J.K. SHAH TEST SERIES
Evaluate Learn Succeed

INTER CA – MAY 2018

PAPER 1 :ACCOUNTANCY
Branch: Multiple Date:

Q1.

A) Notes on Accounts: (5 marks)

1. Change in Method of Valuation of Inventory: During the year, inventory has been valued at Works Cost, instead of valuing them at Prime Cost which was the practice till last year. This has been done to take cognizance of the more capital intensive method of production on account of heavy capital expenditure during the year. Due to this change, the year-end inventory has been valued at ` 50 Crores (instead of ` 30 Crores at Prime Cost) and the profit for the year is greater by ` 20 Crores.
2. Change in Method of Providing Depreciation: Due to heavy capital-intensive method of production introduced during the year, the Company has decided to change the method of providing depreciation from Reducing Balance Method to Straight Line Method. Due to this change, depreciation has been provided at ` 27 Crores, which is lower by ` 18 Crores than the old method (WDV Method). Consequently, the profit is higher by ` 18 Crores.
3. Provision for After Sales Expenses during Warranty Period: The Company has been providing 2% of Sales, for meeting "After Sales Expenses" during the warranty period. With the improved method of production, the probability of defects occurring in the products has reduced considerably. Hence, the Company has decided not to make provision for such expenses, but to account for the same as and when expenses are incurred. Due to this change, the profit for the year is greater by ` 12 Crores than would have been the case, if the old provisioning policy were to continue.
4. Fall in Investments: The Company has decided to provide ` 10 Crores for the permanent fall in the value of investments which has taken place over the period of last 5 years. The provision so made has reduced the profit disclosed in the accounts by `10 Crores.

(B) Cost of PPE (i.e. Machine) is calculated as under –(5 marks)

Particulars	`
Purchase Price (` 4,80,000 less GST for which Credit is available 40,000)	4,40,000
Add: Site Preparation Cost	21,000
Labour Charges ` 66,000 x $\frac{200}{600}$	22,000
Spares and Tools in Installation	6,000
Salary of Supervisor (24,000 x 25%)	6,000
Admin Expense attributable to Installation (Attributable Costs are included)1/10th of 32,000	3,200
Test Run & Experimental Production (Indirect Element)	23,000
Consultancy Charges to Architect for Plant setup	9,000
Depreciation on Asset used for Installation	12,000
Expenses due to delay in use (Excluded as it is abnormal)	Nil
Total Capitalized Cost of Asset	5,42,200

(C) (5 marks)

Particulars	`
1. Interest Expense on Loan (Assuming that Loan is taken on the first day of the financial period concerned, and the work of asset creation had started on that date) = ` 2,40,00,000 at 16%	38,40,000
2. Total Cost of Phases I and II (` 48,00,000 + ` 75,00,000)	1,23,00,000
3. Total Cost of Phases III and IV (` 55,00,000 + ` 88,00,000)	1,43,00,000
4. Total Cost of all 4 Phases	2,66,00,000
5. Total Loan	2,40,00,000
6. Proportionate Loan used for Phases I and II: $\frac{2,40,00,000}{2,66,00,000}$ x 1,23,00,000	1,10,97,744
7. Proportionate Loan used for Phases III and IV = $\frac{2,40,00,000}{2,66,00,000}$ x 1,43,00,000	1,29,02,256
8. Interest on Loan used for Phases I & II, based on Proportionate Loan Amount = 1,10,97,744 at 16%	17,75,639
9. Interest on Loan used for Phases III & IV, based on Proportionate Loan Amount = 1,29,02,256 at 16%	20,64,361

Accounting Treatment: Interest of `17, 75,639 relating to Phases I and II should be capitalized (in the ratio of Asset Costs 48:75), and added to respective Assets in Phases I and II. Interest of ` 20, 64,361 relating to Phases III and IV should be held in Capital Work in Progress till asset construction work is completed, and thereafter capitalized in the ratio of cost of assets. No part of the Interest Expense should fee written off to P8iL A/c during the year.

