## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

Working Note:

|  | Rs. |  |
| :---: | :---: | :---: |
| Cost Price | 100 | [12,00,000 x (120/150)] |
| Invoice Price | 120 |  |
| Sale Price | 150 |  |
| Calculation of closing stock at invoice price | Rs. |  |
| Opening stock at invoice price | 2,20,000 |  |
| Goods received during the year at invoice price | 11,00,000 |  |
|  | 13,20,000 |  |
| Less : Cost of goods sold at invoice price | (9,60,000) |  |
| Closing stock | 3,60,000 |  |

## QUESTION 26 (STUDY MATERIAL)

Sell Well who carried on a retail business opened a branch X on January 1st, 20X1 where all sales were on credit basis. All goods required by the branch were supplied from the Head Office and were invoiced to the branch at $10 \%$ above cost.

The following were the transactions:

|  | Jan. 20X1 | Feb. 20X1 | March 20X1 |
| :--- | ---: | ---: | ---: |
| Goods sent to Branch (Purchase Price) | 40,000 | 50,000 | Rs. |
| Sales as shown by the branch monthly <br> report | 38,000 | 42,000 | 55,000 |
| Cash received from Debtors and <br> remitted to H.O. | 20,000 | 51,000 | 35,000 |
| Returns to H.O. (Invoice price <br> to Branch) | 1,200 | 600 | 2,400 |

The stock of goods held by the branch on March 31, 20X1 amounted to Rs.53,400 at invoice to branch.

Record these transactions in the Head Office books, showing balances as on 31st March, 20X1 and the branch gross profit for the three months ended on that date.

All workings should form part of your solution.

Books of Sell Well Branch Account

|  | Rs. |  |  | Rs. |
| :---: | :---: | :---: | :---: | :---: |
| To Goods sent to Branch A/c$\left[\frac{110}{100} \times 1,50,000\right]$ | $\begin{array}{r} 1,65,000 \\ 4,855 \end{array}$ | By Cash-collected from debtors |  | 1,06,000 |
|  |  | By Goods sent to Branch-returns |  | 4,200 |
| To Stock Reserve (W.N.2) |  | By Goods sent to Branch (W.N.1) <br> By Balance c/d <br> Stock <br> Debtors |  | 14,618 |
| To Profit | 37,363 |  |  |  |
| bal. |  |  | 53,400 |  |
| ) transferred to <br> General Profit |  |  | 29,000 | 82,400 |
|  | 2,07,218 |  |  | 2,07,218 |

## Memorandum Branch Debtors Account

|  | Rs. |  | Rs. |
| :--- | ---: | :--- | ---: |
| To Balance b/d | - | By Cash/Bank | $1,06,000$ |
| To Sales | $1,35,000$ | By Balance c/d | 29,000 |
|  | $1,35,000$ |  | $1,35,000$ |

Goods Sent to Branch Account

|  | Rs. |  | Rs. |
| :--- | ---: | :--- | ---: |
| To Branch A/c (Returns) | 4,200 | By Branch A/c | $1,65,000$ |
| To Branch A/c (Loading) | 14,618 |  |  |
| (W.N.1) |  |  |  |
| To Purchases A/c | $1,46,182$ |  | $1,65,000$ |
|  | $1,65,000$ |  |  |

## Working Notes:

1. Loading on Goods sent to Branch $=1 / 11$ of (Rs.1,65,000 - Rs.4,200) $=$ Rs. 14,618
2. Stock Reserve $=1 / 11$ of $53,400=$ Rs. 4,855

## QUESTION 27 (STUDY MATERIAL)

Hindustan Industries Mumbai has a branch in Cochin to which office goods are invoiced at cost plus $\mathbf{2 5 \%}$. The branch sells both for cash and on credit. Branch Expenses are paid direct from head office, and the Branch has to remit all cash received into the Head Office Bank Account.

From the following details, relating to calendar year 20X1, prepare the accounts in the Head Office Ledger and ascertain the Branch Profit. Branch does not maintain any books of account, but sends weekly returns to the Head Office:

|  | Rs. |
| :--- | ---: |
| Goods received from Head Office at invoice price | $6,00,000$ |
| Returns to Head Office at invoice price | 12,000 |
| Stock at Cochin as on 1st Jan., 20X1 | 60,000 |
| Sales in the year- Cash | $2,00,000$ |
|  | $3,60,000$ |
| Sundry Debtors at Cochin as on 1st Jan.20X1 | 72,000 |
| Cash received from Debtors | $3,20,000$ |
| Discount allowed to Debtors | 6,000 |
| Bad debts in the year | 4,000 |
| Sales returns at Cochin Branch | 8,000 |
| Rent, Rates, Taxes at Branch | 18,000 |
| Salaries, Wages, Bonus at Branch | 60,000 |
| Office Expenses | 6,000 |
| Stock at Branch on 31st Dec. 20X1 at invoice price | $1,20,000$ |

Prepare Branch accounts in books of head office by Stock and debtors method.
Books of Hindustan Industries, Mumbai
Cochin Branch Stock Account

|  | Rs. |  | Rs. |
| :--- | ---: | :--- | ---: |
| To Balance b/d | 60,000 | By Bank A/c (Cash sales) | $2,00,000$ |
| To Goods sent to Branch <br> A/c | $6,00,000$ | By Branch Debtors (Cr. sales) | $3,60,000$ |
| To Branch Debtors A/c <br> (sales return) | 8,000 | By Goods sent to Branch <br> (Returns to H.O.) | 12,000 |

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| To Branch P \& L (surplus) | 24,000 | By Balance c/d (closing stock) | 1,20,000 |
| :---: | :---: | :---: | :---: |
|  | 6,92,000 |  | 6,92,000 |

Cochin Branch Stock Adjustment Account

|  | Rs. |  | Rs. |
| :---: | :---: | :---: | :---: |
| To Goods sent to Branch A/c (1/5 of Rs.12,000) (on returns) | 2,400 | $\begin{aligned} & \text { By Balance b/d } \\ & \quad(1 / 5 \text { of Rs. } 60,000 \text { ) } \end{aligned}$ | 12,000 |
| To Branch P \& LA/c (Profit on sale at invoice price) | 1,05,600 | By Goods sent to Branch <br> A/c <br> (1/5 <br> Rs.6,00,000) | 1,20,000 |
| To Balance c/d (1/5 ofRs.$1,20,000)$ | 24,000 |  |  |
|  | 1,32,000 |  | 1,32,000 |

Goods Sent to Branch Account

|  | Rs. |  | Rs. |
| :--- | ---: | :--- | ---: |
| To Cochin Branch Stock <br> Adjustment/c | $1,20,000$ | By Cochin Branch Stock <br> A/c | $6,00,000$ |
| To Cochin Branch Stock A/c <br> (Returns) <br> To Purchases A/c | 12,000 | By Cochin Branch Stock <br> Adj. A/c | 2,400 |

Branch Debtors Account

|  | Rs. |  | Rs. |
| :---: | :---: | :---: | :---: |
| To Balance b/d <br> To Branch Stock A/c | $\begin{array}{r} 72,000 \\ 3,60,000 \end{array}$ | By Bank | 3,20,000 |
|  |  | By Branch P \& L A/c |  |
|  |  | Discount 6,000 |  |
|  |  | Bad Debts 4,000 | 10,000 |
|  |  | By Branch Stock (Sales Returns.) | 8,000 |
|  |  | By Balance c/d | 94,000 |
|  | 4,32,000 |  | 4,32,000 |


|  | Rs. |  | Rs. |
| :---: | :---: | :---: | :---: |
| To Bank A/c (Rent, Rates \& Taxes) | 18,000 | By Branch Profit \& Loss A/c (Transfer) | 84,000 |
| To Bank A/c (Salaries \&Wages) | 60,000 |  |  |
| To Bank A/c (office exp.) | 6,000 |  |  |
|  | 84,000 |  | 84,000 |

Branch Profit \& Loss Account for the year ending 31st Dec. 20X1

|  | Rs. |  | Rs. |
| :---: | :---: | :---: | :---: |
| $\begin{gathered} \hline \text { To Branch Expenses A/c } \\ (60,000+6,000+18,000) \\ \text { Discount } \quad 6,000 \end{gathered}$ | 84,000 | By Branch <br> A/c Stock Adj. <br> By Branch stock A/c | $\begin{array}{r} \hline 1,05,600 \\ 24,000 \end{array}$ |
| Bad debts $\underline{4,000} \mathbf{T}$ <br> o Net Profit transferred to Profit \& Loss A/c | $\begin{array}{r} 10,000 \\ 35,600 \\ \hline 1,29,600 \end{array}$ | (Sale over invoice price) | 1,29,600 |

## QUESTION 28 (STUDY MATERIAL)

Arnold of Delhi, trades in Ghee and Oil. It has a branch at Lucknow. He dispatches25 tins of Oil @ Rs.1,000 per tin and 15 tins of Ghee @ Rs.1,500 per tin on 1st of every month. The branch incurs some expenditure which is met out of itscollections;thisisinadditiontoexpendituredirectlypaidbyHeadOffice.

Following are the other details:

|  |  | Delhi | Lucknow |
| :--- | :--- | ---: | ---: |
|  |  | Rs. | Rs. |
| Purchases | Ghee | $14,75,000$ | - |
| Direct expenses | Oil | $29,32,000$ | - |
| Expenses paid by H.O. |  | $3,83,275$ | - |
| Sales |  | - | 14,250 |
|  | Ghee | $18,46,350$ | $3,42,750$ |
|  | Oil | $27,41,250$ | $3,15,730$ |

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| Collection during the year (including Cash <br> Sales) <br> Remittance by Branch to Head Office |  | - | $6,47,330$ |
| :--- | :--- | :--- | :--- |


|  | (Delhi) |  |
| :--- | ---: | ---: |
| Balance as on: |  |  |
| Stock: Ghee | $1-1-20 \times 1$ | $31-12-20 \times 1$ |
|  | Oil | $1,50,000$ |
| $3,12,500$ |  |  |
| Debtors | $3,50,000$ | $4,17,250$ |
| Cash on Hand | $7,32,750$ | - |
| Furniture \& Fittings | 70,520 | 55,250 |
| Plant/Machinery | 21,500 | 19,350 |


|  | (Lucknow) |  |
| :--- | ---: | ---: |
| Balance as on: | 1-1-20X1 | 31-12-20X1 |
| Stock: Ghee | 17,000 | 13,250 |
|  | Oil | 27,000 |
| Debtors | 75,750 | $?$ |
| Cash on Hand | 7,540 | 12,350 |
| Furniture \& Fittings | 6,250 | 5,625 |
| Plant/Machinery | - |  |

Addition to Plant/Machinery on 1-1-20X1 Rs.6,02,750.
Rate of Depreciation: Furniture / Fittings @ 10\% and Plant / Machinery @ 15\% (already adjusted in the above figures).

The Branch Manager is entitled to $10 \%$ commission after charging such commission whereas, the General Manager is entitled to $10 \%$ commission on overall company profits after charging such commission. General Manager is also entitled to a salary of Rs.2,000 p.m. General expenses incurred by H.O. Rs.24,000.

Prepare Branch Account in the head office books and also prepare the Arnold's Trading and Profit and Loss A/c (excluding branch transactions).

In the books of Arnold
Lucknow Branch Account

|  | Rs. |  | Rs. |
| :--- | :--- | ---: | :--- | :--- | ---: |
| To Balance b/d |  | By Bank(Remittance <br> to H.O.) | $6,13,250$ |

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0



Arnold
Trading and Profit and Loss account for the year ended 31st December, 20X1
(Excluding branch transactions)

|  | Rs. |  | Rs. |
| :--- | ---: | :--- | ---: |
| To Opening Stock: |  | By Sales: |  |
| Ghee | $1,50,000$ | Ghee | $18,46,350$ |
| Oil | $3,50,000$ | Oil | $27,41,250$ |
| To Purchases: |  | By Closing Stock: |  |
| Ghee |  | Ghee | $3,12,500$ |
| Less: Goods sent |  | Oil | $4,17,250$ |
| to Branch (2,70,000) | $12,05,000$ |  |  |
| Oil |  |  |  |

## Ravi Accrwal's

CA INTER ACCOUNTING COMPILER 4.0


## Working Notes:

(1) Debtors Account

|  | Rs. |  | Rs. |
| :--- | ---: | :--- | ---: |
| To Balance b/d | 75,750 | By Cash Collections | $6,47,330$ |
| To Sales made during |  | By Balance c/d | 86,900 |
| the year: |  |  |  |
| Ghee | $3,42,750$ |  |  |
| Oil | $3,15,730$ |  |  |
|  | $7,34,230$ |  | $7,34,230$ |

(2) Branch Cash Account

|  | Rs. |  | Rs. |
| :--- | ---: | :--- | ---: |
| To Balance b/d | 7,540 | By Remittance | $6,13,250$ |
| To Collections | $6,47,330$ | By Exp. (Balance fig.) | 29,270 |
|  |  | By Balance c/d | 12,350 |
|  | $6,54,870$ |  | $6,54,870$ |

(3) Depreciation on Plant \&Machinery
$3,07,250 \times 15 \%+6,02,750 \times 15 \%$

## QUESTION 29 (STUDY MATERIAL)

$\mathrm{M} / \mathrm{s}$ Rahul operates a number of retail outlets to which goods are invoiced at wholesale price which is cost plus $25 \%$. These outlets sell the goods at the retail price which is wholesale price plus20\%.

Following is the information regarding one of the outlets for the year ended 31.3.20X2:

|  | Rs. |
| :--- | ---: |
| Stock at the outlet 1.4.20X1 | 30,000 |
| Goods invoiced to the outlet during the year | $3,24,000$ |
| Gross profit made by the outlet | 60,000 |
| Goods lost by fire | $?$ |
| Expenses of the outlet for the year | 20,000 |
| Stock at the outlet 31.3.20X2 | 36,000 |

You are required to prepare the following accounts in the books of Rahul Limited for the year ended 31.3.20X2:
(a) Outlet Stock Account.
(b) Outlet Profit \& Loss Account.
(c) Stock Reserve Account.

Outlet Stock Account

|  | Rs. |  | Rs. |
| :--- | ---: | :--- | ---: |
| To Balance b/d | 30,000 | By Sales (Working Note 1) | $3,60,000$ |
| To Goods sent to outlet | $3,24,000$ | By Goods lost by fire (b.f.) | 18,000 |
| To Gross Profit c/d | 60,000 | By Balance c/d | 36,000 |
|  | $4,14,000$ |  | $4,14,000$ |

Outlet Profit \& Loss Account

|  | Rs. |  | Rs. |
| :--- | ---: | :--- | ---: |
| To Expenses | 20,000 | By Gross Profit b/d | 60,000 |
| To Goods lost by fire (W.N. | 18,000 |  |  |
| 2) |  |  |  |
|  |  |  |  |



Stock Reserve Account

|  | Rs. |  | Rs. |
| :---: | :---: | :---: | :---: |
| To HO P \& L A/c -Transfer | 6,000 | By Balance b/d <br> By HO P\&L A/c (W.N. <br> 3) | 6,000 |
| To Balance c/d (Stock Res. required) | 7,200 |  | 7,200 |
|  | 13,200 |  | 13,200 |

## QUESTION 30 (STUDY MATERIAL)

Messrs Ramchand \&Co., Hyderabad have a branch in Delhi. The Delhi Branch deals not only in the goods from Head Office but also buys some auxiliary goods and deals in them. They, however, do not prepare any Profit \&Loss Account but close all accounts to the Head Office at the end of the year and open them afresh on the basis of advice from their Head Office. The fixed assets accounts are also maintained at the HeadOffice.

The goods from the Head Office are invoiced at selling prices to give a profit of 20 per cent on the sale price. The goods sent from the branch to Head Office are at cost. From the following prepare Branch Trading and Profit \&Loss Account and Branch Assets Account in the Head Office Books.

Trial Balance of the Delhi Branch as on31-12-20X1

| Debit | Rs. | Credit | Rs. |
| :--- | ---: | :--- | ---: |
| Head office opening balance | 15,000 | Sales | $1,00,000$ |
| on 1-1-20X1 | 50,000 | Goods to H.O. | 3,000 |
| Goods from H.O. | 20,000 | Head Office Current A/c | 15,000 |
| Purchases |  | Sundry Creditors | 3,000 |
| Opening Stock | 4,000 |  |  |
| (H.O. supplies goods at |  |  |  |
| invoice prices) | 500 |  |  |
| Opening Stock of other goods | 7,000 |  |  |
| Salaries | 3,000 |  |  |
| Rent | 2,000 |  |  |
| Office expenditure | 500 |  |  |
| Cash on Hand |  |  |  |

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$\left.$| Cash at Bank | 4,000 |
| :--- | ---: |
| Sundry Debtors | 15,000 |
|  | $1,21,00$ |
|  | 0 |$\quad \right\rvert\,$|  |
| :--- |
|  |

The Branch balances as on 1st January, 20X1, were as under: Furniture Rs.5,000; Sundry Debtors Rs.9,500; Cash Rs.1,000, Creditors Rs.30,000. The closing stock at branch of the head office goods at invoice price is Rs.3,000 and that of purchased goods at cost is Rs.1,000. Depreciation is to be provided at 10 per cent on branch assets.

Delhi Branch Trading and Profit \& Loss Account
for the year ended 31st Dec.,20X1



Branch (Fixed) Assets Account (In Head Office Books)

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## Working Notes:

| 20X1 |  |  | Rs. | 20X1 |  |  | Rs. |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Jan. 1 | To | Balance b/d | 5,000 | Dec. <br> 31 | By <br> By | Delhi Branch A/c (Depreciation) | 500 |
|  |  |  |  |  |  | Balance c/d | 4,500 |
|  |  |  | 5,000 |  |  |  | 5,000 |
| $\begin{aligned} & \text { 20X2 } \\ & \text { Jan. } 1 \end{aligned}$ |  |  | 4,500 |  |  |  |  |

Cash/Bank Account (Branch Books)

| Rs. |  |  | Rs. |  |  | Rs. |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Balance b/d | from | 1,000 |  | Salaries | 7,000 |
|  | Cash Received Debtors** |  | 94,500 |  | Rent | 3,000 |
|  |  |  |  |  | Office Exp. | 2,000 |
|  |  |  |  |  | Creditors* | 47,000 |
|  |  |  |  | By | Head Office (Balancing fig.) | 32,000 |
|  |  |  |  |  | Cash Balance | 500 |
|  |  |  |  |  | Bank Balance | 4,000 |
|  |  |  | 95,500 |  |  | 95,500 |

*Opening Balance + Purchases - Closing balance=Payment
Rs.30,000 + Rs.20,000 - Rs.3,000 = Rs.47,000.
** Opening Balance + Sales - Closing balance $=$ Received
Rs.9,500 + Rs.1,00,000 - Rs. $15,000=$ Rs. 94,500
Trial Balance of Delhi Branch as on 1-1-20X1

|  |  | Dr. | Cr. |
| :--- | ---: | ---: | ---: |
|  |  | Rs. | Rs. |
| Debtors |  | 9,500 |  |
| Cash |  | 1,000 |  |
| Stock H.O. Goods | 4,000 |  |  |
|  |  |  |  |

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| Others | 500 | 4,500 | 30,000 |
| :--- | ---: | ---: | ---: |
| Creditors |  |  |  |
| Head Office Account |  | 15,000 |  |
|  |  | 30,000 | 30,000 |

Head Office Account

|  | Rs. |  | Rs. |  |
| :--- | ---: | :--- | :--- | :--- |
| To Balance (transfer) | 15,000 | By Goods from Head | 50,000 |  |
|  | 32,000 | Office |  |  |
| To Cash | $\underline{3,000}$ |  |  |  |
| To Goods sent | $\underline{50,000}$ |  | $\underline{50,000}$ |  |

Credit balance in Head Office Account before this transfer will be Rs.15,000 credit.
Note : Furniture A/c is maintained in Head office books; it is not a part of either opening or closing balance.

## QUESTION 31 (STUDY MATERIAL)

Ring Bell Ltd. Delhi has a Branch at Bombay where a separate set of books is used. The following is the trial balance extracted on 31st December,20X1.

Head Office Trial Balance

|  | Rs. | Rs. |
| :--- | ---: | ---: |
| Share Capital (Authorised: 10,000 Equity |  |  |
| Shares of Rs.100 each): |  | $8,00,000$ |
| Issued: 8,000 Equity Shares |  | 25,310 |
| Profit \& Loss Account - 1-1-20X1 | $5,30,000$ | $1,00,000$ |
| General Reserve | $2,22,470$ |  |
| Fixed Assets | 50,500 | 21,900 |
| Stock |  | 52,200 |
| Debtors and Creditors | 62,730 |  |

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| Branch Current Account | $1,33,710$ |  |
| :--- | ---: | ---: |
|  | $9,99,410$ | $9,99,410$ |

Branch Trial Balance

|  | Rs. | Rs. |
| :--- | ---: | ---: |
| Fixed Assets | 95,000 |  |
| Profit for 20X1 |  | 31,700 |
| Stock | 50,460 |  |
| Debtors and Creditors | 19,100 | 10,400 |
| Cash Balance | 6,550 |  |
| Head Office Current Account |  | $1,29,010$ |
|  | $1,71,110$ | $1,71,110$ |

The difference between the balances of the Current Account in the two sets of books is accounted for as follows:
(a) Cash remitted by the Branch on 31st December, 20X1, but received by the Head Office on 1st January 20X2-Rs.3,000.
(b) Stock stolen in transit from Head Office and charged to Branch by the Head Office, but not credited to Head Office in the Branch books as the Branch Manager declined to admit any liability (not covered by insurance)-Rs.1,700.

Give the Branch Current Account in Head Office books after incorporating Branch Trial Balance through journal.

ANSWER: The Branch Current Account in the Head Office Books and Head Office Current Account in the Branch Books do not show the same balances. Therefore, in order to reconcile them, the following journal entries will be passed in the Head Office books :

Journal Entries

|  |  | Dr. | Cr. |  |
| :--- | :--- | :--- | ---: | ---: |
| 20X1 |  |  |  |  |
| Dec., 31 | Cash in Transit A/c <br> To Branch Current A/c <br> (Cash sent by the Branch on 31st Dec., 20X1 <br> but received at H.O. on 1st Jan.,20X2) | Rr. | Rs. |  |
|  | Loss by theft A/c <br> To Branch Current A/c <br> (Stock lost in transit from H.O. to Branch) | Dr. | 1,700 | 3,000 |

In order to incorporate, in the H.O. books, the given Branch trial balance which has been drawn up after preparing the Branch Profit \&Loss Account, the following journal entries will

## Ravi Accrwal's

benecessary:
Journal Entries


Branch Current Account

|  | Rs. |  | Rs. |
| :--- | ---: | :--- | ---: |
| To Balance b/d | $1,33,710$ | By Cash in transit | 3,000 |
| To Profit \& Loss A/c | 31,700 | By Loss of theft | 1,700 |
| To Branch Creditors | 10,400 | By Sundry Branch Assets | $1,71,110$ |
|  | $1,75,810$ |  | $1,75,810$ |

Profit and Loss Account for 20X1

|  | Rs. |  | Rs. |
| :--- | ---: | :--- | ---: |
| To Loss by Theft | 1,700 | By Balance b/d | 25,310 |
| To Balance c/d | $1,07,510$ | By Year's Profit: H.O. | 52,200 |
|  |  |  | Branch |
|  |  |  | 31,700 |
|  | $1,09,210$ |  | $1,09,210$ |

## QUESTION 32 (STUDY MATERIAL)

KP manufactures a range of goods which it sells to wholesale customers only from its head office. In addition, the H.O. transfers goods to a newly opened branch at factory cost plus 15\%. The branch then sells these goods to the general public on only cash basis.

The selling price to wholesale customers is designed to give a factory profit which amounts to $30 \%$ of the sales value. The selling price to the general public is designed to give a gross margin (i.e., selling price less cost of goods from H.O.) of $30 \%$ of the sales value.

KP operates from rented premises and leases all other types of fixed assets. The rent and hire charges for these are included in the overhead costs shown in the trial balances.

From the information given below, you are required to prepare for the year ended 31st Dec., 20X1 in columnar form.
(a) AProfit\&Lossaccountfor(i)H.O.(ii)thebranch(iii)theentirebusiness.
(b) Balance Sheet as on 31st Dec., 20X1 for the entire business.

|  | H.O. |  | Branch |  |
| :---: | :---: | :---: | :---: | :---: |
|  | Rs. | Rs. | Rs. | Rs. |
| Raw materials purchased | 35,000 |  |  |  |
| Direct wages | 1,08,500 |  |  |  |
| Factory overheads | 39,000 |  |  |  |
| Stock on 1-1-20X1 |  |  |  |  |
| Raw materials | 1,800 |  |  |  |
| Finished goods | 13,000 |  | 9,200 |  |
| Debtors | 37,000 |  |  |  |
| Cash | 22,000 |  | 1,000 |  |
| Administrative Salaries | 13,900 |  | 4,000 |  |
| Salesmen Salaries | 22,500 |  | 6,200 |  |
| Other administrative \& selling overheads | 12,500 |  | 2,300 |  |
| Inter-unit accounts | 5,000 |  |  | 2,000 |
| Capital |  | 50,000 |  |  |
| Sundry Creditors |  | 13,000 |  |  |
| Provision for unrealized profit in stock |  | 1,200 |  |  |
| Sales |  | 2,00,000 |  | 65,200 |
| Goods sent to Branch |  | 46,000 |  |  |

## CA Ravi Agcrwal's <br> CA INTER ACCOUNTING COMPILER 4.0

Goods received from H.O.

|  |  | 44,500 |  |
| ---: | ---: | ---: | ---: |
| $3,10,200$ | $3,10,200$ | 67,200 | 67,200 |

Notes:
(1) On 28th Dec., 20X1 the branch remitted Rs.1,500 to the H.O. and this has not yet been recorded in the H.O. books. Also on the same date, the H.O dispatched goods to the branch invoiced at Rs.1,500 and these too have not yet been entered into the branch books. It is the company's policy to adjust items in transit in the books of the recipient.
(2) ThestockofrawmaterialsheldattheH.O.on31stDec.,20X1 was valued at Rs.2,300.
(3) You are advised that:

- There were no stock losses incurred at the H.O or at the branch.
- it is KP's practice to value finished goods stock at the H.O. at factory cost.
- there were no opening or closing stock of work-in-progress.
(4) Branch employees are entitled to a bonus of Rs. 156 under a bilateral agreement.

In the books of KP
Trading and Profit \& Loss Account for the year ended 31st Dec., 20X1

|  | $\begin{array}{r} \text { H.O. } \\ \text { Rs. } \end{array}$ | Branch Rs. | Total Rs. |  | $\begin{array}{r} \text { H.O. } \\ \text { Rs. } \end{array}$ | Branch Rs. | Total Rs. |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| To Material consumed (W.N.1) | 34,500 | - | $34,500$ | By Sales | 2,00,000 | 65,200 | $\begin{array}{r} 2,65,20 \\ 0 \end{array}$ |
| To Wages To Factory Overheads | 1,08,500 | - | $1,08,500$ 39,000 | By Goods <br> Sent to <br> Branch | 46,000 | - | - |
| To Opening stock of finished goods | 13,000 | 9,200 | 22,200 | By <br> Closing <br> stock <br> including <br> transit | 15,000 | 9,560 | 24,560 |

## Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0



Balance Sheet as on 31st Dec., 20X1

|  |  | Rs. | $\begin{array}{r} \text { H.O. } \\ \text { Rs. } \end{array}$ | Branch <br> Rs. | Total <br> Rs. |  | H.O. <br> Rs. | Branc h Rs. | Total <br> Rs. |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Capital <br> Profit : |  | 17,053 | 50,000 | - | 50,000 | Fixed <br> Assets <br> Current <br> Assets: | - | - |  |
|  | Branch | 6,904 | 23,957 |  | 23,957 | Raw material | 2,300 |  | 2,300 |

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0


*9,560 $\times 100 / 115$ i.e., $(8,313+15,000)=R s .23,313$
** (5,000 + 6,904) - $1500=$ Rs.10,404.

## Working Notes:

(1) Material Consumed

Opening raw material + Raw Material Purchased - Closing raw material
$=1,800+35,000-2,300=34,500$
(2) Closing stock at head office
(a) Calculation of total factor cost = Material consumed + Wages + Factory overhead $=34,500+1,08,500+39,000=1,95,000$
(b) Cost (factory cost) of goods sold = Sales - Gross profit
$=2,00,000-2,00,000 \times 70 \%=1,40,000$
(c) Stock transferred to branch $=46,000 \times 100 / 115=40,000$
(d) Closing stock $=1,95,000-1,40,000-40,000=15,000$
(3) Gross profit of Branch $=$ Sales $\times$ Gross profit ratio
= 65,200 x 30\% = 19,560
(4) Closing stock reserve $=9,560 \times 15 / 115=1,246$

Charge to profit and loss=1,247-1,200=47

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

## QUESTION 33 (STUDY MATERIAL)

AFFIX of Kolkata has a branch at Delhi to which the goods are supplied from Kolkata but the cost thereof is not recorded in the Head Office books. On 31st March, 20X1 the Branch Balance Sheet was as follows:

| Liabilities | Rs. | Assets | Rs. |
| :---: | :---: | :---: | :---: |
| Creditors Balance | 40,000 | Debtors Balance | 2,00,000 |
| Head Office | 1,68,000 | Building Extension A/c closed by transfer to H.O. A/c <br> Cash at Bank | 8,000 |
|  | 2,08,000 |  | 2,08,000 |

During the six months ending on 30-9-20X1, the following transactions took place at Delhi.

|  | Rs. |  | Rs. |
| :--- | ---: | :--- | ---: |
| Sales | $2,40,000$ | Manager's Salary | 4,800 |
| Purchases | 48,000 | Collections from Debtors | $1,60,000$ |
| Wages paid | 20,000 | Discounts allowed | 8,000 |
| Salaries (inclusive of advance |  | Discount earned | 1,200 |
| $\quad$ of Rs.2,000) | 6,400 | Cash paid to Creditors | 60,000 |
| General Expenses | 1,600 | Building Account (further | 4,000 |
|  |  | payment) | 1,600 |
| Fire Insurance (paid for one | 3,200 | Cash in Hand |  |
| year) | 38,400 | Cash at Bank | 28,000 |

Set out the Head Office Account in Delhi books and the Branch Balance Sheet as on 30-9-20X1. Also give journal entries in the Delhi books.

Journal Entries

| 20X1 <br> 30 Sept. |  | Dr. <br> Rs. | Cr. <br> Rs. |
| :--- | ---: | ---: | ---: |
| Salary Advance A/c <br> $\quad$ To Salaries A/c | Dr. | 2,000 |  |
| (The amount paid as advance adjusted by debit to <br> Salary Advance Account) |  | 2,000 |  |
| Prepared Insurance A/c (3,200 $\times 6 / 12)$ | Dr. | 1,600 |  |


| To Fire Insurance $A / C$ <br> (Six months premium transferred to the Prepaid Insurance A/c) |  |  | 1,600 |
| :---: | :---: | :---: | :---: |
| Head Office AccountTo Purchases A/cTo Wages A/cTo Salaries A/c ( $6,400-2,000)$To General Expenses A/cTo Fire Insurance $A / c(3,200 \times 6 / 12)$To Manager's Salary A/cTo Discount Allowed A/c(Transfer of various revenue accounts (Dr.) to theH.O. Account for closing the accounts) | Dr. | 88,400 |  |
|  |  |  | 48,000 |
|  |  |  | 20,000 |
|  |  |  | 4,400 |
|  |  |  | 1,600 |
|  |  |  | 1,600 |
|  |  |  | 4,800 |
|  |  |  | 8,000 |
|  |  |  |  |
| Sales Accounts | Dr.Dr. | 2,40,000 |  |
| Discount Earned A/c |  | 1,200 |  |
| To Head Office A/c |  |  | 2,41,200 |
| [Revenue accounts (Cr.) transferred to H.O.] |  |  |  |
| Head Office Account <br> To Building Account <br> (Transfer of amounts spent on building extension to H.O. A/c) | Dr. | 4,000 |  |
|  |  |  | 4,000 |
|  |  |  |  |

Head Office Account

| 20X1 |  | Rs. $20 \times 1$ |  | Rs. |  |
| :--- | :--- | ---: | :--- | :--- | ---: |
| Sep. $\mathbf{3 0}$ | To Cash-remittance | 38,400 | April 1 | By Balance b/d | $1,68,000$ |
|  | To Sundries (Revenue | 88,400 | Sep. 30 | By Sundries | $2,41,200$ |
|  | A/c) | 4,000 |  |  |  |
|  | To Building A/c | $2,78,400$ |  |  |  |
|  | To Balanced c/d | $4,09,200$ |  |  | $4,09,200$ |

Balance Sheet of Delhi Branch as on Sept. 30,20X1

| Liabilities | Rs. | Assets | Rs. |
| :--- | ---: | :--- | ---: |
| Creditors Balances | 26,800 | Debtors Balances | $2,72,000$ |
| Head Office Account | $2,78,400$ | Salary Advance | 2,000 |
|  |  | Prepaid Insurance | 1,600 |


|  |  | Building Extension A/c |  |
| :--- | ---: | :--- | ---: |
|  |  | transferred to H.O. | - |
|  |  | Cash in Hand | 1,600 |
|  |  | Cash at Bank | 28,000 |
|  | $3,05,200$ |  | $3,05,200$ |

Cash and Bank Account


Debtors Account

|  | Rs. |  | Rs. |
| :--- | ---: | :--- | ---: |
| To Balance b/d | $2,00,000$ | By Cash Collection | $1,60,000$ |
| To Sales | $2,40,000$ | By Discount (allowed) | 8,000 |
|  |  | By Balance c/d | $2,72,000$ |
|  | $4,40,000$ |  | $4,40,000$ |
|  | $2,72,000$ |  |  |

Creditors Account

|  | Rs. |  | Rs. |
| :--- | ---: | :--- | ---: |
| To Cash | 60,000 | By Balance b/d | 40,000 |
| To Discount (earned) | 1,200 | By Purchases | 48,000 |
| To Balance c/d | 26,800 |  |  |
|  | 88,000 |  | 88,000 |
|  |  | By Balance b/d | 26,800 |

## QUESTION 34 (STUDY MATERIAL)

The following Trial balances as at 31st December, 20X1 have been extracted from the books of Major Ltd. and its branch at a stage where the only adjustments requiring to be made prior to the preparation of a Balance Sheet for the undertaking as a whole.

|  | Head Office |  | Branch |  |
| :--- | ---: | ---: | ---: | ---: |
|  | Dr. <br> Rs. | Cr. <br> Rs. | Dr. <br> Rs. | Cr. <br> Rs. |
| Share Capital |  | $1,50,000$ |  |  |
| Fixed Assets | 75,125 |  | 18,901 |  |
| Current Assets | $1,21,809$ |  | 23,715 | (Note 3) |
| Current Liabilities |  | 34,567 |  | 9,721 |
| Stock Reserve, 1st Jan., 20X1 |  |  |  |  |
| (Note 2) |  | 43,210 |  | 10,250 |
| Revenue Account | 31,536 |  |  |  |
| Branch Account |  |  |  | 22,645 |
| Head Office Account | $2,28,470$ | $2,28,470$ | 42,616 | 42,616 |

You are required to record the following in the appropriate ledger accounts in both sets of books:

Notes:

1. Goods transferred from Head Office to the Branch are invoiced at cost plus $10 \%$ and both Revenue Accounts have been prepared on the basis of the prices charged.
2. RelatingtotheHeadOfficegoodsheldbytheBranchon1stJanuary,20X1.
3. Includes goods received from Head Office at invoice price Rs.4,565.
4. Goods invoiced by Head Office to Branch at Rs.3,641 were in transit at 31st December, 20X1, as was also a remittance of Rs.3,500 from the Branch.
5. At 31st December, 20X1, the following transactions were reflected in the Head Office books but unrecorded in the Branch books.

The purchase price of lorry, Rs.2,500, which reached the Branch on December 25th; a sum received on December 30, 20X1 from one of the Branch debtors, Rs.750.
H.O. Books Branch Account

| $20 X 1$ | Rs. 20X1 |  | Rs. |
| :--- | :--- | ---: | :--- | :--- | :--- |


| Dec. 31 | To Balance b/d | 31,536 | Dec. 31 | By Cash in transit <br> By Balance b/d | 3,500 <br> 28,036 |
| :--- | :--- | ---: | :--- | :--- | ---: |
|  |  |  |  | 31,536 |  |

Cash in transit Account

| 20X1 |  |  | Rs. | 20X1 |  |  |
| :--- | ---: | ---: | ---: | :--- | :--- | ---: |
| Dec. 31 | To | Branch A/c | 3,500 | Dec. 31 | By $\quad$ Balance c/d | 3,500 |

Stock Reserve Account

| 20X1 |  | Rs. | 20X1 |  | Rs. |
| :--- | :--- | ---: | :--- | :--- | ---: |
| Dec. 31 | To Balance c/d | 746 | Jan. 1 | By Balance c/d | 693 |
|  | $(4,565+3,641) x$ |  |  | By Revenue A/c (b.f.) | 53 |
|  | $10 / 110$ |  |  |  | 746 |
|  |  | 746 |  |  |  |

Revenue Account

| 20X1 |  | Rs. | 20X1 |  | Rs. |
| :--- | :--- | ---: | :--- | :--- | ---: |
| Dec. 31 | To Stock Reserve | 53 | Dec. 31 | By Balance b/d | 43,210 |
|  | To Balance c/d | 43,157 |  |  |  |
|  |  | 43,210 |  |  | 43,210 |

## Branch Books Head Office Account

| 20X1 |  | Rs. | 20X1 |  | Rs. |
| :--- | :--- | ---: | :--- | :--- | ---: |
| Dec. 31 | To Current Assets | 750 | Dec. 31 | By Balance b/d | 22,645 |
|  | To (Debtors) | 28,036 |  | By Goods in transit | 3,641 |
|  | Balance c/d |  |  | By Motor Vehicle | 2,500 |
|  |  |  |  |  | 28,786 |

Goods in Transit Account

| 20X1 |  | Rs. | 20X1 |  | Rs. |
| :--- | :--- | ---: | :--- | :--- | ---: |
| Dec. 31 | To Head Office | 3,641 | Dec. 31 | By Balance c/d | 3,641 |

Motor Vehicle Account

| Dec. 31 | To Head Office | 2,500 | Dec. 31 | By Balance c/d | 2,500 |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Sundry Current Assets A/c |  |  |  |  |  |
| 20X1 |  | Rs. | 20X1 |  | Rs. |
| Dec. 31 | To Balance b/d | 23,715 | Dec. 31 | By H.O. (Remittance by Debtor) <br> By Balance c/d | $\begin{array}{r} 750 \\ 22,965 \end{array}$ |
|  |  | 23,715 |  |  | 23,715 |

## QUESTION 35 (STUDY MATERIAL) (MTP NOV18)

On 31 ${ }^{\text {st }}$ December, 20X2 the following balances appeared in the books of Chennai Branch of an English firm having its HO office in New York:

|  | Amount in Rs. | Amount in Rs. |
| :--- | ---: | ---: |
| Stock on 1st Jan., 20X2 | $2,34,000$ |  |
| Purchases and Sales | $15,62,500$ | $23,43,750$ |
| Debtors and Creditors | $7,65,000$ | $5,10,000$ |
| Bills Receivable and Payable | $2,04,000$ | $1,78,500$ |
| Salaries and Wages | $1,00,000$ | - |
| Rent, Rates and Taxes | $1,06,250$ | - |
| Furniture |  |  |
|  | 91,000 | $-\mid$ |
| Bank A/c |  |  |
| New York Account | $5,68,650$ |  |
|  | - | $5,99,150$ |

Stock on $31^{\text {st }}$ December, 20X2 was Rs.6,37,500. Branch account in New York books showed a debit balance of $\$ 13,400$ on $31{ }^{\text {st }}$ December, 20X2 and Furniture appeared in the Head Office books at $\$ 1,750$.

The rate of exchange for $1 \$$ on $31^{\text {st }}$ December, 20X1 was Rs. 52 and on $31^{\text {st }}$ December, 20X2 was Rs.51. The average rate for the year was Rs.50.

Prepare in the Head Office books the Profit and Loss a/c and the Balance Sheet of the Branch assuming integral foreign operation.

In the books of English Firm
(Head Office in New York) Chennai Branch Profit and Loss Account for the year ended 31st December, 20X2

|  | $\mathbf{\$}$ |  | $\mathbf{\$}$ |
| :--- | ---: | :--- | ---: |
| To Opening stock | 4,500 | By Sales | 46,875 |
| To Purchases | 31,250 | By Closing stock | 12,500 |
| To Gross profit c/d | 23,625 | $(6,37,500 / 51)$ |  |
|  | 59,375 |  | 59,375 |
| To Salaries | 2,000 | By Gross profit b/d | 23,625 |
| To Rent, rates and taxes | 2,125 |  |  |
| To Exchange translation loss | 2,000 |  |  |
| To Net Profit c/d | 17,500 |  | 23,625 |

Balance Sheet of Chennai Branch as
on 31st December, 20X2

| Liabilities | $\boldsymbol{\$}$ | $\mathbf{\$}$ | Assets | $\boldsymbol{\$}$ |
| :--- | ---: | ---: | :--- | ---: |
| Head Office A/c | 13,400 |  | Furniture | 1,750 |
| Add : Net profit | 17,500 | 30,900 | Closing Stock | 12,500 |
| Trade creditors |  | 10,000 | Trade Debtors | 15,000 |
| Bills Payable |  | 3,500 | Bills Receivable | 4,000 |
|  |  |  | Cash at bank | 11,150 |
|  |  | 44,400 |  | 44,400 |

## Working Note:

Calculation of Exchange Translation Loss Chennai Branch Trial Balance (converted in \$) as on 31st December, 20X2

|  | Dr. <br> Rs. | Cr. <br> Rs. | Conversion <br> Rate | Dr. <br> ( $\mathbf{\$})$ | Cr. <br> (\$) |
| :--- | ---: | ---: | :---: | ---: | ---: |
| Stock on 1st Jan., 20X2 | $2,34,000$ |  | 52 | 4,500 |  |
| Purchases \& Sales | $15,62,500$ | $23,43,750$ | 50 | 31,250 | 46,875 |
| Debtors \& creditors | $7,65,000$ | $5,10,000$ | 51 | 15,000 | 10,000 |

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| Bills Receivable and | $2,04,000$ | $1,78,500$ | 51 | 4,000 | 3,500 |
| :--- | ---: | ---: | ---: | ---: | ---: |
| Bills Payable |  |  |  |  |  |
| Salaries and wages | $1,00,000$ |  | 50 | 2,000 |  |
| Rent, Rates and Taxes | $1,06,250$ |  | 50 | 2,125 |  |
| Furniture | 91,000 |  |  | 1,750 |  |
| Bank A/c | $5,68,650$ |  | 51 | 11,150 |  |
| New York Account |  | $5,99,150$ |  |  | 13,400 |
| Exchange translation     <br> loss (bal.fig.)    2,000 |  |  |  |  |  |
|  | $36,31,400$ | $36,31,400$ |  | 73,775 | 73,775 |

## QUESTION 36 (STUDY MATERIAL)

S \& M Ltd., Bombay, have a branch in Sydney, Australia. Sydney branch is an integral foreign operation of S \& M Ltd.

