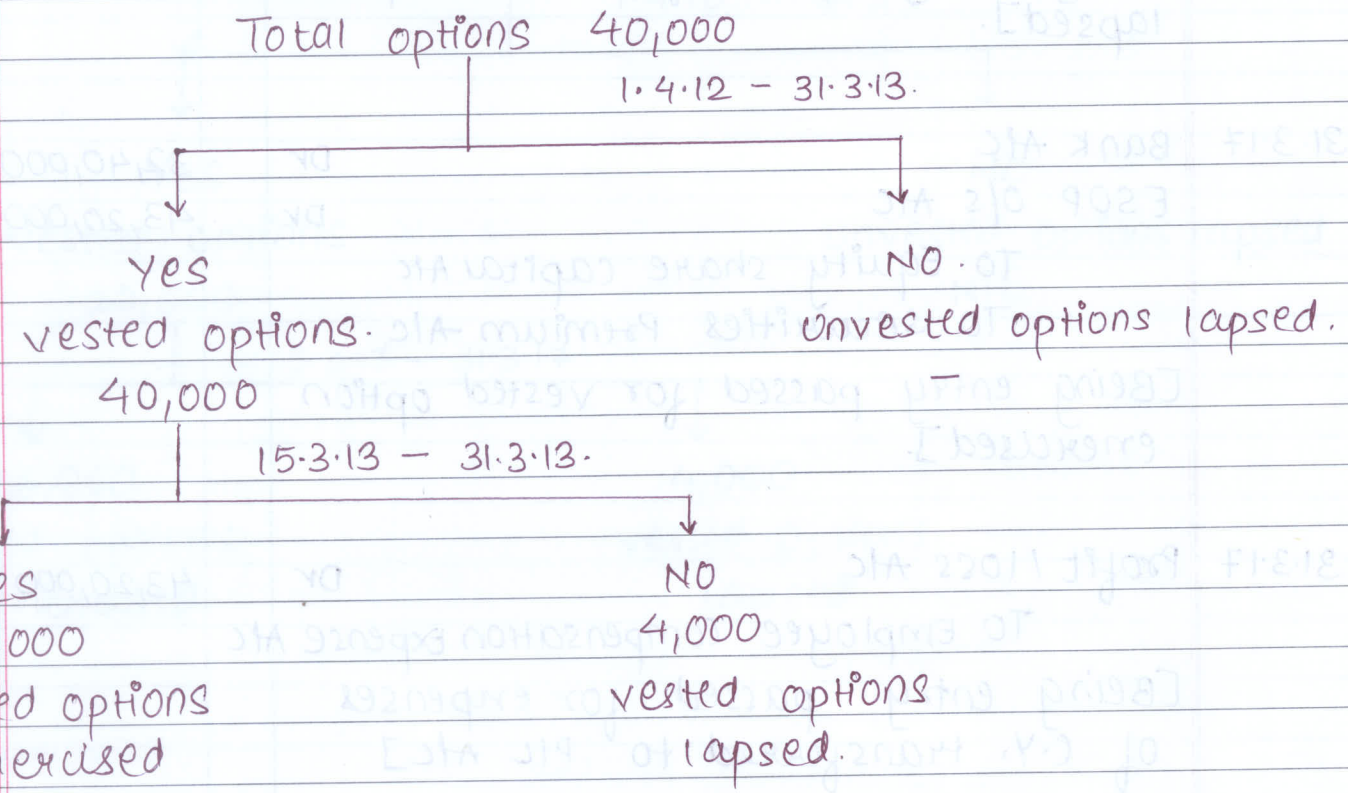
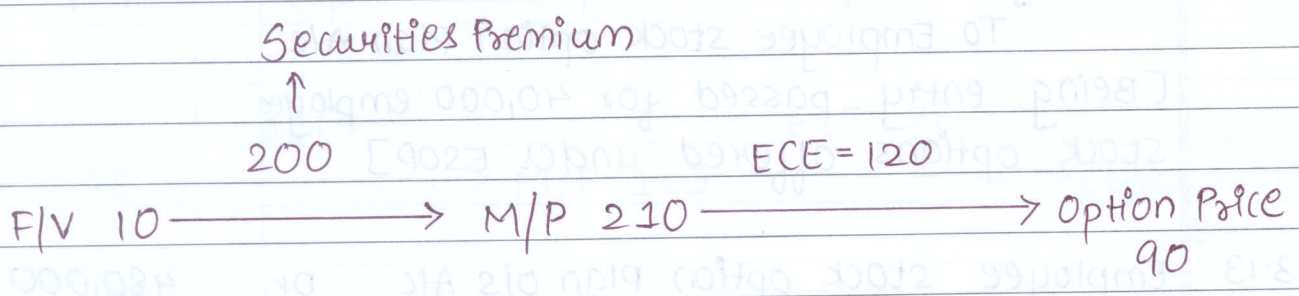


PART B
ADVANCED ACCOUNTING

ESOP

Q7.
pg no: 206.



Q7. pg no. 206

JOURNAL ENTRIES.

Date	Particulars.	LF	Debit ₹	Credit ₹.
1.1.12.	Employee compensation Expense A/c Dr. To Employee stock option Plan A/c [Being entry passed for 40,000 employee stock options offered under ESOP]		48,00,000	48,00,000
14.3.13	Employee stock option Plan o/s A/c Dr. To Employee Compensation Expense A/c [Being entry passed for vested options lapsed].		4,80,000	4,80,000
31.3.17	BANK A/c Dr. ESOP o/s A/c Dr. To Equity share capital A/c To securities Premium A/c [Being entry passed for vested option exercised].		32,40,000 43,20,000	3,60,000 72,00,000
31.3.17	Profit / loss A/c Dr. To Employee compensation Expense A/c [Being entry passed for expenses of C.Y. transferred to P/L A/c]		43,20,000	43,20,000

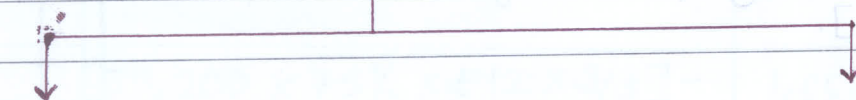
Q8.

pg no. 206.

S/P.
 ↑
 110 ECE = 70
 F/V 10 → M/P 120 → Option Price 50.

Total options 20,000

1.4.16 - 31.3.17



Yes

NO

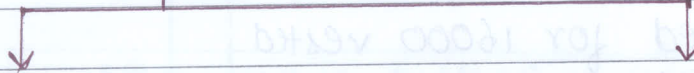
vested options

unvested options lapsed.

20,000

NIL.

15.3.17 - 31.3.17



16,000

4,000

vested options exercised

vested options lapsed.

Q8.

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JOURNAL ENTRIES.

80

Date	Particulars	LF	Debit ₹	Credit ₹
1.4.16	Employee Compensation Expenses A/c Dr To Employee stock option Plan A/c [Being entry passed for 20,000 employee stock option offered under ESOP].		14,00,000	14,00,000
	Employee stock option Plan o/s A/c Dr To Employee Compensation Expense A/c [Being entry passed for vested options lapsed].		2,80,000	2,80,000
31.3.17	Bank A/c Dr Employee stock option Plan o/s A/c Dr To Equity share capital A/c To Securities Premium A/c [Being entry passed for 16000 vested options exercised].		8,00,000 11,20,000	16,00,000 17,60,000
31.3.17	Profit/Loss A/c Dr To Employee compensation Expense A/c [Being entry passed for expense of C.Y. transferred to P/L A/c].		11,20,000	11,20,000

Q9.

pg no 206.

Amounts to be recognised as expense during vesting period.

Year	Calculation	Expenses for Period	Cumulative expense
1	$55,200^* \text{ options} \times 75\% \times \text{£}12 \times \frac{1}{3} \text{ years}$	1,65,600	1,65,600
2	$[55,200 \times 75\% \times \text{£}12 \times \frac{2}{3}] - 1,65,600$	1,65,600	3,31,200
3.	$[55,200 \times 75\% \times \text{£}12 \times \frac{3}{3}] - 3,31,200$	1,65,600	4,96,800

* 120 share options x 460 employees

∴ Total options = 55,200.

An enterprise should review all estimates taken into consideration for valuation of option.

The value of option recognised as expense in an accounting period is the excess of cumulative expense as per latest estimates upto the current accounting period over total expense recognised upto the previous accounting period.

BUYBACK

classmate

1

Date _____

Page _____

Q6.

pg no: 213 :

→ Premium on Buy Back.

[30 x 5]

150.

securities

D.P

Premium.

[GRRDP]

150.

-

→ Face value of Eq sh to Buy Back.

[30 x 10]

300

Fresh issue

create CRR.

using D.P. [GRRDP].

265 - GIR.

35 - PL

→ Bonus Held

1

4

2

900

225

In the books of KG Ltd.

JOURNAL ENTRIES.

(£ in lakhs)

Particulars	LF	Debit £	Credit £
Bank A/c	Dr	75	
TO Investment A/c			74
TO PIC A/c			1
[Being investment sold at profit]			
General Reserve A/c	Dr	265	
Profit/Loss A/c	Dr	35	
TO Capital Redemption Reserve A/c			300
Equity share capital A/c	Dr	300	
Securities Premium A/c on Buy Back A/c	Dr	150	
TO Equity shareholders A/c			450
Equity shareholders A/c	Dr	450	
TO Bank A/c			450
Capital Redemption Reserve A/c	Dr	225	
TO Bonus shares A/c			225
Bonus shares A/c	Dr	225	
TO Equity share capital A/c			225
Securities Premium A/c	Dr	150	
TO Premium on Buy Back A/c			150

Q7.

Pg no: 213:

Premium on Buy Back

(50x40)

S/P

2000.

GRRDP

NIL

In the books of Dee Ltd.

JOURNAL ENTRIES

(€ in '000)

Particulars	LF	DEBIT €	CREDIT €
Bank A/c	Dr	22,00	
Profit Loss A/c	Dr	8,00	
To Investment A/c			30,00
[Being investment sold at loss]			
Equity share capital A/c	Dr	5,00	
Premium on Buy Back A/c.	Dr	20,00	
To Equity share Buy Back A/c			25,00
[Being amount due on Buy Back]			
Securities Premium A/c	Dr	20,00	
To Premium on Buy Back A/c			20,00
[Being premium on BB w/off].			
Revenue Reserve A/c	Dr	3,00	
To Capital Redemption Reserve A/c			3,00
[Being amount transf to CRR]			
Equity share Buy Back A/c	Dr	25,00	
To Bank A/c			25,00
[Being payment made on Buy Back]			

Balance sheet of Dee Ltd as on 1.4.20X1.
(After buy back of shares)

Particulars	NOTE NO	(£'000)
(I) EQUITY AND LIABILITIES.		
(1) Shareholders funds		
(a) Share capital	1	22,00
(b) Reserves and surplus.	2	69,00
(2) Current liabilities		14,00
Total		<u>10,500</u>
(II) ASSETS.		
(1) Non current Assets		
(a) Fixed Assets		93,00
(2) Current Asset (15,00 - 3,00)		12,00
Total.		<u>10,500</u>

NOTES TO ACCOUNTS

(1) Share capital

Authorised capital:

30,00

Issued and subscribed capital:

2,00,000, Equity shares of £10 each fully paid 20,00

21,000, 10% Buy shares of £10 each fully paid 2,00 22,00

(2) Reserve & surplus.

Capital Reserve 10,00

CR R 3,00

Securities Premium 22,00

(less): Premium on BB (20,00) 2,00

Revenue Reserve 30,00

(less): Transf to CRR (3,00) 27,00

Profit/Loss A/c 35,00

(-) loss on inst (8,00) 27,00 69,00.

Q8.

Pg no 214.:

Condⁿ 1: Nominal value of Equity share to be BB cannot exceed 25% of its fully paid up Eq sh capital.

$$\begin{aligned} \text{Maximum Equity shares that company can buy back} &= \frac{25\% \text{ of Fully Paid up ESC.}}{\text{FV of each eq sh}} \\ &= \frac{25\% \cdot 15,00,000}{10} \\ &= \frac{3,75,000}{10} = \underline{37,500 \text{ eq sh.}} \end{aligned}$$

Condⁿ 2: Maximum Expenditure (FV + POBB) cannot exceed 25% of total own funds.

$$\begin{aligned} \text{Company's total own funds} &= \text{PSC} + \text{Fully Paid up ESC} + \text{SP} + \text{D.P. [GRDP]} \\ &\quad - \text{Miscellaneous Expenditure} \\ &= 5,00,000 + 15,00,000 + 50,000 + 2,00,000 \\ &\quad + 1,50,000 - 40,000 - 60,000 \\ &= \underline{23,00,000} \end{aligned}$$

$$\begin{aligned} \text{Max Exp} &= 25\% \text{ of company's total own funds} \\ &= 25\% \cdot 23,00,000 \\ &= 5,75,000 \end{aligned}$$

But BB price is given in Que is 25£.

$$\begin{aligned} \% \text{ Revised no of equity share that company can buy back} &= \frac{\text{Max Exp}}{\text{BB Price}} \\ &= \frac{5,75,000}{25} \\ &= \underline{23,000 \text{ eq sh}} \end{aligned}$$

Condⁿ 3: The ratio of debt to equity must not exceed 2:1 after sum BB.

