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INTERMEDIATE M' 19EXAM

SUBJECT- ACCOUNTS

Test Code - PIN 5042 M

BRANCH - () (Date :)

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ANSWER-1

ANSWER-A

Calculation of total Interest and Interest included in each installment

Hire Purchase Price (HPP) = Down Payment + instalments

= 30,000 + 50,000 + 50,000 + 30,000 + 20,000 = 1,80,000

Total Interest = 1,80,000 – 1,50,000 = 30,000

Computation of IRR (considering two guessed rates of 6% and 12%)

Year	Cash Flow	DF @6%	PV	DF @12 %	PV
0	30,000	1.00	30,000	1.00	30,000
1	50,000	0.94	47,000	0.89	44,500
2	50,000	0.89	44,500	0.80	40,000
3	30,000	0.84	25,200	0.71	21,300
4	20,000	0.79	15,800	0.64	12,800
		NPV	1,62,500	NPV	1,48,600

Interest rate implicit on lease is computed below by interpolation:

Interest rate implicit on lease = 6% + $\frac{162500-150000}{162500-148600} \times (12-6) \quad = \quad 11.39\%$

$$= 6\% + \frac{12500}{13900} \times 6 \quad = 11.39\%$$

Thus repayment schedule and interest would be as under:

Installment no.	Principal at beginning	Interest included in each installment	Gross amount	Installment	Principle at end
Cash down	1,50,000		1,50,000	30,000	1,20,000
1	1,20,000	13,668	1,33,668	50,000	83,668
2	83,668	9,530	93,198	50,000	43,198
3	43,198	4,920	48,118	30,000	18,118
4	18,118	2,064	20,182	20,000	182*
		30,182*			

(5 MARKS)

Ledger Accounts in the books of Happy Valley Florist Ltd.

Van Account

Date	Particulars	Rs.	Date	Particulars	Rs.
1.4.2010	To Ganesh Enterprises	1,50,000	31.03.2011	By Depreciation A/c	15,000
				By Balance c/d	1,35,000
		1,50,000			1,50,000
1.4.2011	To Balance b/d	1,35,000	31.03.2012	By Depreciation A/c	13,500
				By Balance c/d	1,21,500
		1,35,000			1,35,000
1.4.2012	To Balance b/d	1,21,500	31.03.2013	By Depreciation A/c	12,150
				By Balance c/d	1,09,350
		1,21,500			1,21,500
1.4.2013	To Balance b/d	1,09,350	31.03.2014	By Depreciation A/c	10,935
				By Balance c/d	98,415
		1,09,350			1,09,350

(2.5 MARKS)

Ganesh Enterprises Account

Date	Particulars	Rs.	Date	Particulars	Rs.
1.4.2010	To Bank A/c	30,000	1.4.10	By Van A/c	1,50,000
31.03.2011	To Bank A/c	50,000	31.03.11	By Interest c/d	13,668
	To Balance c/d	83,668			
		1,63,668			1,63,668
31.03.2012	To Bank A/c	50,000	1.4.11	By Balance b/d	83,668
	To Balance c/d	43,198	31.03.12	By Interest A/c	9,530
		93,198			93,198
31.3.2013	To Bank A/c	30,000	1.4.12	By Balance b/d	43,198
	To Balance c/d	18,118	31.3.13	By Interest A/c	4,920
		48,118			48,118

31.3.2014	To Bank A/c	20,000	1.4.13 31.3.14	By Balance b/d By Interest A/c	18,118 1,882*
		20,000			20,000

*Balanced due to approximation in interest calculations.

(2.5 MARKS)

ANSWER-B

Journal Entries

		(Rs.) Dr.	(Rs.) Cr.
2006 1 Jan	Bank Dr. To 9% Debenture Applications & Allotment Account (Being application money on 20,000 debentures @ Rs. 100 per debenture received)	20,00,000	20,00,000
	9% Debentures Applications & Allotment Account Dr. To 9% Debentures Account (Being allotment of 20,000 9% Debentures of Rs.100 each at par)	20,00,000	20,00,000
(i) 2008 1 Jan.	9% Debenture Account Dr. Loss on Redemption of Debentures Account Dr. To Bank (Being redemption of 2,000 9% Debentures of Rs.100 each by purchase in the open market @ Rs.101 each)	2,00,000 2,000	2,02,000
” ”	Profit & Loss Account Dr. To Loss on Redemption of Debentures Account (Being loss on redemption of debentures being written off by transfer to Profit and Loss Account)	2,000	2,000
(ii) 2011Jan 1 .	9% Debentures Account Dr. To Sundry Debenture holders (Being Amount payable to debenture holders	6,00,000	6,00,000

