Balancing figure]	1,280
	<b>4,85,888</b>		<b>4,85,888</b>

**(4 MARKS)****Step 2: Calculation of Net Profit before Commission****Branch account**

Particulars	Rs.	Particulars	Rs.
To Opening [Rs.74,736 + 1/3 of Rs. 74,736]	99,648	By Sales	3,61,280
To Gross sent to Branch A/c (Rs. 2,89,680 + 1/3 of Rs. 2,89,680)	3,86,240	By Closing Stock	1,23,328
To Expenses	49,120	By Stock Reserve A/c	24,912
To Stock Reserve A/c (Rs. 1,23,328 x 25/100)	30,832	By goods sent to Branch A/c	96,560
To Net Profit – subject to manager’s commission	40,240		
	<b>6,06,080</b>		<b>6,06,080</b>

**(4 MARKS)****Step 3: Calculation of Commission still due to manager Rs.**

		Rs.
A	Calculation at 10% profit before charging his commission [Rs. 40,240 x 10/100]	4,024
B	Less: 25% of cost of deficiency in stock (25% of (75% of Rs. 1,280))	(240)
C	Commission for the year [A-B]	3,784
D	Less: Paid on account	(2,400)
E	Balance due (C-D)	1,384

**(2 MARKS)**

**ANSWER-2**

**BOOKS OF HIRE PURCHASER i.e. GANAPATI LTD.**

**1. Machines on Hire Purchase A/c**

Date	Particulars	Rs.	Date	Particulars	Rs.
30.04.2017	To HP Company: Cash Price of M/c A		31.12.2017	By balance c/d	
	To HP Company: Cash Price of M/c B	14,000		- Machine A	14,000
		19,000		- Machine B	14,000
					19,000
	<b>Total</b>	<b>33,000</b>			<b>33,000</b>

Date	Particulars	Rs.	Date	Particulars	Rs.
01.01.2018	To balance b/d		30.06.2018	By Machine Disposal A/c	19,000
	-Machine A	14,000	31.12.2018	By balance c/d	14,000
	- Machine B	19,000			
	<b>Total</b>	<b>33,000</b>		<b>Total</b>	<b>33,000</b>

(3 MARKS)

**2. Provision for Depreciation of Machines A/c**

Date	Particulars	Rs.	Date	Particulars	Rs.
31.12.17	To balance c/d	2,820	31.12.17	By Depreciation A/c:	
				- Machine A ( $14,000 \times 20\% \times \frac{8}{12}$ )	1870
				- Machine B ( $19,000 \times 20\% \times \frac{3}{12}$ )	950
	<b>Total</b>	<b>2,820</b>		<b>Total</b>	<b>2,820</b>

30.6.18	To M/c Disposal A/c -		1.1.18	By balance b/d	2,820
31.12.18	Machine B(Rs. 950 + Rs. 1,900)	2,850	30.6.18	By P & L A/c (on Machine B)(Depreciation for 6 Months)	1,900
	To balance c/d (on Machine A)(Rs. 1,870 + Rs. 2,800)	4,670	31.12.18	By Depreciation A/c (on Machine A)	2,800
	<b>Total</b>	<b>7,520</b>		<b>Total</b>	<b>7,520</b>

(3 MARKS)

### 3. Disposal of Machines Account

Date	Particulars	Rs.	Date	Particulars	Rs.
30.6.18	To Machines on Hire Purchase - Machine B (Cost transfer)	19,000	30.06.18	By Provision for Depreciation - Machine B (Accum. Deprn. tfr)	2,850
			10.07.18	By Bank (Insurance Amount)	
			31.12.18	By P&L A/c: Loss on Disposal	15,000
					1,150
	<b>Total</b>	<b>19,000</b>		<b>Total</b>	<b>19,000</b>

(2 MARKS)

