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Solved Ans. Accounts_1 Ipcc_May.11

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(No.1 Institute of Jharkhand)

C.A. CPT, PCC, IPCC & FINAL

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Ans.1.(a) Calculation of purchase consideration preference shareholders of AXE Ltd. Will get

(a) 9% Psc of BXE Ltd.	
8000 shares @ 100/- each	8,00,000
(b) Cash 8000 shares @ 10/- each	80,000
(A)=	8,80,000
Equity shareholders of AXE Ltd. will get	
(c) ESC of BXE Ltd.	
15000 shares @ 140/- each =	21,00,000
(d) Cash	
1500 shares @ 20/- each =	3,00,000
(B) =	24,00,000
P.C. (A + B)	32,80,000

Ans. (b) Memorandum Trading account of M/s suraj Brothers for the period 1.1.2011 to 30.3.2011

Particulars		Rs.	Particulars		Rs.
To Opening Stock		95,600	By Sales	2,75,000	
To Purchases	170000		Less: Goods not yet Sold		
Less: Machinery Purchased	30000	1,40,000	(49500 x 2/3)	33,000	2,42,000
To Wages	50000		By Closing Stock		89,000
Less: Wages for installation	3000	47,000	(Balancing figure)		
To Gross Profit		48,400			
(242000 x 20%)		3,31,000			3,31,000

Loss of stock

Closing Stock	89000
Less: Goods with customer on approval (49500 x 1/3 x 80%)	13200
Less: Value of salvaged goods	12300
	63,500

Application of Average clause – Since our policy amount (Rs. 60000) is less than value of closing stock (Rs. 89,000) ∴ Avg. clause will apply.

$$\text{Insurance claim} = \frac{\text{Loss of stock x Policy Amount}}{\text{Value of closing stock}}$$

$$= \frac{63500 \times 60000}{89000} = 42809/-$$

Ans. (c) Capital Employed of the firm

Shiv Capital	3,00,000
Mohan Capital	2,00,000
	5,00,000

Normal Profit = 5,00,000 x 20% = 100000/-

Calculation of Goodwill

(1) Super Profit Method

Super Profit = Avg. Profit – Normal Profit

= 1,36,000 – 1,00,000 = 36,000

Goodwill = 36,000 x 5 = 1,80,000/-

(2) Capitalization Method

Goodwill = Value of firm – Capital Employed

$$= \frac{1,36,000}{20} \times 100 - 5,00,000$$

= 1,80,000/-

(3) Avg. Profit Method

Goodwill = Avg. Profit x No. of years of purchase

= 1,36,000 x 3 = 4,08,000/-

Ans. (d) **Investment a/c of Rajat for the year ended on 31.3.2011**

Date	Particulars	No.	Amount	Date	Particulars	No.	Amount
1.4.2010	To balance b/d	50000	7,50,000	31.3.2011	By Balance c/d	90,000	12,10,000
20.6.2010	To Bank A/c	10000	1,60,000				
1.08.2010	To Bonus Issue	10000	-				
5.11.2010	To Bank	20000	3,00,000				
		90000	12,10,000			90000	12,10,000

Note: As per AS 13 if right are not subscribed and renounced than, profit on renunciation of such rights is treated as income.

Ans. 2 Calculation of Profit sharing ratio & Sacrifying ratio.

Sacrifice by Amit = $\frac{3}{5} \times \frac{1}{3} = \frac{1}{5}$

Amit New share = $\frac{3}{5} - \frac{1}{5} = \frac{2}{5}$

Sacrifice by sumit = $\frac{2}{5} \times \frac{1}{4} = \frac{1}{10}$

Sumit New share = $\frac{2}{5} - \frac{1}{10} = \frac{4-1}{10} = \frac{3}{10}$

New ratio = $\frac{4}{10} : \frac{3}{10} : \frac{3}{10}$

i.e. 4:3:3

Revaluation A/c

To Stock A/c	60,000	By L & B A/c	1,00,000
To Pro. for Bad debts (15000 – 10000)	5000	By Investment A/c	5000
To Capital A/c Amit 24000 Sumit 16000	60,000		
	1,05,000		1,05,000