	on redemption debentures for Rs.6,00,000 at par by draw of a lot)		
" "	Sundry Debenture holders Dr. To Bank (Being Payment made to sundry debenture holders for redeeming debentures of Rs.6,00,000 at par)	6,00,000	**6,00,000**
(iii) 2012 Jan. 1	Own Debentures Dr. To Bank (Being purchase of own debentures of the face value of Rs.4,00,000 for Rs.3,95,600)	3,95,600	3,95,600
2013 "	9% Debentures Dr. To Own Debentures To Profit on Cancellation of Own Debentures Account (Being Cancellation of own debentures of the face value of Rs.4,00,000 purchased last year for Rs.3,95,600)	4,00,000	3,95,600 4,400
" "	Profit on Cancellation of Own Debentures Account Dr. To Capital Reserve Account (Being transfer of profit on cancellation of own debentures to capital reserve)	4,400	4,400
(iv) 2016Jan. 1	9% Debentures Account Dr. Premium on Redemption of Debentures Account Dr. To Sundry Debenture holders (Being amount payable to holders of debentures of the face value of Rs. 8,00,000 on redemption at a premium of 2% as per resolution of the board of directors)	8,00,000 16,000	8,16,000
" "	Sundry Debenture holders Dr. To Bank Account (Being payment to sundry debenture	8,16,000	8,16,000

	holders)		
” ”	Profit & Loss Account Dr. To Premium on Redemption of Debentures Account (Being utilization of a part of the balance in Securities Premium Account to write off premium paid on redemption of debentures)	16,000	16,000

(10 MARKS)

ANSWER-2

ANSWER-A

1. Investments in 8% Convertible Debentures of C Ltd A/c

Date	Particulars	F.V.	Cost	Int.	Date	Particulars	F.V.	Cost	Int.
1st Apr	To Bank (WN la)	2,00,000	2,16,000	-	30th Sep	By Bank (3,00,000x8%x $\frac{1}{2}$)		-	12,000
1st July	To Bank (WN lb)	1,00,000	1,10,000	2,000	1st Oct	By Bank (WN 2a)	80,000	84,000	-
31st Dec	To P&L A/c - Int tfr			14,033	1st Oct	By Loss on Sale (WN lc)		2,933	-
					1st Dec	By Equity Shares A/c (WN 3)	55,000	59,767	-
					1st Dec				733
					31st Dec	By Accrued Interest (WN 4)			3,300
						By bal. c/d (WN 3)	1,65,000	1,79,300	
	Total	**3,00,000**	**3,26,000**	**16,033**		**Total**	**3,00,000**	**3,26,000**	**16,033**

(3 MARKS)

2. Investments in Equity Share of C Ltd A/c

Date	Particulars	Qty	Cost	Date	Particulars	Qty	Div	Cost
1st Dec	To Debentures A/c (5,000 ES x Rs. 10)	5000	59,767	31st Dec	By balance c/d	5000		59,767
	Total	**5000**	**59,767**		**Total**	**5000**		**59,767**

(1 MARK)

Working Notes: **(6 MARKS)**

1. Cost of Debentures:

(a) Purchased on 1st April = Rs. 2,00,000 x $\frac{108}{100}$ = Rs. 2,16,000

(b) Purchased on 1st July:

Total Amount = Rs. 1,00,000 x $\frac{112}{100}$ = Rs. 1,12,000

Interest = Rs. 1,00,000 x 8% x $\frac{3}{12}$ = Rs. 2,000 (for 1st April to 30th June)

So, Cost = 1,12,000 - 2,000 = Rs.1,10,000

2. Sale of Debenture on 1st October

(a) Sale Proceeds = Rs. 80,000 x $\frac{105}{100}$ = Rs. 84,000

(b) Average Cost of Rs. 80,000 Debentures = $\frac{2,16,000+1,10,000}{3,00,000}$ x 80,000 = Rs. 86,933

