# INTERMEDIATE EXAMINATION
## GROUP I
## (SYLLABUS 2012)

## SUGGESTED ANSWERS TO QUESTIONS
## JUNE 2014

# Paper-5 : FINANCIAL ACCOUNTING

**Time Allowed : 3 Hours** **Full Marks : 100**

**The figures in the margin on the right side indicate full marks.**
**Section A is compulsory and answer any five questions from Section B.**

**Working Notes should form part of answer. Whenever necessary suitable assumptions may be made and same to be clearly indicated in the answer by the candidates.**

**SECTION A**

**1. Answer the following question (give workings):** **2x10=20**

**(i) Babbu and Dabbu are partners, sharing profit or loss in the ratio 3 : 2. They admit Kachari for 1/6th share of profits in the firms of which she takes 2/3rd from Babbu and 1/3rd from Dabbu. Find the new profit sharing ratio.**

**(ii) How will you deal with the following as per AS-2?**
**On 31st March, 2014, the closing stock of X Ltd. includes 13000 units costing ₹14 per unit. But the current market price as on that date was ₹ 12 per unit.**

**(iii) Following informations are obtained from the books of a club:**
**(a) Subscription received during the year ending 31st March, 2014 ₹ 2,56,000, out of which ₹ 8,000 was for the year 2014-15 and ₹ 11,000 for the year 2012-13.**
**(b) Subscription was outstanding on 01.04.2013 ₹18,000 and on 31.03.2014 for 2013-14 ₹ 21,000. Calculate the amount of subscription to be credited to Income and Expenditure Account for the year ending 31.03.2014.**

**(iv) Shiva's debtors ledger include ₹ 18,000 due from Mayank & Co. whereas creditors ledger include ₹ 13,000 due to Mayank & Co. Give the transfer entry to set-off the suitable amount in the books of Shiva.**

**(v) Prabhu, lessee of a coal mine with rent of ₹ 15,000 a year and with a rate of royalty at ₹ 5 per ton of coal extracted. If the production in the first year is 2000 tons, find rent payable.**

**(vi) Bholu sold 2500, 9% debenture (Face value ₹100 each) of Madhu Ltd. at ₹ 135 Ex-interest on 01.04.2014. Interest is payable on 30th June and 31st December in every year. Find out the actual amount creditable to the investment account.**

**(vii) Sahookar Bank Ltd. had extended the following credit lines to a Small Scale Industry, which had not paid any interest since March 2008:**
**Balance outstanding out off term loan on 31.03.2014 ₹ 45 Lakhs**
**DICGC Cover 40%**
**Securities held ₹ 20 Lakhs**

**Realizable value of securities ₹ 18 Lakhs**
**You are required to compute the necessary provisions to be made for the year ended 31st March, 2014.**

**(viii)Calculate the average collection period from the following details by adopting 360 days an year.**

| | | | |
|---|---|---|---|
| **Average Inventory** | **₹ 10,80,000** | **Gross Profit Ratio** | **10%** |
| **Debtors** | **₹ 6,90,000** | **Credit sales to total sales** | **20%** |
| **Inventory Turnover Ratio** | **6 Times** | **1 year** | **360 days** |

**(ix)**

| | |
|---|---|
| **Cost of Machine** | **₹ 1,30,000** |
| **Residual value** | **Nil** |
| **Useful life** | **10 years** |
| **Method of Depreciation in use** | **Straight Line Method** |
| **After 8 years, the machine was revalued to** | **₹ 80,000** |

**Compute Depreciation as per AS-6.**

**(x) ₹ 30,000 is the annual instalment to be paid for three years (given present value of an annuity of ₹ 1 p.a. @ 5% interest is ₹ 2.7232). Ascertain the cash price in case of Hire Purchase.**

**Answer:**

1. (i) Sacrifice of Babbu = $\frac{1}{6} \times \frac{2}{3} = \frac{1}{9}$ and of Dabbu $\frac{1}{6} \times \frac{1}{3} = \frac{1}{18}$

New share of Babbu = $\frac{3}{5} - \frac{1}{9} = \frac{27-5}{45} = \frac{22}{45}$

New share of Dabbu = $\frac{2}{5} - \frac{1}{18} = \frac{36-5}{90} = \frac{31}{90}$

Share of Kachari = $\frac{1}{6}$

Hence, new ratio of Babbu, Dabbu and Kachari = $\frac{22}{45} : \frac{31}{90} : \frac{1}{6}$ or 44 : 31 : 15

(ii) According to AS – 2, Valuation of inventories, an assessment is made of net realizable value as at each balance sheet date. Hence, the value of stock should be 13,000 units @ ₹ 12 = ₹ 1,56,000.

**Alternative answer:**

According to AS – 2, Inventories are valued at cost or net realisable value whichever is less. Hence, the value of stock should be 13,000 units @ ₹12 each i.e. 13,000 × ₹12 = ₹1,56,000.

**Note :** It is assumed that the current market price is net realizable value in absence of any other information.

(iii) Computation of the amount creditable to Income & Expenditure Account:

| Particulars | | ₹ |
|---|---|---|
| Subscription received during 2013 – 14 | | 2,56,000 |
| Less: Subscription received in advance | ₹ 8,000 | |
| Subscription received for 2012-13 | ₹ 11,000 | 19,000 |
| | | 2,37,000 |
| Add: Subscription outstanding on 31.03.2014 for the year 2013-14 | | 21,000 |
| Amount creditable to Income & Expenditure A/c | | 2,58,000 |

(iv)

Journal of Shiva

| Particulars | Debit (₹) | Credit (₹) |
|---|---|---|
| Creditors Ledger Adjustment A/c Dr. | 13,000 | |
| To Debtors Ledger Adjustment A/c | | 13,000 |
| (Being transfer entry to set-off balance) | | |

(v) ₹ 15,000 (being assured Rent).

Here,

(a) Royalty payable = ₹5 × 2,000 = ₹10,000
(b) Minimum Rent = ₹15,000 (as per question).

Rent Payable is the higher of (a) and (b) i.e. ₹15,000.

