

Answer - 6(a)

Journal entry  
 in books of ABE Ltd

	Particulars	LoFo	Dr	Cr
(i)	10% Redeemable Pref. Share A/C Dr To Reference Shareholder A/C (Being Pref. Shares redemption at par)		400000	400000
(ii)	Reference Shareholder A/C Dr To Bank A/C (Being Pref. Shares redeemed to SHs)		400000	400000
(iii)	Security Reserve A/C Dr General Reserve A/C Dr P&L A/C Dr Capital Redemption Res. Dr To Capital Redemption Res. (Being CRA created)		50000 75000 35000	160000
(iv)	Bank A/C Dr To Equity Share Final Call A/C (Being final call made)		240000	240000
(v)	Equity Share Final Call A/C Dr To Equity Share Cap. A/C (Being final call allotted)		240000	240000

Hence, CRA created of ₹160000 (40000 - 240000)

Answer - 6(b)

Calculation of Effective Capital :

Particulars	(₹)
2000, 14% Pref. Share	20 00 000
120000 Equity Shares	96 00 000
Capital reserve (195000 - 150000)	45 000
Security Resem.	50 000
15% Debentures	65 00 000
<b>[A]</b>	<b>181 95 000</b>
Public deposits	37 00 000
Investments	75 00 000
P&L AC (Dr. bal)	15 00 000
<b>[B]</b>	<b>93 70 000</b>

Effective Capital [A - B] = ₹ 88 25 000

## ANSWER - 6 (C)

Balance sheet as on  
31. March. 2018

Liabilities	(₹)	Assets	(₹)
Sundry Liabilities	413000	Sundry assets	1665000
Capital	1252000		
	==		==

Balance sheet as on  
31. March. 2019

Liabilities	(₹)	Assets	(₹)
Liabilities	580000	Sundry assets	2840000
Capital 1252000		<del>1252000</del>	
Less: Drawing (384000)	868000		
Amt. matured	50000		

Answer-3(a)(i)

Investment A/C  
of Mr. Vijay  
(Scrp: equity share of JP Power Ltd.)

Date	Particulars	Nos.	Dividend	(₹)	Date	Particulars	Nos.	Old	(₹)
1/1/19	To Purchase	600	-	12000	19/1/19	By Dividend		<del>7500</del>	7500
15/3/19	To Purchase	900	-	22500	20/2/19	By Sale	1500		33000
20/5/19	To Purchase	1000	-	23000	1/2/20	By Sale	1000		24000
25/7/19	To Bonus Share	2500	-	-	31/3/20	By bal. c/d	3100		30271
12/11/19	To Right issue <sup>(WN-1)</sup>	6000	-	12000					
20/12/19	To Gain on Sale <sup>(WN-2)</sup>	-	-	15393					
1/2/20	To Gain on Sale <sup>(WN-3)</sup>	-	-	8878					

WN-1 Calculation of Right issue

Total Shares = 5000 shares  
 Right issue (1:5) =  $5000 \times \frac{1}{5} = 1000$  shares

$1000 \text{ shares} \times 40\% = 400 \times 3 = ₹ 12000$   
 (Credited to P & L A/C)

$1000 \text{ shares} \times 60\% = 600 \times 20 = 12000$  ₹

WN-2 Calc of Profit/Loss on Shares

(2)

Sales value 33000

less:  $12000 + 22500 + 23000 + 12000 - 7500 \times 1500$   
~~5600~~ 5600 ~~(16607)~~  
 (16607)

Gain on Sale 16393

WN-3 Calc of Profit/Loss on Shares

(2)

Sales value 24000

less:  $12000 + 22500 + 23000 + 12000 - 7500 \times 1000$   
 4100 (15122)

8878

Answer - 3(a)(ii)

As per Accounting Standard 13, the long term investment is recorded at cost.

If there is any decline other than temporary decline, the long term investment shall be valued at cost or carrying amount whichever is lower.

As per given situation is question, the accounting treatment of long term investment at cost is correct because there is no diminution value. Hence, it is not decline other than temporary decline.

