



Coaching for Competitive Exams

- ◆ VILE PARLE
- ◆ KUDAL
- ◆ AHMADNAGAR
- ◆ BHAYANDAR
- ◆ KANKAVALI
- ◆ RAJGURUNAGAR
- ◆ VIRAR
- ◆ CHIPLUN
- ◆ SANGLI
- ◆ BOISAR
- ◆ KOLHAPUR
- ◆ JALGAON
- ◆ DOMBIVALI
- ◆ CHINCHWAD
- ◆ JAMSHEDPUR

STD : I.P.C.C.

PRACTISE PAPER – I (SOLUTION)

SUB : ACCOUNTS

MARKS: 100

TIME : 3 HRS

Solu-1. Answer the following:- (any 4) (16)

(a) The loss of assets in a factory can be considered to be an event affecting the substructure of the enterprise. Hence an appropriate disclosures should be made in the report of the approving authority.

An appropriate disclosure should be made in the report of the approving authority.

(b) (i) Based on sales, R & D costs to be allocated as follows: (Rs. In Lakhs)

(i) $\frac{400}{1,000} \times 150 = 60$

(ii) $\frac{300}{1,000} \times 150 = 45$

(iii) $\frac{200}{1,000} \times 150 = 30$

(iv) $\frac{100}{1,000} \times 150 = 15$

(ii) The company has to charge the unamortised amount i.e. remaining Rs.45 lakhs (150 – (60 + 45) as expense immediately)

(i) Year I Rs.60 lakhs Year II Rs.45 lakhs, Year III Rs.30 lakhs. Year IV Rs.15 lakhs,

(ii) Rs.45 lakhs should be charged as an expense immediately

(c) Basic EPS = $\frac{\text{Net Profit attributable to equity shareholders}}{\text{Weighted average No. of equity shares OS during the year}}$
 $= \frac{\text{Rs. 2,64,000}}{88,000 \text{ Shares (as per W.N.)}} = \text{Rs. 3.}$

Working Notes:

Calculation of Weighted Average Number of Equity Shares:

	No. of Shares	Nominal Value of Shares	Amt. paid
1 st April 2004	1,20,000	100	50
1 st Sept. 2006-4	96,000	100	100
	24,000	100	50

Weighted Average No. of Shares – in case of partly paid shares:

$1,20,000 \times \frac{1}{2} \times \frac{5}{12} = 25,000 \text{ Shares}$

$96,000 \times \frac{7}{12} = 56,000 \text{ Shares}$

$24,000 \times \frac{1}{2} \times \frac{7}{12} = \frac{7,000}{88,000} \text{ Shares}$

Rs.3.

(d) Surplus of Rs.26,30,000

(e) Total Interest to be capitalized Rs.3.60 lakhs, Total Interest to be charged to P/L A/c Rs.5.40 lakhs.

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Solu-2. Statement showing the computation of Cash Flow from Operating Activities(12)

	Rs
A. Operating Receipts in Cash:	
(a) Cash Sales	40,000
(b) Collection from Debtors	50,000
(c) Trading Commission received	1,00,000
	1,90,000
B. Operating Payments in Cash:	
(a) Cash Purchases	20,000
(b) Payments made to Creditors	1,27,000
(c) Office & Selling Expenses paid	50,000
	1,97,000
C. Operating Payments in Cash:	7,000
D. Operating Payments in Cash:	30,000
E. Operating Payments in Cash:	37,000

Working Notes:

Dr.		(i) Total Debtors Account		Cr.	
Particulars	Rs.	Particulars	Rs.		
To Balance b/d	1,00,000	By Sales Returns	10,000		
To Credit Sales	1,70,000	By Discount Allowed	6,000		
		By Bad Debts	4,000		
		By Cash Received (Balancing figure)	50,000		
		By Balance c/d	2,00,000		
	2,70,000				2,70,000