Debt: secured loan + unsecured loan

Equity: co's total own funds (Condⁿ 2).

Company's total own funds 23,00,000
 (-) Minimum own funds req (5,00,000)
 ($\frac{1}{2}$ of 10,00,000)

Excess of own funds

18,00,000

10:25

Create CRR

Max Exp

[If no fresh issue then

CRR = FV of ESC]

CFV + POBB)

5,14,286

12,85,714

$\div 10$

= + 51428 eqsh = $\div 25$

∴ As per the provision of companies Act 2013 company can buy back least of condition 1,2,3 above

i.e 23,000 equity shares of ₹ 10 each at ₹ 25/shares

INTERNAL RECONSTRUCTION

classmate

Date _____

Page _____

Q10.

pg no: 229.

In the books of A & Co Ltd.

JOURNAL ENTRIES

Particulars.	LF	Debit £	Credit £
6% Cumulative Preference share A/c Dr		4,00,000	
To 6% Cumulative Preference share A/c			3,00,000
To Capital Reduction A/c			1,00,000
[Being reduction of preference shares of £100 each to shares of £75 each]			
Equity share capital A/c (£10) Dr		7,50,000	
To Equity share capital A/c (£2)			1,50,000
To Capital Reduction A/c			6,00,000
[Being reduction of equity shares of £10 each to equity shares of £2 each]			
Capital Reduction A/c Dr		24,000	
To Equity share capital A/c			24,000
[Being arrears of preference dividend satisfied by issue of equity shares to the extent of 25% and balance amount waived]			
Accrued Interest A/c Dr		22,500	
To Bank A/c			22,500
[Being debenture interest paid]			
Freehold Property A/c Dr		20,000	
To Capital Reduction A/c			20,000
[Being freehold property revalued]			
6% Debenture A/c Dr		1,20,000	
To Freehold Property A/c			1,20,000
[Being freehold property taken over by debenture holders in part payment of their claims]			

Bank A/c	Dr	1,30,000	
To 8% Debentures A/c			1,30,000

[Being 8% debentures issued for cash]

Freehold Property A/c	Dr	62,500	
To Capital Reduction A/c			62,500

[Being balance freehold property revalued]

Bank A/c	Dr	1,40,000	
To Trade Investment A/c			55,000
To Capital Reduction A/c			85,000

[Being sale of trade investments at profit]

Directors Loan A/c	Dr	1,00,000	
To Equity share Capital A/c			90,000
To Bank A/c			5,000
To Capital Reduction A/c			5,000

[Being directors claims settled]

Capital Reduction A/c	Dr	12,500	
To Bank A/c			12,500

[Being penalty paid @ 5% of contract price]

Capital Reduction A/c	Dr	8,36,000	
To Patents A/c			37,500
To Goodwill A/c			1,30,000
To Inventory A/c			65,000
To Provision for doubtful debts A/c			68,500
To Profit & Loss A/c			5,35,000

[Being assets revalued & losses written off].

Q1.
pgno: 229.

Balance sheet of A & Co (And Reduced) as on 1st Jan '12.

Particulars	NO	NO.	₹
I. EQUITY AND LIABILITIES.			
(1) Share holders funds.			
(a) share capital.	1		5,64,000
(2) Non current liabilities			
(a) long term borrowings	2		3,85,000
(3) Current liabilities			
(a) Trade payables			3,00,000
(b) short term provisions	3		68,500
			13,75,000
II. ASSETS.			
(1) Non current Assets			
(a) Property, Plant and Equipment			
(i) Tangible Asset	4		4,37,500
(ii) Intangible Assets	5		-
(2) Current Assets			
(a) Inventories			3,60,000
(b) Trade Receivables	6		4,85,000
(c) Cash and cash equivalents			35,000
			13,75,000

Notes to Accounts:

(1) Share Capital.

Authorised share capital.

8

Issued, subscribed and Paid up capital.

1,32,000 equity shares of £2 each fully paid

2,64,000

[Of the above 45000 shares have been issued for consideration other than cash]

4000, 6% Preference shares of £75 each fully paid

3,00,000

5,64,000

(2) Long term Borrowings.

6% Deb.

2

2,55,000

8% Deb

1,30,000

3,85,000

(3) Short term provision

Provision for doubtful debts

68,500

(4) Tangible Assets.

Freehold Property

4,25,000

+ Appreciation

82,500

(-) Disposed off

(12,000)

3,87,500

Plant

50,000

4,37,500

(5) Intangible Asset

Goodwill

1,30,000

(-) w/off

(1,30,000)

-

(6) Trade Receivables.

4,85,000

Q11.

Pg no 230.

In the books of Rebuilt Ltd.

JOURNAL ENTRIES.

Particulars.	LF	Debit £	Credit £
Equity share capital A/c	Dr	7,50,000	
To Equity share capital A/c			37,500
To Capital Reduction A/c			7,12,500
[Being reduction of equity shares of £50 each to share of £2.5 each]			
Bank A/c	Dr	1,12,500	
To Equity share capital A/c			1,12,500
[Being 3 new equity share of £2.5 each subscribed by 15,000 shareholders]			
7% Preference share capital A/c (50)	Dr	6,00,000	
Capital Reduction A/c	Dr	60,000	
To 5% Preference share capital A/c (10)			4,80,000
To Equity share capital A/c (2.5)			1,80,000
[Being 7% Preference share cancelled and 4, 5% Preference shares of £10 each issued along with 6 equity shares of £2.5 each against each preference share]			
Loan A/c	Dr	1,50,000	
To 5% Preference share capital A/c			1,20,000
To Equity share capital A/c			30,000
[Being loan settled partly by issue of preference shares & equity shares]			
Bank A/c	Dr	1,00,000	
To Equity share capital A/c			1,00,000
[Being 40,000 equity shares subscribed by directors of company]			

Loan A/c	Dr	2,00,000	
To BANK A/c			2,00,000

[Being loan repaid partly]

Capital Reduction A/c	Dr	6,52,500	
To Profit/Loss A/c			4,51,000
To Plant A/c			35,000
To Trademarks & Goodwill A/c			1,66,500

[Being assets revalued & losses written off].

Q11.

pg no 230.

Balance sheet of Rebuilt Ltd (And Reduced) as on 31.3.11

Particulars	NOTE NO	£
I. EQUITY AND LIABILITIES:		
(1) Shareholders fund.		
(a) Share Capital	1	10,60,000
(2) Non current liabilities		
(a) long term borrowings.		2,23,000
(3) Current liabilities		
(a) Trade Payables		2,07,000
(b) other current liabilities		35,000
		<u>15,25,000</u>
II. ASSETS		
(1) Non current assets		
(a) Property, Plant, Equipment		
(i) Tangible Asset	2	6,33,000
(ii) Intangible Asset	3	1,51,000
(2) Current Assets		
(a) Inventories		4,00,000
(b) Trade Receivables		3,28,000
(c) cash & cash equivalent	4	12,500
		<u>15,25,000</u>
	Total.	

Notes to Accounts:

(1) Share CapitalAuthorised share capital

65,000 Pref shares of £10 each	6,50,000	
3,00,000 equity shares of £2.5 each	7,50,000	<u>14,00,000</u>

Issued, subscribed and paid up capital.

1,80,000 equity shares of £2.5 each fully paid up		4,60,000
60,000 5% Pref shares of £10 each fully paid up		6,00,000
		<u>11,60,000</u>

(2) Tangible Assets

Building at cost less depreciation	4,00,000
Plant at cost less depreciation	2,33,000
	<u>6,33,000</u>

(3) Intangible Assets

Trademark and Goodwill	<u>1,51,500</u>
------------------------	-----------------

(4) Cash & Cash Equivalents

Bank	<u>12,500</u>
------	---------------

Q12

Pgno: 231

In the books of Fortune Ltd

JOURNAL ENTRIES.

Particulars.	lf	debit £	credit £
5% ^{first} Debenture A/c Dr		3,00,000	
6% second debenture A/c Dr		3,00,000	
Unsecured creditors A/c. Dr		90,000	
Bank A/c Dr		30,000	
To Capital Reduction A/c			2,10,000
To 7% debentures A/c			5,10,000
[Being Mr simple's claims settled by issuing 7% debentures partly and balance claim waived off].			
6% second debenture A/c Dr		3,00,000	
unsecured creditors A/c Dr		60,000	
To Bank A/c			90,000
To capital Reduction A/c			2,70,000
[Being Ms Dimple's claims settled by giving her cash partly and balance waived off].			
unsecured creditors A/c Dr		2,25,000	
To Equity share capital A/c			1,50,000
To capital Reduction A/c			75,000
[Being equity shares issued to 75% creditors and their balance claim waived off].			
Equity share final call A/c Dr		1,80,000	
To Equity share capital A/c			1,80,000
[Being final call made on partly paid equity shares].			

Bank A/c	Dr	1,80,000	
To Equity share final call A/c			1,80,000
[Being money received against final call]			
Equity share capital A/c (60)	Dr	3,60,000	
To Equity share capital A/c (7.5)			3,60,000 ⁴⁵
To Capital Reduction A/c			3,15,000
[Being reduction of equity shares of £60 each to £7.5 each]			
Capital Reduction A/c	Dr	8,60,000	
To Profit/loss A/c			8,60,000
[Being P/L Balance w/off against capital reduction A/c]			
Capital Reduction A/c	Dr	10,000	
To Capital Reserve A/c			10,000
[Being profit transferred to capital Reserve A/c]			

Bank A/c	Dr	1,80,000	
To Equity share final call A/c			1,80,000
[Being money received against final call]			

Equity share capital A/c (60)	Dr	3,60,000	
To Equity share capital A/c (75)			3,60,000 ⁴⁵ 3,15,000
To Capital Reduction A/c			3,15,000

[Being reduction of equity shares of £60 each to £7.5 each]

Capital Reduction A/c	Dr	8,60,000	
To Profit Loss A/c			8,60,000

[Being P/L Balance w/off against capital reduction A/c]

Capital Reduction A/c	Dr	10,000	
To Capital Reserve A/c			10,000

[Being profit transferred to Capital Reserve A/c]

Q12.

Pg no 231.

Balance sheet of Fortune Ltd (And Reduced) as at 1.4.11.

Particulars	Note	₹
I. EQUITY AND LIABILITIES.		
(1) Shareholder funds		
(a) share capital.	1	1,95,000
(b) Reserve & surplus.	2	10,000
(2) Non current liabilities		
(a) long term borrowings	3	5,10,000
(3) Current liabilities		
(a) other current liabilities	4	1,99,000
Total.		<u>9,14,000</u>
II. ASSETS		
(1) Non current Assets		
(a) Property, Plant & Equipment.		5,14,000
(2) Current Assets		
(a) cash and cash equivalents		4,00,000
Total.		<u>9,14,000</u>

NOTES TO ACCOUNTS.

(1) Share Capital

Authorized share capital	?
Issued, subscribed & paid up capital.	
26,000 equity shares of £75 each, fully paid up	1,95,000
[Of above 20,000 equity shares are issued for consideration other than cash].	
(2) <u>Reserves & surplus</u>	
<u>capital reserve</u>	10,000
(3) <u>long term borrowings</u>	
7% debentures	5,10,000
(4) <u>other current liabilities.</u>	
unsecured creditors.	75,000
creditors for expenses	1,24,000
	1,99,000

Q13.

Pg no 231

In the books of Green Ltd.

JOURNAL ENTRIES.

Particulars	LF	Debit £	Credit £
Equity share final call A/c Dr To Equity share capital A/c		10,00,000	10,00,000
[Being final call made on partly paid equity shares].			
Bank A/c Dr To Equity share final call A/c		10,00,000	10,00,000
[Being money received against final call]			
Equity share capital A/c Dr To Equity share capital A/c To Capital Reduction A/c		75,00,000	30,00,000 45,00,000
[Being equity shares of £50 each reduced to equity shares of £20 each]			
12% First debenture A/c Dr 12% Second debenture A/c Dr Trade Payable A/c Dr Bank A/c Dr		3,00,000 7,00,000 2,00,000 2,00,000	
To Capital Reduction A/c To 14% First debenture A/c			7,00,000 7,00,000
[Being claims of Mx cancelled to the extent of £ 7,00,000 and 14% debenture issued for balance].			
12% First debentures A/c Dr 12% second debentures A/c Dr Trade Payables A/c Dr		2,00,000 3,00,000 1,00,000	
To Capital Reduction A/c To 14% First debentures A/c			3,00,000 3,00,000
[Being claims of My cancelled to			

the extent of £ 3,00,000 and 14% debentures issued for balance]

Capital reduction A/c	Dr	55,00,000	
To Goodwill A/c			20,00,000
To Profit/Loss A/c			20,00,000
To Computers A/c			15,00,000

[Being assets revalued & losses written off.]

