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INTERMEDIATE M'19 EXAM

SUBJECT- ADVANCED ACCOUNTS

Test Code - PIN 5064

BRANCH - () (Date :)

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ANSWER-1

ANSWER-A

As per AS 19 "Leases", the lessee should recognize the lease as an asset and a liability at the inception of a finance lease. Such recognition should be at an amount equal to the fair value of the leased asset at the inception of lease. However, if the fair value of the leased asset exceeds the present value of minimum lease payment from the standpoint of the lessee, the amount recorded as an asset and liability should be the present value of minimum lease payments from the standpoint of the lessee.

Value of machinery

In the given case, fair value of the machinery is Rs. 10,00,000 and the net present value of minimum lease payments is Rs. 10,01,497 (Refer working Note). As the present value of the machine is more than the fair value of the machine, the machine and the corresponding liability will be recorded at fair value of Rs. 10,00,000.

Calculation of finance charges for each year

Year	Finance charge (Rs.)	Payment (Rs.)	Reduction in outstanding liability (Rs.)	Outstanding Liability (Rs.)
1st year beginning	-	-	-	10,00,000
End on 1st Year	1,60,000	3,50,000	1,90,000	8,10,000
End on 2nd Year	1,29,600	3,50,000	2,20,400	5,889,600
End of 3rd Year	94,336	3,50,000	2,55,664	3,33,936
End of 4th year	53,430	3,50,000	2,96,570	37,366*

*The difference between this figure and guaranteed residual value is due to rounding off.

Working Note :

Present value of minimum lease payments

Annual lease rental × PV factor Rs. 3,50,000 × (0.8621 + 0.7432 + 0.6407 + 0.5523) Present value of guaranteed residual value Rs. 40,000 × (0.5523)	 Rs. 9,79,405 Rs. 22,092
	Rs. 10,01,497

(5 MARKS)

ANSWER-B

		Year 2015 – 16	Year 2016 – 17
		Rs.	**(Rs.)**
(i)	EPS for the year 2015 – 16 as originally reported = Net profit for the year attributable to equity share holder /weighted average number of equity shares outstanding during the year Rs. 35,00,000/ 15,00,000 shares	2.33	
(ii)	EPS for the year 2015 – 16 restated for the right issue Rs. 35,00,000/15,00,000 shares × 1.08	2.16	
(iii)	EPS for the year 2016 – 17 (including effect of right issue) Rs. 45,00,000/ [(15,00,000 × 1.08 × 4/12) + (20,00,000 × 8/12)]		2.40

Working Notes :

1. Computation of theoretical ex – rights fair value per share =

$$\frac{Fair\ valu\ eof\ all\ outstanding\ shares\ immediately\ prior\ to\ exercise\ of\ rights +\ total\ amount\ received\ from\ exercise}{Number\ of\ shares\ outstanding\ prior\ to\ exercise + number\ of\ shares\ issued\ in\ the\ exercise}$$

[(Rs. 35 × 15,00,000) + (Rs. 25 × 5,00,000)]/(15,00,000 + 5,00,000) = Rs. 32.5

2. Computation of adjustment factor

$$\frac{Fair\ value\ per\ share\ prior\ to\ exercise\ of\ rights}{Theoretical\ ex - rights\ value\ per\ share}$$

= Rs. 35/32.50 = 1.08 (approx.)

(5 MARKS)

ANSWER-C

	Rs. In crore
Cost of construction of bridge incurred upto 31.3.18	4.00
Add : Estimated future cost	6.00
Total estimated cost of construction	10.00
Contract Price (12 Crore × 1.05)	12.60 crore

Stage of completion

Percentage of completion till date to total estimated cost of construction

= (4/10) × 100 = 40%

Revenue and Profit to be recognized for the year ended 31st March, 2018 as per AS 7

Proportion of total contract value recognized as revenue = Contract price × percentage of completion

= Rs. 12.60 crore × 40% = Rs. 5.04 crore

Profit for the year ended 31st March 2018 = Rs. 5.04 crore less Rs. 4 crore = 1.04 crore

(5 MARKS)

ANSWER-D

Desire Limited amortized Rs. 20,00,000 per annum for the first two years i.e. Rs. 40,00,000. The remaining carrying cost can be amortized during next 5 years on the basis of net cash flows arising from the sale of the product. The amortization may be found as follows :

Year	Net Cash flows (Rs.)	Amortization Ratio	Amortization Amt. Rs.
I	-	0.200	20,00,000
II	-	0.200	20,00,000
III	45,00,000	0.225	13,50,000
IV	42,00,000	0.21	12,60,000
V	40,00,000	0.20	12,00,000
VI	38,00,000	0.19	11,40,000
VII	35,00,000	0.175	10,50,000
Total	2,00,00,000	1.000	1,00,00,000

It may be seen from above that from third year onwards, the balance of carrying amount i.e., Rs. 60,00,000 has been amortized in the ratio of net cash flows arising from the product of Desire Ltd.

