



**J.K. SHAH<sup>®</sup>**

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**SUGGESTED SOLUTION**  
**INTER. NOVEMBER 2018 EXAM**

**SUBJECT- ACCOUNTANCY**

**Test Code - CIN 5006**

**(Date :29/07/2018)**

**Head Office : Shraddha, 3<sup>rd</sup> Floor, Near Chinai College, Andheri (E), Mumbai – 69.**

**Tel : (022) 26836666**

Answer 1:

(A)

Books of Sundar

INVESTMENT ACCOUNT

(Scrip: Equity Shares in X Ltd.)

		No.	Amount			No.	Amount
			Rs.				Rs.
1.4.20X1	To Bal b/d	25,000	3,75,000	31.10.20X1	By Bank	-	10,000
20.6.20X1	To Bank	5,000	80,000		(dividend on		
16.8.20X1	To Bonus (W.N.1)	5,000	-		shares acquired		
30.9.20X1	To Bank (Rights Shares) (W.N.3)	10,000	1,50,000	15.11.20X1	By Bank	25,000	3,75,000
15.11.20X1	To Profit (on sale of shares)		44,444	31.12.20X1	(Sale of shares)		
					By Bal. c/d	20,000	2,64,444
					(W.N.6)		
		<u>45,000</u>	<u>6,49,444</u>			<u>45,000</u>	<u>6,49,444</u>

Profit and Loss Account (An extract)

To Balance c/d	1,04,444	By Profit transferred	44,444
		By Sale of rights (W.N.3)	10,000
		By Dividend (W.N.4)	50,000
	<u>1,04,444</u>		<u>1,04,444</u>

Working Notes :

1. Bonus Shares =  $(25000+5000) / 6 = 5000$  shares
2. Right Shares =  $[(25000 + 5000 + 5000) / 7] * 3 = 15000$  shares
3. Right Shares renounced =  $15000 * 1/3 = 5000$  shares

Sale of right shares =  $5,000 \times 2 = \text{Rs. } 10,000$

Right shares subscribed =  $15,000 - 5,000 = 10,000$  shares

Amount paid for subscription of right shares =  $10,000 \times 15 = \text{Rs. } 1,50,000$

4. Dividend received =  $25,000$  (shares as on 1st April 20X1)  $\times 10 \times 20\% = \text{Rs. } 50,000$

Dividend on shares purchased on 20.6.20X1 =  $5,000 \times 10 \times 20\% = \text{Rs. } 10,000$  is adjusted to Investment A/c.

5. Profit on sale of 25,000 shares

= Sales proceeds - Average cost

Sales proceeds = Rs. 3,75,000

Average cost =  $[(375000+80000+150000-10000) / 45000] * 25000$

= Rs.330556

Profit =  $\text{Rs.}375000 - \text{Rs.}330556 = \text{Rs.}44,444.$

6. Cost of shares on 31.12.20X1

$[(375000+80000+150000-10000) / 45000] * 20000 = \text{Rs.}264444$

**(B)**

## Computation of effective capital:

	Rs.
Paid-up share capital-	
20,000, 14% Preference shares	20,00,000
1,20,000 Equity shares	96,00,000
Capital reserves (excluding revaluation reserve)	45,000
Securities premium	50,000
15% Debentures	65,00,000
Public Deposits	3,70,000
(A)	1,85,65,000
Investments	75,00,000
Profit and Loss account (Dr. balance)	15,00,000
(B)	90,00,000
Effective capital	(A-B) 95,65,000

**(C)** Part I of Schedule III to the Companies Act, 2013 provides that debit balance of Statement of Profit and Loss (after all allocations and appropriations) should be shown as a negative figure under the head 'Surplus'. Similarly, the balance of 'Reserves and Surplus', after adjusting negative balance of surplus, should be shown under the head 'Reserves and Surplus' even if the resulting figure is in the negative. In this case, the debit balance of profit and loss i.e. Rs. 250 lakhs exceeds the total of all the reserves i.e. Rs. 230 lakhs. Therefore, balance of 'Reserves and Surplus' after adjusting debit balance of profit and loss is negative by Rs. 20 lakhs, which should be disclosed on the face of the balance sheet. Thus the treatment done by the company is incorrect.

