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CA INTER

Test Code – JK-ADV-11

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Answers

Q.1

(a)

Computation of Basic Earning per Share (EPS)

For 2019 – $30,00,000 / 10,00,000 = ₹ 3$

For calculating the EPS for 2020, right factor is to be calculated.

Right factor = $\frac{\text{Fair value per share immediately prior to right issue}}{\text{Theoretical Ex-right fair value per share}}$

Theoretical ex–right fair value per share =

Aggregate fair value per share immediately prior to the exercise
= $\frac{\text{of right} + \text{Proceeds from right issue}}{\text{Number of shares outstanding after the right issue}}$

= $(10,00,000 \times 25 + 2,50,000 \times 20) / 12,50,000 = 24$

Right factor = $25/24 = 1.04$

Basic EPS for 2020 = $40,00,000 / (10,00,000 \times 1.04 \times 3/12) + 12,50,000 \times 9/12$
= 3.34 per share

Adjusted EPS for 2019 = $30,00,000 / (10,00,000 \times 1.04)$
= 2.88 per share

(b)

(a) Expenditure incurred upto 1.12.2018 will be taken up to profit and loss account for the financial year ended 31.3.2019 = ₹28 lakhs.

(b) Carrying amount as on 31.3.2019 will be the expenditure incurred after 1.12.2018 = ₹ 47 lakhs.

(c) Book cost of intangible asset as on 31.3.2020 is worked out as:

Carrying amount as on 31.3.2019	– ₹ 47 lakhs
Expenditure during 2019–20	– ₹ 90 lakhs
Total Book Cost	– ₹ 137 lakhs
Recoverable amount, as estimated	– ₹ 95 lakhs

Difference to be charged to profit and loss account as impairment – ₹ 42 lakhs

(d) Carrying amount as on 31.3.2020 will be (Cost less impairment loss) ₹ 95 lakhs

(c)

(i) Amount of profit/loss for the year ended 31.03.2020.

	₹ (Crores)
Total cost of construction (1450 + 350 + 1600)	3,400
Less : Contract price	3,200
Loss to be recognised	200

(ii) Contract work in progress

Cost incurred date

Work certified	1,450
Work pending certification	350
	1,800

This 52.94% (1800 / 3400 x 100) of total cost of construction.

(iii) Contract revenue to be recognized 52.94% of 3200 = ₹1694.08 crore.

(iv) Amount due from / to customers.

Contract cost incurred - recognized loss – (progress payment received + progress payment to be received).

$$(1450 + 350) - 200 - (1300 + 400)$$

$$\text{Amount due to customers} = ₹100$$

(d)

Key Management Personnel are related parties under AS - 18. Hence, remuneration paid to Key Management Personnel will be a related party transaction requiring disclosure under AS 18.

Non-Executive Directors or the board of directors are not related parties as per Accounting Standard Interpretation (ASI) 21. So, remuneration paid to them will not be considered a related party transaction.

Q.2

JOURNAL OF UNFORTUNATE BAD LUCK LTD.

Date	Particulars	L. F.	Dr.(₹)	Cr.(₹)	Marks
31.3.20	Equity Share Capital (₹ 100) A/c Dr. To Equity Share Capital (₹ 10) A/c		8,00,000	8,00,000	0.5
31.3.20	Equity Share Capital (₹ 10) A/c Dr. To Share Surrendered A/c		7,20,000	7,20,000	0.5
31.3.20	6% Cum-pref Share Capital (₹ 100) A/c Dr. To 15% Cum-Pref Share Capital (₹100) A/c To Reconstruction A/c		1,00,000	40,000 60,000	0.5
31.3.20	Share Surrendered A/c Dr. To Equity Share Capital (₹ 10) A/c		9,000	9,000	0.5
31.3.20	10% Debentures A/c Dr. Accrued Interest on Debentures A/c Dr. To Reconstruction A/c		9,00,000 70,000	9,70,000	0.5
31.3.20	Share Surrendered A/c Dr. To Equity Share Capital (₹ 10) A/c		5,00,000	5,00,000	0.5
31.3.20	Share Surrendered A/c Dr. To Equity Share Capital (₹ 10) A/c		72,000	72,000	0.5
31.3.20	Sundry Creditors A/c Dr. To Reconstruction A/c		4,32,000	4,32,000	0.5
31.3.20	Reconstruction A/c Dr. To Provision for Tax A/c		5,000	5,000	0.5
31.3.20	Reconstruction A/c Dr. To Bank A/c		10,000	10,000	0.5

