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IPCC MAY 2017EXAM

ACCOUNTS

Test Code - I M J 7 1 2 4

BRANCH - (MULTIPLE) (Date : 18.12.2016)

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Answer-1(a) :

In the books of Rajat Investment Account (Equity shares in P Ltd.)

Date	*Particulars*	*No. of shares*	*Amount (Rs.)*	*Date*	*Particulars*	*No. of shares*	*Amount (Rs.)*
1.4.15	To Balance b/d	50,000	7,50,000	31.3.16	By Balance c/d (Bal. fig.)	90,000	12,10,000
20.6.15	To Bank A/c	10,000	1,60,000				
1.8.15	To Bonus issue (W.N.1)	10,000	-				
5.11.15	To Bank A/c (right shares) (W.N.4)	20,000	3,00,000				
		90,000	12,10,000			90,000	12,10,000

(4 Marks)

Working Notes:

(1) Bonus shares = 50,000 + 10,000 / 6 = 10,000 Shares
(2) Right shares = 50,000 + 10,000 + 10,000 / 7 * 3 = 30,000 Shares
(3) Sale of rights = 30,000 * 1/3 * Rs.2 = Rs.20,000 to be credited to P&L as per AS 13.
(4) Rights subscribed = 30,000 shares * 2 /3 * Rs.15 = Rs.3,00,000

(2 Marks)

Answer-1(b) :

Computation of claim for loss of stock

	Rs.
Stock on the date of fire i.e. on 30th March, 2016 (W.N.1)	62,600
Less: Value of salvaged	(12,300)
Stock Loss of stock	50,300
Amount of claim: Insured value/Total cost of stock on the date of fire*Loss of Stock = 60,000/62600*50300	48,211 (approx.)

A claim of Rs. 48,211 (approx.) should be lodged by M/s Bhushan & Sons to the insurance company. **(2.5 Marks)**

Working Notes:

1. **Calculation of closing stock as on 30th March, 2016**

Memorandum Trading Account for (from 1st January, 2016 to 30th March, 2016)

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Opening stock	95,600	By Sales (W.N.3)	2,42,000
To Purchases (1,70,000-30,000)	1,40,000	By Goods with customers (for approval) (W.N.2)	26,400
To Wages (50,000 – 3,000)	47,000	By Closing stock (Bal. fig.)	62,600
To Gross profit (20% on sales)	48,400		
	3,31,000		3,31,000

(2.5 Marks)

2. **Calculation of goods with customers**

Since no approval for sale has been received for the goods of Rs. 33,000 (i.e. 2/3 of Rs. 49,500) hence, these should be valued at cost i.e. Rs. 33,000 – 20% of Rs. 33,000 = Rs.26,400.

3. **Calculation of actual sales**

Total sales – Sale of goods on approval (2/3rd)= Rs. 2,75,000 – Rs. 33,000 = Rs. 2,42,000.

(1 Mark)

Answer-1(c) :

Computation of loss of profit insurance claim

(i)	Rate of gross Profit	Rs.in lakhs
	Net profit for the last financial year	90
	Add : Insured standing charges	60
		150
	Turnover for the last financial year	500
	Rate of gross profit = $\frac{150}{500}$ x 100 =30%	150
(ii)	Short sales :	
	Standard Turnover	240
	Add : 10% for increasing trend	24
		264
	Less : Turnover during the dislocation period (which is at par with the indemnity period of 6 months)	80
		184
(iii)	Gross profit on annual (adjusted) turnover :	
	Annual turnover (1st March, 2000 to 28th February, 2001)	600
	Add : 10% for increasing trend	60
	Annual adjusted turnover	660

Gross profit on annual adjusted turnover = 30% of Rs. 660 lakh = Rs. 198 lakh Policy should have been taken for Rs. 198 lakh but it has been taken for Rs. 165 lakh only. Hence, average clause will be applied for determining the amount of the claim.

(3 Marks)

Note : It is assumed that trend adjustment is required on total amount of annual turnover. However, part of the annual turnover represents trend adjusted figure. Alternatively, the student may ignore trend and take simply annual turnover. The claim would be Rs. 55 lakh. So the insurance company would insist on trend adjustment on annual turnover.

(iv)	Additional Expenses :	Rs. in lakhs
(a)	Actual expenses	9.3
(b)	Gross profit on sales generated by additional expenses :	
	$\frac{30}{100}$ x (Rs. 80 lakh - Rs. 55 lakh) = 30% of 25 lakh	7.5
(c)	$\frac{\text{Gross profit on annual(adjusted) turnover x Additional expenses}}{\text{Gross profit shown in the turnover + Uninsured standing charges}}$	
	$\frac{\text{Rs.198 lakh}}{\text{Rs.198 lakh + Rs.5 lakh}} \text{ x Rs.9.3 lakh}$	9.071

Least of the above three figures, i.e. Rs. 7.5 lakh is allowable.