Note: Alternatively, it can be assumed that Phase I and II have become operational in the middle of the current year. In this case, only half of the Interest ` 8, 87,820 (` 17, 75,639 ÷ 2) relating to Phases I and II should be capitalized (in the ratio of Asset Costs 48:75), and remaining Interest ` 8, 87,820 should be expensed off / charged to Profit 8i Loss A/c.

(D) Identification of Reportable Segments (Amount in ` Lakhs) (5 marks)

	Particulars	Food Products	Plastic and Packaging	Health and Scientific	Others	Total
1.	Segment Revenue	10,000	1,240	690	364	12,294
2.	Percentage of Segment	81.34%	10.09%	5.61%	2.96%	
3.	Segment Expenses	7,170	800	444	400	8,814
4.	Segment Result (1 - 3) Profit / (Loss)	2,830	440	246	(36)	3,480
5.	Segment Result: Profit (Loss)	2,830	440	246	(36)	3,516 (36)
6.	Percentage of Segment Result, absolute amount of Profit or Loss, whichever is higher, i.e. % of 3,516	80.49%	12.51%	7%	1.02%	
7.	Segment Assets	15,096	4,000	1,400	1,364	21.860
8.	Percentage of Segment Assets	I 69.06%'	18.3%	6.4%	6.24%	
9.	Reportable Segment	Yes	Yes	No	No	
10.	Criteria satisfied	Revenue , Result & Assets	Revenue , Result & Assets	Nil	Nil	

Q2. 1. Partners' Current Account (01.01.2016) (2 marks)

Particulars	A	B	C	Particulars	A	B	C
To balance b/d	-	-	5,000	By balance b/d	29,000	20,000	-
To Memorandum G/w (on death)(w/off in 2:1)	—	40,000	20,000	To Memo. G/w (on death) (raised in 3:2:1)	30,000	20,000	10,000
To Memo Fixed Assets	-	24,000	12,000	By Memo Fixed Assets	18,000	12,000	6,000
(w/off in 2:1)				(increase in 3:2:1)			
To A's Capital A/c -	80,000	-	-	By Joint Life Policy A/c	3,000	2,000	1,000
transfer				(? 26,000 - ? 20,000) By balance c/d		10,000	20,000
Total	80,000	64,000	37,000	Total	80,000	64,000	37,000

Note: Since no Goodwill Account was raised and no alteration was made to the Book Value of Fixed Assets, these adjustments are carried out on Memorandum basis, through Memorandum G/w and Memorandum Fixed Assets A/c.

2. Partners' Current Account (01.01.2016 to 31.12.2016) (1 mark)

Particulars			Particulars	B	C
To balance b/d	10,000	20,000	By P&L Approp. A/c (26,425 in 2:1) (INN 1)	17,617	8,808
To Drawings A/c	15,000	8,000	By balance c/d (bal. fig.)	7,383	19,192
Total	25,000	28,000	Total	25,000	28, 000

3. Partners' Current Account (01.01.2017 to 30.06.2017) (1 mark)

Particulars	B	c	Particulars	B	C
To balance b/d To B's Capital A/c (transfer)	7,383 5,190	19,192	By Realisation A/c (Profit) (WN 3) By C's Capital A/c (transfer)	12,573	6,287 12,905
Total	12,573	19,192	Total	12,573	19,192

4. Partners' Capital Account (3 mark)

Date	particulars	A	B	C	Date	Particulars	A	B	C
01.01.12 01.01.12	To A's Executor A/c To bal c/d	1,40,000 -	- 40,000	- 20,000	01.01.12 01.01.12	Bay bal b/d By A Current a/c	60,000 80,000	40,000 -	20,000 -
	Total	1,40,000	40,000	20,000		Total	1,40,000	40,000	20,000
30.2.12	To bal c/d	-	40,000	20,000	01.01.12	By bal c/d	-	40,000	20,000
	Total	-	40,000	20,000		Total	-	40,000	20,000
30.06.13 30.06.13	To C's Current A/c – tfr To Bank A/c (settlement)	- -	- 45,190	12,950 7,095	01.01.13 01.01.13	By bal b/d By B's current A/c - trf	- -	40,000 5,190	20,000 -
	Total		45,190	20,000		Total		45,190	20,000

