AVERAGE DUE DATE

Q. 1. A and B, two partners of a firm, have drawn the following amounts from the firm in the year ending 31st March, 2015:

Date	A	Date	B
	₹		₹
1st July	500	12th June	1,000
30th September	800	11th august	500
1st November	1,000	9th February	400
28th February	400	7th March	900

Interest at 6% p.a. is charged on all drawings. Calculate interest chargeable by using (i) ordinary system (ii) Average due date system. (assume 1 year = 365 days)

BONUS

Q. 1. Following is the extract of the Balance Sheet of Solid Ltd. as at 31st March, 2015:

	₹
Authorised capital :	
10,000 12% Preference shares of ₹ 10 each	1,00,000
1,00,000 Equity shares of ₹ 10 each	10,00,000
	11,00,000
Issued and Subscribed capital:	
8,000 12% Preference shares of ₹ 10 each fully paid	80,000
90,000 Equity shares of ₹ 10 each, ₹ 8 paid up	7,20,000
Reserves and Surplus :	
General reserve	1,60,000
Revaluation reserve	35,000
Securities premium	20,000
Profit and Loss Account	2,05,000
Secured Loan:	
12% Debentures @ ₹ 100 each	5,00,000

On 1st April, 2015 the Company has made final call @ ₹ 2 each on 90,000 equity shares. The call money was received by 20th April, 2015. Thereafter the company decided to capitalise its reserves by way of bonus at the rate of one share for every four shares held. Show necessary entries in the books of the company and prepare the extract of the Balance Sheet immediately after bonus issue assuming that the company has passed necessary resolution at its general body meeting for increasing the authorised capital.

AMALGAMATION

Q. 1. The following are the summarized Balance Sheets of A Ltd. and B Ltd. as on 31.3.2014:

	(₹ in thousands)	
Liabilities	A Ltd.	B Ltd.
Share capital:		
Equity shares of 100 each fully paid up	2,000	1,000
Reserves	800	---
10% Debentures	500	---
Loans from Banks	250	450
Bank overdrafts	---	50
Trade payables	300	300
Proposed dividend	200	---
Total	**4,050**	**1,800**
Assets		
Tangible assets/fixed assets	2,700	850
Investments	700	---
Trade receivables	400	150
Cash at bank	250	---
Accumulated loss	---	800
Total	**4,050**	**1,800**

B Ltd. has acquired the business of A Ltd. The following scheme of merger was approved:

(i) Banks agreed to waive off the loan of ₹` 60 thousands of B Ltd.

(ii) B Ltd. will reduce its shares to ₹ 10 per share and then consolidate 10 such shares into one share of ₹ 100 each (new share).

(iii) Shareholders of A Ltd. will be given one share (new) of B Ltd. in exchange of every share held in A Ltd.

(iv) Proposed dividend of A Ltd. will be paid after merger to shareholders of A Ltd.

(v) Trade payables of B Ltd. includes ₹ 100 thousands payable to A Ltd.

Pass necessary entries in the books of B Ltd. and prepare Balance Sheet after merger.

INTERNAL RECONSTRUCTION

Q. 1. Repair Ltd. is in the hands of a receiver for debenture holders who holds a charge on all assets except uncalled capital. The following statement shows the position as regards creditors as on 30th June, 2015:

Liabilities	₹	Assets	₹
6,000 shares of ₹ 60 each, ₹ 30 paid up		Property, machinery and plant etc. (Cost ₹ 3,90,000)	
First debentures	3,00,000		
Second debentures	6,00,000	Estimated at	1,50,000
Unsecured trade payables	4,50,000	Cash in hand of the receiver	2,70,000
		Charged under debentures	4,20,000
		Uncalled capital	1,80,000
			6,00,000
		Deficiency	7,50,000
	13,50,000		**13,50,000**

A holds the first debentures for ₹3,00,000 and second debentures for ₹ 3,00,000. He is also an unsecured creditor for ₹ 90,000. B holds second debentures for ₹ 3,00,000 and is an unsecured trade payables for ₹ 60,000.

The following scheme of reconstruction is proposed:

1. A is to cancel ₹ 2,10,000 of the total debt owing to him, to bring ₹ 30,000 in cash and to take first debentures (in cancellation of those already issued to him) for ₹ 5,10,000 in satisfaction of all his claims.
2. B is to accept ₹ 90,000 in cash in satisfaction of all claims by him.
3. In full settlement of 75% of the claim, unsecured creditors (other than A and B) agreed to accept four shares of ₹ 7.50 each, fully paid against their claim for each share of ₹ 60. The balance of 25% is to be postponed and to be payable at the end of three years from the date of Court's approval of the scheme. The nominal share capital is to be increased accordingly.
4. Uncalled capital is to be called up in full and ₹ 52.50 per share cancelled, thus making the shares of ₹ 7.50 each.

