



**J.K. SHAH**<sup>®</sup>  
**TEST SERIES**  
Evaluate Learn Succeed

**SUGGESTED SOLUTION**

**INTERMEDIATE M'19 EXAM**

**SUBJECT- ADVANCED ACCOUNTS**

**Test Code – CIM 8055**

**(Date :02.09.2018)**

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

**Tel : (022) 26836666**

## ANSWER-1

### 1. Statement of Underwriters' Liability (No. of Shares), and Amount Receivable / Payable

Particulars	Parvati	Ganesa	Karthikeya	Total
Gross Liability	5,00,000	5,00,000	5,00,000	15,00,000
Less: Marked Applications	(4,25,000)	(4,50,000)	(3,50,000)	(12,25,000)
Less: Unmarked Applications ( <b>See Note below</b> )	(24,000)	(24,000)	(24,000)	(72,000)
Less: Firm Underwriting	(50,000)	(50,000)	(50,000)	(1,50,000)
Net Balance	1,000	(24,000)	76,000	53,000
Adjust: Ganesa's Surplus transferred to Parvati and Karthikeya in Gross Liability Ratio (equally)	(12,000)	24,000	(12,000)	-
Revised Net Liability	(11,000)	-	64,000	53,000
Adjust: Parvati's Surplus transferred to Karthikeya	11,000	-	(11,000)	-
Net Final Liability	-	-	53,000	53,000
Add: Firm Underwriting	50,000	50,000	50,000	1,50,000
<b>Total Liability = Shares to be taken up by Underwriters</b>	<b>50,000</b>	<b>50,000</b>	<b>1,03,000</b>	<b>2,03,000</b>
Amount Due upto Allotment at 4.50 per Share (Rs. )	2,25,000	2,25,000	4,63,500	9,13,500
Less: Amount paid for Firm Underwriting for 50,000 Shares at Rs. 2.50 per Share (Rs. )	(1,25,000)	(1,25,000)	(1,25,000)	(3,75,000)
Balance Due from Underwriters	1,00,000	1,00,000	3,38,500	5,38,500
Less: Underwriting Commission payable by Company	(2,50,000)	(2,50,000)	(2,50,000)	(7,50,000)
Amount Due from / (Payable to) Underwriters	(1,50,000)	(1,50,000)	88,500	(2,11,500)

**Note:** Shares offered to Public = 20,00,000 - 5,00,000 (Issued to Promoters) = 15,00,000 Shares

Unmarked Applications, = 72,000, i.e. Total Applications 12,97,000 - Marked Applications (4,25,000 + 4,50,000 + 3,50,000 = 12,25,000). These are distributed in the ratio of Gross Liability, i.e. equally.

Commission Payable is calculated on Shares issued to public at Par Value, i.e. Gross Liability x Rs. 10 x 5%.

**(5 MARKS)**

## 2. Journal Entries in the books of Lingaraj Ltd (relating to Underwriters only)

	Particulars		Dr. ( Rs.)	Cr. ( Rs.)
1	Bank A/c	Dr.	3,75,000	
	To Equity Share Application A/c			3,75,000
	(Being Application Money received on Firm undertaking for 50,000 Shares each at Rs. 2.50 per Share from Parvati, Ganesa and Karthikeya)			
2	Parvati A/c (WN 1)	Dr.	1,00,000	
	Ganesa A/c (WN 1)	Dr.	1,00,000	
	Karthikeya A/c (WN 1)	Dr.	3,38,500	
	Equity Share Application A/c	Dr.	3,75,000	
	To Equity Share Capital A/c			9,13,500
	(2,03,000 Shares x Rs. 4.50)			
	(Being allotment of Shares to Underwriters - 50,000 to Parvati, 50,000 to Ganesa and 1,03,000 to Karthikeya, Application and Allotment money credited to Equity Share Capital A/c vide Board's Resolution No... dated....)			
3	Underwriting Commission A/c	Dr.	7,50,000	
	To Parvati A/c			2,50,000
	To Ganesa A/c			2,50,000
	To Karthikeya A/c			2,50,000
	(Being Underwriting Commission payable to Parvati, Ganesa and Karthikeya at 5% of the Issue Price of Shares underwritten)			
4	Parvati A/c	Dr.	1,50,000	
	Ganesa A/c	Dr.	1,50,000	
	To Bank A/c			3,00,000
	(Being amount paid to Parvathi and Ganesa in final settlement of Underwriting Commission Due Less amount receivable from them on Shares allotted)			