(c) Loss on Sale = Rs. 86,933 - Rs. 84,000 = Rs. 2,933

3. Conversion into Equity & Balance Sheet Valuation

Note: Cost of Debentures held before conversion = Rs. 3,26,000 - 86,933 = Rs. 2,39,067

Particulars	Cost	Market Value at Year End	B/S Value
25% Converted into Shares	2,39,067 x25% = 59,767	5,000 Shares x Rs. 15 = 75,000	Rs. 59,767
75% held as Debentures	2,39,067x 75% = Rs. 1,79,300	Rs. 2,20,000 Debx75%x $\frac{110}{100}$ =Rs.1,81,500	Rs.1,79,300

4. Accrued Interest on the date 25% Conversion for Oct & Nov = Rs. 2,20,000 Deb x 25% x 8% x $\frac{2}{12}$ = Rs. 733.

5. Accrued Interest on the B/s date for Oct, Nov & Dec = Rs. 2,20,000 Deb x 75% x 8% x $\frac{3}{12}$ = Rs. 3,300.

ANSWER-B

1. Trading Account for the year ended 31st December 2017 (to compute Normal GP Rate)

Particulars	Normal	Abnormal	Total	Particulars	Normal	Abnorml	Total
To Opening Stk	1,47,000	-	1,47,000	By Sales	9,74,000	-	9,74,000
To Purchases	(b/f) 7,82,200	13,800	7,96,000	By Closing Stock	(b/f) 1,50,000	9,200	1,59,200
To GP (b/f)	1,94,800	-	1,94,800	By Abn Item w/off	-	4,600	4,600
Total	**11,24,000**	**13,800**	**11,37,800**	**Total**	**11,24,000**	**13,800**	**11,37,800**

Normal Gross Profit Ratio = $\frac{\text{Gross Profit}}{\text{Sales}} = \frac{\text{Rs.}1{,}94{,}800}{\text{Rs.}9{,}74{,}000} = 20\%$

Note:

- Normal Value of Purchases, and Normal Value of Closing Stock are derived as balancing figures from respective Rows.
- Normal GP and Amt written off on Abnormal Item are derived as balancing figure from the respective Columns.

(5 MARKS)

Dr. 2. Memorandum Trading Account (1st Jan 2018 to 31st Mar 2018) Cr.

Particulars		**Rs.**	**Particulars**		**Rs.**
To Opening Stock	1,59,200		By Sales	4,62,400	
Less : Abnormal Item	(9,200)	1,50,000	Less : Abnormal item (6,900 – 500)	(6,400)	4,56,000
To Purchases		3,24,000	By Stock on the date of fire (balancing figure)		1,09,200
To Gross Profit = 20% on Sales		91,200			
Total		**5,65,200**	**Total**		**5,65,200**

(2 MARKS)

3. **Statement of Insurance Claim**

	Particulars	Rs.
	Value of Normal Stock (WN 2)	1,09,200
Add:	Value of Abnormal Stock (at Original Cost as given) [13,800 - 6,900]	6,900
	Total Value of Stock on 1st Apr 2018	1,16,100
Less :	Salvaged Stock	(11,600)
	Net Loss of Stock	**1,04,500**
	Admissible Claim = Net Claim x $\frac{\text{Policy Amount}}{\text{Value of Stock Lost}} = Rs.1,04,500 \text{ x } \frac{Rs.1,00,000}{Rs.1,16,100}$	
		90,009

(3 MARKS)

ANSWER-3

ANSWER-A

Cash Flow Statement for the year ended 31st March

Particulars		Rs. Millions	Rs. Millions
A.	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Net Income	3.30	
Add:	Depreciation &Amortisations	0.75	
	Loss on Sale of Assets	1.20	
Less:	Increase in Accounts Receivable	(1.50)	
	Net Cash Flow from / (used in) Operating Activities [A]		**3.75**
B.	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Capital Expenditure	(9.90)	
	Proceeds from Sale of Fixed Assets	1.60	
	Net Cash Flow from / (used in) Investing Activities [B]		**(8.30)**
C.	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Additional Shares issued	6.50	
	Dividend declared (assumed as Dividend Paid during the year)	(0.50)	
	Redemption of Debentures	(2.50)	
	Net Cash Flow from / (used in) Financing Activities [C]		**3.50**
D.	Net Increase / (Decrease) in Cash and Cash Equivalents [A + B + C]		(1.05)
E.	Opening Balance of Cash and Cash Equivalents		1.55
F.	Closing Balance of Cash and Cash Equivalents		0.50

Note: It is assumed that 4.5% Debentures is the only Debt of the Company and is redeemed at the beginning of the reporting period. Hence, Interest Expense on Debt is not considered.

