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CA INTERMEDIATE

SUBJECT- ADVANCED ACCOUNTS

Test Code – CIM 8708

(Date :)

(Marks - 50)

TOPICS : ESOP, Liquidation, & NBFC

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

(2) NEW QUESTION SHOULD BE ON NEW PAGE

QUESTION NO.1 **(10 MARKS)**

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.**

QUESTION NO.2 **(10 MARKS)**

BT Ltd. went into Voluntary Liquidation on 31st March, 2018, when their detailed Balance Sheet was as follows:

Liabilities	In Rs.
Issued & Subscribed Capital	
10,000 12% cumulative preference shares of Rs. 100 each, fully paid	10,00,000
10,000 Equity Shares of Rs. 100 each 75 per share paid up	7,50,000
20,000 Equity Shares of Rs. 100 each 60 per share paid up	12,00,000
Profit & Loss Account	(5,25,000)
12% Debentures (Secured by a floating charge)	10,00,000
Interest outstanding on Debentures	1,20,000
Creditors	8,50,000
	43,95,000
Assets	
Land & Building	17,60,000
Plant & Machinery	12,50,000
Furniture	4,75,000
Patents	1,45,000

Stock	1,80,000
Trade Receivables	5,09,300
Cash at Bank	75,700
	43,95,000

Preference dividends were in arrear for 1 year. Creditors include preferential creditors of Rs. 75,000. Balance creditors are discharged subject to 5% discount.

Assets are realised as under:

	In Rs.
Land & Building	24,50,000
Plant & Machinery	9,00,000
Furniture	2,85,000
Patents	90,000
Stock	2,80,000
Trade Receivables	3,15,000

- Expenses of liquidation amounted to Rs. 45,000.
- The liquidator is entitled to a remuneration of 3% on all assets realised (except cash at bank).
- All payments were made on 30th June, 2018.

You are required to **prepare the Liquidator's Final Statement** of Account as on 30th June, 2018. Working Notes should form part of the answer.

QUESTION : 3 **(10 MARKS)**

While closing its books of account on 31st March, 2017 a Non-Banking Finance Company has its advances classified as follows:

	Rs. in lakhs
Standard assets	16,800
Sub-standard assets	1,340
Secured portions of doubtful debts:	
- upto one year	320
- one year to three years	90
- more than three years	30
Unsecured portions of doubtful debts	97
Loss assets	48

Calculate the amount of provision, which must be made against the advances as per

(i) the Non-Banking Financial Company – Non-Systemically Important Non- Deposit taking Company (Reserve Bank) Directions, 2016; and

(ii) Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

QUESTION NO.4 **(10 MARKS)**

In a liquidation which commenced on 11th November, 2017 certain creditors could not receive payments out of the realization of assets and out of the contributions from "A" list contributories.

The following are the details of certain transfer, which took place in 2016 and 2017 :

Share holders	Number of shares transferred at the date of ceasing to be member	Date of ceasing to be member	Creditors remaining unpaid and outstanding (Rs.)
C	2,500	1st September, 2016	5,000
P	1,500	1st January, 2017	9,000
D	2,000	1st April, 2017	12,000
B	700	1st August, 2017	13,500
S	300	15th September, 2017	14,500

All the shares were Rs. 10 each, Rs. 5 paid up.

Ignoring expenses of and remuneration to liquidators show the amount to be realized from various persons listed above.

QUESTION NO.5 **(5*2 = 10 MARKS)**

A. The following particulars in respect of stock options granted by a company are available:

Grant date	April 1, 2016
Number of employees covered	50
Number of options granted per employee	1,000
Fair value of option per share on grant date (Rs.)	9

The options will vest to employees serving continuously for 3 years from granting date, provided the share price is Rs. 65 or above at the end of 2018-19.

The estimates of number of employees satisfying the condition of continuous employment were 48 on 31/03/17, 47 on 31/03/18. The number of employees actually satisfying the condition of continuous employment was 45.

The share price at the end of 2018-19 was Rs. 68.

You are required to compute expenses to be recognised in each year in the books of the company.

B. Suvidhi Ltd. offered 50 shares to each of its 1500 employees on 1st April 2017 for Rs. 30. Option would be exercisable within a year it is vested. The shares issued under the plan shall be subject to lock – in on transfer for three years from the grant date. The market price of shares of the company is Rs. 50 per share on grant date. Due to post vesting restrictions on transfer, the fair value of shares issued under the plan is estimated at Rs. 38 per share.

On 31st March, 2018, 1200 employees accepted the offer and paid Rs. 30 per share purchased. Nominal value of each share is Rs. 10.

Record the issue of shares in the books of the company under the aforesaid plan.