

Q.11.

In the books of Ltd.

JOURNAL ENTRIES

Particulars.	LF	Dr £	Cr £
BANK A/c Dr		12,00,000	
To Equity share capital A/c			10,00,000
To securities Premium A/c			2,00,000
[Being issue of 1,00,000 equity shares of £10 each at a premium of £ per share].			
10% Redeemable Preference share capital Dr		10,00,000	
To Preference shareholders A/c			10,00,000
[Being amount payable on redemption of preference shares transferred to Preference shareholders A/c].			
Preference shareholders A/c Dr		10,00,000	
To BANK A/c			10,00,000
[Being amount paid on redemption]			

Q.12.

WN1: Calculation of No of shares to be issued.

Cash Required for Redemption of Pref shares	(65000 + 10%)
	71500
+ Closing Cash Balance	12000
	Total Requirements 83500
(-) opening balance of cash	(31000)
(-) investment sold	(15000)
	Total cash required. 37500
∴ Issue Price (50 + 10)	₹ 60
	625 eq sh.

WN2: Redemption of Preference shares

$$FV = \text{Fresh Issue} + \text{CRR.}$$

$$65000 = 31250 + 33750 - \text{PIL}$$

$$(625 \times 50)$$

$$\text{Premium} = \text{Full Reserve}$$

$$6500 = 6500 - \text{PIL}$$

$$(65000 \times 10\%)$$

Q.12.

In the books of x Ltd

JOURNAL ENTRIES

Particulars	LF	Dr	E	Cr	E
Bank A/c	Dr	37,500			
To share Application A/c				37,500	
[Being application money received on 625 shares @ 60 per share]					
Bank A/c	Dr	37,500			
To Equity share capital A/c [625x50]				31,250	
To securities Premium A/c [625x10]				6,250	
[Being fresh issue made at premium]					
Preference share capital A/c	Dr	6,500			
Premium on Redemption A/c	Dr	6,500			
To Preference share holders A/c				7,150	
[Being amount due to preference shareholders]					
Profit/Loss A/c	Dr	6,500			
To Premium on Redemption A/c				6,500	
[Being premium written off]					
Profit/Loss A/c	Dr	33,750			
To CRR A/c				33,750	
[Being CRR created]					
Preference shareholders A/c	Dr	71,500			
To Bank A/c				71,500	
[Being amount paid to preference shareholders]					
Bank A/c	Dr	15,000			
Profit/Loss A/c	Dr	3,500			
To Investment A/c				18,500	
[Being investment sold at loss]					

Balance sheet of X Ltd as on 31.3.13.

Particulars	Amount	C.Y	P.Y
I EQUITY AND LIABILITIES			
(1) Shareholders funds			
(a) Share capital	1	256250	
(b) Reserves & surplus	2	44250	
(2) Current liabilities			
(a) Trade payables			
Total		<u>357000</u>	
II ASSETS			
(1) Property, plant & equipment			
(a) Tangible Assets		345000	
(2) Current Assets			
(a) Cash & cash equivalents	3	12000	
		<u>357000</u>	

Notes to Accounts

(1) Share capital.	
[Equity shares 225000 + Fresh Issue 31250 eq. sh]	256250
(2) Reserves & surplus	
[48000 - 6500 - 33750 - 3500]	4250
Capital Redemption Reserve	33750
Securities Premium	6250
	<u>44250</u>
(3) Cash	
[31000 + 37500 - 71500 + 15000]	12000

Q.12.

WN1:

$$\text{Face value} = \text{Fresh Issue} + \text{CRR}$$

$$300000 = 250000 + 50000 - \text{PIL} \\ (250000 \times 10\%)$$

$$\text{Premium} = \text{Free Reserve}$$

$$300000 \times 10\% = 30,000 - \text{PIL} \\ 30000$$

Q.13.

In the books of ~~XYZ~~ Ltd.

JOURNAL ENTRIES.

Particulars	LF	Dr £	Cr £
12% Redeemable Preference share Capital A/c Dr		300 000	
Premium on Redemption A/c Dr		30 000	
To Preference share holder A/c			330 000
[Being amount due to pref sh holders]			
Profit Loss A/c Dr		30 000	
To Premium on Redemption A/c			30 000
[Being amount of premium written off]			
Profit Loss A/c Dr		50 000	
To CRRA/c			50 000
[Being CRR created]			
Preference shareholders A/c Dr		330 000	
To Bank A/c			330 000
[Being amount paid to pref share holders]			
Bank A/c Dr		250 000	
To Equity share capital A/c			250 000
[Being issue of 25000 equity shares of £10 each]			
Bank A/c Dr		100 000	
To 14% Debentures A/c			100 000
[Being issue of 1000 debentures of 100 each]			

Q.14.

WN1:

$$\text{Face value} = \text{Fresh issue} + \text{CRR}$$

$$\begin{array}{r} 6,000,000 \\ (6000 \times 100) \end{array} = \begin{array}{r} 3,000,000 \\ (3000 \times 100) \end{array} + 3,000,000 - \text{CRR.}$$

$$\text{Premium} = \text{Free Reserves} + \text{1st use securities}$$

$$\begin{array}{r} 60,000 \\ (6000 \times 10) \end{array} = \begin{array}{r} \text{Premium} \\ 60,000. \end{array}$$

WN2: Conversion of partly paid up equity shares into fully paid up equity shares.

$$20,000 \times 20 = 40,000 \rightarrow \text{CRR.}$$

WN3: Fully paid up Bonus shares.

Bonus	Held
1	4
?	20,000

$$5000 \times 100$$

$$500,000$$

$$\begin{array}{l} \rightarrow \text{CRR} - 300,000 \\ \rightarrow \text{cap Res} - 85,000 \\ \rightarrow \text{sec Prem} - 15,000 [75,000 - 60,000] \\ \rightarrow \text{Free Res} - (1,00,000) - \text{CRR.} \end{array}$$

Q.14.

