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Intermediate May19 EXAM

SUBJECT- Accounts and Advance Accounts

Test Code – CIM 8023

BRANCH - () (Date: 19/08/2018)

Head Office : Shraddha, 3rd Floor, Near Chinai College, Andheri (E), Mumbai – 69.

Tel : (022) 26836666

Answer 1:

Departmental Trading and Profit and Loss A/c for the year ending 31st March (Rs.)

Particulars	Dept A	Dept B	Total	Particulars	Dept A	Dept B	Total
To Opening Stock	70,000	54,000	1,24,000	By Sales	5,72,000	4,60,000	10,32,000
To Purchases	3,92,000	2,98,000	6,90,000	By Tfr - Pur. Goods	36,000	50,000	86,000
To Carriage Inward	6,000	9,000	15,000	By Tfr - FG	1,75,000	1,50,000	3,25,000
To Wages	54,000	36,000	90,000	By Tfr - FG Return	32,000	45,000	77,000
To Tfr - Pure. Goods	50,000	36,000	86,000	By Closing Stock			
To Tfr - FG	1,50,000	1,75,000	3,25,000	Pure. Goods	24,000	30,000	54,000
To Trf - Return of FG	45,000	32,000	77,000	- FG	1,02,000	62,000	1,64,000
To Gross Profit	1,74,000	1,57,000	3,31,000				
Total	9,41,000	7,97,000	17,38,000	Total	9,41,000	7,97,000	17,38,000
To Stock Reserve	8,311	4,609	12,920	By Gross Profit b/d	1,74,000	1,57,000	3,31,000
To Net Profit	1,65,689	1,52,391	3,18,080				
Total	1,74,000	1,57,000	3,31,000	Total	1,74,000	1,57,000	3,31,000

(7 marks)

Working Note 1: GP Ratio

	Particulars	A	B
	Sales	5,72,000	4,60,000
Add:	Transfer of Finished Goods	1,75,000	1,50,000
Less:	Return of Finished Goods	(45,000)	(32,000)
	Net Sales	7,02,000	5,78,000
	Gross Profit as computed above	1,74,000	1,57,000
	Gross Profit Ratio	24.78%	27.16%

(1.5 marks)

Working Note 2: Stock Reserve to be provided		
Particulars	A	B
Closing Stock of Finished Goods	Rs. 1,02,000	Rs. 62,000
Element of Finished Goods from other Department 30%	30,600	18,600
Gross Profit Ratio of Other Department (WN 1)	27.16%	24.78%
Stock Reserve required to be maintained	8,311	4,609

(1.5 marks)

Answer 2:

Fellow Travellers Ltd.

Statement showing calculation of profit /losses for pre and post incorporation periods

		Ratio	Pre-incorporation	Post-incorporation
Gross profit allocated on the basis of sale		1:2	20,000	40,000
Less: Administrative Expenses allocated				
On time basis:				
(i) Salaries and wages	10,000			
(ii) Depreciation	1,000			
	11,000	5:7	4,583	6,417
Selling Commission on the basis of sales		1:2	3,000	6,000
Interest on Purchase Consideration (Time basis)		5:1	7,500	1,500
Expenses applicable wholly to the Post-incorporation period:				
Debenture Interest (1,50,000 x 7% x 6/12)	5,250			
Director's Fee	600			5,850
Preliminary expenses				900
Provision for taxes				6,000
Balance c/d to Balance Sheet			4,917	13,333

(4 marks)

Time Ratio

Pre incorporation period = 1 January 20X1 to 31 May 20X1 = 5 months

Post incorporation period = 1 June 20X1 to 31 December 20X1 = 7 months

Time ratio = 5: 7

(1 mark)

Sales Ratio

Sales in pre incorporation period (1 January 20X1 to 31 May 20X1) = Rs. 60,000

Sales in post incorporation period (1 June 20X1 to 31 December 20X1) = Rs. 1,20,000

Sales ratio = 1:2

(1 mark)

Fellow Travelers Ltd.