Statement of Claim

	Rs.in lakhs
Loss of profit on short sales, 30% of Rs. 184 lakh	55.2
Add : Allowable additional expenses as per W.N. (iv)	7.5
	62.7
Less : Savings in insured standing charges	2.7
	60.0

Applying average clause {see working note no. (iii)}, we get

Rs. 60 lakh x $\frac{\text{Rs.165}}{\text{Rs.198}}$

Hence, amount of the claim = Rs. 50 lakh.

(3 Marks)

Answer-2 :

(i) **Revaluation Account**

	₹			₹
To Premises	10,000	By Plant and Machinery		6,000
To Provision for Doubtful Debts	1,200	By Loss on revaluation transferred		
To Outstanding Expenses	5,000	to Capital Accounts:		
To Stocks	4,000	Manish (40%)	6,160	
To Provision for Professional Charges	1,200	Jatin (35%)	5,390	
		Paresh (25%)	3,850	15,400
	21,400			21,400

(2 Marks)

(ii) **Capital Accounts of Partners**

	Manish ₹	Jatin ₹	Paresh ₹		Manish ₹	Jatin ₹	Paresh ₹
To Revaluation A/c (loss)	6,160	5,390	3,850	By Balance b/d	90,000	50,000	30,000
To Goodwill (written off in new Profit sharing ratio)	48,000	–	32,000	By Current A/c	12,000	8,000	6,000
To Personal A/c (Balance transferred)		80,610	–	By Goodwill (old profit sharing)	32,000	28,000	20,000
To Balance c/d	79,840		20,150				
	1,34,000	86,000	56,000		1,34,000	86,000	56,000

(2 Marks)

(iii) **Jatin's Personal Account**

	₹		₹
To Bank Account (50% of old loan)	15,000	By Capital Accounts (Balance transferred)	80,610
ToLoan Account (transferred)	80,000	By Loan Account (old loan)	30,000
To Balance c/d	15,610		
	1,10,610		1,10,610

(2 Marks)

(iv) **Balance Sheet of Manish and Paresh**

as on 1st January, 2012

Liabilities		₹	*Assets*		₹
Capital Accounts			Fixed Assets		
Manish	79,840		Plant and Machinery	86,000	

Paresh	20,150	99,990	Less: Depreciation	(28,000)	58,000
Jatin's Loan A/c		80,000	Premises	75,000	
Current Liabilities			Less: Written off	(10,000)	65,000
and Provisions			Current Assets		
Bills Payable	8,000		Cash in hand & at Bank		
Sundry Creditors	35,000		(67,000–15,000)		52,000
(30,000+5,000)			Sundry Debtors	34,000	
Jatin's dues	15,610		Less: Provision for		
Provision for			doubtful debts	(7,200)	26,800
Professional charges	1,200	59,810	Stock in trade		38,000
		2,39,800			2,39,800

(2 Marks)

Working Notes :

(1) Profit for the Year ending 31st December, 2011

		Rs.
As per draft accounts		1,88,200
Less: Premises written off	10,000	
Provision for Doubtful debts	1,200	
Outstanding Expenses	5,000	
Stock	4,000	(20,200)
		1,68,000

(2 Marks)

(2) Valuation of Goodwill

Profit for the year ending 31st Dec.2011 (adjusted)	1,68,000
Profit for the year ending 31st Dec. 2010	1,68,000
Profit for the year ending 31st Dec. 2009	1,44,000
	4,80,000
Average Profits before partners' salaries	1,60,000
Less: Partners' Salaries (notional)	(80,000)
Super Profit and Goodwill (one year's purchase)	80,000

(2 Marks)

Answer-3 :

Balance Sheet of M/s Exe, Wye and Zed as on March, 31, 2000.

Liabilities		Rs.	Assets	Rs.
Sundry Creditors		15,000	Goodwill	50,600
Capitals :	Rs.		Furniture, Fittings	25,000
Exe	89,250		Stock	57,800
Wye	53,550		Sundry Debtors	30,000
Zed	47,600	1,90,400	Cash at Bank	42,000
		2,05,400		**2,05,400**

(5 Marks)

Working Notes :

(i) Goodwill of Exe and Wye

		Rs.
Average profits :	1997-98	20,000
	1998-99 Rs. (26,100 -4,000)	22,100
	1999-2000 Rs. (31,200 - 2,200)	29,000
Total		71,100
Average - Rs. $\frac{71,100}{3}$		23,700

10% of tangible assets shown in the balance sheet	12,700
Super-profit = Rs. 23,700 - Rs. 12,700	11,000
Goodwill at 3 years' purchase = Rs. 11,000 x 3	33,000