In the books of THE TATA STEEL Ltd

JOURNAL ENTRIES

Particulars	UF	RM	£	CR	£
8% Redeemable Preference share capital A/c Dr		600000			
Premium on Redemption A/c Dr		60000			
To Preference share holders A/c				660000	
[Being amount due to Preference shareholders]					
Securities Premium A/c Dr		60000			
To Premium on Redemption A/c				60000	
[Being premium on redemption written off]					
Bank A/c Dr		3,75,000			
To 7.5% Cumulative Pref share capital A/c				300000	
To securities Premium A/c				75000	
[Being fresh (new issue made)]					
General Reserve A/c Dr		300000			
To CRR A/c				300000	
[Being CRR created]					
Preference shareholders A/c Dr		660000			
To Bank A/c				660000	
[Being amount paid to Preference shareholders]					
Share final call A/c Dr		40,000			
To Equity share capital A/c				40,000	
[Being final call due]					
General Reserve A/c Dr		40000			
To Bonus to shareholders A/c				40000	
[Being bonus declared]					
Bonus to shareholders A/c Dr		40000			
To share final call A/c				40000	
[Being bonus adjusted against share					

final call].

Capital Redemption Reserve A/c	Dr	3000000	
Capital Reserve A/c	Dr	85000	
Securities Premium A/c	Dr	15000	
General Reserve A/c	Dr	100000	
To Bonus to shareholders A/c			500000
[Being bonus declared].			
Bonus to shareholders A/c	Dr	500000	
To Equity share capital A/c			500000
[Being bonus transferred to ESC].			

PROFIT PRIOR TO INCORPORATION**Q.7.**

Fellow Travellers Ltd.

statement showing calculation of profit/losses for pre & post

Particulars	Basis	Ratio	Pre	Post
Gross Profit (sales ratio)		1:2	20,000	40,000
less: Expenses				
salaries & wages.	Time	5:7	4167	5833
debenture interest	WN.	Post	-	5250.
Depreciation.	Time	5:7	417	583.
Interest on purchase consideration	WN	5:1	-	1500
selling commission	sale	1:2	7500	6000
Director's fee	1	Post	3000	600
Preliminary Expenses		Post	-	6000.
Provision for taxes		Post	-	900
Capital Reserve Net			4917	13,333

WN1: Time Ratio

DOA DOI DOA

1.1.11 31.5.11 31.12.11

5m 7m

$$\therefore TR = \underline{5:7}$$

WN2: Sales Ratio.

Jan to May = 60,000

June to Dec = 1,20,000

$$\therefore SR = \underline{1:2}$$

WN3: Int on purchase consideration

DOA DOI DO settlement

1.1.11 31.5.11 30.6.11

5m 1m

$$\therefore \text{Int} = 9000$$

Pre 5:1 Post
7500 1500

$$\begin{aligned} \text{Debenture Interest} &= 1,50,000 \times 7\% \times 6/12 \\ &= \underline{5250} \end{aligned}$$

Q.8.

SALE Ltd.
statement showing calculation of pre & post profits.

Particulars	BASE	RATIO	PRE	POST	Total
Gross Profit	WN3	1:3	1,50,000	4,50,000	6,00,000
less: Expenses					
Salaries	Time	1:2	40,000	80,000	1,20,000
Rent, Rates & Taxes	Time	1:2	26,667	53,333	80,000
Common sales	sales	2:5	6000	15000	21000
Depreciation	Time	1:2	8333	16667	25000
Directors fees	POST	POST	—	12000	12000
Advertisement		POST	—	36000	36000
Interest on debenture		POST	—	32000	32000
Capital Reserve PIL A/C			69000	2,05,000	2,74,000

WN1: Time Ratio.

DOA	DOI	DOA
1.4.11	1.8.11	31.3.12

\therefore TR 1:2

WN2: Sales Ratio.

Let pre period per month sales be n .

\therefore Post period per month sales be $1.25n$

Pre	Post
4m	8m
$\times n$	$\times 1.25n$
<hr/>	<hr/>
4n	10n

\therefore SR = 4:10

i.e. 2:5

WN3: Gross Profit:

	PRE	POST.	
Sales	4x	10x.	
GP%	25%	30%	
\therefore GP Ratio	1n	3n.	<u>1:3</u>

Total gross profit = 6,00,000

	Pre	1:3	Post
	1,50,000		4,50,000.

Q.9.

Rama udyog. Ltd.

statement showing calculation of pre & post incorp profit

Particulars	Basis	Ratio	Pre	Post	Total
Gross Profit	WN3	2:7	1,20,000	4,20,000	5,40,000
less: Expenses.					
Depreciation	Time	1:2	41,000	82,000	1,23,000
Directors Fees		Post	-	50,000	50,000
Preliminary expense		Post	-	12,000	12,000
Office expenses	Time	1:2	26,000	52,000	78,000
Selling expenses	Sales	2:7	16,000	56,000	72,000
Interest to vendors	WN4	Actual	4,000	1,000	5,000
Capital Reserve P/L A/c.			33,000	1,67,000	2,00,000

WN1: Time Ratio

DOA DOI DOA
 1.4.11 — 4 — 1.8.11 — 8 — 31.3.12

 \therefore TR 1:2WN2: Sales Ratio.Let sales in first half = x \therefore Sales in second half = $2x$ April to July = $4x$ Aug to Mar = $14x$ \therefore SR = $4:14$ i.e. 2:7WN3: Gross Profit

GP = Net Profit + All expenses

$$2,00,000 = (1,23,000 + 50,000 + 12,000 + 78,000 + 72,000 + 5,000)$$

$$2,00,000 + 3,40,000$$

 \therefore GP = 5,40,000 \rightarrow in SR.WN4: Interest to vendors

DOA DOI DOA
 1.4.11 — 4 — 1.8.11 — 1 — 31.8.11

 \therefore Int 5000

Due Post
 4000 1000

Q.10.

