

Sub: Accounts

Topics Branch Accounts/ Dissolution/ Conversion/  
Redemption of preference shares

Test Code – N49

Branch :

Date:

(50 Marks)

**Answer 1**

**Branch Debtors A/c**

To Branch Stock A/c	1,16,000	By Branch Cash A/c (balancing figure)	74,000
		By Bad Debts (written off)	400
		By Balance c/d	41,600
	1,16,000		1,16,000

**Goods Sent to Branch A/c**

To Branch Adjustment A/c	20,000	By Branch Stock A/c	1,20,000
$1,00,000 \times \frac{20}{100}$			
To Purchases/ Trading A/c	1,00,000		
	1,20,000		1,20,000

**Branch Cash A/c**

To Branch Debtors A/c	74,000	By Branch Expenses A/c	24,000
To H.O. A/c (cash remittance)	6,000	By H.O. (cash remittance)	86,000
To Branch Stock A/c		By Balance c/d	4,000
- Cash Sales (balancing figure)	34,000		
	1,14,000		1,14,000

**Branch Stock A/c**

To Goods sent to Branch A/c	1,20,000	By Branch Debtors A/c	1,16,000
To Branch Adjustment A/c	54,000	By Branch Cash A/c	34,000
		(Sales)	
(Excess profit over normal loading –balancing figure)		By Goods in Transit	12,000
		(1,20,000-1,08,000)	
		By Balance c/d	12,000
	1,74,000		1,74,000

**Branch Expenses A/c**

To Branch Cash A/c	24,000	By Branch P&L A/c	24,000

**Branch Adjustment A/c**

To Stock Reserve A/c	2,000	By Goods sent to Branch A/c	20,000
To Goods in transit Reserve A/c	2,000	By Branch Stock A/c	54,000
To Branch P&L A/c (Balancing figure)	70,000		
	74,000		74,000

**Branch P & L A/c**

To Branch Expenses A/c	24,000	By Branch Adjustment A/c	70,000
To Bad Debts	400		
To Net Profit (transferred to General P&L A/c)	45,600		
	70,000		70,000

**Working Notes:**

- Loading is 20% of cost i.e. 16.67% (1/6th) of invoice value.  
Loading on closing stock = 1/6th of ` 12,000 = ` 2,000.
- Loading on goods sent to branch = 1/6th of ` 1,20,000 = ` 20,000.
- Loading on goods in transit = 1/6th of ` 12,000 = ` 2,000.

**Answer 2**

**In the books of 3R Enterprises  
Realisation Account**

To Land And Building	14,00,000	By Creditors	6,00,000
To Machinery	11,00,000	By 3R Enterprises (Pvt.) Ltd. A/c	42,00,000
To Furniture	6,10,000		
To Stock	8,40,000		
To Debtors	6,00,000		
To Cash at Bank	1,90,000		
To Ramesh's Capital	30,000		
To Roshan's Capital	20,000		
To Rohan's Capital	10,000		
	<b>48,00,000</b>		<b>48,00,000</b>

**Partners' Capital Accounts**

	Ramesh	Roshan	Rohan		Ramesh	Roshan	Rohan
To shares in 3R Enterprise (Pvt.) Ltd. A/c	21,00,000	14,00,000	7,00,000	By Balance b/d	16,80,000	11,60,000	6,70,000
To Bank A/c (Settlement)	-----	-----	85,000	By General Reserves	3,15,000	2,10,000	1,05,000
				By Realisation A/c (Profit)	30,000	20,000	10,000
				By Bank A/c (Settlement)	75,000	10,000	-----
	<b>21,00,000</b>	<b>14,00,000</b>	<b>7,85,000</b>		<b>21,00,000</b>	<b>14,00,000</b>	<b>7,85,000</b>

**In the Books of 3R Enterprises (Private) Ltd  
Journal Entries**

1.	Business Purchase A/c	Dr.	42,00,000	
	To M/s 3R Enterprises (Consideration payable for business purchased)			42,00,000
2.	Land and Buildings A/c	Dr.	16,40,000	
	Machinery A/c	Dr.	9,90,000	
	Furniture A/c	Dr.	6,10,000	
	Stock A/c	Dr.	8,40,000	

	Debtors A/c	Dr.	6,00,000	
	Bank A/c	Dr.	1,90,000	
	To Creditors A/c			6,00,000
	To Provision for doubtful debts A/c			30,000
	To Business Purchase A/c			42,00,000
	To Capital Reserve A/c (Balancing figure)			40,000
	(assets and liabilities taken over for ` 42,00,000; balance credit to capital reserve)			
3.	Capital reserve A/c (Expenses of takeover)	Dr.	23,000	
	To Bank a/c			23,000
	(Expenses for take over debited to capital Reserve)			
4.	M/s 3R Enterprises	A/c	42,00,000	
	Dr.			42,00,000
	To Equity share capital A/c			
	(Allotment of fully paid equity shares to discharge consideration for business)			
5.	Preliminary expenses A/c*	Dr.	57,000	
	To Bank A/c			57,000
	(expenses incurred to get the company incorporated)			