At the end of 31st March, 20X2, the following ledger balances have been extracted from the books of the Bombay Office and the Sydney Office:

|  | Bombay (Rs. thousands) |  | Sydney (Austr dollars thousands) |  |
| :---: | :---: | :---: | :---: | :---: |
|  | Debit | Credit | Debit | Credit |
| Share Capital | - | 2,000 | - | - |
| Reserves \& Surplus | - | 1,000 | - | - |
| Land | 500 | - | - | - |
| Buildings (Cost) | 1,000 | - | - | - |
| Buildings Dep. Reserve | - | 200 | - | - |
| Plant \& Machinery (Cost) | 2,500 | - | 200 | - |
| Plant \& Machinery Dep. Reserve | - | 600 | - | 130 |
| Debtors / Creditors | 280 | 200 | 60 | 30 |
| Stock (1.4.20X1) | 100 | - | 20 | - |
| Branch Stock Reserve | - | 4 | - | - |
| Cash \& Bank Balances | 10 | - | 10 | - |
| Purchases/Sales | 240 | 520 | 20 | 123 |
| Goods sent to Branch | - | 100 | 5 | - |
| Managing Director's salary | 30 | - | - | - |
| Wages \& Salaries | 75 | - | 45 | - |
| Rent | - | - | 12 | - |


| Office Expenses | 25 | - | 18 | - |
| :--- | ---: | ---: | ---: | ---: |
| Commission Receipts | - | 256 | - | 100 |
| Branch / H.O. Current A/c | 120 | - | - | 7 |
|  | 4,880 | 4,880 | 390 | 390 |

The following information is also available:
(1) Stock as at 31.3.20X2: Bombay Rs.1,50,000 Sydney A \$3,125

You are required to convert the Sydney Branch Trial Balance into rupees; (use the following rates of exchange :

Opening rate
Closing rate
Average rate
For Fixed Assets

A \$ = Rs. 20
A \$ = Rs. 24
A \$ = Rs. 22
A \$ = Rs.18).

Sydney Branch Trial Balance (in Rupees)
As on 31st March, 20X2

| Conversion | rate per A\$ | Dr. | Cr. |
| :--- | ---: | ---: | ---: |
| Plant \& Machinery (cost) | Rs.18 | 36,00 |  |
| Plant \& Machinery Dep. Reserve | Rs. 18 |  | 23,40 |
| Debtors / Creditors | Rs.24 | 14,40 | 7,20 |
| Stock (1.4.20X1) | Rs. 20 | 4,00 |  |
| Cash \& Bank Balances | Rs.24 | 2,40 |  |
| Purchase / Sales | Rs.22 | 4,40 | 27,06 |
| Goods received from H.O. | - | 1,00 |  |


| Wages \& Salaries | Rs.22 | 9,90 |  |
| :--- | ---: | ---: | ---: |
| Rent | Rs.22 | 2,64 |  |
| Office expenses | Rs.22 | 3,96 |  |
| Commission Receipts | Rs.22 |  | 22,00 |
| H.O. Current A/c |  |  | 1,20 |
|  |  | 78,70 | 80,86 |
| Exchange loss (balancing figure) |  | 2,16 |  |
|  |  | 80,86 | 80,86 |

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

## QUESTION 37 (STUDY MATERIAL)

M/s Carlin has head office at New York (U.S.A.) and branch at Mumbai (India). Mumbai branch is an integral foreign operation of Carlin \& Co.

Mumbai branch furnishes you with its trial balance as on 31st March, 20X2 and the additional information given thereafter:

|  | Dr. <br> Rupees in thousands |  |
| :--- | ---: | ---: |
| Stock on 1st April, 20X1 | 300 | - |
| Purchases and sales | 800 | 1,200 |
| Sundry Debtors and creditors | 400 | 300 |
| Bills of exchange | 120 | 240 |
| Wages and salaries | 560 | - |
| Rent, rates and taxes | 360 | - |
| Sundry charges | 160 | - |
| Computers | 240 | -420 |
| Bank balance | - | 1,620 |
| New York office a/c | 3,360 | 3,360 |

Additional information:
(a) Computers were acquired from a remittance of US \$ 6,000 received from New York head office and paid to the suppliers. Depreciate computers at 60\% for the year.
(b) Unsold stock of Mumbai branch was worth Rs.4,20,000 on 31st March, 20X2.
(c) The rates of exchange may be taken as follows:

- on 1.4.20X1 @ Rs. 40 per US\$
- on 31.3.20X2 @ Rs. 42 per US\$
- average exchange rate for the year @ Rs. 41 per US\$
- conversion in \$ shall be made upto two decimal accuracy.

You are asked to prepare in US dollars the revenue statement for the year ended 31st March, 20X2 and the balance sheet as on that date of Mumbai branch as would appear in the books of New York head office of Carlin \&Co. You are informed that Mumbai branch account showed a debit balance of US \$ 39609.18 on 31.3.20X2inNewYorkbooksandtherewerenoitemspendingreconciliation.

M/s Carlin
Mumbai Branch Trial Balance in (US \$) as on 31st March, 20X2

|  | Conversion | Dr. | Cr. |
| :--- | ---: | ---: | ---: |
|  | rate per US \$ | US \$ | US \$ |
|  | (Rs.) |  |  |
| Stock on 1.4.X1 | 40 | $7,500.00$ | - |
| Purchases and sales | 41 | $19,512.20$ | $29,268.29$ |
| Sundry debtors and creditors | 42 | $9,523.81$ | $7,142.86$ |
| Bills of exchange | 42 | $2,857.14$ | $5,714.29$ |
| Wages and salaries | 41 | $13,658.54$ | - |
| Rent, rates and taxes | 41 | $8,780.49$ | - |
| Sundry charges | 41 | $3,902.44$ | - |
| Computers | - | $6,000.00$ | - |
| Bank balance | 42 | $10,000.00$ | - |
| New York office A/c | - | - | $39,609.18$ |

Trading and Profit \& Loss Account for the year ended 31st March, 20X2

|  | US \$ |  | US \$ |
| :---: | :---: | :---: | :---: |
| To Opening Stock | 7,500.00 | By Sales | 29,268.29 |
| To Purchases | 19,512.20 | By Closing stock $(4,20,000 / 42)$ | 10,000.00 |
| To Wages and salaries | 13,658.54 | By Gross Loss c/d | 1,402.45 |
|  | 40,670.74 |  | 40,670.74 |
| To Gross Loss b/d | 1,402.45 | By Net Loss | 17,685.38 |
| To Rent, rates and taxes | 8,780.49 |  |  |
| To Sundry charges | 3,902.44 |  |  |
| To Depreciation on computers | 3,600.00 |  |  |
| (US \$ 6,000 $\times 0.6$ ) |  |  |  |
|  | 17,685.38 |  | 17,685.38 |

Balance Sheet of Mumbai Branch
as on 31st March, 20X2

| Liabilities |  | US \$ | Assets | US $\boldsymbol{\$}$ | US $\boldsymbol{\$}$ |
| :--- | ---: | ---: | :--- | ---: | ---: |
| New York <br> Office A/c | $39,609.18$ |  | Computers | $6,000.00$ |  |

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| $\begin{aligned} & \text { Less : Net } \\ & \text { Loss } \end{aligned}$ | (17,685.38) | 21,923.80 | Less: <br> Depreciation | $(3,600.00)$ | 2,400.00 |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Sundry creditors Bills payable |  | 7,142.86 | Closing stock |  | 10,000.00 |
|  |  | 5,714.29 | Sundry debtors |  | 9,523.81 |
|  |  |  | Bank balance |  | 10,000.00 |
|  |  |  | Bills |  | 2,857.14 |
|  |  | 34,780.95 |  |  | 34,780.95 |

## QUESTION 38 (RTP MAY 18) (RTP JULY21)

Alpha Ltd. has a retail shop under the supervision of a manager. The ratio of gross profit atsellingpriceisconstantat25 percentthroughouttheyearto31 ${ }^{\text {st }}$ March,2017.

Branch manager is entitled to a commission of 10 per cent of the profit earned by his branch, calculated before charging his commission but subject to a deduction from such commission equal in 25 per cent of any ascertained deficiency of branch stock. All goods were supplied to the branch in head office.

The following details for the year ended 31 ${ }^{\text {st }}$ March, 2017 are given as follows:

|  | Rs. |  | Rs. |
| :--- | ---: | :--- | ---: |
| Opening Stock (at cost) | 74,736 | Chargeable expenses | 49,120 |
| Goods sent to branch (at | $2,89,680$ | Closing Stock (Selling <br> cost) | $1,23,328$ |
| Sales | $3,61,280$ | Price) |  |
| Manager's commission <br> paid on account | 2,400 |  |  |

From the above details, you are required to calculate the commission due to manager for the year ended 31st March, 2017.

ANSWER:

Step 1: Calculation of Deficiency
Branch stock account (at invoice price)

| Particulars | Rs. | Particulars | Rs. |
| :--- | ---: | :--- | ---: |
| To Opening Stock (Rs.74,736 <br> $+1 / 3$ of Rs.74,736) | 99,648 | By Sales | $3,61,280$ |

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| To Goods sent to Branch <br> A/c (Rs.2,89,680 + 1/3 of <br> Rs.2,89,680) | $3,86,240$ | By Closing Stock | $1,23,328$ |
| :--- | :--- | :--- | :--- |
| $\underline{4,85,888}$ | By Deficiency at <br> sale price <br> [Balancing <br> figure] | $\underline{4,85,888}$ |  |

Step 2: Calculation of Net Profit before Commission
Branch account

| Particulars | Rs. | Particulars | Rs. |
| :---: | :---: | :---: | :---: |
| To Opening [Rs.74,736 + 1/3 of | 99,648 | By Sales | 3,61,280 |
| Rs.74,736] <br> To Gross sent to Branch | 3,86,240 | By Closing Stock | 1,23,328 |
| $\begin{array}{cl} \text { A/c (Rs. } & 2,89,680 \\ + & 1 / 3 \\ \text { of } & \\ \text { Rs. } 2,89,680 \text { ) } & \end{array}$ |  |  |  |
| To Expenses | 49,120 | By Stock Reserve A/c | 24,912 |
| $\begin{aligned} & \text { To Stock Reserve } \\ & \text { A/c (Rs.1,23,328 } \\ & \times 25 / 100] \end{aligned}$ | 30,832 | By goods sent to Branch A/c | 96,560 |
| To Net Profit - subject to manager's commission | 40,240 |  |  |
|  | 6,06,080 |  | 6,06,080 |

Step 3: Calculation of Commission still due to manager

|  |  | Rs. |
| :--- | :--- | ---: |
| A | Calculation at $10 \%$ profit before charging his |  |
|  | commission [Rs. $40,240 \times 10 / 100$ ] | 4,024 |
| B | Less: $25 \%$ of cost of deficiency in stock (25\% of (75\% of | $\underline{(240)}$ |
|  | Rs.1,280) | 3,784 |
| C | Commission for the year [A-B] | $\underline{(2,400)}$ |
| D | Less: Paid on account | 1,384 |

## QUESTION 39 (RTP NOVEMBER 18)

Pass necessary Journal entries in the books of an independent Branch of M/s TPL Sons, wherever required, to rectify or adjust the following transactions:
(i) Branch paid Rs.5,000 as salary to a Head Office Manager, but the amount paid has been debited by the Branch to Salaries Account.
(ii) A remittance of Rs.1,50,000 sent by the Branch has not received by Head Office on the date of reconciliation of Accounts.
(iii) Branchassetsaccountsretainedatheadoffice,depreciationchargedfortheyear Rs.15,000 not recorded by Branch.
(iv) Head Office expenses Rs.75,000 allocated to the Branch, but not yet been recorded by the Branch.
(v) Head Office collected Rs.60,000 directly from a Branch Customer. The intimation of the fact has not been received by the Branch.
(vi) Goods dispatched by the Head office amounting to Rs.50,000, but not received by the Branch till date of reconciliation.
(vii) Branch incurred advertisement expenses of Rs.10,000 on behalf of other Branches, but not recorded in the books of Branch.
(viii) Head office made payment of Rs.16,000 for purchase of goods by branch, but not recorded in branch books.

ANSWER:
Books of Branch
Journal Entries

|  |  | Amounts. |  |  |
| :--- | :--- | ---: | ---: | ---: |
|  |  |  | Dr. | Cr. |
| (i) | Head Office <br> Account To <br> Salaries Account <br> (Being rectification of salary paid on behalf <br> of Head Office) | Dr. | 5,000 | 5,000 |
| (ii) | No entry in Branch Books is required. <br> (iii) | Depreciation A/c | Dr. | 15,000 |

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|  | To Head Office Account (Being depreciation of assets accounted for) |  |  | 15,000 |
| :---: | :---: | :---: | :---: | :---: |
| (iv) | Expenses Account <br> To Head Office Account <br> (Being allocated expenses of Head Office recorded) | Dr. | 75,000 | 75,000 |
| (v) | Head Office <br> Account To <br> Debtors Account <br> (Being adjustment entry for collection from Branch Debtors directly by Head Office) | Dr. | 60,000 | 60,000 |
| (vi) | Goods in-transit <br> Account To Head <br> Office Account <br> (Being goods sent by Head Office still intransit) | Dr. | 50,000 | 50,000 |
| (vii) | Head Office Account <br> To expenses Account <br> (Being expenditure incurred, wrongly recorded in books) | Dr. | 10,000 | 10,000 |
| (vii) | Purchases account A/c <br> To Head Office Account (Being purchases booked) | Dr. | 16,000 | 16,000 |

## QUESTION 40 (RTP MAY 19)

M/s ABC \& Co. has head office at New York (U.S.A.) and branch in Bangalore (India). Bangalore branch is an integral foreign operation of ABC \& Co.

Bangalore branch furnishes you with its trial balance as on 31st March, 2018 and the additional information given thereafter:

|  | Dr. | Cr. |
| :--- | :--- | :---: |
|  | (Rupees in thousands) |  |
| Stock on 1 ${ }^{\text {st }}$ April, 2017 | 300 |  |
| Purchases and Sales | 800 | 1,200 |
| Sundry Debtors \& Creditors | 400 | 300 |

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| Bills of Exchange | 120 | 240 |
| :--- | :---: | :---: |
| Wages \& Salaries | 560 | - |
| Rent, Rates \& Taxes | 360 | - |
| Sundry Charges | 160 | - |
| Computers | 240 | - |
| Bank Balance | 420 | - |
| New York Office A/c | - | $\underline{1,620}$ |
|  | $\underline{3,360}$ | $\underline{3,360}$ |

Additional Information:
(a) Computers were acquired from a remittance of US \$ 6,000 received from New York headofficeandpaidtothesuppliers.Depreciatecomputersat60\%fortheyear.
(b) Unsold stock of Bangalore branch was worth Rs.4,20,000 on 31 ${ }^{\text {st }}$ March,2018.
(c) The rates of exchange may be taken as follows:

- On 01.04.2017 @ Rs. 55 per US\$
- On 31.03.2018 @ Rs. 60 per US\$
- Average exchange rate for the year @ Rs. 58 perUS \$
- Conversion in \$ shall be made up to two decimal accuracy.

You are asked to prepare in US dollars the revenue statement for the year ended 31st March, 2018 and the balance sheet as on that date of Bangalore branch as would appear in the books of New York head office of ABC \& Co. You are informed that Bangalore branch account showed a debit balance of US \$ 29845.35 on 31.3.2018 in New York books and there were no items pending reconciliation.

Answer:

## M/s ABC \&Co. <br> Bangalore Branch Trial Balance in (US \$) <br> As on 31 ${ }^{\text {st }}$ March, 2018

|  | Conversion <br> rate per US \$ <br> $(R$ | Dr. <br> US \$ | Cr. <br> US \$. |
| :--- | ---: | ---: | ---: |
| s.) |  |  |  |
| Stock on 1.4.17 | 55 | $5,454.55$ | - |
| Purchases and sales | 58 | $13,793.10$ | $20,689.66$ |
| Sundry debtors and creditors | 60 | $6,666.67$ | $5,000.00$ |

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| Bills of exchange | 60 | $2,000.00$ | $4,000.00$ |
| :--- | ---: | ---: | ---: |
| Wages and salaries | 58 | $9,655.17$ | - |
| Rent, rates and taxes | 58 | $6,206.90$ | - |
| Sundry charges | 58 | $2,758.62$ | - |
| Computers | - | $6,000.00$ | - |
| Bank balance | 60 | $7,000.00$ | - |
| New York office A/c | - | - | $29,845.35$ |
|  |  | $59,535.01$ | $59,535.01$ |

Trading and Profit \& Loss Account for the
year ended 31 ${ }^{\text {st }}$ March, 2018

|  | US \$ |  | US \$ |
| :---: | :---: | :---: | :---: |
| To Opening Stock | 5,454.55 | By Sales | 20,689.66 |
| To Purchases | 13,793.10 | By Closing | 7,000.00 |
| To Wages and salaries | 9,655.17 | stock <br> (₹4,20,000/6 <br> 0) |  |
|  |  | By Gross Loss c/d | 1,213.16 |
|  | 28,902.82 |  | 28,902.82 |
| To Gross Loss b/d | 1,213.16 | By Net Loss | 13,778.68 |
| To Rent, rates and taxes | 6,206.90 |  |  |
| To Sundry charges | 2,758.62 |  |  |
| To Depreciation on computers | 3,600.00 |  |  |
| (US \$ 6,000 $\times 0.6$ ) |  |  |  |
|  | 13,778.68 |  | 13,778.68 |

Balance Sheet of Bangalore Branch as on
31st March, 2018

| Liabilities |  | US \$ | Assets | US \$ | US \$ |
| :---: | :---: | :---: | :---: | :---: | :---: |
| New York Office A/c | 29,845.35 |  | Computers | 6,000.00 |  |
| Less: Net Loss | (13,778.68) | 16,066.67 | Less: <br> Depreciation | (3,600.00) | 2,400.00 |
| Sundry creditors |  | 5,000.00 | Closing stock |  | 7,000.00 |
| Bills payable |  | 4,000.00 | Sundry debtors |  | 6,666.67 |

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## QUESTION 41 (RTP NOVEMBER 19)

From the following particulars relating to Pune branch for the year ending December 31, 2018, prepare Branch Account in the books of Head office.

|  |  | Rs. |
| :---: | :---: | :---: |
| Stock at Branch on January 1, 2018 |  | 10,000 |
| Branch Debtors on January 1, 2018 |  | 4,000 |
| Branch Debtors on Dec. 31, 2018 |  | 4,900 |
| Petty cash at branch on January 1, 2018 |  | 500 |
| Furniture at branch on January 1, 2018 |  | 2,000 |
| Prepaid fire insurance premium on January 1, 2018 |  | 150 |
| Salaries outstanding at branch on January 1, 2018 |  | 100 |
| Good sent to Branch during the year |  | 80,000 |
| Cash Sales during the year |  | 1,30,000 |
| Credit Sales during the year |  | 40,000 |
| Cash received from debtors |  | 35,000 |
| Cash paid by the branch debtors directly to the Head Office |  | 2,000 |
| Discount allowed to debtors |  | 100 |
| Cash sent to branch for Expenses: |  |  |
| Rent | 2,000 |  |
| Salaries | 2,400 |  |
| Petty Cash | 1,000 |  |
| Annual Insurance up to March 31, 2019 | 600 | 6,000 |
| Goods returned by the Branch |  | 1,000 |
| Goods returned by the debtors |  | 2,000 |
| Stock on December 31,2018 |  | 5000 |
| Petty Cash spent by branch |  | 850 |
| Provide depreciation on furniture 10\% p.a. |  |  |

Goods costing Rs.1,200 were destroyed due to fire and a sum of Rs.1,000 was received from the Insurance Company.

## CA Ravi Agarwal's CA INTER ACCOUNTING COMPILER 4.0

Answer:

Pune Branch Account


## Working Note:

| Calculation of petty cash balance at the end: | Rs. |
| :--- | ---: |
| Opening balance | 500 |
| Add: Cash received form the Head Office | $\underline{1,000}$ |
| Total Cash with branch | 1,500 |
| Less: Spent by the branch | $\underline{850}$ |
| Closing balance | $\underline{650}$ |

## QUESTION 42 (RTP MAY 20)

On 31st March, 2019 Chennai Branch submits the following Trial Balance to its Head Office at Lucknow:

| Debit Balances | Rs.in lacs |
| :--- | ---: |
| Furniture and Equipment | 18 |
| Depreciation on furniture | 2 |
| Salaries | 25 |
| Rent | 10 |
| Advertising | 6 |
| Telephone, Postage and Stationery | 3 |
| Sundry Office Expenses | 1 |
| Stock on 1st April, 2018 | 60 |
| Goods Received from Head Office | 288 |
| Debtors | 20 |
| Cash at bank and in hand | 8 |
| Carriage Inwards | $\underline{748}$ |
| Credit Balances |  |
| Outstanding Expenses | 3 |
| Goods Returned to Head Office | 5 |
| Sales | 360 |
| Head Office | $\underline{80}$ |

## Additional Information:

Stock on 31st March, 2019 was valued at Rs. 62 lacs. On 29th March, 2019 the Head Office dispatched goods costing Rs. 10 lacs to its branch. Branch did not receive these goods before 1st April, 2019. Hence, the figure of goods received from Head Office does not include these goods. Also the head office has charged the branch Rs. 1 lac for centralized services for which the branch has not passed the entry.

You are required to :(i) pass Journal Entries in the books of the Branch to make the necessary

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

adjustments and (ii) prepare Final Accounts of the Branch including Balance Sheet.

## Answer:

(i) Books of Branch

Journal Entries

|  |  | (Rs.in <br> lacs) |  |
| :--- | ---: | ---: | ---: |
|  | Dr. | 10 | Cr. |
| Goods in Transit A/c <br> To Head Office A/c <br> (Goods dispatched by head office but not <br> received by branch before 1 ${ }^{\text {st }}$ April, 2019) | Dr. | 10 |  |
| Expenses A/c <br> To Head Office A/c <br> (Amount charged by head office for centralized <br> services) | 1 | 1 |  |

(ii) Trading and Profit \&Loss Account of the Branch for the year ended 31 ${ }^{\text {st }}$

March,2019

|  | ₹ in lacs |  | ₹ in lacs |
| :--- | ---: | :--- | ---: |
| To Opening Stock | 60 | By Sales | 360 |
| To Goods received from |  | By Closing Stock | 62 |
| $\quad$HeadOffice  <br> Less: Returns (5) | 283 |  |  |
| To Carriage Inwards | 7 |  |  |
| To Gross Profit c/d | $\underline{72}$ |  |  |
|  | $\underline{422}$ |  | $\underline{422}$ |
| To Salaries | 25 | By Gross Profit | 72 |
|  |  | b/d |  |
| To Depreciation on Furniture | 2 |  |  |
| To Rent | 10 |  |  |
| To Advertising | 6 |  |  |
| To Telephone, Postage \& | 3 |  |  |
| Stationery | 1 |  |  |
| To Sundry Office Expenses | 1 |  |  |
| To Head Office Expenses | $\underline{72}$ |  |  |
| To Net Profit Transferred to | $\underline{72}$ |  |  |
| Head Office A/c |  |  |  |
|  |  |  |  |

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Balance Sheet as on 31st March, 2019

| Liabilities | Rs.in Lacs |  | Assets | Rs.in <br> Lacs |  |
| :--- | ---: | ---: | :--- | ---: | ---: |
| Head Office | 80 |  | Furniture \& Equipment | 20 |  |
| Add: Goods in transit | 10 |  | Less: Depreciation | $\underline{(2)}$ | 18 |
| Head Office Expenses | 1 |  | Stock in hand |  | 62 |
| Net Profit | $\underline{24}$ | 115 | Goods in Transit |  | 10 |
| Outstanding |  | 3 | Debtors | 20 |  |
| Expenses |  | - | Cash at bank and in |  | $\underline{8}$ |
|  |  |  | hand |  | $\underline{118}$ |

## QUESTION 43 (RTP NOVEMBER 20)

M \& S Co. of Lucknow has an integral foreign branch in Canberra, Australia. At the end of 31 ${ }^{\text {st }}$ March 2020, the following ledger balances have been extracted from the books of the Lucknow office and the Canberra branch.

|  | Lucknow office (Rs. In thousand) |  | Canberra Branch (Aust. Dollars in thousand) |  |
| :---: | :---: | :---: | :---: | :---: |
|  | Dr. | Cr. | Dr. | Cr. |
| Capital |  | 1,500 |  |  |
| Reserves \& Surplus |  | 1,500 |  |  |
| Land | 500 |  |  |  |
| Buildings (Cost) | 1,000 |  |  |  |
| Buildings - Accumulated Dep. |  | 200 |  |  |
| Plant and Machinery (Cost) | 2,500 |  | 200 |  |
| Plant and Machinery - |  |  |  |  |
| Accumulated Dep. |  | 600 |  | 130 |
| Debtors/Creditors | 280 | 200 | 60 | 30 |
| Stock as on 1-4-2019 | 100 |  | 20 |  |
| Branch Stock Reserve |  | 4 |  |  |
| Cash \& Bank Balances | 10 |  | 10 |  |
| Purchases/Sales | 240 | 520 | 20 | 123 |
| Goods sent to Branch |  | 100 | 5 |  |
| Managing Partner's Salary | 30 |  |  |  |
| Wages and Salaries | 75 |  | 45 |  |

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| Rent |  |  | 12 |  |
| :--- | ---: | ---: | ---: | ---: |
| Office Expenses | 25 |  | 18 |  |
| Commission Receipts <br> Branch/HO Current <br> Account | 120 |  |  | 100 |
|  |  |  |  | 7 |
|  | 4,880 | 4,880 | 390 | 390 |

You are required to convert the Branch Trial Balance given above into rupees by using the following exchange rates:

| Opening rate | $1 \mathrm{~A} \$=\mathrm{Rs} .50$ |
| :--- | :--- |
| Closing rate | $1 \mathrm{~A} \$=\mathrm{Rs} .53$ |
| Average rate | $1 \mathrm{~A} \$=\operatorname{Rs.} 51.00$ |
| for Fixed Assets | $1 \mathrm{~A} \$=\operatorname{Rs.} 46.00$ |

Answer:

M \& S Co.Ltd. Canberra, Australia Branch Trial Balance

As on 31st March 2020

|  | (\$ 'thousands) |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | Dr. | Cr . | Conversio <br> n rate per \$ | Dr. | Cr . |
| Plant \& Machinery (cost) <br>  <br> Machinery <br> (Accumulated Dep.) <br> Debtors/Creditors | 200 60 | 130 30 | Rs. 46 <br> Rs. 46 <br> Rs. 53 | $\begin{aligned} & 9,200 \\ & 3,180 \end{aligned}$ | $\begin{aligned} & 5,980 \\ & 1,590 \end{aligned}$ |
| Stock (1.4.2019) <br> Cash \& Bank Balances <br> Purchase / Sales <br> Goods received from H.O. <br> Wages \& Salaries <br> Rent <br> Office expenses <br> Commission Receipts <br> H.O. Current A/c | 20 10 20 5 45 12 18 | 123 100 7 | $\begin{array}{r} \text { Rs. } 50 \\ \text { Rs. } 53 \\ \text { Rs. } 51 \\ \text { Actual } \\ \text { Rs. } 51 \\ \text { Rs. } 51 \\ \text { Rs. } 51 \\ \text { Rs. } 51 \\ \text { Actual } \end{array}$ | $\begin{array}{r} 1,000 \\ 530 \\ 1,020 \\ 100 \\ 2,295 \\ 612 \\ 918 \\ \\ \hline 18,855 \end{array}$ | $\begin{array}{r} 6,273 \\ \\ 5,100 \\ 120 \\ \hline 19,063 \end{array}$ |

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Foreign Exchange Loss (bal. fig.)

|  |  |  |  |
| :--- | :--- | :--- | :--- |
| $\underline{390}$ | $\underline{390}$ | $\underline{208}$ |  |
|  | $\underline{19,063}$ | $\underline{19,063}$ |  |

## QUESTION 44 (MTP OCTOBER 19)

The following balances were extracted from the books of Beta. You are required to prepare Departmental Trading Account and general Profit \&Loss Account for the year ended 31st December,2018:

|  | Particula <br> rs | Deptt. A <br> Rs. |
| :--- | :---: | :---: |
| Opening Stock |  | $3,00,000$ |
| Purchases | $2,40,000$ |  |
| Sales |  | $39,00,000$ |

General expenses incurred for both the Departments were Rs. 7,50,000 and you are also supplied with the following information:
(i) Closing stock of Department A Rs. 6,00,000 including goods from Department B for Rs. 1,20,000 at cost to Department A.
(ii) Closing stock of Department $B$ Rs. 12,00,000 including goods from Department A for Rs. 1,80,000 at cost to DepartmentB.
(iii) Opening stock of Department $A$ and Department $B$ include goods of the value of Rs. 60,000 and Rs. 90,000 taken from Department B and Department A respectively at cost to transferee departments.
The gross profit is uniform from year to year.

## ANSWER:

DepartmentalTradingAccountfortheyearendedon31st December,2018

| Particulars | $A$ | $B$ | Particulars | $A$ | $B$ |
| :--- | ---: | ---: | :--- | ---: | ---: |
|  | Rs. | Rs. |  | Rs. | Rs. |
| To Opening | $3,00,000$ | $2,40,000$ | Sales | $60,00,000$ | $90,00,000$ |
| Stock |  |  |  |  |  |
| To Purchases | $39,00,000$ | $54,60,000$ | Closing Stock | $6,00,000$ | $12,00,000$ |

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| To Gross Profit | $\underline{24,00,000}$ | $\underline{45,00,000}$ |  |  |
| :--- | ---: | ---: | ---: | ---: |
|  | $\underline{66,00,000}$ | $\underline{1,02,00,000}$ |  |  |
|  |  | $\underline{66,00,000}$ | $\underline{1,02,00,00}$ |  |

## General profit and loss account of Beta for the year ended on 31st December, 2018

| Particulars | Amount | Particulars | Amount |
| :---: | :---: | :---: | :---: |
|  | Rs. |  | Rs. |
| To General expenses ${ }^{\text {T }}$ | 7,50,000 | By Stock reserve (opening stock) |  |
| To Stock reserve (Closing Stock) |  | Dept. A | 30,000 |
| Dept. A | 60,000 | Dept. B | 36,000 |
| Dept. B | 72,000 | By Gross Profit |  |
| To Net Profit | 60,84,000 | Dept. A | 24,00,000 |
|  |  | Dept. B | 45,00,000 |
|  | 69,66,000 |  | 69,66,000 |

Working Notes:

|  |  | Dept. A | Dept. B |
| :--- | :--- | :--- | :--- |
| 1. | Percentage of Profit | $24,00,000 / 60,00,000 \times$ <br> 100 | $45,00,000 / 90,00,000 \times$ <br> 100 |
| 2. | Opening Stock <br> reserve | $60,000 \times 50 \%=30,000$ | $50 \%$ |
| 3. | Closing Stock reserve | $1,20,000 \times 50 \%=60,000$ | $1,80,000 \times 40 \%=72,000$ |

## QUESTION 45 (MTP OCTOBER 20)

L Ltd. has its head office at Mumbai and two branches at Pune and Goa. The branches purchase goods independently. Pune branch makes a profit of one third on cost and Goa branch makes a profit of $\mathbf{2 0 \%}$ on sales. Goods are also supplied by one branch to another at the respective sales price. From the following particulars, prepare the Trading and Profit and Loss Account of Pune branch and find out the profit or loss made by it considering the reserve for Unrealised profits:

| Particula <br> rs | Pune Branch <br> Rs. | Goa Branch <br> Rs. |
| :--- | ---: | ---: |
| Opening Stock | 40,000 | 30,000 |

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| Purchases (Including Inter Branch transfers) | $2,00,000$ | $2,50,000$ |
| :--- | ---: | ---: |
| Sales | $2,80,000$ | $2,95,625$ |
| Chargeable Expenses | 15,000 | 27,500 |
| Closing Stock | 30,000 | 43,500 |
| Office and Administration Expenses | 13,250 | 7,000 |
| Selling and Distribution Expenses | 15,000 | 10,000 |

Information:
(i) Opening stock at Pune Branch includes goods of Rs. 10,000 (invoice price) taken from Goa Branch,
(ii) Opening stock at Goa Branch includes goods of invoice price Rs. 17,000 taken from Pune Branch,
(iii) The Pune Branch sales includes transfer of goods to Goa Branch at selling price Rs. 20,000 (iv) The sales of Goa Branch include transfer of goods to Pune Branch at selling price Rs.15,000.
(iv) Closing stock at Pune Branch includes goods received from Goa Branch (invoice price Rs. 5,000.
(v) Closing stock at Goa Branch includes goods of Rs. 4,000 (invoice price).

## ANSWER:

Pune Branch Trading and Profit and Loss Account

| Particula <br> rs | Rs. |  | Particula <br> rs | Rs. |
| :---: | :---: | :---: | :---: | :---: |
| To Opening Stock (including Rs.10,000 from Goa Branch) | 40,000 | By | Sales (including Rs.20,000 to Goa Branch) | 2,80,000 |
| To Purchases | 2,00,000 | By | Closing Stock (including Rs.5,000 from Goa Branch) | 30,000 |
| To Chargeable Expenses | 15,000 |  |  |  |
| To Gross Profit c/d (before making adjustment for Unrealised profit) | 55,000 |  |  |  |
|  | 3,10,000 |  |  | 3,10,000 |
| To Stock Reserve (for Unrealised profit in Closing Stock lying at Goa Branch) (Rs.4,000 x 25/100) | 1,000 | By | Gross Profit b/d | 55,000 |
| To Office \& Adm. Expenses | 13,250 | By | Stock Reserve (for Unrealised profit in | 4,250 |

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

| ToSelling \& Distribution <br> Expenses <br> To Net Profit | 15,000 | Goa Branch) (Rs.17,000 <br> x 25/100) |  |
| :--- | ---: | :--- | :--- | :--- |
|  | $\underline{30,000}$ |  | 59,250 |

## QUESTION 46 (MTP OCTOBER 20)

Ganesh Ltd. has head office at Delhi (India) and branch at New York. New York branch is an integral foreign operation of Ganesh Ltd. New York branch furnishes you with its trial balance as on $31^{\text {st }}$ March, 2020 and the additional information given thereafter:

|  | Dr. (\$) | Cr. (\$) |
| :--- | ---: | ---: |
| Stock on 1st April, 2019 | 300 | - |
| Purchases and sales | 800 | 1,500 |
| Sundry Debtors and creditors | 400 | 300 |
| Bills of exchange | 120 | 240 |
| Sundry expenses | 1,080 | - |
| Bank balance | 420 | - |
| Delhi office A/c | - | 1,080 |

The rates of exchange may be taken as follows:
$>$ on 1.4.2019 @ Rs. 40 per US\$
> on 31.3.2020 @ Rs. 42 per US\$
> average exchange rate for the year @ Rs. 41 per US\$.
New York branch account showed a debit balance of Rs. 44,380 on 31.3.2020 in Delhi books and there were no items pending reconciliation.

You are asked to prepare trial balance of New York in Rs. in the books of Ganesh Ltd.

## ANSWER:

In the books of Ganesh Ltd.
New York Branch Trial Balance in (Rs.) as on 31st March, 2020

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

|  | Conversion rate per US $\begin{array}{r} \$ \\ \text { (Rs.) } \end{array}$ | Dr. <br> Rs. | Cr. <br> Rs. |
| :---: | :---: | :---: | :---: |
| Stock on 1.4.19 | 40 | $\begin{aligned} & 12,00 \\ & 0 \end{aligned}$ |  |
| Purchases and sales | 41 | $\begin{aligned} & 32,80 \\ & 0 \end{aligned}$ | $\begin{aligned} & 61,50 \\ & 0 \end{aligned}$ |
| Sundry debtors and creditors | 42 | $\begin{aligned} & 16,80 \\ & 0 \end{aligned}$ | $\begin{aligned} & 12,60 \\ & 0 \end{aligned}$ |
| Bills of exchange | 42 | 5,040 | 10,080 |
| Sundry expenses | 41 | 44,280 |  |
| Bank balance | 42 | 17,640 |  |
| Delhi office A/c | - |  | 44,380 |
|  |  | 1,28,560 | 1,28,560 |

## QUESTION 47 (PAST PAPER MAY 18)

Ayan Ltd. Invoices goods to its branch at cost plus $33.33 \%$. From the following particulars prepare Branch Stock Account, Branch Stock Adjustment Account and Branch Profit and Loss Account as they would appear in the books of head office.

|  | Rs. |
| :--- | ---: |
| Stock at commencement at Branch at invoice Price | $3,60,000$ |
| Stock at close at Branch at Invoice Price | $2,88,000$ |
| Goods sent to Branch during the year at invoice price | $24,00,000$ |
| (including goods invoiced at Rs. 48,000 to Branch on |  |
| 31.03 .2018 but not received by Branch before close of |  |
| the year). | $1,20,000$ |
| Return of goods to head office (invoice Price) | $1,20,000$ |
| Credit Sales at Branch | 24,000 |
| Invoice value of goods pilfered | 36,000 |
| Normal loss at Branch due to wastage and deterioration | $21,60,000$ |

Ayan closes its books on 31st March,2018.
ANSWER:

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

In the books of HeadOffice
Branch Stock Account

|  | ticulars | Rs. | Particulars | Rs. |
| :---: | :---: | :---: | :---: | :---: |
|  | Balance b/d | 3,60,000 | By Bank A/c (cash Sales) | 21,60,00 |
| To | Goods sent to Branch A/C | $\begin{array}{r} 24,00,00 \\ 0 \end{array}$ | By Branch Debtors A/c (Credit Sales) | 1,20,000 |
|  | Branch <br> Adjustment A/c balancing | 36,000 | By Goods sent to Branch A/c (Returns to H.O.) | 1,20,000 |
|  | (Surplus)*** |  | $\begin{aligned} & \text { By Branch Adjustment } \\ & \text { A/c* (Rs. 24,000 } \\ & \text { x25/100) } \end{aligned}$ | 6,000 |
|  |  |  | By Branch P\&LA/c * <br> (Cost of Abnormal Loss) | 18,000 |
|  |  |  | By Branch Adjustment A/c** (Invoice price of normal loss) | 36,000 |
|  |  |  | By Balance c/d: <br> In <br> hand | $\begin{aligned} & 2,88,00 \\ & 0 \\ & 48,00 \end{aligned}$ |
|  |  |  |  |  |
|  |  | 27,96,00 0 |  | 27,96,00 |

*Alternatively, combined posting for the amount of Rs. 24,000 may be passed through Goods pilfered account.
** Alternatively, it may first be transferred to normal Loss account which may ultimately be closed by transfer to Branch Adjustment account. The final amount of net profit will however remain same.
*** It has been considered that the surplus may be due to sale of goods by branch at price higher than invoice price.

Branch Stock Adjustment Account

| Particulars | Rs. | Particulars | (Rs.) |
| :---: | :---: | :---: | :---: |
| To Branch Stock A/ (Loading <br> Abnormal | 6,000 | By Stock Reserve A/c <br> (Rs. 3,60,000 x 25/100) | 90,000 |

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

| Loss) | 36,000 |  | Goods Sent to Branch A/c <br> (Rs. 24,00,000 - Rs. <br> 1,20,000) <br> x 25/100 | 5,70,000 |
| :---: | :---: | :---: | :---: | :---: |
| To Branch Stock A/c (Normal Loss) |  |  |  |  |
| To Stock Reserve $\begin{aligned} & \text { A/c (Rs. } \\ & 3,36,000 \times 25 / 100) \end{aligned}$ | 84,000 | By | Branch Stock A/c (Surplus) | 36,000 |
| $\begin{aligned} & \text { To } \begin{array}{l} \text { Gross Profit } \mathrm{t} / \mathrm{f} \text { to } \\ \\ \\ \\ \mathrm{P} \\ \mathrm{\&} A / \mathrm{c} \end{array} \end{aligned}$ | 5,70,000 |  |  |  |
|  | 6,96,000 |  |  | 6,96,000 |

Branch Profit and Loss Account

| Particulars | Rs. | Particulars | Rs. |
| :--- | ---: | ---: | ---: |
| To Branch Stock A/c |  |  |  |
| (Cost of Abnormal <br> Loss) | 18,000 | ByBranch Adjustment <br> A/c (Gross Profit) | $5,70,000$ |
| ToNet Profit t/f to <br> General P \& LA/c | $5,52,00$ |  |  |

## QUESTION 48 (PAST PAPER MAY 19)

M/s Rani \& Co. has head office at Singapore and branch at Delhi (India). Delhi branch is an integral foreign operation of $\mathrm{M} / \mathrm{s}$ Rani \& Co. Delhi branch furnishes you with its Trial Balance as on 31 ${ }^{\text {st }}$ March, 2019 and the additional information thereafter:

|  | Dr. | Cr. |
| :--- | ---: | ---: |
|  | Rupees in thousands |  |
| Stock on 1 ${ }^{\text {st }}$ April, 2018 | 600 | - |
| Purchases and Sales | 1,600 | 2,400 |
| Sundry Debtors and Creditors | 800 | 600 |
| Bills of Exchange | 240 | 480 |
| Wages | 1,120 | - |

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

| Rent, rates and taxes | 720 | - |
| :--- | ---: | ---: |
| Sundry Expenses | 320 | - |
| Computers | 600 | - |
| Bank Balance | 520 | - |
| Singapore Office A/c | - | $\underline{3,040}$ |
| Total | 6,520 | 6,520 |

Additional information :
(a) Computers were acquired from a remittance of Singapore dollar 12,000 received from Singapore Head Office and paid to the suppliers. Depreciate Computers at the rate of 40\% for the year.
(b) Closing Stock of Delhi branch was Rs. 15,60,000 on 31 ${ }^{\text {st }}$ March,2019.
(c) The Rates of Exchange may be taken as follows:
(i) on 1.4.2018 @ Rs. 50 per Singapore Dollar
(ii) on 31.3.2019 @ Rs. 52 per Singapore Dollar
(iii) Average Exchange Rate for the year @ Rs. 51 per Singapore Dollar.
(iv) Conversion in Singapore Dollar shall be made up to two decimal accuracy.
(d) Delhi Branch Account showed a debit balance of Singapore Dollar 59,897.43 on 31.3.2019 in the Head office books and there were no items pending for reconciliation.

