

<b>ALL BATCHES</b>
<b>DATE: 24.07.2017</b> <b>MAXIMUM MARKS: 100</b> <b>TIMING: 3 Hours</b>

**PAPER: 1 ACCOUNTS**

**Q. No. 1 is compulsory.**

**Wherever necessary suitable assumptions should be made by the candidates.**

**Working notes should form part of the answer.**

**Solution:**

**(a)**

The amounts of revenue, expenses and profit recognized in the statement of profit and loss in three years are computed below:

(Amount in Rs. lakhs)

	Up to the reporting date	Recognized in previous years	Recognized in current year	
<b><u>Year 1</u></b>				
Revenue (9,000 x 26%)	2,340	-	2,340	
Expenses (8,050 x 26%)	<u>2,093</u>	-	<u>2,093</u>	
Profit	<u>247</u>	-	<u>247</u>	← 1
<b><u>Year 2</u></b>				
Revenue (9,200 x 74%)	6,808	2,340	4,468	
Expenses (8,200 x 74%)	<u>6,068</u>	<u>2,093</u>	<u>3,975</u>	
Profit	<u>740</u>	<u>247</u>	<u>493</u>	← 1
<b><u>Year 3</u></b>				
Revenue (9,200 x 100%)	9,200	6,808	2,392	
Expenses (8,200 x 100%)	<u>8,200</u>	<u>6,068</u>	<u>2,132</u>	
Profit	<u>1,000</u>	<u>740</u>	<u>260</u>	← 1

**Working Note:**

	Year 1	Year 2	Year 3	
Revenue after consider variations	9,000	9,200	9,200	← 1/2
Less: Estimated profit for whole contract	<u>950</u>	<u>1,000</u>	<u>1,000</u>	← 1/2
Estimated total cost of the contract (A)	<u>8,050</u>	<u>8,200</u>	<u>8,200</u>	
Actual cost incurred upto the reporting date (B)	2,093	6,068	8,200	← 1/2
		(6,168-100)	(8,100+100)	
Degree of completion (B/A)	26%	74%	100%	← 1/2

**(b)**

**Calculation of Cost of Fixed Asset (i.e. Machine)**

Particulars		Rs.
Purchase Price	Given	4,80,000

Add:			
Site Preparation Cost	Given	21,000	← 1/2
Labour charges	(66,000/600x200)	22,000	← 1/2
Spare parts	Given	6,000	← 1/2
Supervisor's Salary	25% of Rs. 24,000	6,000	← 1/2
Administrative costs	1/10 of Rs. 32,000	3,200	← 1/2
Test run and experimental production charges	Given	23,000	← 1/2
Architect Fees for set up	Given	9,000	← 1/2
Depreciation on assets used for installation	Given	12,000	← 1/2
Total Cost of Asset		5,82,200	
Less: Cenvat credit receivable	50% of Rs. 40,000	20,000	← 1/2
		<u>5,62,200</u>	

**Note:** Expenses of Rs. 19,000 from 15.1.2015 to 1.2.2015 to be charged to profit and loss A/c as plant were ready for production on 15.1.2015. ← 1/2

**(c)**

As per para 12 of AS 9 „Revenue Recognition', „In a transaction involving the rendering of services, performance should be measured either under the completed service contract method or under the proportionate completion method, whichever relates the revenue to the work accomplished'. ← 1M

In the given case, income accrues when the related advertisement appears before public. The advertisement service would be considered as performed on the day the advertisement is seen by public and hence revenue is recognized on that date. In this case, it is 15.03.2014, the date of publication of the magazine. ← 2M

Hence, Rs. 3,00,000 (Rs. 2,40,000 + Rs. 60,000) is recognized as income in March, 2014. The terms of payment are not relevant for considering the date on which revenue is to be recognized. Rs. 60,000 is treated as amount due from advertisers as on 31.03.2014 and Rs. 2,40,000 will be treated as payment received against the sale. ← 1M

However, if the publication is delayed till 02.04.2014 revenue recognition will also be delayed till the advertisements get published in the magazine. In that case revenue of Rs. 3,00,000 will be recognized for the year ended 31.03.2015 after the magazine is published on 02.04.2014. The amount received from sale of advertising space on 10.03.2014 of Rs. 2,40,000 will be considered as an advance from advertisers for the year ended 31st March, 2014. ← 1M

**(d)**

As per para 13 of AS 2 (Revised) „Valuation of Inventories', abnormal amounts of wasted materials, labour and other production costs are excluded from cost of inventories and such costs are recognized as expenses in the period in which they are incurred. The normal loss will be included in determining the cost of inventories (finished goods) at the year end. ← 2

Amount of Abnormal Loss:

Material used	12,000 MT @ Rs.150 = Rs.18,00,000	← 1/2
Normal Loss (4% of 12,000 MT)	480 MT	← 1/2
Net quantity of material	11,520 MT	← 1/2
Abnormal Loss in quantity	150 MT	← 1/2
Abnormal Loss	Rs. 23,437.50	← 1/2

