

PAPER 5- FINANCIAL ACCOUNTING

Answer to PTP_Intermediate_Syllabus 2012_June2015_Set 3

The following table lists the learning objectives and the verbs that appear in the syllabus learning aims and examination questions:

| | Learning objectives | Verbs used | Definition |
|----------------|---|---|---|
| LEVEL B | KNOWLEDGE What you are expected to know | List | Make a list of |
| | | State | Express, fully or clearly, the details/facts |
| | | Define | Give the exact meaning of |
| | COMPREHENSION What you are expected to understand | Describe | Communicate the key features of |
| | | Distinguish | Highlight the differences between |
| | | Explain | Make clear or intelligible/ state the meaning or purpose of |
| | | Identify | Recognize, establish or select after consideration |
| | APPLICATION How you are expected to apply your knowledge | Illustrate | Use an example to describe or explain something |
| | | Apply | Put to practical use |
| | | Calculate | Ascertain or reckon mathematically |
| | | Demonstrate | Prove with certainty or exhibit by practical means |
| | | Prepare | Make or get ready for use |
| | | Reconcile | Make or prove consistent/ compatible |
| | ANALYSIS How you are expected to analyse the detail of what you have learned | Solve | Find an answer to |
| | | Tabulate | Arrange in a table |
| | | Analyse | Examine in detail the structure of |
| | | Categorise | Place into a defined class or division |
| | | Compare and contrast | Show the similarities and/or differences between |
| Construct | | Build up or compile | |
| | Prioritise | Place in order of priority or sequence for action | |
| | Produce | Create or bring into existence | |

Paper 5- Financial Accounting

Full Marks: 100

Time allowed: 3 hours

[This paper contains 7 questions. All questions are compulsory, subject to instruction provided against each question. All workings must form part of your answer.]

1. Answer All questions (give workings) [2 x 10=20]

(i) A fire damaged the premises of a trader resulting in loss of stock of ₹ 5,00,000. The goods salvaged from fire was ₹ 30,000. The policy was for ₹ 3,50,000 eligible for average clause. You are to ascertain the amount of insurance claim to be made.

Answer:

Actual Loss = Value of stock destroyed at the date of the fire - Stock salvaged
= ₹(5,00,000 -30,000) = ₹ 4,70,000

Since the value of stock is more than the policy value of ₹ 3,50,000 ,principle of average clause should be applied as :

Net claim = 4,70,000 x (3,50,000 /5,00,000) = ₹ 3,29,000

(ii) Mr. Vikas sold 1,500, 10% debentures (face value ₹ 100 each) of Shiva Limited at ₹ 125 cum-interest on 01.01.2015. The interest is payable on 31st March and 30th September every year. Find out the actual amount received by Vikas (excluding interest) on account of sale of investment.

Answer:

Total amount received from sale of debentures (cum-Interest) = 1,500 x 125 = ₹ 1,87,500

Less: Interest from 01.10.2014 to 31.12.2015 (1,500 x 100 x 10% x 3/12) = ₹3,750 Actual amount received (excluding interest) on Account of sale of Investments = ₹ 1,83,750.

(iii) New Bank Ltd. informs you the following:

- Bill discount commission (unadjusted) ₹ 21,00,000
- Rebate on bills discounted as on 01.04.2013 ₹ 2,43,000
- Rebate on bills discounted as on 31.03.2014 ₹2,18,000

Compute the discount to be credited to the profit and loss account of the Bank for the year ended 31.03.2014.

Answer:

**New Bank Ltd.
Rebate on Bills Discounted Account**

| Dr. | | | Cr. | | |
|------------|--------------------------------|------------|------------|-------------------|------------|
| Date | Particulars | Amount (₹) | Date | Particulars | Amount (₹) |
| 31.03.2014 | To P&L A/c (Balancing Fig.) | 21,25,000 | 01.04.2013 | By balance b/d | 2,43,000 |
| 31.03.2014 | To balance c/d | 2,18,000 | 31.03.2014 | By Sundry Parties | 21,00,000 |
| | | 23,43,000 | | | 23,43,000 |

(iv) ₹ 90,000 is the annual instalment to be paid for three years (given Present Value of an annuity of Re. 1 p.a. @ 5% interest is ₹ 2.7232). Ascertain the Cash Price in case of Hire-Purchase.

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Answer:

| Amount of Instalment | Present Value |
|----------------------|-----------------------------------|
| 1 | 2.7232 |
| ₹90,000 | $\frac{2.7232 \times ₹90,000}{1}$ |
| Cash price is | =₹2,45,088 |

- (v) On 1st April 2014, a head office purchased a plant costing ₹ 66,000 for the branch. On 1st January 2015, the branch purchased furniture for ₹10,000. The rate of depreciation on plant is 33-1/3% p.a. and on furniture 10% p.a. The accounting year of the head office and branch is the financial year.

Required: Give the necessary journal entries in the books of H.O., if fixed assets accounts are maintained at Head Office

Answer:

- (ii) If Fixed assets Accounts are maintained at H. O.

a. Journal of Head Office

| Date | Particulars | L.F. | Dr.(₹) | Cr.(₹) |
|------------|---|------|--------|---------------|
| 01.04.2014 | Branch plant A/c To Cash A/c (Being the Plant purchased for Branch) | | 66,000 | 66,000 |
| 01.01.2015 | Branch Furniture A/c To Branch A/c (Being the Furniture purchased by Branch) | | 10,000 | 10,000 |
| 31.03.2015 | Branch A/c To Branch Plant A/c To Branch Furniture A/c (Being the depreciation provided) | | 22,250 | 22,000 250 |

- (vi) X Ltd. furnished the following particulars:

Debtors' ledger includes ₹9,000 due from Pin top Ltd. whereas creditors ledger include ₹ 5,400 due to Pin top Ltd.

Journalize the above.

Answer:

In the books of X Ltd.
Journal (without narration)

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|------|---|------|------------|------------|
| | Creditors Ledger Adjustment A/c To Debtors ledger Adjustment A/c | Dr. | 5,400 | 5,400 |

- (vii) Red Ltd. purchases goods from Yellow Ltd. for ₹ 500 crore for export. The export order was cancelled. Red Ltd. decided to sell the same goods in the local market with a price discount. Yellow Ltd. was requested to offer a price discount of 15%. The chief accountant of Yellow Ltd. wants to adjust the sales figure to the extent of the discount requested by Yellow Ltd. Discuss whether this treatment is justified.

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Answer:

As per the appendix attached to AS – 9 “ Revenue Recognition”, trade discounts and volume rebates received are not encompassed within the definition of revenue. Trade discounts and volume rebates given should be deducted in determining the revenue, therefore the chief accountant of Yellow Ltd. is correct in adjusting the sales period to the extent of discount of 15%.

(viii) The following data apply to a company's defined benefit pension plan for the year:

| | Amount (₹) |
|--|------------|
| Fair market value of plan assets (beginning of year) | 2,16,000 |
| Fair market value of plan assets (end of the year) | 3,07,800 |
| Employer Contribution | 75,600 |
| Benefit Paid | 54,000 |

Calculate the actual return on plan assets.