5. A's Executors Account (3 marks)

Date	Particulars	`	Date	Particulars	`
01.01.2016 01.01.2016	To Bank A/c To balance c/d	20,000 1,20,000	01.01.2016	By A's Capital A/c	1,40,000
	Total	1,40,000		Total	1,40,000
30.06.2016 30.06.2016	To Bank A/c To balance c/d	20,000 1,03,000	01.01.2016 30.06.2016	By balance b/d By Interest A/c	1,20,000 3,000
	Total	1,23,000		Total	1,23,000
31.12.2016 31.12.2016	To Bank A/c To balance c/d	20,000 85,575	01.07.2016 31.12.2016	By balance b/d By Interest A/c	1,03,000 2,575
	Total	1,05,575		Total	1,05,575

30.06.2017	To Bank A/c (final settlement)	87,715	01.01.2017 30.06.2017	By balance b/d By Interest A/c	85,575 2,140
	Total	87,715		Total	87,715

Working Notes: 1. Profit for the year ended 31.12.2016 (2 mark)

Particulars		`
Profit before charging Interest on balance due to A's Executors Less: Interest payable to A's Executors: (a) From 01.01.2016 to 30.06.2016 (1,20,000 x ½ year)	3,000	32,000
(b) From 01.07.2016 to 31.12.2016 (1,03,000 x ½ year)	2,575	5,575
Balance of Profit to be shared by B and C (in 2:1 ratio)		26,425

2. Statement of Affairs as on 30.06.2017 (to compute Net Assets on takeover by Company) (2 marks)

Capital and Liabilities	`	Properties and Assets	`
Capital Account:		Sundry Assets (balancing figure)	1,19,000
- B	40,000	Current Account:	
- C	20,000	- B	7,383
A's Executors A/c	85,575	- C	19,192
Total	1,45,575	Total	1,45,575

3. Realization A/c (1 mark)

Particulars	`	Particulars	`
To Sundry Assets A/c (WN 2) To Interest A/c (A's Executors) (5%x 85,575 x V2) To Partners Capital A/c (Pft on Realisation) (2:1) - B 12,573 - C 6,287	1,19,000 2,140 18,860	By Bank A/c (Purchase Consideration)	1,40,000
Total	1,40,000	Total	1,40,000

4. Bank A/c (1 mark)

Receipts		Payments	
To Realisation A/c (Purchase Consideration	1,40,000	By A's Executors A/c (final settlement)	87,715
		By B's Capital A/c (final settlement)	45,190
		By C's Capital A/c (final settlement)	7,095
Total	1,40,000	Total	1,40,000

Q3. A. Trading and Profit and Loss Account of Aravind for the year ended 31st March (5 marks)

Particulars		`	Particulars	`
To Opening Stock		75,000	By Sales (WN 3)	7,49,340
To Purchases			By Closing Stock	71,400
- Cash (given)	1,49,600			
- Credit (WN 2)	4,50,880	6,00,480		
To Gross Profit	(balancing figure)	1,45,260		
Total		8,20,740	Total	8,20,740
To Salaries & Wages	(Paid 35,600 + P'ble 2,000)	37,600	By Gross Profit b/d	1,45,260
To Motor Car Expenses		15,760	By Discount Received	10,800
To General Expenses	(WN 6)	19,260		
To Depreciation - Motor Vehicles		6,100		
- Furniture		5,500		
To Interest on Loan (Paid 4,800 + Payable 4,800)		9,600		
To Net Profit	(balancing figure)	62,240		
Total		1,56,060	Total	1,56,060

