

TOPICS : Departmental Account, Redemption of Redeemable Preference Shares

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

(2) NEW QUESTION SHOULD BE ON NEW PAGE

QUESTION : 1

(10 MARKS)

The capital structure of Chand Ltd. consists of 20,000 Equity Shares of Rs.10 each fully paid up and 1,000 8% Redeemable Preference Shares of Rs.100 each fully paid up (issued on 1.4.20X1).

Undistributed reserve and surplus stood as: General Reserve Rs. 80,000; Profit and Loss Account Rs. 20,000; Investment Allowance Reserve is Rs. 10,000 out of which Rs. 5,000 is not free for distribution as dividend; Cash at bank amounted to Rs. 98,000. Preference shares are to be redeemed at a Premium of 10% and for the purpose of redemption, the directors are empowered to make fresh issue of Equity Shares at par after utilizing the undistributed reserve and surplus, subject to the conditions that a sum of Rs. 20,000 shall be retained in general reserve and which should not be utilized.

Pass Journal Entries to give effect to the above arrangements and also **show how the relevant items will appear in the Balance Sheet** of the company after the redemption carried out.

QUESTION : 2

(8 MARKS)

A firm has two departments--Sawmill and Furniture. Furniture is made with wood supplied by the Sawmill department at its usual selling price. From the following figures **prepare Departmental Trading and Profit and Loss Account** for the year 2018:

	Sawmill Rs.	Furniture Rs.
Opening Stock on 1st January, 2018	1,50,000	25,000
Sales	12,00,000	2,00,000
Purchases	10,00,000	7,500
Supply to Furniture Department	1,50,000	--
Selling expenses	10,000	3,000
Wages	30,000	10,000
Closing Stock on 31st December, 2018	1,00,000	30,000

The value of stocks in the furniture department consist of 75% wood and 25% other expenses. The Sawmill Department earned Gross Profit at 15 % on sales in 2017. General expenses of the business as a whole came to Rs. 55,000. The firm adopts FIFO method for assigning costs to inventories.

QUESTION : 3**(10 MARKS)**

M/s. Delta is a Departmental Store having three departments X, Y and Z. The information regarding three departments for the year ended 31st March, 2018 are given below:

Particulars	Dept. X	Dept. Y	Dept. Z
Opening Stock	18,000	12,000	10,000
Purchases	66,000	44,000	22,000
Debtors at end	7,500	5,000	5,000
Sales	90,000	67,500	45,000
Closing Stock	22,500	8,750	10,500
Value of furniture in each Department	10,000	10,000	5,000
Floor space occupied by each Dept. (in sq. ft.)	1,500	1,250	1,000
Number of employees in each Department	25	20	15
Electricity consumed by each Department (in units)	300	200	100

Additional Information:

	Amount (Rs.)
Carriage inwards	1,500
Carriage outwards	2,700
Salaries	24,000
Advertisement	2,700
Discount allowed	2,250
Discount received	1,800
Rent, Rates and Taxes	7,500
Depreciation on furniture	1,000
Electricity Expenses	3,000
Labour welfare expenses	2,400

Prepare Departmental Trading and Profit & Loss Account for the year ended 31st March, 2018 after providing provision for Bad Debts at 5%.

QUESTION : 4

- A. The Board of Directors of a Company decide to issue minimum number of equity shares of Rs. 9 to redeem Rs. 5,00,000 preference shares. The maximum amount of divisible profits available for redemption is Rs. 3,00,000. Calculate the number of shares to be issued by the company to ensure that provisions of Section 55 are not violated. **Also determine the number of shares if the company decides to issue shares in multiples of Rs.50 only.**

(5 MARKS)

B. The books of B Ltd. showed the following balance on 31st December, 20X3:

30,000 Equity Shares of Rs.10 each fully paid; 18,000 12% Redeemable Preference Shares of Rs.10 each fully paid; 4,000 10% Redeemable Preference Shares of Rs.10each, Rs.8 paid up (all shares issued on 1st April, 20X2).

Undistributed Reserve and Surplus stood as: Profit and Loss Account Rs.80,000;General Reserve Rs.1,20,000; Securities Premium Account Rs.15,000 and Capital Reserve Rs.21,000.

Preference shares are redeemed on 1st January, 20X1 at a premium of Rs.2 per share. The where about of the holders of 100 shares of Rs.10 each fully paid are not known.

For redemption, 3,000 equity shares of Rs.10 each are issued at 10% premium. At the same time, a bonus issue of equity share was made at par, two shares being issued for every five held on that date out of the Capital Redemption Reserve Account.

Show the necessary Journal Entries to record the transactions.

(7 MARKS)

QUESTION : 5

(10 MARKS)

X Ltd has three departments A, B and C. From the particulars given below, **compute - (a) Values of Stock as on 31st December, and (b) Departmental Results.**

Particulars	A	B	C
Stock (at year beginning)	Rs. 24,000	Rs. 36,000	Rs. 12,000
Purchases	Rs. 1,46,000	Rs. 1,24,000	Rs. 48,000
Actual Sales	Rs. 1,72,500	Rs. 1,59,400	Rs. 74,600
Gross Profit on Normal Selling Price	20%	25%	$33\frac{1}{3}\%$

During the year, certain items were sold at discount and these discounts were reflected in the value of Sales shown above. The terms sold at discount were -

Particulars	A	B	C
Sales at Normal Price	Rs. 10,000	Rs. 3,000	Rs. 1,000
Sales at Actual Price	Rs. 7,500	Rs. 2,400	Rs. 600