INTER CA – MAY 2018

PAPER 5 :ADVANCED ACCOUNTS

Branch: Multiple Date:

Q 1

(A)

1. Provisions of AS – 9: (2 marks)
   - (a) When the Claim made is in the course of ordinary activities of the Company, it can be recognized as revenue, only if it is measurable and there is no uncertainly as to its ultimate collection at the time of raising the claim.
   - (b) If the ability to assess the ultimate collection with reasonable certainly is lacking at the time of raising the claim, then revenue recognition should be postponed to the extent of uncertainty involved.
2. Analysis: In the given case, the increase in percentage of accidents does not constitute certainty of claim collection and is not a valid reason for revenue recognition. There are other uncertainties in the settlement of insurance claims. (1 ½ marks)
3. Conclusion: The Company should postpone revenue recognition. It is preferable to recognize revenue on receipt basis, unless there is absolute certainty of claim admissibility. (1 ½ marks)

(B)

1. Principle – 1: Related Party Relationship covers the followings relationships – (2 marks)
   - (a) Enterprises that control the Reporting Enterprises,
   - (b) Enterprises that are controlled by the Reporting Enterprise, or
   - (c) Enterprises that are under common control with the Reporting Enterprises (this includes Holding Companies, Subsidiaries and fellow Subsidiaries),
2. Principle – 2: Further, AS – 18 is applicable irrespective of whether or not the transactions with related parties are made at arm's length prices. (1 marks)
3. Analysis: Hence, in the given case, Bhima Ltd has Related Party Relationship with Arjun Ltd since both the Companies under the common control of a single person (Mr. Strength). (1 marks)
4. Conclusion: Hence, Bhima Ltd should disclose the information required under AS – 18 in relation to its Sales to Arjun Ltd during the entries Financial Year. (1 marks)

(C) 1. Present Value of Minimum Lease Payments from Lessee's viewpoint – (2 marks)

Year(s)	Cash Flow Item	Amount	PV Factor	PV
1 – 4	Annual Lease Rental (ALR)	6,25,000	0.89 +0.79 +0.70 + 0.622 + 0.522 = 3.555	1,42,200
5	Guaranteed Residual Value (GRV)	14,000	0.522	7,728
	Total			1,49,888

2. Value of Machine to be recognized in the Books of Lessee(1 ½ marks)

Amount recognized as Asset & Liability	=	Fair Value of Asset at the date of inception of Lease = ` 1, 50,000	OR	Present Value of Minimum Lease Payments (MLP) from the viewpoint of the lessee = ` 1, 49,888	Whichever is lower. Hence, ` 1, 49,888

3. Journal Entry (1 ½ marks)

S. No	Particulars	Dr. (`)	Cr. (`)
1	Asset A/c Dr. To Lessor A/c (Being the asset taken on Finance Lease by the Lessee)	1,49,888	 1,49,888

(D)

1. AS – 20 Principle: As per Para 41, "Potential Equity Shares are anti-dilutive when their conversion to Equity Shares would increase EPS from continuing ordinary activities or decrease loss per Share from continuing ordinary activities. The effects of anti-dilutive Potential Equity Shares are ignored in calculating Diluted EPS". (1 ½ marks)
2. Analysis: The above assessment of dilute / anti – dilutive effect should be performed in each reporting period and accordingly, the same Potential Equity Shares may in the subsequent year become dilute in nature and would need to be considered in calculating dilutive EPS. (1 ½ marks)
3. Conclusion: Potential Equity Shares that were not considered in previous year because they were ant-dilutive, can be considered in the current period if they are dilutive, If Potential Equity Shares that were not considered in previous year because they were anti-dilutive are considered in the current period, Prior Period EPS does not required to be re – started. (2 marks)

Q 2

1 Computation of Purchase Consideration in Lakhs) (1 marks)

Particulars	Mahima	Nithya	Total
Preference Share Holders Equity Share Holders	120 Lakhs Shares x` 10 = 1,200 720 Lakhs x. ` 10 = 7,200	- 90 Lakhs x `10 = 900	1,200 8,100
Total	8,400	900	9,300