(5 MARKS)

ANSWER-2

ANSWER-A

(i) Computation of total liability of underwriters in shares

	(In shares)			
	Amit	**Sumi**	**Lalit**	**Total**
Gross liability	1,20,000	50,000	30,000	2,00,000
Less : marked applications				
(excluding firm underwriting)	(80,000)	(35,000)	(24,800)	(1,39,800)
	40,000	15,000	5,200	60,200
Less : Unmarked applications in the ratio of gross liabilities of 12 : 5 : 3 (excluding firm underwriting)	(15,000)	(6,250)	(3,750)	(25,000)
Less : Firm underwriting	(10,000)	(6,000)	(4,000)	(20,000)
	15,000	2,750	(2,550)	15,200
Less : Surplus of Lalit adjusted by Amit and Sumit in 12 : 5	(1,800)	(750)	2,500	-
Net Liability	13,200	2,000	-	15,200
Add : Firm underwriting	10,000	6,000	4,000	20,000
Total liability	23,200	8,000	4,000	35,200

(5 MARKS)

(ii) Calculation of amount payable to or due from underwriters

	Amit	Sumit	Lalit	Total
Total Liability in shares	23,200	8,000	4,000	35,200
Amount receivable @ Rs. 30 from underwriter (in Rs.)	6,96,000	2,40,000	1,20,000	10,56,000
Less : Underwriting Commission payable @ 5% of Rs. 30 (in Rs.)	(1,80,000)	(75,000)	(45,000)	(3,00,000)
Net amount receivable (in Rs.)	5,16,000	1,65,000	75,000	7,56,000

(2 MARKS)

(iii) Journal Entries in the books of the company (relating to underwriting)

			Rs.	Rs.
1.	Amit	Dr.	6,96,000	-
	Sumit	Dr.	2,40,000	
	Lalit	Dr.	1,20,000	
	To share Capital A/c.			3,52,000
	To Securities Premium A/c.			7,04,000
	(Being allotment of shares to underwriters)			
2.	Underwriting commission A/c.	Dr.	3,00,000	
	To Amit			1,80,000
	To Sumit			75,000
	To Lalit			45,000
	(Being amount of underwriting commission payable)			
3.	Bank A/c.	Dr.	7,56,000	
	To Amit			5,16,000
	To Sumit			1,65,000
	To Lalit			75,000
	(Being net amount received by underwriters for shares allotted less underwriting commission)			

(3*1 = 3 MARKS)

ANSWER-B

Journal Entries in the books of Pee Limited

	Particulars		Dr.	Cr.
a)	Bank Account	Dr.	25,00,000	
	Profit and Loss Account		5,00,000	
	To Investment Account			30,00,000
	(Being the investments sold at loss for the purpose of buy back)			

b)	Equity Share Capital account Premium payable on buy back Account To Equity shares buy back Account (Being the amount due on buy back)	Dr. Dr.	4,80,000 24,00,000	 28,80,000
c)	Securities Premium Account To premium Payable on buy back Account (Being the premium payable on buy back adjusted against securities premium account)	Dr.	24,00,000	 24,00,000
d)	Revenue Reserve Account To Capital Redemption Reserve Account (Being the amount equal to nominal value of equity shares bought back out of free reserves transferred to capital redemption reserve account (4,80,000 – 3,00,000)	Dr.	1,80,000	 1,80,000
e)	Equity shares buy – back Account To Bank Account (Being the payment made on buy back)	Dr.	28,80,000	 28,80,000

(5*1 = 5 MARKS)

Balance Sheet of Pee Limited as on 1st April, 2017

(After buy back of shares)

Particulars	**Note No**	**(Rs.)**
I. Equity and Liabilities		
(1) Shareholder's Funds		
(a) Share Capital	1	22,20,000
(b) Reserves and Surplus	2	68,00,000
(2) Current Liabilities		16,00,000
Total		1,06,20,000
II. Assets		
(1) Non – current assets		
(a) Fixed assets		79,00,000
(2) Current Assets		30,20,000
Total		1,06,20,000

