

**Question 1** (i – 3 marks, ii – 5 marks)  
( 8 MARKS )

(i) Calculation of Interest and Cash Price

| No. of installments | Outstanding balance at the end after the payment of installment | Amount due at the time of installment | Outstanding balance at the end before the payment of installment | Interest        | Outstanding balance at the beginning |
|---------------------|---|---------------------------------------|--|-----------------|--------------------------------------|
| [1]                 | [2]   | [3]                                   | [4]= 2 +3  | [5]= 4 x 10/110 | [6]= 4-5                             |
| 3 <sup>rd</sup>     | -   | 2,75,000                              | 2,75,000   | 25,000          | 2,50,000                             |
| 2 <sup>nd</sup>     | 2,50,000  | 2,45,000                              | 4,95,000   | 45,000          | 4,50,000                             |
| 1 <sup>st</sup>     | 4,50,000  | 2,65,000                              | 7,15,000   | 65,000          | 6,50,000                             |

Total cash price = ₹ 6,50,000+ 5,00,000 (down payment) = ₹ 11,50,000.

(ii) In the books of Lucky

Tractors Account

| Date      | Particulars    | ₹         | Date      | Particulars   | ₹         |
|-----------|----------------|-----------|-----------|---|-----------|
| 1.10.2011 | To Happy a/c   | 11,50,000 | 30.9.2012 | By Depreciation A/c   | 2,30,000  |
|           |                |           |           | Balance c/d   | 9,20,000  |
|           |                | 11,50,000 |           |   | 11,50,000 |
| 1.10.2012 | To Balance b/d | 9,20,000  | 30.9.2013 | By Depreciation A/c   | 1,84,000  |
|           |                |           |           | Balance c/d   | 7,36,000  |
|           |                | 9,20,000  |           |   | 9,20,000  |
| 1.10.2013 | To Balance b/d | 7,36,000  | 30.9.2014 | By Depreciation A/c   | 1,47,200  |
|           |                |           |           | By Happy a/c (Value of 1 Tractor taken over after depreciation for 3 years @30% p.a.) (5,75,000-(1,72,500+1,20,750+84,525)) | 1,97,225  |
|           |                |           |           | By Loss transferred to Profit and Loss a/c on surrender (Bal. fig.) or (2,94,400-1,97,225)                                  | 97,175    |
|           |                |           |           | By Balance c/d  | 2,94,400  |
|           |                |           |           | ½ (7,36,000-1,47,200+5,88,800)  |           |
|           |                | 7,36,000  |           |   | 7,36,000  |

## Investment Account-Equity Shares in X Ltd.

| Date           |  | No. of shares | Dividend | Amount   | Date            |                        | No. of shares | Dividend | Amount   |
|----------------|--|---------------|----------|----------|-----------------|------------------------|---------------|----------|----------|
|                |  |               | ₹        | ₹        |                 |                        |               | ₹        | ₹        |
| 20X1<br>Jan. 1 | To Balance b/d                         | 20,000        | —        | 3,20,000 | 20X1<br>Oct. 20 | By Bank (dividend)*    |               | 30,000   | 7,500    |
| June 1         | To Bank                                | 5,000         | —        | 70,000   | Nov. 1          | By Bank                | 20,000        |          | 2,60,000 |
| Aug. 2         | To Bonus Issue                         | 5,000         | —        | —        | Nov. 1          | By P & L A/c (W.N.2)   |               |          | 1,429    |
| Sep. 30        | To Bank (Right) (W.N.1)                | 5,000         | —        | 75,000   | Dec. 31         | By Balance c/d (W.N.3) | 15,000        |          | 1,96,071 |
| Nov. 1         | To Profit & Loss A/c (Dividend income) |               | 30,000   |          |                 |                        |               |          |          |
|                |  | 35,000        | 30,000   | 4,65,000 |                 |                        | 35,000        | 30,000   | 4,65,000 |
| Jan. 1, 20X2   | To Balance b/d                         | 15,000        |          | 1,96,071 |                 |                        |               |          |          |

\* Dividend =  $[20,000 \times 10 \times 15\%] + [5,000 \times 10 \times 15\%]$

## Working Notes :

## 1. Right shares

No. of right shares issued =  $(20,000 + 5,000 + 5,000) / 3 = 10,000$  shares

No. of right shares subscribed =  $10,000 \times 50\% = 5,000$  shares

Amount of right shares issued =  $5,000 \times 15 = ₹ 75,000$

No. of right shares sold =  $10,000 - 5,000 = 5,000$  shares

Sale of right shares =  $5,000 \times 1.5 = ₹ 7,500$  to be credited to statement of profit and loss