Glorious Ltd

Statement showing calculation of pre & post incorp profits

Particulars	Ratio	Base	Pre	Post	Total
Gross Profit	1:3	WN3	100	300	400
less: Expenses					
Salaries	1:2	Time	23	46	69
Rent, Rates, Insurance	1:2	Time	8	16	24
Sundry off expenses	1:2	Time	22	44	66
Travellers commission	1:3	Sales	4	12	16
Discount Allowed	1:3	Sales	3	9	12
Bad debts	1:3	Sales	1	3	4
Directors fee.	Post	-	-	25	25
Tax Audit fee.	1:3	Sales	2.25	6.75	9
Depreciation	1:2	Time	4	8	12
Debtors interest	Post	Time	-	11	11
Capital Reserve P/L A/c			32.75	119.25	152

Q.11.

ABC Ltd -

Statement showing calculation of pre & post incorp profits

Particulars	Base	Ratio	Pre	Post	Total
Gross Profit	sales	1:3	80,000	2,40,000	3,20,000
less: Expenses					
salaries	Time	1:2	16,000	32,000	48,000
Stationery	Time	1:2	1600	3200	4,800
Travelling expense		WN4	5200	11600	16,800
Advertisement	sales	1:3	4000	12000	16000
Misc Trade exp	Time	1:2	12600	25200	37800
Rent		WN3	8000	18400	26400
Electricity charges	Time	1:2	1400	2800	4200
Directors fees	₹	Post	-	11200	11200
Bad debts	sales	1:3	800	2400	3200
Commission to selling agents	sales	1:3	4000	12000	16000
Tax Audit fees	sales	1:3	1500	4500	6000
Debtore Interest		Post	-	3000	3000
Interest to vendors		WN6	2800	1400	4200
Selling expenses	sales	1:3	6300	18900	25200
depreciation		WN5	3000	6600	9600
			<u>12800</u>	<u>74800</u>	<u>87600</u>

WN1: Time Ratio

DOA	DOI	DOFA
1.4.11	1.8.11	31.3.12
4		8

$$\text{TR} = 1:2$$

WN2: sales Ratio

$$\text{Total sales} = 19,20,000$$

let sales from 1.4.11 to 30.9.11 be $\text{£}n$ p/m.

$$\therefore \text{sales from 1.10.11 to 31.3.12} = \text{£} \left(n + \frac{2n}{3} \right) \text{ p/m. } \left[\frac{5}{3}n \right]$$

$$\text{Due April to July} = 4n$$

$$\text{Post Aug to Mar} = 12n.$$

$$\text{SR} = 1:3$$

WN3: Rent of office building.

$$\text{Due April to July} = 8000$$

$$\text{Post Aug to Mar} = 18400$$

$$[\text{Aug - sep}] = 4000$$

$$\begin{aligned} \text{out to Mar} &= (2000 + 400) \times 6m \\ &= 2400 \times 6m \end{aligned}$$

WN4: Travelling Expenses

$$\text{Total expenses} = 16,800$$

Towards sales
promotion

(SR)

4800

Due 1:3 Post

1200

3600

Balance

(TR)

12000

Due 1:2 Post

4000

8000

$$\therefore \text{Total Due} = 1200 + 4000 = \underline{5200}$$

$$\therefore \text{Total Post} = 3600 + 8000 = \underline{11,600}$$

WNS: Depreciation

9600

Depn on asset
in Post Period

600 - Post

Balance (TR)

9000

Pre Post

3000 6000

Total Pre = 3000

Total Post = 6600

WN6: Int paid to vendor

DOA

DOI

DOFA

1.4.11

— 4 —

1.8.11

— 2 —

30.9.11

∴ Ratio = 2:1

Total interest paid to vendor 4200

Pre 2:1 Post

2800 1400

J K SHAH CLASSES

INVESTMENT ACCOUNTS

classmate

①

Date _____
Page _____

Q.7.

BOOKS OF RAJAT.

INVESTMENT A/c											
Dr	date	Particulars	Qty	Div	Cost	date	Particulars	Qty	Div	Cost	Cr
	1-4-11	To Balance b/d	50,000	-	7,50,000						
	20-6-11	To Bank A/c	10,000	-	1,60,000						
	1-8-11	To Bonus Issue	10,000	-	-						
						31-3-12	By Balance c/d	90,000			1,21,00,000
	31-10-11	To Bank A/c	20,000	-	3,00,000						
			90,000		12,10,000			90,000			12,10,000

Timeline:

Date	Particulars.
1-4-11	opening balance 50,000 eq shares of ₹15 p/sh.
20-6-11	Purch 10,000 shares of 16 p/sh.
1-8-11	Bonus shares [6-1] (10,000 shares)
31-10-11	Right issues [7-3] (30,000 shares). Case A - 20,000 @ 15 p/sh. Case B - 10,000 @ 2 p/sh.

Q.8.

BOOKS OF A INVESTMENT IN EQUITY SHARES OF

Date	Particulars	Qty	DIV	Cost
1.4.11	To Bank A/c	5000	-	5,35,500
30.6.11	To Bonus issue	1000	-	-
1.10.11	To Bank A/c	250	-	11,250
31.12.11	To P/L A/c (WN5)			21,660
		<u>6250</u>		<u>5,68,410</u>

Timeline

Date	Particulars
1.4.11	Purch 5000 eq sh @ 105 cum dividend & 2% brok
15.5.11	Dividend received 2% for yr 10-11
30.6.11	Bonus issue [5-1] 1000 shares
1.10.11	Right shares [12-1] 500 shares Case A : 250 shares @ 45 Case B : 250 shares @ 5 sold.
30.11.11	Interim dividend of 1%
31.12.11	Sold 3000 shares @ 95 & 2% brok

Ltd.

ALLIANZ LTD.

Date	Particulars	Qty	Div	Cost
15.5.11	By Bank A/c (WN2)	-	-	10,000
30.11.11	By Bank A/c (WN3)	-	6000	-
31.12.11	By Bank A/c (WN4)	3000	-	2,79,300
31.3.12	By Balance c/d	3250	-	2,79,110
		<u>6250</u>		<u>5,68,410</u>

WN2: $5000 \times 100 \times 2\% = 10,000$ - adjusted invst A/c

WN3: $6000 \times 100 \times 1\% = 6000$ - Interim dividend declared on 30.11.11 will be credited to P/L A/c as revenue

WN4: $3000 \times 95 = 2,85,000$

(-) 2% (5,700)

2,79,300

WN5: P/L on sale of investment

SP 2,79,300

(-) cost

6250 - 536750

3000 - ?

