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SUGGESTED SOLUTION

CA INTERMEDIATE

SUBJECT- ACCOUNTS

Test Code – CIM 8455

BRANCH - () (Date :)

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ANSWER -1**A. Trading and Profit & Loss Account for the year ended on 31st March 2018**

Particulars		Rs.	Particulars	Rs.
To Opening Stock(given)		80,000	By Sales (balancing figure)	6,08,750
To Purchases(WN 2)	4,56,000			
Less: Stock used for Advt Purposes	9,000	4,47,000		
To Freight Inwards		30,000		
To Gross Profit(See Note)		1,21,750	By Closing Stock	70,000
Total		6,78,750	Total	6,78,750

Note: COGS = Opg Stock + Purchases (Net) + Freight (-) Closing Stock = 80,000 + 4,47,000 + 30,000 - 70,000 = 4,87,000

GP = 20% on Sales = $\frac{1}{4}$ on Cost = 25% on COGS of 4,87,000 So, GP = 1,21,750. So, Sales = COGS + GP.

(3 MARKS)**A. Profit and Loss Account for the year ended 31st March 2018**

Particulars		Rs.	Particulars	Rs.
To Sundry Expenses(WN 5)		92,000	By Gross Profit b/d (from Trading A/c)	1,21,750
To Advertisement		9,000	By Discount Received	8,000
To Discount Allowed:			By Miscellaneous Income	5,000
Debtors	15,000		By Interest on Invts (200 Share x Rs. 100 x 6% x 1/2 year)	600
Bills Receivable	1,250	16,250	(Face Value of Invts = Rs.100)	
To Depreciation on Furniture(WN 7)		6,500		
To Provision for Doubtful Debts (Rs. 72,750 x 2%)		1,455		
To Net Profit(balancing figure)		10,145		
Total		1,35,350	Total	1,35,350

(3 MARKS)**B. Balance Sheet of ABC Enterprises as at 31st March 2018**

Capital and Liabilities	Rs.	Properties and Assets	Rs.
Capital (WN 8)	1,07,145	Non-Current Assets: Furniture (WDV) (given)	63,500
		Investments (Face Value = 100)	19,000
Current Liabilities:		Current Assets: Stock in Trade	70,000
Sundry Creditors	1,50,000	Debtors (WN 3)72,750	
Outstanding Expenses	18,000	Less: Provn. for Doubtful Debts (1,455)	71,295
		Bills Receivable (WN 6)	17,500
		Interest Receivable on Invts	600
		Cash in Hand and at Bank	26,250
		Prepaid Expenses	7,000
Total	2,75,145	Total	2,75,145

Working Notes:1. Opening Balance Sheet as at 1st April 2017 (To find out Opening Capital)

Capital and Liabilities	Rs.	Properties and Assets	Rs.
Capital(balancing figure)	1,88,000	Non-Current Assets: FA - Furniture (WDV)	60,000
Current Liabilities:		Current Assets: Stock in Trade	80,000
Creditors	1,10,000	Sundry Debtors	1,60,000
Outstanding Expenses	20,000	Cash in Hand and at Bank	12,000
		Prepaid Expenses	6,000
Total	3,18,000	Total	3,18,000

2. Sundry Creditors Account (To find out Credit Purchases)

Particulars	Rs.	Particulars	Rs.
To Cash and Bank - Payments made	3,92,000	By balance b/d - Opening Balance	1,10,000
To Discount Received - (4,00,000 - 3,92,000)	8,000	By Sundry Drs- Endorsed Bill Dishonoured	4,000
To Bills Receivable – endorsed	20,000	By Purchases (balancing figure)	4,56,000
To balance c/d - Closing Balance	1,50,000		
Total	5,70,000	Total	5,70,000