2. Analysis of Reserves to be incorporated in the books of Sona Ltd (` in Lakhs) (2 marks)

Particulars	Mahima	Nithya
(a) Purchase Consideration	8,400	900
(b) Paid Up Capital (Equity + Preference)	4,800	900
(c) Difference	3,600	-
(d) Difference adjusted against the Reserves		
- General Reserve of Mahima Ltd	2,100	-
- Profit & Loss A/c of Mahima Ltd	780	-
- Profit & Loss A/c of Sona Ltd (Balance)	720	-

3. Journal Entries in the Books of Sona Ltd in Lakhs) (8 marks)

Nature of Amalgamation: Merger Method of Accounting: Pooling of Interest

S.No.	Particulars		Dr.	Cr.
1.	Business Purchase A/c	Dr.	9,300	
	To Liquidator of Mahima Ltd A/c			8,400
	To Liquidator of Nithya Ltd A/c			900
	(Being purchase of business of Mahima Ltd & Nithya Ltd; and consideration due			
2.	Plant and Machinery A/c	Dr.	4,215	
	Furniture and Fixtures A/c	Dr.	2,400	
	Stock A/c	Dr.	2,370	
	Sundry Debtors A/c	Dr.	1,044	
	Cash at Bank A/c	Dr.	1.542	
	Profit & Loss A/c (WN 2)	Dr.	720	
	To Business Purchase A/c			8,400
	To Capital Reserve A/c			600
	To Trade Creditors A/c *			2,421
	To Provisions A/c			870
	(Being recording of Assets and Liabilities taken over from of Mahima Ltd)			
3.	Plant and Machinerv A/c	Dr.	468	
	Furniture and Fixtures A/c	Dr.	183	
	Motor Vehicles A/c	Dr.	51	
	Stock A/c	Dr.	444	
	Sundry Debtors A/c	Dr.	237	
	Cash at Bank A/c	Dr.	240	
	Preliminary Expenses A/c	Dr.	33	
	Debentures Discount A/c	Dr.	6	
	To Business Purchase A/c			900

	To Debenture Holders A/c			300
	To Trade Creditors A/c			369
	(Being recording of Assets and Liabilities taken over from Nithya Ltd)			
4.	Liquidator of Mahima Ltd A/c	Dr.	8,400	
	Liquidator of Nithya Ltd A/c	Dr.	900	
	To Equity Share Capital A/c			8,100
	To 11% Preference Share Capital A/c			1,200
	(Being discharge of Purchase Consideration by allotment of Equity &			
5.	Profit & Loss A/c	Dr.	6	
	To Bank A/c			6
	(Being payment of Liquidation Expenses of Mahima and Nithya Ltd)			
6.	Debenture Holders A/c	Dr.	300	
	To 8.5% Redeemable Debentures A/c			300
	(Being Allotment of 8.5% Debentures of Sona Ltd to Debenture Holders of Nithya Ltd)			
7.	Preliminary Expenses A/c	Dr.	15	
	To Bank A/c			15
	(Being expenses incurred for formation of New Company)			
8.	Profit & Loss A/c	Dr.	54	
	To Preliminary Expenses (33+15)			48
	To Debentures Discount			6
	(Being Preliminary Expenses and Debentures Discount written off)			

4. Balance Sheet of Sona Ltd as on 31st March (Pooling of Interest / Merger Method) (? in Lakhs) (2 marks)

	Particulars as at 31st March			Note	This Year	Prev. Yr
I	EQUITY AND LIABILITIES:					
(1)	Shareholders' Funds:					
	(a) Share Capital			1	9,300	
	(b) Reserves and Surplus			2	(180)	
(2)	Non-Current Liabilities:					
	Long Term Borrowings	8.5% Redeemable Debentures (Secured)			300	
(3)	Current Liabilities:					
	(a) Trade Payables	Creditors	(2,421 + 369)		2,790	
	(a) Short Term Provisions		(870 + 93)		963	
	Total				13,173	
II	ASSETS					
(1)	Non-Current Assets					
	Fixed Assets: Tangible Assets			3	7,317	
(2)	Current Assets:					
	(a) Inventories	Stock-in-Trade	(2,370 + 444)		2,814	
	(b) Trade Receivables	Debtors	(1,044 + 237)		1,281	
	(c) Cash and Cash Equivalents	Cash & Bank	(1,542 + 240 - 15 - 6)		1,761	
	Total				13,173	