Answer-3(b)

Memorandum Trading A/c

(1 April 2020 to 31<sup>st</sup> August 2020)

Particulars	Normal item	Abnormal item	Total	Particulars	Normal item	Abnormal item	Total
To Opening Stock	95000	4000	99000	By Sales	210500	2000	212500
To Purchase	168500	-	168500	By LOSS on Sale		500	
To Wages	47000	-	47000	By Closing Stock	100000	1500	101500
To GP (20% on Sale)	42100	-	42100				

Notes:

- (i) Cost of goods distributed as free sample of ₹1500 shall not be included in Purchase  
(170000 - 1500 = ₹168500)
- (ii) wages for installation of machine of ₹3000 shall not included in wages  
(50000 - 3000 = ₹47000)
- (iii) Sale value of goods drawn by partner of ₹15000 and goods lying unsold with consignee of ₹16500 is not included in Sale value  
~~(240000)~~  
(242000 - 15000 - 16500) = ₹210500

Closing stock	100 000
less: Goods Salvaged	(20 000)
Loss	80 000

Average Clause -

$$800000 \times \frac{60000}{100000} = 480000$$

Answer - 4(a)

Departmental Trading A/c

Particulars	Depto A	Depto B	Particulars	Depto A	Depto B
To Opening Stock	300000	240000	By Sales	6000000	9000000
To Purchases	3900000	5460000	By Closing Stock	600000	1200000
To Gross Profit	2400000	4500000			

WN-1 Calculation of GP (%)

	Depto A	Depto B
$\frac{GP}{Sales} \times 100$	$\frac{2400000}{6000000} \times 100$	$\frac{4500000}{9000000} \times 100$
	= 40%	= 50%

WN-2 Calculation of Stock Reserve

Depto A =  $120000 - 60000 = 260000 \times 50\% = 230000$

Depto B =  $180000 - 90000 = 290000 \times 40\% = 236000$

## General P&C A/c

Particulars	(₹)	Particulars	(₹)
By General Exp	750000	By GP	
		: Dept. A	2400000
To Net Profit	6216000	: Dept. B	4500000
		By Stock Reserve	
		: Dept. A	30000
		: Dept. B	36000
	=		=

Answer-4(b)

(WN-1) Balance sheet  
as on 1/4/19

Liabilities	(₹)	Assets	(₹)
Sundry Creditors	40000	Cash in hand	10000
Capital	300000	Cash at Bank	50000
	100000	Sundry debtors	100000
	440000	Stock	280000
			440000

(WN-2) Sundry Creditors

To Bank	70000	By bal. b/d	40000
To Cash	20000	By Credit <sup>Purchase</sup> <del>Sales</del>	770000
To bal. c/d	90000		

(WN-3) Sundry debtors

To bal. b/d	100000	By bank	750000
To Credit Sales	1000000	By bal. c/d	350000

Trading & P&L A/C  
for the year ended 31/3/2020

Particulars	(₹)	Particulars	(₹)
To opening stock	280000	By Sales	1000000
To purchases	770000	By closing stock	(300000)
To Gross Profit (25% on sales)	250000	(Bal. figure)	
	==		==
To Salaries	40000	By Gross Profit	250000
To Expenses	120000		
To Int. on loan (100000 x 6/12 x 10%)	5000		
To Net profit (Bal. figure)	(85000)		
	==		==

Balance sheet  
as on 31/3/2020

Liabilities	(₹)	Assets	(₹)
Sundry Creditors	90000	Cash in hand	10000
Capital	400000	Sundry debtors	350000
Less: Drawing	(80000)	Stock	300000
Add: Net Profit	85000	Cash at Bank	(80000)
Loan from Laxman	100000		
	==		==

(WN-4)

Bank A/C

To bal. b/d	50000	By Creditors	700000
To debtors	750000	By B/S Exp.	120000
To Cash	100000	By bank loan	100000
By bal. c/d	80000		

Answer-2(a)

Statement of P&L A/C  
for the year 31/4/2020

	Particulars	Noti. No.	(₹)
I.	Revenue from operations		3617000
II.	Other income	1	36500
III.	Total income (I+II)		3653500
less:	<u>Expenses</u>		
IV.	Value of inventory	2	1189500
V.	Cost of material purchased		-
VI.	Depreciation & Amortisation	3	120000
VII.	Employee Benefit Expenses	4	<del>1368000</del> 1393000
VIII.	Finance cost	5	11000
IX.	Other Expenses	6	384000
X.	Total Expenses		3197500
XI.	Profit before Tax (III - X)		456000
less:	Income Tax @ 30%		(136800)
XII.	Profit after Tax		319200

## Balance Sheet as on 31/3/2020

	Particulars	Note No.	(₹)
I.	Equity & Liabilities		
	1) Shareholder's fund		
	a) Share Capital	7	1990000
	b) Reserve & Surplus	8	252200
	2) Non-current liability		
	a) Long-term borrowing	9	1267000
	3) Current liability		
	a) Trade payables		240500
			<u>3749700</u>
II.	Assets		
	1) Non-current assets	10	2930000
	2) Current assets		
	a) Trade receivables	11	39100
	b) Cash in hand		8000
	c) Cash at Bank		20000
	d) Inventory		708000
			<u>3651100</u>