(vi)

| Particulars | ₹ |
|---|---|
| Total amount received on sale 2500 x ₹ 135 | 3,37,500 |
| Add: Interest from 01.01.2014 to 30.03.2014 i.e., 3 months = (2,500 x 100 x 9/100 x 3/12) | 5,625 |
| Actual amount to be credited to investment A/c | 3,43,125 |

(vii) Computation of provision to be made for the year ended 31st March,2014:

| Particulars | ₹ in lakhs |
|---|---|
| Balance outstanding of term loan on 31.03.2014 | 45.00 |
| Less: Realizable value of securities | 18.00 |
| | 27.00 |
| Less: DICGC Cover @ 40% | 10.80 |
| Unsecured loan | 16.20 |

| Provision required | ₹ in lakhs |
|---|---|
| 100% for unsecured portion ₹ 16.20 lakhs | 16.20 |
| 100% for secured portion ₹ 18 lakhs | 18.00 |
| Total provision required | 34.20 |

(viii)

| | | |
|---|---|---|
| 1. | Cost of goods Sold = Inventory Turnover Ratio x Avg. Inventory | 6 x ₹ 10,80,000 = ₹ 64,80,000 |
| 2. | Total Sales = Cost of Goods Sold + Gross Profit of 10% on Sales<br>= Cost of Goods Sold + (10/90 x Cost of Goods Sold)<br>= ₹ 64,80,000 + (10/90 x ₹ 64,80,000) | = ₹ 72,00,000 |

| | | |
|---|---|---|
| 3. | Credit Sales = 20% of Total Sales | = ₹ 14,40,000 |
| 4. | Debtors Turnover Ratio = Credit Sales ÷ Average Debtors<br>= 14,40,000 ÷ 6,90,000 | = 2.09 times |
| 5. | Average Collection Period = 360 ÷ Debtors Turnover Ratio<br>= 360 ÷ 2.09 | = 173 days (approximately) |

**Alternative answer:**

Without calculating debtors turnover ratio average collection period can also be calculated as under :

$$\text{Average Collection Period} = \frac{\text{Average Debtors}}{\text{Credit Sales}} \times 360$$

$$= \frac{6,90,000}{14,40,000} \times 360 = 173 \text{ days (Approx)}$$

(ix) Computation of Depreciation as per AS – 6:

| | Particulars | Amount (₹) |
|---|---|---|
| A | Original Cost | 1,30,000 |
| B | Less: Aggregate Depreciation up to 8 years [₹ 1,30,000 –Nil] x 8/10 | 1,04,000 |
| C | Existing unamortized Depreciable Amount (A-B) | 26,000 |
| D | Add: Profit on Revaluation (80,000 – 26,000) | 54,000 |
| E | Revised unamortized depreciable amount (C+D) | 80,000 |
| F | Depreciation for 9$^{th}$ year (₹ 80,000/2) | 40,000 |

(x) Computation of Cash Price in case of Hire Purchase:

| Amount of Installment | Present Value |
|---|---|
| 1 | 2.7232 |
| ₹ 30,000 | 2.7232 x ₹ 30,000 / 1 |
| Cash Price is | ₹ 81,696 |

**SECTION - B**

**2. (a) On 1st April, 2013 the balance of provision for bad and doubtful debts was ₹ 13,000. The bad debts during the year 2013-14 were ₹ 9,500. The sundry debtors as on 31st March, 2014 stood at ₹ 3,25,000 out of these debtors of ₹ 2,500 are bad and cannot be realized. The provision for bad and doubtful debts is to be raised to 5% on sundry debtors.**

**(i) Pass necessary adjustment entries for bad debts and its provision on 31st March, 2014.**

**(ii) Prepare the necessary ledger accounts.**

**(iii) Show the relevant items in the profit and loss account and Balance Sheet.**

**(3+3+2=8)**

**(b) The following information and details are provided to you by the Mahi Electricity Supply Company for the year ending 31st March, 2014:**

| | ₹ |
|---|---|
| **8% Investments of the reserve fund** | **2,10,00,000** |
| **8% Investments of the contingencies reserve** | **1,90,00,000** |
| **14% Debentures** | **1,80,00,000** |
| **Development Reserve** | **15,60,000** |

| | |
|---|---|
| **Loan from Electricity Board** | **3,50,00,000** |
| **Capital Base** | **6,57,25,000** |
| **RBI rate of the relevant date** | **8%** |
| **Profit before debenture interest** | **1,14,65,300** |

**You are required to calculate the reasonable return and show the disposal of surplus. 8**

**Answer:**

2. (a) (i)

In the Books of ………………

Journal

| Date | Particulars | | Debit (₹) | Credit (₹) |
|---|---|---|---|---|
| 31.03.14 | Bad Debts A/c<br>To Sundry Debtors A/c<br>(Being bad debts) | Dr. | 2,500 | 2,500 |
| 31.03.14 | Provision for Bad & Doubtful Debts A/c<br>To Bad Debts A/c<br>(Being Bad Debts during the year) | Dr. | 12,000 | 12,000 |
| 31.03.14 | Profit and Loss A/c<br>To Provision for Bad & Doubtful Debts A/c<br>(Being provision for Bad Debts transfered to Profit & Loss A/c) | Dr. | 15,125 | 15,125 |

(ii) Ledger

Bad Debts Account

Dr. Cr.

| Date | Particulars | Amount (₹) | Date | Particulars | Amount (₹) |
|---|---|---|---|---|---|
| 31.03.14 | To Balance b/d | 9,500 | 31.03.14 | By Provision for Bad & Doubtful Debts A/c | 12,000 |
| 31.03.14 | To Sundry Debtors A/c | 2,500 | | | |
| | | 12,000 | | | 12,000 |

Provision for Bad & Doubtful Debts Account

Dr. Cr.

| Date | Particulars | Amount (₹) | Date | Particulars | Amount (₹) |
|---|---|---|---|---|---|
| 31.03.14 | To Bad Debts A/c | 12,000 | 01.04.13 | By Balance b/d | 13,000 |
| 31.03.14 | To Balance c/d [5% on (3,25,000 – 2,500)] | 16,125 | 31.03.14 | By Profit and Loss A/c (b/f) | 15,125 |
| | | 28,125 | | | 28,125 |

Sundry Debtors Account

Dr. Cr.

| Date | Particulars | Amount (₹) | Date | Particulars | Amount (₹) |
|---|---|---|---|---|---|
| 31.03.14 | To Balance b/d | 3,25,000 | 31.03.14 | By Bad Debts A/c | 2,500 |
| | | | 31.03.14 | By, Balance c/d | 3,22,500 |
| | | 3,25,000 | | | 3,25,000 |

(iii)

Profit and Loss Account
For the year ended 31st March, 2014

| Particulars | | Amount (₹) |
|---|---|---|
| To Provision for Bad & Doubtful Debts: | ₹ | |
| New Provision | 16,125 | |
| Add: Bad debts (9,500 + 2,500) | 12,000 | |
| | 28,125 | |
| Less: Old Provision | 13,000 | 15,125 |

Balance Sheet as on 31st March, 2014

| Liabilities | Amount (₹) | Assets | | Amount (₹) |
|---|---|---|---|---|
| | | Sundry Debtors | 3,25,000 | |
| | | Less: Further Bad Debts | 2,500 | |
| | | | 3,22,500 | |
| | | Less: Provision for Bad Debts | 16,125 | 3,06,375 |