[150 units @ Rs. 156.25 (Rs. 18,00,000/11,520)]

Amount Rs. 23,437.50 will be charged to the Profit and Loss statement. ← 1/2

**(5x4 = 20 Marks)**

**Solution 2:**

**In the books of Gee Ltd. Journal Entries**

Particulars	Debit Rs.	Credit Rs.
Business purchase A/c (W.N.1) <span style="float: right;">Dr.</span>	25,85,000	
To Liquidator of Pee Ltd. (Being business of Pee Ltd. taken over)		25,85,000
Building A/c <span style="float: right;">Dr.</span>	7,75,000	
Plant and machinery A/c <span style="float: right;">Dr.</span>	8,50,000	
Furniture and fixtures A/c <span style="float: right;">Dr.</span>	1,75,000	
Investments A/c <span style="float: right;">Dr.</span>	2,50,000	
Inventory A/c <span style="float: right;">Dr.</span>	4,75,000	
Debtors A/c <span style="float: right;">Dr.</span>	4,60,000	
Bills receivables A/c <span style="float: right;">Dr.</span>	55,000	
Bank A/c <span style="float: right;">Dr.</span>	2,60,000	
To General reserve A/c (W.N.2) (2,50,000-2,35,000)		15,000
To Export profit reserve A/c		1,00,000
To Investment allowance reserve A/c		50,000
To Profit and loss A/c		1,25,000
To Liability for 15% Debentures A/c (Rs. 100 each)		1,75,000
To Trade creditors A/c		75,000
To Bills payables A/c		1,00,000
To Other current liabilities A/c		75,000
To Business purchase A/c		25,85,000
(Being assets and liabilities taken over)		
Liquidator of Pee Ltd. <span style="float: right;">Dr.</span>	25,85,000	
To Equity share capital A/c		16,50,000
To 15% Preference share capital A/c		9,35,000
(Being purchase consideration discharged)		
General Reserve* A/c <span style="float: right;">Dr.</span>	10,000	
To Cash at bank		10,000
(Being expenses of amalgamation paid)		
Liability for 15% Debentures in Pee Ltd. A/c <span style="float: right;">Dr.</span>	1,75,000	
To 15% Debentures A/c		1,75,000
(Being debentures in Pee Ltd. discharged by issuing own 15% debentures)		
Bills payables A/c <span style="float: right;">Dr.</span>	55,000	

To Bill receivables A/c (Cancellation of mutual owing on account of bills of exchange)		55,000 ← 1 X 6=6
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\* It can also be adjusted against Profit & Loss A/c.

**Opening Balance Sheet of Gee Ltd. (after absorption) as on 1<sup>st</sup> April, 2015**

	Particulars	Notes	Rs.
	<b>Equity and Liabilities</b>		
<b>1</b>	<b>Shareholders' funds</b>		
a	Share capital	1	61,85,000 ← 1/4
b	Reserves and Surplus	2	10,55,000 ← 1/4
<b>2</b>	<b>Non-current liabilities</b>		
a	Long-term borrowings	3	4,25,000 ← 1/4
<b>3</b>	<b>Current liabilities</b>		
a	Trade Payables	4	3,45,000 ← 1/4
b	Other current liabilities	5	1,75,000 ← 1/4
	<b>Total</b>		<b>81,85,000</b> ← 1/2
	<b>Assets</b>		
<b>1</b>	<b>Non-current assets</b>		
a	Fixed assets		
	Tangible assets	6	49,62,500 ← 1/4
b	Investments	7	6,00,000 ← 1/4
<b>2</b>	<b>Current assets</b>		
a	Inventories	8	11,00,000 ← 1/4
b	Trade receivables	9	9,10,000 ← 1/4
c	Cash and cash equivalents	10	6,12,500 ← 1/4
	<b>Total</b>		<b>81,85,000</b>

**Notes to accounts**

	Rs.
<b>1 Share Capital</b>	
Equity share capital	41,50,000
4,15,000 Equity shares of Rs. 10 each (Out of above, 1,65,000 shares were issued for 41,50,000 consideration other than cash)	
Preference share capital	9,35,000
9,350 15% Preference shares of Rs. 100 each (Out of above, 9,350 shares were issued for 9,35,000 consideration other than cash)	
11,000 14% Preference Shares of Rs. 100 each	11,00,000
<b>Total</b>	<b>61,85,000</b>

