



MOST IMP QUESTIONS CORPORATE ACCOUNTING

PAPER- DSC-232

[100% ASSURANCE]

UNIT-1

PROFIT PRIOR:

Q.1 Vaidehi Limited was incorporated on 01-04-2013 to purchase a running business of a partnership firm from 01-01-2013. From the information given below about the year ending on 31-12-2013, determine profit prior to incorporation and post incorporation.

(1) The total sales of the year ending on 31-12-2013 is ₹ 12,00,000 out of which sales from 01-01-2013 to 31-03-2013 amounted to ₹ 2,40,000.

(2) The Gross Profit showed by Trading Account for the year ending on 31-12-2013 is ₹ 4,80,000. Following information relates to the Profit and Loss Account :

₹

Rent and taxes	39,000
Salaries of employees	72,000
Debenture Interest	18,000
General Expenses	12,000
Audit fess	1,500
Director's fess	7,500
Formation Expenses	6,000
Selling Commission	24,000

ANSWER:

Particulars	Amount	Base	Pre-incorporation		Post Incorporation	
			Expenses	Income	Expenses	Income
Gross profit	4,80,000	SR [1:4]	-	96,000	-	3,84,000
Rent	39,000	TR [1:3]	9,750	-	29,250	-
Salary	72,000	TR [1:3]	18,000	-	54,000	-
Debenture interest	18,000	Post	-	-	18,000	-
General exp.	12,000	TR [1:3]	3,000	-	9,000	-
Audit fees	1,500	TR [1:3]	375	-	1,125	-
DIRECTOR FEES	7,500	Post	-	-	7,500	-
Formation exp.	6,000	Post	-	-	6,000	-
Selling commission	24,000	SR. [1:4]	4,800	-	19,200	-
			35,925	96,000	1,44,075	3,84,000
NET PROFIT			60,075		2,39,925	
			96,000	96,000	3,84,000	3,84,000



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Working note :1 Time Ratio	
1/1/13 to 1/4/13 to 31/12/13	3:9 i.e. 1:3
Working note :2 Sales ratio	
Total sales	12,00,000
Pre part	2,40,000
Post part	9,60,000
2,40,000 :9,60,000 = 24:96= 1:4	

Q.2 Vikram Ltd. has been incorporated on 1st April, 2010 to purchase the business of M/s. Vikram Traders from 1st January, 2010.

Its Trading Account and the Profit and Loss Account, for the ended 31st December, 2010 are as follows :

Particular	₹	Particular	₹
To Adjustment purchases :		By Sales	
From 1-1 to 31-3 60,000		From 1-1 to 31-3 80,000	
From 1-4 to 31-12 2,40,000	3,00,000	From 1-4 to 31-12	4,00,000
"Gross Profit (Translated to P&L A/c)	1,00,000	<u>3,20,000</u>	
	4,00,000		4,00,000
To Administration Exp.	40,000		1,00,000
" Bad debts	2,000	By Gross Profit b/d	200
" Preliminary Exp.	5,200	Share transfer fees	
" Advertisement Exp.	1,000		
" Salesman's salary	2,400		
" Salesman's Commission	4,000		
Net Profit	45,000		
	1,00,200		1,00,200

Other necessary information is given below :

(1) Cash sales of pre-incorporation period was ₹ 40,000 and Cash Sales of post incorporation period was ₹ 2,00,000.

(2) Out of Bad debts ₹ 400 relates to the debtors taken over from Vikram traders and the remaining relates to business that has started from 1-1-2010.

(3) Administrative Expense include ₹ 4,000 for director's fees.

From the above information, prepare a statement showing pre-incorporation and post-incorporation profit or loss.

ANSWER:

Particulars		Base	Pre-incorporation		Post Incorporation	
	Amount		Expenses	Income	Expenses	Income



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Gross profit	1,00,000	SR [1:4]	-	20,000	-	80,000
Admin exp.	36,000	TR [1:3]	9,000	-	27,000	-
Directors fees	4,000	Post	-	-	4,000	-
Bad debts	400	Pre	400	-	-	-
Bad debts	1,600	Credit sales ratio [1:3]	400	-	1,200	-
Preliminary exp.	5,200	Post	-	-	5,200	-
Advt. exp.	1,000	SR [1:4]	200	-	800	-
Sales man salary	2,400	TR [1:3]	600	-	1,800	-
Salesman commission	4,000	SR [1:4]	800	-	3,200S	-
Share transfer fees	200	Post	-	-	-	200
			11,400	20,000	43,200	80,200
Net profit			8,600	-	37,000	-
			20,000	20,000	80,200	80,200

Working note :1 Time Ratio	
1/1/10 TO 1/4/10 TO 31/12/10	3: 9 i.e 1:3
Working note :2 Sales ratio	
Pre = 80,000	1:4
Post = 3,20,000	
Working Note : 3 Credit sales ratio	
Pre credit sales [80,000 -40,000]	40,000
Post credit sales [3,20,000 – 2,00,000]	1,20,000
Credit sales ratio	1:3

Q.3 The Vivek Company Ltd.was incorporated on 1-7-2017 to purchase a business of partnership firm from 1-4-2017. From the following information prepare statement showing profit or losses prior to incorporation and after incorporation of the company for the year ending on 31-3-2018 :

Particulars	Amount
Rent and Taxes	40,000
Employee's Salary	68,000
Interest on Debentures	20,000
General Expenses	12,000
Preliminary Expenses	4,000
Audit Fees	1,600
Director's Fees	7,000
Sales Commission	16,000
Bad Debt	2,000
Shares transfer Fee	700



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Depreciation	1,200
Advertisement Expenses	3,200

Additional Information :

- 1.The Total Sales for the year ended on 31-3-2018 was of Rs.10,00,000 of which sales of Rs.2,00,000 was for the period from 1-4-2017 to 30-6-2017.
- 2.The Gross Profit for the year ended on 31-3-2018 was of Rs.4,00,000.