Extract from the Balance Sheet as on 31st Dec., 20X1

	Particulars	Notes	Rs.
	Equity and Liabilities		
1	Shareholders' funds		
a	Share capital	1	2,00,000
b	Reserves and Surplus	2	33,250

2	Non-current liabilities		
a	Long-term borrowings	3	1,50,000
3	Current liabilities		
a	Short term provisions	4	6,000
	Total		3,89,250

(2 mark)

Notes to accounts

		Rs.
1.	Share Capital 20,000 equity shares of Rs. 10 each fully paid	2,00,000
2.	Reserves and Surplus	
	Profit Prior to Incorporation	4,917
	Securities Premium Account	20,000
	Profit and loss Account	13,333
	Less: Dividend on equity share	<u>(5,000)</u>
	Total	33,250
3.	Long term borrowings	
	Secured	
	7% Debentures	1,50,000
4.	Other Current liabilities	
	Provision for Taxes	6,000

(2 marks)

Answer 3:

(A) Accounting Entries in the books of fund

		Rs.	Rs.
31.12.2015	Investment in X Ltd.'s shares A/c (5,000 x Rs. 40)	Dr. 2,00,000	
	Investment in Y Ltd.'s shares A/c (4,000 x Rs. 60)	Dr. 2,40,000	
	To Bank A/c		4,40,000
	(Being investment made in X Ltd. and Y Ltd.)		
31.3.2016	Revenue A/c [5,000 x Rs. (40-38)]	Dr. 10,000	
	To Provision for Depreciation A/c		10,000
	(Being provision created for the reduction in the value of X Ltd.'s shares)		
31.3.2016	Investment in Y Ltd.'s shares A/c [4,000 x Rs. (64-60)]	Dr. 16,000	
	To Unrealised Appreciation Reserve A/c		16,000

	(Being appreciation in the market value of Y Ltd.'s shares transferred to Unrealized Appreciation Reserve A/c)			
01.04.2016	Unrealised Appreciation Reserve A/c	Dr.	16,000	
	To Investment in Y Ltd.'s shares A/c			16,000
	(Being last year's unrealized appreciation reserve balance reversed at the beginning of the current year)			
30.6.2016	Bank A/c (5,000 x Rs. 37)	Dr.	1,85,000	
	Loss on disposal of Investment A/c	Dr.	15,000	
	To Investment in X Ltd.'s shares A/c (5,000 x Rs. 40)			2,00,000
	(Being shares of X Ltd. disposed off at a loss of Rs. 15,000)			
30.6.2016	Provision for Depreciation A/c	Dr.	10,000	
	Revenue A/c	Dr.	5,000	
	To Loss on disposal of Investment A/c			15,000
	(Being net loss on disposal of X Ltd.'s shares charged to revenue account)			
30.6.2016	Bank A/c (4,000 x Rs. 67)	Dr.	2,68,000	
	To Investment in Y Ltd.'s shares A/c (4,000 x Rs. 60)			2,40,000
	To Revenue A/c			28,000
	(Being shares of Y Ltd. disposed off at a Profit of Rs. 28,000)			

(8 marks)

(B) Market Value (1 mark)

(C) Opened Ended Mutual Fund is a fund which permits entry by subscription or exit by sale of units on a continuous basis. (1mark)

Answer 4:**K V Trading Private Limited****Statement showing calculation of profit/loss for pre and post incorporation periods****Rs. in lakhs**

	Ratio	Total	Pre Incorporation	Post Incorporation
Sales	1:6	240.00	34.29	205.71
Interest on Investments	Pre	6.00	6.00	-
Bad debts recovered	Pre	0.50	0.50	-
	(i)	246.50	40.79	205.71
Cost of goods sold	1:6	102.00	14.57	87.43
Advertisement	1:6	3.00	0.43	2.57
Sales commission	1:6	6.00	0.86	5.14
Salary (W.N.3)	1:5	18.00	3.00	15.00
Managing directors remuneration	Post	6.00	-	6.00
Interest on Debentures	Post	2.00	-	2.00
Rent (W.N.4)		5.50	0.93	4.57
Bad debts (1 + 0.5)	1:6	1.50	0.21	1.29
Underwriting commission	Post	2.00	-	2.00
Audit fees	Post	2.00	-	2.00
Loss on sale of Investment	Pre	1.00	1.00	-
Depreciation	1:3	4.00	1.00	3.00
	(ii)	153.00	22.00	131.00
Net Profit [(i) – (ii)]		93.50	18.79	74.71

(6 marks)

Working Notes:

(1 * 4 = 4 marks)

