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IPCC May 2017 EXAM

ACCOUNTS

Test Code - I N J1 1 2 7

BRANCH - (MULTIPLE) (Date :)

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Answer-1 (a) :

As per AS 13 'Accounting for Investments', for investment in shares - if the investment is purchased with an intention to hold for short-term period then it will be shown at the realizablevalue of Rs. 2,25,000 as on 31st March, 2015.

If equity shares are acquired with an intention to hold for long term period then it will continue to be shown at cost in the Balance Sheet of the company. However, provision for diminutionshall be made to recognize a decline, if other than temporary, in the value of the investments.

As per the standard, investment acquired for long term period shall be shown at cost. Goldand silver are generally purchased with an intention to hold it for long term period until andunless given otherwise. Hence, the investment in Gold and Silver (purchased on 1st March,2009) shall continue to be shown at cost as on 31st March, 2015 i.e., Rs. 4,00,000 and Rs. 2,00,000 respectively, though their realizable values have been increased.

(4 Marks)

Answer-1 (b) :

(i) Total Depreciation to be charged in the Profit and Loss Account

	Rs.
Depreciation on old machinery in use [10% of (5,60,000-1,60,000)]	40,000
Add: Depreciation on new machine @ 10% for six months	
$\left(1,50,000 \text{ x } 10\% \text{ x } \frac{6}{12}\right)$	7,500
Total depreciation on machinery in use	47,500
Add: Depreciation on machine disposed of (10% for 6 months)	
$\left(1,60,000 \text{ x } 10\% \text{ x } \frac{6}{12}\right)$	8,000
So, total depreciation to be charged in Profit and Loss A/c	55,500

(ii) Loss on Exchange of Machine

	Rs.
Book value of machine as on 1.4.2014	1,60,000
Less: Depreciation for 6 months @ 10%	(8,000)
Written Down Value as on 30.9.2014	1,52,000
Less: Exchange value	(1,35,000)
Loss on exchange of machine	17,000

(iii) Book Value of Machinery in the Balance Sheet as on 31.03.2015

	Rs.
Balance as per trial balance	5,60,000
Less: Book value of machine sold	(1,60,000)
	4,00,000
Add: Purchase of new machine	1,50,000
	5,50,000
Less: Depreciation on machinery in use	(47,500)
	5,02,500

(6 Marks)

Answer-1 (c) :

As per AS 9 'Revenue Recognition', revenue is the gross inflow of cash, receivable or other consideration arising in the course of the ordinary activities of an enterprise from the sale of goods.However, trade discounts and volume rebates given in the ordinary course of business should bededucted in determining revenue. Revenue from sales should be recognized at the time of transferof significant risks and rewards. If the delivery of the sales is not subject to approval fromcustomers, then the transfer of significant risks and rewards would take place when the sale isaffected and goods are dispatched.

In the given case, if trade discounts allowed by M/s. Moon Ltd. are given in the ordinary course of business, M/s. Moon Ltd. should record the sales at Rs. 5,97,000 (i.e. Rs. 6,50,000 – Rs. 53,000) and goods

returned worth Rs. 67,000 are to be recorded in the form of sales return. However, when trade discount allowed by M/s. Moon Ltd. is not in the ordinary course of business, M/s. Moon Ltd. should record the sales at gross value of Rs. 6,50,000. Discount of Rs. 53,000 in price and return of goods worth Rs. 67,000 are to be adjusted bysuitable provisions. M/s Moon Ltd. might have sent the credit note of Rs. 1,20,000 to Mr. Star toaccount for these adjustments. In both the cases, the contention of the accountant to book thesales for Rs. 5,30,000 is not correct.

(5 Marks)

Answer-1 (d) :

In accordance with paras 8 & 9 of AS 2, the cost of conversion include a systematic allocation of fixed and variable overheads that are incurred in converting materials into finished goods. Theallocation of fixed overheads for the purpose of their inclusion in the cost of conversion is based onnormal capacity of the production facilities.

