

SUGGESTED SOLUTION

**IPCC NOVEMBER 2017 EXAM**

**ADVANCED ACCOUNTING**

**Test Code - I N J 5 0 0 2**

BRANCH - (MULTIPLE) (Date : 14.05.2017)

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

**Tel : (022) 26836666**

**Answer-1 :**

**Realisation Account**

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 **Rs. Rs.**

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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) 4,800 24,000

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 **91,080 91,080**

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**Sundry Trade Creditors**

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 **Rs. Rs.**

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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

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 **29,000 29,000**

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**Z’s Loan Account**

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 **Rs. Rs.**

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

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**Mrs. X’s Loan Account**

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 **Rs. Rs.**

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

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**Cash Account**

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 **Rs. Rs.**

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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

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 **76,900 76,900**

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\*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**

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 **Creditors Capitals**

 **Rs. Rs. A (Rs. ) B (Rs. ) C (Rs. )**

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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 17,500 -

Amount available and paid 23,500 17,000 - - 6,500

Balance due — 55,000 37,500 25,000

**August**

Opening balance 8,000

Expenses paid and

balance carried forward 4,000

Available for distribution 4,000

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 74,000

Amount paid to partners 76,500 41,500 25,400 9,600

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 **13,500 8,100 5,400**

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**Working Note:**

**(i) Highest Relative Capital Basis**

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 **A B C**

 **Rs. Rs. Rs.**

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Scheme of payment for July

Balance of Capital Accounts 67,000 45,000 31,500

Less : Loans (12,000) (7,500) —

A 55,000 37,500 31,500

Profit sharing ratio 5 3 2

Capital Profit sharing ratio 11,000 12,500 15,750

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

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**(ii) Scheme of distribution of available cash:**

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 **A B C**

 **Rs. Rs. Rs.**

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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) - (500) -

Balance of Excess 17,500 10,500

Payment Rs. 28,000 (D) (17,500) (10,500) -

Balance [A-C-D] 37,500 22,500 15,000

Payment (Rs. 76,500 – Rs. 28,500) Rs. 48,000 (D) (24,000) (14,400) (9,600)

Loss 13,500 8,100 5,400

**Total Payment Rs. 76,500 [A+C+D] 41,500 25,400 9,600**

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**(10 Marks)**

**Answer-3 (A)**

Fair value of an option = Rs. 56 – Rs. 50 = Rs. 6

 Number of shares issued = 400 employees x 100 shares/employee = 40,000 shares

 Fair value of ESPP = 40,000 shares x Rs. 6 = Rs. 2,40,000

 Vesting period = 1 month

 Expenses recognized in 2012 - 13 = Rs. 2,40,000

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**Date Particulars Rs. Rs.**

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31.03.2013 Bank (40,000 shares x Rs. 50) Dr. 20,00,000

 Employees compensation expense A/c Dr. 2,40,000

 To Share Capital (40,000 shares x Rs.10) 4,00,000

 To Securities Premium (40,000 shares x Rs. 46) 18,40,000

 (Being option accepted by 400 employees &

 payment made @ Rs. 56 share)

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 Profit & Loss A/c Dr. 2,40,000

 To Employees compensation expense A/c 2,40,000

 (Being Employees compensation expense

 transferred to Profit & Loss A/c)

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**(5 Marks)**

**Answer :3 (B)**

**In the books of Company Journal Entries**

|  |  |  |  |
| --- | --- | --- | --- |
| Date | Particulars | Dr. Rs | Cr. Rs. |
| 1-3-16 to31-3-1631-3-16 | Bank A/c Dr.Employees compensation expenses A/c Dr.To Equity Share Capital A/c To Securities Premium A/c(Being allotment to employees 4,800 shares ofRs.10 each at a premium of Rs.130 at an exercise price of Rs.50 each) | 2,40,0004,32,0004,32,000 | 48,0006,24,0004,32,000 |
| Profit and Loss account Dr.To Employees compensation expenses A/c (Being transfer of employees compensation expenses) |

**Working Note:**

1. Employee Compensation Expenses = Discount between Market Price and option price =

Rs.140 – Rs.50 = Rs.90 per share = Rs.90 x 4,800 = Rs.4,32,000/- in total.

1. The Employees Compensation Expense is transferred to Securities Premium Account.
2. Securities Premium Account = Rs.50 – Rs.10 = Rs.40 per share + Rs.90 per share on account of discount of option price over market price = Rs.130 per share = Rs.130 x 4,800 =

Rs.6, 24,000/- in total.

**(5 Marks)**

**Answer-4 :**

**Statement showing liability of underwriters#**

  **No. of shares**

 **A B C Total**

Gross Liability (Total Issue – purchase by promoters etc) 60,000 30,000 10,000 1,00,000

Less: Firm underwriting (8,000) (10,000) (2,000) (20,000)

 52,000 20,000 8,000 80,000

Less Marked applications (20,000) (14,000) (6,000) (40,000)

 32,000 6,000 2,000 40,000

Less: Unmarked applications (total application less firm

underwriting less marked applications) in gross liability

ratio (Unmarked Applications

= 80,000 – 20,000 –40,000) (12,000) (6,000) (2,000) (20,000)

Net Liability 20,000 - - 20,000

Add: Firm underwriting 8,000 10,000 2,000 20,000

Total liability of underwriters 28,000 10,000 2,000 40,000

Total Liability in Amount @ Rs.10/- 2,80,000 1,00,000 2,00,000 4,00,000

**(10 Marks)**

**Answer-5 :**

**Xray Ltd.**

**Liquidator’s Statement of Account**

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**Receipts Estimated Value Payments Payment**

 **Value Realised Rs. Rs. Rs.**

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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 18,000 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 14,000 2,14,000

Plant 92,500 Creditors:

Motor 25,000 Preferential 50,000

Trade Investments 55,000 Others (in full) 2,89,000 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

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**Total 15,14,500 15,14,500**

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**(5 Marks)**

Statement showing the amount distributed amongst members:

 **Total X R A Y**

 **Rs. Rs. Rs. Rs. 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) 3,84,000 — 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 4,50,000 \_ 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: Rs.

Total available 15,14,500

Less Payments : Liquidator’s Remuneration 6,500

Liquidation Expenses 2,000

Debentures 2,14,000

Creditors 3,39,000

Preference Dividend 35,000 5,96,500

 9,18,000

 Liquidator’s Remuneration Rs. 9,18,000 x 2/102 18,000

 *24,500*

 (ii) Amount available for contributories: Rs.

 (Rs. 9,18,000 less Liquidator Remuneration) 9,00,000
Distribution: Preference Shareholders Rs. 12 per share 3,00,000
Equity Shareholders Rs. 12 per share 2,16,000

 5,16,000

 Surplus for Equity Shareholders 3,84,000

 9,00,000

 (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 35,000 6,14,500

Cash distributed among partners and brought into
the firm as newly constituted. 4,07,500

 Add: Assets distributed in specie 4,92,500

 9,00,000

**(10 Mark)**