B. Balance Sheet of Aravind as on 31st March (4 MARKS)

Capital and Liabilities	`	Properties and Assets	`
Capital (WN 7)	4,96,020	Non-Current Assets: Fixed Assets	
Non-Current Liabilities:		Premises	3,00,000
Term Loan	80,000	Motor Vehicles (61,000 - 6,100)	54,900
Current Liabilities:		Furniture 8i Fittings (1,10,000 - 5,500)	1,04,500
Sundry Creditors	82,280	Current Assets: Stock	71,400
Salaries Payable	2,000	Debtors	73,280
General Expenses Payable	1,560	Cash at Bank	29,800
Interest on Term Loans Payable	4,800	Cash in Hand	32,780
Total	6,66,660	Total	6,66,660

Working Notes: 1. Balance Sheet as on 1st April (year - beginning) (To find out Opening Capital) (1 mark for each WN)

Capital and Liabilities	`	Properties and Assets	`
Capital (balancing figure)	5,18,900	Non-Current Assets: Premises	3,00,000
		Furniture and Fittings	1,10,000
Non-Current Liabilities: Term Loan	80,000	Vehicles	61,000
		Current Assets: Stock in Trade	75,000
Current Liabilities:		Debtors	69,800
Trade Creditors	85,000	Bank Balance	66,000
Outstanding Expenses	2,700	Cash in Hand	4,800
Total	6,86,600	Total	6,86,600

2. Sundry Creditors Account (To find out Credit Purchases)

Particulars	`	Particulars	`
To Bank	4,42,800	By balance b/d	85,000
To Discount Received	10,800	By Purchases (balancing figure)	4,50,880
To balance c/d	82,280		
Total	5,35,880	Total	5,35,880

3. Computation of Sales

Particulars	Computation	`
Cost of Goods Sold	= Opening Stock + Purchases - Closing Stock = 75,000 + 1,49,600 (Cash) + 4,50,880 (Credit) - 71,400 =	6,04,080
Value of Sales	Special Item: Goods costing 38,400= 38,400 x 110% = General Items: On balance (6,04,080 - 38,400) x 125% =	42,240 7,07,100
	Total Sales =	7,49,340

4. Sundry Debtors Account (To find out Cash Collections during the year)

Particulars	`	Particulars	`
To balance b/d	69,800	By Cash(balancing figure)	7,45,860
To Credit Sales (WN 3)	7,49,340	By balance c/d	73,280
Total	8,19,140	Total	8,19,140

5. Cash and Bank Account (To find out Closing Balances of Cash & Bank)

Receipts	Cash	Bank	Payments	Cash	Bank
To balance b/d	4,800	66,000	By Bank (contra)	7,06,000	-
To Cash (contra)	-	7,06,000	By Creditors	-	4,42,800
To Debtors	7,45,860	-	By Salaries and Wages	9,200	26,400
			By Motor Car Expenses	960	14,800
			By Purchases	-	1,49,600
			By General Expenses	1,720	18,680
			By Interest on Loans		4,800
			By balance c/d (balancing figure)	32,780	29,800
Total	7,50,660	7,72,000	Total	7,50,660	7,72,000

Note: No separate adjustment entry is required in current year for Private Investment Income already received in last year.

6. General Expenses Account
(To find out the Expenses recognized for the year)

Particulars	`	Particulars	`
To Cash – amount paid To Bank – amount paid To balance c/d (Exps Outstanding at year end)	1,720 18,680 1,560	By balance b/d (Exps Outstanding at year beginning) By P&L – Expenses for the year – transfer (balancing figure)	2,700 19,260
Total	21,960	Total	21,960

7. Capital Account
(To find out the Closing Capital)

Particulars	`	Particulars	`
By Drawings By balance c/d (balancing figure)	85,120 4,96,020	By balance b/d (WN 1) By Net Profit for the year (from P&L)	5,18,900 62,240
Total	5,81,140	Total	5,81,140

Q4.

