SUGGESTED SOLUTION

INTERMEDIATE M'19 EXAM

SUBJECT- ACCOUNTS AND ADVANCED ACCOUNTS

Test Code –CIM 8015

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 + MatlRs. 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 installments 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

Cash flow statement (using direct method) for the year ended 31 st March, 2017

	(Rs. in crores)	***(Rs. in crores)***
Cash flow from operating activities		
Cash sales	262	
Cash collected from credit customers	134	
Less: Cash paid to suppliers for goods & services and to employees (Refer Working Note)	(251)	
Cash from operations	145	
Less: Income tax paid	(26)	
Net cash generated from operating activities		119
Cash flow from investing activities		
Net Payment for purchase of Machine (25 – 15)	(10)	
Proceeds from sale of investments	16	
Net cash used in investing activities		6
Cash flow from financing activities		
Redemption of Preference shares	(32)	
Proceeds from issue of Equity shares	24	

Debenture interest paid	(2)	
Dividend Paid	(15)	
Net cash used in financing activities		(25)
Net increase in cash and cash equivalents		100
Add: Cash and cash equivalents as on 1.04.2016		2
Cash and cash equivalents as on 31.3.2017		102

(7 marks)

Working Note:

Calculation of cash paid to suppliers of goods and services and to employees

	(Rs. *in crores)*
Opening Balance in creditors Account	84
Add: Purchases (220x .8)	176
Total	260
Less: Closing balance in Creditors Account	92
Cash paid to suppliers of goods	168
Add: Cash purchases (220x .2)	44
Total cash paid for purchases to suppliers (a)	212
Add: Cash paid to suppliers of other consumables and services (b)	19
Add: Payment to employees (c)	20
Total cash paid to suppliers of goods & services and to employees [(a)+ (b) + (c)]	251

(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

Cash Flow Statement of ABC Ltd. for the year ended 31.3.20X1

Cash Flows From Operating Activities		**Rs.**	**Rs.**
Net Profit		22,40,000	
Add: Adjustment For Depreciation (Rs.7,90,000 – Rs.6,10,000)		1,80,000	
Operating Profit Before Working Capital Changes		24,20,000	
Add: Decrease In Inventories (Rs.20,10,000 – Rs.19,20,000)		90,000	
Increase In Provision For Doubtful Debts (Rs.4,20,000 – Rs.1,50,000)		2,70,000	
		27,80,000	
Less: Increase In Current Assets:			
Trade Receivables (Rs.30,60,000 – Rs.23,90,000)	6,70,000		
Prepaid Expenses (Rs.1,20,000 – Rs.90,000)	30,000		
Decrease In Current Liabilities:			
Trade Payables (Rs.8,80,000 – Rs.8,20,000)	60,000		
Expenses Outstanding (Rs.3,30,000 – Rs.2,70,000)	60,000	(8,20,000)	
Net Cash From Operating Activities			19,60,000
Cash Flows From Investing Activities			
Purchase Of Plant & Equipment (Rs.40,70,000 – Rs. 27,30,000)		13,40,000	
Net Cash Used In Investing Activities			(13,40,000)
Cash Flows From Financing Activities			
Bank Loan Raised (Rs.3,00,000 – Rs. 1,50,000)		1,50,000	
Issue Of Debentures		9,00,000	
Payment Of Dividend (Rs.12,00,000 – Rs.1,50,000)		(10,50,000)	
Net Cash Used In Financing Activities			Nil
Net Increase In Cash During The Year			6,20,000
Add: Cash And Cash Equivalents As On 1.4.20X0 (Rs.15,20,000 + Rs.11,80,000)			27,00,000
Cash And Cash Equivalents As On 31.3.20X1 (Rs.18,20,000 + Rs.15,00,000)			33,20,000

(5 marks)

Note: Bad debts amounting Rs.230000 were written off against provision for doubtful debts account during the year. In the above solution , bad debts have been added back in the balances of provision for doubtful debts and trade receivables as on 31.03.20X1. Alternatively, the adjustment of writing off bad debts may be noted and the solution can be given on the basis of figures of trade receivables and provision for doubtful debts as appearing in the balance sheet on 31.03.20X1.

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

An Extract of Cash Flow Statement for the year ending 31.3.20X2

	Rs.
Closing balance as per Profit & Loss A/c	**90,000**
Less: Opening balance as per Profit & Loss Alc. Add: Goodwill amortisation	**(50,000)**
	25,000
Add: Discount on issue of Debentures Interest	

on Debentures	10,000
Net Cash from Operating Activities	75,000
	1,50,000

(2 marks)

<u>**Cash flows from financing activities:**</u>

Proceeds from debentures	**2,15,000**
Interest paid on Debentures [less unpaid]	**(70,000)**
Net Cash from Financing Activities	**1,45,000**

(1 mark)

Working Note:

<u>**Discount on issue of Debentures Account**</u>

Particulars	Rs.	Particular	Rs.
To Balance b/d To 15% Debentures A/c (Bal. fig.)	90,000 35,000	By Profit & Loss A/c (w/o) By Balance c/d	10,000 1,15,000
	1,25,000		1,25,000

(1 mark)

<u>**15% Debentures Account**</u>

Particulars	Rs.	Particular	Rs.
To Balance c/d	7,50,000	By Balance b/d By Bank A/c (Bal. fig.) By Discount on issue of Debentures A/c	5,00,000 2,15,000 35,000
	7,50,000		7,50,000

(1 mark)

ANSWER-6

(i) **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	600		

Stock A/c To Gross Profit transferred to Profit & Loss A/c To Balance c/d [(Rs. 28,200 + 400*) x 25/125 - Rs. 400]	 58,880 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)