3. Sundry Debtors Account (To find out Closing Balance of Debtors)

Particulars	Rs.	Particulars	Rs.
To balance b/d	1,60,000	By Cash and Bank – Collections	5,85,000
To Sales (from Trading A/c)	6,08,750	By Discount Allowed	15,000
To Sundry Creditors (Bill dishonoured)	4,000	By Bills Receivable - B/R received	1,00,000
		By balance c/d (balancing figure)	72,750
Total	7,72,750	Total	7,72,750

4. Cash and Bank Account (To find out Additional Drawings / Introduction of Capital)

Receipts	Rs.	Payments	Rs.
To balance b/d	12,000	By Freight Inwards	30,000
To Sundry Debtors	5,85,000	By Furniture	10,000
To Bills Receivable	61,250	By Investments	19,000
To Miscellaneous Income	5,000	By Expenses	95,000
		By Creditors	3,92,000
		By Drawings	70,000
		By Additional Drawings (balancing figure)	21,000
		By balance c/d	26,250
Total	6,63,250	Total	6,63,250

5. Sundry Expenses Account (To find out Expenses recognised for the year)

Particulars	Rs.	Particulars	Rs.
To balance b/d - Prepaid Exps on 1st April	6,000	By bal. b/d - Outstanding Exps on 1st April	20,000
To Bank - Payments made during the year	95,000	By P&L - transfer(balancing figure)	92,000
To bal. c/d - Outstanding Exp. on 31st March	18,000	By balance c/d - Prepaid Exps on 31st March	7,000
Total	1,19,000	Total	1,19,000

6. Bills Receivable Account (To find out Closing Balance)

Particulars	Rs.	Particulars	Rs.
To Sundry Debtors - B/R received	1,00,000	By Creditors - B/R endorsed	20,000
		By Bank - B/R discounted	61,250
		By Discount on Bills Receivable	1,250
		By balance c/d(balancing figure)	17,500
Total	1,00,000	Total	1,00,000

7. Fixed Assets Account (To compute Depreciation for the year)

Particulars	Rs.	Particulars	Rs.
To balance b/d	60,000	By Depreciation (balancing figure)	6,500
To Bank - FA Purchase during the year	10,000	By balance c/d (given)	63,500
Total	70,000	Total	70,000

8. Capital Account

Particulars	Rs.	Particulars	Rs.
By Drawings(70,000 + WN4 21,000)	91,000	By balance b/d(WN 1)	1,88,000
By balance c/d(balancing figure)	1,07,145	By Net Profit for the year	10,145
Total	1,98,145	Total	1,98,145

(10 MARKS)

ANSWER -2

Statement of profit and Loss of Shweta Ltd. for the year ended 31st March, 2018

	Particulars	Note	Rs.
I	Revenue from Operations		20,11,050
II	Other income (Divided income)		12,750
III	Total Revenue (I & II)		20,23,800
IV	Expenses :		
	(a) Purchases (14,71,500 – Advertisement Expenses 15,000)		14,56,500

	(b) Changes in Inventories of finished Goods /Work in progress (4,35,600 – 4,27,500)		8,100
	(c) Employee Benefits expense	9	1,20,000
	(d) Finance costs	10	51,900
	(e) Depreciation & Amortization Expenses [10% of (1,05,000 + 6,000)]		11,100
	(f) Other Expenses	11	3,47,550
	Total Expenses		19,95,150
V	Profit before exceptional, extraordinary items and tax (III – IV)		28,650
VI	Exceptional items		-
VII	Profit before extra ordinary items and tax (V – IV)		28,650
VIII	Extraordinary items		-
IX	Profit before tax (VII – VIII)		28,650
X	Tax expense :		
	Current Tax		12,000
XI	Profit / Loss for the period (after tax)		16,650

(6 MARKS)

