



SOLUTION VIDEO FOR CA INTER GR-1 ACCOUNTS EXAM DEC 2021 WITH EXAM PRESENTATION

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Link given in description

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Solution of Dec 2021 Exam CA Inter Gr-I Account

Ans ⑬

(a) → Such problems are related with AS-11

"The effects of changes in Foreign Exchange Rates."

→ As per AS 11 Provisions:

At initial recognition time all the foreign transactions are recorded at spot rate i.e. exchange rate of date of transaction.

While on subsequent recognition at year end (i.e. BIS date) transactions are recorded as under:

① If Monetary items i.e. Receivable/Payable with fixed Foreign Currency

Then such items are recognised at closing exchange rate (i.e. Exchange rate of BIS date)

② If Non-Monetary items (i.e. other than Monetary)

Then such items are recognised/reported

in BIS with same rate i.e. Transaction date rate at which initially recorded.

Note: Diff. if any is transfer to Foreign Exchange Account.

Note: If there is Integrated foreign operations (ie I.F.O.) then such diff is transferred to P&L

Otherwise ie. If N.F.O. then such diff is reported in B/S as

• Foreign Currency Monetary items,
Translation Difference A/c.

→ In the Given Cases

Based on the provisions of AS-11 given above
a correct treatment of both cases of question will
be as under assuming I.F.O.

Case (i) PPLtd took long term Loan from
foreign Company W.H. Pvt Ltd. &
such was initially recorded using
spot rate i.e. $1\$ = 72 \text{ Rs}$ 4088952

Since loan is with fixed determined
\$ in foreign currency & payable

Hence it is clear that it is monetary
item

Hence as per AS-11 such loan will
be reported at BIS date at closing
exchange rate i.e. $1\$ = 73.60$

So Diff will transferred to P&L
as Diff in foreign exchange rates effect.

$$[\text{No. of \$} = \frac{4088952 \text{ Rs}}{72 \text{ Rs}} = 56791 \$$$

$$\text{Diff} = 56791 \times (73.60 - 72) = 90866 \text{ Rs}$$

Debit to P&L & Credit in Loan.
as less.

Case (ii) In the Trade receivables of PP Ltd

there is a ~~Debit~~ Foreign Debtor

Beksha Ltd, Initially such debtor

was recorded using spot rate of $1\$ = 73.40$
 Amounting Rs = 2,00,150.

Since it is a debtor from which k/c shall receive a fixed determined amount in foreign currency is $\$ \left[\frac{\cancel{200150} \text{ 2000150}}{73.40} \right] = 27250 \$$

Hence it is clear that it is monetary item.

So at BIS date such debtors are to be reported at closing exchange rate (ie BIS date rate)

So the diff is to be reported/transferred to P&L as under:

$$[27250 \$ \times (73.60 - 73.40) = 5450]$$

It has been assumed that sales transaction by which debtors arised occurred in C/Y (20-21)

So 5450 will be credited to P&L as gain on diff in foreign exchange rates.

Note: If we assume the debtors are ~~foreign~~ coming from last year as date of sales is not clear & opening exchange rate is available $1\$ = 74$ then off course debtors ~~could~~ have been reported in last BIS at 74 Rs/\$

If so then difference will be calculated as under:

$$27250 \$ \times [73.60 - 74] = £0.40 \times 27250 \$$$

ie loss on foreign exchange rate ^{= -10900} will be

transferred to P&L as 10900 & Debtors will

be reported in B/S as $27250 \times 73.60 = 2005600$

Ans ① (b)

Relevant extract of Cash Flow Statement (20-21)

Particulars	Amount
[I] Cash Flow from operating Activities	
Change in P&L [2800000 - 2000000]:	800,000
Less Non operating, Non Cash & separately showing items if any credited	
Dividend received from Investments in Eq Shares - 50,000	
	<u>750,000</u>
II Cash Flow from Investing Activities	
Dividend received from Investment	50,000
	<u>50,000</u>
III Cash Flow from Financing Activities	
Issue of Equity Share Capital at Prem.	10,50,000
Redemption of 10% P.S. Capital	- 1,00,000
	<u>9,50,000</u>

Working Notes:

(i)

Equity Share Capital a/c

By Balance	
B/d	25,00,000
By Grey Ltd (P&M)	60,000
By Bank a/c (B/F)	10,00,000

To Balance 35,60,000
c/d

35,60,000

35,60,000

It is clear 10,00,000 R Eq. Sh. Capital issued

(iii)

Security Premium A/c

By Balance	
B/d	5,00,000
By Bank (B/F)	50,000

To Balance 55,00,000
c/d

55,00,000

55,00,000

It is clear on issue there was premium

(iv) 10% P.S. Holders a/c

To Bank a/c	10,00,000	By 10% P.S. Capital	10,00,000
-------------	-----------	---------------------	-----------

C.F.F.A
(=)

10,00,000

10,00,000

(ii)

10% Pref. Share Capital a/c

By Balance	
B/d	7,00,000

To 10% P.S.H. (Redemption) (B/F) 1,00,000

To Balance 6,00,000
c/d

7,00,000

7,00,000

It is clear redemption of 1,00,000 R

Journal Entries

① P&M a/c R 60,000
To Grey Ltd a/c 60,000
(Being P&M bought)