**Answer 2:****(A)****(i)**

## Realisation Account

	Rs.		Rs.
To Fixed assets	5,00,000	By Creditors	3,20,000
To Stock in trade	3,00,000	By Cash (5,20,000+4,40,000)	9,60,000
To Debtors	5,00,000	By Y (Stock taken over)	2,50,000
To Cash - Expenses	6,000	By Loss transferred to partners' capital accounts	
To Cash - Creditors (3,20,000 x 95%)		X	35,555
	3,04,000	Y	26,667
		Z	17,778
	<hr/> 16,10,000 <hr/>		<hr/> 16,10,000 <hr/>

**(ii) Partners' Capital Accounts**

	X	Y	Z		X	Y	Z
	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.
To Realisation Account	35,555	26,667	17,778	By Balance b/d	4,00,000	3,00,000	2,00,000
To Realisation Account	-	2,50,000	-	By General reserve	40,000	30,000	20,000
To Cash	<u>4,04,445</u>	<u>53,333</u>	<u>2,02,222</u>				
	<u>4,40,000</u>	<u>3,30,000</u>	<u>2,20,000</u>		<u>4,40,000</u>	<u>3,30,000</u>	<u>2,20,000</u>

c

**(iii) Cash Account**

	Rs.		Rs.
To Balance b/d	10,000	By Realisation A/c	6,000
To Realisation A/c	9,60,000	(Expenses)	3,04,000
(Fixed assets and book debts realised)		By Realisation A/c	
		(Creditors)	
		By X	4,04,445
		By Y	53,333
		By Z	<u>2,02,222</u>
	<u>9,70,000</u>		<u>9,70,000</u>

**(B)****Necessary Ledger Accounts in the books of Partnership Firm****Realization Account**

Particulars	Rs.	Rs.	Particulars	Rs.	Rs.
To Goodwill		10,000	By provision to doubtful Debts		2,000
To land		20,000	By Trade creditors		96,000
To Buildings		1,10,000	By Bills Payable		14,000
To Machinery		50,000	By Bank overdraft		60,000
To Motor Car		28,000	By Mrs. Aman's loan		15,000
To Furniture		12,000	By ABC Ltd. (Purchase price)		1,95,500
To Investments		18,000	By Aman's Capital A/c		13,000
To Loose tools		7,000	(Investments taken over)		
To Stock		18,000	By Cash A/c:		
To Bill receivable		20,000	Debtors	20,000	
To Debtors		40,000	Motor Car	24,000	
To Aman's Capital A/c		15,000	Furniture	4,000	
(Mrs. Aman's Loan)			Loose tools	<u>1,000</u>	49,000
To Cash A/c:					
Creditors	94,000				
Realization expenses	<u>500</u>	94,500			
To Profit on Realization t/f to:					
Aman's Capital A/c	1,000				
Baal's Capital A/c	667				
Chand's Capital A/c	<u>333</u>	<u>2,000</u>			
		<u>4,44,500</u>			<u>4,44,500</u>

### ABC Ltd. Account

Particulars	Rs.	Particulars	Rs.
To Realization A/c	1,95,500	By Cash A/c	75,500
	1,95,500	By Shares in ABC Ltd.	1,20,000
			1,95,500