### 4. Hire Purchase Company Account

Date	Particulars	M/c A	M/c B	Date	Particulars	M/c A	M/c B
30.04.17	To Cash (Deposit)	2,000		30.04.17	By Machines on HP	14,000	—
30.09.17	To Cash (Deposit)		2,680	30.09.17	By Machines on HP	—	19,000
	To Cash (Instalments)			31.12.17	By HP Interest:		
	- Rs. 600 x 8 (May to Dec)	4,800	—		- Rs. 100 x 8	800	—
	- Rs. 800 x 3 (Oct to Dec)	—	2,400		- Rs. 120 x 3	—	360
31.12.17	To balance c/d (500x16) & (680x21)	8,000	14,280				
	<b>Total</b>	<b>14,800</b>	<b>19,360</b>		<b>Total</b>	<b>14,800</b>	<b>19,360</b>
30.06.18	To Cash (Instalments)			01.01.18	By balance b/d	8,000	14,280
	- Rs. 800 x 6 (Jan to Jun)	—	4,800	30.06.18	By HP Interest		
10.07.18	To Cash - Termination of HP Agreement	—	12,000		- Rs. 120 x 6	—	720
31.12.18	To Cash (Instalments)			31.12.18	By HP Interest		
	- Rs. 600 x 12 (Jan to Dec)	7,200	—		- Rs. 100 x 12	1,200	—
31.12.18	To balance c/d (500 x 4)	2,000	—	31.12.18	By P&L A/c - Loss	—	1,800
	<b>Total</b>	<b>9,200</b>	<b>16,800</b>		<b>Total</b>	<b>9,200</b>	<b>16,800</b>

(5 MARKS)

### 5. Calculation of Amount of Instalment and Interest

Particulars		M/c. A	M/c. B
Cash Price		14,000	19,000
Less: Down Payment		(2,000)	(2,680)
Balance Amount Payable	(A)	12,000	16,320
Add: Interest Payable for the Instalment Period		2,400	2,880
<b>Total Amount Payable under Instalments</b>	<b>(B)</b>	<b>14,400</b>	<b>19,200</b>
Number of Instalments	(C)	24	24
Instalment Amount	(D) = (B) ÷ (C)	600	800
Interest Component in Instalment Amount	(E) = (A) ÷ (C)	100	120
Principal Component in Instalment Amount	(F) = (D) - (E)	500	680

(2 MARKS)

### ANSWER-3

#### A. Journal Entries in the books of Branch (Rs. in Lakhs)

S.No	Particulars	Dr.	Cr.
1.	Goods Received from Head Office A/c To Head Office A/c (Being Goods despatched by HO, but not received by Branch before 1st April 2018)	Dr. 10	10
2.	Expenses A/c To Head Office A/c (Being amount charged by Head Office for centralized services)	Dr. 1	1

(0.5\*2 = 1 MARK)

#### B. In the books of Head Office

##### Trading and Profit & Loss A/c of the Branch for the year ended 31st March 2018

Particulars	Rs. in Lakhs	Particulars	Rs. in Lakhs
To Opening Stock	60	By Sales	360
To Goods received from HO (288 + 10)	298	By Closing Stock (62 + 10)	72
Less: Returns	<u>5</u>		
To Carriage Inwards	7		
To Gross Profit (balancing figure)	72		
<b>Total</b>	<b>432</b>	<b>Total</b>	<b>432</b>
To Salaries	25	By Gross Profit b/d	72
To Depreciation on Furniture	2		
To Rent	10		
To Advertising	6		

To Telephone, Postage & Stationery	3		
To Sundry Office Expenses	1		
To Head Office Expenses	1		
To Net Profit trfd to HO A/c (balancing figure)	24		
<b>Total</b>	<b>72</b>	<b>Total</b>	<b>72</b>

(4 MARKS)

**C. Balance Sheet of the Branch as on 31st March 2018**

Capital and Liabilities		Rs. in Lakhs	Properties and Assets		Rs. in Lakhs
Head Office A/c	80		Furniture & Equipment	20	
Add: Goods in transit	10		Less: Depreciation	2	18
Head Office Expenses	1		Stock-in-hand (incl. in Goods in Transit)		72
Net Profit	24	115	Debtors		20
Outstanding Expenses		3	Cash at Bank and in Hand		8
<b>Total</b>		<b>118</b>	<b>Total</b>		<b>118</b>

(3 MARKS)

**D. Journal Entries in the books of Head Office (Rs. in Lakhs)**

S.No	Particulars	Dr.	Cr.
1.	Branch Trading A/c To Branch A/c (Being the total of the following items in Branch Trial Balance, debited to Branch Trading Account) (Opg Stock at Branch 60 + Goods Received from HO 298 + Carriage Inwards 7)	Dr. 365	365
2.	Branch Account To Branch Trading A/c (Being Total Sales, Closing Stock and Goods Returned to Head Office credited to Branch Trading Account) (Sales 360 + Clg Stock 72 + Goods returned to HO 5)	Dr. 437	437
3.	Branch Trading A/c To Branch Profit and Loss A/c (Being GP earned by Branch credited to Branch Profit and Loss Account)	Dr. 72	72
5	Branch Profit and Loss A/c To Branch A/c (Being the Total of Branch Expenses debited to Branch P&L Account) (Salaries 25 + Rent 10 + Advertising 6 + Telephone, Postage & Stationery 3 + Sundry Office Expenses 1 + HO Expenses 1 + Depreciation on Furniture & Equipment 2 )	Dr. 48	48

