



J.K. SHAH[®]
TEST SERIES
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SUGGESTED SOLUTION

CA INTERMEDIATE NOV'19

**SUBJECT- ACCOUNTS AND
ADVANCED ACCOUNTS**

Test Code - CIM 8344

BRANCH - () (Date :)

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Answer 1:

(i) Capital Funds - Tier I :	Rs. in lakhs	Rs. in lakhs
Equity Share Capital		480,00
Statutory Reserve		280,00
Capital Reserve (arising out of sale of assets)		<u>9,30</u>
		769,30
Capital Funds - Tier II :		
Capital Reserve (arising out of revaluation of assets)	280	
Less : Discount to the extent of 55%	<u>(154)</u>	<u>1,26</u>
		<u>770,56</u>

(ii) Risk Adjusted Assets			
Funded Risk Assets	Rs. in lakhs	Percentage weight	Amount Rs. in lakhs
Cash Balance with RBI	4,80	0	—
Balances with other Banks	12,50	20	2,50
Claims on banks	28,50	20	5,70
Other Investments	782,50	100	782,50
Loans and Advances:			
(i) guaranteed by government	128,20	0	—
(ii) guaranteed by public sector undertakings of Central Govt.	702,10	0	—
(iii) Others	52,02,50	100	52,02,50
Premises, furniture and fixtures	1,82,00	100	1,82,00
Other Assets	2,01,20	100	<u>2,01,20</u>
			<u>63,76,40</u>

Off-Balance Sheet Item	Rs. in lakhs	Credit Conversion Factor	
Acceptances, Endorsements and Letters of credit	37,02,50	100	<u>37,02,50</u>
			100,78,90

$$\text{Risk Weighted Assets Ratio: } \frac{\text{Capital Funds (Tier I \& Tier II)}}{\text{Risk Adjusted Assets + Off Balance Sheet items}} \times 100$$

$$= \frac{7,69,30 + 1,26}{63,76,40 + 37,02,50}$$

$$\text{Capital Adequacy Ratio} = \frac{770,56}{100,78,90} \times 100 = 7.65\%$$

Expected ratio is 9%. So the bank has to improve the ratio by introducing further Tier I capital.

(10 marks)

Answer 2:

Particulars	Loan Rs. Lakhs	Provision %	Provision Rs. Lakhs
Standard Assets (Assumed NBFC-D / NBFC-NDSI) (Note)	10,000	0.40%	40
Sub-Standard Assets	1,000	10%	100
Secured Portions of Doubtful Debts - up to one year	160	20%	32
- 1 year to 3 years	70	30%	21
- more than 3 years	20	50%	10
Unsecured Portions of Doubtful Assets	90	100%	90
Loss Assets	30	100%	30
Total			313

Note: For NBFC-Non Systemically Important Non Deposit taking Company, Provision for Standard Assets will be 0.25% = Rs. 25. **(5 marks)**

Answer 3:

Calculation of total Interest and Interest included in each installment

Hire Purchase Price (HPP) = Down Payment + instalments

= 30,000 + 50,000 + 50,000 + 30,000 + 20,000 = 1,80,000

Total Interest = 1,80,000 – 1,50,000 = 30,000

Computation of IRR (considering two guessed rates of 6% and 12%)

Year	Cash Flow	DF @6%	PV	DF @12%	PV
0	30,000	1.00	30,000	1.00	30,000
1	50,000	0.94	47,000	0.89	44,500
2	50,000	0.89	44,500	0.80	40,000
3	30,000	0.84	25,200	0.71	21,300
4	20,000	0.79	15,800	0.64	12,800
		NPV	1,62,500	NPV	1,48,600

Interest rate implicit on lease is computed below by interpolation:

Interest rate implicit on lease = $6\% + \frac{1,62,500 - 1,50,000}{1,62,500 - 1,48,600} \times (12 - 6) = 11.39\%$

(4 marks)

Thus, repayment schedule and interest would be as under :

Installment no.	Principal at beginning	Interest included in each installment	Gross amount	Installment	Principal at end
Cash down	1,50,000		1,50,000	30,000	1,20,000
1	1,20,000	13,668	1,33,668	50,000	83,668
2	83,668	9,530	93,198	50,000	43,198
3	43,198	4,920	48,118	30,000	18,118
4	18,118	2,064	20,182	20,000	182*
		30,182*			

* the difference is on account of approximations.