## 2. Cost of shares sold

|   | ₹               |
|---|-----------------|
| Amount paid for 35,000 shares (₹ 3,20,000 + ₹ 70,000 + ₹ 75,000)  | 4,65,000        |
| Less: Dividend on shares purchased on June 1 (since the dividend pertains to the year ended 31st March, 20x1, i.e., the pre-acquisition period) | <u>(7,500)</u>  |
| Cost of 35,000 shares   | <u>4,57,500</u> |
| Cost of 20,000 shares (Average cost basis)  | <u>2,61,429</u> |
| Sale proceeds   | <u>2,60,000</u> |
| Loss on sale  | <u>1,429</u>    |

## 3. Value of investment at the end of the year

Assuming investment as current investment, closing balance will be valued based on lower of cost or net realisable value.

Here, Net realisable value is ₹ 14 per share i.e.  $15,000 \text{ shares} \times ₹ 14 = ₹ 2,10,000$

and cost =  $\frac{4,57,500}{35,000} \times 15,000 = ₹ 1,96,071$ . Therefore, value of investment at the end of the year will be ₹ 1,96,071.

Question 3  
(12 marks)

(3 marks for each accounts, 3 marks for working)

In the Books of Progressive Ltd.

Debenture Account

| 2010     |                             | ₹                | 2010   |                | ₹                |
|----------|-----------------------------|------------------|--------|----------------|------------------|
| Sept. 30 | To Debenture Redemption A/c | 1,20,000         | Jan. 1 | By Balance b/d | 10,00,000        |
| Dec. 31  | To Balance c/d              | <u>8,80,000</u>  |        |                | <u>10,00,000</u> |
|          |                             | <u>10,00,000</u> |        |                | <u>10,00,000</u> |
| 2011     |                             | ₹                | 2011   |                | ₹                |
| May 31   | To Debenture Redemption A/c | 75,000           | Jan. 1 | By Balance b/d | 8,80,000         |
| Dec. 31  | To Debenture Redemption A/c | 25,000           |        |                |                  |
|          | To Balance c/d              | <u>7,80,000</u>  |        |                | <u>8,80,000</u>  |
|          |                             | <u>8,80,000</u>  |        |                | <u>8,80,000</u>  |
| 2012     |                             | ₹                | 2012   |                | ₹                |
| July 31  | To Debenture Redemption A/c | 1,15,000         | Jan. 1 | By Balance b/d | 7,80,000         |
| Dec. 31  | To Balance c/d              | <u>6,65,000</u>  |        |                | <u>7,80,000</u>  |
|          |                             | <u>7,80,000</u>  |        |                | <u>7,80,000</u>  |

Debenture Redemption Account

| 2010     |  | ₹               | 2010     |                        | ₹               |
|----------|--|-----------------|----------|------------------------|-----------------|
| Sept. 30 | To Bank A/c<br>(₹1,20,000 × 0.98 = ₹1,800)         | 1,15,800        | Sept. 30 | By Debenture Stock A/c | 1,20,000        |
|          | To Capital Reserve A/c                             | <u>4,200</u>    |          |                        | <u>1,20,000</u> |
|          |  | <u>1,20,000</u> |          |                        | <u>1,20,000</u> |
| 2011     |  | ₹               | 2011     |                        | ₹               |
| May 30   | To Bank A/c<br>(₹75,000 × 0.95)                    | 71,250          | May 31   | By Debenture Stock A/c | 75,000          |
|          | To Capital Reserve A/c<br>(Profit on cancellation) | 3,750           | Dec. 31  | By Debenture Stock A/c | 25,000          |
| Dec. 31  | To Bank A/c<br>(Shortfall ₹1,00,000 - ₹75,000)     | 25,000          |          |                        |                 |
|          |  | <u>1,00,000</u> |          |                        | <u>1,00,000</u> |

| 2012    |                          | ₹               | 2012    |                        | ₹               |
|---------|--------------------------|-----------------|---------|------------------------|-----------------|
| July 31 | To Bank A/c              | 1,05,225        | July 31 | By Debenture Stock A/c | 1,15,000        |
|         | (₹1,15,000 × .92 – ₹575) |                 |         |                        |                 |
|         | To Capital Reserve A/c   | 9,775           |         |                        |                 |
|         | (Profit on cancellation) |                 |         |                        |                 |
|         |                          | <u>1,15,000</u> |         |                        | <u>1,15,000</u> |

