SUGGESTED SOLUTION

INTER CA NOVEMBER 2018 EXAM

SUBJECT- Accounts

Test Code - CIN 5008

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

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

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Answer 1:

(A) **Entity A's management can apply the revaluation model only to the office buildings. The office buildings can be clearly distinguished from the industrial buildings in terms of their function, their nature and their general location.AS 10 (Revised) permits assets to be revalued on a class by class basis.**
The different characteristics of the buildings enable them to be classified as different PPE classes. The different measurement models can, therefore, be applied to these classes for subsequent measurement.
However, all properties within the class of office buildings must be carried at revalued amount.
(5 MARKS)

(B) **According to AS 16 'Borrowing costs', qualifying asset is an asset that necessarily takes substantial period of time to get ready for its intended use. As per the standard, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset should be capitalized as part of the cost of that asset. Other borrowing costs should be recognized as an expense in the period in which they are incurred. Capitalization of borrowing costs is also not suspended when a temporary delay is a necessary part of the process of getting an asset ready for its intended use or sale.** **(2 MARKS)**

The treatment of interest by Zen Bridge Construction Ltd. can be shown as:

	Qualifying Asset	Interest to be capitalized Rs. in crores	Interest to be charged to Profit & Loss A/c Rs. in crores	
Construction of hill road*	Yes	1.25		1.6/64 x 50
Purchase of equipment and machineries	No		0.15	1.6/64 x 6
Working capital	No		0.10	1.6/64 x 4
Purchase of vehicles	No		0.025	1.6/64 x 1
Advance for tools, cranes etc.	No		0.025	1.6/64 x 1
Purchase of technical know-how	No		0.05	1.6/64 x 2
Total		1.25	0.35	

***Note: It is assumed that construction of hill road will normally take more than a year (substantial period of time), hence considered as qualifying asset.** **(3 MARKS)**

(C) **AS 17 'Segment Reporting' requires that inter-segment transfers should be measured on the basis that the enterprise actually used to price these transfers. The basis of pricing inter-segment transfers and any change therein should be disclosed in the financial statements. Hence, the enterprise can have its own policy for pricing inter - segment transfers and hence, inter-segment transfers may be based on cost, below cost or market price. However, whichever policy is followed, the same should be disclosed and applied consistently. Therefore, in the given case inter -segment transfer pricing policy adopted by the company is correct if followed consistently.**
(5 MARKS)

(D) **AS 22 on "Accounting for Taxes on Income" relates to the transitional provisions. It says, "On the first occasion that the taxes on income are accounted for in accordance with this statement, the enterprise should recognize, in the financial statements, the deferred tax balance that has accumulated prior to the adoption of this statement as deferred tax asset/liability with a corresponding credit/charge to the revenue reserves, subject to the consideration of prudence in case of deferred tax assets.**

Further AS 22 lays down, "For the purpose of determining accumulated deferred tax in the period in which this statement is applied for the first time, the opening balances of assets and liabilities for accounting purposes and for tax purposes are compared and the differences, if any, are determined. The tax effects of these differences, if any, should be recognised as deferred tax assets or liabilities, if these differences are timing differences." (3 MARKS)

Therefore, in the case of XYZ, even though AS 22 has come into effect from 1.4.2001, the transitional provisions permit adjustment of deferred tax liability/asset up to the previous year to be adjusted from opening reserve. In other words, the deferred taxes not provided for alone can be adjusted against opening reserves. (1 MARK)

Provision for deferred tax asset/liability for the current year should be routed through profit and loss account like normal provision. (1 MARK)

Answer 2:

(A) Investment Account (Shares in Kumar Limited) in the books of Meera

Date	Particulars	No. of Shares	Income	Amount	Date	Particulars	No. of Shares	Income	Amount
2017			**Rs.**	**Rs.**	**2017**			**Rs.**	**Rs.**
April 1	To Bank (Purchases)	40,000	-	60,000	May	By Bank (Sale)	8,000	-	15,200
May	To Profit & Loss A/c (W.N.1)	-	-	3,200					
June	To Bonus Issue	8,000	-	Nil	2018				
July	To Bank (@ 75 p. paid on 4,000 shares)	4,000	-	3,000	Mar. 15	By Bank (Dividend @ 15% on Rs.32,000)		4,800	-
Sept.	To Bank (@ 75 p. paid on 4,000 shares)	-	-	3,000	Mar. 30	By Bank (Sale)	20,000	-	28,000
2018 Mar. 31	To Profit & Loss A/c (W.N.2)			3,455	Mar. 31	By Balance c/d [(24000/44000) * 54000]	24,000	-	29,455
	To Profit & Loss A/c	-	4,800						
		52,000	4,800	72,655			52,000	4,800	72,655

