

Note : All questions are compulsory.

Question-1 : (10 marks)

) **OM LTD**

**Liquidator's Final Statement of Account
(6 Marks)**

<i>Receipts</i>	<i>Value Realised</i>		<i>Payments</i>	<i>Payments</i>
<i>Assets Realised:</i>				
Cash at Bank	2,40,000	Liquidator's Remuneration (W.N. 1)		1,02,224
Sundry Debtors	8,00,000	Liquidation Expenses		1,17,736
Inventory	6,40,000	Debentureholders:		
Plant and Machinery	20,00,000	14% Debentures	9,20,000	
Patent	2,00,000	Interest Accrued (W.N. 2)	<u>1,61,000</u>	10,81,000
Surplus from Securities (W.N. 3)	5,20,000	Creditors:		
		Preferential	1,20,000	
		Unsecured Preference Shareholders:	<u>3,51,200</u>	4,71,200
		Preference Share Capital	16,00,000	
		Arrears of Dividend	<u>2,24,000</u>	18,24,000
		Equity Shareholders (W.N.4) :		
		₹25.12 per share on 32,000 shares		<u>8,03,840</u>
	<u>44,00,000</u>			<u>44,00,000</u>

Working Notes: (4 marks)

1	Liquidator's remuneration:	
	2% on assets realised (2% of ₹47,60,000)	95,200
	2% on payments to unsecured creditors (2% on ₹3,51,200)	<u>7,024</u>
		1,02,224

2	Interest accrued on 14% Debentures: Interest accrued as on 31.3.2016 Interest accrued upto the date of payment i.e. 30.6.2016	1,28,800 32,200 <u>1,61,000</u>
3	Surplus from Securities: Amount realised from Land and Buildings (`3,20,000 + `8,00,000) Less: Mortgage Loan	11,20,000 <u>(6,00,000)</u> 5,20,000

4	Amount payable to Equity Shareholders: Equity share capital (paid up) Less: Amount available for equity shareholders Loss to be borne by equity shareholders Loss per equity share (`11,16,160/32,000) Amount payable to equity shareholders for each equity share (60-34.88)	19,20,000 <u>(8,03,840)</u> 11,16,160 34.88 25.12
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Question 2 : (6 marks)

In the books of Vridhi Insurance Co. Ltd.

Journal Entries (4 marks)

Date	Particulars	(Rs. in crores)	
		Dr.	Cr.
1.1.2015	Unexpired Risk Reserve (Fire) A/c	Dr. 20.00	
	Unexpired Risk Reserve (Marine) A/c	Dr. 15.00	
	Unexpired Risk Reserve (Miscellaneous) A/c	Dr. 5.00	
	To Fire Revenue Account		20.00
	To Marine Revenue Account		15.00
	To Miscellaneous Revenue Account		5.00
	(Being unexpired risk reserve brought forward from last year)		
31.12.2015	Marine Revenue A/c	Dr. 18.30	
	To Unexpired Risk Reserve A/c		18.30
	(Being closing reserve for unexpired risk created at 100% of net premium income amounting to Rs.18.3 crores i.e.18+7-6.70)		
	Fire Revenue A/c	Dr. 21.85	
	To Unexpired Risk Reserve A/c		21.85
	(Being closing reserve for unexpired risk created at 50% of net premium income of Rs. 43.7 crores i.e.43+5-4.30)		
	Miscellaneous Revenue A/c	Dr. 4.50	

	To Unexpired Risk Reserve A/c (Being closing reserve for unexpired risk created at 50% net premium income of Rs. 9 crores i.e. 12+4-7)		4.50
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Unexpired Risk Reserve Account (2 marks)

Date	Particulars	Marine (Rs.)	Fire (Rs.)	Misc. (Rs.)	Date	Particulars	Marine (Rs.)	Fire (Rs.)	Misc. (Rs.)
1.1.15	To Revenue A/c	15.00	20.00	5.00	1.1.15	By Balance b/d	15.00	20.00	5.00
31.12.15	To Balance c/d	<u>18.30</u>	<u>21.85</u>	<u>4.50</u>	31.12.15	By Revenue A/c	<u>18.30</u>	<u>21.85</u>	<u>4.50</u>
		<u>33.30</u>	<u>41.85</u>	<u>9.50</u>			<u>33.30</u>	<u>41.85</u>	<u>9.50</u>

