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SUGGESTED SOLUTION

INTERMEDIATE MAY 2019 EXAM

SUBJECT- ACCOUNT AND ADVANCE ACCOUNT

Test Code - CIM 8092

BRANCH - () (Date :)

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Answer 1:**(i) Calculation of number of shares issued to P Ltd. and Q Ltd.:**

Amount of Share Capital as per balance sheet	Rs.
P Ltd.	6,00,000
Q Ltd.	<u>8,40,000</u>
	<u>14,40,000</u>

Share of P Ltd. = Rs. 14,40,000 x [21,60,000 / (21,60,000 + 14,40,000)]

= Rs. 8,64,000 or 86,400 shares

Securities premium = Rs. 21,60,000 – Rs. 8,64,000 = Rs. 12,96,000

Premium per share = Rs. 12,96,000 / Rs. 86,400 = Rs. 15

Issued 86,400 shares @ Rs. 10 each at a premium of Rs. 15 per share

Share of Q Ltd. = Rs. 14,40,000 x [14,40,000 / (21,60,000 + 14,40,000)]

= Rs. 5,76,000 or 57,600 shares

Securities premium = Rs. 14,40,000 – Rs. 5,76,000 = Rs. 8,64,000

Premium per share = Rs. 8,64,000 / Rs. 57,600 = Rs. 15

Issued 57,600 shares @ Rs. 10 each at a premium of Rs. 15 per share

(ii) Journal Entries in the books of PQ Ltd.

Particulars	Dr. Amount (Rs.)	Cr. Amount (Rs.)
Business purchase account	Dr. 36,00,000	
To Liquidator of P Ltd. account		21,60,000
To Liquidator of Q Ltd. account		14,40,000
(Being the amount of purchase consideration payable to liquidator of P Ltd. and Q Ltd. for assets taken over)		
Goodwill	Dr. 5,40,000	
Fixed assets account	Dr. 7,20,000	
Inventory account	Dr. 3,60,000	
Trade receivables account	Dr. 4,80,000	
Cash at bank	Dr. 3,00,000	
To Trade payables account		2,40,000
To Business purchase account		21,60,000
(Being assets and liabilities of P Ltd. taken over)		
Fixed assets account	Dr. 10,80,000	
Inventory account	Dr. 6,60,000	
Trade receivables account	Dr. 7,80,000	
To bank overdraft account		5,40,000
To Trade payables account		5,40,000
To Business purchase account		14,40,000
(Being assets and liabilities of Q Ltd. taken over)		
Liquidator of P Ltd. Account	Dr. 21,60,000	
To Equity share capital account (86,400 x Rs. 10)		8,64,000

To Securities premium (86,400 x Rs. 15)		12,96,000
(Being the allotment of shares as per agreement for discharge of purchase consideration)		
Liquidator of Q Ltd. account	Dr.	14,40,000
To Equity share capital account (57,600 x Rs. 10)		5,76,000
To Securities premium (57,600 x Rs. 15)		8,64,000
(Being the allotment of shares as per agreement for discharge of purchase consideration)		
Bank A/c	Dr.	18,00,000
To Equity share capital account		7,20,000
To Securities premium		10,80,000
(Equity share capital issued to raise working capital)		

(iii) Balance Sheet of PQ Ltd. on 31st March, 2017 after amalgamation

Particulars		Notes	Rs.
Equity and Liabilities			
1	Shareholders' funds		
	a Share capital	1	21,60,000
	b Reserves and Surplus	2	32,40,000
2	Current liabilities		
	a Trade payables (2,40,000 + 5,40,000)		7,80,000
Total			61,80,000
Assets			
1.	Non-current assets		
	a. Fixed assets		
	Tangible assets (7,20,000 + 10,80,000)		18,00,000
	Intangible assets (goodwill)	4	5,40,000
2.	Current assets		
	a. Inventories (3,60,000 + 6,60,000)		10,20,000
	b. Trade receivables (4,80,000 + 7,80,000)		12,60,000
	c. Cash and cash equivalents		15,60,000
Total			61,80,000

Notes to accounts

		Rs.
1. Share Capital		
Issued, subscribed and paid up share capital		
2,16,000 Equity shares of Rs.10 each		21,60,000
(Out of the above 1,44,000 shares issued for non-cash consideration under scheme of amalgamation)		
2. Reserves and Surplus		