<b>2 Reserves and Surplus</b>		
General Reserve		
Opening balance	2,50,000	
<i>Add:</i> Adjustment under scheme of amalgamation	15,000	
<i>Less:</i> Amalgamation expense paid	(10,000)	2,55,000
Export profit reserve		
Opening balance	1,50,000	
<i>Add:</i> Adjustment under scheme of amalgamation	1,00,000	2,50,000
Investment allowance reserve		50,000
Profit and loss account		
Opening balance	3,75,000	
<i>Add:</i> Adjustment under scheme of amalgamation	1,25,000	5,00,000
<b>Total</b>		<b>10,55,000</b>
<b>3 Long-term borrowings</b>		
Secured		
15% Debentures	2,50,000	
<i>Add:</i> Adjustment under scheme of amalgamation	1,75,000	4,25,000
<b>Total</b>		<b>4,25,000</b>
<b>4 Trade payables</b>		
Creditors: Opening balance	1,50,000	
<i>Add:</i> Adjustment under scheme of amalgamation	75,000	2,25,000
Bills Payables: Opening balance	75,000	
<i>Add:</i> Adjustment under scheme of amalgamation	1,00,000	
<i>Less:</i> Cancellation of mutual owing upon amalgamation	(55,000)	1,20,000
		<b>3,45,000</b>
<b>5 Other current liabilities</b>		
Opening balance	1,00,000	
<i>Add:</i> Adjustment under scheme of amalgamation	75,000	<b>1,75,000</b>
<b>6 Tangible assets</b>		
Buildings- Opening balance	12,50,000	
<i>Add:</i> Adjustment under scheme of amalgamation	7,75,000	20,25,000

	Plant and machinery- Opening balance	16,25,000	
	<i>Add:</i> Adjustment under scheme of amalgamation	8,50,000	24,75,000
	Furniture and fixtures- Opening balance	2,87,500	
	<i>Add:</i> Adjustment under scheme of amalgamation	1,75,000	4,62,500
	<b>Total</b>		<b>49,62,500</b>
<b>7</b>	<b>Investments</b>		
	Opening balance	3,50,000	
	<i>Add:</i> Adjustment under scheme of amalgamation	2,50,000	<b>6,00,000</b>
<b>8</b>	<b>Inventories</b>		
	Opening balance	6,25,000	
	<i>Add:</i> Adjustment under scheme of amalgamation	4,75,000	<b>11,00,000</b>
<b>9</b>	<b>Trade receivables</b>		
	Debtors: Opening balance	4,00,000	
	<i>Add:</i> Adjustment under scheme of amalgamation	4,60,000	8,60,000
	Bills Payables: Opening balance	50,000	
	<i>Add:</i> Adjustment under scheme of amalgamation	55,000	
	<i>Less:</i> Cancellation of mutual owing upon amalgamation	(55,000)	50,000
	<b>Total</b>		<b>9,10,000</b>
<b>10</b>	<b>Cash and cash equivalents</b>		
	Opening balance	3,62,500	
	<i>Add:</i> Adjustment under scheme of amalgamation	2,60,000	
	<i>Less:</i> Amalgamation expense paid	(10,000)	<b>6,12,500</b>

**Working Notes:**

← 1/2 X 10 = 5

**1. Calculation of purchase consideration**

	Rs.
Equity shareholders of Pee Ltd. (1,65,000 x Rs. 10)	16,50,000
Preference shareholders of Pee Ltd. (8,50,000 x 110%)	<u>9,35,000</u>
Purchase consideration would be	<u>25,85,000</u>

**2. Amount to be adjusted from general reserve**

← 1

The difference between the amount recorded as share capital issued and the amount of share capital of transferor company should be adjusted in General Reserve.

Thus, General reserve will be adjusted as follows:

	Rs.
Purchase consideration	25,85,000
Less: Share capital issued (Rs. 15,00,000 + Rs. 8,50,000)	<u>(23,50,000)</u>
Amount to be adjusted from general reserve	<u>2,35,000</u> <b>(16 Marks)</b>

**Solution 3:**

**Trading and Profit and Loss A/c for the year ended 31<sup>st</sup> March, 2015**

	Rs.	Rs.
Sales		1,20,000
Less: Cost of goods sold:		
Opening Stock	15,500	
Purchases	<u>84,000</u>	
	99,500	
Less: Closing stock	<u>(18,550)</u>	<u>(80,950)</u>
Gross Profit		<u>39,050</u>

← 1

	Half year to 30 <sup>th</sup> September 2014		Half year to 31 <sup>st</sup> March 2015	
	Rs.	Rs.	Rs.	Rs.
Gross profit allocated on time basis		19,525		19,525
Less: Expenses				
Salaries (W.N. 1)	6,750	← 1/2	5,250	
Travelling expenses	400	← 1/2	400	
Office maintenance	600	← 1/2	600	
Conveyance	250	← 1/2	250	
Trade expenses (W.N.2)	625	← 1/2	625	
Rent and rates (W.N. 3)	1,200	← 1/2	1,200	
Bad debts	500	← 1/2	400	
Provision for doubtful debts	-		270	
Depreciation:				
Plant and machinery	1,100	← 1/2	1,100	
Motor vehicles	1,500	← 1/2	1,500	
Interest on loan (W.N. 4)	-		1,638	<u>(13,233)</u>
		<u>6,600</u>	← 1/2	<u>6,292</u>
Appropriation of profits:				
Remaining profits				
A and B (2:1)	4,400	1/2		
	<u>2,200</u>		3,775	1/2
B and C (3:2)		<u>6,600</u>	<u>2,517</u>	<u>6,292</u>