In the books of Head office you are required to prepare :

1. Revenue statement for the year ended 31 ${ }^{\text {st }}$ March, 2019 (in Singapore Dollar)
2. Balance Sheet as on that date. (in Singapore Dollar)

## ANSWER:

## Revenue Statement

for the year ended 31st March, 2019

|  | Singapore <br> dollar |  | Singapore <br> dollar |
| :--- | ---: | ---: | ---: |
| To Opening Stock | $12,000.00$ | By Sales | $47,058.82$ |
| To Purchases | $31,372.55$ | By Closing stock | $30,000.00$ |
| To Wages | $21,960.78$ | $(15,60,000 / 5$  <br> To Gross profit b/d $\underline{11,725.49}$ |  |
| 2) |  |  |  |

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

| To Rent, rates and taxes | 77,058.82 | By Gross profit c/d | 77,058.82 |
| :---: | :---: | :---: | :---: |
|  | 14,117.65 |  | 11,725.49 |
| To Sundry Expenses | 6,274.51 | By Net loss b/d | 13,466.67 |
| To Depreciation on computers <br> (Singapore dollar 12,000× 0.4) | 4,800.00 |  |  |
|  | 25,192.16 |  | 25,192.16 |

Balance Sheet of Delhi Branch as on 31st
March, 2019

| Liabilities |  | Singapore <br> dollar | Assets | Singapore <br> dollar | Singapore <br> dollar |
| :--- | ---: | ---: | :--- | ---: | ---: |
| Singapore Office A/c | $59,897.43$ |  | Computers | $12,000.00$ |  |
| Less: Net Loss | $\underline{(13,466.67)}$ | $46,430.76$ | Less: <br> Sundry creditors |  | $11,538.46$ | | Depreciation |
| :--- |
| Bills payable |

## Working Note:

M/s Rani \& Co.
Delhi Branch Trial Balance in (Singapore \$) as on
31 ${ }^{\text {st }}$ March, 2019

|  |  |  | Conversion | Dr. | Cr. |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  | rate per <br> Singapore <br> dollar | Singapore <br> dollar | Singapore <br> dollar |

## CA Ravi Agarwal's

CA INTER ACCOUNTING COMPILER 4.0

|  |  |  | (Rs.) |  |  |
| :--- | ---: | ---: | ---: | ---: | ---: |
| Stock on 1.4.18 | $6,00,000.00$ |  | 50 | $12,000.00$ | - |
| Purchases and sales | $16,00,000.00$ | $24,00,000.00$ | 51 | $31,372.55$ | $47,058.82$ |
| Sundry Debtors and | $8,00,000.00$ | $6,00,000.00$ | 52 | $15,384.61$ | $11,538.46$ |
| Creditors |  |  |  |  |  |
| Bills of exchange | $2,40,000.00$ | $4,80,000.00$ | 52 | $4,615.38$ | $9,230.77$ |
| Wages | $11,20,000.00$ |  | 51 | $21,960.78$ | - |
| Rent, rates and | $7,20,000.00$ |  | 51 | $14,117.65$ | - |
| taxes |  |  |  | - |  |
| Sundry Expenses | $3,20,000.00$ |  | 51 | $6,274.51$ | - |
| Computers | $6,00,000.00$ |  | - | $12,000.00$ | - |
| Bank balance | $5,20,000.00$ |  | 52 | $10,000.00$ | - |
| Singapore office |  |  | - |  | $59,897.43$ |
| A/c |  |  |  |  |  |
|  |  |  |  | $1,27,725.48$ | $1,27,725.48$ |

## QUESTION 49 (MTP MAY 19)

XYZ is having its Branch at Kolkata. Goods are invoiced to the branch at 20\% profit on sale. Branch has been instructed to send all cash daily to head office. All expenses are paid by head office except petty expenses which are met by the Branch Manager. From the following particulars, you are required to prepare branch account in the books of Head Office

|  | (Rs.) |  | (Rs.) |
| :---: | :---: | :---: | :---: |
| Stock on 1t April 2017 (invoiceprice) | 30,000 | Discountallowedto debtors | 160 |
| Sundry Debtors on 13t April, 2017 | 18,000 | Expenses paid by head office: |  |
| Cashin hand as on 1 \#\#prils 2017 | - | Rent | 1,800 |
| Office furniture on 13 April, 2017 | 3,000 | Salary | 3.200 |
| Goods invoiced from the head office (invoiceprice) | 1,60,000 | Stationery \& Printing | 800 |
| Goods returned to Head Office (invoice price) | 2,000 | Petty expenses paild by the branch | 600 |
| Goods returned by debtors | 960 | Depreciation to be provided on branch |  |
| Cash received from debtors | 60,000 | furniture at 10\%p.a. |  |
| CashSales | 1,00,000 | Stockon 31 ${ }^{\text {sf }}$ March 2018 |  |
| Creditsales | 60,000 | (atinvoiceprice) | 28,000 |

ANSWER

## CA Ravi Agarwal's CA INTER ACCOUNTING COMPILER 4.0

In the books of Head Office - XYZ
Kolkata Branch Account (atinvoice)

|  | Rs. |  | Rs. |
| :---: | :---: | :---: | :---: |
| To Balance b/d |  | By Stock reserve (opening) | 6,000 |
| Stock | 30,000 | By Remittances: |  |
| Debtors | 18,000 | Cash Sales $\quad 1,00,000$ |  |
| Furniture | 3,000 | Cash from Debtors 60,000 |  |
| To Goods sentto |  | Less: Petty expenses (600) | 1,59,400 |
| branch | 1,60,000 | By Goods sent to branch (loading) | 32,000 |
| To Goods returned by branch (loading) | 400 | By Goods returned by branch (Return to H.O.) | 2,000 |
| ToBank (expenses |  | By Balance c/d |  |
| paid by H.O.) |  | Stock | 28,000 |
| Rent 1,800 |  | Debtors | 16,880 |
| Salary $\quad 3,200$ |  | Furniture (3,000-300) | 2,700 |
|  <br> printing $\quad 800$ | 5,800 |  |  |
| To Stockreserve (closing) | 5,600 |  |  |
| To Profit transferred to |  |  |  |
| General Profit \& Loss A/c | 24,180 |  |  |
|  | 2,46,980 |  | 2,46,980 |

Debtors Account

|  | Rs. |  | Rs. |
| :--- | ---: | :--- | ---: |
| To Balance b/d | 18,000 | By Cash account | 60,000 |
| To Sales account(credit) | 60,000 | By Sales return account | 960 |
|  |  | By Discountallowed account | 160 |
|  |  | By Balance c/d | 16,880 |
|  | 78,000 |  | 78,000 |

Note: In the absence of opening cash balance, remittance to Head Office has been made after payment of petty expenses

## QUESTION 50 (MTP MAY 20)

From the following details of Western Branch Office of $M / s$. XYZ Corp. for the year ending 31st March, 2020, ascertain branch stock reserve in respect of unrealized profit in opening stock and closing stock:
(i) Goods are sent to the branch at invoice price and branch also maintains stock at the same price.
(ii) Sale price is cost plus $40 \%$.

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(iii) Invoice price is cost plus $15 \%$.
(iv) Other information from accounts of branch:

Opening Stock as on 01-04-2019
Goods sent during the year by Head Office to Branch
Sales during the year
Expenses incurred at the branch

3,45,000
16,10,000
21,00,000
45,000

ANSWER

Branch Stock Reserve in respect of unrealized profit on opening stock $=$ Rs. $3,45,000 \times(15 / 115)=$ Rs. 45,000 on closing stock $=$ Rs. $2,30,000 \times(15 / 115)=$ Rs. 30,000

Working Note

| Cost Price | 100 |
| :--- | ---: |
| Invoice Price | 115 |
| Sale Price | 140 |
| Calculation of closing stock at invoice price | Rs. |
| Opening stock at invoice price | $3,45,000$ |
| Goods received during the year at invoice price | $\frac{16,10,000}{}$ |
|  | $19,55,000$ |
| Less: Cost of goods sold at innoice price [21,00,000 X $(115 / 140)]$ | $(17,25,000)$ |
| Closing stock | $2,30,000$ |

## QUESTION 51 (PAST EXAM NOV 19)

Karan Enterprises having its Head Office in Mangalore, Karnataka has a branch in Greenville, USA. Following is the trial balance of Branch as at 31-3-2019

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

| Particulars | Amount (\$) Dr. | Amount (\$) Cr. |
| :---: | :---: | :---: |
| Fixed assets | $8 \times 000$ |  |
| Opening inventory | 800 |  |
| Cash | 700 |  |
| Goods received from Head Office | 2.800 |  |
| Sales |  | 24.050 |
| Purchases | 11,800 |  |
| Expenses | 18800 |  |
| Remittance to head office | 2,450 |  |
| Head office account |  | 4,300 |
|  | 28,350 | 28,350 |

(i) Fixed assets were purchased on 1st April, 2015.
(ii) Depreciation at $10 \%$ p.a. is to be charged on fixed assets on straight line method. •
(iii) Closing inventory at branch is $\$ 700$ as on 31-3-2019.
(iv) Goods received from Head Office (HO) were recorded at ₹ 1,85,500 in HO books.
(v) Remittances to HO were recorded at ₹ $1,62,000$ in HO books.
(vi) HO account is recorded in HO books at ₹ 2,84,500.
(vii) Exchange rates of US Dollar at different dates can be taken as :

1-4-2015 ₹ 63
1-4-2018 ₹ 65 and
31-3-2019 ₹ 67

Prepare the trial balance after been converted into Indian rupees in accordance with AS-11.

## ANSWER

Trial Balance of Foreign Branch (converted into Indian Rupees) as on March 31, 2019

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

| Particulars | \$ (Dr.) | \$ (Cr.) | Conversion Basis | Rate | $₹$ (Dr.) | $₹$ (Cr.) |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Fixed Assets | 8,000 |  | Transaction Date Rate | 63 | 5,04, 000 |  |
| Opening Inventory | 800 |  | Opening Rate | 65 | 52,000 |  |
| Goods Received from HO | 2,800 |  | Actuals |  | $1_{4} 85,500$ |  |
| Sales |  | 24,050 | Average Rate | 66 |  | 15,87,300 |
| Purchases | 11,800 |  | Average Rate | 66 | $7{ }^{7} 78,800$ |  |
| Expenses | 1,800 |  | Average Rate | 66 | 1,18,800 |  |
| Cash | 700 |  | Closing Rate | 67 | 46,900 |  |
| Remittance to HO | 2,450 |  | Actuals |  | 1,62,000 |  |
| HO Account |  | 4300 | Actuals |  |  | 2,84,500 |
| Exchange Rate |  |  | Balancing Figure |  | 23,800 |  |
|  | 28,350 | 28,350 |  |  | 18,718800 | 18,71,800 |
| Closing Stock | 700 |  | Closing Rate | 67 | 46,900 |  |
| Depreciation | 800 |  | Fixed Asset Rate | 63 | 50,400 |  |

## Chapter 14 Accounting from Incomplete

## Record

## QUESTION 1(STUDY MATERIAL)

In case of net worth method, profit is determinedly
(a) Preparing a trading and profit and loss account.
(b) Comparing the capital in the beginning with the capital at the end of the accounting period.
(c) Comparing the net assets in the beginning with the net assets at the end of the accounting period.
Answer: (b)

## QUESTION 2 (STUDY MATERIAL)

Single entry system can be followed by
(a) Small firms.
(b) Joint Stock Companies
(c) Co-operative societies.

Answer: (a)

## QUESTION 3 (STUDY MATERIAL)

Closing capital is calculated as
(a) Opening capital +Additional capital-Drawings.
(b) Opening capital +Additional capital -Drawings +Profit.
(c) Opening capital +Additional capital +Drawings -Profit.

Answer: (b)

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## QUESTION 4 (STUDY MATERIAL)

Under single entry system, only personal accounts are kept and in some cases
(a) Cash book is maintained;
(b) Fixed assets' accounts are maintained;
(c) Liabilities' accounts are maintained.

Answer: (a)

## QUESTION 5 (STUDY MATERIAL)

The closing capital ofMr.Bason31.3.2016wasRs.4,00,000. On1.4.2015his capital was Rs.3,50,000. His net profit for the year ended 31.3.2016was Rs.1,00,000. He introduced Rs. 30,000 as additional capital in February, 2016. Find out the amount drawn by Mr. B for his domestic expense.
(a) Rs. 1,00,000
(b) Rs.80,000;
(c) Rs.1,20,000;

Answer: (b)

## QUESTION 6 (STUDY MATERIAL)

What is meant by Single entry System? What are the types of procedures adopted for this system?
ANSWER:
Single entry system is an inaccurate and unsystematic method of recording business transactions. The procedures adopted are: Pure single entry; Simple entry and Queasy single entry. For details, Refer Para 1 and 2 of the chapter.

## Practical Questions

Question1
A company sold $20 \%$ of the goods on cash basis and the balance on credit basis. Debtors are allowed $11 / 2$ month's credit and their balance as on $31.03 .20 \times 1$ is ` $1,25,000$. Assume that the sale is uniform throughout the year. Calculate the credit sales and total sales of the company for the year ended 31.03.20X2.

## ANSWER

## Calculation of Credit Sales and Total sales

Credit Sales for the year ended 20X1-X2 $=$ Debtors $\times \frac{12 \text { months }}{1.5 \text { months }}$

$$
=₹ 1,25,000 \times \frac{12 \text { months }}{1.5 \text { months }}
$$

$$
=₹ 10,00,000
$$

Total sales for the year ended 20X1-X2 $=$ Credit sales $\times \frac{100 \%}{80 \%}$

$$
=₹ 10,00,000 \times \frac{100 \%}{80 \%}
$$

$$
=₹ 12,50,000
$$

Question 2
The following is the Balance Sheet of the retail business of Sri Srinivas as at 31st December, 20X1:

| Liabilities |  | Assets | $\preceq$ |
| :--- | :--- | :--- | :--- |
| Sri Srinivas's capital | $1,00,000$ | Furniture | 10,000 |
| Liabilities for goods | 20,500 | Stock | 70,000 |
| Rent | 1,000 | Debtors | 25,000 |
|  | Cash at <br> bank | 14,500 |  |
|  | Cash in <br> hand | 2,000 |  |
|  | $1,21,500$ |  | $1,21,50$ <br> 0 |

You are furnished with the following information:
(1) Sri Srinivas sells his goods at a profit of $20 \%$ on sales.
(2) Goods are sold for cash and credit. Credit customers pay by cheques only.
(3) Payments for purchases are always made by cheques.
(4) It is the practice of Sri Srinivas to send to the bank every weekend the collections of the week after paying every week, salary of `300 to the clerk, Sundry expenses of` 50 and personal expenses ` 100.
Analysis of the Bank Pass-Book for the 13 weeks period ending 31st March, 20X2 disclosed the following:

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|  | ₹ |
| :--- | ---: |
| Payments to creditors | 75,000 |
| Payments of rent up to 31.3.20X2 | 4,000 |


| Amounts deposited into the bank | $1,25,000$ |
| :--- | ---: |
| (include ₹ 30,000 received from debtors by cheques) |  |
| The following are the balances on 31st March, 20X2: | 40,000 |
| Stock | 30,000 |
| Debtors | 36,500 |
| Creditors for goods |  |

On the evening of 31st March, 20X2 the Cashier absconded with the available cash in the cash box. There was no cash deposit in the week ended on that date.
You are required to prepare a statement showing the amount of cash defalcated by the Cashier and also a Profit and Loss Account for the period ended 31st March, 20X2 and a Balance Sheet as on that date.

## ANSWER

Statement showing the amount of cash defalcated by the Cashier

|  | $₹$ | $₹$ |
| :--- | ---: | ---: |
| Cash balance as on 1.1.20X2 | 2,000 |  |
| Add : Cash sales (W.N.2 and W.N.4) | $1,16,250$ | $1,18,250$ |
| Less : Salary to clerk $(₹ 300 \times 13)$ | 3,900 |  |
| Sundry expenses $(₹ 50 \times 13)$ | 650 |  |
| Drawings of Sri Srinivas $(₹ 100 \times 13)$ | 1,300 |  |
| Deposit into bank $(₹ 1,25,000-₹ 30,000)$ | 95,000 | $(1,00,850)$ |
| Cash balance as on $31.3 .20 \times 2($ defalcated by cashier) |  | 17,400 |

## Trading and Profit and Loss Account of Sri Srinivas for the 13 week period ended 31st March, 20X2

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

|  | $₹$ |  | ₹ | $₹$ |
| :---: | :---: | :---: | :---: | :---: |
| To Opening stock | 70,000 | By Sales : |  |  |
| To Purchases | 91,000 | Cash (W.N. 2 and W.N.4) | 1,16,250 |  |
| To Gross Profit c/d | 30,250 | Credit (W.N.3) <br> By Closing stock | 35,000 | $\begin{array}{r} 1,51,250 \\ 40,000 \end{array}$ |
|  | 191,250 |  |  | 1,91,250 |
| To Salaries ( $300 \times 13$ ) | 3,900 | By Gross profit b/d |  | 30,250 |
| To Rent (₹ $4,000-₹ 1,000$ ) | 3,000 |  |  |  |
| To Sundry Expenses $(50 \times 13)$ | 650 |  |  |  |
| To Loss of cash by theft To Net Profit (b.f.) | $\begin{array}{r} 17,400 \\ 5,300 \end{array}$ |  |  |  |
|  | 30,250 |  |  | 30,250 |

## Balance Sheet of Sri Srinivas

as on 31st March, 20X2

| Liabilities |  | $₹$ | Assets | $₹$ |
| :--- | ---: | ---: | :--- | ---: |
| Capital as on <br> 1.1.20X2 | $1,00,000$ |  | Furniture | 10,000 |
| Add : Profit | $\underline{5,300}$ |  |  |  |
|  | $1,05,300$ |  | Stock | 40,000 |
| Less : Drawings | $\underline{(1,300)}$ | $1,04,000$ | Cash at bank | 60,500 |
| Liabilities for |  | 36,500 |  |  |
| goods |  | $1,40,500$ |  |  |
|  |  |  | $1,40,500$ |  |

## CA Ravi Agarwal's CA INTER ACCOUNTING COMPILER 4.0

Working Notes:
(1) Purchases

## Creditors Account

|  |  | $₹$ | $₹$ |
| :--- | ---: | :--- | ---: |
| To Bank A/c | 75,000 | By Balance b/d | 20,500 |
| To Balance c/d | 36,500 | By Purchases A/c (Bal. fig.) | 91,000 |
|  | $1,11,500$ |  | $1,11,500$ |

(2) Total sales

|  | $₹$ |
| :--- | ---: |
| Opening stock | 70,000 |
| Add : Purchases | 91,000 |
|  | $1,61,000$ |
| Less : Closing stock | $(40,000)$ |
| Cost of goods sold | $1,21,000$ |
| Add : Gross profit @ 25\% on cost | 30,250 |
| Total Sales | $1,51,250$ |

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

(3) Credit Sales

Debtors Account

|  | ₹ |  | $₹$ |
| :--- | ---: | :--- | ---: |
| To Balance b/d | 25,000 | By Bank A/c | 30,000 |
| To Sales A/c (Bal. fig.) | 35,000 | By Balance c/d | 30,000 |
|  | 60,000 |  | 60,000 |

(4) Cash Sales

|  | $\boldsymbol{F}$ |
| :--- | ---: |
| Total sales | $1,51,250$ |
| Less: Credit Sales | $(35,000)$ |
| Cash sales | $1,16,250$ |

(5) Bank balance as on 31.3.20X2

|  | $₹$ |  | $₹$ |
| :--- | ---: | :--- | ---: |
| To Balance b/d | 14,500 | By Creditors A/c | 75,000 |
| To Debtors A/c | 30,000 | By Rent A/c | 4,000 |
| To Cash A/c (1,25,000 - | 95,000 | By Balance c/d (b.f.) | 60,500 |
| 30,000$)$ |  |  | $1,39,500$ |
|  | $1,39,500$ |  |  |

## Notes:

1. All purchases are taken on credit basis.
2. In the absence of information about the rate of depreciation, no depreciation has been charged on furniture.
3. The amount defalcated by the cashier may be treated as recoverable from him. In that case,

17,400 may be shown as sundry advances on assets side in the Balance Sheet and net profit for the 13 week period ending 31st March, 20X2 would amount ` 22,700.

Question 3
Mr. A runs a business of readymade garments. He closes the books of accounts on 31st March.
The Balance Sheet as on 31st March, 20X1 was as follows:

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

| Liabilities | $₹$ | Assets | $₹$ |
| :--- | ---: | :--- | ---: |
| A's capital a/c | $4,04,000$ | Furniture | 40,000 |
| Creditors | 82,000 | Stock | $2,80,000$ |
|  |  | Debtors | $1,00,000$ |
|  |  | Cash in hand | 28,000 |
|  |  | Cash at bank | 38,000 |
|  | $4,86,000$ |  | $4,86,000$ |

You are furnished with the following information:
(1) His sales, for the year ended 31st March, 20X2 were 20\% higher than the sales of previous year, out of which $20 \%$ sales was cash sales.
Total sales during the year 20X0-X1 were `\(5,00,000\). (2) Payments for all the purchases were made by cheques only. (3) Goods were sold for cash and credit both. Credit customers pay be cheques only. (4) Deprecation on furniture is to be charged 10\% p.a. (5) Mr. A sent to the bank the collection of the month at the last date of the each month after paying salary of` 2,000 to the clerk, office expenses `1,200 and personal expenses` 500.
Analysis of bank pass book for the year ending 31st March 20X2 disclosed the following:

|  | $₹$ |
| :--- | ---: |
| Payment to creditors | $3,00,000$ |
| Payment of rent up to 31 ${ }^{\text {st }}$ March, 20X2 | 16,000 |
| Cash deposited into the bank during the year | 80,000 |

The following are the balances on 31st March, 20X2:

|  | $₹$ |
| :--- | ---: |
| Stock | $1,60,000$ |
| Debtors | $1,20,000$ |
| Creditors for goods | $1,46,000$ |

On the evening of 31st March 20X2, the cashier absconded with the available cash in the cash book.
You are required to prepare Trading and Profit and Loss A/c for the year ended 31st March, 20X2 and Balance Sheet as on that date. All the workings should form part of the answer. ANSWER

In the books of Mr. A
Trading and Profit and Loss Account for the year ending 31st March 20X2

| Particulars | $₹$ | Particulars | $₹$ |
| :---: | :---: | :---: | :---: |
| To Opening stock | 2,80,000 | By Sales (W.N. 3) |  |
| To Purchases (W.N. 1) | 3,64,000 | Credit 4,80,000 |  |
| To Gross profit (b.f.) | 1,16,000 | Cash 1,20,000 | 6,00,000 |
|  |  | By Closing stock | 1,60,000 |
|  | 7,60,000 |  | 7,60,000 |
| To Salary ( $2,000 \times 12$ ) | 24,000 | By Gross profit | 1,16,000 |
| To Rent | 16,000 |  |  |
| To Office expenses $(1,200 \times 12)$ | 14,400 |  |  |
| To Loss of cash (W.N. 6) | 23,600 |  |  |
| To Depreciation on furniture | 4,000 |  |  |
| To Net Profit (b.f.) | 34,000 |  |  |
|  | 1,16,000 |  | 1,16,000 |

Balance Sheet as on 31st March, 20X2

| Liabilities |  | $\boldsymbol{F}$ | Assets | $\boldsymbol{F}$ |  |
| :--- | ---: | ---: | :--- | ---: | ---: |
| A's Capital | $4,04,000$ |  | Furniture | 40,000 |  |
| Add: Net Profit | 34,000 |  | Less: Depreciation (4,000) | 36,000 |  |
| Less: Drawings |  |  | Stock | $1,60,000$ |  |
| $(500 \times 12)$ | $\underline{(6,000)}$ | $4,32,000$ |  |  |  |
| Creditors |  | $1,46,000$ | Debtors | $1,20,000$ |  |
|  |  |  | Cash at bank | $2,62,000$ |  |
|  |  |  |  | $5,78,000$ |  |

## Working Notes:

(1) Calculation of purchases

Creditors Account

| Particulars | $₹$ | Particulars | $₹$ |
| :--- | ---: | :--- | ---: |
| To Bank A/c | $3,00,000$ | By Balance b/d | 82,000 |
| To Balance c/d | $1,46,000$ | By Purchases (Bal. fig.) | $3,64,000$ |
|  | $4,46,000$ |  | $4,46,000$ |

(2) Calculation of total sales

|  | $₹$ |
| :--- | ---: |
| Sales for the year 20X0-X1 | $5,00,000$ |
| Add: 20\% increase | $1,00,000$ |
| Total sales for the year 20X1-X2 | $6,00,000$ |

(3) Calculation of credit sales

|  | $₹$ |
| :--- | ---: |
| Total sales | $6,00,000$ |
| Less: Cash sales (20\% of total sales) | $(1,20,000)$ |
|  | $4,80,000$ |

(4) Calculation of cash collected from debtors

Debtors Account

| Particulars | $₹$ | Particulars | $₹$ |
| :--- | ---: | :--- | ---: |
| To Balance b/d | $1,00,000$ | By Bank A/c (Bal. fig.) | $4,60,000$ |
|  | $4,80,000$ | By Balance c/d | $1,20,000$ |
|  | $5,80,000$ |  | $5,80,000$ |

(5) Calculation of closing balance of cash at bank

Bank Account

| Particulars | $\boldsymbol{₹}$ | Particulars | $₹$ |
| :--- | ---: | :--- | ---: |
| To Balance b/d | 38,000 | By Creditors A/c | $3,00,000$ |
| To Debtors A/c | $4,60,000$ | By Rent A/c | 16,000 |

## CA Ravi Agarwal's

CA INTER ACCOUNTING COMPILER 4.0

| To Cash A/c | 80,000 | By Balance c/d (b.f.) | $2,62,000$ |
| :--- | ---: | ---: | ---: |
|  | $5,78,000$ |  | $5,78,000$ |

(6) Calculation of the amount of cash defalcated by the cashier

|  |  | $₹$ |
| :--- | ---: | ---: |
| Cash balance as on 1 ${ }^{\text {st }}$ April 20X1 |  | 28,000 |
| Add: Cash sales during the year |  | $1,20,000$ |
|  | $1,48,000$ |  |
| Less: Salary (₹2,000×12) | 24,000 |  |
| $\quad$ Office expenses (₹1,200 x 12) | 14,400 |  |
| $\quad$ Drawings of A (₹500x12) | 6,000 |  |
| $\quad$ Cash deposited into bank during the year | 80,000 | $(1,24,400)$ |
| Cash balance as on 31 ${ }^{\text {st }}$ March 20X2 (defalcated by |  | 23,600 |
| the cashier) |  |  |

Question 4
Mr. Anil, a trader keeps his books of account under single entry system. On 31st March, 20X1 his statement of affairs stood as follows:

| Liabilities | $₹$ | Assets | $₹$ |
| :--- | ---: | :--- | ---: |
| Trade Creditors | $5,80,000$ | Furniture, Fixtures and Fittings | $1,00,000$ |
| Bills Payable | $1,25,000$ | Stock | $6,10,000$ |
| Outstanding Expenses | 45,000 | Trade Debtors | $1,48,000$ |
| Capital Account | $2,50,000$ | Bills Receivable | 60,000 |
|  |  | Unexpired Insurance | 2,000 |
|  | Cash in Hand and at Bank | 80,000 |  |
|  |  | $10,00,000$ |  |

The following was the summary of Cash-book for the year ended 31st March, 20X2:

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

| Receipts | ₹ | Payments | ₹ |
| :--- | ---: | :--- | ---: |
| Cash in Hand and at Bank |  | Payments to Trade <br> on | 80,000 |
| 1st April, 20X1 | Creditors | Payments for Bills payable | $8,15,000$ |
| Cash Sales from Trade | $15,10,000$ | Drawings | $6,20,700$ |
| Receipts |  |  | $2,40,000$ |
| Debtors |  |  |  |
| Receipts for Bills Receivable | $3,40,000$ | Cash in Hand and at Bank |  |
|  |  | on 31st March, 20X2 | $1,27,300$ |
|  | $93,10,000$ |  | $93,10,000$ |

Discount allowed to trade debtors and received from trade creditors amounted to `36,000 and 28,000 respectively. Bills endorsed amounted to` 15,000. Annual Fire Insurance premium of 6,000 was paid every year on 1st August for the renewal of the policy. Furniture, fixtures and fittings were subject to depreciation @ 15\% per annum on diminishing balance method. You are also informed about the following balances as on 31st March, 20X2:

|  | $₹$ |
| :--- | ---: |
| Stock | $6,50,000$ |
| Trade Debtors | $1,52,000$ |
| Bills Receivable | 75,000 |
| Bills Payable | $1,40,000$ |
| Outstanding Expenses | 5,000 |

The trader maintains a steady gross profit ratio of $10 \%$ on sales.
Prepare Trading and Profit and Loss Account for the year ended 31st March, 20X2 and Balance Sheet as at that date.

## ANSWER

In the books of Mr. Anil
Trading and Profit and Loss Account
for the year ended 31st March, 20X2

## CA Ravi Agarwal's

CA INTER ACCOUNTING COMPILER 4.0

|  | $₹$ |  |  | ₹ |
| :---: | :---: | :---: | :---: | :---: |
| To Opening Stock | 6,10,000 | By Sales |  |  |
| To Purchases (W.N. 3) | 84,10,000 | Cash | 73,80,000 |  |
| To Gross profit c/d | 9,30,000 | Credit (W.N. 2) | 19,20,000 | 93,00,000 |
| (10\% of 93,00,000) |  | By Closing stock |  | 6,50,000 |
|  | 99,50,000 |  |  | 99,50,000 |
| To Sundry expenses (W.N. 6) | 5,80,700 | By Gross profit b/d |  | 9,30,000 |
| To Discount allowed | 36,000 | By Discount received |  | 28,000 |
| To Depreciation (15\% ₹ 1,00,000) | 15,000 |  |  |  |
| To Net Profit (b.f.) | 3,26,300 |  |  |  |
|  | 9,58,000 |  |  | 9,58,000 |

Balance Sheet as at 31st March, 20X2

| Liabilities |  | Amount ₹ | Assets | Amount ₹ |
| :---: | :---: | :---: | :---: | :---: |
| Capital |  |  | Furniture \& 1,00,000 Fittings |  |
| Opening balance | 2,50,000 |  | Less: Dep. $\quad(15,000)$ | 85,000 |
| Less: Drawing | (2,40,000) |  | Stock | 6,50,000 |
|  | 10,000 |  | Trade Debtors | 1,52,000 |
| Add: Net profit for the years | 3,26,300 | 3,36,300 | Bills receivable | 75,000 |
| Bills payable |  | 1,40,000 | Unexpired insurance | 2,000 |
| Trade creditors |  | 6,10,000 | Cash in hand \& at bank | 1,27,300 |
| Outstanding |  | 5,000 |  |  |
|  |  | 10,91,300 |  | 10,91,300 |

## CA Ravi Agarwal's

CA INTER ACCOUNTING COMPILER 4.0

## Working Notes:

## 1. Bills Receivable Account

|  | $₹$ |  | $₹$ |
| :--- | ---: | :--- | ---: |
| To Balance b/d | 60,000 | By Cash | $3,40,000$ |
| To Trade debtors (b.f.) | $3,70,000$ | By Trade creditors <br> (Bills endorsed) <br> By Balance c/d | 15,000 |
|  | $4,30,000$ |  | 45,000 |
|  |  | $4,30,000$ |  |

2. Trade Debtors Account

|  | $\boldsymbol{F}$ |  | $₹$ |
| :--- | ---: | :--- | ---: |
| To Balance b/d | $1,48,000$ | By Cash/Bank | $15,10,000$ |
| To Credit sales | $19,20,000$ | By Discount allowed | 36,000 |
| (Bal. fig.) |  | By Bills receivable | $3,70,000$ |
|  |  | By Balance c/d | $1,52,000$ |
|  |  |  | $20,68,000$ |
|  | $20,68,000$ |  |  |

3. Memorandum Trading Account

|  | $₹$ |  | $₹$ |
| :--- | ---: | :--- | ---: |
| To Opening stock | $6,10,000$ | By Sales | $93,00,000$ |
| To Purchases (Balancing figure) | $84,10,000$ | By Closing stock | $6,50,000$ |
| To Gross Profit (10\% on sales) | $9,30,000$ |  |  |
|  | $99,50,000$ |  | $99,50,000$ |

4. Bills Payable Account

|  | $₹$ |  | $₹$ |
| :---: | :---: | :---: | :---: |
| To Cash/Bank | 8,15,000 | By Balance b/d <br> By Creditors (balancing figure) | 1,25,000 |
| To Balance c/d | 1,40,000 |  | 8,30,000 |
|  | 9,55,000 |  | 9,55,000 |

5. Trade Creditors Account

|  | $₹$ |  | $₹$ |
| :--- | ---: | :--- | ---: |
| To Cash/Bank | $75,07,000$ | By Balance b/d | $5,80,000$ |
| To Discount received | 28,000 | By Purchases (as <br> calculated <br> To Bills receivable | $84,10,000$ |
| To Bills payable | $8,30,000$ |  |  |
| To Balance c/d <br> in W.N. 3) <br> (balancing figure) | $6,10,000$ |  |  |
|  | $89,90,000$ |  | $89,90,000$ |

6. Computation of sundry expenses to be charged to Profit \& Loss A/c

|  | ₹ |
| :---: | :---: |
| Sundry expenses paid (as per cash book) | 6,20,700 |
| Add : Prepaid expenses as on 31-3-20X1 | 2,000 |
|  | 6,22,700 |
| Less: Outstanding expenses as on 31-3-20X1 | $(45,000)$ |
|  | 5,77,700 |
| Add: Outstanding expenses as on 31-3-20X2 | 5,000 |
|  | 5,82,700 |
| Less: Prepaid expenses as on 31-3-20X2 (Insurance paid till July, 20X2) $(6,000 \times 4 / 12)$ | $(2,000)$ |
|  | 5,80,700 |

Question 5
The following is the Balance Sheet of a Tony Pharma as on 31st March, 20X1 :

|  | $₹$ |  | $₹$ |
| :--- | ---: | :--- | ---: |
| Capital | $10,00,000$ | Fixed Assets | $4,00,000$ |
| Creditors (Trade) | $1,40,000$ | Stock | $3,00,000$ |


| Profit \& Loss A/c | 60,000 | Debtors | $1,50,000$ |
| :--- | ---: | :--- | ---: |
|  | Cash \& Bank | $3,50,000$ |  |
|  | $12,00,000$ |  | $12,00,000$ |

The management estimates the purchases and sales for the year ended 31st March, 20X2 as under:

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

|  | Up to 28.2.20X2 | March 20X2 |
| :--- | ---: | ---: |
|  | $₹$ | $₹$ |
| Purchases | $14,10,000$ | $1,10,000$ |
| Sales | $19,20,000$ | $2,00,000$ |

It was decided to invest ` $1,00,000$ in purchases of fixed assets, which are depreciated @ 10\% on cost.
The time lag for payment to Trade Creditors for purchase and receipt from Sales is one month. The business earns a gross profit of $30 \%$ on turnover. The expenses against gross profit amount to $10 \%$ of the turnover. The amount of depreciation is not included in these expenses.
Draft a Balance Sheet as at 31st March, 20X2 assuming that creditors are all Trade Creditors for purchases and debtors for sales and there is no other item of current assets and liabilities apart from stock and cash and bank balances. Assume that all sales and purchases are on credit basis.

ANSWER
In the books of Tony Pharma
Projected Balance Sheet
as on 31st March, 20X2

|  | ₹ |  | $₹$ |
| :---: | :---: | :---: | :---: |
| Capital | 10,00,000 | Fixed Assets 4,00,000 |  |
| Profit \& Loss Account |  | Additions 1,00,000 |  |
| as on 1st April, 20X1 60,000 |  | 5,00,000 |  |
| Add: Profit for the year |  | Less: Dep. |  |
| 3,74,000 | 4,34,000 | @ 10\% (50,000) | 4,50,000 |
| Creditors (Trade) | 1,10,000 | Stock in trade | 3,36,000 |
|  |  | Sundry Debtors | 2,00,000 |
|  |  | Cash \& Bank Balances (working note) | 5,58,000 |
|  | 15,44,000 |  | 15,44,000 |

## Working Notes:

1. Projected Trading and Profit and Loss Account for the year ended 31 ${ }^{\text {st }}$ March, 20X2

|  | $₹$ |  | $₹$ |
| :--- | ---: | :--- | ---: |
| To Opening Stock | $3,00,000$ | By Sales | $21,20,000$ |
| To Purchases | $15,20,000$ | By Closing Stock <br> (balancing figure) | $3,36,000$ |
| To Gross Profit c/d (30\% <br> on sales) | $6,36,000$ |  |  |
|  | $24,56,000$ |  | $24,56,000$ |


| To Sundry Expenses | $2,12,000$ | By Gross Profit b/d | $6,36,000$ |
| :--- | ---: | ---: | ---: |
| (10\% on sales) | 50,000 |  |  |
| To Depreciation | $3,74,000$ |  |  |
| To Net Profit (b.f.) | $6,36,000$ |  | $6,36,000$ |

Cash and Bank Account 1st April, 20X1 to 31st March, 20X2

|  |  | \% |  | $₹$ |
| :---: | :---: | :---: | :---: | :---: |
| To | Balance b/d | 3,50,000 | By Sundry Creditors | 15,50,000 |
| To | Sundry Debtors$\text { (₹ } 1,50,000+₹ 19,20,000)$ | 20,70,000 | (₹ $1,40,000$ ₹ $14,10,000$ ) |  |
|  |  |  | By Expenses | 2,12,000 |
|  |  |  | By Fixed Assets | 1,00,000 |
|  |  |  | By Balance c/d (b.f.) | 5,58,000 |
|  |  | 24,20,000 |  | 24,20,000 |

## QUESTION 7 (STUDY MATERIAL)

Assets and Liabilities of Mr. X as on 31-12-2015 and 31-12-2016are as follows:

|  | $31-12-2015$ | $31-12-2016$ |
| :--- | ---: | ---: |
| Assets | Rs. | Rs. |
| Building |  |  |
| Furniture | $1,00,000$ | $?$ |
| Inventory | 50,000 | $?$ |
| Sundry debtors | $1,20,000$ | $2,70,000$ |
| Cash at bank | 40,000 | 90,000 |
| Cash in hand | 70,000 | 85,000 |
| Liabilities | 1,200 | 3,200 |
| Loans |  |  |
| Sundry creditors | $1,00,000$ | 80,000 |

Decided to depreciate building by 2.5\% and furniture by 10\%. One Life Insurance Policy of the Proprietor was matured during the period and the amount Rs.40,000 is retained in the business. Proprietor took @ Rs.2,000 p.m. for meeting family expenses.

Prepare Statement of Affairs.

Statement of Affairs
as on 31-12-2015 \& 31-12-2016

| Liabilities | 31-12-15 | 31-12-16 | Assets | 31-12-15 | 31-12-16 |
| :--- | ---: | ---: | :--- | ---: | ---: |
|  | Rs. | Rs. |  | $R s$. | $R s$. |
| Capital | $2,41,200$ | $4,40,700$ | Building | $1,00,000$ | 97,500 |
| (Bal. Fig.) |  |  | Furniture | 50,000 | 45,000 |
| Loans | $1,00,000$ | 80,000 | Inventory | $1,20,000$ | $2,70,000$ |
| Sundry |  |  |  |  |  |
| creditors | 40,000 | 70,000 | Sundry | 40,000 | 90,000 |
|  |  |  | debtors |  |  |
|  |  |  | Cash at bank | 70,000 | 85,000 |
|  |  |  | Cash in hand | 1,200 | 3,200 |
|  |  |  |  | $3,81,200$ | $5,90,700$ |

## QUESTION 8 (STUDY MATERIAL)

Take figures given in QUESTION 7. Find out profit of Mr. X.
Determination of Profit by applying the method of the capital comparison

|  | Rs. |
| :--- | ---: |
| Capital Balance as on 31-12-2016 | $4,40,700$ |
| Less: Fresh capital introduced | $(40,000)$ |
|  | $4,00,700$ |
| Add: Drawings (Rs.2000 $\times 12$ ) | 24,000 |
|  | $4,24,700$ |
| Less: Capital Balance as on 31-12-2015 | $(2,41,200)$ |
| Profit | $1,83,500$ |

## Note:

- Closing capital is increased due to fresh capital introduction, so it is deducted.
- Closing capital was reduced due to withdrawal by proprietor; so it is added back.


## QUESTION 9 (STUDY MATERIAL)

$A$ and $B$ are in Partnership having Profit sharing ratio 2:1. The following information is available about their assets and liabilities:

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

|  | $31-3-2016$ | $31-3-2017$ |
| :--- | ---: | ---: |
|  | Rs. | Rs. |
| Furniture | $1,20,000$ | $?$ |
| Advances | 70,000 | 50,000 |
| Creditors | 32,000 | 30,000 |
| Debtors | 40,000 | 45,000 |
| Inventory | 60,000 | 74,750 |
| Loan | 80,000 | - |
| Cash at Bank | 50,000 | $1,40,000$ |

The partners are entitled to salary @ Rs.2,000 p.m. They contributed proportionate capital. Interest is paid @ 6\% on capital and charged @ 10\% on drawings.

Drawings of $A$ and $B$

|  | A | B |
| :--- | ---: | ---: |
|  | Rs. | Rs. |
| May 31 | 2,000 | - |
| June 30 | - | 2000 |
| Sept. 30 | 4,000 | - |
| Dec. 31 | - | 6,000 |
| Feb. 28 | 2,000 | - |

On 30th June, they took C as 1/3rd partner who contributed Rs.75,000. C is entitled to share of 9 months' profit. The new profit ratio becomes 1:1:1. A withdrew his proportionate share. Depreciate furniture @ 10\% p.a., new purchases Rs.10,000 may be depreciated for 1/4th of a year.

Current account as on 31-3-2016: A Rs.5,000 (Cr.), B Rs.2,000 (Dr.)
Prepare Statement of Profit, Current Accounts of partners and Statement of Affairs as on 31-32017.

Statement of Affairs
As on 31-3-2016and 31-3-2017

| Liabilities | 31-3-2016 | 31-3-2017 | Assets | 31-3-2016 | 31-3-2017 |
| :---: | ---: | ---: | :--- | ---: | ---: |
|  | $R s$. | Rs. |  | $R s$. | Rs. |
| Capital A/c's |  |  | Furniture | $1,20,000$ | $1,17,750$ |
| A | $1,50,000$ | 75,000 | Advances | 70,000 | 50,000 |

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

| B | 75,000 | 75,000 | Inventory | 60,000 | 74,750 |
| :--- | ---: | ---: | :--- | ---: | ---: |
| C | - | 75,000 | Debtors | 40,000 | 45,000 |
| Loan | 80,000 | - | Cash at bank | 50,000 | $1,40,000$ |
| Creditors | 32,000 | 30,000 | Current A/c B | 2,000 | - |
| Current |  |  |  |  |  |
| A/c's |  |  |  |  |  |
| A | 5,000 | $74,036^{*}$ |  |  |  |
| B | - | $48,322^{*}$ |  |  |  |
| C |  | $50,142^{*}$ |  |  |  |

*See current A/cs.