Partner's Capital A/c

Particulars	Amit	Sumit	Punit	Particulars	Amit	Sumit	Punit
To Amit Capital	-	-	60000	By bal. b/d	1,76,000	2,54,000	-
To Sumit Capital	-	-	30000	By Punit loan A/c	-	-	3,00,000
To Cash A/c	60000	30000		By Reserve A/c	18,000	12,000	-
To balance c/d	400000	300000	300000	By Revaluation	24,000	16,000	-
				By Cash A/c	-	-	90,000
				By Punit Capital	60,000	30,000	-
				By Cash A/c	1,82,000	18,000	-
	4,60,000	3,30,000	3,90,000		4,60,000	3,30,000	3,90,000

Balance Sheet of firm as on 1.4.2011
after Punit Admission

Liabilities		Amount	Assets		Amount
Capital A/c			L&B		4,20,000
Amit	4,00,000		Investments		55,000
Sumit	3,00,000		Debtors	3,00,000	
Punit	3,00,000	10,00,000	Less: Pro. for B/D	15,000	2,85,000

Employers PF	10,000	Stock	50,000
Creditors	50,000	Cash at Bank	2,50,000
	10,60,000		10,60,000

Ans. (3) Calculation of number of equity shares & preference shares to be allotted by Jupiter Ltd.

Calculation of Purchase Consideration

L&B	10,80,000
Stock	7,70,000
B/R	30,000
	18,80,000

Discharge of purchase consideration

10% Preference share capital

4100 shares x 100/- = 4,10,000

Equity share Capital (B/F) = 14,70,000

18,80,000

No. of Equity shares to be issued

(1470000/8) = 1,83,750

No. of Preference Shares to be issued = 4,100

In the books of Mass Ltd.

Realisation A/c

Particulars	Rs.	Particulars		Rs.
To L & B	7,64,000	By Pro. for Bad debts		8,000
To Stock	7,75,000	By Bills Payable		40,000
To Sundry Debtors	1,60,000	By Sundry Creditors		2,26,000
To Bills receivable	30,000	By Provision for Income Tax		2,20,000
To Bank A/c		By Jupiter Ltd.		18,80,000
Bills Payable	38,000	(Purchase Consideration)		
Income Tax	2,22,000	By Bank A/c		
Liquidations Exps.	8,000	Debtors	1,50,000	
Creditors	2,16,000	Liquidations Exps.	5,000	1,55,000
To Equity Shareholders A/c	3,16,000			
	25,29,000			25,29,000

Bank A/c

Particulars	Amount	Particulars	Amount
To balance b/d	3,29,000	By Realisation A/c	38,000
To Realisation A/c		Bills Payable	2,22,000
Debtors	1,50,000	Income tax	8,000
Liquidation Exps.	5,000	Liquidation Exps.	
		By Realisation A/c	
		Creditors (B/F)	2,16,000
	4,84,000		4,84,000

Equity Shareholders A/c

Particulars	Amount	Particulars	Amount
To 10% Pref. shares of Jupiter Ltd.	4,10,000	By ESC A/c	10,00,000
To Equity shares of Jupiter Ltd.	14,70,000	By Capital Reserve	42,000
		By Contingency Reserve	2,70,000
		By P & L A/c	2,52,000
		By Realisation A/c	3,16,000
	18,80,000		18,80,000

Jupiter Ltd.