Question 3 : (6 marks)

	Departments		
	A Rs.	B Rs.	C Rs.
Profit before adjustment of unrealized profits	54,000	40,500	27,000
Add : Managerial commission (1/9)	<u>6,000</u>	<u>4,500</u>	<u>3,000</u>
	60,000	45,000	30,000
Less: Unrealised profit on stock (Refer W.N.)	<u>(6,000)</u>	<u>(6,750)</u>	<u>(3,000)</u>
	54,000	38,250	27,000
Less: Managers' commission @ 10%	<u>(5,400)</u>	<u>(3,825)</u>	<u>(2,700)</u>
Profit after adjustment of unrealized profits	<u>48,600</u>	<u>34,425</u>	<u>24,300</u>

3 marks

Working Notes:

Value of unrealised profit

	Rs.
<u>Transfer by department A to</u>	
B department (22,500 * 25/125) = 4,500	
C department (16,500 * 10/110) = <u>1,500</u>	6,000
<u>Transfer by department B to</u>	
A department (21,000 * 15/100) = 3,150	
C department (18,000 * 20/100) = <u>3,600</u>	6,750
<u>Transfer by department C to</u>	
A department (9,000 * 20/120) = 1,500	
B department (7,500 * 25/125) = <u>1,500</u>	3,000

3 marks

Question 4 : (10 marks)

KLM Bank Limited

Profit and Loss Account for the year ended 31st March, 2016 (4 marks)

		Schedule	Year ended 31.03.2016
			Rs.
I.	Income: Interest		
	earned Other	13	37,95,160
	income	14	<u>4,87,800</u>
	Total		<u>42,82,960</u>
II.	Expenditure		
	Interest expended	15	22,95,360
	Operating expenses Provisions and contingencies (4,50,000+2,00,000+2,00,000)	16	5,70,340
	Total		<u>8,50,000</u>
III.	Profits/Losses		
	Net profit for the year		5,67,260
	Profit brought forward		<u>Nil</u>
			<u>5,67,260</u>
IV.	Appropriations		
	Transfer to statutory reserve (25% of 5,67,260)		1,41,815
	Proposed dividend		50,000
	Balance carried over to balance sheet		<u>3,75,445</u>
			<u>5,67,260</u>

Profit & Loss Account balance of Rs.3,75,445 will appear under the head 'Reserves and Surplus' in Schedule 2 of the Balance Sheet. (1 mark)

(Schedules will carry one mark each)

		Year ended 31.3.2016 Rs.
	Schedule 13 – Interest Earned	
I.	Interest/discount on advances/bills (Refer W.N.)	<u>37,95,160</u>
		<u>37,95,160</u>
	Schedule 14 – Other Income Commission,	
I.	exchange and brokerage	1,90,000
II.	Profit on sale of investment	2,25,800
III.	Rent received	<u>72,000</u>
		<u>4,87,800</u>
	Schedule 15 – Interest Expended	
I.	Interests paid on deposits	<u>22,95,360</u>
		<u>22,95,360</u>
	Schedule 16 – Operating Expenses	
I.	Payment to and provisions for employees (salaries & allowances)	2,50,000
II.	Rent, taxes paid	1,00,000
III.	Depreciation on assets	40,000
IV.	Director's fee, allowances and expenses Auditor's	35,000
	fee	12,000
V.	Statutory (law) expenses	38,000
VI.	Postage and telegrams	65,340
VII.	Preliminary expenses ²	<u>30,000</u>
VIII.		<u>5,70,340</u>

Working Note: (1 mark)

	Rs.
Interest and discount received	38,00,160
Add: Rebate on bills discounted on 31.3. 2015 Less:	15,000
Rebate on bills discounted on 31.3. 2016	<u>(20,000)</u>
	<u>37,95,160</u>

Question 5: (10 marks)

Karma Limited
Balance Sheet as on 01.04.2016 (4 marks)