Cost per kg. of finished goods:

		Rs.
Material Cost		200
Direct Labour	40	
Direct Variable Production Overhead	20	
Fixed Production Overhead $\left(\frac{20,00,000}{2,00,000}\right)$	10	70
		270

Hence the value of 4,000 kgs. of finished goods = 4,000 kgs x Rs. 270 = Rs. 10,80,000

(5 Marks)

Answer-2 :

Journal Entries

		Rs.	**Rs.**
Bank A/c	Dr.	10,00,000	
To Equity share capital A/c			10,00,000
(Being money on final call received)			
Equity share capital (Rs. 50) A/c	Dr.	75,00,000	
To Equity share capital (Rs. 40) A/c			60,00,000
To Capital Reduction A/c			15,00,000
(Being conversion of equity share capital of Rs. 50 each into Rs. 40 each as per reconstruction scheme)			
Bank A/c	Dr.	12,50,000	
To Equity Share Capital A/c			12,50,000
(Being new shares allotted at Rs. 40 each)			
Trade Creditors A/c	Dr.	12,40,000	
To Equity share capital A/c			7,50,000
To Bank A/c (4,90,000 x 70%)			3,43,000
To Capital Reduction A/c			1,47,000
(Being payment made to creditors in shares or cash to the extent of 70% as per reconstruction scheme)			
8% Debentures A/c	Dr.	3,00,000	
12% Debentures A/c	Dr.	4,00,000	
To Shiv A/c			7,00,000
(Being cancellation of 8% and 12% debentures of Shiv)			
Shiv A/c	Dr.	7,00,000	
To 15% Debentures A/c			5,00,000
To Capital Reduction A/c			2,00,000
(Being issuance of new 15% debentures and balance transferred to capital reduction account as per			

reconstruction scheme)

Bank A/c	Dr.	1,00,000	
To 15% Debentures a/c			1,00,000
(Being new debentures subscribed by Shiv)			
8% Debentures A/c	Dr.	1,00,000	
12% Debentures A/c	Dr.	2,00,000	
To Ganesh A/c			3,00,000
(Being cancellation of 8% and 12% debentures of Ganesh)			
Ganesh A/c	Dr.	3,00,000	
To 15% Debentures A/c			2,50,000
To Capital Reduction A/c			50,000
(Being issuance of new 15% debentures and balance transferred to capital reduction account as per reconstruction scheme)			
Land and Building (51,84,000 – 42,70,000)	Dr.	9,14,000	
Inventories	Dr.	30,000	
To Capital Reduction A/c			9,44,000
(Being value of assets appreciated)			
Outstanding expenses A/c	Dr.	10,60,000	
To Bank A/c			10,60,000
(Being outstanding expenses paid in cash)			
Capital Reduction A/c	Dr.	33,41,000	
To Machinery A/c			1,30,000
To Computers A/c			1,20,000
To Trade receivables A/c			1,09,000
To Goodwill A/c			22,00,000
To Profit and Loss A/c			7,82,000
(Being amount of Capital Reduction utilized in writing off P & L A/c (Dr.) balance, goodwill and downfall in value of other assets)			
Capital Reserve A/c	Dr.	5,00,000	
To Capital Reduction A/c			5,00,000
(Being debit balance of capital reduction account adjusted against capital reserve)			

(6 Marks)

Balance Sheet (as reduced) as on 31.3.2014

			Particulars	**Notes**	**Rs.**
	Equity and Liabilities				
1	**Shareholders' funds**				
	a	Share capital		1	80,00,000
2	**Non-current liabilities**				
	a	Long-term borrowings		2	8,50,000
	Total				**88,50,000**
	Assets				
1	**Non-current assets**				
	a	Fixed assets			
		Tangible assets		3	63,04,000

2	**Current assets**		
	a Inventories		3,50,000
	b Trade receivables		9,81,000
	c Cash and cash equivalents		12,15,000
	Total		**88,50,000**

(4 Marks)

Notes to accounts

			Rs..
1.	**Share Capital**		
	2,00,000 Equity shares of Rs. 40		80,00,000
	(out of above 18750 share issue for consideration other than cash)		
2.	**Long-term borrowings**		
	Secured		
	15% Debentures (assumed to be secured)		8,50,000
3.	**Tangible assets**		
	Land & Building	51,84,000	
	Machinery	7,20,000	
	Computers	4,00,000	63,04,000

