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**SUGGESTED SOLUTION**

**INTERMEDIATE MAY 2019 EXAM**

**SUBJECT- ACCOUNTS**

**Test Code - CIM 8032 A**

**BRANCH - () (Date : 25/08/2018)**

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**Answer 1:**

(A)

Statement showing distribution of cash amongst the partners

		Creditors	B's Loan	Capitals		
				A(Rs.)	B(Rs. )	C(Rs.)
Balance Due		16,500	4,500	15,000	7,500	15,000
On 1st Instalment amount with the firm Rs. (275 + 18,650)	18,925					
Less: Dissolution expenses provided for	(3,000)					
	<u>15,925</u>					
Less: C's remuneration of 1% on assets realised (18,650 x 1%)	(187)					
	<u>15,738</u>					
Less: Payment made to creditors	(15,738)	(15,738)				
Balance due	Nil	762				
2nd instalment realized	17,320					
Less: C's remuneration of 1% on assets realised (17,320 x 1%)	(173)					
	<u>17,147</u>					
Less: Payment made to creditors	(162)	(162)				
Transferred to P& L A/c		600				
Balance available	16,985					
Less: Payment for B's loan A/c	(4,500)		(4,500)			
Amount available for distribution to partners	<u>12,485</u>		nil			
Less: C's remuneration of 10% of the amount distributed to partners (12,485 x 10/110)	(1,135)					

Balance distributed to partners on the basis of HRCM	11,350				
Less: Paid to C (W.N.1)	(3,750)				(3,750)
	7,600				11,250
Less: Paid to A and C in 4:3 (W.N.1)	(7,600)		(4,343)	-	(3,257)
Balance due	nil		10,657	7,500	7,993
Amount of 3rd installment	10,000				
Less: C's remuneration of 1% on Assets realised (10,000 x 1%)	(100)				
	9,900				
Less: C's remuneration of 10% of the amount distributed to partners (9,900 x 10/110)	(900)				
	9,000				
Less: Paid to A and C in 4:3 for (Rs. 8,750 – 7,600) (W.N.1)	(1,150)		(657)	-	(493)
	7,850		10,000	7,500	7,500
Less: Paid to A, B and C in 4:3:3	(7,850)		(3,140)	(2,355)	(2,355)
Balance due	nil		6,860	5,145	5,145
Amount of 4th and last instalment	7,000				
Less: C's remuneration of 1% on assetsrealised (7,000 x 1%)	(70)				
	6,930				
Less: C's remuneration of 10% of the amount distributed to partners (6,930 x 10/110)	(630)				
	6,300				
Less: Paid to A, B and C in 4:3:3	(6,300)		(2,520)	(1,890)	(1,890)
Loss suffered by partners			4,340	3,255	3,255

**Working Note:**

- Rs. 275 added to the first instalment received on sale of assets represents the Cash in Bank.
- The amount due to Creditors at the end of the utilisation of First Instalment is Rs. 762/-. However, since the creditors were settled for Rs. 15,900/- only the balance 162/- were paid and the balance Rs. 600/- was transferred to the Profit & Loss Account.

**Highest Relative Capital Basis**

	<b>A</b>	<b>B</b>	<b>C</b>
	Rs.	Rs.	Rs.
Balance of Capital Accounts (A)	15,000	7,500	15,000
Profit sharing ratio	4	3	3
Capital Profit sharing ratio	3,750	2,500	5,000
Capital in profit sharing ratio taking B's Capital as base (B)	10,000	7,500	7,500
Excess of A's Capital and C's Capital (A-B) =(C)	5,000	nil	7,500
Again repeating the process			
Profit sharing ratio	4		3

Capital Profit sharing ratio	1,250		2,500
Capital in profit sharing ratio taking A's Capital as base (D)	5,000		3,750
Excess of C's Capital (C-D)=(E)	nil		3,750

Therefore, firstly Rs. 3,750 is to be paid to C then A and C to be paid in proportion of 4:3 upto Rs. 8,750 to bring the capital of all partners A, B and C in proportion to their profit sharing ratio. Thereafter, balance available will be paid in their profit sharing ratio 4:3:3 to all partners viz A, B and C.