② Grey Ltd a/c R 60,000
To Eq. Sh. Capital a/c 60,000
(Being Eq. Shares issued)

③ Bank a/c R 50,000
To Dividend a/c 50,000
(Being Dividend received)

④ Dividend a/c R 50,000
To P&L a/c 50,000
(Being Dividend transferred to P&L)

⑤ Bank a/c R 10,50,000
To Eq. Sh. Capital a/c 10,00,000
To Security Premium a/c 50,000
(Being Eq. Sh. issued at premium)

⑥ ✓ 10% Pref. Share Capital a/c Rs 1,00,000

 To 10% Pref. Shareholders a/c 1,00,000

[Being 10% Pref. Share red. due]

⑦ 10% Pref. Shareholders a/c Rs 1,00,000

 To Bank a/c 1,00,000

[Being payment made for redemption]

Ans ① (c)

→ Such problem is related with AS-13

Value Accounting for Investments

→ As per AS-13 Investment are classified into two types & Valuation also depends its type, explained provisions as under:

(a) Current Investment

These are investments which are readily ~~ready~~ realisable by its nature and intended to be held for not more than one year from the date of acquisition of Investment & Such are valued at year end at an amount lower of Cost or Fair Value.

(b) Long Term Investments

Other than Current Investments are long term Investments and such are valued at Cost usually, however such may be reduced if there is decline in value which decline is permanent decline.

→ In the Given Case:

Based on above provisions investments will be classified & Valued as under on 31-3-2021:

Mutual Funds	Type.	Cost	Valuation at M.V.	Valuation at Lower of Cost & M.V.
(A)	Long Term	50220	48225	At Cost = 50220
(B)	Current	25175	24220	Lower = 24220
(C)	Current	75375	78190	Lower = 75375
(D)	Current	70325	65880	Lower = 65880
Total				215695

→ Conclusion:

Hence we can say

(i) Long Term Investments (A) = 50220

(ii) Current Investments

(B)	24220	165475
(C)	75375	
(D)	65880	
		= 168290
		<u>215,695</u>

Classification is based on presumption as per ICAI if not clear then we always presume current Investments [for B, C, & D].

Ans ① (d)

→ Such problems are related with two AS

AS-1 "Disclosure of Accounting Policy &

AS-5 "Profit or Loss for the period, Prior Period items and changes in Accounting Policies."

→ As per Accounting Standards provisions are as under

① As per AS-1 & AS-5

If there is change in Accounting Policies then following are disclosure requirements

- (i) What was old Policy
- (ii) What is New Policy
- (iii) Reason for change in Policy
- (iv) Effect of Such change on Current & Future PIS.

The above disclosures are made in "Notes To Accounts"

② As per AS-5

If there is change in Accounting estimates & ~~then~~ such change if effects materially on FIS then such should be separately disclosed in Notes To Accounts.

→ In the given case:

- (i) Decision of making provisions for non-moving inventory, To shift on the basis of technical

does not amount to change in Policy, rather it is the case of Change in estimate.

The effect comes out £ 100,000 [$500,000 - 400,000$] which doesn't seem material, so disclosure can be made in notes to accounts only about facts. Separately disclosure is not required.

(ii) Change In the method of Inventory Valuation from FIFO to Weighted average, for cost determination, is the change in Accounting Policy. In this case following disclosures are required in Notes To Accounts

(a) Old Policy was FIFO & Cost comes 124,000

(b) New Policy is W. Avg & Cost comes 115,000

(c) Reason for change

(d) Effect on C/Y P/L is decrease in profit by $(124,000 - 115,000)$ £ 9,000 & In next year profit will increase by 9,000 £.

Ans (2) (a)

Statement showing Calculation of Insurance Claim
Under Loss of Stock Policy [Fire as at 1-6-2021]

Particulars	Amount
Normal Stock on 1-6-2021 [WN (2)]	121967
Abnormal Stock on 1-6-2021	NIL
Total Stock on 1-6-2021	115277 121967
- Salvage Stock	21967
Call	95250 100000
+ Fire Fighting Expenses.	NIL
LOSS OF STOCK	95250 100000

Average Clause

Since Policy is only 10000 R as compared to Total Stock on DOF R ~~115277~~ 121967 Hence Stock is under Insured, So average clause applicable.