(5 MARKS)

ANSWER-B

A. Trading and Profit and Loss Account for the year ended 31st March

Particulars	Rs.	Particulars		Rs.
To Opening Stock	89,500	By Sales – Cash Sales given	5,09,800	
To Purchases – Credit	4,13,500	- Credit Sales (WN 3)	2,31,900	7,41,700
To Gross Profit c/d (bal.fig.)	3,34,100	By Closing Stock		95,400
Total	**8,37,100**	**Total**		**8,37,100**
To Depreciation		By Gross Profit b/d		3,34,100
- Furniture	4,800			
- Computer	2,430			
- Mobile Phone	2,000			
To Provision for Bad Debts (6,50,000 x 5%)	3,250			
To Salaries (WN 7)	99,300			
To Rent (WN 7)	72,000			
To Insurance (WN 8)	9,900			
To Stationery (WN 8)	1,450			
To Mobile Phone Expenses	9,000			
To Net Profit (Bal.fig.)	1,29,970			
Total	**3,34,100**	**Total**		**3,34,100**

(5 MARKS)

B. Balance Sheet as on 31st March

Capital and Liabilities		Rs.	Properties and Assets		Rs.
Capital			Non-Current Assets :		
Opening Balance	1,97,430		Furniture : 96,000 less 5% Depreciation 4,800		91,200
Add : Net Profits	1,29,970		Computer : 24,300 less : 10% Depreciation 2,430		21,870
Less : Drawings	(1,20,000)	2,07,400	Mobile Phone : 8,000 less 10% Depreciation 2,000		6,000
Current Liabilities :			Current Assets :		
Outstanding Expenses			Stock		95,400
Salaries	8,300		Sundry Debtors	65,000	

Rent	6,000	14,300	Less : Provision at 5%	3,250	61,750
Bills Payable		26,500	Bills Receivable		20,000
Sundry Creditors		76,000	unexpired Insurance		2,500
			Stock of Stationery		250
			Cash in Hand		7,230
			Cash at Bank		18,000
Total		**3,24,200**	**Total**		**3,24,200**

(5 MARKS)

Working Notes: **1. Bank Account (To compute Cash Deposited into Bank)**

Particulars	**Rs.**	**Particulars**	**Rs.**
To Cash (bal. fig.)	22,270	By balance b/d (Overdraft Balance b/d)	4,270
		By balance c/d (Closing Balance given)	18,000
Total	**22,270**	**Total**	**22,270**

2.Bills Receivable Account (To compute B/R accepted by Debtors)

Particulars	**Rs.**	**Particulars**	**Rs.**
To balance b/d	15,000	By Cash	65,000
To Debtors (bal. fig.) B/R received	70,000	By balance c/d	20,000
Total	**85,000**	**Total**	**85,000**

3.Sundry Debtors Account (To compute Credit Sales)

Particulars	**Rs.**	**Particulars**	**Rs.**
To balance b/d	55,000	By Bills Receivable (from WN 2)	70,000
To Sales (bal. fig.) Credit Sales	2,31,900	By Cash	1,51,900
		By balance c/d	65,000
Total	**2,86,900**	**Total**	**2,86,900**

4.Bills Payable Account (To compute B/P accepted and given to Creditors)

Particulars	**Rs.**	**Particulars**	**Rs.**
To Cash	80,000	By balance b/d	22,500
To balance c/d	26,500	By Creditors (bal. fig.) - B/P accepted	84,000
Total	**1,06,500**	**Total**	**1,06,500**

5.Sundry Creditors Account (To compute Credit Purchases)