(7 MARKS)

Working Note:

1) **Profit on sale on 15-05-2017:**

Cost of 8000 shares @ Rs.1.50 Rs. 12000
Less : Sales Price Rs. 15200
Rs.3200

2) **Cost of 20000 shares sold:**

Cost of 44000 shares (48000 + 6000) Rs. 54000
Cost of 20000[(54000 / 44000 shares) * 20000 shares] Rs. 24545

Profit on sale of 20000 shares (28000 – 24545) Rs. 3455
(3 MARKS)

(B) **Sun Ltd.**

Cash Flow Statement for the year ended 31st March, 20X1

	Rs.	Rs.
Cash flows from operating activities		
Net Profit before taxation	**4,500**	
Adjustments for:		
Depreciation	**3,500**	
Profit on sale of vehicles (1,700 – 1,000)	**(700)**	
Operating profit before working capital changes	**7,300**	
Increase in Trade receivables	**(2,000)**	
Increase in inventories	**(3,000)**	
Increase in Trade payables	**1,500**	
Cash generated from operations	**3,800**	
Income taxes paid (W.N.1)	**(1,000)**	
Net cash generated from operating activities		**2,800**
Cash flows from investing activities		
Sale of vehicles	**1,700**	
Purchase of vehicles (W.N.3)	**(8,000)**	
Purchase of fixtures (W.N.3)	**(7,000)**	
Net cash used in investing activities		**(13,300)**
Cash flows from financing activities		
Issue of shares for cash	**10,000**	
Dividends paid (W.N.2)	**(1,000)**	
Net cash from financing activities		**9,000**
Net decrease in cash and cash equivalents		**(1,500)**
Cash and cash equivalents at beginning of period (See Note 1)		**9,500**
Cash and cash equivalents at end of period (See Note 1)		**8,000**
Note to the Cash Flow Statement		
Cash and Cash Equivalents		
	31.3.20X1	**31.3.20X0**
Bank and Cash	**6,000**	**8,500**

Short-term investments	2,000	1,000
Cash and cash equivalents	8,000	9,500

(6 MARKS)

Working Notes :

1.	Income taxes paid		
	Income tax expense for the year		1,500
	Add: Income tax liability at the beginning of the year		1,000
			2,500
	Less: Income tax liability at the end of the year		(1,500)
			1,000
2.	Dividend paid		
	Declared dividend for the year		2,000
	Add: Amount payable at the beginning of the year		1,000
			3,000
	Less: Amount payable at the end of the year		(2,000)
			1,000
3.	Fixed assets acquisitions		
	W.D.V. at31.3.20X1	17,000	12,500
	Add back:		
	Depreciation for the year	1,000	2,500
	Disposals	—	1,000
		18,000	16,000
	Less: W.D.V. at 31.12.20X0	(11,000)	(8,000)
	Acquisitions during 20X0-20X1	7,000	8,000

(4 MARKS)

Answer 3:
(A)

Journal

Date	Particulars		Dr. (Rs.)	Cr. (Rs.)
	Bank A/c	Dr.	37,500	
	To Share Application A/c			37,500
	(For application money received on 625 shares @ Rs. 60 per share)			
	Share Application A/c	Dr.	37,500	

	To Equity Share Capital A/c To Securities Premium A/c (For disposition of application money received)			31,250 6,250
	Preference Share Capital A/c Premium on Redemption of Preference Shares A/c To Preference Shareholders A/c (For amount payable on redemption of preference shares)	Dr. Dr.	65,000 6,500	 71,500
	Profit and Loss A/c To Premium on Redemption of Preference Shares A/c (For writing off premium on redemption out of profits)	Dr.	6,500	 6,500
	Bank A/c Profit and Loss A/c (loss on sale) A/c To Investment A/c (For sale of investments at a loss of Rs. 3,500)	Dr. Dr.	15,000 3,500	 18,500
	Profit and Loss A/c To Capital Redemption Reserve A/c (For transfer to CRR out of divisible profits an amount equivalent to excess of nominal value of preference shares over proceeds (face value of equity shares) i.e., Rs. 65,000 - Rs. 31,250)	Dr.	33,750	 33,750
	Preference Shareholders A/c To Bank A/c (For payment of preference shareholders)	Dr.	71,500	 71,500