31.3.20	Z A/c To Bank A/c	Dr.		10,000	10,000	0.5
31.3.20	Bank A/c Reconstruction A/c To Z A/c	Dr. Dr.		1,000 9,000	10,000	0.5
31.3.20	Share Surrendered A/c To Reconstruction A/c	Dr.		1,39,000	1,39,000	0.5
31.3.20	Capital Reserve A/c Securities Premium A/c To Reconstruction A/c	Dr. Dr.		10,000 70,000	80,000	0.5
31.3.20	Reconstruction A/c To Goodwill A/c To P & L A/c (10,60,000 – 1,35,000) To Preliminary Expenses A/c To Underwriting Commission A/c To Discount on Issue of Sh. Deb. A/c To Other fixed assets A/c To Stock A/c To Debtors A/c To Other Current Assets To Plant & Machinery A/c	Dr.		16,57,000	1,00,000 9,25,000 30,000 20,000 10,000 20,000 10,000 11,000 5,000 5,26,000	2

Note:

Students can replace the term RECONSTRUCTION A/C by the term CAPITAL REDUCTION A/c

**BALANCE SHEET OF UNFORTUNE BAD LUCK LTD (AND REDUCED)
AS AT 31.03.2020**

Particulars		Note No.	₹ Lacs
I.	EQUITY AND LIABILITIES		
	(1) Shareholders' Funds		
	(a) Share capital	1	7,01,000
	(b) Reserve and surplus (Profit and Loss A/c (Dr.))		(1,35,000)
	(2) Non-Current Liabilities (10% Debentures)		5,00,000
	(3) Current Liabilities		
	(a) Trade Payables (creditors)		18,000
	(b) Short-term Provision (Provision for Tax)		15,000
	Total		10,99,000
II.	ASSETS		
	(1) Non-current Assets		
	(a) Property, Plant & Equipment		
	(i) Tangible assets	2	8,84,000
	(ii) Intangible assets (Goodwill) (1,00,000 – 1,00,000 (Amt. w/o))		NIL
	(b) Non-Current Investments		15,000
	(2) Current Assets		
	(a) Inventories		90,000
	(b) Trade Receivable (Debtors)		29,000
	(c) Cash & Cash Equivalents		6,000
	(d) Other Current Assets		75,000
	Total		10,99,000

(4 Marks)

Notes to Accounts

Particulars		₹
1. Share Capital		
66,100 Equity Shares of ₹ 10 each, fully paid		6,61,000
400, 15% Pref. Shares of ₹ 100 each, fully paid		40,000
		7,01,000
2. Tangible Assets		
Plant & Machinery	10,00,000	
Less: Amt. w/o under Reconstruction Scheme	5,26,000	4,74,000
Other Fixed Assets	4,30,000	
Less: Amt. w/o under Reconstruction Scheme	<u>20,000</u>	4,10,000
Total		8,84,000

(1 + 1 Marks)

Note:

The transfer of 100 Shares by a dissentient shareholder to the director concerned and waived of the right to arrears to pref. dividend need not be accounted for.

Working Note:

- (i) Calculation of the amount of Shares Surrendered to be transferred to Reconstruction Account.

Dr. Share Surrendered Account Cr.

