

Note : All questions are compulsory.

Question-1 : (8 marks)

In the books of Mr. Chena Swami

Salem Branch Account **(3marks)**

To	Balance b/d		By Bank (Remittance to H.O.)	19,50,000
	Opening stock:		By Balance c/d	
	Ghee	40,000	Closing stock:	
	Oil	22,500	Refined oil	19,500
	Debtors	1,80,000	Ghee	90,000
	Cash on hand	25,690	Debtors (W.N. 1)	2,10,000
	Furniture & fittings	23,800	Cash on hand (W.N. 2)	44,800
To	Goods sent to Branch A/c		Furniture & fittings	21,420
	Refined Oil (30x1500x12)	5,40,000		
	Ghee (20x5000x12)	12,00,000		
To	Bank (Expenses paid by H.O.)	76,800		
	Net Profit			
To	Transferred General P&L	2,26,930		
		23,35,720		23,35,720

Mr. Chena Swami

Trading and Profit and Loss account for the year ended 31st March, 2016

(Excluding branch transactions)**(3 marks)**

To	Opening Stock:		By	Sales:	
	Refined Oil	44,000		Refined Oil	24,10,000
	Ghee	10,65,000		Ghee	38,40,500
To	Purchases:		By	Closing Stock:	
	Refined Oil	27,50,000		Refined Oil	8,90,000
	Less: Goods sent to Branch (5,40,000)	22,10,000		Ghee	15,70,000
	Ghee	48,28,000			
	Less: Goods sent				

to Branch (12,00,000)	36,28,000		
To Direct Expenses	6,35,800		
To Gross Profit	11,27,700		
	87,10,500		87,10,500
To Manager's Salary	2,40,000	By Gross Profit	11,27,700
To General Expenses	1,86,000	By Branch Profit transferred	2,26,930
To Depreciation			
Furniture (88,600-79,740)	8,860		
Building (5,10,800+2,41,600-7,14,780)	37,620		
To Manager's Commission @ 10% (8,82,150 x10/110)	80,195		
To Net profit	8,01,955		
	13,54,630		13,54,630

Working Notes

1 Debtors Account (1 mark)

To Balance b/d	1,80,000	By Cash Collections	20,15,000
To Sales made during the year:		By Balance c/d (Bal. Figure)	2,10,000
Refined oil	5,95,000		
Ghee	14,50,000		
	22,25,000		22,25,000

2 Branch Cash Account (1 mark)

To Balance b/d	25,690	By Remittance	19,50,000
To Collections	20,15,000	By Exp.	45,890
		By Balance c/d (Bal. Figure)	44,800
	20,40,690		20,40,690

Note:

1. Branch managers generally get commission based on the Branch profits and not on overall organizational profits. The answer given above is on the basis of the information given in the

question and the commission of branch manager is computed as 10% on overall organizational profits after charging such commission.

2. Since the amount of cash sales was not given specifically in the question, total amount of cash collections during the year amounting ` 20,15,000 has been considered as collection from Debtors in the above solution.

Question 2 : (12marks)

M/s R Ltd.

Balance Sheet as at 1.4.2016

(4 marks)

		Particulars	Notes	in'000
		Equity and Liabilities		
1		Shareholders' funds		
	a	Share capital	1	6,55,980
	b	Reserves and Surplus	2	2,77,990
2		Non-current liabilities		
	a	Long-term borrowings	3	80,000
3		Current liabilities		
	a	Trade Payables	4	80,000
	b	Short term provision	5	<u>22,000</u>
				11,15,97
		Total		<u>0</u>
		Assets		
1		Non-current assets		
	a	Fixed assets		
		Tangible assets	6	5,60,000
	b	Non-current investments	7	1,30,000
2		Current assets		
	a	Inventory	8	1,52,000
	b	Trade receivables	9	1,44,000
	c	Cash and cash equivalents	10	1,29,970
				11,15,97
		Total		<u>0</u>

Notes to accounts (4 marks)