Dr.		(ii) Total Creditors Account		Cr.	
Particulars	Rs.	Particulars	Rs.		
To Purchases Returns	5,000	To Balance b/d	1,00,000		
To Discount Received	3,000	To Credit Purchases	85,000		
To Cash paid [Balancing Figure]	1,27,000				
To Balance c/d	50,000				
	1,85,000				1,85,000

Dr.		(iii) Office and Selling Expenses Account		Cr.	
Particulars	Rs.	Particulars	Rs.		
To prepaid Expenses A/c (in the beginning)	1,000	By Outstanding Expenses A/c (in the beginning)	500		
To Bank A/c (Balancing figure)	50,000	By P & L A/c	51,000		
To Outstanding Expenses A/c (at the end)	1,000	By Prepaid Expenses A/c (at the end)	500		
	52,000				52,000

Dr.		(iv) Trading Commission Account		Cr.	
Particulars	Rs.	Particulars	Rs.		
To Accrued Commission A/c (in the beginning)	1,000	By Advance Commission A/c	2,000		
To P & L A/c	1,02,000	By Cash/Bank A/c (Balancing figure)	1,00,000		
To Advance Commission A/c (at the end)	1,000	By Accrued Commission A/c (at the end)	2,000		
	1,04,000				1,04,000

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Dr.		(v) Provision for Tax Account		Cr.	
Particulars	Rs.	Particulars	Rs.		
To Bank A/c (Tax Paid) (Balancing figure)	30,000	By Balance b/d			50,000
To Balance c/d	60,000	By P & L A/c (Provision made)			40,000
	90,000				90,000

Solu-3.(a)

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
			June 30	Investment (Bond) A/c	1,700
			Dec.31	By Debenture Int. A/c (Interest on Own Deb- enture)	2,100
			Dec.31	By Debenture Int. A/c (Interest on Own Deb- enture)	2,800
			Dec.31	Interest on Debenture Redemption Fund Inv- estment A/c	12,400
				$\left[40,000 \times \frac{6}{100} \times \frac{12}{12} \right]$	
				$+ 20,000 \times \frac{6}{100} \times \frac{4}{12}$	
			Dec.31	By Profit & Loss App- ropriation A/c	12,400
		1,19,667			1,19,667

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
		55,667			55,667

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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			
		83,000			83,000

Working Notes:

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

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

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

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

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

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

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

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

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

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

(b) Deficiency Account (List 'H') (10)

		Rs.
A Items Contributing to Deficiency:		
1.	Excess of capital & liabilities over assets three years ago	Nil
2.	Dividend and Bonuses declared	29,700
3.	Net trading losses after charging depreciation, taxation, interest on debenture etc. [Rs.60,000+Rs.89,000+Rs.1,31,3000-Rs.13,000-Rs.10,000-Rs.17,000]	2,40,300
4.	Losses other than trading losses written off:	Rs.
	Loss of Stock due to fire	13,000
	Penalty X imposed by Exise & Tax Authorities	10,000
	Speculation Loss	17,000
		<hr/>
5.	Estimated losses now written off:	Rs.
	Plant & Machinery	30,000
	Fixture & Fitting	4,000
	Stock-in trade	20,000
	Patents	25,000
	Book Debts	25,000
	Contingent Liabilities:	
	a) For Bill Discounted	10,000
	b) For Compensation	5,000
		<hr/>
6.	Other items contributing deficiency	1,19,000
	Total (A)	Nil
		<hr/>
		4,29,000
B Items Reducing Deficiency:		
7.	Excess of Assets over capital and liabilities three years ago (Rs.40,000 – Rs.25,000)	15,000
8.	Net Trading Profits for the year 20X2	40,000
9.	Profit & Incomes other than Trading Profits	Nil
10.	Other items (Profit expected on Land & Building)	15,000
	Total (B)	70,000
		<hr/>
C	Deficiency explained in the Statement of Affairs (A – B)	3,59,000

