Model Answers Of Advanced Accounting Karnataka CA- IPCC May 2018(Old)

Solution to Q.No- 1

Solution to Q.No:-1(a)

Amortisation cost of patent as per AS-26 "INTANGIBLE ASSET"

YEAR	METHOD USED	AMORTISATION AMOUNT	
			ì
1	SLM	10000000*1/5	2000000
2	SLM	10000000*1/5	2000000
3	NCF	6000000*45/200	1350000
4	NCF	6000000*42/200	1260000
5	NCF	6000000*40/200	1200000
6	NCF	6000000*38/200	1140000
7	NCF	6000000*35/200	1050000
		TOTAL	10000000

NOTE:- Here, SLM = Straight line method

NCF= Net cash flow

Formulae for Net Cash Flow,

=60L[1][100L-40L] * Cash flow for Current Year/Total net Cash Flow

Total Net cash Flow,

=45L +42L+40L+38L+35L

= 200L

[1] L= Rupees in Lakhs

Solution to Q. No:- 1(b)

As Per AS- 20 "Earnings Per Share"

Sl No	Particulars	2015-16 Rs.	2016-17 Rs.
(i)	Basic EPS for year 2015-16 as originally reported Net profit of the year attributable to ESH's / Weighted average no of ES outstanding during Year 3500000 / 1500000 shares	2.33	
(ii)	Restated basic EPS 3500000 / (1500000*1.08) shares	2.16	
(iii)	Basic EPS for year 2016-17 (including effect of right issue) 4500000 / (1500000*1.08*4/12)+(2000000*8/12)		2.4

NOTE:-

Fair value of all outstanding (o/s) shares immediately prior to exercise of rights + total amount received from ex exercise / number of shares o/s prior to excise+ number of shares in exercise

1 Computation of theoretical ex-fair value per share:-

$$\frac{(1500000*35)+(500000*25)}{1500000+500000} = 32.5$$

2 Computation of adjustment factor:-

$$\frac{\text{Fair value per share prior to exercise of rights}}{\text{theoretical ex-fair value per share}}$$

35/32.5= 1.08 (appx)

Solution to Q. No:- 1(c)

As per AS- 12 "Government Grants"

(i) In this case the grant refunded is 15L, and balance in deferred grant a/c is 10.5L[15L-(1.5*3)].
4.5L shall be charged to p&l a/c for year 2017-18.
No Effect on cost of asset & depreciation charge same as earlier years.

(ii) The refund of grant must be shown by increasing the book value of the asset The refund of grant must be shown by increasing the book value of the asset , by the amount refundable that is 15L.
Depreciation on revised book value shall be charged prospectively on residual life of asset .
The book value of asset after refund is 71L(56L+15L)
Depreciation =71L/7 = 10.14L [as resudial life is 7years]

Solution to Q. No:- 1(d)

As per AS- 16 "Borrowing Cost"

Eligible borrowing cost = 2.5L-24000 = 2.26L.

SL. No	Particulars	Nature of asset	Interest to be capitalised	Interest to be Charged to p&L a/c
1	Construction of building	QA	72320 (2.26L*8/25)	-
2	Purchase of machinery	NQA	-	90400 (2.26L*10/25)
3	Working capital	NQA	-	63280 (2.26L*7/25)
	TOTAL		72320	153680

NOTE:-

Here , QA = Qualifying Asset
NQA = Non Qualifying Asset

Solution to Q.No- 2

Realisation a/c

Particulars	**ì**	**Particulars**	**ì**
To Building a/c	95000	By Trade creditors a/c	39000
To Stock a/c	60900	By Bills payable a/c	16000
To Investment a/c	20000	By C Capital a/c	7900
To Debtors a/c	29800	(5500+2400)	
To Cash a/c:-		By Cash:-	
Creditors	33516	Building	99750
Bills payable	15200	[95000*105%]	
Realisation expenses	5200	Stock	75000
		Investment	13860
		Debtors	24112
To Partners capital a/c	16006		
(bal fig)			
	259616		259616

Cash a/c

Particulars	**ì**	**Particulars**	**ì**
To bal b/f	7300	By Realisation:-	
To Realisation :-		Creditors	33516
Building	99750	Bills payable	15200
Stock	75000	Realisation exp	5200
Investment	13860	By A capital a/c	64967
Debtors	24112	By B capital a/c	43311
To C capital a/c	2500	By D capital a/c	60328
	222522		222522

	Working note - 1:- Creditors Paid	
	Total Creditor	39000
(-)	Take over of investment	4800
		34200
(-)	Discount @ 2%	684
		33516

