

Liquidation of Companies

Pg: no: 1

④

Assets realised	=	<u>4500,000</u>	
Balance	=	4500,000	
- Legal expenses	=	-	
- Liquidator's remuneration (4500,000 x 2%)	=	(90,000)	
- Liquidation expenses	=	<u>(50,000)</u>	
Balance	=	4360,000	
- Secured creditors	=	<u>(20,00,000)</u>	
Balance	=	23,60,000	
- Preferential creditors	=	<u>(1250,000)</u>	
- Liquidator's remuneration (1250,000 x 3%)	=	(37500)	
Balance	=	10,72,500	103
- Liquidator's remuneration	=	(31238)	3
- Unsecured creditors	=	<u>(1041262)</u>	100
		<u>-</u>	

Total Liquidator's remuneration

$$= 90,000 + 37500 + 31238$$

$$= 158738$$

③ Cash and Bank Balance	-	
Add: Assets realised	20,00,000	
	* 320,000	23,20,000
Balance		23,20,000
less calls		58,000
		<u>23,18,000</u>
① Legal expense		-
② Liquidator's remuneration		(58,000)
(23,20,000 × 2.5%)		
③ Liquidation expenses		(10,000)
Balance		<u>23,10,000</u>
④ Secured creditors		(320,000)
Balance		<u>19,90,000</u>
⑤ Pref. creditors		(50,000)
Liquidator's remuneration		(1,000)
(50,000 × 2%)		
Balance		<u>19,39,000</u>
⑥ Liability secured by H/c Charge	600,000	
Debentures		
Balance	102	<u>13,39,000</u>
⑦ Liquidator's remuneration	(2)	26,255
	100	<u>13,12,745</u>

Total remuneration paid
 $58,000 + 1,000 + 26,255$
85,255

% of amount paid to unsecured creditors

$$= \frac{13,12,745}{18,30,000} \times 100$$

= 71.73%

Liquidator's statement of A/c

Receipts	₹p	Payments	₹p
① Cash/Bank balance		① legal expense	-
② Realisation of assets not specifically pledged	20,00,000	② Liquidator's remuneration	85255
③ Surplus from realisation of assets specifically pledged		③ Liquidation expenses	10,000
Securities 320,000		④ Liabilities secured by floating charge Debentures	600,000
less: Creditors (320,000)	-	⑤ Unsecured creditors	
④ Calls in arrears on " " shares @ ₹10		a) Preferential Crs	50,000
⑤ Calls from contributors 19000 shares @ ₹10/share		b) other unsecured creditors	1312145
		⑥ Pref. SH	
		⑦ Eq. SH	
	2058000		2058000

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315

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Date of Transfer	Allocated Liability	A	B	C	D	Ratio
1 st May 2010	6000	2000	3000	600	400	10:15:3:2
1 st July 2010	1500	1000	1125	225	150	X:15:3:2
1 st Nov 2010	500	-	-	300	200	X:X:3:2
1 st Feb 2011	500	-	-	-	500	X:X:X:2
Allocated liability	9500	2000	4125	1125	1250	
Maximum liability	-	4000 (1000x4)	6000 (1500x4)	1200 (300x4)	800 (200x4)	
Actual liability		2000	4125	1125	800	

Liquidators statement of Affairs as on

List A Assets Not Specifically Pledged

	B.V	E.R.V.
Machinery	90,000	180,000
Stock	3000	6000
Debtors	150,000	140,000
Investments	18,000	12,000
Cash in hand	3000	3000

List B Assets Specifically Pledged.

Assets	ERV	Sundry Sec Crs	Deficiency	Surplus	
Leasehold Properties	218000	54000	-	164000	
	218000	54000	-	164,000	164,000

Estimated amount Available for meeting liabilities

Summary of Gross Assets

a) ERV of Assets Specifically Pledged

b) Other Assets

Gross Assets

Gross Liability

54000

3000

150,000

Sec. Liability (as per List B)

Bank OD (Amt paid as per List B)

ETAA for P.C, Liab with F.C and other unsec. Crs

List C Preferential Creditors.

Prof. Creditors

ETAA for Liab with F.C and other unsec. Crs

List D Liabilities secured by Floating charge.

Debentures

ETAA for other unsec. crs

		505,000
	218000	
	341,000	
	559,000	-
	54,000	
	54000	-
		505000
	3000	
	3000	(3000)
		502000
	150,000	(150,000)
		352000

60,000	List E Unsec. Crs + Deficiency as per List B Creditors	60,000	(60,000)
	ETAA for Shareholders		292,000
	List F Preference Shareholders		-
	ETAA for equity Shareholders		292,000
240,000	List G Equity Shareholders	240,000	(240,000)
50,000	Equity Share Capital		
	Estimated deficiency as regards contributors/ members (List H)		52,000

(7)

_____ Co (in liquidation)

Liquidators Statement of Affairs as on

List A Assets Not Specifically Pledged.	BV	ERV.		
Cash in hand	1200	1200		
Debtors	90,000	65000		
BCE	35000	35000		
PLM	120,000	90,000		
Fixtures & Fittings	12000	8000		
Stock in trade	80,000	60,000		
Patents	70,000	45000		
Calls in arrears	4000	2000		
	418,200	306,200		
List B Assets Specifically Pledged.				
Assets	ERV	Sundry Crs	Deficiency	Surplus.
Freehold Land & Building	165000	175000	(10000)	-
Estimated amount available for meeting shareholders				306,200

Summary of Gross Assets

Gross Liability
(65000)

57000

220,000

313000
~~309000~~

~~300000~~
300000

a) ERV of Assets specifically pledged	165000	
b) Other assets	306200	
Gross Assets	471200	
Sec. Liability (as per List B)		
Creditors having a first mortgage	85000	
Creditors having a second mortgage	80,000	
	165000	-
ETAA for pref. creditors, liab with FC and other unsec. crs		306200
List C Preferential creditors		
Income tax due	25000	
o/s salaries and wages ($\frac{40000}{5} \times 4$)	32000	
	57000	(57000)
ETAA for liab with FC and other unsec. crs		249200
List D Liabilities secured by floating charge.		
S.I. First Mortgage debentures	200,000	
Bank OD	20,000	
	220000	(220,000)
ETAA for Other unsec. creditors		29,200
List E Unsecured creditors + Deficiency as per List B.		
Unclaimed dividend / Dividend	66000	
Trade creditors	210,000	
BP	10,000	
Bills discounted	15000	
o/s. Salary	8000	
Deficiency	10,000	
	319000	(319000)
Estimated deficiency as regards List E.	313000	(289800)
List F Preference Shareholders		
61. Preference SC	300,000	
Unclaimed dividend	6000	
	306000	(306000)
		589800

198000	Hist G Equity Shareholders	200,000
	Equity SC	(2000)
	(→ calls in arrears)	198000
	Estimated deficiency	(198000)
<u>125,000</u>		<u>198000</u>

Items contributing to deficiency.

- ① Excess of capital & liabilities over assets as shown by BS Years ago

- ② Dividends/ Bonuses declared during the period

300,000 x 6% x 2yrs - Pref Dividend	36000
196000 x 10% - Equity dividend	19600

- ③ Net Trading losses during the period (461000 - 89000) -382000

- ④ Losses other than trading losses w/o during the period

Speculation loss	91000
Penalty - Excise authorities	60000
Penalty - IT authorities	160200

- ⑤ Estimated losses now w/o for which provision has been made while preparing the statement of affairs

Bills discounted	15000
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- ⑥ Other items contributing to deficiency or reducing surplus

Debtors 20000 25000	
FRM 30,000	
F&F 4000	
Stock 20,000	
Patents 25000	
	<u>109000</u>

(A) 867800

Items increasing surplus or reducing deficiency

⑦ Excess of assets over capital & liabilities shown by the B/s years ago as
60000

⑧ Net trading profit during the period

⑨ Profits and incomes other than trading Profits

⑩ Other items reducing the deficiency or contributing to surplus
Land & Building. 15000

(B) 80000

Estimated deficiency as per the statement of affairs

(A) - (B) 78000

Q311

Date of Transfer	Allocated Liability	Q	R	S	T	Ratio
22/7/11	12000	4500	3600	2400	1500	30:24:16:10
15/9/11	1500	-	720	480	300	X:24:16:10
14/12/11	500	-	-	308	192	X:X:16:10
9/3/12	200	-	-	-	200	X:X:X:10
Allocated liability	14200	4500	4320	3188	2192	
Maximum liability (No of shrs x Unpaid amt)		6000	4800	3200	2000	
Actual liability		4500	4320	3188	2000	

② WN#1

546800.