5.	Branch Profit & Loss A/c To Profit and Loss A/c (Being Net Profit of Branch credited to General Profit & Loss A/c)	Dr.	24	24
6.	Branch Furniture & Equipment A/c Branch Stock A/c (62 + 10) Branch Debtors A/c Branch Cash at Bank and in Hand A/c To Branch A/c (Being incorporation of different assets at the Branch, in HO Books)	Dr.	18 72 20 8	118
7.	Branch A/c To Branch Outstanding Expenses A/c (Being incorporation of Branch Outstanding Expenses, in HO Books)	Dr.	3	3

(7\*1 = 7 MARKS)

#### ANSWER-4

Ledger Accounts in the Books of Girish Transport Ltd are as under -

##### 1. Rickshaw A/c

Date	Particulars	Rs.	Date	Particulars	Rs.
01.01.15	To NCR Motors A/c	1,80,000	31.12.15	By Depreciation (1,80,000x 20%)	36,000
			31.12.15	By balance c/d	1,44,000
	<b>Total</b>	<b>1,80,000</b>		<b>Total</b>	<b>1,80,000</b>
01.01.16	To balance b/d	1,44,000	31.12.16	By Depreciation (1,44,000x 20%)	28,800
				By NCR Motors (WN 2)	58,800
				By Loss on Takeover (WN 3)	18,000
				By balance c/d (b/f)	38,400
	<b>Total</b>	<b>1,44,000</b>		<b>Total</b>	<b>1,44,000</b>
01.01.17	To balance b/d	38,400	31.12.17	By Depreciation (38,400x 20%)	7,680
				By balance c/d (b/f)	30,720
	<b>Total</b>	<b>38,400</b>		<b>Total</b>	<b>38,400</b>

Date	Particulars	Rs.	Date	Particulars	Rs.
01.01.15	To Bank A/c	30,000	01.01.15	By Rickshaw A/c	1,80,000
31.12.15	To Bank A/c [50,000 + 15,000]	65,000	31.12.15	By Interest A/c [1,80,000 - 30,000]x 10%	15,000
31.12.15	To balance c/d (b/f)	1,00,000			
	<b>Total</b>	<b>1,95,000</b>		<b>Total</b>	<b>1,95,000</b>
31.12.16	To Rickshaw A/c	58,800	01.01.16	By balance b/d	1,00,000
31.12.16	To balance c/d	51,200	31.12.16	By Interest A/c [1,00,000 x	10,000

				10%]	
		<b>1,10,000</b>			<b>1,10,000</b>
31.12.17	To Bank A/c (Note)	56,320	01.01.17	By balance b/d	51,200
			31.12.17	By Interest A/c [51,200 x 10%]	5,120
	<b>Total</b>	<b>56,320</b>		<b>Total</b>	<b>56,320</b>

**Note:** It is assumed that the balance amount is settled along with interest, on 31.12.2017.

**(6 MARKS)**

**Working Notes: 1. Valuation of Rickshaw**

Particulars	Value as per Purchaser	Value as per Vendor
Depreciation Rate	20% WDV	30% WDV
Value of Rickshaw [60,000 x 3]	1,80,000	1,80,000
Less: Depreciation for the year 2015	(36,000)	(54,000)
Value of Rickshaw as on 31.12.2015	1,44,000	1,26,000
Less: Depreciation for the year 2016	(28,800)	(37,800)
Value of Rickshaw as on 31.12.2016	1,15,200	88,200
Less: Value of Rickshaws repossessed [1,15,200 x 2/3]	(76,800)	
Price of the Remaining Rickshaw [1,15,200 x 1/3]	38,400	
Less: Depreciation for the year 2017	(7,680)	
Value of Rickshaw as on 31.12.2017	30,720	

2. Takeover Value of Rickshaws repossessed:  $2/3 \times \text{Rs. } 88,200 = \text{Rs. } 58,800$

3. Loss on Takeover = Book Value of Rickshaws Repossessed Rs. 76,800 (-) Takeover Value Rs. 58,800 = Rs. 18,000.

**(4 MARKS)**