Particulars	Note No.	Figures as at the end of current reporting period

I. Equity and Liabilities			
(1) Shareholder's Funds			
(a) Share Capital	1		55,00,000
(b) Reserves and Surplus	2		85,85,000
(2) Non-Current Liabilities			
(a) Long-term borrowings - Unsecured Loans			45,00,000
(3) Current Liabilities			
(a) Short-term provisions			90,00,000
		Total	2,75,85,000
II. Assets			
(1) Non-current assets			
(a) Fixed assets			
(i) Tangible assets			1,50,00,000
(2) Current assets			
(a) Cash and cash equivalents			5,85,000
(b) Other current assets			1,20,00,000
			2,75,85,000

Notes to Accounts (2 marks)

		Rs.
1 Share Capital		
5,50,000 Equity Shares of Rs.10 each		55,00,000
2 Reserve and Surplus		
General Reserve	50,00,000	
Add: Debenture Redemption Reserve transfer	<u>35,00,000</u>	
	85,00,000	
Add: Profit on sale of investments	<u>2,00,000</u>	
	87,00,000	
Less: Premium on redemption of debentures (80,000 x Rs.5)	<u>(4,00,000)</u>	83,00,000
Securities Premium Account (1,50,000 x Rs.1.9)		2,85,000
		85,85,000

Working Notes:

(i) Calculation of number of shares to be allotted (2 marks)

Total number of debentures	80,000	
Less : Number of debentures not opting for conversion	<u>(12,000)</u>	
		<u>68,000</u>
25% of 68,000	17,000	
Redemption value of 17,000 debentures	Rs.17,85,000	
Number of Equity Shares to be allotted:		
<u>17,85,000</u>	= 1,50,000 shares of Rs.10 each.	
11.90		

(ii) Calculation of cash to be paid

Number of debentures	80,000
Less: Number of debentures to be converted into equity shares	<u>(17,000)</u>
	<u>63,000</u>
Redemption value of 63,000 debentures (63,000 × Rs.105)	Rs.66,15,000

(iii) Cash and Bank Balance

	Rs.
Balance before redemption	40,00,000
Add : Proceeds of investments sold	<u>32,00,000</u>
	72,00,000
Less : Cash paid to debenture holders	<u>(66,15,000)</u>
	<u>5,85,000</u>

(ii) &(iii) will carry one mark each

Question 6 (8 marks)

Realisation Account

To Assets:			By liabilities		
Plant & Machinery A/c		7,97,850	Sundry Creditors A/c		4,25,250
Furniture A/c		48,487	Joint Life Policy Reserve A/c		1,99,125
Stock A/c		1,77,525	Cash A/c:		
Sundry Debtors A/c		4,00,500	Joint Life Policy		1,74,375
Joint Life Policy A/c		1,99,125	Commission Receivable		1,05,413
Commission Receivable		1,05,413	By L's Capital A/c:		
To L's Capital A/c:			Plant and Machinery	6,75,000	
Dissolution Expenses		13,500	Furniture, Stocks	<u>1,35,000</u>	8,10,000
To Cash A/c:			By M 's Capital A/c:		
Bill dishonoured		23,062	Furniture and stocks		1,35,000
To Partner's Capital Accounts:					
(Profit on realisation)					
L	41,851				
M	27,900				
N	<u>13,950</u>	83,701			
		<u>18,49,163</u>			<u>18,49,163</u>

4 marks

Partners' Capital Accounts

	L	M	N		L	M	N
To Realisation A/c:				By Balance b/d	3,15,000	1,68,750	90,000
Plant and Machinery	6,75,000	-	-	By Bank	4,54,837	-	-
Furniture,	1,35,000	1,35,000		Overdraft A/c			
Stocks				By Loan from			
To Cash A/c	1,27,688	61,650	1,03,950	Mrs. L A/c	1,12,500	-	-
(Balancing figure)				By Realisation A/c:			
				Dissolution Expenses	13,500	-	-
				Profit on realisation	41,851	27,900	13,950
	9,37,688	1,96,650	1,03,950		9,37,688	1,96,650	1,03,950

2 marks

Cash Account

To Balance b/d	36,562	By Realisation A/c:	
To Realisation A/c:		Bill dishonoured	23,062
Joint Life Policy	1,74,375	By Partners' Capital	
Commission		Accounts:	
Receivable A/c	1,05,413	L	1,27,688
		M	61,650
		N	1,03,950
	3,16,350		3,16,350

2 marks

Note: No entry is required regarding assignment of sundry debtors to sundry creditors in full satisfaction of their claims.