Cash and Bank balance	60,000
<u>Assets Realised</u>	
Land & Buildings	340,000
Plant & Machinery	360,000
Inventory	120,000
Trade Receivables	160,000
<u>Balance</u>	1040,000
<u>Less:</u> ① Legal expenses	-
② Liquidators Remuneration (980,000 x 3%)	(29400)
③ Liquidation expenses	(4600)
<u>Balance</u>	1006000
④ Secured liability	(100,000)
<u>Balance</u>	906000
⑤ Preferential creditors	(30,000)
<u>Balance</u>	876000
⑥ Liabilities secured by Floating charge	
10% debentures 200,000	
Arrears of interest 10,000	(210,000)
<u>Balance</u>	666000
⑦ Unsecured creditors	(370,000)
<u>Balance</u>	296000
⑧ Interest on debentures upto repayment (200,000 x 10% x 3/12)	(5000)
<u>Balance</u>	291000
⑨ Pref SHs 200,000	
Arrears of dividend 40,000 (200,000 x 10% x 2yrs)	(240,000)
<u>Balance</u>	51,000

Balance	118	
Less: Liq remuneration	2	57000
Balance		1000
	100	50000
<u>Add: Notional call</u>		
Type 1 (2000 x 25)		50,000
Type 2 (6000 x 40)		240,000
		<u>290,000</u>
Balance		340000
÷ Total No. of eq. shares		8000
Refund per share		<u>42.5</u>

WN#2

<u>Actual Calculation</u>		
	T ₁	T ₂
Notional call	25	40
Refund	(42.5)	(42.5)
<u>Net Refund</u>	<u>(17.5)</u>	<u>(2.5)</u>
	x 2000	x 6000
	35000	15000

Check

	T ₁	T ₂
Paid up	75	60
Net Refund	(17.5)	(2.5)
	<u>57.5</u>	<u>57.5</u>

Liquidator's final Statement of Accounts

Receipts	₹	Payments	₹
① Cash and Bank	60,000	① Legal expenses	-
② Realisation of Assets not specifically pledged		② Liquidators Remuneration (500 + 1000)	
Plant & Machinery 360,000		③ Liquidation expenses	4600
Inventory 120,000		④ Liabilities secured by Floating charge.	
Trade Receivables 160,000	640,000	10% debentures 200,000	
		Interest upto repayment 5000	
		Arrears of dividend & interest 40,000	245,000
③ Surplus from realisation of assets specifically pledged		⑤ Unsecured creditors	
L & B 340,000		a) Preferential creditors 30,000	
Less: Loan (100,000)	240,000	b) other unsecured creditors 370,000	
④ Calls in arrears on shares @		⑥ Preference shareholders	
⑤ Calls from contributors on shares @		2000 shares @ 120 per share 240,000	
		⑦ Equity Shareholders	
		2000 shares @ 175 per share 350,000	
		6000 shares @ 2.5 per share 15,000	
	940,000		940,000

⑤ NN#1

Bank balance		75000
Add: Assets realised		
L4B	300,000	
PEM	500,000	
Patents	75000	
Stock	150,000	
TR	200,000	1,225,000
Balance		1,300,000
Less: ① Legal expenses		-
② Liquidator's remuneration (1,225,000 x 3%)		(36,750)
③ Liquidation expenses		(27,250)
Balance		1,236,000
④ Secured liability		-
⑤ Preferential creditors		(38,000)
Balance		1,198,000
⑥ Liability secured by floating charge		
15% debentures	250,000	
Arrears of interest	37,500	(287,500)
Balance		910,500
⑦ Other unsecured creditors		(280,750)
Balance		629,750
⑧ Interest on debentures upto repayment (250,000 x 15% x 6/12)		(18,750)
Balance		611,000
⑨ Pref shareholders		
10% Pref. shares	500,000	
Arrears of dividend (500,000 x 10% x 2)	100,000	(600,000)

Balance		11000
Add: Notional call		
T ₁ (2500 x 25)	62500	
T ₂ (7500 x 40)	300,000	362500
Balance		373500
÷ Total No. of eq shares		10,000
Refund		37.35

Actual calculation

	T ₁	T ₂
Paid up	75	60
Call	25	40
Refund	(37.35)	(37.35)
Net (P)/call	(12.35)	2.65
	↓	↓
Refund		call
x 2500		x 7500
30875		19875
Check	T ₁	T ₂
Paid up	75	60
Net (P)/call	(12.35)	2.65
Loss	62.65	62.65

Liquidator's Final Statement of Accounts

Receipts		₹	Payments		₹
① Cash & Bank balance		75000	① Legal expenses		
② Realisation of Assets not specifically pledged			② Liquidators remuneration		36750
L&B	300,000		③ Liquidation expenses		27250
P&M	500,000		④ Liabilities secured by floating charge		
Patents	75000		15% debentures	25000	
Stock	150,000		AOP	37500	
TR	<u>200,000</u>	1225000	Interest upto repayment	<u>18750</u>	306250
③ Surplus from realisation of assets specifically pledged			⑤ Unsecured creditors		
④ calls in arrears			a) Preferential creditors		38000
⑤ calls from contributories on 7500 shares @ 2.65 each		19875	b) ^{other} Unsecured creditors		280750
			⑥ Preference shareholders of 5000 shares @ ₹120 per share		600,000
			⑦ Equity shareholders of 2500 shares of ₹12.35 each		30875
		<u>1319875</u>			<u>1319875</u>

INSURANCE COMPANIES

FORM B RA

Evergreen

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NAME OF INSURER: HERCULES Insurance Co. Ltd
 Registration No. and Date of Reg with IRDAI.

Questo

Revenue A/c for the year ended on 31.3.2012
 In respect of Pix Insurance Business.

	Sch	CY	PY
Premium Earned (Net)	1	168,125	
Profit on Sale / Loss / Redemption of Investments	—	—	
Other Incomes	—	—	
Interest, Dividend, Rent (Gross)	—	—	
TOTAL (A)		<u>168,125</u>	
Claims Incurred (Net)	2	65,000	
Commission	3	50,000	
Operating expenses related to insurance business	4	28,000	
TOTAL (B)		<u>143,000</u>	
Operating profit / Loss transferred to Profit / Loss A/c (A-B)		25,125	

H/W Ins. Co. Final A/c

[Signature]

Revenue A/C for the year ended 31-3-12

In respect of Machine Insurance Business.

	Sch.	C.Y(₹)	P.Y(₹)
Premium earned (Net)	1	95000	
Profit Loss Redemption of Investment		—	
Other Incomes		—	
Interest, Dividend, Rent (GROSS)		—	
TOTAL (A)		95000	
Claims incurred (Net)	2	40890	
Commission	3	35000	
Operating expenses related to insurance business	4	16800	
TOTAL (B)		92690	
Operating profit loss transferred to P&L A/C (A-B)		2310	

FORM :- BRA

Revenue A/C for the year ended on 31.3.12
In respect of miscellaneous Insurance business.

	Sch	C.Y (₹)	P.Y (₹)
Premium earned (Net)	1	34977	
Profit / loss on sale / Redemption of Investment		—	
Other Incomes		—	
Interest, Dividend, Rent (GROSS)		—	
TOTAL (A)		34977	
Claims Incurred (Net)	2	10050	
Commission	3	8000	
Operating expenses related to insurance business	4	4000	
TOTAL (B)		22050	
operating profit / loss transferred to P&L A/C (A-B)		12927	

Form 8 B - PL

Profit & loss for the year ended on 31-3-12

	C.Y (₹)	P.Y (₹)
① Profit/Loss from Revenue A/C		
fire insurance	25125	
Machine insurance	2310	
Miscellaneous insurance	12927	
② Income from Investment		
Int, Divident Rent (GROSS)	5850	
Profit on sale of Investment	-	
less: loss on sale of Investment	-	
③ Other Incomes		
Transfer fees	100	
TOTAL (A)	46312	
4. Other Provision (Other than tax) ⊗	- 1,000	
5. Other Expenses :- Impair of Inv	1500	
Mgmt Exp	8000	
Dep (10000 x 10%)	1000	
Donation	1000	
TOTAL (B)	6000	
Profit before taxation (A - B)	40312	
less: Prov for taxation (50%)	20156	
Profit after taxation	19,656	
less: Appropriations		
Transf to GR	(1000)	
Prop Divid	(8400)	
Profit after appropriation	12,256	
Add: Bal of last year	8040	
Bal carried to B/S	20,296	

Schedules Forming part of Revenue P/L.

