

Note: All questions are compulsory.

Question-1 (10 marks)

In the books of Vriddhi Infra Ltd.

Journal Entries

Date	Particulars	Dr.	Cr.
2016			
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
				By General Reserve	3,15,000	2,10,000	1,05,000
To Bank A/c (Settlement)	-	-	85,000	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.	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> 16985	<u>(162)</u> 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> 7600					<u>(3750)</u> 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)						
Balance	<u>(1150)</u>			<u>(657)</u>	<u>-</u>	<u>(493)</u>
Less: paid to K,L,M in ratio 4:3:3	<u>7850</u>			<u>10000</u>	<u>7500</u>	<u>7500</u>
Balance	<u>7850</u>			<u>(3140)</u>	<u>(2355)</u>	<u>(2355)</u>
Amount of 4 th and last installment	-			<u>6860</u>	<u>5145</u>	<u>5145</u>
Less : M's remuneration of 1 % on assets realized (7,000 x 1%)	<u>(70)</u>					
	<u>6930</u>					
Less: M's remuneration of 10% of the amount distributed to partners (6300 x10/110)	<u>(630)</u>					
	<u>6300</u>					
Less: Paid to K,L and M In 4:4:3	<u>(6300)</u>			<u>(2520)</u>	<u>(1890)</u>	<u>(1890)</u>
	<u>Nil</u>					
Loss suffered by partners				<u>4340</u>	<u>3255</u>	<u>3255</u>

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
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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: (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			4.50	
(Being closing reserve for unexpired risk created at 50% net premium income of Rs. 9 crores i.e. 12+4-7)				

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 5: (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 income	13 14	37,95,160 <u>4,87,800</u>
	Total		<u>42,82,960</u>
II.	Expenditure Interest expended Operating expenses Provisions and contingencies (4,50,000+2,00,000+2,00,000)	15 16	22,95,360 5,70,340 <u>8,50,000</u>
	Total		<u>37,15,700</u>
III.	Profits/Losses Net profit for the year Profit brought forward		5,67,260 ____ Nil <u>5,67,260</u>
IV.	Appropriations Transfer to statutory reserve (25% of 5,67,260) Proposed dividend Balance carried over to balance sheet		1,41,815 50,000 <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) Rent, taxes	2,50,000
II.	paid	1,00,000
III.	Depreciation on assets	40,000
IV.	Director’s fee, allowances and expenses Auditor’s	35,000
V.	fee	12,000
VI.	Statutory (law) expenses	38,000
VII.	Postage and telegrams	65,340
VIII.	Preliminary expenses [□]	<u>30,000</u>
		<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>