Note 1: Share Capital (1 marks)

Particulars	This Year	Prev. Yr
Authorized: …… Equity Shares of ` 10 each & …… 11% Preference Shares of ` 10 each	15,000	
Issued, Subscribed & Paid up:		
(a) 810 Lakh Equity Shares of ` 10 each	8,100	
(All the above Shares were issued for non-cash consideration)		
(b) 120 Lakh 11% Preference Shares of ` 10 each	1,200	
(All the above Shares were issued for non-cash consideration)		
Total	9,300	

Note 2: Reserves and Surplus(1 marks)

Particulars		This Year	Prev. Yr
a) Capital Reserve b) Surplus	Profit and Loss A/c (54 + 6 + 720)	600 (780)	
Total		(180)	

Note 3: Tangible Fixed Assets(1 marks)

Particulars		This Year	Prev. Yr
(a) Plant & Machinery	(4,215 + 468)	4,683	
(b) Furniture & Fittings	(2,400 + 183)	2,583	
(c) Motor Vehicles		51	
Total		7,317	

Q 3

(A) 1. Consolidation of Balances (3 marks)

Vijay Ltd (Holding-70%, Minority-30%)	Total	Minority Interest	Pre-Acquisition
Equity Capital	20,00,000	6,00,000	14,00,000
Reserves	1,60,000	48,000	1,12,000
Total [Cr]		6,48,000	15,12,000
Cost of Investment [Dr.]			12,00,000
For Consolidated Balance Sheet		6,48,000	Capital Reserve = 3,12,000

Note: Capital Reserve on Consolidation will be the same amount from Year 1 to Year 7 i.e. ` 3, 12,000.

2. Minority Interest (` ooo's) (5 marks)

Particulars	Year 1	Year 2	Year 3	Year 4	Years	Year 6	Year 7
(a) Opening Balance [WN 1]	6,48	4,98	2,58	NIL	NIL	NIL	NIL
(b) Profits / (Losses) for the year	(5,00)	(8,00)	(10,00)	(2,40)	1,00	2,00	3,00
(c) Share in Revenue Profits / (Losses) [30%x(b)]	(1,50)	(2,40)	(3,00)	(72)	30	60	90
(d) Balance MI taken to CBS (a) - (c)	4,98	2,58	NIL	NIL	NIL	NIL	[Note] 66
(e) Loss Adjusted in Ajay's Share	-	-	42	72	-	-	-
(f) Gain trfd. to Ajay for losses absorbed	-	-	-	-	(30)	(60)	(24)
(g) Cumulative Adjustment against Ajay	-	-	42	1,14	84	24	N1

Note: Profit for Year 7 is X 90,000. Balance of Minority Loss adjusted against Ajay's Share is X 24,000. Therefore, Minorit. For Year 7 = Profit for the year X 90,000 Less Profit transferred to Ajay to the extent not recovered X 24,000 = X 66,000.

(B) 1. Journal Entries (4 marks)

S.No.	Particulars	Dr. (`)	Cr. (`)
1.	Rebate on Bills Discounted A/c Dr. To Interest and Discount A/c (Being the amount of provision for unexpired discount brought forward from the previous year credited to interest and Discount A/c)	70,080	70,080
2.	Interest and Discount A/c Dr. To Rebate on Bills Discounted A/c (Being provision for unexpired discount required at the end of the year)	96,860	96,860
3.	Interest and Discount A/c Dr. To Profit and Loss A/c (WN 3) (Being transfer of balance to Profit and Loss A/c)	1,98,38,020	1,98,38,020

