



J.K. SHAH[®]
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SUGGESTED SOLUTION

CA INTERMEDIATE

SUBJECT- ACCOUNTS

Test Code - CIM 8451

BRANCH - () (Date :)

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ANSWER -1

Memorandum Trading Account for the period 1st April, 2010 to 31st August, 2010

	Normal Items Rs.	Abnormal Items Rs.	Total Rs.		Normal Items Rs.	Abnormal Items Rs.	Total Rs.
To Opening stock	95,000	5,000	1,00,000	By Sales	2,40,000	2,000	2,42,000
To Purchases (Refer W.N.)	1,56,500	-	1,56,500	By Goods sent to consignee	16,500	-	16,500
To Wages	47,000	-	47,000	By Loss	- 90,000	500	500
To Gross profit @ 20%	48,000	-	48,000	By Closing stock (Bal.fig.)		2,500	92,500
	3,46,500	5,000	3,51,500		3,46,500	5,000	3,51,500

Statement of Claim for Loss of Stock

	Rs.
Book value of stock as on 31.08.2010	92,500
<i>Less:</i> Stock salvaged	<u>(20,000)</u>
Loss of stock	<u>72,500</u>

Amount of claim to be lodged with insurance company = Loss of stock x

$$\frac{\text{Policy value}}{\text{Value of stock on the date of fire}}$$

$$= 72500 \times 60000/92500$$

$$= \text{Rs. } 47,027$$

(8 MARKS)

Working Note:

Calculation of Adjusted Purchases

	Rs.
Purchases	1,70,000
<i>Less:</i> Drawings	(12,000)
Free samples	<u>(1,500)</u>
Adjusted purchases	<u>1,56,500</u>

ANSWER -2

Departmental Trading & P & L A/c.

Particulars	A	B	Particulars	A	B
To opening stock	1,00,000	-	By Sales	23,00,000	15,00,000
To Purchase	23,00,000	2,00,000	By Interest transfer	7,00,000	-
To Interest transfer	-	7,00,000	By closing stock	5,00,000	1,80,000
To wages	1,00,000	1,60,000			
To Gross Profit	10,00,000	6,20,000			
To Travel expense	10,000	1,40,000	By Gross Profit	10,00,000	6,20,000
To Print	20,000	16,000			
To Salaries (2 : 1)	1,80,000	90,000			
To advertisement (23 : 15)	54,474	35,526			
To General Expenses (3 : 1)	6,00,000	2,00,000			
To Depreciation (3 : 1)	9,000	3,000			
To Net Profit	1,26,526	1,35,474			

General P & L

Particulars	Rs.	Particulars	Rs.
To Stock Reserve	39,623	By Net profit (1,26,526 + 1,35,474)	2,62,000
To Net Profit c/d	2,22,377		
	2,62,000		2,62,000

(7 MARKS)

Working Note : 1

$$\text{Gross Profit of Department A} = \frac{GP}{\text{Total Sales}} \times 100$$

$$= \frac{10,00,000}{23,00,000 + 7,00,000} \times 100$$

$$= 33.337$$

W.N. : 2

Computation of unrealized Profit on closing stock of Department B.

Value of closing stock	1,80,000
Total cost of the department (7,00,000 + 2,00,000 + 1,60,000)	10,60,000
Cost of Interest transferred	7,00,000
Value of goods transferred $(1,80,000 \times \frac{7,00,000}{10,60,000})$	1,18,868
Unrealised profit $(1,18,868 \times 33.33\%)$	39,623

Alternative Presentation

Closing stock 1,80,000			
Purchases =	20 :	16 :	70
33,962			
Wages =			
27,170			
		Int. Trf. = 1,18,868	
		G.P. of Dept A. = 33.33%	
		Unrealised = 118868 × 33.33%	
		Profit = 39623	

ANSWER -3**Fellow Travellers Ltd.****Statement showing calculation of profit /losses for pre and post incorporation periods**

		Ratio	Pre- incorporation	Post- incorporation
Gross profit allocated on the basis of sale		1:2	20,000	40,000
Less: Administrative Expenses allocated				
On time basis:				
(i) Salaries and wages	10,000			
(ii) Depreciation	1,000			
	11,000	5:7	4,583	6,417
Selling Commission on the basis of sales		1:2	3,000	6,000
Interest on Purchase Consideration (Time basis)		5:1	7,500	1,500
Expenses applicable wholly to the Post-incorporation period:				
Debenture Interest (1,50,000 x 7% x 6/12)	5,250			
Director's Fee	600			5,850
Preliminary expenses				900
Provision for taxes				6,000
Balance c/d to Balance Sheet			4,917	13,333

Time Ratio

Pre incorporation period = 1 January 20X1 to 31 May 20X1 = 5 months

Post incorporation period = 1 June 20X1 to 31 December 20X1 = 7 months

Time ratio = 5: 7

Sales Ratio

Sales in pre incorporation period (1 January 20X1 to 31 May 20X1) = Rs. 60,000

Sales in post incorporation period (1 June 20X1 to 31 December 20X1) = Rs. 1,20,000

Sales ratio = 1:2

(8 MARKS)**Fellow Travellers Ltd.**

Extract from the Balance Sheet as on 31st Dec., 20X1

	Particulars	Notes	Rs.
	Equity and Liabilities		
1	Shareholders' funds		
a	Share capital	1	2,00,000
b	Reserves and Surplus	2	33,250
2	Non-current liabilities		
a	Long-term borrowings	3	1,50,000
3	Current liabilities		
a	Short term provisions	4	6,000
	Total		3,89,250