### Partners' Capital Accounts

Particulars	Aman Rs.	Baal Rs.	Chand Rs.	Particulars	Aman Rs.	Baal Rs.	Chand Rs.
To Profit and Loss A/c	6,000	4,000	2,000	By Balance b/d	70,000	80,000	10,000
To Realization A/c	13,000	-	-	By Chand's Loan A/c	-	-	33,000
To Chand's Current A/c	-	-	56,000	By General reserve	9,000	6,000	3,000
To shares in ABC Ltd.	60,000	40,000	20,000	By Investment Fluctuation Fund*	2,000	1,333	667
To Cash A/c	18,000	44,000	-	By Realization A/c	1,000	667	333
				By Realization A/c (Mrs. Aman's loan A/c)	15,000	-	-
				By Cash A/c	-		31,000
	97,000	88,000	78,000		97,000	88,000	78,000

\* Alternatively, Investment Fluctuation Fund Account may be transferred to Realization Account.

### Chand's Current Account

Particulars	Rs.	Particulars	Rs.
To Balance b/d	56,000	By Chand's Capital A/c-transfer	56,000
	56,000		56,000

### Shares in ABC Ltd. Account

Particulars	Rs.	Particulars	Rs.
To ABC Ltd. Account	1,20,000	By Aman's Capital A/c	60,000
		By Baal's Capital A/c	40,000
		By Chand's Capital A/c	20,000
	1,20,000		1,20,000

### Cash Account

Particulars	Rs.	Particulars	Rs.
To Balance b/d	1,000	By Realization A/c (Liabilities and expenses)	94,500
To ABC Ltd.	75,500	By Aman's Capital A/c	18,000
To Realization A/c (sale of assets)	49,000	By Baal's Capital A/c	44,000
To Chand's Capital A/c	<u>31,000</u>		<u>-</u>
	<u>1,56,500</u>		<u>1,56,500</u>

#### Answer 3:

- (a) Nominal value of preference shares      Rs. 5,00,000  
 Maximum possible redemption out of profits      Rs. 3,00,000  
 Minimum proceeds of fresh issue      Rs. 5,00,000 - 3,00,000 = Rs. 2,00,000  
 Proceed of one share      =      Rs. 9

Minimum number of shares =  $(200000 / 9) = 22,222.22$  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.

- (b) Cash Flow Statement from Investing Activities of Creative Furnishings Limited for the year ended 31-03-2017.

Cash generated from investing activities	Rs.	Rs.
Interest on loan received	82,500	
Pre-acquisition dividend received on investment made	62,400	
Unsecured loans given to subsidiaries	(4,85,000)	
Interest received on investments (gross value)	76,200	
TDS deducted on interest	(8,200)	
Sale of plant	74,400	
Cash used in investing activities (before extra ordinary item)		(1,97,700)
Extraordinary claim received for loss of plant		49,600

Net cash used in investing activities (after extra ordinary item)		(1,48,100)
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**Note:**

1. Debenture interest paid and Term Loan repaid are financing activities and therefore not considered for preparing cash flow from investing activities.
2. Plant acquired by issue of 8% debentures does not amount to cash outflow, hence also not considered in the above cash flow statement.

(C) Schedule III has come into force for the Balance Sheet and Profit and Loss Account prepared for the financial year commencing on or after 1st April, 20X1. As per Part I of the Schedule III, a company should, inter alia, disclose in notes to accounts for the period of 5 years immediately preceding the balance sheet date (31st March, 20X2 in the instant case) the aggregate number and class of shares allotted as fully paid-up bonus shares. Schedule III does not require a company to disclose the source from which bonus shares have been issued. Therefore, non-disclosure of source from which bonus shares have been issued does not violate the Schedule III to the Companies Act.

(D) Calculate the amount of principal and interest: Principal – (Rs.50000 \* 96/100) = 48000

Interest – (Rs.50000 \* 8% \* 4/12) = 1333

Journal Entry: Own Debentures A/c Dr. 48000

Interest Account A/c Dr. 1333

To Bank A/c 49333

(E) **Calculation of net profit u/s 198 of the Companies Act, 2013**

		Rs.
Balance from Trading A/c		40,25,365
Add : Subsidies received from Government		2,73,925
		42,99,290
Less : Administrative, selling and distribution expenses	8,22,542	
Director's fees	1,34,780	
Interest on debentures	31,240	
Depreciation on fixed assets as per Schedule II	5,75,345	(15,63,907)
Profit u/s 198		<u>27,35,383</u>

Maximum Managerial remuneration under Companies Act, 2013=11% of Rs.27,35,383=  
Rs. 3,00,892.

