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INTERMEDIATE M'19 EXAM

SUBJECT- ACCOUNTS AND ADVANCED ACCOUNTS

Test Code – CIM 8077

(Date :)

Head Office : Shraddha, 3rd Floor, Near Chinai College, Andheri (E), Mumbai – 69.

Tel : (022) 26836666

ANSWER-1**ANSWER-A**

Statement of Affairs of Insol Ltd. (in Liquidation)
as on 30th September, 2016

					Estimated Realisable Value (Rs.)
Assets not specifically pledged (As per list A) :					
Other fixed assets					18,00,000
Current assets					35,00,000
					53,00,000
Assets specifically pledged(As per List B)					
	Estimated realisable value	Due to secured creditors	Deficiency	Surplus	
	Rs.	Rs.	Rs.	Rs.	
Land & Buildings	11,00,000	10,00,000		1,00,000	
	Estimated total assets available to unsecured creditors				54,00,000
	Summary of Gross Assets				
	Gross realisable value of assets specifically pledged			11,00,000	
	Other assets			53,00,000	
	Gross Assets			64,00,000	
Gross liabilities Rs.	Liabilities				
	Secured Creditors (as per list B) to the extent to which claims are estimated to be covered by assets				
10,00,000	Specifically pledged				
1,50,000	Preferential creditors (as per list C)			1,50,000	
				52,50,000	
	Unsecured creditors(as per list E)				
20,00,000	Unsecured Loans			20,00,000	
35,00,000	Trade creditors			35,00,000	
1,00,000	Contingent Liability on Bills Discounted			1,00,000	
67,50,000	Estimated deficiency as regards creditors (67,50,000 — 64,00,000)			3,50,000	
	2,50,000 Equity Shares of Rs. 10 each : (as per list G)			25,00,000	
	Estimated deficiency as regards members			28,50,000	

(7 MARKS)

ANSWER-B**(3 MARKS)**

Fair value of an option = Rs. 56 – Rs. 50 = Rs. 6

Number of shares issued = 400 employees x 100 shares/employee = 40,000 shares

Fair value of ESOP = 40,000 shares x Rs. 6 = Rs. 2,40,000

Vesting period = 1 month

Expenses recognized in 20X1 – X2 = Rs. 2,40,000

Date	Particulars	Rs.	Rs.
31.03.20X1	Bank (40,000 shares x Rs. 50)	Dr. 20,00,000	
	Employees stock compensation expense A/c	Dr. 2,40,000	
	To Share Capital (40,000 shares x Rs.10)		4,00,000
	To Securities Premium (40,000 shares x Rs. 46)		18,40,000
	(Being option accepted by 400 employees & payment made @ Rs. 56 share)		
	Profit & Loss A/c	Dr. 2,40,000	
	To Employees stock compensation expense A/c		2,40,000
	(Being Employees stock compensation expense transferred to Profit & Loss A/c)		

ANSWER-2**Journal entries in the books of Anu Ltd.****Rs. in crores**

	Particulars	Debit	Credit
1 st April	12% Preference share capital A/c	Dr. 75	
20X1	To Preference shareholders A/c		75
	(Being preference share capital account transferred to shareholders account)		
	Preference shareholders A/c	Dr. 75	
	To Bank A/c		75
	(Being payment made to shareholders)		
	Shares buy back A/c	Dr. 25	

To Bank A/c (Being 50 lakhs equity shares bought back @ Rs. 50 per share)			25
Equity share capital A/c (50 lakhs x Rs. 10)	Dr.	5	
Securities premium A/c (50 lakhs x Rs. 40)	Dr.	20	
To Shares buy back A/c (Being cancellation of shares bought back)			25
Revenue reserve A/c	Dr.	80	
To Capital Redemption Reserve A/c (75+5) (Being creation of capital redemption reserve to the extent of the face value of preference shares redeemed and equity shares bought back)			80

(5*1=5 MARKS)

(ii) Balance Sheet of Anu Ltd as at 1.4.20X1

Particulars	Note No	Rs. in crores
I. Equity and Liabilities		
(1) Shareholder's Funds		
(a) Share Capital	1	20
(b) Reserves and Surplus	2	280
(2) Current Liabilities		
(a) Trade payables		40
Total		340
II. Assets		
(1) Non-current assets		
(a) Fixed assets	3	-
(b) Non-current investments -Investment at cost (Market value Rs. 400 crores)		100
(2) Current assets	4	<u>240</u>
Total		340

(3MARKS)