Particulars	**Rs.**	**Particulars**	**Rs.**
To Cash	3,06,000	By balance b/d	52,500
To Bills Payable (from WN 4)	84,000	By Purchases (Bal. Fig.)	4,13,500
To balance c/d	76,000		
Total	**4,66,000**	**Total**	**4,66,000**

6.Cash Account

Particulars	Rs.	Particulars	Rs.
To balance b/d	300	By Creditors	3,06,000
To Sales	5,09,800	By Bills Payable	80,000
To Sundry Debtors	1,51,900	By Salaries	99,000
To Bills Receivable	65,000	By Rent	72,000
		By Insurance Premium	10,000
		By Stationery	1,500
		By Mobile Phone Expenses	9,000
		By Drawings	1,20,000
		By Bank (bal. fig.) (to match with WN 1)	22,270
		By balance c/d	7,230
Total	**7,27,000**	**Total**	**7,27,000**

7. Rent / Salary, i.e. Expenses Outstanding Account (To compute Expense Recognised for the year)

Particulars	Rent	Salary	Particulars	Rent	Salary
To Cash	72,000	99,000	By balance b/d	6,000	8,000
To balance c/d	6,000	8,300	By P&L (bal. fig.)	72,000	99,300
Total	**78,000**	**1,07,300**	**Total**	**78,000**	**1,07,300**

8. Insurance and Stationery Expense Account

(To compute Expense Recognised for the year)

Particulars	Insurance	Stationery	Particulars	Insurance	Stationery
To balance b/d	2,400	200	By P& L (bal. fig.)	9,900	1,450
To Cash	10,000	1,500	By balance c/d	2,500	250
Total	**12,400**	**1,700**	**Total**	**12,400**	**1,700**

(5 MARKS)

ANSWER-4

ANSWER-A

MA (P) Ltd.

Statement showing calculation of profit/losses for pre and post incorporation periods

	Basis of allocation	Pre-inc.Rs.	Post-inc.Rs.
Sales	Sales ratio	26,00,000	2,08,00,000
Less: Cost of goods sold	Sales ratio	18,20,000	1,45,60,000
=Gross Profit		**7,80,000**	**62,40,000**
Salaries	W.N.4	90,000	10,80,000

Depreciation	Time ratio	36,000	1,44,000
Advertisement	Sales ratio	78,000	6,24,000
Discounts	Sales ratio	1,30,000	10,40,000
M.D.'s remuneration	Post-inc	—	90,000
Misc. Office Expenses	Time ratio	24,000	96,000
Rent	W.N.5	90,000	6,30,000
Interest	Time ratio	3,51,000	6,00,000
Goodwill		19,000	-
Net Profit		-	19,36,000

(6 MARKS)

Working Notes: **(4 MARKS)**

(1) Calculation of Sales ratio:

Let the average sales per month in pre-incorporation period be x. Then the average sales in post-incorporation period are 2x. Thus total sales are (3 × x) +(12 × 2x) or 27x. Ratio of sales will be 3x : 24x or 1:8.

Time ratio is 3 months : 12 months or 1:4

(2) Expenses apportioned on turnover ratio basis are cost of goods sold, advertisement, discounts.

(3) Expenses apportioned on time ratio basis are Depreciation, and misc. office expenses.

(4) Ratio for apportionment of Salaries:

If pre-incorporation monthly average is x, for 3 months 3x.

Average for balance 12 months 3x, for 12 months 36x.

Hence ratio for division, 1:12.

(5) Apportionment of Rent:

		Rs.
Total Rent		7,20,000
Additional rent for 9 months (From 1st July 20X2 to31st March, 20X3)	(2,70,000)	
Rent for old premises for 15 months at Rs. 30,000 p.m.		4,50,000

	Pre-inc.	**Post-inc.**
Old Premises	90,000	3,60,000
Additional rent	___	2,70,000
	90,000	6,30,000

ANSWER-B

In the books of Meera Investment Account (Shares in Kumar Limited)

