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IPCC NOVEMBER 2017 EXAM

ADVANCED ACCOUNTING

Test Code - I N J 5 0 0 1

BRANCH - (MULTIPLE) (Date : 14.05.2017)

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

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Answer-1 :

Realisation Account

	Rs.		Rs.
To Sundry		By Provision for Doubtful Debts	5,000
Fixed Assets (transfer)	40,000	By Cash	61,500
		(20,000+21,000+20,500)	
Stock	25,000	By Sundry Trade Creditors	
Book Debts	25,000	(Discount)	580
To Cash—Expenses	1,080	By Loss : X (2/5)	9,600
		Y (2/5)	9,600
		Z (1/5)	<u>4,800</u>
	91,080		91,080

Sundry Trade Creditors

	Rs.		Rs.
To Realisation A/c – Discount		By Balance b/d	25,000
@ 2% on Rs. 29,000	580	By Sundry Capital Accounts	
To Cash	28,420	(Purchase omitted)	4,000
	29,000		29,000

Z's Loan Account

	Rs.		Rs.
To Cash Account	5,000	By Balance b/d	5,000

Mrs. X's Loan Account

	Rs.		Rs.
To X's Capital A/c - transfer	10,000	By Balance b/d	10,000

Cash Account

	Rs.		Rs.
To Balance b/d	1,000	By Sundry Trade Creditors	28,420
To Realisation A/c	-	By Realisation A/c - expenses	1,080
assets realised	61,500	By Z's Loan	5,000
To X's Capital A/c*	9,600	By X's Capital A/c	34,300
To Z's Capital A/c*	4,800	By Z's Capital A/c	8,100
	76,900		76,900

*X and Z bring these amounts to make good their share of the loss on realisation. In actual practice they will not be bringing any cash; only a notional entry will be made.

Capital Accounts

	X Rs.	Y Rs.	Z Rs.		X Rs.	Y Rs.	Z Rs.
To Sundry Trade Creditors – omission	1,600	1,600	800	By Balance bd/	29,200	10,800	10,000
To Balance c/d	27,600	9,200	9,200				
	29,200	10,800	10,000		29,200	10,800	10,000
To Advance	-	4,000	-	By Balance b/d	27,600	9,200	9,200
To Realisation Ac. Loss	9,600	9,600	4,800	By Mrs. X's Loan	10,000	-	-
T Y's Capital A/c.	3,300	-	1,100	By Cash (Realisation Loss)	9,600	-	4,800
To Cash	34,300	-	8,100	By X's Capital Ac.		3,300	
				By Z's Capital A.c.		1,100	
	47,200	13,600	14,000		47,200	13,600	14,000

(10 Marks)

Note : Y's deficiency comes to Rs. 4,400 (difference in the two sides of his Capital Account); this has been debited to X and Z in the ratio of 27,600 : 9,200 i.e., capital standing up just before dissolution but after correction of error committed while drawing up the accounts for 2012.

Answer-2 :

Statement showing distribution of cash

	Creditors		Capitals		
	Rs.	Rs.	A (Rs.)	B (Rs.)	C (Rs.)
Balance Due after loan (W.N.(i))		17,000	55,000	37,500	31,500
July					
Balance available	6,000				
Realisation less expenses and cash retained	<u>17,500</u>				-
Amount available and paid	<u>23,500</u>	<u>17,000</u>	-	-	<u>6,500</u>
Balance due		-	55,000	37,500	25,000
August					
Opening balance	8,000				
Expenses paid and balance carried forward	<u>4,000</u>				
Available for distribution	<u>4,000</u>				
Cash paid to 'B' and Equipment given to C.			-	4,000	10,000
(Excess paid to 'C' Rs. 7,333)			55,000	33,500	15,000
September					
Opening balance	2,500				
Amount realised less expenses	<u>74,000</u>				
Amount paid to partners	<u>76,500</u>		41,500	25,400	9,600
			13,500	8,100	5,400