Notes:


This is after adding salary, interest on capital and deducting drawings and interest on drawings.

| (iv) | Interest on Capital: |  |  |  | Rs. |
| :--- | :--- | :--- | ---: | :--- | :--- |
| A : on <br>   <br>  on | $1,50,000$ | 75,000 | @ 6\% for 3 months | 2,250 |  |
|  |  |  | @ 6\% for 9 months | 3,375 |  |
|  |  |  | 5,625 |  |  |

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

|  | B : | on | 75,000 | @ 6\% for 1 year | 4,500 |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | C : | on | 75,000 | @ 6\% for 9 months | 3,375 |
|  |  |  |  |  | 7,875 |
| (v) | Interest on Drawings : |  |  |  |  |
| (v) | A : | on on on | 2,000 | @ 10\% for 11 months | 183 |
|  |  |  | 4,000 | @ 10\% for 9 months | 300 |
|  |  |  | 2,000 | @ 10\% for 3 months | 50 |
|  |  |  |  |  | 533 |
|  | B : | on <br> on on | 2,000 | @ 10\% for 10 months | 167 |
|  |  |  | 6,000 | @ 10\% for 6 months | 300 |
|  |  |  | 8,000 | @ 10\% for 1 month | 67 |
|  |  |  |  |  | 534 |


| Allocation of Profit | Rs.1,15,067 |  |
| :--- | ---: | :--- |
| 3 months Profit | Rs.28,767 |  |
| 9 months Profit | Rs. 86,300 |  |
| A : $2 / 3 \times$ Rs. $28,767+1 / 3 \times$ Rs. 86,300 |  | $=$ Rs. 47,944 |
| B: $1 / 3 \times$ Rs. $1,15,067$ |  | $=$ Rs.38,356 |
| C $1 / 3 \times$ Rs. 86,300 |  | $=$ Rs.28,767 |
|  |  | Rs.1,15,067 |

Current Accounts

|  | A | B | $C$ |  | A | B | $C$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| To Balance b/d | - | 2,000 | - | By Balance b/d | 5,000 | - |  |
| To Drawings | 8,000 | 16,000 | - | By Salary | 24,000 | 24,000 | 18,000 |
| To Interest |  |  |  | By Interest on |  |  |  |
| $\bigcirc$ | 533 | 534 | - | capital | 5,625 | 4,500 | 3,375 |
| ndrawings |  |  |  |  |  |  |  |
| To Balance <br> c/ | 74,036 | 48,322 | 50,142 | By Share of Profit | 47,944 | 38,356 | 28,767 |
|  | 82,569 | 66,856 | 50,142 |  | 82,569 | 66,856 | 50,142 |

Statement of Profit

|  | Rs. |  |
| :--- | ---: | ---: |
| Current Account Balances as on 31-3-2017 |  | $1,72,500$ |
| Less: Salary A Rs. $2,000 \times 12$ | $=\quad 24,000$ |  |

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0



## QUESTION 10 (STUDY MATERIAL)

The Income Tax Officer, on assessing the income of Shri Moti for the financial years 2015-2016 and 2016-2017 feels that Shri Moti has not disclosed the full income. He gives you the following particulars of assets and liabilities of Shri Moti as on 1st April, 2015 and 1st April, 2017.

|  |  |  | Rs. |
| :--- | :--- | :--- | ---: |
| 1-4-2015 | Assets | $:$ Cash in hand | 25,500 |
|  |  | Inventory | 56,000 |
|  |  | Sundry debtors | 41,500 |
|  |  | Land and Building | $1,90,000$ |
|  |  | Wife's Jewellery | 75,000 |
|  |  | Liabilities | Owing to Moti's Brother |
| 1-4-2017 | Assets | Sundry creditors | 40,000 |
|  |  | Cash in hand | 35,000 |
|  |  | Inventory | 16,000 |
|  |  | Sundry debtors | 91,500 |
|  |  | Land and Building | 52,500 |
|  |  | Motor | $1,90,000$ |
|  |  | Car | $1,25,000$ |
|  |  |  |  |
|  |  | Wife's Jewellery | $1,25,000$ |
|  |  | Loan to Moti's Brother | 20,000 |
|  |  | Sundry creditors | 55,000 |

During the two years the domestic expenditure was Rs.4,000 p.m. The declared income of the financial years were Rs.1,05,000 for 2015-2016and Rs.1,23,000 for 2016-2017respectively.

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

State whether the Income-tax Officer's contention is correct. Explain by giving your workings.

Capital Account of Shri Moti

|  |  | 1-4-2015 |  | 1-4-2017 |
| :---: | :---: | :---: | :---: | :---: |
| Assets |  |  |  |  |
| Cash in hand |  | 25,500 |  | 16,000 |
| Inventory |  | 56,000 |  | 91,500 |
| Sundry debtors |  | 41,500 |  | 52,500 |
| Land \& Building |  | 1,90,000 |  | 1,90,000 |
| Wife's Jewellery |  | 75,000 |  | 1,25,000 |
| Motor Car |  | - |  | 1,25,000 |
| Loan to Moti's Brother |  | - |  | 20,000 |
|  |  | 3,88,000 |  | 6,20,000 |
| Liabilities: |  |  |  |  |
| Owing to Moti's Brother 40,000 |  |  |  |  |
| Sundry creditors | 35,000 | 75,000 | 55,000 | 55,000 |
| Capital |  | 3,13,000 |  | 5,65,000 |
| Income during the two years: Capital as on 1-4-2017 |  |  |  | 5,65,000 |
| Add: Drawings - Domestic Expenses for the two years (Rs.4,000 $\times$ 24months) |  |  |  | 96,000 |
|  |  |  |  | 6,61,000 |
| Less: Capital as on 1-4-2015 |  |  |  | $(3,13,000)$ |
| Income earned in 2015-2016and2016-2017 |  |  |  | 3,48,000 |
| Income declared (Rs.1,05,000 + Rs.1,23,000) |  |  |  | 2,28,000 |
| Suppressed Income |  |  |  | 1,20,000 |

## QUESTION 11 (STUDY MATERIAL)

The following information relates to the business of Mr. Shiv Kumar, who requests you to prepare a Trading and Profit \&Loss Account for the year ended 31st March, 2017 and a Balance Sheet as on that date:
(a)

|  | Balanceason3 1stMarch, 2016 Rs. | Balanceason3 1stMarch, 2017 Rs. |
| :---: | :---: | :---: |
| Building | 3,20,000 | 3,60,000 |
| Furniture | 60,000 | 68,000 |
| Motorcar | 80,000 | 80,000 |
| Inventory's | ? | 40,000 |
| Bills payable | 28,000 | 16,000 |
| Cash and bank balances | 1,80,000 | 1,04,000 |
| Sundry debtors | 1,60,000 | ? |
| Bills receivable | 32,000 | 28,000 |
| Sundry creditors | 1,20,000 | ? |

(b) Cash transactions during the year included the following besides certain other items:

|  | Rs. |  | Rs. |
| :--- | ---: | :--- | ---: |
| Sale of old papers and <br> miscellaneous income | 20,000 | Cash purchases <br> Miscellaneous Trade <br> expenses | 80,000 | | Payment to creditors |
| :--- |
| Cash sales | | $1,84,000$ |
| ---: |
| (including salariesetc.) |

(c) Other information:

- Bills receivable drawn during the year amount to Rs.20,000 and Bills payable accepted Rs.16,000.
- $\quad$ Some items of old furniture, whose written down value on 31st March, 2016was Rs.20,000 was sold on 30th September, 2016for Rs.8,000. Depreciation is to be provided on Building and Furniture @ 10\% p.a. and on Motorcar @ 20\% p.a. Depreciation on sale of furniture to be provided for 6 months and for additions to Building for whole year.
- Of the Debtors, a sum of Rs.8,000 should be written off as Bad Debtandareservefordoubtfuldebtsistobeprovided@2\%.


## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

- Mr. Shivkumar has been maintaining a steady gross profit rate of $\mathbf{3 0 \%}$ on turnover.
- Outstanding salary on 31st March, 2016was Rs.8,000 and on 31st March, 2017was Rs.10,000. On 31st March, 2016, Profit and Loss Account had a credit balance of Rs.40,000.
- 20\%oftotalsalesandtotalpurchasesaretobetreatedasforcash.
- Additions in Furniture Account took place in the beginning of the year and there was no opening provision for doubtful debts.

Trading and Profit and Loss Account of Mr. Shiv Kumar
for the year ended 31st March, 2017

|  | Rs. |  |  | Rs. |
| :---: | :---: | :---: | :---: | :---: |
| To Opening inventory (balancing figure) | 80,000 | By | $\begin{aligned} & \text { Sales }(3,20,000 \mathrm{x} \\ & 100 / 80) \\ & \text { Closing inventory } \end{aligned}$ | $\begin{array}{r} 4,00,000 \\ 40,000 \end{array}$ |
| ```To Purchases (1,92,000 x100/80)``` | 2,40,000 |  |  |  |
| To Gross profit c/d @ 30\% on sales | 1,20,000 |  |  |  |
|  | 4,40,000 |  |  | 4,40,000 |
| To Miscellaneous expenses $\begin{aligned} & \text { (Rs.80,000 - Rs.8,000 + } \\ & \text { Rs.10,000) } \end{aligned}$ | 82,000 | $\begin{aligned} & \mathrm{By} \\ & \mathrm{By} \end{aligned}$ | Gross profit b/d Miscellaneous receipts Net loss transferred to Capital A/c (b.f.) | $\begin{array}{r} \hline 1,20,000 \\ 20,000 \\ 25,840 \end{array}$ |
| To Depreciation: <br> Building Rs.36,000 <br> FurnitureRs.7,800 (Rs.6,800 + Rs.1,000) <br> MotorCar Rs.16,000 <br> To Loss on sale of furniture <br> To Bad debts <br> To Provision for doubtful debts |  |  |  |  |
|  | 59,800 |  |  |  |
|  | 11,000 |  |  |  |
|  | 8,000 |  |  |  |
|  | 5,040 |  |  |  |
|  | 1,65,840 |  |  | 1,65,840 |

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

## Balance Sheet of Mr. Shivkumar

as on 31st March, 2017

| Liabilities | Rs. | Rs. | Assets | Rs. | Rs. |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Capital as on $1^{\text {st }}$ April, 2016 <br> Profit and Loss A/c <br> Opening balance <br> Less: Loss for the year <br> Sundry creditors <br> Bills payable <br> Outstanding salary | $\begin{array}{r} 40,000 \\ (25,840) \\ \hline \end{array}$ | $7,16,000$ $\begin{array}{r} 14,160 \\ 1,12,000 \\ 16,000 \\ 10,000 \end{array}$ | Building <br> Add: Addition during the year Less: Provision for depreciation <br> Furniture Less: Sold during the year <br> Add: Addition during the year | $\begin{array}{r}\text { 3,20,000 } \\ 40,000 \\ \hline 3,60,000 \\ (36,000) \\ \hline 60,000 \\ \hline(20,000) \\ \hline 40,000 \\ \hline 28,000 \\ \hline 68,000 \\ \hline\end{array}$ | 3,24,000 |
|  |  |  | Less: Depreciation <br> Motor car (at cost) <br> Less: Depreciation Inventory in trade <br> Sundry debtors <br> Less: Provision for doubtful debts <br> @2\% <br> Bills receivable <br> Cash in hand and a | $(6,800)$ 80,000 $(16,000)$ $2,52,000$ $(5,040)$ bank | 61,200 <br> 64,000 <br> 40,000 <br> $2,46,960$ <br> 28,000 <br> 1,04,000 |
|  |  | 8,68,160 |  |  | 8,68,160 |

## Working Notes:

(i) Sundry Debtors Account

|  |  | Rs. |  |  | Rs. |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | Balance b/d | 1,60,000 | ByByByBy | Cash/Bank A/c | 2,00,000 |
|  | Sales A/c (credit) ${ }^{1}$ | 3,20,000 |  | Bills Receivable A/c | 20,000 |
|  |  |  |  | Bad debts A/c | 8,000 |
|  |  |  |  | Balance c/d (bal. fig.) | 2,52,000 |
|  |  | 4,80,000 |  |  | 4,80,000 |

(ii) Sundry Creditors Account

|  |  | Rs. |  |  | Rs. |
| :---: | :---: | :---: | :---: | :---: | :---: |
| To Cash/Bank A/c <br> To Bills Payable A/c <br> To Balance c/d <br>  (bal. fig.) |  | 1,84,000 |  | Balance b/d <br> Purchases A/c ${ }^{2}$ | 1,20,000 |
|  |  | 16,000 |  |  | 1,92,000 |
|  |  | 1,12,000 |  |  |  |
|  |  | 3,12,000 |  |  | 3,12,000 |

(iii) Bills Receivable Account

|  |  | Rs. |  | Rs. |
| :--- | ---: | :--- | :--- | ---: |
| To | Balance b/d | 32,000 | By | Cash/ Bank A/c(bal. fig.) |
| To | 24,000 |  |  |  |
|  |  | 20,000 | By | By |
|  | 52,000 |  | Balance c/d | 28,000 |
|  |  |  | 52,000 |  |

(iv) Bills Payable Account

|  |  | Rs. |  | Rs. |
| :--- | ---: | ---: | ---: | ---: |
| To | Cash/Bank A/c (bal. fig.) | 28,000 | By | Balance b/d |
| To | Balance c/d | 16,000 | By | 28,000 |
|  | 44,000 |  | 16,000 |  |
|  |  |  | 44,000 |  |

(v) Furniture Account

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

|  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
| To Balance b/d | $\begin{aligned} & 60,000 \\ & 28,000 \end{aligned}$ | By | Bank/Cash A/c | 8,000 |
| To Bank A/c (b.f.) |  | By | Depreciation A/C (on furniture sold) | 1,000 |
|  |  | By | Profit and loss $\mathrm{A} / \mathrm{c}$ (loss on sale) $(20,000-1,000-8,000)$ | 11,000 |
|  |  | By | $\begin{aligned} & \text { Depreciation A/c }(68,000 \mathrm{x} \\ & 10 \%) \end{aligned}$ | 6,800 |
|  |  | By | Balance c/d ( $68,000-6,800$ ) | 61,200 |
|  | 88,000 |  |  | 88,000 |

(vi) Cash/Bank Account

|  | Rs. |  | Rs. |  |
| :--- | ---: | :--- | ---: | ---: |
| To Balance b/d | $1,80,000$ | By Misc. trade expenses A/c | 80,000 |  |
| To Miscellaneous receipts A/c | 20,000 | By Purchases A/c | 48,000 |  |
| To Sundry debtors A/c | $2,00,000$ | By Furniture A/c | 28,000 |  |
| To Sales A/c | 80,000 | By Sundry creditors A/c | $1,84,000$ |  |
| To Furniture A/c (sale) | 8,000 | By Bills payable A/c | 28,000 |  |
| To Bills receivable A/c | 24,000 | By Building A/c (3,60,000 - | 40,000 |  |
|  |  | By Balance c/d |  |  |
|  |  |  |  | $1,04,000$ |
|  |  | $5,12,000$ |  | $5,12,000$ |

(vii) Opening Balance Sheet of Mr. Shivkumar as on 31st March, 2016

| Liabilities | Rs. | Assets | Rs. |
| :--- | ---: | :--- | ---: |
| Capital (balancing figure) | $7,16,000$ | Building | $3,20,000$ |
| Profit and loss A/c | 40,000 | Furniture | 60,000 |
| Sundry Creditors | $1,20,000$ | Motor car | 80,000 |
| Bills Payable | 28,000 | Inventory in trade | 80,000 |
| Outstanding salary | 8,000 | Sundry Debtors | $1,60,000$ |
|  |  | Bills Receivable | 32,000 |
|  |  | Cash in hand and at |  |
|  | bank | $1,80,000$ |  |
|  | $9,12,000$ |  | $9,12,000$ |

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

## QUESTION 12 (STUDY MATERIAL)

A. Adamjee keeps his books on single entry basis. The analysis of the cash book for the year ended on 31st December, 2016 is given below:

| Receipts | Rs. | Payments | Rs. |
| :--- | ---: | :--- | ---: |
| Bank Balance as on 1st January, | 2,800 | Payments to |  |
| 2016 |  | Creditors Sundry | 35,000 |
| Received from Sundry Debtors | 48,000 | Salaries | 6,500 |
| Cash Sales | 11,000 | General expenses | 2,500 |
| Capital brought during the year | 6,000 | Rent and Taxes | 1,500 |
| Interest on Investments | 200 | Drawings | 3,600 |
|  |  | Cash purchases | 12,000 |
|  |  | Balance at Bank on 31st | Dec., 2016 |
|  | $\underline{68,000}$ | Cash in hand on 31st | Dec.,2016 |

Particulars of other assets and liabilities are as follows:

|  | 1stJanuary, | 31stDecember, |
| :--- | ---: | ---: |
| 2016 | 2016 |  |
| Sundry debtors | 14,500 | 17,600 |
| Sundry creditors | 5,800 | 7,900 |
| Machinery | 7,500 | 7,500 |
| Furniture | 1,200 | 1,200 |
| Inventory | 3,900 | 5,700 |
| Investments | 5,000 | 5,000 |

Prepare final accounts for the year ending 31st December, 2016 after providing depreciation at 10 per cent on machinery and furniture and Rs. 800 against doubtful debts.

## A. Adamjee

Trading and Profit \& Loss Account for the year ended 31-12-2016

|  | Rs. | Rs. |  | Rs. |
| :---: | :---: | :---: | :---: | :---: |
| To Opening Inventory |  | 3,900 | By Sales | 62,100 |
| To Purchases |  | 49,100 | By Closing Inventory | 5,700 |
| To Gross profit c/d (b.f.) |  | 14,800 |  |  |
|  |  | 67,800 |  | 67,800 |
| To Salaries |  | 6,500 | By Gross Profit b/d | 14,800 |
| To Rent and Taxes |  | 1,500 | By Interest on investment | 200 |
| To General expenses |  | 2,500 |  |  |
| To Depreciation : |  |  |  |  |
| Machinery @ 10\% | 750 |  |  |  |
| Furniture @ 10\% | 120 | 870 |  |  |
| To Provision for doubtful debts |  | 800 |  |  |
| To Balance being profit |  |  |  |  |
| carried to Capital A/c (b.f.) |  | 2,830 |  |  |
|  |  | 15,000 |  | 15,000 |

Balance Sheet as on 31st December, 2016

| Liabilities | Rs. | Rs. | Assets | Rs. | Rs. |
| :---: | :---: | :---: | :---: | :---: | :---: |
| A. Adamjee's Capital on 1st January, 2016 Add: Fresh Capital Add: Profit for the year <br> Less: Drawings | 29,100 <br> 6,000 <br> 2,830 | 34,330 | Machinery <br> Less : Depreciation | $\begin{aligned} & 7,500 \\ & (750) \end{aligned}$ | 6,750 |
|  |  |  | Furniture | $1,200$ |  |
|  |  |  | Less : Depreciation | (120) | 1,080 |
|  | $\begin{array}{r} 37,930 \\ (3,600) \\ \hline \end{array}$ |  | Inventory-in-trade Sundry debtors | 17,600 | 5,700 |
| Sundry creditors |  | 7,900 | Less : Provision for Doubtful debts | (800) | 16,800 |
|  |  |  | Investment |  | 5,000 |
|  |  |  | Cash at bank |  | 6,400 |
|  |  |  | Cash in hand |  | 500 |
|  |  | 42,230 |  |  | 42,230 |

## Working Notes:

1. Balance sheet of A. Adamjee as on1-1-2016

|  | Rs. |  | Rs. |
| :--- | ---: | :--- | ---: |
| Sundry creditors | 5,800 | Machinery | 7,500 |
| A. Adamjee's capital | 29,100 | Furniture | 1,200 |
| (balancing figure) |  | Inventory | 3,900 |
|  |  | Sundry debtors | 14,500 |
|  |  | Investments | 5,000 |
|  |  | Bank balance (from Cash | 2,800 |
|  |  | statement) |  |
|  | 34,900 |  | 34,900 |

2. Ledger Accounts
A. Adamjee's Capital Account

|  |  | Rs. |  |  | Rs. |
| :--- | :--- | ---: | :--- | :--- | ---: |
| Dec. 31 | To Drawings | 3,600 | Jan. 1 | By Balance | 29,100 |
| Dec. 31 | To Balance c/d | 31,500 | Dec. | By Cash | 6,000 |
|  | (b.f.) |  | 31 |  |  |
|  |  | 35,100 |  |  | 35,100 |

Sales Account

|  |  | Rs. |  |  | Rs. |
| :--- | :--- | ---: | ---: | :--- | ---: |
| Dec. 31 | To Trading <br> A/c(b.f.) | 62,100 | Dec. 31 | By Cash | 11,000 |
|  |  | Dec. 31 | By Total Debtors <br> Account | 51,100 |  |
|  |  | 62,100 |  | 62,100 |  |

## Total Debtors Account

|  |  | Rs. |  |  | Rs. |
| :--- | :--- | ---: | :--- | :--- | ---: |
| Jan. 1 | To Balance b/d | 14,500 | Dec. 31 | By Cash | 48,000 |
| Dec. 31 | To Credit sales <br> (Balancing <br> figure) | 51,100 | Dec. 31 | By Balance c/d | 17,600 |
|  |  |  |  |  |  |


|  |  | 65,600 | 65,600 |
| :---: | :---: | :---: | :---: |
| Jan. 1 | To Balance b/d | 17,600 |  |

Purchases Account

|  |  | Rs. |  |  | Rs. |
| :--- | :--- | ---: | ---: | ---: | ---: |
| Dec. 31 | To Cash A/c | 12,000 | Dec. 31 | By Trading <br> Account(b.f.) | 49,100 |
|  | To Total Creditors <br> A/c | 37,100 |  |  |  |
|  |  | 49,100 |  |  | 49,100 |

Total Creditors Account

|  |  | Rs. |  |  | Rs. |
| :--- | :--- | ---: | :--- | :--- | ---: |
| Dec. 31 | To Cash | 35,000 | Jan. 1 | By Balance b/d | 5,800 |
| Dec. 31 | To Balance <br> b/d | 7,900 | Dec. 31 | By Credit Purchases <br> (Balancing figure) | 37,100 |
|  |  | $\underline{42,900}$ |  |  | 42,900 |

## QUESTION 13 (STUDY MATERIAL)

From the following data, you are required to prepare a Trading and Profit and Loss Account for the year ended 31st March, 2017and a Balance Sheet as at that date. All workings should form part of your answer.

| Assets and Liabilities | As on1st April <br> 2016 | As on31st March <br> 2017 |
| :--- | ---: | ---: |
|  | Rs. | Rs. |
| Creditors | 15,770 | 12,400 |
| Sundry expenses outstanding | 600 | 330 |
| Sundry Assets | 11,610 | 12,040 |
| Inventory in trade | 8,040 | 11,120 |
| Cash in hand and at bank | 6,960 | 8,080 |
| Trade debtors | $?$ | 17,870 |
| Details relating to transactions in the |  |  |
| year: |  | 64,000 |
| Cash and discount credited to debtors |  | 1,450 |
| Sales return |  | 420 |
| Bad debts |  |  |

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

| Sales (cash and credit) | 71,810 |
| :--- | ---: |
| Discount allowed by trade creditors | 700 |
| Purchase returns | 400 |
| Additional capital-paid into Bank | 8,500 |
| Realisations from debtors-paid into |  |
| Bank | 62,500 |
| Cash purchases |  |
| Cash expenses | 1,030 |
| Paid by cheque for | 9,570 |
| machinery purchased | 430 |
| Household expenses drawn from Bank |  |
| Cash paid into Bank | 3,180 |
| Cash drawn from Bank | 5,000 |
| Cash in hand on 31-3-2017 | 9,240 |
| Cheques issued to trade creditors | 1,200 |

Trading and Profit \& Loss Account for the year ending 31st March, 2017

|  | Rs. | Rs. |  | Rs. | Rs. |
| :--- | ---: | ---: | :--- | ---: | ---: |
| To Opening Inventory |  | 8,040 | By Sales <br> Cash <br> To Purchases (58,000 + <br> 1,030) <br> Less: Returns <br> To Gross profit c/d (b.f.) | 59,030 |  |

## Balance Sheet of M/s ....

as on 31st March, 2017

| Liabilities | Rs. | Rs. | Assets | Rs. |
| :--- | ---: | ---: | :--- | ---: |
| Capital |  |  | Sundry assets | 12,040 |
| Opening balance | 26,770 |  | Inventory in trade | 11,120 |
| Add: Addition | 8,500 |  | Sundry debtors | 17,870 |
| Net Profit | 4,290 |  | Cash in hand \& at | 8,080 |
|  |  |  | bank |  |
|  | 39,560 |  |  |  |
| Less: Drawings | $(3,180)$ | 36,380 |  |  |
| Sundry creditors |  | 12,400 |  | 49,110 |

## Working Notes:

(i) Cash sales

## Combined Cash \& Bank Account

|  | Rs. |  | Rs. |
| :--- | ---: | :--- | ---: |
| To Balance b/d | 6,960 | By Sundry creditors | 60,270 |
| To Sundries (Contra) | 5,000 | By Sundries (Contra) | 5,000 |
| To Sundries (Contra) | 9,240 | By Sundries (Contra) | 9,240 |
| To Sundry debtors | 62,500 | By Drawings | 3,180 |
| To Capital A/c | 8,500 | By Machinery | 430 |
| To Sales (Cash Sales-Balancing | 4,600 | By Sundry expenses | 9,570 |
| Figure) |  |  |  |
|  |  | By Purchases | 1,030 |
|  |  | By Balance c/d | 8,080 |
|  | 96,800 |  | 96,800 |

(ii) Total Debtors Account

|  | Rs. |  | Rs. |
| :--- | ---: | :--- | ---: |
| To Balance b/d | 16,530 | By Bank | 62,500 |
| (Balancing figure) |  | By Discount(64,000-62,500) | 1,500 |
| To Sales (71,810-4,6003) | 67,210 | By Return Inward | 1,450 |
|  |  | By Bad Debts | 420 |
|  |  | By Balance c/d | 17,870 |
|  | 83,740 |  | 83,740 |

(iii) Total Creditors Account

|  | Rs. |  | Rs. |
| :--- | ---: | :--- | ---: |
| To Bank | 60,270 | By Balance b/d | 15,770 |
| To Discount | 700 | By Purchases | 58,000 |
| To Return Outward | 400 | (Balancing figure) |  |
| To Balance c/d | 12,400 |  |  |
|  | 73,770 |  | 73,770 |

(iv) Balance Sheet as on 1st April,2016

| Liabilities | Rs. | Assets | Rs. |
| :--- | ---: | :--- | ---: |
| Capital (balancing figure) | 26,770 | Sundry Assets | 11,610 |
| Sundry Creditors | 15,770 | Inventory in Trade | 8,040 |
| Outstanding Expenses | 600 | Sundry Debtors (from total | 16,530 |
|  |  | debtors A/c) |  |
|  |  | Cash in hand \& at bank | 6,960 |
|  | 43,140 |  | 43,140 |

(v)

| Expenses paid in Cash | 9,570 |
| :--- | ---: |
| Add : Outstanding on 31-3-2017 | 330 |
|  | 9,900 |
| Less : Outstanding on 1-4-2016 | $(600)$ |
|  | 9,300 |

(vi) Due to lack of information, depreciation has not been provided on fixed assets.

## QUESTION14 (STUDY MATERIAL)

Mr. Anup runs a wholesale business where in all purchases and sales are made on credit. He furnishes the following closing balances:

|  | $31-12-2015$ | $31-12-2016$ |
| :--- | ---: | ---: |
| Sundry debtors | 70,000 | 92,000 |
| Bills receivable | 15,000 | 6,000 |
| Bills payable | 12,000 | 14,000 |
| Sundry creditors | 40,000 | 56,000 |
| Inventory | $1,10,000$ | $1,90,000$ |
| Bank | 90,000 | 87,000 |
| Cash | 5,200 | 5,300 |

Summary of cash transactions during the year 2016:
(i) Depositedtobankafterpaymentofshopexpenses@Rs.600p.m.,salary@ Rs.9, 200 p.m. and personal expenses @ Rs.1,400 p.m. Rs.7,62,750.
(ii) Withdrawals Rs.1, 21,000.
(iii) CashpaymenttosuppliersRs.77, 200 for supplies and Rs.25,000 for furniture.
(iv) Cheques collected from customers but dishonoured Rs 5,700.
(v) Bills accepted by customers Rs.40,000.
(vi) Bills endorsed Rs.10,000.
(vii) Bills discounted Rs.20,000, discount Rs. 750.
(viii) Bills matured and duly collected Rs.16,000.
(ix) Bills accepted Rs.24,000.
(x) Paid suppliers by cheque Rs.3,20,000.
(xi) Received Rs.20,000 on maturity of one LIC policy of the proprietor by cheque.
(xii) RentreceivedRs.14,000 by cheque for the premises owned by proprietor.
(xiii) A building was purchased on 30-11-2016 for opening a branch for Rs.3,50,000 and some expenses were incurred on this building, details of which are not maintained.
(xiv) Electricity and telephone bills paid by cash Rs.18,700, dueRs.2,200.

Other transactions:
(i) Claim against the firm for damage Rs.1,55,000 is under legal dispute. Legal expenses Rs.17,000. The firm anticipates defeat in the suit.

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

(ii) Goods returned to suppliers Rs.4,200.
(iii) Goods returned by customers Rs.1,200.
(iv) Discount offered by suppliers Rs.2,700.
(v) Discount offered to the customers Rs.2,400.
(vi) The business is carried on at the rented premises for an annual rent of Rs.20,000 which is outstanding at the yearend.

Prepare Trading and Profit \& Loss Account of Mr. Anup for the year ended 31-12-2016 and Balance Sheet as on that date.

Trading and Profit \& Loss Account of Mr. Anup
for the year ended 31-12-2016


Balance-Sheet as on 31-12-2016

| Liabilities | Rs. |  | Assets | Rs. |
| :---: | :---: | :---: | :---: | :---: |
| Capital A/c (W.N.vi) | 2,38,200 |  | Building (from summary cash and bank A/c) | 3,72,000 |
| Add : Fresh capital introduced |  |  | Furniture | 25,000 |
| Maturity value from LIC | 20,000 |  | Inventory | 1,90,000 |
| Rent | 14,000 |  | Sundry debtors | 92,000 |
| Add : Net Profit | 2,57,700 |  | Bills receivable | 6,000 |
|  | 5,29,900 |  | Cash at Bank | 87,000 |
| Less : Drawing(14,00 x12) | $(16,800)$ | 5,13,100 | Cash in Hand | 5,300 |
| Rent outstanding |  | 20,000 |  |  |
| Sundry creditors |  | 56,000 |  |  |
| Bills Payable |  | 14,000 |  |  |
| Outstanding expenses |  |  |  |  |
| Legal Exp. | 17,000 |  |  |  |
| Electricity \& |  |  |  |  |
| Telephone charges | 2,200 | 19,200 |  |  |
| Provision for claims for |  | 1,55,000 |  |  |
|  |  | 7,77,300 |  | 7,77,300 |

## Working Notes :

Sundry Debtors Account

|  | Rs. |  | Rs. |
| :---: | :---: | :---: | :---: |
| To Balance b/d | 70,000 | By Bill Receivable A/c |  |
| To Bill receivable A/c-Bills dishonoured | 3,000 | Bills accepted by customers | 40,000 |
| To Bank A/c-Cheque dishonoured | 5,700 | By Bank A/C Cheque received | 5,700 |
| To Credit sales (Balancing Figure) | 9,59,750 | By Cash (from summary cash and bank account) | 8,97,150 |
|  |  | By Return inward A/c | 1,200 |
|  |  | By Discount A/c | 2,400 |
|  |  | By Balance c/d | 92,000 |
|  | 10,38,450 |  | 10,38,450 |

Bills Receivable Account

|  | Rs. |  | Rs. |
| :---: | :---: | :---: | :---: |
| To Balance b/d <br> To Sundry Debtors A/c <br> (Bills accepted) | 15,000 | By Sundry creditors A/c |  |
|  | 40,000 | (Bills endorsed) | 10,000 |
| (Bills accepted) |  | $\begin{aligned} & \text { By Bank A/c }(20,000- \\ & 750) \end{aligned}$ | 19,250 |
|  |  | By Discount A/c(Bills discounted) <br> By Bank | 750 |
|  |  | Bills collected on maturity <br> By Sundry debtors | 16,000 |
|  |  | Bills dishonoured (Bal. Fig) | 3,000 |
|  |  | By Balance c/d | 6,000 |
|  | 55,000 |  | 55,000 |

Sundry Creditors Account

|  | Rs. |  | Rs. |
| :--- | ---: | :--- | ---: |
| To Bank | $3,20,000$ | By Balance c/d | 40,000 |
| To Cash | 77,200 | By Credit purchase <br> (Balancing figure) | $4,54,100$ |
| To Bill Payable A/c | 24,000 |  |  |
| To Bill Receivable A/c | 10,000 |  |  |
| To Return Outward A/c | 4,200 |  |  |
| To Discount Received A/c | 2,700 |  | $4,94,100$ |

Bills Payable A/c

|  | Rs. |  | Rs. |
| :--- | ---: | ---: | ---: |
| To Bank A/c (Balance <br> figure) | 22,000 | By Balance b/d | 12,000 |
| To Balance c/d | 14,000 | By Sundry creditors A/c <br> Bills accepted | 24,000 |
|  | 36,000 |  | 36,000 |

## CA Ravi Agcrwal's <br> CA INTER ACCOUNTING COMPILER 4.0

Summary Cash and BankA/c


Statement of Affairs as on31-12-2015

| Liabilities | Rs. | Assets | Rs. |
| :--- | ---: | :--- | ---: |
| Sundry Creditors | 40,000 | Inventory | $1,10,000$ |
| Bills Payable | 12,000 | Debtors | 70,000 |
| Capital (Balancing figure) | $2,38,200$ | Bills receivable | 15,000 |
|  |  | Cash at Bank | 90,000 |
|  |  | Cash in Hand | 5,200 |
|  | $2,90,200$ |  | $2,90,200$ |

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

## QUESTION 15 (STUDY MATERIAL)

Ms. Rashmi furnishes you with the following information relating to her business:
(a) Assets and liabilities as on
1.1.2016
31.12.2016

|  | Rs. | Rs. |
| :--- | ---: | ---: |
| Furniture (w.d.v) | 12,000 | 12,700 |
| Inventory at cost | 16,000 | 14,000 |
| Sundry Debtors | 32,000 | $?$ |
| Sundry Creditors | 22,000 | 30,000 |
| Prepaid expenses | 1,200 | 1,400 |
| Unpaid expenses | 4,000 | 3,600 |
| Cash in hand and at bank | 2,400 | 1,250 |

(b) Receipts and payments during2016:

Collections from debtors, after allowing discount of Rs.3,000 amountedtoRs.1,17,000.
Collections on discounting of bills of exchange, after deduction of discount of Rs. 250 by the bank, totalled to Rs.12,250.

Creditors of Rs.80,000 were paid Rs.78,400 in full settlement of their dues. Payment for freight inwards Rs.6,000.

Amount withdrawn for personal use Rs.14,000. Payment for office furniture Rs.2,000.

Investment carrying annual interest of 4\% were purchased at Rs. 192 (face value Rs.200) on 1st July, 2016and payment made there for. Expenses including salaries paid Rs.29,000.

Miscellaneous receipts Rs.1,000.
(c) Bills of exchange drawn on and accepted by customers during the year amounted to Rs.20,000. Of these, bills of exchange of Rs.4,000 were endorsed in favourofcreditors.AnendorsedbillofexchangeofRs. 800 wasdishonoured.
(d) Goods costing Rs.1,800 were used as advertising materials.
(e) Goodsareinvariablysoldtoshowagrossprofitof33-1/3\%onsales.
(f) Difference in cash book, if any, is to be treated as further drawing or introduction of capital by Ms. Rashmi.
(g) Provide at $\mathbf{2 . 5 \%}$ for doubtful debts on closing debtors.

## CA Ravi Agcrwal's <br> CA INTER ACCOUNTING COMPILER 4.0

Rashmi asks you to prepare trading and profit and loss account for the year ended 31st December, 2016and the balance sheet as on that date.

Trading and Profit and Loss Account of Ms. Rashmi for the year ended 31st December, 2016

|  |  | Rs. |  | Rs. |
| :--- | ---: | ---: | :--- | ---: |
| To Opening Inventory |  | 16,000 | By Sales (W.N.3) | $1,46,100$ |
| To Purchases (W.N.2) | 91,200 |  | By Closing inventory | 14,000 |
| Less : For advertising | $(1,800)$ | 89,400 |  |  |
| To Freight inwards <br> To Gross profit c/d @ <br> $33-1 / 3 \%$ |  | 6,000 |  |  |
| To Sundry expenses |  |  |  |  |

Balance Sheet as on 31st December, 2016

| Liabilities | Amount |  | Assets |  | Amount |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | Rs. | Rs. |  | Rs. | Rs. |
| Capital as on | 37,600 |  | Furniture | 12,000 |  |
| 1.1.2016 (W.N.1) |  |  | (w.d.v. |  |  |
|  |  |  | ) Additions during the |  |  |
| Less: Drawings | $(15,808)$ |  | Year | 2,000 |  |
|  | 21,792 |  | Less: Depreciation | $(1,300)$ | 12,700 |
|  |  |  | (b.f.) |  |  |
| Add: Net Profit | 15,582 |  | Investment |  | 192 |

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

| Sundry creditors | 30,000 | Interest accrued (200 x 4\% x 6/12) |  | 4 |
| :---: | :---: | :---: | :---: | :---: |
| Outstanding expenses | 3,600 | Closing Inventory Sundry debtors <br> Less: Provision for | 38,900 | 14,000 |
|  |  | doubtful debts <br> @ 2.5\% | 972 | 37,928 |
|  |  | Bills receivable <br> (W.N.7) |  | 3,500 |
|  |  | Cash in hand and at bank |  | 1,250 |
|  |  | Prepaid expenses |  | 1,400 |
|  | 70,974 |  |  | 70,974 |

## Working Notes:

Capital on 1st January,2016
Balance Sheet As On 1st January, 2016

| Liabilities | Rs. | Assets | Rs. |
| :--- | ---: | :--- | ---: |
| Capital (Bal. fig.) | 37,600 | Furniture (w.d.v.) | 12,000 |
| Creditors | 22,000 | Inventory at cost | 16,000 |
| Outstanding expenses | 4,000 | Sundry debtors | 32,000 |
|  |  | Cash in hand and at bank | 2,400 |
|  |  | Prepaid expenses | 1,200 |
|  | 63,600 |  | 63,600 |

Purchases made during the year
Sundry Creditors Account

|  | Rs. |  | Rs. |
| :--- | ---: | :--- | ---: |
| To Cash and bank A/c | 78,400 | By Balance b/d | 22,000 |
| To Discount received A/c | 1,600 | By Sundry debtors A/c | 800 |
| $(80,000-78,400)$ |  |  |  |
| To Bills Receivable A/c | 4,000 | By Purchases A/c | 91,200 |
| To Balance c/d | 30,000 | (Balancing figure) |  |
|  | $1,14,000$ |  | $1,14,000$ |

## CA Ravi Agcrwal's <br> CA INTER ACCOUNTING COMPILER 4.0

Sales made during the year

|  |  | Rs. |
| :--- | ---: | ---: |
| Opening inventory |  | 16,000 |
| Purchases | 91,200 |  |
| Less: For advertising | $(1,800)$ | 89,400 |
| Freight inwards |  | 6,000 |
|  |  | $1,11,400$ |
| Less: Closing inventory |  | $(14,000)$ |
| Cost of goods sold |  | 97,400 |
| Add: Gross profit (@ 50\% on cost) |  | 48,700 |
|  |  | $1,46,100$ |

Debtors on 31st December,2016
Sundry Debtors Account

|  | Rs. |  | Rs. |
| :--- | ---: | :--- | ---: |
| To Balance b/d | 32,000 | By Cash and bank A/c | $1,17,000$ |
| To Sales A/c (W.N.3) | $1,46,100$ | By Discount allowed A/c | 3,000 |
| To Sundry creditors A/c |  | By Bills receivable A/c | 20,000 |
| (bill dishonoured) | 800 | By Balance c/d (Bal. fig.) | 38,900 |
|  | $1,78,900$ |  | $1,78,900$ |

## Additional drawings by Ms. Rashmi

## Cash and Bank Account

|  | Rs. |  | Rs. |
| :--- | ---: | :--- | ---: |
| To Balance b/d | 2,400 | By Freight inwards A/c | 6,000 |
| To Sundry debtors A/c | $1,17,000$ | By Furniture A/c | 2,000 |
| To Bills Receivable A/c | 12,250 | By Investment A/c | 192 |
| To Miscellaneous income A/c | 1,000 | By Expenses A/c | 29,000 |
|  |  | By Creditors A/c | 78,400 |
|  |  | By Drawings A/c | 15,808 |
|  |  | [Rs.14,000 + Rs.1,808 |  |
|  |  | (b.f.) |  |
|  |  | (Additional drawings)] |  |
|  |  | By Balance c/d | 1,250 |
|  |  |  | $1,32,650$ |
|  |  |  | 1,650 |

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

Amount of expenses debited to Profit and Loss A/c
Sundry Expenses Account

|  | Rs. | Rs. |  |
| :--- | ---: | :--- | ---: |
| To Prepaid expenses A/c <br> (on 1.1.2016) | 1,200 | By Outstanding expenses A/c <br> (on 1.1.2014) | 4,000 |
| To Bank A/c | 29,000 | By Profit and Loss A/c <br> (Balancing figure) <br> (oxpenses A/c (on <br> $31.12 .2016)$ | 3,600 |

Bills Receivable on 31st December,2016

## Bills Receivable Account

|  | Rs. |  | Rs. |
| :--- | ---: | :--- | ---: |
| To Debtors A/c | 20,000 | By Creditors A/c | 4,000 |
|  |  | By Bank A/c | 12,250 |
|  |  | By Discount on bills receivable A/c | 250 |
|  |  | By Balance c/d (Balancing figure) | 3,500 |
|  |  |  | 20,000 |

## QUESTION 16 (RTP NOVEMBER 18)

The following information relates to the business of ABC Enterprises, who requests you to prepare a Trading and Profit \& Loss A/c for the year ended 31st March, 2017 and a Balance Sheet as on that date.
(a) Assets and Liabilities as on:

| in Rs. |  |  |
| :--- | ---: | ---: |
|  | 1.4 .2016 | 31.3 .2017 |
| Furniture | 60,000 | 63,500 |
| Inventory | 80,000 | 70,000 |
| Sundry Debtors | $1,60,000$ | $?$ |
| Sundry Creditors | $1,10,000$ | $1,50,000$ |
| Prepaid Expenses | 6,000 | 7,000 |
| Outstanding Expenses | 20,000 | 18,000 |

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

| Cash in Hand \& Bank Balance | 12,000 | 26,250 |
| :--- | ---: | ---: |

(b) Cash transaction during the year:
(i) Collection from Debtors, after allowing discount of Rs.15,000 amounted to Rs.5,85,000.
(ii) CollectionondiscountingofBillsofExchange,afterdeductionofdiscountof Rs.1,250 by bank, totalled to Rs.61,250.
(iii) Creditors of Rs.4,00,000 were paid Rs.3,92,000 in full settlement of their dues.
(iv) Payment of Freight inward of Rs.30,000.
(v) Amount withdrawn for personal use Rs.70,000.
(vi) Payment for office furniture Rs.10,000.
(vii) Investment carrying annual interest of 6\% were purchased at Rs. 95 (200 shares, face value Rs. 100 each) on 1st October 2016 and payment made thereof.
(viii) Expenses including salaries paid Rs.95,000.
(ix) Miscellaneous receipt of Rs.5,000.
(c) Billsofexchangedrawnonandacceptedbycustomersduringtheyearamountedto Rs. $1,00,000$. Of these, bills of exchange of Rs. 20,000 were endorsed in favour of creditors. An endorsed bill of exchange of Rs.4,000 was dishonoured.
(d) Goods costing Rs.9,000 were used as advertising material.
(e) Goodsareinvariablysoldtoshowagrossprofitof20\%onsales.
(f) Difference in cash book, if any, is to be treated as further drawing or introduction of capital by proprietor of ABC enterprises.
(g) Provide at 2\% for doubtful debts on closing debtors.