Notes to Accounts

1. Share Capital		Rs. in crores	
Authorised, Issued and Subscribed			
200 lakhs Equity shares of Rs. 10 each			20
2. Reserves and Surplus			
Capital reserve		15	
Capital redemption reserve		80	
Securities premium		25	
Less: Utilisation for buy back of shares		<u>(20)</u>	5
Revenue Reserve		260	
Less: transfer to Capital redemption reserve		<u>(80)</u>	180
			280
3. Fixed Assets			
Cost		100	
Less : Provision for depreciation		<u>(100)</u>	-
4. Current assets			
Current assets as on 31.3.20X1		340	
Less: Bank payment for redemption and buy back		<u>(100)</u>	240

(4*0.5=2 MARKS)

ANSWER-3

1. Computation of Interest at 9% p.a. on various dates

Date	Particulars		FV(Rs.)	Period (months)	Int. Amt at 9% p.a (Rs.)
01.04.2017	Interest Accrued on Opening Balance	(2,000 x Rs. 100)	2,00,000	3	4,500
31.05.2017	Interest on Cum-interest Purchase	(800 x Rs. 100)	80,000	5	3,000
01.06.2017	Interest on Ex-Interest Sale	(600 x Rs. 100)	60,000	5	2,250
30.06.2017	Interest Received on Holding	(2,00,000 + 80,000 - 60,000)	2,20,000	6	9,900
30.11.2017	Interest on Cum-interest Sale	(400 x Rs. 100)	40,000	5	1,500
01.12.2017	Interest on Ex-Interest Purchase	(100 x Rs. 100)	10,000	5	375
31.12.2017	Interest Received on Holding	(2,20,000- 40,000 + 10,000)	1,90,000	6	8,550
01.03.2018	Interest on Ex-Interest	(100 x Rs. 100)	10,000	2	150

	Sale				
31.03.2018	Interest Accrued on Closing Balance	(Note)	1,80,000	3	4,050

Note: Face Value of Holding on 31.03.2018 = 1,90,000 (upto 31st Dec) - 10,000 = Rs. 1,80,000

(4 MARKS)

2. Computation of Cost of Purchase

Particulars	31.05.2017	01.12.2017
Amount paid	76,000	10,000
Less: Interest (for Cum-interest purchase only)	WN 1 = (3,000)	-
Net Cost of Purchase	73,000	10,000

(1 MARK)

3. Computation of Profit / (Loss) on Sale of Investments

Particulars	01.06.2017	30.11.2017	01.03.2018
Sale Proceeds	56,400	38,800	9,500
Less: Interest (for Cum-interest Sale only)	-	WN 1 = (1,500)	-
Less: Cost on FIFO basis	$1,90,000 \times \frac{6}{20} =$ (57,000)	$1,90,000 \times \frac{4}{20} =$ (38,000)	$1,90,000 \times \frac{1}{20} =$ (9,500)
Profit / (Loss) on Sale	(600)	(700)	Nil

(2 MARKS)

4. 9% Government Loan A/c

Date	Particulars	NV	Int.	Cost	Date	Particulars	NV	Int.	Cost
01.04.2017	To bal b/d	2,00,000	4,500	1,90,000	01.06.2017	By Bank	60,000	2,250	56,400
31.05.2017	To Bank	80,000	3,000	73,000	01.06.2017	By P&L	-	-	600
01.12.2017	To Bank	10,000	375	10,000	30.06.2017	By Bank	-	9,900	-
31.03.2018	To P&IL-Int	(b/fig)	18,525	-	30.11.2017	By Bank	40,000	1,500	37,300
					30.11.2017	By P&L	-	-	700
					31.12.2017	By Bank	-	8,550	-
					01.03.2018	By Bank	10,000	150	9,500
					31.03.2018	By bal.c/d	1,80,000	4,050	1,68,500
	Total	2,90,000	26,400	2,73,000		Total	2,90,000	26,400	2,73,000

Note: Avg Cost p.u = $\frac{\text{Rs.1,68,500}}{1800 \text{ units}} = \text{Rs.93.61}$. Since, Cost (Rs. 93.61) < Market Price (Rs. 96),

Investments are shown at Cost.

(3 MARKS)

ANSWER-4**1. Computation of Equity Component and Debt Component in Option**

Particulars	Rs.
Fair Value under Equity Settlement = 6,000 Shares x Fair Value Rs. 60	3,60,000
Less: Fair Value under Cash Settlement, i.e. Liability Component=5,000 Shares x Fair Value Rs. 72 (60+20%)	<u>(3,60,000)</u>
Equity Component to be recognized as Expense Over the vesting period of 3 years	Nil
Expense to be recognized each year (24,000 / 3 Years)	Nil