2. Rebate on Bills Discounted Account (2 marks)

Date	Particulars	`	Date	Particulars	`
01.04.2015 31.03.2016	To Interest and Discount A/c To balance c/d	70,080 96,860	01.04.2016 31.03.2017	By balance b/d By Interest and Discount A/c (Rebate Required at year-end)	70,080 96,860
	Total	1,66,940		Total	1,66,940

3. Interest and Discount Account (2 marks)

Date	Particulars	`	Date	Particulars	`
31.03.2017	To Rebate on Bills Discounted	96,860	01.04.2016	By Rebate on Bills Discounted (Opening Balance)	70,080
31.03.2017	To Profit & Loss A/c(bal. fig.) (Income for the year)	1,98,38,020	31.03.2017	By Cash and Sundries	1,98,64,800
	Total	1,99,34,880		Total	1,99,34,880

Q 4 (A)

Particulars	` in Lakhs
(a) HP Price	100
(b) Down Payment	20
(c) Balance amount payable (a) - (b)	80
(d) Amount payable in each instalment (80 Lakhs ÷ 5 instalments)	16
(e) AF at 10.42% for 5 Years	3.7505
(f) PV of the instalments (d) x (e)	60
(g) Interest Component (c) - (f)	20

Loan Repayment Schedule

Year	Opening Principal	Instalment	Interest	Principal Repaid	Closing Principal
(1)	(2)	(3)	(4)=(2)x 10.42%	(5) = (3) - (4)	(6) = (2) - (5)
2016-2017	60	16	6.252	9.748	50.252
2017-2018	50.252	16	5.236	10.764	39.488
2018-2019	39.488	16	4.115	11.885	27.603
2019-2020	27.603	16	2.876	13.124	14.479
2020-2021	14.479	16	1.521	14.479	Nil
	Total	80	20	60	

Principal Outstanding as on 01.04.2017 = ` 50.252 Lakhs. Finance Charges for the year 2017-2018 can be recognized as Income since the instalments are overdue for a period less than 6 months.

Computation of Net Book Value Assets

Particulars	` in Lakhs
(a) Aggregate of Overdue and Future Instalments Receivable (` 16 Lakhs x 4)	64.000
(b) Balance of Unmatured Finance Charges (4.115 + 2.876 + 1.521)	8.512
(c) Provision for Non-Performing Assets (Note)	7.488
(d) Net Book Value of the Asset (a) - (b) - (c)	48.000

Note:

Particulars	` in Lakhs
(a) Aggregate of Overdue and Future Instalments Receivable	64.000
(b) Balance of Unmatured Finance Charges	8.512
(c) Depreciated Value of the Asset [? 80 Lakhs - (80 Lakhs x 20% x 2 years)]	48.000
(d) Provision to be created (a) - (b) - (c)	7.488

(B) 1. Computation of Profit earned during the year (amounts in ` Lakhs)

Particulars		LT Funds	Shareholders' Funds	Equity Funds
	Profit earned=Incr. in P8iL 8t Reserves (20+12 - 8.70 - 6.50)	16.80	16.80	16.80
Add	Equity Dividend	10.00	10.00	10.00
Add	Preference Dividend	0.90	0.90	Nil
Add	Interest on Long Term Debts (16% on 5) + (16% on 18)	3.68	Nil	Nil
	Profit earned during the year	31.38	27.70	26.80

2. Computation of Average Capital Employed

Particulars		LT Funds	Shareholders' Funds	Equity Funds
	Total Assets (Balance Sheet Total given as above)	148.30	148.30	148.30
Less	Non Trade Investments (20% of 10)	(2.00)	(2.00)	(2.00)
Less	Preliminary Expenses	(0.50)	(0.50)	(0.50)
	Total Assets	145.80	145.80	145.8C
Liabilities	Short Term Borrowings	(13.30)	(13.30)	(13.30)
	Sundry Creditors	(2.70)	(2.70)	(2.70)
	Provision for Taxation	(6.40)	(6.40)	(6.40)
	16% Debentures	Nil	(5.00)	(5.00)
	16% Term Loan	Nil	(18.00)	(18.00)
	Preference Share Capital & Preference Dividend	Nil	Nil	(10.90)
	Closing Capital Employed	123.40	100.40	89.50
Less	50% of Current Year Profit as per WN 1	(15.69)	(13.85)	(13.40)
Average Capital Employed		107.71	86.55	76.10

Note:

1. Capital Employed can be calculated based on any one of the approaches. However, Shareholders' Fund Approach is generally used for Goodwill Valuation Purposes.
2. It is assumed that Profit is earned evenly through the year; hence 50% of Current Year Profit is reduced from Closing CE, to compute Average Capital Employed.

