

Note : All questions are compulsory.

Question 1 (16 marks)

Statement of Profit and Loss of Garg Ltd. for the year ended 31st March, 2016 (3 Marks)

	<i>Particulars</i>	<i>Note</i>	<i>This Year</i>
I	Revenue from Operations		13,40,700
II	Other income (Divided income)		<u>8,500</u>
III	Total Revenue (I &+ II)		<u>13,49,200</u>
IV	Expenses:		
	(a) Purchases of Inventory (9,81,000 – Advertisement Expenses 10000)		9,71,000
	(b) Changes in Inventories of finished Goods / Work in progress & inventory (2,90,400 – 2,85,000)		5400
	(c) Employee Benefits expense	9	80,000
	(d) Finance costs	10	34,600
	(e) Depreciation & Amortization Expenses [10% of (70,000 + 4,000)]		7,400
	(f) Other Expenses	11	<u>2,31,700</u>
	Total Expenses		<u>13,30,100</u>
V	Profit before exceptional, extraordinary items and tax (III-IV)		19,100
VI	Exceptional items		-
VII	Profit before extra ordinary items and tax (V-IV)		19,100
VIII	Extraordinary items		-
IX	Profit before tax (VII-VIII)		19,100
X	Tax expense: current tax		8,000
XI	Profit/Loss for the period (after tax)		11,100

Balance Sheet of Garg Ltd. As on 31st March, 2016 (4 Marks)

Particulars as on 31st March	notes	Amount
Shareholders' funds:		
Share capital	1	8,00,000

Reserves and surplus	2	44,100
Non current liabilities:		
Long term borrowings	3	3,00,000
Current liabilities:		
Short term borrowings	4	3,00,000
Trade payables		1,75,700
Other current liabilities	5	19,500
Total		16,39,300
II ASSETS		
(1) (a) Non-current Assets		
Fixed assets (i)Tangible assets	6	7,66,600
(ii)Intangible assets	7	2,70,000
(b) Non current investments (Shares at cost)		1,00,000
Current Assets:		
(a)Inventories		2,85,000
(b) Trade receivables	8	1,81,700
(c) Cash and Cash equivalents – Cash on hand		24,000
(d) Short term loans and advances –Income tax (paid 20,000-Provision 8000)		12,000
Total		16,39,300

Note: There is a Contingent liability for Bills receivable discounted with Bank ` 4000.

Notes to accounts

Notes		
1 Share Capital (1/2 Mark)		
Authorized,		
60,000 Equity Shares of ` 10 each.	6,00,000	
4,000 6% Preference shares of ` 100 each	<u>4,00,000</u>	-
Issued, subscribed & called up		
40,000, Equity Shares of ` 10 each	4,00,000	
4,000 6% Redeemable Preference Shares of 100 each	<u>4,00,000</u>	<u>8,00,000</u>
2 Reserves and Surplus(1/2 Mark)		
Balance as on 1st April, 2015	57,000	
Add: Surplus for current year	<u>11,100</u>	68,100
Less: Preference Dividend		<u>24,000</u>
Balance as on 31st March, 2016		<u>44,100</u>
3 Long Term Borrowings(1/2 Mark)		
5% Mortgage Debentures (Secured against Freehold Properties)		3,00,000
4 Short Term Borrowings(1/2 Mark)		

	Secured Borrowings: Loans Repayable on Demand Overdraft from Banks (Secured by Hypothecation of Stocks & Receivables)		3,00,000
5	Other Current liabilities(1/2 Mark) Interest Accrued and due on Borrowings (5% Debentures) Unpaid Preference Dividends	7,500 <u>12,000</u>	19,500
6	Tangible Fixed assets Furniture(1 1/2 Mark) Furniture at Cost Less depreciation ` 30,000 (as given in Trial Balance <i>Add:</i> Depreciation Cost of Furniture <i>Add:</i> Installation charge of Electrical Fittings wrongly included under the heading Salaries and Wages Total Gross block of Furniture A/c Less: Accumulated Depreciation Account: Opening Balance-given in Trial Balance Depreciation for the year: On Opening WDV at 10% i.e. (10% x 70,000) On additional purchase during the year at 10% i.e. (10% x 4,000) Less: Accumulated Depreciation Freehold property (at cost) (1/2 Mark)	70,000 <u>30,000</u> 1,00,000 <u>4,000</u> 1,04,000 30,000 7,000 400 37,400	66,600 <u>7,00,000</u> <u>7,66,600</u>
7	Intangible Fixed Assets(1/2 Mark) Technical knowhow Less: Written off	3,00,000 <u>30,000</u>	<u>2,70,000</u>
8	Trade Receivables (1 Mark) Sundry Debtors (a) Debt outstanding due more than six months (b) Other Debts (refer Working Note) Bills Receivable (83,000 -3,000)	12,000 89,700 <u>80,000</u>	1,81,700
9	Employee benefit expenses(1/2 Mark) Amount as per Trial Balance Less: Wages incurred for installation of electrical fittings to be capitalised Less: Directors' Remuneration shown separately Balance amount	1,04,000 4,000 <u>20,000</u>	<u>80,000</u>
10	Finance Costs(1/2 Mark) Interest on bank overdraft Interest on debentures	15,600 15,000	