(2 MARKS)**2. Computation of Expense to be recognized for Liability Component**

Details	FY 2015-2016	FY 2016-2017	FY 2017-2018
(a) No. of Options Expected to Vest	5,000	5,000	5,000
(b) Fair Value estimates per Share at year end	76.32 (72 + 6%)	83.952 (76.32 + 10%)	96.5448 (83.952 + 15%)
(c) Total Fair Value of Liab. Component (a x b)	Rs. 3,81,600	Rs. 4,19,760	Rs. 4,82,724
(d) Total Cumulative Cost of Options	[(c)x1/3]= Rs. 1,27,200	[(c) x 2/3]= Rs. 2,79,840	[(c) x 3/3] = Rs. 4,82,724
(e) Less: Already recognized in Previous Years	0	(Rs. 1,27,200)	(Rs. 2,79,840)
(f) Amount to be Expensed this Year	Rs. 1,27,200	Rs. 1,52,640	Rs. 2,02,884

(3 MARKS)**3. Ledger Accounts****(a) Employees' Compensation Expense A/c**

Year	Particulars	Rs.	Particulars	Rs.
2015-2016	To Provision for Liability A/c	1,27,200	By Profit & Loss A/c	1,27,200
2016-2017	To Provision for Liability A/c	1,52,640	By Profit & Loss A/c	1,52,640
2017-2018	To Provision for Liability A/c	2,02,884	By Profit & Loss A/c	2,02,884

(1 MARK)

(b) Provision for Liability Component A/c

Year	Particulars		Particulars	Rs.
2015-2016	To Balance c/d	1,27,200	By Employees' Compensation A/c	1,27,200
		1,27,200		1,27,200
2016-2017	To Balance c/d	2,79,840	By Balance b/d	1,27,200
			By Employees' Compensation A/c	1,52,640
		2,79,840		2,79,840
2017-2018	To Balance c/d	4,82,724	By Balance b/d	2,79,840
			By Employees' Compensation A/c	2,02,884
		4,82,724		4,82,724
CASH SETTLEMENT				
2018-2018	To Bank (Cash Settlement)	4,82,724	By Balance b/d	4,82,724
		4,82,724		4,82,724
EQUITY SETTLEMENT				
2018-2018	To ESOP Outstanding A/c	4,82,724	By Balance b/d	4,82,724
		4,82,724		4,82,724

(3 MARKS)**(c) ESOP Outstanding Account (Under Equity Settlement)**

Year	Particulars	Rs.	Particulars	Rs.
2018-2018	To Share Capital (6,000 x Rs. 10)	60,000	By Provision for Liability Component A/c	4,82,724
	To Securities Premium A/c	12,86,724	By Bank (6,000 x Rs. 144)	8,64,000
		13,46,724		13,46,724

(1 MARK)**ANSWER-5****1. Determination of Surplus received by Liquidator from Receiver**

Receipts from Sale of	Rs.	Payments towards -	Rs.
Land and Buildings	1,60,000	Debenture Interest(1,50,000 x 13% x6/12)	9,750
Sundry Current Assets	2,00,000	Income Tax Arrears	25,000
		Expenses of Receiver Given	1,950
		Mortgage Loan Given	70,000
		Debenture holders	1,50,000
		Balance Surplus handed over to Liquidator (bal. fig.)	1,03,300
Total	3,60,000	Total	3,60,000

(2 MARKS)

2. Liquidator's Final Statement of Account

Receipts	Rs.	Payments	Rs.	Rs.
Surplus received from Receiver(WN 1)	1,03,300	Remuneration to Liquidator (1,50,000 x 2%)		3,000
Sundry Assets realised	1,50,000	Costs of Liquidation		3,000
Calls on Contributories: From 5,000 Partly Paid Shares at Rs.1.38 per Share (WN 3)	6,900	Unsecured Creditors: Trade Creditors	38,000	
		Directors (for Bank OD paid)	30,000	68,000
		Preference Shareholders: Share Capital	1,50,000	
		Arrears of Dividend (2 years)	30,000	1,80,000
		Equity Shareholders: (paid to Holders of 10,000)		
		Fully Paid Shares at Rs.0.62 each) (WN 3)		6,200
Total	2,60,200	Total		2,60,200

(4 MARKS)

3. Calls from Holders of Partly Paid Shares

Particulars	Rs.
(a) Total Receipts before considering Call Money (1,03,300 + 1,50,000)	2,53,300
(b) Total Payments before final payment to Equity Shares	2,54,000
(c) Surplus / (Deficit) from above before Calls made on Equity Shares (a - b) (+ve = Surplus, -ve = Deficit)	(700)
(d) Notional Call on 5,000 Partly Paid Shares at Rs. 2 each	10,000
(e) Surplus Cash Balance after Notional Call (c + d)	9,300
(f) Number of Shares deemed fully paid (10,000 + 5,000)	15,000
(g) Hence, Refund on Fully Paid Shares (e ÷ f) = Rs.9,300 ÷ 15,000 Shares	Rs.0.62
(h) Therefore, Required Call on Partly Paid Shares = Notional Call Rs.2.00 – Refund Rs. 0.62	Rs. 1.38

(4 MARKS)