Partners Capital a/c

Particulars	A Cap ì	B Cap ì	C Cap ì	D Cap ì	Particulars	A Cap ì	B Cap ì	C Cap ì	D Cap ì
To bal b/f	-	-	12000	-	By bal b/f	60000	40000	-	15000
To Realisation a/c	-	-	5500	-	By General reserve	4500	3000	3000	4500
To Realisation a/c	-	-	2400	-	[15000 in 3:2:2:3]				
To C capital a/c	4335	2890	-	3974	By Realisation a/c	4802	3201	3201	4802
To Cash a/c	64967	43311	-	60328	[16006 in 3:2:2:3]				
(bal fig)					By Cash a/c	-	-	2500	-
					A capital	-	-	4335	-
					B capital	-	-	2890	-
					D capital	-	-	3974	-
	69302	46201	19900	64302		69302	46201	19900	64302

Working note - 2:- Investment Realised	
Total Investment	39000
(-) Misappropriation by C	3900
(-)Taken over by Creditors	3500
	12600
(+)Profit @ 10%	1260
	13860

Working note - 3:- From Debtors Realised	
Total Debtors	29800
(-) Misappropriation by C	2400
	27400
(-) Discount @ 12%	3288
	24112

Working note - 4:- Deficiency of C	
Balance of C Capital	12000
(+) Misappropriation by C	7900
(-) Profit of General reserve	3000
(-) Profit of Realisation a/c	3201
(-) Private asset (recovered)	2500
	11199

Share of Deficiency :-

A :- 11199*60/155 = 4335

B:- 11199*40/155 = 2890

C:- 11199*55/155 = 3974

Solution to Q. No.- 3

Solution to Q. No:- 3(a)

<u>Buy Back of Shares:-</u>
24000*20% = 48000
Price per share = 60
Total Buy Back in Rs = 2880000

Journal Entries in the books of Pee Ltd:

Sl No	Particulars		Amount Dr ì	Amount Cr ì
1	ESC a/c [48000*10]	Dr	480000	
	POBB a/c [48000*50]	Dr	2400000	
	To ESH a/c			2880000
	(Being amount made due to ESH)			
2	SPR a/c	Dr	2400000	
	To POBB a/c			2400000
	(Being POBB written off)			
3	Revenue Reserve a/c Dr		480000	
	To CRR a/c			480000
	(Being nominal value of amount t/f to CRR a/c)			
4	Bank a/c	Dr	2500000	
	Revenue a/c	Dr	500000	
	To Investment a/c			3000000
	(Being investment sold)			
5	ESH a/c	Dr	2880000	
	To Bank a/c			2880000
	(Being ESH paid)			

Balance sheet of Pee ltd as on 31/3/17

Particulars				Notes No	Amount (i)
I	Equity and Liability				
	1	Share Holders Fund			
		a	Share Capital	1	2220000
		b	Reserves and surplus	2	6800000
	2	Non-Current Liabilities			
	3	Current Liabilities			
		a	Trade payables		1300000
		b	Other current liabilities		300000
			TOTAL		106200000
II	Assets				
	1	Non-Current Assets			
		a	Fixed Assets		
			Tangible assets	3	7600000
	2	Current Assets			
		a	Inventories		1200000
		b	Trade receivables		700000
		c	Cash and cash equivalents	4	1120000
			TOTAL		106200000

Notes to Accounts:

		(i)	(i)
1	Share Capital		
	ESC	19.2L	
	[24L-4.8L]		
	PSC	3L	2220000
2	Reserves and surplus		
	Capital Reserve	10L	
	Revenue Reserve	20.2L	
	[25L-4.6L]		
	SPR	3L	
	[27L-24L]		
	P&I	30L	
	[35L-5L]		
	CRR	4.8L	6800000
3	Tangible assets		
	Building	25L	
	Machinery	31L	
	Furniture	20L	7600000

Notes to Accounts:

4 Cash and cash equivalents

Particulars	(i)	Particulars	(i)
To bal b/f	1500000	By ESH	2880000
To Sale of Investment	2500000	By Bal c/f	1120000
		(bal fig)	
	4000000		4000000

NOTES:-

ESC – Equity share capital
POBB – profit on buy back
SPR – securities premium reserve
CRR – capital redemption reserve
ESH – equity share holders

Solution to Q. No -- 4

*Refer to Study material **Illustration 1** of **Pg no- 4.133***

Solution to Q. No – 5

Solution to Q. No:- 5(a)