Discount on Issue of Debentures	<u>4,000</u>	<u>34,600</u>
11 Other Expenses(1 1/2 Mark)		
Payment to the auditors	12,000	
Director's remuneration	20,000	
Selling expenses	1,58,200	
Technical knowhow written of (3,00,000/10)	30,000	
Advertisement (Goods and Articles Distributed)	10,000	
Bad Debts (3,000 x50%)	<u>1,500</u>	<u>2,31,700</u>

Working Note(1/2 Mark)

Calculation of Sundry Debtors-Other Debts

Sundry Debtors as given in Trial Balance	1,00,200
Add Back: Bills Receivables Dishonoured	3,000
	1,03,200
Less: Bad Debts written off – 50% ` 3,000	<u>(1,500)</u>
Adjusted Sundry Debtors	1,01,700
Less: Debts due for more than 6 months (as per information given)	<u>(12,000)</u>
Total of other Debtors i.e. Debtors outstanding for less than 6 months	89,700

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

Question 3 (16 Marks)

Corrected Receipts and Payments Account of Highend Club for the year ended

31st March, 2013 (4 marks)

<i>Receipts</i>		<i>Amount</i>	<i>Payments</i>		<i>Amount</i>
To bal. b/d		9,000	By Printing & Stationery		21,000
To annual subscription	9,18,000		By Telephone expenses		45,000
Less: Receivable on 31.3.2013					
(1 Mark)	(54,000)		By Garden upkeep		55,000
Add: Advance received for year 2013-14	18,000		By Electricity charges		36,000
Add: Receivable as on 31.3.2012	36,000		By Repairs and maintenance		72,000
Less: Advance received on 31.3.2012	(18,000)	9,00,000	(1,26,000 - 54,000)		
To sale of furniture (90,000 - 36,000)					
(1 Mark)		54,000	By Sports material		54,000
To Sale of old newspaper		36,000	By bal. c/d		26,11,000
To Entrance fee		68,000			
To Donation for building		18,00,000			
To Interest on investments		27,000			
		<u>28,94,000</u>			<u>28,94,000</u>

(2 marks for other transactions)

Income & Expenditure Account of Highend Club for the year ended 31st March, 2013 (2 marks)

<i>Expenditure</i>		<i>Amount</i>	<i>Income</i>		<i>Amount</i>
To Printing and Stationery expenses		22,000	By subscription		9,18,000
(W.N.1)					

To Repairs and Maintenance (1,26,000 -54,000)	72,000	By Entrance fee (50% of 68,000)	34,000
To Telephone expenses	45,000	By Sale of old newspapers	36,000
To Sports material (W.N. 2)	1,51,200	By Interest on investments	27,000
To Garden upkeep	55,000		
To Electricity charges (W.N. 3)	39,200		
To Loss on sale of furniture	36,000		
To Excess of surplus over expenditure	5,94,600		
	<u>10,15,000</u>		<u>10,15,000</u>

Balance sheet of Highend Club as on 31st March, 2013 (5 marks)

<i>Liabilities</i>		<i>Amount</i>	<i>Assets</i>		<i>Amount</i>
Capital Fund (W.N. 4)	10,58,700		Furniture	3,60,000	
Add: Entrance fee capitalized*	34,000		Less: sale	90,000	2,70,000
Add: Surplus	<u>5,94,600</u>	16,87,300	Sports material		36,000
Building fund	18,00,000		5% investments		5,40,000
Outstanding Electricity charges	3,200		Cash in hand		26,11,000
Outstanding printing and stationary exp.	2,500		Subscription receivable		54,000
Subscription received in advance	18,000				
		<u>35,11,000</u>			<u>35,11,000</u>

Working Notes: (5 Marks)

