

Note : All questions are compulsory.

Question 1 (8 marks)

In the books of Sumedha

Debenture Investment Account for the year ending on 31-12-2017

(Scrip: 13.5% Convertible Debentures in X Limited)

(Interest payable on 31st March and 30th September)

Date	Particulars	Nominal Value	Interest	Cost	Date	Particulars	Nominal Value	Interest	Cost
2017					20				
1.05.2017	To Bank A/c	5,00,000	5,625	5,25,000	30.09.17	By Bank A/c (` 7,50,000 x 13.5% x 6/12)	-	50,625	-
1.08.2017	To Bank A/c	2,50,000	11,250	2,56,250					
31.12.17	To P&L A/c (Interest)	-	52,313	-	1.10.17	By Bank A/c	2,00,000	-	2,06,000
					1.10.17	By P & L A/c (loss sale of debentures)			2,333
					31.12.17	By Equity shares in Ltd.	1,10,000	-	1,14,583
					31.12.17	By Bank A/c (Interest on convertible debentures)		3,713	-
					31.12.17	By Balance c/d	4,40,000	14,850	4,58,334
Total		7,50,000	69,188	7,81,250	Total		7,50,000	69,188	7,81,250

(1/2 mark for each entry)

Working Notes(1/2 mark for each working)

- Cost of Debentures purchased on 1st August, 2017

$$= 107\% \text{ of } ` 2,50,000 - ` 11,250 \text{ (Interest)} = ` 2,56,250$$
- Cost of Debentures sold on 1st October, 2017

$$= (` 5,25,000 + ` 2,56,250) \times 2,00,000 / 7,50,000 = ` 2,08,333$$
- Loss on sale of Debentures = ` 2,08,333 – ` 2,06,000 = ` 2,333
- Cost of Debentures converted

$$= (` 5,25,000 + ` 2,56,250) \times 1,10,000 / 7,50,000 = ` 1,14,583$$
- Cost of Debentures in hand on 31st December, 2017

$$= (` 5,25,000 + ` 2,56,250) \times 4,40,000 / 7,50,000 = ` 4,58,334 \text{ (approx.)}$$

6. Interest on Debentures converted = ` 1,10,000 x 13.5% x 3/12 = ` 3,713
7. Closing balance of Debentures has been valued at cost (` 4,58,334) being lower than the market value ` 4,66,400 (` 4,400 x 106)

Question 2 (10 marks)

Memorandum Trading Account for the period 1st April, 2016 to 29th August 2016(5 marks)

Particulars		`	Particulars		`	
To	Opening Stock		3,95,050	By	Sales	22,68,000
To	Purchases	16,55,350		By	Closing stock (Bal. fig.)	4,41,300
	Less:					
	Advertisement	-20,500				
	Drawings	<u>-1,000</u>	16,33,850			
	Gross Profit					
To	[30% of Sales] [W N]		<u>6,80,400</u>			
			<u>27,09,300</u>			<u>27,09,300</u>

Statement of Insurance Claim (3 marks)

Value of stock destroyed by fire	4,41,300
Less: Salvaged Stock	(54,000)
Add: Fire Fighting Expenses	<u>2,350</u>
Insurance Claim	<u>3,89,650</u>

Note: Since policy amount is more than claim amount, average clause will not apply. Therefore, claim amount of ` 3,89,650 will be admitted by the Insurance Company.

Working Note:

Trading Account for the year ended 31st March, 2016 (2 marks)

To Opening Stock	3,55,250	By Sales	40,00,000
To Purchases	28,39,800	By Closing stock	3,95,050
To Gross Profit	<u>12,00,000</u>		
	<u>43,95,050</u>		<u>43,95,050</u>

Rate of Gross Profit in 2015-16

$$\text{Gross Profit} \times 100 = 12,00,000 / 40,00,000 \times 100 = 30\%$$

Sales

Question 3 (6 marks)

Machinery Account (2 marks)

		Rs.			Rs.
I Yr.	To Hire Vendor A/c	15,533	I Yr.	By Depreciation A/c	1,553
		<u>15,533</u>		By Balance c/d	<u>13,980</u>
II Yr.	To Balance b/d	13,980	II Yr.	By Depreciation A/c*	1,398
		<u>13,980</u>		By Balance c/d	<u>12,582</u>
III Yr.	To Balance b/d	12,582	III Yr.	By Depreciation A/c*	1,258
		<u>12,582</u>		By Hire Vendor	11,000
				By Profit & Loss A/c	324
				(Loss on Surrender)	_____
		<u>12,582</u>			<u>12,582</u>

Hire Vendor Account (2 marks)

		Rs.			Rs.
I Yr.	To Bank A/c	6,000	I Yr.	By Machinery A/c	15,533
	To Balance c/d	<u>12,639</u>		By Interest A/c	<u>3,106</u>
		<u>18,639</u>			<u>18,639</u>
II Yr.	To Bank A/c	6,000	II Yr.	By Balance b/d	12,639
	To Balance c/d	<u>9,167</u>		By Interest A/c	<u>2,528</u>
		<u>15,167</u>			<u>15,167</u>
III Yr.	To Machinery A/c (transfer)	11,000	III Yr.	By Balance b/d	9,167
		<u>11,000</u>		By Interest A/c	<u>1,833</u>
					<u>11,000</u>

Note : Alternatively, total interest could have been debited to Interest Suspense A/c and credited to Hire Vendor A/c with consequential changes.

*It has been assumed that depreciation has been written off on written down value method. Alternatively straight line method may be assumed.

Depreciation has been directly credited to the Machinery Account; it could have been accumulated in provision for depreciation account.

