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SUBJECT- ADVANCED ACCOUNTS

Test Code – CIM 8711

BRANCH - () (Date :)

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- NOTES: (1) WORKING NOTES SHOULD FORM PART OF ANSWERS.
(2) INTERNAL WORKING NOTES SHOULD ALSO BE CONSIDERED.
(3) NEW QUESTION SHOULD BE ON NEW PAGE**

ANSWER - 1

		Dr. Rs.	Cr. Rs.
Equity Share Capital (Rs. 100) A/c	Dr.	10,00,000	
To Share Surrender A/c			5,00,000
To Equity Share Capital (Rs. 10) A/c			5,00,000
(Subdivision of 10,000 equity shares of Rs. 100 each into 1,00,000 equity shares of Rs. 10 each and surrender of 50,000 of such subdivided shares as per capital reduction scheme)			
12% Debentures A/c	Dr.	1,50,000	
Accrued Interest A/c	Dr.	18,000	
To Reconstruction A/c			1,68,000
(Transferred 75% of the claims of the debentureholders to reconstruction account in consideration of which 12% preference shares are being issued out of share surrender account as per capital reduction scheme)			
Trade payables A/c	Dr.	72,000	
To Reconstruction A/c			72,000
(Transferred claims of the trade payables to reconstruction account, 50% of which is being clear reduction and equity shares are being issued in consideration of the balance)			
Share Surrender A/c	Dr.	5,00,000	
To 12% Preference Share Capital A/c			1,00,000
To Equity Share Capital A/c			36,000
To Reconstruction A/c			3,64,000
(Issued preference and equity shares to discharge the claims of the debenture holders and the trade payables respectively as a per scheme and the balance in share surrender account is being transferred to reconstruction account)			
Reconstruction A/c	Dr.	6,04,000	
To Profit and Loss A/c			6,00,000
To Capital Reserve A/c			4,000
(Adjusted debit balance of profit and loss account			

against the reconstruction account and the balance in the latter is being transferred to capital reserve)

(5*1 = 5 MARKS)

Balance Sheet of Revise Limited (and reduced) as on...

Particulars	Note No.	Rs.
I. Equity and Liabilities		
(1) Shareholder's Funds		
(a) Share Capital	1	6,36,000
(b) Reserves and Surplus	2	4,000
(2) Non-Current Liabilities		
(a) Long-term borrowings	3	50,000
(3) Current Liabilities		
(a) Other current liabilities	4	6,000
(b) Short-term provisions	5	24,000
Total		7,20,000
II. Assets		
(1) Non-current assets		
(a) Fixed assets		
(i) Tangible assets	6	1,00,000
(2) Current assets		
(a) Current investments		
(b) Inventories		3,20,000
(c) Trade receivables		2,70,000
(d) Cash and cash equivalents		30,000
Total		7,20,000

Notes to Accounts

	Rs.
1. Share Capital	
Equity Share Capital	
Issued Capital : 53,600 Equity Shares of Rs. 10 each	5,36,000
Preference Share Capital	
Preference Shares	1,00,000
(Of the above shares all are allotted as fully paid up pursuant to capital reduction scheme by conversion of equity shares without payment being received in cash)	
	6,36,000

2. Reserve and Surplus	
Capital Reserve	4,000
3. Long-term borrowings	
Unsecured Loans	
12% Debentures	50,000
4. Other current liabilities	
Accrued interest	6,000
5. Short-term provisions	
Provision for Income-tax	24,000
6. Tangible assets	
Machineries	1,00,000

(5 MARKS)

ANSWER - 2

1. Journal Entries in the books of Platinum Ltd.

		Rs.	Rs.
Bank A/c (1,00,000 x Rs. 10)	Dr.	10,00,000	
To Equity share capital A/c			10,00,000
(Being money on final call received)			
Equity share capital (Rs. 50) A/c	Dr.	75,00,000	
To Equity share capital (Rs. 40) A/c			60,00,000
To Capital Reduction A/c			15,00,000
(Being conversion of equity share capital of Rs. 50 each into Rs. 40 each as per reconstruction scheme)			
Bank A/c	Dr.	12,50,000	
To Equity Share Capital A/c			12,50,000
(Being new shares allotted at Rs. 40 each)			
Trade payables A/c	Dr.	12,40,000	
To Equity share capital A/c			7,50,000
To Bank A/c (4,90,000 x 70%)			3,43,000
To Capital Reduction A/c			1,47,000
(Being payment made to trade payables in shares or cash to the extent of 70% as per reconstruction scheme)			
8% Debentures A/c	Dr.	3,00,000	

12% Debentures A/c	Dr.	4,00,000	
To Shiv A/c			7,00,000
(Being cancellation of 8% and 12% debentures of Shiv)			
Bank A/c	Dr.	1,00,000	
To Shiv A/c			1,00,000
(Being new debentures subscribed by Shiv)			
Shiv A/c	Dr.	8,00,000	
To 15% Debentures A/c			6,00,000
To Capital Reduction A/c			2,00,000
(Being issuance of new 15% debentures and balance transferred to capital reduction account as per reconstruction scheme)			
8% Debentures A/c	Dr.	1,00,000	
12% Debentures A/c	Dr.	2,00,000	
To Ganesh A/c			3,00,000
(Being cancellation of 8% and 12% debentures of Ganesh)			
Ganesh A/c	Dr.	3,00,000	
To 15% Debentures A/c			2,50,000
To Capital Reduction A/c			50,000
(Being issuance of new 15% debentures and balance transferred to capital reduction account as per reconstruction scheme)			
Land and Building	Dr.	9,14,000	
(51,84,000 – 42,70,000)			
Inventories	Dr.	30,000	
To Capital Reduction A/c			9,44,000
(Being value of assets appreciated)			
Outstanding expenses A/c	Dr.	10,60,000	
To Bank A/c			10,60,000
(Being outstanding expenses paid in cash)			