Date	Particulars	No. of Shares	Income	Amount	Date	Particulars	No. of Shares	Income	Amount
2017			Rs.	Rs.	2017			Rs.	Rs.
April 1	To Bank (Purchases)	40,000	-	60,000	May	By Bank (Sale)	8,000	-	15,200
May	To Profit & Loss A/c (W.N.1)	-	-	3,200					
June	To Bonus Issue	8,000	-	Nil	2018				
July	To Bank (@ 75 p. paid on 4,000 shares)	4,000	-	3,000	Mar. 15	By Bank (Dividend @ 15% on Rs. 32,000)		4,800	-
Sept.	To Bank (@ 75 p. paid on 4,000 shares)	-	-	3,000	Mar. 30	By Bank (Sale)	20,000	-	28,000
2018 Mar. 31	To Profit & Loss A/c (W.N.2)			3,455	Mar. 31	By Balance c/d $\left(\frac{24000}{44000} \times 54000\right)$	24,000	-	29,455
	To Profit & Loss A/c	-	4,800						
		52,000	4,800	72,655			52,000	4,800	72,655

(7 MARKS)

Working Notes:

(1)	**Profit on Sale on 15-5-2017:**		
	Cost of 8,000 shares @ Rs.1.50	Rs. 12,000	
	Less: Sales price	Rs. 15,200	
	Profit		Rs. 3,200
(2)	**Cost of 20,000 shares sold:**		
	Cost of 44,000 shares (48,000 + 6,000)		Rs. 54,000
	Cost of 20,000 shares $\left(\frac{Rs.54000}{44000\ shares} \times 20000\ shares\right)$		Rs. 24,545
	Profit on sale of 20,000 shares (Rs. 28,000 – Rs. 24,545)		Rs. 3,455

(3 MARKS)

ANSWER-5

1. Statement of Distribution of Cash under Maximum Loss Method (inRs.)

	Particulars	Realisation	Creditors	Amar's Loan	Amar	Akbar	Antony	Total
	Balance available / Due	-	80,000	20,000	1,00,000	30,000	90,000	3,20,000
Add:	Cash Realised (15th April)	60,000	-	-	-	-	-	-
Less:	Creditors Paid	(60,000)	(60,000)	-	-	-	-	(60,000)
	Balance available/Due	Nil	20,000	20,000	1,00,000	30,000	90,000	2,60,000
Add:	Cash realised (1st May)	1,46,000	-	-	-	-	-	-
Less:	Creditors/Partner's Loan	(40,000)	(20,000)	(20,000)	-	-	-	(40,000)
	Balance Available/Due	1,06,000	-	-	1,00,000	30,000	90,000	2,20,000
Less:	Maximum Possible Loss (Capital Rs.2,20,000 – Cash Available Rs.1,06,000) allocated in PSR of 5:2:2	-	-	-	(63,333)	(25,333)	(25,334)	(1,14,000)
	Loss to be borne by partners	-	-	-	36,667	4,667	64,666	1,06,000
	Cash paid to partners	-	-	-	36,667	4,667	64,666	1,06,000
	Balance Due/Available (Bal. before adjusting	-	-	-	63,333	25,333	25,334	1,14,000

	Max. Loss less cash paid							
Add:	Cash realised (31st May)	94,000	-	-	-	-	-	-
	Balance Available / Due	-	-	-	63,333	25,333	25,334	1,14,000
	Maximum possible loss (Capital Rs.1,14,000 – Cash available Rs.94,000) allocated in PSR of 5:2:2	-	-	-	(11,111)	(4,445)	(4,444)	(20,000)
	Balance Due	-	-	-	52,222	20,889	20,889	94,000
Less:	Cash Paid	-	-	-	(52,222)	(20,889)	(20,889)	(94,000)
	Balance due / loss to be borne	-	-	-	-	-	-	-

(15 MARKS)

2. Partners' Capital Account

Particulars	Amar	Akbar	Antony	Particulars	Amar	Akbar	Antony
To Realisation (Loss)	11,111	4,445	4,444	By balance b/d	1,00,000	30,000	90,000
To Bank	88,889	25,555	85,556				
Total	**1,00,000**	**30,000**	**90,000**	**Total**	**1,00,000**	**30,000**	**90,000**

(2 MARKS)

3. Cash / Bank Account

Receipts	Rs.	Payments	Rs.
To Realisation A/c		By Sundry Creditors	60,000
- Assets realised on April 15th	60,000	By Sundry Creditors	20,000
- Assets realised on May 1st	1,46,000	By Amar's Loan	20,000
- Assets realised on May 31st	94,000	By Amar's Capital	36,667
		By Akbar's Capital	4,667
		By Antony's Capital	64,666
		By Amar's Capital	52,222
		By Akbar's Capital	20,889
		By Antony's Capital	20,889
Total	**3,00,000**	**Total**	**3,00,000**