Insurance Claim:

Policy Amount x Loss of Stock
Total Stock
on DOF

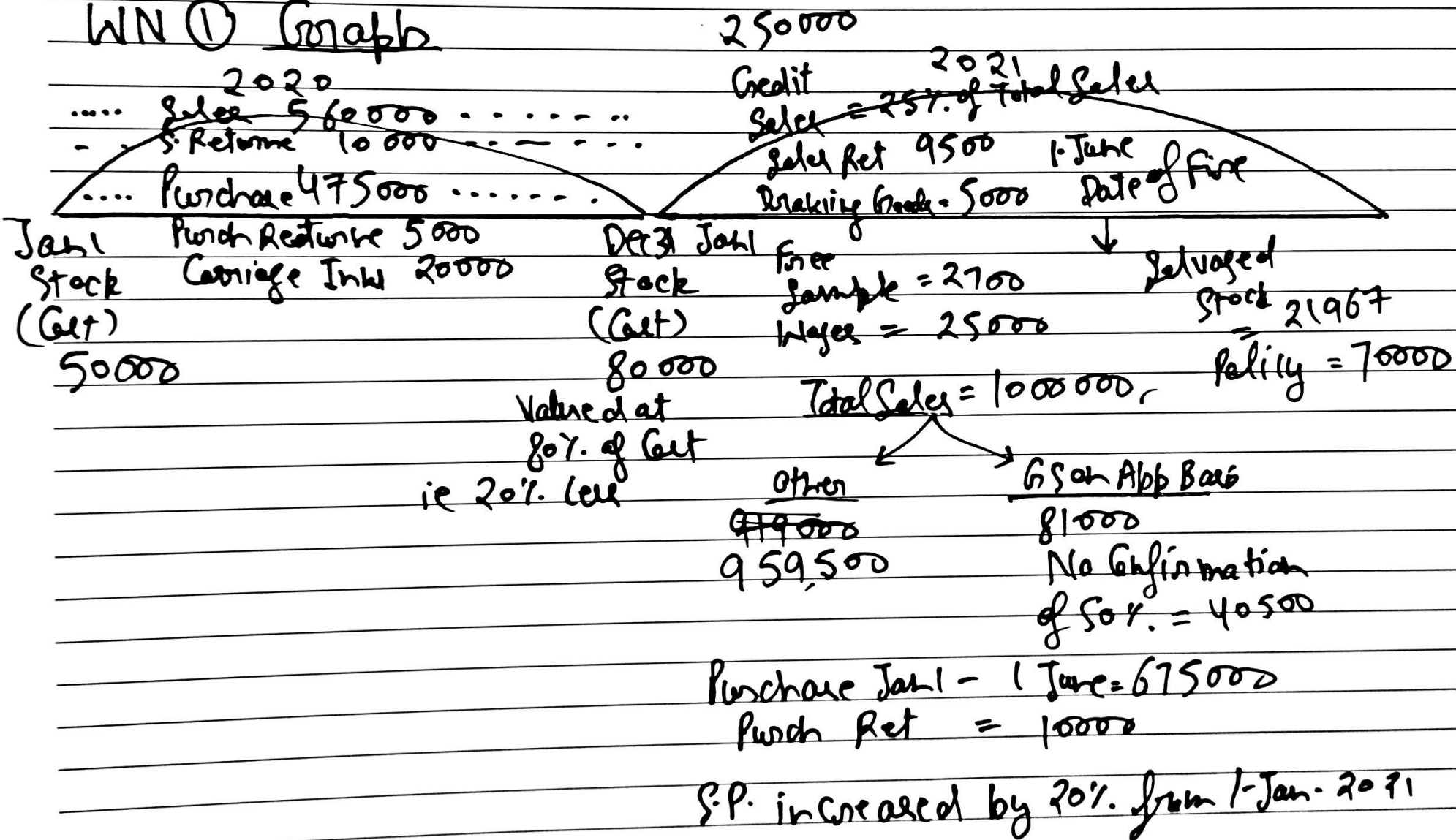
$$= \frac{10000}{121967} \times \frac{100000}{100000} =$$

57393

~~95250~~

Working Notes:

WN ① Graph



WIN ② Normal & Abnormal Stock on DOF 1 June 2021

For Normal Stock		For Abnormal Stock
Memo Trading a/c from 1 Jan 2021 to 1 June 2021		
To Op Stock 8,00,000 [Normal Gil]	By Sales 959,500 - Ret 9,500 950,000	NIL
To Purchase 67,500 - Ret 10,000 66,500 - Fire Sample 2,700 - Drawings 5,000 65,800	By Sales of Goods on Affiliated Basis ie Stock with Customer (40,500 x $\frac{80}{120}$) = 27,000 27,000	
To Wages 2,500		
To GIP 31,6,667 *	By Closing Stock 12,19,67 on DOF (BIF)	
109,89,67	109,89,67	

* GIP on opening stock Sales = $100,000 \times \frac{120}{80} = 1,50,000$ GIP = $\frac{1,50,000 - 1,00,000}{1,00,000} = 50,000$
 GIP on C14 Sales [95,000 - 1,50,000] $80,000 \times \frac{40}{120} = 2,66,667$

WIN ③ Normal GIP Ratio

S.P. Increased by 20%

Memo Trading a/c for 2020		2020	2021
To Op Stock 50,000	By Sales (Net) 5,50,000	SP 100	120
To Purchase (Net) 4,00,000		VC 80	80
To Carriage In 20,000	By Stock 1,00,000 (80,000 x $\frac{100}{80}$)	GIP 20	40
To GIP 1,80,000			$\frac{40}{120} \times 100$
6,50,000	6,50,000		= 33.33%

GIP Ratio = $\frac{1,80,000}{5,50,000} \times 100 = 32.72\% \approx 20\%$
 S.P. 100
 VC 80
 GIP 20

Ans ② (b) In the books of Purple Ltd.