Notes to Accounts

			Rs.
1.	**Share Capital**		
	Authorised capital :		30,00,000
	Issued and subscribed capital:		
	1,92,000 Equity shares of Rs. 10 each fully paid up	19,20,000	
	3,000 10% Preference shares of Rs.100 each fully paid up	3,00,000	22,20,000
	Reconciliation of share capital		
	Opening no. of shares	2,40,000	
	Buy back of shares during the year	48,000	1,92,000
	During the year the company has buy back of 48,000 shares		
2.	**Reserve and Surplus**		
	Capital reserve	10,00,000	
	Capital redemption reserve	1,80,000	
	Securities Premium 27,00,000		
	Less : Premium payable on buy back of shares 24,00,000	3,00,000	
	Revenue Reserve 25,00,000		
	Less : Transfer to Capital redemption reserve 1,80,000	23,20,000	
	Profit and Loss A/c. 35,00,000		
	Less : Loss on investment 5,00,000	30,00,000	68,00,000

(5 MARKS)

ANSWER-3

ANSWER-A

Statement of Liabilities of B list contributors (showing the amount realized)

Creditors Outstanding on the date of ceasing to be member	P 1,500 Shares Rs.	D 2,000 Shares Rs.	B 700 Shares Rs.	S 300 Shares Rs.	Amount to be paid to the creditors Rs.
a) 9,000	3,000	4,000	1,400	600	9,000
b) 3,000	-	2,000	700	300	3,000
c) 1,500	-	-	1,050	450	1,500
d) 1,000	-	-	-	1,000	150
Total (a)	3,000	6,000	3,150	2,350	
(b) maximum liability on shares held	7,500	10,000	3,500	1,500	
(c) Amount to be realized (a) or					

(b)					
Whichever is lower	3,000	6,000	3,150	1,500	

(4 MARKS)

Working Notes :

1. C will not be liable since he transferred his shares prior to one year preceding the date of winding up.
2. P will not be responsible for further debts incurred after 01.01.2017 (from the date when he ceases to be a member). Similarly, D & B will not be liable for the debts incurred after the date of their transfer of shares.
3. The increase between 1st August 2017 and 15th September 2017, is solely the responsibility of S. Liability of S has been restricted to the maximum allowable limit of Rs. 1,500. Therefore, amount payable by S on 15.09.2017 is Rs. 150 only.
4. Ratio of discharge of liability will be in the ratio of no. of shares held by B List Contributories which is as follows :

Calculation of Ratio for discharge of Liabilities

Date	Cumulative liability Rs.	Increase in liabilities Rs.	Ratio of no. of shares held by L, M, N, O
01.01.2017	9,000	-	15 : 20 : 7 : 3
01.04.2017	12,000	3,000	20 : 7 : 3
01.08.2017	13,500	1,500	7: 3
15.09.2017	14,500	1,000	Only S

(6 MARKS)

ANSWER-B

In the books of Bharat Insurance Co. Ltd. Journal Entries

Journal Entries

Date	Particulars		(Rs. In Crores)	
			Dr.	Cr.
1.4.2016	Unexpired Risk Reserve (Fire) A/c.	Dr.	28	
	Unexpired Risk Reserve (Marine) A/c	Dr.	21	
	Unexpired Risk Reserve (Miscellaneous) A/c	Dr.	6	
	To Fire Revenue Account			28
	To Marine Revenue Account			21
	To Miscellaneous Revenue Account			6
	(Being unexpired risk reserve brought forward from last year)			
31.3.2017	Marine Revenue A/c.	Dr.	23	
	To Unexpired Risk Reserve A/c.			23
	(Being closing reserve for unexpired risk created at 100% of net premium income amounting to Rs. 23 crores i.e. 22 + 8.5 – 7.5)			
	Fire Revenue A/c.	Dr.	23.95	
	To Unexpired Risk Reserve A/c.			23.95
	(Being closing reserve for unexpired risk created at 50% of net premium income of Rs. 47.90 crores i.e. 46 + 7.2 – 5.3)			
	Miscellaneous Revenue A/c	Dr.	5	
	To Unexpired Risk Reserve A/c.			5
	(Being closing reserve for unexpired risk created at 50% net premium income of Rs. 10 crores i.e. 13 + 5 – 8)			