**Debenture Interest Account**

| 2010     |             | ₹             | 2010    |                        | ₹             |
|----------|-------------|---------------|---------|------------------------|---------------|
| June 30  | To Bank A/c | 30,000        | Dec. 31 | By Profit and Loss A/c | 58,200        |
| Sept. 30 | To Bank A/c | 1,000         |         |                        |               |
| Dec. 31  | To Bank A/c | <u>26,400</u> |         |                        |               |
|          |             | <u>58,200</u> |         |                        | <u>58,200</u> |
| 2011     |             | ₹             | 2011    |                        | ₹             |
| May 31   | To Bank A/c | 1,875         | Dec. 31 | By Profit and Loss A/c | 50,175        |
| June 31  | To Bank A/c | 24,150        |         |                        |               |
| Dec. 31  | To Bank A/c | <u>24,150</u> |         |                        |               |
|          |             | <u>50,175</u> |         |                        | <u>50,175</u> |
| 2012     |             | ₹             | 2012    |                        | ₹             |
| June 30  | To Bank A/c | 23,400        | Dec. 31 | By Profit and Loss A/c | 43,925        |
| July 31  | To Bank A/c | 575           |         |                        |               |
| Dec. 31  | To Bank A/c | <u>19,950</u> |         |                        |               |
|          |             | <u>43,925</u> |         |                        | <u>43,925</u> |

**Working Notes :**

Interest paid on Debentures @6% per annum:

| Date        | Amount of Debentures | Period   | Interest |
|-------------|----------------------|----------|----------|
|             | ₹                    |          | ₹        |
| <b>2010</b> |                      |          |          |
| June 30     | 10,00,000            | 6 months | 30,000   |
| Sept. 30    | 1,20,000             | 3 months | 1,800    |
| Dec. 31     | 8,80,000             | 6 months | 26,400   |
| <b>2011</b> |                      |          |          |
| May 31      | 75,000               | 5 months | 1,875    |
| June 30     | 8,05,000             | 6 months | 24,150   |

Question 4

(12 Marks)

**Trading and Profit and Loss Account of Sri. Agni Dev  
for the year ended 31st March, 2011**

|    |                     | ₹               |    |                  | ₹               |
|----|---------------------|-----------------|----|------------------|-----------------|
| To | Opening Stock       | 33,000          | By | Sales            | 9,60,000        |
| To | Purchases           | 7,20,000        | By | Closing Stock    | 33,000          |
| To | Gross Profit c/d    | <u>2,40,000</u> |    |                  |                 |
|    |                     | <u>9,93,000</u> |    |                  | <u>9,93,000</u> |
| To | Business Expenses   | 1,57,500        | By | Gross Profit b/d | 2,40,000        |
| To | Repairs             | 3,500           |    |                  |                 |
| To | Depreciation        | 27,000          |    |                  |                 |
| To | Travelling Expenses | 18,000          |    |                  |                 |
| To | Loss by theft       | 1,500           |    |                  |                 |
| To | Net Profit          | <u>32,500</u>   |    |                  |                 |
|    |                     | <u>2,40,000</u> |    |                  | <u>2,40,000</u> |

3 marks

**Balance Sheet of Sri Agni Dev as at 31st March, 2011**

| Liabilities             | ₹               | ₹               | Assets             | ₹               | ₹               |
|-------------------------|-----------------|-----------------|--------------------|-----------------|-----------------|
| Capital                 | 2,52,500        |                 | Machinery          | 1,20,000        |                 |
|                         |                 |                 | Add: additions     | 60,000          |                 |
|                         |                 |                 |                    | <u>1,80,000</u> |                 |
| Add: Additional Capital | 5,000           |                 | Less: Depreciation | <u>(27,000)</u> | 1,53,000        |
| Net Profit              | <u>32,500</u>   |                 | Stock in Trade     |                 | 33,000          |
|                         | 2,90,000        |                 | Sundry Debtors     |                 | 1,20,000        |
| Less: Loss of Furniture | (20,000)        |                 |                    |                 |                 |
| Drawings                | <u>(30,000)</u> | 2,40,000        |                    |                 |                 |
| Bank Overdraft          |                 | 2,667           |                    |                 |                 |
| Sundry Creditors        |                 | 55,833          |                    |                 |                 |
| Outstanding Expenses    |                 | <u>7,500</u>    |                    |                 |                 |
|                         |                 | <u>3,06,000</u> |                    |                 | <u>3,06,000</u> |