2,57,640

21,660

Q.9.

date	particulars	FV	BOOKS	OF	
			IN	8%	DEB
			Qty	int	Cost
1.4.11	To Balance - b/d	120000	-	-	118000
1.7.11	To Bank A/c (WN 23)	10000	200		9898
1.10.12	To P/L A/c (WN 6)	-	-		133
1.1.12	To Bank A/c (WN 78)	5000	100		4849
31.3.12	To P/L A/c	-	9233		-
		135000	9533		132880

Timeline:

Date	Particulars
1.4.11	opening Bal nominal value 120000 cost 118000
1.7.11	Purch 100 deb @ 98 en int
30.9.11	Receipt of interest
1.10.11	sold 200 deb @ 100 en int
1.1.12	Purch 50 deb @ 98 cum int
1.2.12	sold 200 deb @ 99 en int
31.3.12	Receipt of interest

PURCHIT.

ENTURE OF P Ltd.

Date	Particulars	FV	INT	Cost
30.9.11	By Bank A/c	-	5200	-
1.10.11	By Bank A/c	20000	-	19800
1.2.12	By Bank A/c (WN9,10)	20000	533	19602
1.2.12	By P/L A/c (Loss) (WN11)	-	-	65
31.3.12	By Balance c/d	95,000	3800	93413.
		1,35,000	9533	132880

WN2: Calcⁿ of int on 1.7.11

$$10,000 \times 8\% \times \frac{3}{12} = 200$$

WN3: Calcⁿ of cost on 1.7.11

$$100 \times 98 = 9800$$

+1%

$$\underline{9898}$$

WN4: Calcⁿ of int on 30.9.11.

$$130000 \times 8\% \times \frac{6}{12} = 5200.$$

WN5: Calcⁿ of cost on 1.10.12

$$20,000$$

$$\underline{- 2\%}$$

$$\underline{19800}$$

WN6: calcⁿ of PIL on sale of 200 deb on 1.10.12.

$$\begin{array}{r}
 \text{SP} \quad 19800 \\
 (-) \text{CP} \\
 \hline
 120000 - 118000 \\
 20000 - ? \quad 19667 \\
 \hline
 133 - \text{Profit}
 \end{array}$$

WN7: calcⁿ of int on 1.1.12.

$$5000 \times 8\% \times \frac{3}{12} = 100.$$

WN8: calcⁿ of cost on 1.1.12

$$\begin{array}{r}
 50 \times 98 \quad 4900 \\
 (-) \text{int} \quad (100) \\
 \hline
 4800 \\
 + 1\% \text{ int} \quad 49 \\
 \hline
 4849
 \end{array}$$

WN9: calcⁿ of int on 1.2.12.

$$20,000 \times 8\% \times \frac{4}{12} = 533\frac{1}{3}$$

WN10: calcⁿ of cost on 1.2.12

$$\begin{array}{r}
 200 \times 99 = 19800 \\
 \hline
 - 1\% \\
 \hline
 19602
 \end{array}$$

WN11: PIL on sale

$$\begin{array}{r}
 \text{SP} \quad 19602 \\
 (-) \text{CP} \\
 \hline
 \text{FV} \quad \text{cost} \\
 120000 \quad 118000 \\
 20000 \quad ? \quad 19667 \\
 \hline
 65 \rightarrow \text{loss}
 \end{array}$$

Q.10.

BOOKS OF KRISHNA MURTY.
INVESTMENT A/C

Date	Particulars	FV	cost	Date	Particulars	FV	cost
1.4.11	To Bank A/c (WN1)	1,00,000	1,23,000	31.3.12	By Bank A/c (WN3)	50,000	44,100
31.1.12	To Bonus shares (WN2)	50,000	-				
31.3.12	To P/L (WN4)	-	3,100	31.3.12	By Balance c/d	1,00,000	82,000
		<u>1,50,000</u>	<u>1,26,100</u>			<u>1,50,000</u>	<u>1,26,100</u>

WN1: $1000 \times 120 = 120000$
 $+ 2\% \text{ of } 120000 = 2400$
 $+ 0.5\% \text{ of } 120000 = 600$
123000

WN5: CP CDR-4) 82000
 MV = $1000 \times 90 = 90000$

WN2: Bonus shares
 2 - 1
 100000 - ?
 50000

WN3: Cost of Bonus shares

$500 \times 90 = 45000$
 $- 2\% = (900)$
44100

WN4: P/L on sale of Bonus shares

SP 44100
 CP 41000

$150000 - 123000$

50000 ?

3100 - Profit

Q.11.

BOOKS OF

8% BONDS

date	Particulars	FV	INT	Cost
1.4.11	TO BANK A/c (WN1,2)	12,00,000	40,000	9,26,000
1.10.11	TO P/L A/c (WN6)	—	—	11,500
31.3.12	TO P/L	—	84,000	
		<u>12,00,000</u>	<u>1,20,000</u>	<u>9,37,500</u>

$$\text{WN1: } 12,00,000 \times 8\% \times 5/12 = 40,000$$

$$\begin{aligned} \text{WN2: Cost on 1.4.11} \\ 12,00,000 \times 80.50 &= 9,66,000 \\ (-) & 40,000 \\ \hline & 9,26,000 \end{aligned}$$

$$\begin{aligned} \text{WN3: INT on 1.5.11} \\ 12,00,000 \times 8\% \times 6/12 &= 48,000 \end{aligned}$$

$$\begin{aligned} \text{WN4: INT on 1.10.11} \\ 3,00,000 \times 8\% \times 5/12 &= 10,000 \end{aligned}$$

$$\begin{aligned} \text{WN5: P/L on sale} \\ \text{SP } & 2,43,000 \\ (-) \text{ CP} & \\ 12,00,000 & 9,26,000 \\ 3,00,000 & ? \quad (23,1500) \\ \hline & 11,500 - \text{Profit} \end{aligned}$$