Q 5

1. Loss to be borne by Equity and Preference Shareholders and Sharing of Loss

Particulars			`
	Profit and Loss	(Debit Balance)	7,00,000
	Preliminary Expenses		1,00,000
	Goodwill		2,00,000
	Plant and Machinery	(`18,00,000 - `15,00,000)	3,00,000
	Debtors	(` 7,50,000 - ` 4,00,000)	3,50,000
	Amount to be Written off		16,50,000
Less:	50% of Sundry	= Claim foregone	3,50,000
	Total Loss to be Borne by the Equity and Preference Shareholders		13,00,000
	Total Loss of ` 13,00,000 being more than 50% of Equity Share Capital, i.e. ` 10,00,000		
	(a) Pref. Shareholders' Share of Loss (20% of ` 10,00,000), contributed by Pref. Capital Reduction		2,00,000
	(b) Balance being Equity Shareholders' Share of Loss (` 13,00,000 - ` 2,00,000), contributed by Equity Capital Reduction		11,00,000

Note: Two years' Preference Dividend (Arrears) has been ignored in the computation of Loss to be borne by Equity and Preference Shareholders.

2. New Structure of Share Capital after Reorganization

Particulars	`
Equity Shares: 20,000 Equity Shares of ? 45 each fully paid up (` 20,00,000 - ` 11,00,000)	9,00,000
Preference Shares: 10,000, 9% Preference Shares of ` 80 each fully paid up (`10,00,000 - ` 2,00,000)	8,00,000
Total	17,00,000

3. Working Capital of the Reorganized Company

Particulars	`	`
Current Assets:		
Stock	3,00,000	
Debtors	4,00,000	
Cash	1,50,000	8,50,000
Less: Current Liabilities:		
Creditors	3,50,000	
Bank Overdraft (See Note)	75,000	4,25,000
Working capital		4,25,000

Note: Required Current Ratio = 2:1. So, required Current Liabilities = $\frac{CA}{2} = \frac{8,50,000}{2}$= `4, 25,000, of which Revised

Creditors = ` 3, 50,000. Hence, balance Bank Overdraft = ` 4, 25,000 - ` 3, 50,000 = ` 75,000

4. Balance Sheet of Shiva Ltd as on 31st March (after Reconstruction)

	Particulars as at 31st March	Note	This Year	Prev. Yr
I	EQUITY AND LIABILITIES:			
(1)	Shareholders' Funds:			
	Share Capital	1	17,00,000	
(2)	Non-Current Liabilities:			
	Long Term Borrowings - Term Loan with Bank (Secured)		2,25,000	
(3)	Current Liabilities:			
	Short Term Borrowings - Bank Overdraft		75,000	
	Trade Payables - Sundry Creditors		3,50,00	
	Total		23,50,000	
II	ASSETS			
(1)	Non-Current Assets - Fixed Assets: Tangible Assets			
	- Plant Machinery (Cost 18,00,000 - Deer, under Reconstruction 3,00,000)		15,00,000	
(2)	Current Assets:			
	(a) Inventories - Stock-in-Trade		3,00,000	
	(b) Trade Receivables - Sundry Debtors		4,00,000	
	(c) Cash and Cash Equivalents - Cash on Hand		1,50,000	
	Total		23,50,000	

Note 1: Share Capital

Particulars		This Year	Prev. Yr.
Authorized:	20,000 Equity Shares of ` 45 each	9,00,000	
	10,000 9% Preference Shares of `80 each	8,00,000	
Issued, Subscribed & Paid up:	20,000 Equity Shares of ` 45 each	9,00,000	
	10,000 9% Preference Shares of ` 80 each	8,00,000	
Total		17,00,000	