(A) 1. Statement of Cash Price of the Asset acquired on HP (2 MARKS)

End of Iistalment	Balance due after Instalment	Installment Amount	Cumulative Amount	Interest at 10% p.a	Paid for Principal
(1)	(2)	(3)	(4) = (2) + (3)	(5) = (4) x $\frac{10}{100}$	(6) = (3) — (5)
3	Nil	2,75,000	2,75,000	25,000	2,50,000
2	2,50,000	2,45,000	4,95,000	45,000	2,00,000
1	4,50,000	2,65,000	7,15,000	65,000	2,00,000
0	6,50,000	5,00,000	11,50,000	NIL	(Down Payment) 5,00,000
		12,85,000		1,35,000	11,50,000

Thus, Cash Price of the Asset = ` 11, 50,000.

2. Tractor A/c (3 marks)

Date	Particulars	`	Date	Particulars	`
01.10.14 01.10.14	To BankA/c(Down Payment) To Happy A/c	5,00,000 6,50,000	30.09.15 30.09.15	By Depreciation (11,50,000x 20%) By balance c/d	2.30.000 9.20.000
	Total	11,50,000		Total	11,50,000
01.10.15	To balance b/d	9,20,000	30.09.16 30.09.16	By Depreciation (9, 20,000x 20%) By balance c/d	1.84.000 7.36.000
	Total	9,20,000		Total	9,20,000
01.10.16	To balance b/d	7,36,000	30.09.17 30.09.17 30.09.17	By Depreciation (7, 36,000x 20%) By Happy ($\frac{11,50,000}{2}$x70%x70%x70%) By Loss on takeover (bal. figure) or [(½ Of 5,88,800) 2,94,400 - 1,97,225] By balance c/d (½ of 5,88,800)	1,47,200 1,97,225 97,175 2,94,400
	Total	5,88,800		Total	5,88,800
01.10.17	To balance b/d	2,94,400	30.09.18 30.09.18	By Depreciation (2,94,400 x 20%) By balance c/d	58,880 2,35,520
	Total	2,94,400		Total	2,94,400

Note: Computation of Takeover Value of Tractor (1 mark)

Particulars		`
Cost of the Tractor (1 Tractor)	11,50,000 ÷ 2	5,75,000
Depreciation for Year 1	5,75,000 x 30%	(1,72,500)
Depreciation for Year 2	(5,75,000 – 1,72,500) =4,02,500 x 30%	(1,20,750)
Depreciation for Year 3	(4,02,500 – 1,20,750) = 2,81,750 x 30%	(84,525)
Takeover Value of Tractor		1,97,225

3.Happy A/c (2 MARKS)

Date	Particulars	`	Date	Particulars	`
30.09.15	To Bank A/c	2,65,000	01.10.14	By Tractor A/c	6,50,000
30.09.15	To Balance c/d (bal.fig)	4,50,000	01.10.14	By Interest (6, 50,000 x 10%)	65,000
	Total	7,15,000		Total	7,15,000
30.09.16	To Bank	2,45,000	01.10.15	By Balance b/d	4,50,000
30.09.16	To Balance c/d	2,50,000	01.10.15	By Interest	45,000
	Total	4,95,000		Total	4,95,000
30.09.16	To Tractor A/c (take over)	1,97,225	01.10.16	By Balance b/d	2,50,000
30.09.16	To Balance c/d	77,775	01.10.16	By Interest	25,000
	Total	2,75,000	01.10.17	Total	2,75,000
31.12.17	To Bank A/c	81,275	31.12.17	By balance b/d	77,775
				By Interest (77,775xl8%x 3/12)	3,500
	Total	81,275		Total	81,275

(B) 1. Departmental Trading and Profit & Loss Account for the year ended 31st March (6 marks)