NIDHI

A/c

Date	Particulars	FV	INT	COST
1.5.11	By Bank A/c (WN3)	—	48,000	—
1.10.11	By Bank A/c (WN4)	3,00,000	1,00,000	2,43,000
1.11.11	By Bank A/c (WN6)	—	36,000	—
31.3.12	By Balance c/d (WN7)	9,00,000	30,000	6,94,500
		12,00,000	1,24,000	9,37,500

WN6: Int on 1.11.11

$$9,00,000 \times 8\% \times 6/12 = 36,000$$

WN7: Int on 31.3.12

$$9,00,000 \times 8\% \times 5/12 = 30,000$$

BOOKS OF
INVESTMENT IN EQUITY.

Date	Particulars	Qty	DIV	AMT
12.4.11	TO BANK A/c	1,00,000	-	4,00,000
15.5.11	TO Bonus shares (WN1)	1,50,000	-	-
15.5.11	TO P/L (WN2)	-	-	5,00,000
31.3.12	TO P/L	-	2,25,000	-
		<u>2,50,000</u>	<u>2,25,000</u>	<u>4,50,000</u>

WN1: Bonus shares

2 - 3

100000 - ? = 150000 shares

WN2: P/L on sale

SP 25,00,000

CP

2,50,000 - 40,00,000

125,000 - ? 20,00,000

5,00,000 - Profit

WN3: Dividend.

125000 shares $\times 10 \times 18\% = 2,25,000$

NIDHI

SHARES OF X Ltd

Date	Particulars	Qty	DIV	Amt
15.5.11	By Bank A/c	1,25,000	-	25,00,000
1.12.11	By Bank A/c (WN3)	-	2,25,000	-
31.3.12	By Balance c/d	1,25,000	-	20,00,000
		<u>2,50,000</u>	<u>2,25,000</u>	<u>45,00,000</u>

Q.12.

In the books of M/s Bull & Bear

INVESTMENT A/c.

for the period from 1st Dec, 20X2 to 1st March, 20X3

Date	Particulars	FV	INT	Cost	Date	Particulars	FV	INT	Cost
1.12.12	To BANK A/c (WN1)	10,00,000	20,000	10,00,100	1.3.13	By BANK A/c (WN2)	10,00,000	50,000	9,99,400
1.3.13	To Profit/Loss		30,000		1.3.13	By Profit/Loss			700
		<u>10,00,000</u>	<u>50,000</u>	<u>10,00,100</u>			<u>10,00,000</u>	<u>50,000</u>	<u>10,00,100</u>

WN^o: Cost on 1.12.12

Cost value (10,000 x 101)	10,10,000
+ 1% BROK	10,100
(-) INT (10,000 x 100 x 12% x 2/12)	(20,000)
	<u>10,00,100</u>

Sale proceeds of 12% deb sold

SP (10,000 x 106)	10,60,000
(-) 1% BROK	(10,600)
(-) INT (10,000 x 100 x 12% x 5/12)	(50,000)
	<u>9,99,400</u>

Q.13.

INVESTMENT A/c - EQUITY SHARES IN X Ltd.

Date	Particulars	NO OF shares	DIV	Amt	Date	Particulars	NO OF shares	DIV	Amt
20X1 Jan 1	To Balance b/d	20,000	-	3,20,000	20X1 Oct 20	By BANK.*	30,000	30,000	7,500
June 1	To BANK	5000	-	70,000	NOV 1	By BANK	20,000		2,60,000
Aug 2	To Bonus Issue	5000	-	-	NOV 1	By PIL A/c (WN2)			1429.
sep 30	To BANK (right)	5000	-	75,000					
NOV 1	To Profit/loss		30,000						
		<u>35000</u>	<u>30000</u>	<u>4,65,000</u>			<u>35000</u>	<u>30000</u>	<u>4,65,000</u>
Jan 1 20X2	To Balance b/d	15000		1,96,071					

* $[20,000 \times 10 \times 15\%]$ $[5000 \times 10 \times 15\%]$

WN1:

NO OF Right shares issued $(20,000 + 5000 + 5000) / 3 = 10,000$ sharesNO OF Right shares subscribed $10,000 \times 50\% = 5000$ sharesAmt of Right shares issued $5000 \times 15 = 75000$ NO OF Right shares sold $10,000 - 5000 = 5000$ sharessale of Right shares $5000 \times 1.5 = 7500$ to be credited to

PIL

WN2: cost of shares sold.

Amt paid for 35000 shares (3,20,000 + 70,000 + 75,000)	4,65,000
(-) Div on shares purchased on 1 June	(7,500)
Cost of 35,000 shares	<u>4,57,500</u>
Cost of 20,000 shares (Average cost Basis)	<u>2,61,429</u>
sale proceeds	2,60,000
loss on sale	<u>1429</u>

WN3: value of investment at end of year.

$$\text{NRV } 15,000 \times \text{£}14 = 2,10,000.$$

$$\text{cost } \frac{4,57,500}{35,000} \times 15,000 = 1,96,071.$$

Q.14.

In the books of M. Brown.

12% Bonds for the year ended 31.3.12.

