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INTERMEDIATE M'19 EXAM

SUBJECT- ACCOUNTS AND ADVANCED ACCOUNTS

Test Code – CIM 8013

Date : 05.08.2018

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ANSWER-1

Department Trading, P&L Account of Gopal & Co for the year ended 31st March (in Rs.)

Particulars	A	B	Particulars	A	B
To Opening Stock	1,00,000	-	By Sales	23,00,000	15,00,000
To Purchases	23,00,000	2,00,000	By Internal Transfer	7,00,000	-
To Wages	1,00,000	1,60,000	By Closing Stock	5,00,000	1,80,000
To Internal Transfer	-	7,00,000			
To Gross Profit (bal. fig.)	10,00,000	6,20,000			
Total	**35,00,000**	**16,80,000**	**Total**	**35,00,000**	**16,80,000**

Particulars	A	B	Particulars	A	B
To Travelling Expenses	10,000	1,40,000	By Gross Profit b/d	10,00,000	6,20,000
To Printing & Stationery	20,000	16,000			
To Salaries (2:1)	1,80,000	90,000			
To Advt Expenses (23:15)	54,474	35,526			
To General Expenses (3:1)	6,00,000	2,00,000			
To Depreciation (3:1)	9,000	3,000			
To Net Profit (bal. fig.)	1,26,526	1,35,474			
Total	**10,00,000**	**6,20,000**	**Total**	**10,00,000**	**6,20,000**

(5 MARKS)

GP Ratio of Department A = Gross Profit $\div$ Total Sales = $\frac{10,00,000}{23,00,000+7,00,000} = 33.33\%.$

(1 MARK)

2. Computation of Unrealised Profit on Closing Stock of Dept B

Particulars	Department B
(a) Value of Closing Stock as given above	Rs. 1,80,000
(b) Total Cost of the Department	Tfr from Dept A Rs. 7,00,000 + Matl Rs. 2,00,000 = Rs. 9,00,000
(c) Cost of Internal Transfer in above	Rs. 7,00,000
(d) Value of Transferred in Material included in Closing Stock of Dept B	Rs.1,80,000 x $\frac{7,00,000}{9,00,000} = Rs.1,40,000$
(e) Unrealised Profit of Dept A included in above	Rs. 1,40,000 x 33.33% = Rs. 46,667

(3 MARKS)

3. Profit after adjustment of Unrealised Profit

Particulars	Rs.	Particulars	Rs.
To Stock Reserve (as calculated above) To Net Profit c/d to Balance Sheet	46,667 2,15,333	By Net Profit b/d (1,26,526 + 1,35,474)	2,62,000
Total	**2,62,000**	**Total**	**2,62,000**

(1 MARK)

ANSWER-2

Particulars	Rs. in Lakhs
(a) HP Price	100
(b) Down Payment	20
(c) Balance amount payable (a) - (b)	80
(d) Amount payable in each instalment (80 Lakhs ÷ 5 instalments)	16
(e) AF at 10.42% for 5 Years	3.7505
(f) PV of the instalments (d) x (e)	60
(g) Interest Component (c) - (f)	20

(1.5 MARKS)

Loan Repayment Schedule

Year	Opening Principal	Instalment	Interest	Principal Repaid	Closing Principal
(1)	**(2)**	**(3)**	**(4)=(2)x 10.42%**	**(5) = (3) - (4)**	**(6) = (2) - (5)**
2016-2017	60	16	6.252	9.748	50.252
2017-2018	50.252	16	5.236	10.764	39.488
2018-2019	39.488	16	4.115	11.885	27.603
2019-2020	27.603	16	2.876	13.124	14.479
2020-2021	14.479	16	1.521	14.479	Nil

	Total	80	20	60	

Principal Outstanding as on 01.04.2017 = Rs. 50.252 Lakhs. Finance Charges for the year 2017-2018 can be recognized as Income since the instalments are overdue for a period less than 6 months.

(4.5 MARKS)

Computation of Net Book Value Assets

Particulars	**Rs. in Lakhs**
(a) Aggregate of Overdue and Future Instalments Receivable (Rs. 16 Lakhs x 4)	64.000
(b) Balance of Unmatured Finance Charges (4.115 + 2.876 + 1.521)	8.512
(c) Provision for Non-Performing Assets (Note)	7.488
(d) Net Book Value of the Asset (a) - (b) - (c)	**48.000**

(2 MARKS)

Note:

Particulars	**Rs. in Lakhs**
(a) Aggregate of Overdue and Future Instalments Receivable	64.000
(b) Balance of Unmatured Finance Charges	8.512
(c) Depreciated Value of the Asset [Rs. 80 Lakhs - (80 Lakhs x 20% x 2 years)]	48.000
(d) Provision to be created (a) - (b) - (c)	**7.488**

