



J.K. SHAH[®]
TEST SERIES
Evaluate Learn Succeed

SUGGESTED SOLUTION

INTERMEDIATE M'19 EXAM

SUBJECT- ACCOUNTS

Test Code – CIM 8130

BRANCH - () (Date :)

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

Tel : (022) 26836666

ANSWER-1

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)	1,07,712	Non-Current Assets:	22,500
Non-Current Liabilities:		Furniture & Fittings Building (House)	90,000
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
Total	1,58,652	Total	1,58,652

(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 Building (House)	40,500 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
Total	3,07,912	Total	3,07,912

(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-2

Ledger Accounts in the Books of Girish Transport Ltd are as under -

1. Rickshaw A/c

Date	Particulars	Rs.	Date	Particulars	Rs.
01.01.15	To NCR Motors A/c	1,80,000	31.12.15	By Depreciation (1,80,000x 20%)	36,000
			31.12.15	By balance c/d	1,44,000
	Total	1,80,000		Total	1,80,000
01.01.16	To balance b/d	1,44,000	31.12.16	By Depreciation (1,44,000x 20%)	28,800
				By NCR Motors (WN 2)	58,800
				By Loss on Takeover (WN 3)	18,000
				By balance c/d (b/f)	38,400
	Total	1,44,000		Total	1,44,000
01.01.17	To balance b/d	38,400	31.12.17	By Depreciation (38,400x 20%)	7,680
				By balance c/d (b/f)	30,720
	Total	38,400		Total	38,400

(3 MARKS)

2. NCR MOTORS A/C

Date	Particulars	Rs.	Date	Particulars	Rs.
01.01.15	To Bank A/c	30,000	01.01.15	By Rickshaw A/c	1,80,000
31.12.15	To Bank A/c [50,000 + 15,000]	65,000	31.12.15	By Interest A/c [1,80,000 - 30,000]x 10%	15,000
31.12.15	To balance c/d (b/f)	1,00,000			
	Total	1,95,000		Total	1,95,000
31.12.16	To Rickshaw A/c	58,800	01.01.16	By balance b/d	1,00,000
31.12.16	To balance c/d	51,200	31.12.16	By Interest A/c [1,00,000 x 10%]	10,000
		1,10,000			1,10,000
31.12.17	To Bank A/c (Note)	56,320	01.01.17	By balance b/d	51,200

			31.12.17	By Interest A/c [51,200 x 10%]	5,120
	Total	56,320		Total	56,320

Note: It is assumed that the balance amount is settled along with interest, on 31.12.2017.

(4 MARKS)

Working Notes: 1. Valuation of Rickshaw

Particulars	Value as per Purchaser	Value as per Vendor
Depreciation Rate	20% WDV	30% WDV
Value of Rickshaw [60,000 x 3]	1,80,000	1,80,000
Less: Depreciation for the year 2015	(36,000)	(54,000)
Value of Rickshaw as on 31.12.2015	1,44,000	1,26,000
Less: Depreciation for the year 2016	(28,800)	(37,800)
Value of Rickshaw as on 31.12.2016	1,15,200	88,200
Less: Value of Rickshaws repossessed [1,15,200 x 2/3]	(76,800)	
Price of the Remaining Rickshaw [1,15,200 x 1/3]	38,400	
Less: Depreciation for the year 2017	(7,680)	
Value of Rickshaw as on 31.12.2017	30,720	

2. Takeover Value of Rickshaws repossessed: $2/3 \times \text{Rs. } 88,200 = \text{Rs. } 58,800$

3. Loss on Takeover = Book Value of Rickshaws Repossessed Rs. 76,800 (-) Takeover Value Rs. 58,800 = Rs. 18,000.

(3 MARKS)

