FINANCIAL STATEMENTS OF BANKING COMPANIES

1. From the following information, prepare a Balance Sheet of CANID Bank Ltd as on 31st March, 2012 giving the relevant schedules

(Rs. In lakhs)

Particulars	Dr (Rs.)	Cr.(Rs.)
Share capital 19,80,000 shares of Rs.10 each		198
Statutory Reserve		231
Net profit before appropriation		150
Profit and Loss		412
Fixed deposit account		517
Savings Deposit account		450
Current accounts	28	520.12
Bills payable		.10
Cash credit	812.10	
Borrowing from other banks		110
Cash on hand	160.15	
Cash with RBI	37.88	
Cash with other banks	155.87	
Money at call	210.12	
Gold	55.23	
Government Securities	110.17	
Premises	155.70	
Furniture	70.12	
Term Loan	792.88	
	2588.22	**2588.22**

Additional information:

Bills for collection-Rs.18,10,000

Acceptances and endorsements-Rs.14,12,000

Claims against the bank not acknowledged as debt- Rs.55,000

Depreciation charge-Premises Rs.1,10,000

-Furniture Rs.78,000

50% of the term Loan are secured by Government guarantees.10% of cash credit is unsecured. Also calculate cash reserves required.

Cash reserve is 4% of the net demand and time liabilities; Statutory Reserves required 25% of the current year's profit.

2. A commercial bank has the following capital funds and assets. Segregate the capital funds into Tier I and Tier II capitals. Find out the risk adjusted asset and risk weighted assets ratio

Particulars	Rs. (in crore)
Equity share capital	500
Statutory reserve	270
Capital reserve(of which Rs.16 crores were due to revaluation of assets and the balance due to sale of capital asset)	78
Assets:	
Cash balance with RBI	10
Balance with other banks	18
Other investments	36
Loans and advances:	
i. Guaranteed by Government	16.50
ii. Others	5675.00
Premises, furniture and fixtures	78
Off balance sheet items	
i. Guarantee and other obligation	800
ii. Acceptances, endorsements and letter of credit	4800

3. From the following details, prepare bills for collection (Asset) account and Bills for collection (Liability) account:

Particulars	Rs
On 1.04.2005 bills for collection were	51,00,000
During the year 05-06 bills received for collection were	75,00,000

Bills collected during the year 2005-06	98,47,000
Bills dishonoured and returned during the year	27,10,000

4. From the following details prepare "Acceptances, Endorsements and other obligation a/c" as would appear in General Ledger.
On 1.04.2013 Acceptances not yet satisfied stood at Rs.22,30,000. Out of which Rs.20 lakhs were subsequently paid off by clients and bank had to honour the rest.A scrutiny of the acceptance register(for transactions during the year) revealed the following:
Client Acceptance / Guarantee remarks

Particulars	Amount	Remarks
A	10,00,000	Bank honoured on 10.06.2013
B	12,00,000	Party paid off on 30.09.2013
C	5,00,000	Party failed to pay and bank had to honour on 30.11.2013
D	8,00,000	Not satisfied upto 31.03.2014
E	5,00,000	-do-
F	2,70,000	-do-
Total	**42,70,000**	

FINANCIAL STATEMENTS OF GENERAL INSURANCE COMPANIES

1. Prepare Revenue account from the year ended 31st March, 2008 from the following particulars related to Krishna General Insurance Company for the year ended 2007-2008

Particulars	**Related to Direct business(Rs.)**	**Related to Re-insurance (Rs.)**
Premiums:		
Amount received	30,00,000	2,40,000
Receivable at the beginning	1,80,000	24,000
Receivable at the end	2,40,000	36,000
Amount paid	-	3,60,000
Payable at the beginning	-	30,000
Payable at the end	-	42,000
Claims:		
Amount paid	18,00,000	1,80,000
Payable at the beginning	60,000	12,000
Payable at the end	1,20,000	18,000
Amount recovered	-	1,20,000
Receivable at the beginning	-	18,000

Receivable at the end	-	12,000
Commission:		
Amount paid	72,000	10,800
Amount received	-	14,400

Additional information:

i. Interest, dividend and rent received Rs.30,000
Income tax in respect of above Rs.6000
ii. Management expenses including Rs.12,000 related to legal expenses regarding claims Rs.1,32,000
iii. Provision for income tax existing at the beginning of the year was Rs.1,95,000.The actual income tax actually paid during the year Rs.1,68,000 and the provision necessary at the year end Rs.2,07,000
iv. The net premium income of the company during the 2006-07 was Rs.24,00,000 on which reserve for unexpired risk at 50% and additional reserve at 7.5% was created.This year the balance to be carried forward is 50% of net premium on reserve for unexpired and 5% for on additional reserve.

