



**Guiding for Competitive Exams**

- ◆ VILE PARLE
- ◆ KUDAL
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- ◆ JALGAON
- ◆ DOMBIVALI
- ◆ CHINCHWAD
- ◆ JAMSHEDPUR

**STD : C.S.EXECUTIVE PRACTISE PAPER – I (SOLUTION) SUB : ACCOUNTS**  
**MARKS: 50 TIME : 1 ½ HRS**

**Solu-1. Journal (10)**

Particulars	L.F.	Dr.(Rs)	Cr.(Rs)
10% Redeemable Preference Capital A/c	Dr.	1,00,000	
Premium on redemption of Preference Shares	Dr.	10,000	
To Preference Shareholders' A/c			1,10,000
(Being the amount payable to preference shareholders on redemption)			
General Reserve A/c	Dr.	1,00,000	
To Capital Redemption Reserve			1,00,000
(Being the transfer to the latter account on redemption of shares)			
Bank A/c	Dr.	45,000	
Profit and Loss A/c	Dr.	5,000	
To Investments			50,000
(Being the amount realized on sale of Investments and loss thereon adjusted)			
Preference Shareholders A/c	Dr.	1,10,000	
To Bank			1,10,000
(Being the payment made to preference shareholders)			
Securities Premium A/c	Dr.	10,000	
To Premium on Redemption of preference Shares			10,000
(Being the amount of premium payable on redemption of preference shares)			
Capital Redemption Reserve A/c	Dr.	1,00,000	
To Bonus to Shareholders A/c			1,00,000
(Being the amount adjusted for issuing bonus shares in the ratio of 1 : 1)			
Bonus to Shareholders A/c	Dr.	1,00,000	
To Equity Share Capital			1,00,000
(Being the balance on former account transferred to latter)			

**Dr. Cash and Bank Account Cr.**

Particulars	Rs.	Particulars	Rs.
To Balance b/f	50,000	By Preference dividend	10,000
To cash from operations		By Preference shareholders	1,10,000
Profit	15,000	By Balance c/f	30,000
Add: Depreciation	20,000		
Add: Miscellaneous Expenditure written off	20,000		
	55,000		
To Investments	45,000		
	1,50,000		
			1,50,000

**IDEAL/e-LIVE/C.S.EXSECUTIVE/ACCOUNT/PRACTISE PAPER - SOLUTION**

**Balance Sheet of Trinity Limited as at 31<sup>st</sup> March, 2002 (After Redemption)**

<b>Liabilities</b>	<b>Rs</b>	<b>Assets</b>	<b>Rs</b>	<b>Rs</b>
<b>Share Capital:</b>		<b>Fixed Assets:</b>		
Authorised Capital	10,00,000	Gross Block	3,00,000	
Issued and subscribed 20,000 Equity Shares of Rs.10 each fully paid (10,000 shares have been allotted as Bonus Shares by capitalizing capital Redemption Reserve)	2,00,000	Less: Depreciation	<u>1,20,000</u>	1,80,000
<b>Reserves and Surplus:</b>		<b>Investments:</b> (Market Value Rs.45,000)		50,000
General Reserve	20,000	<b>Current Assets, Loans and Advances</b>		
Securities Premium	60,000	Inventory		25,000
Profit and Loss A/c	18,500	Debtors		25,000
<b>Current Liabilities &amp; Provisions:</b>		Cash and Bank Balaces		30,000
Sundry Creditors	11,500			
	<u>3,10,000</u>			<u>3,10,000</u>