ANSWER:

Particulars	Total	Base	Pre-incorporation		Post Incorporation	
			Expenses	Income	Expenses	Income
Gross profit	4,00,000	SR [1:4]		80,000	-	3,20,000
RENT	40,000	TR [1:3]	10,000	-	30,000	-
Salary	68,000	TR [1:3]	17,000	-	51,000	-
Interest on Debentures	20,000	Post	-	-	20,000	-
General exp.	12,000	TR [1:3]	3,000	-	9,000	-
Preliminary exp.	4,000	Post	-	-	4,000	-
Audit fees	1,600	TR. [1:3]	400	-	1,200	-
DIRECTORS FEES	7,000	Post	-	-	7,000	-
Sales commission	16,000	SR [1:4]	3,200	-	12,800	-
Bad debt	2,000	SR [1:4]	400	-	1,600	-
SHARE TRANSFER FEES	700	POST	-	-	-	700
Depreciation	1,200	TR [1:3]	300	-	900	-
ADVT. EXP.	3,200	TR [1:3]	800	-	2,400	-
			35,100	80,000	1,39,900	3,20,700
Profit			44,900	-	1,80,800	-
Total			80,000	80,000	3,20,700	3,20,700

Working note :1 Time Ratio	
1/4 /2017 to 1/7/2017 to 31/3/18	3:9 i.e 1:3
Working note :2 Sales ratio	
Pre sales	2,00,000
Post sales [10,00,000 -2,00,000]	8,00,000
S.R	1:4

Q.4 Rajshree Ltd. was incorporated on 1-7-2013 to takeover running business of Dev Traders from 1-4-2013. Calculate profit or loss during Pre and Post incorporation period for the year ended on 31-3-2014.

- Sales during pre-incorporation period was $\frac{1}{4}$ th of sales during post incorporation period.
- Total purchases during the year ₹ 1,25,000 (out of which 20% was cash purchase and credit purchase during pre-incorporation period was ₹ 37,500)



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- Incomes and Expenses were as under :
- Interest to vendors ₹ 375 (Interest was paid to vendors on 1-10-2013)
- Investments were sold on 30th June, 2013.

Particulars	₹
Salary	1,250
Gross profit	25,000
Interest on Debentures	750
Share transfer fee	625
Interest on Investment	500
Carriage Outward	1,250
Carriage Inward	1,000
Discount allowed	750
Discount earned	500
Director's fees	875
Preliminary expenses written off	250
Office rent	2,500
Profit on sale of investment	250

ANSWER:

Particulars	AMOUNT	Base	Pre-incorporation		Post Incorporation	
			Expenses	Income	Expenses	Income
Gross profit	25,000	SR[1:4]		5,000		20,000
Salary	1,250	TR [1:3]	312.5	-	937.5	-
Interest on debenture	750	Post	-	-	750	-
Share transfer fees	625	Post	-	-	-	625
Interest on investment	500	PRE [WN.5]	-	500	-	-
Carriage outward	1,250	SR [1:4]	250	-	1,000	-
Carriage inward	1,000	PR [1:1]	500	-	500	-
Discount allowed	750	SR [1:4]	150	-	600	-
Discount earned	500	PR [1:1]	250	-	250	-
Directors fees	875	Post	-	-	875	-
Preliminary exp.	250	Post	-	-	250	-
Rent	2,500	TR [1:3]	625	-	1,875	-
Profit on sale of investment	250	PRE WN.5	-	250	-	-
Interest to vendors	375	WN.4	187.5	-	187.5	-
			2025	6,000	6,975	20,875
NET PROFIT			3,975	-	13,900	-
TOTAL			6,000	6,000	20,875	20,875

Working Notes:

TF-4 Swastik Mall, Above Axis Bank, Opp. Jain Milan Society, Nr. Sureliya Estate
 Vastral-CTM Road , Ahmedabad[9016497248; 9998019857]
 [11th& 12th COM. (GSEB, CBSE & ISCE) , B.com, B.B.A, M.com, M.B.A, C.M.A, C.A, C.S.]
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Working note :1 Time Ratio	
1/4/13 to 1/7/13 to 31/3/14	3:9 i.e 1:3
Working note :2 Sales ratio	
Post sales 100 Pre sales 25	25:100 i.e. 1:4
Working Note : 3 purchase ratio	
Total purchase	1,25,000
Pre cash purchase [20%]	25,000
Pre credit purchase	37,500
Total purchase [pre] [25,000 + 37,500]	62,500
Post part purchase [1,25,000 – 62,500]	62,500
PR [62,500 : 62,500] i.e.	1:1
Working note: 4 Ratio of interest paid on purchase price	
Interest paid on 1/10/2013	
1/4/2013 to 1/7/2013 = 3 months pre	
1/7/2013 to 1/10/2013 = 3 months post	
Ratio :1:1	
Working note: 5 interest paid on investment	
Investment sold on 30/6/2013 which is pre part so all incomes related to investment will go in pre part	

BUSINESS PURCHASE

Q.1 Balance sheet of Sant Bros. as on 31-3-2016 is as under :

Liabilities	₹	Assets	₹
Capital :		Goodwill	1,82,0000
Prince : 3,15,000			
Parth : 2,45,000	5,60,000		
General Reserve	35,000	Trademark	1,96,000
P & L A/c	1,05,000	Land-Building	6,16,000
Bank Loan	2,10,000	Plant-Machinery	2,80,000
Creditors	3,50,000	Furniture	1,13,400
Bills Payable	1,12,000	Stock	14,000
Outstanding Expenses	28,000	Debtors	11,200
Depreciation fund for Building	56,000	Bills Receivable	2,800
		Bank Balance	14,000
		Advertisement Sus A/c.	26,600
	14,56,000		14,56,000



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On 1-4-2016 Pritesh Ltd. purchased the business on the following conditions :

(1) All the assets and liabilities were taken over by the company.

(2) Fixed assets were valued at 20% higher than its book value, while current assets are agreed at its books value.

Pritesh Ltd. agreed to pay the purchase price in 28,000 Equity shares of ₹ 10 at 10% premium and 25,200 Preference shares of ₹ 10 each.

Show the calculation of purchase consideration and write journal entries for above transaction in the books and prepare new balance sheet of the Pritesh Ltd.

ANSWER:

1 Step-1 Net asset taken over: [NATO]

Particulars	Amount
(A) Assets	
Land & Building	6,72,000
Plant & Machinery	3,36,000
Furniture	1,36,080
Stock	14,000
Debtors	11,200
Bills Receivable	2,800
Bank Balance	14,000
Total Asset [A]	11,86,080
[B] Current Liabilities	
pBank Loan	2,10,000
Creditors	3,50,000
Bills Payable	1,12,000
Outstanding Expenses	28,000
Total Liabilities [B]	7,00,000
Net asset taken over [A-B]	4,86,080

Step-2 Calculation of Purchase consideration	
Equity share capital [28,000 x10]	2,80,000
Security premium	28,000
Preference share [25,200 x10]	2,52,000
Total Purchase consideration	5,60,000