Particulars	Amount	Particulars	Amount
To Realisation A/c	18,80,000	By 10% Pref. shares of Jupiter Ltd.	4,10,000
		By Equity shares of Jupiter Ltd.	14,70,000

	18,80,000		18,80,000

Ans. 4 Cash flow statement of Lotus Ltd. for the year ended on 31.3.2011

Particulars	**Amount**	
Cash flow from operating activities		
Increase in P & L a/c	80,000	
Add: Provision for taxation	55,000	
Add: Depreciation on L&B	20,000	
Add: Depreciation on P&M	55,000	
Operating Profit before working capital changes	2,10,000	
Add: Decrease in stock	20,000	
Less: Increase in Sundry Debtors	20,000	
Less: Decrease in Sundry Creditors	1,00,000	
Cash generated from operations	1,10,000	
Less: Income tax paid	45,000	
		65,000
Cashflow from Investing activities		
Machinery Purchased	(12,5000)	
Investments Sold	60000	(65,000)
Cashflow from Financing activities		
Issue of Equity share capital	1,50,000	
Repayment of long term loan	(1,00,000)	50,000
Net increase in cash & cash Equivalents		50,000
Add: Opening cash & cash Equivalents		5,00,000
Closing cash & cash Equivalents		5,50,000

Land & Building A/c

Particulars	Amount	Particulars	Amount
To balance b/d	4,00,000	By Depreciation A/c	20000
		By Balance c/d	3,80,000
	4,00,000		4,00,000

Machinery A/c

Particulars	Amount	Particulars	Amount
To balance b/d	7,50,000	By Depreciation a/c (B/f)	55,000
To Cash a/c	1,25,000	By Balance c/d	9,20,000
To Equity share capital a/c	1,00,000		
	9,75,000		9,75,000

Investment A/c

Particulars	Amount	Particulars	Amount
To balance b/d	100000	By Cash A/c (B/F)	60000
To Capital Reserve a/c	10000	By balance c/d	50000
	1,10,000		1,10,000

Provision for taxation a/c

Particulars	Amount	Particulars	Amount
To Cash a/c (B/F)	45,000	By Balance b/d	50,000
To balance c/d	60,000		55,000
	1,05,000		1,05,000

Ans. 5 Income & Expenditure account of park view club for the year ended on 31.3.2011

Expenditure		Amount	Income		Amount
To Salaries		2,08,000	By Subscriptions		
To Stationery	40,000		Received	2,23,000	
+ Opening Stock	5,000		+Closing o/s	14,500	
- Closing Stock	9,000	36,000	-opening o/s	5000	
By Rent		60,000	-closing advance	7500	2,20,000
By Telephone Exps.	10,000		By Profit on sports meet		1,55,000
+ Closing o/s	3500	13,500	By Income From Investments	1,00,000	
By Sundry Exps.	92,500		+ Intt. accrued	3,750	1,03,750
- Opening o/s	7000	85,500			
By Depreciation on Building (Rs. 10,00,000 x 5%)		50,000			
By Surplus W.N. (1)		30,750			
		4,83,750			4,83,750

W.N. (1)

Mem. Balance Sheet of Park View club as on 31.3.2010

Liabilities	Amount	Assets	Amount
Capital Fund (B/F)	31,05,500	Building	10,00,000
		Investments	2,00,000
	7000	Stock of Stationery	5,000
o/s Sundry Expenses		O/S Subscriptions	5,000
		Cash & Bank balance	1,02,500
	31,12,500		31,12,500

Balance Sheet of Park view club as on 31.3.2011

Liabilities	Amount	Assets		Amount
Capital Fund		Fixed Assets		
Opening balance	31,05,500	Building	10,00,000	
Add: Surplus	30,750	Less: Depreciation	50,000	9,50,000
	31,36,250	Investments	20,00,000	
Advance subscription	7500	+ Addition	1,25,000	21,25,000
o/s Telephone Bills	3500	Current Assets		
		Stock of Stationery		9,000
		O/S Subscriptions		
		2010-11	14,000	
		2009-10	500	14,500
		Cash & Bank balance		45,000
		Intt accrued on Investments		3750
	31,47,250			31,47,250

Note:
There was a clerical error in the receipt side of Qu. In Subscription received Rs. 4500 should belongs to year 2009-10, Rs. 2,11,000 belongs to year 2010-11 & Rs. 7500 should belongs to 2011-12.