**Working Notes:**

(i)	Profit and Loss Account for the year ending 31 <sup>st</sup> March, 2002		Rs.
	A opening Balance		18,500
	B Add: Profit for the year		15,000
			33,500
	C Less: Preference Dividend	10,000	
	Less on sale of investments	5,000	15,000
	D Closing Balance		18,500
(ii)	General Reserve		1,20,000
	Less: Transfer to Capital Redemption Reserve		1,00,000
	Closing Balance		20,000
(iii)	Securities Premium		70,000
	Less: Premium on Redemption of Preference shares		10,000
	Closing Balance		60,000
(iv)	Capital Redemption Reserve		1,00,000
	Less: Transfer for Bonus Shares		1,00,000
	Closing Balance		NIL
(v)	Sale of Investments		
	Cost of Investments		50,000
	Cash received		45,000
	Loss on Sale of Investments		5,000
	Total Investments		1,00,000
	Less: Cost of Investments sold		50,000
	Cost of investments on hand		50,000
	Market value (90% of 50,000)		45,000

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**Solu-2. Statement showing the Liability of Underwriters (10)**

Particulars	A (No. of Shares)	B (No. of Shares)	C (No. of Shares)	Total (No. of Shares)
Gross Liability	6,30,000	2,10,000	2,10,000	10,50,000
Less: Firm Underwriting	30,000	20,000	10,000	60,000
	6,00,000	1,90,000	2,00,000	9,90,000
Less: Marked Applications	5,50,000	2,00,000	1,50,000	9,00,000
	50,000	-10,000	50,000	90,000
Less: Unmarked Applications (in the ratio of 3 : 1 : 1)	30,000	10,000	10,000	50,000
	20,000	-20,000	40,000	40,000
Surplus of B distributed between A and C in the ratio of 3 : 1	-15,000	+20,000	-5,000	-
Net liability	5,000	-	35,000	40,000
Add: Firm underwriting	30,000	20,000	10,000	60,000
Underwriters Liability	35,000	20,000	45,000	1,00,000

**Journal**

Particulars	L.F.	Dr.(Rs)	Cr.(Rs)
A	Dr.	12,500	
B	Dr.	87,500	
To Equity Share Capital A/c (Allotment of shares to underwriters : 5,000 shares to A 35,000 shares to C)			1,00,000
Underwriting Commission A/c	Dr.	4,20,000	
To A			2,52,000
To B			84,000
To C			84,000
(Underwriting commission payable @ 4% on the amount of shares underwritten)			
A	Dr.	2,39,500	
B	Dr.	84,000	
To Bank A/c (Amount paid to A and B in final settlement)			3,23,500
Bank A/c	Dr.	3,500	
To C (Amount received from C on shares allotted less under writing commission)			3,500

**Working Notes:**

(i)	Calculation of amounts payable to/by underwriters	A	B	C
	Liability (No. of shares)	35,000	20,000	45,000
	Less: Firm undertaking (No. of shares)	30,000	20,000	10,000
	Net Liability (No. of shares)	5,000	-	35,000
		Rs	Rs	Rs
	Amount payable on application @ Rs.2.50 per share	12,500	-	87,500
	Less: Underwriting commission receivable by underwriters @ 4%	2,52,000	84,000	84,000
	Amount payable to underwriters	2,39,500	84,000	-
	Amount receivable from underwriters	-	-	3,500

(ii) No Journal entry is shown for firm underwritings by the underwriters on the assumption that the amounts have been already paid by the underwriters at the opening days of the issue. Alternatively, the students may pass entries for firm underwriting on the ground that the allotment of shares will be made by the company .at a time

