This paper is solved by Mr. Prashant Bhardwaj M.com ,MBA finance ,M.Phil
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TEACHING CENTRES – LAXMI NAGAR, PITAMPURA, BRAHMPURI

SOLUTION FOR ACCOUNTANCY PAPER FOR IPCC GROUP -I CA EXAM MAY 2011

answer 1-a

CALCULATION OF PURCHASE CONSIDERATION :	
9% PSC OF BXE LTD :	
8000 SHARES @ 100 each eee	8,00,000
ESC OF BXE Ltd:	
15000 shares @ ₹ 140 each	21,00,000
Cash	
For psc 8000*10 = 80,000	
For Esc 15,000*20=3,00,000	3,80,000
Purchase consideration	32,80,000

answer 1 b-

step 1.

calculation of Stock before fire:						
stock as on 31St dec 2010					95,600	
add:	purchases		1,70,000			
	less	:machinery	30,000			1,40,000
						2,35,600
Add:	Wages			50,000		
	less	installation		3,000		47,000
						2,82,600
less:	cost of sales :					
	Sales			2,75,000		
	less:	Profit on sales 20%		55,000		2,20,000
		cost of stock before fire				62,600

step 2

calculation of loss of stock		
cost of stock		62,60
less:	salvage value	12,30

good sold on approval but not approved 49500*2/3*80/100 26,400

loss by fire 23,900

step 3 Application of average clause:

Claim to be lodged= loss suffered*insurance policy/insurance should be taken

= 23900*60000/89000 {89000=62600+26400}

= 16112 Ans

Answer 1 C

case 1

if Goodwill is valued at 5 years of super profit

Capital employed=3,00,000+2,00,00 = 5,00,000

normal profit = 5,00,000*20% = 1,00,000

Super profit = Avg profit - Normal profit 1,36,000-1,00,000 = 36,000

Goodwill of the firm = 36000*5=1,80,000

case2

if goodwill is calculate at capitalised method

capitalised value of the firm avg profit*100/20 = 6,80,000

Goodwill of the firm = 6,80,000-6,00,000 = 80,000

case3

if goodwill is calculate avg profit method

goodwil = 1,36,000*3 = 4,08,000

Answer 1D

DR **investment a/c** CR

date		NO.	₹	DATE		NO.	₹
2010				2010			
1-Apr	b/d	50,000	7,50,000	5-Nov	BANK	-	[illegible]
20-Jun	bank	10,000	1,60,000	2011MAR	C/D		
1-Aug	bonus share	10,000	-				

5-Nov	bank		20,000	40,000			
5-Nov	p&l a/c (profit)		-	20,000			
			90,000	9,70,000			9,70,000

NOTE:
As per AS -13 ,para 13 if righ are not subscribed and sold in the market , sale proceed is treated as income.

Answer 2

WN1
calculation of p/s ratio and sacrificing ratio:

Amit 's sacrificing share	3/5*1/3	=	1/5 share
Amit 's new share	3/5-1/5	=	2/5 share
Sumit sacrificing share	2/5*1/4	=	2/20 share
Sumit new share	2/5-2/20	=	6/20 share
Sacrifing ratio	2:01		
new ratio	4:03:03		

Revaluation a/c

stock		60,000	land & building	1,00,000
prov for dd		5,000	investment	5,000
profit t/f				
amit	24,000			
sumit	16,000	40,000		
		1,05,000		1,05,000

Partner's capital a/c

	Amit	Sumit	Punit		Amit	Sumit	Punit
cash	60,000	30,000		balance b/d	1,76,000	2,54,000	
balance c/d	4,00,000	3,00,000	3,00,000	G.reserve	18,000	12,000	
				Rev a/c	24,000	16,000	
				punit's loan a/c	-	-	3,00,000
				Premium a/c	60,000	30,000	
				cash(b.f.)	1,82,000	18,000	
	4,60,000	330,000	3,00,000		4,60,000	3,30,000	3,00,000
				balance b/d	4lac	3lac	3lac

B/s of New Firm

EPF		10,000	L/B	4,20,000
Creditors		50,000	Investment	55,000
capital a/c			Debtors	
Amit	4,00,000		Less prov	

sumit	3,00,000		Stock	50,000
Punit	3,00,000	10,00,000	Bank	2,50,000
		10,60,000		1,060,000

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Answer 3

In the books of Mars Ltd

WN1

Purchase consideration:

L/b		10,80,000
Stock		7,70,000
B/R		30,000
		18,80,000
This amount is settled by:		
10%PSCof Jupiter ltd	4100*100	4,10,000
ESC of jupiter ltd(b.f)		14,70,000
	Purchase consideration	18,80,000

No. Of shares are issued :

PSC 4100 SHARES OF ₹100 EACH

ESC 1,83,750 SHARES OF ₹ 10 EACH ₹8 PAID UP.