(2 Marks)

Working Notes:

1. Cash at Bank Account

Particulars	**Rs.**	**Particulars**	**Rs.**
To Balance b/d	2,68,000	By Trade Creditors A/c	3,43,000
To Equity Share capital A/c	10,00,000	By Outstanding expenses A/c	10,60,000
To Equity Share Capital A/c	12,50,000	By Balance c/d (bal. fig.)	12,15,000
To Shiv A/c	1,00,000		
	26,18,000		**26,18,000**

(2 Marks)

2. Capital Reduction Account

Particulars	**Rs.**	**Particulars**	**Rs.**
To Machinery A/c	1,30,000	By Equity Share Capital A/c	15,00,000
To Computers A/c	1,20,000	By Trade Creditors A/c	1,47,000
To Trade receivables A/c	1,09,000	By Shiv A/c	2,00,000
To Goodwill A/c.	22,00,000	By Ganesh A/c	50,000
To Profit and Loss A/c.	7,82,000	By Land & Building	9,14,000
		By Inventories	30,000
		By Capital Reserve A/c	5,00,000
	33,41,000		**33,41,000**

(2 Marks)

Answer-3 (a) :

X Ltd.
Cash Flow Statement
for the year ended 31st March, 2015

	Rs.	**Rs.**
Cash flow from Operating Activities		
Net profit before income tax and extraordinary items:		20,00,000

Adjustments for:		
Depreciation on fixed assets	5,00,000	
Discount on issue of debentures	30,000	
Interest on debentures paid	3,50,000	
Interest on investments received	(60,000)	
Profit on sale of investments	(20,000)	8,00,000
Operating profit before working capital changes		28,00,000
Adjustments for:		
Increase in inventory	(1,18,000)	
Decrease in trade receivable	4,900	
Increase in trade payables	300	
Increase in outstanding expenses	6,800	(1,06,000)
Cash generated from operations		26,94,000
Income tax paid		(10,50,000)
		16,44,000
Cash flow from extraordinary items:		
Compensation received in a suit filed		90,000
Net cash flow from operating activities		17,34,000
Cash flow from Investing Activities		
Sale proceeds of investments	3,20,000	
Interest received on investments	60,000	
Net cash flow from investing activities		3,80,000
Cash flow from Financing Activities		
Proceeds by issue of equity shares at 20% premium	6,00,000	
Redemption of preference shares at 5% premium	(15,75,000)	
Preference dividend paid	(1,50,000)	
Interest on debentures paid	(3,50,000)	
Dividend paid (5,00,000 + 3,00,000)	(8,00,000)	
Net cash used in financing activities		(22,75,000)
Net decrease in cash and cash equivalents during the year		(1,61,000)
Add: Cash and cash equivalents as on 31.3.2014		1,96,300
Cash and cash equivalents as on 31.3.2015		35,300

Note: Purchase of land in exchange of equity shares (issued at 20% premium) has not beenconsidered in the cash flow statement as it does not involve any cash transaction.

(8 Marks)

Answer-3 (b) :
Computation of the value of goodwill:

(i)	**Average Profit for three years, ending 30th June; before death:**		
	Year ending 30th June, 2012 :	**Rs.**	**Rs.**
	1/2 of 2011 profits	33,600	
	1/2 of 2012 profits	37,800	71,400
	Year ending 30th June, 2013 :		
	1/2 of 2012 profits	37,800	
	1/2 of 2013 profits	36,000	73,800
	Year ending 30th June, 2014 :		
	1/2 of 2013 profits	36,000	
	1/2 of 2014 profits	31,200	67,200
	Total		**2,12,400**
	Average		**70,800**
(ii)	**Super Profit :**		**Rs.**
	Average profits earned		70,800
	Less : Partner's remuneration	45,000	
	Less : 8% on capital employed	12,480	(57,480)
			13,320
	Super Profits		
(iii)	**Goodwill @ three years ' purchase (13,320 x 3)**		39,960

(6 Marks)

Adjustment entries for Goodwill

Journal Entries

		Dr. Rs.	Cr. Rs.
Clever's Capital Account	Dr.	7,992	
Dull's Capital Account	Dr.	7,992	
To Wise's Capital Account			15,984
(Being Wise's share of goodwill adjusted in the capital accounts of partners on the death of Mr. Wise in their gaining ratio.)			

