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CA INTERMEDIATE

SUBJECT- ACCOUNTS

Test Code – CIM 8721

BRANCH - () (Date :)

Head Office : Shraddha, 3rd Floor, Near Chinai College, Andheri (E), Mumbai – 69.

Tel : (022) 26836666

- NOTES: (1) WORKING NOTES SHOULD FORM PART OF ANSWERS.
 (2) INTERNAL WORKING NOTES SHOULD ALSO BE CONSIDERED.
 (3) NEW QUESTION SHOULD BE ON NEW PAGE

ANSWER - 1

Journal Entries

Date	Particulars		Dr. (Rs.)	Cr. (Rs.)
	Bank A/c To Equity Share Capital A/c (Being the issue of 2,500 Equity Shares of Rs. 10 each at par as per Board's Resolution No.....dated.....)	Dr.	25,000	25,000
	8% Redeemable Preference Share Capital A/c Premium on Redemption of Preference Shares A/c To Preference Shareholders A/c (Being the amount paid on redemption transferred to Preference Shareholders Account)	Dr. Dr.	1,00,000 10,000	1,10,000
	Preference Shareholders A/c To Bank A/c (Being the amount paid on redemption of preference shares)	Dr.	1,10,000	1,10,000
	Profit & Loss A/c To Premium on Redemption of Preference Shares A/c (Being the premium payable on redemption is adjusted against Profit & Loss Account)	Dr.	10,000	10,000
	General Reserve A/c Profit & Loss A/c Investment Allowance Reserve A/c To Capital Redemption Reserve A/c (Being the amount transferred to Capital Redemption Reserve Account as per the requirement of the Act)	Dr. Dr. Dr.	60,000 10,000 5,000	75,000

(5*1 = 5 MARKS)

Balance Sheet as on[Extracts]

	Particulars	Notes No.	Rs.
	EQUITY AND LIABILITIES		
1.	Shareholders' funds		
a	Share capital	1	2,25,000
b	Reserves and Surplus	2	1,02,000
	Total		?
	ASSETS		
2.	Current Assets		

	Cash and cash equivalents (98,000 + 25,000 – 1,10,000)		13,000
	Total		?

Notes to accounts

1. Share Capital	
22,500 Equity shares (20,000 + 2,500) of Rs.10 each fully paid up	2,25,000
2. Reserves and Surplus	
General Reserve	20,000
Capital Redemption Reserve	75,000
Investment Allowance Reserve	5,000
	<u>1,00,000</u>

Working Note:

No of Shares to be issued for redemption of Preference Shares:

Face value of shares redeemed Rs.1,00,000

Less: Profit available for distribution as dividend:

General Reserve: Rs.(80,000-20,000) Rs.60,000

Profit and Loss (20,000 – 10,000 set aside for

adjusting premium payable on redemption of

preference shares) Rs.10,000

Investment Allowance Reserve: (Rs. 10,000-5,000) Rs. 5,000 (Rs. 75,000)

Rs. 25,000

Therefore, No. of shares to be issued = 25,000/Rs.10 = 2,500 shares

(5 MARKS)

ANSWER - 2

Departmental Trading and Profit and Loss Account

Particulars	Sawmill	Furniture	Particulars	Sawmill	Furniture
To Opening stock	1,50,000	25,000	By Sales	12,00,000	2,00,000
To Purchase	10,00,000	7,500	By Transfer to furniture department	1,50,000	
To Wages	30,000	10,000	By Closing stock	1,00,000	30,000
To Transfer from saw mill	-	1,50,000			
To Gross profit	<u>2,70,000</u>	<u>37,500</u>			

	<u>14,50,000</u>	<u>2,30,000</u>		<u>14,50,000</u>	<u>2,30,000</u>
To Selling expenses	10,000	3,000	By Gross profit	2,70,000	37,500
To Net Profit	<u>2,60,000</u>	<u>34,500</u>			
	<u>2,70,000</u>	<u>37,500</u>		<u>2,70,000</u>	<u>37,500</u>

(5 MARKS)

General Profit & Loss Account

Particulars	Amount	Particulars	Amount
To General Expenses	55,000	By Net Profit from	
To Stock reserve (WN-2)	4,500	Saw Mill	2,60,000
To Net Profit	2,37,813	Furniture	34,500
		By stock reserve (opening WN-1)	2,813
	<u>2,97,313</u>		<u>2,97,313</u>

(2 MARKS)

Working Notes

1. Calculation of Stock Reserve (opening)

$$25,000 \times 75\% \text{ wood} \times 15\% = \text{Rs. } 2,813$$

2. Calculation of closing stock reserve

Gross profit Rate of Saw Mill of 2018

$$2,70,000 / (12,00,000 + 1,50,000) \times 100 = 20\%$$

$$30,000 \times 75\% \times 20\% = \text{Rs. } 4,500$$

(1 MARK)

ANSWER – 3

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
	Rs.	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.	Rs.
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	27,750	19,750	23,250	70,750

To Electricity	1,500	1,000	500	3,000	Profit b/d				
					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

(8 MARKS)

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)

(2 MARKS)

ANSWER – 4

ANSWER - A

Nominal value of preference shares Rs. 5,00,000

Maximum possible redemption out of profits Rs. 3,00,000

Minimum proceeds of fresh issue Rs. 5,00,000 – 3,00,000 = Rs. 2,00,000

Proceed of one share = Rs. 9

$$\text{Minimum number of shares} = \frac{2,00,000}{9} = 22222.22 \text{ shares}$$

As fractional shares are not permitted, the minimum number of shares to be issued is 22,223 shares.