Particulars	₹	Particulars	₹
To Equity Share Capital A/c (Issued to Debenture holders)	5,00,000	By Equity Share Capital A/c	7,20,000
To Equity Share Capital A/c (Issued to sundry Creditors)	72,000		
To Equity Share Capital A/c (Issued to Prf. Shareholders)	9,000		
To Reconstruction A/c (Balancing Figure)	1,39,000		
	7,20,000		7,20,000

(2 Marks)

- (i) Calculation of Debit Balance of P & L A/c to be written off now
 $\text{₹ } 10,60,000 - (\text{₹ } 45,000 \times 3) = \text{₹ } 9,25,000$
- (ii) Calculation of the amount by which the value of Plant & Machinery is to be written down

Dr.		Reconstruction Account		Cr.	
Particulars	₹	Particulars	₹		
To Provision for tax	5,000	By 6% Cum Pref. Share Capital A/c	60,000		
To Bank A/c (Expenses)	10,000	By 10% Debenture A/c	9,00,000		
To Bank (Discounted B/R)	9,000	By Accrued Interest	70,000		
To Goodwill A/c	1,00,000	By Sundry Creditors	4,32,000		
To P & L A/c	9,25,000	By Share Surrendered A/c	1,39,000		
To Preliminary Expenses	30,000	By Capital Reserve A/c	10,000		
TO Underwriting Commission	20,000	By Securities Premium A/c	70,000		
To Discount on Issue of Shares/ Deb. A/c	10,000				
To Other Fixed Assets	20,000				
To Stock	10,000				
To Debtors	11,000				
To Other Current Assets	5,000				
To Plant & Machinery (Balancing Figure)	5,26,000				
	16,81,000				16,81,000

(3 Marks)

Q.3

(a)

BALANCE SHEET AS AT 30TH JUNE, 2020

Liabilities		₹	Assets	₹	₹
Loan X	22,000		Plant and Machinery		60,000
Accrued Interest for 3 months	550	22,550	Furniture and Fittings		10,000
Trade Creditors		70,000	Motor Car		40,000
X's Capital	48,000		Stock		45,000
Add: Net Profit	3,225		Debtors		60,000
	51,225		Z's Capital	8,000	
Less: Drawings	2,400	48,825	Add: Drawings	2,400	
Y's Capital	33,000			10,400	
Add: Net Profit	2,150		Less: Net Profit	1,075	9,325
	35,150				
Less: Drawings	2,400	32,750			
Bank overdraft		50,200			
		2,24,325			2,24,325

(4 Marks)

Dr.		Realisation Account		Cr.	
Particulars	₹	Particulars	₹		
To Plant and Machinery	60,000	By Loan from X	22,550		
To Furniture and Fittings	10,000	By Trade Creditors	70,000		
To Motor Car	40,000	By Bank Overdraft	50,200		
To Stock	45,000	By D (purchase consideration)	90,000		
To Debtors	60,000				
To X (cost of dissolution)	2,800				
To Net Profit t/f to					
X	7,475				
Y	4,983				
Z	2,492				
	2,32,750				2,32,750

(2 Marks)

Dr.		CAPITAL ACCOUNT OF PARTNERS						Cr.	
Particulars	X ₹	Y ₹	Z ₹	Particulars	X ₹	Y ₹	Z ₹		
To Balance b/d	-	-	9,325	By Balance b/d	48,825	32,750	-		
To Cash A/c Final payment	59,100	37,733	-	By Realisation A/c (Cost of Dissolution)	2,800	-	-		
				By Realisation A/c	7,475	4,983	2,492		
				By Cash A/c (brought in)	-	-	6,833		
	59,100	37,733	9,325		59,100	37,733	9,325		

(2 Marks)

Dr.		CASH ACCOUNT		Cr.	
Particulars	₹	Particulars	₹		
To D	90,000	By X's Capital A/c	59,100		
To Z's Capital A/c	6,833	By Y's Capital A/c	37,733		
	96,833				96,833