(3 MARKS)

ANSWER-6

ANSWER-A

In the books of C Limited

Journal Entries

Date	Particulars		Dr. (Rs.)	Cr. (Rs.)
	Bank A/c	Dr.	2,50,000	
	To Equity Share Capital A/c			2,50,000
	(Being the issue of 25,000 equity shares of Rs. 10 each at par as per Board's resolution No……dated…..)			
	Bank A/c	Dr.	1,00,000	
	To 14% Debenture A/c			1,00,000
	(Being the issue of 1,000 Debentures of Rs. 100 each as per Board's Resolution No…..dated……)			
	12% Redeemable Preference Share Capital A/c	Dr.	3,00,000	
	Premium on Redemption of Preference Shares A/c	Dr.	30,000	
	To Preference Shareholders A/c			3,30,000
	(Being the amount payable on redemption transferred to Preference Shareholders Account)			
	Preference Shareholders A/c	Dr.	3,30,000	
	To Bank A/c			3,30,000
	(Being the amount paid on redemption of preference shares)			
	Profit & Loss A/c	Dr.	30,000	
	To Premium on Redemption of Preference Shares A/c			30,000
	(Being the adjustment of premium on redemption against Profits & Loss Account)			
	Profit & Loss	Dr.	50,000	
	To Capital Redemption Reserve A/c			50,000
	(Being the amount transferred to Capital Redemption Reserve Account as per the requirement of the Act)			

(5 MARKS)

Working Note:

Amount to be transferred to Capital Redemption Reserve Account

Face value of shares to be redeemed	Rs. 3,00,000
Less: Proceeds from new issue	(Rs. 2,50,000)
Total Balance	Rs.50,000

ANSWER-B

Ex – right value of the shares = (Cum – right value of the existing shares + Rights shares × Issue Price) / (Existing Number of shares + Number of Right shares)

= (Rs. 360 × 2 Shares + Rs. 180 × 1 Share) / (2 + 1) Shares

= Rs. 900 / 3 shares = Rs. 300 per share.

Value of right = Cum – right value of the share – Ex – right value of the share

= Rs. 360 – Rs. 300 = Rs. 60 per share.

Hence, any one desirous of having a confirmed allotment of one share from the company at Rs. 180 will have to pay Rs. 120 (2 shares × Rs. 60) to an existing shareholder holding 2 shares and willing to renounce his right of buying one share in favour of that person.

(5 MARKS)

ANSWER-C

The Framework for Recognition and Presentation of Financial statements recognizes four alternative measurement bases for the purpose of determining the value at which an element can be recognized in the balance sheet or statement of profit and loss. These bases are: (i)Historical Cost; (ii)Current cost (iii) Realizable (Settlement) Value and (iv) Present Value.

A brief explanation of each measurement basis is as follows:

1. **Historical Cost:** Historical cost means acquisition price. According to this, assets are recorded at an amount of cash or cash equivalent paid or the fair value of the asset at the time of acquisition. Liabilities are generally recorded at the amount of proceeds received in exchange for the obligation.
2. **Current Cost:** Current cost gives an alternative measurement basis. Assets are carried out at the amount of cash or cash equivalent that would have to be paid if the same or an equivalent asset was acquired currently. Liabilities are carried at the undiscounted amount of cash or cash equivalents that would be required to settle the obligation currently.
3. **Realizable (Settlement) Value:** As per realizable value, assets are carried at the amount of cash or cash equivalents that could currently be obtained by selling the assets in *an orderly disposal*. Liabilities are carried at their settlement values; i.e. the undiscounted amount of cash or cash equivalents paid to satisfy the liabilities in the normal course of business.

4. **Present Value:** Under present value convention, assets are carried at present value of future net cash flows generated by the concerned assets in the normal course of business. Liabilities under this convention are carried at present value of future net cash flows that are expected to be required to settle the liability in the normal course of business.

(5 MARKS)

ANSWER-D

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 = 22222.22 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.

(5 MARKS)