



CA INTERMEDIATE
SUBJECT-ACCOUNTS & ADVANCED
ACCOUNTS

Test Code – CIM 8705
(Date :)

(Marks - 40)

Topic : Investment Account, Buy Back and ESOP

NOTES: (1) WORKING NOTES SHOULD FORM PART OF ANSWERS.

(2) NEW QUESTION SHOULD BE ON NEW PAGE

Question 1 :

Akash Ltd had 4,000 Equity Shares of X Ltd, at a Book Value of Rs. 15 per Share (Face Value RS. 10 each) on 1st April 2017. On 1st September 2017, Akash Ltd acquired 1,000 Equity Shares of X Ltd at a premium of RS. 4 Per Share. X Ltd announced a Bonus and Rights Issue for existing Share Holders. The terms of Bonus and Rights Issue were -

- (a) Bonus was declared, at the rate of two Equity Share for every five Equity Shares held, on 30th September 2017.
- (b) Rights Shares are to be issued to the existing Shareholders on 1st December 2017. The Company issued two Right Shares for every 7 Shares held at 25% Premium. No Dividend was payable on these Shares. The whole sum being payable by 31st December 2017.
- (c) Existing Shareholders were entitled to transfer their rights to outsiders, either wholly or in part.
- (d) Akash Ltd exercised its option under the issue for 50% of its entitlements and sold the remaining rights for Rs. 8 per Share.
- (e) Dividend for year ended 31st March 2017, at the rate of 20% was declared by the Company and received by Akash Ltd on 20th January 2018.
- (f) On 1st February 2018, Akash Ltd sold half of its Shareholdings at a Premium of RS. 4 per Share.
- (g) The Market Price of Share on 31st March 2018 was Rs. 13 per Share.

You are required to prepare the Investment Account of Akash Ltd for the year ended 31st March 2018, and determine the Value of Share held on that date assuming the Investment as Current Investment.

(10 Marks)

Question 2:

Lucky Ltd. grants 100 stock options to each of its 1,500 employees on 1-4-2014 for Rs. 40, depending upon the employees at the time of vesting of options. Options would be exercisable within a year it is vested. The market price of the share is Rs. 70 each. These options will vest at the end of year 1 if the earning of Lucky Ltd. is 15%, or it will vest at

the end of the year 2 if the average earning of two years is 13% or lastly it will vest at the end of the third year if the average earning of 3 years will be 10% 8,000, unvested options lapsed on 31-3-2015. 6,000 unvested options lapsed on 31-3-2016 and finally 4,000 unvested options lapsed on 31-3-2017.

The earnings of Lucky Ltd. for the three financial years ended on 31st March, 2015; 2016 and 2017 are 14%, 10% and 8% respectively.

1,250 employees exercised their vested options within a year and remaining options were unexercised at the end of the contractual life.

You are required to give the necessary journal entries for the above and also prepare the statement showing compensation expense to be recognized at the end of each year.

(10 Marks)

Question 3:

Following is the summarized Balance Sheet of Super Ltd. as on 31st March, 2018.

Liabilities	In Rs.
Share Capital	
Equity Shares of Rs. 10 each fully paid up	17,00,000
Reserves & Surplus	
Revenue Reserve	23,50,000
Securities Premium	2,50,000
Profit & Loss Account	2,00,000
Infrastructure Development Reserve	1,50,000
Secured Loan	
9% Debentures	22,50,000
Unsecured Loan	8,50,000
Current Maturities of Long term borrowings	<u>15,50,000</u>
	<u>93,00,000</u>
Assets	
Fixed Assets	
Tangible Assets	58,50,000
Current Assets	
Current Assets	<u>34,50,000</u>
	<u>93,00,000</u>

Super Limited wants to buy back 35,000 equity shares of Rs. 10 each fully paid up on 1st April, 2018 at Rs. 30 per share.

Buy Back of shares is fully authorised by its articles and necessary resolutions have been passed by the company towards this. The payment for buy back of shares will be made by the company out of sufficient bank balance available as part of the Current Assets.

Comment with calculations, whether the Buy Back of shares by the company is within the provisions of the Companies Act, 2013.

(10 Marks)

Question 4:

Alpha Ltd. purchased 5,000, 13.5% Debentures of Face Value of Rs. 100 each of Pergot Ltd. on 1st May 2017 @ Rs. 105 on cum interest basis. The interest on these instruments is payable on 31st & 30th of March & September respectively. On August 1st 2017 the company again purchased 2,500 of such debentures @ Rs. 102.50 each on cum interest basis. On October 1st, 2017 the company sold 2,000 Debentures @ Rs. 103 each on ex-interest basis. The market value of the debentures as at the close of the year was Rs. 106.

You are required to prepare the Investment in Debentures Account in the books of Alpha Ltd. for the year ended 31st Dec. 2017 on Average Cost Basis.

(10 Marks)