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**Solu-3.(a)**

**(10)**

<b>Dr.</b>		<b>Profit &amp; Loss Account for the year ended 31.3.2002</b>				<b>Cr.</b>	
<b>Expenses</b>	<b>Basis</b>	<b>Pre. Inc.</b>	<b>Post Inc.</b>	<b>Income</b>	<b>Basis</b>	<b>Pre. Inc.</b>	<b>Post Inc.</b>
To Office Salary	Time 1:2	7,000	14,000	By Gross Profit	Sales 1:3	20,000	60,000
To Partners' salary	Actual	6,000	-	By share transfer fee	Actual	-	1,000
To Advertisement	Sales 1:3	1,100	3,300	By Bal. transferred to goodwill A/c		2,800	
To Printing & Stationery	Time 1:2	500	1,000				
To Travelling Exp.	Sales 3:1	400	1,200				
To Sales promotion	Time	800	1,600				
To Travelling Exp.	Time	2,800	6,800				
To Office rent	Time	300	600				
To Electricity Chgs.	Actual	-	1,000				
To Director's fees	Time	200	400				
To Auditor's fees	Time	400	800				
To Bad debts	Sales	1,000	3,000				
To Commission on sales	Actual	-	700				
To Preliminary Exp.	Actual	-	1,600				
To Debenture intt.	Actual	1,800	-				
To intt. on capital	Time	500	1,600				
To Depreciation		-	23,400				
To Balance b/d							
		22,800	61,000			22,800	61,000

**Note:** Pre-incorporation loss has-been transferred to goodwill account.

**Working Notes:**

(i) Calculation of Sales Ratio

Pre-incorporation				Post-incorporation				
April 1	May 1	June 1	July 1	August 1	Sept. 1	Oct. 1.2/3	Nov. 1.2/3	Dec. 1.2/3
			Jan 1.2/3	Feb 1.2/3	March 1.2/3			

Pre-incorporation sales - 4. Post incorporation sales - 12

Therefore, sales ratio = 4 : 12 i.e. 1 : 3

Average sales of first six months be Rs.3 per month-

Therefore average sales of remaining six months (Rs.3 + 2/3 of Rs.3 i.e.Rs.3 + 2 = 5 per month)

Sales ratio 12 : 36

4 Months = 3 Rs. month = 4 × 3 = 12

8 Months = 3 Rs. per month = i.e. 2 × 3 = 6 @ 5 Rs. per month = i.e. 6 × 5 = 30 that is 30 + 6 = 36

6 = 36

12 : 36 = 1 : 3

<b>Allocation of office rent</b>		Pre	Post
April to July		8,400 × 4 ÷ 12 = 2,800	10,800 × 6 ÷ 12 = 5,400 Oct. to Mar.
Aug. to March			8,400 × 2 ÷ 12 = 1,400 Aug to Sept.
			6,800
<b>Allocation of Depreciation</b>			
On post incorporation assets		-	600

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Balance Rs.1,500 on time ratio 4:12	500	1,000	
	<u>500</u>	<u>1,600</u>	

**Solu-4. Statement showing the Computation of Net Profit for the Purpose of Calculating Managerial Remuneration (10)**

A. Net Profit As Per Profit & Loss Account		Rs. 6,69,500
B. Add: Items not to be deducted		
(a) Bonus for 2001 – 2002	5,000	
(b) Depreciation (to be taken separately)	82,000	
(c) Loss on Sale of Investments (Being Loss of Capital nature)	5,000	
(d) Expenditure on Scientific Research	20,000	
(e) Provision for I. Tax	1,60,000	
(f) Provision for Doubtful Debts	7,500	
(g) Ex-gratia payment to employees	<u>2,200</u>	
		2,81,700
C. Less: Items not to be credited		
(a) Premium on issued of shares & Deb.	50,000	
(b) Profit on sale of forfeited share	5,000	
(c) Profit on sale of Building (Being of capital nature) (i.e. Sales proceeds – Original Cost) (1,30,000 + 90,000 – 2,00,000)	<u>20,000</u>	
		75,000
D. Less: Items yet to be deducted		
(a) Depreciation Admissible	67,000	
(b) Bonus for 2002 – 2003	<u>10,000</u>	
		77,000
E. Net Profit for the purpose of calculating managerial remuneration (A + B – C – D)		7,99,200

- (a) Max. Overall Managerial Remuneration = 11% of Rs.7,99,200 = Rs.87,912  
 (b) One Managing director's remuneration = 5% Rs.7,99,200 = Rs.39,960  
 (c) One managing director & one whole time director's remuneration  
 = 10% of Rs.7,99,200 = Rs.79,920  
 (d) Three part time Directors' remuneration = 3% of Rs.7,99,200 = Rs.23,976

