CA INTERMEDIATE

**SUBJECT- ACCOUNTS**

**Test Code – CIM 8643**

(Date :)

**(Marks - 50)**

**TOPICS : Redemption of Redeemable Preference Shares & Company Final Accounts**

**QUESTION NO.1** **(5*2 = 10 Marks)**

A. The following extract of Balance Sheet of Gaurav Ltd. was obtained :

**Balance Sheet (Extract) as on 31st March, 2018**

| **Liabilities** | **Rs.** |
|---|---|
| **Authorised capital :** | |
| 90,000, 14% preference shares of Rs. 100 | 90,00,000 |
| 9,00,000 Equity shares of Rs. 100 each | 9,00,00,000 |
| | 9,90,00,000 |
| Issued and subscribed capital : | |
| 67,500, 14% preference shares of Rs. 100 each fully paid | 67,50,000 |
| 5,40,000 equity shares of Rs. 100 each, Rs. 80 paid – up | 4,32,00,000 |
| Share suspense account | 90,00,000 |
| Reserves and surplus | |
| Capital Reserves (Rs. 6,75,000 is revaluation reserve) | 8,77,500 |
| Securities Premium | 2,25,000 |
| Secured loans : | |
| 15% Debentures | 2,92,50,000 |
| Unsecured loans | |
| Public deposits | 16,65,000 |
| Cash credit loan from SBI (short term) | 5,92,500 |
| Current Liabilities : | |
| Trade Payables | 15,52,500 |
| Assets : | |
| Investment in shares, debentures, etc. | 3,37,50,000 |
| Profit and Loss account (Dr. Balance) | 68,62,500 |

Share suspense account represents application money received on shares, the allotment of which is not yet made. You are required to **compute effective capital** as per the provisions of Schedule V. Would your answer differ if Gaurav Ltd. is an investment company ?

B. C Limited had 3,000, 12% Redeemable Preference Shares of Rs.100 each, fully paid up. The company had to redeem these shares at a premium of 10%.

It was decided by the company to issue the following:

(i) 25,000 Equity Shares of Rs.10 each at par,

(ii) 1,000 14% Debentures of Rs.100 each.

The issue was fully subscribed and all amounts were received in full .The payment was duly made. The company had sufficient profits. **Show Journal Entries in the books of the company.**

**QUESTION NO.2** **(5*2 = 10 MARKS)**

A. The following is the Draft Profit & Loss A/c of Harsha Ltd., the year ended 31st March, 20X1:

| | | Rs. | | | Rs. |
|---|---|---|---|---|---|
| To | Administrative, Selling and | | By | Balance b/d | 28,61,750 |
| ” | distribution expenses<br>Directors fees | 41,12,710<br>6,73,900 | “ | Balance from Trading A/c | 201,26,825 |
| ”<br>” | Interest on debentures<br>Managerial remuneration | 1,56,200<br>14,26,750 | “ | Subsidies received from Govt. | 13,69,625 |
| ” | Depreciation on fixed assets | 26,12,715 | | | |
| ” | Provision for Taxation | 62,12,500 | | | |
| ” | General Reserve | 20,00,000 | | | |
| ” | Investment Revaluation | | | | |
| | Reserve | 62,500 | | | |
| ” | Balance c/d | 71,00,925 | | | |
| | | 243,58,200 | | | 243,58,200 |

Depreciation on fixed assets as per Schedule II of the Companies Act, 2013 was Rs.28,76,725. You are required to **calculate the maximum limits of the managerial remuneration as per Companies Act, 2013.**

B. The Board of Directors of a Company decide to issue minimum number of equity shares of Rs. 9 to redeem Rs. 5,00,000 preference shares. The maximum amount of divisible profits available for redemption is Rs. 3,00,000. Calculate the number of shares to be issued by the company to ensure that provisions of Section 55 are not violated. Also determine the number of shares if the company decides to issue shares in multiples of Rs.50 only.

**QUESTION NO.3** **(10 MARKS)**

The capital structure of a 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 (issued on 1.4.20X1).

Undistributed reserve and surplus stood as : General Reserve Rs. 80,000; Profit and loss Account Rs. 20,000; Investment Allowance Reserve out of which Rs. 5,000, (not free for distribution as dividend) Rs. 10,000; 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 reserve and surplus, subject to the conditions that a sum of Rs. 20,000 shall be retained in general reserve and which should not be utilized.

**Pass Journal Entries** to give effect to the above arrangements and also s**how how the relevant items will appear in the Balance Sheet** of the company after the redemption carried out.

**QUESTION NO.4**

A. The following balance appeared in the books of Oliva Company Ltd. as on 31-03-2019.

| **Particulars** | | **Rs.** | **Particulars** | | **Rs.** |
|---|---|---|---|---|---|
| Inventory 01.04.2018 | | | Sales | | 17,10,000 |
| - Raw Material | 30,000 | | Interest | | 3,900 |
| - Finished goods | 46,500 | 76,500 | Profit and Loss A/c. | | 48,000 |
| Purchases | | 12,15,000 | Share Capital | | 3,15,000 |
| Manufacturing Expenses | | 2,70,000 | Secured loans: | | |
| | | | Short - term | 4500 | |
| | | | Long - term | 21,000 | 25,500 |
| Salaries and wages | | 40,200 | Fixed Deposits (unsecured): | | |
| General Charges | | 16,500 | Short – term | 1,500 | |
| Interim Dividend paid | | 27,000 | Long – term | 3,300 | 4,800 |
| (inclusive of Dividend Distribution Tax) | | | Trade payables | | 3,27,000 |
| Building | | 1,01,000 | | | |
| Plant and Machinery | | 70,400 | | | |
| Furniture | | 10,200 | | | |
| Motor Vehicles | | 40,800 | | | |
| Stores and Spare Parts Consumed | | 45,000 | | | |
| Investments : | | | | | |
| Current | 4,500 | | | | |
| Non - Current | 7,500 | 12,000 | | | |
| Trade receivables | | 2,38,500 | | | |
| Cash in Bank | | 2,71,100 | | | |
| | | **24,34,200** | | | **24,34,200** |

From the above balance and the following information, **prepare the company's Profit and Loss Account** for the year ended 31st March, 2019 and **Company's Balance Sheet** as on that date:

1. Inventory on 31st March,2019 Raw material Rs. 25,800 & finished goods Rs. 60,000.
2. Outstanding Expenses: Manufacturing Expenses Rs. 67,500 & Salaries & Wages Rs. 4,500.
3. Interest accrued on Securities Rs. 300.
4. General Charges prepaid Rs. 2,490.
5. Provide depreciation: Building @ 2% p.a., Machinery @ 10% p.a., Furniture @ 10% p.a. & Motor Vehicles @ 20% p.a.
6. Current maturity of long term loan is Rs. 1,000
7. The Taxation provision of 40% on net profit is considered.

**(15 MARKS)**

B. The following are the extracts from the Balance Sheet of Meera Ltd. as on 31st December, 2017.

Share Capital : 60,000 Equity shares of Rs. 10 each fully paid – Rs. 6,00,000; 1,500 10% Redeemable preference shares of Rs. 100 each fully paid – Rs. 1,50,000.

Reserve & Surplus : Capital Reserve – Rs. 75,000; Securities premium – Rs. 75,000; General Reserve – Rs. 1,12,500; Profit and Loss Account – Rs. 62,500.

On 1st January 2018, the Board of Directors decided to redeem the preference shares at premium of 10% by utilization of reserve.

**You are required to prepare necessary Journal Entries including cash transactions in the books of the company**.

**(5 MARKS)**