Particulars	Deptt. A	Deptt. B	Particulars	Deptt. A	Deptt. B
To Opening Stock	50,000	40,000	By Sales	10,00,000	15,00,000
To Purchases	6,50,000	9.10.000	By Closing Stock	1,00,000	2,00,000
To Gross Profit	4,00,000	7.50.000			
Total	11,00,000	17,00,000	Total	11,00,000	17,00,000
To General Expenses (in ratio of Sales)	50,000	75,000	By Gross Profit	4,00,000	7,50,000
To Profit tfr to General Profit and Loss A/c	3,50,000	6,75,000			
Total	4,00,000	7,50,000	Total	4,00,000	7,50,000

2. General Profit and Loss Account (2 marks)

Particulars	`	Particulars	`
To Stock Reserve (Additional)		By Profit from:	
Stock in Deptt. A: (` 20,000 - ` 10,000) x 50% GP of'B'	5,000	Deptt. A	3,50,000
Stock in Deptt. B: (`30,000 - ` 15,000) x 40% GP of'A'	6,000	Deptt. B	6,75,000
To Net Profit	10,14,000		
Total	10,25,000	Total	10,25,000

Note: GP Rates: Dept A. $\frac{4,00,000}{10,00,000}$= 40%; Dept B. $\frac{7,50,000}{15,00,000}$ = 50%

Q5.

(A) Branch Account in the books of Head Office (5 marks)

Particulars		`	Particulars		`
To balance b/d			By Stock Reserve on Opg Stk (` 30,000 x 20%)		6,000
- Stock	30,000		By Bank A/c:		
-Debtors	18,000		- Cash Sales	1,00,000	
-Furniture	3,000		- Received from Debtors	60,000	1,60,000
- Petty Cash	800	51,800	By Goods Sent to Branch A/c (Returns)		2,000
To Goods sent to Branch A/c		1,60,000	By Goods Sent to Branch A/c		32,000
To Goods sent to Branch A/c		400	(Loading Removal = ` 1,60,000 x 20%)		
(Loading on Returns ? 2,000 x 20%)			By balance c/d		
To Bank A/c:			- Stock	28,000	
-Rent	1,800		- Debtors (WN 2)	16,880	
-Salary	3,200		- Furniture (3,000 - 300)	2,700	
- Stationery& Printing	800	5,800	- Petty Cash (800 - 600)	200	47,780
To Stock Reserve on Clg Stk 28,000 x 20%)		5,600			
To P 8t L A/c - profit tfr (balancing figure)		24,180			
Total		2,47,780	Total		2,47,780

Working Notes: 1. Goods Sent to Branch Account (1 ½ mark)

Particulars	`	Particulars	`
To Branch A/c (Loading)	32,000	By Branch A/c	1,60,000
To Branch A/c (Returns from Branch)	2,000	By Branch A/c (Loading)	400
To Purchases A/c (balancing figure)	1,26,000		
Total	1,60,400	Total	1,60,400

2. Branch Debtors Account (Tom ascertain Closing Debtors) (1 ½ mark)

Particulars	`	Particulars	`
To balance b/d	18,000	By Cash (Collections)	60,000
To Credit Sales	60,000	By Sales Returns	960
		By Discount Allowed	160
		By balance c/d (balancing figure)	16,880
Total	78,000	Total	78,000

(B)

Number of Bonus Shares to be given = 4,500 x 1/3 = 1,500 Shares of Face Value ` 100 each = ` 1, 50,000.

Since the Company has decided minimum reduction in Free Reserves, the Bonus Issue is made out of the following -

(a) Securities Premium (assumed realized in Cash) ` 40,000.

(b) Capital Redemption Reserve ` 30,000.