2. From the following information furnished to you by Ayushman Insurance Co; Ltd you are required to pass Journal Entries relating to unexpired risk reserve and show in columnar form "Unexpired Risk Reserve Account" for 2009:

   a. On 31.12.2008, it had reserve for unexpired risks amounting to Rs.40 crores. It comprised of Rs.15 crores in respect of marine insurance business, Rs.20 crores in respect of fire insurance business and Rs.5 crores in respect of miscellaneous insurance business.
   b. Ayushman Insurance Co.Ltd creates reserves at 100% of net premium income in respect of marine insurance policies and at 50% of net premium income in respect of fire and miscellaneous income policies.
   c. During 2009, the following business was conducted:

(Amount in crores.)

Particulars	Marine	Fire	Miscellaneous
Premium collected from:			
a. Insurance in respect of policies issued	18	43	12
b. Other	7	5	4

insurance companies in respect of risks undertaken			
Premium paid/payable to other insurance companies on business ceded	6.7	4.3	7

ADVANCED ISSUES IN PARTNERSHIP

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

Liabilities	Rs	Assets	Rs
Capital: X	29,200	Fixed Assets	40,000
: Y	10,800	Stock	25,000
: Z	10,000 50,000	Book debts 25,000	
Z's loan	5000	Less:Provision (5,000)	20,000
Loan from Mrs.X	10,000	Cash	1000
Sundry Trade Creditors	25,000	Advance to Y	4000
	90,000		**90,000**

The firm was dissolved on the date mentioned above due to continued losses. After drawing up the balance sheet given above, it was discovered that goods amounting to Rs.4000 have been purchased in November 2012, and had been received but the purchase was not recorded in the books.

Fixed assets realised Rs.20,000, Stock Rs.21,0000 and book debt Rs.20,500.Similarly the creditors allowed a discount of 2% on an average. The expenses on realisation came to Rs.1080. X agreed to take over the loan of Mrs.X. Y was insolvent, and his estate is unable to contribute anything.

Give accounts to close the books, work according to the decision of Garner vs. Murray.

2. A,B,C and D are sharing profits and losses in the ratio of 5:5:4:2.Frauds committed by C during the year were found out and it was decided to dissolve the partnership on 31st March 2010 when the balance sheet was as under:

Liabilities	Rs	Assets	Rs

Capitals:			
A	90,000	Building	1,20,000
B	90,000	Stock	85,500
C	-	Investments	29,000
D	35,000	Debtors	42,000
General reserve	24,000	Cash	14,500
Trade creditors	47,000	C	15,000
Bills payable	20,000		
	3,06,000		**3,06,000**

Following information is given to you:

i. A cheque for Rs.4300 received from debtor was not recorded in the books and was misappropriated by C.

ii. Investments costing Rs.5400 were sold by C at Rs.7900 and the funds transferred to his personal account. This sale was omitted from the firm's books

iii. A creditor agreed to take over investments of the book value of Rs.5400 and Rs.8400.The rest of the creditors were paid off at a discount of 2%.

iv. The other assets realised as follows:
Building -105% of book value
Stock -Rs.78,000
Investments-The rest of investments were sold at a profit of Rs.4800
Debtors- The rest of the debtors were realised at a discount of 12%

v. The bills payable were settled at a discount of Rs.1400

vi. The expenses of dissolution amounted to Rs.4900

vii. It was found out that realisation from C's private assets would be only Rs.4000
Prepare necessary ledger accounts.

3. Following is the Balance Sheet of X,Y and Z who were sharing in the ratio of 2:3:5 as at 31st March 2008, when they decided to dissolve the firm:

Liabilities	Rs	Assets	Rs
X's Capital	18,00,000	Cash at bank	60,000
Y's Capital	9,00,000	Sundry assets	39,40,000
Z's Capital	3,00,000		
Reserves	10,00,000		
	40,00,000		**40,00,000**

Note: There was a bill for Rs.10,000 due on 15th August under discount
The sundry assets were realised as follows:
1st April Rs.7,70,000 Expenses Rs.10,000
1st June Rs.12,35,000 Expenses Rs.40,000
1st July Rs.7,80,000 Expenses Rs.20,000

