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**SUGGESTED SOLUTION**

**INTERMEDIATE M'19 EXAM**

**SUBJECT- ACCOUNTS AND  
ADVANCED ACCOUNTS**

**Test Code – CIM 8151**

**BRANCH - () (Date - )**

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**ANSWER-1****(i) Calculation of Interest and Cash Price**

No. of installments	Outstanding balance at the end after the payment of installment	Amount due at the time of installment	Outstanding balance at the end before the payment of installment	Interest	Outstanding balance at the beginning
[1]	[2]	[3]	[4]= 2 +3	[5]= 4 x 10/110	[6]= 4-5
3rd	-	2,75,000	2,75,000	25,000	2,50,000
2nd	2,50,000	2,45,000	4,95,000	45,000	4,50,000
1st	4,50,000	2,65,000	7,15,000	65,000	6,50,000

Total cash price = Rs. 6,50,000+ 5,00,000 (down payment) =Rs. 11,50,000.

**(2 MARKS)****(ii) In the books of Lucky****Tractors Account**

Date	Particulars	Rs.	Date	Particulars	Rs.
1.10.20X1	To Happy a/c	11,50,000	30.9.20X2	By Depreciation A/c	2,30,000
				Balance c/d	9,20,000
		<b>11,50,000</b>			<b>11,50,000</b>
1.10.20X2	To Balance b/d	9,20,000	30.9.20X3	By Depreciation A/c	1,84,000
				Balance c/d	7,36,000
		<b>9,20,000</b>			<b>9,20,000</b>
1.10.20X3	To Balance b/d	7,36,000	30.9.20X4	By Depreciation A/c	1,47,200
				By Happy a/c (Value of 1 Tractor taken over after depreciation for 3 years @30% p.a.) {5,75,000 - (1,72,500 + 1,20,750 + 84,525)}	1,97,225
				By Loss transferred to Profit and Loss a/c on surrender (Bal. fig.) or (2,94,400-1,97,225)	97,175
				By Balance c/d ½ (7,36,000 - 1,47,200 = 5,88,800)	2,94,400
		<b>7,36,000</b>			<b>7,36,000</b>

**(3 MARKS)**

### Happy Account

Date	Particulars	Rs.	Date	Particulars	Rs.
1.10.X1	To Bank (down payment)	5,00,000	1.10.X1	By Tractors a/c	11,50,000
30.9.X2	To Bank (1 <sup>st</sup> Installment)	2,65,000	30.9.X2	By Interest a/c	65,000
	To Balance c/d	4,50,000			
		<b>12,15,000</b>			<b>12,15,000</b>
30.9.X3	To Bank (2 <sup>nd</sup> Installment)	2,45,000	1.10.X2	By Balance b/d	4,50,000
	To Balance c/d	2,50,000	30.9.X3	By Interest a/c	45,000
		<b>4,95,000</b>			<b>4,95,000</b>
30.9.X4	To Tractor a/c	1,97,225	1.10.X3	By Balance b/d	2,50,000
	To Balance c/d (b.f.)	77,775	30.9.X4	By Interest a/c	25,000
		<b>2,75,000</b>			<b>2,75,000</b>
31.12.X4	To Bank (Amount settled after 3 months)	81,275	1.10.X4	By Balance b/d	77,775
			31.12.X4	By Interest a/c (@ 18% on bal.) (77,775x3/12x18/100)	3,500
		<b>81,275</b>			<b>81,275</b>

(5 MARKS)

### ANSWER-2

#### 1. Statement of Affairs of Somesh as on 31st March 2012 (Opening Balance Sheet)

Capital and Liabilities	Rs.	Properties and Assets	Rs.
Somesh's Capital (balancing figure)		Non-Current Assets:	
Non-Current Liabilities:	1,07,712	Furniture & Fittings Building (House)	22,500
Loan from Brother	18,000	Current Assets: Stock (24,390 $\times \frac{100}{125}$ )	19,512
Current Liabilities: Creditors	32,940	Debtors	11,025
		Cash-in-Hand & at Bank	15,615
<b>Total</b>	<b>1,58,652</b>	<b>Total</b>	<b>1,58,652</b>

(3 MARKS)

## 2. Statement of Affairs of Somesh as on 31st March 2018 (Closing Balance Sheet)

Capital and Liabilities	Rs.	Properties and Assets	Rs.
Somesh's Capital (balancing figure)	2,70,112	Non-Current Assets: Furniture & Fittings	40,500
		Building (House)	90,000
Current Liabilities: Creditors	37,800	Car	33,750
		Debentures in 'X Ltd'	33,750
		Loan to Brother	13,500
		Current Assets: Stock (54,330 x 75%)	40,747
		Debtors	26,640
		Cash-in-Hand & at Bank	29,025
<b>Total</b>	<b>3,07,912</b>	<b>Total</b>	<b>3,07,912</b>