ANSWER:
Trading and Profit and Loss Account of ABC enterprise
for the year ended $31^{\text {st }}$ March,2017

|  |  | Rs. |  | Rs. |
| :--- | ---: | ---: | :--- | ---: |
| To Opening |  | 80,000 | By Sales | $6,08,750$ |
| Inventory |  |  | By Closing inventory | 70,000 |
| To Purchases | $4,56,000$ |  |  |  |
| Less: For advertising | $(9,000)$ | $4,47,000$ |  |  |
| To Freight inwards |  | 30,000 |  |  |
| To Gross profit/d |  | $\underline{1,21,750}$ |  | $\underline{6,78,750}$ |
|  |  | $\underline{6,78,750}$ |  |  |
| To Sundry |  | 92,000 | By Gross profit b/d | $1,21,750$ |

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0



Balance Sheet as on 31 ${ }^{\text {st }}$ March, 2017

| Liabilities | Amount |  | Assets |  | Amount |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | Rs. | Rs. |  | Rs. | Rs. |
| Capital as on 1.4.2016 <br> Less: Drawings | 1,88,000 | 1,07,145 | Furniture(w.d.v.) Additions during the | 60,000 |  |
|  | (91,000) |  | Year | 10,000 |  |
|  | 97,000 |  | Less: Depreciation | $(6,500)$ | 63,500 |
| Add: Net Profit | 10,145 |  | Investment (200 x 95) |  | 19,000 |
| Sundry creditors Outstanding expenses |  | 1,50,000 | Interest accrued |  | 600 |
|  |  | 18,000 | Closing inventory <br> Sundry debtors <br> Less: Provision for | 72,750 | 70,000 |
|  |  |  | doubtful debts | 1,455 | 71,295 |
|  |  |  | Bills receivable |  | 17,500 |
|  |  |  | Cash in hand and at bank |  | 26,250 |
|  |  |  | Prepaid expenses |  | 7,000 |


|  |  | $\underline{2,75,145}$ |
| :--- | :--- | :--- | :--- | :--- |

## Working Notes:

1. Capital on $1^{\text {st }}$ April, 2016

Balance Sheet as on $1^{\text {st }}$ April,2016

| Liabilities | Rs. | Assets | Rs. |
| :--- | ---: | :--- | ---: |
| Capital (Bal.fig.) | $1,88,000$ | Furniture (w.d.v.) | 60,000 |
| Creditors | $1,10,000$ | Closing Inventory | 80,000 |
| Outstanding expenses | 20,000 | Sundry debtors | $1,60,000$ |
|  |  | Cash in hand and at bank | 12,000 |
|  |  | Prepaid expenses | $\underline{6,000}$ |
|  | $\underline{3,18,000}$ |  | $\underline{3,18,000}$ |

2. Purchases made during the year

## Sundry Creditors Account

|  | Rs. |  | Rs. |
| :--- | ---: | :--- | ---: |
| To Cash and bank A/c | $3,92,000$ | By Balance b/d | $1,10,000$ |
| To Discount received A/c | 8,000 | By Sundry debtors A/c | 4,000 |
| To Bills Receivable A/c | 20,000 | By Purchases A/c | $4,56,000$ |
| To Balance c/d | $\underline{1,50,000}$ | (Balancing figure) |  |
|  | $\underline{5,70,000}$ |  | $\underline{5,70,000}$ |

3. Sales made during the year

|  |  | Rs. |
| :--- | ---: | ---: |
| Opening inventory |  | 80,000 |
| Purchases | $4,56,00$ |  |
|  | 0 |  |
| Less: For advertising | $\underline{(9,000)}$ | $4,47,000$ |
| Freight inwards | $\underline{30,000}$ |  |
|  |  | $5,57,000$ |
| Less: Closing inventory |  | $\underline{(70,000)}$ |
| Cost of goods sold |  | $\underline{1,87,000}$ |
| Add: Gross profit (25\% on cost) |  | $\underline{6,08,750}$ |

## 4. Debtors on $\mathbf{3 1}{ }^{\text {st }}$ March, 2017 Sundry Debtors Account

|  | Rs. |  | Rs. |
| :--- | ---: | :--- | ---: |
| To Balance b/d | $1,60,000$ | By Cash and bank A/c | $5,85,00$ |
|  |  |  | 0 |
| To Sales A/c | $6,08,750$ | By Discount allowed A/c | 15,000 |
| To Sundry creditors |  | By Bills receivable A/c | $1,00,00$ |
| A/c |  |  | 0 |
| (bill dishonoured) | 4,000 | By Balance c/d (Bal. fig.) | $\underline{\underline{72,750}}$ |
|  | $\underline{7,72,750}$ |  | $\underline{0}$ |

5. Additional drawings by proprietors of ABC enterprises

## Cash and Bank Account

|  | Rs. |  | Rs. |
| :---: | :---: | :---: | :---: |
| To Balance b/d | 12,000 | By Freight inwards $\mathrm{A} / \mathrm{c}$ | 30,000 |
| To Sundry debtors A/c | 5,85,000 | By Furniture A/c | 10,000 |
| To Bills Receivable A/c | 61,250 | By Investment A/c | 19,000 |
| To Miscellaneous income A/c | 5,000 | By Expenses A/C | 95,000 |
|  |  | By Creditors A/c <br> By Drawings A/c | 3,92,000 |
|  |  | $\begin{array}{r} {[R s .70,000+} \\ \text { Rs. } 21,000 \text { ) } \end{array}$ | 91,000 |
|  |  | (Additional drawings)] <br> By Balance c/d | 26,250 |
|  | 6,63,250 |  | 6,63,250 |

6. Amount of expenses debited to Profit and Loss A/c

Sundry Expenses Account

|  | Rs. |  | Rs. |
| :---: | ---: | :--- | ---: |
| To Prepaid expenses A/c | 6,000 | By Outstanding expenses <br> A/c <br> (on 1.4.2016) | 95,000 | | 20,000 |
| :--- |
| To Bank Profit and Loss A/c |
| (Balancing figure) |$\quad 92,000$

## CA Ravi Agarwal's

CA INTER ACCOUNTING COMPILER 4.0

| To Outstanding <br> expenses A/c <br> (on31.3.2017) | $\underline{18,000}$ | By Prepaid expenses <br> A/c (on 31.3.17) | 7,000 |
| :---: | :---: | :---: | ---: |

## 7. Bills Receivable on $31^{\text {st }}$ March, 2017

## Bills Receivable Account

|  | Rs. |  | Rs. |
| :--- | ---: | :--- | ---: |
| To Debtors | $1,00,00$ | By Creditors A/c | 20,000 |
| A/c | 0 | By Bank A/c | 61,250 |
|  |  | By Discount on bills receivable | 1,250 |
|  |  | A/c |  |
|  |  | By Balance c/d (Balancing | $\underline{17,500}$ |
|  | figure) |  |  |
|  | $1,00,000$ |  | $\underline{1,00,000}$ |

Note: All sales and purchases are assumed to be on credit basis.

## QUESTION 17 (RTP MAY 19)

From the following information in respect of Mr. Preet, prepare Trading and Profit and Loss Account for the year ended $31{ }^{\text {st }}$ March,2018 and a Balance Sheet as at that date:

|  |  | $31-03-2017$ | $31-03-2018$ |
| :--- | :--- | ---: | ---: |
| (1) | Liabilities and Assets | Rs. | Rs. |
|  | Stock in trade | $1,60,000$ | $1,40,000$ |
|  | Debtors for sales | $3,20,000$ | $?$ |
|  | Bills receivable | - | $?$ |
|  | Creditors for purchases | $2,20,000$ | $3,00,000$ |
|  | $1,20,000$ | $1,27,000$ |  |
|  | 40,000 | 36,000 |  |
| Prepaid expenses | 12,000 | 14,000 |  |
| Cash on hand | 4,000 | 3,000 |  |
| (2) | Bank Balance | 20,000 | 1,500 |
| Receipts and Payments during 2017- |  |  |  |
| 2018: |  |  |  |
|  | Collections from Debtors |  | $11,70,000$ |

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

|  | Payments to Creditors <br> (after receiving 2\% discount) <br> Proceeds of Bills receivable discounted <br> at 2\%) <br> Proprietor's drawings <br> Purchase of furniture on 30.09.2017 <br> 12\% Government securities purchased <br> on 1-10-2017 <br> Expenses <br> Miscellaneous Income | $\begin{array}{r} 7,84,000 \\ 1,22,500 \\ \\ 1,40,000 \\ 20,000 \\ 2,00,000 \\ \\ 3,50,000 \\ 10,000 \\ \hline \end{array}$ |
| :---: | :---: | :---: |
| (3) | Capital introduced during the year by the proprietor by cheques was omitted to be recorded in the Cash Book, though the bank balance on $31^{\text {st }}$ March, 2018 (as shown above), is after taking the same into account. |  |
| (5) | During the year, Bills Receivable of Rs.2,00,000 were drawn on debtors. out of these, Bills amount to Rs.40,000 were endorsed in favour of creditors. Out of this latter amount, a Bill for Rs.8,000 was dishonoured by the debtor. |  |

Answer:

Trading and Profit and Loss Account of Mr. Preet for the year ended 31st March, 2018

|  | Amount |  |  | Amount |
| :---: | :---: | :---: | :---: | :---: |
|  | Rs. |  |  | Rs. |
| To Opening stock | 1,60,000 | By | Sales | 13,98,000 |
| To Purchases (W.N.5) | 9,12,000 | By | Closing stock | 1,40,000 |
| To | 4,66,000 |  |  |  |
|  | 15,38,000 |  |  | 15,38,000 |
| To Expenses (W.N.7) | 3,44,000 | By | Gross profit b/d | 4,66,000 |
| To Discount | 32,500 | By | Discount | 16,000 |
| ed (W.N.9) allow |  |  | receive d (W.N.10) |  |
| To Depreciation | 13,000 | By | Interest on | 12,000 |
| n furniture(W.N.1) |  |  | Govt. <br> Securities(W N 8) |  |

## CA Ravi Agarwal's CA INTER ACCOUNTING COMPILER 4.0

| To Net profit | $\underline{1,14,500}$ | By Miscellaneous | $\underline{10,000}$ |
| :--- | ---: | ---: | ---: |
| income |  |  |  |,$\underline{\underline{5,04,000}}$| 5,04,000 |
| :--- |

Balance Sheet of Mr. Preet as on 31 ${ }^{\text {st }}$ March, 2018


## Working Notes:

Furniture account

|  | Rs. |  |  | Rs. |
| :--- | ---: | :--- | :--- | ---: |
| To Balance b/d | $1,20,000$ | By | Depreciation (bal.fig.) | 13,000 |
| To Bank | $\underline{20,000}$ | By | Balance c/d | $\underline{1,27,000}$ |
|  | $\underline{1,40,000}$ |  |  | $\underline{1,40,000}$ |

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

Cash and Bank account

|  |  | Rs. |  |  | Rs. |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | Balance b/d |  | By | Creditors | 7,84,000 |
|  | Cash | 4,000 | By | Drawings | 1,40,000 |
|  | Bank | 20,000 | By | Furniture | 20,000 |
| To | Debtors | $\begin{array}{r} 11,70,00 \\ 0 \end{array}$ | By | 12\% Govt. securities | 2,00,000 |
| To | Bill Receivable | 1,22,500 | By | Expenses | 3,50,000 |
| To | Miscellaneous income | 10,000 | By | Balance c/d |  |
| To | Additional | 1,72,000 |  | Cash | 3,000 |
|  | Capit <br> al (bal. fig.) |  |  | Bank | 1,500 |
|  |  | 14,98,50 |  |  | 14,98,500 |

Debtors account


Bills Receivable account

|  | Rs. |  | Rs. |
| :--- | ---: | :--- | ---: |
| To Debtors | $2,00,000$ | Bank | $1,22,500$ |
|  |  | Discount | 2,500 |
|  |  | Creditors | 40,000 |
|  |  | Balance c/d (bal. fig.) | $\underline{35,000}$ |
|  | $\underline{2,00,000}$ |  | $\underline{2,00,000}$ |

## CA Ravi Agarwal's CA INTER ACCOUNTING COMPILER 4.0

## Creditors account

|  | Rs. |  |  | Rs. |
| :---: | :---: | :---: | :---: | :---: |
| To Bank | 7,84,000 | By Balance b/d <br> By Debtors (Bills receivable dishonoured) |  | 2,20,000 |
| To Discount | 16,000 |  |  | 8,000 |
| To Bills receivable <br> To Balance c/d | $\begin{array}{r} 40,000 \\ 3,00,000 \\ \hline 11,40,000 \\ \hline \end{array}$ | By Purchases (bal. fig.) |  | 9,12,000 |
|  |  |  |  |  |
|  |  |  |  | 11,40,000 |

Balance Sheet as on $1^{\text {st }}$ April,2017

| Liabilities | Rs. | Assets | Rs. |
| :--- | ---: | :--- | ---: |
| Creditors | $2,20,000$ | Furniture | $1,20,000$ |
| Outstanding expenses | 40,000 | Debtors | $3,20,000$ |
| Capital (balancing | $3,76,000$ | Stock | $1,60,000$ |
| figure) |  |  |  |
|  |  | Prepaid expenses | 12,000 |
|  |  | Cash | 4,000 |
|  |  | Bank balance | $\underline{20,000}$ |
|  | $\underline{6,36,000}$ |  | $\underline{6,36,000}$ |

Expenses incurred during the year

|  |  | Rs. |
| :---: | :---: | :---: |
| Expenses paid during the year |  | 3,50,000 |
| Add: Outstanding expenses as on 31.3.2018 | 36,000 |  |
| Prepaid expenses as on 31.3.2017 | 12,000 | 48,000 |
|  |  | 3,98,000 |
| Less: Outstanding expenses as on 31.3.2017 | 40,000 |  |
| Prepaid expenses as on 31.3.2018 | 14,000 | $(54,000)$ |
| Expenses incurred during the year |  | 3,44,000 |

## CA Ravi Agarwal's CA INTER ACCOUNTING COMPILER 4.0

## Interest on Government securities

$2,00,000 \times 12 \% \times 6 / 12=$ Rs. 12,000
Interest on Government securities receivables for 6 months = Rs.12,000
Discount allowed

|  | Rs. |
| :--- | ---: |
| Discount to Debtors | 30,000 |
| Discount on Bills Receivable |  |
|  | 2,500 |

## Discount received

|  | Rs. |
| :--- | ---: |
| Discount to Creditors | 16,000 |

## Credit sales

Cost of Goods sold = Opening stock + Net purchases - Closing stock

$$
\begin{aligned}
& =\text { Rs.1,60,000 + Rs.9,12,000 - Rs.1,40,000 } \\
& =\text { Rs.9,32,000 }
\end{aligned}
$$

Sale price $=$ Rs. $9,32,000+50 \%$ of $9,32,000=$ Rs. $13,98,000$

## QUESTION 18 (RTP NOVEMBER 19)

Following is the incomplete information of Jyoti shikha Traders:
The following balances are available as on 31.03.2018 and 31.03.2019.

| Balances | 31.03 .2018 | 31.03 .2019 |
| :--- | ---: | ---: |
| Land and Building | $5,00,000$ | $5,00,000$ |
| Plant and Machinery | $2,20,000$ | $3,30,000$ |
| Office equipment | $1,05,000$ | 85,000 |
| Debtors (before charging for Bad | $?$ | $2,25,000$ |
| debts) |  |  |
| Creditors for purchases | 95,000 | $?$ |
| Creditors for office expenses | 20,000 | 15,000 |

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

| Stock | $?$ | 65,000 |
| :--- | ---: | ---: |
| Long term loan from SBI @ 12\%. | $1,60,000$ | 100,000 |
| Bank | 25,000 | $?$ |
| Other Information | In Rs. |  |
| Collection from debtors | $9,25,000$ |  |
| Payment to creditors for purchases | $5,25,000$ |  |
| Payment of office expenses (excluding interest on | 42,000 |  |
| loan) | 32,000 |  |
| Salary paid | 15,000 |  |
| Selling expenses | $2,50,000$ |  |
| Cash sales |  |  |
| Credit sales (80\% of total sales) | $5,40,000$ |  |
| Credit purchases |  |  |
| Cash purchases (40\% of total purchases) | 5,500 |  |
| GP Margin at cost plus 25\% | 4,500 |  |
| Discount Allowed |  |  |
| Discount Received |  |  |
| Bad debts (2\% of closing debtors) |  |  |
| Depreciation to be provided as follows: |  |  |
| Land and Building |  |  |
| Plant and Machinery |  |  |
| Office Equipment | $15 \%$ |  |

Other adjustments:
(i) On 01.10.18 they sold machine having Book Value Rs.40,000 (as on 31.03.2018) at a loss of Rs.15,000. New machine was purchased on01.01.2019.
(ii) Office equipment was sold at its book value on01.04.2018.
(iii) Loan was partly repaid on 31.03.19 together with interest for the year.

You are required to prepare Trading, Profit \& Loss Account and Balance Sheet as on 31.03.2019.

## CA Ravi Agarwal's CA INTER ACCOUNTING COMPILER 4.0

## Answer:

In the Books of Jyotishikha Traders Trading Account
for the year ended31.03.2019

|  | Particulars | Rs. |  | Particulars | Rs. |
| :---: | :---: | :---: | :---: | :---: | :---: |
| To Opening Stock A/c (Bal. fig.) |  | 1,65,000 |  | Sales (W.N.1) | 12,50,00 |
| To Purchases (W.N.2) <br> To Gross profit $(12,50,000 \times 25 / 125)$ |  | 9,00,000 |  | Closing Stock | 65,000 |
|  |  | 2,50,000 |  |  |  |
|  |  | 13,15,00 |  |  | 13,15,00 |
|  |  | 0 |  |  |  |

Profit and Loss Account for the year ended 31.03.2019

|  | Particulars | Rs. | Particulars | Rs. |
| :---: | :---: | :---: | :---: | :---: |
| To | Discount | 5,500 | By Gross profit | 2,50,000 |
| To | Salaries Expenses 32,000 |  | By Discount | 4,500 |
| To | Office expenses (W.N.3) 37,000 |  |  |  |
| To | Selling expenses 15,000 | 84,000 |  |  |
| To | Interest on loan (12\% on Rs.1,60,000) | 19,200 |  |  |
| To | Bad debts (2\% of Rs. $2,25,000$ ) | 4,500 |  |  |
| To | Loss on sale of Machinery | 15,000 |  |  |
| To | Depreciation: |  |  |  |
|  | Land \& Building 25,000 |  |  |  |
|  | Plant \& Machinery (W.N 23,750 4b) |  |  |  |
|  | Office Equipment (W.N. 12,750 5) | 61,500 |  |  |
| To | Net profit after tax | 64,800 |  |  |
|  |  | 2,54,500 |  | 2,54,500 |

Balance sheet as on 31.3.2019

| Liabilities | Rs. | Rs. | Assets | Rs. |
| :---: | :---: | :---: | :---: | :---: |
| Capital (W.N. 6) | $\begin{array}{r} 8,95,50 \\ 0 \end{array}$ | 9,60,300 | Land and Building (5,00,00025,000) | 4,75,000 |
| Add: Net Profit | 64,800 |  | Plant and Machinery $\begin{array}{\|l} \text { (W.N.4a) } \\ (3,30,000-21,750) \end{array}$ | 3,08,250 |
| Creditors for Purchases (W.N. 8) |  | 1,05,500 | Office <br> Equipment \| (85,000- <br> 12,750) | 72,250 |
| Outstanding expenses Loan from |  | $\begin{array}{r} 15,000 \\ 1,00,000 \end{array}$ | Debtors less Bad debts (W.N. 7) Stock | $2,20,500$ 65,000 |
|  |  |  | Bank Balance (W.N. 9) | 39,800 |
|  |  | 11,80,800 |  | 11,80,800 |

## Working Notes:

## Calculation of Total Sales

|  | Rs. |
| :--- | ---: |
| Cash Sales | $2,50,000$ |
| Credit Sales (80\% of total sales) |  |
| Cash Sales (20\% of total sales) |  |
| Thus total Sales $(250000 \times 100 / 20)$ | $12,50,000$ |
| Credit Sales (1250000 $\times 80 / 100)$ | $10,00,000$ |

Calculation of Total Purchases

|  | Rs. |
| :--- | ---: |
| Credit Purchases | $5,40,000$ |
| Cash Purchases (40\% of total purchases) |  |
| Credit Purchases (60\% of total purchases) <br> Thus total Purchases (5,40,000 $\times 100 / 60)$ | $9,00,000$ |

Office Expenses Account

|  |  | Rs. |  |
| :--- | ---: | :--- | ---: |
| Rs. |  |  |  |
| To | Bank A/c | 42,000 | By Balance b/d |
| To Balance c/d | 15,000 | By Profit \& loss A/c | 20,000 |
|  | 57,000 |  | 57,000 |

(a) Plant and Machinery Account

|  | Rs. |  | Rs. |
| :--- | ---: | :--- | ---: |
| To Opening balance | $2,20,000$ | By Sale | 40,000 |
| To Purchases | $\underline{1,50,000}$ | By Closing Balance | $\underline{3,30,000}$ |
|  | $\underline{3,70,000}$ |  | $\underline{3,70,000}$ |

(b) Depreciation calculations on Plant \& Machinery

|  |  | Rs. |
| :--- | :--- | ---: |
| Depreciation <br> on | $1,80,000 \times 10 \%$ (for full year) | 18,000 |
|  |  |  |
|  | $1,50,000 \times 10 \% \times 3 / 12$ (for 3 months) | 3,750 |
|  | $40,000 \times 10 \% \times 6 / 12$ (for 6 months) | $\underline{2,000}$ |

(c) Sale of Machinery Account

|  | Amount <br> (Rs.) |  | Amount <br> (Rs.) |
| :--- | :---: | :--- | ---: |
| To Plant \& | 40,000 | By Depreciation | 2,000 |
| Machinery |  | By Profit and Loss <br> A/c | 15,000 |
|  | - | By Bank | $\underline{23,000}$ |
|  | $\underline{40,000}$ |  | $\underline{40,000}$ |

Depreciation calculations on Office Equipments

|  | Rs. |
| :--- | ---: |
| Opening Balance | $1,05,000$ |
| Less: Closing Balance | $\underline{85,000}$ |
| Sale of Office Equipment | $\underline{20,000}$ |
| Balance of Office Equipment after sale | $\underline{85,000}$ |
| Depreciation @15\% | $\underline{12,750}$ |

## CA Ravi Agarwal's CA INTER ACCOUNTING COMPILER 4.0

Opening Balance Sheet as on31.03.2018

|  | Rs. |  | Rs. |
| :--- | ---: | :--- | ---: |
| Creditors | 95,000 | Land \& Building | $5,00,000$ |
| Creditor for Exp. | 20,000 | Plant \& Machinery | $2,20,000$ |
| Loan | $1,60,000$ | Office Equipment | $1,05,000$ |
| Capital (Bal. fig.) | $8,95,500$ | Debtors | $1,55,500$ |
|  |  | Stock | $1,65,000$ |
|  |  | Bank | 25,000 |
|  |  |  | $11,70,500$ |

Sundry Debtors A/c

|  | Rs. |  | Rs. |
| :--- | ---: | :--- | ---: |
| To Balance b/d | $1,55,500$ | By Bank | $9,25,000$ |
| To Sales | $10,00,000$ | By Discount | 5,500 |
|  |  | By Bad debts | 4,500 |
|  |  | By Bal. c/d | $2,20,500$ |
|  |  | $11,55,500$ |  |

## Sundry Creditors A/c

|  |  | Rs. |  |
| :--- | ---: | :--- | ---: |
| Rs. |  |  |  |
| To | Bank | $5,25,000$ | By |
| To | Balance b/d | 95,000 |  |
| To Balance c/d | 4,500 | By Purchases | $5,40,000$ |
|  | $1,05,500$ |  |  |
|  | $6,35,000$ |  |  |

## Bank Account

|  |  | Rs. |  |  | Rs. |
| :---: | :---: | :---: | :---: | :---: | :---: |
| To | Balance b/d | 25,000 | By | Creditors | 5,25,000 |
| To | Debtors | 9,25,000 | By | Office Expenses | 42,000 |
| To | Cash Sales | 2,50,000 | By | Salary Expense | 32,000 |
| To | Sale of Machinery (W.N. 4c) | 23,000 | By | Selling Expenses | 15,000 |

## CA Ravi Agarwal's CA INTER ACCOUNTING COMPILER 4.0

| ToSale of <br> equipment | 20,000 | By | Purchases (cash) | $3,60,000$ |
| :--- | ---: | ---: | :--- | ---: |
|  |  | By | Purchase of Machinery | $1,50,000$ |
|  |  | By | Bank Loan \& Interest | 79,200 |
|  | By | Balance c/d | 39,800 |  |
|  | $12,43,000$ |  | $12,43,000$ |  |

## QUESTION 19 (RTP MAY 20)

The books of account of Mr. Maan of Mumbai is showed the following figures:

|  | 31.3 .2018 | 31.3 .2019 |
| :--- | ---: | ---: |
|  | Rs. | Rs. |
| Furniture \& fixtures | $2,60,000$ | $2,34,000$ |
| Stock | $2,45,000$ | $3,20,000$ |
| Debtors | $1,25,000$ | $?$ |
| Cash in hand \& bank | $1,10,000$ | $?$ |
| Creditors | $1,35,000$ | $1,90,000$ |
| Bills payable | 70,000 | 80,000 |
| Outstanding salaries | 19,000 | 20,000 |

An analysis of the cash book revealed the following:

|  | Rs. |
| :--- | ---: |
| Cash sales | $16,20,000$ |
| Collection from debtors | $10,58,000$ |
| Discount allowed to debtors | 20,000 |
| Cash purchases | $6,15,000$ |
| Payment to creditors | $9,73,000$ |
| Discount received from creditors | 32,000 |
| Payment for bills payable | $4,30,000$ |
| Drawings for domestic expenses | $1,20,000$ |
| Salaries paid | $2,36,000$ |
| Rent paid | $1,32,000$ |
| Sundry trade expenses | 81,000 |

Depreciation is provided on furniture \& fixtures @10\% p.a. on diminishing balance method. Mr. Maan maintains a steady gross profit rate of $\mathbf{2 5 \%}$ on sales.

## CA Ravi Agarwal's CA INTER ACCOUNTING COMPILER 4.0

You are required to prepare Trading and Profit and Loss account for the year ended 31 ${ }^{\text {st }}$ March, 2019 and Balance Sheet as on that date.
Answer:

1. Trading \&Profit and Loss Account In the books of Mr. Maan for the year ended 31 ${ }^{\text {St }}$ March,2019

| Particulars | Amount | Particulars | Amount |
| :---: | :---: | :---: | :---: |
|  | Rs. |  | Rs. |
| To Opening stock | 2,45,000 | By Sales: |  |
| To Purchases: |  | Cash | 16,20,000 |
| Cash | 6,15,000 | Credit (W.N.3) | 11,00,000 |
| Credit (W.N. 2) | 15,00,000 | By Closing stock | 3,20,000 |
| To Gross profit c/d | 6,80,000 |  |  |
|  | 30,40,000 |  | 30,40,000 |
| To Salaries (W.N.5) | 2,37,000 | By Gross profit b/d | 6,80,000 |
| To Rent | 1,32,000 | By Discount received | 32,000 |
| To Sundry trade expenses | 81,000 |  |  |
| To Discount allowed | 20,000 |  |  |
| To Depreciation on furniture \& fixtures | 26,000 |  |  |
| To Net profit | 2,16,000 |  |  |
|  | 7,12,000 |  | 7,12,000 |

Balance Sheet
as at 31st March, 2019
$\left.\begin{array}{|lr|r|l|r|}\hline \text { Liabilities } & \text { Amount } & & \text { Amount } \\ \hline & \text { Rs. } & & \text { Rs. } \\ \hline \text { Capital } & & \begin{array}{l}\text { Fixed assets } \\ \text { Opening balance } \\ \text { (W.N.7) }\end{array} & 5,16,000 & \\ \text { Furniture \& } \\ \text { fixtures }\end{array}\right)$

## CA Ravi Agarwal's CA INTER ACCOUNTING COMPILER 4.0

| Creditors | $1,90,000$ |  |  |
| :--- | ---: | :--- | :--- |
| Bills payable | 80,000 |  |  |
| Outstanding salaries | $\underline{20,000}$ |  |  |
|  | $\underline{9,02,000}$ |  | $\underline{9,02,000}$ |

## Working Notes:

Bills Payable Account

|  | Rs. |  | Rs. |
| :--- | ---: | :--- | ---: |
| To Cash/Bank | $4,30,000$ |  |  |
| To Balance c/d | By <br> 80,000 | By Balance b/d <br> fig.) | 70,000 |
|  | $\underline{5,10,000}$ |  | $4,40,000$ |

Creditors Account

|  | Rs. |  | Rs. |
| :---: | :---: | :---: | :---: |
| To Cash/Bank | 9,73,000 | By Balance b/d | 1,35,000 |
| To Bills payable | 4,40,000 | By Credit | 15,00,00 |
| A/c (W.N.1) |  | purchas <br> es (Bal.fig.) | 0 |
| To Discount received | 32,000 |  |  |
| To Balance c/d | 1,90,000 |  |  |
|  | 16,35,00 |  | 16,35,00 |
|  | $\underline{0}$ |  | $\underline{0}$ |

Calculation of credit sales

|  |  | Rs. |
| :--- | ---: | ---: |
| Opening stock |  | $2,45,000$ |
| Add: Purchases | $\underline{15,000}$ |  |
| Cash purchases | $\underline{21,00,000}$ | $\underline{21,15,00}$ |
| Credit purchases | $\underline{0}$ |  |
|  |  | $23,60,000$ |
| Less: Closing Stock | $\underline{3,20,000}$ |  |
| Cost of goods sold | $\underline{20,40,000}$ |  |

## CA Ravi Agarwal's CA INTER ACCOUNTING COMPILER 4.0

| Gross profit ratio on sales | $25 \%$ |
| :--- | ---: | ---: |
| Total sales | $27,20,000$ |
|  |  |
| Less: Cash sales | $\underline{16,20,000}$ |
| Credit sales | $\underline{11,00,000}$ |

## Debtors Account

|  | Rs. |  | Rs. |  |
| :--- | ---: | :--- | :--- | ---: |
| To Balance b/d | $1,25,000$ | By | Cash/Bank | $10,58,00$ <br> 0 |
| To Credit sale | $11,00,000$ | ByDiscount allowed | 20,000 |  |
| s (W.N.3) | - | By <br> Balance c/d (Bal. <br> fig.) | $\underline{1,47,000}$ |  |
|  | $\underline{12,25,000}$ |  | $\underline{12,25,00}$ |  |

## Salaries

|  | Rs. |
| :--- | ---: |
| Salaries paid during the year | $2,36,000$ |
| Add: Outstanding salaries as on 31.3.2019 | $\underline{20,000}$ |
|  | $2,56,000$ |
| Less: Outstanding salaries as on31.03.2018 | $\underline{19,000}$ |
|  | $\underline{2,37,000}$ |

Cash / Bank Account

|  | Rs. |  |  | Rs. |
| :---: | :---: | :---: | :---: | :---: |
| To Balance b/d <br> To Cash sales <br> To Debtors | $\begin{array}{r} 1,10,000 \\ 16,20,000 \\ 10,58,000 \end{array}$ | By | Cash purchases | 6,15,000 |
|  |  | By | Creditors | 9,73,000 |
|  |  | By | Bills payable | 4,30,000 |
|  |  | By | Drawings | 1,20,000 |
|  |  | By | Salaries | 2,36,000 |
|  |  | By | Rent | 1,32,000 |
|  |  | By | Sundry trade expenses | 81,000 |
|  |  | By | Balance c/d | 2,01,000 |
|  | 27,88,000 |  |  | 27,88,000 |

## CA Ravi Agarwal's

CA INTER ACCOUNTING COMPILER 4.0

Balance Sheet as at 31st March,2018

|  | Rs. |  | Rs. |
| :--- | ---: | :--- | ---: |
| Creditors | $1,35,000$ | Furniture \& fixtures | $2,60,000$ |
| Bills payable | 70,000 | Stock | $2,45,000$ |
| Outstanding salaries | 19,000 | Debtors | $1,25,000$ |
| Capital (Bal. fig.) | $\underline{5,16,000}$ | Cash \& bank | $\underline{1,10,000}$ |
|  | $\underline{7,40,000}$ |  | $\underline{\underline{7,40,000}}$ |

## QUESTION 20 (RTP NOVEMBER 20) (RTP MAY 18)

The following is the Balance Sheet of Manish and Suresh as on1 st April, 2019:

| Liabilities | Rs. | Assets | Rs. |
| :--- | ---: | :--- | ---: |
| Capital Accounts: |  | Building | $1,00,000$ |
| Manish | $1,50,000$ | Machinery | 65,000 |
| Suresh |  | 75,000 | Stock |
| Creditors for goods | 30,000 | Debtors | 40,000 |
| Creditors for expenses | 25,000 | Bank | 50,000 |
|  |  |  | 25,000 |
|  | $\underline{2,80,000}$ |  |  |
|  |  |  | $\underline{2,80,000}$ |

They give you the following additional information:
(i) Salesandpurchasesfortheyearended31 ${ }^{\text {st }}$ March,2019wereRs.3,00,000andRs. 2,40,000 respectively.
(ii) Stock level is maintained uniformly in value throughout all over the year.
(iii) Depreciation on machinery is charged @ 10\%, Depreciation on building @ 5\% in the current year.
(iv) Salesinthecurrentyearwillincreaseby $43.75 \%$ involume.
(v) Rate of gross profit remains the same.
(vi) Business Expenditures are Rs.50,000 for the year and all expenditures are paid in cash.
(vii) All sales and purchases are on credit basis and there are no cash purchases and sales.

You are required to prepare Trading and Profit and Loss Account for the year ended 31.03.2020.

## CA Ravi Agcrwal's <br> CA INTER ACCOUNTING COMPILER 4.0

Answer:
TradingandProfitandLossaccountfortheyearending31stMarch,2020

| Particulars | Rs. | Particulars | Rs. |
| :---: | :---: | :---: | :---: |
| To Opening Stock | 40,000 | By Sales | 4,31,250 |
| To Purchases | 3,45,000 | By Closing Stock | 40,000 |
| To Gross Profit c/d (20\% on sales) | 86,250 |  |  |
|  | 4,71,250 |  | 4,71,250 |
| To Business Expenses | 50,000 | By Gross Profit b/d | 86,250 |
| To Depreciation on: |  |  |  |
| Machinery 6,500 |  |  |  |
| Building $\quad$ 5,000 | 11,500 |  |  |
| To Net profit | 24,750 |  |  |
|  | 86,250 |  | 86,250 |

## Working Note:

|  |  | Rs. |
| :---: | :--- | ---: |
| (i) | Calculation of Rate of Gross Profit earned during |  |
|  | previous year | $3,00,000$ |
| A | Sales during previous year | $2,40,000$ |
| B | Purchases | $2,40,000$ |
| C | Cost of Goods Sold (Rs.40,000 + Rs.2,40,000 - | 60,000 |
| D | Rs.40,000) Gross Profit (A-C) | $20 \%$ |
| E | Rate of Gross Profit | Rs. |
|  |  | $2,40,000$ |
| (ii) |  | $\underline{1,05,000}$ |
| A | Calculation of sales during current year | $\underline{8,45,000}$ |
| B | Cost of goods sold during previous year | $\underline{4,31,250}$ |
| C | Add: Increases in volume @ 43.75\% |  |
| D | Cost of goods sold during Current Year |  |
| E | Add: Gross profit @ 25\% on cost (20\% on sales) |  |
|  | Sales for current year [C+D] |  |

## CA Ravi Agarwal's

CA INTER ACCOUNTING COMPILER 4.0

## QUESTION 21 (MTP MARCH 19)

The premises of Anmol Ltd. caught fire on $22^{\text {nd }}$ January 2017, and the stock was damaged. The firm makes account up to 31st March each year. On 31st March, 2016 the stock at cost was Rs. 6,63,600 as against Rs. 4,81,100 on 31st March,2015.

Purchases from $1^{\text {st }}$ April, 2016 to the date of fire were Rs. 17,41,350 as against Rs. 22,62,500 for the full year 2015-16 and the corresponding sales figures were Rs. 24,58,500 and Rs. 26,00,000 respectively. You are given the following further information:
(i) In July, 2016, goods costing Rs. 50,000 were given away for advertising purposes, no entries being made in the books.
(ii) During 2016-17, a clerk had misappropriated unrecorded cash sales. It is estimated that the defalcation averaged Rs. 1,000 per week from 1 ${ }^{\text {st }}$ April, 2016 until the clerk was dismissed on $18^{\text {th }}$ August,2016.
(iii) The rate of gross profit is constant.

From the above information calculate the stock in hand on the date of fire.

## ANSWER:

Ascertainment of rate of gross profit for the year 2015-16
Trading A/c for the year ended 31-3-2016

|  | Rs. |  | Rs. |
| :--- | ---: | :--- | ---: |
| To Opening stock | $4,81,100$ | By Sales | $26,00,000$ |
| To Purchases | $22,62,500$ | By Closing stock | $6,63,600$ |
| To Gross profit | $5,20,000$ |  |  |
|  | $32,63,600$ |  | $32,63,600$ |

Memorandum Trading A/c for the period from 1-4-2016 to 22-01-2017

|  | Rs. | Rs. |  | Rs. | Rs. |
| :---: | :---: | :---: | :---: | :---: | :---: |
| To Opening stock | $\left.\begin{array}{r} 17,41,350 \\ (50,000) \end{array} \right\rvert\,$ | 6,63,600 | By Sales <br> Add: Unrecorded cash sales (W.N.) <br> By Closing stock | $\begin{array}{r} 24,58,500 \\ \underline{20,000} \\ \hline \end{array}$ | $\begin{array}{r} 24,78,500 \\ 3,72,150 \end{array}$ |
| To Purchases |  |  |  |  |  |
| Less: Goods used for advertisement |  | 16,91,350 |  |  |  |
| To Gross profit (20\% |  | 4,95,700 |  |  |  |
|  |  | 28,50,650 |  |  | 28,50,650 |

Estimated stock in hand on the date of fire was Rs. 3,72,150.

## Working Note:

## Cash sales defalcated by the Accountant:

Defalcation period $=1 \cdot 4.2016$ to 18.8.2016= 140 days
Since, 140 days $/ 7$ weeks $=20$ weeks
Therefore, amount of defalcation $=20$ weeks $\times$ Rs. $1,000=$ Rs. $20,000$.

## QUESTION 22 (MTP APRIL 19)

Mohan Ltd. purchased an asset on $1^{\text {st }}$ January 2013 for Rs. 5,00,000 and the asset had an estimated useful life of 5 years and a residual value of nil. On 1 ${ }^{\text {st }}$ January 2017, the directors review the estimated life and decide that the asset will probably be useful for a further 4 years.

You are required to compute the amount of depreciation for each year, if company charges depreciation on Straight Line basis.

ANSWER:
The entity has charged depreciation using the straight-line method at Rs. 1,00,000 per annum i.e (5,00,000/5 years). On $1^{\text {st }}$ January 2017, the asset's net book value is [5,00,000 - (1,00,000 $\times 4$ )] Rs. $1,00,000$. The remaining useful life is 4 years. The company should amend the annual provision for depreciation to charge the unamortized cost over the revised remaining life of four years. Consequently, it should charge depreciation for the next 4 years at Rs. 25,000 per annum i.e. (1,00,000 / 4years).

## QUESTION 23 (MTP MAY 20) (PAST PAPER NOVEMBER 18)

Aman, a readymade garment trader, keeps his books of account under single entry system. On the closing date, i.e. on $31^{\text {st }}$ March, 2019 his statement of affairs stood as follows:

| Liabilities | Amount Rs. | Assets | Amount Rs. |
| :--- | ---: | :--- | ---: |
| Aman's capital | $4,80,000$ | Building | $3,25,000$ |
| Loan | $1,50,000$ | Furniture | 50,000 |
| Creditors | $3,10,000$ | Motor car | 90,000 |

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

|  |  | Stock | $2,00,000$ |
| :--- | :--- | :--- | ---: |
| Debtors | $1,70,000$ |  |  |
| Cash in hand | 20,000 |  |  |
| Cash at bank | $\underline{85,000}$ |  |  |
| $9,40,000$ |  |  |  |$\quad$| $9,40,000$ |
| :--- |

Riots occurred and a fire broke out on the evening of $31^{\text {st }}$ March, 2020, destroying the books of accounts. On that day, the cashier had absconded with the available cash. You are furnished with the following information:

1. Sales for the year ended $31^{\text {st }}$ March, 2020 were $20 \%$ higher than the previous year's sales, out of which, $20 \%$ sales were for cash. He always sells his goods at cost plus $25 \%$. There were no cash purchases.
2. Collection from debtors amounted to Rs. $14,00,000$ out of which Rs.3,50,000 was received in cash. Balance of Creditors as on $31^{\text {st }}$ March, 2020 was Rs.4,75,000.
3. Business expenses amounted to Rs. $2,00,000$, of which Rs. 50,000 were outstanding on $31^{\text {st }}$ March, 2020 and Rs. 60,000 paid by cheques.
4. Gross profit as per last year's audited accounts was Rs.3,00,000.
5. Provide depreciation on building and furniture at $5 \%$ each and motor car at $20 \%$.
6. His private records and the Bank Pass Book disclosed the following transactions for the year 2019-20:

|  | Rs. |
| :--- | ---: |
| Payment to creditors (paid by cheques) | $13,75,000$ |
| Personal drawings (paid by cheques) | 75,000 |
| Repairs (paid by cash) | 10,000 |
| Travelling expenses (paid by cash) | 15,000 |
| Cash deposited in bank | $7,15,000$ |
| Cash withdrawn from bank | $1,20,000$ |

7. Stock level was maintained at Rs. $3,00,000$ all through out the year.
8. The amount defalcated by the cashier is to be written off to the Profit and Loss Account. You are required to prepare Trading and Profit and Loss A/c for the year ended $31^{\text {st }}$ March, 2020 and Balance Sheet as on that date of Aman. All the workings should form part of the answer.

ANSWER:

## CA Ravi Agarwal's

CA INTER ACCOUNTING COMPILER 4.0

TradingandProfitandLossAccountofAmanfortheyearended31stMarch,2020

|  |  | Rs. |  |  | Rs. |
| :---: | :---: | :---: | :---: | :---: | :---: |
| $\begin{aligned} & \text { To } \\ & \text { To } \\ & \text { To } \end{aligned}$ | Opening Stock | 2,00,000 |  | Sales | 18,00,000 |
|  | Purchases (Bal. fig.) | 15,40,000 |  | Closing Stock | 3,00,000 |
|  | Gross Profit c/d | 3,60,000 |  |  |  |
|  |  | 21,00,000 |  |  | $\underline{21,00,000}$ |
| To | Business Expenses | 2,00,000 |  | Gross Profit b/d | 3,60,000 |
|  | Repairs | 10,000 |  |  |  |
|  | Depreciation: |  |  |  |  |
|  | Machinery 2,500 |  |  |  |  |
|  | MotorCar 18,000 | 36,750 |  |  |  |
| To | Travelling Expenses | 15,000 |  |  |  |
| To | Loss by theft (cash defalcated) | 20,000 |  |  |  |
| To | Net Profit | 78,250 |  |  |  |
|  |  | 3,60,000 |  |  | 3,60,000 |

Balance Sheet of Aman as at $31^{\text {st }}$ March, 2020

| Liabilities | Rs. | Rs. | Assets | Rs. | Rs. |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Capital | 4,80,0000 |  | Building | 3,25,000 |  |
| Add: |  |  | Less: Depreciation | $\underline{(16,250)}$ | 3,08,750 |
| Net Profit | 78,250 |  | Furniture | 50,000 |  |
| Drawings | (75,000) | 4,83,250 | Less: Depreciation | (2,500) | 47,500 |
| Loan |  | 1,50,000 | Motor car | 90,000 |  |
|  |  |  | Less: Depreciation | $(18,000)$ | 72,000 |
| Sundry Creditors |  | 4,75,000 | Stock in Trade |  | 3,00,000 |
| Outstanding |  |  | Sundry Debtors |  | 2,10,000 |
| business Expenses |  | 50,000 | Bank Balance |  | 2,20,000 |
|  |  | $\underline{11,58,250}$ |  |  | 11,58,250 |

## CA Ravi Agcrwal's <br> CA INTER ACCOUNTING COMPILER 4.0

## Working Notes:

1. Cash and Bank Account

2. Calculationofsalesduring2019-20

Rs.

| Gross profit (last year i.e. for year ended 31.3.2019 | $3,00,000$ |
| :--- | ---: |
| Goods sold at cost plus 25\% i.e. 20\% of sales | $15,00,000$ |
| Sales for 2018-19(3,00,000/0.2) |  |
| Sales for 2019-20 (15,00,000 x 1.2) | $18,00,000$ |
| Credit sales for 2019-20 | $14,40,000$ |
|  | (80\% of $18,00,000)$ |

3. 