Journal Entries in the books of Bharath Insurance Co ltd

Date	Particulars		Amount	
			Dr ì in Cr	Cr ì in cr
01-04-2016	URR a/c [Marine]	Dr	21	
	URR a/c [Fire]	Dr	28	
	URR a/c [Miscellaneous]	Dr	6	
	To Revenue a/c [Marine]			21
	To Revenue a/c[Fire]			28
	To Revenue a/c [Miscellaneous]			6
	(Being URR a/c b/f)			
31-03-2017	Marine Revenue a/c	Dr	29	
	To URR a/c			29
	(Being closing URR created for 100% of net premium income to 29cr)			
	[22cr+11.5cr+7cr-4cr-7.5cr = 29cr]			
	Fire Revenue a/c	Dr	25.9	
	To URR a/c			25.9
	(Being closing URR created for 50% of net premium income to 25.9cr)			
	[46cr+9.2cr+3cr-1cr-5.3cr=51.9cr*50%= 25.95cr]			
	Miscellaneous Revenue a/c	Dr	5.5	
	To URR a/c			5.5
	(Being closing URR created for 50% of net premium income to 5.5cr)			
	(13cr+5.5cr+1.5cr-1cr-8cr = 11cr*50% = 5.5cr]			

NOTE:- Here, URR = Unexpired Risk Reserve

URR a/c

Date	Particulars	Marine ì in Cr	Fire ì in Cr	Miscellaneous ì in Cr	Date	Particulars	Marine ì in Cr	Fire ì in Cr	Miscellaneous ì in Cr
01-Apr	To Revenue a/c	21	28	6	01-Apr	By bal b/f	21	28	6
31-Mar	By bal c/f	29	25.95	5.5	31-Mar	By Revenue a/c	29	25.95	5.5
		50	53.95	11.5			50	53.95	11.5

Solution to Q. No-5(b)

Profit and loss a/c of Supreme Bank ltd for year ending 31/3/18

	Particulars	Schedule No	Amount (ì) in Lakhs
I	Income:-		
	Income earned	13	1832
	Other income	14	23
	TOTAL		1855
II	Expenditure		
	Interest earned	15	1136
	Operating income	16	105
	Provisions and contingencies (WN - 1)		439.215
	TOTAL		1680.215
III	Profit/Loss		
	Net Profit/(loss) for the year		174.785
	Profit/Loss b/f		65
	TOTAL		239.785
IV	Appropriations		
	t/f to statutory reserve@ 25%		43.69625
	Balance to balance sheet		196.08875
	TOTAL		239.785

Schedules:-

Schedule – 13	(i) in Lakhs
Interest and discount	1835
(-) RBD	3
	1832

Schedule – 14	(i) in Lakhs
Interest on investment	8
Commission	12
Profit on sale of investment	1
Rent received	2
	23

Schedule – 15	(i) in Lakhs
Interest expended	1136
	1136

Schedule – 16	(i) in Lakhs
Printing and stationery	18
Repair and maintenance	2
Payment & provision for employees	80
Other operating expenses	5
	105

WN - 1:-

Provisions and contingencies

Provision on Advances		(i) in Lakhs
Standard	4100*0.4%	16.4
Sub Standard	380*15%	57
Doubtful Advances:		
Unsecured Portion	155*100%	155
Secured portion:-		
Less than 1 year	10*25%	2.5
More than 1year, < 2 yrs	18*40%	7.2
More than 2year, =< 3 yrs	[35+22]*100%	57
Loss Asset	50*100%	50
		345.1

Income Tax on 268.9 [1855-1136-105-345.1]

Income Tax provision = 268.9*35% = ì 94.115 L

Total Provision = 94.115 + 345.1

= ì 439.215 L

Solution to Q.No- 6

Solution to Q.No:- 6(a)

Departmental trading and P&l a/c of XYZ ltd for year enc

Particulars	**R ì**	**S ì**	**T ì**	**Particulars**	**R ì**	**S ì**	**T ì**
To opening stock	6000	10000	21000	By Sales	-	-	115000
material purchased	18000	22000	-	Inter departmental			
Direct labour	11000	12000	-	Transfer	36000	80000	-
Inter departmental Transfer	-	36000	80000	Closing stock	5000	20000	5000
Gross profit c/f (bal fig)	6000	20000	19000				
	41000	100000	120000		41000	100000	120000
Salaries [18000 in 4:3:2]	8000	6000	4000	Gross profit b/f	6000	20000	19000
staff welfare [9000 in 4:3:2]	4000	3000	2000	Net loss	10680	-	-
Rent [9000 in 27:14:9]	4680	2520	1800				
Net profit (bal fig)	-	8480	11200				
	16680	20000	19000		16680	20000	19000

