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**INTERMEDIATE M' 19 EXAM**

**SUBJECT- ADVANCED ACCOUNTS**

**Test Code – CIM 8095**

**(Date :)**

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

**Tel : (022) 26836666**

**ANSWER-1****Revenue Account of Kalyan General Insurance Company for the year ended 31.03.2018**

Particulars	Sch.	This Yr	Last Yr
Premium (Net)	1	59,75,000	
Total (A)		59,75,000	

**(1 MARK)**

	Particulars	Sch.	This Yr	Last Yr
1.	Claims Incurred	2	45,26,000	
2.	Commission	3	1,47,000	
3.	Operating Expenses related to Insurance Business (2,30,000 - 45,000 - 35,000)		1,50,000	
	<b>Total (B)</b>		<b>48,23,000</b>	
	<b>Operating Profit / (Loss) from Insurance Business (A - B)</b>		<b>11,52,000</b>	
	<b>Appropriations</b>		<b>NIL</b>	
	<b>Total (C)</b>		<b>11,52,000</b>	

**(2 MARKS)****Schedule 1 - Premium Earned (Net)**

Particulars		This Yr	Last Yr
Add :	Premium from Direct Business Written	65,75,000	
	Premium on Re-Insurance accepted	9,50,000	
Less :	Premium on Re-Insurance ceded	(4,75,000)	
	<b>Net Premium</b>	<b>70,50,000</b>	
Less:	Changes in Unexpired Risk Reserve Provn [Reqd 50% of 70,50,000 - Opg 24,50,000]	(10,75,000)	
	<b>Total Premium Earned (Net)</b>	<b>59,75,000</b>	

**(2.5 MARKS)****Schedule 2 - Claims Paid (Net)**

	Particulars	This Yr	Last Yr
Claims Paid - Direct (Paid 42,50,000 + Legal Exps 45,000 + Surveyor's Fees 35,000)		43,30,000	
Add: Claims paid on Re-Insurance Accepted		5,00,000	
Less: Claims from Re-Insurance Ceded (Received 3,25,000 + Due at end 1,10,000 - Due at opg 65,000)		(3,70,000)	
<b>Net Claims Paid</b>		<b>44,60,000</b>	
Add: Claims Outstanding as on 31.03.2018 (Direct Rs. 7,18,000 + Re-Insurance Rs. 60,000)		7,78,000	
Less: Claims Outstanding as on 01.04.2017 (Direct 6,25,000 + Re-			

Insurance 87,000)		(7,12,000)	
<b>Total Claims Incurred</b>		<b>45,26,000</b>	

(3 MARKS)

**Schedule 3 - Commission**

Particulars	This Yr	Last Yr
Commission Paid	1,50,000	
Add:Re-Insurance Accepted	11,000	
Less: Commission on Re-Insurance ceded	(14,000)	
<b>Net Commission</b>	<b>1,47,000</b>	

(1.5 MARKS)

**ANSWER-2**

**1. Computation of Purchase Consideration (Rs. in Lakhs)**

(2 MARK)

Particulars	Mahima	Nithya	Total
Preference Share Holders	120 Lakhs Shares x Rs. 10 = 1,200	-	1,200
Equity Share Holders	720 Lakhs x Rs. 10 = 7,200	90 Lakhs x Rs. 10 = 900	8,100
<b>Total</b>	<b>8,400</b>	<b>900</b>	<b>9,300</b>

**2. Analysis of Reserves to be incorporated in the books of Sona Ltd (Rs. in Lakhs) (2 MARK)**

	Particulars	Mahima	Nithya
(a)	Purchase Consideration	8,400	900
(b)	Paid Up Capital (Equity + Preference)	4,800	900
(c)	Difference	3,600	-
(d)	Difference adjusted against the Reserves		
	- General Reserve of Mahima Ltd	2,100	-
	- Profit & Loss A/c of Mahima Ltd	780	-
	- Profit & Loss A/c of Sona Ltd (Balance)	720	-