(b)

COmputation of Reasonable Return

| Particulars | Amount (₹) |
|---|---|
| Yield at standard rate, i.e., 8% + 2% on capital base | 65,72,500 |
| Income from Reserve Fund Investments (8% of 2,10,00,000) | 16,80,000 |
| ½% on Loans from Electricity Board (3,50,00,000 x ½%) | 1,75,000 |
| ½% on Debentures ₹ 1,80,00,000 | 90,000 |
| ½% on Development Reserve ₹ 15,60,000 | 7,800 |
| Reasonable Return | 85,25,300 |
| Final Distribution | |
| (i) Refunded to customers | 1,40,000 |
| (ii) Transferred to Tariff & Dividend Control Reserve | 1,40,000 |
| (iii) At the disposal of the company (85,25,300 + 1,40,000) | 86,65,300 |
| | 89,45,300 |

Disposal of Surplus

| Particulars | Amount (₹) |
|---|---|
| Profit before debenture Interest | 1,14,65,300 |
| Less: Debenture interest (14% of 1,80,00,000) | 25,20,000 |
| | 89,45,300 |
| Less: Reasonable Return | 85,25,300 |
| Surplus | 4,20,000 |
| Allocation of Surplus: | |
| (i) $\frac{1}{3}$ (being less than 5% of reasonable return at the disposal of the company) | 1,40,000 |
| (ii) Of the balance ½ to Tariff and Dividend Control Reserve | 1,40,000 |
| (iii) ½ to be credited to Customers' Rebate Reserve | 1,40,000 |
| | 4,20,000 |

**3. (a) Mr. Rustagi closes his books of accounts on 30th June every year. Due to some unprecedented circumstances, he could not take his stock on that very date, i.e. 30.06.2013 for which the stock was taken on 07.07.2013 and which was valued at ₹ 22,500.**

**Compute the value of stock on 30.06.2013. The following relevant transactions took place from 1st July to 7th July, 2013.**

- **Sales amounting to ₹ 1,250 made on 6th July has been delivered on 8th July.**
- **Sales during the period amounted to ₹ 5,100. These goods were sold at a profit of 25% on cost with the exception of one sale of ₹ 600 which has been sold at a profit of 20% on cost.**
- **Purchase during the period was ₹ 4,000 of which goods costing ₹ 3,500 were delivered on or before 7th July.**
- **Returns Inwards during the period amounted to ₹ 400 including ₹ 300 out of sales period to 30th June, 2012 at a profit of 25% on cost.**
- **Goods sold on sale or return basis for ₹ 2,250 on 7th July were not included in the sales stated above.**
- **Mr. Rustagi received goods on consignment basis which was invoiced at ₹ 2,500 for Mr. Behara to be sold on his behalf on 6th July. 6**

**(b) Describe the principal accounting policies for a Banking Company in respect of foreign exchange transactions. 2**

**(c) The following is a summary from Cash Book of M/s. Mitra Trading for the month of September, 2012:**

| Particulars | (₹) | Particulars | (₹) |
|---|---|---|---|
| Balance b/d | 1,507 | Payment | 15,520 |
| Receipt | 15,073 | Balance b/d | 1,060 |
| | 16,580 | | 16,580 |

**On investigation it was found that**

**(i) Bank charges of ₹ 35 were not entered in the cash book.**

**(ii) A cheque of ₹ 47 issued to supplier was entered by mistake as a receipt in the cash book.**

**(iii) A cheque of ₹ 81 was returned by the Bank marked as 'refer to drawer' but it's not entered in cash book.**

**(iv) The Balance brought forward in September 2012 should have been ₹ 1,570.**

**(v) Cheque paid to suppliers ₹214, ₹70 and ₹330 have not been presented for payment.**

**(vi) Deposits of ₹ 1,542 on 30th September were cleared by the Bank on 2nd October.**

**(vii) The Bank charged a cheque wrongly to Mitra Trading ₹ 92.**

**(viii) Bank statement shows overdraft of ₹ 107 as on 30th September, 2012.**

**Show what adjustments will you make in the Cash Book and prepare a Bank Reconciliation Statement on 30.09.2012. 8**

**Answer:**

3. (a)

Stock Reconciliation Statement as on 30th June, 2013

| Particulars | Amount (₹) | Amount (₹) |
|---|---|---|
| Value of Stock as on 7th July, 2013 | | 22,500 |
| Add: Cost of Sales from 01.07.2013 to 07.07.2013 | | |
| Sales | 5,100 | |
| Less: Goods sold on 6th July but delivered on 8th July | 1,250 | |
| | 3,850 | |
| Less: Sales at differential profit @ 20% on cost | 600 | |
| | 3,250 | |
| Less: G.P.@ 25% on C.P. or 20% on S.P. | 650 | 2,600 |
| | | 25,100 |

| | | |
|---|---|---|
| Add: Cost of goods sold at differential profit rate<br>= ₹ 600 x 100 / 120<br>Add: Cost of goods sent on sale or return basis<br>= ₹ 2,250 x 100 / 125 | <br>500<br><br>1,800 | <br><br><br>2,300 |
| Less: Goods purchased from 01.07.13 to 07.07.13<br>Less: Returns Inward<br>Less: Goods received on consignment basis | 3,500<br>240<br>2,500 | 27,400<br><br><br>6,240 |
| Value of Stock as on 30.06.2013 | | 21,160 |

(b) Principal Accounting Policies for Banking Companies in respect of foreign exchange transaction:

(i) Monetary assets and liabilities have been translated at the exchange rate prevailing at the close of year. Non-monetary assets have been carried in the books at the historical cost.

(ii) Income and Expenditure items in respect of Indian branches have been translated at the exchange rates on the date of transactions and in respect of foreign branches at the exchange rates prevailing at the close of the year.

(iii) Profit or Loss on foreign currency position including pending forward exchange contracts have been accounted for at the exchange rates prevailing at the close of the year.

(c) The errors in the Cash Book must first be corrected and entries that have been missed out in the Cash Book should be recorded.