(4*1 = 4 MARKS)

Unexpired Risk Reserve Account

Date	Particulars	Marine	Fire (Rs.)	Misc. (Rs.)	Date	Particulars	Marine (Rs.)	Fire (Rs.)	Misc. (Rs.)
1.4.2016	To Revenue A/c	21	28	6	1.4.2016	By Balance b/d	21	28	6
31.3.2017	To Balance c/d	23	23.95	5	31.3.2017	By Revenue A/c	23	23.95	5
		44	51.95	11			44	51.95	11

(3 MARKS)

Working Note:

Premium from other insurance companies in respect of risk undertaken:

Received during the year	11.5	9.2	5.5
Less: Receivable – 01.04.16	(7.0)	(3.0)	(1.5)
Add: Receivable – 31.03.17	4.0	1.0	1.0
	8.5	7.2	5.0

(3 MARKS)

ANSWER-4

ANSWER-A

Consolidated Profit & Loss Account of Hello Ltd. and its subsidiary Sun Ltd. for the year ended on 31st March, 2017

Particulars		Note No.	Rs. in Lacs
I.	Revenue from operations	1	11,730
II.	Total revenue		11,730
III.	Expenses		
	Cost of Material purchased/Consumed	3	2,360
	Changes of Inventories of finished goods	2	(2,392)
	Employee benefit expense	4	1,900
	Finance cost	6	300

	Depreciation and amortization expense	7	300
	Other expenses	5	1,070
	Total expenses		3,538
IV.	Profit before Tax(II-III)		8,192
V.	Tax Expenses	8	2,800
VI.	Profit After Tax		5,392
Profit transferred to Consolidated Balance Sheet			
Profit After Tax			5,392
Dividend paid			
	Hello Ltd.	2,400	
	Sun Ltd.	300	
		2,700	
Less: Share of Hello Ltd. in dividend of Sun Ltd.			
	80% of Rs. 300 lacs	(240)	(2,460)
Profit to be transferred to consolidated balance sheet			2,932

(8 MARKS)

Notes to Accounts

		Rs. in Lacs	*Rs. in Lacs*
1.	Revenue from Operations		
	Sales and other income		
	Hello Ltd.	10,000	
	Sun Ltd.	2,000	
		12,000	
	Less: Inter-company Sales	(240)	
	Consultancy fees received by Hello Ltd. from Sun Ltd.	(10)	
	Commission received by Sun Ltd. from Hello Ltd.	(20)	**11,730**
2.	Increase in Inventory		
	Hello Ltd.	2,000	
	Sun Ltd.	400	
		2,400	
	Less: Unrealized profits Rs. 48 lacs x 20/120	(8)	2,392
			14,122
3.	Cost of Material purchased/consumed		

	Hello Ltd.	1,600	
	Sun Ltd.	400	
		2,000	
	Less: Purchases by Sun Ltd. from Hello Ltd.	(240)	**1,760**
	Direct Expenses		
	Hello Ltd.	400	
	Sun Ltd.	200	600
4.	Employee benefits and expenses		**2,360**
	Wages and Salaries:		
	Hello Ltd.	1,600	
	Sun Ltd.	300	**1,900**
5.	Other Expenses		
	Administrative Expenses		
	Hello Ltd.	400	
	Sun Ltd.	200	
		600	
	Less: Consultancy fees received by Hello Ltd. from Sun Ltd.	(10)	**590**
	Selling and Distribution Expenses:		
	Hello Ltd.	400	
	Sun Ltd.	100	
		500	
	Less: Commission received from Sun Ltd. from Hello Ltd.	(20)	480
6.	Finance Cost		1,070

	Interest:		
	Hello Ltd.	200	
	Sun Ltd.	100	300
7.	Depreciation and Amortization		
	Depreciation:		
	Hello Ltd.	200	
	Sun Ltd.	100	300
8.	Provision for tax		
	Hello Ltd.	2,400	
	Sun Ltd.	400	2,800

Note: Since the amount of dividend received by Hello Ltd. for the year 2015-2016 is not given, it has not been deducted from 'sales and other income' in consolidated profit and loss account and not added to consolidated opening retained earnings (which is also not given).