Balance sheet of Green Ltd (and reduced) as on 31-3-11.

Particulars	Notes	£
I. EQUITY AND LIABILITIES.		
(1) <u>Shareholders funds.</u>		
(a) share capital.	1	30,00,000
(2) <u>Non current liabilities</u>		
(a) long term borrowings	2	10,00,000
(3) <u>Current liabilities</u>		
(a) Trade payables.		2,00,000
Total.		<u>42,00,000</u>
II. ASSETS.		
(1) <u>Non current Assets.</u>		
(a) <u>Property, plant & Equipment</u>		
(i) Tangible Assets	3	30,00,000
(2) <u>Current Assets</u>		
(a) <u>cash and cash equivalent</u>		12,00,000
Total		<u>42,00,000</u>

NOTES TO ACCOUNTS.

(1)	Share capital. Authorised share capital.	75,00,000.
	Issued subscribed & paid up capital. 1,50,000 equity shares of £ 20 each, fully paid up	30,00,000
(2)	Long term borrowings. 14% First debentures	10,00,000
(3)	Tangible Assets. Building Plant Computers	10,00,000 10,00,000 10,00,000
		<u>30,00,000</u>

Q14.

pg no 232:

In the books of M/s Ice Ltd.

JOURNAL ENTRIES.

Particulars.	LF	Debit £	Credit £
8% Preference share capital A/c (100) Dr		4,00,000	
To 8% Preference share capital A/c (80)			3,20,000
To Capital Reduction A/c			80,000
[Being preference shares of £100 each reduced to preference shares of £80 each].			
Equity share capital A/c (10) Dr		10,00,000	
To Equity share capital A/c (2)			2,00,000
To Capital Reduction A/c			8,00,000
[Being equity shares of £10 each reduced to equity shares of £2 each].			
Capital Reduction A/c Dr		32,000	
To Equity share capital A/c			32,000
[Being 2/3 rd of preference dividend waived off and for balance 1/3 rd equity shares of £2 each issued].			
6% Debentures A/c Dr		3,00,000	
To Freehold Property A/c			3,00,000
[Being freehold property taken over by debentureholders in part payment of their claims].			
Accrual of interest A/c Dr		24,000	
To Bank A/c			24,000
[Being interest paid].			
Freehold property A/c Dr		1,50,000	
To Capital Reduction A/c			1,50,000
[Being freehold property stranded].			

Bank A/c	Dr	2,50,000	
To Trade Investment A/c			2,00,000
To Capital Reduction A/c			50,000

[Being investments sold at profit]

Director's Loan A/c	Dr	3,00,000	
To Capital Reduction A/c			2,25,000
To Equity share Capital A/c			75,000

[Being 75% of loan waived and balance settled through issue of equity shares of £2 each]

Capital Reduction A/c	Dr	9,45,000	
To Trade Receivable A/c			1,80,000
To Inventories A/c			2,40,000
To Profit & Loss A/c			5,25,000

[Being assets revalued & losses w/ off]

Capital Reduction A/c		30,000	
To Bank A/c			30,000

[Being penalty paid @ 5%]

Capital Reduction A/c	Dr	2,98,000	
To Capital Reserve A/c			2,98,000

[Being PL transferred]

Q14.

Pgno: 232

Balance sheet of M/s Ice Ltd (continued) as on 31.3.15

Particulars	NO	NO	£
<u>I. EQUITY AND LIABILITIES.</u>			
<u>(1) Shareholders funds</u>			
(a) Share Capital	1		6,27,000
(b) Reserves & surplus	2		2,98,000
<u>(2) Non current liabilities</u>			
(a) long term borrowings	3		1,00,000
<u>(3) current liabilities</u>			
(a) Trade payables			1,01,000
			11,26,000
<u>II. ASSETS.</u>			
<u>(1) Non current Asset</u>			
<u>(a) Property, Plant and Equipment</u>			
(i) Tangible Asset	4		6,00,000
<u>(2) current Assets</u>			
(a) Trade receivables			2,70,000
(b) Inventories			60,000
(c) Cash and cash equivalents			1,96,000.
			11,26,000
		Total.	11,26,000

NOTES TO ACCOUNTS:

(1) Share Capital

Authorised share capital	8
Issued, subscribed & paid up capital:	
1,53,500 equity shares of £2 each fully paid up	3,07,000
[Of the above 53,500 shares are issued for consideration other than cash]	
4000, 8% Preference shares of £80 each fully paid up	3,20,000
	6,27,000
(2) <u>Reserves & Surplus</u>	
Capital Reserve	2,98,000
(3) <u>Long term borrowings</u>	
6% Debenture	1,00,000
(4) <u>Fixed Assets</u>	
Freehold Property	4,00,000
Plant & Machinery	2,00,000
	6,00,000

Q15.

pgno: 233.

In the books of M/s Raman Ltd.

JOURNAL ENTRIES.

Particulars.	LF	Debit £	Credit £
Equity share capital A/c (100) Dr		8,00,000	
To Equity share capital A/c (10)			8,00,000
[Being equity shares sub divided]			
[1 eq. sh. x £100 FV = £100 10 eq. sh. x £10 FV = £100]			
Equity share capital A/c (10) Dr		7,20,000	
To share surrender A/c			7,20,000
[Being 90% shares surrender].			
8% Debenture A/c Dr		14,00,000	
Int due on debenture A/c Dr		70,000	
To Capital Reduction A/c			14,70,000
[Being total claim of debenture holders cancelled].			
Share surrender A/c Dr		5,00,000	
To 8% Preference share capital A/c			5,00,000
[Being preference shares issued to debenturees out of shares surrender]			
Sundry Creditors A/c Dr		4,50,000	
To Capital Reduction A/c			4,50,000
[Being total claim of creditors cancelled]			
Share surrender A/c Dr		90,000	
To Equity share capital A/c (10)			90,000
[Being equity shares issued to creditors out of share surrender]			

Share Surrender A/c	Dr		1,30,000	
To Capital Reduction A/c				1,30,000

[Being balance in share surrender A/c cancelled and transferred to Capital Reduction A/c]

Share Surrender A/c	
---------------------	--

50,000	7,20,000
--------	----------

90,000	
--------	--

To Cap Red A/c. (1,30,000)	
----------------------------	--

↓ (cancelled)

Capital Reduction A/c	Dr		10,70,000	
To Profit/Loss A/c				10,70,000

[Being accumulated losses written off]

Capital Reduction A/c	Dr		9,80,000	
To Land, building & machinery A/c				9,80,000

[Being overstated asset record at proper amt].

Balance sheet of M/s Raman (and reduced) as on 31.3.11.

Particulars	Note No	₹
I. EQUITY AND LIABILITIES.		
(1) Shareholders funds.		
(a) share capital.	1	6,70,000
(b) Reserves & surplus.	-	-
(2) Non current liabilities		
(3) Current liabilities		
(a) other current liabilities		10,000
Total.		<u>6,80,000</u>
II. ASSETS.		
(1) Non current Assets		
(a) Property, plant and Equipment		
(i) Tangible	2	4,20,000
(ii) Intangible		NIL.
(2) Current Assets		
(a) Inventory		1,00,000
(b) Trade Receivables		1,43,000
(c) Investments		15,000
(d) cash and cash equivalents.		2000
Total.		<u>6,80,000</u>

Notes to Accounts.

(1) Share Capital
 Authorised. ?
 Issued, subscribed and paid up 1,70,000
 $(80000 - 72000 + 9000) \times 10$
 eq sh surrender eq issued to credit

(2) Tangible Asset
 Land & Building & Machinery 4,20,000
 $(14,00,000 - 9,80,000)$

Q16.

pg no 233

In the books of ABC Ltd.

JOURNAL ENTRIES.

Particulars	Dr	Cr	Debit	Credit
8% Preference share capital A/c	Dr		6,00,000	
To Preference shareholders A/c				4,20,000
To Capital Reduction A/c				1,80,000
[Being 30% reduction in liability of preference share capital.]				
Preference shareholders A/c	Dr		4,20,000	
To 11% Debentures A/c				4,20,000
[Being the issue of debentures to preference shareholders.]				
9% Debentures A/c	Dr		12,00,000	
To Debenture holder A/c				12,00,000
[Being transfer of 9% debenture to debenture holder A/c.]				
Debenture holder A/c	Dr		12,00,000	
To Plant & Machinery				9,00,000
To Capital Reduction A/c				3,00,000
[Being settlement of debenture holder by allotment of P&M.]				
Trade Payables A/c	Dr		5,92,000	
To Inventory A/c				5,00,000
To Capital Reduction A/c				92,000
[Being settlement of creditors by giving inventories.]				
Bank A/c	Dr		3,00,000	
To 11% Debentures A/c				3,00,000
[Being fresh issue of debentures.]				

Bank overdraft A/c	Dr	1,50,000	
To Bank A/c			1,50,000
[Being settlement of bank overdraft]			
Capital Reduction A/c	Dr	5,72,000	
To Investment A/c			13,000
To Profit/Loss A/c			4,05,000
To Capital Reserve A/c			1,54,000
[Being decrease in investment & P/L balance w/off and balance transf'd to capital reserve]			

Capital Reduction A/c

To Investments	13,000	By Preference share capital A/c	1,80,000
To Profit & Loss	4,05,000	By 9% Debenture holders	3,00,000
To Capital Reserve	1,54,000	By Trade payables	92,000
	<u>5,72,000</u>		<u>5,72,000</u>

Q15

pgno 233

Balance sheet of ABC Ltd (and reduced) as on 31.3.11.

Particulars	Not No	£
I EQUITY AND LIABILITIES		
(1) <u>shareholders funds</u>		
(a) share capital	1	20,00,000
(b) Reserves & surplus	2	1,54,000
(2) <u>Non current liabilities</u>		
(a) long term liabilities	3	7,20,000
Total		<u>28,74,000</u>
II. ASSETS		
(1) <u>Non current Asset</u>		
(a) <u>Property, plant & equipment</u>		
(i) Tangible assets	4	2,50,000
(ii) Intangible assets		70,000
(b) Non current investments	5	55,000
(2) <u>Current Asset</u>		
(a) current investments		
(b) Inventories (14,00,000 - 5,00,000)		9,00,000
(c) Trade receivables		14,39,000
(d) Cash and cash equivalents		1,60,000
Total.		<u>28,74,000</u>

Notes to Accounts

(1) <u>Share Capital.</u>		
2,00,000 equity shares of £10 each fully paid up		20,00,000
(2) <u>Reserves & Surplus</u>		
<u>Capital Reserve</u>		1,54,000
(3) <u>Long term Borrowings.</u>		
11% debentures (4,20,000 + 3,00,000)		7,20,000
(4) <u>Fixed Assets.</u>		
(i) <u>Tangible Assets.</u>		
Plant & Machinery.	9,00,000	
(-) Adjustment on scheme of Rec	<u>9,00,000</u>	-
Furniture & Fixtures.		2,50,000
(ii) <u>Intangible assets</u>		
Patents & copyrights		70,000
		<u>3,20,000</u>
(5) <u>Non current Investments</u>		
Investments (68,000 - 13,000)		55,000

WNB - C & equivalent

op bal + 11% Deb - Bank of P

10,000 + 3,00,000 - 1,50,000

= 1,60,000.

AMALGAMATION, ABSORPTION AND EXTERNAL RECONSTRUCTION

Q18.

pg no 270

Calculation of Purchase Consideration.

	Issue	Held.	
	3	4	
	2000	2000	
	1500×100		1,50,000
	6	5	
	2000	5000	
	6000×125		7,50,000
Cash	5000×20		1,00,000
			10,00,000

DR To Equity Shareholders A/c

By Equity Share of

By General Reserve A/c

By Reconstruction A/c

DR To Preference Shareholders A/c

By Preference Share

By Capital

By Reconstruction A/c

Q19.

pg no 270:

In the books of Vayu Ltd.