Partners' Capital Accounts								
		A	B	C		A	B	C
		Rs.	Rs.	Rs.		Rs.	Rs.	Rs.
To A (goodwill)			4,000	6,000	By Balance b/d	24,000	12,000	-
To Drawings	1/2 → 2,000	2,000	3,000	1,000	By Cash			9,000
To Transfer to loan a/c	1/2 → 36,400	36,400			By B	4,000		
					(Goodwill) 1/2			
					By C			
					(Goodwill)	6,000		
To Balance c/d			10,975	4,517	By Profit 1/2 →	4,400	5,975	2,517
		<u>38,400</u>	<u>17,975</u>	<u>11,517</u>		<u>38,400</u>	<u>17,975</u>	<u>11,517</u>

**Balance Sheet as on 31<sup>st</sup> March, 2015**

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capital A/c		Plant & Machinery	
B	10,975	Less: Depreciation	
C	<u>4,517</u>	(22,000 – 6,600)	15,400
	1/4 → 15,492	Motor Car	
A's Loan	36,400	Less: Depreciation	
Interest	<u>1,638</u>	(30,000 – 9,000)	21,000
	1/4 → 38,038	Current Assets:	
Current Liabilities		Stock	18,550
Creditors	1/4 → 10,100	Debtors (Less: Provision (5,400-270))	5,130
Out-standing Trade expenses	1/4 → 250	Prepaid Rent	600
		Balance at bank	3,200
<b>Total</b>	<b>63,880</b>		<b>63,880</b>



**Working Notes:**

			Rs.	Rs.
1.	<b>Salaries</b>			
	Total as per trial balance			18,000
	Less: Partners' Drawings -	A	2,000	
		B	3,000	
		C	<u>1,000</u>	<u>(6,000)</u>
				12,000
	Less: C's Salary upto 30.09.2014			<u>1,500</u>
				<u>10,500</u>
			Upto	Upto
	Allocation on time basis		<u>30.09.2014</u>	<u>31.03.2015</u>
			5,250	5,250
	Add: C's salary upto 30.09.2014		<u>1,500</u>	<u>0</u>
			<u>6,750</u>	<u>5,250</u>
2.	<b>Trade Expenses</b>			
	Total as per trial balance			1,000
	Add: Accrual			<u>250</u>
				<u>1,250</u>
	Allocation: on time basis ( 50 : 50)		625	625
3.	<b>Rent and rates</b>			
	Total as per trial balance			3,000
	Less: Rent paid in advance			<u>(600)</u>
				<u>2,400</u>
	Allocation: on time basis ( 50 : 50)		1,200	<u>1,200</u>
4.	<b>Interest on loan account of 'A'</b>			
	Balance in Capital a/c as per trial balance			24,000
	Less			
	: Drawings			(2,000)
	Add: Share of Goodwill		10,000	
	Share in Profit		<u>4,400</u>	<u>14,400</u>
				<u>36,400</u>
	Interest payable @9% p.a. from 01.10.2014 to 31.03.2015 (6 months)			
	$36,400 \times 6/12 \times 9/100 =$			1,638

← 1 X 4 = 4

**Adjustment of A's share of Goodwill**

Value of goodwill				Rs. 15,000
Net entry for Goodwill				
B's Capital account	Dr.	Rs. 4,000		
C's Capital account	Dr.	Rs. 6,000		← 1
To A's Capital account				Rs. 10,000

(A's share in goodwill adjusted to existing partners in their gaining ratio)

**(16 Marks)**

**Solution 4:**

**Cash Flow Statement of Ryan Limited  
For the year ended 31st March, 2015**

<b>Cash flow from operating activities</b>	Rs.	Rs.
Net Profit before taxation	2,45,000	
Adjustment for		
Depreciation	1,35,000	
Profit on sale of plant	(40,000)	
Profit on sale of investments	(20,000)	
Interest on debentures	<u>18,000</u>	
Operating profit before working capital changes	3,38,000	
Increase in inventory	(5,000)	
Increase in trade receivables	(25,000)	
Increase in Trade payables	5,000	
Increase in accrued liabilities	<u>10,000</u>	
Cash generated from operations	3,23,000	
Income taxes paid	<u>(1,00,000)</u>	
	2,23,000	
Voluntary separation payments	<u>(1,10,000)</u>	
Net cash generated from operating activities		1,13,000 ← 3
<b><u>Cash flow from investing activities</u></b>		
Proceeds from sale of land	1,50,000	
Proceeds from sale of plant	90,000	
Proceeds from sale of investments	70,000	
Purchase of plant	(3,50,000)	

Purchase of investments	(25,000)	
Pre-acquisition dividend received	<u>5,000</u>	
Net cash used in investing activities		(60,000) ← 2
<b><u>Cash flow from financing activities</u></b>		
Proceeds from issue of equity shares	1,00,000	
Proceeds from issue of debentures	1,00,000	
Redemption of preference shares	(2,00,000)	
Dividends paid	(60,000)	
Interest paid on debentures	<u>(18,000)</u>	

Net cash used in financing activities		(78,000)
Net decrease in cash and cash equivalents		(25,000)
Cash and cash equivalents at the beginning of the year		<u>90,000</u>
<b>Cash and Cash equivalents at the end of the year</b>		<u>65,000</u>

**Working Notes:**

1.