Answer:

The actual return is computed as follows:

| | | Amount (₹) |
|--|--------|------------|
| Fair market value of plan assets (end of year) | | 3,07,800 |
| Less: Fair market value of plan assets (beginning of year) | | 2,16,000 |
| Change in plan assets | | 91,800 |
| Less: Adjusted for | | |
| Employer contributions | 75,600 | |
| Less: Benefit Paid | 54,000 | 21,600 |
| Actual return on plan assets | | 70,200 |

(ix) AB is in need for funds and approaches BC. BC unable to find the money, agrees to accept a bill of Exchange for ₹ 20,000 drawn on him at 3 months for accommodation. The bill was drawn, accepted and discounted with bank at 6 % p.a. On the due date AB remits the required amount to BC . Give the entry for remittance of the amount.

Answer:

The bill drawn was to accommodate only AB, so the proceeds were fully used by AB. Hence on the due date, the whole amount should be remitted by AB to BC. So the right journal entry is

| In the books of AB | | |
|--------------------|-----------|------------|
| Particulars | Debit (₹) | Credit (₹) |
| BC's A/c | 20,000 | |
| To, Cash A/c | | 20,000 |

(x) ABC Insurance Co. Ltd. has the following balances as on 31st March –

| | |
|--------------------------------|----------------|
| Life Assurance Fund | ₹ 17,100 Lakhs |
| Net Liability as per Valuation | ₹ 13,500 Lakhs |
| Interim Bonus paid | ₹ 2,250 Lakhs |

You are required compute the profit/surplus as on 31st March.

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Answer:

Valuation Balance Sheet as on 31st March

| Liabilities | ₹ in Lakhs | Assets | ₹ in Lakhs |
|--|------------|---------------|------------|
| To, Net Liability as per Actuarial Valuation | 13,500 | By, Life Fund | 17,100 |
| To, Profit / Surplus on Valuation (balancing figure) | 3,600 | | |
| Total | 17,100 | Total | 17,100 |

2. (Answer any two)

(a) Mr. Right sold goods on credit to various customers. Details related to one of the customer, Mr. Good is as under:

- (i) Goods sold on credit ₹3,50,000.
- (ii) Goods returned by the customer ₹30,000 due to defective quality, credit note raised but not recorded.
- (iii) Payment received from customer in cash ₹75,000 and by cheques ₹91,500. Out of cheques received, a cheque of ₹14,000 was dishonoured by bank.
- (iv) Customer accepted two Bills of ₹10,500 and ₹32,000 for 2 months and 3 months respectively.

Mr. Good the customer is in need to ascertain the actual balance due to Mr. Right. Prepare a Reconciliation Statement. [4]

Answer:

Receivable from Mr. Good – Reconciliation Statement

| Particulars | Amount (₹) |
|--|------------|
| Credit sales during the period | 3,50,000 |
| Less: Goods returned by the Customer, adjustment of credit note | 30,000 |
| Less: Payment received in cash | 75,000 |
| Less: Payment received by cheque less dishonoured cheque (91,500 – 14,000) | 77,500 |
| Less: Bills receivable accepted by Customer, yet to be matured (10,500 + 32,000) | 42,500 |
| Net Receivable from Customer | 1,25,000 |

(b) The total of debit side of Trial balance of a larger boot and shoe repairing firm as on 31.12.2013 is ₹1,66,590 and that of the credit side is ₹42,470. After several checking and re-checking the mistakes are discovered:

| Items of Account | Correct Figure (as it would be) | Figures as it appear in the Trial Balance |
|-------------------------------------|---------------------------------|---|
| Opening Stock | ₹15,900 | ₹15,600 |
| Repairing (shown as debit balance) | ₹61,780 | ₹61,780 |
| Rent & Taxes | ₹4,640 | ₹4,400 |
| Sundry Creditors | ₹6,270 | ₹5,900 |
| Sundry Debtors | ₹7,060 | ₹7,310 |

Ascertain the correct total of the Trial Balance.

[4]

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Answer:

| Particulars | Debit (₹) | Credit (₹) |
|--|-----------------|-----------------|
| Total as per Trial Balance | 1,66,590 | 42,470 |
| Opening stock understated (15,900 - 15,600) | +300 | - |
| Repairing being credit balance, but shown as debit balance | - 61,780 | + 61,780 |
| Rent & Taxes understated (4,640 - 4,400) | -240 | - |
| Sundry Creditors understated (6,270 - 5,900) | - | +370 |
| Sundry Debtors overstated (7,310 - 7,060) | -250 | - |
| Total | 1,04,620 | 1,04,620 |

(c) List the significant differences between Book keeping and Accountancy.

[4]

Answer:

The Significant difference between Book-keeping and Accountancy are:

| Points of difference | Book Keeping | Accountancy |
|----------------------------------|--|---|
| Meaning | Book-keeping is considered as end. | Accountancy is considered as beginning. |
| Functions | The primary stage of accounting function is called Book-keeping. | The overall accounting functions are guided by accountancy. |
| Depends | Accountancy can complete its functions with the help of Book-keeping. | Accountancy depends on Book-keeping for its complete functions. |
| Data | The necessary data about financial performances and financial positions are taken from Book-keeping. | Accountancy can take its decisions, prepare reports and statements from the data taken from Book-keeping. |
| Recording of Transactions | Financial transactions are recorded on the basis of accounting principles, concepts and conventions. | Accountancy does not take any principles, concepts and conventions from Book-keeping. |

3. (Answer any two)

(a)(i) Akash Ltd. has 3 departments A ,B and C. The following information is provided:

| Particulars | A ₹ | B ₹ | C ₹ |
|--|--------|--------|--------|
| Opening Stock | 6,000 | 8,000 | 6,000 |
| Consumption of direct materials | 16,000 | 24,000 | - |
| Wages | 10,000 | 20,000 | - |
| Closing Stock | 8,000 | 28,000 | 16,000 |
| Sales | - | - | 68,000 |

Stock of each department is valued at cost to the department connected. Stocks of A department are transferred to B at a margin of 50% above departmental cost. Stocks of B department are transferred to C department at a margin of 10% above departmental cost.