Date	Particulars	Nos.	Income	Amt	Date	Particulars	Nos.	Income	Amt
20X1 May 1	TO BANK A/C (WN7)	24000	24000	1992000	20X1 Sept	By BANK (24000x100x 12% x 6/12)		144000	
20X2 Mar 1	TO PIL A/C (WN1)			1,05,000	20X2 Mar 1	By BANK A/C (WN8)	15000	75000	1350000
20X2 Mar 31	TO PIL A/C		2,49,000		20X2 Mar 31	By BANK A/C (9000x100x 12% x 6/12)		54,000	
						By Balance	9000		747000
		24000	2,73,000	20,97,000			24000	2,73,000	20,97,000

INVESTMENT IN EQUITY SHARES OF ALPHA Ltd for y.e. 31.3.12

Date	Particulars	Nos	Income	Amt	Date	Particulars	Nos	Income	Amt
20X1 June 15	TO BANK A/C (1,50,000 x 25) + [2% x (1,50,000 x 25)]	1,50,000	-	38,25,000	20X1 Oct 31	By BANK A/C	80,000	-	1,76,000
					20X2 Jan 1	By BANK A/C div. (1,70,000 x 10 x 50%)		2,55,000	
Oct 14	TO Bonus issue (1,50,000/3x2)	1,00,000	-	-	Mar 31	By Balance ld.	1,70,000	-	26,01,000
20X1 Oct 31	TO PIL A/C (WN3)			5,36,000		(WN4)			
20X2 Apr 31	TO PIL A/C		2,55,000						
		2,50,000	2,55,000	43,61,000			2,50,000	2,55,000	43,61,000

INVESTMENT IN EQUITY SHARES OF BETA Ltd for y.e. 31.3.12

Date	Particulars	NOS	Income	Amt	Date	Particulars	NOS	Income	Amt
20x1	To Bank A/c	60,000	-	26,92,800	20x2	By Bank		1,18,800	
July 10	[60,000 x 44]				Mar 15	[60,000 + 6,000]			
	+ [2% x (60,000 x 44)]					[x 10 x 18%]			
20x2	To Bank A/c	6,000	-	30,000	Mar 31	By Balance c/d	66,000		27,22,800
JAN 15	(60,000)								
Mar 31	To P/L A/c		1,18,800						
		66,000	1,18,800	27,22,800			66,000	1,18,800	27,22,800

WN%

(1) Profit on sale of 12% Bond.

SP

13,50,000

(-) CP.

24,000

19,92,000

15,000

(12,45,000)

Profit

1,05,000

(2) closing Balance as on 31.3.12 of 12% Bonds

24,000

19,92,000

7,47,000

9,000

?

(3) Profit on sale of Alpha Ltd.

SP

17,60,000

(-) CP.

25,00,000

38,25,000

(12,24,000)

80,000

5,36,000

(4) closing balance as on 31.3.12 of Alpha Ltd -

250000	3825000	
170000	?	26,01,000

(5) Calcⁿ of Right shares subscribed by Beta Ltd

Right shares $\frac{60,000}{4} \times 1 = 15000$ shares

Shares subscribed = $15000 \times 40\% = 6000$ shares

Value of right shares subscribed = $6000 \times 5 = 30,000$

(6) Calcⁿ of sale of right entitlement by Beta Ltd

NO of right shares sold = $15000 - 6000 = 9000$ shares

sale^{value} of right = $9000 \times 2.25/- = 20,250 \rightarrow$ Price

(7) Purchase of Bonds on 1.5.11.

Int. $\rightarrow 24000 \times 100 \times 12\% \times \frac{4}{12} = 24000$

Inst $\rightarrow (24000 \times 84) - 24000$
19,92,000

(8) Sale of bonds on 1.3.12.

Int $\rightarrow 15000 \times 100 \times 12\% \times \frac{5}{12} \rightarrow 75000$

Inst $\rightarrow 15000 \times 90 = 13,50,000$

HIRE PURCHASE INSTALLMENT SELLING

Q.14.

Om Ltd.

Cash Price = 80,000

HP Price = 21,622 + (15,400 × 5) = 98,622

∴ Total Interest = 98,622 - 80,000

= 18,622

Calculation of interest for each year

Cash Price	80,000		
(-) Down Payment	(21,622)		
of cash Price in 1st Yr	58,378	100	
+ Interest @ 10%	5837	10	
	64,215	110	
(-) Installment	(15,400)		
of cash Price in 2nd Yr	48,815	100	
+ Interest @ 10%	4882	10	
	53,697	110	
(-) Installment	(15,400)		
of cash Price in 3rd Yr	38,297	100	
+ Interest @ 10%	3830	10	
	42,127	110	
(-) Installment	(15,400)		
of cash Price in 4th Year	26,727	100	
+ Interest @ 10%	2673	10	
	29,400	110	
(-) Installment	(15,400)		
of cash Price in 5th Year	14,000	100	
+ Interest @ 10%	1400	10	
	15,400	110	
(-) Installment	(15,400)		
	NIL		

Q.15.

Happy valley Florist Ltd.

Cash Price = 1,50,000

HP Price = 1,80,000

∴ Total Interest = 30,000

(To be allocated in the ratio of outstanding credit)

Years	o/s credit	ratio
I	1,50,000	15
II	1,00,000	10
III	50,000	5
IV	20,000	2

∴ Interest allocation

Year I ~~1740~~ 14062.50

Year II 9375

Year III 4687.50

Year IV 1875

Q.16.

Lucky

calculation of Cash Price.

Cash Price	<u>11,50,000</u>	
(-) Down Payment	<u>5,00,000</u>	
of Cash Price in 1 st Yr	6,50,000	100
+ Interest @ 10%	<u>65,000</u>	10
	7,15,000	110
(-) Instalment	<u>(2,65,000)</u>	
of Cash Price in 2 nd Yr	4,50,000	100
+ Interest @ 10%	<u>45,000</u>	10
	4,95,000	110
(-) Instalment	<u>(2,45,000)</u>	
of Cash Price in 3 rd Yr	2,50,000	100
+ Interest @ 10%	<u>25,000</u>	10
	2,75,000	110
(-) Instalment	<u>(2,75,000)</u>	
	NIL	

calculation of loss on Repossession.

Book value of 1 Tractor (5,75,000 - Dep @ 20% for 3Yr) = 2,94,400

(-) Agreed value of 1 Tractor (5,75,000 - Dep @ 30% for 3Yr) = 1,97,2251018 = 97,175

BOOKS OF lucky.