SCH 1. Premium Earned	FIRE		MARINE		MISC.	
	CY	PY	CY	PY	CY	PY
On direct business (Amt Rec)	176250		102250		26225	
+ On Re-ins accepted (Amt Rec)	-		-		-	
- On Re-ins ceded (Amt paid)	-		-		-	
- O/S at the beg	-		-		-	
+ Pre-acc at beg	-		-		-	
+ O/S at the end	-		-		-	
- Pre-acc at the end	-		-		-	
NET PRE Earned	176250		102250		26225	
Adj for res for unexp risk (WNI)	(8125)		(7250)		8752	
Preced Acc	168125		95000		34977	
WNI						
Res for unexp risk at beg	80000		95000		21865	
Add:- Add res for unexp risk	-		-		-	
(-) Res for unexp risk at end	(88125)		(102250)		13113	
- Add res for unexp risk at end	-		-		-	
	(8125)		(7250)		8752	
SCH 2. Claims Incurred						
On direct business (Amt paid)	45000		35890		6800	
+ On re-ins accepted (Amt paid)	-		-		-	
- On re-ins ceded (Amt Rec)	-		-		-	
- O/S at the beg	-		-		-	
+ O/S at the end	20000		5000		3250	
+ legal & survey exp regard claim	-		-		-	
Net Claims	65000		40890		10050	

	Fix	Man	Mis
SCH3. <u>Commission</u>			
Ow direct bus (Amt p)	50000	35000	8000
+ Ow re-ins bus acc (Amt p)	-	-	-
- Ow re-ins ceded (Amt Rec)	-	-	-
- O/S at beg	-	-	-
+ O/S at the end	-	-	-
Net Comm	50,000	35,000	8,000
SCH4. Op Exp related to ins business			
Mgmt Exp	28000	16800	4000
TOTAL	28000	16800	4000

W.N. :- Calⁿ of Prov. for tax

Profit before tax	40,312
+ Donation (No 80G)	1,000
Taxable Profit	41,312
Prov. for tax @ 50%	20,656

Financial statement of Insurer

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Date	

② Name of the Insurer Groma General Insurance Co
 Registration number & date of Registration with IRP
 Revenue A/c for the year ended 31-3-12
 In Respect of Groma General Insurance

Particulars	ishd	CAE	P.YE
① Premium earned	1	2703000	
② Profit / Loss on Sale/Redm			
③ other income			
④ Rent / dividend / Interest etc (30,000 + 6000 TDS)		36000	
Total (A)		2739000	
⑤ claims	2	1944000	
⑥ commission	3	68400	
⑦ operating exp related to	4	120000	
Total (B)		2132400	
balan Profit/Loss to transfer to P/L A/c. (A-B)		1606600 6,06,600	

Schedule forming part of Revenue A/c

	O/Y	P/Y
Schedule-I- Net premium on Direct business	30,00,000	
(+) on Reinsurance accepted	240,000	
(-) on Reinsurance ceded	(360,000)	
(-) O/S at beginning (18,000 + 24,000 - 3,000)	(174,000)	
(+) Provision at beginning	15,000	
(+) O/S at end (240,000 + 36,000 - 42,000)	234,000	
(-) Provision at end	9,000	
Net premium	29,40,000	
Reserve for unexp risk (WN-I)	(237,000)	
		27,03,000

WN-I

Reserve for unexp Risk at beginning	12,00,000
Addition (240 + 7.5%)	18,00,000
(-) Reserve for unexp risk at end	(14,70,000)
(-) Additional	(14,70,000)
	23,70,000

Schedule-2- Claims

	CYE	PYE
on Direct business	180000	
(+) on Reinsurance Accepted	180000	
(-) on Reinsurance Ceded	(120000)	
(-) o/s at beginning (60000-12000)	(54000)	
(+) o/s at end (120000+18000-12000)	126000	
(+) legal exp related to claims	12000	12,000
	194000	

Schedule-3- commuion

	CYT	PYE
on direct business	72000	
(+) on Reinsurance accepted	10800	
(-) on Reinsurance ceded	(14400)	
(-) o/s at beginning		
(+) o/s at end	68400	

Schedule-4- operating exp

	CYE	PYE
management exp	120,000	
	<u>1,20,000</u>	

Q.3

3. Name of the insurer is Parth Insurance Co. Ltd
 Registration no. & date of Registration with IRDAI
Revenue Act 1961 for the year ended
In respect of General Insurance business

Particular	Sl. No.	Am't	P.Y
(i) Net premium earned	1	1,490,500	
(ii) Profit/Loss on sale/redm on Invest		15,000	
(iii) Other Income		(-)	
(iv) Interest/Rent/dividend etc.		750,000	
Total (A)		1,580,500	
(v) Claims	2	10,12,500	1,75,000
(vi) Commution	3	75,000	1,75,000
(vii) Operating exp Related to insur	4	375,000	
Total B		1,562,500	
Profit & loss transfer to P&L A/c		18,000	

Schedules forming part of Revenue Ac.

Schedule-I Net Premium C.YE P.YE

On Direct business ✓ 1680,000

(+) On Reinsurance Accepted

(-) On Reinsurance Ceded ✓ (12500)

(-) O/S at beginning

(+) Prv. Received at beginning

(+) O/S at end

(-) O/S Prv. received at end

Net Premium ✓ 1567500

(+) legal exp. related to claims

Reserve for unexpected Risk ✓ (77000)

✓ 1499500

WN-I C.YE P.YE

Reserve for unexp. Risk at beginning ✓ 750,000

(+) Additional ✓ (19,000)

(-) Reserve for unexp. Risk at end ✓ 627,000

(+) Additional ✓ (350,000)

✓ (77,000)

99-8

	C.Y.F	P.Y.F
4 Schedule - 2 - claims		
(+) On Direct business	960,000	
(+) on Reinsurance accepted		
(-) on Reinsurance ceded	(30,000)	
(-) O/S at beginning	(97,500)	
(+) O/S at end	135,000	
(+) Legal exp. related to claims	45,000	
	1,012,500	

	C.Y.F	P.Y.F
5 Schedule - 3 - Commission		
(+) on Direct business	75,000	
(+) on Reinsurance accepted		
(-) on Reinsurance ceded		
(-) O/S at beginning		
(+) O/S at end	175,000	

	C.Y.F	P.Y.F
5 Schedule - 4 - operating exp		
management exp.	375,000	

3,75,000

Form B-RA

④ In the books of Jasmine fire insurance
Registration no - & date of Registration with IRDA

Revenue A/c for the year ended 31-3-13

In Respect of fire insurance business

Particulars

	(Sh)	(P)	P.Y.F
① Net premium Earned	1	1175000	
② Profit/Loss on sale/redm of Inv			
③ other income		-	
④ Interest / Div / Rent / ect		-	
Total (A)		1175000	
⑤ claims	2	540,000	
⑥ commission	3	300000	
⑦ operating exp	4	200000	
Total (B)		10,40,000	
Profit / Loss transfer to P/L A/c		135000	

Schedule-I - Premium earned	CYE	PYE
on Direct business	1259000	
(+) Non Renewal premium accepted		
(-) Non Renewal premium cancelled	(59,000)	
(-) Pol sat beginning		
(+) Premium at beginning		
(-) Pol sat end		
(-) Premium at end		
Net Premium	1200,000	
Reserve for unexp Risk (WN)	(25,000)	
	1175,000	

Schedule-2 - WN	CYE	PYE
Reserve for unexpired Risk	575,000	
(+) Additional		
(-) Reserve for unexp Risk at end		600,000
(-) Additional		
		(25,000)

0.5 & 0.3 are same

Schedule-2 - claims	CYE	PYE
on Direct business	500000	
(+) on Reinsurance accepted		
(-) on Reinsurance ceded		
(-) O/S at beginning	(50,000)	
(+) O/S at end	20,000	
Legal survey exp. related to claims	10,000	
	<u>540,000</u>	

Schedule-3 - commision	CYE	PYE
on Reinsw Direct business	300000	
(+) on Reinsurance Accepted		
(-) on Reinsurance ceded		
(-) O/S at beginning		
(+) O/S at end		
	<u>300000</u>	

Schedule-4 - operating exp management exp.	CYE	PYE
	200000	
	<u>2,00,000</u>	

In the books of Commercial Bank

Calculation of Tier I: (₹' lakhs)

Equity Share Capital	₹ 48,000
Statutory Reserve	₹ 28,000
Capital Reserve	₹ 9,330
Total	₹ 85,330

Calculation of Tier II:

Revaluation Reserve	₹ 280
Less: Discounted by 55%	(₹ 154)
Balance	₹ 126

Calculation of Risk Weighted Assets:

Particulars	Amount	Rate (%)	Assets
Cash balance with RBI	₹ 48,000	0%	₹ 0
Balance with banks	₹ 2,500	20%	₹ 500
Claims on banks	₹ 2,850	20%	₹ 570
Other Investment	₹ 78,250	100%	₹ 78,250
Loans and Advances			
Guaranteed by:			
i) Government	₹ 12,820	0%	0
ii) Public Sector of Government of India	₹ 70,210	0%	0
iii) Others	₹ 520,250	100%	₹ 520,250
Premises, furniture and fixtures	₹ 18,200	100%	₹ 18,200
Others Assets	₹ 20,120	100%	₹ 20,120
Off-balance sheet items			
Acceptances, endorsements and L.O.C.	₹ 37,9250	100%	₹ 370,250
Total			₹ 1,00,7890

H/W = Banking Co. Final A/c

Calculation of Risk-adjusted Asset = 1007890/-

Calculation of Risk weighted Asset Ratio:

$$\begin{aligned}\text{Capital Adequacy Ratio} &= \frac{\text{Capital Fund}}{\text{Risk weighted asset}} \times 100 \\ &= \frac{76,930 + 12.6}{1007,890} \times 100 \\ &= \frac{77,056}{1007,890} \times 100 \\ &= 7.645 \\ &\approx \underline{7.65\%}\end{aligned}$$

Comment:

As per the recommendations of BASEL Committee, Capital Adequacy Ratio should be at least 9%. This commercial bank is not maintaining sufficient Capital Adequacy Ratio.