Realisation a/c

L/B		7,64,000	PROV FOR DD	8,000
Stock		7,75,000	B/P	40,000
Debtors		1,60,000	CREDITORS	2,26,000
B/R		30,000	PROV FOR TAX	2,20,000
Bank a/c:			JUPITORS LTD	18,80,000
B/P	38,000		BANK(DEBTORS)	1,50,000
tax	2,22,000			
Exp (8000-5000)	3,000	2,63,000		
bank(credtiors from wn)		2,16,000		
Profit t/f to ESH		3,16,000		
		25,24,000		2,524,000

BANK A/C

BALANCE B/D	3,29,000	REALISATION A/C

REALISATION A/C	1,50,000	REALISATION A/C(B.F FOR CREDITORS)	2,16,000
	4,79,000		4,79,000

ESH A/C

PSC OF JUPITORS LTD	4,10,000	ESC	10,00,000
ESC OF JUPITOTS LTD	14,70,000	CAPITAL RESERVE	42,000
		CONTIGENCY RESERVE	2,70,000
		P/L A/C	2,52,000
		REALISATIION	3,16,000
	18,80,000		18,80,000

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Answer 4

CFS AS PER AS3- REVISED

PARTICULARS				AMOUNT
(a) CASH FLOW FROM OPERATING ACTIVITIES:				
PBT			1,35,000	
ADD: NON CASH CHARGES				
DEP			75,000	
			2,10,000	
ADD: STOCK		20,000		
LESS:				
CREDITORS		(1,00,000)		
DEBTORS		-20,000	(1,00,000)	
OPERATING PROFIT AFTER WORKING CAPITAL CHANGE			1,10,000	
LESS: TAX PAID			-45,000	
CASH FLOW FROM OPERATING ACTIVITIES				65,000
(B) CASH FLOW FROM INVESTING ACTIVITIES:				
PURCHASE MACHINERY FOR CASH		(1,25,000)		
SALE OF INVESTMENT		60,000		
CASH USED IN INVESTING ACTIVITIES				-65,000
(C) CASH FLOW FROM FINANCING ACTIVITIES:				
ISSUE OF ESC FOR CASH			1,50,000	

	BANK LOAN PAID	(1,00,000)	
	CASH FLOW FROM FINANCING ACTIVITIES		50,000
A+B+C	INCREASE IN CASH AND CASH EQIVALENTS		50,000
ADD:	OPENING CASH AND CASH EQIVALENTS		
	CASH	2,00,000	
	BANK	3,00,000	5,00,000
	CLOSING CASH AND CASH EQIVALENTS		5,50,000

ANS 5

NOTE TO CA INSTITUTE:
INFO ABOUT SUBSCRIPTION GIVEN IN THIS QUESTION HAS A PRINTING MISTAKE.
AS PER ADDITIONAL INFO NO. 1 WE ARE INFORMED THAT IN THE BEGINING OF YEAR SUBSCRIPTION WAS OUTSTANDING ₹ 5,000 BUT AS PER RECIEPT & PAYMENT A/C FOR THE CY ,SUBSCRIPTION RECEVIED FOR LAST YEAR IS ₹2,11,000. WHICH NEVER CAN BE POSSIBLE.
SO WE ARE ASSUMING IT AS A PRINTING ERROR.
PLEASE NOTE (ASSUMPTION FOR SIMPLYFICATION THE QNS)
WE ARE ASSUMING
₹2,11,000 IS RECEVIED FOR CY I.E 2010-11
₹4,500 IS RECEVIED FOR PY I.E 2009-10
₹7,500 IS RECEVIED FOR NY I.E 2011-12.

WN1

B/S AS ON 1 APRIL 2010

SUNDRY EXP O/S	7,000	BANK	1,02,500
CAPITAL FUND(B.F)	31,05,500	SUBSCRIPTION O/S	5,000
		STATIONERY	5,000
		BUILDING	10,00,000
		INVESTMENT	20,00,000
	31,12,500		31,12,500

INCOME & EXPENDITURE A/C FOR THE YEAR ENDED 31 MARCH 2011

telephone exp	10,000		Subscription (450*500)		2,25,000
add:o/s exp	3,500	13,500	Profit on sports fund		1,55,000
			Income from Investment	1,00,000	
Sundry exp	92,500		add:Accrued interest	3,750	1,03,750
less : paid for py	7,000	85,500			
stationery consumed:					

purchase	40,000	
add;opening stock	5,000	
lessclosing stock	-9000	36,000
depreciation		50,000
salary		2,08,000
rent		60,000
Surplus(b.f)		30,750
		4,83,750