Step-3 Goodwill = P.C. – NATO = 5,60,000 – 4,86,080 = 73,920



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Journal entries in the book of Pritesh Ltd.			
Entry No.	Particulars	Debit ₹	Credit ₹
When business is purchased			
1.	Business Purchase A/c [Step2] Dr.	5,60,000	
	To Pritesh Ltd.		5,60,00
When Assets is taken over			
2.	Goodwill A/c Dr.	73,920	
	Land & Building A/c Dr.	6,72,000	
	Plant & Machinery Dr.	3,36,000	
	Furniture	1,36,080	
	Stock A/c Dr.	14,000	
	Debtors A/c Dr.	11,200	
	B/R	2,800	
	Bank A/c Dr.	14,000	
	To, Bank Loan		2,10,000
	To, Creditors		3,50,000
	To B/P		1,12,000
	To, Outstanding exp.		28,000
	To, Business Purchase		5,60,000
When payment is done			
3.	Pritesh Ltd A/c Dr.	5,60,000	
	To, equity share capital		2,80,000
	To, security premium		28,000
	To, Preference Share capital		2,52,000

BALANCE SHEET OF PRITESH LTD AS ON 31-3-2016		
Equity & Liabilities	Note	Amount
1. Share holder fund		
a) Share capital		5,32,000
b) Reserve & Surplus		
1. Security Premium		28,000
2. Non-current liability		
3. Current liability		
A] Trade Payables		
B] Bills payables		
C] outstanding expenses		7,00,000
Total		12,60,000
Assets		
1. Non-current asset		



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a) Fixed asset:		
1. Tangible Asset:	1	11,44,080
2. Intangible Asset:		73,920
2. Non-current investment		
3. Current assets		
Stock-		
Debtors-		
B/R-		
Bank-		42,000
Total		12,60,000

Working Note :1 Of Tangible Asset

Particulars	Amount
Land & Building	
Plant & Mach.	
Furniture	
Total	

Q. 2 Viraj Company Ltd. was incorporated to purchase the business of Krupa Brothers. The Authorized Capital of the Company is 25,000 Equity shares of Rs.10 each. The Balance sheet of the firm was as under :

Liabilities	Amount	Assets	Amount
Capital Accounts :		Land & Building	3,00,000
Ram : 2,00,000			
Laxman : 2,00,000	4,00,000		
Reserves	1,00,000	Plant & Machinery	2,00,000
Bank Loan	2,00,000	Stock	1,00,000
Creditors	50,000	Debtors	70,000
		Investments	50,000
		Bank Balance	30,000
	7,50,000		7,50,000

Conditions for the business purchase were as under :

1. Land & Building at Rs.1,50,000. Plant & Machinery at Rs.2,25,000 and other assets except investments were taken over at book value and all the liabilities are to be accepted by the company.



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2. Goodwill of the firm is to be valued at Rs.35,000
 3. Preliminary expenses of Rs.5,000 paid by the company.
 4. Purchase consideration is to paid in 20,000 fully paid equity shares at 20% Premium , 10% Debenture of Rs.1,00,000 and the rest of the amount in cash.
 5. The remaining shares were issued to the public at 20% premium , which were all taken up and paid for.
- Draft journal entries in the books of Viraj Co.Ltd. and draw the Balance – sheet of the company as per Company Act – 2013.

ANSWER:

Step-1 Net asset taken over:

Particulars	Amount
(A) Assets	
Land & Building	1,50,000
Plant & Machinery	2,25,000
Stock	1,00,000
Debtors	70,000
Bank	30,000
Total Asset [A]	5,75,000
[B] Current Liabilities	
Bank loan	2,00,000
Creditors	50,000
Total Liabilities [B]	2,50,000
Net asset taken over [A-B]	3,25,000

Step: 2

Calculation of Purchase consideration:

Particulars	Amount
Equity share capital[20,000 X10]	2,00,000
Security premium	40,000
10% debenture	1,00,000
Cash [Difference]	20,000
Total [see step 3]	3,60,000

Step 3 calculation of goodwill and capital reserve

Goodwill = Purchase consideration – NATO	35,000 = PC – 3,25,000
So P.C = NATO + Goodwill	= 35,000 + 3,25,000 = 3,60,000

Journal entries in the book of Viraj Ltd.

Entry No.	Particulars	Debit ₹	Credit ₹
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When business is purchased			
1.	Business Purchase A/c Dr.	3,60,000	
	To, Krupa Brothers		3,60,000
When Assets is taken over			
2.	Goodwill A/c Dr.	35,000	
	Land & Building A/c Dr.	1,50,000	
	Plant & Machinery Dr.	2,25,000	
	Stock A/c Dr.	1,00,000	
	Debtors A/c Dr.	70,000	
	Bank A/c Dr.	30,000	
	To, Bank Loan		2,00,000
	To, Creditors		50,000
	To, Business Purchase		3,60,000
When payment is done			
3.	Krupa Brothers A/c Dr.	3,60,000	
	To, equity share capital		2,00,000
	To, security premium		40,000
	To, cash		20,000
	To, 10% Debenture		1,00,000
Preliminary expenses Paid			
4.	Goodwill A/c Dr.	5,000	
	To, Bank		5,000
Remaining share issued			
5.	Bank A/c Dr.	60,000	
	To, equity share capital [5,000 X10]		50,000
	To, Security Premium		10,000

Balance sheet of Viraj Ltd as at Year End		
Equity & Liabilities	Note	Amount
1. Share holder fund		
a) Share capital	1	2,50,000
b) Reserve & Surplus [Security Premium]		50,000
2. Non-current liability		
a. Bank Loan		2,00,000
b. 10% Debenture		1,00,000
3. Current liability		
Creditors		50,000
Total		6,50,000
Assets		
1. Non-current asset		
a) Fixed asset:		
1. Tangible Asset:	2	3,75,000



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2. Intangible Asset: Goodwill [35,000+5,000]		40,000
2. Non-current investment		
3. Current assets		
Stock		1,00,000
Debtors		70,000
Bank		65,000
Total		6,50,000

Note 1 : Share Capital

Liabilities	Amount
Equity share capital [P.C]	
Equity share capital [Issued to public]	
Total	

Note: 2 tangible Assets

Liabilities	Amt.
Land & Building A/c Dr.	1,50,000
Plant & Machinery Dr.	2,25,000
Total	3,75,000

Q.3 The balance sheet of M/s. Ramesh traders as on 31-3-2017 is as under :[14]

Liabilities	₹	Assets	₹
Partners Capital A/cs.		Land	2,00,000
A 3,00,000		Building	2,00,000
B <u>2,00,000</u>	5,00,000	Furniture	50,000
General Reserve	1,00,000	Investment	70,000
Bank loan	2,00,000	Stock	1,25,000
Creditors	75,000	Debtors	1,20,000
		Cash-bank	30,000
		Advertisement Suspense A/c	80,000
	8,75,000		8,75,000

On 01-04-2017 the Avkar Co. Ltd. was incorporated to purchase above business with authorized share capital of 1,50,000 equity shares of ₹ 10 each.