(1 Mark)

Dr.		D's ACCOUNT		Cr.	
Particulars	₹	Particulars	₹		
To Realisation A/c (Purchase Consideration)	90,000	By Cash A/c		90,000	
	90,000			90,000	

(1 Mark)

Working Notes:

(i)

Trading and Profit and Loss Account**Dr. for three months ending on 30th June, 2020 Cr.**

Particulars	₹	Particulars	₹
To Opening Stock	55,000	By Sales:	
To Purchases	30,000	Cash	45,000
To Salaries & Wages	12,000	Credit	20,000
To Office Expenses	6,000	By Closing Stock	45,000
To Interest on Loan of X	550		
To Net Profit			
X	3,225		
Y	2,150		
Z	<u>1,075</u>		
	1,10,000		1,10,000

(3 Marks)

(ii)

Dr. TOTAL DEBTORS ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Balance b/d	40,000		
To Credit Sales (balancing figure)	20,000	By Balance c/d	60,000
	60,000		60,000

(1 Mark)

(iii)

Dr. **CASH AND BANK ACCOUNT** Cr.

Particulars	₹	Particulars	₹
To Sales	45,000	By Balanced b/d (Overdraft)	30,000
		By Salaries & Wages	12,000
		By Office Expenses	6,000
		By Drawings	
		X	2,400
		Y	2,400
		Z	2,400
To Bal c/d (overdraft)	50,200	By Creditors (₹ 80,000 - 70,000)	10,000
		By Cash Purchases	30,000
	95,200		95,200

(2 Marks)

(b)

Calculation of liquidator's remuneration:

	₹
Liquidator's remuneration on assets realised (₹ 40,00,000 x 2 /100)	80,000
Liquidator's remuneration on payment to unsecured creditors (₹ 16,48,000 x 3/103)	48,000
Total liquidator's remuneration	1,28,000

(4 Marks)

Q.4

(a)

JOURNAL OF XYZ LTD

Date	Particulars	L. F.	Dr.(₹)	Cr.(₹)	Marks
At the end of Year 1	Employees Compensation Exp. A/c Dr. To Employee Stock Options Outstanding A/c (Being expense in respect of ESOP recognized for the year 1)		8,60,625	8,60,625	0.5

	Profit & Loss A/c To Employees Compensation Exp. A/c (Being employees compensation exp. transferred to P / L A/c	Dr.	8,60,625	8,60,625	0.5
At the end of Year 2	Employees Compensation Exp. A/c To Employee Stock Options Outstanding A/c (Being expense In respect of ESOP recognized for the your 2)	Dr.	8,60,625	8,60,625	0.5
	Profit & Loss A/c To Employees Compensation Exp. A/c (Being employees compensation exp. transferred to P / L A/c	Dr.	8,60,625	8,60,625	0.5
At the end of Year 3	Employees Compensation Exp. A/c To Employee Stock Options Outstanding A/c (Being expense in respect of ESOP recognized for the your 3)	Dr.	21,03,750	21,03,750	0.5
	Profit & Loss A/c To Employees Compensation Exp. A/c (Being employees compensation exp. transferred to P / L A/c	Dr.	21,03,750	21,03,750	0.5
At the end of Year 4	Bank A/cc (600 X 500 X ₹ 50) Employee Stock Options Outstanding A/c (600 × 500 × ₹ 5) To Share Capital A/c (600 x 500 x ₹ 10) To Securities premium A/c (600 x 500 x ₹ 45) (Being 3,00,000 options exercised at the end of 4th your)	Dr. Dr.	1,50,00,000 15,00,000	 30,00,000 1,35,00,000	1