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Other expenses were: salaries ₹4,000, Printing and Stationery ₹ 2,000, rent ₹12,000, Interest paid ₹8,000, Depreciation ₹6,000,. Allocate expenses in the ratio of departmental gross profit. Opening figures of reserve for unrealized profits on departmental stock were: Department B ₹2,000; Department C ₹4,000. [8]

Answer:

Departmental Trading and Profit & Loss Account

Dr.

for the year ended 31st March, 2013

Cr.

| Particulars | A ₹ | B ₹ | C ₹ | Total ₹ | Particulars | A ₹ | B ₹ | C ₹ | Total ₹ |
|--|---------------|---------------|---------------|-----------------|--|---------------|---------------|---------------|-----------------|
| To, Opening Stock | 6,000 | 8,000 | 6,000 | 20,000 | By, Internal transfer | 36,000 | 66,000 | - | 1,02,000 |
| To, Direct Material | 16,000 | 24,000 | - | 40,000 | By, Sales | - | - | 68,000 | 68,000 |
| To, Wages | 10,000 | 20,000 | - | 30,000 | By, Closing Stock | 8,000 | 28,000 | 16,000 | 52,000 |
| To, Internal Transfer | - | 36,000 | 66,000 | 1,02,000 | | | | | |
| To, Gross Profit c/d | 12,000 | 6,000 | 12,000 | 30,000 | | | | | |
| | 44,000 | 94,000 | 84,000 | 2,22,000 | | 44,000 | 94,000 | 84,000 | 2,22,000 |
| To, Salaries | 1,600 | 800 | 1,600 | 4,000 | By, Gross Profit b/d | 12,000 | 6,000 | 12,000 | 30,000 |
| To, Printing & Stationery | 800 | 400 | 800 | 2,000 | By, Net Loss c/d | 800 | 400 | 800 | 2,000 |
| To, Rent | 4,800 | 2,400 | 4,800 | 12,000 | | | | | |
| To, Depreciation | 2,400 | 1,200 | 2,400 | 6,000 | | | | | |
| To, Interest paid | 3,200 | 1,600 | 3,200 | 8,000 | | | | | |
| | 12,800 | 6,400 | 12,800 | 36,000 | | 12,800 | 6,400 | 12,800 | 32,000 |
| To, Net Loss b/d (After adjusting the profit of Deptt. C) | | | | 2,000 | By, Provision for unrealized profit on Opening Stock | | | | 6,000 |
| To, Provision for Unrealised profit on Closing Stock | | | | 7,836 | By, Balance transferred to Profit & Loss A/C | | | | 3,836 |
| | | | | 9,836 | | | | | 9,836 |

Working Notes :

(i) FIFO method for stock issue has been assumed. Alternatively this question could have been solved by assuming other methods for stock issue like LIFO Basis, Weighted Average basis, etc.

| | |
|--|----------|
| (ii) Calculation of unrealised profit on Closing Stock of Deptt. B | ₹ |
| Current cost incurred by Deptt. B (₹ 24,000 + ₹ 20,000 + ₹ 36,000) | 80,000 |
| Profit included in Above (₹ 36,000 × 50/150) | 12,000 |
| Profit included in Closing Stock of | ₹ 28,000 |
| (₹ 12,000 × ₹ 28,000/₹ 80,000) | 4,200 |

| | |
|--|--------|
| (iii) Calculation of unrealised profit on Closing Stock of Deptt | ₹ |
| Current Cost incurred by Deptt. C | 66,000 |
| Profit of Dept. B included in above (₹66,000 × 10/110) | 6,000 |
| Cost element of Dept. B included in current cost (₹ 66,000 –6,000) | 60,000 |
| Profit of Dept. A included in above cost (₹ 12,000 × ₹ 60,000/₹ 80,000) | 9,000 |
| Total Profit included in current cost of Dept. C (₹ 6,000 + ₹ 9,000) | 15,000 |
| Unrealised profit included in closing stock of ₹ 16,000 (₹ 15,000 × ₹ 16,000/₹ 66,000) | 3,636 |

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(iv) Total unrealised profit (₹ 4,200 + ₹ 3,636)

7,836

(ii) It was decided to make specific provisions in the accounts for the year ended 31.03.14 for the following doubtful debts after examining the sales ledger of the firm:

A ₹ 1,900; B ₹ 300 ; C ₹ 2,680 and D ₹ 1,380.

It was decided to make also a general provision of 5% on the other debtors who were on 31st March 2013 amounted to ₹ 2,16,000.

No other transaction relating to the debtors were made but successors of A and D sent final dividend of ₹ 600 and ₹ 840 respectively and C paid his debt in full.

On 31.03.2014, it was decided to maintain the provision against B's debt and make further provision for the following debts considered doubtful:

E ₹ 1,300; F ₹ 680 and G ₹ 1,020.

The other debtors amounted to ₹ 2,60,000 and it was required to make the general provisions for doubtful debts equal to 5% of these debts. Show Bad Debts Account and Provision for Bad Debts Account. [4]

Answer :

(ii) In the Books of

| Dr. | | Bad Debts Account | | Cr. | |
|----------------|------------------------|--------------------|----------------|---------------------------------|------------|
| Date | Particulars | Amount (₹) | Date | Particulars | Amount (₹) |
| 2014 Mar 31 | To, Sundry Debtors A/c | 1,840 ¹ | 2014 Mar 31 | By, Provision for Bad debts A/c | 1,840 |
| | | 1,840 | | | 1,840 |

| Dr. | | Provision for Bad Debts Account | | Cr. | |
|----------------|-------------------|---------------------------------|-----------------|---|---------------------|
| Date | Particulars | Amount (₹) | Date | Particulars | Amount (₹) |
| 2014 Mar 31 | To, Bad Debts A/c | 1,840 | 2013 April 1 | By, Balance b/d | 17,060 ² |
| Mar,31 | To, Balance c/d | 16,300 ³ | 2013 Mar,31 | „Profit and Loss A/c (further provision required) | 1,080 |
| | | 18,140 | | | 18,140 |

Workings:

| | |
|-----------------------|--------------|
| (1). Bad Debts | ₹ |
| A: ₹(1,900 – 600) | 1,300 |
| D: ₹ (1,380- 840) | <u>540</u> |
| | <u>1,840</u> |

(2). Opening Balance of provision for Bad debts

₹

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| | | |
|--------------------|---------------|---------------|
| A: | 1,900 | |
| B: | 300 | |
| C: | 2,680 | |
| D: | 1,380 | |
| General provision | | |
| (5% of ₹ 2,16,000) | <u>10,800</u> | |
| | | <u>17,060</u> |

(3). Closing Balance of provision for Bad debts

| | | |
|--------------------|---------------|---------------|
| | ₹ | |
| B: | 300 | |
| E: | 1,300 | |
| F: | 680 | |
| G: | 1,020 | |
| General provision | | |
| (5% of ₹ 2,60,000) | <u>13,000</u> | |
| | | <u>16,300</u> |

(b) The firm of Kapil and Dev has four partners and as on 31st March, 2014, its Balance Sheet stood as follows:

Balance Sheet as at 31st march, 2014

| Liabilities | ₹ | ₹ | Assets | ₹ |
|----------------------------|----------|------------------|-----------------------------|------------------|
| Capital A/cs: | | | Land | 50,000 |
| F. Kapil | 2,00,000 | | Building | 2,50,000 |
| S. kapil | 2,00,000 | | Office equipment | 1,25,000 |
| R. Dev | 1,00,000 | 5,00,000 | Computers | 70,000 |
| Current A/cs: | | | Debtors | 4,00,000 |
| F. Kapil | 50,000 | | Stocks | 3,00,000 |
| S. kapil | 1,50,000 | | Cash at Bank | 75,000 |
| R. Dev | 1,10,000 | 3,10,000 | Other Current assets | 22,600 |
| Loan form NBFC | | 5,00,000 | Current A/c: | |
| Current Liabilities | | 70,000 | B. Dev | 87,400 |
| | | 13,80,000 | | 13,80,000 |

The partners have been sharing profits and losses in the ratio of 4: 4: 1: 1. It has been agreed to dissolve the firm on 1.4.2014 on the basis of the following understanding:

- (i) The following assets are to be adjusted to the extent indicated with respect to the book values : Land—200%; Building—120%; Computers—70%; Debtors—95%; Stocks—90%
- (ii) In the case of the loan, the lenders are to be paid at their insistence a prepayment premium of 1%.
- (iii) B.Dev is insolvent and no amount is recoverable from him. His father, R. Dev, however, agrees to bear 50% of his deficiency. The balance of the deficiency is agreed to be apportioned according to law.