Q 6

(A) 1. Journal Entries in the books of Sthaanu Ltd (`in Lakhs)

Date	Particulars	Dr.	Cr.
1st Apr	Bank A/c Dr. To Investments A/c To Profit and Loss A/c (Being Investments sold at a Profit)	75	74 1
5th Apr	Equity Share Capital A/c (1,200 Lakhs as per B/s x 25%) Dr. Premium on Buyback A/c (FV ` 10, Offer Price ` 15, So Premium 50%) Dr. To Equity Shareholders A/c (Being Share Capital and Premium on Buyback transferred to Equity Shareholders A/c vide Board's Resolution No. ....dated............)	300 150	450
5th Apr	Securities Premium A/c Dr. To Premium on Buyback A/c (Being Premium on Buy Back provided from Securities Premium)	150	150
5th Apr	Equity Shareholders A/c Dr. To Bank A/c (Being amount paid to Equity Shareholders on Buy Back)	450	450
5th Apr	General Reserve A/c Dr. Profit and Loss A/c Dr. To Capital Redemption Reserve A/c (Being amount transferred to Capital Redemption Reserve, to the extent of Nominal Value of Shares bought back)	265 35	300

30th Apr	Capital Redemption Reserve A/c Dr. To Bonus to Equity Shareholders A/c (Being Capital Redemption Reserve used for the purpose of issue of Bonus Shares = 90,00,000 Shares x ½ = 22,50,000 Shares)	225	225
30th Apr	Bonus to Equity Shareholders A/c Dr. To Equity Share Capital A/c (Being Bonus Shares allotted to Equity Shareholders)	225	225

2. Summary Balance Sheet of Sthaanu Limited as on 30th April (after Bonus Issue)

	Particulars		Note	This Year	Prev. Yr
I	EQUITY AND LIABILITIES:				
(1)	Shareholders' Funds:				
	(a) Share Capital		1	1,125	
	(b) Reserves and Surplus		2	436	
(2)	Non-Current Liabilities:				
	Long Term Borrowings	- 12% Debentures (Secured)		750	
(3)	Current Liabilities:				
	(a) Trade Payables	- Sundry Creditors		745	
	(b) Other Current Liabilities			195	
	Total			3,251	
II	ASSETS				
(1)	Non-Current Assets				
	Fixed Assets	- Tangible Assets	3	2,026	
(2)	Current Assets:				
	(a) Inventories	- Stock-in-Trade		600	
	(b) Trade Receivables	- Sundry Debtors		260	
	(c) Cash and Cash Equivalents	- Balances with Banks (740 + 75 - 450)		365	
	Total			3,251	

Note 1: Share Capital

Particulars		This Year	Prev. Yr
Authorised:	………….. Equity Shares of ……….each		
Issued, Subscribed & Paid Up:	112.5 Lakh Equity Shares of ` 10 each	1,125	
Total		1,125	

Note: Additional Disclosures are required under Schedule III, in the Annual Financial Statements, in respect of Buyback of Shares, Bonus Issue, and Reconciliation of Number and Amount of Shares.

Note 2: Reserves and Surplus (showing appropriations and transfers) (all figures for this year)

Particulars	Opg Bal.	Additions	Deductions	Clg Bal.
Capital Redemption Reserve	200	From P&L & GR = 30	Bonus to Shareholders = 225	275
Securities Premium Account	175		Premium on Buyback = 150	25
Other Reserve (General Res.)	265		Trf to CRR = 265	-
Surplus (P&L A/c)	170	Invts. Sold at Profit = 1	Trf to CRR = 35	136
Total	810	301	675	436

Note 3: Tangible Fixed Assets

Item	Gross Block / Cost			Depreciation			Net Block / WDV	
	Opg Bal.	Addns / (Dends)	Clg Bal	Opg Bal.	Addns / (Dends)	Clg Bal	As at Yr Beginning	As at Yr End
Column	(1)	(2)	(3) = 1 ± 2	(4)	(5)	(6) = 4 ± 5	(7) = 1 – 4	(8) = 3 – 6
Machinery Furniture			1,800 226					1,800 226
Total			2,206					2,206

Note: In the absence of information, the entire Table is not filled up.