Assuming that the scheme is duly approved by all parties interested and by the Court, give necessary journal entries.

NPO

Q. 1. From the following data, prepare an Income and Expenditure Account for the year ended 31st December, 2014, and a statement of affairs as at that date of the Mayura Hospital :

Receipts and Payments Account for the year ended 31 December, 2014

To Balances			By Salaries :		
Cash	400		(₹ 3,600 for 2013)		15,600
Bank	2,600	3,000	By Hospital Equipment		8,500
To Subscriptions :			By Furniture purchased		3,000
For 2013		2,550	By Additions to Building		25,000
For 2014		12,250	By Printing		1,200
For 2015		1,200	Stationery		
To Government Grant :			By Diet expenses		7,800
For building		40,000	By Rent and rates		
For maintenance		10,000	(₹ 150 for 2015)		1,000
Fees from sundry			By Electricity and water		
patients		2,400	charges		1,200
To Donations (not to be		4,000	By office expenses		1,000
capitalised)			By Investments		10,000
To Net collections from			By Balances :		
benefit shows		3,000	Cash	700	
			Bank	3,400	4,100
		78,400			**78,400**
Additional information :					₹
Value of building under construction as on 31.12.2014					70,000
Value of hospital equipment on 31.12.2014					25,500
Building Fund as on 1.1. 2014					40,000
Subscriptions in arrears as on 31.12.2013					3,250
Investments in 8% Govt. securities were made on 1st July, 2014.					

Q. 2. From the following balances and particulars of Republic College prepare Income & Expenditure Account for the year ended March, 2015 and a Balance Sheet as on the date :

	₹	₹
Seminars & Conference Receipts		4,80,000
Consultancy Receipts		1,28,000
Security Deposit-Students		1,50,000
Capital fund		16,06,000
Research Fund		8,00,000
Building Fund		25,00,000
Provident Fund		5,10,000
Tuition Fee received		8,00,000
Government Grants		5,00,000

Donations		50,000
Interest & Dividends on Investments		1,85,000
Hostel Room Rent		1,75,000
Mess Receipts (Net)		2,00,000
College Stores-Sales		7,50,000
Outstanding expenses		2,25,000
Stock of-stores and Supplies	3,00,000	
Purchases-Stores & Supplies	8,00,000	
Salaries-Teaching	8,50,000	
Research	1,20,000	
Scholarships	80,000	
Students Welfare expenses	38,000	
Repairs & Maintenance	1,12,000	
Games & Sports Expenses	50,000	
Misc. Expenses	65,000	
Research Fund Investments	8,00,000	
Other Investments	18,50,000	
Provident Fund Investment	5,10,000	.
Seminar & Conference Expenses	4,50,000	
Consultancy Expenses	28,000	
Land	1,00,000	
Building	16,00,000	
Plant and Machinery	8,50,000	
Furniture and Fittings	6,00,000	
Motor Vehicle	1,80,000	
Provision for Depreciation		
Building		4,80,000
Plant & Equipment		5,10,000
Furniture & Fittings		3,36,000
Cash at Bank	6,42,000	
Library	3,60,000	
	1,03,85,000	**1,03,85,000**

Adjustments:

(1)	Materials & Supplies consumed:	
	Teaching	50,000
	Research	1,50,000
	Students Welfare	75,000
	Games or Sports	25,000
(2)	Tuition fee receivable from Government for backward class Scholars	80,000
(3)	Stores selling prices are fixed to give a net profit of 10% on selling price	
(4)	Depreciation is provided on straight line basis at the following rates:	
	(1) Building	5%
	(2) Plant & Equipment	10%
	(3) Furniture & Fixtures	10%
	(4) Motor Vehicle	20%

INVESTMENT

Q. 1. On 1.4.2014, Mr. Krishna Murty purchased 1,000 equity shares of ₹ 100 each in TELCO Ltd. @ ₹ 120 each from a Broker, who charged 2% brokerage. He incurred 50 paise per ₹ 100 as cost of shares transfer stamps. On 31.1.2015 Bonus was declared in the ratio of 1 : 2. Before and after the record date of bonus shares, the shares were quoted at ₹ 175 per share and ₹ 90 per share respectively. On 31.3.2015 Mr. Krishna Murty sold bonus shares to a Broker, who charged 2% brokerage.

