

SUGGESTED ANSWERS

Nov- 2011

(unofficial)

avkabra255@gmail.com

GROUP II

PAPER 5

Advance Accounting

Que 1

(A)

Neel Ltd

As per AS 16, Borrowing Cost that are directly attributable to "Qualifying Asset" can be Capitalised.

Qualifying Asset

Which takes a substantial period of time (> 1Year) to get ready for intended use or sale.

Applying Provisions Of AS 16

Sr No.	Particulars	Nature	Interest To Be Capitalised	Interest to be charged to Profit & Loss A/c
i)	Costruction of shade	Qualifing Asset	{28 Lakhs*12 Lakhs/70 Lakhs} 480,000	
ii)	Purchase of Machinery	Not Qualifing Asset		{21 Lakhs*12 lakhs/70 Lakhs} 360,000
iii)	Working Capital	Not Qualifing Asset		{14 Lakhs*12 lakhs/70 Lakhs} 240,000
iv)	Advance for Purchase of Truck	Not Qualifing Asset		{7 Lakhs*12 lakhs/70 Lakhs} 120,000
	Total	1,200,000	480,000	720,000

(C)

A Ltd
Journal Entries

Date	Particulars	Dr	Cr
2010	Own Debentures A/c	Dr 2,940,000	
31-May	Interest A/c	60,000	
	To Bank A/c		3,000,000
	(Being purchase of own Debentures Ex-Int. at ₹98/-)		
30-Sep	Interest A/c	600,000	
	To Bank A/c		600,000
	(being half yearly interest paid)		
2011	Interest A/c	600,000	
31-Mar	To Bank A/c		600,000
	(being half yearly interest paid)		
"	12% Debenture A/c	Dr 3,000,000	-
	To Own Debentures A/c	-	2,940,000
	To Capital Reserve A/c	-	60,000
	(Being Profit On Cancellation of own Debentures Stock)		

(D)

Global Ltd
Journal Entries

Date	Particulars	Dr	Cr
i)	Exps A/c	135,000	-
	To H/O A/c	-	135,000
	(being the Exps of H/O alloted to Branch)		
ii)	Depreciation A/c	115,000	-
	To H/O A/c	-	115,000
	(being the Depreciation Charged By H/O)		
iii)	H/O A/c	140,000	-
	To Salaries	-	140,000
	(Being Salary paid to H/O Inspector)		
iv)	H/O A/c	130,000	-
	To Debtors	-	130,000
	(Being Cash Collected By H/O directly from Debtors)		

Que 2

In the books of partnership firm of P, Q, R & S

Realisation A/C

Particulars	₹	Particulars	₹
To Land & Building	246,000	By Creditors	36,000
To Furniture & Fixtures	65,000	By Mortgage Loan	110,000
To Stock	100,000		
To Debtors	72,500	<u>By Cash A/C:</u>	
<u>To Cash A/C</u>		Land & Building	230,000
Creditors (36000+18000)	54,000	Furniture & Fixtures	42,000
Mortgage Loan	110,000	Stock	72,000
Realisation Exps	7,800	Debtors	65,000
	171,800		409,000
		<u>By Capital A/C</u>	
		P (4/10)	40,120
		Q (3/10)	30,090
		R (2/10)	20,060
		S (1/10)	10,030
			100,300
	655,300		655,300

Cash A/C

Particulars	₹	Particulars	₹
To Balance B/D	15,500	<u>By Realisation A/C</u>	
<u>To Realisation A/C</u>		Creditors	54,000
Land & Building	230,000	Mortgage Loan	110,000
Furniture & Fixtures	42,000	Realisation Exps	7,800
Stock	72,000		171,800
Debtors	65,000		
	409,000	<u>By Capital A/C</u>	
<u>To Capital A/C</u>		P	203,364
P	40,120	Q	135,576
Q	30,090	(Final Settlement)	
S	10,030		
To S's Capital A/C			338,940
(final settlement)	6,000		
	510,740		510,740