**Answer 2:**

**(A)**

**Calculation of net profit u/s 198 of the Companies Act, 2013**

		Rs.
Balance from Trading A/c		40,25,365
Add : Subsidies received from Government		2,73,925
		42,99,290
Less : Administrative, selling and distribution expenses	8,22,542	
Director's fees	1,34,780	
Interest on debentures	31,240	
Depreciation on fixed assets as per Schedule II	<u>5,75,345</u>	<u>(15,63,907)</u>
Profit u/s 198		<u>27,35,383</u>

Maximum Managerial remuneration under Companies Act, 2013 is 11% of Rs. 27,35,383 = Rs.3,00,892.

**(B)**

Part I of Schedule III to the Companies Act, 2013 provides that debit balance of Statement of Profit and Loss (after all allocations and appropriations) should be shown as a negative figure under the head 'Surplus'. Similarly, the balance of 'Reserves and Surplus', after adjusting negative balance of surplus, should be shown under the head 'Reserves and Surplus' even if the resulting figure is in the negative. In this case, the debit balance of profit and loss i.e. Rs. 250 lakhs exceeds the total of all the reserves i.e. Rs. 230 lakhs. Therefore, balance of 'Reserves and Surplus' after adjusting debit balance of profit and loss is negative by Rs. 20 lakhs, which should be disclosed on the face of the balance sheet. Thus the treatment done by the company is incorrect.

**Answer 3:**

**(i)** Realisation Account

	Rs.		Rs.
To Fixed assets	5,00,000	By Creditors	3,20,000
To Stock in trade	3,00,000	By Cash (5,20,000+4,40,000)	9,60,000
To Debtors	5,00,000	By Y (Stock taken over)	2,50,000
To Cash - Expenses	6,000	By Loss transferred to partners' capital accounts	

To	Cash -Creditors (3,20,000 x 95%)		X	35,555
		3,04,000	Y	26,667
			Z	17,778
		<u>16,10,000</u>		<u>16,10,000</u>

(ii) **Partners' CapitalAccounts**

	X	Y	Z		X	Y	Z
	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.
To Realisation Account	35,555	26,667	17,778	By Balance b/d	4,00,000	3,00,000	2,00,000
To Realisation Account	-	2,50,000	-	By General reserve	40,000	30,000	20,000
To Cash	<u>4,04,445</u>	<u>53,333</u>	<u>2,02,222</u>				
	<u>4,40,000</u>	<u>3,30,000</u>	<u>2,20,000</u>		<u>4,40,000</u>	<u>3,30,000</u>	<u>2,20,000</u>

(iii) **C  
Cash Account**

	Rs.		Rs.
To Balance b/d	10,000	By Realisation A/c	6,000
To Realisation A/c (Fixed assets and book debts realised)	9,60,000	By Realisation A/c (Creditors)	3,04,000
		By X	4,04,445
		By Y	53,333
		By Z	<u>2,02,222</u>
	<u>9,70,000</u>		<u>9,70,000</u>

Answer 4:

**A. Balance Sheet of Ajatashatru Limited as on 31<sup>st</sup> March**

Particulars as at 31st March	Note	This Year	Prev. Yr
<b>I. EQUITY AND LIABILITIES:</b>			
<b>(1) Shareholders' Funds:</b>			
(a) Share Capital	1	9,99,000	
(b) Reserves and Surplus	2	3,56,700	
<b>(2) Non-Current Liabilities:</b>			
Long Term Borrowings	3	2,63,500	
<b>(3) Current Liabilities:</b>			
(a) Trade Payables - Sundry Creditors		2,00,000	
(b) Other Current Liabilities	-		
Interest Accrued but not due on Borrowing		7,500	
(c) Short Term Provisions - Provision for Tax		68,000	

<b>Total</b>		<b>18,94,700</b>
<b>II. ASSETS</b>		
<b>(1) Non-Current Assets</b>		
Fixed Assets: Tangible Assets	4	11,25,000
<b>(2) Current Assets:</b>		
(a) Inventories	5	2,50,000
(b) Trade Receivables	6	2,00,000
(c) Cash and Cash Equivalentents	7	2,77,000
(d) Short Term Loans and Advances		42,700
<b>Total</b>		<b>18,94,700</b>