(1 * 7 = 7 MARKS)

(B)

Partners' Current Account

Particular	A	B	C	Particulars	A	B	C
1.1.20X1	Rs.	Rs.	Rs.	1.1.20X1	Rs.	Rs.	Rs.
To Balance b/d			5,000	By Balance b/d	29,000	20,000	
To A's Current A/c – goodwill (W.N.1)	-	20,000	10,000	By B's Current A/c – goodwill	20,000	-	-
To A's Current A/c – Revaluation Profit (W.N.2)	-	12,000	6,000	By C's Current A/c – goodwill	10,000		
To A's Capital A/c – transfer	80,000	-	-	By B's Current A/c – Revaluation profit	12,000	-	-
				By C's Current A/c – Revaluation profit	6,000		
				By Joint Life Policy A/c (Rs. 26,000 – Rs. 20,000)	3,000	2,000	1,000
				By Balance c/d		10,000	20,000
	80,000	32,000	21,000		80,000	32,000	21,000
1.1.20X1				31.12.20X1			
To Balance b/d		10,000	20,000	By Profit & Loss Appropriation A/c		17,617	8,808
31.12.20X1				By Balance c/d		7,383	19,192
To Drawings A/c		15,000	8,000				
		25,000	28,000			25,000	28,000
1.1.20X2				30.6.20X2			
To Balance b/d		7,383	19,192	By Realisation A/c -profit		12,573	6,287
To B's Capital A/c – transfer		5,190		By C's Capital A/c - transfer			12,905
		12,573	19,192			12,573	19,192

(6 MARKS)

Partners' Capital Accounts

Particular	A	B	C	Particulars	A	B	C
1.1.20X1	Rs.	Rs.	Rs.	1.1.20X1	Rs.	Rs.	Rs.
To A's Executors A/c	1,40,000			By Balance b/d	60,000	40,000	20,000
To Balance c/d		40,000	20,000	By A's Current A/c	80,000		
	1,40,000	40,000	20,000		1,40,000	40,000	20,000
31.12.20X1				1.1.20X1			

To Balance c/d		40,000	20,000	By Balance b/d		40,000	20,000
		40,000	20,000			40,000	20,000
30.6.20X2				1.1.20X2			
To C's Current A/c – transfer		---	12,905	By Balance b/d		40,000	20,000
To Bank A/c		45,190	7,095	30.6.20X2			
				By B's Current A/c – transfer		5,190	---
		45,190	20,000			45,190	20,000

(4 MARKS)

A's Executors Account

Date	Particulars	Rs.	Date	Particulars	Rs.
1.1.20X1	To Bank A/c	20,000	1.1.20X1	To A's Capital A/c	1,40,000
1.1.20X1	To Balance c/d	1,20,000			
		1,40,000			1,40,000
30.6.20X1	To Bank A/c	20,000	1.1.20X1	By Balance b/d	1,20,000
30.6.20X1	To Balance c/d	1,03,000	30.6.20X1	By Interest A/c	3,000
		1,23,000			1,23,000
31.12.20X1	To Bank A/c	20,000	1.7.20X1	By Balance b/d	1,03,000
31.12.20X1	To Balance c/d	85,575	31.12.20X1	By Interest A/c	2,575
		1,05,575			1,05,575
30.6.20X2	To Bank A/c	87,715	1.1.20X2	By Balance b/d	85,575
			30.6.20X2	By Interest A/c	2,140
		87,715			87,715

(3 MARKS)

Working Notes:

(1) Adjustment in regard to Goodwill

Partners		A	B	C
Share of goodwill before death	(Rs.)	**30,000**	**20,000**	**10,000**
Share of goodwill after death	(Rs.)	**-**	**40,000**	**20,000**
Gain (+)/Sacrifice (-)	(Rs.)	**(30,000)**	**20,000**	**10,000**
		Cr.	**Dr.**	**Dr.**