	Managerial Personnel	Rate	Amount
(e)	Three Part-Time Directors	1% of Rs. 7,99,200	7,992
	One Managing director	5% of Rs.7,99,200	39,960
		Total =	47,952
(f)	One Whole Time Director	5% of Rs.7,99,200	39,960
	One Manager	5% of Rs.17,59,240	37,962
		Total =	77,922
(g)	Two Whole Time Directors		
	One Manager	10% on Rs.7,99,200	79,920
(h)	Three Part time directors	1% of Rs.7,99,200	7,992
	Manager	5% of Rs.7,91,208	39,560
		Total =	47,552
(i)	Three Part Time Directors	1% Rs.7,99,200	7,992

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	Two Whole Time directors & Manager	10% of Rs.7,99,200		79,920
			Total =	87,912
(j)	Three Part Time Directors	1% of Rs.7,99,200		7,992
	One Whole Time Directors	5% of Rs.7,99,200		39,960
	One manager	5% of (Rs.7,99,200 - Rs.7,992 - Rs.39,960)		37,562
			Total =	85,514
				Rs.
(k)	Net Profit before charging salary			7,99,200
	Less: Salary			30,000
	Net Salary Profit after charging Salary			7,69,200
	Let Commission be x			
	Net Profit after charging salary and commission			
	Commission @ 2% of Net Profit after			7,69,200 - x

charging salary commission =  $(7,69,200 - x) \times 2/100$

$$x = \left( 7,69,200 - x \times \frac{2}{100} \right)$$

$$100x = 2(7,69,200 - x)$$

$$102x = 15,38,400$$

$$X = 15,38,400/102 = \text{Rs.}15,082$$

Total remuneration Rs.45,082 which shall not exceed the 5% of Rs.7,99,200 i.e. Rs.39,960

- (l) Max. Remuneration payable to whole time Directors = 10% of Net Profit after charging commission to Part Time Directors. Max Remuneration payable to Part Time Directors = 1% of net profit after charging commission to Whole Time Directors. Let the remuneration to Whole Time Directors be x & the remuneration to Part time directors be 'y'

$$x = 10\% \text{ of } (\text{Rs.}7,99,200 - y)$$

$$= 1/10 (\text{Rs.}7,99,200 - y)$$

$$10x + y = \text{Rs.}7,99,200 \quad \text{I}$$

Again  $y = 1\% \text{ of } (\text{Rs.}7,99,200 - x)$

$$= 1/100 (\text{Rs.}7,99,200 - x)$$

$$100y = \text{Rs.}7,99,200 - x$$

$$x + 100y = \text{Rs.}7,99,200 \quad \text{II}$$

Multiplying Equation II by 10

$$10x + 1000y = \text{Rs.}79,92,000 \quad \text{III}$$

Subtracting Equation I from equation III

$$999y = 71,92,800$$

$$Y = \text{Rs.}7,200$$

Now, putting the value of y in equation I, we get

$$10x + 7,200 = 7,99,200$$

$$10x = 7,99,200 - 7,200$$

$$x = \frac{7,92,000}{10} = 79,200$$

Therefore, Remuneration to

a) Whole Time Director Rs.79,200

b) Part Time Directors Rs. 7,200

Rs.86,400

Solu-5

**(10)**  
Cr.

Dr. Debenture Redemption Fund Account			Cr.		
Date	Particulars	Rs	Date	Particulars	Rs.
2001 Dec.31	To Balance c/d	1,19,667	2001 Jan.01	By Balance b/d	1,00,000
			May 01	By Debnture Redemption Fund	667
				Investment (Bond) A/c	1,700
			June 30	By Debenture Int. A/c (Interest on Own Deb- enture)	
			Dec.31	By Debenture Int. A/c (Interest on Own Deb- enture)	2,100
			Dec.31	Interest on Debenture Redemption Fund Inv- estment A/c	2,800
				$\left[ \begin{array}{l} 40,000 \times \frac{6}{100} \times \frac{12}{12} \\ + 20,000 \times \frac{6}{100} \times \frac{4}{12} \end{array} \right]$	
			Dec.31	By Profit & Loss App- ropriation A/c	12,400
		<b>1,19,667</b>			<b>1,19,667</b>