Partners' Capital A/C

Particulars	P	Q	R	S	Particulars	P	Q	R	S
To Balance B/D	-	-	25,000	18,000	By Balance B/D	168,000	108,000	-	-
To Realisation A/C (Loss on Realisation)	40,120	30,090	20,060	10,030	By Genral Reserves	38,000	28,500	19,000	9,500
To R's Capital A/c	12,636	8,424	-	-	By Capital Reserves	10,000	7,500	5,000	2,500
To Cash A/C (Balancing Figure)	203,364	135,576	-	-	By Cash A/C	40,120	30,090	-	10,030
					(Loss On Realisation made good)				
					By P	-	-	12,636	-
					By Q	-	-	8,424	-
					(Loss on insolvency)				
					By Cash A/C	-	-	-	6,000
					(Bal. Fig)				
	256,120	174,090	45,060	28,030		256,120	174,090	45,060	28,030

Working Notes:Calculation Of Capital Ratio Of **Solvent** Partners

By Balance B/D	168,000	108,000
By Genral Reserves	38,000	28,500
By Capital Reserves	10,000	7,500
	<u>216,000</u>	<u>144,000</u>
Ratio	1.5	1
(216000/144000)		

Que 3

1) Calculation of Purchase Consideration

Particulars	X Ltd.	Y Ltd.
- No. of outstanding shares	300,000	180,000
- market value per share	18	20
- Total market value	5,400,000	3,600,000
- Value per share of Z Ltd.	16	16
- No. of shares to be issued	337,500	225,000

No Of Share to be Received by X Ltd from Y Ltd.

15000*20/16	18,750
Value @ 16	300,000

WN Calculation of Goodwill

Net Assets Taken over:

Land & Building	4,050,000
Plant & Machinery	2,640,000
Stock	2,610,000
Debtors	2,010,000
Cash	210,000
Totals	11,520,000

Less:

Creditors	1,470,000
Loan	900,000
Debentures	1,500,000
	3,870,000
Difference	7,650,000
Total Purchase Consideration	9,000,000
Goodwill	1,350,000

Books X Ltd

Realisation A/c

Particulars	₹	Particulars	₹
To Land & Building	2700000	By Secured Loan	0
To Plant & Machinery	1500000	By Debentures	1500000
To Stock	1560000	By Creditors	780000
To Debtors	1230000	By Investments	300000
To Cash	90000	(Shares in Z Ltd)	
To Investments	240000	By Z Ltd	5400000
To Shareholders' A/c	660000	(Purchase Consideration)	
	<u>7980000</u>		<u>7980000</u>

Equity Shareholders A/c

Particulars	₹	Particulars	₹
To Shares In Z Ltd. A/c		By Equity Share Capital A/c	3000000
Purchase Consideration	5400000	By Genral Reserve	900000
Fron Y Ltd	300000	By Securities Premium	600000
		By Profit & Loss A/c	540000
		By Realisation A/c	660000
	<u>5700000</u>		<u>5700000</u>

Books Y Ltd

Realisation A/c

Particulars	₹	Particulars	₹
To Land & Building	1350000	By Secured Loan	900000
To Plant & Machinery	1140000	By Debentures	0
To Stock	1050000	By Criditors	510000
To Debtors	780000	By Z Ltd	3600000
To Cash	120000		
To Shareholders' A/c	570000		
	<u>5010000</u>		<u>5010000</u>

Equity Shareholders A/c

Particulars	₹	Particulars	₹
To Shares In Z Ltd. A/c	3600000	By Equity Share Capital A/c	1800000
		By Genral Reserve	750000
		By Profit & Loss A/c	480000
		By Realisation A/c	570000
	<u>3600000</u>		<u>3600000</u>

Z Ltd
 Balance Sheet
 As on 1 April, 2011

Liabilities	₹	Assests	₹
Share Capital 562500 Shares of ₹10 each	5625000	Goodwill (WN)	1350000
		Land & Building	4050000
		Plant & Machinery	2640000
<u>Reserves & Surplus:</u>		Stock	2610000
Securities Premium (562500 shares @ ₹ 6)	3375000	Debtors	2010000
		Cash	210000
10% Debentures	1500000		
Secured Loans	900000		
Sundry Creditors	1470000		
	<u>12870000</u>		<u>12870000</u>

Note: Contigent Liability Is Included In Sundry Creditors

Que 4 **M/s Access Electricity Company**i) Statement showing " **Capital Base** "

₹

A.