Assuming that the realization of the assets and discharge of liabilities is carried out immediately, show the Cash Account, Realization Account and the Partners' Accounts [12]

Answer:

Realization Account

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| Dr. | | | | Cr. | |
|-----------------------------|-------------|-------------|-----------------------------|-------------|-------------|
| Particulars | Amount ₹ | Amount ₹ | Particulars | Amount ₹ | Amount ₹ |
| To Land A/c | | 50,000 | By Current Liabilities A/c | | 70,000 |
| To Building A/c | | 2,50,000 | By Loan from NBFC A/c | | 5,00,000 |
| To Office Equipments A/c | | 1,25,000 | By Bank A/c : | | |
| To Computers A/c | | 70,000 | Land [200%] | 1,00,000 | |
| To Debtors A/c | | 4,00,000 | Building [120%] | 3,00,000 | |
| To Stocks A/c | | 3,00,000 | Office Equipment [100%] | 1,25,000 | |
| To Other Current Assets A/c | | 22,600 | Computers [70%] | 49,000 | |
| To Cash A/c : | | | Debtors [95%] | 3,80,000 | |
| Current Liabilities | | 70,000 | Stock [90%] | 2,70,000 | |
| Loan from NBFC | | 5,05,000 | Other Current Assets [100%] | 22,600 | |
| [5,00,000 + 1% thereof] | | | | | 12,46,600 |
| To Capital A/cs | | | | | |
| [Profit on Realization] | | | | | |
| F. Kapil | 9,600 | | | | |
| S. Kapil | 9,600 | | | | |
| R. Dev | 2,400 | | | | |
| B. Dev | 2,400 | 24,000 | | | |
| | | 18,16,600 | | | 18,16,600 |

Partners Capital Accounts

| Dr. | | | | | Cr. | | | | |
|---|---------------|---------------|-------------|-------------|---|---------------|---------------|-------------|-------------|
| Particulars | F. Kapil ₹ | S. Kapil ₹ | R. Dev ₹ | B. Dev ₹ | Particulars | F. Kapil ₹ | S. Kapil ₹ | R. Dev ₹ | B. Dev ₹ |
| To Current A/c | | | | 87,400 | By Balance b/d | 2,00,000 | 2,00,000 | 1,00,000 | |
| To B. Dev's Cap A/c [50% of deficiency] | | | 42,500 | | By Current A/c | 50,000 | 1,50,000 | 1,10,000 | |
| To B.Dev's Cap. A/c (Contra) | 17,000 | 17,000 | 8,500 | | By Realization A/c (Profit) | 9,600 | 9,600 | 2,400 | 2,400 |
| To Bank A/c [Final Payments] | 2,42,600 | 3,42,600 | 1,61,400 | - | By R.Dev's Cap. A/c [50% of deficiency transferred] | | | | 42,500 |
| | | | | | By F.Kapil's Cap. A/c | | | | 17,000 |
| | | | | | By S.Kapil's Cap. A/c | | | | 17,000 |
| | | | | | By R.Dev's Cap. A/c [Remaining deficiency as 2:2:1] | | | | 8,500 |
| | 2,59,600 | 3,59,600 | 2,12,400 | 87,400 | | 2,59,600 | 3,59,600 | 2,12,400 | 87,400 |

Cash Book (Bank Column)

| Dr. | | Cr. | |
|--------------------|-------------|---------------------------|-------------|
| Particulars | Amount ₹ | Particulars | Amount ₹ |
| To Balance b/d | 75,000 | By Realization A/c | 5,75,000 |
| To Realization A/c | 12,46,600 | By F. Kapil's Capital A/c | 2,42,600 |
| | | By S. Kapil's Capital A/c | 3,42,600 |
| | | By R. Dev's Capital A/c | 1,61,400 |
| | 13,21,600 | | 13,21,600 |

(c) The following information has been obtained from the books of a lessee relating to the years 2010-11 to 2013-14 :

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Payments to Landlord (after tax deducted @ 20% at Source):

| | | |
|-----------------------------|---------|----------|
| | 2010-11 | ₹ 12,000 |
| | 2011-12 | ₹ 12,000 |
| | 2012-13 | ₹ 12,000 |
| | 2013-14 | ₹ 19,200 |
| Short-working recovered : | 2011-12 | ₹ 2,500 |
| | 2012-13 | ₹ 1,000 |
| Short-working written-off : | 2012-13 | ₹ 500 |

Balance of Short-working Account forward on April 1, 2010 ₹ 800 (which are in 2010-11). According to the terms of agreement short-working is recoverable within the next two years following the year in which short-working arises.

You are required to show the necessary accounts in the books of the lessee for the four years ended 31st March 2014. [12]

Answer:

Before preparing the ledger accounts we are to find out some missing information :

A. The recoupment which was made is 2011-12 for ₹ 2,500 is inclusive of ₹ 800 of 2009-10 and the balance ₹ 1,700 for 2010-11.

Again, the short-working which was recovered and written-off ₹ 1,000 and ₹ 500 (i.e., ₹ 1,500), respectively, in 2012-13 are also for the year 2010-11. So, the total short-working for 2012-13 amounted to ₹ 3,200 (i.e., ₹ 1,700 + ₹ 1,500).

B. Rate of taxes @ 20% on gross i.e., 25% (i.e.) on net amount paid.

C. Actual Payment = Annual Royalty + Short-working – Recoupment.

Thus, actual royalty is calculated as under :

| | 2010-11 ₹ | 2011-12 ₹ | 2012-13 ₹ | 2013-14 ₹ |
|---|--------------|--------------|--------------|--------------|
| Payment to landlord (after tax) | 12,000 | 12,000 | 12,000 | 19,200 |
| Add Back: Tax Deducted at Source @ ¼ th | 3,000 | 3,000 | 3,000 | 4,800 |
| Payment to landlord (before Tax) | 15,000 | 15,000 | 15,000 | 24,000 |
| Less : Short-working | 3,200 | — | — | — |
| | — | 2,500 | 1,000 | — |
| Add : Recoupment | 11,800 | 17,500 | 16,000 | 24,000 |