5	Bank A/c	Dr.	88,500	
	To Karthikeya A/c			88,500
	(Being amount received from Karthikeya on Shares allotted, Less Underwriting Commission payable to him)			

(5\*1=5 MARKS)

**ANSWER-2**

**ANSWER-A**

**Liquidator's Statement of Account**

Receipts	Rs.	Payments	Rs.
Land & building	6,20,000	Liquidator's remuneration	46,000
Inventory in trade	3,10,000	Liquidation expenses	86,000
Plant & machinery	7,10,000	Preferential creditors	1,05,000
Book debts	6,60,000	10% Debentures	2,10,000
		Income tax payable	67,000
		Bank overdraft	4,85,000
		Trade creditors	6,00,000
		Preference shareholders:	
		Capital	5,00,000
		Arrears of preference dividend for 3 years	1,50,000
		Refund on 5,000 shares of Rs. 60 paid up @ Rs. 10.10 per share (Refer W.N.)	50,500
		Refund on 5,000 shares of Rs. 50 paid up @ Rs. 0.10 per share (Refer W.N.)	500
	<b>23,00,000</b>		<b>23,00,000</b>

**Working Note:**

	Rs.
Total equity capital paid up (3,00,000 + 2,50,000)	5,50,000
Less	
: Balance available after payment to secured, unsecured, preferential creditors and preference shareholders	(51,000)
(23,00,000 – 46,000 – 86,000 – 2,10,000 – 1,05,000 – 67,000 – 4,85,000 – 6,00,000 – 5,00,000 – 1,50,000)	
Loss to be borne by 10,000 equity shareholders	4,99,000
Loss per share	Rs. 49.90
Hence, amount of refund on Rs. 50 per share paid up ( Rs. 50 – Rs. 49.90)	Rs. 0.10
Amount of refund on Rs. 60 per share paid up ( Rs. 60 – Rs. 49.90)	Rs. 10.10

(5 MARKS)

**ANSWER-B****Balance Sheet of Super Fast Express Ltd**

as at 1st Jan., 20X2

Particulars	Notes	Rs.
<b>Equity and Liabilities</b>		
<b>1. Shareholders' funds</b>		
a. Share capital	1	30,00,000
b Reserves and Surplus	2	3,60,000
<b>2. Non-current liabilities</b>		
a Long-term provisions	3	1,00,000
<b>3. Current liabilities</b>		
a Trade Payables		1,00,000
<b>Total</b>		<b>35,60,000</b>
<b>Assets</b>		
<b>1. Non-current assets</b>		
a Fixed assets		
Tangible assets	4	25,00,000
Intangible assets	5	1,00,000
<b>2. Current assets</b>		
Inventories		3,40,000
Trade receivables		2,80,000
Cash and cash equivalents	6	3,40,000
<b>Total</b>		<b>35,60,000</b>

**Notes to accounts**

	Rs.
<b>1. Share Capital</b>	
Equity share capital	
Issued, subscribed and paid up 30,000 Equity shares of Rs. 100 each	30,00,000
<b>Total</b>	<b>30,00,000</b>
<b>2. Reserves and Surplus</b>	
Reserve account	1,00,000
Surplus	1,00,000
Insurance reserve	1,00,000
Employees profit sharing account	60,000
<b>Total</b>	<b>3,60,000</b>
<b>3. Long-term provisions</b>	
Provident fund	1,00,000
<b>Total</b>	<b>1,00,000</b>

<b>4. Tangible assets</b>	
Buildings	16,00,000
Machinery	9,00,000
<b>Total</b>	<b>25,00,000</b>
<b>5. Intangible assets</b>	
Goodwill	1,00,000
<b>Total</b>	<b>1,00,000</b>
<b>6. Cash and cash equivalents</b>	
Balances with banks	2,30,000
Cash on hand	1,10,000
<b>Total</b>	<b>3,40,000</b>