1. Fixed Assets		90,000,000	
Less: Contributions by Customers		(340,000)	
2. Contingency Reserve Investments		2,400,000	
3. Intangible Assets		760,000	
4. Currents Assets (Ave Monthly)	3,460,000	2,760,000	
Less: Due from Customers	700,000		
Totals			<u>95,580,000</u>

B.

1. Depreciation Reserve		30,000,000	
2. Development Reserve		1,200,000	
3. Loan from Electricity Board		12,000,000	
4. Security Deposits from Customers		1,000,000	
5. Debentures (240000/12*100)		2,000,000	
5. Tariff & Dividend		1,600,000	
Totals			<u>47,800,000</u>
Capital Base			47,780,000

ii) Statement showing " **Reasonable Returns** "

1. 12% on Capital Base	5,733,600
2. 8% on Govt. Securities	400,000
3. 1/2% on Loan from Electricity Board	60,000
4. 1/2% on Development Reserve	6,000
5. 1/2% on Debentures	10,000
	<u>6,209,600</u>

iii) Statement of Disposal of Surplus Above 20 % of reasonable Returns

1. Surplus	1,290,400
Clear Profit	7,500,000
Less: Reasonable Returns	<u>6,209,600</u>
2. 20% Of Reasonable Returns	1,241,920
Amount to be credited to customers Account	<u>48,480</u>

iv) Disposal Of 20% Of Reasonable Returns		1,241,920
Lower of bellow:		
1/3 of Surplus	430,133	
or		
5% of Reasonable Returns	310,480	<u>310,480</u>
	BALANCE	931,440
1/2 To Tariff & Dividend Account		465,720
1/2 To Customers Account		465,720

Disposal Of Clear profit

1.Amount for Disposal at company (Reasonable return + 310480)	6,520,080
2. Credited to Customers Account (465720 + 48480)	514,200
3. Credited To Tariffs & Dividend	<u>465,720</u>
	<u><u>7,500,000</u></u>

Que
5 (A)

M/s AM Enterprises
Trading A/C And Profit & Loss A/c
For The Year Ended On 31 March, 2011

Particulars	Cloth	Ready	Particulars	Cloth	Ready
To Opening Stock	3,150,000	532,000	By Sales	23,100,000	4,725,000
To Purchases	21,000,000	168,000			
To Trf	-	3,150,000	By Trf	3,150,000	-
To Mfg Exps.	-	630,000	By Closing Stock	2,100,000	672,000
To Gross Profit c/d	4,200,000	917,000			
	28,350,000	5,397,000		28,350,000	5,397,000
To Op.Stock Reserve (WN)	-	80,640	By Gross Profit b/d	4,200,000	917,000
To Selling Exps	210,000	73,500			
To Rent & Warehousing	840,000	560,000			
To Genral Reserve (WN)	651,000	434,000			
To Net Profit	2,499,000		By Net Loss		231,140
	4,200,000	1,148,140		4,200,000	1,148,140

Working Notes:		
1. Calculations of Stock Reserve		
	Opening	Closing
Total	532,000	672,000
<u>Break Up</u>		
75 % cloth	399,000	504,000
25% Other expenses	133,000	168,000
<u>Stock reserve</u>		
@ 15% on opening stock	59,850	
@ 16% on closing stock (W/N 2)		80,640
2. Calculation of Gross Profit %		
opening (given)	0.15	
<u>closing</u>		
Gross profit / Total sales (including dept. trf.)		
4200000/26250000		0.16

Que 5
(B)

i)	Amount	Date Of maturity	Days in excess of 31/3/2011	Reabate @ 12% p.a.
	375,000	15/4/2011	15	1,849.32
	490,000	6/5/2011	36	5,799.45
	245,000	1/6/2011	62	4,993.97
	368,000	20/6/2011	81	9,799.89
	485,000	4/7/2011	95	15,147.95

ii)

Discount A/c

Particlars	₹	Particulars	₹
To Profit & Loss A/c	633,370	By Balance b/d	60,160
		By Bills Receivables	610,800
To Bal c/d	37,590		
	670,960		670,960

iii)