At the end of Year 5	Bank A/c (800 x 500 x ₹ 50) Employee stock Option outstanding A/c (800 x 500 x ₹ 5) To Share Capital A/c (800 x 500 x ₹ 10) To Securities Premium A/c (800 x 500 x ₹ 45) (Being 4,00,000 options exercised at the end of 5th year)	Dr. Dr.	2,00,00,000 20,00,000	40,00,000 1,80,00,000	1
At the end of Year 6	Bank A/c (100 x 500 x ₹ 50) Employee Stock Options Outstanding A/c (100 x 500 x ₹ 5) To Share Capital A/c (100 x 500 x ₹ 10) To Securities premium A/c (100 x 500 x ₹ 45) (Being 50,000 options exercised at the end of 5th year)	Dr. Dr.	25,00,000 2,50,000	5,00,000 22,50,000	1
At the end of Year 6	Employee Stock Options Outstanding A/c (30 x 500 x ₹ 5) To General Reserve (Being the fair value of options lapsed transferred to gen. reserve)	Dr.	75,000	75,000	1

Working Note:

- A. No. of Employees expected to takes options = $2500 \times 80\% \times 85\% \times 90\% \times 90\% = 1377$
- B. No. of options to be granted to each employee = 500
- C. Fair value of each option = ₹ 5
- D. Total fair value of options expected to vest (A x B x C) = ₹ 34,42,500
- E. Amount of fair value of options to be recognized as an expense
 1st year $(34,42,500 / 4) = ₹ 8,60,625$
 2nd year $[34,42,500 \times (2/4) - 8,60,625] = ₹ 8,60,625$
 3rd year $[(1530 \text{ employees} \times 500 \text{ options} \times ₹ 5) - (8,60,625 + 8,60,625)] = ₹ 21,03,750$

Stock vesting period has revised in 3rd year all the remaining liabilities in respect of employees stock option plan has been recognized at the end of 3rd year and data for the 4th year has been ignored.

Note: No adjustment is required for no. of employees not expected to fulfill vesting conditions based on market conditions since they are already adjustment in calculating fair value of the option.

(3 Marks)

(b)

1. **Outstanding Shares Test:** Max. No. of shares than can be bought back
= 25% of O/s shares = 25% of 30 lacs = 7.5 lacs

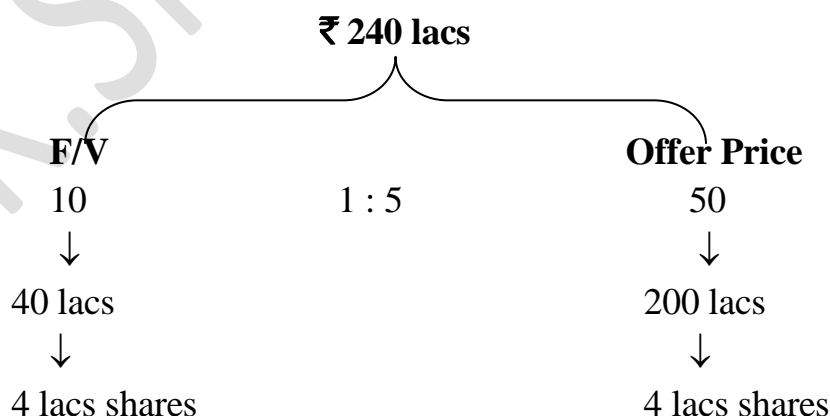
(1 Mark)

2. **Resources Test:** Max. No. of shares that can be bought back = 25% of Equity base
= (25% of Paid up Share Capital + Securities Premium + Free Reserves)/Buy back price per share
= 25% (₹ 400 + ₹ 100 + ₹ 200 + ₹ 300)/ (40 + 25%) = 5 lacs

(1 Mark)

3. **Debt-Equity Test:**

Borrowed Funds (₹ 1000 lacs + ₹ 520 lacs)	₹ 1520 lacs
Minimum Equity to be maintained after buy-back	₹ 760 lacs
Present Equity	₹ 1000 lacs
Max. possible Dilution in Equity	₹ 240 lacs



(2 Marks)

Hence, Co. can buy back maximum 4 lacs shares (least of three conditions.)

