



INTER CA – MAY 2018

Sub: Costing & Accounts

Topics: Contract Costing, Labour Cost Control, Hire Purchase and instalment Selling, Dissolution, Redemption of Preference Shares, Branch Accounts

Test Code – M19

Branch: MULTIPLE Date: 07.01.2018

(50 Marks)

Note: All questions are compulsory.

Question 1 (6 marks)

(a) Labour Turnover by Replacement Method = $\frac{\text{No. of workers replaced during the quarter}}{\text{Average no. workers on roll during the quarter}}$

Or, $0.03 = \frac{\text{No. of workers replaced during the quarter}}{(990+1,010) \div 2}$

Or, No. of worker replaced during the quarter = $0.03 \times 1,000 = 30$ workers

(i) Labour Turnover by Separation Method (2 marks)

= $\frac{\text{No. of workers replaced during the quarter}}{\text{Average no. workers on roll during the quarter}} \times 100$

= $\frac{\text{Worker at beginning} + \text{Fresh recruitment} + \text{Replacements} - \text{workers at closing}}{\text{Average no. workers on roll during the quarter}} \times 100$

= $\frac{990+4030-1,010}{(990+1,010) \div 2} \times 100 = \frac{50 \text{ workers}}{1,000 \text{ workers}} \times 100 = 5\%$

(ii) Labour Turnover by Flux Method (2 marks)

= $\frac{\text{No. of workers (Separated + replaced + Fresh Recuriment) during the quarter}}{\text{Average no. workers on roll during the quarter}} \times 100$

= $\frac{50+30+40}{(990+1,010) \div 2} \times 100 = \frac{120 \text{ workers}}{1,000 \text{ workers}} \times 100 = 12\%$

Question 2 (8 Marks)

(i)

M/s ABID Constructions

Contract Account (4 marks)

Particulars		Amount (` in '000)	Particulars		Amount (` in '000)
To Material issued		7,700	By Material returned		175
To Direct wages	3,300		By Profit & Loss A/c (Material Destroyed by fire)		130
Add: Outstanding	100	3,400	By W-I-P:		
To Site Office Cost	550		- Work uncertified	225	
Less: Prepaid	50	500	- Work certified	12,650	12,875
To Depreciation*		40	By Material at site		110
To Notional Profit		1,650			

To Profit & Loss A/c (Working Note -2) To W-I-P (Reserve)	13,290	By Notional Profit	13,290
	880		1,650
	770		
	1,650		1,650

* Depreciation on plant = ₹ 8,00,000 × 15% × $\frac{4 \text{ months}}{12 \text{ months}}$ = ₹ 40,000

(ii) **Contractee's Account (1 mark)**

Particulars	Amount (₹ in '000)	Particulars	Amount (₹ in '000)
To Balance c/d	10,120	By Bank A/c	10,120
	10,120		10,120

(iii) **Relevant items of Profit & Loss Account(1 mark)**

Particulars	Amount (₹ in '000)	Particulars	Amount (₹ in '000)
To Contract A/c (loss of material due to fire)	130	By Contract A/c (Profit on contract)	880
To Net Profit	750		
	880		880

(iv) **Balance Sheet (Extracts) as on 31st March, 2014(2 marks)**

(Amount in '000)

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Add: Profit	750		Plant at cost	800	
			Less: Dep.	40	760
Outstanding Wages		100	Contract W-I-P:		
			-Uncertified	225	
			-Certified	12,650	
			-Reserve	(770)	
			Less: Advances	(10,120)	1,985
			Materials at site		110
			Prepaid exp.		50

Working Notes: (2 marks)

Work Certified

$$1. \text{ Percentage of Completion} = \frac{\text{Value of contract}}{\text{Notional Profit}} \times 100$$

$$= \frac{1,26,50,000}{1,71,00,000} \times 100 = 73.98\%$$

2. Profit from the incomplete contract

$$= \text{Notional Profit} \times \frac{\text{Cash Received}}{\text{Work Certified}}$$

$$= ₹ 16,50,000 \times \frac{2}{3} \times \frac{1,26,50,000}{1,71,00,000}$$

= ` 8,80,000

(Note: The above figures calculated on traditional prudent basis followed in Contract costing.)