(2 Marks)

Answer-4 (a) :

Note:—Cash Book must be prepared in order to find out the takings on account of cash sales.

Columnar Cash Book
(for 3 months ending June 30, 1999)

Particulars	Cash Rs.	Bank Rs.	Particulars	Cash Rs.	Bank Rs.
To Balance b/d	50	600	By Cash Purchases	950	
To Cheques from Credit Customers		18,400	By Sundry Expenses	650	1,540
			By Drawings	100	700
To Cash (lodgements)		6,570	By Cheques to S. Creditors		17,050
To Takings (balancing figure)	8,270		By New Fittings		600
			By Bank (lodgments)	6,570	
			By Balance c/d	50	5,680
	8,320	**25,570**		**8,320**	**25,570**
To Balance b/d	50	5,680			

(2 Marks)

(a) Premjit's Profit and Loss Account and Balance Sheet:

Trading and Profit and Loss Account of Premjit for the three months ending June 30, 1999

	Rs.	**Rs.**		**Rs.**	**Rs.**
To Opening Stock :		14,700	By Sales :		
To Purchases : Payments made	17,050		Payments received	18,400	
Add : Creditors as on 30.6.99	6,400		Add : Debtors as on 30.6.1999	3,600	
	23,450			22,000	
Less : Creditors as on 31.3.99	6,200		Less : Outstanding Debtors as on 31.3.1999	2,700	
Credit purchases	15,250		Credit Sales	19,300	
Add : Cash Purchases	950	18,200	Add : Cash Sales	8,270	27,570
To Gross Profit c/d (33 1/3% of Rs.27,570)		9,190	By Closing Stock (Balancing figure)		14,520
		42,090			**42,090**
To Expenses including Rent		2,190	By Gross Profit b/d		9,190
To Net Profit		7,000			
		9,190			**9,190**

(2 Marks)

Balance Sheet of Premjit as on June 30, 1999

	Rs.	**Rs.**		**Rs.**	**Rs.**

Sundry Creditors		6,400	Fixtures and Fittings		16,600
Capital : Balance on April 1, 1999	27,850		Stock		14,520
Add : Net Profit for three months	7,000		Sundry Debtors		3,600
	34,850		Balance at Bank		5,680
Less : Drawings	800	34,050	Cash in hand		50
Total		**40,450**	**Total**		**40,450**

(2 Marks)

(b) Computation of purchase price to be paid to Premjit :

	Rs.	Rs.
Goodwill		10,000
Fixtures and Fittings	16,600	
Add : 20%	3,320	19,920
Debtors	3,600	
Less 5%	180	3,420
Stock		14,520
		47,860
Less : Liabilities		6,400
Purchase Price		41,460
To be satisfied as under :		
By the issue of 3,316 shares of Rs.10 each at RS.12.50		41,450
In cash (remaining amount)		10
Total		41,460

(2 Marks)

Answer-4 (b) :

In the Books of Mr. Z

9% Central Government Bonds (Investment) Account

Particulars 2008		**Face Value Rs.**	**Interest Rs.**	**Principal 2008**	**Particulars**		**Face Value Rs.**	**Interest Rs.**	**Principal Rs.**
Jan.1	To Balance b/d	1,20,000	2,700	1,18,000	March 31	By Bank A/c.	–	6,300	–
March 1	To Bank A/c	20,000	750	19,600	July 1	By Bank A/c	50,000	1,125	50,000
July 1	To P & L A/c.	–	–	833	Sept.30	By Bank A/c.	–	4,050	–
Oct.1	To Bank A/c.	15,000	–	14,700	Nov.1	By Bank A/c.	30,000	225	29,700
Nov.1	To P & L A/c.	–	–	200	Dec.31	By Balance c/d	75,000	1,688	73,633
Dec.31	To P & L A/c. (Transfer)	–	9,938	–					
		1,55,000	**13,388**	**1,53,333**			**1,55,000**	**13,388**	**1,53,333**