2 marks

**Working Notes:**

|    |                                  |                 |
|----|----------------------------------|-----------------|
| 1. | Sales during 2010-2011           | ₹               |
|    | Debtors as on 31st March, 2010   | <u>1,00,000</u> |
|    | (Being equal to 2 months' sales) |                 |

|    |  |                   |
|----|--|-------------------|
|    | Total credit sales in 2009- 2010, ₹ 1,00,000 × 6   | 6,00,000          |
|    | Cash Sales, being equal to 1/3rd of credit sales or 1/4th of the total Sales in 2009- 2010 | <u>2,00,000</u>   |
|    | Increase, 20% as stated in the problem   | 8,00,000          |
|    | Total sales during 2010-2011   | <u>1,60,000</u>   |
|    | Cash sales : 1/4th   | 2,40,000          |
|    | Credit sales : 3/4th   | 7,20,000          |
| 2. | Debtors equal to two months credit sales   | 1,20,000          |
| 3. | Purchases  |                   |
|    | Sales in 2010-2011   | 9,60,000          |
|    | Gross Profit @ 25%   | <u>2,40,000</u>   |
|    | Cost of goods sold being purchases<br>(Since there is no change in stock level)            | <u>7,20,000</u>   |
| 4. | Sundry Creditors for goods<br>(₹ 7,20,000 – ₹ 50,000) /12 = ₹ 6,70,000/12                  | 55,833            |
| 5. | Collections from Debtors   |                   |
|    | Opening Balance  | 1,00,000          |
|    | Add: Credit Sales  | <u>7,20,000</u>   |
|    |  | 8,20,000          |
|    | Less: Closing Balance  | <u>(1,20,000)</u> |
|    |  | <u>7,00,000</u>   |
| 6. | Payment to Creditors   |                   |
|    | Opening Balance  | 45,000            |
|    | Add: Credit Purchases (₹ 7,20,000 – ₹ 50,000)  | <u>6,70,000</u>   |
|    |  | 7,15,000          |
|    | Less: Closing Balance  | <u>(55,833)</u>   |
|    | Payment by cheque  | <u>6,59,167</u>   |

## 7. Cash and Bank Account

| Particulars                | Cash            | Bank            | Particulars                    | Cash            | Bank            |
|----------------------------|-----------------|-----------------|--------------------------------|-----------------|-----------------|
| To Balance b/d             | 8,000           | 16,500          | By Payment to Creditors        | 50,000          | 6,59,167        |
| To Collection from Debtors | –               | 7,00,000        | By Misc. Expenses              | 1,45,000        | 5,000           |
| To Sales                   | 2,40,000        | –               | By Repairs                     | 3,500           | –               |
| To Additional Capital      | –               | 5,000           | By Addition to Machinery       | –               | 60,000          |
| To Balance c/d             | –               | 2,667           | By Travelling Expenses         | 18,000          | –               |
| (Bank overdraft)           |                 |                 | By Private Drawings            | 30,000          | –               |
|                            |                 |                 | By Balance c/d (lost by theft) | 1,500           |                 |
|                            | <u>2,48,000</u> | <u>7,24,167</u> |                                | <u>2,48,000</u> | <u>7,24,167</u> |

Question 5  
marks)

(12

Haria Chemicals Ltd.  
Balance Sheet as at 31st March, 20X1

|                                    | Schedule<br>(1) | Rupees as at the<br>No. end of 31st March 20X1<br>(2) |
|------------------------------------|-----------------|---|
| <b>Equity and Liabilities</b>      |                 |   |
| <b>(1) Shareholders' funds :</b>   |                 |   |
| (a) Share Capital                  | 1               | 25,00,000   |
| (b) Reserves and Surplus           | 2               | 7,40,000  |
| <b>(2) Non Current Liabilities</b> |                 |   |
| (a) Long term borrowings           | 3               | 11,45,000   |
| <b>(3) Current Liabilities</b>     |                 |   |
| (a) Trade payables                 |                 | 2,81,000  |
| <b>Total</b>                       |                 | <b>46,66,000</b>                                      |
| <b>Assets</b>                      |                 |   |
| <b>(1) Non current assets</b>      |                 |   |
| <b>Fixed Assets:</b>               |                 |   |
| (a) Tangible assets                | 4               | 30,05,000   |
| (b) Intangible assets (goodwill)   |                 | 2,65,000  |
| <b>(2) Current assets</b>          |                 |   |
| (a) Inventories                    |                 | 8,23,000  |
| (b) Trade receivables              |                 | 4,40,000  |
| (c) Cash and bank balances         | 5               | 53,000  |
| (d) Short term loans and advances  | 6               | 80,000  |
| <b>Total</b>                       |                 | <b>46,66,000</b>                                      |