(2) Adjustment in regard to revaluation of assets

Partners		A	B	C
Share of profit on revaluation credited to all the partners	(Rs.)	**18,000**	**12,000**	**6,000**
Debited to the continuing partners	(Rs.)	**-**	**24,000**	**12,000**
	(Rs.)	**(18,000)**	**12,000**	**6,000**
		Cr.	**Dr.**	**Dr.**

(3) Ascertainment of Profit for the year ended 31.12.20X1

	(Rs.)	(Rs.)
Profit before charging interest on balance due to A's executors Less: Interest payable to A's executors:		**32,000**
from 1.1.20X1 to 30.6.20X1	**3,000**	
From 1.7.20X1 to 31.12.20X1	**2,575**	**(5,575)**
Balance of profit to be shared by B and C		**26,425**

(4) Balance Sheet as at 31.12.20X1

Liabilities	Rs.	Assets	Rs.
Capital Account – B	**40,000**	**Sundry Assets (balancing figure)**	**1,19,000**

Capital Account – C	**20,000**	**Partners' Current A/–B**	**7,383**
A's Executors A/c	**85,575**	**Partners' Current A/–C**	**19,192**
	1,45,575		**1,45,575**

(5) Realisation Account

Particular	Rs.	Particulars	Rs.
To Sundry Assets A/c	**1,19,000**	**By Bank A/c (purchase consideration)**	**1,40,000**
To Interest A/c – A's Executors	**2,140**		
To Partners' Capital A/c – B	**12,573**		
To Partners' Capital A/c – C	**6,287**		
	1,40,000		**1,40,000**

Answer 4:

(A)

Trading and Profit and Loss Account of ABC enterprise for the year ended 31st March, 2017

		Rs.		***Rs.***
To Opening Inventory		80,000	By Sales	6,08,750
To Purchases	4,56,000		By Closing inventory	70,000
Less: For advertising	(9,000)	4,47,000		
To Freight inwards		30,000		
To Gross profit c/d		1,21,750		
		6,78,750		6,78,750
To Sundry expenses		92,000	By Gross profit b/d	1,21,750
To Advertisement		9,000	By Interest on investment	600
To Discount allowed–			(20,000 x 6/100 x ½)	
Debtors	15,000		By Discount received	8,000
Bills Receivable	1,250	16,250	By Miscellaneous income	5,000
To Depreciation on furniture		6,500		
To Provision for doubtfuldebts		1,455		
To Net profit		10,145		
		1,35,350		135,350

(5 MARKS)

Balance Sheet as on 31st March, 2017

Liabilities	*Amount*		*Assets*		*Amount*
	Rs.	**Rs.**		**Rs.**	**Rs.**
Capital as on 1.4.2016	1,88,000		Furniture (w.d.v.) Additions duringthe	60,000	
Less: Drawings	(91,000)		year	10,000	
	97,000		*Less:* Depreciation	(6,500)	63,500
Add: Net Profit	10,145	1,07,145	Investment		19,000
Sundry creditors		1,50,000	Interestaccrued		600
Outstanding expenses		18,000	Closing inventory		70,000
			Sundrydebtors	72,750	
			Less: Provision for doubtful debts	1,455	71,295
			Bills receivable		17,500
			Cash in hand and at bank		26,250
			Prepaid expenses		7,000
		2,75,145			2,75,145

(4 MARKS)

Working Notes: **(1 MARK * 7 = 7 MARKS)**

(1) Capital on 1st April,2016

Balance Sheet as on 1st April, 2016

Liabilities	**Rs.**	*Assets*	**Rs.**
Capital (Bal.fig.)	1,88,000	Furniture (w.d.v.)	60,000
Creditors	1,10,000	Closing Inventory	80,000
Outstanding expenses	20,000	Sundry debtors	1,60,000
		Cash in hand and at bank	12,000
		Prepaid expenses	6,000
	3,18,000		3,18,000

(2) Purchases made during theyear

Sundry Creditors Account

	Rs.		**Rs.**
To Cash and bank A/c	3,92,000	By Balance b/d	1,10,000
To Discount received A/c	8,000	By Sundry debtors A/c	4,000
To Bills Receivable A/c	20,000	By Purchases A/c (Balancing figure)	4,56,000
To Balance c/d	1,50,000		
	5,70,000		5,70,000

(3) Sales made during the year

		Rs.
Opening inventory		80,000
Purchases	4,56,000	

Less: For advertising	(9,000)	4,47,000
Freight inwards		30,000
		5,57,000
Less: Closing inventory		(70,000)
Cost of goods sold		4,87,000
Add: Gross profit (25% on cost)		1,21,750
		6,08,750