The total of the above is ` 70,000. Hence, the balance required amount ` 1, 50,000 - ` 70,000 = ` 80,000 may be taken from Free Reserves, i.e. General Reserve A/c. (4 marks)

Journal Entries (4 marks)

	Particulars	%	Debit (`)	Credit (`)
1.	Securities Premium A/c	Dr.	40,000	
	Capital Redemption Reserve A/c	Dr.	30,000	
	General Reserve A/c	Dr.	80,000	
	To Bonus to Shareholders A/c			1,50,000
	(Being appropriation made to issue Bonus Shares at the rate of 1 Share for every 3 Shares held, i.e. Total Bonus Value: 1,50,000 (4,500 x 1/3 x 100 shares))			
2.	Bonus to Equity Shareholders A/c	Dr.	1,50,000	
	To Equity Share Capital			1,50,000
	(Being the issue of 1,500 Shares by way of			

Q6.

(A) 1. Debenture Redemption Fund Account In the books of Piyush Ltd (1 marks)

Date	Particulars	`	Date	Particulars	`
Dec 31	To Debentures in Sneha Ltd. (Loss on Sale)	50,000	Jan 1	By Balance b/d	70,00,000
Dec 31	To Gen. Reserve (Transfer)	77,67,500	June 30	By Interest from Sneha Ltd A/c (I half year)	2,02,500
			Dec 31	By Interest from Sneha Ltd A/c (II half year)	2,02,500
			Dec 31	By Profit on Cancellation	4,12,500
	Total	78,17,500		Total	78,17,500

2. Own Debentures Account (4 marks)

Date	Particulars	Nominal	Interest	`	Date	Particulars	Nominal	Interest	`

Jan 1	To Balance b/d	30,00,000	-	27,00,000	June 30	By Deb. Interest A/C	-	2,20,000	-
Feb 1	To Bank A/c	5,00,000	4,583 (Note 1)	4,85,417	Dec 31	By Deb. Interest A/C	-	2,20,000	-
Dec 31	To Bank A/c	5,00,000	22,917 (Note 2)	4,95,000 (5,000 x 99)	Dec 31	By 11% Debentures (Cancellation)	40,00,000	-	40,00,000
Dec 31	To P&L (Profit on Cancellation)	—	4,12,500 (Int. Tfr)	3,19,583					
Dec 31	To DRR A/c								
	Total	40,00,000	4,40,000	40,00,000		Total	40,00,000	4,40,000	40,00,000

Note:

1. Interest Component of Purchase on 1st Feb = ` 5, 00,000 x $\frac{1}{12}$ (Jan Month Only) = `4,583. (Included in Cost)
2. Interest Component of Purchase on 1st June = ` 5, 00,000 x $\frac{5}{12}$ (Jan to Many) = `22,917. (Not included in Cost)

3. 13.5% Debenture in Sneha Ltd. (2 marks)

Date	Particulars	FV	Interest	Cost	Date	Particulars	FV	Interest	Cost
Jan 1	To Balance b/d	30,00,000	-	29,00,000	June 30	By Bank A/C (I half year)	-	2,02,500	-
Dec 31	To Deb. Red. Reserve	-	4,05,000 (Int. Tfr)	-	Dec 31	By Bank A/C (II half year)	-	2,02,500	-
					Dec 31	By Bank (Sale)	-	-	28,50,000
						By Deb. Red. Reserve (Loss on Sale)	-	-	50,000
						By bal c/d	30,00,000		
Total		30,00,000	4,05,000	29,00,000		Total	30,00,000	4,05,000	29,00,000

4. 11% Debentures Account (1 mark)

Date	Particulars	`	Date	Particulars	`
Dec 31	To Own Debentures A/c	40,00,000	Jan 1	By Balance b/d	80,00,000
Dec 31	To Bank A/c (Bal. Fig.)	40,00,000			
	Total	80,00,000		Total	80,00,000

(B) 1. Computation of Ratios (1 mark)

Particulars	Pre - Incorporation	Post - Incorporation	Total
(c) No. of Months	1^{st}April to 31^{st} July = 4 Mths	1^{st} August to 31^{st} March = 8 Mths	4 : 8 = 1 : 2
(d) Sales Ratio	Sales (Given) = ` 400 Lakhs	Sales (Given) = 1,600 - 400 = 1,200 Lakhs	400 : 1200 = 1 : 3