Tractor A/c

		2011-12			
1.10.	To Happy's A/c	11,50,000	30.9	By Depreciation (20%)	2,30,000
			30.9	By Balance b/d.	9,20,000
		<u>11,50,000</u>			<u>11,50,000</u>
1.10	To Balance b/d	9,20,000	30.9	By Depreciation (20%)	1,84,000
			30.9.	By Balance b/d	7,36,000
		<u>9,20,000</u>			<u>9,20,000</u>
1.10.	To Balance b/d	7,36,000	30.9	By Dep'n (20%)	1,47,200
			30.9	By Happy A/c (W2)	1,97,225
			30.9	By P/L A/c (W2)	97,175
			30.9.	By Balance b/d	2,94,400
		<u>7,36,000</u>			<u>7,36,000</u>

Happy A/c

		2011-12			
1.10	To BANK A/c	5,00,000	1.10	By Tractor A/c	11,50,000
30.9.	To BANK A/c	2,65,000	30.9.	By Interest A/c	65,000
30.9.	To Balance b/d.	4,50,000			
		<u>12,15,000</u>			<u>12,15,000</u>
		2012-13			
30.9.	To BANK A/c	2,45,000	1.10.	By Balance b/d	4,50,000
30.9.	To Balance b/d	2,50,000	30.9.	By Interest A/c	45,000
		<u>4,95,000</u>			<u>4,95,000</u>
		2013-14			
30.9.	To Tractor A/c	1,97,225	1.10	By Balance b/d	2,50,000
30.9.	To Balance b/d	77,775	30.9.	By Interest A/c	25,000
		<u>2,75,000</u>			<u>2,75,000</u>
		2014-15			
			1.10	By Balance b/d	77,775
31.12	To BANK Settlement)	81,275	31.12	By Interest (1% for 3m)	3,500
		<u>81,275</u>			<u>81,275</u>

Q.17.

X Ltd.

Interest calculation

Cash Price (7500x3)	2,25,000	
(-) Down Payment	(45,000)	
Ofs cash Price in 1 st yr	1,80,000	100
+ Interest (9%)	16,200	9
	1,96,200	109.
(-) Instalment	(76,200)	
Ofs cash Price in 2 nd yr	1,20,000	100
+ Interest (9%)	10,800	9
	1,30,800	109
(-) Instalment (60,000 + 10,800)	unpaid.	

WN2: Loss on Repossession (2 vars).

Book value (1,50,000 - Dep @ 20% for 2 yr)	96,000
(-) Agreed value (1,50,000 - Dep @ 30% for 2 yr)	73,500
Loss.	22,500

JOURNAL OF X Ltd.

Year	Particulars.	lf	debit £	credit £
1.4.	Milk van A/c To HP vendor A/c	Dr	2,25,000	2,25,000
1.4.	HP vendor A/c To BANK A/c	Dr	45,000	45,000
31.3.	Interest A/c To HP vendor A/c	Dr	16,200	16,200
31.3.	HP vendor A/c To BANK A/c	Dr	76,200	76,200
31.3.	Depreciation A/c To Milk van A/c	Dr	45,000	45,000

	31.3. PIL A/c	Dr	61,200	
	To Interest A/c			16,200
	To Depreciation A/c			45,000
<u>Year 2</u>	31.3. Interest A/c	Dr	10,800	
	To HP vendor A/c			10,800
	31.3. Depreciation A/c	Dr	36,000	
	To Milk van A/c			36,000
	31.3. HP vendor A/c	Dr	73,500	
	PIL A/c	Dr	22,500	
	To Milk van A/c			96,000
	31.3. PIL A/c	Dr	46,800	
	To Interest A/c			10,800
	To Depreciation A/c			36,000
<u>Year 3</u>	30.6. Interest A/c	Dr	1289	
	To HP vendor A/c			1289
	[$57,300 \times 9\% \times \frac{3}{12}$]			
	30.6. HP vendor A/c	Dr	58,589	
	To Bank A/c			58,589.
	(Settlement)			

CASH FLOW STATEMENT

classmate

①

Date _____
Page _____

Q. 1.

cash flow statement of MNT Ltd for y.e 31.3.15

Particulars.	£	£
<u>Cash flow from operating activities</u>		
cash sales [3,82,500 × 100/30]	12,75,000	
(-) paid to creditors	(4,60,000)	
(-) operating expenses (4,92,500 + 75,000)	(5,67,500)	2,47
cash generated from operations.		2,47,500
Taxes paid		(65,000)
net cash generated from operating activities (A)		<u>1,82,500</u>
<u>Cash flow from investing activities</u>		
sale of investments		7,20,000
Purchase of plant & machinery.		(2,50,000)
net cash generated from investing activities (B)		4,70,000
<u>Cash flow from financing activities</u>		
Bank loan repaid - principal		(2,00,000)
Interest		(15,000)
Dividend paid		(30,000)
net cash used in financing activities (C)		<u>2,45,000</u>
Net increase in cash and cash equivalents during the year A+B+C		4,07,500
cash & cash equivalent at beginning of year		2,00,000
cash & cash equivalent at end of year		<u>6,07,500</u>

Q.2.

Calculation of cash from operating activities of ABC Ltd for year ended 31.3.11

Particulars	£	£
Cash sales	NIL	
Collection from Debtors	4000	
Cash purchase	NIL	
Payment ^{to} operating expense creditors	(2,380)	
Taxes paid	(978)	642
		(195)
		447

WN1:

Debtors A/c			
To Balance b/d	250	By Cash/bank A/c	4000
To sales	4150		
		By Balance c/d	400
	4400		4400

WN2:

Creditors A/c			
To Cash/Bank A/c	2380	By Bal b/d	230
To Bal c/d	250	By Purchase A/c	2400
	2630		2630

WN3:

Operating expenses as per P/L A/c	1000
(+) O/s @ beg.	50
(-) O/s @ end	(72)
	978

Q.2.

INDIRECT METHOD.