Show the Investment Account in the books of Mr. Krishna Murty, who held the shares as Current assets and closing value of investments shall be made at Cost or Market value whichever is lower.

INSURANCE

Q. 1. The premises of XY Limited were partially destroyed by fire on 1st March, 2014 and as a result, the business was practically disorganised upto 31st August, 2014. The company is insured under a loss of profits policy for ₹ 1,65,000 having an indemnity period of 6 months.

From the following information, prepare a claim under the policy:

		₹
(i)	Actual turnover during the period of dislocation (1-3-2014 to 31-8-2014)	80,000
(ii)	Turnover for the corresponding period (dislocation) in the 12 months immediately before the fire (1-3-2013 to 31-8-2013)	2,40,000
(iii)	Turnover for the 12 months immediately preceding the fire (1-3-2013 to 28-2-2014)	6,00,000
(iv)	Net profit for the last financial year	90,000
(v)	Insured standing charges for the last financial year	60,000
(vi)	Uninsured standing charges	5,000
(vii)	Turnover for the last financial year	5,00,000

Due to substantial increase in trade, before and up to the time of the fire, it was agreed that an adjustment of 10% should be made in respect of the upward trend in turnover. The company incurred additional expenses amounting to ₹ 9,300 immediately after the fire and but for this expenditure, the turnover during the period of dislocation would have been only ₹ 55,000. There was also a saving during the indemnity period of ₹ 2,700 in insured standing charges as a result of the fire.

Q. 2. Sony Ltd.'s. Trading and profit and loss account for the year ended 31st December, 2013 were as follows:

Trading and Profit and Loss Account for the year ended 31.12.2013

	₹		₹
To Opening stock	20,000	By Sales	10,00,000
To Purchases	6,50,000	By Closing stock	90,000
To Manufacturing expenses	1,70,000		

To Gross profit	2,50,000			
	10,90,000			10,90,000
To Administrative expenses	80,000	By	Gross profit	2,50,000
To Selling expenses	20,000			
To Finance charges	1,00,000			
To Net profit	50,000			
	2,50,000			2,50,000

The company had taken out a fire policy for ₹ 3,00,000 and a loss of profits policy for ₹ 1,00,000 having an indemnity period of 6 months. A fire occurred on 1.4.2014 at the premises and the entire stock were gutted with nil salvage value. The net quarter sales i.e.1.4.2014 to 30.6.2014 was severely affected. The following are the other information:

Sales during the period	1.1.14 to 31.3.14	2,50,000
Purchases during the period	1.1.14 to 31.3.14	3,00,000
Manufacturing expenses	1.1.14 to 31.3.14	70,000
Sales during the period	1.4.14 to 30.6.14	87,500
Standing charges insured		50,000
Actual expense incurred after fire		60,000

The general trend of the industry shows an increase of sales by 15% and decrease in GP by 5% due to increased cost.
Ascertain the claim for stock and loss of profit.

SBL

Q. 1. From the following information prepare a Total Debtors Account as appearing in the General ledgers in the Books of M/s Shukla and Company.
Debit balance as on 1.7.2014, ₹ 87,200; Credit balance as on 1.7.2014 in Debtors Account ₹ 600.
Transactions during 6 months ended on 31.12.2014:
Total sales were ₹ 94,000 including cash sales of ₹ 4,000. Debtors whose balances were in credit were paid off ₹ 600. Payments received by cheques from Debtors ₹ 60,000. Payments received by cash from Debtors ₹ 48,000. Payment received by bills receivable ₹ 26,000.
Bills receivable received from Debtors were dishonoured for ₹ 6,000 and noting charges of ₹ 60 were paid. Cheques received from customers were dishonoured for ₹ 800.
Out of bills receivable received and included in ₹ 26,000 above, bills of ₹ 5,000 were endorsed to suppliers.
Bad debts written-off during the period were ₹ 1,000. Discount allowed for prompt payment were ₹ 700 and bad debts written off in 2013 and now recovered from debtors amounted to ₹ 900.
Interest debited for delay in payments were ₹ 1,250. On 31.12.2014 provision for doubtful debts was created for ₹ 2,100. M/s Trial & Co.'s account appeared in Debtors Ledger and also in Creditors Ledger. The balance in Creditors Ledger was ₹ 900 and the same was transferred to Debtors Ledger. Goods of ₹ 2,760 were rejected by the customers.