Q.2

KC Bank

Interest on performing Asset → Accrual Basis
 Interest on non-performing Asset → Cash Basis

Calculation of Income to be recognized for the year ended 31st March, 2011

	(₹ lakhs)
- Interest on Cash credits and overdrafts (1800 + 70)	1,870
- Interest on Term Loan (480 + 40)	520
- Income on bills discounted and purchased (700 + 36)	736
Total	3,126

Q.3

ACR Bank

Calculation of the amount of provision:

Particulars	₹ lakhs	% of Provision	₹
<u>Assets:</u>			
Standard	5,000	0.40%	20
Sub-standard	4,000	15%	600
<u>Doubtful:</u>			
- For one year	800	25%	200
- For three years	600	40%	240
- For more than three years	200	40% 100%	200
Loss Assets	1,000	100%	1,000
Total			2,260

Q 4 Calculation of provision for Term Loan

Balance outstanding = 70,00,000	
↓	↓
Secured 20,00,000	Unsecured Balance 50,00,000
35,00,000	35,00,000
(Excludes DICG/ECGC cover)	Less: Securities, (20,00,000) (25,00,000)
X 100%	ECGC/DICG 15,00,000 25,00,000
= 35,00,000	@ 100% = 25,00,000
45,00,000/-	
Total = 75,00,000	

- Note:
- 1) Securities are always valued at Realisable Value.
 - 2) FV of securities to be ignored.

Calculation of provision for Export Credit

Balance outstanding = 60,00,000	
↓	↓
Secured (excludes DICG/ECGC cover)	Balance
15,00,000	45,00,000
24,00,000	36,00,000
X 100%	Less: ECGC/DICG
= 24,00,000 15,00,000	MV of Securities (18,00,000)
	(Realisable)
	21,00,000
	@ 100% 21,00,000
Total provision = 45,00,000	
42,00,000	

Q5) Bank Limited

Rebate on Bills discounted	10,56,650
Add: Rebate at beginning	2,21,600
Less: Rebate at end (WN 1)	(4,25,254)
Discount earned, credited to P/L	8,52,996

Working Note of:

calculation of Rebate at end

Value of bill	Days and calculation	₹
18,25,000	66 days $18,25,000 \times \frac{66}{365} \times \frac{12}{100}$	39,600
50,00,000	73 days $50,00,000 \times \frac{73}{365} \times \frac{12}{100}$	1,20,000
28,20,000	86 days $28,20,000 \times \frac{86}{365} \times \frac{14}{100}$	93,021
40,60,000	97 days $40,60,000 \times \frac{97}{365} \times \frac{16}{100}$	1,72,633
	Total	4,25,254

P.T.O.

In the books of X Bank Limited
Journal Entries

Date	Sr. No.	PARTICULARS	Dr	Debit	Credit
1	(1)	Rebate on Bills Discounted A/c Dr To Discount on Bills ^{Int & Dis.} A/c		2,21,600	2,21,600
		(Being entry passed for rebate at beginning)			
2	(2)	Bills Purchased and Discounted Dr To client / Cash A/c (Bal fig) To Interest and Discount A/c		1,37,05,000	1,26,48,350 10,56,650
		(Being entry passed for bills purchased and discounted)			
	(3)	Interest and Discount A/c Dr To Rebate on Bills Discounted		4,25,254	4,25,254
		(Being entry passed for rebate at end)			
	(4)	Discount on Bills A/c Dr To Profit and Loss A/c		8,52,996	8,52,996
		(Being discount earned, credited to P&L)			

Adarsha Bank

Q.6.

(a)

Bills for Collection (Assets) Account

Dr			
2011 01.04	To (Balance b/d) A/c	700,000	(By BFC (Liab.) A/c)
?	To BFC liability A/c		By Bills Collection
	Bills sent for collection	64,50,000	By Bills Dishonoured and Returned
			5,50,500
			By Balance c/d
		71,50,000	18,99,500
			71,50,000

Bills for Collection (Liability) Account

Dr			
?	To BFC (Asset) A/c		By Balance b/d
	Bills Collection	47,00,000	700,000
	Bills Dishonoured	5,50,500	By BFC (Asset) A/c
			Bills sent for collection
			64,50,000
2012 31.03	To Balance c/d	18,99,500	
		71,50,000	71,50,000

(c) Classification of Loan

Date	Loan	Interest	Loan	MV of Security	Classification
30.09	600,000	Nil	600,000	9,80,000	Fully Secured
January 2012	600,000	20,000	6,20,000	4,00,000	Partly Secured
31.03	600,000	30,000	6,30,000	8,20,000	Fully Secured

The loan will be treated as good loan & fully secured in

(d) Calculations: the Balance sheet.

Discount received on bills purchased and discounted	9800,000
Add: Rebate at beginning	20,000
Less: Rebate at end	(14,000)
<u>Discount earned, credited to P&L</u>	<u>9806,000</u>

Working Notes:
Journal Entries

1. Rebate on bills purchased and discounted	Dr	20,000	
To Interest and Disc. Alc			20,000
2. Bills Purchased and Discounted Alc	Dr	400,000	
To Client/ Cash Alc			?
To Interest and Disc. Alc			?
3. Interest and Discount Alc	Dr	14,000	
To Rebate on bills ^{discounted} purchased Alc			14,000
4. Interest and Discount Alc	Dr	9806,000	
To Profit and Loss Alc			9806,000

In the Books of Adarsha Bank Limited

Interest and Discount Account

Dr		Cr	
	To Rebate on Bills		By Rebate on Bills Discounted
	14,000		20,000
	To Profit and Loss	98,06,000	By Cash (Balancing Fig)
31.3.12			98,00,000
		98,20,000	98,20,000

Rebate on Bills Discounted Account

Dr		Cr	
	To Interest and Discount Alc	20,000	By Balance b/d
			20,000
	To Balance b/d	14,000	By Interest and Discount Alc
31.3			14,000
		34,000	34,000

Q-7. Working Notes

Calculations:

Particulars	₹	Rate	Amount of Provision
i) Standard Asset	4,000	0.40%	16
ii) Sub-standard Asset	2,240	15%	336
iii) Unsecured doubtful Asset	390	100%	390
iv) <u>Doubtful Assets:</u>			
Covered for:			
Less than 1 year	100	25%	25
More than 1, less than 3	600	40%	240
More than 3 years	600	100%	600
Loss Assets	376	100%	376
<u>Total</u>			<u>1,983</u> 1,958

Provision of taxation

35% of Total income - Total exp
 35% of 9,050 - (2,720 + 2,830 + 1,983)
 35% of 9,050 - 7,533
 = 35% of 1,517
 = 530.95

Provision and Contingencies:

Risk weighted Asset	1983	
Provision for taxation	<u>530.95</u>	2513.95

In the books of Zed Bank

DOMS
Limited

Page No.

1

Profit and Loss Account for year ended 31-3-2013

Particulars		NR	CY (₹)	PY (₹)
I. Income:				
	Interest Earned	13	8,830	
	Other Income	14	220	
	Total		9,050	
II. Expense:				
	Interest Expended	15	2,720	
	Operating expenses	16	2,830	
	Provision and Contingencies (WN)		2,513.95	
	Total		8,063.95	
III. Profit/Loss:				
	Profit/Loss for the year ended (A-B)		986.05	
	Profit/Loss b/f			
25	Total		986.05	
IV. Appropriations:				
	Transfer to Statutory Reserve		246.625	
	Balance transferred to Balance sheet		739.425	
	Total		986.05	

Schedules forming part of Profit and Loss A/c

DOMS	Page No.
Date	(1/1/00)

Schedule 13: Interest Earned

	CY (₹)	PY (₹)
Interest and Discounts	8,860	
Less: Interest accrued on investment	(10)	
Less: Rebate on bills discounted	(30)	
	8,820	
Interest Accrued on Investment	10	
TOTAL	8,830	

Schedule 14: Other Incomes

	CY (₹)	PY (₹)
Others	220	
TOTAL	220	

Schedule 15: Interest Expended

	CY (₹)	PY (₹)
Interest expended	2,720	
TOTAL	2,720	

Schedule 16: Operating Expenses

	CY (₹)	PY (₹)
Operating Expenses	2,830	
TOTAL	2,830	

In the books of New Generation Bank Limited
 Page No. 5015
 Date / / 31st March 2013
 Profit and Loss Account for year ended 31st March 2013

PARTICULARS	CY (₹)	PY (₹)
I- Incomes:		
Interest Earned	3701738	
Others Incomes	455000	
Total	4156738	
II- Expenditures:		
Interest Expended	2037452	
Operating Expenses	480286	
Provision and Contingencies	1300000	
Total	3817738	
III- Profit/Loss:		
Profit (Loss) for the year ended	339000	
Profit (Loss) b/f	NIL	
Total	339000	
IV- Appropriations:		
Transfer to Statutory Reserve 25%	84750	
Proposed Dividend 10% (WN)	100000	
Balance carried to Balance-sheet	154250	
Total	339000	

02815
 18101

Schedule 13: Interest Earned

	CY (₹)	PY (₹)
Interest and Discount Received	3705,738	
Add: Rebate at beginning	12,000	
Less: Rebate at end	(16,000)	
TOTAL	3701,738	