In the Books of Lessee Royalty Account

| Dr. | | | Cr. | | |
|-------------------|-----------------|--------|-------------------|-------------|--------|
| Date | Particulars | Amount | Date | Particulars | Amount |
| 2011 March, 31 | To Landlord A/c | 11,800 | 2011 March, 31 | By P/L A/c | 11,800 |
| 2012 March, 31 | To Landlord A/c | 17,500 | 2012 March, 31 | By P/L A/c | 17,500 |
| 2013 March, 31 | To Landlord A/c | 16,000 | 2013 March, 31 | By P/L A/c | 16,000 |
| 2014 March, 31 | To Landlord A/c | 24,000 | 2014 March, 31 | By P/L A/c | 24,000 |

Answer to PTP_Intermediate_Syllabus 2012_June2015_Set 3

Landlord Account

| Dr. | | | Cr. | | |
|-------------------|---|--------------------------|-------------------|---|-----------------|
| Date | Particulars | Amount | Date | Particulars | Amount |
| 2011 March, 31 | To Bank A/c To Income Tax Payable A/c | 12,000 3,000 | 2011 March, 31 | By Royalty A/c By Short workings A/c | 11,800 3,200 |
| | | 15,000 | | | 15,000 |
| 2012 March, 31 | To Bank A/c To Income Tax Payable A/c To Short workings A/c (Recoupment) | 12,000 3,000 2,500 | 2012 March, 31 | By Royalty A/c | 17,500 |
| | | 17,500 | | | 17,500 |
| 2013 March, 31 | To Bank A/c To Income Tax Payable A/c To Short workings A/c (Recoupment) | 12,000 3,000 1,000 | 2013 March, 31 | By Royalty A/c | 16,000 |
| | | 16,000 | | | 16,000 |
| 2014 March, 31 | To Bank A/c To Income Tax Payable A/c | 19,200 4,800 | 2014 March, 31 | By Royalty A/c | 24,000 |
| | | 24,000 | | | 24,000 |

Short-working Account

| Dr. | | | Cr. | | |
|-------------------|-----------------------------------|--------------|-------------------|-----------------------------------|----------------|
| Date | Particulars | Amount | Date | Particulars | Amount |
| 2011 March, 31 | To Balance b/f To Landlord A/c | 800 3,200 | 2011 March, 31 | By Balance c/d | 4,000 |
| | | 4,000 | | | 4,000 |
| 2012 March, 31 | To Balance b/d | 4,000 | 2012 March, 31 | By Landlord A/c By Balance c/d | 2,500 1,500 |
| | | 4,000 | | | 4,000 |
| 2013 March, 31 | To Balance b/d | 1,500 | 2013 March, 31 | By Landlord A/c By P/L c/d | 1,000 500 |
| | | 1,500 | | | 1,500 |

4. (Answer any two)

(a) Messers Lion & Co. are maintaining accounts on self-balancing system. On 31.3.2013 the general ledger disclosed the following balances:

Sales ledger adjustment account (Dr.) – ₹ 35,235; Purchases ledger adjustment account (Cr.) – ₹ 15,530.

On scrutinizing the ledgers, the following mistakes were noticed:

- (i) A credit purchase of ₹ 4,300 has been credited to the sales ledger adjustment account. In the subsidiary books, the party's account shows a debit balance in the sales ledger and a credit balance in the purchases ledger.
- (ii) ₹ 4,750 were due from Mr. X in the sales ledger as against ₹ 7,740 due to him for purchases made and entered in the purchase ledger.

Show the necessary journal entries.

[4]

Answer to PTP_Intermediate_Syllabus 2012_June2015_Set 3

Answer:

Journal Entries

| Date 31.3.13 | | L.F. | Dr. (₹) | Cr. (₹) |
|-----------------|---|------|------------|------------|
| (i) | Sales Ledger Adjustment A/c (in General Ledger)Dr. To General Ledger Adjustment A/c (in Purchase Ledger) [Error corrected] | | 4,300 | 4,300 |
| | General Ledger Adjustment A/c (in Purchase Ledger)Dr. To Purchase Ledger Adjustment A/c (in General Ledger) [Error corrected] | | 4,300 | 4,300 |
| (ii) | Purchase Ledger Adjustment A/c (in General Ledger)Dr. To General Ledger Adjustment A/c (in Purchase Ledger) [Self-Balancing entry made for Purchase Ledger] | | 4,750 | 4,750 |
| | General Ledger Adjustment A/c (In Sales Ledger)Dr. To Sales Ledger Adjustment A/c (in General Ledger) [Self-Balancing entry made for Sales Ledger] | | 4,750 | 4,750 |

(b) Mention any four advantages of Self-Balancing System.

[4]

Answer:

The advantages of Self-Balancing system are:

- (i) If ledgers are maintained under self-balancing system it becomes very easy to locate errors.
- (ii) This system helps to prepare interim account and draft final accounts as a complete trial balance can be prepared before the obstruction of individual personal ledger balances.
- (iii) This system is particularly useful (i) where there are a large number of customers or suppliers and (ii) where it is desired to prepare periodical accounts.
- (iv) Committing fraud is minimized as different ledgers are prepared by different clauses and internal check system can also be strengthened as it becomes possible to check the accuracy of each ledger independently.

(c) Write up the Total Debtors Account recording the following transactions for the year ended 31st March, 2014 bringing down the balance on that date: Sales — ₹5,10,000; Purchases — ₹3,50,000; Cash received from Debtors — ₹3,87,500; Cash Paid to Creditors — ₹3,42,500; Amount due to suppliers as shown by creditors ledger set off against amount due from the same party as shown by debtors ledger — ₹3,500; Bad Debts previously written off, now recovered— ₹3,250; Bad Debts written off — ₹7,750; Cash received in respect of debit balance in Creditors Account — ₹2,750; Returns Inward — ₹24,750; Bills Received — ₹1,00,000; Returns Outward — ₹3,750; Bills dishonoured — ₹6,250; Discounts Received — ₹7,500; Discounts Allowed — ₹6,250; Cash refunded to the debtors— ₹ 1,250.

On 1st April, 2013 the debtors ledger balances were ₹ 45,750 (Dr.) and ₹ 500 (Cr.) and the Creditors Ledger balances were ₹ 42,250 (Cr.) and ₹ 2,750 (Dr.).

On 31st March, 2014 there were no credit balances in the debtors' ledger except those outstanding on 1st April, 2013 and no debit balance in the creditors' ledger. **[4]**

Answer to PTP_Intermediate_Syllabus 2012_June2015_Set 3

Answer:

| Dr. | | Total Debtors Account | | Cr. | |
|---------|----------------------------------|-----------------------|---------|-----------------------|---------------|
| Date | Particulars | Amount (₹) | Date | Particulars | Amount (₹) |
| 1.4.13 | To Balance b/f | 45,750 | 1.4.13 | By Balance b/f | 500 |
| 31.3.14 | To Sales | 5,10,000 | 31.3.14 | By Cash | 3,87,500 |
| | " Bills Receivable (Dishonoured) | 6,250 | | " Bad Debts | 7,750 |
| | " Cash (Refunded) | 1,250 | | " Creditors (Set Off) | 3,500 |
| 31.3.14 | " Balance c/d | 500 | | " Return Inwards | 24,750 |
| | | | | " Bills Receivable | 1,00,000 |
| | | | | " Discount Allowed | 6,250 |
| | | | 31.3.14 | " Balance c/d | 33,500 |
| | | 5,63,750 | | | 5,63,750 |
| 1.4.14 | To Balance b/d | 33,500 | 1.4.14 | By Balance b/d | 500 |

5. (Answer any two)

(a) List the items to be deducted and to be excluded while computing the Contract Cost as per AS – 7. [4]

Answer:

These costs should be reduced **by incidental income if any not** included in contract revenue, for example, sale of surplus/scrap material, disposal of plant and equipment at the end of contract.