DISSOLUTION

Q. 1. M/s X, Y and Z who were in partnership sharing profits and losses in the ratio of 2:2:1 respectively, had the following Balance Sheet as at December 31, 2012:

Liabilities	₹	₹		₹	₹
Capital : X	29,200		Fixed Assets		40,000
Y	10,800		Stock		25,000
Z	10,000	50,000	Book Debts	25,000	
Z's Loan		5,000	Less : Provision	(5,000)	20,000
Loan from Mrs. X		10,000	Cash		1,000
Sundry Trade Creditors		25,000	Advance to Y		4,000
		90,000			**90,000**

The firm was dissolved on the date mentioned above due to continued losses. After drawing up the balance sheet given above, it was discovered that goods amounting to ₹ 4,000 have been purchased in November, 2012 and had been received but the purchase was not recorded in books.

Fixed assets realised ₹ 20,000; Stock ₹ 21,000 and Book Debt ₹ 20,500. Similarly, the creditors allowed a discount of 2% on the average. The expenses of realisation come to ₹ 1,080. X agreed to take over the loan of Mrs. X. Y is insolvent, and his estate is unable to contribute anything.

Give accounts to close the books; work according to the decision in Garner vs. Murray.

PIECEMEAL

Q. 1. The partners A, B and C have called you to assist them in winding up the affairs of their partnership on 30th June, 2012. Their Balance Sheet as on that date is given below :

Liabilities	₹	Assets	₹
Sundry Creditors	17,000	Cash at Bank	6,000
Capital Accounts :		Sundry Debtors	22,000
A	67,000	Stock in trade	14,000
B	45,000	Plant and Equipment	99,000
C	31,500	Loan-A	12,000
		Loan-B	7,500
	1,60,500		**1,60,500**

(1) The partners share profit and losses in the ratio of 5:3:2

(2) Cash is distributed to the partners at the end of each month

(3) A summary of liquidation transactions are as follows:

July 2012

₹ 16,500 – collected from Debtors; balance is uncollectable.
₹ 10,000 – received from sale of entire stock.
₹ 1,000 – liquidation expenses paid.
₹ 8,000 – cash retained in the business at the end of the month.

August 2012

₹ 1,500 – liquidation expenses paid. As part payment of his Capital, C accepted a piece of equipment for ₹ 10,000 (book value ₹ 4,000).
₹ 2,500 – cash retained in the business at the end of the month.

September 2012

₹ 75,000 – received on sale of remaining plant and equipment.
₹ 1,000 – liquidation expenses paid. No cash retained in the business.

Required : Prepare a schedule of cash payments as of September 30, showing how the cash was distributed.

AMALGAMATION

Q. 1. On 31st March 2012, Sri Raman acquires on payment of ₹ 80,000 the business of

M/s Gupta and Singh taking over at book value the following assets and liabilities :

	₹
Debtors	35,000
Furniture	3,000
Stock	46,000
Creditors	10,000

There was no change between 1st January, 2012 and 31st March, 2012 in the book value of the assets and liabilities not taken over.

The same set of books has been continued after the acquisition and no entries of the acquisition have been passed except for the payment of ₹ 80,000 made by Sri Raman.

From the following balance sheet and trial balance prepare Business Purchase Account, Profit and Loss Account for the year ended 31st December, 2012 and Balance Sheet at that date.

Balance Sheet as at December, 2011

Liabilities		₹	Assets	₹
Capital Accounts			Furniture	3,000
Sri Gupta	30,000		Investments	5,000
Sri Singh	20,000	50,000	Insurance Policy	2,000
Bank Loan		18,000	Stock	40,000
Creditors		12,000	Debtors	30,000
		80,000		**80,000**

On 31st December 2012 the trial balance is:

	₹	₹
Stock	40,000	
Furniture	3,000	
Investment	5,000	
Insurance Policy	2,000	
Business Purchase Account	80,000	
Bank Loan		18,000
Capital :		
Gupta		30,000
Singh		20,000
Raman		30,000
Bank	3,000	
Debtors	48,000	
Creditors		15,000
Purchases	3,20,000	
Expenses	12,000	
Sales		4,00,000
	5,13,000	**5,13,000**
Closing Stock ₹ 50,000		

ESOP

Q. 1. Choice Ltd. grants 100 stock options to each of its 1,000 employees on 1.4.2009 for ₹ 20, 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 ₹ 50 each. These options will vest at the end of year 1 if the earning of Choice Ltd. is 16%, 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%. 5,000 unvested options lapsed on 31.3.2010. 4,000 unvested options lapsed on 31.3.2011 and finally 3,500 unvested options lapsed on 31.3.2012.