(6 Marks)

Working Note:

Calculation of closing balance:	**Units**		**Rs.**
Bonds in hand remained in hand at 31st December 2008			
From original holding (1,20,000 – 50,000 – 30,000)=	40,000	$\frac{1,18,000}{1,20,000} \times 40,000 =$	39,333
Purchased on 1st March	20,000		19,600
Purchased on 1st October	15,000		14,700
	75,000		**73,633**

(2 Marks)

Answer-5 (a) :

Average due date = Date of loan + $\dfrac{\text{Sum of the numbers of years/month/days from the date of lending to the date of repayment of each instalment}}{\text{Number of instalments}}$

= Jan. 1, 1977 + $\dfrac{1+2+3+4+5}{5}$

= Jan. 1, 1977 + 3 years = 1st January, 1980.

(2 Marks)

Explanation

Interest at a certain rate on the instalments paid from the date of payment to any fixed date will be the same as on Rs.10,000 (if lent on 1st January, 1980 to that fixed date. There will be no loss to either party. Supposing rate of interest is 5% p.a. and date of settlement is 31st December, 1982 then calculation of interest by product method from both parties point of view will be as follows :

Dass Bros. pays interest as follows :

Amount Rs.	Paid on	Money used by Dass Bros. upto 31st December, 1982	Product Rs.
2,000	1st Jan.1978	5 years	10,000
2,000	1st Jan.1979	4 years	8,000
2,000	1st Jan.1980	3 years	6,000
2,000	1st Jan.1981	2 years	4,000
2,000	1st Jan.1982	1 year	2,000
			Rs.30,000

(2 Marks)

Interest at 5% p.a. on Rs.30,000 for one year.

= $\dfrac{\text{Rs.30,000 x 5}}{100} = Rs.1,500$

(1 Mark)

Dass Bros. will receive interest (if given on 1st January, 1980) on Rs.10,000 from average due date to 31st December, 1982, i.e. for 3 years at 5% p.a.

= $\dfrac{\text{5 x 3 x Rs.10,000}}{100} = Rs.1,500.$

(1 Mark)

From the above, it can be concluded that if borrower pays Rs.2,000 yearly from 1st January 1978 for 5 years and if lender gives Rs.10,000 on 1st January 1980 then both will charge the same interest from each other. There is no loss to any of the parties. But actually lender gives Rs.10,000 on 1st January 1977, therefore, he has given loan 3 years in advance and will charge interest on Rs.10,000 for 3 years.

Interest = $\dfrac{\text{Rs.10,000 x 5 x 3}}{100}$ = Rs.1,500 (to be charged by Dass Bros.)

(2 Marks)

Answer-5 (b) :

Statement showing pre and post-incorporation profits

Particulars	Basis	Pre – incorporation period Rs.	Post incorporation period Rs.	Total Rs.
Gross Profit	Sales ratio	16,000	40,000	56,000
Less: General expenses	Time ratio	6,320	7,900	14,220
Directors' fee	Actual	-	5,000	5,000
Formation expenses	Actual	-	1,500	1,500
Rent (600 + 750)	W.N. 2	400	950	1,350
Manager's salary	Actual	2,000	-	2,000
Net Profit transferred to:				
Capital Reserve		7,280	–	-

P& L A/c.	-	24,650	31,930

(5 Marks)

Working Notes:

1. **Calculation of sales ratio**

   Let the average monthly sales of first four months = 100

   and next five months = 200

   Total sales of first four months = 100 x 4 = 400 and

   Total sales of next five months = 200 x 5 = 1,000

   The ratio of sales = 400 : 1,000 =2 : 5

2. **Rent**

   Till 31st December, 2013, rent was Rs. 1,200 p.a. i.e. Rs. 100 p.m.