**Question 4:**  
**(A)**

**(i) Adjustment for raising and writing off of goodwill**

	Raised in old profit sharing ratio		Total	Written off in new ratio	Difference
	X & Co.	Y & Co.			
	3:2	5:3		4:5:1	
	Rs.	Rs.	Rs.	Rs.	Rs.
A	45,000	---	45,000 Cr.	46,000 Dr.	1,000 Dr.
B	30,000	25,000	55,000 Cr.	57,500 Dr.	2,500 Dr.
C	---	15,000	15,000 Cr.	11,500 Dr.	3,500 Cr.
	<u>75,000</u>	<u>40,000</u>	<u>1,15,000</u>	<u>1,15,000</u>	<u>Nil</u>

**(ii) Balance Sheet of X Y & Co.(New firm) as on 31.3.20X1**

Liabilities	Rs.	Assets	Rs.
Capital Accounts:		Vehicle	74,000
A	1,72,000	Machinery	1,00,000
B	2,15,000	Building	2,00,000
C	43,000	Stock	70,000
Current Accounts:		Debtors	1,31,000
A	22,000	Cash & Bank	70,000
C	18,000		
Creditors	1,75,000		
	<u>6,45,000</u>		<u>6,45,000</u>

**Working Notes:**

1. Balance of Capital Accounts at the time of amalgamation of firms

	A's Capital Rs.	B's Capital Rs.
X & Co. Profit and loss sharing ratio 3:2		
Balance as per Balance Sheet	1,50,000	1,00,000



Add: Reserves	30,000	20,000
Revaluation profit (Building)	30,000	20,000
Less: Revaluation loss (Machinery)	(12,000)	(8,000)
Provision for doubtful debt	(3,000)	(2,000)
	1,95,000	1,30,000

	B's Capital	C's Capital
<b>Y &amp; Co. Profit and loss sharing ratio 5:3</b>	Rs.	Rs.
Balance as per Balance sheet	75,000	50,000
Add: Reserves	25,000	15,000
Less: Revaluation (vehicle)	(10,000)	(6,000)
Provision for doubtful debts	(2,500)	(1,500)
	87,500	57,500

1. Balance of Capital Accounts in the balance sheet of the new firm as on 31.3.20X1

	A	B	C
Balance b/d : X & Co.	1,95,000	1,30,000	--
Y & Co.	---	<u>87,500</u>	<u>57,500</u>
	1,95,000	2,17,500	57,500
Adjustment for goodwill	<u>(1,000)</u>	<u>(2,500)</u>	<u>3,500</u>
	1,94,000	2,15,000	61,000
Total capital Rs. 4,30,000 [(B's capital* i.e. Rs. 2,15,000 x 2) to be contributed in 4:5:1 ratio.]	<u>1,72,000</u>	<u>2,15,000</u>	<u>43,000</u>
Transfer to Current Account	<u>22,000</u>	---	<u>18,000</u>

\* B's Capital Rs. 21,500 being one-half of the total capital of the firm.

