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SUGGESTED SOLUTION
INTERMEDIATE MAY 2019 EXAM
SUBJECT - ACCOUNTS AND COSTING
Test Code – CIM 8097
BRANCH - () (Date :)

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Answer 1:

(a) Necessary Ledger Accounts in the books of Partnership Firm Realization Account

Particulars	Rs.	Rs.	Particulars	Rs.	Rs.
To Goodwill		10,000	By provision to		
To land		20,000	doubtful Debts		2,000
To Buildings		1,10,000	By Trade creditors		96,000
To Machinery		50,000	By Bills Payable		14,000
To Motor Car		28,000	By Bank overdraft		60,000
To Furniture		12,000	By Mrs. Aman's loan		15,000
To Investments		18,000	By ABC Ltd.		1,95,500
To Loose tools		7,000	(Purchase price)		
To Stock		18,000	By Aman's Capital A/c		13,000
To Bill receivable		20,000	(Investments taken over)		
To Debtors		40,000	By Cash A/c:		
To Aman's Capital A/c (Mrs. Aman's Loan)		15,000	Debtors	20,000	
To Cash A/c:			Motor Car	24,000	
Creditors	94,000		Furniture	4,000	
Realization expenses	<u>500</u>	94,500	Loose tools	<u>1,000</u>	49,000
To Profit on Realization/f to:					
Aman's Capital A/c	1,000				
Baal's Capital A/c	667				
Chand's Capital A/c	333	2,000			
		4,44,500			4,44,500

ABC Ltd. Account

Particulars	Rs.	Particulars	Rs.
To Realization A/c	1,95,500	By Cash A/c	75,500
		By Shares in ABC Ltd.	1,20,000
	1,95,500		1,95,500

Partners' Capital Accounts

Particulars	Aman Rs.	Baal Rs.	Chand Rs.	Particulars	Aman Rs.	Baal Rs.	Chand Rs.
To Profit and Loss A/c	6,000	4,000	2,000	By Balance b/d	70,000	80,000	10,000
To Realization A/c	13,000	-	-	By Chand's Loan A/c	-	-	33,000
To Chand's Current A/c	-	-	56,000	By General reserve	9,000	6,000	3,000
				By Investment Fluctuation			

To shares in ABC Ltd.	60,000	40,000	20,000	Fund*	2,000	1,333	667
To Cash A/c	18,000	44,000	-	By Realization A/c	1,000	667	333
				By Realization A/c (Mrs.Aman's loan A/c)	15,000	-	-
				By Cash A/c	-	-	31,000
	97,000	88,000	78,000		97,000	88,000	78,000

*Alternatively, Investment Fluctuation Fund Account may be transferred to Realization Account.

Chand's Current Account

Particulars	Rs.	Particulars	Rs.
To Balance b/d	56,000	By Chand's Capital A/c-transfer	56,000
	56,000		56,000

Shares in ABC Ltd. Account

Particulars	Rs.	Particulars	Rs.
To ABC Ltd. Account	1,20,000	By Aman's Capital A/c	60,000
		By Baal's Capital A/c	40,000
		By Chand's Capital A/c	20,000
	1,20,000		1,20,000

Cash Account

Particulars	Rs.	Particulars	Rs.
To Balance b/d	1,000	By Realization A/c	94,500
To ABC Ltd.	75,500	(Liabilities and expenses)	
To Realization A/c (sale of assets)	49,000	By Aman's Capital A/c	18,000
To Chand's Capital A/c	31,000	By Baal's Capital A/c	44,000
	1,56,500		1,56,500

(b) Under section 27 (3) of the LLP Act, 2008 an obligation of an LLP arising out of a contract or otherwise, shall be solely the obligation of the LLP. The limitations of liability of an LLP and its partners are as follows:

- The Liabilities of an LLP shall be met out of the properties of the LLP;
- A partner is not personally liable, directly or indirectly (for an obligation of an LLP arising out of a contract or otherwise), solely by reason of being a partner in the LLP;
- An LLP is not bound by anything done by a partner in dealing with a person, if:
- The partner does not have the authority to act on behalf of the LLP in doing a particular act; and

- The other person knows that the partner has no authority or does not know or believe him to be a partner in the LLP
- The liability of the LLP and the partners perpetrating fraudulent dealings shall be unlimited for all or any of the debts or other liabilities of the LLP.

Answer 2:

Contract Account

for the year ended 1998-99

Particulars	Amount	Particulars	Amount
1.4.1998		31.3.99	
To Work-in-progress (not certified)	Rs 55,000	By Material at site	Rs 4,000
To Materials at site	2,000	“Cost of Contract c/d	3,27,000
98-99 To Materials	1,12,000		
“ To Wages	1,08,000		
“ To Hire of plant	20,000		
“ Other expenses	34,000		
	3,31,000		3,31,000
31.3.99 To Cost of Contract	3,27,000	By work certified	Rs 4,05,000
“ To Costing Profit and Loss A/c	86,000	By work not certified	8,000
	4,13,000		4,13,000

Answer 3:

The Pen Manufacturing Company Cost Sheet for the year ending 31.3.1990

Particulars	Deluxe (40,000 Pens)		Popular (1,20,000 Pens)	
	Rs.	Rs.	Rs.	Rs.
Direct Materials (Note 1)	80,000	2.00	1,30,000	1.00
Direct Labour (Note 2)	40,000	1.00	72,000	0.60
Prime Cost	1,20,000	3.00	1,92,000	1.60
Production Overhead (Note 3)	12,000	0.30	36,000	0.30
Works Cost	1,32,000	3.30	2,28,000	1.90
Administration Overheads	80,000	2.00	1,44,000	1.20
(200% of Direct Wages) Cost of Production	2,12,000	5.30	3,72,000	3.10
Closing Stock (Note 4)	21,200	5.30	62,000	3.10
Cost of Goods Sold	1,90,800	5.30	3,10,000	3.10
Selling Expenses (Note 5)	9,000	0.25	25,000	0.25
	99,800	5.5	3,35,000	3.35
Profit	52,200	1.45	1,65,000	1.65
Sales	2,52,000	7.00	5,00,000	5.00