Schedule 14: Other Incomes

	CY (₹)	PY (₹)
Commission, exchange and Brokerage	1,90,000	
Rent Received	65,000	
Profit on Sale of investment	2,00,000	
TOTAL	455,000	

Schedule 15: Interest Expended

	CY (₹)	PY (₹)
Interest paid on Deposits	20,37,452	
TOTAL	2037,452	

Schedule 16: Operating Expenses

	CY (₹)	PY (₹)
Directors fee and allowances	30,000	
Salaries and allowances	200,000	
Rent and taxes paid	90,000	
Postage and Telegrams	60,286	
Depreciation on bank's properties	30,000	
Statutory Expense	40,000	
Preliminary Expense	25,000	
Auditor's Fees	5,000	
TOTAL	480,286	

Provision and Contingencies

1) 10,00,000 ₹ x 50% =	500,000 R-D-D.
2) Others	1,50,000
3) Provision for Taxation	650,000
TOTAL	1,300,000

WN: 10% Dividend ⇒ 10% of Issued and Subscribed Cap
 ⇒ 10% of 10,00,000
 ⇒ 1,00,000

Solution to NBFC

Pg 361 Q 1

Calcⁿ of Provision of NBFC

<u>Systematically</u> <u>Important</u>	Non - <u>Systematically</u> <u>Important</u>
---	--

① Standard Assets	33.6 (8400 x 0.4%)	21 (8400 x 0.25%)
② Substandard Assets	91 (910 x 10%)	91 (910 x 10%)
③ <u>Doubtful Asset (Secured)</u>		
upto 1 year (160 x 20%)	32	32
1yr-3yr (70 x 30%)	21	21
more than 3yr. (20 x 50%)	10	10
④ Doubtful (Unsecured)	87	87
⑤ Loss assets	24	24
	<u>298.6L</u>	<u>286L</u>

Pg 361 Q.2

Calculation of Provision in the Books of Peoples
Financiers Ltd.

Particulars	Period Overdue	Net Book Value	% of Provision Required	Total	
				Provision	Provision
① LCD TV	upto 12m	20,120 ³ cr	NIL		NIL
② Washin machine	24m	2410cr	10%		241cr.
③ Refrigerators	30m	1280cr	40%		512cr
④ AC	45m	647cr	70%		452.9cr
					<u>1205.9cr</u>

Solution to → Mutual Funds

Pg 366 Q1

Journal Entries

30/9/16 Bank a/c (21 x ₹75) Dr. 150L
 To Unit Capital a/c (21 x 10) 20L
 To Reserves a/c (21 x 60) 120L
 To Dividend Equalization Reserve a/c (21 x ₹5) 10L
 (Being -----)

31/3/17 Revenue a/c Dr. 162L
 D.E.R. a/c Dr. 10L
 To Bank a/c 172L
 (Being -----)

WN
 ₹90L + ₹72L = 162L
 30/9/16
 31/3/17
 Op. Bal = 18L Issued = 2L units C.I. Bal = 20L unit

Face Value = ₹10

NAV = ₹70

Profit = 90L = ₹5/unit D.E.R. = ₹5 Profit = 72L = ₹3.6/unit
 per unit 18L Per unit 20L



To Distribute equal dividends to all the Shareholders the MF will collect ₹5/unit which it has already earned upto 30/9/16 and Trf. to D.E.R. a/c.

Pg 366 Q2

$$\text{Net Asset Value} = \frac{\text{Total Market Value of all assets} - \text{Total MF Liabilities}}{\text{Total units of s.}}$$

$$= \frac{101.9L + 9.35L \text{ (WNI)} - 0.25L}{10L \text{ units}}$$

$$= \boxed{\text{₹11.1}}$$

WNI

Cash/Bank a/c

To Unit Capital	100L	By Investments	90L
To Investments	40L	By Initial Exp	7L
To Dividends	1.2L	By Investments	28.2L
		By Fund Management Exp. (4.5 - 0.25)	4.25L
		By Dividends distributed	2.4L
		[2L + 1.2L] x 75%	
		(40L - 38L)	
		By Bal. c/d	9.35L

Debentures a/c

<u>Date</u>	<u>Particulars</u>	<u>Face Value</u>	<u>Interest</u>	<u>Cost</u>
30/9/16	By Bank a/c	-	60,000	-
			[10K x 100 x 12% x 6/12]	
28/2/17	By Bank a/c	600,000	30,000	648,000
31/3/17	By Bank a/c	-	54,000	-
			[9K x 100 x 12% x 6/12]	
31/3/17	By Bal. c/d	9L	-	9,54,000
		<u>15L</u>	<u>144,000</u>	<u>16,02,000</u>

31/3/17 31/3/17
Interest date Cl. Bal.

WN2 Deb. purchased on 1/1/16

£ 5.45L

Interest Debentures

$$5000 \times 100 \times 12\% \times \frac{1}{12}$$

Deb FV 12

5.4L

£ 5000

WN4 Profit or loss

Sale 648,000
- Cost 636,000

WN3 Sold 6000 Debentures

£ 6.78L

15L → 1590K
6L → ?

Interest

Debentures Profit 12,000

$$6000 \text{ Deb} \times 100 \text{ FV} \times 12\% \times \frac{5}{12}$$

£ 6.48L

£ 30,000

Pg 366 Q5

Solution → Same as Study Material | Pg. 12.50 of SM |

~~Answer 4~~ Solution to Pg 366 Q5

Accounting Entries in the books of fund

			₹	₹
31.12.2015	Investment in X Ltd.'s shares A/c (5,000 x ₹ 40)	Dr.	2,00,000	
	Investment in Y Ltd.'s shares A/c (4,000 x ₹ 60)	Dr.	2,40,000	

	To Bank A/c (Being investment made in X Ltd. and Y Ltd.)			4,40,000
31.3.2016	Revenue A/c [5,000 x ₹ (40-38)]	Dr.	10,000	
	To Provision for Depreciation A/c (Being provision created for the reduction in the value of X Ltd.'s shares)			10,000
31.3.2016	Investment in Y Ltd.'s shares A/c [4,000 x ₹ (64-60)]	Dr.	16,000	
	To Unrealised Appreciation Reserve A/c (Being appreciation in the market value of Y Ltd.'s shares transferred to Unrealised Appreciation Reserve A/c)			16,000
01.04.2016	Unrealised Appreciation Reserve A/c	Dr.	16,000	
	To Investment in Y Ltd.'s shares A/c (Being last year's unrealised appreciation reserve balance reversed at the beginning of the current year)			16,000
30.6.2016	Bank A/c (5,000 x ₹ 37)	Dr.	1,85,000	
	Loss on disposal of Investment A/c	Dr.	15,000	
	To Investment in X Ltd.'s shares A/c (5,000 x ₹ 40)			2,00,000
	(Being shares of X Ltd. disposed off at a loss of ₹ 15,000)			
30.6.2016	Provision for Depreciation A/c	Dr.	10,000	
	Revenue A/c	Dr.	5,000	
	To Loss on disposal of Investment A/c (Being net loss on disposal of X Ltd.'s shares charged to revenue account)			15,000
30.6.2016	Bank A/c (4,000 x ₹ 67)	Dr.	2,68,000	
	To Investment in Y Ltd.'s shares A/c (4,000 x ₹ 60)			2,40,000
	To Revenue A/c (Being shares of Y Ltd. disposed off at a profit of ₹ 28,000)			28,000

Step-1 FMP

Average Net Profit (BT)

Less: Non-trading income

Add: Non-recurring expenses

FMP (BT)

Less: Tax (508000 x 0.5)

FMP (AT)

$$= 207000$$

$$= (20000)$$

$$= 30000$$

$$\frac{208000}{(104000)}$$

$$104000$$

Step 2 Average Capital employed

Given = 1350,000

Step 3 NRR

Given = 6%

Step 4 Super Profit method

Normal Profit = Capital employed x NRR

$$= 1350000 \times 6\%$$

$$= 81000$$

Step 5 Super Profit

Super Profit = FMP - Normal Profit

$$= 104000 - 81000$$

$$= 23000$$

Step 6 Goodwill

Goodwill = Super Profit x No. of Yrs of Purchase

$$= 23000 \times 7$$

$$= 1,61,000$$

Under Super Profit method = 161000

Under Capitalization method = 3,83,333.

Capitalization method.

Step 4 Capitalized value of Profit

$$\frac{\text{FMP (AT)}}{\text{NRR}} = \frac{104000}{6\%}$$

$$= 1,73,333$$

Step 5 Goodwill

Goodwill =

Capitalized value of Profit - Capital employed

$$= 1,73,333 - 1,50,000$$

$$= 38,333$$

② ~~Step 1~~ FMP

page (2)

1983 → 180,000 - Provision for doubtful debts

③

Step 1 FMP

Profit earned given

Add: Interest on LTF (450,000 x 10%)

FMP

Step 2 Capital employed.

Current cost of capital employed

Add: Long term loan

capital employed.