Dr		Realisation A/c		Cr	
Particulars	£	£	Particulars	£	£
To sundry Assets			By sundry liabilities		
Goodwill	25,000		Retirement fund	20,000	
Building	1,00,000		Trade Payables	80,000	1,00,000
Machinery	1,50,000				
Inventory	1,75,000		By Hari Ltd A/c		5,30,000
Trade Receivable	1,00,000		(P.C.)		
Cash at Bank.	20,000	5,70,000			
To Equity share holder A/c		50,000			
		6,30,000			6,30,000

Dr		Equity shareholder's A/c		Cr	
To Equity shares of Hari Ltd A/c	4,20,000		By Equity share capital	3,00,000	
			By General Reserve A/c	70,000	
			By Realisation A/c	50,000	
		4,20,000			4,20,000

Dr		10% Preference shareholders A/c		Cr	
To 9% Preference shares of Hari Ltd	1,10,000		By Preference share capital	1,00,000	
			By Realisation A/c	10,000	
		1,10,000			1,10,000

Dr		Hari Ltd A/c (Purchasing Co).		Cr
To Realisation A/c	5,30,000	By Equity shares in Hari Ltd	4,20,000	
		By 9% Preference shares in Hari Ltd A/c	1,10,000	
	<u>5,30,000</u>		<u>5,30,000</u>	

Dr		Equity shares in Hari Ltd A/c.		Cr
To Hari Ltd A/c	4,20,000	By Equity share holders	4,20,000	
	<u>4,20,000</u>		<u>4,20,000</u>	

Dr		9% Preference shares in Hari Ltd A/c		Cr
To Hari Ltd A/c	1,10,000	By 10% Preference shareholders A/c	1,10,000	
	<u>1,10,000</u>		<u>1,10,000</u>	

WN1: Calculation of Net Assets and P.C.

Assets

Goodwill	50,000
Building	1,50,000
Machinery	1,60,000
Inventory	1,57,500
Trade Receivable	1,00,000
Cash at Bank	20,000
	(A) 6,37,500

less: Liabilities

Retirement Gratuity Fund	(20,000)
Trade Payables	(80,000)
Provision for doubtful debts	(7,500)
	(B) (1,07,500)

Net Assets (A-B) 5,30,000

Discharge of P.C	Preference shareholders	1,00,000 [1100 sh x 100]	
	+ Premium @ 10% (i.e. P.O.R)	10,000	1,10,000
	Equity share capital	4,00,000 [41000 x 100]	
	+ Premium @ 5% (40,000 x 0.5)	20,000	4,20,000
	[4,20,000 ÷ 10.5 = 40,000 sh]		5,30,000

JOURNAL OF HARI Ltd

Particulars	LF	Debit ₹	Credit ₹
Business Purchase A/c	Dr	5,30,000	
To Liquidators of rayu Ltd A/c			5,30,000
[Being business purchased from rayu Ltd]			
Building A/c	Dr	1,50,000	
Goodwill A/c	Dr	50,000	
Machinery A/c	Dr	1,60,000	
Inventory A/c	Dr	1,57,500	
Trade Receivable A/c	Dr	1,00,000	
Cash at Bank A/c	Dr	20,000	
To Retirement Gratuity Fund A/c			20,000
To Trade Payable A/c			80,000
To Provision for doubtful debts A/c			7,500
To Business Purchase A/c			5,30,000
[Being Assets and liabilities taken over]			
Liquidators of rayu Ltd A/c	Dr	5,30,000	
To Equity share capital A/c			4,00,000
To Pref share capital A/c			1,10,000
To Securities Premium A/c			20,000
[Being P.C. discharged]			

Balance sheet of Havi Ltd as on 31.3.2001 (After Absorp).

Particulars	Note No.	₹	₹
I. EQUITY AND LIABILITIES			
(1) Shareholders funds			
(a) share capital	1	16,10,000	
(b) Reserves and surplus	2	90,000	
(2) Non current liabilities		70,000	
(3) current liabilities	3	2,10,000	
Total.		<u>19,80,000</u>	
II. ASSETS			
(1) Non current Assets			
(a) Property, Plant & Equipment			
(i) Tangible	4	11,10,000	
(ii) Intangible		1,00,000	
(2) Current Assets			
(a) Inventory		4,10,750	
(b) Trade Receivables		2,92,500	
(c) Cash and cash equivalents		70,000	
Total.		<u>19,80,000</u>	

NOTES TO ACCOUNTS:

(1)	<u>Share Capital</u> Authorised. Issued, subscribed, Paid up.	
	1,40,000 equity shares of £10 each fully paid	14,00,000
	2100 9% Preference shares of £100 each fully paid up	210,000
	[Of the above, 1,100 Pref shares and 40,000 equity share were issued for other than cash consideration].	
		<u>16,10,000</u>

(2)	<u>Reserves & Surplus</u> Securities Premium General Reserve	
		20,000
		70,000
		<u>90,000</u>

(3)	<u>Current Liabilities</u> Trade Payables	
		2,10,000

(4)	<u>Tangible Assets</u> Building Machinery	
		4,50,000
		6,60,000
		<u>11,10,000</u>

Q20

pg no 271:

→ calcⁿ of equity shares issued to Neel Ltd & Gagan Ltd.

Profits	Neel	Gagan
1 year.	2,62,800	2,75,125
2 year	2,12,200	2,49,875
Total	4,75,000	5,25,000

$$\text{Neel} = 24000 \times \frac{475}{1000} = 11,400 \text{ eq shares}$$

$$\text{Gagan} = 24000 \times \frac{525}{1000} = 12,600 \text{ eq shares}$$

→ calcⁿ of 12% Pref share to be issued by Neel Ltd & Gagan Ltd.

	Neel	Gagan
Net Asset (WN1)	8,40,000	9,24,000
8% Return on net asset	67,200	73,920

12% Pref shares to be issued.

$$67,200 \times \frac{100}{12} \times \frac{1}{10} = 56,000 \text{ sh}$$

$$73,920 \times \frac{100}{12} \times \frac{1}{10} = 61,600 \text{ sh}$$

→ Calcⁿ of PC.

Paymt to	Paymt in	
Neel	Equity shares	2,85,000
	12% Pref sh	5,60,000
		<u>8,45,000</u>
Gagan	Equity shares	3,15,000
	12% Pref sh	6,16,000
		<u>9,31,000</u>

→ WN1: calculation of net assets.

	Neel	Gagan.
Plant & Machinery.	5,25,000	6,75,000
Building	7,75,000	6,48,000
Current Assets	1,63,500	1,58,600
(-) Current liabilities	(6,23,500)	(5,57,600)
	<u>8,40,000</u>	<u>9,24,000</u>

Q21.

pg no 272:

In the books of Better Ltd.

Dr Realisation A/c Cr			
Particulars	£	Particulars	£
To sundry Assets		By sundry liabilities	
Fixed Assets 15,00,000		Other liabilities	2,00,000
(+) Current Asset 5,00,000	20,00,000		
		By Best Ltd A/c	18,00,000
	<u>20,00,000</u>		<u>20,00,000</u>

Dr Equity shareholders A/c Cr			
To Equity shares in Best Ltd A/c	£	By equity share capital A/c (refer Note 2)	£
		By Reserves & surplus [8,00,000 - 5,00,000]	3,00,000
	18,00,000		
	<u>18,00,000</u>		<u>18,00,000</u>

Dr Best Ltd A/c Cr			
To Realisation A/c	£	By equity shares in Best Ltd A/c	£
	18,00,000		18,00,000
	<u>18,00,000</u>		<u>18,00,000</u>

Equity shares in Best Ltd A/c			
To Best Ltd A/c	£	By equity shareholders A/c	£
	18,00,000		18,00,000
	<u>18,00,000</u>		<u>18,00,000</u>

JOURNAL OF BEST Ltd.

Date	Particulars	Dr	Debit £	Credit £
1.4.11	Business Purchase A/c Dr To Liquidators of Better Ltd A/c [Being purchase consideration payable]		18,00,000	18,00,000
1.4.11	Fixed Asset A/c Dr Current Asset A/c Dr To Other liabilities A/c To Business Purchase A/c [Being assets & liabilities taken over].		15,00,000 5,00,000	2,00,000 18,00,000
1.4.11	Liquidators of Better Ltd A/c Dr To Equity share capital A/c To Securities Premium A/c [Being P.C. paid]		18,00,000	12,00,000 6,00,000
1.4.11	Creditors A/c (Better Ltd) Dr To Debtors A/c (Best Ltd) [Being inter company debt written off]		1,00,000	1,00,000
1.4.11	Goodwill A/c Dr To Stock A/c [Being unrealised profit on stock]		10,000	10,000

Balance sheet of Best Ltd as on 1.4.11 (After absorption)

Particulars	NOTE No	C.Y	P.Y.
I. EQUITY AND LIABILITIES.			
(1) Shareholders funds			
(a) Share Capital	1	32,00,000	
(b) Reserves & Surplus	2	16,00,000	
(2) NON current liabilities			
(3) Current liabilities (20L+1L)	3	21,00,000	
Total.		<u>69,00,000</u>	
II. ASSETS.			
(1) Non current Assets			
(a) Property, Plant & Equipment			
(i) Tangible Asset (25L+15L)	4	40,00,000	
(ii) Intangible Asset (Goodwill)		10,000	
(2) Current Assets			
Total.		<u>69,00,000</u>	

Working Note:① Calcⁿ of P.C. (Net Asset Method).

Particulars	€
Fixed Assets	15,00,000
Current Assets	5,00,000
(-) Other liabilities	(2,00,000)
Purchase consideration	18,00,000
÷ Amount of equity shares	150
NO of equity shares to be issued.	<u>12,000</u>

② Revised value of equity share capital of Better Ltd

Bonus shares

Issued	Held
1	2
?	10,000
5000	

∴ Revised value = 15,000

i.e. $15,000 \times 100 = 15,00,000$.

③ Revised value of Reserves & surplus.

opening balance	8,00,000
(-) Bonus shares issued	(5,00,000)
closing balance	<u>3,00,000</u>

④ Investments are assumed to be short term investments.

Notes to Accounts:

(1) Share Capital:

Authorised Capital

?

Issued, called up & paid up capital

32,000 equity shares of £100 each fully paid up

32,00,000

(Of the above 12,000 shares are issued for other than cash consideration)

(2) Reserves & Surplus

Other Reserve & Surplus

10,00,000

Securities Premium (J.E-3)

8,00,000

18,00,000

(3) Current Liability

Best Ltd

20,00,000

Betta Ltd

2,00,000

(-) Inter company debt

(1,00,000)

21,00,000

(4) Tangible Asset

Best Ltd → Fixed Asset

25,00,000

Betta Ltd → Fixed Asset

15,00,000

40,00,000

(5) Current Asset

Best Ltd

20,00,000

(-) Inter company debt

(1,00,000)

Betta Ltd

5,00,000

(-) unrealised profit

(10,000)

23,90,000

Investment

5,00,000

28,90,000

Q22.

Pg no 272

AMALGAMATION IN THE NATURE OF MERGER.

IN THE BOOKS OF X Ltd

JOURNAL ENTRIES

Particulars	LF	Debit ₹	Credit ₹
Business Purchase A/c Dr		53,70,000	
To Liquidators of Y Ltd A/c			53,70,000
[Being business purchased from Y Ltd]			
Land & Building A/c Dr		15,50,000	
Plant & Machinery A/c Dr		17,00,000	
Furniture & Fixture A/c Dr		3,50,000	
Investment A/c Dr		5,00,000	
Inventory A/c Dr		9,50,000	
Trade Receivable A/c Dr		10,30,000	
Cash & Bank A/c Dr		5,20,000	
Profit & loss A/c Dr		1,70,000	
To General Reserve A/c			2,50,000
To Export Profit Reserve A/c			2,00,000
To Investment Allowance Reserve A/c			1,00,000
To 13% debentures A/c			3,50,000
To Trade Payables A/c			3,50,000
To other current liabilities A/c			1,50,000
To Business Purchase A/c			53,70,000
[Being Assets & liabilities taken over from Y Ltd]			
Liquidator of Y Ltd A/c Dr		53,70,000	
To Equity share capital A/c			35,00,000
To 15% Preference share capital A/c			18,70,000
[Being P.C. discharged]			
13% debentures of Y Ltd A/c Dr		3,50,000	
To 13% Debentures A/c			3,50,000
[Being debenture of Y Ltd settled]			

Balance sheet of X Ltd for the year ending as on 31.3.11 (After Merger)

Particulars.	Note	C.Y.	P.Y.
I. EQUITY AND LIABILITIES.			
(1) Shareholders funds			
(a) Share capital	1	1,25,70,000	
(b) Reserves & Surplus.	2	19,30,000	
(2) Non current liabilities			
(a) long term borrowings	3	3,50,000	
(3) current liabilities			
(a) Trade Payables (450+350)		8,00,000	
(b) other current liability (200+150)		3,50,000	
	Total	<u>1,65,00,000</u>	
II. ASSETS			
(1) <u>Non current Assets</u>			
(a) Property, Plant and Equipment			
(i) Tangible Assets	4	99,25,000	
(b) Non current Investments (700+500)		12,00,000	
(2) <u>current Assets</u>			
(a) Inventory (1250+950)		22,00,000	
(b) Trade Receivables (900+1030)		19,30,000	
(c) Cash and cash equivalents (725+520)		12,45,000	
	Total.	<u>1,65,00,000</u>	

NOTES TO ACCOUNTS:

(1) Share Capital
Authorised.