(B)

**Journal**

Date	Particulars		Dr. (Rs.)	Cr. (Rs.)
	Bank A/c	Dr	37,500	
	To Share Application A/c			37,500
	(For application money received on 625 shares @ Rs. 60per share)			

Share Application A/c	Dr	37,500	
To Equity Share Capital A/c			31,250
To Securities Premium A/c			6,250
(For disposition of application money received)			
Preference Share Capital A/c	Dr	65,000	
Premium on Redemption of Preference Shares A/c			
To Preference Shareholders A/c	Dr	6,500	
(For amount payable on redemption of preference shares)			71,500
Profit and Loss A/c	Dr	6,500	
To Premium on Redemption of Preference Shares A/c			6,500
(For writing off premium on redemption out of profits)			
Bank A/c	Dr	15,000	
Profit and Loss A/c (loss on sale) A/c			
To Investment A/c	Dr	3,500	
(For sale of investments at a loss of Rs. 3,500)			18,500
Profit and Loss A/c	Dr	33,750	
To Capital Redemption Reserve A/c			33,750
(For transfer to CRR out of divisible profits an amount equivalent to excess of nominal value of preference shares over proceeds (face value of equity shares) i.e., Rs. 65,000 - Rs. 31,250)			
Preference Shareholders A/c To Bank A/c	Dr	71,500	
(For payment of preference shareholders)			71,500

**Balance Sheet (after redemption)**

Date	Particulars	Notes No.	(Rs.)
	<b>EQUITY AND LIABILITIES</b>		
1.	<b><u>Shareholders' funds</u></b>		
	a) Share capital	<b>1</b>	2,56,250
2.	b) Reserves and Surplus	<b>2</b>	44,250
	<b>Current liabilities</b>		
	Trade Payables		56,500
	<b>Total</b>		<b>3,57,000</b>
	<b><u>ASSETS</u></b>		
1.	<b>Fixed Assets</b>		
	Tangible asset		3,45,000
2.	<b>Current Assets</b>		
	Cash and cash equivalents (bank)	<b>3</b>	12,000
	<b>Total</b>		<b>3,57,000</b>

**Notes to Account:**

	Rs.
<b>1. Share Capital</b>	
Equity share capital (2,25,000 + 31,250)	2,56,250
<b>2. Reserves and Surplus</b>	
Capital Redemption Reserve	33,750
Profit and Loss Account (48,000 – 6,500 – 3,500 – 33,750)	4,250
Scurity Premium	<u>6,250</u>
	<u>44,250</u>
<b>3. Cash and cash equivalents</b>	
Balances with banks (31,000 + 37,500 + 15,000 – 71,500)	12,000

**Working Note:**

Calculation of Number of Shares:	Rs.
Amount payable on redemption	71,500
Less: Sale price of investment	(15,000)
	56,500
Less: Available bank balance (31,000 - 12,000)	(19,000)
Funds from fresh issue	37,500

No. of shares =  $37,500/60=625$  shares

**Answer 5:**

(A)

**Star Oils Limited**

**Cash Flow Statement for the year ended 31st March, 20X1**

		(Rs. in lakhs)
<b>Cash flows from operating activities</b>		
Net profit before taxation (25,000 + 5,000)	30,000	
Adjustments for :		
Depreciation	20,000	
Loss on sale of assets (Net)	40	
Profit on sale of investments	(100)	
Interest income on investments	(2,506)	
Interest expenses	<u>10,000</u>	
Operating profit before working capital changes	57,434	
Changes in working capital (Excluding cash and bank balance)	<u>(56,081)</u>	
<b>Cash generated from operations</b>	1,353	
Income taxes paid	<u>(4,248)</u>	
Net cash used in operating activities		(2,895)
<b>Cash flows from investing activities</b>		
Sale of assets (W.N.1)	145	
Sale of investments (27,765 + 100)	27,865	
Interest income on investments	2,506	
Purchase of fixed assets	(14,560)	
Investment in joint venture	(3,850)	
Expenditure on construction work-in progress	(34,740)	
Net cash used in investing activities		(22,634)
<b>Cash flows from financing activities</b>		
Proceeds from calls in arrear	2	
Receipts of grant for capital projects	12	
Proceeds from long-term borrowings	25,980	
Proceed from short-term borrowings	20,575	
Interest paid	(10,520)	
Dividend (including dividend tax) paid	(8,535)	27,514
Net increase in cash and cash equivalents		1,985
Cash and cash equivalents at the beginning of the period		5,003
Cash and cash equivalents at the end of the period		<u>6,988</u>

**Working note :**

1. Book value of the assets sold	185
Less: Loss on sale of assets	(40)
Proceeds on sale	145

Assumption:

Interest income on investments Rs. 2,506 has been received during the year.