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Solu-4.	Journal	(10)	
Particulars	L.F.	Dr. (Rs)	Cr. (Rs)
Free hold Property A/c To Reconstruction A/c (Being appreciation in Value of freehold property (Rs.14,000 + Rs.40,000 – Rs.34,000)recorded)	Dr.	20,000	20,000
12% Secured Debentures A/c To Freehold Property A/c (Being land taken over by debenture holders at Rs.14,000 in part payment of principal)	Dr.	14,000	14,000
Investments A/c To Reconstruction A/c (Being appreciation in value of Investments recorded)	Dr.	7,000	7,000
Loan-Secured A/c To Investments A/c (Bing Investments taken over by Loan-Secured)	Dr.	22,000	22,000
Bank A/c To Loan-Secured A/c (Being a refund of Rs.2,000 received from Loan creditors)	Dr.	2,000	2,000
Creditors A/c To 12% Mortgage Debentures A/c To Bank A/c To Reconstruction A/c (Being the settlement of part of creditors by allotment of Debentures and Cash)	Dr.	28,000	15,500 8,500 4,000
Equity Share Capital A/c (Rs.10) To Equity Share Capital A/c (Re.1) To Reconstruction A/c (Being the Equity Shares written down to Re.1)	Dr.	1,50,000	15,000 1,35,000
13% Preference Share Capital A/c (Rs.10) To 13% Preference Share Capital A/c (Rs.8) To Reconstruction A/c (Being the Preference Shares written down to Rs.8)	Dr.	1,00,000	80,000 20,000
Reconstruction A/c To Bank A/c (Being the cost of Reconstruction Scheme paid)	Dr.	3,500	3,500
Reconstruction A/c To Plant A/c To Tools & Dies A/c To Stocks To Debtors To R & D Expenditure To Profit & Loss A/c (Being the over-valuation assets and fictitious assets written off)	Dr.	1,82,500	37,000 12,300 12,500 4,700 18,000 98,000
Bank A/c To Equity Share Application & Allotment A/c (Being application money received on 30,000 shares)	Dr.	30,000	30,000
Equity Share Application & Allotment A/c To Equity Share Capital A/c (Bing the 30,000 equity shares allotted)	Dr.	30,000	30,000

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Balance Sheet of Kaif Ltd. as at 31.12.2001 (And Reduced)

Liabilities	Rs.	Assets	Rs.
Equity share Capital	45,000	Freehold Property	40,000
13% Pref. Share Capital	80,000	Plant	96,000
12% Mortgage Debentures	15,500	Less: w/o under R scheme	37,000
12% Secured Debentures	46,000	Tools	27,300
Accrued interest	4,200	Less: w/o under R scheme	12,300
Creditors	22,000	Stocks	30,000
		Debtors	48,700
		Bank	20,000
	<u>2,12,700</u>		<u>2,12,700</u>

Solu-5.(a)

Trading and Profit and Loss Account

(8)

Dr. For the year ended 31st March, 2002 Cr.

Particulars	Rs.	Particulars	Rs.
To Opening Stock	50,000	By Sales	7,20,000
To Purchases	5,48,000	By Closing Stock	58,000
To Gross Profit c/d	1,80,000		
	<u>7,78,000</u>		<u>7,78,000</u>
To Operating expenses	52,000	By Gross Profit b/d	1,80,000
To Depreciation	20,000		
To Net Operating Profit c/d	1,08,000		
	<u>1,80,000</u>		<u>1,80,000</u>
To Loss on Sale of Fixed Assets	5,000	By Net Operating Profit b/d	1,08,000
To Net Profit	1,11,000	By Bank Interest	3,000
		By Dividends	5,000
	<u>1,16,000</u>		<u>1,16,000</u>

Working Notes:

- (i) Sales = Rs.60,000 × 12 = Rs.7,20,000
- (ii) Gross Profit = 25% of Rs.7,20,000 = Rs.1,80,000
- (iii) Cost of goods sold = Rs.7,20,000 - 1,80,000 = Rs.5,40,000
- (iv) Stock Turnover = $\frac{\text{Cost of goods sold}}{\text{Average Stock}} = \frac{\text{Rs.5,40,000}}{\text{Average Stock}} = 10$
 Average Stock = 5,40,000/10 = Rs.54,000
 Average Stock = $\frac{\text{Operating Cost} + \text{Closing Stock}}{2} = 54,000$
- Opening Stock + Closing Stock = Rs.1,08,000
 Opening Stock = Rs.1,08,000 - Rs.58,000 = Rs.50,000
- (v) Purchases = Rs.5,40,000 + Rs.58,000 - Rs.50,000 = Rs.5,48,000