(5 MARKS)

ANSWER-3

ANSWER-A

#### 1. Computation of Purchase Consideration

Particulars	A Ltd ( Rs.)	B Ltd ( Rs.)
Assets taken over: Freehold Property	3,00,000	2,40,000
Plant & Machinery	1,00,000	40,000
Motor Vehicles	30,000	20,000
Trade Receivables	2,00,000	80,000
Inventory	2,30,000	1,80,000
Bank Balance	80,000	40,000
Goodwill	1,40,000	40,000
<b>Total Assets taken over</b>	<b>10,80,000</b>	<b>6,40,000</b>
Liabilities taken over: Sundry Creditors	2,10,000	1,30,000
6% Debentures	—	1,20,000
Additional Liability for discharge of Debentures (5% Premium)		6,000
<b>Total Liabilities taken over</b>	<b>2,10,000</b>	<b>2,56,000</b>
<b>Net Assets taken over = Purchase Consideration</b>	<b>8,70,000</b>	<b>3,84,000</b>
Number of Shares (Face Value Rs. 10)	<b>87,000</b>	<b>38,400</b>

(4 MARKS)

## 2. Balance Sheet of AB Ltd (after Amalgamation)

Particulars	Note	This Year	Prev. Yr
<b>I EQUITY AND LIABILITIES:</b>			
(1) Shareholders' Funds:			
Share Capital	1	12,54,000	
(2) Non-Current Liabilities:			
Long Term Borrowings - 6% Debentures (1,20,000 + 5% Premium)		1,26,000	
(3) Current Liabilities:			
Trade Payables - (2,10,000 + 1,30,000)		3,40,000	
<b>Total</b>		<b>17,20,000</b>	
<b>II ASSETS</b>			
(1) Non-Current Assets			
(b) Fixed Assets:			
(i) Tangible Assets	2	7,30,000	
(ii) Intangible Assets - Goodwill (1,40,000 + 40,000)		1,80,000	
(2) Current Assets:			
(d) Inventories - (2,30,000 + 1,80,000)		4,10,000	
(e) Trade Receivables - (2,00,000 + 80,000)		2,80,000	
(f) Cash and Cash Equivalents - (80,000 + 40,000)		1,20,000	
<b>Total</b>		<b>17,20,000</b>	

### Note 1: Share Capital

	Particulars	This Year	Prev. Yr
Authorised: .....Equity Shares of..... each			
Issued, Subscribed & Paid up: 1,25,400 Equity Shares of Rs. 10 each (All the above Shares are issued for non-cash consideration as per scheme of amalgamation)	12,54,000		
<b>Total</b>	<b>12,54,000</b>		

### Note 2: Tangible Fixed Assets

Particulars	This Year	Prev. Yr
Freehold Property (3,00,000 + 2,40,000)	5,40,000	
Plant & Machinery (1,00,000 + 40,000)	1,40,000	
Motor Vehicles (30,000 + 20,000)	50,000	
<b>Total</b>	<b>7,30,000</b>	

(6 MARKS)

**3. Journal Entries in the Books of AB Ltd**

<b>S.No.</b>	<b>Particulars</b>	<b>Dr. ( Rs.)</b>	<b>Cr. ( Rs.)</b>
1.	Business Purchase A/c To Liquidator of A Ltd. (Being Purchase Consideration due in respect of takeover of A Ltd)	Dr. 8,70,000	8,70,000
2.	Goodwill A/c Freehold Property A/c Plant and Machinery A/c Motor Vehicle A/c Trade Receivables A/c Inventory A/c Cash at Bank A/c To Sundry Creditors A/c To Business Purchase A/c (Being various Assets and Liabilities recorded upon acquisition)	Dr. 1,40,000 Dr. 3,00,000 Dr. 1,00,000 Dr. 30,000 Dr. 2,00,000 Dr. 2,30,000 Dr. 80,000	2,10,000 8,70,000
3.	Liquidator of A Ltd. A/c To Equity Share Capital A/c (Being 87,000 shares of Rs. 10 each allotted to the Shareholders of A Ltd on amalgamation)	Dr. 8,70,000	8,70,000
1.	Business Purchase A/c To Liquidator of A Ltd. (Being Purchase Consideration due in respect of takeover of B Ltd)	Dr. 3,84,000	3,84,000
2.	Goodwill A/c Freehold Property A/c Plant and Machinery A/c Motor Vehicle A/c Trade Receivables A/c Inventory A/c Cash at Bank A/c To 6% Debentures A/c To Sundry Creditors A/c To Business Purchase A/c (Being various Assets and Liabilities recorded upon acquisition)	Dr. 40,000 Dr. 2,40,000 Dr. 40,000 Dr. 20,000 Dr. 80,000 Dr. 1,80,000 Dr. 40,000	1,26,000 1,30,000 3,84,000
3.	Liquidator of B Ltd. A/c To Equity Share Capital A/c (Being 34,400 shares of Rs. 10 each allotted to the Shareholders of A Ltd on account of amalgamation)	Dr. 3,84,000	3,84,000