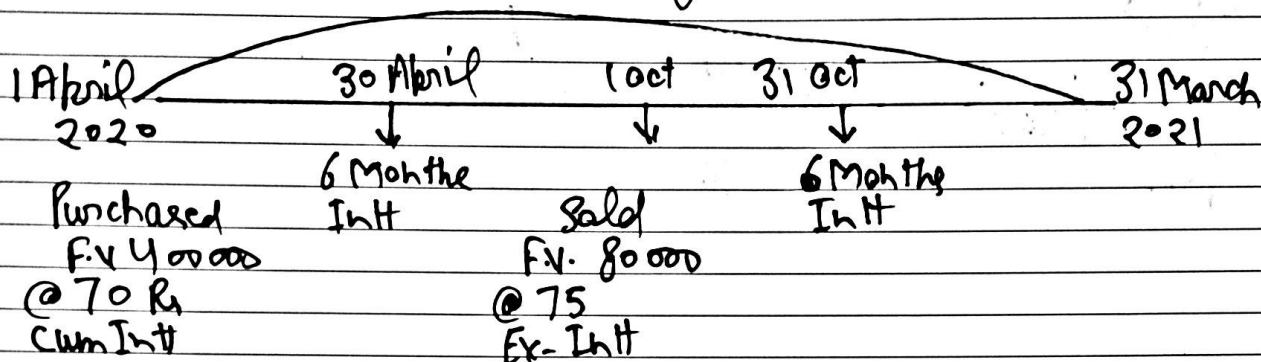
Investments accounts for FY 2020-2021

(i) Investment in 10% Govt Loan a/c

Date	Particulars	F.V.	Intt	Principal Amount	Date	Particulars	F.V.	Intt	Principal Amount
<u>2020</u>					<u>2020</u>				
1 April	To Bank a/c	40,000	16667	263333					
					30 April	By Bank (6 month Intt)	-	20,000	-
1 Oct	To P&L a/c (Profit on Sale)	-	-	7,333	1 Oct	By Bank [Sale]	80,000	3333	60,000
					31 Oct	By Bank	-	16,000	-
<u>2021</u>					<u>2021</u>				
31 March	To P&L a/c	-	36,000	-	31 March	By Bal. c'd	320,000	13333	210,667
		40,000	52,667	2,70,667			40,000	52,667	2,70,667
1 April	To Bal. B'd								

(ii) Investment in Equity Shares of XY Ltd.

<u>2020</u>		NOS	Income	Principal	<u>2020</u>		NOS	Income	Principal
1 April	To Bank	6000	-	126,000					
<u>2021</u>					<u>2021</u>				
15 Jan	To Bank	8000	-	-	15 Jan	By Bank [Sale]	8000	-	80,000
15 Jan	To P&L a/c (Profit on Sale)			8000					
					1 March	By Bank (Dividend)	-	4950	1650
31 March	To P&L	-	4950	-	31 March	By Bal. c'd	6000	-	52350
		14000	4950	1,34,000			14000	4950	1,34,000
1 April	To Bal. B'd	6000	-	52350					

Working NotesWINO Graph. & Calculation for 10% Govt LoanON 1st April

$$(a) \text{ Intt Part} = \frac{\text{F.V.}}{12} \times 10\% \times \frac{5}{12} = 16,667$$

$$(b) \text{ Purch. Cost Cum Intt} = 4,00,000 \times \frac{70}{100} = 2,80,000$$

$$\begin{array}{r} \text{Less Intt} \quad 16,667 \\ \text{Principal Amount for 10\% Govt Loan} \quad \underline{2,63,333} \end{array}$$

ON 30th April

$$6 \text{ Month Intt} = 4,00,000 \times 10\% \times \frac{6}{12} = 20,000$$

ON 1st Oct

$$\text{Intt Part} = 80,000 \times 10\% \times \frac{5}{12} = 3,333 \text{ Rs } 3,333$$

$$\text{Sales Price Ex Intt} = 80,000 \times \frac{75}{100} = \text{Rs } 60,000$$

(-) Cost of Sold 10% Bond

$$\begin{array}{r} 2,63,333 \times \text{F.V. } 80,000 = \text{Rs } 52,667 \\ \text{F.V. } 4,00,000 \quad \text{Profit} \quad \underline{7,333} \end{array}$$

On 31 Oct

$$3,20,000 \times 10\% \times \frac{6}{12} = 16,000$$

ON 31 March 2021 Closing Balance

$$\text{F.V.} = 4,00,000 - 80,000 = 3,20,000$$

$$\text{Cost} = 2,63,333 - 52,667 = 2,10,667$$

$$\text{Acc Intt} = 3,20,000 \times 10\% \times \frac{5}{12} = 13,333$$

WN ② Graph & Calculation for Equity Shares in XY Ltd

2020	2021	2021
1 April	15 Jan	1 March
	↓	↓
Purchased Eq. Shares XY Ltd No. of Shares 6000 F.V 5 Rs Cost = 126000	Bonus Issue = 4:3 Sold all Bonus Shares for Rs 10 each $6000 \times \frac{4}{3} = 8000$	Received Dividend @ 22% for XY Ltd for year 2020 31 Dec ending
		31 March

