CA INTERMEDIATE

SUBJECT- ACCOUNTS

Test Code – CIM 8451

(Date :)

(Marks - 50)

TOPICS : Fire Insurance Claims- Loss of Stock, Loss of Profit, Profit Prior to Incorporation, Departmental Accounts

QUESTION NO.1 **(10 MARKS)**

A fire occurred in the premises of M/s. Fireproof Co. on 31st August, 2010. From the following particulars relating to the period from 1st April, 2010 to 31st August, 2010, **you are requested to ascertain the amount of claim to be filed with the insurance company for the loss of stock.** The concern had taken an insurance policy for Rs. 60,000 which is subject to an average clause.

		Rs.
(i)	Stock as per Balance Sheet at 31-03-2010	99,000
(ii)	Purchases	1,70,000
(iii)	Wages (including wages for the installation of a machine Rs. 3,000)	50,000
(iv)	Sales	2,42,000
(v)	Sale value of goods drawn by partners	15,000
(vi)	Cost of goods sent to consignee on 16th August, 2010, lying unsold with them	16,500
(vii)	Cost of goods distributed as free samples	1,500

While valuing the stock at 31st March, 2010, Rs. 1,000 were written off in respect of a slow moving item. The cost of which was Rs. 5,000. A portion of these goods were sold at a loss of Rs. 500 on the original cost of Rs. 2,500. The remainder of the stock is now estimated to be worth the original cost. The value of goods salvaged was estimated at Rs. 20,000. The average rate of gross profit was 20% throughout.

QUESTION NO.2 **(10 MARKS)**

Gopal& Co has 2 departments A & B. Department A sells goods to Department B at normal selling prices. From the following particulars prepare Departmental Trading & Profit & Loss Account for the year ended 31st March & also ascertain the Net Profit to be transferred to Balance Sheet.

Particulars	**A**	**B**
Opening Stock	1,00,000	NIL
Purchases	23,00,000	2,00,000
Goods from Department A	-	7,00,000
Wages	1,00,000	1,60,000
Travelling Expenses	10,000	1,40,000
Closing Stock at cost to the Department	5,00,000	1,80,000
Sales	23,00,000	15,00,000

Printing & Stationery	20,000	16,000

The following expenses incurred for the both Departments were not apportioned between the Departments:

Particulars	**Rs.**
Salaries	2,70,000
Advertisement Expenses	90,000
General Expenses	8,00,000

Depreciation should be charged at 25% on the Machinery Value of Rs. 48,000. Advertisement Expenses are to be apportioned in the Turnover Ratio, Salaries in 2:1 ratio & Depreciation in 3:1 ratio between Departments A& B. General Expenses are to be apportioned in 3:1 ratio.

QUESTION NO.3 **(12 MARKS)**

Inder and Vishnu, working in partnership registered a joint stock company under the name of Fellow Travelers Ltd. on May 31, 20X1 to take over their existing business. It was agreed that they would take over the assets of the partnership from January 1st,20X1 for a sum of Rs. 3,00,000 and that until the amount was discharged they would pay interest on the amount at the rate of 6% per annum. The amount was paid on June 30, 20X1. To discharge the purchase consideration, the company issued 20,000equity shares of Rs. 10 each at a premium of Rs. 1 each and allotted 7% Debentures of the face value of Rs. 1,50,000 to the vendors at par.
The summarized Profit and Loss Account of the "Fellow Travelers Ltd." for the year ended 31st December, 20X1 was as follows:

	Rs.		**Rs.**
To Purchase, including Inventory	1,40,000	By Sales:	
To Freight and carriage	5,000	1st January to 31st May 20X1	60,000
To Gross Profit c/d	60,000	1st June to 31st Dec., 20X1	1,20,000
		By Inventory in hand	25,000
	2,05,000		**2,05,000**
To Salaries and Wages	10,000	By Gross profit b/d	60,000
To Debenture Interest	5,250		
To Depreciation	1,000		
To Interest on purchase Consideration (up to 30-620X1)	9,000		
To Selling commission	9,000		
To Directors' Fee	600		

To Preliminary expenses	900		
To Provision for taxes (entirely related with company)	6,000		
To Dividend paid on equity shares @ 5%	5,000		
To Balance c/d	13,250		
	60,000		**60,000**

Prepare statement apportioning the expenses and calculate profits/losses for the 'post' and 'pre-incorporation' periods and also show how these figures would appear in the Balance Sheet of the company.

QUESTION NO.4 **(10 MARKS)**

A fire occurred on 1st February, 20X2, in the premises of Pioneer Ltd., a retail store and business was partially disorganized upto 30th June, 20X2. The company was insured under a loss of profits for Rs. 1,25,000 with a six months period indemnity. **From the following information, compute the amount of claim under the loss of profit policy**.

	Rs.
Actual turnover from 1st February to 30th June, 20X2	80,000
Turnover from 1st February to 30th June, 20X1	2,00,000
Turnover from 1st February, 20X1 to 31st January, 20X2	4,50,000
Net Profit for last financial year	70,000
Insured standing charges for last financial year	56,000
Total standing charges for last financial year	64,000
Turnover for the last financial year	4,20,000

The company incurred additional expenses amounting to Rs. 6,700 which reduced the loss in turnover. There was also a saving during the indemnity period of Rs. 2,450 in the insured standing charges as a result of the fire.

There had been a considerable increase in trade since the date of the last annual accounts and it has been agreed that an adjustment of 15% be made in respect of the upward trend in turnover.

QUESTION NO.5 **(8 MARKS)**

M/s. Delta is a Departmental Store having three departments X, Y and Z. The information regarding three departments for the year ended 31st March, 2018 are given below:

Particulars	Dept. X	Dept. Y	Dept. Z
Opening Stock	18,000	12,000	10,000
Purchases	66,000	44,000	22,000
Debtors at end	7,500	5,000	5,000
Sales	90,000	67,500	45,000
Closing Stock	22,500	8,750	10,500
Value of furniture in each Department	10,000	10,000	5,000
Floor space occupied by each Dept. (in sq. ft.)	1,500	1,250	1,000
Number of employees in each Department	25	20	15
Electricity consumed by each Department (in units)	300	200	100

Additional Information:

	Amount (Rs.)
Carriage inwards	1,500
Carriage outwards	2,700
Salaries	24,000
Advertisement	2,700
Discount allowed	2,250
Discount received	1,800
Rent, Rates and Taxes	7,500
Depreciation on furniture	1,000
Electricity Expenses	3,000
Labour welfare expenses	2,400

Prepare Departmental Trading and Profit & Loss Account for the year ended 31st March, 2018 after providing provision for Bad Debts at 5%.