Capital Reduction A/c	Dr.	33,41,000	
To Machinery A/c			1,30,000
To Computers A/c			1,20,000
To Trade receivables A/c			1,09,000
To Goodwill A/c			22,00,000
To Profit and Loss A/c			7,82,000
(Being amount of Capital Reduction utilized in writing off P & L A/c (Dr.) balance, goodwill and downfall in value of other assets)			
Capital Reserve A/c	Dr.	5,00,000	
To Capital Reduction A/c			5,00,000
(Being debit balance of capital reduction account adjusted against capital reserve)			

(13*1 = 13 MARKS)

Balance Sheet (as reduced) as on 31.3.2019

Particulars	Notes	Rs.
Equity and Liabilities		
1 Shareholders' funds		
a Share capital	1	80,00,000
2 Non-current liabilities		
a Long-term borrowings	2	<u>8,50,000</u>
Total		<u>88,50,000</u>
Assets	3	
1 Non-current assets		
a Property, Plant and Equipment		
Tangible assets		<u>63,04,000</u>
2 Current assets		
a Inventories		<u>3,50,000</u>
b Trade receivables		<u>9,81,000</u>
c Cash and cash equivalents		<u>12,15,000</u>
Total		<u>88,50,000</u>

Notes to accounts

		Rs.
1. Share Capital		
2,00,000 Equity shares of Rs. 40		80,00,000
2. Long-term borrowings		
Secured		
15% Debentures (assumed to be secured)		8,50,000

3. Tangible assets			
Land & Building		51,84,000	
Machinery		7,20,000	
Computers		<u>4,00,000</u>	63,04,000

(3 MARKS)

Working Notes:

1. Cash at Bank Account

Particulars	Rs.	Particulars	Rs.
To Balance b/d	2,68,000	By Trade Creditors A/c	3,43,000
To Equity Share capital A/c	10,00,000	By Outstanding expenses A/c	10,60,000
To Equity Share Capital A/c	12,50,000	By Balance c/d (bal. fig.)	12,15,000
To Shiv A/c	<u>1,00,000</u>		
	<u>26,18,000</u>		<u>26,18,000</u>

2. Capital Reduction Account

Particulars	Rs.	Particulars	Rs.
To Machinery A/c	1,30,000	By Equity Share Capital A/c	15,00,000
To Computers A/c	1,20,000	By Trade Creditors A/c	1,47,000
To Trade receivables A/c	1,09,000	By Shiv A/c	2,00,000
To Goodwill A/c	22,00,000	By Ganesh A/c	50,000
To Profit and Loss A/c	7,82,000	By Land & Building	9,14,000
		By Inventories	30,000
		By Capital Reserve A/c	<u>5,00,000</u>
	<u>33,41,000</u>		<u>33,41,000</u>

(2*2 = 4 MARKS)

ANSWER - 3

In the books of Star Ltd.

Journal Entries

	Particulars	Amount (Rs.)	Amount (Rs.)
(i)	7% Preference share capital (Rs. 100) Dr.	9,00,000	
	To 9% Preference share capital (Rs. 80)		7,20,000
	To Capital reduction A/c		1,80,000
	(Being preference shares reduced to Rs. 80 and also rate of dividend raised from 7% to 9%)		
(ii)	Equity share capital A/c (Rs. 100 each) Dr.	10,00,000	
	To Equity share capital A/c (Rs. 10 each)		1,00,000
	To Capital reduction A/c		9,00,000
	(Being reduction of nominal value of one share of Rs. 100 each to Rs. 10 each)		
(iii)	Bank A/c Dr.	50,000	

	To Capital reduction A/c (Being directors refunded the fee amount)		50,000	
(iv)	Trade payables A/c (Interest on debentures)	Dr.	26,000	
	To Capital reduction A/c (Being interest forgone by the debenture holders)		26,000	
(v)	No entry required			
(vi) a	'B' 6% Debentures A/c	Dr.	3,50,000	
	To Debentures holders A/c (Being amount due to Debentures holders)		3,50,000	
b	Debentures holders A/c	Dr.	4,40,000	
	To Chennai Works A/c		4,25,000	
	To Equity share capital A/c (Being Chennai works taken over and equity shares issued to 'B' 6% Debenture holders)		15,000	
c	Equity share of Zia Ltd. A/c	Dr.	90,000	
	To Debentures holders A/c (Being 9,000 equity shares of Zia Ltd. issued by Debentures holders)		90,000	
(vii) a	Chennai Works – Workmen Compensation Fund	Dr.	4,000	
	To Capital reduction A/c (Being difference due to reduced amount of actual liability transferred to capital reduction account)		4,000	
b	Bank A/c	Dr.	15,400	
	To Investment for Workmen Compensation Fund		14,000	
	To Capital reduction A/c (Being investment for Workmen Compensation Fund sold @ 10% profit)		1,400	
c	Trade Payables A/c	Dr.	15,400	
	To Bank A/c (Being part payment made to trade payables)		15,400	
(viii)	Capital reduction A/c	Dr.	2,10,000	
	To Provision for Doubtful Debts A/c		20,000	
	To Inventory A/c (Being assets revalued)		1,90,000	
(ix)	Capital reduction A/c	Dr.	5,50,000	
	To Profit & Loss A/c		2,00,000	
	To PPE – Chennai Works (Being assets revalued and losses written off)		3,50,000 *	
(x)	Capital reduction A/c	Dr.	4,01,400	
	To PPE – Bombay Works		2,67,600	
	To Capital reserve A/c (Being assets revalued and remaining amount transferred to capital reserve account)		1,33,800	

(10 MARKS)