General P&l a/c

Particulars	**(i)**	**Particulars**	**(i)**
To Net loss	10680	By Net profit [8480+11200]	19860
To Stock reserve (Closing)	3285	By Stock reserve(Opening) [2000+3000]	5000
To t/f to balance sheet (bal fig)	10895		
	24860		24860

NOTE:-

R to S = 6000+8000+11000-5000= 3000 IDT = 30000+(30000*20%) = 36000

S to T = 10000+22000+12000+36000-20000=60000 IDT= 60000+(60000*1/3)= 80000

Solution to Q.No :– 6(b)

Journal entries in the books of Independent branch of M/s TPL Sons

Sl No	Particulars	Amount Dr ì	Cr ì
i	HO a/c To Salary a/c (being Salary paid)	5000	 5000
ii	NO ENTRY		
iii	Depreciation a/c To H.O a/c (Being Depreciation of branch asset)	15000	 15000
	P&L a/c To Depreciation a/c (Being depreciation t/f to P&L)	15000	 15000
iv	HO Expenses a/c To HO a/c (Being expenses recorded by branch)	55000	 55000
v	HO a/c To Branch Debtor (Being amount of debtor collected by branch)	60000	 60000
vi	GIT a/c To HO a/c (Being Goods sent by HO but received by branch)	50000	 50000
vii	HO a/c To advertisement expense (Being advertisement expense of HO incurred by branch)	10000	 10000
viii	Purchase a/c To HO a/c (Being payment for goods by HO for purchase by branch)	16000	 16000

NOTE:
Here, HO = Head Office,
GIT = Goods in transit

Solution to Q.No- 7

Solution to Q.No:- 7(a)

Journal Entries in the books of JKS Limited

Sl No	Particulars	Amount Dr ì	Amount Cr ì
15-03-2018 to 31-03-2018	Bank a/c	108000	
	Employee Compensation Expenses (ECE)a/c	72000	
	To ESC a/c		36000
	To Securities Premium (SP) a/c		144000
	(being allotment to employers 3600 shares of Rs.10 at premium of Rs.40 at Rs.30)		
31-03-2018	P & L a/c	72000	
	To ECE a/c		72000
	(being transfer of ECE)		

Working note1 :- ECE= MP-OP = 50-30= Rs. 20ps [here MP= Market price, OP= Option price]
=Rs 20ps *3600
=Rs 72000

Note 1 :- ECE t/f to SP a/c

Working note 2:- SP a/c = Rs. 30-10 = Rs. 20per share + Rs. 20 per share on a/c of discount of option price over market price = Rs 40 per share
=Rs 40 per share * 3600
=Rs 1,44,000

Solution to Qing:- *7(b)*

Liquidator Remuneration

LR1 = 2% of Asset realised	2% * 12 Laths	24000
LR2 = 3% of Listed to PC	3%*4 Lakhs	12000
LR3 = 3% of Listed to UC (Unsecured Creditors)	WN-1	2883
		38883

WN-1 :- **Amount paid to Unsecured Creditors**

Asset realised	12 Lakhs
(-) Liquidation expenses	0.65 Lakhs
(-) S.C	6 Lakhs
(-) P.C	4 Lakhs
(-) LR1+LR2 [24K+12K]	0.36Lakhs
	0.99 Lakhs

So, LR3= 99000*3/103 =**2883**

Note:- Here, LR= Liquidation remuneration
PC= Preferential Creditors
SC= Secured Creditors

Solution to Q.No:- 7(c)

***Capital Tier I**

	Rs. In Crores
ESC	600
STT Reserve	375
Capital Reserve(only realised in cash)	63
[90-27]	1038

***Captal Tier II**

	Rs. In Crores
Revaluation Reserve	-
Capital Reserve (27*45%)	12.15
	12.15

Solution to Q.No:- 7(d)

1. ABC Ltd should immediately recognise Rs.3 Lakhs (22 Lakhs -19 Lakhs) in its books.
2. Profit of Rs3 Lakhs (22Lakhs-19 Lakhs) recognised immediately in its books and balance profit of Rs 2Lakhs (24Lakhs-22Lakhs) to be amortised/deferred over lease period.
3. Loss of Rs.2Lakhs (19 Lakhs-17 Lakhs) must immediately recognised, and profit of Rs1Lakhs must be amortised/deferred over lease period.
4. The profit of Rs 5Lakhs must be amortised/deferred over lease period.