



IPCC – November 2017

ACCOUNTS

Test Code – 8026

Branch (MULTIPLE) (Date : 25.06.2017)

(50 Marks)

Note : All questions are compulsory.

Question 1 (8 marks)

In the books of Sumedha

Debenture Investment Account for the year ending on 31-12-2017

(Scrip: 13.5% Convertible Debentures in X Limited)

(Interest payable on 31st March and 30th September)

Date	Particulars	Nominal Value	Interest	Cost	Date	Particulars	Nominal Value	Interest	Cost
2017					20				
1.05.2017	To Bank A/c	5,00,000	5,625	5,25,000	30.09.17	By Bank A/c (` 7,50,000 x 13.5% x 6/12)	-	50,625	-
1.08.2017	To Bank A/c	2,50,000	11,250	2,56,250					
31.12.17	To P&L A/c (Interest)	-	52,313	-	1.10.17	By Bank A/c	2,00,000	-	2,06,000
					1.10.17	By P & L A/c (loss sale of debentures)	-	-	2,333
					31.12.17	By Equity shares in Ltd.	1,10,000	-	1,14,583
					31.12.17	By Bank A/c (Interest on convertible debentures)	-	3,713	-
					31.12.17	By Balance c/d	4,40,000	14,850	4,58,334
Total		7,50,000	69,188	7,81,250	Total		7,50,000	69,188	7,81,250

(1/2 mark for each entry)

Working Notes(1/2 mark for each working)

- Cost of Debentures purchased on 1st August, 2017

$$= 107\% \text{ of } ` 2,50,000 - ` 11,250 \text{ (Interest)} = ` 2,56,250$$
- Cost of Debentures sold on 1st October, 2017

$$= (` 5,25,000 + ` 2,56,250) \times 2,00,000 / 7,50,000 = ` 2,08,333$$
- Loss on sale of Debentures = ` 2,08,333 – ` 2,06,000 = ` 2,333
- Cost of Debentures converted

$$= (` 5,25,000 + ` 2,56,250) \times 1,10,000 / 7,50,000 = ` 1,14,583$$
- Cost of Debentures in hand on 31st December, 2017

$$= (` 5,25,000 + ` 2,56,250) \times 4,40,000 / 7,50,000 = ` 4,58,334 \text{ (approx.)}$$

6. Interest on Debentures converted = ` 1,10,000 x 13.5% x 3/12 = ` 3,713
7. Closing balance of Debentures has been valued at cost (` 4,58,334) being lower than the market value ` 4,66,400 (` 4,400 x 106)

Question 2 (10 marks)

Memorandum Trading Account for the period 1st April, 2016 to 29th August 2016(5 marks)

Particulars	`	`	Particulars	`
To Opening Stock		3,95,050	By Sales	22,68,000
To Purchases	16,55,350		By Closing stock (Bal. fig.)	4,41,300
Less: Advertisement	-20,500			
Drawings	<u>-1,000</u>	16,33,850		
To Gross Profit [30% of Sales] [W N]		<u>6,80,400</u>		
		<u>27,09,300</u>		<u>27,09,300</u>

Statement of Insurance Claim (3 marks)

Value of stock destroyed by fire	4,41,300
Less: Salvaged Stock	(54,000)
Add: Fire Fighting Expenses	<u>2,350</u>
Insurance Claim	<u>3,89,650</u>

Note: Since policy amount is more than claim amount, average clause will not apply. Therefore, claim amount of ` 3,89,650 will be admitted by the Insurance Company.

Working Note:

Trading Account for the year ended 31st March, 2016 (2 marks)

To Opening Stock	3,55,250	By Sales	40,00,000
To Purchases	28,39,800	By Closing stock	3,95,050
To Gross Profit	<u>12,00,000</u>		
	<u>43,95,050</u>		<u>43,95,050</u>

Rate of Gross Profit in 2015-16

$$\text{Gross Profit} \times 100 = 12,00,000 / 40,00,000 \times 100 = 30\%$$

Sales

Question 3 (10 marks)**Tejasvi (P) Limited****Profit and Loss Account for 15 months ended 31st March, 2016**

	<i>Pre. inc. (5 months)</i> (₹)	<i>Post inc. (10 months)</i> (₹)
Sales (W.N.1) (1/2 mark)	3,00,000	16,80,000
Less: Cost of sales(1/2 mark)	1,80,000	10,08,000
Discount to dealers (1/2 mark)	7,000	39,200
Directors' remuneration (1/2 mark)	-	60,000
Salaries (W.N.2) (1/2 mark)	18,750	71,250
Rent (W.N.3) (1/2 mark)	15,000	1,20,000
Interest (W.N.4) (1/2 mark)	30,000	75,000
Depreciation(1/2 mark)	10,000	20,000
Office expenses(1/2 mark)	35,000	70,000
Preliminary expenses(1/2 mark)		15,000
Net profit(1/2 mark)	<u>4,250</u>	<u>2,01,550</u>

Purposes for which pre-incorporation profits and losses can be used are as follows: **(2 ½ Marks)**