**(6\*1=6 MARKS)**

**ANSWER-B**

X will not be liable since he transferred his shares prior to one year preceding the date of winding up. The amount of Rs. 6,000 outstanding on 1st May 2016 will have to be contributed by A, B, C & D in the ratio of number of shares held by them, i.e. in the ratio of 10:15:3:2; thus A will have to contribute Rs. 2,000: B Rs. 3,000, C Rs. 600 and D Rs. 400. Similarly, the further debts incurred between 1st May, 2016 and 1st July 2016, viz. Rs. 1,500 for which A is not liable will be contributed by B, C and D in the ratio of 15:3:2, B will have to contribute Rs. 1,125. C will have to contribute Rs. 255 and D will contribute Rs. 150. The further increase from Rs. 7,500 to Rs. 8,000, viz. Rs. 500 occurring between 1st July and 1st Nov. will be shared by C and D who will be liable for Rs. 300 and Rs. 200 respectively. The increase between 1st Nov. and 1st Feb., is solely the responsibility of D. Against D's liability of Rs. 2,250, he can be called upon to pay Rs. 800, the loss of Rs. 1,450 will have to be suffered by these creditors.

The following statement makes the position clear:

**Statement of Liabilities of B list contributors**

Creditors Outstanding on the date of ceasing to be member	A 1,000 Shares Rs.	B 1,500 Shares Rs.	C 300 Shares Rs.	D 200 Shares Rs.	Amount to be paid to the Creditors Rs.
(1) 6,000	2,000	3,000	600	400	6,000
(2) 1,500	-	1,125	225	150	1,500
(3) 500	-	-	300	200	500
(4) 1,500	-	-	-	1,500	50*
Total (a)	2,000	4,125	1,125	2,250	8,050
(b) maximum liability on shares held	4,000	6,000	1,200	800	
(c) Amount paid (a) or (b) whichever is lower	2,000	4,125	1,125	800	

**(4 MARKS)****ANSWER-4****LEDGER OF BETTER LIMITED****Fixed Assets Account**

	Rs.		Rs.
To Balance b/d	15,00,000	By Realisation A/c (transfer)	15,00,000

**Current Assets Account**

	Rs.		Rs.
To Balance b/d	5,00,000	By Realisation A/c (transfer)	5,00,000

**Liabilities Account**

	Rs.		Rs.
To Realisation A/c	2,00,000	By Balance b/d	2,00,000

**Realisation Account**

	Rs.		Rs.
To Fixed Assets A/c	15,00,000	By Liabilities A/c	2,00,000
“ Current Assets A/c	5,00,000	“ Best Limited(Purchase Consideration)	15,00,000
		“ Shareholders’ A/c (Loss on Realisation)	3,00,000
	<b>20,00,000</b>		<b>20,00,000</b>

**Share Capital Account**

	Rs.		Rs.
To Sundry shareholders A/c - (transfer)	15,00,000	By Balance b/d	10,00,000
		“ Reserves & Surplus A/c (Bonus issue)	5,00,000
	<b>15,00,000</b>		<b>15,00,000</b>

