



**J.K. SHAH<sup>®</sup>**  
**TEST SERIES**  
Evaluate Learn Succeed

**SUGGESTED SOLUTION**

**CA INTERMEDIATE**

**SUBJECT- ADVANCED ACCOUNTS**

**Test Code – CIM 8440**

**BRANCH - () (Date :)**

**Head Office : Shraddha, 3<sup>rd</sup> Floor, Near Chinai College, Andheri (E), Mumbai – 69.**

**Tel : (022) 26836666**

## ANSWER -1

### (a) (i) Capital Funds –

Tier I :	Rs. In crore
Equity Share Capital	600
Statutory Reserve	470
Capital Reserve (arising out of sale of assets)	105
Less : Profit & Loss (Dr. bal)	(30)
	1,145
<b>Capital Funds – Tier II :</b>	
Capital Reserve (arising out of revaluation of assets)	25
Less : Discount to the extent of 55%	(13.75)
	11.25

(3 MARKS)

### (ii) Risk Adjusted Assets

Funded Risk Assets	Rs. In crore	Percentage weight	Amount Rs. In crore
Cash Balance with RBI	35.50	0	-
Balances with other Banks	15	20	3
Claims on banks	52.50	20	10.50
Other Investments	70	100	70
Loans and Advances :			
(i) guaranteed by government	22.50	0	-
(ii) guaranteed by DICGC/ECGC	110	50	55
(iii) Others	9,365	100	9,365
Premises, furniture and fixtures	92.50	100	92.50
Leased Assets	40	100	40
			9,636

Off – Balance Sheet Item	Rs. In Crore	Credit Conversion Factor	Rs. In Crore
(i) Acceptances, Endorsements and Letters of credit	1,100	100	1,100
(ii) Guarantees and other obligations	6,200	100	6,200
			<u>7,300</u>

**Risk Weighted Assets Ratio :**  $\frac{\text{Capital Funds (Tier I \& Tier II)}}{\text{Risk Adjusted Assets + off Balance sheet items}} \times 100$

$$= (1,145 + 11.25) / (9,636 + 7,300)$$

$$= (1,156.25/16,936) \times 100 = 6.83\% \text{ (rounded off)}$$

(7 MARKS)

**ANSWER -2**

**OM Ltd.**

**Liquidator's Final Statement of Account**

<i>Receipts</i>	<i>Value Realised</i>		<i>Payments</i>	<i>Payments</i>
<i>Assets Realised:</i>				
Cash at Bank	2,40,000	Liquidator's Remuneration (W.N. 1)		1,02,224
Trade receivables	8,00,000	Liquidation Expenses		1,17,736
Inventory	6,40,000	<i>Debentureholders:</i>		
Plant and Machinery	20,00,000	14% Debentures	9,20,000	
Patent	2,00,000	Interest Accrued (W.N. 2)	<u>1,61,000</u>	10,81,000
Surplus from Securities (W.N. 3)	5,20,000	<i>Creditors:</i>		
		Preferential	1,20,000	
		Unsecured	<u>3,51,200</u>	4,71,200
		<i>Preference Shareholders:</i>		
		Preference Share Capital	16,00,000	
		Arrears of Dividend	<u>2,24,000</u>	18,24,000
		<i>Equity Shareholders (W.N.4)</i>		
		25.12 per share on 32,000 shares		<u>8,03,840</u>
	<u>44,00,000</u>			<u>44,00,000</u>

**(6 MARKS)**

**Working Notes:**

		Rs.
1	Liquidator's remuneration: 2% on assets realised (2% of Rs.47,60,000) 2% on payments to unsecured creditors (2% on Rs.3,51,200)	95,200 <u>7,024</u> <u>1,02,224</u>
2	Interest accrued on 14% Debentures: Interest accrued as on 31.3.2019 Interest accrued upto the date of payment i.e. 30.6.2019	1,28,800 <u>32,200</u> <u>1,61,000</u>
3	Surplus from Securities: Amount realised from Land and Buildings (Rs.3,20,000 + Rs.8,00,000) Less: Mortgage Loan	11,20,000 <u>(6,00,000)</u> <u>5,20,000</u>
4	Amount payable to Equity Shareholders:	

