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INTERMEDIATE M'19 EXAM

SUBJECT- ACCOUNTS AND ADVANCED ACCOUNTS

Test Code – CIM 8014

Date : 05.08.2018

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ANSWER-1

Computation of Minimum Number of Equity Shares to be issued

Particulars		Rs.
Face Value of Redeemable Preference Shares		8,00,000
Less: General Reserve	60,000	
Profit and Loss Account (5,00,000 - 24,000 to be retained)	<u>4,76,000</u>	<u>(5,36,000)</u>
Face Value of Equity Shares to be issued		2,64,000
Number of Equity Shares to be issued (Face Value = Rs.10 per Share)		26,400 shares

(1 MARK)

2. Journal Entries in the books of Nataraja Ltd

Particulars	Dr. (Rs.)	Cr. (Rs.)
1. Redeemable Preference Share Final Call A/c	Dr. 80,000	
To 6% Redeemable Preference Share Capital A/c		80,000
(Being Final Call due on 80,000 Shares at Rs.1 each, so that Preference Shares can be made fully paid and eligible for redemption)		
2. Bank A/c	Dr. 80,000	
To 6% Redeemable Preference Share Final Call A/c		80,000
(Being Call Money received from all Preference Shareholders)		
3. Bank A/c	Dr. 2,90,400	
To Equity Share Application and Allotment A/c		2,90,400
(Being amount received on issue of 26,400 Shares x Rs.10 + 10% Premium)		
4. Equity Share Application & Allotment A/c	Dr. 2,90,400	
To Equity Share Capital A/c (WN)		2,64,000
To Securities Premium A/c		26,400
(Being 26,400 Equity Shares of Rs.10 each issued at a Premium of 10%)		
5. 6% Redeemable Preference Capital A/c	Dr. 8,00,000	
Premium on Redemption of Preference Shares A/c	Dr. 40,000	

	To Preference Shareholders A/c		8,40,000
	(Being amount due to Pref. Shareholders on redemption incl. 5% Premium)		
6.	Securities Premium A/c	Dr.	40,000
	To Premium on Redemption of Preference Shares A/c		40,000
	(Being Premium on PSC Redemption at 5% provided out of Securities Premium A/c)		
7.	Preference Shareholders A/c	Dr.	8,40,000
	To Bank A/c		8,40,000
	(Being payment made to Preference Shareholders)		
8.	Profit & Loss A/c	Dr.	4,76,000
	General Reserve A/c	Dr.	60,000
	To Capital Redemption Reserve A/c		5,36,000
	(Being Revenue Profits transferred to Capital Redemption Reserve)		

(4 MARKS)

3. Cash Account

Receipts	Rs.	Payments	Rs.
To balance b/d	5,20,000	By Preference Shareholders A/c	8,40,000
To 6% Red. Pref. Shares Final Call A/c	80,000	By balance c/d	50,400
To Equity Share Appl. & Allot. A/c (Fresh issue)	2,90,400		
Total	8,90,400	Total	8,90,400

(1 MARK)

4. Balance Sheet of Nataraja Ltd as at 1st April (After Redemption)

Particulars	Note	This Year	Prev. Year
I EQUITY AND LIABILITIES:			
(1) Shareholder's Funds:			
(a) Share Capital	1	6,64,000	
(b) Reserves and Surplus	2	6,46,400	
(2) Current Liabilities:- Trade Payables (Sundry Creditors)		<u>4,20,000</u>	
Total		17,30,400	
II ASSETS			
(1) Non-Current Assets: - Sundry Assets		16,80,000	
(2) Current Assets: - Cash and Cash Equivalents		<u>50,400</u>	
Total		17,32,400	

(1 MARK)

Note 1: Share Capital

Particulars	This Year	Prev. Yr
Authorised:Equity Shares of... each & Preference Shares of each		
Issued, Subscribed & Paid up: 66,400 Equity Shares of Rs. 10 each Fully Paid	6,64,000	
Total	6,64,000	

Reconciliation of Number and Amount of Shares (all figures for this year)

Particulars	Equity Shares of Rs.10 each		Pref. Shares of Rs.10 each	
	Number	Amount Rs.	Number	Amount Rs.
Opening Balance (assumed)	40,000	4,00,000	80,000	@ Rs.9 = 7,20,000
Add : Fresh Issue	26,400	2,64,000	Final Call	@ Rs.1 = 80,000
Less : Redemption / Buy Back	-	-	80,000	(8,00,000)
Closing Balance	66,400	6,64,000	-	-

(1.5 MARKS)

Note 2: Reserves and Surplus (showing Appropriations and Transfers) (all figures for this year)

Particulars	Opening Balance	Additions	Deductions	Closing Balance
Capital Redemption Reserve		From P & L = 4,76,000 From Gen Res = 60,000	-	5,36,000
Securities Premium Account	1,00,000	Fresh Issue = 26,400	Prem. on PSC Redemp. = 40,000	86,400
Other Reserves (Gen.Res.)	60,000	-	Tfr. to CRR = 60,000	Nil
Surplus (P&L A/c)	5,00,000	-	Tfr. to CRR = 4,76,000	24,000
Total	6,60,000	5,62,400	5,76,000	6,46,400

(1.5 MARKS)

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-	39.488	16	4.115	11.885	27.603

2019					
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

$$= 4,06,400 - 20,000 = 3,86,400$$

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

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

x Additional expenses

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

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**

- 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)**
- 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)

- 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.

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

$$\text{Amount of Claim} = \frac{4,00,000}{6,40,000} \times 5,00,000 = \text{Rs. } 3,12,500$$

(2 MARKS)

ANSWER-5

ANSWER-A

In the books of C Limited

Journal Entries

Date	Particulars	Dr. (Rs.)	Cr. (Rs.)
	Bank A/c To Equity Share Capital A/c (Being the issue of 25,000 equity shares of Rs. 10 each at par as per Board's resolution No.....dated.....)	Dr. 2,50,000	2,50,000
	Bank A/c To 14% Debenture A/c (Being the issue of 1,000 Debentures of Rs. 100 each as per Board's Resolution No.....dated.....)	Dr. 1,00,000	1,00,000
	12% Redeemable Preference Share Capital A/c Premium on Redemption of Preference Shares A/c To Preference Shareholders A/c (Being the amount payable on redemption transferred to Preference Shareholders Account)	Dr. 3,00,000 Dr. 30,000	3,30,000
	Preference Shareholders A/c To Bank A/c (Being the amount paid on redemption of preference	Dr. 3,30,000	3,30,000

shares)			
Profit & Loss A/c	Dr.	30,000	
To Premium on Redemption of Preference Shares A/c			30,000
(Being the adjustment of premium on redemption against Profits & Loss Account)			
Profit & Loss	Dr.	50,000	
To Capital Redemption Reserve A/c			50,000
(Being the amount transferred to Capital Redemption Reserve Account as per the requirement of the Act)			

Working Note:

Amount to be transferred to Capital Redemption Reserve Account

Face value of shares to be redeemed	Rs. 3,00,000
Less: Proceeds from new issue	<u>(Rs. 2,50,000)</u>
Total Balance	<u>Rs.50,000</u>

(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	<u>4,700</u>
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

$$\frac{\text{Gross Profit}}{\text{Sales}} \times 100 = \frac{24,00,000}{80,00,000} \times 100 = 30\%$$

(2 MARKS)