In the books of M/S Mitra Trading
Cash Book for September 2012

Dr. Cr.

| Particulars | Amount (₹) | Particulars | Amount (₹) |
|---|---|---|---|
| To Original Balance b/d<br>To Error balance carried forward (1,570 – 1,507) | 1,060<br>63 | By Bank Charges not recorded earlier<br>By Cheques issued recorded as receipt, now corrected (2x47)<br>By Cheques returned<br>By Revised balance c/d | 35<br>94<br>81<br>913 |
| | 1,123 | | 1,123 |

Bank Reconciliation Statement as on 30.09.2012

| Particulars | Amount (₹) | Amount (₹) |
|---|---|---|
| Balance as per Cash Book<br>Add: Cheques issued but not presented (214 + 70 + 330) | | 913<br>614 |
| Less: (i) Deposits not cleared<br>(ii) Cheques charged by mistake | 1,542<br>92 | 1,527<br><br>1,634 |
| Overdraft as per Pass Book | | (107) |

**4. (a) The Balance Sheet of A, B and C who are sharing profits in proportion to their capital stood as follows on March 31st, 2012:**

| **Liabilities** | **₹** | **₹** | **Assets** | **₹** | **₹** |
|---|---|---|---|---|---|
| **Capital Accounts:** | | | **Land and Buildings** | | **50.000** |
| **A** | **40,000** | | **Plant and Machinery** | | **17,000** |
| **B** | **30,000** | | **Stock** | | **16,000** |

| | | | | | |
|---|---|---|---|---|---|
| **C** | **20,000** | **90,000** | **Debtors** | **10,000** | |
| **Creditors** | | **13,800** | **Less: Provision** | **200** | **9,800** |
| | | | **Cash at Bank** | | **11,000** |
| | | **1,03,800** | | | **1,03,800** |

**B retired on the above date and the following was agreed upon:**
**(i) The stock be depreciated by 6%.**
**(ii) That the provision for doubtful debts be brought up to 5% on Debtors.**
**(iii) That the Land and Buildings be appreciated by 20%.**
**(iv) That a provision for ₹ 1,540 be made in respect of outstanding legal charges.**
**(v) That the Goodwill of the entire firm be fixed at ₹ 21,600 and B's share of it be adjusted into the accounts of A and C who are going to share future profits in the ratio of 5 : 3.**
**(vi) That the assets and liabilities (except Cash at Bank) were to appear in the Balance Sheet at their old figures.**
**(vii) That the entire capital of the firm as newly constituted be fixed at ₹ 56,000 between A and C in the proportion of 5 : 3 (actual cash to be brought in as paid off, as the case may be).**
**Show the Balance Sheet after B's retirement.** **10**

**(b) Big owes Fast ₹ 12,000 for which the former accepts a three months' bill drawn by the latter. Fast immediately discounts the bill with his banker, Strong Bank, at 12% p.a. On the due date the bill is dishonored and Strong Bank pays ₹ 40 as noting charges. Big pays ₹ 2,360 including interest of ₹ 400 and gives another bill at three months' for the balance. Fast endorses the bill to his creditor Thin in full settlement of his debt for ₹ 10,200. Thin discounts the bill with banker Strong Bank who charges ₹ 80 as discount. Before maturity Big becomes bankrupt and first and final dividend of 20 paise in a ₹ is realized from his estate.**
**Show the journal entries in the books of Thin and Strong Bank and the ledger account of Big in the books of Fast.** **6**

**Answer:**

4. (a)

In the books of the firm
Balance Sheet as at 31st March 2012

| Liabilities | ₹ | Assets | | ₹ |
|---|---|---|---|---|
| Capital Account: | | Land and Building | | 50,000 |
| A 35,000 | | Plant and Machinery | | 17,000 |
| C 21,000 | 56,000 | Stock | | 16,000 |
| B's Loan A/c | 39,600 | Debtors | 10,000 | |
| Creditors | 13,800 | Less: Prov. for Bad debt | 200 | 9,800 |
| | | Cash at Bank (₹ 11,000 + ₹ 5,600) | | 16,600 |
| | 1,09,400 | | | 1,09,400 |

**Note:** Since assets and liabilities will appear in the Balance Sheet at their old figure Memorandum Revaluation Account should be opened.

**Working Note:**

Gaining Ratio

$$A = \frac{5}{8} - \frac{4}{9} = \frac{45-32}{72} = \frac{13}{72}$$

$$C = \frac{3}{8} - \frac{2}{9} = \frac{27-16}{72} = \frac{11}{72}$$

Hence, gaining ratio = 13 : 11

Memorandum Revaluation Account

Dr. Cr.

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Under valuation of stock<br>To Provision for Bad Debts<br>(₹ 500 – ₹ 200)<br>To Provision for legal changes<br>To Profit on Rev:<br>A 3,200<br>B 2,400<br>C 1,600 | 960<br>300<br><br>1,540<br><br><br><br>7,200 | By Overvaluation of Land and Building | 10,000 |
| | 10,000 | | 10,000 |
| To Reversal of items<br>To Over valuation of Land and Buildings | <br>10,000 | By Reversal of items<br>By Undervaluation of stock<br>By Prov. for Bad Debts<br>By Prov. for legal changes<br>By Capital A/c<br>Profit to be written-back<br>A-5/8 = 4,500<br>C-3/8 = 2,700 | <br>960<br>300<br>1,540<br><br><br><br>7,200 |
| | 10,000 | | 10,000 |

∴ B's share of goodwill = ₹ 21,600 x 3/9
= ₹ 7,200

The entry being:

| Particulars | Debit (₹) | Credit (₹) |
|---|---|---|
| A's Capital A/c Dr.<br>C's Capital A/c Dr.<br>To B's Capital A/c<br>(Being gaining ratio) | 3,900<br>3,300 | <br><br>7,200 |

Capital Account

Dr. Cr.

| Particulars | A (₹) | B (₹) | C (₹) | Particulars | A (₹) | B (₹) | C (₹) |
|---|---|---|---|---|---|---|---|
| To Memo. Reval. A/c | 4,500 | ---- | 2,700 | By Balance b/d | 40,000 | 30,000 | 20,000 |
| To B's Capital A/c | 3,900 | ---- | 3,300 | By Revaluation A/c –Profit | 3,200 | 2,400 | 1,600 |
| To B's Loan A/c | --- | 39,600 | --- | By A's Capital A/c<br>B's Capital A/c | ----<br>---- | 3,900<br>3,300 | ----<br>---- |
| To Balance c/d | 35,000* | ---- | 21,000 | By Bank A/c (Bal. Fig.) | 200 | --- | 5,400 |
| | 43,400 | 39,600 | 27,000 | | 43,400 | 39,600 | 27,000 |

* Total Capital = ₹ 56,000 in 5 : 3, i.e., A ₹ 35,000; C ₹ 21,000.