(4) Debtors on 31st March,2017

Sundry Debtors Account

	Rs.		Rs.
To Balance b/d	1,60,000	By Cash and bank A/c	5,85,000
To Sales A/c	6,08,750	By Discount allowed A/c	15,000
To Sundry creditors A/c		By Bills receivable A/c	1,00,000
(bill dishonoured)	4,000	By Balance c/d (Bal.fig.)	72,750
	7,72,750		7,72,750

(5) Additional drawings by proprietors of ABCenterprises

Cash and Bank Account

	Rs.		*Rs.*
To Balance b/d	12,000	By Freight inwards A/c	30,000
To Sundry debtors A/c	5,85,000	By Furniture A/c	10,000
To Bills Receivable A/c	61,250	By Investment A/c	19,000
To Miscellaneous income A/c	5,000	By Expenses A/c By Creditors A/c By Drawings A/c [Rs. 70,000 + Rs. 21,000) (Additional drawings)] By Balance c/d	95,000
			3,92,000
			91,000

			26,250
	6,63,250		6,63,250

(6) **Amount of expenses debited to Profit and LossA/c**

Sundry Expenses Account

	Rs.		Rs.
To Prepaid expenses A/c (on 1.4.2016)	6,000	By Outstanding expenses A/c (on 1.4.2016)	20,000
To Bank A/c	95,000	By Profit and Loss A/c (Balancing figure)	92,000
To Outstanding expenses A/c (on 31.3.2017)	18,000	By Prepaid expenses A/c (on 31.3.17)	7,000
	1,19,000		1,19,000

(7) **Bills Receivable on 31st March,2017**

Bills Receivable Account

	Rs.		Rs.
To Debtors A/c	1,00,000	By Creditors A/c	20,000
		By Bank A/c	61,250
		By Discount on bills receivable A/c	1,250
		By Balance c/d (Balancing figure)	17,500
	1,00,000		1,00,000

Note: All sales and purchases are assumed to be on credit basis.

(B)

Memorandum Trading Account

For the period 01.04.20X1 to 15.12.20X1 (2 MARKS)

Particulars	Rs.	Particulars	Rs.
To Opening stock	9,40,000	By Sales	20,25,000
To Purchases	13,20,000	By Closing Stock (Bal.figure)	6,40,000
To Gross Profit @20%	4,05,000		
Total	**26,65,000**	**Total**	**26,65,000**

Statement of Claim **(1 MARK)**

	Rs.
Estimated value of Stock as at date of fire	6,40,000
Less: Value of Salvaged Stock	1,40,000
Estimated Value of Stock lost by fire	5,00,000

As the value of stock is more than insured value, amount of claim would besubject to average clause.

$$\text{Amount of Claim} = \frac{\text{Amount of Policy}}{\text{Value of Stock}} \text{ x Actual Loss of Stock}$$

$$\text{Amount of Claim} = \frac{4,00,000}{6,40,000} \text{ x } 5,00,000 = \text{ Rs.}3,12,500$$ **(1 MARK)**

Answer 5:

(A)

In the books of English Firm (Head Office in New York)
Kolkata Branch Profit and Loss Account
for the year ended 31st December, 2016

	$		$
To Opening stock	4,500	By Sales	46,875
To Purchases	31,250	By Closing stock	12,500
To Gross profit c/d	23,625	(6,37,500 / 51)	
	59,375		59,375
To Salaries	2,000	By Gross profit b/d	23,625
To Rent, rates and taxes	2,125		
To Exchange translation loss	2,000		
To Net Profit c/d	17,500		
	23,625		23,625

(3 MARKS)

Balance Sheet of Kolkata Branch as on 31st December, 2016

Liabilities	$	$	Assets	$
Head Office A/c	13,400		Furniture	1,750
Add : Net profit	17,500	30,900	Closing Stock	12,500
Trade creditors		10,000	Trade Debtors	15,000
Bills Payable		3,500	Bills Receivable	4,000
			Cash at bank	11,150

		44,400		44,400

(3 MARKS)

Working Note:

Require for calculation of Exchange Translation Loss
Kolkata Branch Trial Balance (converted in $)

as on 31st December, 2016

	Dr.	Cr.	Conversion	Dr.	Cr.
	Rs.	Rs.	rate	($)	($)
Stock on 1st Jan., 2016	2,34,000		52	4,500	
Purchases & Sales	15,62,500	23,43,750	50	31,250	46,875
Debtors & creditors	7,65,000	5,10,000	51	15,000	10,000
Bills Receivable and Bills Payable	2,04,000	1,78,500	51	4,000	3,500
Salaries and wages	1,00,000		50	2,000	
Rent, Rates and Taxes	1,06,250		50	2,125	
Furniture	91,000			1,750	
Bank A/c	5,68,650		51	11,150	
New York Account		5,99,150			13,400
Exchange translation loss (bal. fig.)				2,000	
	36,31,400	36,31,400		73,775	73,775

(4 MARKS)

(B) **Statement showing the calculation of Profits for the pre-incorporation and post-In corporation periods**

Particulars	Total Amount	Basis of Allocation	Pre-incorporation	Post-incorporation
	(Rs. in lakhs)		(Rs. in lakhs)	(Rs. in lakhs)
Gross Profit (25% of Rs. 1,600)	400	Sales	100	300
Less: Salaries	69	Time	23	46
Rent, rates and Insurance	24	Time	8	16
Sundry office expenses	66	Time	22	44
Travellers' commission	16	Sales	4	12
Discount allowed	12	Sales	3	9
Bad debts	4	Sales	1	3
Directors' fee	25	Post	-	25
Tax Audit Fees	9	Sales	2.25	6.75
Depreciation on tangible assets	12	Time	4	8
Debenture interest	11	Post	-	11
Net profit	152		32.75	119.25

Working Notes:

1. Sales ratio

Sales for the whole year	1,600
Sales up to 31st July, 20X1	400
Therefore, sales for the period from 1st August, 20X1 to 31st March, 20X2	1,200

Thus, sale ratio= 400:1200 = 1:3

2. Time ratio

1st April, 20X1 to 31st July, 20X1 : 1st August, 20X1 to 31st March, 20X2

= 4 months: 8 months = 1:2

Thus, time ratio is 1:2.

(C)

Statement showing cash value of the machine acquired on hire-purchase basis

	Instalment Amount Rs.	Interest @ 5% half yearly (10% p.a.) = 5/105 = 1/21 (in each instalment) Rs.	Principal Amount (in each instalment) Rs.
5th Instalment	6,000	286	5,714
Less: Interest	(286)		
	5,714		
Add: 4th Instalment	6,000		
	11,714	558	5,442
Less: Interest	(558)		(6,000 – 558)
	11,156		
Add: 3rd instalment	6,000		
	17,156	817	5,183
Less: Interest	(817)		(6,000 – 817)
	16,339		
Add: 2nd instalment	6,000		
	22,339	1,063	4,937
Less: Interest	(1,063)		(6,000 – 1,063)
	21,276		
Add: 1st instalment	6,000		
	27,276	1,299	4,701
Less: Interest	(1,299)		(6,000 –1,299)
	25,977	4,023	25,977

The cash purchase price of machinery is Rs. 25,977. **(3 marks)**

(D)

Own Debenture Investment Account

20X1		Nominal Cost Rs.	Interest Rs.	Cost Rs.	20X1		Nominal Cost Rs.	Interest Rs.	Cost Rs.
Mar. 1	To Bank	25,000	521[1]	24,725	Mar. 31	By Debenture Interest A/c	—	625	—
Sep. 1	To Bank	20,000	417[2]	19,708[3]	Sep. 30	By Deben¬ture Interest A/c	—	1,125	—
Dec. 31	To P & L A/c (b.f.)		1,375		Dec. 31	By Debenture Interest A/c	—	563	—
						By Balance c/d	45,000	—	44,433
		45,000	2,313	44,433			45,000	2,313	44,433
20X2					20X2				
Jan. 1	To Balance b/d	45,000		44,433	Mar. 31	By Debenture Interest A/c	—	563	—
Mar. 31	To Capital Reserve (Profit on cancellation) (b.f.)	—	—	567		By 5% Deb. A/c	45,000	—	45,000
	To P & L A/c	—	563	—					
		45,000	563	45,000			45,000	563	45,000

[1] 25,000 × 5% × 5/12

[2] 20,000 × 5% × 5/12

[3] 20125 – 417

(3 MARKS)

Answer 6:

(A)