JOURNAL OF BHARAT LTD. (₹' lacs)

Date	Particulars	L. F.	Dr. (₹)	Cr. (₹)	Marks
1	Bank A/c Profit & Loss A/c To Investments A/c (Being the Investments sold)	Dr. Dr.	200 120	320	1
2	Equity shares holders A/c To Bank A/c (Being the payment made on buy – back)	Dr.	200	200	1
3	Securities Premium A/c General Reserve A/c To premium on buy back A/c (being premium on buy - back written off)	Dr. Dr.	100 60	160	1
4.	Equity shares capital A/c Premium on buy back A/c To Equity shares holders A/c (Being the cancellation of shares bought back)	Dr. Dr.	40 160	200	1
5	General Reserve A/c To capital Redemptions Reserve A/c (Being the amount equal to nominal value of Equity shares bought back out of free reserves to CRR)	Dr.	40	40	1

Working Notes:**Calculation of Sale of Investments**

	FV	B/V	Market Price	
Total	200 lacs	400 lacs	250 lacs	(200 + 25%)
Required	? 160 lacs	? 320 Lacs	200 lacs	

(1 Mark)

It means co. will sell inv. of F/V 160 lacs, having B/V 320 lacs at ₹ 200 lacs to get required funds to buy back shares at ₹ 200 lacs. It means loss on sale & inv. of ₹ 120 lacs.

Alternative journal entries can be as follows

	Particulars	L. F.	Dr. (₹)	Cr. (₹)
Entry 2	Equity Share Buy Back A/c To Bank A/c (Being Amount due on buy back)	Dr.	200	200
Entry 3 & 4	Equity Share Capital A/c Securities Premium A/c General Reserve A/c To Equity Share Buy Back A/c (Being equity share bought back cancelled)	Dr. Dr. Dr.	40 100 60	200

Q.5

(a)

Balance Sheet of XY Ltd. As at 31.03.2020

Particulars		Note No.	₹ Lacs
I.	EQUITY AND LIABILITIES		
(1)	Shareholders' funds		
	(a) Share capital	1	27.60
	(b) Reserve and surplus	2	21.00
(2)	Non-Current Liabilities		
	(a) Long-term Borrowings	3	2.08
(3)	Current Liabilities		
	(a) Trade Payable	4	2.25
	Total		50.93
II.	ASSETS		
(1)	Non-current Assets		
	(a) Property, Plant & Equipments		
	(i) Tangible assets (20.90 + 8.36)		29.26
	(ii) Intangible assets (Goodwill) (0.48 + 0.38 + 0.02)		0.88
	(b) Non-Current Investments		10.10
	(c) Other Non-Current Assets		NIL
(2)	Current Assets		
	(a) Inventories (4 + 0.50 - 0.02)		4.48
	(b) Trade Receivable	5	4.70
	(c) Cash & Cash Equivalents (0.49 + 3.02)		3.51
	Total		53.93

(3 Marks)

Notes to Accounts

Particulars	₹ lakh	Marks
1. Share Capital		1
3,00,000 Equity Shares of ₹ 10 each, ₹ 8 paid up	24.00	
3,600, 9% Pref. Shares of ₹ 100 each	3.60	
(All the above shares were issued for consideration otherwise than cash)	27.60	
2. Reserves and Surplus		2
Securities Premium (3,00,000 x ₹ 7)	21.00	
Investment Allowance Reserve	3.00	
Less: Amalgamation Adjustment A/c	<u>(3.00)</u>	
	21.00	
3. Long-term Borrowings		1
15% Debentures (1.60 + 0.80 – 0.16 – 0.16)	2.08	
	2.08	
4. Trade Payables		1
Sundry Creditors (0.55 + 1.85 – 0.60)	1.80	
Bills Payables (0.45 + 0.35 – 0.35)	0.45	
	2.25	
6. Trade Receivables		1
Sundry Debtors (3.52 + 1.53 – 0.60)	4.45	
Bills Receivables (0.25 + 0.35 – 0.35)	0.25	
	4.70	