Journal Entries

			Dr	Cr
Sr No	Particulars			
1	Rebate on bills Dis. A/c	Dr	60,160	-
	To Discount A/c		-	60,160
	(Being balance b/d)			
2	Bills Receivable A/c	Dr	2,442,250	-
	To Cash A/c		-	1,831,450
	To Discount A/c		-	610,800
	(Being Bills Discounted)			
3	Discount A/c	Dr	633,820	-
	To Profit & Loss A/c		-	633,820
	(Being Transfer)			
4	Discount A/c	Dr	37,590	-
	To Rebate A/c		-	37,590
	(Being Balance C/f)			

Que 6

M/s ABC Limited

(A)

Statement Showing Liability of "List B Contributories"

	Particulars/ Amt due	Q	R	S	T	Total	
A	O/S Shares		3000	2400	1600	1000	8000
B	Max Amt Receivable @ 2/-		6000	4800	3200	2000	
C	Ratio		30	24	16	10	
D	22/7/2010	12000	4500	3600	2400	1500	12000
E=B-D	BAL		1500	1200	800	500	
F	15/9/2010	13500					
	Less:	12000					
		1500	-	720	480	300	1500
G	BAL			480	320	200	
H	14/12/2010	14000					
	Less:	13500					
		500	-	-	308	192	500
I	BAL				12	8	
J	9/3/2011	14200					
	Less:	14000					
		200	-	-	-	8	8
K	Total Amount paid						14008
L	Amount Payable						14200
M	Unpaid Creditors						192

Que 6

(b)

Form B - RA (Prscribed by IRDA)
M/s. Bigfish Marine Insurance Co. Ltd.
Revenue Account
For the Year ended 31st March, 2011

Particulars	Schedule	current Year	Pevious Year
Premiums Earned	1	1,672,800	
Rent,Interest & Dividend (Gross)		165,250	
Profit on sale of car		-	
Double Taxation		-	
Totals (A)		1,838,050	
Claims Incurred	2	1,200,000	
Commission paid	3	194,000	
Management Exps	4	375,000	
Income Tax paid		49,575	
Totals (B)		1,818,575	
Operating Profit/ (Loss)		19,475	

Sch.1 Premium Earned (Net)

Received	1,875,000
Paid	(228,000)
O/S on 31/03/2011	125,000
earned	1,772,000
Change in provision (WN1)	(99,200)
Net Premium Earned	1,672,800

Sch. 2 Claims Incurred (Net)

Claims Paid	1,054,000
O/S on 31/03/2011	225,000
O/S on 01/04/2010	(189,000)
<u>Exps</u>	
Surveyor's Fees	45000
Legal fees	65000
	110,000
	1,200,000

Sch. 3 Commission (Exps)

Paid	194000	
Received	<u>0</u>	<u>194,000</u>

Sch. 4 Management Exps.

Total Exps		485,000
Surveyor's Fees	-45000	
Legal fees	<u>-65000</u>	<u>(110,000)</u>
		<u>375,000</u>

WN 1

Opening Balance	1850000
Less: 1659500+10%	<u>1949200</u>
	<u>-99200</u>

Que 7

(c)

Books of _____ Ltd

Journal Entries

Date	Particulars	L/F	Dr `	Cr `
2010 1-Apr	ESO Exps A/c Dr To Employees' Stock Option A/c (being 5000 options @ ₹90each)	-	450,000	- 450,000
2010 1-Dec	Bank A/c Dr Employees' Stock Option A/c Dr		240,000 432,000	- -
to	To Equity Shares A/c		-	48,000
2011 28-Feb	To Securities Premium A/c (Bein 4800 options @ ₹50 taken by employees)		-	624,000
2011 31-Mar	Employees' Stock Option A/c Dr To ESO Exps A/c (Being provision for unopted shares reversecd)	-	18,000	- 18,000
"	Profit & Loss A/c Dr To ESO Exps (Being exps for the shares opted)		432,000	432,000

Working Notes

Provision To Be made

5000 shares * (140-50)=700000

450,000