Step 3 NRR (given)

Step 4 Normal Profits

Capital employed x NRR

Step 5 Super Profits

FMP - Normal Profits

Step 6 Capitalised value of Profit

$\frac{\text{FMP}}{\text{NRR}\%}$

Step 7 Goodwill

Capitalised value of Profit -

Capital employed

Leverage effect = 117407 - 62564 = 54843

↓

↑%

	SH Fund Approach	LTFund Approach
Profit earned given	172000	172000
Add: Interest on LTF (450,000 x 10%)	-	45000
FMP	172000	217000
Current cost of capital employed	10,40,000	10,40,000
Add: Long term loan	-	450,000
capital employed.	10,40,000	14,90,000
NRR (given)	15.6%	13.5%
Normal Profits	162240	20,150
Capital employed x NRR	(1040000 x 15.6%)	(1490,000 x 13.5%)
Super Profits	9760	15850
FMP - Normal Profits	(172000 - 162240)	(217000 - 201150)
Capitalised value of Profit	1102564	1607407
$\frac{\text{FMP}}{\text{NRR}\%}$	(172000/15.6%)	(217000/13.5%)
Goodwill	62564	117407
Capitalised value of Profit - Capital employed	(1102564 - 1040,000)	(1607407 - 1490,000)

② Calculation of Capital employed

Step-1

Trade Assets (Revalued fig)

Land & Building	400,000	
Plant & Machinery	470,000	
Stock	150,000	
Debtors	200,000	
Cash at bank	50,000	
<hr/>		
Less o/s liability		
7.1. Mortgage debentures	(500,000)	
Trade creditors	(400,000)	
RDD (200,000 x 10%)	(20,000)	
<hr/>		
Closing Capital employed	350,000	
- 1/2 of CY Profits (AT)	(50,000)	49,000
Average Capital employed =	250,000	302,000

Step-2 Calculation of FMP

Year	Profits	Adjustment	FMP(BT)	Weights	Weighted FMP(BT)
1979	110,000	-	110,000	1	110,000
1980	125,000	-	125,000	2	250,000
1981	135,000	-	135,000	3	405,000
1982	150,000	-	150,000	4	600,000
1983	180,000	(20,000)	160,000	5	800,000
				15	2165,000

FMP(BT) = $\frac{2165000}{15} = 144333$

Less. Tax (40%) (57733)

FMP(AT) 86600

Step 3 NRR

Given = 8%.

Step 4 Normal Profit

$$\begin{aligned} \text{Normal Profit} &= \text{Capital employed} \times \text{NRR} \\ &= 200000 \times 8\% \quad 302000 \times 8\% \\ &= 20000 \quad 24160 \end{aligned}$$

Step-5 Super Profit

$$\begin{aligned} \text{Super Profit} &= \text{FMP} - \text{Normal Profit} \\ &= 86600 - 20000 \\ &\quad \quad \quad 24160 \\ &= 65300 \quad 62440 \end{aligned}$$

Step 6 Goodwill

$$\begin{aligned} \text{Goodwill} &= \text{Super Profit} \times \text{No. of Years of Purchase} \\ &= 65300 \times 5 \end{aligned}$$

Goodwill = 326500
312200

④ Calculation of avg capital employed

	Opening	Closing
<u>Trade assets (Revalued fig)</u>		
Fixed assets	2400	2600
Investments (Total investments × 25%)	25	50
Inventory	600	550
Trade receivables	300	350
Cash & Bank	400	340
	<u>3125</u>	<u>3890</u>
12% debentures	(200)	(200)
18% Term loan	(300)	(300)
Cash credit	(120)	(80)
Trade Payables	(70)	(60)
Tax Provision	(30)	(40)
<u>Capital employed</u>	<u>3005</u>	<u>3190</u>

$$\text{Average capital employed} = \frac{\text{Opening} + \text{Closing}}{2}$$

$$= \frac{3005 + 3190}{2}$$

$$\text{Average capital employed} = 3097.5$$

⑤ CY PAT

$$\uparrow \text{ in P\&L } (30.40 - 8.2) = 22.2$$

$$\uparrow \text{ in GR } (12 - 6.5) = 5.5$$

$$\text{PAT} = \underline{27.7}$$

↳ New trade income =

Calculation of Avg. Capital employed.

Trade assets (Revalued figure)

L & B 25

P & M 80.25

F & F 5.5

Vehicles 5

Investments (10x 80%) 8

Inventory 6.75

Trade receivables 4.90

Cash & Bank 10.40

1458

Less: outside liability

16% debentures 5

16% Term loans 18

Cash credit 13.3

Trade Payables 2.70

Provision for taxation 6.4

(45.4)

Closing capital employed.

100.4

- 1/2 of CY's Profit (27.7/2)

(13.85)

Avg capital employed.

86.55

⑥ Step-1 FMP

Page (7)

Profits during the year	= 150,000
Add: Director's fees	= 10,000
Add: Rent	= 20,000
Less: Expansion expenses	= (10,000)
Add: Extra Income	= 15,000
FMP	= <u>185,000</u>

Step-2 Avg Capital employed.

Net Tangible assets	= 19,00,000
- 1/2 of CY's profits	= (9,50,000)
Avg Capital employed	= <u>11,50,000</u>

Step-3 NRR

Given = 8%.

Step-4 Normal Profits

$$\begin{aligned}\text{Normal Profit} &= \text{Capital employed} \times \text{NRR} \\ &= 11,50,000 \times 8\% \\ &= 92,000\end{aligned}$$

Step-5 Super Profits

$$\begin{aligned}\text{Super Profits} &= \text{FMP} - \text{Normal Profits} \\ &= 1,85,000 - 92,000 \\ &= 93,000\end{aligned}$$

Step-6 Goodwill

$$\begin{aligned}\text{Goodwill} &= \text{Super Profit} \times \text{No. of Yrs of Purchase} \\ &= 93,000 \times 3 \\ &= 2,79,000\end{aligned}$$

(7)

Step-1 FMP (given)

Less: Interest (120x13%)

FMP

Step-2 Avg capital employed.

Trade assets

Fixed assets

Inventory

Trade receivables

Cash & Bank

Less: Outside Liabilities

13% debentures

Trade Payables

Closing capital employed

- 1/2 of CYS Profit

Avg Capital employed -

Step-3 NRR (given)

Step-4 Capitalised value of Profit

$$\frac{\text{FMP}}{\text{NRR}}$$

Step-4 Goodwill

Capitalised value of Profit

- Avg Capital employed

$$\begin{aligned} \text{Leverage effect} &= 12.53 - 33.2 \\ &= (20.67) \\ &\downarrow \\ &\text{Adverse effect.} \end{aligned}$$

SHE Approach	LTF Approach
38.4	38.4
(15.6)	-
22.8	38.4
180	180
40	40
20	20
20	20
(120)	-
(40)	(40)
100	220
(19.2)	(19.2)
80.8	200.8
20%	18%
114	213.33
(22.8/20%)	(38.4/18%)
33.2	12.53
(114 - 80.8)	(213.33 - 200.8)

Consolidated Financial Statements

Homework

I Consolidated Financial Statements as at 31.3.17 -

II EQUITY AND LIABILITIES

1. Shareholders Funds
 - a. Share Capital
 - b. Reserves & Surplus

1. 12000

2. 7159

3120.

2. Minority Interest

3. Current liabilities

3 2800.

- a. Trade Payables

- b. Short Term Provisions

(Provision for Tax) (855 + 394)

1249.

- c. Other Current Liabilities (Dividend payable)

1200.

Total.

~~27300~~

II ASSETS

1. Non Current-Assets

- a. Fixed Assets

- i. Tangible

4. 14954.

- a. Current Assets

- a. Inventory (Stock)

4. 5885

- b. Trade Receivables.

4. 4477

- c. Cash & Cash Equivalents

1694

- d. Short Term Loans & Advances

520.

Total.

27530.

Information

→ holding 60%
Do A → 1.4.16

Minority Interest 40%
Do B → 31.3.17

1/1/17	31/3/17	1/1/17	31/3/17
Don	Dividend paid	Transf	21/1/17
		(3'5)	120

WN1: Investment Acc (CoC) (60%)