2. Statement showing computation of Profit / Loss for Pre and Post Incorporation Periods (T in Lakhs) (6 marks)

Particulars	Ratio	Pre Incorpn.	PostIncorpn.
A. Gross Profit (apportioned in Sales Ratio) 25% of Sales 400 and		100	300

B. Apportionment of Expenses			
Salaries and Wages	1:2	23	46
Rent, Rates and Insurance	1:2	8	16
Sundry Expenses	1:2	22	44
Traveller's Commission	1:3	4	12
Discount allowed	1:3	3	9
Bad Debts	1:3	1	3
Audit Fee	1:3	2.25	6.75
Depreciation	1:2	4	8
Director's Fee (Paid by the Company only after incorporation)		-	25
Debenture Interest (Issued after the Company is formed)		-	11
Total Expenses		67.25	180.75
C. Profit (A - B) (1 mark)		32.75	119.25

Q7.

(A) 1. Trading and Profit and Loss Account for Previous Year (3 marks)

Particulars	`	Particulars	`
To Variable Expenses	18,60,000	By Sales (balancing figure)	30,50,000
To Fixed Expenses	5,62,000	By Miscellaneous Income	44,000
To Net Profit	6,72,000		
Total	30,94,000	Total	30,94,000

Note: Total Fixed Expenses = `1, 60,000 + `2, 80,000 + `40,000 + `64,000 + `18,000 = ` 5, 62,000

2. Computation of Insurance Policy to be taken __________ Alternative Approach: (5 marks)

Particulars	`	Particulars	`
GP [Sales ` 30,50,000(-) Var.Exps ` 18,60,000] Add:	11,90,000	Sales (30, 50,000 + 25%)	38,12,500
Additional GP at 25% of above	2,97,500	(-)Var.Exps (18, 60,000+25%)	(23,25,000)
Add: Increasing Standing Charges		(-)Wages (1, 60,000+20%)	(1,92,000)
Wages @ 20% of 1,60,000 32,000		GP for current year	12,95,500
Salaries @ 10% of 2,80,000 28,000	84,000	(+) Salaries @ 10% of 2,80,000	28,000
Interest on OD @ 12% of 2,00,000 24,000		(+) Int. on OD @ 12% of 2,00,000	24,000
Policy to be taken for Current Year	15,71,500	Policy to be taken	13,47,500

(B) Points for Consideration

- Stamp Duty is calculated on the Price excluding the Brokerage, i.e. on the Purchase Price.
- Total Cost of Investment = Purchase Price + Brokerage + Stamp Duty.
- Brokerage on Sale Transaction is to be reduced to arrive at the net Sale Proceeds.

1. Basic Computations (4 marks)

Particulars	Computation	`
(a) Cost of Shares purchased on 01.04.2017	(1,000 X 120) + (2% of 1,20,000) + 0.5% of 1,20,000	1,23,000
(b) Sale Proceeds of Shares sold on 31.03.2018	(500 x 90) - 2% Of 45,000	44,100
(c) Profit on Sale of Bonus Shares on 31.03.2018	Sale Proceeds = 44,100 Less: Average Cost 1,23,000 x $\frac{50,000}{1,50,000}$ = (41,000)	3,100
(d) Valuation of Equity Shares of 31.03.2018	Cost: 1,23,000 x$\frac{1,00,000}{1,50,000}$ = 82,000 Market Value: 1,000 Shares of ` 90 = 90,000	Least of the two 82,000

2. Investment (Equity Shares of Lakshmi Limited) Account (4 marks)

Date	Particulars	NV	Cost	Date	Particulars	NV	Cost
01.04.2017	To Bank	1,00,000	1,23,000	31.03.2018	By Bank	50,000	44,100
31.03.2018	To Bonus Shares	50,000	-	31.03.2018	By balance c/d	1,00,000	82,000
31.03.2018	To P&L A/c		3,100				
	Total	1,50,000	1,26,100		Total	1,50,000	1,26,100