(B) Journal Entries in the books of Manoj Ltd.

			Rs.	Rs.
1-4-20X1	Equity share final call A/c	Dr.	5,40,000	
	To Equity share capital A/c			5,40,000
	(For final calls of Rs. 2 per share on 2,70,000 equity shares due as per Board's Resolution dated....)			
20-4-20X1	Bank A/c	Dr.	5,40,000	
	To Equity share final call A/c			5,40,000
	(For final call money on 2,70,000 equity shares received)			
	Securities Premium A/c	Dr.	75,000	
	Capital redemption reserve A/c	Dr.	1,20,000	
	General Reserve A/c	Dr.	3,60,000	
	Profit and Loss A/c (b.f.)	Dr.	1,20,000	
	To Bonus to shareholders A/c			6,75,000
	(For making provision for bonus issue of one share for every four shares held)			
	Bonus to shareholders A/c	Dr.	6,75,000	
	To Equity share capital A/c			6,75,000
	(For issue of bonus shares)			

**Extract of Balance Sheet as at 30<sup>th</sup> April, 20X1 (after bonus issue)**

	Rs.
Authorised Capital	
30,000 12% Preference shares of Rs. 10 each	3,00,000
4,00,000 Equity shares of Rs. 10 each	<u>40,00,000</u>
Issued and subscribed capital	
24,000 12% Preference shares of Rs. 10 each, fully paid	2,40,000
3,37,500 Equity shares of Rs. 10 each, fully paid	33,75,000
(Out of the above, 67,500 equity shares @ Rs. 10 each were issued by way of bonus shares)	
Reserves and surplus	
Profit and Loss Account	4,80,000

**Answer 6:**

**(A)**

Statement showing distribution of cash amongst the partners

		Creditors	B's Loan	Capitals		
				A(Rs.)	B(Rs.) )	C(Rs.)
Balance Due		16,500	4,500	15,000	7,500	15,000
On 1st Instalment amount with the firm Rs. (275 + 18,650)	18,925					
Less: Dissolution expenses provided for	<u>(3,000)</u>					
	15,925					
Less: C's remuneration of 1% on assets realised (18,650 x 1%)	<u>(187)</u>					
	15,738					
Less: Payment made to creditors	<u>(15,738)</u>	(15,738)				
Balance due	Nil	762				
2nd instalment realized	17,320					

Less: C's remuneration of 1% on assets realised (17,320 x 1%)	<u>(173)</u>				
	17,147				
Less: Payment made to creditors	<u>(162)</u>	(162)			
Transferred to P& L A/c		600			
Balance available	16,985				
Less: Payment for B's loan A/c	<u>(4,500)</u>		(4,500)		
Amount available for distribution to partners	12,485		nil		
Less: C's remuneration of 10% of the amount distributed to partners (12,485 x 10/110)	<u>(1,135)</u>				