Ans. 6 W.N. 1 Calculation of current year sales
Last year total sales – 5,00,000/-
Trend = +20%
∴ Current year Total sales = 6,00,000/-
(5,00,000 x 1.20)
Cash Sales = .120000/-
(6,00,000 x 20 %)
Credit Sales = 4,80,000/-

W.N. (2) Cash Book

Particulars	Cash	Bank	Particulars	Cash	Bank
To balance b/d	28,000	38,000	By Creditors	-	3,00,000
To Bank A/c	-	80,000	By Rent A/c	-	16,000
To Sales	1,20,000	-	By Cash A/c	80,000	-
To Debtors	-	4,60,000	By Salary A/c	24,000	-
			By Office Exps.	14,400	-
			By Drawings	6,000	-
			By Cash Stolen A/c	23,600	-
			By balance c/d	-	2,62,000
	1,48,000	5,78,000		1,48,000	5,78,000

W.N (3) **Debtors A/c**

Particulars	Rs.	Particulars	Rs.
To balance b/d	1,00,000	By Bank A/c (B/F)	4,60,000
To Sales	4,80,000	By balance c/d	1,20,000
	5,80,000		5,80,000

W.N (4) **Creditors A/c**

Particulars	Rs.	Particulars	Rs.
To Bank A/c	3,00,000	By Balance b/d	82,000
To balance c/d	1,46,000	By Purchases (B/F)	3,64,000
	4,46,000		4,46,000

Trading & Profit & Loss a/c of Mr. A for the year ended on 31.3.2011

Particulars	Rs.	Particulars	Rs.
To Opening Stock	2,80,000	By Sales	6,00,000
To Purchases	3,64,000	By Closing Stock	1,60,000
To Gross Profit	1,16,000		
	7,60,000		7,60,000
To Salary	24,000	By Gross Profit	1,16,000
To Office Expenses	14,400		
To Rent A/c	16,000		
To Cash Stolen A/c	23,600		
To Depreciation A/c	4,000		
To Net Profit	34,000		
	1,16,000		1,16,000

Balance Sheet of Mr. A as on 31.3.2011

Liabilities		Rs.	Assets		Rs.
Capital A/c			Fixed Assets		
Opening balance	404000		Furniture	40,000	
Add: Net Profit	34000		Less: Depreciation @ 10%	4,000	36,000
	438000		Current Assets		
Less: Drawings	6000		Stock		2,60,000
		432000	Debtors		1,20,000
Creditors			Cash at Bank		2,62,000
		1,46,000			5,78,000
		5,78,000			

Ans. 7(a) Let base date is Jan 15.

Due Date	Amount	No. of days	Product (Amt. x No. of days)
Jan 15	5000	0	0
Feb10	4000	26	104000

April 5	8000	80	640000
May 20	10000	125	1250000
June 18	9000	154	1386000
	ΣAmt = 36,000		33,80,000

$$\text{Average No. of Days} = \frac{\text{Product}}{\Sigma\text{Amount}} = \frac{3380000}{36000} = 93.88 \text{ or } 94 \text{ days}$$

Average Due Date = Base Date + Avg. No of days
= Jan 15 + 94 days
= April 19th

Interest on drawings will be calculated from Add to 30th June 2010.

;. Period of Interest = 72 days

Interest Amount = ΣAmount x Date of Interest x Period of Intt.

$$= 36000 \times 10\% \times \frac{72}{365} = 710/-$$

Ans. 7(b) As per AS-2 on Valuation of Inventories, inventories should be valued at the lower of cost and net realizable value. Inventories should be written down to net realizable value on an item-by-item basis in the given case.

