IPCC – November 2017

ADVANCED ACCOUNTING

Test Code – 80111

Branch (MULTIPLE) Date : 24.09.2017

(50 Marks)

Note : All questions are compulsory.

Question-1 : (10 marks)

) **OM LTD**

Liquidator's Final Statement of Account

(8 Marks)

Receipts	*Value Realised*		*Payments* `	*Payments* `
Assets Realised:				
Cash at Bank	2,40,000	Liquidator's Remuneration (W.N. 1)		1,02,224
Sundry Debtors	8,00,000	Liquidation Expenses		1,17,736
Inventory	6,40,000	Debentureholders:		
Plant and Machinery	20,00,000	14% Debentures	9,20,000	
Patent	2,00,000	Interest Accrued (W.N. 2)	1,61,000	10,81,000
Surplus from Securities (W.N. 3)	5,20,000	Creditors:		
		Preferential	1,20,000	
		Unsecured	3,51,200	4,71,200
		Preference Shareholders:		
		Preference Share Capital	16,00,000	
		Arrears of Dividend	2,24,000	18,24,000
		Equity Shareholders (W.N.4) : `25.12 per share on 32,000 shares		8,03,840
	44,00,000			44,00,000

Working Notes: (2 marks)

		`
1	Liquidator's remuneration:	
	2% on assets realised (2% of `47,60,000)	95,200
	2% on payments to unsecured creditors (2% on	7,024

		1,02,224
2	Interest accrued on 14% Debentures:	
	Interest accrued as on 31.3.2016	1,28,800
	Interest accrued upto the date of payment i.e. 30.6.2016	32,200
		1,61,000
3	Surplus from Securities:	
	Amount realised from Land and Buildings (`3,20,000 + `8,00,000)	11,20,000
	Less: Mortgage Loan	(6,00,000)
		5,20,000
4	Amount payable to Equity Shareholders:	
	Equity share capital (paid up)	19,20,000
	Less: Amount available for equity shareholders	(8,03,840)
	Loss to be borne by equity shareholders	11,16,160
	Loss per equity share (`11,16,160/32,000)	34.88
	Amount payable to equity shareholders for each equity share (60-34.88)	25.12

Question 2 : (6 marks)

In the books of Vridhi Insurance Co. Ltd.

Journal Entries (4 marks)

Date	*Particulars*		*(Rs. in crores)*	
			Dr.	*Cr.*
1.1.2015	Unexpired Risk Reserve (Fire) A/c	Dr.	20.00	
	Unexpired Risk Reserve (Marine) A/c	Dr.	15.00	
	Unexpired Risk Reserve (Miscellaneous) A/c	Dr.	5.00	
	To Fire Revenue Account			20.00
	To Marine Revenue Account			15.00
	To Miscellaneous Revenue Account			5.00
	(Being unexpired risk reserve brought forward from last year)			
31.12.2015	Marine Revenue A/c	Dr.	18.30	
	To Unexpired Risk Reserve A/c			18.30
	(Being closing reserve for unexpired risk created at 100% of net premium income amounting to Rs.18.3 crores i.e.18+7-6.70)			

	Fire Revenue A/c To Unexpired Risk Reserve A/c (Being closing reserve for unexpired risk created at 50% of net premium income of Rs. 43.7 crores i.e.43+5-4.30)	Dr.	21.85	21.85
	Miscellaneous Revenue A/c To Unexpired Risk Reserve A/c (Being closing reserve for unexpired risk created at 50% net premium income of Rs. 9 crores i.e. 12+4-7)	Dr.	4.50	4.50

Unexpired Risk Reserve Account (2 marks)

Date	*Particulars*	*Marine (Rs.)*	*Fire (Rs.)*	*Misc. (Rs.)*	*Date*	*Particulars*	*Marine (Rs.)*	*Fire (Rs.)*	*Misc. (Rs.)*
1.1.15	To Revenue A/c	15.00	20.00	5.00	1.1.15	By Balance b/d	15.00	20.00	5.00
31.12.15	To Balance c/d	18.30	21.85	4.50	31.12.15	By Revenue A/c	18.30	21.85	4.50
		33.30	41.85	9.50			33.30	41.85	9.50

Question 3 : (6 marks)

	Departments			
	A Rs.	*B* Rs.	*C* Rs.	
Profit before adjustment of unrealized profits	54,000	40,500	27,000	
Add : Managerial commission (1/9)	6,000	4,500	3,000	
	60,000	45,000	30,000	3 marks
Less: Unrealised profit on stock (Refer W.N.)	(6,000)	(6,750)	(3,000)	
	54,000	38,250	27,000	
Less: Managers' commission @ 10%	(5,400)	(3,825)	(2,700)	
Profit after adjustment of unrealized profits	48,600	34,425	24,300	

Working Notes:

Value of unrealised profit

	Rs.
Transfer by department A to	
B department (22,500 * 25/125) = 4,500	
C department (16,500 * 10/110) = 1,500	6,000
Transfer by department B to	

A department (21,000 * 15/100) = 3,150		3 marks
C department (18,000 * 20/100) = 3,600	6,750	
Transfer by department C to		
A department (9,000 * 20/120) = 1,500		
B department (7,500 * 25/125) = 1,500	3,000	

Question 4 : (12 marks)

KLM Bank Limited

Profit and Loss Account for the year ended 31st March, 2016 (6 marks)