(2 MARKS)

ANSWER-3

1. **Short sales**

Period	**Adjusted Standard Turnover Rs.**	**Actual Turnover Rs.**	**Shortage Rs.**
January	1,00,000	-	1,00,000
Feb. to October	9,60,000	8,00,000	1,60,000
	10,60,000	8,00,000	2,60,000

(2 MARKS)

2. Gross profit ratio for the purpose of insurance claim on loss of profit

Gross profit - Insured Standing Charges - Uninsured standing charges = Net profit

Or

Gross profit - Uninsured standing charges = Net profit +Insured Standing Charges

= 4,06,400 – 20,000 = 3,86,400

$$\frac{Rs.3,86,400}{Rs.12,70,000} \text{ x } 100 = 30.425\%$$

(2 MARKS)

3. Amount allowable in respect of additional expenses

Least of the following:

(i) Actual expenses = 1,80,000

(ii) Gross profit on sales during 10 months period = 8,00,000 x 30.425% =2,43,400

(iii) $$\frac{\text{Gross Profit on Annual Adjusted Turnover}}{\text{Gross Profit on Annual Adjusted Turnover + Uninsured standing charges}}$$

x Additional expenses

$$\frac{3,86,400}{3,86,400+20,000} \text{ x } 1,80,000 = 1,71,142 \text{ (approx.)}$$

Least i.e. = Rs.1,71,142 is admissible.

(3 MARKS)

4. Amount of Claim

Gross profit on short sales = Rs. 2,60,000 x $\frac{30.425}{100}$	79,105
Add: Amount allowable in respect of additional expense	1,71,142
	2,50,247
Less: Savings in Insured Standing Charges	(28,000)
	2,22,247

On the amount of final claim, the average clause will not apply since the amount of the policy Rs. 4,00,000 is higher than gross profit on annual adjusted turnover Rs. 3,86,400.

Therefore, insurance claim will be Rs. 2,22,247. **(3 MARKS)**

ANSWER-4

ANSWER-A

1. Quoted Current Investments -are to be valued at Cost of Market Value, whichever is lower. Such amount can be aggregated for all scrips in that category and the net depreciation should be computed. Hence, Depreciation of a particular item can be adjusted within the same category of investments. **(1.5 MARKS)**

2. Value of Investments will be as under -

Type of Investment	Valuation Principle	Value of Investments
Equity Shares (aggregate)	Lower of Cost or Market Value	Rs. 406.50 Lakhs
Mutual Funds	NAV (Market Value assumed)	Rs. 54.00 Lakhs
Government Securities	Cost	Rs. 135.00 Lakhs
Total		**Rs. 595.50 Lakhs**

(2 MARKS)

3. Inter-Category Adjustments of appreciation and depreciation in values of investments cannot be done. Hence, it is not possible to offset depreciation in investment in Mutual Funds against appreciation of value of investments in Equity Shares and Government Securities. **(1.5 MARKS)**

ANSWER-B

Memorandum Trading Account

For the period 01.04.20X1 to 15.12.20X1

Particulars	Rs.	Particulars	Rs.
To Opening stock	9,40,000	By Sales	20,25,000
To Purchases	13,20,000	By Closing Stock (Bal.figure)	6,40,000
To Gross Profit @20%	4,05,000		
Total	**26,65,000**	**Total**	**26,65,000**

(2 MARKS)

Statement of Claim

	Rs.
Estimated value of Stock as at date of fire	6,40,000
Less: Value of Salvaged Stock	1,40,000
Estimated Value of Stock lost by fire	5,00,000

(1 MARK)

As the value of stock is more than insured value, amount of claim would be subject to average clause.

Amount of Claim = $\frac{\text{Amount of Policy}}{\text{Value of Stock}}$ x Actual Loss of Stock

Amount of Claim = $\frac{4,00,000}{6,40,000}$ x 5,00,000 = Rs.3,12,500 **(2 MARKS)**

ANSWER-5

ANSWER-A

Calculation of correct Departmental Profits

	Department P (Rs.)	**Department S (Rs.)**	**Department Q (Rs.)**
Profit after charging Manager's Commission	90,000	60,000	45,000
Add: Manager's Commission (1/9)	10,000	6,667	5,000
	1,00,000	66,667	50,000
Less: Unrealised profit on Stock (WN)	(5,426)	(21,000)	(2,727)
Profit Before Manager's Commission	94,574	45,667	47,273
Less: Manager's Commission 10%	(9,457)	(4,567)	(4,727)
Correct Profit after Manager's Commission	85,117	41,100	42,546

(2.5 MARKS)

Working Notes:

	Department P (Rs.)	**Department S (Rs.)**	**Department Q (Rs.)**	**Total (Rs.)**
Unrealised Profit of:				
Department P	-	25/125X18,000 =3,600	15/115X14,000 =1,826	5,426
Department S	20/100X48,000 =9,600	-	30/100X38,000 =11,400	21,000
Department Q	20/120X12,000 =2,000	10/110X8,000 =727		2,727

(2.5 MARKS)

ANSWER-B

Memorandum Trading Account for the period 1st April, 20X2

to 29th August 20X2

		Rs.		**Rs.**
To Opening Stock		7,90,100	By Sales	45,36,000
To Purchases	33,10,700		By Closing Stock (Bal.fig.)	8,82,600
Less : Advertisement	(41,000)			
Drawings	(2,000)	32,67,700		
To Gross Profit (30% of Sales – Refer Working Note)		13,60,800		
		54,18,600		**54,18,600**

(1.5 MARKS)

Statement of Insurance Claim

	Rs.
Value of stock destroyed by fire	8,82,600
Less: Salvaged Stock	(1,08,000)
Add: Fire Fighting Expenses	4,700
Insurance Claim	7,79,300

Note: Since policy amount is more than claim amount, average clause will not apply. Therefore, claim amount of Rs. 7,79,300 will be admitted by the Insurance Company. **(1.5 MARKS)**

Working Note:

Trading Account for the year ended 31st March, 20X2

	Rs.		**Rs.**
To Opening Stock	7,10,500	By Sales	80,00,000
To Purchases	56,79,600	By Closing stock	7,90,100
To Gross Profit (b.f.)	24,00,000		
	87,90,100		**87,90,100**

Rate of Gross Profit in 20X1-X2

$$\frac{\text{Gross Profit}}{\text{Sales}} \text{ x } 100 = \frac{24,00,000}{80,00,000} \text{ x } 100 = 30\%$$ **(2 MARKS)**

ANSWER-6

Department Trading Account
For the year ending on 31.03.20X2
In the books of Head Office

Particulars	Rs.	Particulars	Rs.
To Opening Stock	65,000	By Sales	3,00,000
To Purchases	2,00,000	By Shortage	1,000
To Gross Profit c/d (b.f.)	58,880	By Closing Stock	22,880
	3,23,880		**3,23,880**

(1 MARK)

(ii) Memorandum stock account (for Department A) (at selling price)

Particulars	Rs.	Particulars	Rs.
To Balance b/d (Rs. 65,000+25% of Rs. 65,000)	81,250	By Profit & Loss A/c (Cost of Shortage)	1,000
To Purchases (Rs. 2,00,000 + 25% of Rs. 2,00,000)	2,50,000	By Memorandum Departmental Mark up A/c (Load on Shortage) (Rs. 1,000 x 25%)	250
		By Memorandum Departmental Mark-up A/c (Mark-down on Current Purchases)	1,200
		By Debtors A/c (Sales)	3,00,000
		By Memorandum Departmental Mark-up A/c (Mark Down on Opening Stock)	600
		By Balance c/d (b.f.)	28,200
	3,31,250		**3,31,250**

(2.5 MARKS)

(iii)

Memorandum Departmental Mark-up Account

Particulars	**Rs.**	**Particulars**	**Rs.**
To Memorandum Departmental Stock A/c (Rs. 1,000 × 25/100)	250	By Balance b/d (Rs. 81,250 x 25/125)	16,250
To Memorandum Departmental Stock A/c	1,200	By Memorandum Departmental Stock A/c (Rs. 2,50,000 x 25/125)	50,000
To Memorandum Departmental Stock A/c	600		
To Gross Profit transferred to Profit & Loss A/c	58,880		
To Balance c/d [(Rs. 28,200 + 400*) x 25/125 - Rs. 400]	5,320		
	66,250		**66,250**

*[Rs. 1,200 ×5,000/15,000] = Rs. 400

(2.5 MARKS)

Working Notes:

(i) Calculation of Cost of Sales

		Rs.
A.	Sales as per Books	3,00,000
B.	Add : Mark-0down in opening stock (given)	600
C.	Add : Mark-down in sales out of current purchases (RS.1,200 x 10,000 / 15,000)	800
D.	Value of sales if there was no mark-down (A+B+C)	3,01,400
E.	Less : Gross Profit (25/125 of Rs.3,01,400) subject to Mark Down (Rs.600 + Rs.800)	(60,280)
F.	Cost of Sales (D-E)	2,41,120

(2 MARKS)

(ii) Calculation of Closing Stock

		Rs.
A.	Opening Stock	65,000
B.	Add ; Purchases	2,00,000
C.	Less : Cost of Sales	(2,41,120)
D.	Less : Shortage	(1,000)
E.	Closing Stock (A+B-C-D)	22,880

Note : It has been assumed that mark up (given in question) is determined as a percentage of cost.

(2 MARKS)