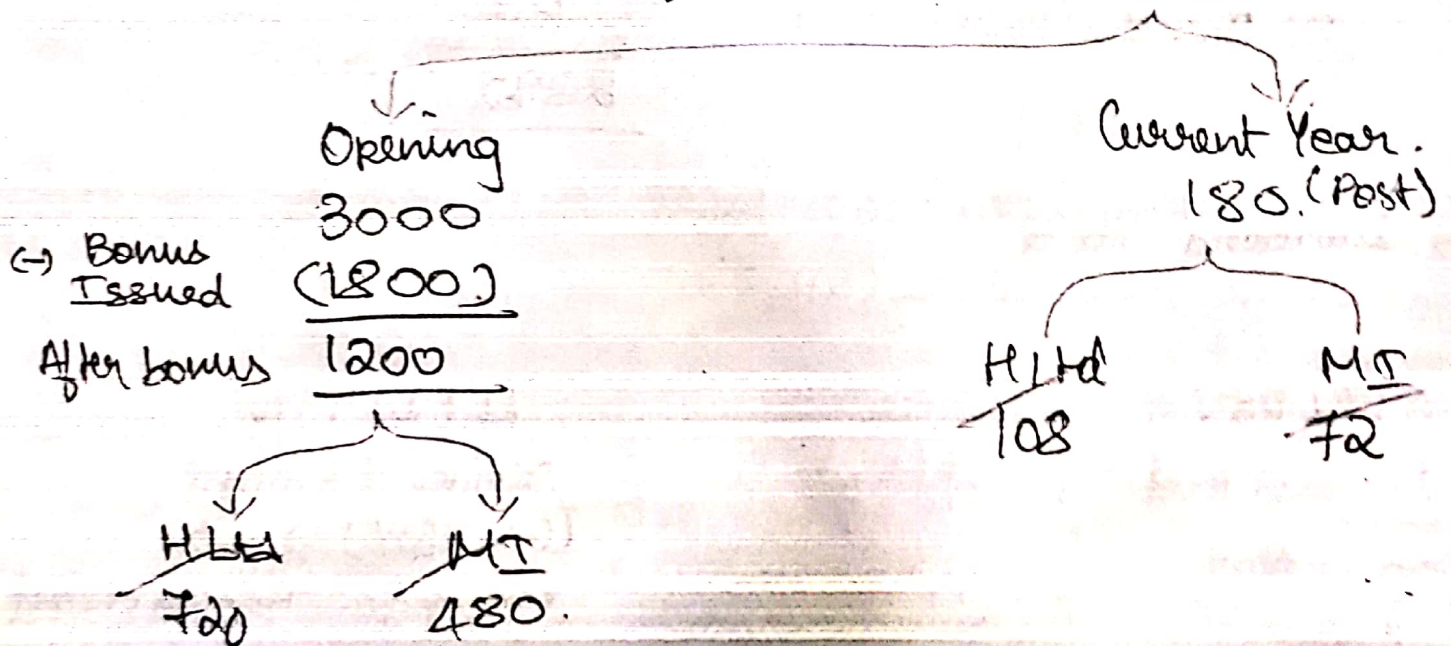
To balance b/d	3000	By Share in ESH in LTD (4800x60%)	2880.
To Capital Reserve 4/5	1320	By Pre acq. Dividend	360
		By General Reserve	720
		By Profit & Loss -	360.
	<u>4320</u>		<u>4320.</u>

WN2: Minority Interest

Share in ESH (4800x40%)	1920.
Profit & Loss (Post)	408
General Reserve (Pre)	480.
General Reserve (Post)	72
Profit & Loss (Pre)	240
Total.	<u>3120.</u>

WN3: Analysis of Reserves & Surplus.

1. Closing balance of General Reserve. 1380



Notes to Accounts

1. Share Capital

Authorised Capital.

15000

Issued, subscribed, called up & paid up
1200 sq. shares of ₹10 each fully paid up

12000

2. Reserves & Surplus

Consolidated P & L

2947

Consolidated General Reserve.

2892

Capital Reserve.

1320

7159.

3. Trade Payables -

Trade Payables (461+854)

2315

Bills Payables (WN 8)

487

2802.

4. Fixed Assets

1. Land & Building

~~2418~~

2. Plant & Machinery

9805

3. Furniture & Fittings

2431

14954

5. Trade Receivables

Trade Receivables (2600+1363)

3963

Bills Receivables (WN 8)

514

4477

Bonus Issued by SHd

5

3

8

HLtd

1800

1080

2880

Total

3000

1800

4800

% of holding

60%

60%

N5: Bonus Issue

SLtd
POV

HLtd
POV

Already recog.
in given b/s.
∴ no adj. is
required

- No Entry -

WNT: Inter Company Stock

HLtd.
↓ Sold
goods.
SLtd

Unsold Goods → 100L
Unrealised Profit (1/5) → 20L

Loss from
Stock
20L

Loss from
Consolid.
P/L

WNS: Inter Co. Bills Payables, Bills Receivables, Stock.

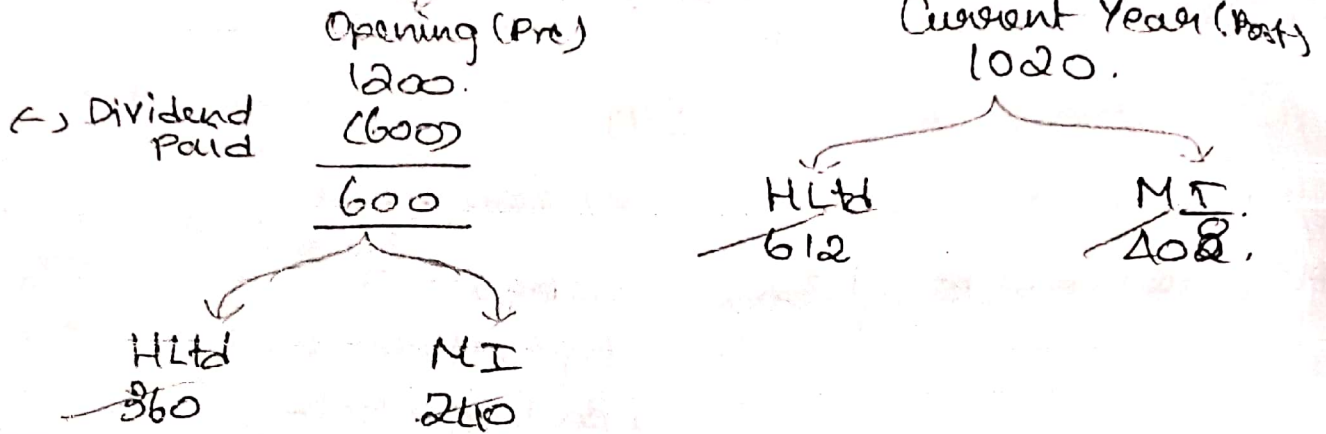
	Bills Payable	Bills Receivables	Stock
HLtd.	372	360	3449
SLtd.	160	199	1956
Total.	532	559	5405
(-) Mutual Owings	(45)	(45)	(20)
(-) Profit on Stock	-	-	-
Total (CFS)	487	514	5385

4

Investment Alc.

To Cash/Bank.	7000000	By Share in Eq. Share Capital (138.5 x 70%)	9695000
To Capital Reserve.	3395000	By Pre acquisition dividend	700000
	10395000		10395000

Closing Balance of P&L 1620.



WN4: Consolidated Reserves & Surplus.

1. Consolidated P&L

Closing balance of HLtd	2715.
(-) Pre Acq. Dividend	(360)
(-) Unrealised Profit	(20)
(+) Profit & Loss of SLtd (Post)	612
	<u>2947.</u>

2. Consolidated General Reserves.

Closing balance of HLtd	2784
(+) General Reserve of SLtd.	108
	<u>2892.</u>

WN5: Dividend Paid.

SLtd POV.
Dividend Paid
(3000 × 20%)
600

HLtd POV.
Dividend Received.
(600 × 60%) ⇒ 360.
Pre acquisition dividend

Less From
Consol. P&L

Less From
Investments.

a. Fixed Assets		224000.	
b. Non Current Investments		400000.	
2. Current Assets			
a. Inventory	2.	708000	
b. Trade Receivables (891000)		890000	
		790000	
c. Prepaid Cash & Cash Equivalents		30000	
		18000.	
d. Other Current Assets			
Total		2253000	

Notes to Accounts.

1. Reserves & Surplus.

Revenue Reserve.

Less: Reduction in Value of Stock.

Add: ADD created by B.
(891000 × 1/99)

Less: Prepaid Expenses.

~~7440000~~
(34000)
9000.
(30000)

~~687000.~~
659000.

2. Inventory.

(-) Reduction in value due to change in policy

7420000
(34000)

708000.

48000.

(30000).

3. Prepaid Expenses.

(-) Written off

18000

Net Assets Approach.

Revised value of Real Assets	
Fixed Assets	144.
Investments	49.5
Current Assets	70.
Loans & Advances	15
	<u>278.5.</u>

Revised Value of $\frac{1}{2}$ Liabilities	
15% Debt	90.
Current Liab.	50
	<u>140</u>
∴ Net Assets.	
278.5 - 140 ⇒ 138.5	

$$138.5 \times 70\% \Rightarrow 96.95$$

Cost of Investment ⇒ ₹7000000.

Purchase price/share ₹20

Number of Shares 350000 shares

Dividends @ 20% 350000 × 2

(10 × 20% ⇒ 2) ⇒ 7 Lakhs.

↓
Pre Acquisition Dividend.

Corrected question according to SM Illustration: 8, Pg 14-35.

5 Balance Sheet as at 31.12.2016.

I. EQUITY AND LIABILITIES.

1. Shareholders Funds

a. Share Capital

b. Reserves & Surplus.

2. Current liabilities

a. Trade payables.

b. Short Term Borrowings.

c. Short Term Provisions

500000
1. 659000.

494000

170000.

430000.

2253000.

II ASSETS.

1. Non Current Assets.

~~Basic Info~~
Basic Information

% of Holding - 80%. Minority Interest - 20%. Income System
DOA - 11/12/2010. DOE - 31/12/2010.