1. Calculation of Sales Ratio

Let the average sales per month be x

Total sales from 01.04.20X2 to 30.06.20X2 will be 3x

Average sales per month from 01.07.20X2 to 31.03.20X3 will be 2x

Total sales from 01.07.20X2 to 31.03.20X3 will be 2x X 9 = 18x

Ratio of Sales will be 3x: 18x i.e. 3:18 or 1:6

2. Calculation of time Ratio

3 Months: 9 Months i.e. 1:3

3. Apportionment of Salary

Let the salary per month from 01.04.20X2 to 30.09.20X2 is x

Salary per month from 01.10.20X2 to 31.03.20X3 will be 2x

Hence, pre incorporation salary (01.04.20X2 to 30.06.20X2) = 3x

Post incorporation salary from 01.07.20X2 to 31.03.20X3 = (3x + 12x)

i.e.15x

Ratio for division 3x: 15x or 1: 5

4. Apportionment of Rent	Rs. Lakhs	
Total Rent	5.5	
Less: additional rent from 1.7.20X2 to 31.3.20X3	<u>1.8</u>	
Rent of old premises for 12 months	<u>3.7</u>	
Apportionment in time ratio	0.925	2.775
Add: Rent for new space	<u>1.80</u>	
Total	<u>0.925</u>	<u>4.575</u>

Answer 5:

(A)

1. Computation of NAV per unit

$$\text{NAV} = \frac{\text{Net Assets}}{\text{No. of share (in Rs.)}}$$

=

$$\frac{[(10,000 \times 18.50) + (35,000 \times 38.40) + (10,000 \times 263.60) + (75,000 \times 575.60) + (20,000 \times 27.65)]}{5,00,000 \text{ units}} = \text{Rs.120}$$

(1 mark)

2. Reviser Position of Fund (after Suresh Cheque)

Shares	No. of Shares	1st April (MPS)	Amount Rs.= No. of Shares x MPS	2nd April (MPS)	Amount T = No. of Shares x MPS
A Ltd	10,000	18.50	1,85,000	21.30	2,13,000
B Ltd	35,000	384.40	1,34,54,000	417.00	1,45,95,000
C Ltd	25,000	263.60	65,90,000	289.80	72,45,000
D Ltd	75,000	575.60	4,31,70,000	512.20	3,84,15,000
E Ltd	20,000	27.65	5,53,000	35.00	7,00,000
Cash		[75,00,000 - (15,000 x 263.60)] = 35,46,000			35,46,000
Net Assets Value		6,74,98,000			6,47,14,000
Net Assets Value p. u. = $\frac{6,74,98,000}{56,250} = \text{Rs.120 p.u.}$				Net Assets Value p. u. = $\frac{6,47,14,000}{5,62,500} = \text{Rs.115.05 p.u.}$	

(3 marks)

(B)

Given the Total Initial Investments is Rs. 185 Lakhs, out of Issue Proceeds of Rs. 200 Lakhs. So, the balance of Rs. 15 Lakhs is attributed towards to Initial Issue Expenses (Rs. 12 Lakhs) and Opening Cash Balance (Rs. 3 Lakhs bal. figure).

1. Computation of Closing Cash Balance

Receipts	Rs.Lakhs	Payments	Rs. Lakhs
To Opening Balance	3.00	By Purchase of Securities	56.00
To Dividends Received	2.00	By Management Expenses (8.00 less 10% payable)	7.20
To Sale Proceeds of Investments	63.00	By Earnings Distributed (Note) (Rs. 5 Lakhs x 80%)	4.00
		By Closing Balance (balancing figure)	0.80
Total	68.00	Total	68.00

Note: Realised Earnings = Gain on Sale of Securities + Dividends Received = (63 - 60) + 2 = Rs. 5 Lakhs. (3 marks)

2. Computation of Closing NAV

Particulars	Rs. Lakhs
1. Market Value of Capital Market Instruments (Given)	198.00
2. Cash in Hand (WN 1)	0.80
Total of Assets	198.80
Liabilities: Outstanding Expenses (Rs. 8 Lakhs x 10%)	0.80
Net Asset Value (Rs. Lakhs)	198.00
No. of Units Outstanding (In Lakhs)	20.00
NAV Per Unit = $\frac{\text{Net Assets of the Scheme}}{\text{Number of Units outstanding}} = \frac{198.00}{20.00} = \text{Rs.9.90}$	

(3 marks)

Answer 6:

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	10,00,000	7,00,000			
To Gross Profit (bal. fig.)		6,20,000			
Total	35,00,000	16,80,000	Total	35,00,000	16,80,000

To Travelling Expenses	10,000	1,40,000	By Gross Profit	10,00,000	6,20,000
To Printing 81			b/d		
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)

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

(1 mark)

2. Computation of Unrealized 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 Unrealized Profit

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

(1 mark)