   So, Pre-incorporation rent = Rs. 100 x 4 months = Rs. 400

   Post-incorporation rent = (Rs. 100 x 2 months) + (Rs. 250 x 3 months) = Rs. 950

3. **Time ratio**

   Pre-incorporation period =1st July, 2013 to 31st Oct. 2013 = 4 months

   Post –incorporation = 1 st November 2013 to 31st March 2014 = 5 months

   = 4 months : 5 months

   Thus, time ratio is 4:5

(1 x 3 = 3 Marks)

Answer-6 (a) :

(a)

M/s Neptune & Co.
Profit and Loss Adjustment Account
for the year ended 31st March, 2011

		Rs.			**Rs.**
To Land & Building (Loss on sale		10,000	By Partner's Capital Accounts :		
To Machinery (Loss on scrapping)		4,300	Mr. A	95,400	
To Provision for Doubtful Debts (Working note)		5,820	Mr. B	95,400	1,90,800
To Stock Adjustment (Fall in the Market value)		11,400	By Prepaid expenses (License fee - 2000 x 6/12)		1,000
To Cash (Misappropriated)		700	By Stock Adjustment (items omitted)		6,600
To Interest on Capital					
Mr. A	32,580				
Mr. B	11,160	43,740			
To Profit transferred to Capital Accounts:					
Mr. A	61,220				
Mr. B	61,220	1,22,440			
		1,98,400			**1,98,400**

(3 Marks)

(b)

Partners' Capital Accounts
As on 31st March, 2011

	Mr. A Rs.	**Mr. B Rs.**		**Mr. A Rs.**	**Mr. B Rs.**
31.3.2011			31.3.2010		
To Drawings	40,000	76,000	By Balance b/d	4,02,000	2,00,000
To Profit & Loss			31.3.2011		
Adjustment Account	95,400	95,400	By Profit & Loss A/c	95,400	95,400
To Balance c/d	4,55,800	1,96,380	By Profit & Loss Adjustment A/c:		
			Interest on capital	32,580	11,160

		Profit for the year	61,220	61,220
	5,91,200	**3,67,780**	**5,91,200**	**3,67,780**

(3 Marks)

Working Notes:

(1) Provision for doubtful debts charged to profit and loss adjustment account

Provision for Doubtful Debts Accounts

	Rs.		Rs.
To Bad Debts	10,420	By Balance b/d	10,000
To Balance c/d (required)	5,400	By Profit & Loss Adjustment A/c (bal.fig.)	5,820
	15,820		**15,820**

(1 Mark)

(2) Interest on Capitals

Mr. A Rs. 3,62,000 × 9% p.a. = Rs. 32,580

Mr. B Rs. 1,24,000 × 9% p.a. = Rs. 11,160

Note : Misappropriation by cashier may be debited to cashier also. In that case, Rs. 700 willnot be debited to Profit and Loss Adjustment Account and profit transferred topartners will be Rs. 1,23,140. No adjustment should be made for cheques made outbut not dispatched to suppliers.

(1 Mark)

Answer-6 (b) :

Calculation of total Interest and Interest included in each installment

Hire Purchase Price (HPP) = Down Payment + instalments

= 30,000 + 50,000 + 50,000 + 30,000 + 20,000 = 1,80,000

Total Interest = 1,80,000 – 1,50,000 = 30,000

Computation of IRR (considering two guessed rates of 6% and 12%)

Year	**Cash Flow**	**DF @6%**	**PV**	**DF @12%**	**PV**
0	30,000	1.00	30,000	1.00	30,000
1	50,000	0.94	47,000	0.89	44,500
2	50,000	0.89	44,500	0.80	40,000
3	30,000	0.84	25,200	0.71	21,300
4	20,000	0.79	15,800	0.64	12,800
		NPV	1,62,500	NPV	1,48,600

(3 Marks)

Interest rate implicit on lease is computed below by interpolation:

Interest rate implicit on lease $= 6\% + \frac{1,62,500 - 1,50,000}{1,62,500 - 1,48,600} x(12-6) = 11.39\%$

$= 6\% + \frac{12,500}{13,900} x6 = 11.39\%$

(2 Marks)

Thus repayment schedule and interest would be as under:

Installment no.	**Principal at beginning**	**Interest included in each instalment**	**Gross amount**	**Instalment**	**Principle at end**
Cash down	1,50,000		1,50,000	30,000	1,20,000
1	1,20,000	13,668	1,33,668	50,000	83,668
2	83,668	9,530	93,198	50,000	43,198

3	43,198	4,920	48,118	30,000	18,118
4	18,118	2,064	20,182	20,000	182*
		30182*			

* round of diff.