4,83,750

B/S AS ON 31 MARCH 2011

Sub rec in advance	7,500	cash in bank		45,000
telephone bill o/s	3,500	Sub o/s		
capital fund	31,36,250	for 2009-10	500	
add: surplus		for 2010-11	14,000	14,500
		stationery		9,000
		building less dep		9,50,000
		investment		21,25,000
		accrued int on investment		3,750
	31,47,250			3,147,250

ans 6

WN1

SALES FOR 2009-10=5,00,000

SALES FOR 2010-11=5,00,000*120/100=6,00,000

CASH SALES 6,00,000*20/100=1,20,000

CREDIT SALES 6,00,000*80/100=4,80,000

WN2

DEBTORS A/C

B/D	1,00,000	BANK(B.F)	4,60,000
SALES	4,80,000	C/D	1,20,000
	5,80,000		5,80,000

WN3

CREDITORS A/C

BANK	3,00,000	B/D	82,000
BALANCE C/D	1,46,000	PURCHASE(B.F)	3,64,000
	4,46,000		4,46,000

WN3

CASH BOOK

DATE		CASH	BANK	DATE		CASH	BANK
	B/D	28,000	38,000		BANK	80000	
	SALES	1,20,000	-		SALARY	24,000	
	CASH(CONTRA)	-	80,000		OFFICE EXP	14,400	
	DEBTORS	-	4,60,000		DRAWINGS	6,000	
					CREDITORS		3,00,000
					RENT		16,000
					p/L (t/f)	23,600	
					C/D		2,62,000
		1,48,000	5,78,000			1,48,000	5,78,000
	B/D	23,600	2,62,000				

TRADING A/C OF MR. A
FOR THE YEAR ENDING 2010-2011

OPENING STOCK	2,80,000	SALES	6,00,000
PURCHASES	3,64,000	CLOSING STOCK	1,60,000
GROSS PROFIT	1,16,000		
	7,60,000		7,60,000
DEPRECIATION	4,000	GROSS PROFIT	1,16,000
SALARY	24,000		
OFFICE EXP	14,400		
loss of cash	23,600		
RENT	16,000		
NET PROFIT(B.F)	34,000		
	1,16,000		1,16,000

B/S OF MR A
AS ON 31-3-2011

CREDITORS			1,46,000	FURNITURE	36,000
CAPITAL		4,04,000		STOCK	1,60,000
ADD	NET PROFIT	34,000		DEBTORS	1,20,000
LESS	DRAWINGS	6,000	4,32,000	BANK	2,62,000
			5,78,000		5,78,000

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ANS 7A

DATE	AMOUNT	DATE FROM BASE	PRODUCT
	5000	0	-
	4000	26	104000
	8000	80	640000
	10000	125	1250000
	9000	154	1386000
	36000		3380000

ADD= BASE DATE +3380000/36000
15 JAN+ 93.88 DAY SAPPROX 94 DAYS
19-Apr-10

INTERST ON DRWINGS= 36000*10/100*63/365
621 ROUND OFF

ANS 7B

AS PER AS-2
VALUATION OF INVENTORY IS VALUED AT LOWER OF MP AND CP
THEREFORE VALUATION OF INVENTORY

P	475000
Q	980000
R	289000

S	425000
T	160000
	2329000

ANS 7 C

STEP 1
CALCULATION OF GAINING RATIO OF X;Z = 13:11
STEP 2:
SACRIFICING RATIO OF X;Z = 2:1

1_	JOURNAL ENTRIES;		
	X......................DR	39000	
	Z......................DR	33000	
	TO Y		72000
2_	CASH ....DR	64800	
	TO PREMIUM		64800
3_	PREMIUM DR	64800	
	TO X		43200
	TO Z		21600

ANS 7 D

IT IS PURE THERORITICAL QUS I AM EXPECTING YOU WILL MANAGE IT.

ANS 7 E

IN GENERAL LEDGER

TOTAL DEBTORS A/C

B/D	77,500	CASH	3800
SALES	70000	B/R-ACCEPTED	26000
		DISCOUNT	1000
B/R-DISHON	8500	SALES RETURN	2550
CASH(NOTING CHARGES)	250	C/D	88700
	156250		156250
B/D	88700		

NOTE:
INT IS ALWAYS CREDITED IF DEBTORS ARE NOT PAYING ON TIME SO IT IS ASSUMED THAT THE GIVEN INTEREST IS FOR CREDTIORS A/C.
APPROCH 2;
IF INTEREST IS DEBITED IN DEBTORS A/C THEN THE CORRECT STATEMENT SHOULD BE PRINTED AS;
DEBTORS ARE DEBITED WITH THE AMOUNT OF INTEREST FOR DELEY IN PAYMENY. IN THAT

CLOSING DEBTORS BALANCE WOULD BE ₹87450

THANKS

PRASHANT BHARDWAJ
TEACHING SUBJECT .
ACCOUNTANCY CA-IPCC ,CS-EXEC,CA -CPT.