<p>Pre-incorporation Profits can be used for:</p> <ul style="list-style-type: none"> • writing off Goodwill on acquisition • writing off Preliminary Expenses • writing down over-valued assets • issuing of bonus shares • paying up partly paid shares. 	<p>Pre-incorporation Losses can be used for:</p> <ul style="list-style-type: none"> • setting off against Post-Incorporation Profit • addition to Goodwill on acquisition • writing off Capital Profit
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Working Notes:**1. Calculation of sales ratio(1/2 mark)**

Let the average sales per month in pre-incorporation period be x

$$\text{Average Sales (Pre-incorporation)} = x \times 5 = 5x$$

Sales (Post incorporation) from June to December, 2015	= $2\frac{1}{2}x \times 7$	= 17.5x
From January to March, 2016	= $3\frac{1}{2}x \times 3$	= <u>10.5x</u>
Total Sales		<u>28.0x</u>

Sales ratio of pre-incorporation & post incorporation is 5x : 28x

2. Calculation of ratio for salaries(1/2 mark)

Let the average salary be x

Pre-incorporation salary	= x X 5	= 5x
Post incorporation salary		
June, 2015	=	x
July to March, 2016	= <u>x X 9 X 2</u>	= <u>18x</u>
		<u>19x</u>

Ratio is 5 : 19

3. Calculation of Rent(1/2 mark)

Total rent		1,35,000
Less: Additional rent for 9 months @ ` 10,000 p.m.		<u>90,000</u>
Rent of old premises apportioned in time ratio		45,000
Apportionment	Pre Inc.	Post Inc.
Old premises rent	15,000	30,000
Additional Rent		90,000
	<u>15,000</u>	<u>1,20,000</u>

4. Calculation of interest(1/2 mark)

Pre-incorporation period from January, 2015 to May, 2015

$$\frac{6,00,000 \times 12 \times 5}{100 \times 12} = \text{` } 30,000$$

Post incorporation period from June, 2015 to March, 2016

$$\frac{9,00,000 \times 10 \times 10}{100 \times 12} = \text{` } 75,000$$

$$\text{` } 1,05,000$$

Question 4 (16 Marks)

Mumbai Club
Receipts and Payments Account for the year ended 31st March, 2013 (5 marks)

Receipts		Payments	
To Donations for building and library room	1,00,000	By Land	5,000
To Entrance fees	8,500	By Furniture	65,000
To Subscription	9,500	By Salaries	2,400
To Locker rents	300	By Maintenance of playgrounds	500
		By Rent	4,000
		By Refreshment	4,000
		By Library books	10000
		By Balance c/d	35930
To Sundry income	530		
To Refreshment account	8,000		
	<u>1,26,830</u>		<u>1,26,830</u>

Income and Expenditure Account for the
year ended 31st March, 2013 (5 marks)

Expenditure			Income		
To Salaries	2,400		By Entrance fees		8,500
<i>Add: Outstanding</i>	<u>100</u>	2,500	By Subscription	9,500	
To Maintenance of playgrounds	500		<i>Add: Outstanding</i>	<u>500</u>	10,000
<i>Add: Outstanding</i>	<u>500</u>	1,000	By Locker rents		300
To Rent		4,000	By Sundry Income	530	
To Depreciation on Furniture	6,500		<i>Add: Outstanding</i>	<u>270</u>	800
Library books	<u>1,000</u>	7,500	By Refreshment account		4,000
To Surplus-excess of income over expenditure		8,600	(8,000-4,000)		
		<u>23,600</u>			<u>23,600</u>

Balance Sheet of Mumbai Club as on 31st March, 2013 (6 marks)

Liabilities		Assets	
Capital fund (surplus)	8,600	Land	5,000
Building & library room fund	1,00,000	Furniture	65,000
Creditors for expenses:		<i>Less: Depreciation (6,500)</i>	
Salaries outstanding	100		58,500
Maintenance of playgrounds	<u>500</u>	<i>Library book</i>	
	600		10,000
		<i>Less: Depreciation (1,000)</i>	9,000
		Subscription receivable	500
		Sundry income receivable	270
		Bank balance	35930
			-
			-
	<u>1,09,200</u>		<u>1,09,200</u>

Question 5 (6 Marks)

General Ledger Adjustment Account in Debtors Ledger

Date	Particulars		Date	Particulars	
01.04.2016	To Balance b/d (1/2 Mark)	4700	1.4.2016	By Balance b/d (1/2 Mark)	179100
01.04.2016	To Debtors ledger adjustment A/c :		1.4.2016	By Debtors ledger adjustment A/c :	
to	(2 Marks)		to	(2 Marks)	
30.4.2016	Cash received	8,62,850	30.4.2016	Credit sales	997700
	Sales Returns	16,550		Cash	3,000
	Bills receivable received	47,500		returns	
	Transfer to creditors ledger	8,000	30.4.2016	Bills receivable dishonoured	3,750
30.04.2016	To balance c/d (1/2 Mark)			By Balance c/d (1/2 Mark)	4,900
	(bal.fig)	<u>2,48,850</u>			
		<u>11,88,450</u>			<u>11,88,450</u>
