

Note : All questions are compulsory.

Question 1 (10 marks)

In the books of Vriddhi Infra Ltd.

Journal Entries

Date 2016	Particulars	Dr.	Cr.
April 21	Bank A/c Dr. To Investment A/c To Profit on sale of investment (Being investment sold on profit)(1 mark)	2,50,000	2,00,000 50,000
April 25	Equity share capital A/c Dr. Securities premium A/c Dr. To Equity shares buy back A/c (Being the amount due to equity shareholders on buy back) (2mark)	2,50,000 1,25,000	3,75,000
	Equity shares buy back A/c Dr. To Bank A/c (Being the payment made on account of buy back of 25,000 Equity Shares) (1 mark)	3,75,000	3,75,000
	General Reserve A/c / P&L A/c Dr. To Capital redemption reserve A/c (Being amount equal to nominal value of buy back shares from free reserves transferred to capital redemption reserve account as per the law)(2 mark)	2,50,000	2,50,000
1st May	Capital redemption reserve A/c Dr. To Bonus shares A/c (W.N.1) (Being the utilization of capital redemption reserve to issue bonus shares) (2 mark)	1,50,000	1,50,000

Bonus shares A/c	Dr.	1,50,000	
To Equity share capital A/c			1,50,000
(Being issue of one bonus equity share for every five equity shares held)			
(2 marks)			

It is assumed that there is bank overdraft amounting ` 85,000 [(40,000 + 2,50,000) less ` 3,75,000]

WN1: Amount of Bonus Shares = $(100,000 - 25000)/5 * 10 = 150000$

Question 2 (8 marks)

In the books of 3A Enterprises

Realisation Account (2 Marks)

	Rs.		Rs.
To Land and Buildings	14,00,000	By Creditors	6,00,000
To Machinery	11,00,000	By 3R Enterprises (Pvt.) Ltd. A/c	42,00,000
To Furniture	6,10,000		
To Stock	8,40,000		
To Debtors	6,00,000		
To Cash at Bank	1,90,000		
To Ramesh's capital	30,000		
To Roshan's capital	20,000		
To Rohan's capital	<u>10,000</u>		
	<u>48,00,000</u>		<u>48,00,000</u>

Partners' Capital Accounts (2 Marks)

	Amit	Ajay	Abhijeet		Amit	Ajay	Abhijeet
	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.
To Shares in 3A Enterprises (Pvt.) Ltd. A/c	21,00,000	14,00,000	7,00,000	By Balance b/d	16,80,000	11,60,000	6,70,000
To Bank A/c (Settlement)	-	-	85,000	By General Reserve	3,15,000	2,10,000	1,05,000
				By Realization A/c (Profit)	30,000	20,000	10,000
				By Bank A/c (Settlement)			
					<u>75,000</u>	<u>10,000</u>	<u>-</u>
	<u>21,00,000</u>	<u>14,00,000</u>	<u>7,85,000</u>		<u>21,00,000</u>	<u>14,00,000</u>	<u>7,85,000</u>

In the Books of 3A Enterprises (Private) Ltd

Journal Entries

(1/2 mark for each entry, except entry no. 2)

			Rs.	Rs.
1.	Business Purchase A/c To M/s 3A Enterprises (Consideration payable for business purchased)	Dr.	42,00,000	42,00,000
2.	Land and Buildings A/c Machinery A/c Furniture A/c Stock A/c Debtors A/c Bank A/c To Creditors A/c To Provision for doubtful debts A/c To Business Purchase A/c To Capital Reserve A/c (balancing figure) (Assets and liabilities taken over for Rs. 42,00,000; balance credited to capital reserve) (2 marks)	Dr. Dr. Dr. Dr. Dr. Dr. Dr. Dr. Dr. Dr.	16,40,000 9,90,000 6,10,000 8,40,000 6,00,000 1,90,000	6,00,000 30,000 42,00,000 40,000
3.	Capital reserve A/c (Expenses of takeover) To Bank A/c (Expenses for take over debited to capital reserve)	Dr.	23,000	23,000
4.	M/s 3A Enterprises A/c To Equity share capital A/c (Allotment of fully paid equity shares to discharge consideration for business)	Dr.	42,00,000	42,00,000
5.	Preliminary expenses A/c* To Bank A/c (Expenses incurred to get the company incorporated)	Dr.	57,000	57,000
	*Preliminary expense is charged to profit and loss account in the year in which it is incurred as per para 56 of AS 26			