The terms for purchase of business is as under :

- (1) Avkar Co. Ltd. take over all the assets and liabilities **excluding debtors and creditors.**
- (2) The company valued the goodwill at ₹ 1,00,000 and Land at ₹ 5,25,000 other real assets and liabilities at their book values.



(3) Company agreed to collect from the debtors and payment to creditors for a commission 5% on collection from debtors and 50% of the discount earned from creditors.

(4) Of the debtors ₹ 10,000 is bad debt, the company allowed 10% discount. The creditors paid off at 5% discount.

(5) For purchase consideration company issued 75,000 equity shares of ₹ 10 each, 8% 1,000 debentures of ₹ 100 each and balance by cash.

(6) The company issued remaining shares to the public which were fully subscribed and paid. The company incurred preliminary expenses of ₹ 30,000.

Form the above information pass necessary journal entries and prepare initial balance sheet.

ANSWER:

Step 1. Capital employed

Particulars	Amount
(A) Assets	
Land	5,25,000
Building	2,00,000
Furniture	50,000
Investment	70,000
Stock	1,25,000
Cash-Bank	30,000
Total Asset [A]	10,00,000
[B] Current Liabilities	
Bank loan	2,00,000
Total Liabilities [B]	2,00,000
Net asset taken over [A-B]	8,00,000

Step-2 Calculation of Purchase Consideration :

Particulars	Amount
Eq. Shares [75,000 × 10]	2,00,000
8% deb. [1000 × 10]	1,00,000
Cash [Difference]	50,000
Total [see step 3]	9,00,000

Here in the question full P.C. is not given but goodwill is given so with the help of step -3 we will find out total P.C. than remaining will be cash.

Step-3 Calculation of Goodwill/CR.

Goodwill = Purchase consideration – NATO	1,00,000 = P.C. – 8,00,000
So P.C = NATO + Goodwill	= 8,00,000+1,00,000= 9,00,000



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Journal entries in the book of Avkar co. ltd.				
No.	Particulars	L.F.	Dr. ₹	Cr. ₹
1.	Business purchase Dr. To, M/S. Ramesh		9,00,000	9,00,000
2.	Land A/c Dr. Building A/c Dr. Furniture A/c Dr. Investment A/c Dr. Stock A/c Dr. Cash Bank A/c Dr. Goodwill A/c Dr. To, Bank loan To, business purchase		5,25,000 2,00,000 50,000 70,000 1,25,000 30,000 1,00,000	2,00,000 9,00,000
3.	M/S. Ramesh A/c Dr. To, Eq. sh. Cap To, 8% debenture To, cash/bank		9,00,000	7,50,000 1,00,000 50,000
4.	Goodwill. A/c Dr. To, Cash bank		30,000	30,000
5.	Bank A/c Dr. (75,000×10) To, eq. sh. Cap		7,50,000	7,50,000
6.	Vendor debtor A/c Dr. To, vendor suspense		1,20,000	1,20,000
7.	Vendor suspense A/c Dr. To, vendor creditor		75,000	75,000
8.	Bank A/c Dr. Vendor suspense Dr. To, vendor debtor		99,000 21,000	1,20,000
9.	Vendor creditor Dr. To, Bank To, Vendor suspense		75,000	71,250 3,750
10.	Vendor suspense A/c Dr. To, commission (4,950 + 1,875)		6,825	6,825
11.	Vendor suspense Dr. To, Bank		20,925	20,925

Working note :-

1.

Particulars	Amount
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Debtors	1,20,000
Less: yet to rec.	
Balance	1,20,000
Less: bad debts	10,000
Balance	1,10,000
Less: discount [10%]	11,000
Amount collected	99,000

2.

Particulars	Amount
Creditors	75,000
Less: discount [5%]	3750
Amount Paid	71,250

3. Commission = V.D. =
V.C. =

Balance sheet of Avkar Ltd as on 31 st march 2017		
Particulars	Note	Amount
<u>EQUITY & LIABILITY</u>		
1. <u>SHARE HOLDER FUNDS</u>		
A] share capital	1	15,00,000
B] Reserve & Surplus		
2. <u>NON- CURRENT LIABILITY</u>		
A]10% Debenture		1,00,000
3. <u>CURRENT LIABILITY</u>		
A]Bank Loan		2,00,000
<u>Total liability</u>		18,00,000
<u>ASSETS</u>		
4. <u>NON –CURRENT LIABILITY</u>		
A] F.A.: T.A : land - 5,25,000		
Building - 2,00,000		
Furniture - <u>50,000</u>		7,75,000
B]Intangible assets :		
Goodwill (1,30,000-6,825)		1,23,175
5. <u>CURRENT-ASSET</u>		
Investment - 70,000		
Stock - 1,25,000		
Cash - <u>7,06,825</u>		9,01,825
6. <u>Other current asset</u>		



Total asset	18,00,000
-------------	-----------

Note: as we don't have reserve and surplus so we did not write off preliminary expenses. And its showing under the head other current asset.

UNIT-2 CAPITAL REDUCTION

Q.1 The balance sheet of the Ashok Ltd. as on 31-3-2014 is as under :[14]

The scheme of Capital Reduction sanctioned by the Court is as under :

Liabilities	₹	Assets	₹
Equity shares of ₹ 10 each fully paid	16,00,000	Goodwill	4,00,000
8% Preference shares of ₹ 100 each fully paid	12,00,000	Land-Building	9,60,000
Workmen's Accident Compensation fund	4,00,000	Plant-Machinery	6,40,000
10% Debentures	8,00,000	Patents	3,20,000
Unpaid interest on debentures	80,000	Stock	4,00,000
Creditors	3,20,000	Debtors 3,44,000 - 24,000	3,20,000
		Preliminary Expenses	4,80,000
		Cash-Bank balance	80,000
		P & L A/c.	8,00,000
	44,00,000		44,00,000

(1) Each preference share to be reduced to ₹ 80 each, equity share to be reduced to ₹ 2.

(2) Dividend on preference share is in arrears for 2 years. The whole amount on dividend is waived by preference shareholders.

(3) The debenture-holder agreed to waive their outstanding interest on debentures and to take over a plant-machinery having a book value of ₹ 3,20,000 at a valuation of ₹ 2,40,000 in part payment of their holding.

(4) The company has accepted a claim of ₹ 80,000 for workmen's accident compensation.

(5) All invisible and fictitious assets to be written off. Debtors by ₹ 48,000 and stock to be written off to ₹ 3,20,000.

(6) Land and building should be shown at market value. The book value of land and building is 25% less than its market value.

Write necessary journal entries in the books of the company and prepare new balance sheet as well as capital reduction account.



