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**SUGGESTED SOLUTION**

**INTERMEDIATE N'19 EXAM**

**SUBJECT- ACCOUNTS**

**Test Code – CIM 8360**

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

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

**Tel : (022) 26836666**

**ANSWER-1**

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%]	10,000
		<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)**

### ANSWER-2

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:

$$\text{Interest rate implicit on lease} = 6\% + \frac{162500 - 150000}{162500 - 148600} \times (12 - 6) = 11.39\%$$

$$= 6\% + \frac{12500}{13900} \times 6 = 11.39\%$$

Thus repayment schedule and interest would be as under:

Installment no.	Principal at beginning	Interest included in each installment	Gross amount	Installment	Principle 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*			

(5 MARKS)

Ledger Accounts in the books of Happy Valley Florist Ltd.

Van Account

Date	Particulars	Rs.	Date	Particulars	Rs.
1.4.2010	To Ganesh Enterprises	1,50,000	31.03.2011	By Depreciation A/c	15,000
				By Balance c/d	1,35,000
		1,50,000			1,50,000
1.4.2011	To Balance b/d	1,35,000	31.03.2012	By Depreciation A/c	13,500
				By Balance c/d	1,21,500
		1,35,000			1,35,000
1.4.2012	To Balance b/d	1,21,500	31.03.2013	By Depreciation A/c	12,150
				By Balance c/d	1,09,350
		1,21,500			1,21,500
1.4.2013	To Balance b/d	1,09,350	31.03.2014	By Depreciation A/c	10,935
				By Balance c/d	98,415
		1,09,350			1,09,350

(2.5 MARKS)

**Ganesh Enterprises Account**

Date	Particulars	Rs.	Date	Particulars	Rs.
1.4.2010	To Bank A/c	30,000	1.4.10	By Van A/c	1,50,000
31.03.2011	To Bank A/c	50,000	31.03.11	By Interest c/d	13,668
	To Balance c/d	83,668			
		1,63,668			1,63,668
31.03.2012	To Bank A/c	50,000	1.4.11	By Balance b/d	83,668
	To Balance c/d	43,198	31.03.12	By Interest A/c	9,530
		93,198			93,198
31.3.2013	To Bank A/c	30,000	1.4.12	By Balance b/d	43,198
	To Balance c/d	18,118	31.3.13	By Interest A/c	4,920
		48,118			48,118
31.3.2014	To Bank A/c	20,000	1.4.13	By Balance b/d	18,118
			31.3.14	By Interest A/c	1,882*
		20,000			20,000

\*Balanced due to approximation in interest calculations.

**(2.5 MARKS)**

**ANSWER-3**

**In the Books of X Ltd.**

**Journal Entries**

	Dr. (Rs.)	Cr. (Rs.)
<b>I Year</b>		
Milk Vans purchased:		
Milk Vans A/c	Dr. 2,25,000	
To Vendor A/c		2,25,000
On down payment:		
Vendor A/c	Dr. 45,000	
To Bank		45,000
<b>I Year end</b>		
Interest A/c (Rs. 1,80,000 @ 9%)	Dr. 16,200	

To Vendor A/c			16,200
Vendor A/c	Dr.	76,200	
To Bank A/c (60,000 + 16,200)			76,200
Depreciation @ 20%			
Depreciation A/c	Dr.	45,000	
To Milk Vans A/c			45,000
Profit & Loss A/c	Dr.	61,200	
To Depreciation			45,000
To interest A/c			16,200
<b>II Year end</b>			
Depreciation @ 20%			
Depreciation A/c	Dr.	36,000	
To Milk Vans A/c			36,000
Interest A/c (1,20,000 @ 9%)	Dr.	10,800	
To Vendor A/c			10,800
For Loss in Repossession:			
Super Motors A/c (1,50,000 – 45,000 – 31,500)	Dr.	73,500	
Profit/Loss A/c (b.f.)	Dr.	22,500	
To Milk Vans A/c [(2,25,000 – 45,000 – 36,000) x 2/3]			96,000
IIIrd Year Depreciation			
Depreciation A/c (48,000 x 20%)	Dr.	9,600	
To Milk Vans A/c			9,600
Settlement of A/cs			
Vendor A/c Dr.	Dr.	57,300	
To Bank			57,300

(6 MARKS)

#### Milk Vans Account

Year		Rs.	Year		Rs.
1	To Super Motors A/c	2,25,000	1 end	By Depreciation A/c	45,000
				" By Balance c/d	1,80,000
		<b>2,25,000</b>			<b>2,25,000</b>
2	To Balance b/d	1,80,000	2 end	By Depreciation	36,000
				By Super Motors (value of 2 vans after depreciation for 2 years @ 30%)	73,500
				By P & L A/c (balancing figure)	22,500
				By Balance c/d (one van less depreciation for 2 years) @ 20%	48,000
		<b>1,80,000</b>			<b>1,80,000</b>

(2 MARKS)

Super Motors Account

Year		Rs.	Year		Rs.
1	To Bank A/c	45,000	1	By Milk Vans A/c	2,25,000
	To Bank A/c	76,200		By Interest @ 9% on Rs. 1,80,000	16,200
	To Balance c/d	1,20,000			
		<b>2,41,200</b>			<b>2,41,200</b>
2	To Milk Van A/c	73,500	2	By Balance b/d	1,20,000
	To Balance c/d	57,300		By Interest A/c	10,800
		<b>1,30,800</b>			<b>1,30,800</b>
3	To Bank A/c	57,300	3	By Balance b/d	57,300

(2 MARKS)

ANSWER-4

Calculation of interest

	Total (Rs.)	Interest in each instalment (1)	Cash price in each instalment (2)
Cash Price	80,000		
Less : Down Payment	<u>(21,622)</u>	Nil	Rs. 21,622
<b>Balance due after down payment</b>	58,378		
Interest/Cash Price of 1st instalment	-	Rs. 58,378 x 10/100	Rs. 15,400 – Rs. 5,838
Less : Cash price of 1st instalment		= Rs.5,838	= Rs. 9,562
	<u>(9,562)</u>		
<b>Balance due after 1st instalment</b>	48,816		
Interest/cash price of 2nd instalment	-	Rs.48,816 x 10/100	Rs. 15,400 - Rs. 4,882
		= Rs. 4,882	= Rs. 10,518
Less: Cash price of 2nd instalment	<u>(10,518)</u>		
<b>Balance due after 2nd instalment</b>	38,298		
Interest/Cash price of 3rd instalment	-	Rs.38,298x10/100	Rs. 15,400 - Rs. 3,830
		= Rs. 3,830	= Rs. 11,570
Less: Cash price of 3rd instalment	<u>(11,570)</u>		
<b>Balance due after 3rd instalment</b>	26,728		

Interest/Cash price of 4th instalment	-	Rs. 26,728 x10/100	Rs. 15,400 - Rs. 2,672
Less : Cash price of 4th instalment	<u>(12,728)</u>	= Rs. 2,672	= Rs. 12,728
<b>Balance due after 4th instalment</b>	14,000		
	-		
Interest/Cash price of 5th instalment		Rs.14,000 x10/100	Rs. 15400 – Rs. 1,400
		=Rs.1,400	= 14,000
Less : Cash price of 5th instalment	<u>(14,000)</u>		
<b>Total</b>	<b>Nil</b>	<b>Rs.18,622</b>	<b>Rs. 80,000</b>

Total interest can also be calculated as follow:

$$(\text{Down payment +instalments}) - \text{Cash Price} = \text{Rs.}[21,622+(15400 \times 5)] - \text{Rs.}80,000 = \text{Rs.}18,622$$

**(10 MARKS)**