Question 3 (8 Marks)

In the books of Mr. Chena Swami

Salem Branch Account **(3marks)**

To	Balance b/d		By Bank (Remittance to H.O.)	19,50,000
	Opening stock:		By Balance c/d	
	Ghee	40,000	Closing stock:	
	Oil	22,500	Refined oil	19,500
	Debtors	1,80,000	Ghee	90,000
	Cash on hand	25,690	Debtors (W.N. 1)	2,10,000
	Furniture & fittings	23,800	Cash on hand (W.N. 2)	44,800
To	Goods sent to Branch A/c		Furniture & fittings	21,420
	Refined Oil (30x1500x12)	5,40,000		
	Ghee (20x5000x12)	12,00,000		
To	Bank (Expenses paid by H.O.)	76,800		
	Net Profit			
To	Transferred General P&L	2,26,930		
		23,35,720		23,35,720

Mr. Chena Swami

Trading and Profit and Loss account for the year ended 31st March, 2016

(Excluding branch transactions)**(3 marks)**

To	Opening Stock:		By	Sales:	
	Refined Oil	44,000		Refined Oil	24,10,000
	Ghee	10,65,000		Ghee	38,40,500
To	Purchases:		By	Closing Stock:	
	Refined Oil 27,50,000			Refined Oil	8,90,000
	Less: Goods sent to Branch (5,40,000)	22,10,000		Ghee	15,70,000
	Ghee 48,28,000				
	Less: Goods sent to Branch (12,00,000)	36,28,000			
To	Direct Expenses	6,35,800			
To	Gross Profit	11,27,700			
		87,10,500			87,10,500
To	Manager's Salary	2,40,000	By	Gross Profit	11,27,700
To	General Expenses	1,86,000	By	Branch Profit transferred	2,26,930
To	Depreciation				
	Furniture (88,600-79,740)	8,860			

Building (5,10,800+2,41,600- 7,14,780)	37,620		
To Manager's Commission @ 10% (8,82,150 x10/110)	80,195		
To Net profit	8,01,955		
	13,54,630		13,54,630

Working Notes

1

Debtors Account (1 mark)

To Balance b/d	1,80,000	By Cash Collections	20,15,000
To Sales made during the year: Refined oil	5,95,000	By Balance c/d (Bal. Figure)	2,10,000
Ghee	14,50,000		
	22,25,000		22,25,000

2

Branch Cash Account (1 mark)

To Balance b/d	25,690	By Remittance	19,50,000
To Collections	20,15,000	By Exp.	45,890
		By Balance c/d (Bal. Figure)	44,800
	20,40,690		20,40,690

Note:

- Branch managers generally get commission based on the Branch profits and not on overall organizational profits. The answer given above is on the basis of the information given in the question and the commission of branch manager is computed as 10% on overall organizational profits after charging such commission.
- Since the amount of cash sales was not given specifically in the question, total amount of cash collections during the year amounting ` 20,15,000 has been considered as collection from Debtors in the above solution.

Question 4 (8 Marks)

Machinery Account (3 marks)

		Rs.			Rs.
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I Yr.	To Hire Vendor A/c	15,533	I Yr.	By Depreciation A/c	1,553
				By Balance c/d	<u>13,980</u>
		<u>15,533</u>			<u>15,533</u>
II Yr.	To Balance b/d	13,980	II Yr.	By Depreciation A/c*	1,398
				By Balance c/d	<u>12,582</u>
		<u>13,980</u>			<u>13,980</u>
III Yr.	To Balance b/d	12,582	III Yr.	By Depreciation A/c*	1,258
				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 (3 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
				By Interest A/c	<u>1,833</u>
		<u>11,000</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	<u>1,000</u>	1,000	5,000
		120	5,000		
Add : 3rd Instalment			<u>6,000</u>		
			11,000		
Interest	11,000 x	20	<u>1,833</u>	1,833	4,167
		120	9,167		
Add : 2nd Instalment			<u>6,000</u>		
			15,167		
Interest	15,167 x	20	<u>2,528</u>	2,528	3,472
		120	12,639		
Add : 1st Instalment			<u>6,000</u>		
18369 x 20/120			18,639		
			<u>3,106</u>	<u>3,106</u>	<u>2,894</u>
			<u>15,533</u>	<u>8,467</u>	<u>15,533</u>

Question 5 (4 Marks)

Statement showing differences between Hire Purchase and Installment System (1/2 mark for each point)