ON 15 Jan 2021

Sales Price for Bonus Shares = $8000 \times 10 = 80,000$

Less: Cost of Sold Bonus Shares

= 72000

$$\frac{\text{Cost } 126000}{(6000 + 8000)} \times 8000$$

Profit on
Sales of Bonus Shares 8000

On 1 March 2021

No. of Shares = 6000

F.V = $6000 \times 5 = 30000$

Dividend = 22% = $30000 \times 22\%$

= 6600 Rs

Dividend is for the Period 1 Jan to 31 Dec
2020 2020

While shares purchased on 1 April 2021, Hence
out of 12 months 3 month dividend belongs to
the pre acquisition dividend ~~period~~ &
9 months dividend is for post acquisition period.

$$\rightarrow \text{(i) Pre Acq.} = 6600 \times \frac{3}{12} = 1650 \text{ Recovery of Cost Jan - 1 April}$$

$$\text{(ii) Post Acq.} = 6600 \times \frac{9}{12} = 4950 \text{ Revenue Income April 2020 - Dec 31 2020}$$

Ans (3) (a) In the books of Delta Ltd Head office

Accounting for branch (Dependent)

By Stock & Debtor Method

Necessary ledgers:

Goods Sent to Kanpur Branch a/c

To Shop Stock a/c [Cost]	72000		
To K. Br. Adv. a/c (50% Costing)	36000	By Kanpur Branch Stock [I.P.]	108000
	108000		108000

Kanpur Branch Stock a/c

To Balance B'd	31,200	By Sales	
		K. Branch Cash a/c	20,000
		K. Branch Debtors a/c (Credit)	68,200
To Goods sent to Kanpur Branch a/c	108,000		
To K. Branch Debtors a/c [Return]	3,000		
To Surplus (Abn Gain)	600		
		By Balance B'd (BIF)	54,600
	142,800		142,800

Kampus Branch Debtors d.

To, Balance B/c	✓ 17,400	By Inv. Gen (BIF)	67,600
To Branch Stock a/c [Sales]	✓ 68,200	By Branch Stock [Return]	3,000
		By Branch Discount	✓ 700
		By Balance c/d	✓ 14,300
	85,600		85,600

Kaplan Branch Gehäc

[illegible]

Kampur Branch adjuet matai

To Closing Stock Reserve		By Op. Stock Res.	10400
[$54600 \times \frac{50}{150}$]	18200	($31200 \times \frac{50}{150}$)	
		By Goods sent to K. Br. ac	36000
		during the year	
To Gross Profit cd (B/F)	28400	By Br. Stock [Surplus]	200
	46600		46600

Karnpur Branch P&L a/c

To Branch expar	13,400	By Gross Profit B'd ₹	28400
To Branch Discount a/c	700		
		By Br. Stock [Surplus]	400
To Net Profit	14700		
	28800		28800

Working Notes:WN ① Get & Loading & I.P.

$$\text{If Cost} = 100$$

$$\text{Loading} = 50$$

50%

$$\text{Then I.P.} = \underline{150}$$

WN ② Surplus In Stock (I.P.)

It is just opposite of Shortage

There will be two part of I.P.

$$(i) \text{ Loading } 600 \times \frac{50}{150} = 200 \text{ ✓ Br. Adg a/c}$$

$$(ii) \text{ Cost } 600 \times \frac{100}{150} = 400 \text{ ✓ Br P&L a/c}$$

Kampan Branch P&L a/c

To Branch exp a/c	13,400	By Gross Profit B'd F	28,400
To Branch Discount a/c	700		
		By Br. Stock [Surplus]	400
To Net Profit	14,700		
	28,800		28,800

Working Notes:WN ① Get & Loading & I.P.

$$\begin{aligned} \text{If Get} &= 100 \\ \text{Loading} &= 50 \\ &50\% \end{aligned}$$

$$\text{Then I.P.} = \underline{150}$$

WN ② Surplus In Stock (I.P.)

It is just opposite of Shortage

There will be two part of I.P.

$$(i) \text{ Loading } 600 \times \frac{50}{150} = 200 \text{ } \checkmark \text{ Br. Adg a/c}$$

$$(ii) \text{ Get } 600 \times \frac{100}{150} = 400 \text{ } \checkmark \text{ Br. P\&L a/c}$$

Ans (3) (b)

M/S Wreie

Departmental Trading a/c for the year ending 31-3-2021

Particulars	Dept X	Dept Y	Particulars	Dept X	Dept Y
To op Stock (At Cost)	140,000	108,000	By Sales	570,000	474,000
To Purchases	428,000	332,000			
To Wages	42,000	48,900			
To Carriage Inward	12,000	12,000			
To I.D.T.			By I.D.T.		
Purchased Goods Y to X	60,000	-	Purchased Goods Y to X	-	60,000
X to Y	-	48,000	X to Y	48,000	-
Finished Goods Y to X	160,000	-	Finished Goods Y to X	-	160,000
X to Y	-	200,000	X to Y	200,000	-
To G.I.P	1,54,000	95,100	By Closing Stock		
			Purchased Goods	24,000	30,000
			Finished Goods	1,54,000	1,20,000
	99,600	844,000		99,600	844,000