Issued, subscribed, called up & paid up	
8,50,000 equity shares of ₹ 10 each fully paid up	85,00,000
40,700 14% Preference shares of ₹ 100 each fully paid up	40,70,000
[Out of above part of shares are issued other than cash]	<u>1,25,70,000</u>

(2) Reserves & Surplus

General Reserve (500+250)	750,000
Export Profit Reserve (300+200)	500,000
Investment Allowance Reserve	1,00,000
Profit/Loss A/c (750-170)	5,80,000
	<u>19,30,000</u>

(3) Long term borrowings

8,50,000, 13% Debentures	8,50,000
--------------------------	----------

(4) Tangible Assets

Land & Building (2500+1550)	40,50,000
Plant & Machinery (3250+1700)	49,50,000
Furniture & Fixture (575+350)	9,25,000
	<u>99,25,000</u>

(b) IN NATURE OF ABSORPTION.
IN THE BOOKS OF Ytd
JOURNAL ENTRIES

Particulars	lf	Debit ₹	Credit ₹
Business Purchase A/c Dr		53,70,000	
To Liquidators of Ytd A/c			53,70,000
[Being business purchased from Ytd].			
Land & Building A/c Dr		15,50,000	
Plant & Machinery A/c Dr		17,00,000	
Furniture & Fixture A/c Dr		3,50,000	
Investment A/c Dr		5,00,000	
Inventory A/c Dr		9,50,000	
Trade Receivable A/c Dr		10,30,000	
Cash & Bank A/c Dr		5,20,000	
To Capital Reserve A/c			3,80,000
To 13% debentures of Ytd A/c			3,50,000
To Trade Payables A/c			3,50,000
To current liabilities A/c			1,50,000
To Business Purchases A/c			53,70,000
[Being Asset & liabilities taken over]			
Liquidators of Ytd A/c Dr		53,70,000	
To Equity share capital A/c			35,00,000
To 14% Preference share capital			18,70,000
[Being PC discharged].			
13% debenture of Ytd A/c Dr		3,50,000	
To 13% debenture A/c			3,50,000
[Being debenture of Ytd settled]			
Amalgamation Adjustment Reserve A/c Dr		3,00,000	
To Export Profit ^{Revenue} A/c			2,00,000
To Investment Allowance Reserve A/c			1,00,000
[Being statutory Reserve of Ytd taken over & carried forward]			

Balance sheet of X Ltd as on 31.3.11 (After Absorption).

Particulars.	NOTE	C.Y.	P.Y.
I. EQUITY AND LIABILITIES.			
(1) Shareholder funds			
(a) share capital	1	125,70,000	
(b) Reserve & surplus.	2	19,30,000	
(2) <u>Non current liabilities</u>			
(a) long term borrowings		8,50,000	
(3) <u>Current liabilities</u>			
(a) Trade Payables (450+350)		8,00,000	
(b) Other current liabilities (200+150)		3,50,000	
Total.		<u>1,65,00,000</u>	
II. ASSETS			
(1) <u>Non current Asset</u>			
(a) Property, Plant & Equipment			
(i) Tangible Asset	3.	99,25,000	
(b) Non current investment (700+500)		12,00,000	
(2) <u>Current Asset</u>			
(a) Inventory (1250+950)		22,00,000	
(b) Trade Receivables (900+1030)		19,30,000	
(c) Cash and cash equivalents (725+500)		12,45,000	
Total		<u>1,65,00,000</u>	

Notes to Accounts:

(1) Share Capital

Authorised.

?

Issued, subscribed, called up & paid up

?

8,50,000 equity shares of ₹10 each fully paid up

85,00,000

40,700, 14% preference share of ₹100 each fully paid up

40,70,000

(Of the above part of shares are issued other than cash).

1,25,70,000(2) Reserves & Surplus

Amalgamation Adjustment Reserve

(3,00,000)

General Reserve

5,00,000

Export Profit Reserve (3,00,000 + 2,00,000)

5,00,000

Investment Allowance Reserve

1,00,000

Profit Loss A/c

7,50,000

Capital Reserve A/c (Absp Profit)

3,80,000

19,30,000(3) Tangible Asset

Land & building (2500 + 1550)

40,50,000

Plant & Machinery (3250 + 1700)

49,50,000

Furniture & Fixture (575 + 350)

9,25,000

99,25,000WN. Calcⁿ of P.C.

Payt to

Payt in

Calcⁿ

Eq shareholder

Eq shares

350000 X 10E

35,00,000

Pref shareholder

15% Pref
shares

∴ 18700 X ₹100

18,70,000

1870000 / 100

[17LX110]

P.C.

53,70,000

Q23.

pg no 273

In the books of Sushanti Ltd.

Realisation A/c

To sundry Assets

Goodwill 5,00,000

Fixed Assets 30,00,000

Stock 10,40,000

Debtors 1,80,000

Cash & Bank 2,55,000 50,00,000

To cash (Real. Exp) 25,000

To shareholders A/c 31,00,000

81,00,000

By sundry liabilities

9% Debentures 5,00,000

Trade Creditors 1,00,000

By Anu Ltd (P.C.) 75,00,000

81,00,000

Anu Ltd A/c

To Realisation (P.C.) 75,00,000

By Equity shares in Anu Ltd 67,50,000

By cash 7,50,000

75,00,00075,00,000

Equity shareholders A/c

To Preliminary Exp 50,000

To Equity shares in Anu Ltd 67,50,000

To cash 7,50,000

75,50,000

By share capital 30,00,000

By Export Profit Res 8,50,000

By General Res 50,000

By Profit/loss A/c 5,50,000

By Realisation 31,00,000

75,50,000

9% Debentures A/c

To Realisation 5,00,000

By Bal b/d 5,00,000

5,00,0005,00,000

WN1: Calcⁿ of P.C.

Pay to	Pay in	Calc ⁿ	£
Eq sh holder	Eq shares	$4,50,000 \times 15$	67,50,000
Eq sh holder	Cash	$3,00,000 \times 2.50$	7,50,000
			<u>P.C. 75,00,000</u>

In the books of Anu Ltd
JOURNAL ENTRIES.

Particulars	LF	Debit £	Credit £
Business Purchase A/c Dr		75,00,000	
To Liquidators of Swishti Ltd A/c			75,00,000
[Being business purchased from Swishti]			
Tangible Fixed Asset A/c Dr		6,00,000	
Stock A/c Dr		7,10,000	
Debtors A/c Dr		1,80,000	
Cash/Bank A/c Dr		2,55,000	
Goodwill A/c Dr		10,64,000	
To 9% debenture A/c [5L+20%]			6,00,000
To Trade Creditor A/c			1,00,000
To Provision for doubtful debts A/c			9,000
To Business Purchase A/c			75,00,000
[Being assets & liabilities taken over]			
Liquidators of Swishti Ltd A/c Dr		75,00,000	
To Equity share capital [4,50,000 x 10]			45,00,000
To Cash A/c			7,50,000
To Securities Premium A/c			22,50,000
[Being PC discharged]			

9% debentures A/c	Dr	6,00,000	
Discount on issue of debentures A/c	Dr	25,000	
To 8% debentures in Anu Ltd			6,25,000
[6250 x 100]			
[Being 9% deb settled]			
Goodwill A/c	Dr	50,000	
To cash/bank A/c			50,000
[Being amt paid for liq emp of swisti]			
Amalgamation Adjustment Reserve A/c	Dr	8,50,000	
To Export Profit Reserve A/c			8,50,000
[Being statutory Reserve carried forward]			

Q24.

pgno2748

Dr	Realisation A/c		Cr
To Sundry Assets		By sundry liabilities	
Land & Building 7,64,000		Bills Payable 40,000	
Inventory 7,75,000		Creditors 2,26,000	
Bills Receivable 30,000		Prov for Tax 2,20,000	4,86,000
Debtors 1,60,000	17,29,000		
To Bank A/c		By R.D.D	8,000
Liquidation exp 8000			
Bills Payable 38,000		By Jupiter Ltd A/c (P.C)	18,80,000
Income Tax 2,22,000	2,68,000		
To Bank A/c (T/P)	2,11,000	By Bank A/c	
To Eq shareholders	<u>3,16,000</u>	Trade Receivable	1,50,000
	<u>25,24,000</u>		<u>25,24,000</u>

Equity shareholders A/c

To Equity share capital A/c	14,70,000	By Eq sh capital	10,00,000
To 10% P.S.C	4,10,000	By Capital Reserve	42,000
		By Contingency Reserve	2,70,000
		By Profit Loss A/c	2,52,000
		By Realisation A/c (Profit)	3,16,000
	<u>18,80,000</u>		<u>18,80,000</u>

Dr	Bank A/c		Cr
To Balance b/d	3,29,000	By Realisation A/c	2,68,000
To Realisation A/c	1,50,000		
		By Realisation A/c (T/P)	2,11,000
	<u>4,79,000</u>		<u>4,79,000</u>

Dr	Jupiter A/c		Cr
To Realisation A/c	18,80,000	By 10% Preference share Capital A/c	4,10,000
		By Equity share capital	14,70,000
	<u>18,80,000</u>		<u>18,80,000</u>

calculation of no of Pref & Equity sh in Jupiter Ltd

land & Building	10,80,000
Inventory	7,70,000
Bills Payable Receivable	30,000
\therefore Total Purchase Consideration	18,80,000
(-) 10% Pref share capital (4100 sh x £100)	(4,10,000)
\therefore Purchase consideration for eq sholders in eq sh	14,70,000
Number of shares for equity shareholders of £10 each	(14,70,000 / £8/-)
	<u>1,83,750</u>

LIQUADATION

classmate

Date _____
Page _____

①

Q11.

pg no 303:

M/s ABC Ltd.

Statement showing liabilities of B list contributors.

Date of Transfer	Allocated liability	Q	R	S	T	RATIO
		3000 sh	2400 sh.	1600 sh	1000 sh	30:24:16:10
22.7.11	12000	4500	3600	2400	1500	30:24:16:10
15.9.11	1500	-	720	480	300	X:24:16:10
14.12.11	500	-	-	308	192	X:X:16:10
9.3.12	200	-	-	-	200	X:X:X:10
Total Allocated liability (I)	14,200	4500	4320	3188	2192	
Maximum liability		[3000x2]	[2400x2]	[1600x2]	[1000x2]	
[No of share UPV] (II)		6000	4800	3200	2000	
Actual liability I/II whichever is less		4500	4320	3188	2000.	

Note: Mr P is excluded from above calculation since he had transferred his share 12 months prior to the date of liquidation

Q12.

Pg no 303

WN:

Cash / Bank Bal	60,000	Bal Available 102	51,000
(+) Assets Realised.		liq Rem 2	(1000)
Land & Bui* 3,40,000		Bal distributed 100	50,000
Plant & Mach 3,60,000		Add: Notional call	
Investment 1,20,000		T ₁ (2000x25) 50,000	
Trade Rec 1,60,000	9,80,000	T ₂ (6000x40) 2,40,000	2,40,000
Bal Available	10,40,000	Total Avail	3,40,000
(-) legal expense	-	÷ NO of eq sh	8000
liq Rem.	(29,400)		42.5
liq Exp	(4,600)		
Bal Available	10,06,000		
Sec loan*	(1,00,000)	Co to call 25	40
Bal Available	9,06,000	Co to Refund 42.5	42.5
Brief creditors	(30,000)	Net(R)/call (17.5)	(2.5)
Bal Available	8,76,000	2000	6000
liab sec by floating charge		35000	15000
10% Deb 2,00,000			
B/S Int 10,000	(2,10,000)		
Bal Available	6,66,000		
Other unsecured cred	(3,70,000)		
Bal Available	2,96,000		
Int on debt upto Repayment			
2,00,000 x 10% x 3/12	(5,000)		
Bal Available	2,91,000		
Brief shareholders.			
10% PSC 2,00,000			
AOD. 40,000	(2,40,000)		
Bal Available	51,000		

Q13.

pg no 304: WN

Cash and Bank Bal.	—	
Add: Assets Realised		Total Remuneration paid
20,00,000		58,000 + 1000 + 26255
3,20,000	23,20,000	85255
Bal Avail.	23,20,000	
(+): Calls [29,000 x 2]	58,000	% of amount paid to
Bal Avail	23,78,000	unsecured creditors.
less:		$\frac{13,12,745}{18,30,000} \times 100$
Legal expense	—	71.73%
Liquidator's Rem. (23,20,000 x 2.5%)	(58,000)	
Liquidation expense	(10,000)	
Bal Avail	23,10,000	
secured creditors	(3,20,000)	
Bal Avail	19,90,000	
Prefer creditors	(50,000)	
Liquidator's Rem	(10,000)	
Bal Avail	19,39,000	
liability secured by floating charge	(6,00,000)	
Bal Avail	13,39,000	
Liquidator's Rem	(26,255)	
Bal Distributed	13,12,745	

Q12.

pgn0303

M/s Y Ltd.