WN1: Investment Alc (Wce) (80%)

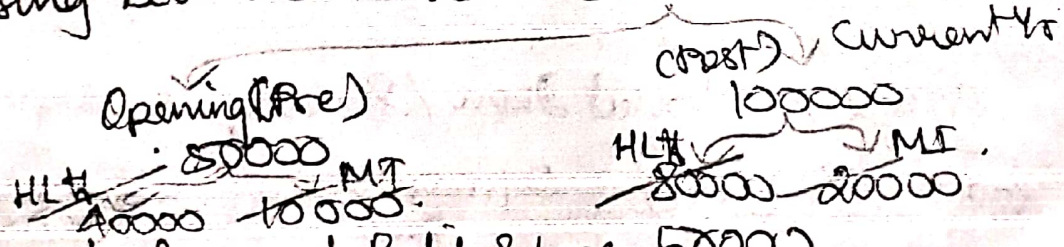
To balance b/d	320000	By Share Capital in Share in SLTA (200000 x 80%)	160000
To Reval. of Furni	8000	By Reval. of Plant	80000
		By Profit & Loss	24000
		By Reserves	40000
		By Goodwill Alc	20000
	<u>328000</u>		<u>328000</u>

WN2: Minority Interest.

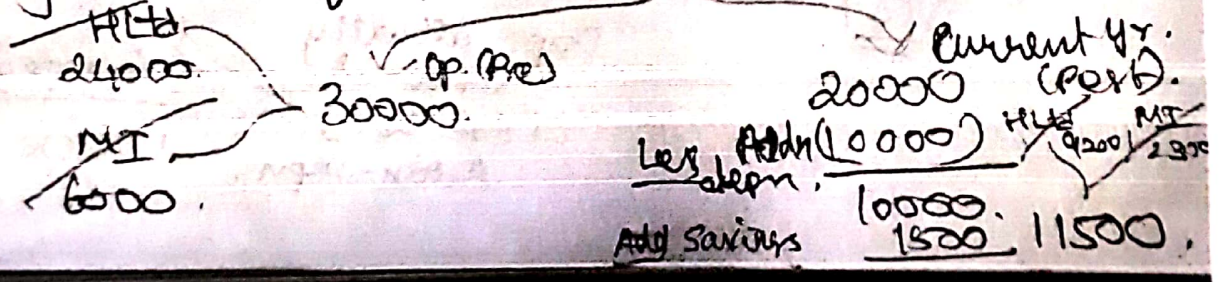
Share in Share Capital (200000 x 20%)	40000
Revaluation of Assets (Plant & Machinery)	80000
Revaluation of Furniture	(8000)
Profit & Loss (Pre + Post) (6000 + 2300)	8300
Reserves (Pre + Post) (10000 + 20000)	30000
	<u>196300</u>

WN3: Analysis of Reserves & Surplus

1. Closing balance of Reserves 150000



2. Closing balance of Profit & Loss 50000



5. Consolidated Balance Sheet as at 31.12.2010

I. EQUITY AND LIABILITIES

1. Shareholders' Funds	
a. Share Capital	1,000,000
b. Reserves & Surplus	889,200.
2. Minority Interest	196,300.
3. Current Liabilities	
a. Trade Payables (300,000 + 100,000)	400,000.
Total	2,185,500

II ASSETS

1. Non Current Assets	
a. Fixed Assets	1,49,500.
(60,000 + 1,00,000 + 27,000 + 2,550 + 2,450)	
2. Current Assets	1,16,600
(3,30,000 + 28,600)	
Total	2,185,500

Notes to Accounts

1. Share Capital	??
Authorised Capital	
Issued, subscribed, called up & paid up	1,000,000.
10,000 eq. sh. of ₹100 each fully paid up	
2. Reserves & Surplus	
1. Consolidated Reserves	880,000
2. Consolidated P&L	209,200
	<u>889,200</u>

10000

Less from
Plant &
Machinery

Less from
Consolidated
Post P&L of
SLTA

Presentation in CFS

Closing WDV as on 31.12.10	180000
Upward Revaln.	100000
Addn. Dep.	(10000)
CFS (SLTA)	<u>270000</u>

Furniture

Step 1: Calculation of revaln. gain/loss

Revalued Asset value on DOA.	35000
Book value as on DOA.	(40000)
Downward Revaln.	<u>(10000)</u>

Less from
~~Machinery~~
Furniture

Capital
~~Post (Pr)~~

HLTA
~~8000~~

M.I.
~~2000~~

Step 2: Savings on Depn.

$\frac{40000 - 34000}{40000} \times 100$	Depn on Reval. Amt (DOA - DOE)	4500
= 15%	Depn actually charged, (DOA - DOE)	<u>(6000)</u>
	Savings on Depn.	1500

WN4: Consolidation of Reserves & Surplus.

1. Consolidated Reserves

Closing balance of HLTd	400000
(+) Post Reserves of SLT	<u>280000</u>
Total	<u>680000</u>

2. Consolidated Profit & Loss.

Closing balance of HLTd	200000
(+) Post P&L of SLT	<u>9200</u>
Total	<u>209200</u>

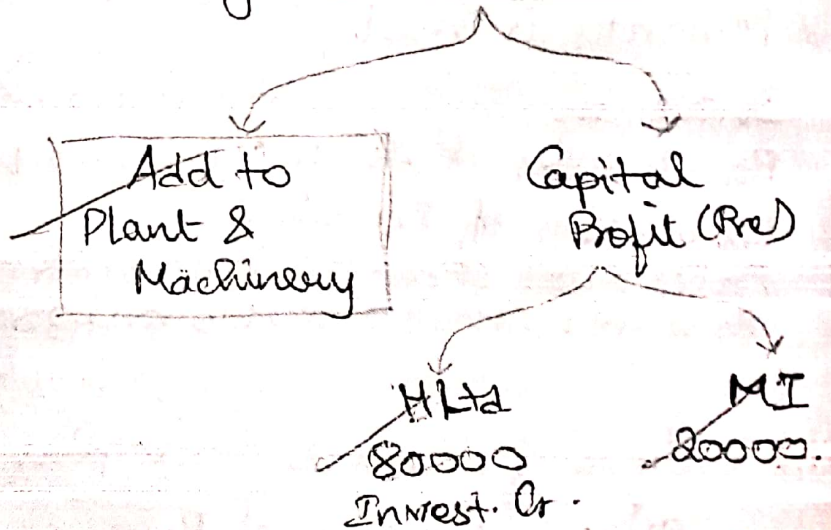
WN5. Revaluation of Plant & Machinery and Furniture.

Plant & Machinery.

Step 1: Calculation of revaluation profit/loss

Revalued asset value on DDA	300000
Less: WDV/Book Value of Asset	<u>(200000)</u>
Revaluation gain	<u>100000</u>

~~Step 2:~~



Step 2: Additional Depn / Savings on Depn

$$\frac{200000 - 180000}{200000} \times 100$$

=> 10%

Depn. on Reval. Amt (DDA - DOC)	30000
Depn actually changed (DDA - DOC) Addn. Depn.	<u>(20000)</u>
	10000

1: Adjustment

HLD	5000	SLTA	1000
(-) Deales	(120)	(-) Emmn.	(10)
(-) Consultancy fees	(5)		<u>990.</u>
(-) Dividend			
	<u>4875</u>		

∴ Total 5865

Profit Before Tax (A-B)				2096 (1400)
Provision	1200	200	-	
Profit After Tax.	2100	300	-	2596
Dividend Paid.	(1200)	(150)	130	(1350)
				1224

6. Profit & Loss A/c.

I Revenue from Operations	90000	950000	(60000)	1790000
II Other Incomes	3500	-		-
Total				1790000
II Expenses	500000	600000	(60000)	104000
Purchase of Stock.				250000
Employee Benefit Exp. (Wages & Salaries)	100000	150000	-	24000
Finance Cost (Interest)	12000	12000	-	140000
Other Expenses.				3500
General Expense.	80000	60000	-	189000
Preference Dividend.	-	7000	(3500)	710500
Depreciation & Amortisation Exp.	110000	79000		1099500
Total				1079500
Profit Before Tax				-
Tax				1079500
Profit After Tax				

1500

Add to Furniture

Add to Post P&L OR SLA

Presentation in CFS

Closing balance as at 31.12.10	34000
Downward Revaluation	(10000)
Savings on Depn.	1500
CFS	<u>25500</u>

Consolidated Profit & Loss A/c (₹ in Lakhs)

Particulars	HLA	SLA	Adjustment	Total
I Revenue from Operations & other Income	5000	1000	WNI.	5865
II Total	5000	1000		
II Total (A)				5865
III Expenses				
Raw Materials Consumed	800	200	(120)	1880
Changes in Inventory	(1000)	(200)	120	(1196)
Employee Benefit Exp.			-	950
Wages & Salaries (800+150)	800	150	-	300
Production Expenses	200	100	-	295
Admin Expenses	200	100	(5)	140
Selling & Distribution Exp.	100	50	(10)	150
Interest → Finance Cost	100	50	-	250
Depreciation Exp.	200	50	-	1871
Total (B)				1769

Other Exp

Cont