(8 MARKS)

ANSWER-B

	Rs.
Profit for equity fund after current cost adjustment	1,72,000
Current cost of capital employed (by Equity approach)	10,40,000
Value of Goodwill by Equity Approach	
Capitalized value of Profit as per equity approach = 1,72,000/15.60 X 100	11,02,564
Less: Capital employed as per equity approach	(10,40,000)
Value of Goodwill	62,564

(4 MARKS)

ANSWER-5

ANSWER-A

(a) (i) Capital Funds –

Tier I :	**Rs. In crore**
Equity Share Capital	600
Statutory Reserve	470
Capital Reserve (arising out of sale of assets)	105
Less : Profit & Loss (Dr. bal)	(30)
	1,145
Capital Funds – Tier II :	
Capital Reserve (arising out of revaluation of assets)	25
Less : Discount to the extent of 55%	(13.75)
	11.25

(3 MARKS)

(ii) Risk Adjusted Assets

Funded Risk Assets	**Rs. In crore**	**Percentage weight**	**Amount Rs. In crore**
Cash Balance with RBI	35.50	0	-
Balances with other Banks	15	20	3
Claims on banks	52.50	20	10.50
Other Investments	70	100	70
Loans and Advances :			
(i) guaranteed by government	22.50	0	-
(ii) guaranteed by DICGC/ECGC	110	50	55
(iii) Others	9,365	100	9,365
Premises, furniture and fixtures	92.50	100	92.50
Leased Assets	40	100	40
			9,636

	Off – Balance Sheet Item	**Rs. In Crore**	**Credit Conversion Factor**	**Rs. In Crore**
(i)	Acceptances, Endorsements and Letters of credit	1,100	100	1,100
(ii)	Guarantees and other obligations	6,200	100	6,200
				7,300

Risk Weighted Assets Ratio : $\frac{Capital\ Funds\ (Tier\ I\ \&\ Tier\ II)}{Risk\ Adjusted\ Assets + off\ Balance\ sheet\ items} \times 100$

= (1,145 + 11.25) / (9,636 + 7,300)

= (1,156.25/16,936) × 100 = 6.83% (rounded off)

(5 MARKS)

ANSWER-B

Books of P Ltd.

Journal Entries

		Dr. (Rs. in Lacs)	Cr. (Rs. in Lacs)
Business Purchase A/c	Dr.	9,000	
To Liquidator of V Ltd.			9,000
(Being business of V Ltd. taken over for Consideration settled as per agreement)			
Plant and Machinery	Dr.	5,000	
Furniture & Fittings	Dr.	1,700	
Inventory	Dr.	4,041	
Debtors	Dr.	1,020	
Cash at Bank	Dr.	609	
Bills Receivable	Dr.	80	
To Foreign Project Reserve			310
To General Reserve (3,200 - 3,000)			200
To Profit and Loss A/c (825 – 50*)			775
To Liability for 12% Debentures			1,000
To Creditors			463
To Provisions			702
To Business Purchase			9,000
(Being assets & liabilities taken over from V Ltd.)			
Liquidator of V Ltd. A/c	Dr.	9,000	
To Equity Share Capital A/c			9,000
(Purchase consideration discharged in the form of equity shares)			
Profit & loss A/c	Dr.	1	
To Bank A/c			1
(Liquidation expenses paid by P Ltd.)			
Liability for 12% Debentures A/c	Dr.	1,000	
To 13% Debentures A/c			1,000
(12% debentures discharged by issue of 13% debentures)			
Bills Payable A/c	Dr.	80	
To Bills Receivable A/c			80
(Cancellation of mutual owing on account of bills)			

(6*1 = 6 MARKS)

Balance Sheet of P Ltd. as at 1st April, 20X1 (after merger)

Particulars			Notes	Rs. (in lakhs)
	Equity and Liabilities			
1.	**Shareholders' funds**			
	A.	Share capital	1	24,000
	B.	Reserves and Surplus	2	16,654
2.	**Non-current liabilities**			
	A.	Long-term borrowings	3	1,000
3.	**Current liabilities**			
	A	Trade Payables (1,543 + 40)		1,583
	B	Short-term provisions		2,532
	Total			**45,769**
	Assets			
1.	**Non-current assets**			
	A	Fixed assets		
		Tangible assets	4	29,004
2.	**Current assets**			
	A.	Inventories		11,903
	B.	Trade receivables		3,140
	C.	Cash and cash equivalents		1,722
	Total			**45,769**