**Reserves & Surplus Account**

	Rs.		Rs.
To Share Capital (Bonus issue)	5,00,000	By Balance b/d	8,00,000
“ Sundry Shareholders	3,00,000		
	<b>8,00,000</b>		<b>8,00,000</b>

**Best Ltd.**

	Rs.		Rs.
To Realisation A/c - Purchase Consideration	15,00,000	By Shares in Best Ltd	15,00,000
	<b>15,00,000</b>		<b>15,00,000</b>

**Shares in Best Ltd.**

	Rs.		Rs.
To Best Ltd.	15,00,000	By Sundry Shareholders A/c	15,00,000

**Sundry Shareholders Account**

	Rs.		Rs.
To Realisation A/c(Loss)	3,00,000	By Share Capital A/c	15,00,000
“ Share in Best Ltd.	15,00,000	“ Reserves & Surplus A/c	3,00,000
	<b>18,00,000</b>		<b>18,00,000</b>

**(6 MARKS)**

**Journal of Best Ltd.**

		Dr. Rs.	Cr. Rs.
<b>20X1</b>			
Apr. 1 Fixed Assets A/c	Dr.	15,00,000	
Current Assets A/c	Dr.	5,00,000	
To Liabilities A/c			2,00,000
To Liquidator of Better Ltd.			15,00,000
To Capital Reserve A/c			3,00,000
(Assets & Liabilities of Better Ltd. taken over for an agreed purchase consideration of Rs. 15,00,000 as per agreement dated....)			
Liquidator of Better Ltd.	Dr.	15,00,000	
To Share Capital A/c			10,00,000
To Securities Premium A/c			5,00,000
(Discharge of Purchase consideration by the issue of equity shares of Rs. 10,00,000 at a premium of Rs. 50 per share as per agreement)			
Trade payables A/c	Dr.	1,00,000	
To Trade receivables A/c			1,00,000
(Amount due from Better Ltd., and included in its creditors taken over, cancelled against own Trade receivables)			
Capital Reserve A/c	Dr.	10,000	
To Current Asset (Stock) A/c			10,000
(Unrealized profit on stock included in current assets of Better Ltd. written off to Reserve Account)			

**(0.5\*4=2 MARKS)**

**Working Note :**

**Calculation of Purchase consideration:**

Issued Capital of Better Ltd. (after bonus issue) at Rs. 100 per share Rs. 15,00,000 Purchase consideration has been discharged by Best Ltd. by the issue of shares for Rs. 10,00,000 at a premium of Rs. 5,00,000. This gives the value of Rs. 150 per share.

**Balance Sheet of Best Ltd. (After absorption)**

Particulars	Notes	Rs.
<b>Equity and Liabilities</b>		
<b>1. Shareholders' funds</b>		
a. Share capital	1	30,00,000

	b. Reserves and Surplus	2	17,90,000
<b>2.</b>	<b>Current liabilities</b>		<b><u>21,00,000</u></b>
	<b>Total</b>		<b><u>68,90,000</u></b>
	<b>Assets</b>		
<b>1.</b>	<b>Non-current assets</b>		
	a. Fixed assets		
	Tangible assets	3	40,00,000
	b. Non-current investments		5,00,000
<b>2.</b>	<b>Current assets</b>		<b><u>23,90,000</u></b>
	<b>Total</b>		<b><u>68,90,000</u></b>

(2 MARKS)

#### Notes to accounts

			Rs.
<b>1.</b>	<b>Share Capital</b>		
	Equity share capital		
	Issued & Subscribed		
	30,000 shares of Rs. 100 (of the above		30,00,000
	10,000 shares have been issued for consideration		
	other than cash)		
	<b>Total</b>		<b><u>30,00,000</u></b>
<b>2.</b>	<b>Reserves and Surplus</b>		
	Capital Reserve (3,00,000 – 10,000)		2,90,000
	Securities Premium		5,00,000
	Other reserves and surplus		<u>10,00,000</u>
	<b>Total</b>		<b><u>17,90,000</u></b>
<b>3.</b>	<b>Tangible assets</b>		
	Fixed Assets	25,00,000	
	Acquired during the year	<u>15,00,000</u>	<u>40,00,000</u>
	<b>Total</b>		<b><u>40,00,000</u></b>