Working Note:**(i) Highest Relative Capital Basis**

	A Rs.	B Rs.	C Rs.
Scheme of payment for July			
Balance of Capital Accounts	67,000	45,000	31,500
Less : Loans	<u>(12,000)</u>	<u>(7,500)</u>	<u>—</u>
A	55,000	37,500	31,500
Profit sharing ratio	5	3	2
Capital Profit sharing ratio	<u>11,000</u>	<u>12,500</u>	<u>15,750</u>
Capital in profit sharing ratio, taking A's capital as base B	55,000	33,000	22,000
Excess of C's Capital and B's Capital (A-B)		4,500	9,500
Profit sharing ratio		3	2
Capital Profit sharing ratio		1,500	4,750
Capital in profit sharing ratio taking B's Capital as base		4,500	3,000
Excess of C's Capital over B			6,500

(ii) Scheme of distribution of available cash:

	A Rs.	B Rs.	C Rs.
Scheme of payment for September			
Balance of Capital Accounts (A)	55,000	33,500	15,000
Profit sharing ratio	5	3	2
Capital/Profit sharing ratio	11,000	11,167	7,500
Capital in profit sharing ratio taking C's capital as base (B)	37,500	22,500	15,000
Excess of A's capital and B's capital (A-B)	17,500	11,000	-
Profit sharing ratio	5	3	
Capital in profit sharing ratio	3,500	3,667	
Capital in profit sharing ratio taking A's capital as base	17,500	10,500	-
Excess of B's capital over A's capital	-	500	-
Payment Rs. 500 (C)	-	<u>(500)</u>	-
Balance of Excess	17,500	10,500	
Payment Rs. 28,000 (D)	<u>(17,500)</u>	<u>(10,500)</u>	-
Balance [A-C-D]	37,500	22,500	15,000
Payment (Rs. 76,500 – Rs. 28,500) Rs. 48,000 (D)	<u>(24,000)</u>	<u>(14,400)</u>	<u>(9,600)</u>
Loss	<u>13,500</u>	<u>8,100</u>	<u>5,400</u>
Total Payment Rs. 76,500 [A+C+D]	41,500	25,400	9,600

(10 Marks)**Answer-3 :****(1) Computation of Amount of Debentures and Shares to be issued:**

	Star Rs.	Moon Rs.
(i) Average Net Profit		
$\frac{2,24,788 - 1,250 + 1,88,962}{3} =$	1,37,500	
$\frac{1,36,950 + 1,17,050 + 1,79,500}{3}$	1,62,500	
(ii) Equity Shares Issued		

(a)	Ratio of distribution		
	Star :	Moon	
	1,375	1,625	
(b)	Number		
	Star :	13,750	
	Moon:	<u>16,250</u>	
		<u>30,000</u>	
(c)	Amount		
	13,750 shares of Rs. 5 each =	68,750	
	16,250 shares of Rs. 5 each =		81,250
(iii)	Capital Employed (after revaluation of assets)		
	Fixed Assets	3,55,000	1,95,000
	Current Assets	<u>1,49,750</u>	<u>78,875</u>
		5,04,750	2,73,875
	Less: Current Liabilities	<u>(2,98,500)</u>	<u>(90,125)</u>
		<u>2,06,250</u>	<u>1,83,750</u>
(iv)	Debentures Issued		
	8% Return on capital employed	16,500	14,700
	15% Debentures to be issued to provide equivalent income :		
	Star : $16,500 \times \frac{100}{15} =$	1,10,000	
	Moon : $14,700 \times \frac{100}{15} =$		98,000