		Schedule	Year ended 31.03.2016
			Rs.
I.	Income: Interest earned	13	37,95,160
	Other income	14	4,87,800
	Total		42,82,960
II.	Expenditure		
	Interest expended	15	22,95,360
	Operating expenses	16	5,70,340
	Provisions and contingencies (4,50,000+2,00,000+2,00,000)		8,50,000
	Total		37,15,700
III.	Profits/Losses		
	Net profit for the year		5,67,260
	Profit brought forward		Nil
			5,67,260
IV.	Appropriations		
	Transfer to statutory reserve (25% of 5,67,260)		1,41,815
	Proposed dividend		50,000
	Balance carried over to balance sheet		3,75,445
			5,67,260

Profit & Loss Account balance of Rs.3,75,445 will appear under the head 'Reserves and Surplus' in Schedule 2 of the Balance Sheet. (1 mark)

(Schedules will carry one mark each)

		Year ended 31.3.2016 Rs.
	Schedule 13 – Interest Earned	
I.	Interest/discount on advances/bills (Refer W.N.)	37,95,160
		37,95,160
	Schedule 14 – Other Income Commission,	
I.	exchange and brokerage	1,90,000
II.	Profit on sale of investment	2,25,800
III.	Rent received	72,000
		4,87,800
	Schedule 15 – Interest Expended	
I.	Interests paid on deposits	22,95,360
		22,95,360
	Schedule 16 – Operating Expenses	
I.	Payment to and provisions for employees (salaries & allowances)	2,50,000
II.	Rent, taxes paid	1,00,000
III.	Depreciation on assets	40,000
IV.	Director's fee, allowances and expenses Auditor's	35,000
	fee	12,000
V.	Statutory (law) expenses	38,000
VI.	Postage and telegrams	65,340
VII.	Preliminary expenses	30,000
VIII.		5,70,340

Working Note: (1 mark)

	Rs.
Interest and discount received	38,00,160
Add: Rebate on bills discounted on 31.3. 2015 *Less:*	15,000
Rebate on bills discounted on 31.3. 2016	(20,000)
	37,95,160

Question 5: (10 marks)

Karma Limited
Balance Sheet as on 01.04.2016 (4 marks)

Particulars	Note No.	Figures as at the end of current reporting period
I. Equity and Liabilities		
(1) Shareholder's Funds		
(a) Share Capital	1	55,00,000
(b) Reserves and Surplus	2	85,85,000
(2) Non-Current Liabilities		
(a) Long-term borrowings - Unsecured Loans		45,00,000
(3) Current Liabilities		
(a) Short-term provisions		90,00,000
Total		2,75,85,000
II. Assets		
(1) Non-current assets		
(a) Fixed assets		
(i) Tangible assets		1,50,00,000
(2) Current assets		
(a) Cash and cash equivalents		5,85,000
(b) Other current assets		1,20,00,000
		2,75,85,000

Notes to Accounts (2 marks)

		Rs.
1 Share Capital		
5,50,000 Equity Shares of Rs.10 each		55,00,000
2 Reserve and Surplus		
General Reserve	50,00,000	
Add: Debenture Redemption Reserve transfer	35,00,000	
	85,00,000	
Add: Profit on sale of investments	2,00,000	
	87,00,000	
Less: Premium on redemption of debentures (80,000 x Rs.5)	(4,00,000)	83,00,000
Securities Premium Account (1,50,000 x Rs.1.9)		2,85,000
		85,85,000

Working Notes:

(i) Calculation of number of shares to be allotted (2 marks)

Total number of debentures	80,000	
Less : Number of debentures not opting for conversion	(12,000)	
		68,000
25% of 68,000	17,000	
Redemption value of 17,000 debentures	Rs.17,85,000	

Number of Equity Shares to be allotted:

$= \frac{17,85,000}{\quad}$ = 1,50,000 shares of Rs.10 each.

11.90

(ii) Calculation of cash to be paid

Number of debentures	80,000
Less: Number of debentures to be converted into equity shares	(17,000)
	63,000
Redemption value of 63,000 debentures (63,000 × Rs.105)	Rs.66,15,000

(iii) Cash and Bank Balance

	Rs.
Balance before redemption	40,00,000
Add : Proceeds of investments sold	32,00,000
	72,00,000
Less : Cash paid to debenture holders	(66,15,000)
	5,85,000

(ii) &(iii) will carry one mark each

Question 6 (6 marks)

Statement showing liability of underwriters#

	No. of shares			
	A	*B*	*C*	*Total*
Gross Liability (Total Issue – purchase by promoters etc) **(1/2 mark)**	60,000	30,000	10,000	1,00,000
Less: Firm underwriting **(1/2 mark)**	(8,000)	(10,000)	(2,000)	(20,000)
	52,000	20,000	8,000	80,000
Less Marked applications**(1/2 mark)**	(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) **(2 marks)**	(12,000)	(6,000)	(2,000)	(20,000)
Net Liability**(1/2 mark)**	20,000	-	-	20,000
Add: Firm underwriting**(1/2 mark)**	8,000	10,000	2,000	20,000
Total liability of underwriters **(1 mark)**	28,000	10,000	2,000	40,000
Total Liability in Amount @ Rs.10/-**(1/2 mark)**	2,80,000	1,00,000	2,00,000	4,00,000

*the solution is given on the basis that the benefit of firm underwriting is given to individual underwriters

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