### Answer 3

#### Realisation Account

To Sundry assets A/c (transfer):		By Sundry creditors A/c		20,000
Premises	1,20,000	By Cash A/c (assets realised):		
Furniture	40,000	Premises	90,000	
Stock	1,00,000	Furniture	16,000	
Sundry Debtors	40,000	Stock	60,000	
To Cash A/c (creditors paid)	32,000	Debtors	<u>24,000</u>	1,90,000
To Cash A/c (expenses)	4,000	By Loss transferred to Capital		
		Accounts:		
		Neptune	54,000	
		Jupiter	36,000	
		Venus	18,000	
		Pluto	<u>18,000</u>	1,26,000
	3,36,000			3,36,000

#### Cash Account

To Balance b/d		8,000	By Realisation A/c (creditors)	32,000
To Realisation A/c (assets realised)		1,90,000	By Realisation A/c (expenses)	4,000
To Capital A/c (realization loss made good):			By Mortgage loan	80,000
Neptune	54,000		By Neptune's Capital A/c	1,18,857
Jupiter	36,000		By Jupiter's Capital A/c	73,143
Pluto	<u>18,000</u>	1,08,000		
To Pluto's Capital A/c		2,000		
		3,08,000		3,08,000

**Partners' Capital Accounts**

Particulars	Neptune	Jupiter	Venus	Pluto	Particulars	Neptune	Jupiter	Venus	Pluto
	₹	₹	₹	₹		₹	₹	₹	₹
To Balance b/d	-	-	10,000	12,000	By Balance b/d	1,00,000	60,000	-	-
To Realisation A/c (loss)	54,000	36,000	18,000	18,000	By General reserve A/c (3: 2: 1:1)	24,000	16,000	8,000	8,000
To Venus's Capital A/c (loss)	11,143	6,857	-	-	By Capital reserve A/c (3: 2: 1:1)	6,000	4,000	2,000	2,000
To Cash A/c	1,18,857	73,143	-	-	By Cash A/c (loss on realization)	54,000	36,000	-	18,000
					By Neptune's Capital A/c	-	-	11,143	-
					By Jupiter's Capital A/c	-	-	6,857	-
					By Cash A/c	-	-	-	2,000
	<u>1,84,000</u>	<u>1,16,000</u>	<u>28,000</u>	<u>30,000</u>		<u>1,84,000</u>	<u>1,16,000</u>	<u>28,000</u>	<u>30,000</u>

**Answer 4**

**In the books of Neo (Head Office)  
Goa Branch Debtors Account**

Date	Particulars	Amount	Date	Particulars	Amount
1.4.2012	To Balance b/d	50,000	31.3.2013	By Bank (Collection From Debtors)	3,25,000
31.3.2013	To Bank A/c (dishonor of Cheques)	8,000		By Branch Stock (goods returned by customers)	10,000
	To Branch stock A/c (Credit Sales)	3,90,000		By Bad debts	5,500
				By Discount allowed	2,500
				By Balance c/d	1,05,000
		4,48,000			4,48,000

**Goa Branch Adjustment Account**

Date	Particulars	Amount	Date	Particulars	Amount
31.3.2013	To Goods sent to Goa Branch A/c (goods return to H.O.)	4,800	1.4.2012	By balnce b/d (Opening stock reserve)	30,000
	To Branch P&L A/c (Profit on sale at invoice price Balancing figure)	1,13,000	31.3.2013	By Goods sent to Goa Branch A/c (Loading)	1,35,000
	To Balance c/d (Closing stock reserve)	47,200			
		1,65,000			1,65,000

**Goa Branch Profit and Loss Account  
for the year ending 31<sup>st</sup> March, 2013**

Particulars	Amount	Particulars	Amount
To Branch Expenses A/c	72,500	By Branch Adjustment A/c	1,13,000
To Branch Debtors - Discount	2,500		
Bad debts	5,500		
To Net profit (Transferred to General Profit & Loss A/c)	32,500		
	1,13,000		1,13,000

**Working Note:****Goa Branch Stock Account**

Date	Particulars	₹	Date	Particulars	₹
1.4.2012	To Balance b/d	1,50,000	31.3.2013	By Bank (Cash Sales)	1,85,000
31.3.2013	To goods Sent to Goa Branch	6,75,000		By Branch Debtors (Credit sales)	3,90,000
	To Branch Debtors (Goods Returned)	10,000		By Goods sent to Goa Branch (Goods returned to H.O.)	24,000
				By Balance c/d	2,36,000
		8,35,000			8,35,000

**Answer 5**

Nominal value of preference shares ₹ 5,00,000

Maximum possible redemption out of profits ₹ 3,00,000

Minimum proceeds of fresh issue ₹ 5,00,000 - 3,00,000 = ₹ 2,00,000

Proceed of one share = ₹ 9

Minimum number of shares =  $\frac{2,00,000}{9} = 22,222.22$  shares

As fractional shares are not permitted, the minimum number of shares to be issued is 22,223 shares.

If shares are to be issued in multiples of 50, then the next higher figure which is a multiple of 50 is 22,250. Hence, minimum number of shares to be issued in such a case is 22,250 shares.

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