(B) 1. Statement of Underwriters' Liability (No. of Shares)

	Particulars	Alok	Bhujbal	Total
	Gross Liability	5,00,000	5,00,000	10,00,000
Less:	Marked Applications (See Note)	(5,00,000)	(3,40,000)	(8,40,000)
Less:	Unmarked Applications in ratio Qf Gross Liability (1 : 1)	(40,000)	(40,000)	(80,000)
Less:	Firm Underwriting	(20,000)	(20,000)	(40,000)
	Balance to be taken under Contract	(60,000)	1,00,000	40,000
Adjust:	Alok's Surplus transferred to Bhujbal	60,000	(60,000)	-
	Net Liability	-	40,000	40,000
Add:	Firm Underwriting	20,000	20,000	40,000
	Total Liability = Shares to be taken up by Underwriters	20,000	60,000	80,000

Note: It is assumed that the Total Marked Forms include Firm Underwriting. Hence, the balance Marked Forms are subtracted at this stage, Firm Underwriting is subtracted separately. If it is assumed that the Marked Forms exclude Firm Underwriting, the issue would become Fully Subscribed.

2. Journal Entries in the books of the Company

Date	Particulars		Dr. (`)	Cr. (`)
31st Jan	Bank A/c To Equity Share Application A/c (Being receipt of Application Money ` 2.50 per Share on 9,60,000 Shares)	Dr.	24,00,000	24,00,000
31st Mar	Equity Share Application A/c To Equity Share Capital A/c (Being the transfer of Application Money to Share Capital on 9, 60,000 Shares vide Board's Resolution No... dated....)	Dr.	24,00,000	24,00,000
31s Mar	Equity Share Allotment A/c (9,60,000 x ` 3) Bhujbal A/c (40,000 x `5.50 Application & Allotment) To Equity Share Capital A/c [(9,60,000 x 2.50) + (40,000 x 5)] To Securities Premium A/c (10,00,000 x 0.50) (Being amounts due on Allotment on 9,60,0000 Shares allotted generally and 40,000 Shares devolved upon Bhujbal, vide Board's Resolution No... dated....)	Dr. Dr.	28,80,000 2,20,000	26,00,000 5,00,000
31st Mar	Bank A/c To Equity Share Allotment A/c [(9,60,000 - 2,000) x ` 3] To Bhujbal A/c [40,000 x ? 5.50] (Being the receipt of Money due on Allotment including Premium on 9,98,000 Shares, except from the allottee for 2,000 Shares)	Dr.	30,94,000	28,74,000 2,20,000
31st Mar	Underwriting Commission A/c To Bank A/c (Being payment of Underwriting Commission at 5% on Issue Price of ` 10.50 for 10,00,000 Shares)	Dr.	5,25,000	5,25,000
30th Jun	Equity Share Capital A/c (2,000 x ` 5 called up) Securities Premium A/c (2,000 x ` 0.50) (See Note) To Equity Share Allotment A/c (2,000 x ` 3) To Share Forfeited A/c (2,000 x ` 2.50 received already) (Being 2,000 Shares for non-payment of Allotment money including Premium, Forfeited vide Board's Resolution No... dated....)	Dr. Dr.	10,000 1,000	6,000 5,000

30th June	Bank A/c [2,000 x ` 4] Dr. Share forfeited A/c [2,000 x ` 2.50] Dr. To Equity Share Capital A/c [2,000 x ` 5] To Securities Premium A/c [2,000 x ` 0.50] To Capital Reserve A/c [2,000 x (` 5 - `4) (Being the re-issue of the 2,000 Forfeited Shares and Profits adjusted on re-issue transferred to Capital Reserve Account)		

Note : If Securities Premium is not received fully, the account shall be reversed upon Forfeiture, Surplus Amount received upon re-issue will be used for reinstating the Securities Premium. However, if Securities Premium is received fully before Forfeiture, e.g. at the Application Stage itself, it should NOT be reserved upon Forfeiture.