(2) **Balance Sheet of Neptune Ltd.
As at 31st December, 2012**

Particulars	Note No	Rs.
I. Equity and Liabilities		
(1) Shareholder's Funds		
(a) Share Capital	1	1,50,000
(b) Reserves and Surplus	2	32,000
(2) Non-Current Liabilities		
(a) Long-term borrowings	3	2,08,000
(3) Current Liabilities		
(a) Other current liabilities		<u>3,66,950</u>
Total		<u>7,56,950</u>
II. Assets		
(1) Non-current assets		
(a) Fixed assets		5,50,000
(2) Current assets		
(a) Other current assets		<u>2,06,950</u>
Total		<u>7,56,950</u>

Notes to Accounts

	Rs.
1 Share Capital	
Authorised	
40,000 Equity Shares of Rs. 5 each	2,00,000
Issued and Subscribed	
30,000 Equity Shares of Rs. 5 each	1,50,000

(all the above shares are allotted as fully paid-up pursuant to a contract without payments being received in cash)

2	Reserve and Surplus		
	Capital Reserve		32,000
3	Long-term borrowings		
	Secured Loans		
	15% Debentures		2,08,000

Working Notes:

		Star Rs.	Moon Rs.	Total Rs.
(1)	Purchase Consideration			
	Equity Shares Issued	68,750	81,250	1,50,000
	15% Debentures Issued	<u>1,10,000</u>	<u>98,000</u>	<u>2,08,000</u>
		<u>1,78,750</u>	<u>1,79,250</u>	<u>3,58,000</u>
(2)	Capital Reserve			
(a)	Net Assets taken over			
	Fixed Assets	3,55,000	1,95,000	5,50,000
	Current Assets	<u>1,49,750</u>	<u>57,200*</u>	<u>2,06,950</u>
		5,04,750	2,52,200	7,56,950
	Less : Current Liabilities	<u>(2,76,825**)</u>	<u>(90,125)</u>	<u>(3,66,950)</u>
		<u>2,27,925</u>	<u>1,62,075</u>	<u>3,90,000</u>
(b)	Purchase Consideration	1,78,750	1,79,250	3,58,000
(c)	Capital Reserve [(a) - (b)]	49,175		
(d)	Goodwill [(b) - (a)]		17,175	
(e)	Capital Reserve [Final Figure(c) - (d)]			32,000

* 78,875 - 21,675

** 2,98,500 - 21,675

(10 Marks)

Answer-4 :

**Trading and Profit and Loss Account
for the year ended on 31st March, 2015**

Particulars	A (Rs.)	B (Rs.)	C (Rs.)	Particulars	A (Rs.)	B (Rs.)	C (Rs.)
To Opening Stock	8,500	5,700	1,200	By Sales less Sales returns	50,000	30,000	20,000
To Purchases	22,000	17,000	8,000	By Closing Stock	3,500	2,000	1,500
To Freight & carriage	1,400	800	200				
To wages	800	700	200				
To Gross profit	20,800	7,800	11,900				
	53,500	32,000	21,500		53,500	32,000	21,500
To Salaries	2,250	1,350	900	By Gross Profit	20,800	7,800	11,900
To Power & Water	600	360	240	By Net Loss	-	465	-
To Telephone Charges	1,050	630	420				
To Bad Debts	375	225	150				
To Rent & Taxes	3,000	1,800	1,200				
To Insurance	750	450	300				
To Printing & Stationery	1,000	600	400				
To Advertising	1,750	1,050	700				
To Depreciation (2,000 +4,000)	3,000	1,800	1,200				
To Net Profit	7,025		6,390				
	20,800	8,265	11,900		20,800	8,265	11,900

Balance Sheet as at 31.03.2015

Liabilities	Rs.	Assets	Rs.
Capital A/c	40,000	Furniture & Fixtures	4,600
Add: Net Profit (Rs. 7,025 + Rs. 6,390)	<u>13,415</u>	Plant & Machinery	20,000
	53,415	Less: Depreciation	<u>2,000</u>
Less: Net loss in Dept B	<u>465</u>	Motor Vehicles	40,000
	52,950	Less: Depreciation	<u>4,000</u>
Less: Drawings	<u>1,500</u>	Sundry Debtors	12,200
Sundry Creditors	15,000	Cash in hand	850
Bank Overdraft	12,000	Closing Stock	7,000
Wages Outstanding	200		
	78,650		78,650