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ANSWER:

Journal entries of Ashok Ltd. For capital reduction				
E.N.	PARTICULARS		[DR.] AMOUNT	[CR.] AMOUNT
1.	Pre. Share capital a/c DR. [12000*20] Equity share capital a/c Dr. [1,60,000*8] To capital reduction		2,40,000 12,80,000	15,20,000
2.	NO ENTRY FOR DIVIDEND WAIVER			
3.	Debenture interest a/c Dr. To capital reduction		80,000	80,000
4.	Capital reduction a/c Dr. To Machinery		80,000	80,000
5.	Debenture a/c Dr. To Machinery		2,40,000	2,40,000
6.	Workman compensation fund Dr. To bank		80,000	80,000
7.	Workman compensation fund Dr. To capital reduction		3,20,000	3,20,000
8.	Capital reduction a/c Dr. To Goodwill To patents To preliminary exp. To P&L To debtors To stock		21,28,000	4,00,000 3,20,000 4,80,000 8,00,000 48,000 80,000
9.	Land and building a/c dr. To capital reduction		3,20,000	3,20,000

Capital reduction account

Particulars	Amount	Particulars	Amount
To machinery	80,000	By preference share capital	2,40,000
To goodwill	4,00,000	By equity share capital	12,80,000
To patents	3,20,000	By debenture interest	80,000
To preliminary exp	4,80,000	By workman compensation fund	3,20,000
To, p&l	8,00,000	Land building	3,20,000
To debtors	48,000		
To stock	80,000		
To, capital reserve	32,000		
	22,40,000		22,40,000

ASHOK LTD [and reduced]

Balance sheet as on 31st march 2014

Particulars	Note	Amount
EQUITY & LIABILITY		



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1. <u>SHARE HOLDER FUNDS</u>		
A] share capital		3,20,000
B] Reserve & Surplus		
1. Capital reserve		32,000
2. <u>NON- CURRENT LIABILITY</u>		
A]10% Debenture		5,60,000
3. <u>CURRENT LIABILITY</u>		
A]Trade Payables		3,20,000
<u>Total liability</u>		21,92,000
<u>ASSETS</u>		
1. <u>NON –CURRENT ASSETS</u>		
A] F.A.: 1. Land & building		12,80,000
2. plant & machinery		3,20,000
2. <u>CURRENT-ASSET</u>		
A]stock		3,20,000
B]Debtors		2,72,000
<u>Total asset</u>		21,92,000

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Q.2 The Balance Sheet of Ronak Ltd. as on 31-3-2016 was as follows :[14]

Liabilities	₹	Assets	₹
Equity Shares of ₹ 100 each fully paid	4,48,000	Goodwill	56,000
9% Preference shares of ₹ 100 each	2,24,000	Patents	56,000
10% Debentures	2,24,000	Freehold Property	2,24,000
General Reserve	15,680	Plants & Machinery	3,02,400
Accrued interest on December	22,400	Investments	1,12,000
Director's Loan	89,600	Stock	2,01,600
Bank Overdraft	53,760	Debtors	1,09,760
Creditors	1,12,000	Preliminary Expenses	20,000
		Advt. Suspense A/c.	24,800
		Profit & Loss Account	67,200
		Copy Right	15,680
	11,89,440		11,89,440

The Scheme of capital reduction sanctioned by the Tribunal is as under :

- (1) Equity shares are to be written down by ₹ 80 each.
- (2) Preference shares are to be written down to ₹ 60 each.



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(3) The Debenture holders agreed to have their accrued interest paid in cash and to take over freehold property, having a book value of ₹ 1,12,000 at a valuation of ₹ 1,56,800 in part payment of amount due to them.

(4) The Directors accept settlement of their loan as to 80% of thereof by allotment of Equity shares, 100% in cash and the balance being waived.

(5) The remaining amount is to be utilized in writing down plant and stock in the proportion to their book values.

(6) All invisible and intangible assets are to be written off.

You are required to show the journal entries and balance sheet after Capital Reduction.

ANSWER:

PARTICULARS	[DR.] AMOUNT	[CR.] AMOUNT
Pre. Share capital a/c DR. [4480*80]	3,58,400	
Equity share capital a/c Dr. [2240*40]	89,600	
To capital reduction		4,48,000
Debenture interest a/c Dr.	22,400	
To Cash		22,400
Capital reduction a/c Dr.	80,000	
To Machinery		80,000
Free hold property a/c Dr.	44,800	
To Capital reduction		44,800
Debenture a/c dr.	1,56,800	
To free hold property		1,56,800
Director loan a/c dr.	89,600	
To equity share capital		71,680
To cash		8960
To capital reduction		8960
Capital reduction a/c Dr.	5,01,760	
To Goodwill		56,000
To patents		56,000
To preliminary exp.		20,000
To advt suspense a/c		24,800
To P&L		67,200
To copy right		15,680
To plant and machinery		1,57,248
To stock		1,04,832

<u>Ronak LTD [and reduced]</u>		
<u>Balance sheet as on 31st march 2016</u>		
Equity & Liabilities	Note	Amount
1. Share holder fund		
a) Share capital	1	2,95,680



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b) Reserve & Surplus [Security Premium]		
1. General reserve		15,680
2. Non-current liability		
b. 10% Debenture		67,200
3. Current liability		
A] Trade Payables		1,12,000
B] Bank overdraft		85,120
Total		5,75,680
Assets		
1. Non-current asset		
a) Fixed asset:		
1. Tangible Asset:	2	2,57,152
2. Non-current investment		
3. Current assets		
Stock		96,768
Debtors		1,09,760
Total		5,75,680

Note: 1 share capital

PARTICULARS	AMOUNT
Equity share capital	1,61,280
Preference share capital	1,34,400
	2,95,680

Note: 2 Tangible Asset

Particulars	Amount
1. Land & building	1,12,000
2. plant & machinery	1,45,152
	2,57,152

SMALL QUESTIONS: [5 MARKS]

(1) Directors have agreed to accept 55% of their claims in the form of equity shares and 25% in cash and they have waived the remaining amount of ₹ 35,700. Write journal entry for capital reduction.

ANSWER:

[1]	Directors loan a/c dr.	1,78,500	
	To equity share capital		98,175
	To cash a/c		44,625
	To capital reduction		35,700



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(2) Debenture holders of the company holding debentures of ₹ 2,50,000 agreed to take over in part settlement of their dues a building of the company at ₹ 1,50,000 appearing in the books of the company at ₹ 1,20,000. Pass necessary entry.

ANSWER:

Debenture a/c	Dr.	1,50,000
To building		1,20,000
To capital reduction		30,000

[3] Directors have agreed to accept 65% of their claims in the form of equity shares and 15% in cash and they have waived the remaining amount of ₹ 42,840. Write journal entry for capital reduction.