Equity share capital (paid up)	19,20,000
Less: Amount available for equity shareholders	<u>(8,03,840)</u>
Loss to be borne by equity shareholders	<u>11,16,160</u>
Loss per equity share (Rs.11,16,160/32,000)	34.88
Amount payable to equity shareholders for each equity share (60-34.88)	25.12

(4 MARKS)

**ANSWER -3**

**Consolidated Balance Sheet of H Ltd. and its Subsidiary S Ltd.**

**as at 31<sup>st</sup> March, 2017**

Particulars	Note No.	(Rs.)
<b>I. Equity and Liabilities</b>		
(1) Shareholder's Funds		
(a) Share Capital		12,00,000
(1,20,000 equity shares of Rs. 10 each)		
(b) Reserves and Surplus	1	8,16,200
(2) Minority Interest (W.N. 4)		99,300
(3) Current Liabilities		
(a) Trade Payables	2	4,10,000
Total		25,25,500
<b>II. Assets</b>		
(1) Non – current assets		
(a) Fixed assets		
(i) Tangible assets	3	13,10,500
(ii) Intangible assets	4	24,000
(b) Current assets		
(i) Inventories	5	3,25,000
(ii) Trade Receivables	6	6,70,000
(iii) Cash at Bank	7	1,96,000
Total		25,25,500

**Notes to Accounts**

			Rs.
1.	Reserves and Surplus		
	General Reserves		4,35,000
	Add : 80% share of S Ltd.'s post – acquisition reserves (W. N. 3)		84,000
	Profit and Loss Account		2,80,000
	Add : 80% share of S Ltd.'s post – acquisition profits (W.N. 3)	21,200	
	Less : Unrealised gain	(4,000)	17,200
			2,97,200
2.	Trade Payables		8,16,200
	H Ltd.		3,22,000
	S Ltd.		1,23,000
	Less : Mutual transaction		(35,000)
3.	Tangible Assets		
	Machinery		

	H. Ltd.		6,40,000	
	S Ltd.	2,00,000		
	Add : Appreciation	1,00,000		
		3,00,000		
	Less : Depreciation	(30,000)	2,70,000	9,10,000
	Furniture			
	H Ltd.		3,75,000	
	S Ltd.	40,000		
	Less : Decrease in value	<u>(10,000)</u>		
		30,000		
	Less : Depreciation	<u>(4,500)</u>	<u>25,500</u>	<u>4,00,500</u>
				<u>13,10,500</u>
4.	Intangible assets			
	Goodwill [WN 5]			24,000
5.	Inventories			
	H Ltd.		2,68,000	
	S Ltd.		62,000	3,30,000
	Less : Inventory reserve			<u>(5,000)</u>
6.	Trade Receivables			
	H. Ltd.		4,70,000	
	S Ltd.		<u>2,35,000</u>	
				7,05,000
	Less : Mutual transaction			(35,000)
				<u>6,70,000</u>
7.	Cash and Bank			
	H Ltd.		1,64,000	
	S Ltd.		32,000	1,96,000

(10 MARKS)

**Working Notes :**

1. **Profit or loss on revaluation of assets in the books of S Ltd. and their book values as on 1.4.2016.**

	Rs.
<b>Machinery</b>	
Revaluation as on 1.4.2016	3,00,000
Less : Book value as on 1.4.2016	(2,00,000)
Profit on revaluation	1,00,000
<b>Furniture</b>	
Revaluation as on 1.4.2016	30,000
Less : Book value as on 1.4.2016	(40,000)
Loss on revaluation	(10,000)

2. **Calculation of short /excess depreciation**

	Machinery	Furniture
Upward / (Downward) Revaluation (W.N. 4)	1,00,000	(10,000)
Rate of depreciation	10% p.a.	15% p.a.
Difference [(short)/excess]	(10,000)	1,500