Contract costs exclude the following:

Following costs are excluded from contract cost unless specifically chargeable under terms of contract:

- General administration cost
- Selling cost
- Research and development
- Depreciation cost of idle plant and equipment
- Cost incurred in securing the contract. Pre-contract cost - if it is not probable that contract will be obtained.

(b) While finalising the Accounts for the year 2012-13 it was realised that XY Ltd. stands to receive ₹ 10 lakh from its customers in respect of sales made in 2012-13 due to price revision granted by the Government.

You are required to advise the Company regarding the treatment of the amount in the Accounts for the year quoting relevant Accounting Standard. [4]

Answer:

As per AS - 9, where any uncertainty exists in relation to the collection of revenue, its recognition is postponed to the extent of uncertainty involved. Such item should be recognised as revenue only when it is reasonably certain to be collected.

In this case, if the company is able to assess the ultimate collection with reasonable certainty, the additional revenue of ₹ 10 lakhs arising out of the said price revision may be recognised in 2012-13.

Answer to PTP_Intermediate_Syllabus 2012_June2015_Set 3

(c) Discuss the method of accounting followed by an Educational Institution.

[4]

Answer:

Accounting for Educational Institutions:

This 'Guidance Note on Accounting by Schools' primarily focuses to address the various issues by establishing sound accounting practices and recommending uniform formats of income and expenditure account and balance sheet.

An accounting framework primarily comprises the following:

- i. Elements of financial statements basically comprising income, expenses, assets and liabilities
- ii. Principles for recognition of items of income, expenses, assets and liabilities ,these principles lay down the timing of recognition of the aforesaid items in the financial statements.
- iii. Principles of measurement of items of income, expense, assets and liabilities , it lay down at what amount the aforesaid items should be recognized in the financial statements.
- iv. Presentation and disclosures principles, these principles lay down the manner in which the financial statements are to be presented and the disclosures which should be made therein.

It may be noted that what is considered as an asset, e.g., land and furniture, by a business entity is an asset for a not-for-profit organization also. Same is the case for items of income, expenses and liabilities. Similarly, insofar as the recognition principles are concerned, it is felt that there is no difference in preparing the financial statements of business entities and not-for-profit organizations such as schools. Insofar the measurement principles are concerned, the same principles are relevant to a not-for-profit organization as well as to a business entity.

6. (Answer any two)

(a) (i) Patang Ltd. wants to re-classify its investments in accordance with AS-13. Decide on the amount of transfer, based on the following information:

A portion of Current Investments purchased for ₹ 60 lakhs, to be reclassified as Long Term Investments, as the Company has decided to retain them. The market value as on the date of Balance Sheet was ₹ 75 lakhs.

[2]

Answer:

As per AS – 13 the transfers should be made at lower of Cost and Fair value at the date of transfer.

In this case, the transfer should be made at cost (being lower of ₹ 60 lakhs and ₹ 75 lakhs) and hence the long term investments should be carried at ₹ 60 lakhs.

(ii) Rupa Gadgets Ltd. sends electric ovens costing ₹ 1,300 each to their customers on Sale or Return basis. These are treated like actual sales and recorded through the Sales Day Book. Two months before the end of financial year it sent 150 ovens at an Invoice Price of ₹ 1,600 each, of which 20 ovens are accepted by customers at ₹ 1,400 each. Regarding the rest of the goods sent no further report is available. You are required to give the necessary Journal Entries at the end of the accounting year.

[6]

Answer:

Answer to PTP_Intermediate_Syllabus 2012_June2015_Set 3

Books of Rupa Gadgets Ltd. Journal

| Date | Particulars | L.F. | Amount (Dr.) | Amount (Cr.) |
|------|---|------|--------------|--------------|
| | Sales A/c [20 x ₹ 100] Dr. To Sundry Debtors A/c [Adjustment made for 20 ovens invoiced at ₹ 1,600 each and included in sales at that price, accepted at ₹ 1,400 each] | | 4,000 | 4,000 |
| | Sales A/c [(150 - 20) x ₹ 1,600] Dr. To Sundry Debtors A/c [130 ovens invoiced at ₹ 1,600 each yet to be confirmed and adjusted] | | 2,08,000 | 2,08,000 |
| | Stock on Sale or Return A/c Dr. To Trading A/c [130 x ₹ 1,300] [Unconfirmed goods lying with customers included in Stock -at Cost Price] | | 1,69,000 | 1,69,000 |

- (b) On 1st Jan 2014 Mr. A, for the temporary and mutual accommodation of himself and Mr. B, draws upon the latter a bill of exchange at 3 months for ₹2,000. On 4th Jan Mr. A discounts the bill @ 6% p.a. and hands half the proceeds to Mr. B. At maturity Mr. A remits the amount due to Mr. B who meets the bill. Pass Journal entries in the books of both the parties. [8]

Answer:

Mr. A's Journal

| Date | Particulars | L.F. | Debit | Credit |
|----------|--|------|-------------|-----------|
| Jan. 1 | Bills Receivable A/c Dr. To, Mr. B A/c (Being the acceptance of bill received from Mr. B) | | 2,000 | 2,000 |
| Jan. 4 | Bank A/c Dr. Discount A/c Dr. To, Bills Receivable A/c (Being the bill discounted with Bank @ 6 p.a.) | | 1,970 30 | 2,000 |
| Jan. 4 | Mr. B A/c Dr. To, Cash A/c To, Discount A/c (Cash paid to Mr. B as a part payment of the bill dishonoured) | | 1,000 | 985 15 |
| April. 4 | Mr. B A/c Dr. To, Cash A/c (Being remaining half amount of the bill now remitted to Mr. A to enable him to meet it) | | 1,000 | 1,000 |

Mr. B's Journal

| Date | Particulars | L.F. | Debit | Credit |
|--------|--|------|-----------|--------|
| Jan. 1 | Mr. A A/c Dr. To, Bills Payable A/c (Bing the acceptance given in favour of Mr. A) | | 2,000 | 2,000 |
| Jan. 4 | Cash A/c Dr. Discount A/c Dr. To, Mr. A A/c | | 985 15 | 1,000 |

Answer to PTP_Intermediate_Syllabus 2012_June2015_Set 3

| | | | | |
|-----------|--|-----|-------|----------------|
| | (Being half the proceeds from Mr. A who is also credited with half the discount) | | | |
| April . 4 | Cash A/c To, Mr. A A/c (Being the Amount Retained by Mr. A now received from him) | Dr. | | 1,000 1,000 |
| April . 4 | Bills Payable A/c To, Cash A/c (Being the bill discharged) | Dr. | 2,000 | 2,000 |

(c) (i) Munni of Mumbai and Chunni of Chennai entered into a Joint Venture of purchase and sale of Jute and cotton .They agreed to share profits and losses in the ratio 3:2 and also to be entitled to an interest of 10% p.a. (on monthly basis) on Capital invested by each of them .