Q.7.

(A) Computation of Effective Yield

MF (a)	Invt. (b)	Opg. NAV (c)	Units (d) = (b÷c)	Clg. NAV (e)	Total NAV(`) (f) = (dxe)	Cap Gain (g) = (f-b)	Dividend Received (h)	Total Yield (i) = (g+h)	No. of Days	Yield p.a. (%)
X	1,00,000	10.50	9,523.81	10.40	99,047.62	(952.38)	1,900	947.62	121	2.87
Y	2,00,000	10.00	20,000	10.10	2,02,000	2,000	3,000	5,000	90	10.14
Z	1,00,000	10.00	10,000	9.80	98,000	(2,000)	Nil	(2,000)	31	(23.55)

Note : Effective Yield (%) = $\frac{Ttal\ Yield}{Opening\ NAV}$ x$\frac{365}{No.of\ days\ of\ holding}$ x 100 & Total Yield = Dividend + Capital Gain (CG)

(B)

1.Computation of Expense to be recognized

Particulars	Result
(a) Fair value of Option per shares= MPS on Grant Date ` 120 less Exercise Price `50	` 70
(b) No. of shares vesting under the Scheme	16,000 shares
(c) Total Fair Value of Options = 16,000options x ` 70, to be recognized as Expense	` 11,20,000

2. Journal Entry for ESOP

Particulars	Dr. (`)	Cr.(`)
Bank A/c (16,000 shares x ` 50) Dr.	8,00,000	
Employees' Compensation Expense A/c (16,000 Shares x ` 70) Dr.	11,20,000	
To Equity Share Capital A/c (16,000 Shares x ` 10)		1,60,000
To Securities Premium A/c [16,000 Shares x (` 120 – 10)]		17,60,000
(Being 16,000 shares allotted to Employees under ESOP at a Premium of ` 110 per Shares		

(C)

1. Determination of Surplus received by Liquidator from Receiver

Receipts of Sale of	`	Payments towards	`
Land and building	1,60,000	Debenture Interest	9,750
Sundry Creditors	2,00,000	Income Tax Arrears	25,000
		Expenses of Receiver	1,950
		Mortgage Loan	70,000
		Debenture holders	1,50,000
		Balance Surplus handed over to Liquidator (bal. fig.)	1,03,300
Total	**3,60,000**	**Total**	**3,60,000**

2. Liquidator's Final Statement of Account

Receipts	`	Payments	`
Surplus received from Receiver(WN 1)	1,03,300	Remuneration to Liquidator	3,000
Sundry Assets realised	1,50,000	(1,50,000 x 2%) Costs of Liquidation	3,000
Calls on Contributories:	6,900	Unsecured Creditors:	68,000
=rom 5,000 Partly Paid Shares at ?1.38 per Share (WN 3)		Trade Creditors	1,80,000
		Directors (for Bank OD paid)	
		Preference Shareholders:	
		Share Capital	
		Arrears of Dividend (2 years)	
		Equity Shareholders: (paid to Holders of 10,000 Fully Paid Shares at ?0.62 each) (WN 3	
Total	**2,60,200**	**Total**	**2,60,200**

3. Calls from Holders of Partly Paid Shares

Particulars	`
(a) Total Receipts before considering Call Money (1,03,300 + 1,50,000)	2,53,300
(b) Total Payments before final payment to Equity Shares	2,54,000
(c) Surplus / (Deficit) from above before Calls made on Equity Shares (a - b) (+ve = Surplus, -ve = Deficit)	(700)
(d) Notional Call on 5,000 Partly Paid Shares at ` 2 each	10,000
(e) Surplus Cash Balance after Notional Call (c + d)	9,300
(f) Number of Shares deemed fully paid (10,000 + 5,000)	15,000
(g) Hence, Refund on Fully Paid Shares (e -r f) = ` 9,300 4 15,000 Shares	?0.62
(h)Therefore, Required Call on Partly Paid Shares = Notional Call ` 2.00 - Refund ` 0.62	` 1.38