

Note : All questions are compulsory.

Question 1 (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)

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

12,120

4. Application of average clause(2 mark)

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

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

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>

Question 2 (12 marks)

Journal Entries in the books of Kishor Limited

			Dr.(')	Cr.(')
1.	Equity share capital A/c ('10) To Equity share capital A/c ('3) To Capital reduction A/c (Reduction of equity share of '10 each to shares of 3 each as per the reconstruction scheme) (1 ½ mark)	Dr.	60,00,000	18,00,000 42,00,000
2.	6% Preference share capital A/c ('10) To 6%Preference share capital A/c('7) To Capital reduction A/c (Reduction of preference share of '10 each to shares of '7 each as per the reconstruction scheme) (1 ½ mark)	Dr.	32,00,000	22,40,000 9,60,000
3.	6% Debentures A/c To Land & building A/c To 9% Debentures A/c To Capital reduction A/c (50% claim of debenture discharged by transfer of a part of land & building having book value 14,00,000 and rate of interest of balance 50% debentures increased to 9% as per the reconstruction scheme). (2 marks)	Dr.	30,00,000	14,00,000 15,00,000 1,00,000
4.	Bank A/c To Land & building A/c To Capital reduction A/c (50% of balance land & building having book value 10,00,000 sold as per the reconstruction scheme) (1 mark)	Dr.	12,00,000	10,00,000 2,00,000
5.	Land & building A/c To Capital reduction A/c (50% of balance land & building having book value 10,00,000 valued at 12,00,000 as per the reconstruction scheme) (1 mark)	Dr.	2,00,000	2,00,000
6.	Bank A/c Capital reduction a/c (All the investment sold as per the reconstruction scheme)	Dr. Dr.	4,00,000 40,000	4,40,000

	(1 mark)			
7.	Trade payables A/c To Capital reduction A/c (1/3 of Trade payables decided to forgo their claim as per the reconstruction scheme) (1 mark)	Dr.	8,00,000	8,00,000
8.	Capital reduction A/c To Goodwill A/c To Patents A/c To Provision of doubtful debts A/c To Inventory A/c To Provision for income tax A/c To Profit & loss A/c To PLANT & MACHINERY A/c(Bal.fig) (written off goodwill patent profit & loss , part value of stock , plant & machinery , penalty paid for cancellation of contracts and provision made for doubtful debts , income tax, as per the reconstruction scheme) (3 marks)	Dr.	61,58,000	10,40,000 3,00,000 3,48,000 5,20,000 50,000 37,00,000 2,00,000

Question 3 (14 marks)

Boss and Sen Ltd.

Balance Sheet as on 31st March ,2013 (5 marks)

Particulars		Notes	Figures at the end of current reporting period
Equity and Liabilities			
1	Shareholders funds		
a	Share capital	1	69,93,000
b	Reserves and Surplus	2	21,56,000
2	Non –current liabilities		
a	Long term borrowings	3	16,97,000
3	Current liabilities		
a	Trade Payables		14,00,000
b	Other current liabilities	4	2,00,000
c	Short term provisions	5	8,16,900
	Total		1,32,62,900
Assets			
1	Non –current assets		
a	Fixed assets		
	Tangible assets	6	74,75,000
	Intangible assets (Patents & Trade Marks)		4,00,000
2	Current assets		

a	Inventories	7	17,50,000
b	Trade receivables	8	14,00,000
c	Cash and Cash equivalents	9	19,39,000
d	Short term loans and advances		2,98,900
	Total		1,32,62,900

Notes to accounts (9 marks)

1	Share Capital Equity share capital Issued ,subscribed and called up 7,00,000 Equity Shares of '10' each (out of the above 4,20,000 shares have been issued for 70,00,000 consideration other than cash) Less: Calls in arrears	7,000	69,93,000
	Total		69,93,00
2	Reserves and Surplus		
	General Reserve		15,49,100
	Surplus (Profit & Loss A/c)	7,00,000	
	Less: Preliminary expenses	(93,100)*	6,06,900
	Total		21,56,000
3	Long –term borrowings		
	Secured		
	Term Loans		
	Loan from state Finance Corporation (10,50,000-2,00,00)		8,50,000
	(Secured by hypothecation of Plant and Machinery)		
	Unsecured		
	Bank Loan	2,00,000	
	*Preliminary expenses have been written off in line with Accounting Standards.		
	Loan from related parties	1,00,000	
	Others	5,47,000	8,47,000
	Total		16,97,000
4	Others current liabilities		
	Loan Installment repayable within one year		2,00,000
5	Short term provisions		
	Provision for taxation		3,25,500
	Proposed Dividend		4,20,000
	Provision for Dividend Distribution Tax		71,400
	Total		8,16,900
6	Tangible assets		
	Land		14,00,000
	Building	28,00,000	
	Less : Depreciation	<u>7,50,000</u>	20,50,000
	Plant & Machinery	49,00,000	

	Less: Depreciation	<u>12,25,000</u>	36,75,000
	Furniture & Fittings	4,37,500	
	Less: Depreciation	87,500	3,50,000
	Total		74,75,000
7	Inventories		
	Raw Material		3,50,000
	Finished goods		14,00,000
			17,50,000
8	Trade receivables		
	Debts outstanding for a period exceeding six months		3,80,000
	Other Debts		10,20,000
	Total		14,00,000
9	Cash and cash equivalents		
	Cash at bank with Scheduled Banks including Bank	17,11,000	
	Deposits for period of 9 months amounting 5,00,000 with others	18,000	17,29,000
	Cash in hand		2,10,000
	Total		19,39,000

Question 4 (12 Marks)

Mumbai Club
Receipts and Payments Account for the year ended 31st March, 2013 (4 marks)

Receipts		Payments	
To Donations for building and library room	1,00,000	By Land	5,000
To Entrance fees	8,500	By Furniture	65,000
To Subscription	9,500	By Salaries	2,400
To Locker rents	300	By Maintenance of playgrounds	500
		By Rent	4,000
		By Refreshment	4,000
		By Library books	10000
		By Balance c/d	35930
To Sundry income	530		
To Refreshment account	8,000		
	<u>1,26,830</u>		<u>1,26,830</u>

**Income and Expenditure Account for the
year ended 31st March, 2013 (4 ½ marks)**

Expenditure				Income		
To Salaries	2,400			By Entrance fees		8,500
<i>Add: Outstanding</i>	<u>100</u>	2,500		By Subscription	9,500	
To Maintenance of playgrounds	500			<i>Add: Outstanding</i>	<u>500</u>	10,000
<i>Add: Outstanding</i>	<u>500</u>	1,000		By Locker rents		300
To Rent		4,000		By Sundry Income	530	
To Depreciation on Furniture	6,500			<i>Add: Outstanding</i>	<u>270</u>	800
Library books	<u>1,000</u>	7,500		By Refreshment account		4,000
To Surplus-excess of income over expenditure		8,600		(8,000-4,000)		
		<u>23,600</u>				<u>23,600</u>

Balance Sheet of Mumbai Club as on 31st March, 2013 (3 ½ marks)

Liabilities		Assets	
Capital fund (surplus)	8,600	Land	5,000
Building & library room fund	1,00,000	Furniture 65,000	
Creditors for expenses:		<i>Less: Depreciation (6,500)</i>	
Salaries outstanding 100			58,500
Maintenance of playgrounds <u>500</u>	600	<i>Library book 10,000</i>	
		<i>Less: Depreciation (1,000)</i>	9,000
		Subscription receivable	500
		Sundry income receivable	270
		Bank balance	35930
			-
			-
	<u>1,09,200</u>		<u>1,09,200</u>