**Note :** Contingent Liabilities and Commitments, refer Note 9.

**Note :** Proposed Dividend = 6% of Paid Up Capital Rs. 10,00,000 = Rs. 60,000.

$$\text{Dividend Per Share} = \frac{60,000}{10,000 \text{ shares}} = \text{Rs.}6.00$$

**Note 1: Share Capital**

Particulars	This Year	Prev. Yr
Authorised: .....Equity Shares of .....each .....Preference Shares of.....each		
Issued, Subscribed & Paid up: 10,000 Equity Shares of Rs. 100 each	10,00,000	
Less: Unpaid Calls	(1,000)	
<b>Total</b>	<b>9,99,000</b>	

**Note 2: Reserves and Surplus (showing appropriations and transfers)**

(all figures for this year)

Particulars	Opg. Bal.	Additions	Deductions	Clg. Bal
General Reserve	2,10,000	Nil	Nil	2,10,000
Surplus (P & L A/c)	Nil	1,60,000	Prelim Exp. w/off = 13,300	1,46,700
<b>Total</b>	<b>2,10,000</b>	<b>1,60,000</b>	<b>13,300</b>	<b>3,56,700</b>

**Note 3: Long Term Borrowings**

Particulars	This Year	Prev. Yr
(a) Term Loans from Banks: From State Finance Corpn. (Secured by Hypothecation of P & M)	1,42,500	
(b) Loans from Other Parties: Unsecured	1,21,000	
<b>Total</b>	<b>2,63,500</b>	

**Note 4: Tangible Fixed Assets**

Item	Gross Block / Cost			Depreciation			Net Block / WDV	
	Opg Bal.	Addns / (Dedns)	Clg Bal	Opg Bal.	Addns / (Dedns)	Clg Bal	As at Yr Beginning	As at Yr End

Column	(1)	(2)	(3)=1± 2	(4)	(5)	(6)=4±5	(7) = 1-4	(8)=3—6
Land			2,00,000			0		2,00,000
Building			4,00,000			50,000		3,50,000
Plant & Machinery			7,00,000			1,75,000		5,25,000
Furniture and Fittings			62,500			12,500		50,000
Total			13,62,500			2,37,500		11,25,000

**Note:** In the absence of information, the Other Columns are not filled up in the above table.

**Note 5: Inventories**

Particulars	This Year	Prev. Yr
Raw Materials	50,000	
Finished Goods	2,00,000	
<b>Total</b>	<b>2,50,000</b>	

**Note 6: Trade Receivables (assumed as Secured and considered good)**

Particulars	This Year	Prev. Yr
<b>Sundry Debtors:</b>		
(a) Debt Outstanding for a period exceeding 6 months from the date they became due	52,000	
(b) Other Debts(balancing figure)	1,48,000	
<b>Total</b>	<b>2,00,000</b>	

**Note 7: Cash and Cash Equivalent**

Particulars	This Year	Prev. Yr
Balances with Banks	2,47,000	
Cash on Hand	30,000	
<b>Total</b>	<b>2,77,000</b>	

**Note 8: Contingent Liabilities & Commitments (to the extent not provided for):**

Particulars	This Year	Prev, Yr
(a) Contingent Liabilities For Bills Receivable discounted	2,75,000	
(b) Commitments	1,50,000	
Estimated Amount of Contract remaining to be executed on Capital Account (Erection of Machinery) and not provided for		

**B. Computation of effective capital :**

	<b>Where X Ltd. is a non-investment company Rs.</b>	<b>Where X Ltd. is an investment company Rs.</b>
<b>Paid-up share capital —</b>		
15,000, 14% Preference shares	15,00,000	15,00,000
1,20,000 Equity shares	96,00,000	96,00,000
Capital reserves (1,95,000 – 1,50,000)	45,000	45,000
Securities premium	50,000	50,000
15% Debentures	65,00,000	65,00,000
Public Deposits	3,70,000	3,70,000
(A)	1,80,65,000	1,80,65,000
Investments	75,00,000	—
Profit and Loss account (Dr. balance)	15,25,000	15,25,000
(B)	90,25,000	15,25,000
Effective capital (A–B)	90,40,000	1,65,40,000