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(vi) Operating Ratio = $\frac{\text{Operating Cost}}{\text{Sales}} \times 100 = \frac{\text{Operating Cost}}{7,20,000} \times 100 = 85$

Operating Cost = 85% × 7,20,000 = Rs.6,12,000

Net Operating Profit = Sales – Total Operating expenses
 = Rs.7,20,000 – Rs.6,12,000 = Rs.1,08,000

(vii) Total Operating Cost = Rs.6,12,000

Operating expenses other than depreciation = Operating Cost – Cost of Goods sold – Depreciation
 = Rs.6,12,000 – Rs.5,40,000 – Rs.20,000 = Rs.52,000

(b) Dr X Branch Account in the Books of Head Office (8)

Particulars	Rs.	Particulars	Rs.
To Goods Sent to Branch A/c (Rs.1,50,000 × 110/100)	1,65,000	By Bank A/c (remittance)	1,06,000
To Stock Reserve A/c (Rs.53,400 × 10/110)	4,855	By Goods Sent to Branch A/c	4,200
To Net Profit t/f to General P & L A/c	37,363	By Goods sent to Branch A/c [Rs.1,65,000 – Rs.4,200) × 10/110]	14,618
		By Balance c/d:	
		Debtors(Rs.1,35,000 – Rs.1,06,000)	29,000
		Stock	53,400
	2,07,218		2,07,218

Solu-6.(a) 45 days after 6th January i.e.20th February, 1998, on 20th February, Green has to pay Red Rs.1,300 to clear the account. **(8)**

(b) Investment Account for the year ending on 31st December, 2001

Date	Particular	Nominal Value Rs	Interest Rs	Cost Rs	Date	Particular	Nominal Value Rs	Interest Rs	Cost Rs
01.01.01	To Bal. b/d	2,00,000	-	3,20,000	30.09.01	By Bank (Sale of rights)	-	-	7,500
01.06.01	To Bank A/c	50,000	-	70,000		(5000 @ Rs.1.50)			
02.08.01	To Bonus Issue	50,000	-	-		By Bank A/c	-	30,000	7,500
30.09.01	To Bank (Right)	50,000	-	75,000	20.10.01	(Dividend)			
01.11.01	To P & L A/c (transfer)		30,000	2,857	01.11.01	By Bank A/c	2,00,000		2,60,000
					31.12.01	By Balance c/d	1,50,000		1,92,857
		3,50,000	30,000	4,67,857			3,50,000	30,000	4,67,857
01.01.01	To Balance b/d	1,50,000		1,92,857					

Working Notes:

- (i) Sale-proceeds of the rights being of capital nature has been entered in the Cost column of the Investment Account on the credit side.
- (ii) Dividend received on 5,000 equity shares purchased on 1st June is for the period for which the shares were not held by the Investor and hence treated as of capital nature.
Thus, such dividend being of capital nature has been entered in the Cost Column of the Investment Account on the credit side.
- (iii) Net cost of 35,000 shares
= Rs.3,20,000 + Rs.70,000 + Rs.75,000 - Rs.7,500 - Rs.7,500 = Rs.4,50,000
- (iv) Net cost of 20,000 shares sold = Rs.4,50,000 × 20,000/35,000 = Rs.2,57,143
- (v) Profit on sale of 20,000 shares = Rs.2,60,000 - Rs.2,57,143 = Rs.2,857
- (vi) Valuation of 15,000 shares as on 31st Dec.
Cost (Rs.4,50,000 × 15,000/35,000) = Rs.1,92,857,
Market Value = 15,000 × Rs.15 = Rs.2,25,000
Closing balance has been valued at Rs.1,92,857 being lower than the market value.