(4 marks)

Answer 4:

1. Computation of Rebate pertaining to period after B/S date

Due Date	Amount (Rs.)	No. of Days after 31.03.2018	Rebate (Rs.)
(1)	(2)	(3)	(4) = (2) x 12% x $\frac{(3)}{365}$
15.04.2014	3,75,000	15	1,849
06.05.2014	4,90,000	30 + 6 = 36	5,800
01.06.2014	2,45,000	30 + 31 + 1 = 62	4,994
20.06.2014	3,68,000	30 + 31 + 20 = 81	9,800
04.07.2014	4,85,000	30 + 31 + 30 + 4 = 95	15,148
		Total	37,591

(4 marks)

2. Computation of Amount to be credited to Profit & Loss A/c

Particulars	Rs.
Transfer from Rebate on Bills Discounted (Opening Balance on 01.04.2017)	60,610
Add: Discount Received	6,10,800
	6,71,410
Less: Rebate on Bills Discounted as on 31.03.2018 (WN 1)	(37,591)
Amount to be credited to P& L A/c	6,33,819

(1 mark)

3. Journal Entries

S.No.	Particulars	Dr. (Rs.)	Cr. (Rs.)
1.	Rebate on Bills Discounted A/c To Discount Received A/c (Being transfer of Opening Balance in Rebate A/c to Discount Received)	Dr. 60,610	60,610
2.	Discount Received A/c To Rebate on Bills Discounted A/c (Being provision for Unexpired Discount Charges as on 31.03.2014)	Dr. 37,591	37,591
3.	Discount Received A/c To Profit and Loss A/c (Being Discount Earned Income for the year credited to P&L A/c)	Dr. 6,33,819	6,33,819

(3 marks)

Answer 5:

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
	Total	1,80,000		Total	1,80,000
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
	Total	1,44,000		Total	1,44,000
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
	Total	38,400		Total	38,400

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			
	Total	1,95,000		Total	1,95,000

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%]	10,000
		1,10,000			1,10,000
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
	Total	56,320		Total	56,320

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	

- Takeover Value of Rickshaws repossessed: $2/3 \times \text{Rs. } 88,200 = \text{Rs. } 58,800$
- Loss on Takeover = Book Value of Rickshaws Repossessed Rs. 76,800 (-) Takeover Value Rs. 58,800 = Rs. 18,000.

(4 marks)

Answer 6:

TOP Bank Limited

Profit and Loss Account for the year ended 31st March, 2017

		Schedule	Year ended 31.03.2017 (‘ in ‘000s)
I.	Income:		
	Interest earned	13	5923.18
	Other income	14	728.00
	Total		6,651.18
II.	Expenditure		
	Interest expended	15	3259.92
	Operating expenses	16	768.46

	Provisions and contingencies (960+210+900)		2,070.00
	Total		6,098.38
III.	Profits/Losses		
	Net profit for the year		552.80
	Profit brought forward		nil
			552.80
IV.	Appropriations		
	Transfer to statutory reserve (25%)		138.20
	Balance carried over to balance sheet		414.60
			552.80

(4 marks)

		Year ended 31.3. 2017 (Rs. in '000s)
	Schedule 13 – Interest Earned	
I	Interest/discount on advances/bills (Refer W.N.)	5923.18
		5923.18
	Schedule 14 – Other Income	
I	Commission, exchange and brokerage	304
II	Profit on sale of investments	320
III	Rent received	104
		728
	Schedule 15 – Interest Expended	
I	Interests paid on deposits	3259.92
		3259.92
	Schedule 16 – Operating Expenses	
I.	Payment to and provisions for employees	320
II.	Rent and taxes	144
III.	Depreciation on bank's properties	48
IV.	Director's fee, allowances and expenses	48
V.	Auditors' fee	28
VI.	Law (statutory) charges	44
VII.	Postage and telegrams	96.46
VIII.	Preliminary expenses	40
		768.46

(1 mark x 4 = 4 marks)

Working Note: 1

	(Rs. in '000s)
Interest/discount	5,929.18
Add: Rebate on bills discounted on 31.3. 2016	19.00
Less: Rebate on bills discounted on 31.3. 2017	(25.00)
	5,923.18

Working Note : 2

Provisions & Contingencies

	Rs. In '000
Provision for RDD : - (960 + 210)	1,170
Provision for Tax	900
	2,070

(1 mark)