Question 3 (16 marks)

Statement showing distribution of cash amongst the partners (11 marks)

		Trade Payable	K's Loan	K(Rs.)	Capital L (Rs.)	M(Rs.)
Balance Due On 1 st Installment amount with the firm Rs. (275+18650)	18925	16500	4500	15000	7500	15000
Less : Dissolution expenses provided for	<u>(3000)</u> 15925					
Less:M's remuneration of 1% on assets realized (18650 x 1%)	<u>(187)</u> 15738					

Less: Payment made to Trade Payables	<u>(15738)</u>	15738			
Balance due	Nil	762			
2 nd installment realized	17320				
Less: M's remuneration of 1 % on assets realized (17320 x 1%)	<u>(173)</u>				
	17147				
Less :Payment made to Trade Payables	<u>(162)</u>	<u>(162)</u>			
	16985	600			
Less: Payment for K's loan A/c amount available for distribution to partners	<u>(4500)</u>				
	12485				
Less : M's remuneration of 10% of the amount distributed to partners (12485 x 10/110)	<u>(1135)</u>				
Balance to be distributed to partners on the basis of HRCM	11,350				
Less :Paid to M (W.N.1)	<u>(3, 750)</u>				<u>(3750)</u>
	7600				11250
Less: Paid to K and M in 4:3 (W.N.1)	<u>(7600)</u>		<u>(4343)</u>		<u>(3257)</u>
Balance due	nil		10657	7500	7993
Amount of 3 rd installment	10,000				
Less :M 's remuneration of 1% on assets realized (10,000 x 1%)	<u>(100)</u>				
	9900				
Less: Z's remuneration of 10% of the amount distrusted to partners (9900 x 10/110)	<u>(900)</u>				
	9000				
Less :Paid to K,M in 4:3 for (W.N.1)	<u>(1150)</u>		<u>(657)</u>	=	<u>(493)</u>
Balance	7850		<u>10000</u>	<u>7500</u>	<u>7500</u>
Less: paid to K,L,M in ratio 4:3:3	<u>7850</u>		<u>(3140)</u>	<u>(2355)</u>	<u>(2355)</u>
Balance	-		<u>6860</u>	<u>5145</u>	<u>5145</u>
Amount of 4 th and last installment	7000				
Less : M's remuneration of 1					

% on assets realized (7,000 x 1%)	<u>(70)</u> 6930					
Less: M's remuneration of 10% of the amount distributed to partners (6300 x10/110)	<u>(630)</u> 6300					
Less: Paid to K,L and M In 4:4:3	<u>(6300)</u> <u>Nil</u>			<u>(2520)</u>	<u>(1890)</u>	<u>(1890)</u>
Loss suffered by partners				4340	3255	3255

Working Notes : (2 marks)

- (i) Rs. 275 added to the first installment received on sale of assets represents the Cash in Bank
- (ii) The amount due to Creditors at the end of the utilization of First Installment is Rs. 762. However ,since the creditors were settled for Rs. 15900 only the balance Rs. 162 were paid and the balance Rs. 600 was transferred to the Profit & Loss Account.

(iii) **Highest Relative Capital Basis (3 Marks)**

	K (Rs.)	L (Rs.)	M (Rs.)
Balance of Capital Accounts (A)	15000	7500	15000
Profit sharing ratio	4	3	3
Capital Profit sharing ratio	3750	2500	5000
Capital in profit sharing			
Ratio taking L's Capital as base (B)	10000	7500	7500
Excess of K's Capital and M's Capital (A-B)=(C)	5000	nil	7500
Again repeating the process			
Profit sharing ratio	4		3
Capital Profit sharing ratio	1250		2500
Capital in profit sharing			
Ratio taking K's Capital as base (D)	5000		3750
Excess of M's Capital (C-D)=(E)	Nil		3750

Therefore , firstly Rs.3750 is to be paid to M, then K and M to be paid in proportion of 4:3 upto Rs. 8750 to bring the capital of all partners K,L and M in proportion to their profit sharing ratio. Therefore , balance available will be paid in the profit sharing ratio 4:3:3 to all partners viz K,Land M.