Consolidated Trading a/c for the year ending 31-3-2021

Particulars	Amount	Particulars	Amount
To op Stock	248,000	By Sales a/c	1,044,000
To Purchase	760,000		
To Wages	90,900		
To Carriage Inward	24,000		
To Stock Reserve on C. Stock	7065	By Closing Stock	
To Gross Profit (B/F)	242,035	Purchased Goods	54,000
		Finished Goods	374,000
	13,72,000		3,28,000
			13,72,000

WN ① GIP Ratio

	<u>Dept X</u>	<u>Dept Y</u>
Net Sales	570000 <u>200000</u> 770000	474000 <u>160000</u> 634000
GIP	154000	95100
GIP Ratio	$\frac{154000 \times 100}{770000}$ = 20%	$\frac{95100 \times 100}{634000}$ = 15%

WN ② Stock Reserve

	<u>Dept X</u>	<u>Dept Y</u>	Total
(I.P.) Total Finished Goods Stock	154000	120000	
• (I.P.) I.D.T. = 15%	23100	18000	
Stock Res. (Loading)	$23100 \times 15\%$ = 3465	$18000 \times 20\%$ = 3600	7065

In the books of R Ltd.

PG-(24)

Ans (4)

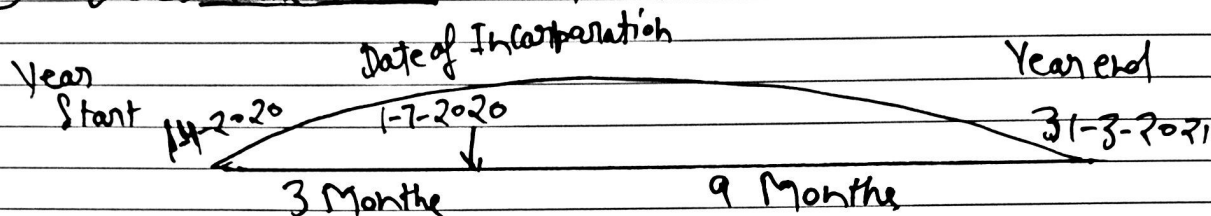
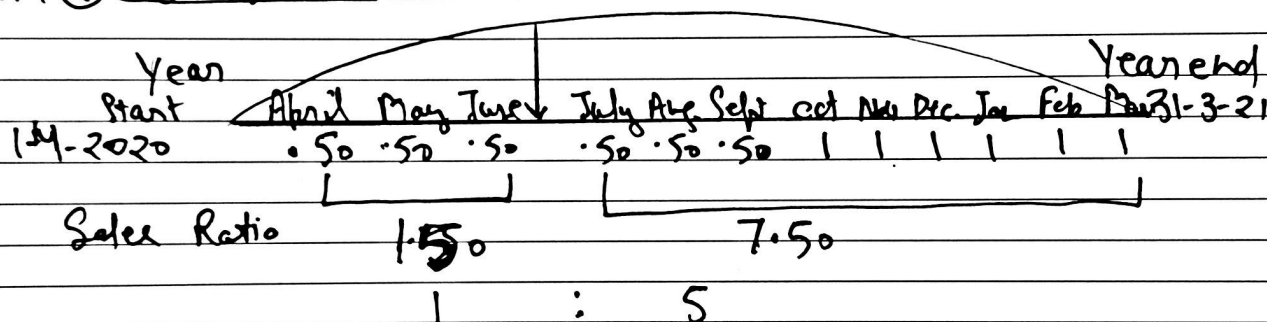
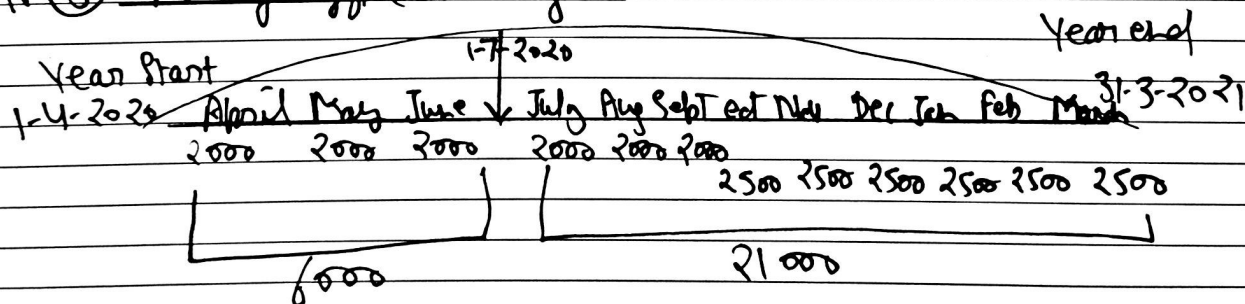
My opinion:

Grace Marks will be

given, Since question doesn't
seem correct as question is
saying to issue shares for
redemption but already surplus
and no need to issue shares
for redemption of pref. shares

Ans (5) (a) Statement showing Calculation of P&L Pre & Post Incorporation

Particulars	Basis	Ratio	Total	Pre-Incorp	Post Incorp
Sales			7500000		
Gross Profit (10% of Sales)	Sales Ratio	1:5	750,000	125,000	625,000
Less Salesmen's Comm.	Sales	1:5	30,000	5,000	25,000
Discount allowed	Sales	1:5	15,000	2,500	12,500
Freight Outward	Sales	1:5	45,000	7,500	37,500
Free Sample	Sales	1:5	60,000	10,000	50,000
After Sales Service	Sales	1:5	9,000	1,500	7,500
Director's Fees	Post	-	150,000	-	150,000
Audit Fee (Statutory)	Post	-	70,000	-	70,000
Tax Audit Fee	Sales	1:5	15,000	2,500	12,500
Salary to Staff	Time	1:3	16,000	4,000	12,000
Formation Exp	Post	-	30,000	-	30,000
Rent office Building	Time	WIN (3)	27,000	6,000	21,000
General exp.	Time	1:3	48,000	12,000	36,000
Donation to Political Party (Assumed by Company)	Post	-	51,000	-	51,000
General Travelling Exp	Time	1:3	60,000	15,000	45,000
			43,000	45,500	-2,500
				Capital Reserve	

Working Notes:WIN ① Sales Time Ratio: 3:9 / 1:3WIN ② Sales Ratio: 1:5WIN ③ Rent of Office Building:

Ans (b) In the books of ABC Ltd

Page (27)

Machinery a/c

Date	Particulars	Amount	Date	Particulars	Amount
Year I			Year I		
Jan 1	To ABC P Ltd (Hire Vendor)	59040	Dec 31	By Dep. @ 20% WDV	11808
			Dec 31	By Balance c/d	47232
		<u>59040</u>			<u>59040</u>
Year II			Year II		
Jan 1	To Balance B'd	47232	Dec 31	By Dep @ 20% WDV	9446
			Dec 31	By Bal. c/d	37786
		<u>47232</u>			<u>47232</u>
Year III			Year III		
Jan 1	To Balance B'd	37786	Dec 31	By Depreciation @ 20% WDV	7557
Dec 31	To P&L (Profit on Repairs)	5029	Dec 31	By P Ltd (Hire Vendor) (Full Repreciation)	35240
		<u>42797</u>			<u>42797</u>

WIN ① Calculation of Intt & Principal Part of each Installment		Intt
4th year end Installment	$25000 \times \frac{25}{125}$	5000
	Principal Part = $25000 - 5000 = 20000$	
3rd year end Installment	$(25000 + 20000) \times \frac{25}{125} =$	9000
	Principal Part = $25000 - 9000 = 16000$	
2nd year end Installment	$(25000 + 20000 + 16000) \times \frac{25}{125} =$	12200
	Principal Part = $25000 - 12200 = 12800$	
1st year end Installment	$(25000 + 20000 + 16000 + 12800) \times \frac{25}{125} =$	14760
	Principal Part = $25000 - 14760 = 10240$	
	Cash Price = $25000 + 20000 + 16000 + 12800 + 10240 =$	59040

WIN ② Table Showing Calculation of Intt & Principal				
Particulars	Principal Part	Intt @ 25%	Installment	
Cash Price 59040				
- D.P. Nil				
Installment	59040			
- 1st year end	20000	5000	25000	
	39040			
- 2nd year end	16000	9000	25000	
	23040			
- 3rd year end	12800	12200	25000	
	10240			
- 4th year end	10240	14760	25000	
	59040	40960	100000	

WN ① Calculation of Intt & Principal Part of each Installment

4th year end Installment	$25000 \times \frac{25}{125} = 5000$	Intt	5000
3rd year end Installment	Principal Part = $25000 - 5000 = 20000$ $(25000 + 20000) \times \frac{25}{125} = 9000$	Intt	9000
2nd year end Installment	Principal Part = $25000 - 9000 = 16000$ $(25000 + 20000 + 16000) \times \frac{25}{125} = 12200$	Intt	12200
1st year end Installment	Principal Part = $25000 - 12200 = 12800$ $(25000 + 20000 + 16000 + 12800) \times \frac{25}{125} = 14760$	Intt	14760
Cash Price	$25000 + 20000 + 16000 + 12800 + 10240 = 59040$		

WN ② Table Showing Calculation of Intt & Principal

Particulars	Principal Part	Intt @ 25%	Installment
Cash Price 59040			
- D.P. Nil			
Installment 59040			
- 1st year end 20000	20,000	5,000	25000
- 2nd year end 16000	16,000	9,000	25000
- 3rd year end 12800	12,800	12,200	25000
- 4th year end 10240	10,240	14,760	25000
	59,040	40,960	100,000