**3. Journal Entries in the Books of Sona Ltd (Rs. in Lakhs)**

**Nature of Amalgamation: Merger Method of Accounting: Pooling of Interest**

S.No.	Particulars	Dr.	Cr.
1.	Business Purchase A/c	Dr. 9,300	
	To Liquidator of Mahima Ltd A/c		8,400
	To Liquidator of Nithya Ltd A/c		900
	(Being purchase of business of Mahima Ltd & Nithya Ltd, and consideration due thereon)		
2.	Plant and Machinery A/c	Dr. 4,215	
	Furniture and Fixtures A/c	Dr. 2,400	

	Stock A/c	Dr.	2,370	
	Sundry Debtors A/c	Dr.	1,044	
	Cash at Bank A/c	Dr.	1,542	
	Profit & Loss A/c (WN 2)	Dr.	720	
	To Business Purchase A/c			8,400
	To Capital Reserve A/c			600
	To Trade Creditors A/c			2,421
	To Provisions A/c			870
	(Being recording of Assets and Liabilities taken over from of Mahima Ltd)			
3.	Plant and Machinery A/c	Dr.	468	
	Furniture and Fixtures A/c	Dr.	183	
	Motor Vehicles A/c	Dr.	51	
	Stock A/c	Dr.	444	
	Sundry Debtors A/c	Dr.	237	
	Cash at Bank A/c	Dr.	240	
	Preliminary Expenses A/c	Dr.	33	
	Debentures Discount A/c	Dr.	6	
	To Business Purchase A/c			900
	To Debenture Holders A/c			300
	To Trade Creditors A/c			369
	To Provisions A/c			93
	(Being recording of Assets and Liabilities taken over from Nithya Ltd)			
4.	Liquidator of Mahima Ltd A/c	Dr.	8,400	
	Liquidator of Nithya Ltd A/c	Dr.	900	
	To Equity Share Capital A/c			8,100
	To 11% Preference Share Capital A/c			1,200
	(Being discharge of Purchase Consideration by allotment of Equity & Preference Shares)			
5.	Profit & Loss A/c	Dr.	6	
	To Bank A/c			6
	(Being payment of Liquidation Expenses of Mahima and Nithya Ltd)			
6.	Debenture Holders A/c	Dr.	300	
	To 8.5% Redeemable Debentures A/c			300
	(Being Allotment of 8.5% Debentures of Sona Ltd to Debenture Holders of Nithya Ltd)			
7.	Preliminary Expenses A/c	Dr.	15	

	To Bank A/c (Being expenses incurred for formation of New Company)		15
8.	Profit & Loss A/c	Dr.	54
	To Preliminary Expenses (33+15)		48
	To Debentures Discount		6
	(Being Preliminary Expenses and Debentures Discount written off)		

**(8\*0.5=4 MARKS)**

**4. Balance Sheet of Sona Ltd as on 31st March (Pooling of Interest / Merger Method)**  
**(Rs. in Lakhs)**

Particulars as at 31st March	Note	This Year	Prev. Yr
<b>I EQUITY AND LIABILITIES:</b>			
(1) Shareholders' Funds:			
(a) Share Capital	1	9,300	
(b) Reserves and Surplus	2	(180)	
(2) Non-Current Liabilities:			
Long Term Borrowings   8.5% Redeemable Debentures (Secured)		300	
(3) Current Liabilities:			
(a) Trade Payables Creditors (2,421 + 369)		2,790	
(b) Short Term Provisions (870 + 93)		963	
<b>Total</b>		<b>13,173</b>	
<b>II ASSETS</b>			
(1) Non-Current Assets			
Fixed Assets: Tangible Assets	3	7,317	
(2) Current Assets:			
(a) Inventories Stock-in-Trade (2,370 + 444)		2,814	
(b) Trade Receivables Debtors (1,044 + 237)		1,281	
(c) Cash and Cash Equivalents Cash & Bank (1,542 + 240 - 15 -6)		1,761	
<b>Total</b>		<b>13,173</b>	

**Note 1: Share Capital**

Particulars	This Year	Prev. Yr
Authorised:...Equity Shares of Rs. 10 each & ..... 11% Preference Shares of Rs. 10 each	15,000	
Issued, Subscribed & Paid up:		
(a) 810 Lakh Equity Shares of Rs. 10 each (All the above Shares were issued for non-cash consideration)	8,100	
(b) 120 Lakh 11% Preference Shares of Rs. 10 each (All the above Shares were issued for non-cash consideration)	1,200	