1. Printing and Stationary expenses for the year

Amount paid	21,000
Add: Outstanding as on 31.3.2013	<u>2,500</u>
	23,500
Less: Outstanding as on 31.3.2012	<u>(1,500)</u>
	<u>22,000</u>

2. Depreciation on Sports material

Stock as on 1.4.2012	1,33,200
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Add: Purchases	<u>54,000</u>
	1,87,200
Less: Stock as on 31.3.2013	<u>36,000</u>
	<u>1,51,200</u>

3. Electricity charges for the year

Amount paid	36,000
Add: Outstanding as on 31.3.2013	<u>3,200</u>
	<u>39,200</u>

4. Calculation of value of investments

Interest on 5% investments = ` 27,000
 Value of Investment = ` 27,000 x 100 / 5 = ` 5,40,000

5. Balance Sheet as on 1st April, 2012

<i>Liabilities</i>		<i>Assets</i>	
Capital fund (balancing fig.)	10,58,700	Furniture	3,60,000
Subscription received in advance	18,000	Sports material	1,33,200
Outstanding printing and stationary charges	1,500	Subscription receivables	36,000
		Investments	5,40,000
		Cash in hand	9,000
	<u>10,78,200</u>		<u>10,78,200</u>

Note:

The above solution is prepared on the basis of the assumption that club is not registered under the Companies Act, 1956.

Question 4 (12 Marks)

1. Gross profit ratio (2 mark)

Net profit in year 2011	120,000
Insured standing charges	<u>43,990</u>
Gross profit	163,990

Ratio of gross profit = $\frac{1,63,990}{8,19,950} = 20\%$

2. Calculation of Short sales (3 marks)

Indemnity period: 16.9.2012 to 15.12.12

Standard sales to be calculated on basis of corresponding period of year 2011

Sales for period 16.9.2011 to 30.9.11	34,000
Sales for period 1.10.2011 to 15.12.2011 (Note 1)	<u>1,30,000</u>
Sales for period 16.9.2011 to 15.12.2011	1,64,000
Add: upward trend in sales (15%) (Note 2)	<u>24,600</u>

Standard Sales (adjusted)	<u>1,88,600</u>
Actual sales of disorganized period	
Calculation of sales from 16.9.12 to 15.12.12	
Sales for period 16.9.12 to 30.9.12	Nil
Sales for 1.10.12 to 15.12.12 (` 1,48,000 – ` 20,000)	<u>1,28,000</u>
Actual Sales	<u>1,28,000</u>
Short Sales (` 1,88,600 - ` 1,28,000)	60,600

3. Loss of gross profit(1 mark)

Short sales x gross profit ratio = 60,600 x 20% 12,120

4. Application of average clause(2 mark)

$$\text{Net claim} = \text{Gross claim} \times \frac{\text{policy value}}{\text{gross profit on annual turnover}}$$

$$= 12,120 \times \frac{1,00,000}{1,79,860 \text{ (Note 3)}}$$

Amount of claim = 6,738.57 (approx.) i.e. ` 6,739 (round off)

Working Notes:

1. Sales for period 1.10.11 to 15.12.11 (1 mark)

Sales for 1.10.11 to 31.12.11 (given)	1,90,000
Sales for 16.12.11 to 31.12.11 (given)	<u>60,000</u>
Sales for period 1.10.11 to 15.12.11	<u>1,30,000</u>

2. Calculation of upward trend in sales (2 marks)

Total sales in year 2009 = 6,20,000
Increase in sales in year 2010 as compared to 2009 = 93,000

$$\% \text{ increase} = \frac{93,000 (7,13,000 - 6,20,000)}{6,20,000} = 15\%$$

Increase in sales in year 2011 as compared to year 2010

$$\% \text{ increase} = \frac{1,06,950 (8,19,950 - 7,13,000)}{7,13,000} = 15\%$$

Thus annual percentage increase trend is of 15%.

3. Gross profit on annual turnover (1 mark)

Sales from 16.9.11 to 30.9.11	34,000
1.10.11 to 31.12.11	1,90,000
1.1.12 to 31.3.12	1,62,000
1.4.12 to 30.6.12	2,21,000
1.7.2012 to 15.9.2012 (1,75,000 – Nil)	<u>1,75,000</u>

Sales for 12 months just before date of fire	7,82,000
Add: 15% upward trend	<u>1,17,300</u>
Adjusted sales of 12 months just before the date of fire	<u>8,99,300</u>
Gross profit on adjusted annual sales @ 20%	<u>1,79,860</u>
