



**J.K. SHAH<sup>®</sup>**  
**TEST SERIES**  
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**SUGGESTED SOLUTION**  
**IPCC NOVEMBER 2016 EXAM**  
**ACCOUNTS**

**Test Code - I N J 1 1 1 4**  
**BRANCH - (MUMBAI) (Date : 24.07.2016)**

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Answer-1 :

**Balance Sheet of Rama Ltd. (after absorption of Krishna Ltd.)  
as at 1<sup>st</sup> October, 2000**

<b>Share Capital</b>	<b>Rs.</b>	<b>Fixed Assets</b>	<b>Rs.</b>	<b>Rs.</b>
Issued & Subscribed 1,01,000 equity shares of Rs.10 each, fully paid	10,10,000	Goodwill		25,000
(Of the above, 41,000 shares have been allotted as fully paid to vendor pursuant to a contract without payment being received in cash)		Other Fixed Assets		
<b>Reserves and Surplus :</b>		Cost	5,00,000	
Securities Premium	2,05,000	Addition during the year	<u>3,32,500</u>	
Reserves	1,50,000	Less : Depreciation	<u>25,000</u>	8,07,500
Profit and Loss Account	1,60,000	<b>Current Assets</b>		
<b>Current Liabilities and Provisions :</b>		<b>Loans and Advances:</b>		
(A) Current Liabilities		(A) Current Assets		
Sundry Creditors	67,500	Stock in trade		1,85,000
(B) Provisions	Nil	Sundry Debtors		2,40,000
		Cash in hand and at Bank		3,25,000
		(B) Loans and Advances		Nil
		<b>Miscellaneous Expenditure :</b>		
		Preliminary Expenses		10,000
	<b>15,92,500</b>			<b>15,92,500</b>

(6 Marks)

**Working Notes :**

(i) Net Assets of Rama Ltd. and Krishna Ltd. as on 30<sup>th</sup> September, 2000.

	<b>Rama Ltd. Rs.</b>	<b>Krishna Ltd. Rs.</b>
Goodwill	-	25,000
Other Fixed Assets	4,75,000	3,32,500
Debtors	1,40,000	1,00,000
Stock in trade	95,000	90,000
Cash & Bank*	2,27,500	97,500
	9,37,500	6,45,000
Less : Sundry Creditors	37,500	30,000
	<b>9,00,000</b>	<b>6,15,000</b>

(4 Marks)

(ii) Book value per share

Net Assets	9,00,000	6,15,000
No. of Shares	60,000	40,000
Book value (Net Assets ÷ No. of shares)	15	15,125

(1 Mark)

(iii) Opening Cash & Bank Balance

Opening Cash & Bank Balance	1,17,500	60,000
Add : Net Profit	1,45,000	60,000
Add : Depreciation	<u>25,000</u>	<u>17,500</u>
	2,87,500	1,37,500
Less : Dividend paid	<u>60,000</u>	<u>40,000</u>
Closing Cash & Bank Balance*	<u>2,27,500</u>	<u>97,500</u>

(2 Marks)

In the absence of information about changes in other assets, it is assumed that the profit has resulted in cash only.

(iv) Net assets of Krishna Ltd. as on 30<sup>th</sup> September, 1997 are worth Rs.6,15,000. Rama Ltd. will issue 41,000 shares of Rs.10 each at a premium of Rs.5 per share in settlement of consideration.

(1 Mark)

**Answer-2 :**

**Statement of Claim**

Stock on the date of fire	Rs. 5,00,000
Less : Stock salvaged	<u>30,000</u>
	<u>4,70,000</u>

As the policy amount is less than the value of closing stock, average clause will apply.

$$\begin{aligned} \text{Amount of claim} &= \text{Rs. } \frac{\text{Amount of policy}}{\text{Stock on the date of fire}} \times \text{Loss} \\ &= \text{Rs. } \frac{3,50,000}{5,00,000} \times 4,70,000 \\ &= \text{Rs. } 3,29,000 \end{aligned}$$

As fire fighting expenses have been incurred to salvage the goods, they may be admitted as part of the loss. In that case, loss will be = Rs.4,70,000 + Rs.30,000 = Rs.5,00,000.

Applying average clause,

$$\begin{aligned} \text{Claim} &= \text{Rs. } \frac{3,50,000}{5,00,000} \times 5,00,000 \\ &= \text{Rs. } 3,50,000 \end{aligned}$$

(6 Marks)

**Working Notes :**

**Memorandum Trading Account from 01.04.2001 to 30.06.2001**

	Rs.	Rs.		Rs.	Rs.
To Opening Stock	2,20,000		By Sales	30,20,000	
Less : Abnormal Item	<u>20,000</u>	2,00,000	Less : Abnormal item	<u>20,000</u>	
To Purchases		21,00,000		30,00,000	
To Gross Profit @ 33.1/3%		9,00,000	Less : Returns	<u>3,00,000</u>	27,00,000
			By Closing Stock (balancing figure)		5,00,000
		<b>32,00,000</b>			<b>32,00,000</b>

(2 Marks)

**Answer-3 :**

**Balance Sheet of Sports Club  
As at 31<sup>st</sup> March 2013**

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Capital Fund:			Fixed Assets:		
Opening Balance (W.N.)	7,83,000		Club, Grounds & Pavilion		4,40,000
Add: Surplus	<u>1,38,000</u>	9,21,000	Furniture & Fixtures	40,000	
Current Liabilities:			Add: Additions	<u>20,000</u>	
Outstanding Salary (15,000-10,000)		5,000		60,000	
Outstanding Audit Fees		5,000	Less : Depreciation	<u>(5,000)</u>	55,000
Creditors for Printing & Stationery {22,000-(26,000- 5,000)}		1,000	Sports Equipments	2,50,000	
Subscription received in advance		4,000	Less: Depreciation	<u>(90,000)</u>	1,60,000
			Investments :		
			Investment (at cost)		2,00,000
			Accrued Interest		6,000
			[Rs. 12,000 - Rs. 6,000]		
			Current Assets:		