**3. Analysis of reserves and profits of S Ltd. as on 31.03.2017**

	Pre – acquisition profit upto 1.4.2016	Post acquisition profits (1.4.2016 – 31.3.2017)	
	(Capital profits)	General Reserve	Profit & Loss Account
General reserve as on 31.3.2017	50,000	1,05,000	
Profit and loss account as on 31.3.2017	30,000		35,000
Upward Revaluation of machinery as on 1.4.2016	1,00,000		
Downward Revaluation of Furniture as on 1.4.2016	(10,000)		
Short depreciation on machinery (W.N. 5)			(10,000)
Excess depreciation on furniture (W.N. 5)			1,500
<b>Total</b>	<b>1,70,000</b>	<b>1,05,000</b>	<b>26,500</b>

**4. Minority Interest**

	Rs.
Paid – up value of (2,00,000 × 20%)	40,000
Add : 20% Share of pre – acquisition profit and reserves [(20% of (50,000 + 30,000))	16,000
20% share of profit on revaluation	18,000
20% share of post – acquisition reserves	21,000
20% share of post – acquisition profit	5,300
	<b>1,00,300</b>
Less : Unrealised Profit on Inventory (55,000 × 10/110)* × 20%	(1,000)
	<b>99,300</b>

\*Considered that Rs. 55,000 is cost of H Ltd. Alternative solution considering it as cost to S Ltd. is also possible

**5. Cost of Control of Goodwill**

Cost of Investment		3,20,000
Less : Paid – up value of 80% shares	1,60,000	
80% share of pre – acquisition of profits and reserves (Rs. 64,000 + Rs. 72,000)	1,36,000	(2,96,000)
Cost of control or Goodwill		24,000

**(5 MARKS)**

**ANSWER -4****ANSWER -A****Calculation of amount of provision to be made in the Profit and Loss Account**

Classification of Assets	Amount of Advances ( Rs. in lakhs)	% age of provision	Amount of provision ( Rs. in lakhs)
Standard assets	20,000	0.40	80
Sub-standard assets	16,000	15	2,400
Doubtful assets:			
For one year (secured)	6,000	25	1,500
For two to three years (secured)	4,000	40	1,600
For more than three years (unsecured)	1,400	100	1,400
(secured)	600	100	600
Non-recoverable assets (Loss assets)	1,500	100	1,500
Total provision required			<b>9,080</b>

**(5 MARKS)****ANSWER -B****Statement of Liabilities of B list contributors (showing the amount realized)**

Creditors Outstanding on the date of ceasing to be member	P 1,500 Shares Rs.	D 2,000 Shares Rs.	B 700 Shares Rs.	S 300 Shares Rs.	Amount to be paid to the creditors Rs.
a) 9,000	3,000	4,000	1,400	600	9,000
b) 3,000	-	2,000	700	300	3,000
c) 1,500	-	-	1,050	450	1,500
d) 1,000	-	-	-	1,000	150
Total (a)	3,000	6,000	3,150	2,350	
(b) maximum liability on shares held	7,500	10,000	3,500	1,500	
(c) Amount to be realized (a) or (b)					
Whichever is lower	3,000	6,000	3,150	1,500	

**Working Notes :**

- C will not be liable since he transferred his shares prior to one year preceding the date of winding up.
- P will not be responsible for further debts incurred after 01.01.2017 (from the date when he ceases to be a member). Similarly, D & B will not be liable for the debts incurred after the date of their transfer of shares.
- The increase between 1<sup>st</sup> August 2017 and 15<sup>th</sup> September 2017, is solely the responsibility of S. Liability of S has been restricted to the maximum allowable limit of Rs. 1,500. Therefore, amount payable by S on 15.09.2017 is Rs. 150 only.

4. Ratio of discharge of liability will be in the ratio of no. of shares held by B List Contributories which is as follows :

(7 MARKS)

**Calculation of Ratio for discharge of Liabilities**

<b>Date</b>	<b>Cumulative liability Rs.</b>	<b>Increase in liabilities Rs.</b>	<b>Ratio of no. of shares held by L, M, N, O</b>
01.01.2017	9,000	-	15 : 20 : 7 : 3
01.04.2017	12,000	3,000	20 : 7 : 3
01.08.2017	13,500	1,500	7: 3
15.09.2017	14,500	1,000	Only S

(3 MARKS)