(Rupees in lakhs)

Items	*Historical Cost*	*Net realisable value*	*Valuation of closing stock*
P	5,70,000	4,75,000	4,75,000
Q	9,80,000	10,32,000	9,80,000
R	3,16,000	2,89,000	2,89,000
S	4,25,000	4,25,000	4,25,000
T	1,60,000	2,15,000	1,60,000
	24,51,000	24,36,000	23,29,000

Hence, closing stock will be valued at Rs. 23,29,000.

Ans. 7(c) W.N.(1) Calculation of New Profit Sharing ratio

	X	Y	Z	W
Old Profit sharing ratio	$\frac{4}{9}$	$\frac{3}{9}$	$\frac{2}{9}$	-
New Profit Sharing Ratio after retirement of Y	$\frac{5}{8}$		$\frac{3}{8}$	-
Adjustment on admission of W	$\frac{\cancel{3}}{10} \times \frac{2}{\cancel{3}}$	-	$\frac{\cancel{3}}{10} \times \frac{1}{\cancel{3}}$	$\frac{3}{10}$

	X	Y	Z	W
	$\frac{5}{8} - \frac{2}{10}$	-	$\frac{3}{8} - \frac{1}{10}$	$\frac{3}{10} \times \frac{4}{4}$
	$\frac{25 - 8}{40}$		$\frac{15 - 4}{40}$	
New Profit Sharing Ratio after W's admission =	$\frac{17}{40}$		$\frac{11}{40}$	$\frac{12}{40}$

W.N (2) Adjustment of Goodwill on retirement of Y

Particulars	X	Y	Z
Goodwill raised in old Profit sharing ratio	96000 Cr.	72000 Cr.	48000 Cr.
Goodwill w/o in new P.S. ratio	1,35,000 Dr.	-	81000 Dr.
	39,000 Dr.	72000 cr.	33000 Dr.

W.N (3) Adjustment of Goodwill on admission of W

Particulars	X	Y	Z
Goodwill raised in old Profit sharing ratio	135000 Cr.	81000 Cr.	-
Goodwill w/o in new P.S. ratio	91800 Dr.	59400 Dr.	64800 Dr.
	43,200 Cr.	21600 Cr.	64800 Dr.

Journal Entries in the books of Firm

(a) On retirement of y

X's Capital a/c Dr. 39,000
Z's Capital a/c Dr. 33,000
To Y's Capital a/c 72,000

(Being adjustment of goodwill on retirement of y without opening Goodwill a/c in the books)

(b) On admission of W

W/s capital A/c Dr. 64800
To X's Capital a/c 43200
To Z's Capital a/c 21600

(Being adjustment of G/w on admission of W without opening G/w a/c in the books)

Ans.7(d) SIGNIFICANCE OF COMPUTERISED ACCOUNTING SYSTEM

With computers becoming extensively used in business today, it is obvious that accounts which were earlier maintained in a manual form will be gradually replaced with computerised accounts. The speed with which accounts can be maintained is several fold higher. Basic difficulties faced like balancing of trial balance, correct posting into the general ledger and subsidiary ledger is a thing of the past. Today any person maintaining accounts in the computer does not have to consider that while making say a cash expense entry through the cash payment screen that the corresponding ledger posting of the expense has been done properly or not. Similarly the trial balance should automatically tally unless some mistake is made while recording the opening balances. The only concerns that has increased today are concerns for controls, security and integrity of the computer system as more and more information is stored not in the hard print but as soft copies inside the computer. Issues like unauthorised access to the data either through the local area network or through the internet by hacking into the company server are becoming potential threat to the computer usage.

Ans. 7(e) In the General Ledger of M/s Zee Ltd.

Debtors A/c

Particulars	Rs.	Particulars	Rs.
To balance b/d	77,500	By Cash a/c	38000
To Sales (Credit) 70000		By B/R a/c	26000
Less: Rejection 2550	67,450	By Discount allowed a/c	1000
To Interest a/c	1250	By balance c/d	89950
To B/R dishonored	8500		
To Cash a/c	250		
(Noting charges)			
	154950		154950