Notes to accounts

(₹)

1.)	<u>Other income</u>		
	Rent	30000	
	TIF fees received	6500	36500
2.)	<u>Value of inventory</u>		
	Opening stock	665000	
	Add: Purchases	1232500	
	less: Closing stock	(708000)	1189500
3.)	<u>Depreciation &amp; Amortisation</u>		
	Plant & Machinery	37500	
	Engineering Tools	30000	
	Patterns	37500	
	Furniture & fixtures	15000	120000
4.)	<u>Employees Benefit Expenses</u>		
	Wages (1368000 + 25000)		₹ 1393000
			1368000
5.)	<u>Finance cost</u>		
	Intd on bank overdraft		111000
6.)	<u>Other Expenses</u>		
	Discount & Rebate allowed		30000
	Carriage inwards		57500
	Rates, Taxes & insurance		55000
	Comm. & Brokerage		67500

Business Expenses (56000 + 36000)	92000
Repairs to building	56500
Bad debts	25500
	<u>384000</u>
7) <u>Share Capital</u>	2000000
2500000 Equity share of ₹10 each	<del>2500000</del>
less: Calla in advance	(100000)
	<u>1990000</u>
8) <u>Reserves &amp; Surplus</u>	
Net profit (319200 - 67000)	252200
	<u>252200</u>
9) <u>Long-term borrowing</u>	
Bank overdraft	1267000
	<u>1267000</u>
10) <u>Non-current assets</u>	
Plant & Machinery	712500
Engineering Tools	120000
Patterns	337500
Furniture & Fixtures	135000
Freehold Land	1625000
	<u>2930000</u>
11) <u>Trade receivables</u>	
Trade receivables	400500
less: Bad debts (25500 - 16000)	(9500)
	<u>391000</u>

~~Answer - 2(a)~~

Answer - 2(b)

	Particulars	Note No.	(2)
I.	Equity & Liability		
	1) Non-current Liability		
	a) Long term borrowing	1	200000 <u>          </u>

Notes to accounts

1) Long-term borrowing

First installement <del>200000</del>	100000
Second installement	100000
	<u>200000</u>

Answer-1(a)

As per 'Accounting Standard 11' the exchange loss is \$50 lakh (62-60)  
 $\$50 \text{ lakh} \times 2$   
 $= ₹ 10000000$

As per 'Accounting Standard 10', Property, plant & equipment the depreciation shall be

$$\$50 \text{ lakh} \times ₹ 62 = ₹ 310000000$$

$$\text{Depreciation} = ₹ 310000000 \times 20\% = ₹ 62000000$$

The treatment of ₹ 10000000 shall be charged in Profit & Loss A/c.

Answer - 1(b)

		(₹) (in lakhs)
	Value of new machine	500
less:	Govt. Grant received	(100)
		400
less:	Depreciation (1/4/17 - 31/3/18)	(80)
		320
less:	Depreciation (1/4/18 - 31/3/19)	(64)
		256
less:	Depreciation (1/4/19 - 31/3/20)	(51.2)
		204.8
Add:	Refund of Grant	100
		304.8
less:	Depreciation (1/4/20 - 31/3/21)	(60.96)
		243.84
less:	Depreciation (1/4/21 - 31/3/22)	(48.768)
		<u>195.072</u>

Refund of Grant shall be added back to the cost of asset.

Answer - 1 (c)

Raw material X

	₹/unit
Cost price	400
Add: Freight insured	40
	₹ 440

Replacement cost 320

Raw material X shall be valued at cost or replacement cost which is lower  
 $1000 \text{ units} \times 320/\text{unit} = ₹ 320,000$

Chemical Y

	₹/unit
Material consumed	440
Add: Direct Labour	120
Add: Variable OH	90
Add: Fixed cost $\left(\frac{400,000}{25,000}\right)$	16
	656

Chemical Y is valued at cost or NAV which ever is lower  
 $2400 \times 656 = ₹ 1,574,400$

Answer-1(d)

(a) As per AS-10 'Property, Plant and Equipment' Qualifying assets means the asset which take substantial time for making and have future economic benefits.

	(₹) in lakh
Construction & Remodelling costs	18
Salaries to staff	2
Utilities cost	<u>1.5</u>
	<u>21.5</u>

The cost of ₹21.5 lakh is included in the books of accounts as per AS-10.