	Rs.
Net profit before taxation	
Retained profit	70,000
Less: Balance as on 31.3.2014	<u>(50,000)</u>
	20,000
Provision for taxation	1,35,000
Dividend payable	<u>90,000</u>
	<u>2,45,000</u>

2.

**Land and Building Account**

	Rs.		Rs.
To Balance b/d	2,00,000	By Cash (Sale)	1,50,000
To Capital reserve (Profit on sale)	30,000	By Balance c/d	1,50,000
To Capital reserve (Revaluation profit)	<u>70,000</u>		
	<u>3,00,000</u>		<u>3,00,000</u>

3.

**Plant and Machinery Account**

	Rs.		Rs.
To Balance b/d	5,00,000	By Cash (Sale)	90,000
To Profit and loss account	40,000	By Depreciation	1,35,000
To Debentures	1,00,000	By Balance c/d	7,65,000
To Bank	<u>3,50,000</u>		
	<u>9,90,000</u>		<u>9,90,000</u>

4.

**Investments Account**

	Rs.		Rs.
To Balance b/d	80,000	By Cash (Sale)	70,000
To Profit and loss account	20,000	By Dividend (Pre-acquisition)	5,000
To Bank (Balancing figure)	25,000	By Balance c/d	<u>50,000</u>
	<u>1,25,000</u>		<u>1,25,000</u>

5. Capital Reserve Account

	Rs.		Rs.
To Balance c/d	1,00,000	By Profit on sale of land	30,000
		By Profit on revaluation of land	70,000
	<u>1,00,000</u>		<u>1,00,000</u>

6. General Reserve Account

	Rs.		Rs.
To Voluntary separation cost	50,000	By Balance b/d	2,50,000
To Capital redemption reserve	1,00,000		
To Balance c/d	<u>1,00,000</u>		
	<u>2,50,000</u>		<u>2,50,000</u>

7. Dividend payable Account

	Rs.		Rs.
To Bank (Balancing figure)	60,000	By Balance b/d	60,000
To Balance c/d	90,000	By Profit and loss account	90,000
	<u>1,50,000</u>		<u>1,50,000</u>

8. Provision for Taxation Account

	Rs.		Rs.
To Bank (Balancing figure)	1,00,000	By Balance b/d	60,000
To Balance c/d	95,000	By Profit and loss account	1,35,000
	<u>1,95,000</u>		<u>1,95,000</u>

9. Voluntary Separation Payments Account

	Rs.		Rs.
To Balance b/d	65,000	By General reserve	50,000
To Bank (Balancing figure)	<u>1,10,000</u>	By Balance c/d	<u>1,25,000</u>
	<u>1,75,000</u>		<u>1,75,000</u>

Note: Cash Flow Statement has been prepared using 'indirect method'.

← 1 x 9 = 9

(16 Marks)

**Solution 5:**

Income and Expenditure Account of Lion Club

for the year ended 31<sup>st</sup> March, 2014

Expenditure	Rs.	Income	Rs.
To Salaries	1,28,000	By Subscription	1,94,750
To Printing and stationary	70,000	By Entrance donation	90,000
To Postage	40,000	By Interest	60,000
To Telephone and telex	52,000	By Miscellaneous income	9,000
To Repairs and maintenance	48,000	By Profit from operations	92,000
To Glass and table linen	12,000	By Excess of expenditure	
To Crockery and cutlery	14,000	over income transferred	
To Garden upkeep	8,000	to capital fund	30,250
To Membership fees	4,000		
To Insurance	6,000		
To Electricity charges	43,000		
To Loss on sale of assets	2,000		
To Depreciation	49,000		
	<u>4,76,000</u>		<u>4,76,000</u>

← 3

Balance Sheet of Lion Club as on 31<sup>st</sup> March, 2014

Liabilities	Rs.	Assets	Rs.
Capital fund	10,89,600	Fixed assets	4,41,000
Gratuity fund	1,50,000	Stock	2,10,000
Sundry creditors	92,000	Investments	5,00,000
Subscription received in advance	18,000	Subscription outstanding	7,000
Entrance donation refundable	20,000	Interest accrued	2,000
Outstanding expenses	23,000	Bank	2,24,600
		Cash	8,000
	<u>13,92,600</u>		<u>13,92,600</u>

← 2

Working Notes:

1.