(10 Marks)

Answer-5 :

**Xray Ltd.
Liquidator's Statement of Account**

Receipts	Estimated Value	Value Realised Rs.	Payments	Rs.	Payment Rs.
Cash at Bank		3,72,000	Liquidator's Remuneration		
Quoted Investments		81,000	1% on Rs. 6,50,000	6,500	
Sundry Debtors		1,46,500	2% on Rs. 9,00,000	<u>18,000</u>	24,500
Motor		7,500	Liquidation Expenses		2,000
Leasehold property		4,15,000	Debentures:		
Assets distributed in specie:			Paid up value	2,00,000	
Freehold Property		1,80,000	Interest for 6 months	<u>14,000</u>	2,14,000
Plant		92,500	Creditors:		
Motor		25,000	Preferential	50,000	
Trade Investments		55,000	Others (in full)	<u>2,89,000</u>	3,39,000
Stock		1,40,000	Preference Shareholders:		
			Arrears of Dividend (one year)		35,000
			Rs. 12 per share on 25,000 shares		3,00,000
			Equity Shareholders: Rs. 33.33 per share on 18,000 shares		6,00,000
Total		15,14,500			15,14,500

Statement showing the amount distributed amongst members:

	Total Rs.	X Rs.	R Rs.	A Rs.	Y Rs.
Preference Shares @ Rs. 12 per share	3,00,000	2,40,000	60,000	—	—
Equity Shares @ Rs. 12 per share	2,16,000	—	86,400	64,800	64,800
Surplus (in the ratio of 72:54:54 or 4:3:3)	<u>3,84,000</u>	—	1,53,600	1,15,200	1,15,200
Total	9,00,000	2,40,000	3,00,000	1,80,000	1,80,000
Capital in the new firm (Rs. 4,50,000 in the ratio of 4:3:3)	<u>4,50,000</u>		1,80,000	1,35,000	1,35,000
Balance as Loan	4,50,000	2,40,000	1,20,000	45,000	45,000

Working Notes:

(i)	Liquidator's Remuneration:		
	1% on assets realised in cash Rs. 6,50,000 i.e.		
	Rs. 10,22,000 less Rs. 3,72, balance at bank		6,500
	2% on amount distributed as capital to contributories:		
	Total available	Rs.	
		15,14,500	
	Less Payments : Liquidator's Remuneration	6,500	
	Liquidation Expenses	2,000	
	Debentures	2,14,000	
	Creditors	3,39,000	
	Preference Dividend	<u>35,000</u>	
			<u>5,96,500</u>
			<u>9,18,000</u>
	Liquidator's Remuneration Rs. 9,18,000 x 2/102		<u>18,000</u>
			<u>24,500</u>
(ii)	Amount available for contributories:		Rs.
	(Rs. 9,18,000 less Liquidator Remuneration)		<u>9,00,000</u>
	Distribution: Preference Shareholders Rs. 12 per share		3,00,000
	Equity Shareholders Rs. 12 per share		<u>2,16,000</u>
			5,16,000
	Surplus for Equity Shareholders		<u>3,84,000</u>
			<u>9,00,000</u>
(iii)	Cash brought into the new firm:		Rs.
	Total cash available with liquidator		10,22,000
	Cash Payments :		
	Remuneration to Liquidator	24,500	
	Expenses	2,000	
	Debentures	2,14,000	
	Creditors	3,39,000	
	Preference Dividend	<u>35,000</u>	
			<u>6,14,500</u>
	Cash distributed among partners and brought into the firm as newly constituted.		4,07,500
	Add: Assets distributed in specie		<u>4,92,500</u>
			<u>9,00,000</u>

(10 Mark)