Balance sheet of Shweta Ltd. as on 31st March, 2018

	Particulars as on 31 st March	Note	
I			
(1)	Shareholders' funds :		
	(a) Share Capital	1	12,00,000
	(b) Reserves and surplus	2	66,150
(2)	Non current liabilities :		
	Long term borrowings	3	4,50,000
(3)	Current Liabilities :		
	(a) Short term borrowings	4	4,50,000
	(b) Trade payables		2,63,550
	(c) Other current liabilities	5	29,250
	Total		24,58,950
II	ASSETS		
(1)	Non – current Assets		
	(a) Property, Plant & Equipment		
	(i) Tangible assets	6	11,49,900
	(ii) Intangible assets	7	4,05,000
	(b) Non current investments (Shares at cost)		1,50,000
	Current Assets :		
	(a) Inventories		4,27,500
	(b) Trade receivables	8	2,72,550
	(c) Cash and Cash equivalents – Cash on hand		36,000
	(d) Short term loans and advances – Income tax		

	(paid 30,000 – Provision 12,000)		18,000
	Total		24,58,950

Note : There is a Contingent liability for Bills receivable discounted with Bank Rs. 6,000.

Notes to accounts

			(Rs.)
1.	Share Capital		
	Authorized		
	90,000 Equity shares of Rs. 10 each	9,00,000	
	6,000 6% Preference shares of Rs. 100 each	6,00,000	15,00,000
	Issued, subscribed & called up		
	60,000, Equity Shares of Rs. 10 each	6,00,000	
	6,000 6% Redeemable Preference shares of 100 each	6,00,000	12,00,000
2.	Reserves and Surplus		
	Balance as on 1 st April, 2017	85,500	
	Add: surplus for current year	16,650	1,02,150
	Less : Preference Dividend		36,000
	Balance as on 31 st March, 2018		66,150
3.	Long Term Borrowings		
	5% Mortgage Debentures (Secured against Freehold Properties)		4,50,000
4.	Short Term Borrowings		
	Secured Borrowings : Loans Repayable on Demand Overdraft from Banks (Secured by Hypothecation of Stocks & Receivables)		4,50,000
5.	Other Current liabilities		
	Interest Accrued and due on Borrowings (5% Debentures)	11,250	
	Unpaid Preference Dividends	18,000	29,250
6.	Tangible Fixed assets		
	Furniture		
	Furniture at Cost Less depreciation Rs. 45,000 (as given in Trial Balance	1,05,000	
	Add : Depreciation	45,000	
	Cost of Furniture	1,50,000	
	Add: Installation charge of Electrical Fittings wrongly included under the heading Salaries and Wages	6,000	
	Total Gross block of Furniture A/c.	1,56,000	
	Accumulated Depreciation Account : Opening Balance – given in Trial Balance	45,000	
	Depreciation for the year : On Opening WDV at 10% i.e. (10% × 1,05,000)	10,500	
	On additional purchase during the year at 10% i.e. (10% × 6,000)	600	

	Less : Accumulated Depreciation		56,100	99,900
	Freehold property (at cost)			10,50,000
				11,49,900
7.	Intangible Fixed Assets			
	Technical Knowhow		4,50,00	
	Less : Written off		45,000	4,05,000
8.	Trade Receivables			
	Sundry Debtors (a) Debt outstanding for more than six months		18,000	
	(b) Other Debts(refer Working Note)		1,34,550	
	Bills receivable (1,24,500 – 4,500)		1,20,000	2,72,550
9.	Employee benefit expenses			
	Amount as per Trial Balance		1,56,000	
	Less : Wages incurred for installation of electrical fittings to be capitalised		6,000	
	Less : Directors' Remuneration shown separately		30,000	
	Balance Amount			
10.	Finance Costs			
	Interest on bank overdraft		29,400	
	Interest on debentures		22,500	51,900
11.	Other Expenses			
	Payment to the auditors		18,000	
	Director's remuneration		30,000	
	Selling expenses		2,37,300	
	Technical knowhow written of (4,50,000/10)		45,000	
	Advertisement (Goods and Articles Distributed)		15,000	
	Bad Debts (4,500 × 50%)		2,250	3,47,550