Notes to accounts

		Rs.
1.	Share Capital 20,000 equity shares of Rs. 10 each fully paid	2,00,000
2.	Reserves and Surplus Profit Prior to Incorporation Securities Premium Account Profit and loss Account Less: Dividend on equity share	4,917 20,000 13,333 <u>(5,000)</u> 8,333
	Total	33,250
3.	Long term borrowings Secured 7% Debentures	1,50,000
4.	Other Current liabilities Provision for Taxes	6,000

(4 MARKS)

ANSWER -4

Computation of the amount of claim for the loss of profit

Reduction in turnover	Rs.
Turnover from 1st Feb. 20X1 to 30th June, 20X1	2,00,000
Add: 15% expected increase	<u>30,000</u>

	2,30,000
Less: Actual Turnover from 1st Feb., 20X2 to 30th June, 20X2	<u>(80,000)</u>
Short Sales	<u>1,50,000</u>
Gross Profit on reduction in turnover @ 30% on Rs. 1,50,000 (see working note 1)	45,000
Add: Additional Expenses	
Lower of	
(i) Actual =Rs. 6,700	
(ii) Additional Exp. x $\frac{\text{G.P. on Adjusted Annual Turnover}}{\text{G.P. as above} + \text{Uninsured Standing Charges}}$	
$6,700 \times \frac{1,55,250}{1,63,250} = 6,372$	
(iii) G.P. on sales generated by additional expenses — not available	
Therefore, lower of above is	<u>6,372</u>
	51,372
Less: Saving in Insured Standing Charges	<u>(2,450)</u>
Amount of claim before Application of Average Clause	<u>48,922</u>
Application of Average Clause:	
$\frac{\text{Amount of Policy}}{\text{G.P. on Annual Turnover}} \times \text{Amount of Claim}$	
$= \frac{1,25,000}{1,55,250} \times 48,922$	39,390
Amount of claim under the policy = Rs. 39,390	
	(6 MARKS)

Working Notes:

(i) Rate of Gross Profit for last Financial Year:	Rs.
Gross Profit:	
Net Profit	70,000
Add: Insured Standing Charges	<u>56,000</u>
	<u>1,26,000</u>

Turnover for the last financial year 4,20,000

$$\text{Rate of Gross Profit} = \frac{1,26,000}{4,20,000} \times 100 = 30\%$$

(ii) Annual Turnover (adjusted):

Turnover from 1st Feb., 20X1 to 31st January, 20X2 4,50,000

Add: 15% expected increase 67,500

5,17,500

Gross Profit on Rs. 5,17,500 @ 30% 1,55,250

Standing charges not Insured (64,000 – 56,000) 8,000

Gross Profit plus non-insured standing charges 1,63,250

(2*2 = 4 MARKS)

ANSWER -5

In the Books of M/s Delta

Departmental Trading and Profit and Loss Account for the year ended 31st March, 2018

Particulars	Deptt.X	Deptt.Y	Deptt.Z	Total	Particulars	Deptt.X	Deptt.Y	Deptt.Z	Total
To Stock (opening)	18,000	12,000	10,000	40,000	By Sales	90,000	67,500	45,000	2,02,500
To Purchases	66,000	44,000	22,000	1,32,000	By Stock (closing)	22,500	8,750	10,500	41,750
To Carriage Inwards	750	500	250	1,500					
To Gross Profit c/d (b.f.)	27,750	19,750	23,250	70,750					
	<u>1,12,500</u>	<u>76,250</u>	<u>55,500</u>	<u>2,44,250</u>		<u>1,12,500</u>	<u>76,250</u>	<u>55,500</u>	<u>2,44,250</u>
To Carriage Outwards	1,200	900	600	2,700	By Gross Profit b/d	27,750	19,750	23,250	70,750
To Electricity	1,500	1,000	500	3,000	By Discount received	900	600	300	1,800
To Salaries	10,000	8,000	6,000	24,000					
To Advertisement	1,200	900	600	2,700					
To Discount allowed	1,000	750	500	2,250					
To Rent, Rates and Taxes	3,000	2,500	2,000	7,500					

To Depreciation	400	400	200	1,000				
To Provision for Bad Debts @ 5% of debtors	375	250	250	875				
To Labour welfare expenses	1,000	800	600	2,400				
To Net Profit (b.f.)	8,975	4,850	12,300	26,125				
	28,650	20,350	23,550	72,550	28,650	20,350	23,550	72,550

Working Note:

Basis of allocation of expenses	
Carriage inwards	Purchases (3:2:1)
Carriage outwards	Turnover (4:3:2)
Salaries	No. of Employees (5:4:3)
Advertisement	Turnover (4:3:2)
Discount allowed	Turnover (4:3:2)
Discount received	Purchases (3:2:1)
Rent, Rates and Taxes	Floor Space occupied (6:5:4)
Depreciation on furniture	Value of furniture (2:2:1)
Labour welfare expenses	No. of Employees (5:4:3)
Electricity expense	Units consumed (3:2:1)
Provision for bad debts	Debtors balances (3:2:2)

(8 MARKS)