**(3 MARKS)**

## 3. Statement of Profit for the period 01.04.2012 to 31.03.2018 (Capital Comparison Method)

Particulars	Rs.
Capital as on 31st March 2018 (as per Statement of Affairs WN 2)	2,70,112
Add: Drawings (6 financial years period) (13,500 + 18,000 + 27,000 + 31,500 + 31,500 + 31,500)	1,53,000
Total of above	4,23,112
Add: Amount stolen in May 2017	13,500
Total of above	4,36,612
Less: Opening Capital as on 31st March 2012 (as per Statement of Affairs WN 1)	(1,07,712)
Actual Profits for the period, as per Capital Comparison Method	3,28,900
Less: Profit as shown to IT Dept (6 financial years period as above) (33,075 + 33,300 + 35,415 + 61,875 + 54,630 + 41,670)	(2,59,965)
Under-Statement of Income	68,935

**Note:** In the absence of the information regarding Depreciation in the question, no Depreciation has been provided on Building (House) and Car.

**(4 MARKS)**

### ANSWER-3

### ANSWER-A

#### 1. Journal Entries in the books of Lakshmi Ltd

S.No.	Particulars		Dr. ( Rs.)	Cr. ( Rs.)
1.	7.5% Preference Share Capital ( Rs. 100) A/c	Dr.	8,00,000	
	To Reconstruction A/c			1,60,000
	To 9% Preference Share Capital ( Rs. 100) A/c			6,40,000
	(Being 20% holding of Preference Shareholders surrendered,			

	and 9% Preference Shares issued for the balance)		
2.	11% Debentures A/c To Plant and Machinery A/c To Reconstruction A/c (Being Debentureholders accepting Plant and M/c in full satisfaction of their claim)	Dr.	10,00,000 8,50,000 1,50,000
3.	Sundry Creditors A/c To Stock (Being Sundry Creditors agreeing to take over Stock of the value of Rs. 6,20,000)	Dr.	6,20,000 6,20,000
4.	Equity Share Capital ( Rs. 10) A/c To Reconstruction A/c To Equity Share Capital ( Rs. 6) A/c (Being Equity Shareholders ageing for reduction of Rs.4 per Share, and new Share of Rs. 6 each fully paid up issued to them)	Dr.	18,00,000 7,20,000 10,80,000
5.	Reconstruction A/c To Investments A/c (Being Investments written down to Market Value of Rs. 60,000)	Dr.	5,000 5,000
6.	Reconstruction A/c To Sundry Debtors A/c To Stock A/c (Being Sundry Debtors and Stock valued at 90% of their Book Value)	Dr.	1,88,000 1,20,000 68,000
7.	Loan from Directors A/c To Reconstruction A/c (Being Loan from Directors waived by them)	Dr.	15,000 15,000
8.	Reconstruction A/c To Profit and loss A/c To Goodwill A/c To Patents A/c To Capital Reserve A/c (WN 2) (Being balance in Reconstruction A/c used to write off Intangible Assets and balance transferred to Capital Reserve A/c)	Dr.	8,52,000 7,18,000 35,000 60,000 39,000

**(8\*1 = 8 MARKS)**

## 2. Reconstruction A/c

Particulars	Rs.	Particulars	Rs.
To Investment A/c	5,000	By 7.5% Preference Share Capital A/c	1,60,000
To Sundry Debtors A/c	1,20,000	By 11% Debentures A/c	1,50,000
To Stock A/c	68,000	By Equity Share Capital A/c	7,20,000
To Goodwill A/c	35,000	By Loan from Directors A/c	15,000
To Patents A/c	60,000		
To Profit and Loss A/c	7,18,000		
To Capital Reserve A/c (balancing figure)	39,000		
	<b>10,45,000</b>		<b>10,45,000</b>

(2 MARKS)

## 3. Balance Sheet of Lakshmi Ltd as on 31st March (after Reconstruction)

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	17,20,000	
(b) Reserves and Surplus - Capital Reserve		39,000	
<b>2) Current Liabilities:</b>			
Short Term Borrowings - Bank Overdraft		1,65,000	
<b>Total</b>		<b>19,24,000</b>	
<b>II ASSETS</b>			
<b>1) Non-Current Assets</b>			
(a) Fixed Assets: Tangible Assets - Furniture & Fittings		1,60,000	
(b) Non-Current Investments	-	60,000	
Cost Rs. 65,000, taken at Market Value			
<b>2) Current Assets:</b>			
(a) Inventories -Stock-in-Trade		6,12,000	
(b) Trade Receivables - Sundry Debtors		10,80,000	
(c) Cash and Cash Equivalents - Cash on Hand		12,000	
<b>Total</b>		<b>19,24,000</b>	