Working Notes:**(i) Computation of Value of Net Assets for Equity Shareholders ₹ (lakhs)**

Particulars	X Ltd.	Y Ltd.
A. <u>Total Assets at their Current Values:</u>		
Goodwill	0.48	0.38
Net Tangible Block	20.90	8.36
Investments in Debentures	0.16	0.16
Other Investment	4.00	6.10
Stock	4.00	0.50
Debtors	3.52	1.53
Cash at Bank	0.49	3.02
Bills Receivable	0.25	0.35
	33.80	20.40
B. <u>Less: Liabilities at their Current Amounts</u>		
12% Debentures [Interest 15%]	1.60	0.80
Creditors for goods	0.55	1.85
Bills Payable	0.45	0.35
8% Pref. Share Capital	1.20	2.40
	3.80	5.40
C. Net Assets for Equity Shareholders [A - B]	30.00	15.00

Interest on one debenture X Ltd. & Y Ltd is ₹ 12. (12% of 100) XY Ltd's deb. @ 15% Int. to yield ₹ 12 interest will be of ₹ 80 each $\left[12 \times \frac{100}{15}\right]$. Hence investment in debenture are valued at ₹ 80 each. (200 x 80 =16,000).

(4 Marks)**(ii) Calculation of No. of Equity Shares to be issued by Purchasing Company**

Particulars	X Ltd.	Y Ltd.	Total
A. Total Value (as calculated above)	30,00,000	15,00,000	45,00,000
B. Issue Price of an Equity Share	15	15	15
C. No. of Equity Shares to be issued by [A ÷ B]	2,00,000	1,00,000	3,00,000
Equity Share Capital @ ₹ 8	16,00,000	8,00,000	24,00,000
Securities Premium @ ₹ 7	14,00,000	7,00,000	21,00,000

(1 Mark)

(iii) Calculation of Purchase Consideration

Particulars	X Ltd.	Y Ltd.	Total
Equity Shares @ ₹ 15	30,00,000	15,00,000	45,00,000
9% Pref. Shares @ ₹ 100	1,20,000	2,40,000	3,60,000
Total	31,20,000	17,40,000	48,60,000

(1 Mark)

(b)

	₹ in lakhs	₹ in lakhs
(i) Capital Funds – Tier I:		
Equity Share Capital		96,000
Statutory Reserve		50,000
Securities Premium		6,000
Capital Reserve (arising out of sale of assets)		1,860
		<u>1,53,860</u>
(ii) Capital Funds – Tier II:		
Capital Reserve (arising out of revaluation of assets)	560	
Less: Discount to the extent of 55%	(308)	252
Total Risk Adjusted Assets		<u>1,54,112</u>

(1 Mark)

Particulars	₹ in lakhs	Percentage Weight	Amount ₹ in lakhs
<u>Funded Risk Assets:</u>			
Cash Balance with RBI	960	0	-
Balances with Other Banks	2,500	20	500
Claim on Commercial Banks	1,200	20	240
Other Investments	1,56,500	100	1,56,500
<u>Loan and Advances:</u>			
(i) Guaranteed by Government	25,640	0	-
(ii) Guaranteed by public sector undertakings of Central Government	1,40,420	0	-
(iii) Granted to staff of Bank fully secured	2,500	20	500
(iv) Others	10,40,000	100	10,40,000
Premises, Furniture and Fixtures	36,400	100	36,400
Other Assets	40,000	100	40,000
			12,74,140
<u>Off-Balance Sheet Item:</u>			
Acceptances, Endorsements and Letters of Credit	7,00,000	100	7,00,000
Guarantees and other obligations	40,000	100	40,000
			20,14,140

(3 Marks)

$$\begin{aligned} \text{Risk Weighted Assets Ratio} &= \frac{\text{Capital Funds}}{\text{Risk Adjusted Assets}} \times 100 \\ &= \frac{1,54,112}{20,14,140} \times 100 \\ &= 7.652\% \end{aligned}$$

Comment: Since Expected ratio is 9%, the bank is required to improve the ratio.