Working Note

Calculation of Sundry Debtors – Other Debts	1,50,300
Sundry Debtors as given in Trial Balance	4,500
Add Back : Bills Receivables Dishonoured	1,54,800
Less : Bad Debts written off – 50% Rs. 4,500	(2,250)
Adjusted Sundry Debtors	1,52,550
Less : Debts due for more than 6 months (as per information given)	(18,000)
Total of other Debtors i.e. Debtors outstanding for less than 6 months	1,34,550

(9 MARKS)

ANSWER -3**ANSWER –A****Calculation of effective capital and maximum amount of monthly remuneration**

	(Rs. In lakhs)
Paid up equity share capital	180
Paid up Preference Share Capital	30
Reserve excluding Revaluation reserve (225 – 15)	210
Securities Premium	60
Long term loans	60
Deposits repayable after one year	<u>30</u>
	570
Less : Accumulated losses not written off	(30)
Investments	<u>(270)</u>
Effective capital for the purpose of managerial remuneration	<u>270</u>

Since PQ Ltd. is incurring losses and no special resolution has been passed by the company for payment of remuneration, managerial remuneration will be calculated on the basis of effective capital of the company, therefore maximum remuneration payable to the Managing Director should be @ Rs. 60,00,000 per annum*.

*If the effective capital is less than 5 Crore, limit of yearly remuneration payable should not exceed Rs. 60 lakhs as per Companies Act, 2013.

(5 MARKS)**ANSWER –B****Journal Entries**

	Dr.	Rs.	Rs.
Profit and Loss A/c	Dr.	1,50,000	
To Debenture Interest A/c			1,50,000
(Being transfer of debenture interest to profit and loss account)			
Profit and Loss A/c	Dr.	3,00,000	
To Provision for Taxation A/c			3,00,000
(Being provision for tax made @ 30% on Rs. 10,00,000 i.e. Rs. 11,50,000 – Rs. 1,50,000)			
Profit and Loss A/c	Dr.	35,000	
To General Reserve A/c			35,000
(Being creation of general reserve @ 5% of net profit (i.e. Rs. 7,00,000))			
Profit and Loss A/c	Dr.	54,000	
To preference share dividend A/c			54,000

(Being preference share dividend payable @ 13½% on Rs. 4,00,000)

Profit and Loss A/c	Dr.	1,50,000	
To equity share dividend A/c			1,50,000

(Being equity share dividend payable @ 15% on Rs. 10,00,000)

Profit and Loss A/c	Dr.	41,530	
To Provision for corporate dividend tax A/c			41,530

(Being provision made for corporate dividend tax @ 17.304% on total dividend of Rs. 2,40,000 (W.N.))

(6*1 = 6 MARKS)

Balance Sheet (Extracts) as on 31 st March, 2014

		Rs.
Equity and Liability		
Share holders' funds		
a	Share capital	14,00,000
b	Reserves and Surplus	11,61,330
Non- current liabilities		
a	Long term borrowings	10,00,000
Current liabilities		
	Short term provisions	5,45,530

Notes to accounts

		Rs.
1	Share Capital	
	Equity share capital	
	Issued, subscribed and called up	10,00,000
	13½% Preference share capital	<u>4,00,000</u>
		14,00,000
2	Reserves and Surplus	
	Securities Premium	7,00,000
	General Reserve	35,000
	Surplus (Profit & Loss A/c)	<u>4,26,330</u>
		11,61,330
3	Long-term borrowings	
	Secured	
	15% Debentures	10,00,000
4	Short term Provisions	
	Corporate Income-tax	3,00,000
	Dividend payable	
	Preference	54,000
	Equity	<u>1,50,000</u>
		2,04,000

Corporate Dividend Tax

41,530

5,45,530

Working Note:

Calculation of grossing-up of dividend

Particular	Rs.
Dividend distribute by Xansa Ltd.	2,04,000
Add: Increase for the purpose of grossing-up of dividend $\left[\frac{15}{100-15} \times 2,04,000 \right]$	36,000
Gross dividend	2,40,000

Note: It is assumed that debenture interest has been paid.

(4 MARKS)