Calculation of cash from operating activities of ABC Ltd

Particulars	£	£
NPBT	710	
Adjustments for:		
Depreciation	100	
Interest expenses	60	
Interest and dividend income	(100)	
Operating profit before WC changes	770	
(-) Increase in Trade Receivables	(150)	
(-) Increase in Inventory	(20)	
(+) Increase in Trade Payable	20	
(+) Increase in O/S wages	12	
(+) Increase in O/S expenses	10	
Cash generated from operations		642.
Tax paid		(195)
		<u>447</u>

Q.3.

Cash flow statement of gamma Ltd for y.e. 31.3.17

Particulars.	£	£
<u>Cash flow from operating activities</u>		
Cash sales	81	
Collection from debtors	49	
Cash purchases	(11)	
Cash paid to creditors	(42)	
Cash paid for operating expenses	(40)	
Cash generated from operations		37
Tax paid		(8)
Net cash generated from operating activities (A)		<u>29</u>
<u>Cash flow from investing activities</u>		
Sale of investment		14.40
Purchase of new plant		(11)
Net cash generated from investing activities (B)		<u>3.40</u>
<u>Cash flow from financing activities</u>		
Redemption of debentures.		(7)
Interest paid		(1.5)
Dividend paid		(11.7)
Net cash used in financing activities (C)		<u>(20.2)</u>
Net increase in cash & cash equivalents during year (A+B+C)		12.20
Cash & cash equivalents at beginning of year		6.00
Cash & cash equivalents at end of year		<u>18.20</u>

WN1:

Debtors A/c

To Bal b/d	45	By Cash/bank A/c	49
To Cr sales	54		
		By Balance c/d	50
	<u>99</u>		<u>99</u>

WN2:

Creditors A/c

To Cash Bank A/c	42	By Balance b/d	21
		By Cr purchase	44
To Balance c/d	23		
	<u>65</u>		<u>65</u>

WN3:

Administrative expenses
Salary

18

2240

Q.5.

Cash from operating activities

Particulars	₹	₹
NPBT	22,200	
Adjustment for depreciation	7,450	
Patent amortization	900	
Interest expenses	10,650	
Other income	(6,000)	
Operating profit before WC changes	<u>35,200</u>	
+ decrease in Trade Receivable	7,150	
(-) decrease in allowance B/D	(1,900)	
(-) increase in Inventory	(2,700)	
(-) increase in PP insurance	(700)	
(+) increase in Trade Payable	5,650	
(-) decrease in salaries payable	<u>(2,050)</u>	
Cash generated from operations		40,650
Taxes paid		(6,600)
Cash generated from operating activities		<u>34,050</u>

Q.4.

Cash flow statement of Ryan Ltd for the
year ended 31.3.11

Particulars	£	£
Net Profit before Taxation (WN1)	245000	
Adjustment for		
depreciation (WN3)	£135000	
Profit on sale of plant (WN3)	(40000)	
Profit on sale of investments (WN3)	(20000)	
Interest on debentures (WN4)	18000	
Operating Profit before working capital changes	3,38,000	
Increase in inventory	(5000)	
Increase in trade receivables	(25000)	
Increase in accrued liabilities	10000	
Increase in trade payables	5000	
Cash generated from operations	3,23,000	
Income taxes paid (WN8)	(1,00,000)	
Voluntary separation payments (WN9)	(1,10,000)	
Net cash generated from operating activities		1,13,000
Cash flow from investing activities		
Proceeds from sale of land (WN2)	1,50,000	
Proceeds from sale of plant (WN3)	9000	
Proceeds from sale of investments (WN4)	7000	
Purchase of plant (WN3)	(3,50,000)	
Purchase of investments (WN4)	(25,000)	
Dividend received (WN4)	5000	
Net cash used in investing activities		(60000)
Cash flow from financing activities		
Proceeds from issue of equity (6L-5L)	100000	
Proceeds from issue of debentures (2L-1L)	100000	
Redemption of preference shares	(200000)	
Dividend paid	(60000)	
Interest paid on debentures	(18000)	
Net cash used in financing activities		(78000)

Net decrease in cash & cash equivalents	(25000)
Cash & cash equivalents at beginning	90000
Cash & cash equivalents at end	<u>65000</u>

WN1:NPBT

Retained Profit	70000
(-) Balance as on 31.3.2010	(50000)
	20000
Provision for taxation	135000
Dividend Payable	90000
	<u>245000</u>

WN2:

Land & Building A/c

To Balance b/d	200000	By (cash sale)	1,50,000
To Capital Reserve (Profit on sale)	30000	By Balance b/d	1,50,000
To Capital Reserve (Rev Profit)	70000		
	<u>300000</u>		<u>300000</u>

WN3:

Plant & Machinery A/c

To Balance b/d	500000	By (cash sale)	90000
To P/L A/c	40000	By Depreciation	1,35,000
To Debentures	100000	By Balance b/d	7,65,000
To Bank	350000		
	<u>990000</u>		<u>990000</u>

WN4:

Investment A/c

To Balance b/d	80000	By (cash sale)	70000
To P/L A/c	20000	By Dividend (Prateq)	5000
To Bank	<u>25000</u>	By Balance b/d	50000
	<u>1,25,000</u>		<u>1,25,000</u>

WN5:

Capital Reserve A/c

To Balance b/d	100000	By Profit on sale of land	30000
		By Profit on Rev of land	70000
	<u>100000</u>		<u>100000</u>

WN6:

General Reserve A/c

To Voluntary Separation	50000	By Balance b/d	250000
To Capital Redemption Revenue	100000		
To Balance b/d	<u>100000</u>		
	250000		<u>250000</u>

WN7:

Dividend Payable A/c

To Bank	<u>60000</u>	By Balance b/d	60000
To Balance b/d	90000	By P/L A/c	90000
	150000		<u>150000</u>

WN8:

Prov for Tax A/c

To Bank	<u>100000</u>	By Balance b/d	60000
To Balance b/d	95000	By P/L A/c	135000
	195000		<u>195000</u>

WN9:

Voluntary Separation Payment A/c

To Balance b/d	65000	By General Reserve	50000
To Bank	<u>110000</u>	By Balance b/d	125000
	175000		<u>175000</u>