Debtors Account

| To | Bal. b/d. | $1,70,000$ | By | Cash | $3,50,000$ |
| :--- | :--- | ---: | :--- | :--- | ---: |
| To | Sales (18,00,000 x 80\%) | $14,40,000$ | By | Bank | $10,50,000$ |
|  |  |  | By | Bal. c/d | $\underline{2,10,000}$ |
|  |  | $\underline{16,10,000}$ |  |  | $\underline{16,10,000}$ |

## CA Ravi Agcrwal's <br> CA INTER ACCOUNTING COMPILER 4.0

4. 

Creditors Account

| To | Bank | $13,75,000$ | By | Bal. b/d | $3,10,000$ |
| :--- | :--- | ---: | :--- | :--- | ---: |
| To | Bal. c/d | $4,75,000$ | By | Purchases | $15,40,000$ |
|  |  |  |  |  |  |
|  |  | $18,50,000$ |  |  | $18,50,000$ |

## QUESTION 24 (MTP OCTOBER 20)

Entity A carried plant and machinery in its books at Rs. 2,00,000 which were destroyed in a fire. These machines were insured 'New for old' and were replaced by the insurance company with new machines of fair value Rs. 20,00,000. The old destroyed machines were acquired by the insurance company and the company did not receive any cash compensation. State, how Entity A should account for the same?

## ANSWER:

Entity A should account for a loss in the Statement of Profit and Loss on de-recognition of the carrying value of plant and machinery in accordance with AS 10 on Property, Plant and Equipment. Entity A should separately recognize a receivable and a gain in the income statement resulting from the insurance proceeds once receipt is virtually certain. The receivable should be measured at the fair value of assets provided by the insurer.

## QUESTION 25 (MTP OCTOBER 20) (RTP JULY 21) (MTP MAY 18)

Ram carried on business as retail merchant. He has not maintained regular account books. However, he always maintained Rs. 10,000 in cash and deposited the balance into the bank account. He informs you that he has sold goods at profit of $25 \%$ on sales.

Following information is given to you:

Assets and Liabilities
Cash in Hand
Sundry Creditors

As on 1.4.2019 As on 31.3.2020
10,000
10,000
90,000

## CA Ravi Agarwal's

CA INTER ACCOUNTING COMPILER 4.0

| Cash at Bank | $50,000(C r)$. | $80,000($ Dr.) |
| :--- | ---: | ---: |
| Sundry Debtors | $1,00,000$ | $3,50,000$ |
| Stock in Trade | $2,80,000$ | $?$ |
| Ram's capital | $3,00,000$ |  |

Analysis of his bank pass book reveals the following information:
(a) Payment to creditors Rs.7,00,000
(b) Payment for business expenses Rs.1,20,000
(c) Receipts from debtors
(d) Loan from Laxman
(e) Cash deposited in the bank

Rs.7,50,000
Rs. 1,00,000 taken on 1.10.2019 at 10\% perannum
Rs.1,00,000

He informs you that he paid creditors for goods Rs. 20,000 in cash and salaries Rs. 40,000 in cash. He has drawn Rs. 80,000 in cash for personal expenses. During the year Ram had not introduced any additional capital. Surplus cash if any, to be taken as cash sales.

You are required to prepare:
(i) Trading and Profit and Loss Account for the year ended 31.3.2020.
(ii) Balance Sheet as at 31 ${ }^{\text {st }}$ March,2020.

## ANSWER:

Trading and Profit and Loss Account
for the year ended 31 ${ }^{\text {st }}$ March, 2020

|  | Rs. |  | Rs. |
| :---: | :---: | :---: | :---: |
| To Opening stock | 2,80,000 | By Sales |  |
| To Purchases | 7,70,000 | Cash 2,40,000 |  |
| To Gross Profit @ 25\% | 3,10,000 | Credit $\quad 10,00,000$ | 12,40,000 |
|  |  | By Closing Stock (bal.fig.) | 1,20,000 |
|  | 13,60,000 |  | 13,60,000 |
| To Salaries | 40,000 | By Gross Profit | 3,10,000 |
| To Business expenses | 1,20,000 |  |  |
| To Interest on loan (10\% of 1,00,000 x | 5,000 |  |  |
| $\begin{aligned} & (10 \% \text { of } 1,00,000 x \\ & 6 / 12) \end{aligned}$ |  |  |  |
| To Net Profit | 1,45,000 |  |  |
|  | 3,10,000 |  | 3,10,000 |

## CA Ravi Agarwal's CA INTER ACCOUNTING COMPILER 4.0

Balance Sheet as at 31st March, 2020

| Liabilities | Rs. | Rs. | Assets | Rs. |
| :--- | ---: | ---: | :--- | ---: |
| Ram's capital: |  |  | Cash in <br> hand <br> Cash at | 10,000 |
| Opening | $\underline{1,45,000}$ | 80,000 |  |  |
| Add: Net Profit | $4,45,000$ |  | Bank <br> Sundry <br> Debtors <br> Stock in <br> trade | $1,20,50,000$ |
| Less: Drawings | $\underline{(80,000)}$ | $3,65,000$ |  |  |
| Loan from Laxman (including <br> interest due) <br> Sundry Creditors |  | $1,05,000$ |  | $\underline{90,000}$ |
|  |  | $\underline{5,60,000}$ |  |  |

## Working Notes:

1. 

Sundry Debtors Account

|  | Rs. |  | Rs. |
| :---: | :---: | :---: | :---: |
| To Balance b/d | 1,00,000 | By Bank A/c | 7,50,000 |
| To Credit sales (Bal. fig) | 10,00,000 | By Balance c/d | 3,50,000 |
|  | 11,00,000 |  | 11,00,000 |

2. 

Sundry Creditors Account

|  | Rs. |  | Rs. |
| :--- | ---: | :--- | ---: |
| To | Bank A/c | $7,00,000$ | By Balance b/d |
| To | Cash A/c | 20,000 | By Purchases (Bal. fig.) |
| To | $7,70,000$ |  |  |
|  | $\underline{90,000}$ |  |  |
|  | $\underline{8,10,000}$ |  | $\underline{8,10,000}$ |

3. 

Cash and Bank Account

|  |  | Cash | Bank |  | Cash | Bank |
| :--- | :--- | ---: | ---: | ---: | ---: | ---: |
|  | Rs. | Rs. |  | Rs. | Rs. |  |
| To | Balance b/d | 10,000 |  | By | Balance b/d |  |
| To | Sales (bal. <br> fig) | $2,40,000$ |  | By | Bank A/c (C) | $1,00,000$ |

## CA Ravi Agarwal's

 CA INTER ACCOUNTING COMPILER 4.0| To | Cash (C) |  | $\begin{array}{r} 1,00,0 \\ 00 \end{array}$ | By | Salaries | 40,000 |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| To | Debtors |  | $\begin{array}{r} 7,50,0 \\ 00 \end{array}$ | By | Creditors | 20,000 | 7,00,000 |
| To | Laxman's loan |  | $\begin{array}{r} 1,00,0 \\ 00 \end{array}$ | $\begin{aligned} & \mathrm{By} \\ & \mathrm{By} \end{aligned}$ | Drawin gs Busines s | 80,000 |  |
|  |  | 2 | 9,50, | By | expenses <br> Balance c/d | 10,000 | $\begin{array}{r} 1,20,000 \\ 80,000 \\ \hline \end{array}$ |
|  |  | 50,000 | $\underline{000}$ |  |  | 2,50,000 | 9,50,000 |

## QUESTION 26 (PAST PAPER MAY 19)

The following balances appeared in the books of $M / s$ Sunshine Traders:

|  | Ason | Ason |
| :--- | ---: | ---: |
|  | $31-03-$ | $31-03-$ |
|  | 2018 | 2019 |
|  | $($ Rs. $)$ | (Rs.) |
| Land and Building | $2,50,000$ | $2,50,000$ |
| Plant and Machinery | $1,10,000$ | $1,65,000$ |
| Office Equipment | 52,500 | 42,500 |
| Sundry Debtors | 77,750 | $1,10,250$ |
| Creditors for Purchases | 47,500 | $?$ |
| Provision for office expenses | 10,000 | 7,500 |
| Stock | $?$ | 32,500 |
| Long Term loan from ABC Bank @ 10\% per | 62,500 | 50,000 |
| annum |  |  |
| Bank | 12,500 | $?$ |
| Capital | $4,65,250$ | $?$ |

Other information was as follows:

|  | In (Rs.) |
| :--- | ---: |
| - Collection from Sundry Debtors | $4,62,500$ |
| - Payments to Creditors for Purchases | $2,62,500$ |
| - Payment of office Expenses | 21,000 |
| - Salary paid | 16,000 |
| - Selling Expenses paid | 7,500 |
| - Total sales | $6,25,000$ |

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| Credit sales (80\% of Total sales) |  |
| :--- | ---: |
| - Credit Purchases | $2,70,000$ |
| Cash Purchases (40\% of Total Purchases) |  |
| - Gross Profit Margin was 25\% on cost | 2,750 |
| - Discount Allowed | 2,250 |
| - Discount Received | 2,250 |
| - Bad debts |  |

- Depreciation to be provided as follows:

Land and Building - 5\% per annum

Plant and Machinery - 10\% per annum
Office Equipment - 15\% Per annum

- On 01.10.2018 the firm sold machine having book value, Rs.20,000 (as on 31.03.2018) at a loss of Rs. 7,500. New machine was purchased on 01.01.2019.
- Office equipment was sold at its book value on01.04.2018.
- Loan was partly repaid on 31.03.2019 together with interest for the year.

You are required to prepare:
(i) Trading and Profit \& Loss account for the year ended 31st March,2019.
(ii) Balance Sheet as on 31 ${ }^{\text {st }}$ March 2019.

ANSWER:
(a) Trading and Profit and Loss A/c for the year ended31.3.2019


## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

|  |  |  |  |  |
| :---: | ---: | ---: | ---: | ---: |
| To Depreciation |  |  |  | 2,250 |
| Land \& Building | 12,500 |  |  |  |
| Plant \& Machinery | 11,875 |  |  |  |
| Office Equipment | $\underline{6,375}$ | 30,750 |  |  |
| To Expenses paid |  |  |  |  |
| Salary | 16,000 |  |  |  |
| Selling Expenses | 7,500 |  |  |  |
| Office Expenses | $\underline{18,500}$ | 42,000 |  |  |
| To Bed debt |  | 2,250 |  |  |
| To Discount allowed |  | 2,750 |  |  |
| To Interest on loan |  | 6,250 |  |  |
| To Net profit |  | $1,27,250$ |  |  |

Balance Sheet as on 31-3-2019
$\left.\begin{array}{|l|r|r|l|r|r|}\hline \text { Liabilities } & & \text { Rs. } & \text { Assets } & & \text { Rs. } \\ \hline \begin{array}{ll}\text { Capital (Balancing } \\ \text { Figure) }\end{array} & 4,65,250 & & \begin{array}{l}\text { Land \& } \\ \text { Building } \\ \text { Add: } \text { Net profit }\end{array} & \underline{35,750} & 2,50,000\end{array}\right)$

## Working Notes:

## 1. Calculation of Sales and Purchases

Total sales = Rs.6,25,000
Cash sales $=20 \%$ of total sales $(6,25,000)=$ Rs.1,25,000
Credit sales $=80 \%$ of total sales $=(6,25,000) \quad$ Rs. $5,00,000$

GrossProfit25\%oncost=6,25,000*25/125 = Rs.1,25,000
Credit purchases = Rs.2,70,000
Credit purchases $=60 \%$ of total purchases Cash
purchases $=40 \%$ of total purchases
Cash purchases $=4,50,000-2,70,000=$ Rs. 1,80,000
2.

Plant \& Machinery

|  | Rs. |  | Rs. |
| :---: | :---: | :---: | :---: |
| To Balance b/d | $\begin{array}{r} 1,10,00 \\ 0 \end{array}$ | By Sale of Machinery A/c <br> By Balance c/d | 20,000 |
| To Cash-purchase (Bal. | 75,000 |  | 1,65,00 |
| Fig.) |  |  | ㅇ |
|  | 1,85,00 |  | $\begin{array}{r}1,85,00 \\ \hline 0\end{array}$ |

Depreciation on Plant \& Machinery:

| $@ 10 \%$ p.a. on Rs.20,000 for 6 months | $=$ | 1,000 |
| :--- | :--- | :--- |
| $@ 10 \%$ p.a. on Rs. 90,000 (i.e. Rs. 1,10,000 - Rs. | $=$ | 9,000 |
| 20,000 ) |  |  |
| @ $10 \%$ <br> year) p.a. on Rs. 75,000 |  |  |

## CA Ravi Acarwal's CA INTER ACCOUNTING COMPILER 4.0

Sale of Machinery Account

| To Plant and | 20,000 | By Depreciation <br> $(20,000 \times 10 \% \times 1 / 2$ <br> Machinery | By Profit and Loss A/c <br> By Bank (Balancing <br> figure) |
| :--- | ---: | :--- | ---: |
| 20,000 |  | 1000 |  |

## Creditors Account

|  |  | Rs. |  | Rs. |
| :---: | :---: | :---: | :---: | :---: |
| To | Cash | 2,62,500 | By Balance b/d | 47,500 |
| To | Discount received | 2,250 | By Credit purchases <br> (W.N.2) | 2,70,000 |
| To | Balance c/d (Bal. Fig.) | 52,750 |  |  |
|  |  | 3,17,500 |  | 3,17,500 |

## Debtors Account

|  |  | Rs. |  |  | Rs. |
| :--- | :--- | ---: | :--- | :--- | ---: |
| To | Balance b/d (Given) | 77,750 | By | Cash | $4,62,500$ |
| To | Sales (Credit) | $5,00,000$ | By | Discount allowed | 2,750 |
|  |  | By | Bad debts | 2,250 |  |
|  |  | By | Balance c/d | $1,10,250$ |  |
|  |  | $5,77,750$ |  | $5,77,750$ |  |

Provision for Office Expenses Account

|  | Rs. |  | Rs. |
| :--- | ---: | :--- | ---: |
| To Bank | 21,000 | By balance b/d | 10,000 |
| To balance c/d | $\underline{7,500}$ | By Expenses. (Bal. fig.) | $\underline{18,500}$ |
|  | $\underline{28,500}$ |  | $\underline{28,500}$ |

3. 

Bank Account

|  | Rs. |  |  | Rs. |
| :---: | :---: | :---: | :---: | :---: |
| To Balance b/d <br> To Debtors <br> To Office <br> Equipme <br> nt (sales) <br> To Cash sales (W.N.1) <br> To Machine sold | 12,500 | By | Creditors | 2,62,500 |
|  | 4,62,500 | By | Purchases | 1,80,000 |
|  | 10,000 | By | Expenses | 44,500 |
|  |  |  | $\begin{aligned} & \text { Rs. }(16,000+7,500+ \\ & 21,000) \end{aligned}$ |  |
|  | 1,25,000 | By | Bank loan paid | 18,750 |
|  | 11,500 | By | Machine purchased (W.N.4) | 75,000 |
|  |  | By | Balance c/d (Bal. Fig.) | 40,750 |
|  | 6,21,500 |  |  | 6,21,500 |

Office Equipment Account

| To balance b/d | 52,500 | By Sales | 10,000 |
| :--- | ---: | :--- | :--- |
|  |  | By balance c/d | $\underline{42,500}$ |
|  | $\underline{52,500}$ | $\underline{52,500}$ |  |

## QUESTION 27 (PAST PAPER MAY 19) (PASTE EXAM NOV20)

(a) Summarized Balance Sheet of Cloth Trader as on 31.03.2017 is given below:

| Liabilities | Amount <br> $($ Rs. $)$ | Assets | Amount <br> (Rs.) |
| :--- | ---: | :--- | ---: |
| Proprietor's Capital | $3,00,000$ | Fixed Assets | $3,60,000$ |

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

| Profit \& Loss Account | $1,25,000$ | Closing Stock | $1,50,000$ |
| :--- | ---: | :--- | ---: |
| $10 \%$ Loan Account | $2,10,000$ | Sundry Debtors | $1,00,000$ |
| Sundry Creditors | 50,000 | Deferred Expenses | 50,000 |
|  |  | Cash \& Bank | $\underline{25,000}$ |
|  | 85,00 |  |  |
| 0 |  | $6,85,000$ |  |

Additional Information is as follows :
(1) The remaining life of fixed assets is 8 years. The pattern of use of the asset is even. The net realisable value of fixed assets on 31.03 .2018 was Rs.3,25,000.
(2) Purchases and Sales in 2017-18 amounted to Rs. 22,50,000 and Rs. 27,50,000 respectively.
(3) The cost and net realizable value of stock on 31.03 .2018 were Rs. 2,00,000and Rs. 2,50,000 respectively.
(4) Expenses for the year amounted to Rs.78,000.
(5) Deferred Expenses are amortized equally over 5years.
(6) Sundry Debtors on $\mathbf{3 1 . 0 3 . 2 0 1 8}$ are Rs. 1,50,000 of which Rs. 5,000 is doubtful. Collection of another Rs. 25,000 depends on successful re-installation of certain product supplied to the customer;
(7) Closing Sundry Creditors are Rs. 75,000, likely to be settled at 10\% discount.
(8) Cash balance as on $\mathbf{3 1 . 0 3 . 2 0 1 8}$ is Rs.4,22,000.
(9) There is an early repayment penalty for the loan of Rs. 25,000.

You are required to prepare: (Not assuming going concern)
(1) Profit \& Loss Account for the year2017-18.
(2) Balance Sheet as on 31 ${ }^{\text {st }}$ March,2018.

## ANSWER:

Profit and Loss Account for the year ended 2017-18(not assuming going concern)

| Particula <br> $\boldsymbol{r s}$ | Amount | Particulars | Amount |
| :--- | ---: | :--- | ---: |
|  | Rs. |  | Rs. |
| To Opening Stock | $1,50,000$ | By Sales | $27,50,000$ |
| To Purchases | $22,50,000$ | By Closing Stock | $2,50,000$ |
| To Expenses* | 78,000 | By Trade | 7,500 |
| To Depreciation | 35,000 | payables |  |

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

| To Provision for doubtful | 30,000 |
| :--- | ---: |
| debts |  |
| To Deferred cost | 50,000 |
| To Loan penalty | 25,000 |
| To Net Profit (b.f.) | $3,89,500$ |
|  | $30,07,500$ |
|  |  |

Balance Sheet as at 31 ${ }^{\text {st }}$ March, 2018 (not assuming going concern)

| Liabilities |  | Asset $s$ |  |
| :---: | :---: | :---: | :---: |
| Capital | 3,00,000 | Fixed Assets | 3,25,000 |
| Profit \& Loss A/c | 5,14,500 | Stock | 2,50,000 |
| 10\% Loan | 2,35,000 | Trade receivables (less provision) | 1,20,000 |
| Trade payables | 67,500 | Deferred costs | Nil |
|  |  | Bank | 4,22,000 |
|  | 11,17,000 |  | 11,17,000 |

*Assumed that Rs. 78,000 includes interest on 10\% loan amount for the year.

## QUESTION 28 (PAST PAPER NOVEMBER 19)

Archana Enterprises maintain their books of accounts under single entry system. The BalanceSheet as on 31st March, 2018 was as follows:

| Liabilities | Amount (Rs.) | Assets | Amount <br> (Rs.) |
| :--- | ---: | :--- | ---: |
| Capital A/c | $6,75,000$ | Furniture \& fixtures | $1,50,000$ |
| Trade creditors | $7,57,500$ | Stock | $9,15,000$ |
| Outstanding | 67,500 | Trade debtors | $3,12,000$ |

## CA Ravi Agarwal's

CA INTER ACCOUNTING COMPILER 4.0


The following was the summary of cash and bank book for the year ended 31 ${ }^{\text {st }}$ March, 2019:

| Receipts | Amount (Rs.) | Payments | Amount (Rs.) |
| :---: | :---: | :---: | :---: |
| Cash in hand \& at Bank on 1st April, 2018 Cash sales Receipts from trade debtors | 1,20,000 | Payment to trade creditors | 1,24,83,000 |
|  | 1,10,70,000 | Sundry expenses paid | 9,31,050 |
|  | 27,75,000 | Drawings | 3,60,000 |
|  | - | Cash in hand \& at Bank on 31st March, 2019 | 1,90,950 |
|  | 1,39,65,000 |  | 1,39,65,000 |

Additional Information:
(i) Discount allowed to trade debtors and received from trade creditors amounted to Rs. 54,000 and Rs. 42,500 respectively (for the year ended 31st March, 2019).
(ii) Annual fire insurance premium of Rs. 9,000 was paid every year on $1^{\text {st }}$ August for the renewal of the policy.
(iii) Furniture \&fixtures were subject to depreciation @ 15\% p.a. on diminishing balance method.
(iv) The following are the balances as on 31st March, 2019: Stock
Rs.9,75,000

Trade debtors
Rs.3,43,000
Outstanding expenses
Rs. 55,200
(v) Grossprofitratioof10\%onsalesismaintainedthroughouttheyear.

You are required to prepare Trading and Profit \& Loss account for the year ended 31st March, 2019, and Balance Sheet as on that date.

ANSWER:

## Trading and Profit and Loss Account of Archana Enterprises

for the year ended 31st March, 2019

|  | Rs. |  |  | Rs. |
| :---: | :---: | :---: | :---: | :---: |
| To Opening Stock | 9,15,000 | By Sales |  |  |
| To Purchases (W.N. 2) | 125,97,000 | Cash | 110,70,000 |  |
| To Gross profit c/d | 13,93,000 | Credit <br> (W.N. 1) | 28,60,000 | 139,30,000 |
| (10\% of 139,30,000) |  | By Closing stock |  | 9,75,000 |
|  | 149,05,000 |  |  | 149,05,000 |
| To Sundry expenses (W.N. 4) | 9,18,750 | By Gross profit b/d |  | 13,93,000 |
| To Discount allowed | 54,000 | By Discount received |  | 42,500 |
| To Depreciation ( $15 \%$ Rs. $1,50,000$ ) | 22,500 |  |  |  |
| To Net Profit (b.f.) | 4,40,250 |  |  |  |
|  | 14,35,500 |  |  | 14,35,500 |

Balance Sheet of Archana Enterprises as at 31st March, 2019

| Liabilities |  | Amount Rs. | Assets | Amount Rs. |
| :---: | :---: | :---: | :---: | :---: |
| Capital |  |  | Furniture \& 1,50,000 Fittings |  |
| Opening balance Less: Drawing | 6,75,000 |  | Less: $\quad(22,500)$ Depreciation | 1,27,500 |
|  | $(3,60,000)$ |  | Stock | 9,75,000 |
|  | 3,15,000 |  | Trade Debtors | 3,43,000 |
| Add: Net profit for the years | 4,40,250 | 7,55,250 | Unexpired insurance | 3,000 |
| Trade creditors |  | 8,29,000 | Cash in hand \& at bank | 1,90,950 |

## CA Ravi Agarwal's CA INTER ACCOUNTING COMPILER 4.0



## Working Notes:

1. 

Trade Debtors Account

|  | Rs. |  | Rs. |
| :---: | ---: | :--- | ---: |
| To Balance b/d | $3,12,000$ | By Cash/Bank | $27,75,000$ |
| To Credit sales | $28,60,000$ | By Discount allowed | 54,000 |
| (Bal. fig.) |  | By Balance c/d | $3,43,000$ |
|  | $31,72,000$ |  | $31,72,000$ |

Memorandum Trading Account

|  | Rs. | Rs. |  |
| :--- | ---: | :--- | ---: |
| To Opening stock | $9,15,000$ | By Sales | $139,30,000$ |
| To Purchases (Balancing <br> figure) | $125,97,000$ | By Closing <br> stock | $9,75,000$ |
| To Gross Profit (10\% on <br> sales) | $13,93,000$ |  |  |
|  | $149,05,000$ |  | $149,05,000$ |

2. 

Trade Creditors Account

|  | Rs. |  | Rs. |
| :--- | ---: | :--- | ---: |
| To Cash/Bank <br> To Discount <br> received | $124,83,000$ | By Balance b/d |  |
| To Balance c/d <br> (balancing <br> figure) | 42,500 | By Purchases (as <br> calculated <br> in W.N. 2) | $125,97,000$ |

## CA Ravi Agarwal's CA INTER ACCOUNTING COMPILER 4.0

3. Computation of sundry expenses to be charged to Profit \& Loss A/c

|  | Rs |
| :--- | ---: |
| Sundry expenses paid (as per cash and Bank book) | $9,31,050$ |
| Add: Prepaid expenses as on 31-3-2018 | 3,000 |
| Less: Outstanding expenses as on 31-3-2018 | $9,34,050$ |
|  | $(67,500)$ |
| Add: Outstanding expenses as on 31-3-2019 | $8,66,550$ |
| Less: Prepaid expenses as on 31-3-2019 (Insurance paid till July, 2019) | $\mathbf{5 5 , 2 0 0}$ |
| $(9,000 \times 4 / 12)$ | $9,21,750$ |
|  | $(3,000)$ |

## QUESTION 29 (PAST PAPER JAN 21)

Give Journal Entries in the books of Branch to rectify or adjust the following:
(1) Branch paid ₹ 5,000 as salary to H.O supervisor, but the amount paid by branch has been debited to salary account in the books of branch.
(2) Asset Purchased by branch for ₹ $\mathbf{2 5 , 0 0 0}$, but the Asset account was retained in H.O Books.
(3) A remittance of ₹8,000 sent by the branch has not been received by H.O.
(4) H.O collected ₹ $\mathbf{2 5 , 0 0 0}$ directly from the customer of Branch but fails to give the intimation to branch.
(5) Remittance of funds by H.O to branch ₹5,000 not entered in branch books

ANSWER
Journal Entries in Books of Branch A

## CA Ravi Agarwal's

CA INTER ACCOUNTING COMPILER 4.0

|  | Particulars | $\begin{array}{r} \text { Dr. } \\ \text { Amount } \\ ₹ \end{array}$ |  |
| :---: | :---: | :---: | :---: |
| (i) | Head office account $\quad \mathrm{Dr}$. $\quad$ To Salaries account (Being the rectification of salary paid on behalf of H.O.) | 5,000 | 5,000 |
| (ii) | Head office account Dr. <br> $\quad$ To Bank/Liability A/c  <br> (Being Asset purchased by branch but Asset  <br> account retained at head office books)  | 25,000 | 25,000 |
| (iii) | No Entry in Branch Books |  |  |
| (iv) | Head office account $\quad$ To Debtors account (Being the amount of branch debtors collected by H.O.) | 25,000 | 25,000 |
| (v) | Bank Alc Dr. <br> To Head Office  <br> (Remittance of Funds by H.O. to Branch)  | 5,000 | 5 5000 |

## CA Ravi Agarwal's

CA INTER ACCOUNTING COMPILER 4.0

## MTP -I JULY 21

1. (a) HIL Ltd. was making provision for non-moving stocks based on no issues having occurred for the last 12 months upto 31.03.2019. The company now wants to change it and make provision based on technical evaluation during the year ending 31.03.2020. Total value of stock on 31.3.20 is Rs. 120 lakhs. Provision required based on technical evaluation amounts Rs. $\mathbf{3 . 0 0}$ lakhs. However, provision required based on 12 months (no issues) is Rs. 4.00 lakhs. You are required to discuss the following points in the light of Accounting Standard (AS)-1:
(i) Does this amount to change in accounting policy?
(ii) Can the company change the method of accounting?
(iii) Explain how it will be disclosed in the annual accounts of HIL Ltd. for the year 2019-20.

## ANSWER

The decision of making provision for non-moving inventories on the basis of technical evaluation does not amount to change in accounting policy. Accounting policy of a company may require that provision for nonmoving inventories should be made but the basis for making provision will not constitute accounting policy. The method of estimating the amount of provision may be changed in case a more prudent estimate can be made. In the given case, considering the total value of inventory, the change in the amount of required provision of non-moving inventory from Rs. 4 lakhs to Rs. 3 lakhs is also not material. The disclosure can be made for such change in the following lines by way of notes to the accounts in the annual accounts of HIL Ltd. for the year 2019-20 in the following manner:
"The company has provided for non-moving inventories on the basis of technical evaluation unlike preceding years. Had the same method been followed as in the previous year, the profit for the year and the value of net assets at the end of the year would have been lower by Rs. 1 lakh."
(b) Viva Ltd. received a specific grant of Rs. 30 lakhs for acquiring the plant of Rs. 150 lakhs during 2016-17 having useful life of 10 years. The grant received was credited to deferred income in the balance sheet and was not deducted from the cost of plant. During 2019-20, due to noncompliance of conditions laid down for the grant, the company had to refund the whole grant to the Government. Balance in the deferred income on that date was Rs. 21 lakhs and written down value of plant was Rs. 105 lakhs. What should be the treatment of the refund of the grant and the effect on cost of the fixed asset and the amount of depreciation to be charged during the year 2019-20 in profit and loss account?

## CA Ravi Agarwal's

CA INTER ACCOUNTING COMPILER 4.0

## ANSWER

As per AS-12, 'Accounting for Government Grants', "the amount refundable in respect of a grant related to specific fixed asset should be recorded by reducing the deferred income balance. To the extent the amount refundable exceeds any such deferred credit, the amount should be charged to profit and loss statement. In this case the grant refunded is Rs. 30 lakhs and balance in deferred income is Rs. 21 lakhs, Rs. 9 lakhs shall be charged to the profit and loss account for the year 2019-20. There will be no effect on the cost of the fixed asset and depreciation charged will be on the same basis as charged in the earlier years.
(c) Neon Enterprise operates a major chain of restaurants located in different cities. The company has acquired a new restaurant located at Chandigarh. The new-restaurant requires significant renovation expenditure. Management expects that the renovations will last for 3 months during which the restaurant will be closed.
Management has prepared the following budget for this period -
Salaries of the staff engaged in preparation of restaurant before its opening Rs. 7,50,000
Construction and remodelling cost of restaurant Rs. 30,00,000
Explain the treatment of these expenditures as per the provisions of AS 10 "Property, Plant and Equipment".

## ANSWER

As per provisions of AS 10, any cost directly attributable to bring the assets to the location and conditions necessary for it to be capable of operating in the manner indicated by the management are called directly attributable costs and would be included in the costs of an item of PPE.
Management of Neon Enterprise should capitalize the costs of construction and remodelling the restaurant, because they are necessary to bring the restaurant to the condition necessary for it to be capable of operating in the manner intended by management. The restaurant cannot be opened without incurring the construction and remodelling expenditure amounting Rs. $30,00,000$ and thus the expenditure should be considered part of the asset.
However, the cost of salaries of staff engaged in preparation of restaurant Rs. 7,50,000 before its opening are in the nature of operating expenditure that would be incurred if the restaurant was open and these costs are not necessary to bring the restaurant to the conditions necessary for it to be capable of operating in the manner intended by management. Hence, Rs. 7,50,000 should be expensed.
(d) In a production process, normal waste is $5 \%$ of input. $5,000 \mathrm{MT}$ of input were put in process resulting in wastage of $\mathbf{3 0 0}$ MT. Cost per MT of input is Rs. 1,000. The entire quantity of waste and finished output is in stock at the year end. State with reference to Accounting Standard, how will you value the inventories in this case? What will be treatment for normal and abnormal waste? (4 parts x 5 Marks = $\mathbf{2 0}$ Marks)

## ANSWER

## CA Ravi Agarwal's CA INTER ACCOUNTING COMPILER 4.0

As per para 13 of AS 2 (Revised), 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.
In this case, normal waste is 250 MT and abnormal waste is 50 MT . The cost of 250 MT will be included in determining the cost of inventories (finished goods) at the year end. The cost of abnormal waste ( 50 MT x $1,052.6315=$ Rs. 52,632 ) will be charged to the profit and loss statement. Cost per MT (Normal Quantity of $4,750 \mathrm{MT})=50,00,000 / 4,750=$ Rs. 1,052.6315
Total value of inventory $=4,700 \mathrm{MT} \times$ Rs. $1,052.6315=$ Rs. $49,47,368$
2. (a) On 1st April, 2019, Rajat has 50,000 equity shares of $P$ Ltd. at a book value of Rs. 15 per share (face value Rs. 10 each). He provides you the further information:
(1) On 20th June, 2019 he purchased another 10,000 shares of $P$ Ltd. at Rs. 16 per share.
(2) On 1st August, 2019, P Ltd. issued one equity bonus share for every six shares held by the shareholders.
(3) On 31st October, 2019, the directors of $P$ Ltd. announced a right issue which entitles the holders to subscribe three shares for every seven shares at Rs. 15 per share. Shareholders can transfer their rights in full or in part.
Rajat sold 1/3rd of entitlement to Umang for a consideration of Rs. 2 per share and subscribed the rest on 5th November, 2019.
You are required to prepare Investment $A / c$ in the books of Rajat for the year ending 31st March, 2020.

ANSWER

## CA Ravi Agarwal's

CA INTER ACCOUNTING COMPILER 4.0
(a) In the books of Rajat Investment Account
(Equity shares in P Ltd.)

| Date | Particulars | No. of shares | Amount (Rs.) | Date | Particulars | No. of shares | Amount (Rs.) |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 1.4 .19 | To Balance bld | 50,000 | $\begin{aligned} & 7,50,000 \\ & 1,60,000 \end{aligned}$ | 31.3 .20 | By Balance dld(Bal. fig.) | 90,000 | 12,10,000 |
| 20.619 | To Bank Alc | 10,000 |  |  |  |  |  |
| 1.8 .19 | $\begin{array}{\|r\|r} \hline \text { To Bonus } \\ \text { issue (W.N.1) } \end{array}$ | 10,000 |  |  |  |  |  |
| 5.11 .19 | To Bank Alc (rightshares) (W.N.4) |  |  |  |  |  |  |
|  |  | 90,000 | 12,10.000 |  |  | 90,000 | 12,10.000 |

Working Notes:
(1) Bonus shares $=\frac{50,000+10,000}{6}=10,000$ shares
(2) Right shares $=\frac{50,000+10,000+10,000}{7} \times 3=30,000$ shares
(3) Sale of rights $=30,000$ shares $\times \frac{1}{3} \times$ Rs, $2=$ Rs, 20,000 to be credited to $P \&$ L A/c as per AS 13.
(4) Rights subscribed $=30,000$ shares $\times \frac{2}{3} \times ₹ 15=$ Rs. $3,00,000$
(b) A fire engulfed the premises of a business of $\mathrm{M} / \mathrm{s}$ Kite in the morning, of 1 st October, 2019. The entire stock was destroyed except, stock salvaged of Rs. 50,000. Insurance Policy was for Rs. 5,00,000 with average clause.

Stock in hand on 31st March, 2019 Rs. 3,50,000

The following information was obtained from the records saved for the period from 1st April to 30th September, 2019:

| Sales | $27,75,000$ |
| :--- | :--- |
| Purchases | $18,75,000$ |
| Carriage inward | 35,000 |
| Carriage outward | 20,000 |
| Wages | 40,000 |
| Salaries | 50,000 |

Additional Information:
(1) Sales upto 30th September, 2019, includes Rs. 75,000 for which goods had not been dispatched.

## CA Ravi Agarwal's

CA INTER ACCOUNTING COMPILER 4.0
(2) On 1stJune, 2019, goods worth Rs. 1,98,000 sold to Hari on approval basis which was included in sales but no approval has been received in respect of $2 / 3$ rd of the goods sold to him till 30th September, 2019.
(3) Purchases upto 30th September, 2019 did not include Rs. 1,00,000 for which purchase invoices had not been received from suppliers, though goods have been received in godown.
(4) Past records show the gross profit rate of $25 \%$ on sales.

You are required to prepare the statement of claim for loss of stock for submission to the Insurance Company.

ANSWER
Computation of claim for loss of stock

|  | Rs. |
| :--- | ---: |
| Stock on the date of fire (i.e. on 1.10.2019) | $3,75,000$ |
| Less: Stock salvaged | $(50,000)$ |
| Stock destroyed by fire (Loss of stook) | $\underline{3,25,000}$ |

Insurance claim amount=
Rs. 3,25,000
(Average clause is not applicable as insurance policy amount (Rs. $5,00,000$ ) is more than the value of closing stock ie. Rs. 3,75,000)

Memorandum Trading A/c
(1.4.19 to 30.9.19)

| Particulars | (Rs.) | Particulars | (Rs.) |
| :--- | ---: | :--- | ---: |
| To Opening stock | $3,50,000$ | By Sales | $25,68,000$ |
| To Purchases | 19,$75 ; 000$ | By Goods with customers* | 99,000 |
| (Rs. 18,75,000+Rs. 1,00,000) |  | (for approval) (W.N.1) |  |


| To Carriage inward | 35,000 | By Closing stock (bal. fig.) | $3,75,000$ |
| :--- | ---: | ---: | ---: |
| To Wages | 40,000 |  |  |
| To Gross profit | $\underline{6,42,000}$ |  |  |
| (Rs. 25,68,000 $25 \%$ ) | $\underline{30,42,000}$ |  | $\underline{\underline{30,42,000}}$ |

[^0]
## CA Ravi Agarwal's

CA INTER ACCOUNTING COMPILER 4.0

Since no approval for sale has been received for the goods of Rs. 1,32,000 (i.e. 2/3 of Rs. 1,98,000) hence, these should be valued at cost i.e. Rs. 1,32,000-25\% of Rs. 1,32,000 = Rs. 99,000.

## 2. Calculation of actual sales

Total sales - Goods not dispatched- Sale of goods on approval $(2 / 3$ rd $)=$
Sales (Rs. 27,75,000-75,000-Rs.1,32,000) = Rs. 25,68,000
(c) Identify four differences between Hire Purchase and Installment Payment agreement.

## ANSWER

Statement showing differences between Hire Purchase and Installment System

|  | Basis of Distinction | Hire Purchase | Installment System |
| :--- | :--- | :--- | :--- |
| 1. | Governing Act | It is governed by Hire Purchase <br> Act,1972. | It is governed by the Sale of <br> Goods Act, 1930. |
| 2. | Nature of Contract | It is an agreement of hiring. | It is an agreement of sale. |


| 3. | Passing of Title <br> (ownership) | The title to goods passes on last <br> payment. | The title to goods passes <br> immediately as in the case of <br> usual sale. |
| :--- | :--- | :--- | :--- |
| 4. | Right to Return goods | The hirer may return goods without <br> further payment except for accrued <br> installments. | Unless seller defaults, goods are <br> not returnable. |
| 5. | Seller's right to repossess | The seller may take possession of the <br> goods if hirer is in default. | The seller can sue for price if the <br> buyer is in default. He cannot <br> take possession of the goods. |
| 6. | Right of Disposal | Hirer cannot hire out, sell, pledge or <br> assign entitling transferee to retain <br> possession as against the hire <br> vendor. | The buyer may dispose off the <br> goods and give good title to the <br> bonafide purchaser. |
| 7. | Responsibility for Risk of <br> Loss | The hirer is not responsible for risk of <br> loss of goods if he has taken <br> reasonable precaution because the <br> ownership has not yet transferred. | The buyer is responsible for risk <br> of loss of goods because of the <br> ownership has transferred. |
| 8. | Name of Parties involved | The parties involved are called Hirer <br> and Hire vendor. | The parties involved are called <br> buyer and seller. |
| 9. | Component other than <br> cash price. | Component other than Cash Price <br> included in installment is called Hire <br> charges. | Component other than Cash <br> Price included in Installment is <br> called Interest. |

3. (a) Moon Star has a branch at Virginia (USA). The Branch is a non-integral foreign operation of the Moon Star. The trial balance of the Branch as at 31st March, 2020 is as follows:

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

| Particulars | US \$ |  |
| :---: | :---: | :---: |
|  | Dr. | Cr . |
| Office equipments | 48,000 |  |
| Furniture and Fixtures | 3,200 |  |
| Stock (April 1s 2019) | 22,400 |  |
| Purchases | 96,000 |  |
| Sales | - | 1,66,400 |
| Goods sent from H.O | 32,000 |  |
| Salaries | 3,200 |  |
| Carriage innward | 400 |  |
| Rent, Rates \& Taxes | 800 |  |
| Insurance | 400 |  |
| Trade Expenses | 400 |  |
| Head Office Account | - | 45,600 |
| Sundry Debtors | 92600 |  |
| Sundry Creditors | - | 6,800 |
| Cash at Bank | 2,000 |  |
| Cash in Hand | 400 |  |
|  | 2,18,800 | 2,18,800 |

The following further information is given:
(1) Salaries outstanding \$ 400.
(2) Depreciate office equipment and furniture \& fixtures @10\% p.a. at written down value.
(3) The Head Office sent goods to Branch for Rs.15,80,000.
(4) The Head Office shows an amount of Rs. 20,50,000 due from Branch.
(5) Stock on 31st March, 2020 - $\$ 21,500$.
(6) There were no transit items either at the start or at the end of the year.
(7) On April 1, 2018 when the fixed assets were purchased the rate of exchange was Rs. 43 to one \$. On April 1, 2019, the rate was 47 per \$. On March 31, 2020 the rate was Rs. 50 per \$. Average rate during the year was Rs. 45 to one \$.

## CA Ravi Agarwal's

CA INTER ACCOUNTING COMPILER 4.0

Prepare Trial balance incorporating adjustments given converting dollars into rupees and Trading, Profit and Loss Account for the year ended 31st March, 2020 of the Branch as would appear in the books of Moon Star for the purpose of incorporating in the main Balance Sheet.