Statement of Liquidators A/c as on 30.6.11

Receipt	Amt	Payment	Amt
Cash/Bank Balance	60,000	Legal expenses	
		Liquidators Remuneration	30,400
Realisation of Assets not specifically pledged		[29,400 + 1,000]	
P&M	3,60,000	Liquidation Expense	4,600
Inv	1,20,000	Liability secured by floating charge	
T.R.	<u>1,60,000</u>	5% Deb	2,00,000
	6,40,000	B/S Int	<u>10,000</u>
Surplus from Realisation of Assets specifically pledged		Unsecured Creditors	
L&B	3,40,000	(a) Preferential Creditors	30,000
(-) Loan	<u>(1,00,000)</u>		
	2,40,000	(b) Other unsecured Creditors	3,70,000
Calls in Arrears	—	Preference Shareholders	
		on 2000 sh @ 120	2,40,000
Calls from contributors	—	Equity Shareholders	
		on 2000 sh @ 17.5	35,000
		on 6000 sh @ 2.5	15,000
	<u>9,40,000</u>		<u>9,40,000</u>

Q13.

Pg no 304:

statement of liquidator's A/c

Receipts	£	Payments	£
Cash / Bank Balance	-	Legal expense	-
Realisation of assets not sp	20,00,000	Liquidator Remuneration	85,255
Surplus from realisation of asset specifically pledged.		Liquidation expense	10,000
Securities 3,20,000		Liabilities secured by floating charge debentures	6,00,000
(-) Creditors (3,20,000)	-	Unsecured creditors	
		(a) Preferential creditors	50,000
Calls in arrears	-	(b) Other unsecured creditors	13,12,745
		Preference shareholder	-
Calls from contributories 19000 shares @ 2/share	58,000	Equity shareholders	-
	<u>20,58,000</u>		<u>20,58,000</u>

Q14.

Pg no 303:

Assets realised	45,00,000	
Balance	<u>45,00,000</u>	
Legal expense	-	
Liquidators Remuneration (45,00,000 x 2%)	(90,000)	
Liquidation expenses	<u>(50,000)</u>	
Balance	43,60,000	
Secured Creditors	(20,00,000)	
Balance	<u>23,60,000</u>	
Preferential Creditors	(12,50,000)	
Liquidators Remuneration (12,50,000 x 3%)	(37,500)	
Liquidators Balance	<u>10,72,500</u>	103
Liquidators Remuneration	(31,238)	3
Unsecured Creditors	10,41,262	100

Q15.

pg no: 304

Cash/Bank	75,000	Bal Avail	11,000
+ Assets Realised.		Add: Notional call	
L & B.	3,00,000	T ₁ (2500 x 25)	62,500
P & M.	5,00,000	T ₂ (7500 x 40)	3,00,000
Patent	75,000	Total.	3,73,500
Stock	1,50,000	÷ No of eq sh	10,000
T.R.	2,00,000	Refund per share	37.35
Bal Avail	12,25,000		
Legal expense	—		
liq Rem	(36,750)		
liq expense	(27,250)	Co to call	25
Bal Avail	12,36,000	Co to refund	(37.35)
Sec liab	—	Net CR / call	(12.35)
Bal Avail	12,36,000		2500
Prefer Creditors	(38,000)		30,875
Bal Avail.	11,98,000		19,875
Liab secured by floating charge	—		↓
15% Deb	2,50,000		Refund
BIS Int	37,500		Cont ⁿ .
Bal Avail.	(2,87,500)	check:	
Other unsec Creditors.	(2,80,750)	Paid up	75
Bal Avail.	6,29,750	Net CR / call	(12.35)
Int on debt upto repayment	(18,750)	10%.	62.65
(2,50,000 x 15% x 6/12)			62.65
Bal Avail.	6,11,000		
Preference shareholders.			
10% PSC	500,000		
AOD	1,00,000		
Bal Avail	11,000.		

Q15.

pg no: 303.

M/s Prakash Processors Ltd.
Statement showing Liquidators A/c as on 30.6.17

Receipts	£	Payments	£
Cash/Bank Bal	75,000	Legal expense	-
		Liquidator Remuneration	36,750
Realisation of Assets not specifically pledged.		Liquidation expense	27,250
L & B. 3,00,000	-	Liability secured by floating charged.	
P & M. 5,00,000		15% Deb. 2,50,000	
Patent 75,000		B/S Int 37,500	
Stock 1,50,000		Int 18,750	3,06,250
T.R. 2,00,000	12,25,000		
		unsecured creditors	
Surplus from Realized on of Assets specifically pledged.	-	(a) Preferential creditors	38,000
		(b) other unsecured creditors	2,80,750
		Preference shareholders on 5000 sh @ 120	6,00,000
calls in Arrears		Equity shareholders on 2500 sh @ 12.35	3,08,77
			30,875
calls from contributors on 7500 sh @ 2.65	19,875		
	<u>13,19,875</u>		<u>13,19,875</u>

BANKING COMPANIES

classmate

(1)

Date _____
Page _____

Q15.

pg no 329:

→ Calculation of Tier I

ESC	48000
Statutory Reserve	28000
Capital Reserve	930
	76930

→ Calculation of Tier II

Revaluation Reserve	280
(-) Discounting @ 55%	(154)
	126

→ Calculation of Risk Weighted Asset

Particulars	Amt	% of Risk	RWA
Cash Balance RBI	480	0%	-
Balance with other bank	1250	20%	250
Claims on Banks	2850	20%	570
Other Investments	78250	100%	78250
Guaranteed by gov	12820	0%	-
Guaranteed by public sector	70210	0%	-
Premises, furniture Fixture	18200	100%	18200
Others	520250	100%	520250

Other Assets 20120 I 100% 20120 ←

Acceptance, 370250 100% 370250
endorsement

Letter of credit 08930
10,07,890

$$\text{Capital Adequacy Ratio} = \frac{\text{Capital Fund}}{\text{Risk weighted Asset}} \times 100$$

$$= \frac{\text{Tier I} + \text{Tier II}}{\text{RWA}} \times 100$$

$$= \frac{76930 + 126}{10,07,890} \times 100$$

$$= \frac{771056}{10,07,890} \times 100$$

$$= 7.645\% \cong \underline{7.65\%}$$

Comment:

As per the recommendations of BASEL COMMITTEE, capital Adequacy Ratio should be atleast 9%.

∴ This commercial bank is not maintaining sufficient capital Adequacy Ratio-

Q16.

pg no 329

Calculation of Income to be recognised for the year ended 31.3.11.

Particulars	Performing Assets	Non-Performing Assets
Cash credit & overdrafts	1800	70
Term loan	480	40
Bill Purchased & Discounted	700	36
	2980	+ 146
		= 3126

→ Income from performing Asset should be recognised on 'ACCRUAL BASIS' (i.e. Int earned)

→ Income from non performing Asset it should be recognised on 'CASH BASIS' (i.e. Int received).

Q17.

pg no 330:

Calculation of Provision to be shown in the Profit/Loss A/c of a commercial bank.

Loans & Advances	₹ in lakhs	% of Provision	Provision Amt
standard.	5000	0.4%	20
sub standard.	4000	15%	600
<u>Doubtful.</u>			
1 yr +	800	25%	200
3 yr	600	40%	240
> 3 yr	200	100%	200
Loss Asset	1000	100%	1000
			<u>2260</u>

Note: sub standard and doubtful Asset are assumed to be fully secured.

Q18

pg no: 330

Export credit = 60 lakhs.

ECGC cover = 40%.

Securities = 25 lakhs. (15 lakhs realisable).

Doubtful period = more than 3 years.

Doubtful Asset [>3 years] = $15,00,000 \times 100\% = 15,00,000$ Doubtful Asset [unsecured] = $45,00,000 \times 100\% = 45,00,000$

60,00,000

less: ECGC cover [$45,00,000 \times 40\%$] (18,00,000)

42,00,000

Doubtful Asset [>3 years] = $20,00,000 \times 100\% = 20,00,000$ Doubtful Asset [unsecured] = $50,00,000 \times 100\% = 50,00,000$

70,00,000

less: @ DGC cover [$50,00,000 \times 50\%$]

= 25,00,000

or.

(b) Max limit = 30,00,000

(25,00,000)

45,00,000

Q20.

pgno3319

(a) Bills for collection (Assets) A/c

To Balance b/d	7,00,000	By Bills for collection A/c (Liab)	47,00,000
To Bills for collection A/c (Liab)	64,50,000	By Bills for collection A/c (Liab)	5,50,500
		By balance c/d	78 18,99,500
	<u>71,50,000</u>		<u>71,50,000</u>

(b) Bills for collection (Liabilities) A/c

To Bills for collection (Asset)	47,00,000	By Balance b/d	7,00,000
To Bills for collection (Asset)	5,50,500	By Bills for collection (Asset)	64,50,000
To Balance b/d	78 18,99,500		
	<u>71,50,000</u>		<u>71,50,000</u>

(c) Acceptance, Endorsement & other obligation A/c

To constituents, liability Acceptance, Endorsement	25,00,000	By Balance b/d	14,50,000
To constituents liability Acceptance, endorsement	10,00,000	By constituents liability for acceptance & endorsement	44,00,000
To constituent liability Acceptance, endorsement	1,00,000		
To Balance c/d	22,50,000		
	<u>58,50,000</u>		<u>58,50,000</u>

(c) For classifying loans as fully secured or otherwise the value of the security as on the last date of the year is considered. The value of the security is £ 8,20,000 covering the loan and the interest due comfortably.

Hence it is to be treated as good & fully secured.

(d) Rebate on Bills Discounted A/c.

11-12	To Interest & Discount	6000	14. By Balance b/d	20,000
31-3-12	To Balance u/d	14000		
		<u>20,000</u>		<u>20,000</u>

Interest & Discount A/c.

31-3-12	To P/L A/c	98,06,000	14. By Balance b/d	98,00,000
			11-12 By Rebate on Bills discounted A/c	6000
		<u>98,06,000</u>		<u>98,06,000</u>

Q21.

pg no: 331:

In the books of Zed Bank Ltd.
Profit and Loss A/c for year ended 31.3.13

Particulars.	Sch. NO.	C.Y.	P.Y.
(I.) INCOME			
Interest Earned.	13	8,830	
Other Income	14.	220	
Total.	(A)	<u>9,050</u>	
(II) EXPENSE			
Interest Expended.	15	2,720	
Operating Expenses	16	2,830.	
Provision and contingencies (WN)		2,513.95	
Total	(B)	<u>8,063.95</u>	
(III) PROFIT/LOSS.			
Profit (Loss) for the year ended (A-B)		986.05	
Profit (Loss) by.		<u>NIL</u>	
Total.		<u>986.05</u>	
(IV) APPROPRIATIONS			
Transfer to statutory Reserve (25%)		246.625	
Balance transferred to Balance sheet		739.425	
		<u>986.05</u>	

Schedule 13: Interest Earned.

Interest and discounts	8,860
less: Rebate on bills discounted	(30)
Total	<u>8,830</u>

Schedule 14: Other Incomes.

other	220
Total	<u>220</u>

Schedule 15: Interest Expended.

Interest expended	2720
Total	<u>2720</u>

Schedule 16: Operating Expenses.

Operating Expenses.	2830
Total	<u>2830</u>

Q22.

pg no 332.

New Generation Bank Ltd.
Profit/Loss A/c for the year ended.

Particulars	Sch No	CY.
(I) INCOME		
Interest Earned	13	37,01,738
Other incomes.	14.	4,55,000
Total		<u>41,56,738</u>
(II) EXPENDITURE		
Interest Expended.	15	2037452
Operating Expenses	16	480286
Provision and contingencies [500000 + 150000 + 650,000]		1300000
Total.		<u>3817738</u>
(III) PROFIT/LOSS.		
Profit/(Loss) for the year		339000
Profit/(Loss) brought forward.		-
Total.		<u>339000</u>
(IV) APPROPRIATIONS.		
Transfer to statutory reserve [25%]		841750
Transfer to other Reserves		-
Transfer to Government / Proposed dividend		100000
Balance carried over to Balance sheet		<u>(154250)</u>
		<u>339000</u>

Schedule 13: Interest Earned.

Interest and discount earned	3705738	
+ opening Rebate	12000	
(-) closing Rebate	(16000)	3701738
		<u>3701738</u>

Schedule 14: Other Income.

Commission, exchange, brokerage	190000	
Rent received.	65000	
Profit on sale of investment	200000	
		<u>455000</u>

Schedule 15: Interest Expended.