ANSWER:

1.	Directors loan a/c Dr.	2,14,200	
	To, equity share capital		1,39,230
	To, cash a/c		32,130
	To, capital reduction		42,840
	[65% equity and 15% cash so total is 80% i.e. 20% is waived off. So on 20% amount is 42,840 than on 100% it will be 42,840/20%= 2,14,200]		

[4] ₹ 21,000 dividend on preference shares is not declared and paid. Pref. Shareholders agreed to waive their arrears of 3/5 part of dividend and for the remaining 2/5 part they are given equity shares of ₹ 10 each. Pass necessary entry.

ANSWER:

1.	Capital reduction a/c Dr.	8,400	
	To, Equity share capital		8,400
	[waived amount = 21,000 x 3/5 = 12,600 [remaining amount [21,000 – 12,600] = 8,400]		

THEORY QUESTIONS

- (1) Discuss the methods of reducing capital.
- (2) Write losses to be written off (utilization of capital reduction) from Capital Reduction A/c.
- (3) What are the ways in which a company can reduce its share capital under companies act ?
- (4) Write provisions of the companies act for "Capital Reduction".



UNIT-3 BANK ACCOUNTING

Q.1. Shri Rajeshbhai is a customer of Janta Bank Ltd. while closing the books of accounts on 31-3-'14, it was found that an unsecured balance of ₹ 4,50,000 was due from him in his Loan and Cash Credit A/c. The interest was charged on the same account at 12.5% p.a. for the year ending on 31-3-'14.

On 30-6-'14 bank accepted 60% amount on account of the total debt of Rajeshbhai upto 31-3-'14 and settled his account.

Make necessary Journal Entries in the books of the bank and prepare following accounts

- (1) Rajeshbhai A/c.
- (2) Interest A/c.
- (3) Interest Suspense A/c.

Answer:

Journal Entries in the books of Jantna Bank Ltd.			
(1)	Shri Rajeshbhai A/c.	Dr.	56,250
	To, Int. Suspense		56,250
(2)	Cash A/c.	Dr.	3,03,750
	To, Shri Rajeshbhai		3,03,750
(3)	Bad debts A/c.	Dr.	1,80,000
	To, Shri Rajeshbhai		1,80,000
(4)	Int. Suspense A/c.	Dr.	56,250
	To, Int. A/c.		33,750
	To, Shri Rajeshbhai		22,500
(5)	Int. A/c.	Dr.	33,750
	To, P & L		33,750

Ledger accounts in the books of Janta Bank Ltd.

Rajeshbhai A/c.

Particulars	Amount	Particulars	Amount
Balance B/D	4,50,000	Cash A/c.	3,03,750
Int. Suspense	56,250	Bad debts	1,80,000
		Int. Suspense	22,500
	5,06,250		5,06,250

Interest A/c.

Particulars	Amount	Particulars	Amount
P & L	33,750	Int. Suspense	33,750
	33,750		33,750



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Int. Suspense A/c.

Particulars	Amount	Particulars	Amount
Int. A/c.	33,750	Shri Rajeshbhai	56,250
Rajeshbhai A/c.	22,500		
	56,250		56,250

Working Note: 1

Principle	Interest	Total	
4,50,000	56,250	5,06,250	Total loan including interest
60%	60%	60%	Recovery %
2,70,000	33,750	3,03,750	Cash received
1,80,000 [4,50,000 – 270,000]	22,500		Not received
Bad debts			

Q.2 Following details are available from the books of Chandra Bank Ltd. as on 31-3-'14 :

Particulars	₹
Bills discounted and purchased	20,00,000
Discount earned	3,00,000
Rebate on bills discounted (1-4-'13)	40,000

The average due date of the above discounted bills is 15-5-'14. Rate of discount is 12% p.a.

Pass the Journal Entries and prepare Discount A/c.

Answer:

Journal Entries in the books of			
No.	Particulars	Dr. ₹	Cr. ₹
1.	Rebate on Bills Discount	40,000	
	To, Interest & Discount		40,000
2.	Interest & Discount A/c. Dr.	29,589	
	To, Rebate on Bills Discount		29,589
3.	Interest & Discount A/c. Dr.	3,10,411	
	To, P & L		3,10,411

$$\begin{aligned} * \text{Discount Received} &= 20,00,000 \times 12\% \times 45 / 365 \\ (15-5-14) &= 29,589 \end{aligned}$$

Interest & Discount A/c.

Particulars	Amount	Particulars	Amount
Rebate on Bills Discount	29,589	Sundries	3,00,000
P & L	3,10,411	Rebate on Bills Discount	40,000
	3,40,000		3,40,000



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Q.3 Following are some balances appearing in the trial balance of the progressive Bank Ltd. as on 31-12-2014.

	₹
Bills discounted	14,70,000
Rebated on Bills discounted (31-12-2013)	21,000
Interest and discount received	1,12,500
Bad debts	15,000

Due date of discounted bills are as under :

Due Dates	Rate of rebate	Amount of bills ₹
6-3-2015	5%	5,47,500
14-3-2015	4.5%	3,75,000
26-3-2015	6%	2,19,000
10-4-2015	7%	3,28,500

Write necessary journal entries.

ANSWER:

Journal Entries in the books of Jantna Bank Ltd.		
1. Rebate on Bills Discount	21,000	
To, Interest & Discount		21,000
2. Interest & Discount A/c. Dr.	17,610	
To, Rebate on Bills Discount [W.N. 1]		17,610
3. Interest & Discount A/c. Dr.	1,15,890	
To, P & L		1,15,890

Interest & Discount A/c.

Particulars	Amount	Particulars	Amount
Rebate on Bills Discount	17,610	Sundries	1,12,500
P & L	1,15,890	Rebate on Bills Discount	21,000
	1,33,500		1,33,500

Working Notes:

Working note 1. :

Calculation of rebate on bills discount.

No days from 31/12/14 to maturity dates

$$\begin{aligned}
 (1) 6-3-15 &= 31 + 28 + 6 \\
 &= 54,750 \times 5\% \times 65 / 365 \\
 &= 4,875
 \end{aligned}$$

$$(2) 14-3-15 = 31 + 28 + 14 = 73$$



$= 3,75,000 \times 4.5\% \times 73 / 365$ $= 3,375$
<p>(3) 26-3-15 = 31 + 28 + 26 = 85</p> $= 2,19,000 \times 6\% \times 85 / 365$ $= 3,060$
<p>(4) 10-4-15 = 31 + 28 + 31 + 10 = 100</p> $= 3,28,500 \times 7\% \times 100 / 365$ $= 6,300$
Total rebate on bills discount= 17,610

Q. 4 Following details are available from the books of Pavar bank Ltd. as on 31-3-2016.

Bills discounted and purchased – ₹ 18,00,000

Discount earned – ₹ 2,70,000

Rebate on bills discounted (1-4-2015) ₹ 36,000

The average due date of the above discounted bills is 15-5-2016

Rate of discount is 12% p.a.