ANSWER

In the books of Moon Star
Trial Balance (in Rupees) of Virginila (USA) Branch
as on 31 ${ }^{\text {st }}$ March, 2020

|  | Dr. | $C r$. | Conversion | Dr. | Cr. |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | US \$ | US \$ | rate | Rs. | Rs. |
| Office Equipment | 43,200 |  | 50 | 21,60,000 |  |
| Depreciation on Office Equipment | 4,800 |  | 50 | $2.40,000$ |  |
| Furniture and fixtures | 2,880 |  | 50 | 1844,000 |  |
| Depreciation on furniture and fixtures | 320 |  | 50 | 16,000 |  |
| Stock (1才t April, 2019) | 22,400 |  | 47 | 10,52,800 |  |
| Purchases | 96,000 |  | 45 | 43,20,000 |  |
| Sales |  | 1,66,400 | 45 |  | 74,88,000 |
| Goods sent from H.O. | 32,000 |  |  | 15,80,000 |  |
| Carriage înward | 400 |  | 45 | 18,000 |  |
| Salaries ( $3,200+400)$ | 3,600 |  | 45 | 1,62,000 |  |
| Outstanding salaries |  | 400 | 50 |  | 20,000 |
| Rent, rates and taxes | 800 |  | 45 | 36,000 |  |
| Insurance | 400 |  | 45 | 18,000 |  |
| Trade expenses | 400 |  | 45 | 18,000 |  |
| Head Office Alc |  | 45,600 |  |  | $20,50,000$ |
| Trade debtors | 9,600 |  | 50 | 4,80,000 |  |
| Trade creditors |  | 6,800 | 50 |  | $3,40,000$ |
| Cash at bank | 2,000 |  | 50 | 1,00,000 |  |
| Cash in hand | 400 |  | 50 | 20,000 |  |
| Exchange gain (bal. fig.) |  |  |  |  | 4,66,800 |
|  | 2,19,200 | 2,19,200 |  | 1.03,64,800 | 1.03,64,800 |

## CA Ravi Agarwal's CA INTER ACCOUNTING COMPILER 4.0

Trading and Profit and Loss Account of Virginia Branch
for the year ended 31st March, 2020

|  | Rs. |  | Rs. |
| :--- | ---: | :--- | ---: |
| To Opening stock | $10,52,800$ | By Sales | $74,88,000$ |
| To Purchases | $43,20,000$ | By Closing stock | $10,75,000$ |
| To Goods from Head Office | $15,80,000$ | $(21,500$ US $\$ \times 50)$ |  |
| To Carriage inward | 18,000 |  |  |
| To Gross profit c/d | $\underline{15,92,200}$ |  | $\underline{\square}$ |
|  | $\underline{85,63,000}$ |  | $\underline{15,63,000}$ |
| To Salaries | $1,62,000$ | By Gross profit b/d |  |
| To Rent, rates and taxes | 36,000 |  |  |
| To Insurance | 18,000 |  |  |


| To Trade expenses |  | 18,000 |  |  |
| :--- | ---: | ---: | ---: | ---: |
| To Depreciation on office | $2,40,000$ |  |  |  |
| equipment |  |  |  |  |
| To Depreciation on furniture | 16,000 |  |  |  |
| and fixtures |  | $\underline{11,02,200}$ |  |  |
| To Net Profit old |  | $\underline{15,92,200}$ |  | $\underline{15,92,200}$ |

(b) Archana Enterprises maintain their books of accounts under single entry system. The BalanceSheet as on 31st March, 2018 was as follows :

| Liabilities | Amount (Rs.) | Assets | Amount (Rs.) |
| :--- | ---: | :--- | ---: |
| Capital Alc | $6,75,000$ | Furniture \& fxtures | $1,50,000$ |
| Trade creditors | $7_{2} 57_{2} 500$ | Stock | $9,15,000$ |
| Outstanding expenses | $67_{2} 500$ | Trade debtors | $3,12,000$ |
|  |  | Prepaid insurance | 3,000 |
|  |  | Cash in hand \& at bank | $1,20,000$ |
|  |  |  | $15,00,000$ |
|  |  |  |  |

The following was the summary of cash and bank book for the year ended 31st March, 2019:

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

| Receipts | Amount (Rs.) | Payments | Amount (Rs.) |
| :--- | ---: | :--- | ---: |
| Cash in hand \& at Bank <br> on $1^{\text {t }}$ April, 2018 | $1,20,000$ | Payment to trade creditors | $1,24,83,000$ |
| Cash sales | $1,10,70,000$ | Sundry expenses paid | $9,31,050$ |
| Receipts from trade <br> debtors | $27,75,000$ | Drawings | $3,60,000$ |
|  |  | Cash in hand \& at Bank on |  |
|  |  | 31st March, 2019 | $1,90,950$ |

## Additional Information:

(i) Discount allowed to trade debtors and received from trade creditors amounted to Rs. 54,000 and Rs. 42,500 respectively (for the year ended 31st March, 2019).
(ii) Annual fire insurance premium of Rs. 9,000 was paid every year on 1st August for the renewal of the policy.
(iii) Furniture \& fixtures were subject to depreciation @ $15 \%$ p.a. on diminishing balance method.
(iv) The following are the balances as on 31st March, 2019:

Stock Rs. 9,75,000
Trade debtors Rs. 3,43,000
Outstanding expenses Rs. 55,200
(v) Gross profit ratio of $10 \%$ on sales is maintained throughout the year.

You are required to prepare Trading and Profit \& Loss account for the year ended 31st March, 2019, and Balance Sheet as on that date. (8+12 = 20 Marks)

ANSWER

## CA Ravi Agarwal's

 CA INTER ACCOUNTING COMPILER 4.0Trading and Profit and Loss Account of Archana Enterpríses
for the year ended 31st March, 2019

|  | Rs. |  |  | Rs. |
| :---: | :---: | :---: | :---: | :---: |
| To Opening Stock | 9,15,000 | By Sales |  |  |
| To Purchases (W.N. 2) | 125,97,000 | Cash | 110808000 |  |
| To Gross profit dd | 13,93;000 | Credit (W.N. 1) | 28,60,000 | 139,30,000 |
| (10\% of 139,30,000) |  | By Closing stock |  | 9,75,000 |
|  | 149,05,000 |  |  | 149,05,000 |
| To Sundry expenses (W.N. 4) | 9,18,750 | By Gross profit b/d |  | 13,93,000 |
| To Discount allowed | 54,000 | By Discount recelved |  | 42,500 |
| To Depreciation <br> (15\% Rs. 1,50,000) | 22,500 |  |  |  |
| To NetProfit (bif) | 4,40,250 |  |  |  |
|  | 14,35,500 |  |  | 14,35,500 |

Balance Sheet of Archana Enterprises as at 31st March_ 2019

| Liabilities |  | Amount Rs. | Assets | Amount Rs. |
| :---: | :---: | :---: | :---: | :---: |
| Capital |  |  | Furniture \& Fittings 1,50,000 |  |
| Opening balance | 6,75,000 |  | Less: Depreciation (22,500) | 1,273200 |
| Less: Drawing | (33,60,000) |  | Stock | 9,75,000 |
|  | 3,15,000 |  | Trade Debtors | 3,43,000 |
| Add: Net profit for the years | 4,40,250 | 7,55,250 | Unexpired insurance | 32000 |
| Trade creditors (W.N. 3) |  | 8,29,000 | Cash inn hand \& at bank | 1,90,950 |
| Outstanding |  | 55,200 |  |  |
|  |  | 16,39,450 |  | 16,39,450 |

## CA Ravi Agarwal's

CA INTER ACCOUNTING COMPILER 4.0

Working Notes:
1.

Trade Debtors Account

|  | Rs. |  | Rs. |
| :--- | ---: | :--- | ---: |
| To Balance b/d | $3,12,000$ | By Cash/Bank | $27_{a} 75,000$ |
| To Credit sales | $28,60,000$ | By Discount allowed | 54,000 |
| (Bal. fig.) |  |  | By Balance c/d |

2. 

Memorandum Trading Account

|  | Rs. |  | Rs. |
| :--- | ---: | :--- | ---: |
| To Opening stock | $9,15,000$ | By Sales | $139_{2}, 30,000$ |
| To Purchases (Balancing figure) | $125,97_{2}, 000$ | By Closing stock | $9_{4} 75,000$ |
| To Gross Profit (10\% on sales) | $13,93_{2}, 000$ |  |  |
|  | $149,05,000$ |  | $149,05,000$ |

3. 

Trade Creditors Account

|  | Rs. |  | Rs. |
| :---: | :---: | :---: | :---: |
| To Cash/Bank | 124,83,000 | By Balance b/d | 7, $57{ }_{1} 500$ |
| To Discount received <br> To Balance cld | 42,500 | By Purchases (as calculated in W.N. 2) | 125,97, 000 |
| (balancing figure) | 8,29,000 |  |  |
|  | 133,54,500 |  | 133,54,500 |
|  |  |  |  |

4. Computation of sundry expenses to be charged to Profit \& Loss A/c

|  | Rs. |
| :---: | :---: |
| Sundry expenses paid (as per cash and Bank book) | 9,31,050 |
| Add: Prepaid expenses as on 31-3-2018 | 3,000 |
|  | 9,34,050 |
| Less: Outstanding expenses as on 31-3-2018 | (672500) |
|  | 8,66,550 |
| Add: Outstanding expenses as on 31-3-2019 | 55,200 |
|  | 9821,750 |
| Less: Prepaid expenses as on 31-3-2019 (Insurance paid till July, 2019) $(9,000 \times 4 / 12)$ | $(3,000)$ |
|  | 9,18,750 |

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

4. (a) The following balances were extracted from the books of Beta. You are required to prepare Departmental Trading Account and General Profit \& Loss Account for the year ended 31st December, 2020:

| Particulars | Deptt. A <br> Rs. | Deptt. B <br> Rs. |
| :--- | :--- | :--- |
| Opening Stock | $3,00,000$ | $2,40,000$ |
| Purchases | $39,00,000$ | $54,60,000$ |
| Sales | $60,00,000$ | $90,00,000$ |

General expenses incurred for both the Departments were Rs. 7,50,000 and you are also supplied with the following information:
(i) Closing stock of Department A Rs. 6,00,000 including goods from Department B for Rs. 1,20,000 at cost to Department A.
(ii) Closing stock of Department B Rs. 12,00,000 including goods from Department A for Rs. 1,80,000 at cost to Department B.
(iii) Opening stock of Department A and Department B include goods of the value of Rs. 60,000 and Rs. 90,000 taken from Department B and Department A respectively at cost to transferee departments.
(iv) The gross profit is uniform from year to year.

## ANSWER

(a) Departmental Trading Account for the year ended on 31: December, 2020

| Particulars | A | B | Particulars | A | B |
| :--- | ---: | ---: | :--- | ---: | ---: |
|  | Rs. | Rs. |  | Rs. | Rs. |
| To Opering Stock | $3,00,000$ | $2,40,000$ | By Sales | $60,00,000$ | $90,00,000$ |
| To Purchases | $39,00,000$ | $54,60,000$ | By Closing Stock | $6,00,000$ | $12,00,000$ |

## CA Ravi Agarwal's

CA INTER ACCOUNTING COMPILER 4.0

(b) The capital structure of AP Ltd. consists of 20,000 Equity Shares of Rs. 10 each fully paid up and 1,000 8\% Redeemable Preference Shares of Rs. 100 each fully paid up.
Undistributed reserve and surplus stood as: General Reserve Rs. 80,000; Profit and Loss Account Rs. 20,000; Investment Allowance Reserve is Rs. 10,000 out of which Rs. 5,000 is not ascertained as free reserve; Cash at bank amounted to Rs. 98,000.
Preference shares are to be redeemed at a Premium of $10 \%$ and for the purpose of redemption, the directors are empowered to make fresh issue of Equity Shares at par after utilizing the undistributed reserves and surplus, subject to the condition that a sum of Rs. 20,000 shall be retained in general reserve which should not be utilized.
You are required to pass Journal Entries to give effect to the above arrangements and also show how the relevant items will appear in the Balance Sheet of the company after the redemption is carried out.

ANSWER

## CA Ravi Agarwal's

CA INTER ACCOUNTING COMPILER 4.0

Journal Entries in the books of AP Ltd.


Balance Sheet as at $\qquad$ [Extracts]

|  | Particulars |  | Notes No. | Rs. |
| :---: | :---: | :---: | :---: | :---: |
|  | EQUITY AND LIABILITIES |  |  |  |
| 1. | Shareholders* funds |  |  |  |
|  | a Share capital |  | 1 | 2,25,000 |
|  | b Reserves and Surplus |  | 2 | 1,00,000 |
|  |  | Total |  | ? |
|  | ASSETS |  |  |  |
| 2. | Current Assets |  |  |  |
|  | Cash and cash equivalents $(98,000+25,000-1,10,000)$ |  |  | 13,000 |
|  |  | Total |  | ? |

## CA Ravi Agarwal's CA INTER ACCOUNTING COMPILER 4.0

Notes to accounts

1. Share Capital

22,500 Equity shares $(20,000+2,500)$ of Rs. 10 each fully paid up
2,25,000
2. Reserves and Surplus

General Reserve
20,000
Capital Redemption Reserve 75,000
Investment Allowance Reserve $\qquad$
Working Note:
No of Shares to be issued for redemption of Preference Shares:
Face value of shares redeemed
Rs. $1,00,000$
Less: Profit available:

| General Reserve: Rs. $(80,000-20,000)$ | Rs. 60,000 |  |
| :--- | ---: | :--- |
| Profitand Loss (20,000-10,000 set aside for |  |  |
| adjusting premium payable on redemption of |  |  |
| preference shares) | Rs. 10,000 |  |
| Investment Allowance Reserve: (Rs. 10,000-5,000) | $\underline{\text { Rs. } 5,000}$ | (Rs. 75,000) |
|  |  | $\underline{\text { Rs. } 25,000}$ |

Therefore, No. of shares to be issued $=25,000 /$ Rs. $10=2,500$ shares.
5. (a) From the following particulars furnished by Alpha Ltd., prepare the Balance Sheet as on 31st March 2020 as required by Part I, Schedule III of the Companies Act, 2013.

| Particulars |  | Debit Rs. | Credit Rs. |
| :---: | :---: | :---: | :---: |
| Equity Share Capital (Face value of Rs. 100 each) |  |  | 50,00,000 |
| Call in Arrears |  | 5,000 |  |
| Building |  | $27,50,000$ |  |
| Plant \& Machinery |  | 26,25,000 |  |
| Furniture |  | 2,50,000 |  |
| General Reserve |  |  | 10,50,000 |
| Loan from State Financial Corporation |  |  | 7,50,000 |
| Inventory: |  |  |  |
| Raw Materials | 2,50,000 |  |  |
| Finished Goods | 10,00,000 | 12,50,000 |  |
| Provision for Taxation |  |  | 6,40,000 |
| Tradereceivables |  | 10,00,000 |  |
| Short term Advances |  | 2,13,500 |  |
| Profit \& Loss Account |  |  | 4,33,500 |
| Cash in Hand |  | 1,50,000 |  |
| Cash at Bank |  | 12,35,000 |  |
| Unsecured Loan |  |  | 6,05,000 |
| Trade payables (for Goods and Expenses) |  |  | 8,00,000 |
| Loans \& advances from related parties |  |  | 2,00,000 |

## CA Ravi Agarwal's CA INTER ACCOUNTING COMPILER 4.0

The following additional information is also provided:
(i) $\mathbf{1 0 , 0 0 0}$ Equity shares were issued for consideration other than cash.
(ii) Trade receivables of Rs. 2,60,000 are due for more than 6 months.
(iii) The cost of the Assets were:

Building Rs. 30,00,000, Plant \& Machinery Rs. 35,00,000 and Furniture Rs. 3,12,500
(iv) The balance of Rs. 7,50,000 in the Loan Account with State Finance Corporation is inclusive of Rs. 37,500 for Interest Accrued but not Due. The loan is secured by hypothecation of Plant \& Machinery.
(v) Balance at Bank includes Rs. 10,000 with Omega Bank Ltd., which is not a Scheduled Bank.
(vi) Transfer Rs. 20,000 to general reserve as proposed by Board of directors.

ANSWER
Alpha Ltd.
Balance Sheet as at 31st March, 2020

| Particulars |  | Notes | Rs. |
| :---: | :---: | :---: | :---: |
| Equity and Liabilities |  |  |  |
| 1 Shareholders' funds |  |  |  |
| a Share capital |  | 1 | 49,95,000 |
| b Reserves and Surplus |  | 2 | 14,83,500 |
| 2 Non-current liabilities |  |  |  |
| Long-term borrowings |  | 3 | $13,17{ }_{\sim} 500$ |
| 3 Current liabilities |  |  |  |
| a Trade Payables |  |  | 8000000 |
| b Other current liabilities |  | 4 | 37,500 |
| c Short-ferm provisions |  | 5 | 6,40,000 |
| d Short-term borrowings |  |  | 2,00,000 |
|  | Total |  | 94,73,500 |
| Assets |  |  |  |
| 1 Non-current assets |  |  |  |
| Property, Plant \& equipment |  | 6 | 56,25,000 |
| 2 Current assets |  |  |  |
| a Inventories |  | 7 | 12,50,000 |
| b Trade receivables |  | 8 | 10,00,000 |
| c Cash and bank balances |  | 9 | 13,85,000 |
| d Short-term loans and advances |  |  | 2,13,500 |
|  | Total |  | 94,73,500 |

Notes to accounts


## CA Ravi Agarwal's CA INTER ACCOUNTING COMPILER 4.0



## CA Ravi Agarwal's

CA INTER ACCOUNTING COMPILER 4.0
(b) XYZ Ltd. has issued 1,000, 12\% convertible debentures of Rs. 100 each redeemable after a period of five years. According to the terms \& conditions of the issue, these debentures were redeemable at a premium of $5 \%$. The debenture holders also had the option at the time of redemption to convert 20\% of their holdings into equity shares of Rs. 10 each at a price of Rs. 20 per share and balance in cash. Debenture holders amounting Rs. 20,000 opted to get their debentures converted into equity shares as per terms of the issue.
You are required to calculate the number of shares issued and cash paid for redemption of Rs. 20,000 debenture holders and also pass journal entry for conversion and redemption of debentures. (15+5=20 Marks)

|  | Number of debentures |
| :--- | ---: |
| Debenture holders opted for conversion $(20,000 / 100)$ | $\underline{200}$ |
| Option for conversion | $20 \%$ |
| Number of debentures to be converted $(20 \%$ of 200$)$ | 40 |

Redemption value of 40 debentures at a premium of $5 \%[40 \times(100 \div 5)] \quad$ Rs. 4,200
Equity shares of Rs. 10 each issued on conversion
[Rs. 4,200/Rs. 20]
210 shares

Calculation of cash to be paid : Rs.
Number of debentures
Less: number of debentures to be converted into equity shares

Redemption value of 160 debentures ( $160 \times \mathrm{Rs}$. 105) Rs. 16.800
Journal Entry

| Debentures Alc | Dr. | 20,000 | 21,000 |
| :---: | :---: | :---: | :---: |
| Premium on redemption A/c | Dr. | $1{ }_{2} 000$ |  |
| To Debenture holders Alc |  |  |  |
| (Being amount due to debenture holders at redemption) |  |  |  |
| Debenture holders Alc | Dr. | 21,000 |  |
| To Equity Share capital AJC |  |  | 2,100 |
| To Securities premium A/c | Dr. |  | 2,100 |
| To Cash Alc |  |  | 16,800 |
| (Discharge of amount due to Debenture holders) |  |  |  |

6. (a) Omega Limited has borrowed a sum of US $\$ 10,00,000$ at the beginning of Financial Year 2019-20 for its residential project at $4 \%$. The interest is payable at the end of the Financial Year. At the time of availment of loan exchange rate was Rs. 56 per US \$ and the rate as on 31st March, 2020 was Rs. 62 per US \$. If Omega Limited had borrowed the loan in India in Indian Rupee equivalent, the pricing of loan would have been $10.50 \%$.

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

You are required to compute Borrowing Cost and exchange difference for the year ending 31st March, 2020 as per applicable Accounting Standards.

## ANSWER

(i) Interest for the period 2019-20
$=$ US $\$ 10$ lakhs $\times 4 \% \times$ Rs. 62 per US\$ $=$ Rs. 24.80 lakhs
(ii) Increase in the liability towards the principal amount
$=$ US \$ 10 lakhs $\times$ Rs. (62-56) = Rs. 60 lakhs
(iii) Interest that would have resulted if the loan was taken in Indian currency
$=$ US \$ 10 lakhs $\times$ Rs. $56 \times 10.5 \%=$ Rs. 58.80 lakhs
(iv) Difference between interest on local currency borrowing and foreign currency borrowing $=$ Rs. 58.80 lakhs - Rs. 24.80 lakhs = Rs. 34 lakhs

Therefore, out of Rs. 60 lakhs increase in the liability towards principal amount, only Rs. 34 lakhs will be considered as the borrowing cost. Thus, total borrowing cost would be Rs. 58.80 lakhs being the aggregate of interest of Rs. 24.80 lakhs on foreign currency borrowings plus the exchange difference to the extent of difference between interest on local currency borrowing and interest on foreign currency borrowing of Rs. 34 lakhs.

Hence, Rs. 58.80 lakhs would be considered as the borrowing cost to be accounted for as per AS 16 and the remaining Rs. 26 lakhs (60-34) would be considered as the exchange difference to be accounted for as per AS 11.
(b) The following extract of Balance Sheet of X Ltd. (a non-investment company) was obtained:

Balance Sheet(Extract) as on 31st March 2020

| Liabilities | Rs. |
| :---: | :---: |
| Issued and subscribed capital: |  |
| $20,000,14 \%$ preference shares of R's. 100 each fully paild | 20,00,000 |
| 1,20,000 Equity shares of Rs. 100 each,Rs. 80 paid-up | 96,00,000 |
| Capital reserves(Rs. 1,50,000is revaluation reserve) | 1,95,000 |
| Securitiespremium | 50,000 |
| 15\% Debentures | 65,00,000 |
| Unsecured loans:Public deposits repayable after one year | 3,70,000 |
| Investment in shares, debentures, etc. | 75,00,000 |
| Profitand Loss account(debit balance) | 15,00,000 |

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

You are required to compute Effective Capital as per the provisions of Schedule V to Companies Act, 2013.

## ANSWER

Computation of effective capital:

|  |  | Rs. |
| :--- | ---: | ---: |
| Paid-up share capital- |  |  |
| 20,000, 14\% Preference shares |  | $20,00,000$ |
| $1,20,000$ Equity shares | $96,00,000$ |  |
| Capital reserves (excluding revaluation reserve) |  | 45,000 |
| Securties premium | 50,000 |  |
| $15 \%$ Debentures |  | $65,00,000$ |
| Public Deposits | (A) | $\frac{3,70,000}{1,85,65,000}$ |
| Investments |  | 750,000 |
| Profit and Loss account (Dr. balance) | (B) | $\underline{95,00,000}$ |
| Effective capital | (A-B) | $\underline{95,60,000}$ |

OR

Following items appear in the Trial Balance of Hello Ltd. as on 31st March, 2020

| Particulars | Amount |
| :--- | :--- |
| 9,000 Equity Shares of Rs.100 each | $9,00,000$ |
| Securities Premium | 80,000 |
| Capital Redemption Reserve | $1,40,000$ |
| General Reserve | $\mathbf{2 , 1 0 , 0 0 0}$ |
| Profit and Loss Account (Cr. Balance) | $\mathbf{9 0 , 0 0 0}$ |

The company decided to issue to equity shareholders bonus shares at the rate of 1 share for every 3 shares held. Company decided that there should be the minimum reduction in free reserves. You are required to give the necessary Journal Entries in the books Hello Ltd.

ANSWER

## CA Ravi Agarwal's

CA INTER ACCOUNTING COMPILER 4.0

| Capital Redemption Reserve Alc | Dr. | $1,40,000$ |
| :--- | :--- | :--- |
| Securities Premium Alc (considered to be realized in cash) Dr. | 80,000 |  |
| General Reserve Alc (balancing figure) | Dr. | 80,000 |

To Bonus to Shareholders
(Being issue of bonus shares by utilization of various
Reserves, as per resolution dated ......)
Bonus to Shareholders A/c
To Equity Share Capital
(Being capitalization of Profit)
(c) Prepare cash flow from investing activities as per AS 3 of M/s Subham Creative Limited for year ended 31.3.2019.

| Particulars | Amount (Rs.) |
| :--- | :--- |
| Machinery acquired by issue of shares at face value | $2,00,000$ |
| Claim received for loss of machinery in earthquake | 55,000 |
| Unsecured loans given to associates | $5,00,000$ |
| Interest on loan received from associate company | 70,000 |
| Pre-acquisition dividend received on investment made | 52,600 |
| Debenture interest paid | $\mathbf{1 , 4 5 , 2 0 0}$ |
| Term loan repaid | $4,50,000$ |
| Interest received on investment (TDS of Rs. 8,200 was deducted on the above interest) | 73,800 |
| Book value of plant \& machinery sold (loss incurred Rs. 9,600) | 90,000 |

## ANSWER

Cash Flow Statement from Investing Activities of Subham Creative Limited for year ended 31-03-2019

| Cash generated from investing activities | Rs. | Rs. |
| :--- | ---: | ---: |
| Interest on loan received | 70,000 |  |
| Pre-acquisition dividend received on investment made | 52,600 |  |
| Unsecured loans given to subsidiaries | $(5,00,000)$ |  |
| Interestreceived on investments (gross value) | 82,000 |  |
| TDS deducted on interest | $(8,200)$ |  |
| Sale of Plant \& Machinery Rs. (90,000-9,600) | $\underline{80,400}$ |  |
|  |  | $(2,23,200)$ |$|$| Cash used in investing activities (before extra-ordinary item) |  |
| :--- | ---: |
| Extraordinary claim received for loss of machinery |  |
| Net cash used in investing activities (after extra-ordinary item) |  |

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

(d) Explain in brief, the alternative measurement bases, for determining the value at which an element can be recognized in the Balance Sheet or Statement of Profit and Loss.

## ANSWER

The Framework for Recognition and Presentation of Financial statements recognizes four alternative measurement bases for the purpose of determining the value at which an element can be recognized in the balance sheet or statement of profit and loss.

These bases are:
(i)Historical Cost;
(ii)Current cost
(iii) Realizable (Settlement) Value and
(iv) Present Value.

A brief explanation of each measurement basis is as follows:

1. Historical Cost: Historical cost means acquisition price. According to this, assets are recorded at an amount of cash or cash equivalent paid or the fair value of the asset at the time of acquisition. Liabilities are generally recorded at the amount of proceeds received in exchange for the obligation.
2. Current Cost: Current cost gives an alternative measurement basis. Assets are carried out at the amount of cash or cash equivalent that would have to be paid if the same or an equivalent asset was acquired currently. Liabilities are carried at the undiscounted amount of cash or cash equivalents that would be required to settle the obligation currently.
3. Realisable (Settlement) Value: As per realizable value, assets are carried at the amount of cash or cash equivalents that could currently be obtained by selling the assets in an orderly disposal. Liabilities are carried at their settlement values; i.e. the undiscounted amount of cash or cash equivalents paid to satisfy the liabilities in the normal course of business.
4. Present Value: Under present value convention, assets are carried at present value of future net cash flows generated by the concerned assets in the normal course of business. Liabilities under this convention are carried at present value of future net cash flows that are expected to be required to settle the liability in the normal course of business.

## CA Ravi Agarwal's CA INTER ACCOUNTING COMPILER 4.0

(e) $\mathrm{M} / \mathrm{s}$. Kodam Enterprises purchased a generator on hire purchase from $\mathrm{M} / \mathrm{s}$. Sanctum Ltd. on 1stApril, 2019. The hire purchase price was Rs.48,000. Down payment was Rs.12,000 and the balance is payable in 3 annual instalments of Rs.12,000 each payable at the end of each financial year. Interest is payable @ 8\% p.a. and is included in the annual payment of Rs.12,000.

Depreciation at $10 \%$ p.a. is to be written off using the straight line method.

You are required to calculate the cash price of the generator and the interest paid on each instalment.

## ANSWER

## Calculation of Interest and Cash Price

Ratio of interest and amount due $=8$ / ( $100+$ rate of interest) i.e. 8/108
To ascertain cash price, interest will be calculated from last instalment to first instalment as follows:

| No. of instalments | Amount due at the time of instalment | Interest | Cumulative Cash price |
| :---: | :---: | :---: | :---: |
| [1] | [2] | [3] | $(2-3)=[4]$ |
| $3{ }^{\text {d }}$ | 12,000 | 8/108 of Rs. $12,000=$ Rs. 889 | 11,111 |
| $2^{\text {-d }}$ | 23,111 [W.N.1] | $8 / 108$ of Rs. $23_{1} 1111=$ Rs $1_{1} 712$ | 21,399 |
| Pat | 33,399 [W.N.2] | $8 / 108$ of Rs $33,399=$ Rs $\frac{2,474}{5075}$ | 30,925 |
|  |  | 5,075 |  |

Total cash price $=$ Rs. 30,925 + Rs. 12,000 (down payment) $=$ Rs. 42,925

## Working Notes:

1. Rs. $11,111+2$ nd instalment of Rs. 12,000= Rs. 23,111
2. Rs. $21,399+1$ st instalment of Rs. $12,000=$ Rs. 33,399

## MTP-II JULY 2021

1. (a) (i) "In determining the cost of inventories, it is appropriate to exclude certain costs and recognize them as expenses in the period in which they are incurred". Provide examples of such costs as per AS 2 'Valuation of Inventories'.

## ANSWER

(i) As per AS 2 'Valuation of Inventories', certain costs are excluded from the cost of the inventories and are recognized as expenses in the period in which incurred. Examples of such costs are:
(a) abnormal amount of wasted materials, labour, or other production costs;
(b) storage costs, unless those costs are necessary in the production process prior to a further production stage;
(c) administrative overheads that do not contribute to bringing the inventories to their present location and condition; and
(d) selling and distribution costs
(ii) X Limited purchased goods at the cost of Rs. 40 lakhs in October, 2020. Till March, 2021, 75\% of the stocks were sold. The company wants to disclose closing stock at Rs. 10 lakhs.
The expected sale value is Rs. 11 lakhs and a commission at $10 \%$ on sale is payable to the agent. Advise, what is the correct value of closing stock to be disclosed as at 31.3.2021.

## ANSWER

As per AS 2 "Valuation of Inventories", the inventories are to be valued at lower of cost or net realizable value. In this case, the cost of inventory is Rs. 10 lakhs. The net realizable value is $11,00,000$ 0 $90 \%=$ Rs. 9,90,000. So, the stock should be valued at Rs. 9,90,000.

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

(b) Ram Ltd. purchased machinery for Rs. 80 lakhs (useful life 4 years and residual value Rs. 8 lakhs). Government grant received was Rs. 32 lakhs. The grant had to be refunded at the beginning of third year. Show the Journal Entry to be passed at the time of refund of grant and the value of the fixed assets in the third year and the amount of depreciation for remaining two years, if the grant had been credited to Deferred Grant A/c.

## ANSWER

As per AS 12 'Accounting for Government Grants,' income from Deferred Grant Account is allocated to Profit and Loss account usually over the periods and in the proportions in which depreciation on related assets is charged. Accordingly, in the first two years (Rs. 32 lakhs $/ 4$ years) $=$ Rs. 8 lakhs x 2 years= Rs. 16 lakhs will be credited to Profit and Loss Account and Rs. 16 lakhs will be the balance of Deferred Grant Account after two years. Therefore, on refund of grant, following entry will be passed:

|  |  | Rs. | Rs. |
| :--- | :--- | ---: | ---: |
| Deferred Grant A/c | Dr. | 16 lakhs |  |
| Profit \& Loss A/c | Dr. | 16 lakhs |  |
| To Bank A/c |  |  | 32 lakhs |
| (Being Government grant refunded) |  |  |  |

(c) Mohan Ltd. has an existing freehold factory property, which it intends to knock down and redevelop. During the redevelopment period the company will move its production facilities to another (temporary) site. The details of the incremental costs which will be incurred are: Setup costs of Rs. 5,00,000 to install machinery in the new location; Rent of Rs. 15,00,000; Removal costs of Rs. 3,00,000 to transport the machinery from the old location to the temporary location.
Mohan Ltd. wants to seek your guidance as whether these costs can be capitalized into the cost of the new building. You are required to advise in line with AS 10 "Property, Plant and Equipment".

## ANSWER

Constructing or acquiring a new asset may result in incremental costs that would have been avoided if the asset had not been constructed or acquired. These costs are not be included in the cost of the asset if they are not directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The costs to be incurred by the company are in the nature of costs of reducing or reorganizing the operations of the accompany. These costs do not meet that requirement of AS 10 "Property, Plant and Equipment" and cannot, therefore, be capitalized.

## CA Ravi Agarwal's

CA INTER ACCOUNTING COMPILER 4.0
(d) State whether the following statements are 'True' or 'False' in line with the provisions of AS 1. Also give reason for your answer.
(i) Certain fundamental accounting assumptions underline the preparation and presentation of financial statements. They are usually specifically stated because their acceptance and use are not assumed.
(ii) If fundamental accounting assumptions are not followed in presentation and preparation of financial statements, a specific disclosure is not required.
(iii) All significant accounting policies adopted in the preparation and presentation of financial statements should form part of the financial statements.
(iv) Any change in an accounting policy, which has a material effect should be disclosed. Where the amount by which any item in the financial statements is affected by such change is not ascertainable, wholly or in part, the fact need not to be indicated.
(v) There is no single list of accounting policies which are applicable to all circumstances.

## ANSWER

(i) False; As per AS 1 "Disclosure of Accounting Policies", certain fundamental accounting assumptions underlie the preparation and presentation of financial statements. They are usually not specifically stated because their acceptance and use are assumed. Disclosure is necessary if they are not followed.
(ii) False; As per AS 1, if the fundamental accounting assumptions, viz. Going Concern, Consistency and Accrual are followed in financial statements, specific disclosure is not required. If a fundamental accounting assumption is not followed, the fact should be disclosed.
(iii) True; To ensure proper understanding of financial statements, it is necessary that all significant accounting policies adopted in the preparation and presentation of financial statements should be disclosed. The disclosure of the significant accounting policies as such should form part of the financial statements and they should be disclosed at one place.

## CA Ravi Agarwal's

CA INTER ACCOUNTING COMPILER 4.0
(iv) False; Any change in the accounting policies which has a material effect in the current period or which is reasonably expected to have a material effect in later periods should be disclosed. Where such amount is not ascertainable, wholly or in part, the fact should be indicated.
(v) True; As per AS 1, there is no single list of accounting policies which are applicable to all circumstances. The differing circumstances in which enterprises operate in a situation of diverse and complex economic activity make alternative accounting principles and methods of applying those principles acceptable.
2. (a) A Ltd. purchased on 1st April, 2020 8\% convertible debenture in C Ltd. of face value of Rs. 2,00,000 @ Rs. 108. On 1st July, 2020 A Ltd. purchased another Rs. 1,00,000 debentures @ Rs. 112 cum interest. On 1st October, 2020 Rs. 80,000 debentures were sold @ Rs. 105. On 1st December, 2020, C Ltd. give option for conversion of $8 \%$ convertible debentures into equity share of Rs. 10 each. A Ltd. received 5,000 equity shares in C Ltd. in conversion of 25\% debentures held on that date. The market price of debenture and equity share in C Ltd. on 31st December, 2020 is Rs. 110 and Rs. 15 respectively. Interest on debenture is payable each year on 31st March, and 30th September. Prepare investment account in the books of A Ltd. on average cost basis for the accounting year ended 31st December, 2020.

## ANSWER

Investment Account for the year ending on 31st December, 2020
Scrip : 8\% Convertible Debentures in C Ltd.
[Interest Payable on 31st March and 30th September]

| Date | Particulars | Nominal value Rs. | Interest Rs. | Cost R5. | Date | Particulars | Nominal Value (Rs.) | Interest <br> (Rs. | $\begin{aligned} & \hline \text { Cost } \\ & \text { (Rs.) } \\ & \hline \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 1.420 1.720 | To Bank ATE <br> To Barik AVE <br> (WCNST) | $2,00,000$ $1,00,000$ | 2,000 | $2,16,000$ $14,10,000$ | 30.09.20 | $\begin{array}{\|l\|} \hline \text { By Bank AlC } \\ \text { [Rs.3,00,000 } \times 8 \% \\ \mathrm{x}[6 / 12] \end{array}$ | - | 12,000 | $\sim$ |
| 31.12 .20 | TOPSLATE | - | 14,033 | - | 114020 | By Bank Alc | 80,000 |  | 84,000 |
|  | [ifteres]] |  |  |  | 114020 | By P 3 L AC [loss) <br> (W.N.3) |  |  | 2,933 |
|  |  |  |  |  | 14.3220 | By Banik Alc [Accrued $\quad$ inferest] (Ris. $555.000 \times .08 \times$ 2712 ) |  | 733 |  |
|  |  |  |  |  | 1191220 | By Equity shares in c Lid. (W.N. 3 and 4) | 55,000 |  | 59.767 |
|  |  |  |  |  | 31.1220 | By Balance did (W.N.5) | 1,65,000 | 3.900 | 1,79.300 |
|  |  | 3,00,000 | 16:033 | 3,26,000 |  |  | 3,00,000 | 16,033 | 3,26,000 |

SCRIP: Equity Shares in C LTD.

| Date | Particulars | Cost <br> (Rs.) | Date | Particulars | Cost <br> (Rs.) |
| :--- | :--- | ---: | :--- | :--- | ---: |
| 1.12 .20 | To $8 \%$ debentures | $\underline{59,767}$ | 31.12 .20 | By balance c/d | $\underline{59,767}$ |

## CA Ravi Agarwal's

CA INTER ACCOUNTING COMPILER 4.0

## Working Notes:

(i) Cost of Debenture purchased on 1st July = Rs.1,12,000 - Rs.2,000 (Interest) = Rs.1,10,000
(ii) Cost of Debentures sold on 1st Oct.
$=($ Rs. $2,16,000+$ Rs. $1,10,000) \times 80,000 / 3,00,000=$ Rs. 86,933
(iii) Loss on sale of Debentures = Rs. $86,933-$ Rs. $84,000=$ Rs.2,933

Nominal value of debentures converted into equity shares =Rs. 55,000
[(Rs. 3,00,000-80,000) x.25]
Interest received before the conversion of debentures
Interest on $25 \%$ of total debentures $=55,000 \times 8 \% \times 2 / 12=733$
(iv) Cost of Debentures converted $=($ Rs. $2,16,000+$ Rs.1,10,000 $) \times 55,000 / 3,00,000$ = Rs. 59,767
(v) Cost of closing balance of Debentures $=($ Rs. 2,16,000 + Rs.1,10,000 $) \times 1,65,000 / 3,00,000$ = Rs. 1,79,300
(vii) Closing balance of Debentures has been valued at cost.
(viii) 5,000 equity Shares in C Ltd. will be valued at cost of Rs. 59,767 being lower than the market value Rs. 75,000 (Rs. $15 \times 5,000$ )

Note: It is assumed that interest on debentures, which are converted into cash, has been received at the time of conversion.
(b) A fire engulfed the premises of a business of $\mathrm{M} / \mathrm{s}$ Preet on the morning of 1st July 2020. The building, equipment and stock were destroyed and the salvage recorded the following:
Building - Rs. 4,000; Equipment - Rs. 2,500; Stock - Rs. 20,000. The following other information was obtained from the records saved for the period from 1st January to 30th June 2020:

## CA Ravi Agarwal's CA INTER ACCOUNTING COMPILER 4.0

|  | Rs. |
| :---: | :---: |
| Sales | 11,50,000 |
| Sales Returns | 40,000 |
| Purchases | 9,50,000 |
| Purchases Returns | 12,500 |
| Cartage inward | 17,500 |
| Wages | 7,500 |
| Stock in hand on 313t December, 2019 | 1,50,000 |
| Building (value on $31^{\text {st }}$ December, 2019) | 375,000 |
| Equipment (value on $31^{\text {st }}$ December, 2019) | 75,000 |
| Depreciation provided fill $31^{\text {st }}$ December 2019 on: |  |
| Building | 1,25,000 |
| Equipment | 22,500\| |

No depreciation has been provided after December 31st 2019. The latest rate of depreciation is $5 \%$ p.a. on building and $15 \%$ p.a. on equipment by straight line method.

Normally business makes a profit of $25 \%$ on net sales. You are required to prepare the statement of claim for submission to the Insurance Company.

ANSWER
Memorandum Trading Account for the Period from 1.1.2020 to 30.6.2020


Stock Destroyed Account

|  |  | Rs. |  | Rs. |
| :---: | :---: | :---: | :---: | :---: |
|  | Trading Account | 2,80,000 | By Stock Salvaged Account <br> By Balance old (For Claim) | 20,000 |
|  |  |  |  | 2,60,000 |
|  |  | 2,80,000 |  | 2,80,000 |

Statement of Claim

| Items | Cost <br> (Rs.) | Depreciation <br> (Rs.) | Salvage <br> (Rs.) | Claim <br> (Rs.) |
| :--- | :---: | ---: | :---: | ---: |
| A | $B$ | $C$ |  | $(E=B$-C-D) |
| Stock | $2,80,000$ |  | 20,000 | $2,60,000$ |
| Buildings | $3,75,000$ | $1,25,000+9,375$ | 4,000 | $2,36,625$ |
| Equipment | 75,000 | $22,500+5,625$ | 2,500 | 44,375 |
|  |  |  |  | $5,41,000$ |

## CA Ravi Agarwal's CA INTER ACCOUNTING COMPILER 4.0

(c) A acquired on 1st January, 2020 a machine under a Hire-Purchase agreement which provides for 5 half-yearly instalments of Rs. 6,000 each, the first instalment being due on 1st July, 2020.
Assuming that the applicable rate of interest is 10 per cent per annum, calculate the cash value of the machine. All working should form part of the answer. (8+8+4=20 Marks)

## ANSWER

Statement showing cash value of the machine acquired on hilre-purchase basils

|  | Instalment Amount | Interest @ 5\% half yearly ( $10 \%$ p.a.) $=$ $5 / 105=1 / 21$ ) <br> (in each instalment) | Principal Amount (in each instalment) |
| :---: | :---: | :---: | :---: |
|  | Rs. | Rs. | Rs. |
| 5 th Instalment | 6,000 | 286 | 5,714 |
| Less: Interest | (286) |  |  |
|  | 5714 |  |  |
| Add: 4th Instalment | 6,000 |  |  |
|  | 11,714 | 558 | 5,442 |
| Less: Interest | (558) |  | (11, $156-5.714$ ) |
|  | 11,156 |  |  |
| Add: 3rd instalment | 6,000 |  |  |
|  | 17,156 | 817 | 5,183 |
| Less: Interest | (817) |  | (16,339-11,156) |
|  | 16,339 |  |  |
| Add: 2nd instalment | 6.000 |  |  |
|  | 22,339 | 1,063 | 4,937 |
| Less: Interest | (1.063) |  | (21,276-16,339) |
|  | 21,276 |  |  |
| Add: 1st instalment | $\underline{6,000}$ |  |  |
|  | 27,276 | 1,299 | 4,701 |
| Less: Interest | (1.299) |  | (25.977-21,276) |
|  | 25,977 | 4.023 | $\underline{25,977}$ |

The cash purchase price of machinery is Rs. 25,977.
3. (a) DM Delhi has a branch in London which is an integral foreign operation of DM. At the end of the
year 31st March, 2021, the branch furnishes the following trial balance in U.K. Pound:

## CA Ravi Agarwal's CA INTER ACCOUNTING COMPILER 4.0

| Particulars | $£$ | $£$ |
| :--- | ---: | ---: |
|  | Dr. | Cr. |
| Fixed assets (Acquired on 1st April, 2017) | 24,000 |  |
| Stock as on 1st April, 2020 | 11,200 |  |
| Goods from head Office | 64,000 |  |
| Expenses | 4,800 |  |
| Debtors | 4,800 |  |
| Creditors |  | 3,200 |
| Cash at bank | 1,200 |  |
| Head Office Account |  | 22,800 |
| Purchases | 12,000 |  |
| Sales | $\underline{1,22,000}$ | $\underline{1,22,000}$ |

In head office books, the branch account stood as shown below:
London Branch A/c

| Particulars | Amount <br> Rs. | Particulars | Amount <br> Rs. |
| :--- | ---: | :--- | ---: |
| To Balance b/d | $20,10,000$ | By Bank A/c | $52,16,000$ |
| To Goods sent to branch | $\underline{49.26,000}$ | By Balance c/d | $\underline{17,20,000}$ |

The following further information is given:
(a) Fixed assets are to be depreciated @ 10\% p.a. on WDV.
(b) On 31st March, 2021:

Expenses outstanding - $£ 400$
Prepaid expenses $-£ 200$
Closing stock - $£ 8,000$
(c) Rate of Exchange:

1st April, 2017 - Rs. 70 to $£ 1$
1st April, 2020 - Rs. 76 to $£ 1$
31st March, 2021 - Rs. 77 to $£ 1$
Average - Rs. 75 to $£ 1$
You are required to prepare: (1) Trial balance, incorporating adjustments of outstanding and prepaid expenses, converting U.K. pound into Indian rupees; and (2) Trading and profit and loss account for the year ended 31st March, 2021 of London branch as would appear in the books of Delhi head office of DM.