Working Notes: (2 marks)

	Instalment Amount	Interest	Principal

4th Instalment			6,000	Rs.	Rs.
Interest	6,000 x	20 120	<u>1,000</u>	1,000	5,000
			5,000		
			<u>6,000</u>		
Add : 3rd Instalment			11,000		
Interest	11,000 x	20 120	<u>1,833</u>	1,833	4,167
			9,167		
			<u>6,000</u>		
Add : 2nd Instalment			15,167		
Interest	15,167 x	20 120	<u>2,528</u>	2,528	3,472
			12,639		
			<u>6,000</u>		
Add : 1st Instalment			18,639		
18369 x 20/120			<u>3,106</u>	<u>3,106</u>	<u>2,894</u>
			15,533	8,467	15,533

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	10,000
		By Balance c/d	35,930
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 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 (4 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>

Question 5 (6 Marks)

General Ledger Adjustment Account in Debtors Ledger

<i>Date</i>	<i>Particulars</i>		<i>Date</i>	<i>Particulars</i>	
01.04.2016	To Balance b/d (1/2 Mark)	4700	1.4.2016	By Balance b/d (1/2 Mark)	179100
01.04.2016	To Debtors ledger adjustment A/c : (2 Marks)		1.4.2016	By Debtors ledger adjustment A/c : (2 Marks)	
to			to		
30.4.2016	Cash received	8,62,850	30.4.2016	Credit sales	997700
	Sales Returns	16,550		Cash	3,000
				returns	
	Bills receivable received	47,500		Bills receivable dishonoured	3,750
	Transfer to creditors ledger	8,000	30.4.2016	By Balance c/d (1/2 Mark)	4,900
30.04.2016	To balance c/d (1/2 Mark)				
	(bal.fig)	<u>2,48,850</u>			
		<u>11,88,450</u>			<u>11,88,450</u>

Question 6 (8 Marks)

Trading and Profit and Loss Account of Rajni for the year ended 31st March, 2016 (4 marks)

To	Opening Stock	33,000	By	Sales	9,60,000
To	Purchases	7,20,000	By	Closing Stock	33,000
To	Gross Profit c/d	<u>2,40,000</u>			
		<u>9,93,000</u>			<u>9,93,000</u>
To	Business Expenses	1,57,500	By	Gross Profit b/d	2,40,000
To	Repairs	3,500			
To	Depreciation	27,000			
To	Travelling Expenses	18,000			
To	Loss by theft	1,500			
To	Net Profit	<u>32,500</u>			
		<u>2,40,000</u>			<u>2,40,000</u>

Balance Sheet of Rajni as at 31st March, 2016(4 marks)

Liabilities		Assets	
Capital	2,52,500	Machinery	1,20,000
		Add: additions	60,000
			<u>1,80,000</u>
Add: Additional Net Profit	5,000	Less:	<u>(27,000)</u>
	<u>32,500</u>		1,53,000
	2,90,000	Stock in Trade	33,000
Less: Loss of Drawings	(20,000)	Sundry Debtors	1,20,000
	<u>(30,000)</u>		
Bank Overdraft			
	2,667		
Sundry Creditors			
	55,833		
Outstanding Expenses			
	<u>7,500</u>		
	<u>3,06,000</u>		<u>3,06,000</u>

Working Notes:

1.	Sales during 2015-2016	
	Debtors as on 31st March, 2015 (Being equal to 2 months sales)	<u>1,00,000</u>
	Total credit sales in 2014- 2015, $1,00,000 \times 6$	6,00,00
	Cash Sales, being equal to 1/3rd of credit sales or 1/4th of Sales in 2014- 2015	<u>2,00,00</u>
	Increase, 20% as stated in the problem	<u>1,60,00</u>
	Total sales during 2015-2016	<u>9,60,00</u>
	Cash sales : $1/4^{\text{th}}$	2,40,00
	Credit sales : $3/4^{\text{th}}$	7,20,00

2.	Debtors equal to two months credit sales	1,20,00	
3.	Purchases		
	Sales in 2015-2016	9,60,00	
	Gross Profit @ 25%	<u>2,40,00</u>	
	Cost of goods sold being purchases (Since there is no change in stock level)	<u>7,20,00</u>	
4.	Sundry Creditors for goods $(7,20,000 - 50,000) / 12 = 6,70,000 / 12$		55,833
5.	Collections from Debtors		
	Opening Balance	1,00,00	
	Add: Credit Sales	<u>7,20,00</u>	
		8,20,00	
	Less: Closing Balance	<u>(1,20,000)</u>	
		<u>7,00,00</u>	
6.	Payment to Creditors		
	Opening Balance	45,000	
	Add: Credit Purchases $(7,20,000 - 50,000)$	<u>6,70,00</u>	
		7,15,00	
	Less: Closing Balance	<u>(55,833)</u>	
	Payment by cheque		<u>6,59,16</u>

Cash and Bank Account

Particulars	Cash	Bank	Particulars	Cash	Bank
To Balance b/d	8,000	16,500	By Payment to Creditors	50,000	6,59,167
To Collection from Debtors	-	7,00,000	By Misc. Expenses	1,45,000	5,000
To Sales	2,40,000	-	By Repairs	3,500	-
To Additional Capital	-	5,000	By Addition to Machinery	-	60,000
To Balance c/d (Bankoverdraft)	-	2,667	By Travelling Expenses	18,000	-
			By Private Drawings By Balance c/d (lost by theft)	30,000	-
	<u>2,48,000</u>	<u>7,24,167</u>		<u>1,500</u>	
				<u>2,48,000</u>	<u>7,24,167</u>