Opening Balance Sheet

Balance Sheet of Lion Club as on 1<sup>st</sup> April, 2013

Liabilities	Rs.	Assets	Rs.
Sundry creditors	1,12,000	Fixed assets	5,00,000
Subscription received		Stock	3,80,000
in advance	15,000	Investments	5,00,000

Entrance donation received in advance	1,00,000	Subscription outstanding	12,000
Gratuity fund	1,50,000	Prepaid expenses	1,000
Capital fund (balance figure)	10,29,850	Cash	10,000
	<u>14,06,850</u>	Bank	3,850
			<u>14,06,850</u> ← 2

2. Subscription

	Rs.
Subscription received during the year	2,02,750
Add: Outstanding subscription on 31.3.2014	<u>7,000</u>
	2,09,750
Add: Received in advance as on 1.4.2013	<u>15,000</u>
	2,24,750
Less: Outstanding subscription as on 1.4.2013	<u>(12,000)</u>
	2,12,750
Less: Received in advance as on 31.3.2014	<u>(18,000)</u>
	<u>1,94,750</u> ← 1

3. Entrance donation

	Rs.
Entrance donation received during the year	1,00,000
Add: Received in advance as on 1.4.2013	<u>1,00,000</u>
	2,00,000
Less: Entrance donation in respect of ineligible member	<u>(20,000)</u>
	1,80,000
Less: 50% capitalized	<u>(90,000)</u>
Taken to income and expenditure account	<u>90,000</u> ← 1

4. Loss on sale of asset

	Rs.
Cost of asset sold	10,000
Less: Sale proceeds	<u>(8,000)</u>
Loss on sale of asset	<u>2,000</u> ← 1/2

5. Depreciation

	Rs.
Fixed asset as per trial balance	5,00,000 ← 1/2

Less: Cost of asset sold	<u>(10,000)</u>
	<u>4,90,000</u>
Depreciation on Rs. 4,90,000 @ 10%	49,000

6. Salaries

	Rs.	
Salary paid during the year	1,20,000	
Add: Outstanding as on 31.3.2014	<u>8,000</u>	← 1/2
	<u>1,28,000</u>	

7. Electricity charges

	Rs.	
Electricity charges paid during the year	28,000	
Add: Outstanding as on 31.3.2014	<u>15,000</u>	← 1/2
	<u>43,000</u>	

8. Interest

	Rs.	
Interest on 12% Government security investment (Rs. 5,00,000 @ 12 % p.a.)	60,000	
Less: Interest received during the year	<u>(58,000)</u>	
Interest accrued	<u>2,000</u>	
Interest credited to Income and Expenditure Account	60,000	← 1/2

9. Profit from operations:

	Rs.	
Cost of goods sold:		
Opening stock	3,80,000	
Add: Purchases	15,00,000	
	18,80,000	
<i>Less: Closing stock</i>	<i>(2,10,000)</i>	
Cost of goods sold (A)	<u>16,70,000</u>	
<i>Receipts from operations:</i>		
Receipts from coffee room	10,70,000	
Receipts from wines and spirits	5,10,000	← 1
<i>Receipts from swimming pool</i>	<i>80,000</i>	
<i>Receipts from tennis court</i>	<i>1,02,000</i>	
Total receipts (B)	<u>17,62,000</u>	
Profits from operations (B-A)	92,000	

10. Insurance

	Rs.
Insurance paid during the year	5,000
<i>Add:</i> Prepaid insurance as on 1.4.2013	<u>1,000</u>
	<u>6,000</u>

← 1/2

11. Sundry creditors

	Rs.
Opening balance as on 1.4.2013	1,12,000
<i>Add:</i> Purchases made during the year	<u>15,00,000</u>
	16,12,000
<i>Less:</i> Payments made during the year	<u>(15,20,000)</u>
Closing balance as on 31.3.2014	<u>92,000</u>

← 1

12. Outstanding expenses

	Rs.
Outstanding salaries	8,000
Outstanding electricity charges	<u>15,000</u>
Outstanding expenses	<u>23,000</u>

← 1/2

13. Fixed assets

	Rs.
Fixed assets as on 1.4.2013	5,00,000
<i>Less:</i> Cost of assets sold	<u>(10,000)</u>
	4,90,000
<i>Less:</i> Depreciation	<u>(49,000)</u>
Fixed assets as on 31.3.2014	<u>4,41,000</u>

← 1/2

14. Capital fund

	Rs.
Capital fund as on 1.4.2013	10,29,850
<i>Add:</i> Entrance donation capitalised	<u>90,000</u>
	11,19,850
<i>Less:</i> Excess of expenditure over income	<u>(30,250)</u>
Balance as on 31.3.2014	<u>10,89,600</u>

← 1  
**(16 Marks)**



**Solution 6:**

(a)