WN (3) (Hire Vendor) P/Ld is A/c

Date	Particulars	Amount	Date	Particulars	Amount
Year I			Year I		
Dec 31	To Bank (1st Inst.)	25,000	Jan 1	By Machinery a/c	59,040
Dec 31	To Bal c/d	39,040	Dec 31	By Intt	5,000
		64,040			64,040
Year II			Year II		
Dec 31	To Bank (2nd Inst.)	25,000	Jan 1	By Bal. B'd	39,040
Dec 31	To Balance c/d	23,040	Dec 31	By Intt	9,000
		48,040			48,040
Year III			Year III		
Dec 31	To Machinery a/c	35,240	Jan 1	By Balance B'd	23,040
		35,240	Dec 31	By Intt	12,200
					35,240

WN (4) P/L on Reproduction:

$$\begin{aligned} \text{B.V. of Assets Reproduced} &= (37,786 - 7,557) \\ &= 30,229 \end{aligned}$$

$$\text{H.V. A/c Balance} = 35,240$$

$$\text{Profit} = 5,029$$

Ans (6) Statement Showing

Effect of Transactions on BLS In Equation Form

(a)

Transactions	Assets - Liabilities	=	Equity
Opening	10,00,000 - 4,00,000	=	6,00,000
① Dividend received (100000 x 20%) = 20000	+ 20000		+ 20000
② Creditors B.V. 70000 settled in 50000 ie Profit = 20000	10,20,000 - 4,00,000 - 50000 - 70000	=	6,20,000 + 20000
③ O/S Salary	9,70,000 330,000 + 20,000	=	6,40,000 - 20,000
④ Drawings of Cash	9,70,000 350,000 - 20,000	=	6,20,000 - 20,000
	9,50,000 - 350,000	=	6,00,000

Ans ⑥ ⑥ Calculation of Remuneration based on Effective Capital
Effective Capital Employees are under:

Particulars	Lakhs Amount
Paid up Equity Share Capital	90
Paid up Pref. Share Capital	10
Reserves excluding reserves (75-5)	70
Security Premium	30
Long Term Loans	20
Deposits payable after 1 year	10
	230
- Accumulated loss	- 40
- Investment	- 90
Effective Capital	100
Maximum remuneration will be	60 P.a.

Ans (6) (c)

Meaning of Measurement & Basis of Measurement of Elements of Financial Statements

Measurement means the process of determining value at which an element can be recognised in B/S or Statement of P&L.

~~These measurements are based on four alternative~~
There are four alternative basis for framework which relate explicitly to the valuation of assets & liabilities.

Brief explanation of each measurement basis is as under:

Ans (6) (a)

PG. (33)

Statement showing Calculation of NO. of Eq. Shares to be allotted

Perticulars	No of 12% Deb.
Total No of 12% Debentures	25,000
Less Deb holders not opting for Conversion into Equity Shares	5,000
Debenture holders opting for Conversion into Equity Shares	20,000
option for Conversion	20%
No. of Debentures to be Converted into Equity Shares $(20000 \times 20\%)$	4,000
Redemption Value of 4000 Equity Debenture at premium of 100% 5%. $(F.V 100 + Prem)$	
ie @ 105 $[4000 \times 105]$	4,20,000
No. of Equity Shares of F.V 10 to be issued for Conversion at I.P. @ 20/Share	
$\frac{420000}{20}$	Eq. Sh. 21000

Ans (6) (e)

Statement showing Calculations(A) Credit Sales

$$\text{Closing Debtors} = 1.5 \text{ Month Credit Sales} = 150000$$

$$\text{So Total Credit Sales} = \frac{150000 \times 12 \text{ Month}}{1.5 \text{ Month}} = 1200000$$

(B) Total Sales

$$\text{Credit Sales} = 80\% \text{ of Total Sales} = 1200000$$

$$\text{Total Sales} = 100\% = 1200000 \times \frac{100}{80} = 1500000$$

(C) Gross Profit

$$\text{G.P.} = \text{Total Sales} - \text{Cost of Goods Sold}$$

$$= 1500000 - 995000 = 505000$$

$$\begin{aligned} \text{Cost of Goods Sold} &= \text{op/Stock} \quad 65000 \checkmark \\ &+ \text{Purchase} \quad 950000 \\ &+ \text{Direct exp.} \quad 35000 \\ &\quad 1050000 \\ &- \text{Closing Stock} \quad 55000 \checkmark \\ &\quad (65000 - 10000) \\ &\text{COGS} \quad 995000 \checkmark \end{aligned}$$

Where op Stock & Closing Stock are:

$$\text{Let assume op Stock} = x$$

$$\text{Closing Stock} = x - 10000$$

$$\text{Given Avg Stock} = 60000$$

As we know that

$$\text{Avg Stock} = \frac{\text{op Stock} + \text{Closing Stock}}{2}$$

$$\frac{x + (x - 10000)}{2} = 60000$$

$$x + (x - 10000) = 60000 \times 2 = 120000$$

$$x + x - 10000 = 120000$$

$$2x = 120000 + 10000 = 130000$$

$$x = \frac{130000}{2} = 65000$$





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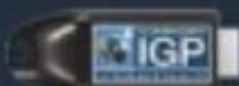
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