

Note : All questions are compulsory.

Question 1 (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

Average Sales (Pre-incorporation)	= x X 5	= 5x
Sales (Post incorporation) from June to December, 2015	= 2½x X 7	= 17.5x
From January to March, 2016	= 3½x X 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

$$\frac{9,00,000 \times 10 \times 10}{100 \times 12} = \frac{75,000}{1,05,000}$$

Question 2 (6 Marks)

Calculation of Average Due Date

Taking Base Date 21.07.2016

<i>Date of bill</i>	<i>Period</i>	<i>Due Date</i>	<i>Amount</i>	<i>Number of Days from Base Date</i>	<i>Product</i>
9.4.2016	4 months	12.08.2016	3,000	22	66,000
18.4.2016	3 months	21.07.2016	5,500	0	0
25.5.2016	6 months	28.11.2016	3,000	130	3,90,000
5.6.2016	3 months	8.09.2016	<u>6,000</u>	49	<u>2,94,000</u>
			<u>17,500</u>		<u>7,50,000</u>

$$\text{Average Due Date} = 21\text{st July} + \frac{7,50,000}{17,500} = 21.7.2016 + 43 \text{ days} = 2.09.2016$$

Since two new bills will be drawn, their due dates will be as follows:

First Bill- 1.7.2016 + 4 months = 4.11.2016;

Second Bill- 1.7.2016+ 6 months = 4.1.2017. **(3 marks)**

Interest to be charged in respect of the above bills:

1st bill = Interest will be charged on ` 10,000 @ 10% p.a. for 63 days
(2.09.2016 to 4.11.2016)

$$= ` 10,000 \times 10\% \times 63/365 = ` 172.60$$

2nd bill = Interest will be charged on ` 7,500 (` 17,500 - 10,000) @
10% p.a. for 124 days (2.09.2016 to 4.1.2017)

$$= ` 7,500 \times 10\% \times 124/365 = ` 254.80.$$

Therefore, the value of the two bills:

First bill = ` 10,000

Second bill = ` (7,500+ 172.60+ 254.80) = ` 7,927.4

(3 marks)

Question 3 (16 Marks)

Corrected Receipts and Payments Account of High-end 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 (W.N.1)	22,000	By subscription	9,18,000
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		

10,15,000

10,15,000

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
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

Liabilities		Assets	
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
	10,78,200		10,78,200

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

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

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)

$$\text{Short sales} \times \text{gross profit ratio} = 60,600 \times 20\% = 12,120$$

4. Application of average clause(2 mark)

$$\begin{aligned}\text{Net claim} &= \text{Gross claim} \times \frac{\text{policy value}}{\text{gross profit on annual turnover}} \\ &= 12,120 \times \frac{1,00,000}{1,79,860 \text{ (Note 3)}}\end{aligned}$$

$$\text{Amount of claim} = 6,738.57 \text{ (approx.) i.e. } \approx 6,739 \text{ (round off)}$$

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>

Question 5 (6 Marks)

In the books of Mr. Perfact
Mr. Smart in Account Current with Mr. Perfact
(Interest to 31st March, 2016 @ 12% p.a.)
(By means of product)

Date	Particulars	Due	Amount	Days	Product	Date	Particulars	Due	Amount	Days	Product
2016		Date				2016		Date			
Jan 12	To Sales A/c	Feb. 1	30,000	59	17,70,000	Jan. 1	By Balance b/d	Jan. 1	3,500	91	3,18,500
Jan 31	To Sales A/c	Feb. 15	27,500	45	12,37,500	Feb. 15	By Cash A/c	Feb. 15	40,000	45	18,00,000
Mar. 31	To Interest			132		Feb. 20	By Cash A/c	Feb. 20	7,500	40	3,00,000
	4,03,000 12					Mar. 10	By Sales	Mar. 10	7,000	21	1,47,000
	_____ x _____						returns				
	366 100					Mar. 25	By Cash A/c	Mar. 25	6,500	6	39,000
Mar. 31	To Balance c/d		6,868			Mar. 31	By Balance of products				4,03,000
			64,500		30,07,500				64,500		30,07,500

(1mark)

(all other entries will carry ½ mark each)