Total

9,300

**Note 2: Reserves and Surplus**

	Particulars	This Year	Prev. Yr
(a)	Capital Reserve	600	
(b)	Surplus	Profit and Loss A/c (54 + 6 + 720)	(780)
	Total	(180)	

**Note 3: Tangible Fixed Assets**

Particulars	This Year	Prev. Yr
(a) Plant & Machinery (4,215 + 468)	4,683	
(b) Furniture & Fittings (2,400 + 183)	2,583	
(c) Motor Vehicles 4,6832,58351	51	
<b>Total</b>	<b>7,317</b>	

**(7 MARKS)****ANSWER-3**

It is assumed the Nominal Value and Paid Up Value of Equity Shares and Preference Shares are reduced to Rs. 2 and Rs. 75 respectively, with appropriate adjustment in the number of shares, to keep Authorised Capital intact.

**(1 MARK)****1. Journal Entries in the books of Enkan Ltd**

S.No	Particulars	Dr. (Rs.)	Cr. (Rs.)
1.	Equity Share Capital ( Rs. 10) A/c	Dr. 8,00,000	
	To Equity Share Capital ( Rs. 2) A/c		1,60,000
	To Reconstruction A/c		6,40,000
	(Being reduction in value of Equity Shares of Rs. 10 each to Rs. 2 each as per approved scheme of reconstruction dated....)		
2.	6% Preference Share Capital ( Rs. 100) A/c	Dr. 5,00,000	
	To Preference Share Capital ( Rs. 75) A/c		3,75,000
	To Reconstruction A/c		1,25,000
	(Being reduction in value of Preference Shares of Rs. 100 each to Rs. 75 each as per approved scheme of reconstruction dated....)		
3.	Reconstruction A/c	Dr. 30,000	
	To Equity Share Capital ( Rs. 2) A/c		30,000

	(Being waiver of Arrears of Preference Dividend, Rs. 90,000 (5,00,000 x 6% x 4 Years x75% waived) and for the balance Rs. 30,000 (5,00,000 x 6% x 4 Years x 25%) 15,000 Equity Shares of Rs. 2 allotted, as per approved scheme of reconstruction dated....)			
4.	Arrears of Debentures Interest A/c	Dr.	22,500	
	To Cash / Bank A/c			22,500
	(Being payment of Debenture Interest Arrears in cash, as per approved scheme of reconstruction dated...)			
5.	6% Debentures A/c	Dr.	3,00,000	
	To Freehold Property A/c			3,00,000
	(Being transfer of title deed on Freehold Property to Debenture holders of the Company, in part settlement, as per approved scheme of reconstruction dated...)			
6.	Freehold Property A/c [3,50,000 - (5,00,000 - 3,00,000)]	Dr.	1,50,000	
	To Reconstruction A/c			1,50,000
	(Being Revaluation of Freehold Property, as per scheme of reconstrn dated....)			
7.	Bank A/c	Dr.	2,00,000	
	To Investments A/c			1,70,000
	To Reconstruction A/c			30,000
	(Being Sale of Investments as per approved reconstruction scheme of dated....)			
8.	Directors' Loan A/c	Dr.	3,00,000	
	To Equity Share Capital A/c ( Rs. 2 each)			60,000
	To Reconstruction A/c (3,00,000 x 80%)			2,40,000
	(Being Directors' Loan claim settled at 20% by issuing 30,000 Equity Shares of Rs. 2 each and the balance 80% being waived as per approved scheme of reconstruction dated....)			
9.	Reconstruction A/c	Dr.	15,000	
	To Bank A/c			15,000
	(Being payment of Capital Commitment Penalty of Rs. 15,000 (3% of Rs. 5,00,000) as per approved scheme of reconstruction dated....)			
10.	Reconstruction A/c	Dr.	20,000	
	To Bank A/c			20,000
	(Being payment of Reconstruction Expenses Rs. 20,000)			

11.	Reconstruction A/c	Dr.	9,40,000	
	To Stock in Trade A/c			2,00,000
	To Deferred Advertisement Expenditure A/c			1,50,000
	To Debtors A/c (4,50,000 x 50%)			2,25,000
	To Profit and Loss A/c			3,65,000
	(Being writing off of losses and reduction in the value of assets as per approved scheme of reconstruction dated....)			
12.	Reconstruction A/c	Dr.	1,80,000	
	To Capital Reserve A/c			1,80,000
	(Being balance in Reconstruction A/c transferred to Capital Reserve - WN - 1)			