(b)

In the books of Thin

Journal

| Date | Particulars | L.F. | Debit (₹) | Credit (₹) |
|---|---|---|---|---|
| ? | Bills Receivable A/c Dr. | | 10,080 | |

| | | | | |
|---|---|---|---|---|
| | Discount Allowed A/c Dr.<br>To, Fast A/c<br>(Being Endorsed bill received from Fast in full settlement) | | 120 | <br>10,200 |
| ? | Bank A/c Dr.<br>Discount A/c Dr.<br>To, Bills Receivable A/c<br>(Being Bill discounted by the bank) | | 10,000<br>80 | <br><br>10,080 |
| ? | Fast A/c Dr.<br>To, Bank A/c<br>To, Discount Allowed A/c<br>(being Bills dishonoured at maturity) | | 10,200 | <br>10,080<br>120 |

In the books of Strong Bank

Journal

| Date | Particulars | L.F. | Debit (₹) | Credit (₹) |
|---|---|---|---|---|
| ? | Bills Discounted A/c Dr.<br>To, Fast's Current A/c<br>To, Discount A/c<br>(Being Bill discounted which is due for 3 months) | | 12,000 | <br>11,640<br>360 |
| ? | Noting Charges A/c Dr.<br>To, Cash A/c<br>(Being Noting charges incurred for dishonor of bill) | | 40 | <br>40 |
| ? | Fast's Current A/c Dr.<br>To, Bills Discounted A/c<br>To, Noting Charges A/c<br>(Being Bill dishonoured , noting charges being ₹40) | | 12,040 | <br>12,000<br>40 |
| ? | Bill Discounted A/c Dr.<br>To, Thin's Current A/c<br>To, Discount A/c<br>(Being Bill discounted which is due for 3 months) | | 10,080 | <br>10,000<br>80 |
| ? | Thin's Current A/c Dr.<br>To, Bills Discounted A/c<br>(Being Bill dishonoured at maturity) | | 10,080 | <br>10,080 |

In the books of Fast

Big Account

Dr. Cr.

| Date | Particulars | Amount (₹) | Date | Particulars | Amount (₹) | Amount (₹) |
|---|---|---|---|---|---|---|
| ? | To, Balance b/d | 12,000 | ? | By, Bills Receivable A/c | | 12,000 |
| | To, Strong Bank A/c | 12,040 | | By, Cash A/c | | 2,360 |
| | To, Interest A/c | 400 | | By, Bills Receivable A/c | | 10,080 |
| | To, Thin A/c | 10,080 | | By, Cash A/c (20%) | 2,016 | |
| | | | | By, Bad Debt A/c | 8,064 | 10,080 |
| | | 34,520 | | | | 34,520 |

**5. (a) A Town Club provides you information relating to assets and liabilities as on 01.01.13. Calculate (i) Receipts and Payment Account, (ii) Income and Expenditure Account for the year ended 31.12.2013 and (iii) a Balance Sheet as on date. (4+4+2)=10**

**Cash in hand ₹ 4,000, subscription receivable ₹ 400, furniture ₹ 2,000, sport material ₹ 1,200, investments ₹ 5,000, buildings ₹ 10,000 and outstanding creditors for supplies ₹ 600. During the year 2013, the club did the following business.**

**(i) Subscription received including the arrears ₹ 6,000,**
**(ii) Subscription due ₹ 600,**
**(iii) Paid the outstanding creditors for supplies ₹ 600,**
**(iv) subscriptions to newspapers ₹ 1,000,**
**(v) Sports materials purchased ₹ 2,000,**
**(vi) Sale of old newspapers ₹ 100,**
**(vii) Meeting expenses ₹ 900,**
**(viii) Lighting charges ₹ 800,**
**(ix) Establishment salaries ₹ 2,000,**
**(x) Stock of sport materials at the end ₹ 1,000,**
**(xi) Interest received on investments ₹ 150 (outstanding ₹ 50),**
**(xii) Borrowings ₹ 4,000,**
**(xiii) Purchased furniture (31-12-2013) ₹ 800,**
**(xiv) Expenditure on annual function ₹ 750 and**
**(xv) Donations received ₹ 3,600 (half to be capitalised).**
**Provide depreciation at 5% on furniture and buildings.**

**(b) Prepare Branch account in the books of the Head Office and also debtors account from the following information given below: for the year 2013 (4+2)=6**

**The Unique Shoe Stores has an old branch at Kanpur. Goods are invoiced at the branch at 25% profit on cost price. The branch has been instructed to send all cash daily to the Head Office. All expenses are paid by the Head Office except petty expenses which are met by the Branch Manager.**

| | | ₹ |
|---|---|---|
| **Stock on 01.01.2013 (invoice price)** | | **15,000** |
| **Sundry debtors on 01.01.2013** | | **9,000** |
| **Cash in hand on 01.01.2013** | | **400** |
| **Office furniture on 01.01.2013** | | **1,200** |
| **Goods supplied by the Head Office (invoice price) for year** | | **80,000** |
| **Goods returned to Head Office for year** | | **1,000** |
| **Goods returned by debtors at the end of year** | | **480** |
| **Debtors at the end of year** | | **8,220** |
| **Cash sales for year** | | **50,000** |
| **Credit sales for year** | | **30,000** |
| **Discount allowed for year** | | **300** |
| **Expenses paid by Head Office: for year** | **₹** | |
| **Rent** | **1,200** | |
| **Salary** | **2,400** | |
| **Stationery** | **300** | **3,900** |
| **Petty expenses paid by Branch Manager during year** | | **280** |
| **Stock on 31.12.2013** | | **14,00** |
| **Provide depreciation on furniture at 10% per year** | | |

**Answer:**

5. (a)

A Town Club Receipts and Payment Account for 31-12-2013

Dr. Cr.

| Receipts | ₹ | Payments | ₹ |
|---|---|---|---|
| To Balance b/d | 4,000 | By Outstanding creditors for supplies | 600 |
| To Subscription | 6,000 | By Subscription to newspapers | 1,000 |
| To Sale of newspaper | 100 | By Purchase of sports materials | 2,000 |
| To Interest on investment | 150 | By Meeting expenses | 900 |
| To Borrowings | 4,000 | By Lighting charges | 800 |
| To Donations | 3,600 | By Establishment salaries | 2,000 |
| | | By Purchase of furniture | 800 |
| | | By Annual function expenses | 750 |
| | | By Balance c/d | 9,000 |
| | 17,850 | | 17,850 |

Income and Expenditure Account for 31-12-2013

Dr. Cr.

| Expenditure | ₹ | Income | ₹ |
|---|---|---|---|
| To Subscription to newspapers | 1,000 | By Subscription | 6,200 |
| To Sports materials used | 2,200 | (6,000+600-400) | |
| (2,000 + 1,200 – 1,000) | | By Sale of old newspapers | 100 |
| To Meeting expenses | 900 | By Interest on investment | 200 |
| To Lighting charges | 800 | (150+50) | |
| To Establishment Salaries | 2,000 | By Donations | 1,800 |
| To Annual function expenses | 750 | | |
| To Depreciation on: | | | |
| Furniture 100 | | | |
| Building 500 | 600 | | |
| To Surplus | 50 | | |
| | 8,300 | | 8,300 |