(1 Mark)

Q.6

(a)

Statement Showing amount of provisions on Assets

Assets	₹ in lakhs)			Marks
	Amount	% of	Provision	
	₹	provision	₹	
Standard:				1
Advances to Commercial Real Estate Residential Housing Sector	1,000	0.75	7.50	
Others	9,000	0.40	36	
Sub-standard:				1
Secured	5,000	15	750	
Other unsecured	1,500	25	375	
Unsecured infrastructure	500	20	100	
Doubtful:				1
up to one year	1,000	25	250	
More than one year but up to 3 years	500	40	200	
For more than three years	200	100	200	
Doubtful unsecured	300	100	300	1
Loss	500	100	500	
Required provision			2,718.50	1

(b)

- (a) The difference between the issued share capital of the transferee company and the share capital of the transferor companies should be treated as capital reserve for the purpose of para 35 of AS 14 and for the purpose of giving effect to the scheme of amalgamation of Company D in its books of account.
- (b) Reserve created on amalgamation is not available for the purpose of distribution to shareholders as dividend and/or bonus shares.

(5 Marks)

(c)

Journal Entries in the books of S Ltd

2019		Dr. ₹	Cr. ₹	Marks
April 1	Equity Share Capital A/c (₹ 10) Dr. To Equity Share Capital A/c To 8% Preference Share Capital A/c To 10% Second Debentures A/c To Capital Reduction /Reconstruction A/c (Being reduction of equity shares to 3/5 shares, issue of preference shares and debentures as per Reconstruction Scheme dated...)	5,00,000	3,00,000 60,000 40,000 1,00,000	2
	Capital Reduction / Reconstruction A/c Dr. To Building A/c To Plant and Machinery A/c To Goodwill A/c (Being value of building and plant and machinery reduced and goodwill written off completely.)	1,00,000	50,000 20,000 30,000	2
	Bank A/c Dr. To 8% First Debentures A/c (Being ₹ 1,00,000 debentures issued)	1,00,000	1,00,000	1

(d)

As per AS 5 an item of expenses or income arises in current period as a result of omission or commission in the preparation of financial statements of one or more prior period is prior period item.

In this case stock sheet of 31.3.2019 (prior year) did not include two pages containing details of inventory worth ₹17 lakhs which is the omission and this omission was detected in current period i.e. 31.3.2020. Therefore, it is a prior period item. Entry to be passed is as under:

Opening inventory A/c. Dr. ₹17 lakhs
To Profit & Loss Adjustment A/c. ₹17 lakhs

(5 Marks)

(e)

Calculation of Total Remuneration payable to Liquidator

		Amount in ₹
2% on Assets realised	37,50,000 x 2%	75,000
3% on payment made to Preferential creditors	1,12,500 x 3%	3,375
3% on payment made to Unsecured creditors (Refer W.N)		58,882
Total Remuneration payable to Liquidator		1,37,257

(2 + 1 Marks)**Working Note:**

Liquidator's remuneration on payment to unsecured creditors

Cash available for unsecured creditors after all payments including liquidation expenses, payment to secured creditors, preferential creditors & liquidator's remuneration

$$= ₹ 37,50,000 - ₹ 37,500 - ₹ 15,00,000 - ₹ 1,12,500 - ₹ 75,000 - ₹ 3,375$$

$$= ₹ 20,21,625.$$

Liquidator's remuneration

$$= 3/103 \times ₹ 20,21,625 = ₹ 58,882$$

(2 Marks)