	`in'000
1. Share Capital	
Equity share capital	
55,598 Equity shares of `10 each, fully paid up (W.N.2)	5,55,980
Preference share capital	
9% Preference share capital (Share of `100 each) (W.N.2)	1,00,000
	6,55,980
2. Reserves and Surplus	
Securities premium (W.N.2)	2,77,990
Investment allowance reserve (`10,000+ `4,000)	14,000
Amalgamation adjustment reserve	(14,000)
	2,77,990
3. Long-term borrowings	
Secured	
10% Debentures (50% of `1,60,000)	80,000
4. Trade Payables (`50,000+ `30,000)	80,000
5. Short term provisions	
Provision for tax (`14,000+ `8,000)	22,000
6. Tangible assets	
	2,37,00
Building (`1,32,000+`1,05,000)	0
	3,23,00
Plant and machinery (`1,76,000+`1,47,000)	0
	5,60,00
	0
	1,30,00
7. Non – current Investments (`80,000+ `50,000)	0
8. Inventory	
Stock (`72,000+ `80,000)	1,52,000
9. Trade receivables	
Trade receivables (90% of (`90,000+ `70,000)	1,44,000
10. Cash and cash equivalents	
Cash and Bank (`80,000+ `50,000 – `30)	1,29,970

Working Notes: (4 marks)

1. Calculation of value of equity shares issued to transferor companies

		P Ltd.		Q Ltd.
		(')		(')
Assets taken over:				
Building		1,32,000		1,05,000
Plant and machinery		1,76,000		1,47,000
Investments		80,000		50,000
Inventories		72,000		80,000
Trade receivables		81,000		63,000
Cash & Bank		<u>80,000</u>		<u>50,000</u>
		6,21,000		4,95,000
Less: Liabilities:				
10% Debentures	1,00,000		60,000	
Trade payables	50,000		30,000	
Tax Provision	<u>14,000</u>	<u>1,64,000</u>	<u>8,000</u>	<u>98,000</u>
		4,57,000		3,97,000
Less: Preference Share Capital		<u>60,000</u>		<u>40,000</u>
		<u>3,97,000</u>		<u>3,57,000</u>

2. Number of shares issued to equity shareholders, debenture holders and preference shareholders

	P Ltd.	Q Ltd.	Total
Equity shares issued @ `15 per share (including `5 premium)			
`3,97,000/15	26,466 shares ₁		
`3,57,000/15		23,800 shares	50,266 shares
Equity share capital @ `10	`2,64,660	`2,38,000	`5,02,660
Securities premium @ `5	<u>`1,32,330</u>	<u>`1,19,000</u>	<u>`2,51,330</u>
	<u>`3,96,990</u>	<u>`3,57,000</u>	<u>`7,53,990</u>
<i>50% of Debentures are converted into equity shares @ `15 per share</i>			
1,00,000/2 = 50,000/15	3,332 shares ₂		
60,000/2 = 30,000/15		2,000 shares	5,332 shares
Equity share capital @ `10	<u>`33,320</u>	<u>`20,000</u>	<u>`53,320</u>
Security premium @ `5	<u>`16,660</u>	<u>`10,000</u>	<u>`26,660</u>
	<u>`49,980</u>	<u>`30,000</u>	<u>`79,980</u>

9% Preference share capital issued	₹60,000	₹40,000	₹1,00,000
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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 $(16,500 * 10/110) = \underline{1,500}$	6,000
<u>Transfer by department B to</u>	
A department $(21,000 * 15/100) = 3,150$	
C department $(18,000 * 20/100) = \underline{3,600}$	6,750
<u>Transfer by department C to</u>	
A department $(9,000 * 20/120) = 1,500$	
B department $(7,500 * 25/125) = \underline{1,500}$	3,000

3 marks

Question 4 : (12 marks)

Karma Limited
Balance Sheet as on 01.04.2016 (6marks)

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>
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>
	68,000

25% of 68,000 17,000
 Redemption value of 17,000 debentures Rs.17,85,000
 Number of Equity Shares to be allotted:

$$\frac{17,85,000}{11.90} = 1,50,000 \text{ shares of Rs.10 each.}$$

11.90

(ii) Calculation of cash to be paid

Number of debentures 80,000
 Less: Number of debentures to be converted into equity shares (17,000)
63,000
 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 32,00,000
 72,00,000
 Less : Cash paid to debenture holders (66,15,000)
5,85,000

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

Question 5: (12 marks)

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

Receipts	Value Realised		Payments	Payments
<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	<u>3,51,200</u>	4,71,200
		Preference		
		Shareholders:		
			16,00,000	
		Preference Share Capital	0	
		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>44,00,00</u>		8,03,840
	<u>0</u>		<u>44,00,00</u>
			<u>0</u>

Working Notes: (4 marks)

1	Liquidator's remuneration: 2% on assets realised (2% of `47,60,000) 2% on payments to unsecured creditors (2% on `3,51,200)	95,200 <u>7,024</u> <u>1,02,224</u>
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 <u>32,200</u> <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> <u>5,20,000</u>
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> 11,16,16 <u>0</u> 34.88 25.12