ANSWER-3

Journal Entries

Date	Particulars	Dr. (Rs.)	Cr. (Rs.)
	8% Preference Share Final Call A/c	Dr. 15,00,000	
	To 8% Preference Share Capital A/c		15,00,000
	(For final call made on preference shares @ Rs. 30 each to make them fully paid up)		
	Bank A/c	Dr. 15,00,000	
	To 8% Preference Share Final Call A/c		15,00,000
	(For receipt of final call money on preference shares)		
	Bank A/c	Dr. 10,00,000	
	To Equity Share Application A/c		10,00,000
	(For receipt of application money on 50,000 equity shares @ Rs. 20)		

per share)			
Equity Share Application A/c	Dr.	10,00,000	
To Equity Share Capital A/c			10,00,000
(For capitalisation of application money received)			
Equity Share Allotment A/c	Dr.	17,50,000	
To Equity Share Capital A/c			12,50,000
To Securities Premium A/c			5,00,000
(For allotment money due on 50,000 equity shares @ Rs. 35 per share including a premium of Rs. 10 per share)			
Bank A/c	Dr.	17,50,000	
To Equity Share Allotment A/c			17,50,000
(For receipt of allotment money on equity shares)			
8% Preference Share Capital A/c	Dr.	50,00,000	
Premium on Redemption of Preference Shares A/c	Dr.	2,50,000	
To Preference Shareholders A/c			52,50,000
(For amount payable to preference shareholders on redemption at 5% premium)			
General Reserve A/c	Dr.	2,50,000	
To Premium on Redemption A/c			2,50,000
(For writing off premium on redemption of preference shares)			
General Reserve A/c	Dr.	27,50,000	
To Capital Redemption Reserve A/c			27,50,000
(For transfer of CRR the amount not covered by the proceeds of fresh issue of equity shares i.e., 50,00,000 - 10,00,000 - 12,50,000)			
Preference Shareholders A/c	Dr.	52,50,000	
To Bank A/c			52,50,000
(For amount paid to preference shareholders)			

Balance Sheet (extracts)

	Particulars	Notes No.	As at 31.3.20X2 Rs.	As at 31.12.20X1 Rs.
	EQUITY AND LIABILITIES			
1.	Shareholders' funds			
	a) Share capital	1	1,22,50,000	1,35,00,000
	b) Reserves and Surplus	2	77,50,000	75,00,000

Notes to accounts

	Particulars	As at 31.3.20X2	As at 31.12.20X1
1.	Share Capital		
	Issued, Subscribed and Paid up:		
	1,00,000 Equity shares of Rs.100 each fully paid up	1,00,00,000	1,00,00,000
	50,000 Equity shares of Rs.100 each Rs.45 paid up	22,50,000	-
	50,000, 8% Preference shares of Rs.100 each, Rs.70 called up	-	35,00,000
		1,22,50,000	1,35,00,000
2.	Reserves and Surplus		
	Capital Redemption Reserve	47,50,000	20,00,000
	Securities Premium (5,00,000 + 5,00,000)	10,00,000	5,00,000
	General Reserve	20,00,000	50,00,000
		77,50,000	75,00,000

Note: Amount received (excluding premium) on fresh issue of shares till the date of redemption should be considered for calculation of proceeds of fresh issue of shares. Thus, proceeds of fresh issue of shares are Rs.22,50,000 (Rs.10,00,000 application money plus Rs. 12,50,000 received on allotment towards share capital). **(2 MARKS)**

ANSWER-4**1. Investments in 8% Convertible Debentures of C Ltd A/c**

Date	Particulars	Cost	Int.	Date	Particulars	Cost	Int.
1st Apr	To Bank (WN la)	2,16,000	-	30th Sep	By Bank (3,00,000 x 8% x $\frac{1}{2}$)	-	12,000
1st July	To Bank (WN lb)	1,10,000	2,000	1st Oct	By Bank (WN 2a)	84,000	-
			10,000	1st Oct	By Loss on Sale (WN lc)	2,933	-
31st Dec	To P&L A/c - Int tfr			1st Dec	By Equity Shares A/c (WN 3)	59,767	-
				1st Dec	By Accrued Interest (WN 4)		733
				31st Dec	By bal. c/d (WN 3)	1,79,300	3,300
	Total	3,26,000	16,033		Total	3,26,000	16,033

(3 MARKS)**2. Investments in Equity Share of C Ltd A/c**

Date	Particulars	FV	Cost	Date	Particulars	FV	Cost
1st Dec	To Debentures A/c (5,000 ES x Rs. 10)	50,000	59,767	31st Dec	By balance c/d	50,000	59,767
	Total	50,000	59,767		Total	50,000	59,767

(1 MARK)**Working Notes:****(6 MARKS)****1. Cost of Debentures:**

(a) Purchased on 1st April = Rs. 2,00,000 x $\frac{108}{100}$ = Rs. 2,16,000

(b) Purchased on 1st July:

Total Amount = Rs. 1,00,000 x $\frac{112}{100}$ = Rs. 1,12,000

Interest = Rs. 1,00,000 x 8% x $\frac{3}{12}$ = Rs. 2,000 (for 1st April to 30th June)

So, Cost = 1,12,000 - 2,000 = Rs. 1,10,000

2. Sale of Debenture on 1st October

(a) Sale Proceeds = Rs. 80,000 x $\frac{105}{100}$ = Rs. 84,000

$$(b) \quad \text{Average Cost of Rs. 80,000 Debentures} = \frac{2,16,000+1,10,000}{3,00,000} \times 80,000 = \text{Rs. } 86,933$$

$$(c) \quad \text{Loss on Sale} = \text{Rs. } 86,933 - \text{Rs. } 84,000 = \text{Rs. } 2,933$$

3. Conversion into Equity & Balance Sheet Valuation

Note: Cost of Debentures held before conversion = Rs. 3,26,000 - 86,933 = Rs. 2,39,067

Particulars	Cost	Market Value at Year End	B/S Value
25% Converted into Shares	2,39,067 x 25% = 59,767	5,000 Shares x Rs. 15 = 75,000	Rs. 59,767
75% held as Debentures	2,39,067 x 75% = Rs. 1,79,300	Rs. 2,20,000 Deb x 75% x $\frac{110}{100}$ =Rs.1,81,500	Rs.1,79,300

4. **Accrued Interest on the date 25% Conversion** for Oct & Nov = Rs. 2,20,000 Deb x 25% x 8% x $\frac{2}{12}$ = Rs. 733.

5. **Accrued Interest on the B/s date** for Oct, Nov & Dec = Rs. 2,20,000 Deb x 75% x 8% x $\frac{3}{12}$ = Rs. 3,300.

ANSWER-5

In the books of 3R Enterprises

Realisation Account

Particular	Rs.	Particulars	Rs.
To Land and Buildings	14,00,000	By Creditors	6,00,000
To Machinery	11,00,000	By 3R Enterprises (Pvt.) Ltd. A/c	42,00,000
To Furniture	6,10,000		
To Stock	8,40,000		
To Debtors	6,00,000		
To Cash at Bank	1,90,000		
To Ramesh's capital	30,000		
To Roshan's capital	20,000		
To Rohan's capital	10,000		
	48,00,000		48,00,000

(1.5 MARKS)

Partners' Capital Accounts

	Ramesh Rs.	Roshan Rs.	Rohan Rs.		Ramesh Rs.	Roshan Rs.	Rohan Rs.
To Shares in 3R Enterprises (Pvt.) Ltd. A/c	21,00,000	14,00,000	7,00,000	By Balance b/d	16,80,000	11,60,000	6,70,000

To Bank A/c (Settlement)	-	-	85,000	By General Reserve	3,15,000	2,10,000	1,05,000
				By Realisation A/c (Profit)	30,000	20,000	10,000
				By Bank A/c (Settlement)	75,000	10,000	-
	21,00,000	14,00,000	7,85,000		21,00,000	14,00,000	7,85,000

(1.5 MARKS)

In the Books of 3R Enterprises (Private) Ltd

Journal Entries

		Rs.	Rs.
1.	Business Purchase A/c To M/s 3R Enterprises (Consideration payable for business purchased)	Dr. 42,00,000	42,00,000
2.	Land and Buildings A/c Machinery A/c Furniture A/c Stock A/c Debtors A/c Bank A/c To Creditors A/c To Provision for doubtful debts A/c To Business Purchase A/c To Capital Reserve A/c (balancing figure) (Assets and liabilities taken over for Rs. 42,00,000; balance credited to capital reserve)	Dr. 16,40,000 Dr. 9,90,000 Dr. 6,10,000 Dr. 8,40,000 Dr. 6,00,000 Dr. 1,90,000	6,00,000 30,000 42,00,000 40,000
3.	Capital reserve A/c (Expenses of takeover) To Bank A/c (Expenses for take over debited to capital reserve)	Dr. 23,000	23,000
4.	M/s 3R Enterprises A/c To Equity share capital A/c (Allotment of fully paid equity shares to discharge consideration for business)	Dr. 42,00,000	42,00,000
5.	Preliminary expenses A/c To Bank A/c (Expenses incurred to get the company incorporated)	Dr. 57,000	57,000

(5*1= 5 MARKS)