	Basis of Distinction	Hire Purchase	Installment System
1.	Governing Act	It is governed by Hire Purchase Act, 1972.	It is governed by the Sale of Goods Act, 1930.
2.	Nature of Contract	It is an agreement of hiring.	It is an agreement of sale.
3.	Passing of Title (ownership)	The title to goods passes on last payment.	The title to goods passes immediately as in the case of usual sale.
4.	Right to Return goods	The hirer may return goods without further payment except for accrued installments.	Unless seller defaults, goods are not returnable.
5.	Seller's right to repossess	The seller may take possession of the goods if hirer is in default.	The seller can sue for price if the buyer is in default. He cannot take possession of the goods.
6.	Right of Disposal	Hirer cannot hire out, sell, pledge or assign entitling transferee to retain possession as against the hire vendor.	The buyer may dispose of the goods and give good title to the bonafide purchaser.
7.	Responsibility for Risk of Loss	The hirer is not responsible for risk of loss of goods if he has taken reasonable	The buyer is responsible for risk of loss of goods because of the

		precaution because the ownership has not yet transferred.	ownership has transferred.
8.	Name of Parties involved	The parties involved are called Hire purchaser and Hire vendor.	The parties involved are called buyer and seller.
9.	Component other than cash price	Component other than Cash Price included in installment is called Hire charges.	Component other than Cash Price included in Installment is called Interest.

Question 5 (16 marks)

Realisation A/c (7 marks)

Particulars	Rs.	Particulars	Rs.
To Goodwill A/c (transfer)	4,56,300	By Sundry Creditors A/c (transfer)	5,67,000
To Plant & Machinery A/c(transfer)	6,07,500	By Joint Life Policy Reserve A/c(transfer)	2,65,500
To Furniture A/c (transfer)	64,650	By Cash –Joint Life Policy (surrender amt recd)	2,32,500
To Stock A/c (transfer)	2,36,700	By Ram Capital A/c (Goodwill, P&M)	9,00,000
To Sundry Debtors A/s (transfer)	5,34,000	By Ram Capital A/c(Furniture & Stock)	1,80,000
To Joint Life Policy A/c(transfer)	2,65,500	By Sugriv Capital A/c Furniture & Stock)	1,80,000
To Ram Capital A/c(Dissolution Exps)	18,000		
To Cash (Bill Discounted settled)	30,750		
To Capital A/c(Profit on Rsn) (3:2:1)			
- Ram	55,800		
- Sugriv	37,200		
- Hanuman	18,600		
	1,11,600		
Total	23,25,000	Total	23,25,000

Note :- No entry required for –(a) assignment of Debtors to Creditors ,and (b) Nothing Charges.

2. Partners' Capital A/c (5 marks)

Particulars	Ram	Sugriv	Hanuman	Particulars	Ram	Sugriv	Hanuman
To Realisation A/c -G/W, P& M				By balance b/d	4,20,000	2,25,000	1,20,000
-Furniture ,Stocks	9,00,000	-	-	By Bank Overdraft	6,06,450	-	-
To Hanuman Capital	1,80,000	1,80,000	-	By Mrs. Ram Loan	1,50,000	-	-
(Note)	6,840	4,560	-				
To Cash	-	-	1,50,000	By Realisation (Exp. On Dissolution)	18,000	-	-
To Cash (bal.fig.)	1,63,410	77,640	-	By Realisation Profit	55,800	37,200	18,600
				By Partner's Capital			6,840
				- Ram			4,560
				- Sugriv			
Total	12,50,250	2,62,200	1,50,000	Total	12,50,250	2,62,200	1,50,000

Note: Excess amount paid to Hanuman Rs. 11,400, i.e. Actual Payment Rs. 1,50,000 **Less** Net Credit Balance in Capital Account Rs. 1,38,600 , has been debited to Ram and Sugriv in the ratio of 3:2.

3. Cash A/c (2 marks)

Receipts	Rs.	Payments	Rs.
To Balance b/d	48,750	By Realisation (Bill Dishonored settled)	30,750
To REalisation (Joint Life Policy realised)	2,32,500	By Partners Capital A/c(Final Settlement)	
To Commission Receivable	1,40,550	- Ram	1,63,410
		- Sugriv	77,640
		- Hanuman	1,50,000
Total	4,21,800	Total	4,21,800