(3 Marks)

Answer-7 (a) :

General Ledger Adjustment Account in Debtors Ledger

Date	Particulars	Rs.	Date	Particulars	Rs.
01.04.2012	To Balance b/d	9,400	1.4.2012	By Balance b/d	3,58,200
01.04.2012 to 30.4.2012	To Debtors ledger adjustment A/c :		01.04.2012 to 30.4.2012	By Debtors ledger adjustment A/c :	
	Cash received	17,25,700		Credit sales	19,95,400
	Sales Returns	33,100		Cash paid for returns	6,000
	Bills receivable received	95,000		Bills receivable dishonoured	7,500
	Transfer to creditors ledger	16,000	30.04.2012	By Balance c/d	9,800
30.04.2012	To Balance c/d (bal.fig)	4,97,700			
		23,76,900			**23,76,900**

(4 Marks)

Answer-7 (b) :

Memorandum Trading Account for the period 1st April, 2011 to 31st August, 2011

	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	-	500	500
To Gross Profit @ 20%	48,000	-	48,000	By Closing Stock (Bal.Fig.)	90,000	2,500	92,500
	3,46,500	**5,000**	**3,51,500**		**3,46,500**	**5,000**	**3,51,500**

(3 Marks)

Statement of Claim for Loss of Stock

	Rs.
Book value of stock as on 31.08.2011	92,500
Less: Stock salvaged	(20,000)
Loss of stock	72,500

Amount of claim to be lodged with insurance company

$$= \text{Loss of stock} \times \frac{\text{Policy Value}}{\text{Value of stock on the date of fire}}$$

$$= Rs.72,500 \times \frac{60,000}{92,500} = Rs.47,027$$

(3 Marks)

Working Note:

Calculation of Adjusted Purchases

	Rs.
Purchases	1,70,000
Less: Drawings	(12,000)
Free samples	(1,500)
Adjusted purchases	1,56,500

Answer-7 (c) :

Journal Entries in the books of Brite Ltd.

2015			Dr. Rs. in lakhs	Cr. Rs. in lakhs
April 2	Equity Share Final Call A/c	Dr.	2,000	
	To Equity Share Capital A/c			2,000
	(Final call of Rs. 2 per share on 10 crore equity shares made due)			
	Bank A/c	Dr.	2,000	
	To Equity Share Final Call A/c			2,000
	(Final call money on 10 crore equity shares received)			
June 1	Capital Reserve A/c	Dr.	485	
	Capital Redemption Reserve A/c.	Dr.	1,000	
	Securities Premium A/c	Dr.	2,000	
	General Reserve A/c	Dr.	515	
	To Bonus to Shareholders A/c			4,000
	(Bonus issue of two shares for every five shares held, by utilising various reserves as per Board's resolution dated…….)			
	Bonus to Shareholders A/c	Dr.	4,000	
	To Equity Share Capital A/c			4,000
	(Capitalisation of profit)			

(3 Marks)

Notes to Accounts

			Rs. in lakhs
1.	Share Capital		
	Authorised share capital		
	20 crore shares of Rs. 10 each		20,000
	Issued, subscribed and fully paid up share capital		
	14 crore Equity shares of Rs. 10 each, fully paid up		14,000
	(Out of the above, 4 crore equity shares @ Rs. 10 each were issued by way of bonus)		
	2 crore, 11% Cumulative Preference share capital of Rs. 10each, fully paid up		2,000
			16,000
2.	Reserves and Surplus		
	Capital Reserves	485	
	Less: Utilized for bonus issue	(485)	-
	Capital Redemption reserve	1,000	
	Less: Utilized for bonus issue	(1,000)	-
	Securities Premium	2,000	
	Less: Utilized for bonus issue	(2,000)	-
	General Reserve	1,040	
	Less: Utilized for bonus issue	(515)	525
	Surplus (Profit and Loss Account)		273
	Total		**798**

(3 Marks)