Note 1. Consumption of direct material in 'Deluxe' type is twice as much as that of 'Popular' type, Therefore :

Deluxe	Popular
$40,000 \times 2 = 80,000$	$1,20,000 \times 1 = 1,20,000$

∴ Material cost is to be divided in ratio of 80 ; 120 or 2 : 3 between Deluxe and Popular.

Deluxe	Popular
$(2,00,000 \div 5) \times 2 = \text{Rs. } 80,000$	$(2,00,000 \div 5) \times 3 = \text{Rs. } 1,20,000$

Note 2. It is given that direct wages for 'Popular' type were 60% of those for 'Deluxe' type. Suppose, wage for Deluxe type = x

	Deluxe	Popular
∴ Wages	$40,000 x$	$1,20,000 \times 0.60 x$
	or $40,000 x + 1,20,000 \times 0.60 x = \text{Rs. } 1,12,000$ or $x = \text{Re. } 1$	
∴ Wage cost for Deluxe = Rs. 40,000 for Popular = Rs. 72,000		

Note 3. Production Overhead

Deluxe $40,000 \times \text{Re. } 0.30 = \text{Rs. } 12,000$
 Popular $1,20,000 \times \text{Re. } 0.30 = \text{Rs. } 36,000$

Note 4. Deluxe = 4,000 in stock @ Rs. 5.30 = Rs. 21,200

Popular = 20,000 in stock @ Rs. 3.10 = 62,000

Note 5. Deluxe = $36,000 \times \text{Re. } 0.25 = \text{Rs. } 9,000$

Popular = $1,00,000 \times \text{Re. } 0.25 = 25,000$

Answer 4:

(i) **(a) In the books of Hari Brothers Realisation Account**

	Rs.	Rs.		Rs.
To Land and buildings		50,000	By Creditors	25,000
To Plant and machinery		30,000	By Lal's capital A/c	2,000
To Motor vehicles		20,000	By Dena Bank A/c	25,000
To Inventories		60,000	By Hari Ltd. (W.N.ii)	1,83,000
To Debtors		25,000		
To Partners' capital accounts				
Hari (2/5)	20,000			

Lal (2/5)	20,000		
Jay (1/5)	10,000	50,000	
		2,35,000	2,35,000

(b) Partners' Capital Accounts

Particulars	Hari Rs.	Lal Rs.	Jay Rs.		Hari Rs.	Lal Rs.	Jay Rs.
To Realisation A/c (motor vehicle takeover)		2,000		By Balance b/d	70,000	30,000	20,000
To 10% Debentures*	35,000	15,000	10,000	By Current A/c	7,000	5,000	3,000
To Equity shares	62,000	38,000	23,000	By Realisation A/c Profit	20,000	20,000	10,000
	97,000	55,000	33,000		97,000	55,000	33,000

* Debentures have been issued in proportion of capital account balances i.e. in ratio of 7:3:2.

(c) Bank Account

Particulars	Axis Bank Rs.	Dena Bank Rs.	Particulars	Axis Bank Rs.	Dena Bank Rs.
To Balance b/d	5,000	-	By Balance b/d	-	20,000
To Axis Bank	-	5,000	By Loan (Gopi Ltd.)	-	7,000
To Realisation A/c	-	25,000	By Loan-Hari	-	3,000
			By Dena Bank	5,000	-
	5,000	30,000		5,000	30,000

(ii)

In the books of Hari Ltd.

Business Purchase Account

Particular	Rs.	Particulars	Rs.
To Creditors	25,000	By Land and buildings	96,000
To Dena Bank (overdraft)	25,000	By Plant and Machinery	28,000
To Hari Brothers	1,83,000	By Motor Vehicles	15,000
		By Inventories	60,000
		By Debtors	24,000
		By Goodwill	10,000
	2,33,000		2,33,000

Hari Brothers Account

Particular	Rs.	Particulars	Rs.
To 10% Debentures A/c	60,000	By Business purchase	1,83,000
To Equity share capital A/c	1,23,000		
	1,83,000		1,83,000

Answer 5:

Contract Account of Deluxe Limited

(For the year ending 30th June, 1987)

To Materials	Rs. 1,00,000	By Work in progress A/c :	Rs.
“Wages Paid 45,000		Work certified	2,00,000
“ Wages Accrued <u>5,000</u>	50,000	Work uncertified	15,000
“ General Expenses	10,000	“ Materials in hand	25,000
“ Plant Depreciation	5,000	“ Contract escalation [Note 1)	5,000
“ Profit & Loss (Notional profit)	80,000		
	2,45,000		2,45,000

Note 1 — Calculation of escalation amount

Material and Wages increased by 25%

(a) Increase in material price (Rs. 1,00,000 - Rs. 25,000) x (25/125)	Rs.15,000
(b) Increase in wages Rs. 50,000 x (25/125)	10,000
Total increase	25,000

It is 5% of contract price

Escalation is 25% of the rise in the cost of material and wage beyond 5% in each case.

25% increase = Rs. 25,000

∴ 5% increase = 5,000

Escalation = 25% of (Rs. 25,000 - Rs. 5,000) = Rs. 5,000