Pass the journal entries and prepare discount A/c.

ANSWER:

Journal Entries in the books of Pavar bank Ltd.			
Particulars		Dr. ₹	Cr. ₹
1. Rebate on Bills Discount	Dr.	36,000	
To, Interest & Discount			36,000
2. Interest & Discount A/c.	Dr.	26,630	
To, Rebate on Bills Discount			26,630
3. Interest & Discount A/c.	Dr.	2,79,370	
To, P & L			2,79,370

Calculations :

Rebate on bills discount of current year.

$18,00,000 \times 12\% \times 45 / 365$

= 26,630

Interest & Discount A/c.

Particulars	Amount	Particulars	Amount
Rebate on Bills Discount	26,630	Sundries	2,70,000
P & L	2,79,370	Rebate on Bills Discount	36,000
	3,06,000		3,06,000



Q.5 From the following particulars of Dinanath Bank Ltd. prepare schedule – 11 :

Other Assets for the year ended 31-3-2015 as per Banking Law :

	₹
Furniture and Fixtures	45,000
Silver	9,000
Tax paid in advance	31,500
Interest accrued	27,000
Stock of Stationary and Stamps	22,500
Non-banking assets acquired in satisfaction of claims	8,10,000
Buildings	45,00,000
Inter office adjustments (Net)	9,00,000

ANSWER:

Schedule – 11 Other Assets

Particulars	Amt.
Silver	9,000
Tax paid in advance	31,500
Interest Accrued	27,000
Stock of Stationary	22,500
Non-Banking Asset	8,10,000
Inter office adjustment	9,00,000
Total	18,00,000

Q.6 The Axis Bank Limited has shown the Balance of ₹ 9,90,000 in its Loan, Cash Credit and Overdraft Account as on 1-4-2015 and the Balance in Bad debts Reserve Account as on that date showed ₹ 81,000.

During the year 2015-16 the income of interest and discount was ₹ 9,36,000. While sanctioned and recovered loan, cash credit and overdraft was ₹ 11,16,000 and ₹ 10,80,000 respectively.

During the year ₹ 45,000 was written off as bad debts and it was estimated to keep bad debts reserve at ₹ 1,08,000.

Prepare following accounts in the books of the Axis Bank Limited.

- (1) Loan, Cash Credit and Overdraft A/c.
- (2) Bad debts Account.
- (3) Bad debts Reserve Account.
- (4) Interest and Discount Account.

ANSWER:

Journal Entries in the books of Axis Bank Ltd.		
Particulars	Dr. ₹	Cr. ₹
1. Loan, cash credit and overdraft A/c. Dr.	11,16,000	
To, Customer current A/c.		11,16,000



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2. Current customer A/c.	Dr.	10,80,000	
To, Loan, cash credit and overdraft A/c			10,80,000
3. Bad-debts A/c.	Dr.	45,000	
To, Loan, cash credit and overdraft A/c			45,000
4. Bad-debts Reserve A/c.	Dr.	45,000	
To, Bad debts			45,000
5. P & L A/c.	Dr.	72,000	
To, Bad debts reserve A/c.			72,000
6. Int. & Discount A/c.	Dr.	9,36,000	
To, P & L			9,36,000

Loan, Cash Credit and Overdraft Account

Particulars	Amount	Particulars	Amount
B/d.	9,90,000	Customer current a/c	10,80,000
Customer current a/c	11,16,000	Bad debts	45,000
		C/d.	9,81,000
	21,06,000		21,06,000

Bad debts A/c.

Particulars	Amount	Particulars	Amount
Loan, cash credit and overdraft A/c	45,000	BDR	45,000
	45,000		45,000

Bad debts Reserve A/c.

Particulars	Amount	Particulars	Amount
Bad debts	45,000	B/d.	81,000
C/d.	1,08,000	P & L [difference]	72,000
	1,53,000		1,53,000

Interest & Discount A/c.

Particulars	Amount	Particulars	Amount
P & L [difference]	9,36,000	Sundries	9,36,000
	9,36,000		9,36,000

THEORY QUESTION:

Write short note

- (1) Non-banking Assets
- (2) Non-Performing Assets (NPA)



UNIT-4 LIQUIDATION OF COMPANIES

Q.1 The Balance Sheet of Raj Ltd. as on 31-3-'14 is as under the date on which the company liquidated voluntarily :

Liabilities	₹	Assets	₹
15,000 Equity shares of ₹ 100 each, ₹ 60 paid per share	9,00,000	Patents	2,00,000
5,000 Equity shares of ₹ 100 each, ₹ 75 paid per share	3,75,000	Plant & Machinery	12,50,000
10,000 Preference shares of ₹ 100 each (6%)	10,00,000	Land & Building	5,00,000
5% Mortgage debentures	5,00,000	Debtors	5,50,000
Outstanding interest on Debentures	25,000	Cash	1,50,000
Creditors	7,25,000	Stock	2,75,000
		P & L A/c. (Dr.)	6,00,000
	35,25,000		35,25,000

Additional Information :

(1) Creditors include Preferential creditors of ₹ 75,000 and a loan for ₹ 2,50,000 secured by a Mortgage on Land and Buildings.

(2) The Preference dividends were in arrears for two years.

(3) The expense of liquidation amounted to ₹ 54,500.

(4) The assets were realized as follows :

	₹
Patents	1,50,000
Stock	3,00,000
Land & Building	6,00,000
Debtors	4,00,000
Plant & Machinery	10,00,000

(5) The liquidator is entitled to a remuneration of 3% on assets realized and 2% on amount distributed to unsecured creditors other than preferential creditors.