Departmental Trading and Profit and Loss Account

for the year ended 31st March, 20X3

Particulars	Finished leather (Rs.)	Shoes (Rs.)	Total (Rs.)	Particulars	Finished leather (Rs.)	Shoes (Rs.)	Total (Rs.)
To Opening Stock	30,20,000	4,30,000	34,50,000	By Sales	1,80,00,000	45,20,000	2,25,20,000
To Purchases	1,50,00,000	2,60,000	1,52,60,000	By Transfer to shoes Deptt.	30,00,000	-	30,00,000
To Transfer from Leather Department		30,00,000	30,00,000	By Closing stock	12,20,000	5,00,000	17,20,000
To Manufacturing expenses		5,00,000	5,00,000				
To Gross profit c/d (b.f.)	42,00,000	8,30,000	50,30,000				
	2,22,20,000	50,20,000	2,72,40,000		2,22,20,000	50,20,000	2,72,40,000
ToSelling expenses	1,50,000	60,000	2,10,000	By Gross Profit b/f	42,00,000	8,30,000	50,30,000
To Rent & warehousing	5,00,000	3,00,000	8,00,000				
To Net profit (b.f.)	35,50,000	4,70,000	40,20,000				
	42,00,000	8,30,000	50,30,000		42,00,000	8,30,000	50,30,000

(5 MARKS)

General Profit and Loss Account

Particulars	**Amount** Rs.	**Particulars**	**Amount** Rs.
To General expenses	8,50,000	By Net Profit	40,20,000
To Unrealised profit (Refer W.N.)	26,625		
To General net profit (Bal. fig.)	31,43,375		
	40,20,000		40,20,000

(2 MARKS)

Working Note:

Calculation of Stock Reserve

Rate of Gross Profit of Finished leather Department, for the year 20X2-X3

$= \frac{\text{Gross Profit}}{\text{TotalSales}} \times 100 = [(42,00,000)/ (1,80,00,000 + 30,00,000)] \times 100 = 20\%$

Closing Stock of Finished leather in Shoes Department = 75%

i.e. Rs. 5,00,000 x 75% = Rs. 3,75,000

Stock Reserve required for unrealised profit @ 20% on closing stock

Rs. 3,75,000 x 20% = Rs. 75,000

Stock reserve for unrealised profit included in opening stock of Shoes dept. @ 15% i.e.

(Rs.4,30,000 x 75% x 15%) = Rs. 48,375

Additional Stock Reserve required during the year = Rs.75,000 – Rs.48,375 = Rs.26,625 **(3 MARKS)**

(B)

Ex – Right Value of Shares = $\dfrac{\text{(Cum-right value of the existing shares + Rights shares x Issue Price)}}{\text{(Existing Number of shares + Rights Number of shares)}}$

= (Rs. 240 x 2 Shares + Rs. 120 x 1 Share) / (2 + 1) Shares

= Rs. 600 / 3 shares = Rs. 200 per share.(2 MARKS)

Value of Right = Cum-right value of the share - Ex-right value of share

= Rs.240 –Rs.200 = Rs.40 per share (1.5 MARKS)

Hence, any one desirous of having a confirmed allotment of one share from the company at Rs. 120 will have to pay Rs. 80 (2 shares x Rs. 40) to an existing shareholder holding 2 shares and willing to renounce his right of buying one share in favour of that person. (1.5 MARKS)

(C)

Statement of Affairs
as on 31-12-2015 & 31-12-2016

Liabilities	31-12-15	31-12-16	Assets	31-12-15	31-12-16
	Rs.	Rs.		Rs.	Rs.
Capital	2,41,200	4,40,700	Building	1,00,000	97,500
(Bal. Fig.)			Furniture	50,000	45,000
Loans	1,00,000	80,000	Inventory	1,20,000	2,70,000
Sundry creditors	40,000	70,000	Sundry debtors	40,000	90,000
			Cash at bank	70,000	85,000
			Cash in hand	1,200	3,200
	3,81,200	5,90,700		3,81,200	5,90,700

(3 marks)

(D)

Every limited liability partnership shall have at least two designated partners who are individuals and at least one of them shall be a resident in India.
In case of a limited liability partnership in which all the partners are bodies corporate or in which one or more partners are individuals and bodies corporate, at least two individuals who are partners of such limited liability partnership or nominees of such bodies corporate shall act as designated partners.
(2 marks)