(12\*0.5=6 MARKS)

### 2. Reconstruction A/c

Particulars	Rs.	Particulars	Rs.
To Bank A/c (Expenses of Reconstruction)	20,000	By Equity Share Capital A/c	6,40,000
To Bank A/c (Penalty paid)	15,000	By 9% Preference Share Capital a/c	1,25,000
To Equity Share Capital A/c (for Pref Dvnd)	30,000	By Freehold Property A/c	1,50,000
To Stock in Trade A/c	2,00,000	By Bank A/c (Profit on Sale of Investments)	30,000
To Deferred Advt Expenditure A/c	1,50,000	By Directors' Loan Outstanding	2,40,000
To Debtors A/c	2,25,000		
To Profit and Loss A/c	3,65,000		
To Capital Reserve a/c (balancing figure)	1,80,000		
<b>Total</b>	<b>11,85,000</b>	<b>Total</b>	<b>11,85,000</b>

(2 MARKS)

### 3. Bank Account

Particulars	Rs.	Particulars	Rs.
To Investment A/c	1,70,000	By Debenture Interest	22,500
To Reconstruction A/c - Profit on Sale	30,000	By Reconstruction (Expenses)	20,000
		By Reconstruction (Penalty)	15,000
		By balance c/d (balancing figure)	1,42,500
<b>Total</b>	<b>2,00,000</b>	<b>Total</b>	<b>2,00,000</b>

(2 MARKS)



#### 4. Balance Sheet of Enkan Ltd (after reconstruction) as at 1st April

Particulars as at 31st March	Note	This Year	Prev. Yr
<b>I EQUITY AND LIABILITIES:</b>			
<b>(1) Shareholders' Funds:</b>			
(a) Share Capital	1	6,25,000	
(b) Reserves and Surplus - Capital Reserve (WN 2)		1,80,000	
<b>(2) Non-Current Liabilities:</b>			
Long Term Borrowings - 6% Debentures (Secured against Freehold Property)		75,000	
<b>(3) Current Liabilities:</b>			
Trade Payables - Sundry Creditors		17,500	
<b>Total</b>		<b>8,97,500</b>	
<b>II ASSETS</b>			
<b>(1) Non-Current Assets</b>			
Fixed Assets: Tangible Assets	2	5,30,000	
<b>(2) Current Assets:</b>			
(a) Trade Receivables - Sundry Debtors (Balance 50%)		2,25,000	
(b) Cash and Cash Equivalents (WN 3)		1,42,500	
<b>Total</b>		<b>8,97,500</b>	

(4 MARKS)

#### Note 1: Share Capital

	Particulars	This Year	Prev. Yr
Authorised:	Equity Shares of Rs. 2 each & ....6% Preference Shares of Rs. 75 each		
Issued, Subscribed & Paid up:	1,25,000 Equity Shares of Rs. 2 each 5,000 6% Preference Shares of Rs. 75 each	2,50,000 3,75,000	
	<b>Total</b>	<b>6,25,000</b>	

#### Note 2: Tangible Assets

	Particulars	This Year	Prev. Yr
(a)	Freehold Property (Cost Rs. 2,00,000 revalued under Scheme of Reconstruction)	3,50,000	
(b)	Plant & Machinery	1,80,000	
	<b>Total</b>	<b>5,30,000</b>	

**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.**

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

**Sundry Shareholders Account**

	<b>Rs.</b>		<b>Rs.</b>
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>

**(9\*0.5=4.5 MARKS)**

**Journal of Best Ltd.**

<b>20X1</b>	<b>Dr.</b>	<b>Cr.</b>
	<b>Rs.</b>	<b>Rs.</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)		

**(4\*0.5=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. 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. Non-current assets</b>		
a. Fixed assets		
Tangible assets	3	40,00,000
b. Non-current investments		5,00,000
<b>2. Current assets</b>		<b><u>23,90,000</u></b>
<b>Total</b>		<b><u>68,90,000</u></b>

**Notes to accounts**

		Rs.
<b>1. 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. 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. 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>

(3.5 MARKS)