**Note 1: Share Capital**

	Particulars	This Year	Prev. Yr
Authorised:	...Equity Shares of Rs. ...each...		
	.....Preference Shares of Rs..... each		
Issued, Subscribed & Paid up:	1,80,000 Equity Shares of Rs. 6 each 6,400 9% Preference Shares of Rs. 100 each	10,80,000  6,40,000	
	<b>Total</b>	<b>17,20,000</b>	

**(5 MARKS)****ANSWER-B****1. Computation of Net Premium earned**

Particulars	Rs.
Premium on Direct Business (Reed 92,00,000 + Due at end 3,94,000 - Due at opg 4,59,000)	91,35,000
Add: Premium on Re-Insurance Accepted (Reed 7,86,000 + Due at end 33,000 - Due at opg 37,000)	7,82,000
Less: Premium on Re-Insurance Ceded (Paid 6,36,000 + Due at end 20,000 - Due at opg 28,000)	(6,28,000)
<b>Net Premium Earned</b>	<b>92,89,000</b>

**(2 MARKS)****2. Computation of Claims Expense**

Particulars	Rs.
Claims Paid Direct (Paid 73,00,000 + Due at end 1,01,000 - Due at opg 94,000)	73,07,000
Add: Re-Insurance Accepted (Paid 5,80,000 + Due at end 12,000 - Due at opg 16,000)	5,76,000
Less: Re-Insurance Ceded (Reed 2,10,000 + Due at end 39,000 - Due at opg 42,000)	(2,07,000)
<b>Net Claims Paid</b>	<b>76,76,000</b>

**Note:** Alternative presentation methods of computing Net Premium Income / Net Claims Expense, to obtain the above numbers, are also possible.

**(3 MARKS)**

**ANSWER-4****Revenue Account of Kalyan General Insurance Company for the year ended 31.03.2018**

Particulars	Sch.	This Yr	Last Yr
Premium (Net)	1	59,75000	
Total (A)		59,75,000	

	Particulars	Sch.	This Yr	Last Yr
1.	Claims Incurred	2	45,26,000	
2.	Commission	3	1,47,000	
3.	Operating Expenses related to Insurance Business (2,30,000 - 45,000 - 35,000)		1,50,000	
	<b>Total (B)</b>		<b>48,23,000</b>	
	<b>Operating Profit / (Loss) from Insurance Business (A - B)</b>		<b>11,52,000</b>	
	<b>Appropriations</b>		<b>NIL</b>	
	<b>Total (C)</b>		<b>11,52,000</b>	

**(3 MARKS)****Schedule 1 - Premium Earned (Net)**

Particulars		This Yr	Last Yr
Add :	Premium from Direct Business Written	65,75,000	
	Premium on Re-Insurance accepted	9,50,000	
Less :	Premium on Re-Insurance ceded	(4,75,000)	
	Net Premium	70,50,000	
Less:	Changes in Unexpired Risk Reserve Provn [Reqd 50% of 70,50,000 - Opg 24,50,000]	(10,75,000)	
	<b>Total Premium Earned (Net)</b>	<b>59,75,000</b>	

**Schedule 2 - Claims Paid (Net)**

	Particulars	This Yr	Last Yr
	Claims Paid - Direct (Paid 42,50,000 + Legal Exps 45,000 + Surveyor's Fees 35,000)	43,30,000	
	Add: Claims paid on Re-Insurance Accepted	5,00,000	
	Less: Claims from Re-Insurance Ceded (Received 3,25,000 + Due at end 1,10,000 - Due at opg 65,000)	(3,70,000)	
	Net Claims Paid	44,60,000	
	Add: Claims Outstanding as on 31.03.2018 (Direct Rs. 7,18,000 + Re-Insurance Rs. 60,000)	7,78,000	
	Less: Claims Outstanding as on 01.04.2017 (Direct 6,25,000 + Re-Insurance 87,000)		



		(7,12,000)	
<b>Total Claims Incurred</b>		<b>45,26,000</b>	

**Schedule 3 - Commission**

<b>Particulars</b>	<b>This Yr</b>	<b>Last Yr</b>
Commission Paid	1,50,000	
Add: Re-Insurance Accepted	11,000	
Less: Commission on Re-Insurance ceded	(14,000)	
<b>Net Commission</b>	<b>1,47,000</b>	

**(7 MARKS)**