Dr. 6% Debentures Account			Cr.		
Date	Particulars	Rs	Date	Particulars	Rs.
2001 Dec.31	To Balance c/d	2,00,000	2001 Jan.01	By Balance b/d	2,00,000

Dr. Debenture Redemption Fund Investment (Govt. Securities) Account			Cr.		
Date	Particulars	Rs	Date	Particulars	Rs.
2001 Jan.01	To Balance b/d (face value 60,000)	55,000	2001 May 01	By Bank A/c (face value 20,000)	19,000
May 01	To Debenture Redemption Fund A/c (Profit on Sale)	667	Dec.31	By Balance c/d (face value 40,000)	36,667
		<b>55,667</b>			<b>55,667</b>

Dr. Debenture Redemption Fund Investment (Own Debentures) Account			Cr.		
Date	Particulars	Rs	Date	Particulars	Rs.
2001 Jan.01	To Balance b/d (face value 50,000)	45,000	2001 Dec.31	By Balance c/d (face value 90,000)	83,000
May 01	To Bank A/c (face value 20,000)	19,000			
Dec.31	To Bank A/c (face value 20,000)	19,000			
		<b>83,000</b>			<b>83,000</b>

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- (i) Calculation of the Book Value of Govt. Securities Sold

	Rs
<b>A</b> Book Value of Total Investments	1,00,000
<b>B</b> Less: Book Value of Own Debentures (Rs 50,000 × 90/100)	45,000
<b>C</b> Book Value of Total Govt. Securities (Face Value Rs. 60,000)	55,000
<b>D</b> Book Value of Govt. Securities Sold (Rs.55,000 × Rs.20,000/Rs.60,000)	18,333

- (ii) Calculation of Total Sale Proceeds or Sale of Govt. Securities

	Rs
<b>A</b> Ex-Sale Proceeds (Rs.20,000 × 95/100)	19,000
<b>B</b> Add: Interest Accrued on Rs.20,000 for 4 months (Rs.20,000 × 4/12 × 6/100)	400
<b>C</b> Cum-Sale Proceeds (A + B)	19,400

- (iii) Calculation of Profit on Sale of Govt. Securities

	Rs
<b>A</b> Ex-Sale Proceeds	19,000
<b>B</b> Less: Book Value of Govt. Security Sold	18,333
<b>C</b> Profit on Sale (A – B)	667

- (iv) Calculation of Actual Cost of Own Debentures purchased on 1.5.20X1

	Rs
<b>A</b> Cum Purchase Price Paid	19,400
<b>B</b> Cum Price of each Deb.	97
<b>C</b> No. of Debenture Purchased (A/B)	200
<b>D</b> Face Value of Debenture purchased	20,000
<b>E</b> Interest Accrued on Rs.20,000 for 4 months (Rs.20,000 × 4/12 × 6/100)	400
<b>F</b> Actual Cost Price of Debentures Purchased	19,000

- (v) Calculation of Face Value of Own Debentures Purchased on 31.12.20X1

	Rs
<b>A</b> Annual Appropriation made	12,400
<b>B</b> Interest on Investments	6,600
<b>C</b> Total Money Available (A + B)	19,000
<b>D</b> Purchase Price per Debenture	95
<b>E</b> No. of own Deb. Purchased (C/D)	200
<b>F</b> Face Value of Own Deb. (200 × 100)	20,000