Notes to accounts

		Rs.
1.	**Share Capital**	
	Equity share capital	
	Authorised, issued, subscribed and paid up	
	24 crores equity shares of Rs. 10 each	24,000
	(Of the above shares, 9 crores shares have been	
	issued for consideration other than cash)	
	Total	**24,000**
2.	**Reserves and Surplus**	
	General Reserve	9,700
	Securities Premium	3,000
	Foreign Project Reserve	310
	Profit and Loss Account	3,644
	Total	**16,654**
3.	**Long-term borrowings**	

	Secured 13% Debentures	 1,000
4.	**Tangible assets**	
	Land & Buildings	6,000
	Plant & Machinery	19,000
	Furniture & Fittings	4,004
	Total	**29,004**

Working Note:

Computation of purchase consideration

The purchase consideration was discharged in the form of three equity shares of P Ltd. for every two equity shares held in V Ltd.

Purchase consideration = Rs. 6,000 lacs × $\frac{3}{2}$ = Rs. 9,000 lacs.

* Cost of issue of debenture adjusted against P & L Account of V Ltd.

(6 MARKS)

ANSWER-6

ANSWER-A

Particulars	**Loan Rs. Lakhs**	**Provision %**	**Provision Rs. Lakhs**
Standard Assets (Assumed NBFC-D / NBFC-NDSI) (Note)	10,000	0.40%	40
Sub-Standard Assets	1,000	10%	100
Secured Portions of Doubtful Debts - up to one year	160	20%	32
- 1 year to 3 years	70	30%	21
- more than 3 years	20	50%	10
Unsecured Portions of Doubtful Assets	90	100%	90
Loss Assets	30	100%	30
Total			313

Note: For NBFC-Non Systemically Important Non Deposit taking Company, Provision for Standard Assets will be 0.25% = Rs. 25.

(5 MARKS)

ANSWER-B

Calculation of effective yield on per annum basis in respect of three mutual fund schemes of Preeti upto 31.3.2017

		X	Y	Z
1	Amount of Investment (Rs.)	2,50,000	3,00,000	1,50,000
2	Date of investment	1.12.2016	1.1.2017	1.3.2017
3	NAV at the date of investment (Rs.)	10.00	10.50	10.00
4	No. of units on date of investment [1/3]	25,000	28,571.43	15,000
5	NAV per unit on 31.03.2017 (Rs.)	10.10	10.40	9.80
6	Total NAV of mutual fund investments on 31.03.2017 [4 × 5]	2,52,000	2,97,143	1,47,000
7	Increase / decrease of NAV [6 – 1]	2,500	(2,857)	(3,000)
8	Dividend received up to 31.3.2017	4,500	5,700	Nil
9	Total yield [7 + 8]	7,000	2,843	(3,000)
10	Yield % [9/1] × 100	2.80%	0.95%	(2%)
11	Number of days	121	90	31
12	Effective yield p.a. [10/11] × 365 days	8.45%	3.85%	(23.55%)

(5 MARKS)

ANSWER-C

In the books of Company

Journal Entries

Date	Particulars	Dr. Rs.	Cr. Rs.
1-3-X2	Bank A/c Dr.	2,40,000	
	Employees compensation expenses A/c Dr.	4,32,000	
	To Equity Share Capital A/c To		48,000
	Securities Premium A/c		6,24,000
	(Being allotment to employees 4,800 shares of Rs. 10 each at a premium of Rs. 130 at an exercise price of Rs. 50 each)		
31-3-X2	Profit and Loss account Dr.	4,32,000	
	To Employees compensation expenses A/c		4,32,000
	(Being transfer of employees compensation expenses)		

(2*1 = 2 MARKS)

Working Note: **(3*1 = 3 MARKS)**

1. Employee Compensation Expenses = Discount between Market Price and option price = Rs. 140 – Rs. 50 = Rs. 90 per share = Rs. 90 x 4,800 = Rs. 4,32,000 in total.
2. The Employees Compensation Expense is transferred to Securities Premium Account.
3. Securities Premium Account = Rs. 50 – Rs. 10 = Rs. 40 per share + Rs. 90 per share

on account of discount of option price over market price = Rs. 130 per share = Rs. 130 x 4,800
= Rs. 6, 24,000 in total.

ANSWER-D

In accordance with the Schedule III, an investment realizable within 12 months from the reporting date is classified as a current asset. Such realization should be in the form of cash or cash equivalents, rather than through conversion of one asset into another non - current asset. Hence, company must classify such an investment as a non-current asset, unless it expects to sell the preference shares or the equity shares on conversion and realise cash within 12 months.

(5 MARKS)