The following transactions took place:

On 1st July 2014, Chunni purchased 800 bales of Cotton @ ₹ 424 per bale, the brokerage being ₹ 12,800 and despatched to Chunni incurring ₹ 6,400 as freight and insurance.

On 15th July 2014, Munni purchased 1,200 bales of Jute @ ₹ 192 per bale, Brokerage being ₹8 per bale and despatched to Munni incurring ₹4,800 as freight and insurance.

On 1st August 2014, Chunni sold 300 bales of Cotton @ ₹ 576 per bale, brokerage being ₹ 16 per bale.

On 1st September 2014, Chunni sold 450 bales of Cotton @ ₹ 580 per bale, brokerage being ₹ 12 per bale.

On 15th August 2014, Munni sold 400 bales of Jute @ ₹ 2,800 per bale, brokerage being ₹ 8 per bale and on 15th September 2014, sold 700 bales of Jute @ ₹ 292 per bale brokerage being ₹4 per bale. Each partner took unsold stock in his hand at cost plus $12\frac{1}{2}$ % on 30th September 2013, on which date venture was closed.

Compute the value of unsold stock held by Munni and that of held by Chunni.

[3+3=6]

Answer:

(i) Valuation of Unsold stock taken by the venture

Unsold Jute held by Munni:

| | |
|---|--------|
| | ₹ |
| Total quantity (1,200 – 400 – 700) 100 bales @ ₹192 | 19,200 |
| Add: Proportionate Brokerage (100 × ₹8) | 800 |
| Add: Proportionate Freight and Insurance (₹ 4,800 × $\frac{100}{1,200}$) | 400 |
| Value at Cost | 20,400 |
| Add: Profit @ $12\frac{1}{2}$ % on Cost i.e./ on ₹20,400 | 2,550 |
| | 22,950 |

Unsold Jute held by Chunni :

| | |
|---|--------|
| | ₹ |
| Total quantity (800– 300 – 450) 50 bales @ ₹424 | 21,200 |
| Add: Proportionate Brokerage (12,800 × ₹ $\frac{50}{800}$) | 800 |

Answer to PTP_Intermediate_Syllabus 2012_June2015_Set 3

| | |
|--|--------|
| Add: Proportionate Freight and Insurance ($\text{₹ } 6,400 \times \frac{50}{800}$) | 400 |
| Value at Cost | 22,400 |
| Add: Profit @ $12 \frac{1}{2}\%$ on Cost i.e./ on ₹22,400 | 2,800 |
| | 25,200 |

(ii) State the meaning of “Insolvency of Drawee (Acceptor)” in relation to a bill of exchange.

[2]

Answer:

Insolvency of acceptor means that he cannot pay the amount owed by him. Therefore, on insolvency of the acceptor, bill will be treated as dishonoured and entries for dishonour of bill will be passed in the books of respective parties. Later on, when some amount is realized from the property or estate of the insolvent acceptor, entry for cash received is passed and the balance of amount due from the insolvent acceptor is treated as bad debts. In the books of acceptor the amount not paid is transferred to deficiency account (or profit and loss account). Normally, the amount paid by the insolvent person is expressed as percentage of the amount due and is called the 'Rate of Dividend'.

7. (Answer any two)

(a) (i) How will you disclose the following Ledger balances in the Final accounts of Ramanuja Bank?

| Particulars | ₹ in Lakhs |
|---|--------------|
| Current Accounts | 1,400 |
| Saving Accounts | 1,000 |
| Fixed Deposits | 1,400 |
| Cash Credits | 1,200 |
| Term Loans | 1,000 |
| Bills Discounted & Purchased | 1,600 |

Additional information:

Included in the Current Accounts Ledger are accounts overdrawn to the extent of ₹ 500 Lakhs.

One of the Cash Credit account of ₹ 20 Lakhs (including interest ₹ 2 Lakhs) is doubtful.

60% of Term Loans are secured by Government Guarantees, 20% of Cash Credits are unsecured, other portion is secured by Tangible Assets.

[5]

Answer:

Schedules to the Balance Sheet (figures at end of current financial year)

| Schedule 3 - Deposits | ₹ Lakhs |
|-------------------------------|---------|
| Current Account (1,400 - 500) | 900 |
| Saving Bank Deposits | 1,000 |
| Fixed Deposits | 1,400 |
| Total | 3,300 |

| Schedule 9 - Advances | ₹ Lakhs |
|--|---------|
| (A) (i) Cash Credits, Overdrafts (1,200 + 500) | 1,700 |
| (ii) Term Loans | 1,000 |

Answer to PTP_Intermediate_Syllabus 2012_June2015_Set 3

| | |
|--|-------|
| (iii) Bills Discounted and Purchased | 1,600 |
| Total | 4,300 |
| (B) (i) Secured by Tangible Assets (balancing figure) | 3,360 |
| (ii) Secured by Bank / Government Guarantees (500 x 60%) | 600 |
| (iii) Unsecured (850 x 20%) | 340 |
| Total | 4,300 |

Note: Interest on Doubtful Cash Credit will be deducted from Income under Schedule 13, and Provision for Bad Debts shall be created on Doubtful Cash Credit of ₹ 20 Lakhs.

(ii) List the advantages of adopting Optimized Depreciated Replacement Cost method. [3]

Answer:

The advantages of adopting Optimized Depreciated Replacement Cost method are:

- It will ensure that the price shocks are gradually administered to the customers.
- It will ensure greater acceptability to users (State Electricity Boards and their successors) since over capacity issues will be addressed and cost reductions possible from new technologies will be incorporated in the valuation.
- The valuation will reflect the cost of replacement utilities will be able to assess the timing and financing requirements with a greater degree of certainty.

(b) (i) The Life Assurance Fund of a Life Insurance Company was ₹86,48,000 on 1.1.2014. The interim bonus paid during the inter-valuation period was ₹1,48,000. The periodical actuarial valuation determined the net liability at ₹74,25,000. Surplus brought forward from the previous valuation was ₹8,50,000. The directors of the company proposed to carry forward ₹9, 31,000 and to divide the balance between the shareholders and policyholders.