Accrued rent (28,000 - 24,000)	4,000
Subscription receivable For 2011-12 (8,000-6,000)	2,000
For 2012-13 {(1,56,000- (1,50,000 + 2,000)}	4,000
Entrance Fees receivables (1,05,000-1,00,000)	5,000
Prepaid Insurance (12,000-10,000)	2,000
Cash and bank	58,000

9,36,000

9,36,000

(6 Marks)

**Working Note:**

**Calculation of Capital Fund as on 1<sup>st</sup> April, 2012  
Balance Sheet of Sports Club  
As at 31<sup>st</sup> March 2012**

Liabilities	Rs.	Assets	Rs.
Capital Fund (bal.fig.)	7,83,000	Fixed Assets :	
Current Liabilities:		Club, Grounds & Pavilion	4,40,000
Subscription received in advance	2,000	Furniture & Fixtures	40,000
Creditors for Printing and Stationary	5,000	Sports Equipments	2,50,000
		Current Assets:	
		Entrance Fees receivables	10,000
		Subscription receivables	8,000
		Cash and Bank	42,000
	<b>7,90,000</b>		<b>7,90,000</b>

(2 Marks)

**Answer-4 :**

**Statement showing valuation of stock as on 31.3.2012**

	Rs.	Rs.
Stock as on 01.04.2011	28,500	
Less: Book value of abnormal stock (Rs. 10,000 – Rs. 3,500)	<u>6,500</u>	22,000
Add: Purchases		1,52,500
Manufacturing Expenses		<u>30,000</u>
		2,04,500
Less: Cost of Sales:		
Sales as per Books	2,49,000	
Less: Sales of Abnormal item	<u>(9,000)</u>	
	2,40,000	
Less: Gross Profit @ 20%	<u>(48,000)</u>	<u>(1,92,000)</u>
Value of Stock as on 31st March, 2012		12,500

(4 Marks)

**Answer-5 :**

<b>(i) Purchase consideration computation</b>	<b>Rs.</b>
Cash payment for (3,00,000 x Rs. 2.5)	7,50,000
Equity Shares (4,50,000 x Rs. 15)	<u>67,50,000</u>
	75,00,000

(1 Mark)

**In the books of Srishti Ltd.  
Realisation Account**

	Rs.		Rs.
To Goodwill	5,00,000	By 9% Debentures	5,00,000
To Tangible Fixed Assets	30,00,000	By Creditors	1,00,000
To Stock	10,40,000	By Anu Ltd.	75,00,000
To Debtors	1,80,000	(Purchase consideration)	
To Cash & Bank A/c(2,80,000- 25,000)	2,55,000		
To Cash & Bank A/c (Realization expenses)	25,000		
To Profit on realization transfer to shareholders	31,00,000		
	<b>81,00,000</b>		<b>81,00,000</b>

(5 Marks)

**Equity Shareholders A/c**

	Rs.		Rs.
To Preliminary expenses	50,000	By Equity Share Capital	30,00,000
To Equity Shares in Anu Ltd.	67,50,000	By Export Profit Reserves	8,50,000
To Cash & Bank A/c	7,50,000	By General Reserves	50,000
		By P & L A/c	5,50,000
		By Realization A/c	31,00,000
	<b>75,50,000</b>		<b>75,50,000</b>

(2 Marks)

**9% Debentures Account**

	Rs.		Rs.
To Realization A/c	5,00,000	By Balance b/d	5,00,000

(1 Mark)

**Anu Ltd.**

	Rs.		Rs.
To Realization A/c	75,00,000	By Share Capital	67,50,000
		By Bank A/c	7,50,000
	<b>75,00,000</b>		<b>75,00,000</b>

(1 Mark)

**(ii) Journal Entries in the books of Anu Ltd.**

			Rs.	Rs.
1	Business Purchase A/c To Liquidator of Srishti Ltd (Being business of Srishti Ltd. taken over)	Dr.	75,00,000	75,00,000
2	Tangible Fixed Assets	Dr.	60,00,000	

	Stock	Dr	7,10,000	
	Debtors	Dr	1,80,000	
	Cash & Bank A/c	Dr	2,55,000	
	Goodwill A/c (Bal. fig.)	Dr	10,64,000	
	To Provision for doubtful debts			9,000
	To Liability for 9 % Debentures			6,00,000
	To Creditors			1,00,000
	To Business Purchase account			75,00,000
	(Being assets and liabilities taken over)			
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3	Amalgamation Adjustment A/c	Dr.	8,50,000	
	To Export Profit Reserves			8,50,000
	(Being statutory Reserves taken over)			
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4	Goodwill	Dr.	50,000	
	To Bank A/c.			50,000
	(Liquidation expenses reimbursed))			
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5	Liquidator of Shristi Ltd.	Dr.	75,00,000	
	To Equity Share Capital			45,00,000
	To Securities Premium			22,50,000
	To Bank A/c			7,50,000
	(Being purchase consideration discharged)			
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6	Liability for 9% Debentures ( 5,00,000 x 120/100)	Dr.	6,00,000	
	Discount on issue of debentures	Dr.	25,000	
	To 8% Debentures (6,00,000 x 100/96)			6,25,000
	(Being liability of debenture holders' discharged)			
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**(6x1 = 6 Marks)**