	Securities premium (@Rs. 15 for 2,16,000 shares)	32,40,000
3.	Cash and cash equivalents	
	Cash at Bank	15,60,000
4.	Intangible Assets	
	Goodwill	5,40,000

Working Notes:

1. Calculation of goodwill of P Ltd.

Particulars	Amount Rs.	Weight	Weighted amount Rs.
2014-15	3,00,000	1	3,00,000
2015-16	5,25,000	2	10,50,000
2016-17	6,30,000	3	18,90,000
Total (a+b+c)	14,55,000	6	32,40,000
weighted Average = [Total weighted amount/Total of weight] [Rs. 32,40,000/6]			
Goodwill			5,40,000

2. Calculation of Net assets

	P Ltd. Rs.	Q Ltd. Rs.
Assets		
Goodwill	5,40,000	
Fixed assets	7,20,000	10,80,000
Inventory	3,60,000	6,60,000
Trade receivable	4,80,000	7,80,000
Cash at bank	3,00,000	
Less: Liabilities		
Bank overdraft		5,40,000
Trade payables	2,40,000	5,40,000
Net assets or Purchase consideration	21,60,000	14,40,000

3. New authorized capital

= Rs. 14,40,000 + Rs. 12,00,000 = Rs. 26,40,000

4. Cash and Cash equivalents

	Rs.
P Ltd. Balance	3,00,000
Cash received from Fresh issue (72,000 X Rs. 25)	<u>18,00,000</u>
	21,00,000
Less: Bank Overdraft	<u>5,40,000</u>
	<u>15,60,000*</u>

*The balance of cash and cash equivalents has been shown after setting off overdraft amount.

Answer 2:

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 Sale	(100 x Rs. 100)	10,000	2	150
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

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

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
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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&L-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.

Answer 3:

Statement of Underwriters' Liability (No. of Shares)

Particulars	Anoop	Bhoopal	Chandi	Total
Gross Liability (given) (12 : 5 : 3)	12,000	5,000	3,000	20,000
Less: Marked Applications (given)	(2,000)	(4,000)	(1,000)	(7,000)
Less: Unmarked Applications in the ratio of Gross Liability	(1,800)	(750)	(450)	(3,000)
Less: Firm Underwriting (given)	(1,600)	(600)	(2,000)	(4,200)
Net Balance	6,600	(350)	(450)	5,800
Adjust: Surplus of Bhoopal and Chandi transferred to Anoop	(800)	350	450	-
Balance to be underwritten	5,800	-	-	5,800
Add: Firm Underwriting	1,600	600	2,000	4,200
Total Liability = Shares to be taken up by Underwriters	7,400	600	2,000	10,000

Note: Unmarked Applications = 3,000, i.e. Total Applications 10,000 - Marked Applications (2,000 + 4,000 + 1,000 = 7,000). These are distributed in the ratio of Gross Liability, i.e. 12 : 5 : 3.

Answer 4:

Balance Sheet of Super Fast Express Ltd

as at 1st Jan., 20X2

Particulars	Notes	Rs.
Equity and Liabilities		
1. Shareholders' funds		
a. Share capital	1	30,00,000
b Reserves and Surplus	2	3,60,000

2. Non-current liabilities		
a Long-term provisions	3	1,00,000
3. Current liabilities		
a Trade Payables		1,00,000
Total		35,60,000
Assets		
1. Non-current assets		
a Fixed assets		
Tangible assets	4	25,00,000
Intangible assets	5	1,00,000
2. Current assets		
Inventories		3,40,000
Trade receivables		2,80,000
Cash and cash equivalents	6	3,40,000
Total		35,60,000

Notes to accounts

	Rs.
1. Share Capital	
Equity share capital	
Issued, subscribed and paid up 30,000 Equity shares of Rs. 100 each	30,00,000
Total	30,00,000
2. Reserves and Surplus	
Reserve account	1,00,000
Surplus 1,00,000	
Insurance reserve	1,00,000
Employees profit sharing account	60,000
Total	3,60,000
3. Long-term provisions	
Provident fund	1,00,000
Total	1,00,000
4. Tangible assets	
Buildings	16,00,000
Machinery	9,00,000
Total	25,00,000
5. Intangible assets	
Goodwill	1,00,000
Total	1,00,000
6. Cash and cash equivalents	
Balances with banks	2,30,000

Cash on hand	1,10,000
Total	3,40,000

Answer 5:

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