Balance Sheet as on 31-12-2013

| Liabilities | | ₹ | Assets | ₹ |
|---|---|---|---|---|
| Borrowings | | 4,000 | Cash in hand | 9,000 |
| Capital fund | 22,000 | | Subscription due | 600 |
| Add: Surplus | 50 | | Furniture (2,000+800-100) | 2,700 |
| Donations | 1,800 | 23,850 | Stock of sport materials | 1,000 |
| | | | Investments | 5,000 |
| | | | Accrued interest | 50 |
| | | | Building (10,000-500) | 9,500 |
| | | 27,850 | | 27,850 |

Balance Sheet as on 01-01-2013

| Liabilities | ₹ | Assets | ₹ |
|---|---|---|---|
| Sundry Creditors for suppliers | 600 | Cash in hand | 4,000 |
| Capital Fund (balance in figure) | 22,000 | Arrear Subscription | 400 |
| | | Furniture | 2,000 |
| | | Sports Material | 1,200 |
| | | Investment | 5,000 |
| | | Building | 10,000 |
| | 22,600 | | 22,600 |

(b)

In the Books of Unique Shoe Stores
Branch Account

Dr. Cr.

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Branch stock A/c | 15,000 | By Cash (remittances) | |
| To Branch debtors | 9,000 | Cash sales 50,000 | |
| To Branch cash in hand | 400 | Cash from debtors 30,000 | 80,000 |
| To Branch office furniture | 1,200 | | |
| To Goods sent to branch A/c | | By Branch stock | 14,000 |
| 80,000 | | By Branch debtors | 8,220 |
| Less: return to H.O. 1,000 | 79,000 | By Branch furniture | 1,080 |
| To Bank: | | By Stock reserve | 3,000 |
| Rent 1,200 | | By Goods sent to branch A/c | 15,800 |
| Salary 2,400 | | By Branch cash in hand (400-280) | 120 |
| Stationery 300 | 3,900 | | |
| To Stock reserve | 2,800 | | |
| To General P&L A/c | 10,920 | | |
| | 1,22,220 | | 1,22,220 |

Debtors Account

Dr. Cr.

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Balance b/d | 9,000 | By Sales return A/c | 480 |
| To Credit sales A/c | 30,000 | By Cash A/c (b.f.) | 30,000 |
| | | By Discount A/c | 300 |
| | | By Balance c/d | 8,220 |
| | 39,000 | | 39,000 |

**6. (a) The following details are obtained from the books of Dafali Enterprise relating to the debtors:**

**(i) Total debtors at the beginning for the year was ₹ 42,500.**

**(ii) Transactions during the years were as follows:**

| Debtors | Goods sold | Goods returned | Cash and Cheques received | Discount Allowed | Bad debts | Bill of Exchange Received |
|---|---|---|---|---|---|---|
| | ₹ | ₹ | ₹ | ₹ | ₹ | ₹ |
| A | 25,000 | 3,000 | 15,000 | 2,000 | — | — |
| B | 20,000 | 1,500 | 14,000 | — | 4,500 | — |
| C | 45,000 | — | 28,000 | 1,800 | — | 5,000 |
| D | 30,000 | 4,000 | 20,000 | 1,000 | — | — |
| E | 60,000 | 6,000 | 30,000 | 4,500 | — | 10,000 |
| F | 50,000 | 2,000 | 35,000 | 4,000 | — | — |
| G | 55,000 | 5,000 | 32,000 | 2,500 | — | 8,000 |

**(iii) One bill for ₹ 3,000 out of bills received from 'C' was endorsed to 'P' during the year and out of E's bills, a bill for ₹ 4,000 was dishonored, noting charges amounting to ₹ 200. Prepare Debtors Ledger Adjustment Account in General Ledger and General Ledger Adjustment Account in Debtors Ledger.** **8**

**(b) Shiv Buildcom Ltd. obtained a contract to construct a bridge for ₹50,00,000. The contract will be completed within 4 years. The details are as follows:**

| | | | | (₹ in 000) |
|---|---|---|---|---|
| **Particulars** | **Years** | | | |
| | **I** | **II** | **III** | **IV** |
| **Total Cost incurred** | **800** | **2,100** | **3,000** | **4,200** |
| **Estimated Cost to be incurred for completion** | **2,200** | **1,400** | **800** | **—** |
| **Progress payment to be received** | **560** | **1,800** | **2,400** | **3,600** |

**The company seeks your advice in presentation of accounts keeping in view the requirement of AS-7.** **8**

**Answer:**

6. (a)

In General Ledger
Debtors Ledger Adjustment Account

Dr. Cr.

| Particulars | | Amount (₹) | Particulars | | Amount (₹) |
|---|---|---|---|---|---|
| To Balance b/d | | 42,500 | By G.L. Adj. A/c in D.L. | ₹ | |
| To G.L. Adj. A/c in D.L. | ₹ | | Cash & Cheques | 1,74,000 | |
| Sales | 2,85,000 | | Returns Inward | 21,500 | |
| B/R Dishonoured | 4,000 | | Discount Allowed | 15,800 | |
| Noting Charges | 200 | 2,89,200 | B/R | 23,000 | |
| | | | Bad Debts | 4,500 | 2,38,800 |
| | | | By Balance c/d | | 92,900 |
| | | 3,31,700 | | | 3,31,700 |

**Note**: B/R endorsed is not recorded in the Debtor's A/c

In Debtors Ledger
General Ledger Adjustment Account

Dr. Cr.

| Particulars | | ₹ | Particulars | | ₹ |
|---|---|---|---|---|---|
| To Debtors Led. Adj. A/c in G.L. | ₹ | | By Balance b/d | | 42,500 |
| Cash & Cheques | 1,74,000 | | By Debtors Led. Adj. A/c in G.L. | ₹ | |
| Returns Inward | 21,500 | | Sales | 2,85,000 | |
| Discount Allowed | 15,800 | | B/R Dishonoured | 4,000 | |
| B/R | 23,000 | | Noting Charges | 200 | 2,89,200 |
| Bad Debts | 4,500 | 2,38,800 | | | |
| To Balance c/d | | 92,900 | | | |
| | | 3,31,700 | | | 3,31,700 |

Working:

Sales = 25,000+20,000+45,000+30,000+60,000+50,000+55,000 = ₹ 2,85,000

Returns Inward = 3,000+1,500+4,000+6,000+2,000+5,000 =₹ 21,500

Cash & Cheques received = 15,000+14,000+28,000+20,000+30,000+35,000+32,000 = ₹ 1,74,000