Balance distributed to partners on the basis of HRCM	11,350				
Less: Paid to C (W.N.1)	<u>(3,750)</u>				(3,750)
	7,600				11,250
Less: Paid to A and C in 4:3 (W.N.1)	<u>(7,600)</u>		(4,343)	-	(3,257)
Balance due	nil		10,657	7,500	7,993
Amount of 3rd instalment	10,000				
Less: C's remuneration of 1% on assets realised (10,000 x 1%)	<u>(100)</u>				
	9,900				
Less: C's remuneration of 10% of the amount distributed to partners (9,900 x 10/110)	<u>(900)</u>				
	9,000				
Less: Paid to A and C in 4:3 for (Rs. 8,750 – 7,600) (W.N.1)	<u>(1,150)</u>		(657)	-	(493)
	7,850		10,000	7,500	7,500
Less: Paid to A, B and C in 4:3:3	<u>(7,850)</u>		(3,140)	(2,355)	(2,355)
Balance due	nil		6,860	5,145	5,145
Amount of 4th and last instalment	7,000				
Less: C's remuneration of 1% on assets realised (7,000 x 1%)	<u>(70)</u>				
	6,930				
Less: C's remuneration of 10% of the amount distributed to partners (6,930 x 10/110)	<u>(630)</u>				
	6,300				
Less: Paid to A, B and C in 4:3:3	<u>(6,300)</u>		(2,520)	(1,890)	(1,890)

Loss suffered by partners				4,340	3,255	3,255
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**Working Note:**

- i. Rs. 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 Rs. 762/-. However, since the creditors were settled for Rs. 15,900/- only the balance 162/- were paid and the balance Rs. 600/- was transferred to the Profit & Loss Account.

**Highest Relative Capital Basis**

	A	B	C
	Rs.	Rs.	Rs.
Balance of Capital Accounts (A)	15,000	7,500	15,000
Profit sharing ratio	4	3	3
Capital Profit sharing ratio	3,750	2,500	5,000
Capital in profit sharing ratio taking B's Capital as base (B)	10,000	7,500	7,500
Excess of A's Capital and C's Capital (A-B) =(C)	5,000	nil	7,500
Again repeating the process			
Profit sharing ratio	4		3
Capital Profit sharing ratio	1,250		2,500
Capital in profit sharing ratio taking A's Capital as base (D)	5,000		3,750
Excess of C's Capital (C-D)=(E)	nil		3,750

Therefore, firstly Rs. 3,750 is to be paid to C then A and C to be paid in proportion of 4:3 upto Rs. 8,750 to bring the capital of all partners A, B and C in proportion to their profit sharing ratio. Thereafter, balance available will be paid in their profit sharing ratio 4:3:3 to all partners viz A, B and C.

**(B) 6% Mortgage Debentures Account**

20X2		Rs.	20X2		Rs.
Feb. 28	To Debenture-holders A/c	10,00,000	Jan. 1	By Balance b/d	10,00,000

**Premium on Redemption of Debentures Account**

20X2		Rs.	20X2		Rs.
Feb. 28	To Debenture-holders A/c	10,000	Feb. 28	By D.R.R. A/c	10,000



### Debentures Redemption Reserve Investment Account

20X2		Rs.	20X2		Rs.
Jan. 1	To Balance b/d	10,70,000	Feb. 28	By Bank Rs. 5,28,000	
	(5,28,000 + 5,42,000)			Govt. Loan @ 90 Rs.	4,75,200
				By Bank Rs. 5,60,000	
				Govt. Paper @ 87 Rs.	4,87,200
				By D.R.R. (Loss)	1,07,600
		10,70,000			10,70,000

### Debenture Interest Account

20X2		Rs.	20X2		Rs.
Feb. 28	To Cash (10,000 x 100 x 6% x 2/12)	10,000	Feb. 28	Profit & Loss A/c	10,000

### Cash Account

20X2		Rs.	20X2		Rs.
Feb.	To To Balance b/d	?	Feb. 28	By Debenture- holders (10,000 x 101)	10,10,000
	Debentures Redemption Reserve investment A/c (4,75,200 + 4,87,200)	9,62,400		By Deb. Interest A/c	10,000
				By Balance c/d	?

### Debenture Redemption Reserve Account

20X2		Rs.	20X2		Rs.
Feb.	To D.R.R. Investment Account (Loss)	1,07,600	Jan. 1	By Balance b/d	10,42,000
	To Premium on Redemption of Debentures A/c	10,000		By Profit & Loss (b.f.)	75,600
	To General Reserve	10,00,000			
		11,17,600			11,17,600