Following is the earning of Choice Ltd. :

Year ended on	Earning (in %)
31.3.2010	14%
31.3.2011	10%
31.3.2012	7%

850 employees exercised their vested options within a year and remaining options were unexercised at the end of the contractual life. Pass Journal entries for the above.

REDEMPTION

Q .1. Sencom Limited issued ₹ 1,50,000 5% Debentures on which interest is payable half yearly on 31st March and 30th September. The company has power to purchase debentures in the open market for cancellation thereof. The following purchases were made during the year ended 31st December, 2012 and the cancellation were made on the following 31st March :
1st March ₹ 25,000 nominal value purchased for ₹ 24,725 ex-interest.
1st September ₹ 20,000 nominal value purchased for ₹ 20,125 cum-interest.
You are required to draw up the following accounts up to the date of cancellation :
(i) Debentures Account;
(ii) Own Debenture Investment Account; and
(iii) Debenture Interest Account.
Ignore taxation and make calculations to the nearest rupee.

Q. 2. S.P. Construction Co. finds itself in financial difficulty. The following is the summarized balance sheet on 31st December 2012:
The authorised capital of the company is 20,000 Equity Shares of ₹ 10 each and 10,000 5% Cum. Preference Shares of ₹10 each.

Liabilities	**₹**	**Assets**	**₹**
Share capital		Land	1,56,000
20,000 Equity Shares of		Building (net)	27,246
₹ 10 each fully paid	2,00,000	Equipment	10,754
5% Cum. Pref. Shares of		Goodwill	60,000
₹ 10 each fully paid	70,000	Investments (Quoted) in	27,000
8% Debentures	80,000	shares	
Loan from Directors	16,000	Inventory	1,20,247
Trade payables	96,247	Trade receivables	70,692
Bank Overdrafts	36,713	Profit & Loss Account	39,821
Interest Payable on			
Debentures	12,800		
	5,11,760		**5,11,760**

During a meeting of shareholders and directors, it was decided to carry out a scheme of internal reconstruction. The following scheme has been agreed :

(1) The equity shareholders are to accept reduction of ₹ 7.50 per share. And each equity share is to be redesignated as a share of ₹ 2.50 each.

(2) The equity shareholders are to subscribe for a new share on the basis of 1 for 1 at a price of ₹ 3 per share.

(3) The existing 7,000 Preference Shares are to be exchanged for a new issue of 3,500 8% Cumulative Preference Shares of ₹ 10 each and 14,000 Equity Shares of ₹ 2.50 each.

(4) The Debenture holders are to accept 2,000 Equity Shares of ₹2.50 each in lieu of interest payable.

The interest rate is to be increased to 9 ½%. Further ₹ 9,000 of this 9½% Debentures are to be issued and taken up by the existing holders at ₹ 90 for ₹ 100.

(5) ₹ 6,000 of directors' loan is to be credited. The balance is to be settled by issue of 1,000 Equity Shares of ₹ 2.50 each.

(6) Goodwill and the profit and loss account balance are to be written off.

(7) The investment in shares is to be sold at current market value of ₹ 60,000.

(8) The bank overdraft is to be repaid.

(9) ₹ 46,000 is to be paid to trade payables now and balance at quarterly intervals.

(10) 10% of the trade receivables are to be written off.

(11) The remaining assets were professionally valued and should be included in the books of account as follows :

	₹
Land	90,000
Building	80,000
Equipment	10,000
Inventory	50,000

(12) It is expected that due to changed condition and new management operating profit will be earned at the rate of ₹ 50,000 p.a. after depreciation but before interest and tax.

Due to losses brought forward it is unlikely that any tax liability will arise until 2014.

You are required to show the necessary journal entries to affect the reconstruction scheme; prepare the balance sheet of the company immediately after the reconstruction.

LIQUIDATION

Q. 1. A company went into liquidation whose creditors are ₹ 36,000. This amount of ₹36,000 includes ₹ 6,000 on account of wages of 15 men at ₹ 100 per month for 4 months, immediately before the date of winding up, ₹ 9,000 being the salaries of 5 employees at ₹ 300 per month for the previous 6 months, Rent for godown for the last six months amounting to ₹ 3,000; Income-tax deducted out of salaries of employees ₹ 1,000. In addition it is estimated that the company would have to pay ₹ 3,000 as compensation to an employees for injuries suffered by him, which was contingent liability not accepted by the company and not included in above said creditors figure.

Find the amount of Preferential Creditors.