If shares are to be issued in multiples of 50, then the next higher figure which is a multiple of 50 is 22,250. Hence, minimum number of shares to be issued in such a case is 22,250 shares.

(5 Marks)

ANSWER - B

In the books of B Limited

Journal Entries

Date	Particulars	Dr. (Rs.)	Cr. (Rs.)
20X1			
Jan 1	12% Redeemable Preference Share Capital A/c	Dr. 1,80,000	
	Premium on Redemption of Preference Shares A/c	Dr. 36,000	
	To Preference Shareholders A/c		2,16,000
	(Being the amount payable on redemption of 18,000 12% Redeemable Preference Shares transferred to Shareholders Account)		
	Preference Shareholders A/c	Dr. 2,14,800	
	To Bank A/c		2,14,800
	(Being the amount paid on redemption of 17,900 preference shares)		
	Bank A/c	Dr. 33,000	
	To Equity Share Capital A/c		30,000
	To Securities Premium A/c		3,000
	(Being the issue of 3,000 Equity Shares of Rs. 10 each at a premium of 10% as per Board's Resolution No..... Dated.....)		
	General Reserve A/c	Dr. 1,20,000	

Profit & Loss A/c	Dr.	30,000	
To Capital Redemption Reserve A/c			1,50,000
(Being the amount transferred to Capital Redemption Reserve A/c as per the requirement of the Act.)			
Capital Redemption Reserve A/c	Dr.	1,20,000	
To Bonus to Shareholders A/c			1,20,000
(Being the amount appropriated for issue of bonus share in the ratio of 5:2 as per shareholders Resolution No..... dated...)			
Bonus to Shareholders A/c	Dr.	1,20,000	
To Equity Share Capital A/c			1,20,000
(Being the utilization of bonus dividend for issue of 12,000 equity shares of Rs. 10 each fully paid)			
Profit & Loss A/c	Dr.	36,000	
To Premium on Redemption of Preference Shares A/c			36,000
(Being premium on redemption of preference shares adjusted against to Profit & Loss Account)			

(7*1 = 7 Marks)

Working Note:

(1) Partly paid-up preference shares cannot be redeemed.

(2) Amount to be Transferred to Capital Redemption Reserve Account

Face value of share to be redeemed	Rs.1,80,000
Less: Proceeds from fresh issue (excluding premium)	<u>(Rs. 30,000)</u>
	<u>Rs.1,50,000</u>

(3) No bonus shares on 3,000 equity shares issued for redemption.

ANSWER - 5**1. Computation of Cost of Goods Sold**

	Particulars	A		B		C	
	Sales at Actual Price		1,72,500		1,59,400		74,600
Less:	Sales at Discounted Price		(7,500)		(2,400)		(600)
	Net Sales at Normal Price		1,65,000		1,57,000		74,000
Add:	Normal Value of Discounted Sales		10,000		3,000		1,000
	Total Sales at Normal Selling Price	100%	1,75,000	100%	1,60,000	100%	75,000
Less:	GP on Normal Selling Price	20%	35,000	25%	40,000	33.33%	25,000
	Total Cost of Goods Sold	80%	1,40,000	75%	1,20,000	66.67%	50,000

(3 MARKS)**2. Computation of Value of Closing Stock**

	Particulars	A	B	C
	Opening Stock	24,000	36,000	12,000
Add:	Purchases	1,46,000	1,24,000	48,000
		1,70,000	1,60,000	60,000
Less:	Cost of Goods Sold	(1,40,000)	(1,20,000)	(50,000)
	Closing Stock	30,000	40,000	10,000

(2 MARKS)**3. Departmental Trading and Profit and Loss A/c for the year ending 31st December (in Rs.)**

Particulars	A	B	C	Particulars	A	B	C
To Opening Stock	24,000	36,000	12,000	By Sales	1,72,500	1,59,400	74,600
To Purchases	1,46,000	1,24,000	48,000	By Closing Stock(WN 2)	30,000	40,000	10,000
To Gross Profit	32,500	39,400	24,600				
Total	2,02,500	1,99,400	84,600	Total	2,02,500	1,99,400	84,600

Note: The Gross Profit as per above Trading A/c can also be reconciled with GP as per WN 1 as under -

GP as per WN 1 (less) Difference between Normal Value and Discounted Price of Special Items as per Qn = Trading GP

For example, for Department A: 35,000 (-) [10,000 - 7,500] = 32,500 as per Trading A/c.

(5 MARKS)