**Investment Account-Equity Shares in X Ltd.**

Date		No. of shares	Dividend	Amount	Date		No. of shares	Dividend	Amount
			₹	₹				₹	₹
2014					2014				
Jan. 1	To Balance b/d	20,000	-	3,20,000	Oct. 20	By Bank		30,000	7,500
June 1	To Bank	5,000	-	70,000	Nov. 1	(dividend)			
Aug. 2	To Bonus Issue	5,000			Nov. 1	By Bank	20,000		2,60,000
Sep. 30	To Bank (Right)	5,000		75,000	Nov. 1	By P & L A/c			1,429
Nov. 1	To Profit & Loss A/c (Dividend income)		30,000		Dec. 31	By Balance c/d	15,000		1,96,071
		<u>35,000</u>	<u>30,000</u>	<u>4,65,000</u>			<u>35,000</u>	<u>30,000</u>	<u>4,65,000</u>
Jan. 1, 2015	To Balance b/d	15,000		1,96,071					

← 1/2 x 8 = 4

**Working Notes:**

1. Cost of shares sold — Amount paid for 35,000 shares

	₹
(₹3,20,000 + ₹ 70,000 + ₹ 75,000)	4,65,000
Less: Dividend on shares purchased on June 1	(7,500)
Cost of 35,000 shares	<u>4,57,500</u>
Cost of 20,000 shares (Average cost basis)	2,61,429
Sale proceeds	<u>2,60,000</u>
Loss on sale	<u>1,429</u>

← 2

2. Value of investment at the end of the year

Assuming investment as current investment, closing balance will be valued based on lower of cost or net realizable value.

Here, Net realizable value is ₹14 per share i.e. 15,000 shares x ₹ 13= ₹ 2,10,000 and

cost =  $\frac{4,57,500}{35,000} \times 15,000 = ₹ 1,96,071$ . Therefore, value of investment at the end of the

year will be ₹ 1,96,071.

**(8 Marks)**

(b)

(i) Calculation of Interest and Cash Price

No. of installments	Outstanding balance at the end after the payment	Amount due at the time of installment	Outstanding balance at the end before the	Interest	Outstanding balance at the beginning
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	of installment		payment of installment		
[1]	[2]	[3]	[4]= 2 +3	[5]= 4 x 10/110	[6]= 4-5
3rd	-	2,75,000	2,75,000	25,000	2,50,000
2nd	2,50,000	2,45,000	4,95,000	45,000	4,50,000
1st	4,50,000	2,65,000	7,15,000	65,000	6,50,000

Total cash price = Rs. 6,50,000+ 5,00,000 (down payment) =Rs. 11,50,000. ← 2

**(ii) In the books of Lucky  
Tractors Account**

Date	Particulars	Rs.	Date	Particulars	Rs.
1.10.2011	To Happy a/c	11,50,000	30.9.2012	By Depreciation A/c	2,30,000
				Balance c/d	9,20,000
		11,50,000			11,50,000 ← 1/2
1.10.2012	To Balance b/d	9,20,000	30.9.2013	By Depreciation A/c	1,84,000
				Balance c/d	7,36,000
		9,20,000			9,20,000 ← 1/2
1.10.2013	To Balance b/d	7,36,000	30.9.2014	By Depreciation A/c	1,47,200
				By Happy a/c (Value of 1 Tractor taken over after depreciation for 3 years @30% p.a.) {5,75,000-(1,72,500+1,20,750+84,525)}	1,97,225
				By Loss transferred to Profit and Loss a/c on surrender (Bal. fig.) or (2,94,400-1,97,225)	97,175
				By Balance c/d	2,94,400
		7,36,000		1/2 (7,36,000-1,47,200=5,88,800)	7,36,000 ← 2

<b>Happy Account</b>					
Date	Particulars	Rs.	Date	Particulars	Rs.
1.10.11	To Bank (down payment)	5,00,000	1.10.11	By Tractors a/c	11,50,000
30.9.12	To Bank (1 <sup>st</sup> Installment)	2,65,000	30.9.12	By Interest a/c	65,000

		To Balance c/d	4,50,000				
			<u>12,15,000</u>			<u>12,15,000</u>	← 1
30.9.13		To Bank (2 <sup>nd</sup> Installment)	2,45,000	1.10.12	By Balance b/d	4,50,000	
				30.9.13	By Interest a/c	45,000	
		To Balance c/d	<u>2,50,000</u>				
			<u>4,95,000</u>			<u>4,95,000</u>	
30.9.14		To Tractor a/c	1,97,225	1.10.13	By Balance b/d	2,50,000	
		To Balance c/d	<u>77,775</u>	30.9.14	By Interest a/c	<u>25,000</u>	
			<u>2,75,000</u>			<u>2,75,000</u>	
31.12.14		To Bank	81,275	1.10.14	By Balance b/d	77,775	← 1
		(Amount settled after 3 months)		31.12.14	By Interest a/c (@ 18% on bal.) (77,775x3/12x18/100)	3,500	
			<u>81,275</u>			<u>81,275</u>	← 1