3 marks

**Haria Chemicals Ltd.**  
**Statement of Profit and Loss for the year ended 31st March, 20X1**

|                                       | Schedule | Figures          |
|---------------------------------------|----------|------------------|
| Revenue from operations               |          | 42,68,000        |
| Other income                          | (A) 7    | 56,000           |
|                                       |          | <u>43,24,000</u> |
| <b>Expenses</b>                       |          |                  |
| Cost of materials consumed            | 8        | 23,19,000        |
| Change in inventory of finished goods | 9        | (1,43,000)       |
| Employee benefit expenses             | 10       | 9,00,000         |
| Finance cost                          | 11       | 1,71,000         |
| Other expenses                        | (B) 12   | 4,76,000         |
|                                       |          | <u>37,23,000</u> |
| Profit before tax (A – B)             |          | 6,01,000         |
| Provision for tax                     |          | —                |
| Profit for the period                 |          | 6,01,000         |

9 marks

**Notes to Accounts**

|                                    |                  |
|------------------------------------|------------------|
| <b>1. Share capital</b>            | ₹                |
| Authorised :                       |                  |
| Equity share capital of ₹10 each   | <u>25,00,000</u> |
| Issued and Subscribed :            |                  |
| Equity share capital of ₹10 each   | 25,00,000        |
| <b>2. Reserves and Surplus</b>     |                  |
| Balance as per last balance sheet  | 1,39,000         |
| Balance in profit and loss account | <u>6,01,000</u>  |
|                                    | <u>7,40,000</u>  |
| <b>3. Long term Borrowings</b>     |                  |
| 11% Debentures                     | 5,00,000         |
| Bank loans (assumed long-term)     | <u>6,45,000</u>  |
|                                    | <u>11,45,000</u> |

**4. Tangible Assets**

|                   | Gross block      | Depreciation    | Net Block        |
|-------------------|------------------|-----------------|------------------|
| Freehold land     | 15,46,000        |                 | 15,46,000        |
| Furniture         | 2,00,000         |                 | 2,00,000         |
| Fixtures          | 3,00,000         |                 | 3,00,000         |
| Plant & Machinery | 8,60,000         | <u>1,46,000</u> | 7,14,000         |
| Tools & Equipment | <u>2,45,000</u>  |                 | <u>2,45,000</u>  |
| <b>Total</b>      | <b>31,51,000</b> | <b>1,46,000</b> | <b>30,05,000</b> |

**5. Cash and bank balances**

|                           |               |
|---------------------------|---------------|
| Cash and cash equivalents |               |
| Current account balance   | 45,000        |
| Cash                      | 8,000         |
| Other bank balances       | <u>Nil</u>    |
|                           | <u>53,000</u> |

**6. Short-term loans and Advances**

|                   |        |
|-------------------|--------|
| Loan to directors | 80,000 |
|-------------------|--------|



|  |                 |                 |
|--|-----------------|-----------------|
| <b>7. Other Income</b>   |                 |                 |
| Rent received  |                 | 46,000          |
| Transfer fees  |                 | <u>10,000</u>   |
|  |                 | <u>56,000</u>   |
| <b>8. Cost of materials consumed</b>                                       |                 |                 |
| Purchases  |                 | 23,19,000       |
| <b>9. Changes in inventory of finished goods, WIP &amp; Stock in trade</b> |                 |                 |
| Opening inventory  | 6,80,000        |                 |
| Closing inventory  | <u>8,23,000</u> | (1,43,000)      |
| <b>10. Employee benefit expense</b>  |                 |                 |
| Wages  |                 | 9,00,000        |
| <b>11. Finance cost</b>  |                 |                 |
| Interest on bank loans   |                 | 1,16,000        |
| Debenture interest   |                 | <u>55,000</u>   |
|  |                 | <u>1,71,000</u> |
| <b>12. Other Expenses</b>  |                 |                 |
| Consumables  |                 | 84,000          |
| Preliminary expenses   |                 | 10,000          |
| Bad debts  |                 | 35,000          |
| Discount   |                 | 40,000          |
| Rentals  |                 | 25,000          |
| Commission   |                 | 1,20,000        |
| Advertisement  |                 | 20,000          |
| Dealers' aids  |                 | 21,000          |
| Transit insurance  |                 | 30,000          |
| Trade expenses   |                 | 37,000          |
| Distribution freight   |                 | <u>54,000</u>   |
|  |                 | <u>4,76,000</u> |

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