Prepare Liquidator's Final Statement of Receipts and Payments.

answer:

Raj Ltd. [in Voluntary Liquidation] As on 31 st March 2014			
Liquidators Final statement of Receipt & Payment			
Receipt	Amt.	Payment	Amt.
To, Cash	1,50,000	By Secured Creditors	2,50,000
To, Asset realized	24,50,000	By Liquidator Exp.	
		Liquidator Expense – 54,500	
		3 % on Assets Realized – 73,500	
		2% Unsecured Creditors – <u>8,000</u>	1,36,000
		By Preferential Creditor	75,000
		By Debenture Holder	
		Debenture – 5,00,000	
		Outstanding Interest. – <u>25,000</u>	5,25,000



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		By Unsecured Creditor	4,00,000
		By Preference share holder	
		Preference share capital – 10,00,000	
		Preference dividend – 1,20,000	11,20,000
		Equity Share capital [W.N.1]	
		15,000 share holder	14,250
		5,000 shares holder	79,750
	26,00,000		26,00,000

Working note:1

Calculation of capital deficit

Total Amount to be paid	12,75,000
Less :- Balance Available [after payment of preference	94,000
Capital Deficit	11,81,000

Capital deficit is allocated between two types of equity shares
In the ratio of 15:5 i.e. 3:1

(15,000) share – 9,00,000 – 8,85,750 = 14,250

(5,000) share – 3,75,000 – 2,95,250 = 79,750

Q.2 The balance sheet of Payal Ltd. as on 31-12-2014 was as follows :

Liabilities	₹	Assets	₹
4,750 Equity share of ₹ 100 each ₹ 75 paid per share.	3,56,250	Land & Building	4,75,000
9,500 6% Pref. shares of ₹ 100 each, fully paid	9,50,000	Plant & Machinery	11,87,500
14,250 Equity shares of ₹ 100 each, fully paid ₹ 60 per share	8,55,000	Patents	1,90,000
5% Mortgaged Debentures	4,75,000	Stock	2,61,250
Outstanding interest on Debentures	23,750	Debtors	5,22,500
Creditors	6,88,750	Cash	1,42,500
		P & L A/c.	5,70,000
	33,48,750		33,48,750

The liquidator is entitled to a remuneration of 3% on assets realized and 2% on amount distributed to unsecured creditors other than preferential creditors :

The assets realized as follows :

	₹
Land & Building	5,70,000
Stock	2,85,000
Machinery and plant	9,50,000
Debtors	3,80,000
Patents	1,42,500



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The expenses of liquidation amounted to ₹ 51,775. Creditors include preferential creditors of ₹ 71,250 and a loan for ₹ 2,37,500 secured by a mortgage on land and buildings. The preference dividends were in arrears for two years.

Prepare Liquidator's final statement of receipts and payments.

Answer:

Payal Ltd. [in Voluntary Liquidation] As on 31 st December 2014 Liquidators Final statement of Receipt & Payment			
Receipt	Amt.	Payment	Amt.
To, Cash	1,42,500	By Secured Creditors	2,37,500
To, Asset realized	23,27,500	By Liquidator Exp. Liquidator Expense – 51,775 3 % on Assets Realized – 69,825 2% Unsecured Creditors – <u>7,600</u>	1,29,200
		By Preferential Creditor	71,250
		By Debenture Holder Debenture – 4,75,000 Outstanding Interest. – <u>23,750</u>	4,98,750
		By Unsecured Creditor	3,80,000
		By Preference share holder Preference share capital – 9,50,000 Preference dividend – <u>1,14,000</u>	10,64,000
		Equity Share capital [W.N.1] 4,750 Equity share 14,250 shares	75,763 13,538
	24,70,000		24,70,000

Working note:1

Calculation of capital deficit

Total Amount to be paid	
Equity (4,750 × 75) = 3,56,250	
Equity (14,250 × 8) = 8,55,000	12,11,250
Less :- Balance Available [after payment Preference share Holder]	89,300
Capital Deficit	11,21,950

Capital deficit is allocated between two types of equity shares
In the ratio of 4,750 : 14,250 i.e. 1:3

(4,750) share = 3,56,250 – 2,80,487 = 75,763 [Pay]

(14,250) share = 8,55,000 – 8,41,462 = - 13,538 [Pay]]

Q.3 Gulab Ltd. went into a voluntary liquidation on 31-12-2015. The balance sheet as on that date was as under :

Liabilities	₹	Assets	₹
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1,900 8% Pref. shares each of ₹ 100 fully paid up	1,90,000	Goodwill	38,000
4,560 Equity shares each of ₹ 100, ₹ 75 paid up	3,42,000	Building	2,28,000
3,040 Equity shares each of ₹ 100, ₹ 50 paid up	1,52,000	Machinery	1,52,000
10% Debentures	1,90,000	Investments	1,14,000
Outstanding interest on debentures	9,500	Stock	1,90,000
Sundry Creditors	1,80,500	Debtors	1,33,000
Loan secured by charge on investment	76,000	Bank balance	19,000
		Preliminary expenses	19,000
		P & L A/c.	2,47,000
	11,40,000		11,40,000

Considering the following information, prepare Liquidator's Final statement of Receipts and Payment.

- (1) Assets realized : ₹
- Building - 1,90,000
 - Machinery - 1,33,000
 - Stock - 1,52,000
 - Debtors - 1,23,500

Creditors of the loan have sold the investments for ₹ 1,04,500 and the additional amount was returned to the liquidator.

- (2) Sundry Creditors include Preferential Creditors of ₹ 47,500.

(3) The liquidator's remuneration was fixed at 2% on assets realized (except cash balance) excluding surplus from secured creditors and 3% on amount distributed to the unsecured creditors. (excluding preferential creditors). Dissolution expenses were ₹ 12,540.

- (4) The debenture holders were paid on 30-6-2016.

Answer:

Gulab Ltd. [in Voluntary Liquidation] As on 31 st December 2015			
Liquidators Final statement of Receipt & Payment			
Receipt	Amount	Payment	Amount
Cash	19,000	By Secured Creditors	2,37,500
Asset Realized	5,98,500	By Liquidator Exp.	
		Liquidator Expense – 12,540	
		2 % on Assets Realized – 11,970	
		3% Unsecured Creditors – 3,990	28,500
		By Preferential Creditor	47,500
Investment	28,500	By Debenture Holder	
		Debenture – 1,90,000	
		Outstanding Interest. 9,500	
		Additional interest 9,500	2,09,000
3,040 Equity Share	30,400	By Unsecured Creditor	1,33,000



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		<u>By Preference share holder</u>	
		Preference share capital –	1,90,000
		<u>Equity Share capital [W.N.1]</u>	68,400
		4,560 Equity share	
	6,76,400		6,76,400

Working note:1

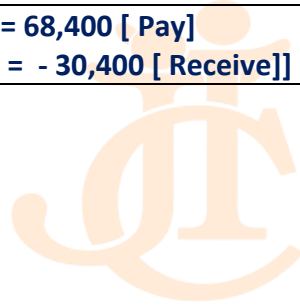
Calculation of capital deficit

Total Amount to be paid	
Equity (4,560 × 75) = 3,42,000	
Equity (3,040 × 50) = 1,52,000	4,94,000
Less :- Balance Available [after payment Preference share Holder]	(38,000)
Capital Deficit	4,56,000

Capital deficit is allocated between two types of equity shares
In the ratio of 4,560 : 3,040 i.e. 1.5 : 1

(4,560) share = 3,42,000 – 2,73,600 = 68,400 [Pay]

(3,040) share = 1,52,000 – 1,82,400 = - 30,400 [Receive]]



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