**(8 Marks)**

**Solution 7:**

**(a)**

**Calculation of Average Due Date taking base date as 19.06.2011**

Date of Bill	Period	Maturity date	No. of days from the base date	Amount (Rs.)	Products
09.03.2011	4 months	12.07.2011	23	4,000	92,000
16.03.2011	3 months	19.06.2011	0	5,000	0
07.04.2011	5 months	10.09.2011	83	6,000	4,98,000
18.05.2011	3 months	21.08.2011	63	<u>5,000</u>	<u>3,15,000</u>
				<u>20,000</u>	<u>9,05,000</u>

$$\text{Average due date} = \text{Base date} + \frac{\text{Total of product}}{\text{Total of amount}}$$

$$= 19.06.2011 + \frac{905000}{20000}$$

= 19.06.2011 + 46 days = 4<sup>th</sup> August, 2011. ← 1

**Computation of date of payment to earn interest of Rs. 150**

$$\text{Interest per day} = [\text{Rs. } 20,000 \times (18/100)] / 365 \text{ days}$$

$$= \text{Rs. } 3,600/365 = \text{Rs. } 10 \text{ per day (approx.)} \quad \leftarrow 1$$

To earn interest of Rs. 150, the payment should be made 15 days (Rs. 150 / Rs. 10 per day) earlier to the due date. Accordingly, the date of payment would be:

$$\text{Date of payment to earn interest of Rs. 150} = 4\text{th August, 2011} - 15 \text{ days} = 20\text{th July, 2011.}$$

**(b)**

General Ledger  
Debtors' Ledger Adjustment Account

Dr.			Cr.
	Rs.		Rs.
To Balance b/d	40,000	By General Ledger	
To General Ledger		Adjustment A/c:	
Adjustment A/c:		Collection (Cash	
Sales	49,000	& Bank)	53,400
Sundry Creditors	600	Discount	2,600
B/R Dishonoured		Bills Receivable	6,000
Bank		Bad Debts	1,100
Cheque dishonoured	<u>6,000</u>	By Balance c/d	<u>32,500</u>
	<u>95,600</u>		<u>95,600</u>

Note : If credit sales is Rs. 100, cash sales will be Rs. 20. Total credit sales shall be 5/6th of Rs. 58,800, i.e., Rs. 49,000.

← 1/2 x 8 = 4

**(c)**

**Memorandum Trading A/c (1.4.09 to 20.10.09)**

Particulars	(Rs.)	Particulars	(Rs.)
To Opening stock (Refer W.N.)	2,40,000	By Sales	5,40,000
To Purchases	3,20,000	(Rs. 6,20,000 – Rs. 80,000)	
(Rs. 2,80,000 + Rs. 40,000)		By Closing stock	1,55,000
To Gross profit		(bal. fig.)	
(Rs. 5,40,000 x 25%)	1,35,000		
	<u>6,95,000</u>		<u>6,95,000</u>

← 2

	Rs.
Stock on the date of fire (i.e. on 20.10.2009)	1,55,000
Less: Stock salvaged	<u>(31,000)</u>
Stock destroyed by fire	<u>1,24,000</u>

← 1

$$\begin{aligned}
 & \text{Insurance claim} = \frac{\text{Loss of stock}}{\text{Value of stock on the date of fire}} \times \text{Amount of policy} \\
 & = \frac{1,24,000}{1,55,000} \times 1,00,000 = \text{Rs. } 80,000
 \end{aligned}$$

**Working Note:**

Stock as on 1<sup>st</sup> April, 2009 was valued at 10% lower than cost.  
Hence, original cost of the stock as on 1<sup>st</sup> April, 2009 would be

$$= \frac{216000}{90} \times 100 = \text{Rs. } 240000 \quad \leftarrow 1$$

**(d)**

Schedule III has come into force for the Balance Sheet and Profit and Loss Account prepared for the financial year commencing on or after 1<sup>st</sup> April, 2014. As per Part I of the Schedule III, a company shall, inter alia, disclose in notes to accounts for the period of 5 years immediately preceding the balance sheet date (31<sup>st</sup> March, 2015 in the instant case) the aggregate number and class of shares allotted as fully paid-up bonus shares. Schedule III does not require a company to disclose the source from which bonus shares have been issued. Therefore, non-disclosure of source from which bonus shares have been issued does not violate the Schedule III to the Companies Act.  $\leftarrow 4$

**(e)**

A customised accounting software is one where the software is developed on the basis of requirement specifications provided by the organisation.

The choice of customised accounting software could be because of the typical nature of the business or else the functionality desired to be computerised is not available in any of the pre-packaged accounting software. An organisation desiring to have an integrated software package covering most of the functional area may have the financial module as part of the entire customised system.

A feasibility study is first made before the decision to develop a software is made. The life cycle of a customised accounting software begins with the organisation providing the user requirements. Based on these user requirement the system analyst prepares a requirement specification which is given for approval by the user management. Once the requirement specification is approved, the designing process begins. Development, testing and implementation are the other components of the system development life cycle.  $\leftarrow 4$

**(4x4=16 Marks)**

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