## CA Ravi Agarwal's

 CA INTER ACCOUNTING COMPILER 4.0
## ANSWER

Trial Balance of London Branch as on 31 ${ }^{\text {st }}$ March, 2021

| Particulars | U.K. <br> Pound | Rate Per <br> U.K. Pound | Dr. (Rs.) | Cr. (Rs.) |
| :--- | ---: | ---: | ---: | ---: |
| Fixed Assets | 24,000 | 70 | $16,80,000$ |  |
| Stock (as on 1si April, 2020) | 11,200 | 76 | $8,51,200$ |  |
| Goods from Head Office | 64,000 | - | $49_{2}, 26,000$ |  |
| Sales | 96,000 | 75 |  | $72,00,000$ |
| Purchases | 12,000 | 75 | $9,00,000$ |  |
| Expenses (4,800+400-200) | 5,000 | 75 | $3,75,000$ |  |
| Debtors | 4,800 | 77 | $3,69,600$ |  |
| Creditors | 3,200 | 77 |  | $2,46,400$ |
| Outstanding Expenses | 400 | 77 |  | 30,800 |
| Prepaid expenses | 200 | 77 | 15,400 |  |
| Cash at Bank | 1,200 | 77 | 92,400 |  |
| Head office Account |  | - |  | $17,20,000$ |
| Difference in Exchange |  |  | $\underline{12,400}$ |  |
|  |  | $\underline{92,09,600}$ | $\underline{92,09,600}$ |  |

Closing stock will be $(8,000 \times 77)=$ Rs. $6,16,000$

Trading and Profit \& Loss A/c for the year ended 31: March, 2021

| Particulars | Amount (Rs.) |  | Particulars | Amount (Rs.) |
| :---: | :---: | :---: | :---: | :---: |
| To Opening Stock | 8,51,200 | By | Sales | 72,00,000 |
| To Purchases | 9,00,000 | By | Closing Stock | 6,16,000 |
| To Goods from H.O. | 49,26,000 |  |  |  |
| To Gross Profit | 11,38,800 |  |  |  |
|  | 78,16,000 |  |  | 78,16,000 |
| To Expenses | 3,75,000 | By | Gross Profit | 11,38,800 |
| To Depreciation | 1,68,000 | By | Profit due Exchange |  |
| To Net Profit | $\underline{6.08 .200}$ |  | difference | 12.400 |
|  | 11.51.200 |  |  | 11.51.200 |

## Working Note:

Since London Branch is an integral foreign operation. Hence, (1) Fixed assets (cost and depreciation) are translated using the exchange rate at the date of purchase of the assets. (2) Exchange difference arising on translation of the financial statement is charged to Profit and Loss Account.
(b) The following is the Balance Sheet of Chirag as on 31st March, 2020:

| Liabilities | Rs. | Assets | Rs. |
| :--- | ---: | :--- | ---: |
| Capital Account | 48,000 | Building | 32,500 |
| Loan | 15,000 | Furniture | 5,000 |
| Creditor | 31,000 | Motor car | 9,000 |
|  |  | Stock | $22_{2}, 000$ |
|  |  | Debtors | $17_{2}, 000$ |
|  |  | Cash in hand | 2,000 |
|  |  | Cash at bank | $\underline{8,500}$ |
|  | $\underline{94,000}$ |  | $\underline{94,000}$ |

A riot occurred on the night of 31st March, 2021 in which all books and records were lost. The cashier had absconded with the available cash. He gives you the following information:
(a) His sales for the year ended 31st March, 2021 were 20\% higher than the previous year's sales. He always sells his goods at cost plus $\mathbf{2 5 \%} ; \mathbf{2 0 \%}$ of the total sales for the year ended 31st March, 2021 were for cash. There were no cash purchases.
(b) On 1st April, 2020 the stock level was raised to Rs. 30,000 and stock was maintained at this new level all throughout the year.
(c) Collection from debtors amounted to Rs. 1,40,000 of which Rs. 35,000 was received in cash, Business expenses amounted to Rs. 20,000 of which Rs. 5,000 was outstanding on 31st March, 2021 and Rs. 6,000 was paid by cheques.
(d) Analysis of the Pass Book revealed the Payment to Creditors Rs. 1,37,500, Personal Drawing Rs. 7,500, Cash deposited in Bank Rs. 71,500, and Cash withdrawn from Bank Rs. 12,000.
(e) Gross profit as per last year's audited accounts was Rs. 30,000.
(f) Provide depreciation on Building and Furniture at 5\% and Motor Car at 20\%.
(g) The amount defalcated by the cashier may be treated as recoverable from him.

You are required to prepare the Trading and Profit and Loss Account for the year ended 31st

## CA Ravi Agarwal's

 CA INTER ACCOUNTING COMPILER 4.0March, 2021 and Balance Sheet as on that date.

## ANSWER

Trading and Profit and Loss Account for the year ending on 31st March, 2021

| Particulars |  | Rs. | Particulars | Rs. |
| :---: | :---: | :---: | :---: | :---: |
| To Opening Stock |  | 20,000 | By Sales | 18, 80,000 |
| To Purchases (bal.fig) |  | 1,54,000 | By Closing Stock | 30,000 |
| To Gross Profit cld (@20\% on sales) |  | 36,000 |  | 2,10,000 |
|  |  | $\underline{2,10,000}$ |  |  |
| To Sundry Business Expenses |  | 20,000 | By Gross Profit b/d | 36,000 |
| To Depreciation: |  |  |  |  |
| Building | 1,625 |  |  |  |
| Furniture | 250 |  |  |  |
| Notor | $\underline{1.800}$ | 3,675 |  |  |
| To Net profit transferred to Capital Alc |  | 12,325 |  |  |
|  |  | 36,000 |  | 36,000 |

Balance Sheet as at $31^{\text {st }}$ March, 2021


Working Notes:
(i)

Total Debtors Account

| Particulars | Rs. | Particulars | Rs. |
| :--- | ---: | :--- | ---: |
| To Balance b/d | 17,000 | By Bank (Rs. 1,40,000 - Rs. 35,000) | $1,05,000$ |
| To Sales (80\% of Rs. 1,80,000) | $1,44,000$ | By Cash A/c | 35,000 |
|  |  | By Balance c/d | $\underline{21,000}$ |
|  | $\underline{1,61,000}$ |  | $\underline{1,61,000}$ |

## CA Ravi Agarwal's

CA INTER ACCOUNTING COMPILER 4.0

| Particulars | Rs. | Particulars | Rs. |
| :--- | ---: | :--- | ---: |
| To Bank | $1,37,500$ | By Balance b/d | 31,000 |
| To Balance c/d | $\underline{47,500}$ | By Purchases | $\underline{1,54,000}$ |
|  | $\underline{1,85,000}$ |  | $\underline{1,85,000}$ |

(iii)
Cash Book

| Particulars | Cash Rs. | Bank Rs. | Particulars | Cash Rs. | Bank Rs. |
| :---: | :---: | :---: | :---: | :---: | :---: |
| To Balance b/d | 2,000 | 8,500 | By Business Expenses | 9,000 | 6,000 |
| To Sales | 36,000 | - | By Drawings |  | 7,500 |
| To Sundry Debtors | 35,000 | 1,05,000 | By Sundry Creditors | - | 1,37,500 |
| To Cash(Contra) | - | 71,500 | By Bank (Contra) | 71,500 |  |
| To Bank (Contra) | 12,000 |  | By Cash (Contra) | - | 12,000 |
|  |  |  | By Defalcation (Bal fig.) | 4,500 |  |
|  |  |  | By Balance old (Bal fig.) |  | 22,000 |
|  | 85.000 | 1.85,000 |  | 85,000 | 1,85,000 |

(iv) Last year's Total Sales $=$ Gross Profit $\times 100 / 20=$ Rs. $30,000 \times 100 / 20=$ Rs. $1,50,000$
(v) Current year's Total Sales = Rs. 1,50,000+20\% of Rs. 1,50,000= Rs. 1,80,000
(vi) Current year's Credit Sales = Rs. 1,80,000 x 80\%= Rs. 1,44,000
(vii) Cost of Goods Sold = Sales - G.P. = Rs.1,80,000 - Rs. $36,000=$ Rs. 1,44,000
(viii) Purchases $=$ Cost of Goods Sold + Closing Stock - Opening Stock
= Rs. 1,44,000 + Rs. 30,000 - Rs. 20,000 = Rs. 1,54,000
4. (a) X Ltd has three departments A, B and C. From the particulars given below compute: (i) the values of stock as on 31st Dec. 2020 and (ii) the departmental results showing actual amount of gross profit.

|  | A | B | C <br>  |
| :--- | ---: | ---: | ---: |
| Rs. | Rs. | Rs. |  |
| Stock (on 1.1. 2020) | 24,000 | 36,000 | 12,000 |
| Purchases | $1,46,000$ | $1,24,000$ | 48,000 |
| Actual sales | $1,72,500$ | $1,59,400$ | 74,600 |
| Gross Profit on normal selling price | $20 \%$ | $25 \%$ | $331 / 3 \%$ |

During the year ended 31st Dec. 2020, certain items were sold at discount and these discounts

## CA Ravi Agarwal's

 CA INTER ACCOUNTING COMPILER 4.0were reflected in the value of sales shown above. The items sold at discount were

|  | A | B | C |
| :--- | ---: | ---: | ---: |
|  | Rs. | Rs. | Rs. |
| Sales at normal price | 10,000 | 3,000 | 1,000 |
| Sales at actual price | 7,500 | 2,400 | 600 |

ANSWER
(a) Calculation of Departmental Results (Actual Gross Profit)

|  | A (Rs.) | B (Rs.) | C (Rs.) |
| :---: | :---: | :---: | :---: |
| Actual Sales | 1,72,500 | 1,59,400 | 74,600 |
| Add back: Discount (Refer W.N.) | 2.500 | 600 | 400 |
| Normal sales | 1,75.000 | 1,60.000 | 75,000 |
| Gross profit \% on normal sales | 20\% | 25\% | 33.33\% |
| Normal gross profit | 35,000 | 40,000 | 25,000 |
| Less: Discount | [2.500) | (600) | (400) |
| Actual gross profit | 32.500 | 39.400 | 24,600 |

Computation of value of stock as on 31st Dec. 2020

| Departments | A Rs. | B Rs. | C Rs. |
| :---: | :---: | :---: | :---: |
| Stock (on 1.1. 2020) | 24,000 | 36,000 | 12,000 |
| Add: Purchases | 1,46,000 | 1,24,000 | 48,000 |
|  | $1{ }_{1} 70,000$ | 1860,000 | 60.000 |
| Add: Actual gross profit | 32.500 | 39.400 | 24.600 |
|  | 2,02,500 | 1,99,400 | 84,600 |
| Less: Actual Sales | (1,72,500) | (1,59,400) | (74.600) |
| Closing stock as on 31.12 .2020 (bal.fig.) | 30.000 | 40.000 | 10.000 |

Working Note:
Calculation of discount on sales:

| Departments | A <br> Rs. | B <br> Rs. | C <br> Rs. |
| :--- | ---: | ---: | ---: |
| Sales at normal price | 10,000 | 3,000 | $1_{2}, 000$ |
| Less: Sales at actual price | $\underline{(7,500)}$ | $(2,400)$ | $\underline{(600)}$ |
|  | $\underline{2,500}$ | $\underline{600}$ | $\underline{400}$ |

(b) Surya Limited (a listed company) recently made a public issue in respect of which the following information is available:
(a) No. of partly convertible debentures issued- 2,00,000; face value and issue price- Rs. 100 per debenture.

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

(b) Convertible portion per debenture- 60\%, date of conversion- on expiry of 6 months from the date of closing of issue.
(c) Date of closure of subscription lists- 1.5.2020, date of allotment- 1.6.2020, rate of interest on debenture- $15 \%$ payable from the date of allotment, value of equity share for the purpose of conversion- Rs. 60 (Face Value Rs. 10).
(d) Underwriting Commission- 2\%.
(e) No. of debentures applied for- 1,50,000.
(f) Interest payable on debentures half-yearly on 30th September and 31st March.

Write relevant journal entries for all transactions arising out of the above during the year ended 31st March, 2021 (including cash and bank entries).

ANSWER

Journal Entries


## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

| 01.06.2020 | To Underwriters Alc (Commission payable to underwriters @ 2\% on Rs. 2,00,00,000) |  |  | 4,00,000 |
| :---: | :---: | :---: | :---: | :---: |
|  | Bank Alc <br> To Underwriters Alc <br> (Amount received from underwiters in settlement of account) | Dr. | 46,00,000 | 46,00,000 |
|  | Debenture Redemption Investment Alc <br> To Bank Alc $(200,000 \times 100 \times 15 \% \times 40 \%)$ <br> (Being Investments made for redemption purpose) | Dr. | 12,00,000 | 12,00,000 |
| 30.9 .2020 | Debenture Interest A/c <br> To Bank Alc <br> (Interest paid on debentures for 4 months @ $15 \%$ on Rs. $2,00,00,000$ ) | Dr. | 10,00,000 | 10,00,000 |
| 31.10 .2020 | 15\% Debentures Alc <br> To Equity Share Capital A/c <br> To Securities Premium A/c <br> (Conversion of $60 \%$ of debentures into shares of Rs. 60 each with a face value of Rs. 10) | Dr. | 1,20,00,000 | $20,00,000$ $1,00,00,0000$ |
| 31.3 .2021 |  | Dr. | 7,50,000 | 7,50,000 |

## Working Note:

Calculation of Debenture Interest for the half year ended 31st March, 2021:
On Rs. 80,00,000 for 6 months @ 15\%
= Rs.6,00,000
On Rs. 1,20,00,000 for 1 months @ 15\%
= Rs. 1,50,000
Rs.7,50,000
(c) Manu Ltd. gives the following information as at 31st March, 2021:

|  | Rs. |
| :--- | ---: |
| lssued and Subscribed capital: |  |
| $24,000 \quad 12 \%$ Preference shares of Rs. 10 each fully paiid | $2_{4} 40_{2} 000$ |
| $2,70,000$ Equity shares of Rs. 10 each, Rs. 8 paid up | $21_{2} 60,000$ |
| Reserves and surplus: |  |
| General Reserve | $3_{4}, 60,000$ |
| Capital Redemption Reserve | $1_{2} 20,000$ |
| Securities premium (collected in cash) | $75_{2} 000$ |
| Profitand Loss Account | $6,00,000$ |

## CA Ravi Agarwal's CA INTER ACCOUNTING COMPILER 4.0

On 1st April, 2021, the Company has made final call @ Rs. 2 each on 2,70,000 equity shares. The call money was received by 20th April, 2021. Thereafter, the company decided to capitalize its reserves by way of bonus at the rate of one share for every four shares held. You are required to prepare necessary journal entries in the books of the company on 30th April, 2021 for these transactions.

## ANSWER

## Journal Entries

|  |  |  | Rs. | Rs. |
| :---: | :---: | :---: | :---: | :---: |
| 1-4-2021 | Equity share final call A/c <br> To Equity share capital A/c <br> (For final calls of Rs. 2 per share on $2,70,000$ equity shares due as per Board's Resolution dated...) | Dr. | 540,000 | 5,40,000 |
|  | ```Bank Alc To Equity share final call A/c (For final call money on \(2,70,000\) equity shares received)``` |  |  | 5,40,000 |
|  | Securities Premium Alc <br> Capital redemption reserve Alc General Reserve A/C | Dr Dr Dr Dr | $\begin{array}{r} 75,000 \\ 1,20,000 \\ 3,000 \end{array}$ |  |
|  | Profit and Loss A/c (b.f.) <br> To Bonus to shareholders A/c <br> (For making provision for bonus issue of one share for every four shares held) | Dr. | 6,75,000 | 6,75,000 |
|  | Bonus to shareholders A/C <br> To Equity share capital A/C <br> (For issue of bonus shares) |  |  | 6,75,000 |

5. (a) You are required to prepare a Balance Sheet as at 31st March 2020, as per Schedule III of the Companies Act, 2013, from the following information of Mehar Ltd.:

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

| Particulars | Amount <br> $($ Rs. $)$ | Particulars | Amount <br> $($ Rs. $)$ |
| :--- | ---: | :--- | ---: |
| Term Loans (Secured) | $40,00,000$ | Investments (Non-current) | $9,00,000$ |
| Trade payables | $45,80,000$ | Profit for the year | $32,00,000$ |
| Cash and Bank Balances | $38,40,000$ | Trade receivables | $49,00,000$ |
| Staff Advances | $2,20,000$ | Miscellaneous Expenses | $2,32,000$ |
| Other advances (given by Co.) | $14,88,000$ | Loan from other parties | $8,00,000$ |
| Provision for Taxation | $10,20,000$ | Provision for Doubtful Debts | 80,000 |
| Securities Premium | $19,00,000$ | Stores | $16,00,000$ |
| Loose Tools | $2,00,000$ | Finished Goods | $30,00,000$ |
| General Reserve | $62,00,000$ | Plant and Machinery (WDV) | $2,14,00,000$ |

## Additional Information: -

1. Share Capital consists of-
(a) 1,20,000 Equity Shares of Rs. 100 each fully paid up.
(b) 40,000, 10\% Redeemable Preference Shares of Rs. 100 each fully paid up.
2. Write off the amount of Miscellaneous Expenses in full, amounting Rs. 2,32,000.

## ANSWER

(a) Balance Sheet of Mehar Ltd. as at 31st March, 2020

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

|  |  | Note | Rs. |
| :---: | :---: | :---: | :---: |
| I | EQUITY AND LIABILITIES: |  |  |
| (1) | (a) Share Capital | 1 | 1,60,00,000 |
|  | (b) Reserves and Surplus | 2 | 110,68,000 |
| (2) | Non-current Liabilities |  |  |
|  | Long ferm Borrowings- <br> Terms Loans (Secured) |  | 40,00,000 |
| (3) | Current Liabilities |  |  |
|  | (a) Trade Payables |  | 45,80,000 |
|  | (b) Other current liabilities | 3 | $88_{2} 00,000$ |
|  | (c) Short-term Provisions (Provision for taxation) |  | 10,20,000 |
|  | Total |  | 3.74.68.000 |
| III | ASSETS |  |  |
| (1) | Non-current Assets |  |  |
|  | (a) Property, Plantand Equipment | 4 | $214,00,000$ |
|  | (b) Non-current Investments |  | 9800,000 |
| (2) | Current Assets: |  |  |
|  | (a) Inventories | 5 | 48800000 |
|  | (b) Trade Receivables | 6 | 48,20,000 |
|  | (c) Cash and Cash Equivalents |  | $38,40,000$ |
|  | (d) Short-term Loans and Advances | 7 | 17,08,000 |
|  | Total |  | 3,74,68,000 |

Notes to accounts

|  |  |  | (Rs.) |
| :---: | :---: | :---: | :---: |
| 1. | Share Capital |  | 1.60,00,000 |
|  | Authorized, issued, subscribed \& called up |  |  |
|  | $1,20,000$ Equity Shares of Rs. 100 each | 1,20,00,000 |  |
|  | 40,000 10\% Redeemable Preference Shares of 100 each | 40,00.000 |  |
| 2. | Reserves and Surplus |  |  |
|  | Securities Premium Account | 19,00,000 |  |
|  | General reserve | 62,00,000 |  |
|  | Profit \& Loss Balance |  |  |
|  | Opening balance - |  |  |

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0


(b) Sneha Ltd. was incorporated on 1st July, 2019 to acquire a running business of Atul Sons with effect from 1st April, 2019.
During the year 2019-20, the total sales were Rs. 24,00,000 of which Rs. 4,80,000 were for the first six months. The Gross profit of the company for the year was Rs. 3,90,800. The expenses charged to the Statement of Profit \& Loss Account included the following:
(i) Director's fees Rs. 30,000
(ii) Bad debts Rs. 7,200
(iii) Advertising Rs. 24,000 (under a contract amounting to Rs. 2,000 per month)
(iv) Salaries and General Expenses Rs. 1,28,000
(v) Preliminary Expenses written off Rs. 10,000
(vi) Donation to a political party given by the company Rs. 10,000.

Prepare a statement showing pre-incorporation and post-incorporation profit for the year ended 31st March, 2020. (14+6=20 Marks)

ANSWER

## CA Ravi Agarwal's

CA INTER ACCOUNTING COMPILER 4.0

Statement showing the calculation of Profits for the pre-incorporation and post incorporation periods for the year ended 31st March, 2020

| Particulars | Total | Allocation basis | $\begin{array}{r} \text { Pre- } \\ \text { incorporation } \\ \text { Rs. } \end{array}$ |  |
| :---: | :---: | :---: | :---: | :---: |
| Gross Profit | $3,90,800$ | Sales | 39,080 | 3,51,720 |
| Less: Directors' fee | 30,000 | Post |  | 30,000 |
| Bad debts | 7,200 | Sales | 720 | 6,480 |
| Advertising | 24,000 | Time | 6,000 | 18,000 |
| Salaries \& general expenses | 1,28,000 | Time | 32,000 | 96,000 |
| Preliminary expenses | 10,000 | Post |  | 10,000 |
| Donation to Political Party | 10,000 | Post |  | 10,000 |
| Net Profit | 1,81,600 |  |  | 1,81,240 |
| Pre-incorporation profit transferred to Capital Reserve |  |  | 360 |  |

## Working Notes:

## 1. Sales ratio

| Particulars | Rs. |
| :--- | ---: |
| Sales for period up to $30.06 .2019(4,80,000 \times 3 / 6)$ | $2,40,000$ |
| Sales for period from 01.07 .2019 to $31.03 .2020(24,00,000-2,40,000)$ | $21,60,000$ |

Thus, Sales Ratio $=1: 9$

## 2. Time ratio

1st April, 2019 to 30 June, 2019: 1st July, 2019 to 31st March, 2020
$=3$ months: 9 months $=1: 3$
Thus, Time Ratio is $1: 3$
6. (a) A company incorporated in June 2020, has setup a factory within a period of 8 months with borrowed funds. The construction period of the assets had reduced drastically due to usage of technical innovations by the company and the company is able to justify the reasons for the same. Whether interest on borrowings for the period prior to the date of setting up the factory should be capitalized although it has taken less than 12 months for the assets to get ready for use. You are required to comment on the necessary treatment with reference to AS 16.

## ANSWER

As per AS 16 'Borrowing Costs', a qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Further, the standard states that what constitutes a substantial period of time primarily depends on the facts and circumstances of each case. However, ordinarily, a period of twelve months is considered as substantial period of time

## CA Ravi Agarwal's

CA INTER ACCOUNTING COMPILER 4.0
unless a shorter or longer period can be justified on the basis of facts and circumstances of the case. In estimating the period, time which an asset takes, technologically and commercially, to get it ready for its intended use or sale is considered. It may be implied that there is a rebuttable presumption that a 12 months period constitutes substantial period of time.
Under present circumstances where construction period has reduced drastically due to technical innovation, the 12 months period should at best be looked at as a benchmark and not as a conclusive yardstick. It may so happen that an asset under normal circumstances may take more than 12 months to complete. However, an enterprise that completes the asset in 8 months should not be penalized for its efficiency by denying it interest capitalization and vice versa. The substantial period criteria ensures that enterprises do not spend a lot of time and effort capturing immaterial interest cost for purposes of capitalization. Therefore, if the factory is constructed in 8 months then it shal I be considered as a qualifying asset. The interest on borrowings for the same shall be capitalised although it has taken less than 12 months for the asset to get ready to use.
(b) XYZ Ltd. proposes to declare 10\% dividend out of General Reserves due to inadequacy of profits in the year ending 31-03-2020.

From the following particulars ascertain the amount that can be utilized from general reserves, according to the Companies Rules, 2014: (Rs.)
8,00,000 Equity Shares of Rs. 10 each fully paid up 80,00,000
General Reserves 25,00,000
Revaluation Reserves 6,50,000
Net profit for the year 1,42,500

Average rate of dividend during the last five years has been $12 \%$.

## ANSWER

Amount that can be drawn from reserves for (10\% dividend on Rs. 80,00,000 i.e. Rs. 8,00,000)

## Profits available

Current year profit Rs. 1,42,500
Amount which can be utilized from reserves (Rs. 8,00,000-1,42,500) Rs. 6,57,500
Conditions as per Companies (Declaration of dividend out of Reserves) Rules, 2014:

## Condition I

Since $10 \%$ is lower than the average rate of dividend (12\%), $10 \%$ dividend can be declared.

## Condition II

## CA Ravi Agarwal's CA INTER ACCOUNTING COMPILER 4.0

Maximum amount that can be drawn from the accumulated profits and reserves should not exceed $10 \%$ of paid up capital plus free reserves ie. Rs. 10,50,000 [10\% of $(80,00,000+25,00,000)$ ]

## Condition III

The balance of reserves after drawl Rs. 18,42,500 (Rs. 25,00,000 - Rs. 6,57,500) should not fall below $15 \%$ of its paid up capital ie. Rs. 12,00,000 ( $15 \%$ of Rs. $80,00,000$ ] Since all the three conditions are satisfied, the company can withdraw Rs. 6,57,500 from accumulated reserve (as per Declaration and Payment of Dividend Rules, 2014).

## OR

X Ltd. (a non-investment company) provides the following information as on 31st March, 2020 was obtained:

|  | Rs. |
| :--- | ---: |
| Issued and subscribed capital: |  |
| 15,000, 14\% preference shares of Rs. 100 each fully paid | $15,00,000$ |
| $\mathbf{1 , 2 0 , 0 0 0}$ Equity shares of Rs. 100 each, Rs. 80 paid-up | $96,00,000$ |
| Capital reserves (Rs. 1,50,000 is revaluation reserve) | $1,95,000$ |
| Securities premium | 50,000 |
| 15\% Debentures | $65,00,000$ |
| Investment in shares, debentures, etc. | $75,00,000$ |
| Profit and Loss account (debit balance) | $15,25,000$ |

You are required to compute Effective Capital as per the provisions of Schedule V to the Companies Act, 2013.

## ANSWER

Computation of Effective Capital

|  |  | Rs. |
| :---: | :---: | :---: |
| Paid-up share capital- |  |  |
| 15,000, 14\% Preference shares |  | 15,00,000 |
| 1,20,000 Equity shares |  | $96,00,000$ |
| Capital reserves (excluding revaluation reserve) |  | 45,000 |
| Securities premium |  | 50,000 |
| 15\% Debentures |  | 65,00,000 |
|  | (A) | 1.76 .95 .000 |
| Investments |  | 75,00,000 |
| Profit and Loss account (Dr. balance) |  | 15.25.000 |
|  | (B) | 90.25.000 |
| Effective capital | ( $A-B)$ | 86,70,000 |

## CA Ravi Agarwal's

CA INTER ACCOUNTING COMPILER 4.0
(c) Following is the cash flow abstract of Alpha Ltd. for the year ended 31st March, 2021: Cash Flow (Abstract)

| Inflows | Rs. | Outlows | Rs. |
| :---: | :---: | :---: | :---: |
| Opening cash and bank balance | 80,000 | Payment for Account Payables | 90,000 |
| Share capital-shares issued | 5,00,000 | Salaries and wages | 25,000 |
| Collection from Trade |  | Payment of overheads | 15,000 |
| Receivables | 3,50,000 | Machinery acquired Debentures redeemed | $\begin{array}{r} 4,00,000 \\ 50,000 \end{array}$ |
| Sale of Machinery | $\begin{array}{r}70,000 \\ \hline 10,00,000\end{array}$ | Bank loan repaid <br> Tax paid <br> Closing cash and bank balance | $\begin{array}{r} 2,50,000 \\ 1,55,000 \\ \underline{15,000} \\ 10,00,000 \end{array}$ |

Prepare Cash Flow Statement for the year ended 31st March, 2021 in accordance with AS 3.

## ANSWER

Cash Flow Statement for the year ended 31.3.2021
S

|  | Rs. | Rs. |
| :---: | :---: | :---: |
| Cash flow from operating activities |  |  |
| Cash received on account of trade receivables | 3,50,000 |  |
| Cash paid on account of trade payables | $(90,000)$ |  |
| Cash paid to employees (salaries and wages) | (25,000) |  |
| Other cash payments (overheads) | (15,000) |  |
| Cash generated from operations | 2,20,000 |  |
| Income tax paid | (1,55,000) |  |
| Net cash generated from operating activities |  | 65000 |
| Cash flow from investing activities |  |  |
| Payment for purchase of machinery | $(4,00,000)$ |  |
| Proceeds from sale of machinery | $\underline{70,000}$ |  |
| Net cash used in in investment activities |  | $(3,30,000)$ |
| Cash flow from financing activities |  |  |
| Proceeds from issue of share capital | 5,00,000 |  |
| Bank loan repaid | (2,50,000) |  |
| Debentures redeemed | (50,000) |  |
| Net cash used in financing activites |  | 2,00,000 |
| Net decrease in cash and cash equivalents |  | $(65,000)$ |
| Cash and cash equivalents at the beginning of the year |  | 80,000 |
| Cash and cash equivalents at the end of the year |  | 15,000 |

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

(d) Opening Balance Sheet of Mr. A is showing the aggregate value of assets, liabilities and equity Rs. 8 lakh, Rs. 3 lakh and Rs. 5 lakh respectively. During accounting period, Mr. A has the following transactions:
(1) Earned 10\% dividend on 2,000 equity shares held of Rs. 100 each
(2) Paid Rs. 50,000 to creditors for settlement of Rs. 70,000
(3) Rent of the premises is outstanding Rs. 10,000
(4) Mr. A withdrew Rs. 9,000 for his personal use.

You are required to show the effect of above transactions on Balance Sheet in the form of Assets

- Liabilities = Equity after each transaction.

ANSWER
Effects of each transaction on Balance sheet of the trader is shown below:

| Transactions | Assets <br> Rs. lakh | Liabilities <br> Rs. lakh | $=$ | Equity <br> Rs. lakh |
| :--- | ---: | ---: | ---: | ---: |
| Opening | $8.00-$ | 3.00 | $=$ | 5.00 |
| (1) Dividend earned | $8.20-$ | 3.00 | $=$ | 5.20 |
| (2) Settlement of Creditors | $7.70-$ | 2.30 | $=$ | 5.40 |
| (3) Rent Outstanding | $7.70-$ | 2.40 | $=$ | 5.30 |
| (4) Drawings | $7.61-2.40$ | $=$ | 5.21 |  |

## RTP- NOV 2021

1. Om Ltd. has the Authorised Capital of Rs. 15,00,000 consisting of 6,000 6\% Redeemable Preference shares of Rs. 100 each and 90,000 equity Shares of Rs. 10 each. The following was the Trial Balance of the Company as on 31st March, 2021:

| Particulars | Dr. | Cr. |
| :--- | :--- | :--- |
| Investment in shares at cost (non-current investment) | $1,50,000$ |  |
| Purchases | $14,71,500$ |  |
| Selling expenses | $2,37,300$ |  |
| Inventory as at the beginning of the year | $4,35,600$ |  |
| Salaries and wages (included Rs. 30,000 being Director's <br> Remuneration) | $1,56,000$ |  |
| Cash on hand | 84,000 |  |
| Bills receivable | $1,24,500$ |  |
| Interest on Bank overdraft | 29,400 |  |
| Interest on debentures upto 30th Sep (1st half year) | 11,250 |  |
| Trade receivables and trade payables | $1,50,300$ | $2,63,550$ |
| Freehold property at cost | $10,50,000$ |  |
| Furniture at cost less depreciation of Rs. 45,000 | $1,05,000$ |  |
| $6 \%$ Redeemable Preference share capital |  | $6,00,000$ |
| Equity share capital fully paid up |  | $6,00,000$ |
| $5 \%$ mortgage debentures secured on freehold properties |  | 12,750 |
| Dividends |  | 85,500 |
| Profit and Loss A/c (opening balance) | $4,50,000$ |  |
| Sales (Net) | 18,000 |  |
| Bank overdraft (secured by hypothecation of stocks and receivables) | $44,72,850$ | $44,72,850$ |
| Technical knowhow fees (cost paid during the year) |  |  |
| Audit fees |  |  |
| Total |  |  |

Other Information:

1. Closing Stock was valued at Rs. 4,27,500.
2. Purchases include Rs. 15,000 worth of goods and articles distributed among valued customers.
3. Salaries and Wages include Rs. 6,000 being Wages incurred for installation of Electrical Fittings which were recorded under "Furniture".

## CA Ravi Agarwal's <br> CA INTER ACCOUNTING COMPILER 4.0

4. Bills Receivable include Rs. 4,500 being dishonoured bills. $50 \%$ of which had been considered irrecoverable.
5. Bills Receivable of Rs. 6,000 maturing after 31st March were discounted.
6. Depreciation on Furniture to be charged at $10 \%$ on Written Down Value.
7. Interest on Debentures for the half year ending on 31st March was due on that date.
8. Technical Knowhow Fees is to be written off over a period of 10 years.
9. Trade receivables include Rs. 18,000 due for more than six months.

You are required to prepare the Balance Sheet as at 31st March, 2021 and Statement of Profit and Loss for the year ended 31st March, 2021 as per Schedule III to the Companies Act, 2013 after taking into account the above information. Ignore taxation.
ANSWER

Balance sheet of Om Ltd. as at 31st March, 2021


## CA Ravi Agarwal's CA INTER ACCOUNTING COMPILER 4.0

Note: There is a Contingent liability for Bills receivable discounted with Bank Rs. 6000.

Statement of Profit and Loss of Om Ltd. for the year ended 31st March, 2021

|  | Particulars | Note |  |
| :---: | :---: | :---: | :---: |
| I | Revenue from Operations |  | 20,11,050 |
| II | Other income (Dividend income) |  | 12,750 |
| III | Total Revenue (I \& + II) |  | $\underline{20,23,800}$ |
| IV | Expenses: |  |  |
|  | (a) Purchases of Inventory (14,71,500 - Advertisement Expenses 15,000 ) |  | 14,56,500 |
|  | (b) Changes in Inventories of finished Goods I Work in progress \& inventory $(4,35,600-4,27,500)$ |  | 8,100 |
|  | (c) Employee Benefits expense | 9 | 1,20,000 |
|  | (d) Finance costs | 10 | 51,900 |
|  | (e) Depreciation \& Amortization Expenses [ $10 \%$ of $(1,05,000+6,000)]$ |  | 11,100 |
|  | (f) Other Expenses | 11 | 3,47,550 |
|  | Total Expenses |  | 19,95,150 |
| v | Profit before exceptional, extraordinary items and tax |  | 28,650 |
| VI | Exceptional items |  |  |
| VII | Profit before extra-ordinary items and tax |  | 28,650 |
| VIII | Extraordinary items |  |  |
| IX | Profit before tax |  | 28,650 |

## Notes to accounts

## CA Ravi Agarwal's CA INTER ACCOUNTING COMPILER 4.0

|  |  |  | () |
| :---: | :---: | :---: | :---: |
| 1. | Share Capital <br> Authorized capital: <br> 90,000 Equity Shares of ₹ 10 each. <br> $6,0006 \%$ Preference shares of ₹ 100 each <br> Issued, subscribed \& called up: <br> 60,000 , Equity Shares of ₹ 10 each <br> $6,0006 \%$ Redeemable Preference Shares of 100 each | $\begin{aligned} & 9,00,000 \\ & \underline{6,00,000} \\ & 6,00,000 \\ & \underline{6,00,000} \end{aligned}$ | $\underline{12,00,000}$ |
| 2. | Reserves and Surplus <br> Balance as on 1st April, 2020 <br> Add: Surplus for current year <br> Balance as on 31st March, 2021 | $\begin{array}{r} 85,500 \\ \underline{28,650} \\ \hline \end{array}$ | 1.14.150 |
| 3. | Long Term Borrowings <br> 5\% Mortgage Debentures (Secured against Freehold Properties) |  | 4,50,000 |
| 4. | Short Term Borrowings <br> Secured Borrowings: Loans Repayable on Demand Overdraft from Banks (Secured by Hypothecation of Stocks \& Receivables) |  | 4,50,000 |
| 5. | Other Current liabilities Interest due on Borrowings (5\% Debentures) |  | 11,250 |
| 6. | Property, plant and equipment <br> Furniture <br> Furniture at Cost Less depreciation ₹ 45,000 (as given in Trial Balance <br> Add: Depreciation | $\begin{array}{r} 1,05,000 \\ 45,000 \\ \hline \end{array}$ |  |

## CA Ravi Agarwal's

CA INTER ACCOUNTING COMPILER 4.0
7. Intangible Assets

Technical knowhow
Less: Written off
8. Trade Receivables

Sundry Debtors (a) Debt outstanding due more than six months
(b) Other Debts (refer Working Note)
9. Employee benefit expenses

Salaries \& Wages
Less: Wages incurred for installation of electrical
fittings to be capitalised
Less: Directors' Remuneration shown separately
Balance amount
10. Finance Costs

Interest on bank overdraft
Interest on debentures
11.

Other Expenses
Payment to the auditors
Director's remuneration
Selling expenses
Technical knowhow written of $(4,50,000 / 10)$
Advertisement (Goods and Articles Distributed)
Bad Debts ( $4,500 \times 50 \%$ )

|  |  |
| ---: | ---: |
| 18,000 |  |
| 30,000 |  |
| $2,37,300$ |  |
| 45,000 |  |
| 15,000 |  |
| 2,250 | $3,47,550$ |

Working Note:
Calculation of Sundry Debtors-Other Debts

| Sundry Debtors as given in Trial Balance | $1,50,300$ |
| :--- | :--- |
| Add Back: Bills Receivables Dishonoured | 4,500 |
|  | $1,54,800$ |
| Less: Bad Debts written off - 50\% Rs. 4,500 | $(2,250)$ |
| Adjusted Sundry Debtors | $1,52,550$ |
| Less: Debts due for more than 6 months (as per information given) | $(18,000)$ |
| Total of other Debtors i.e. Debtors outstanding for less than 6 months | $1,34,550$ |

2. (a) Star Ltd. gives the following information the year ended 31st March, 2021:

| Gross profit | $60,38,048$ |
| :--- | :--- |
| Subsidies received from Govt. | $4,10,888$ |
| Administrative, Selling and distribution expenses | $12,33,813$ |
| Directors' fees | $2,02,170$ |
| Interest on debentures | 46,860 |
| Managerial remuneration | $4,28,025$ |
| Depreciation on Property, plant and equipment (PPE) | $7,83,815$ |
| Provision for Taxation | $18,63,750$ |
| Transfer to General Reserve | $6,00,000$ |
| Transfer to Investment Revaluation Reserve | $\mathbf{1 8 , 7 5 0}$ |

Depreciation on PPE as per Schedule II of the Companies Act, 2013 was Rs. 8,63,018
You are required to calculate the maximum amount of the managerial remuneration as allowed as per Companies Act, 2013.

ANSWER

## CA Ravi Agarwal's CA INTER ACCOUNTING COMPILER 4.0

(a) Calculation of net profit u/s 198 of the Companies Act, 2013

|  | $₹$ | $₹$ |
| :--- | ---: | ---: |
| Gross profit |  | $60,38,048$ |
| Add: Subsidies received from Government |  | $\underline{4,10,888}$ |
|  |  | $64,48,936$ |
| Less: Administrative, selling and distribution | $12,33,813$ |  |
| $\quad$ expenses | $2,02,170$ |  |
| $\quad$ Director's fees | 46,860 |  |
| $\quad$ Interest on debentures | $\underline{8,63,018}$ | $\underline{(23,45,861)}$ |
| $\quad$ Depreciation on PPE as per Schedule II | $41,03,075$ |  |

Maximum Managerial remuneration under Companies Act, 2013= 11\% of Rs. $41,03,075=$ Rs.
4,51,338
(b) State under which head these accounts should be classified in Balance Sheet, as per Schedule III of the Companies Act, 2013:
(i) Share application money received in excess of issued share capital.
(ii) Share option outstanding account.
(iii) Unpaid matured debenture and interest accrued thereon.
(iv) Uncalled liability on shares and other partly paid investments.
(v) Calls unpaid.

ANSWER
i) Current Liabilities/ Other Current Liabilities
(ii) Shareholders' Fund / Reserve \& Surplus
(iii) Current liabilities/Other Current Liabilities
(iv) Contingent Liabilities and Commitments
(v) Shareholders' Fund / Share Capital

## Cash Flow Statement

3 On the basis of the following information prepare a Cash Flow Statement for the year ended 31st March, 2021 (Using direct method):
(i) Total sales for the year were Rs. 597 crores out of which cash sales amounted to Rs. 393 crores.
(ii) Receipts from credit customers during the year, totalled Rs. 201 crores.
(iii) Purchases for the year amounted to Rs. 330 crores out of which credit purchases were $80 \%$.

Balance in creditors as on
1.4.2020 Rs. 126 crores
31.3.2021 Rs. 138 crores
(iv) Suppliers of other consumables and services were paid Rs. 28.5 crores in cash.
(v) Employees of the enterprises were paid 30 crores in cash.
(vi) Fully paid preference shares of the face value of Rs. 48 crores were redeemed. Equity shares of the face value of Rs. 30 crores were allotted as fully paid up at premium of $\mathbf{2 0 \%}$.
(vii) Debentures of Rs. 30 crores at a premium of $10 \%$ were redeemed. Debenture holders were issued equity shares in lieu of their debentures.
(viii) Rs. 39 crores were paid by way of income tax.
(ix) A new machinery costing Rs. 15 was purchased.
(x) Investment costing Rs. 27 cores were sold at a loss of Rs. 3 crores.
(xi) Dividends totalling Rs. $\mathbf{2 2 . 5}$ crores was also paid.
(xii) Debenture interest amounting Rs. 3 crore was paid.
(xiii) On 31st March 2020, Balance with Bank and Cash on hand totalled Rs. 3 crores.


[^0]:    * For financial statement purposes, this would form part of closing stock (since there is no sale). However, this has been shown separately for computation of claim for loss of stock since the goods were physically not with the entity and, hence, there was no loss of such stock.


    ## Working Notes:

    1. Calculation of goods with customers