(2 Marks)

(ii) Capital of the existing partners :

	Exe	Wye	Total
	Rs.	**Rs.**	**Rs.**
Balances as shown	60,000	40,000	1,00,000
Add : Reserve, Rs. 12,000 in the ratio of 5 : 3	7,500	4,500	12,000
Goodwill less stock item written off (Rs. 30,800)	19,250	11,550	30,800
	86,750	56,050	1,42,800
Total : Rs. 1,42,800 in the ratio of 5 : 3	89,250	53,500	
Cash adjustment	- 2,500	+ 2,500	

(2 Marks)

(iii) Goodwill of Zed's connections :

1/4 of total capital or 1/3 of that of Exe and Wye	47,600
Cash brought in by Zed	30,000
Goodwill (inferred)	17,600

(1 Mark)

Answer-4 :

(a) Journal Entries

31st March, 2013

			Rs.	Rs.
1	Land and Building	Dr.	2,00,000	
	To Revaluation A/c			2,00,000
2.	Revaluation A/c.	Dr.	46,500	
	To Plants and Machinery			46,500
3	Revaluation A/c	Dr	3,500	
	To Provision for bad debts			2,000
	[(Rs. 2,00,000 x 4%) - Rs. 6000]			
	To Provision for Outstanding repair bills			1,500
4	Pathak's Capital A/c	Dr.	70,000	
	Ranjeet's Capital A/c	Dr.	30,000	
	To Quereshi's Capital A/c			1,00,000
5	Revaluation A/c	Dr.	1,50,000	
	To Pathak's Capital A/c			70,000
	To Quereshi's Capital A/c			50,000
	To Ranjeet's Capital A/c			30,000
6	General reserve A/c	Dr.	2,25,000	
	To Pathak's Capital A/c			1,05,000
	To Quereshi's Capital A/c			75,000
	To Ranjeet's Capital A/c			45,000
7	Quereshi's Capital A/c	Dr.	8,45,000	
	To Bank A/c			4,22,500
	To Quereshi's Loan A/c			4,22,500
8	Patents	Dr.	20,000	
	Cash A/c	Dr.	3,80,000	
	To Swamy's Capital A/c			4,00,000
9	Swamy's Capital A/c (Rs. 3,00,000/4)	Dr.	75,000	
	To Pathak's Capital A/c			60,000
	To Ranjeet's Capital A/c			15,000

(4 Marks)

(b) Capital Accounts of partners

	Amount	Amount

	Pathak	Qureshi	Ranjeet	Swamy		Pathak	Qureshi	Ranjeet	Swamy
31.3.13					31.3.13				
To Qureshi	70,000		30,000		By Bal. b/d	8,50,000	6,20,000	3,70,000	
					B General Reserve	1,05,000	75,000	45,000	
To Bank A/c.		4,22,500			By Pathank & Ranjeet		1,00,000		
To Loan A/c.		4,22,500			By Revaluation A/c.	70,000	50,000	30,000	
To Bal. c/d	9,55,000		4,15,000						
	10,25,000	**8,45,000**	**4,45,000**			**10,25,000**	**8,45,000**	**4,45,000**	
1.4.13					1.4.13				
To Pathak				60,000	By Bal. b/d	9,55,000		4,15,000	
To Ranjeet				15,000	By Patents				20,000
To Bal. c/d	10,15,000		4,30,000	3,25,000	By Cash				3,80,000
					By Swamy	60,000		15000	
	10,15,000		**4,30,000**	**4,00,000**		**10,15,000**		**4,30,000**	**4,00,000**

(4 Marks)

Working Notes:

1. Calculation of Gaining ratio after retirement of Quereshi on 31st March, 2013

Pathak : Quereshi : Ranjeet   Pathak : Ranjeet

Old Ratio 7/15 : 5/15 : 3/15   New Ratio 7/10 : 3/10

Gain of Pathak New Ratio - Old Ratio

7/10 - 7 / 15

(105 – 70) / 150

35 / 150

Gain of Ranjeet 3/10 – 3/15 = (45 – 30)/150 = 15/150

Gaining Ratio = 35 : 15 = 7 : 3

(1 Mark)

2. Calculation of Sacrificing ratio of Pathak and Ranjeet at time of admission of Swamy

1st April, 2013   7:3 (ratio between old partners)

New ratio 2:1:1 $\frac{2}{4}-\frac{7}{10}$ $\frac{1}{4}-\frac{3}{10}$

$\frac{10-14}{20}$ $\frac{5-6}{20}$

$=\frac{4}{20}$ $\frac{1}{20}$

Sacrificing ratio 4 : 1

(1 Mark)