Discount Allowed = 2,000+1,800+1,000+4,500+4,000+2,500 =₹ 15,800

B/R = 5,000+10,000+8,000 = ₹ 23,000

(b)

Calculation of Estimated Profit on completion

| Particulars | Year - I | | Year - II | | Year - III | | Year - IV | |
|---|---|---|---|---|---|---|---|---|
| | ₹ | ₹ | ₹ | ₹ | ₹ | ₹ | ₹ | ₹ |
| Total Contract price | | 5,000 | | 5,000 | | 5,000 | | 5,000 |
| Less: Cost of contract: | | | | | | | | |
| -Incurred | 800 | | 2,100 | | 3,000 | | 4,200 | |
| -Will be incurring | 2,200 | 3,000 | 1,400 | 3,500 | 800 | 3,800 | --- | 4,200 |
| Estimated Profit | | 2,000 | | 1,500 | | 1,200 | | 800 |
| % of Completion of work | $\frac{800}{3,000}$ x100=26.67% | | $\frac{2,100}{3,500}$ x 100 = 60% | | $\frac{3,000}{3,800}$ x 100 = 78.95% | | $\frac{4,200}{4,200}$ x 100 = 100% | |

Recognition of Revenue and Expenses to be calculated as:

| Year | Particulars | At the end of the year ₹ | Recognized in earlier years ₹ | Recognized in Current years ₹ |
|---|---|---|---|---|
| I | Revenue (₹ 50,00,000 x 26.67%) | 13,33,500 | ---- | 13,33,500 |
| | Less: Expenses incurred | 8,00,000 | ---- | 8,00,000 |
| | Profit/(Loss) | 5,33,500 | ---- | 5,33,500 |
| II | Revenue (₹ 50,00,000 x 60%) | 30,00,000 | 13,33,500 | 16,66,500 |
| | Less: Expenses incurred | 21,00,000 | 8,00,000 | 13,00,000 |
| | Profit/(Loss) | 9,00,000 | 5,33,500 | 3,66,500 |
| III | Revenue (₹ 50,00,000 x 78.95%) | 39,47,500 | 30,00,000 | 9,47,500 |
| | Less: Expenses incurred | 30,00,000 | 21,00,000 | 9,00,000 |
| | Profit/(Loss) | 9,47,500 | 9,00,000 | 47,500 |
| IV | Revenue (₹ 50,00,000 x 100%) | 50,00,000 | 39,47,500 | 10,52,500 |
| | Less: Expenses incurred | 42,00,000 | 30,00,000 | 12,00,000 |
| | Profit/(Loss) | 8,00,000 | 9,47,500 | (1,47,500) |

**7. (a) From the following information, calculate a consequential loss claim:**

**(i) Financial year ends on 31st March.**
**(ii) Fire occurs on December 1 following.**
**(iii) Period of disruption : December 1 to March 31.**
**(iv) Period of indemnity : 6 months.**
**(v) Net profit for previous financial year ₹ 15,00,000**
**(vi) Insured standing charges ₹ 25,00,000**
**(vii) Uninsured standing charges ₹ 4,00,000**
**(viii) Increase in the cost of working ₹ 3,20,000**
**(ix) Saving in insured standing charges ₹ 1,00,000**
**(x) Reduced turnover avoided through increased cost of workings : ₹ 8,00,000**
**(xi) 'Special circumstances clause' stipulated:**
**(a) Increase in turnover (standard and annual) : 20%**
**(b) Increase in rate of gross profit: 5%**
**(xii)**

| Turnover for the four months ending | 31st July | 30th Nov. | 31st March |
|---|---|---|---|
| I Year (₹) | 40,00,000 | 90,00,000 | 70,00,000 |
| II Year (₹) | 60,00,000 | 1,10,00,000 | 20,00,000 |

**(xiii) Sum insured : ₹ 50,00,000.** **8**

**(b) State what are the costs of internally generated software. What are the components which are not included in the cost of internally generated software? (4+4)=8**

**Answer:**

7. (a) (i)

Computation of Short Sales:

| Particulars | ₹ |
|---|---|
| Sales during the same period in last year | 70,00,000 |
| Add: 20% increase stipulated | 14,00,000 |
| Adjusted Sales | 84,00,000 |
| Less: Actual sales during disruption period | 20,00,000 |
| Amount of Short Sale | 64,00,000 |

Computation of G.P. (Agreed):

Rate of Gross Profit (G.P.) for preceding accounting year:

$$\frac{\text{Net Profit} + \text{Insured Standing Charges}}{\text{Sales for the preceding accounting year}} \times 100 = \frac{15,00,000 + 25,00,000}{40,00,000 + 90,00,000 + 70,00,000} \times 100$$

$$= \frac{40,00,000}{2,00,00,000} \times 100 = 20\%$$

$\therefore$ Agreed Rate of G.P = 20% + 5% = 25%.

Loss of profit on Short Sales = 25% of ₹64,00,000 i.e. ₹16,00,000.

| Particulars | ₹ |
|---|---|
| Annual Turnover [12 months immediately preceding the date of fire] | 2,40,00,000 |
| Add: 20% Increase | 48,00,000 |
| Adjusted Annual Sales | 2,88,00,000 |
| G.P. on Adjusted Annual sales or Insurable Amount ₹2,88,00,000×25% | 72,00,000 |

Computation of Additional Expenses to be considered:

| Particulars | ₹ |
|---|---|
| (a) Actual expense incurred | 3,20,000 |
| (b) G.P on reduced turnover avoided ₹8,00,000×25% i.e. ₹2,00,000 | 2,00,000 |
| (c) $\text{Increase in cost of working} \times \frac{\text{Net Profit} + \text{Insured Standing Charges}}{\text{Net Profit} + \text{All Standing Charges}}$ i.e. ₹3,20,000 $\times \frac{(15,00,000 + 25,00,000)}{(15,00,000 + 29,00,000)}$ i.e. ₹2,90,909. | 2,90,909 |
| Hence , least of (a), (b) and (c) i.e. ₹2,00,000 will be considered | |

Computation of Claim:

| Particulars | ₹ |
|---|---|
| Loss of profit on short sales | 16,00,000 |
| Add: Additional Expenses allowed | 2,00,000 |
| Less: Savings in insured charges | 1,00,000 |
| | 17,00,000 |
| Insurance Claim = $\frac{\text{Insured Amount}}{\text{Insurable Amount}} \times \text{Total consequential loss}$ i.e. $\frac{₹50,00,000}{₹72,00,000} \times ₹17,00,000$ | 11,80,556 |

(b) The cost of internally generated software is the sum of expenditure incurred from the time when the software first met the recognition criteria for an intangible asset as stated in AS – 26. The cost of internally generated software comprises all expenditure that can be directly attributed or allocated at a reasonable basis to create software for its intended use.