Question 4 (8 marks)

**Books of Simran Ltd.
Journal Entries**

Date	Particulars	Debit Rs.	Credit Rs.
31.3.13	Employees Compensation Expense Account Dr. 12,000 To Employees Stock Option Outstanding Account (Being compensation expense recognized in respect of 1,000 options granted to employees at discount of Rs.30) (1/2 mark)	12,000	12,000
	Profit and Loss Account Dr. 12,000 To Employees Compensation Expense Account (Being employees compensation expense of the year transferred to P&L A/c) (1/2 mark)	12,000	12,000
31.3.14	Employees Compensation Expense Account Dr. 12,000 To Employees Stock Option Outstanding Account (Being compensation expense recognized in respect of 1,000 options granted to employees at discount of Rs.30 each, amortized on straight line basis over 2½ years) (1/2 mark)	12,000	12,000
	Profit and Loss Account Dr. 12,000 To Employees Compensation Expense Account (Being employees compensation expense of the year transferred to P&L A/c) (1/2 mark)	12,000	12,000
31.3.15	Employees Compensation Expense Account Dr. 6,000 To Employees Stock Option Outstanding Account (Being balance of compensation expense amortized Rs.30,000 less Rs.24,000) (1/2 mark)	6,000	6,000
	Profit and Loss Account Dr. 6,000 To Employees Compensation Expense Account (Being employees compensation expense of the year transferred to P&L A/c) (1/2 mark)	6,000	6,000
31.7.15	Bank Account (Rs.60 × 1,000) Dr. 60,000 To Equity Share Capital Account To Securities Premium Account (Being exercise of 1,000 options at an exercise price of Rs.60) (1 mark)	60,000	10,000 50,000
31.7.15	Stock Option Outstanding A/c ('30 × 1,000) Dr. 30,000 To Securities Premium Account (Being the balance in the Employees Stock Option Outstanding Account transferred to Securities Premium A/c) (1 mark)	30,000	30,000

Working Notes

(i) Total employees compensation expense = 1,000 x (Rs.90 – Rs.60) = Rs.30,000 **(1 mark)**

(ii) Employees compensation expense has been written off during 2½ years on straight line basis as under:

I year = Rs.12,000 (for full year) II year = Rs.12,000 (for full year) III year = Rs.6,000 (for half year)
(2 mark)

Question 5 (8 marks)

10% Debentures Account

Date	Particulars	₹	Date	Particulars	₹
31 st March, 2016	To Own debentures A/c	5,00,000	1 st April, 2015	By Balance b/d	40,00,000
	To Bank A/c	<u>35,00,000</u>			
		<u>40,00,000</u>			<u>40,00,000</u>

1 ½ marks

Debenture Redemption Sinking Fund Account

Date	Particulars	₹	Date	Particulars	₹
31 st March, 2016	To 9% Stock A/c (loss) (W.N.5)	16,000	1 st April, 2015	By Balance b/d	37,45,000
	To General reserve A/c (Bal. fig.)	40,00,000	31 st March, 2016	By Profit and loss A/c	1,42,000
	To Capital Reserve	2,23,000		By Interest on sinking fund A/c (W.N.3)	3,47,000
				By Own debentures A/c (W.N.4)	5,000
		<u>42,39,000</u>			<u>42,39,000</u>

3 marks

Working Notes:

1. Amount of stock as on 1st April, 2015

Sinking fund balance as on 1 st April, 2015	₹ 37,45,000
Less: Own debentures	<u>(4,95,000)</u>
	<u>₹ 32,50,000</u>

½ mark

2. Sales value of 9% stock

= Face value / ₹ per stock

= ₹33,00,000 / ₹100 = 33,000 stock

Sales value = 33,000 stock x ₹98 per stock

= ₹ 32,34,000

½ mark

3. Interest credited to Sinking Fund

(i) Interest on 9% stock (₹33,00,000 x 9%) ₹ 2,97,000

(ii) Interest on own debentures (5,000 Debentures x ₹100 x 10%) ₹ 50,000

₹ 3,47,000

½ mark

4. **Own Debentures Account**

		-		-	
1 st April, 2015	To Balance b/d	4,95,000	31 st March, 2016	By 10% Debentures A/c	5,00,000
31 st March, 2016	To Sinking fund A/c	<u>5,000</u>			
		<u>5,00,000</u>			<u>5,00,000</u>

1 mark

5. **9% Stock Account**

		-		-	
1 st April, 2015	To Balance b/d (Face value 33,00,000) (W.N.1)	32,50,000	31 st March, 2016	By Bank account (W.N.2)	32,34,000
		<u>32,50,000</u>		By Sinking fund (loss on sales)	<u>16,000</u>
					<u>32,50,000</u>

1 mark