Show the Valuations Balance Sheet; the net profit for the valuation period; and the distributions of the surplus. [6]

Answer:

Preparation of Valuation Balance Sheet

In the Books of
Valuation Balance Sheet
as at 31st Dec. 2014

| Liabilities | ₹ | Assets | ₹ |
|--|-----------|--|-----------|
| Net Liabilities as per Actuarial Valuation Surplus | 74,25,000 | Life Assurance Fund as per Balance Sheet | 86,48,000 |
| | 12,23,000 | | 86,48,000 |
| | 86,48,000 | | |

Net Profit for the Valuation Period

| | |
|--|-----------|
| Surplus (as per Valuation Balance Sheet) | 12,23,000 |
| Add: Interim bonus already distributed | 1,48,000 |
| | 13,71,000 |
| Less: Surplus at the beginning of the period | 8,50,000 |
| Net Profit | 5,21,000 |
| Distributions of Surplus | |
| Net Profit (calculated above) | 13,71,000 |
| Less: Surplus to be carried forward | 9,31,000 |

Answer to PTP_Intermediate_Syllabus 2012_June2015_Set 3

| | |
|--|----------|
| | 4,40,000 |
| Policyholders' Shares (₹ 4,40,000 x 95%) | 4,18,000 |
| Less: Interim Bonus already paid | 1,48,000 |
| | 2,70,000 |
| Shareholders' Shares @5% x ₹ 4,40,000 | 22,000 |

(ii) State the meaning of "Double Insurance". [2]

Answer:

Double Insurance: When the same risk and the same subject matter is insured with more than one insurer, i.e., more than one insurance company, the same is called Double Insurance.

(c) The Trial Balance of Quick Electric Supply Ltd. for the year ended 31st March 2014 is as below:

| Particulars | Dr. (₹ '000) | Cr. (₹ '000) |
|--|---------------|---------------|
| Share Capital: Equity Shares of ₹ 10 each | | 125,00 |
| 14% Preference Shares of ₹ 100 each | | 37,50 |
| Patents and Trademarks | 626 | |
| 15% Debentures | | 61,75 |
| 16% Term Loan | | 38,25 |
| Land (Additions during the year ₹ 512.50) | 31,12.5 | |
| Building (Additions during the year ₹ 12,70) | 87,83.5 | |
| Plant & Machinery | 142,64.5 | |
| Mains | 11,31 | |
| Meters | 787.5 | |
| Electrical Instrument | 382.5 | |
| Office Furniture | 612.5 | |
| Capital Reserve | | 12,55 |
| Contingency Reserves | | 30,07.5 |
| Transformers | 41,10 | |
| Net Revenue Account | | 13,37.5 |
| Stock in Hand | 30,12.5 | |
| Sundry Debtors | 15,61.5 | |
| Contingency Reserve Investments | 30,02.5 | |
| Cash & Bank | 818.5 | |
| Public Lamps | 760 | |
| Depreciation Fund | | 64,54 |
| Sundry Creditors | | 16,36 |
| Proposed Dividend | | 30,25 |
| Total | 429,65 | 429,65 |

During 2013-2014, ₹ ('000) 25,00 of 14% Preference Shares were redeemed at a Premium of 10% out of proceeds of fresh issue of Equity Shares of necessary amounts at Premium of 10%.

From the above, prepare the Balance Sheet as on 31st March 2014, as per the Schedule III. [8]

Answer to PTP_Intermediate_Syllabus 2012_June2015_Set 3

Answer:

Balance Sheet of Super Electric Supply Ltd as on 31st March 2014 (Amounts in ₹)

| Particulars | | Note | This Year | Prev. Yr |
|-------------|---|------|--------------------|----------|
| I | EQUITY AND LIABILITIES: | | | |
| (1) | Shareholders' Funds: | | | |
| | (a) Share Capital | 1 | 1,62,50,000 | |
| | (b) Reserves and Surplus | 2 | 56,00,000 | |
| (2) | Non-Current Liabilities: | | | |
| | Long-Term Borrowings | 3 | 1,00,00,000 | |
| (3) | Current Liabilities: | | | |
| | (a) Trade Payables | | 16,36,000 | |
| | (b) Other Current Liabilities - Proposed Dividend | | 30,25,000 | |
| | Total | | 3,65,11,000 | |
| II | ASSETS | | | |
| (1) | Non-Current Assets | | | |
| | (a) Fixed Assets - (i) Tangible Assets | 4 | 2,74,90,000 | |
| | (ii) Intangible Assets (Patents/Trademarks) | | 6,26,000 | |
| | (iii) Other Non Current Assets | 5 | 30,02,500 | |
| (2) | Current Assets: | | | |
| | (a) Inventories | | 30,12,500 | |
| | (b) Trade Receivables | | 15,61,500 | |
| | (c) Cash and Cash Equivalents | | 8,18,500 | |
| | Total | | 3,65,11,000 | |

Note 1: Share Capital

| Particulars | This Year | Prev. Yr |
|---|--------------------|----------|
| Authorized:Equity Shares of ₹ 10 each | | |
| 14% Preference Shares of ₹ 100 each | | |
| Issued, Subscribed: 10,00,000 Equity Shares of ₹ 10 each | 1,00,00,000 | |
| Add: 2,50,000 Equity Shares of ₹ 10 each issued for cash | <u>25,00,000</u> | |
| | 1,25,00,000 | |
| 62,500 14% Preference Shares of ₹ 100 each | 62,50,000 | |
| Less: 25,000 14% Preference Shares of ₹ 100 each redeemed | 37,50,000 | |
| (25,00,000) | | |
| Total | 1,62,50,000 | |

Note: Premium on Redemption of Preference Shares will match with the Premium collected on the Issue of Equity Shares. Hence, there is no balance in Securities Premium at the end of the year.

Note 2: Reserves and Surplus

| Particulars | This Year | Prev. Year |
|--|------------------|------------|
| Capital Reserves | 12,55,000 | |
| Contingency Reserve | 30,07,500 | |
| Surplus (being Balance in Net Revenue Account) | 13,37,500 | |
| Total | 56,00,000 | |

Note: In the absence of information, movements in the above accounts are not given.

Note 3: Long Term Borrowings

| Particulars | ₹ |
|------------------------------------|--------------------|
| 15% Debentures | 61,75,000 |
| 16% Term Loan (assumed as Secured) | 38,25,000 |
| Total | 1,00,00,000 |

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Note 4: Tangible Fixed Assets

| Particulars | | Net Block |
|--------------------------------|-------------|-------------|
| Land | 26,00,000 | |
| Add: Additions during the year | 5,12,500 | 31,12,500 |
| Building | 75,13,500 | |
| Add: Additions during the year | 12,70,000 | 87,83,500 |
| Plant & Machinery | | |
| Steam Power Plant | 1,42,64,500 | |
| Transformers | 41,10,000 | |
| Mains | 11,31,000 | |
| Meters | 7,87,500 | |
| Public Lamps | 7,60,000 | 2,10,53,000 |
| General Equipments | | |
| Electrical Instruments | 3,82,500 | |
| Office Furniture | 6,12,500 | 9,95,000 |
| Total | | 3,39,44,000 |
| Less: Depreciation Fund | | (64,54,000) |
| Net Block / WDV at year-end | | 2,74,90,000 |

Note: In the absence of asset-wise break-up of depreciation, the entire information required under Schedule VI is not provided above.

Note 5: Other Non-Current Assets

| Particulars | This Year | Prev. Year |
|--|-----------|------------|
| Contingency Reserve Investment (assumed as Non - Current Item) | 30,02,500 | |
| Total | 30,02,500 | |