The cost includes:

(i) Expenditure on materials and services used in developing the software;
(ii) The salaries, wages and other employment related costs of personnel directly

engaged in developing the software;
(iii) Any expenditure that is directly attributed to generate the software;
(iv) Overheads related to developing the software that can be allocated on a reasonable and consistent basis.

The following are not the components of the cost of internally generated software:
(i) Selling, administration and other general overhead expenditure unless the expenditure can be directly attributable to the development of the software
(ii) Clearly identified inefficiencies and initial operating losses incurred before software achieves the planned performance, and
(iii) Expenditure on training of the staff to use the internally generated software.

**8. (a) On 1st July, 2013 B. Dutta of Kolkata consigned 250 Computers costing ₹ 28,000 each to T. Ramasami, Chennai. Expenses of ₹ 17,000 were met by the consignor. T. Ramasami spent ₹ 14,500 for clearance on 31st July, 2013 and selling expenses were ₹ 1,500 per computer as and when the sale made by consignee. T. Ramasami sold on 4th September, 2013, 150 computers at ₹ 40,000 per computer and again on 21st September, 75 computers at ₹ 42,500.**
**Mr. Ramasami was entitled to a commission of ₹1,500 per computer sold plus one-fourth of the amount by which the gross sale proceeds less total commission there on exceeded a sum calculated at the rate of ₹ 35,000 per computer sold. T. Ramasami sent the account sale and the amount due to B. Dutta on 30th September, 2013 by bank demand draft.**
**You are required to show the consignment account and T. Ramasami's account in the books of B. Dutta. 8**

**(b) A Life Insurance Company gets its valuation made once in every two years. Its life assurance fund on 31st Dec. 2012 stood at ₹ 55,55,000 before providing for ₹ 55,000 being the shareholders' dividend for 2012. Its actuarial valuation on 31st Dec. 2012 disclose a net liability of ₹ 35,00,000. An interim bonus of ₹ 1,00,000 was paid to the policyholders during the previous two years.**
**You are required to show:**
**(i) Valuation Balance Sheet.**
**(ii) New Profit for the period.**
**(iii) The Distribution of the surplus. 8**

**Answer:**

8. (a)

Books of B. Dutta of Kolkata
Consignment to Chennai Account

Dr. Cr.

| Date | Particulars | Amount (₹) | Date | Particulars | Amount (₹) |
|---|---|---|---|---|---|
| 01.07.13 | To Goods Sent on Consignment A/c | 70,00,000 | 04.09.12 | By T. Ramasami (Sales) | 60,00,000 |
| 01.07.13 | To Bank A/c (Exp.) | 17,000 | 21.09.13 | By T. Ramasami (Sales) | 31,87,500 |
| 31.07.13 | To T. Ramasami (Clearance Exp.) | 14,500 | 30.09.13 | By Stock on Consignment A/c | 7,03,150 |
| 04.09.13 | To T. Ramasami (Selling Exp.) | 2,25,000 | | | |
| 21.09.13 | To T. Ramasami (Selling Exp.) | 1,12,500 | | | |
| 30.09.13 | To T. Ramasami (Commission) | 5,32,500 | | | |
| 30.09.13 | To Profit & Loss A/c | 19,89,150 | | | |
| | | 98,90,650 | | | 98,90,650 |

T. Ramasami Account (Chennai)

Dr. Cr.

| Date | Particulars | Amount (₹) | Date | Particulars | Amount (₹) |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| 04.09.13 | To Consignment A/c | 60,00,000 | 31.07.13 | By Consignment A/c (Clearance Exp.) | 14,500 |
| 21.09.13 | To Consignment A/c | 31,87,500 | 04.09.13 | By Consignment A/c (Selling Exp.) | 2,25,000 |
| | | | 21.09.13 | By Consignment A/c (Selling Exp.) | 1,12,500 |
| | | | 30.09.13 | By Consignment A/c (Commission) | 5,32,500* |
| | | | 30.09.13 | By Bank A/c | 83,03,000 |
| | | 91,87,500 | | | 91,87,500 |

**Working Notes:**

(i) Calculation of Commission:

Let 'x' be total commission

x = (225 x 1,500) + ¼[60,00,000 + 31,87,500 – x – 1 (35,000 x 225)]

x = 3,37,500 + ¼ (91,87,500 – x – 78,75,000)

$x = 3{,}37{,}500 + 3{,}28{,}125 - \frac{x}{4}$

$\frac{5}{4}x = 6{,}65{,}625$

x = 5,32,500*

(ii)

Valuation of stock on consignment

| Particulars | ₹ |
|---|---|
| Valuation of stock on consignment:<br>250 – 150 – 75 = 25 computers @ ₹ 28,000 | 7,00,000 |
| Add: Consignor's Expenses = $17{,}000 \times \frac{25}{250}$ | 1,700 |
| Add: Share of consignee's Clearing Exp. $14{,}500 \times \frac{25}{250}$ | 1,450 |
| Value of unsold stock | 7,03,150 |

(b) (i) Preparation of Valuation Balance Sheet:

| Particulars | Amount (₹) |
|---|---|
| Life Assurance Fund as on 31.12.2012<br>Less: Dividend for the year 2012 | 55,55,000<br>55,000 |
| | 55,00,000 |

…………………………. Co. Ltd.

Valuation Balance Sheet as at 31st December 2012

| Liabilities | ₹ | Assets | ₹ |
|---|---|---|---|
| Net Liabilities a per Actuarial Valuation as at 31.12.2012<br>Surplus | 35,00,000<br><br>20,00,000 | Life Assurance Fund as per Balance Sheet | 55,00,000 |
| | 55,00,000 | | 55,00,000 |

(ii) Net Profit for the Period:

| Particulars | Amount (₹) |
|---|---|
| Surplus (as per Valuation Balance Sheet)<br>Add: Interim bonus for the period | 20,00,000<br>1,00,000 |

| | |
|---|---|
| Therefore, Net profit for the period | 21,00,000 |

(iii) Distribution of the surplus:

| Particulars | Amount (₹) |
|---|---|
| Net Profit (Calculated as above) | 21,00,000 |
| Policyholders' shares 95% (i.e., ₹ 21,00,000 x 95/100)<br>Less: Payment of Interim Bonus | 19,95,000<br>1,00,000 |
| Reversionary Bonus to be declared | 18,95,000 |
| Shareholders' share only @ 5% (i.e., ₹ 21,00,000 x 5/100) | 1,05,000 |