Interest paid on deposits	2037452	
		<u>2037452</u>

Schedule 16: Operating Expenses

salaries & allowances	200000	
Directors fee and allowances	30000	
Rent & taxes paid.	90000	
Postage & Telegram.	60286	
Depreciation on bank's properties	30000	
Statutory expenses	40000	
Preliminary expenses	25000	
Auditors fees	5000	
		<u>480286</u>

NON-BANKING FINANCIAL STATEMENTS

classmate

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Q5.

pg no 352 : calculation of amount of provision to be made

Asset	Advance	NBFC - SI		NBFC - NSI	
		%	₹	%	₹
Standard Asset	8400	0.40	33.6	0.25	21
Sub-standard Asset	910	10	91	10	91
Doubtful Asset					
Secured upto 1yr	160	20	32	20	32
1-3 yr	70	30	21	30	21
>3 yr	20	50	10	50	10
Unsecured Doubtful debt	87	100	87	100	87
Loss Asset	24	100	24	100	24
			298.6L		286L

Q6.

pg no 352:

Assets	Periods over due	Amount '(Zin Cr)'	% of Provision	Amt of Provision
LCD Television.	upto 12m	20123	0	NIL
Washing Machine	For 24m.	2410	10%	241.
Refrigerator	For 30m	1280	40%	512
A C	For 45m	647	70%	452.9.
				<u>1205.9</u>

CONSOLIDATED FINANCIAL STATEMENT

ssmate ①

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Cost of Control A/c		(£ in lakhs)	
Particulars	£	Particulars	£
To Balance b/d	70,00,000	By share in ESC	96.95
		By share in Pte acq div [3500000 x 20%]	7
To Capital Reserve	(33.95)		
	103.95		103.95

WN:

Fixed Asset 120
+ 20%
 144.

Investment 55
- 10%
 49.5

Current Asset 70
loans & advances 15
(-) 15% Deb (90)
current liab (50)
 138.5

WN: Dividend.

$$\frac{\text{cost of shares}}{\text{FV}} = \frac{70L}{20}$$

$$\therefore \text{No of shares} = \underline{3.5L}$$

Div plsh
£10 x 20%

$$2 \text{ plsh} \times 3.5L = \underline{7L}$$

Q15.

Pg. 367

Adjusted Revenue Reserves of B Ltd

Particulars.	£	₹
Revenue Reserve as given		7,14,000
+ Provision for doubtful debts [$8,91,000 \times 99\%$]		9,000
		7,23,000
(-) Reduction in value of inventory	34,000	
Advertising expenditure to be written off	30,000	(64,000)
Adjusted Revenue Reserve		6,59,000

Note: Since B Ltd follows FIFO basis, it is assumed that opening inventory has been sold out during the year 2015. Therefore reduction in inventory would have been taken care of the sale value. Hence no adjustment has been made for the same.

Restated Balance sheet of B Ltd
as at 31-12-16

Particulars	NOTE NO	₹
I. EQUITY AND LIABILITIES		
(1) Shareholders funds		
(a) Share capital		500000
(b) Reserves & surplus	1	659000
(2) Current liabilities		
(a) Short term borrowings	2	170000
(b) Trade payables		494000
(c) Short term provision	3	430000
Total.		2253000
II. ASSETS		
(1) Non current assets		
(a) Property, plant & equipment		
(P) Tangible asset	4	224000
(b) Non current investment		400000
(2) Current asset		
(a) Inventories		708000
(b) Trade Receivables		900000
(c) cash & cash equivalent		3000
(d) other current assets	5	18000
Total.		2253000

NOTES TO ACCOUNTS:

(1) Reserves & surplus		
Revenue Reserve (Refer adj Rev Res of B Ltd)		6,59,000
(2) Short term Borrowings		
Bank overdraft		1,70,000
(3) Short term provision		
Provision for taxation		430000
(4) Tangible Asset		
Cost	3,20,000	
(-) Dep ⁿ	(96000)	224000
(5) Other current Assets.		
Unpaid expense (after adjusting advertising expenditure to be written off each year)		18000

Q.13

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Consolidated Profit/Loss A/c of H Ltd & its subsidiary
Ltd for the year ended 31.3.17

particulars	NOTE NO	₹
I. Revenue from operations	1	5865
II. Total Revenue		5865
III. Expenses		
Cost of material purchased/ consumed	3	1,180
Changes of inventories of finished goods	2	(1196)
Employee benefit expense	4	950
Finance cost	6	150
depreciation & amortization expense	7	150
other expenses	5	535
Total expenses		1769
IV. Profit before Tax (II-III)		4096
V. Tax Expense	8	1400
VI. Profit after Tax		2696

Notes to Accounts

1. Revenue from operations
sales & other incomes

H Ltd	5000	
S Ltd	1000	
	<u>6000</u>	
(-) Inter company sales	(120)	
consultancy fees received by H Ltd from S Ltd	(5)	
Commission received by S Ltd from H Ltd	<u>(10)</u>	5865

2. Increase in inventory

H Ltd	1000	
S Ltd	200	
	<u>1200</u>	
(-) unrealised profit $20 \times \frac{20}{120}$	<u>(4)</u>	1196
		<u>7061</u>

3. Cost of material purchased / consumed.

H Ltd	800	
S Ltd	200	
	<u>1000</u>	
(-) Purchase by S Ltd from H Ltd	<u>(120)</u>	880
Direct expense (Prod ⁿ)		
H Ltd	200	
S Ltd	<u>100</u>	300
		<u>1180</u>

4. Employee benefit & expenses.

wages & salaries

H Ltd	800	
S Ltd	<u>150</u>	950.

(5)	Other Expenses		
	Administrative Expense.		
	H Ltd	200	
	S Ltd	100	
		<u>300</u>	
	(-) consultancy fee received by H Ltd from S Ltd	(5)	295
	Selling & Distribution Expenses:		
	H Ltd	200	
	S Ltd	50	
		<u>250</u>	
	(-) commission received by S Ltd from H Ltd	(10)	240
			<u>535</u>
(6)	Finance cost		
	Interest		
	H Ltd	100	
	S Ltd	50	150
(7)	Depreciation & Amortisation		
	Depreciation		
	H Ltd	100	
	S Ltd	50	150
(8)	Provision for tax		
	H Ltd	1200	
	S Ltd	200	1400

Note: since the amount of dividend received by H Ltd for the year 2015-16 is not given, it has not been deducted from sales & other incomes in consolidated P/L A/c & not added to consolidated opening retained earnings.

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Consolidated Financial Statement as at 31.3.17

	Particulars	NOTE NO	£
I	EQUITY AND LIABILITIES:		
	(1) Shareholders funds:		
	(a) share capital	1	12000
	(b) Reserves & surplus	2	7159
	(2) Minority interest		3120
	(3) Current liabilities		
	(a) Trade payable	3	2802
	(b) short term provision		1240
	Prov. for tax (855+394)		1249
	(c) Other current liabilities (Div payable)		1200
	Total.		<u>27530</u>
II	ASSETS		
	(1) Non current Assets		
	(a) Property, Plant, Equipment		
	(i) Tangible	4	
	(2) Current Assets		
	(a) Inventory		5885
	(b) Trade receivables	5	4477
	(c) cash & cash equivalents		1694
	(d) short term provision loan & advances		520
	Total		<u>27530</u>

Notes to Accounts-

(1)	Share Capital	
	Authorised Capital	<u>15000</u>
	Issued, subscribed, called up & Paid up	
	1200 eq shares of £10 each fully paid up	<u>12000</u>
(2)	Reserves & surplus	
	Consolidated P/L	2947
	Consolidated G/R	2892
	Capital Reserve	1320
		<u>7159</u>
(3)	Trade Payables	
	Trade payables (1461 + 854)	2315
	Bills payable (WN8)	487
		<u>2802</u>
(4)	Fixed Assets P, P, E	
	Land & Building	2718
	Plant & Machinery	9805
	Furniture & Fittings	2431
		<u>14954</u>
(5)	Trade Receivables	
	Trade Receivables (2600 + 1363)	3963
	Bills Receivable (WN8)	514
		<u>4477</u>

WN1:

Cost of Control A/c

To Balance b/d	3000	By share in ESH (4800 x 60%)	2880
		By Div acq div	360
To Capital Reserve	1320	By General Reserve	720
		By Profit loss	360
	<u>4320</u>		<u>4320</u>

WN2: Minority Interest

Share in ESH (4800 x 40%)	1920
Profit loss (post)	408
General Reserve (curr)	480
General Reserve (post)	72
Profit loss (curr)	240
	<u>3120</u>

WN3: Analysis of Reserve & Surplus

CB of G/R 1380			
	OP	C.Y. Profit	
	3000	180	
(-) Bonus (1800)			
	1200	Held 60%	MI 40%
		108	72
		Held 60%	MI 40%
		720	480

WNY:

Cl Bal of P/L 1620

	OP	C.Y. Profit
	1200	1020
(-) Div Paid	(600)	
	<u>600</u>	
		Held MI
		612 408
	Held MI	
	360 240.	

Consolidated Reserve & Surplus:

(1) Consolidated P/L

Cl Bal of Held	2715
(-) Div acq div	(360)
(-) unrealised Profit	(20)
+ Profit of sub (PSE)	<u>612</u>
	<u>2947</u>

(2) Consolidated General Reserve

Cl Bal of Held	2784
+ GTR of sub	<u>108</u>
	<u>2892</u>

Bonus Issue

Sub	5 : 4 : 3	8
Held	1800 1080	2880
Total	3000 1800	4800
% of Holding	60% 40%	
	Held MI	

WN 5: Dividend Paid

S Ltd

Div Paid

3000 x 20%

600

H Ltd

Div Recd.

600 x 60% = 360

less acq div

less from
cons I PIC

less from
Inret

WN 6: Bonus Issue

S Ltd

↓

H Ltd

↳ no entry.

Already recognised

in given b/s

∴ no adj req

WN 7: Inter company stock

H Ltd

↓ sold goods

S Ltd

unsold goods → 100L

unrealised profit → 20L

less from

stock 20L

less from

cons I PIC

WN 8: Inter CO BIP & B/R & Stock.

	BIP	B/R	Stock
H Ltd	372	360	3949
S Ltd	160	199	1956
TOTAL	532	559	5905
(-) Mutual owing	(45)	(45)	-
(-) Profit on stock	-	-	(20)
TOTAL	487	514	5885

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Consolidated P/L

I. Revenue from operations	900000	950000	(60000)	1790000
II. Other incomes	3500	-	-	-
Total				1790000
III. Expenses				
Purchase of stock	500000	600000	(60000)	1040000
Employee Benefit Expense	100000	150000	-	250000
Finance cost	12000	12000	-	24000
Other expenses				
General Expense	80000	60000	-	140000
Preference dividend	-	7000	(3500)	3500
Depreciation & Amortisation	110000	79000		189000
Total				710500
Profit Before Tax				1079500
(-) Tax.				-
Profit After Tax				1079500

PARTNERSHIP ACCOUNTS

classmate

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Realisation A/c

Particulars	£	£	Particulars	£	£
<u>To sundry Assets</u>			<u>By sundry liabilities</u>		12400
Goodwill	40,000		sundry creditors		12,400
Freehold Prop	8000		By R.D.D.		1000
Plant & Equip	12800				
Motor vehicle	700		<u>By Q A/c</u>		
Stock	3900		Motor vehicle		500
Debtors.	2000	67,400			
			<u>By Bank A/c</u>		
<u>To Bank A/c</u>			Freehold Prop	7000	
Creditors	11,700		Plant & Equip	5000	
Diss Expense	1500	13,200	Stock	3000	
			Debtors	1600	16,600
			<u>By Partner's Capital</u>		
			P	25,500	
			Q	17,000	
			R	8,500	51,000
		80600			80600

Partners' Capital A/c

Particulars	P	Q	R	Particulars	P	Q	R
To Current A/c	5500*	—	2400*	By Balance b/d	20000	20000	10000
To Realisation (Loss)	25,500	17,000	8,500	By Current A/c	—	5000*	—
To Realisation (Motor vehicle)	—	500	—	By Cash/Bank	25500	17000	—
To R's Capital	300	300	—	By P & Q	—	—	600
				By Cash/Bank	—	—	300
To Bank A/c	14200	24200	—				
	<u>45500</u>	<u>42000</u>	<u>10900</u>		<u>45500</u>	<u>42000</u>	<u>10900</u>

Cash/Bank A/c

Particulars	£	Particulars	£
To Balance b/d	200	By Realisation A/c	13,200
To Realisation A/c	16600	By P's Loan A/c	8000
To P's Capital A/c	25500	By P's Capital A/c	14200
To Q's Capital A/c	17000	By Q's Capital A/c	24200
To R's Capital A/c	300		
	<u>59600</u>		<u>59600</u>

*	P (Dr)	Q (Dr)	R (Cr)
	(500)	(9000)	400.
P/L Dr	6000	4000	2000.
(3:2:1)	—	—	—
	5500	(5000)	2400

QW: Insolvency of R.

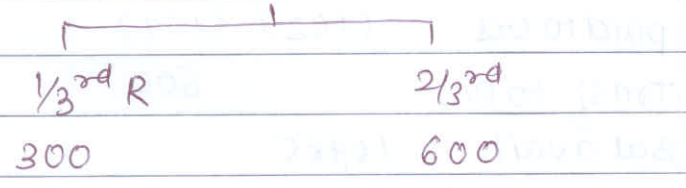
Step 1: solvent partners should bring their share of realisation loss

Cash / Bank A/c	Dr	42,500.
To P's capital A/c		25,500
To Q's capital A/c		17,000

Step 2: Capital Ratio of Solvent Partners
(Fixed Capital Ratio)

	P	Q
Capital Bal	20,000	20,000
Capital Ratio	1	1

Step 3: Insolvency loss of R = 900 - [RM - M]



Cash / Bank A/c	Dr	300	300	300
P's capital A/c	Dr	300		
Q's capital A/c	Dr	300		
To R's capital A/c			900	

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statement showing distribution

particulars.	creditors	B/s loan	A/s capital	B/s capital	C/s capital
Balance due.	16500	4500	15000	7500	15000
on 1 st installment amt with firm (275+18650) 18925					
(-) Dissol ⁿ exp (3000)					
	15925				
(-) C's rem ⁿ 1% (187)					
	15738 (15738)				
(-) paid to cre. (15738)					
Balance due NIL	762				
2 nd install 17,320					
(-) C's rem ⁿ 1% (173)					
	17,147				
(-) paid to cre (162)	(162)				
Transf to P/L.	600				
Bal avail 16,985					
(-) paid to B/s loan (4,500)		(4,500)			
Amt avail for for dist ⁿ 12,485		nil			
(-) C's rem ⁿ 10% (1,135)					
(12,485 x 10/110) 11,350					
(-) Paid to C (W ⁿ 1) (3750)					(3750)
	7600				11250
(-) paid to A & C (7600)			(4343)		(3257)
in 4:3	NIL.		10657	7500	7993.
3 rd install 10000					
(-) C's rem 1% (100)					
	9900				
(-) C's rem 10% (900)					
(9900 x 10/110) 9000					
(-) Paid to A, B, C (1150)			(657)		(493)
in 4:3:			10000	7500	7500
(8750-7600) 7850.					

(-)	Paid to A, B, C in 4:3:3	(7850)	(7850)		(3140)	(2355)	(2355)
		nil			6860	5145	5145
	4 th installment	7000					
(-)	C's share of 1% (7000 x 1%)	(70)					
		6930					
(-)	C's share 10% (6930 x 10/110)	(630)					
		6300					
(-)	Paid to A, B, C in 4:3:3	(6300)			(2520)	(1890)	(1890)
					4340	3255	3255

WN:

- (i) £275 added to the first instalment received on sale of assets represents the cash in Bank.
- (ii) The amount due to creditors at the end of the utilisation of first instalment is £762/- However since the creditors were settled for £15,900/- only the balance 162/- were paid & balance £600/- was transferred to P/L A/c

Highest Relative Capital Basis

	A	B	C
A) Balance of capital	15000	7500	15000
B) Profit sharing Ratio	4	3	3
C) Capital Profit sharing Ratio.	3750	2500	5000
D) Taking B's capital as base	10,000	7500	7500
E) Excess of A's cap & C's cap	5000	NIL	7500
F) P.S.R.	4		3
G) Capital Profit sharing Ratio	1250		2500
H) Taking A's capital as base	5000		3750
I) Excess of C's cap	NIL		3750

Therefore, firstly £3,750 is to be paid to C then A & C to be paid in proportion of 4:3. upto £8750 to bring the capital of all partners A, B, C in proportion to their profit sharing ratio. Thereafter balance will be paid to their profit sharing ratio 4:3:3. to all partners w.r. A, B, C

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In the Books of M/s LMS.

Statement of Piecemeal Distribution (H.R.C).

Particulars	Amount Available	Creditors	Bank Loan	L's loan	L Capital	M Capital	N Capital
Balance due		200000	500000	1000000	1500000	1000000	500000
1st installment	500000						
(-) Liq exp	(100000)						
	400000						
(-) payt to us & Bank loan in 2:1:5	(400000)	(114286)	(285714)	-	-	-	-
	NIL	85714	214286	1000000	1500000	1000000	500000
2nd instal.	1500000						
(-) pay to us & bank loan	(300000)	(85714)	(214286)	-	-	-	-
	1200000	NIL	NIL	1000000	1500000	1000000	500000
(-) L's loan	(1000000)			(1000000)	-	-	-
	200000			NIL	1500000	1000000	500000
(-) pay to L (WN 1)	(200000)				(200000)	-	-
	NIL				1300000	1000000	500000
3rd inst	1500000						
(-) pay to L (WN 1)	(300000)				(300000)	-	-
	1200000				1000000	1000000	500000
(-) pay L & M	(10,00,000)				(500000)	(500000)	-
	2,00,000				500000	500000	500000
(-) pay to all	(2,00,000)				(66,667)	(66,667)	(66,666)
	NIL				4,33,333	4,33,333	4,33,334
4th install	30,00,000						
(-) pay to all	(30,00,000)				(1000000)	(1000000)	(1000000)
Realisation Profit					566667	566667	566666
profit ud to P/L							
5th install	30,00,000						
(-) pay to all	(30,00,000)				1000000	1000000	1000000
Realisation Profit ud to partners					1566667	1566667	1566666

WN 1:

	L	M	N.
Balance	1500000	1000000	500000
PSR	1	1	1
Capital taking S's cap	500000	500000	500000
Excess capital	1000000	500000	-
PSR	1	1	-
Excess capital M's	500000	500000	-
Highest Relative	500000	NIL	-

So Mr L should get £500000 out. which will bring ~~the~~ down his capital account balance £1500000 to £10,00,000.

Accordingly surplus amounting to £200000 will be paid to Mr L towards higher relative capital.

WN 2: 15,00,000 realised in 3rd instalment.

- Pay of 300000 will be made to Mr L to discharge highest relative capital. This makes the higher capital of both Mr L & Mr M £500000 as compared to capital of Mr S.

- Pay of £500000 each of Mr L & Mr M to discharge Higher Capital.

- Bal £200000 equally to L, M & S i.e. 66,666.67, 66,666.67, 66,666.67.

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In the books of 3R Enterprises
Realisation A/c

Particulars.	₹	Particulars.	₹
To Land & Building	1400000	By Creditors	600000
To Machinery	1100000		
To Furniture	610000		
To Stock	840000		
To Debtors	600000	By 3R Enterprises Ltd A/c	4200000
To Cash at Bank	190000		
To Ramesh's	30000		
To Roshan	20000		
To Rohan	10000		
	<u>4800000</u>		<u>4800000</u>

Partners' Capital A/c.

Particulars.	Ramesh	Roshan	Rohan	Particulars	Ramesh	Roshan	Rohan
To Shares in 3R Enterprise	2100000	1400000	700000	By Balance b/d	1680000	1160000	670000
				By General Reserve	315000	210000	105000
				By Realisation	30000	20000	10000
To BANK A/c (Settlement)	-	-	85000	By BANK A/c	75000	10000	-
	<u>2100000</u>	<u>1400000</u>	<u>785000</u>		<u>2100000</u>	<u>1400000</u>	<u>785000</u>

In the books of 3R Enterprise

JOURNAL ENTRIES

Particulars	LF	Dr E	Cr E
Business Purchase A/c Dr		4200000	
To M/s 3R Enterprise A/c			4200000
[Consideration payable for business purchased]			
Land & Building A/c Dr		16,40,000	
Machinery A/c Dr		9,90,000	
Stock A/c Dr		8,40,000	
Furniture A/c Dr		6,10,000	
Debtors A/c Dr		6,00,000	
Bank A/c Dr		1,90,000	
To Creditors A/c			600000
To Prov for doubtful debts A/c			30000
To Business Purchase A/c			4200000
To Capital Reserve A/c			40000
[Being asset & liabilities taken over]			
Capital Reserve A/c Dr		23000	
To Bank A/c			23000
[Being expenses for take over debited to capital reserve]			
M/s 3R Enterprise A/c Dr		42,00,000	
To Equity share capital A/c			42,00,000
[Being allotment of fully paid equity shares to discharge consideration for business]			
Preliminary expenses A/c Dr		57000	
To Bank A/c			57000
[Being expense incurred to get the company incorporated]			

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Partner's current A/c

Particulars		A	B	C	Particulars		A	B	C
1.1.11	To Balance b/d	-	-	5000	By Balance b/d	29000	20000	-	
	To A's current A/c - (WN 1)	-	20,000	10,000	By B's current A/c - CrW	20000	-	-	
	To A's current A/c - Rev Profit (WN 2)	-	12000	6000	By C's current A/c - CrW	10000	-	-	
	To A's capital A/c - transfer	80000	-	-	By B's current A/c - Rev Profit	12000			
					By C's current A/c - Rev Profit	6000			
					By Joint life Policy (26000 - 20000)	3000	2000	1000	
					By Balance d/d		10000	20000	
		<u>80000</u>	<u>32000</u>	<u>21000</u>		<u>80000</u>	<u>32000</u>	<u>21000</u>	
1.1.11	To Balance b/d		10000	20000	31.12.11				
31.12.11	To Drawings		15000	8000	By P/L Appropriation		17667	8808	
					By Balance d/d		7383	19192	
			<u>25000</u>	<u>28000</u>			<u>25000</u>	<u>28000</u>	
1.1.12	To Balance b/d		7383	19192	30.6.12				
	To B's capital - transfer		5190		By Realisation - Profit		12573	6287	
					By C's Capital A/c			12905	
			<u>12573</u>	<u>19192</u>			<u>12573</u>	<u>19192</u>	

partner's capital A/c

Particulars	A	B	C	Particulars	A	B	C
To A's Executor A/c	1,40,000			By Balance b/d	80,000	40,000	20,000
To Balance c/d		40,000	20,000	By A's Current	80,000		
	<u>1,40,000</u>	<u>40,000</u>	<u>20,000</u>		<u>1,40,000</u>	<u>40,000</u>	<u>20,000</u>
31.12.11				1.1.11			
To Balance c/d		40,000	20,000	By Balance b/d		40,000	20,000
		<u>40,000</u>	<u>20,000</u>			<u>40,000</u>	<u>20,000</u>
30.6.12				1.1.12			
To C's Current			12,905	By Balance b/d		40,000	20,000
To BANK		45,190	7,095	30.6.12			
		<u>45,190</u>	<u>7,095</u>	By B's Current		5,190	-
						<u>45,190</u>	<u>7,095</u>

A's Executor A/c

Date	Particulars	£	Date	Particulars	£
1.1.11	To Bank A/c	20000	1.1.11	To A's Capital A/c	140000
1.1.11	To Balance c/d	120000			
		<u>140000</u>			<u>140000</u>
30.6.11	To Bank A/c	20000	1.1.11	By Balance b/d	140000
30.6.11	To Balance c/d	103000	30.6.11	By Interest A/c	3000
		<u>123000</u>			<u>123000</u>
31.12.11	To Bank A/c	20000	1.7.11	By Balance b/d	103000
31.12.11	To Balance c/d	85575	31.12.11	By Interest A/c	2575
		<u>105575</u>			<u>105575</u>
30.6.12	To Bank A/c	87715	1.1.12	By Balance b/d	85575
			30.6.12	By Interest A/c	2140
		<u>87715</u>			<u>87715</u>

WN 8

(1) Adjustment in regard to Goodwill

	A	B	C
Share of goodwill before death	30000	20000	10000
Share of goodwill after death	-	40000	20000
Gain (+) / sacrifice (-)	(30000)	20000	10000
	Cr	Dr	Dr

(2) Adjustment in regard to revaluation of assets

	A	B	C
Share of profit on revaluation	18000	12000	6000
Debited to continuing partners		24000	12000
	(18000)	12000	6000
	Cr	Dr	Dr

(3) Ascertainment of Profit for the year ended 31.12.11

Profit before charging int on bal due to A's executor	32000	
(-) Interest payable to A's executor		
from 1.1.11 to 30.6.11	3000	
from 1.7.11 to 31.12.11	2575	(5575)
Balance of profit to be shared by B & C		<u>26425</u>

(4) Balance sheet as at 31.12.11

LIABILITIES	£	ASSETS	£
Cap AB	40000	Sundry Assets	<u>1,19,000</u>
BC	20000	Partner's current	
A's Executor	85575	B	7383
		C	19192
	<u>145575</u>		<u>145575</u>

(5) Realisation A/c

To Sundry Asset	1,19,000	By Bank A/c (PC)	1,40,000
To Interest A/c	2140		
(A's executor)			
To Partner's Capital	-		
B	12,573		
C	6287		
	<u>140000</u>		<u>140000</u>