1st July Z decided to take some sundry assets having book value of Rs.1,00,000 at Rs.4,40,000
15th August Rs.9,05,000 Expenses Rs.20,000
Partners decided to keep a minimum cash balance of Rs.10,000 in the first two months and Rs.5000 thereafter. The acceptor of the bill under discount met the bill on the due date

Required: Prepare the Statement showing the distribution of cash among the partners according to

a. Maximum Loss Method
b. Proportionate Capital Method

4. Avinash, Rohit and Madwesh were carrying on business in partnership sharing profit and losses in the ratio of 5:4:3 respectively. The trial balance of the firm as on 31st March, 2002 was the following:

Particulars	Debit	Credit
Plant and machinery at cost	1,05,000	-
Stock		60,200
Sundry debtors	85,000	
Sundry creditors	-	1,05,200
Capital a/cs		
Avinash	-	70,000
Rohith	-	50,000
Madwesh	-	30,000
Drawings a/cs		
Avinash	30,000	
Rohith	25,000	
Madwesh	20,000	
Depreciation on plant and machinery	-	35,000
Trading profit for the year	-	1,29,800
Cash at bank	94,800	-
	4,20,000	**4,20,000**

Additional information:

1. Interest on capital accounts at 10% on the amount standing to the credit of partners capital accounts at the beginning of the year was not provided before preparing the above trial balance.
2. On 31st March, 2002 they formed a Private Ltd. Company Anagha (P) Ltd, to take over the partnership business.
3. You are further informed as under:
    i. Plant and Machinery is to be transferred at Rs.80,000

ii. Equity shares of Rs.10 each of the company are to be issued to the partners at par in such numbers to ensure that by reason their share holding alone, they will have the same rights of sharing profits and losses as they had in partnership. Balance, if any in their capital accounts will be settled by giving 7.5 % preference shares at par.

iii. Before transferring the business, the partners withdrew by cash from partnership the following amounts over and above the drawings as shown in the Trial Balance:
Avinash- Rs.20,000
Rohith- Rs.10,600
Madwesh-Rs.14,200

iv. All assets and liabilities except Plant and Machinery and the bank balance are to be transferred at their value in the books of the partnership as at 31st March 2002

v. You are required to prepare:
   a. Profit and loss adjustment account for the year ending 31st March,2002
   b. Capital accounts showing all adjustments required to dissolve the partnership A statement showing the number of shares of each class to be issued by the company to each of the partners to settle their accounts.
   c. Prepare Balance Sheet of the company Anagha(P) Ltd as on 31.03.2002 after takeover of the business.

UNDERWRITING

1. CAMID Ltd planned to setup a unit for manufacture of drugs.For the purpose of financing the unit the Board of directors have issued 15,00,000 shares of Rs.10 each.30% of the issue was reserved for promoters and the balance was offered to the public. A,B,C came forward to underwrite the issue in the ratio of 3:1:1 and also agreed for firm underwriting of 30,000, 20,000 and 10,000 shares respectively.The underwriting commission was fixed at 4%. The amount payble on application was 2.5 per share.The details of subscriptions (excluding firm underwriting) are:

Marked forms of A	5,50,000 shares
Marked forms of B	2,00,000 shares
Marked forms of C	1,50,000 shares
Unmarked forms	50,000 shares

Pass journal entries and show allocation of liability among the underwriters.

2. CANFH issued 10,000 shares of Rs. 100 each at a premium of Rs. 15 each.Ninety per cent of the issue was underwritten by A at a commission of 1% on the nominal face

value.Applications were received for 8000 shares and allotment was fully made.All the moneys due from the allottee was received in one instalment. The accounts with A are settled. Show the journal entries to record the transactions.

LIQUIDATION OF COMPANIES

1. The position of Bad Luck Ltd on its liquidation is as under:

Secured Creditors (on Land and Building)	4,00,000
Workmen's dues	1,00,000
Land and building realised	3,00,000
Salaries of an employee for services rendered for 6 months	27,000
Debentures having a floating charge on all assets	50,000
Owing to government for taxes for previous year	20,000
Owing to government for telephone,electricity and water	25,000
Dividend declared but not yet paid	5000
Book value of other assets	4,00,000
Costs of winding up	10,000

Required: Prepare liquidator's final statement of account if other assets realised 40%

2. X Ltd went into voluntary liquidation when its position was as under:
Issued Share Capital:
6000, 10% preference shares of Rs.100 each, Rs. 50 paid up
Class 'A' 500 equity shares of Rs.100 each fully paid
Class 'B' 2000 equity shares of Rs.75 each, Rs. 50 paid up
Class 'C' 1000 equity shares of Rs.50 each Rs.25 paid up
Unsecured creditors: Rs.99,000
Liquidator's remuneration: Rs.1000
The assets realised for Rs. 3,95,000
Required:

Prepare Liquidator's Final Statement of account

3. The following is the summarised balance sheet of Vasant Ltd. as on 31st March 2013, being the date of voluntary winding up is as under:

Liabilities	Amount	Assets	Amount
Share Capital:			

Issued:10% Preference Shares of Rs.10 each	1,50,000	Land and Building	1,30,000
10,000 equity shares of Rs.10 each fully paid up	1,00,000	Sundry Current Assets	4,36,000
5000 equity shares of Rs.10 each, Rs.8 per share paid up	40,000	Profit and Loss account	35,000
13% Debentures	1,50,000	Debenture issue expenses not written off	2000
Mortgage Loan	70,000		
Bank Overdraft	30,000		
Trade Creditors	38,000		
Income tax arrears(assessment concluded in February 2013)	25,000		
	6,03,000		**6,03,000**

Mortgage Loan was secured against Land and Building. Debentures was secured by a floating charge on all assets. The company was unable to meet the payments and therefore the debentureholders appointed a receiver for the debentureholders. He brought the land and building to auction and realised Rs.1,60,000. He also took charge of sundry assets of value of Rs.2,36,000 and realised Rs.2,00,000.The bank overdraft was secured by personal guarantee of the directors of the company and on the bank raising a demand, the directors paid off the due from their personal resources. Costs incurred by the receiver were Rs.1950 and by the liquidator Rs.3000.The receiver was not entitled to any remuneration but the liquidator was to receive 2% fee on the value of assets realised by him. Preference shareholders have not been paid dividend for the period after 31st March, 2011 and interest for the last half year was due to debentureholders. Rest of the assets were realised at Rs.1,50,000.

Prepare the accounts to be submitted by the receiver and liquidator.

4. In a winding up of Bad Luck Ltd certain creditors remained unpaid. The following persons had transferred their holding sometime before winding up:

Name	Date of transfer	No. of shares transferred	Amount due to creditors on the date of transfer
P	January 1,2011	1000	7500
Q	Feb 15,2011	400	12,500
S	March 15,2011	700	18,000

T	March 31,2011	900	21,000
U	April 5,2011	1000	30,000

The shares were of Rs.100 each, Rs.80 being called up and paid up on the date of transfers.
A member, R, who held 200 shares died on 28th February, 2011 when the amount due to creditors was Rs.15,000. His shares were transmitted to his son X.
Z was the transferee of shares held by T. Z paid Rs.20 per share as calls in advance immediately on becoming a member.
The liquidation of the company commenced on 1st February 2012 when the liquidator made a call on the present and the past contributories to pay the amount.
You are asked to quantify the maximum liability of the transferors of shares mentioned in the above table, when the transferees:

i. Pay the amount due as "present" member contributories

ii. Do not pay the amount due as "present" member contributories

Also quantify the liability of X to whom shares are transmitted on the demise of his father R.

REDEMPTION OF DEBENTURES

1. A company outstanding had 16,000, 12% debentures of 100 each outstanding as on 1st April, 2009, redeemable on 31st March 2010.On that day, Sinking fund was Rs. 14,98,000 represented by 2000 own debentures purchased at the average price of Rs.99 and 9% stocks face value of Rs.13,20,000.The annual instalment was Rs.56,800.
On 31st March, 2010 the investments were realised at Rs.98 and the debentures were redeemed. You are required to write up the following accounts for the year ending 31st March 2010
   a. 12% Debenture Account
   b. Debenture Redemption Sinking Fund Account

2. On 1st January, 2004 X Limited issued fifteen years debentures of Rs.100 each bearing interest at 10% p.a. One of the conditions of issue was that the company could redeem the debentures by giving six months' notice at any time after 5 years, at a premium of 4% either by payment in cash or by allotment of preference shares and/or other debentures at the option of the debenture holders. On 1st April, 2009 the Company gave notice to the debenture holders of its intention to redeem the debentures on 1st October, 2009 either by payment in cash or by allotment of 11% preference shares of Rs.100 each at Rs.130 share or 11% Second Debentures of Rs.100 at Rs.96 per debenture. Holders of 4,000 debentures accepted the offer of the preference shares; holders of 4,800 debentures accepted the offer of the 11% second debentures and the rest demanded cash on 1st October, 2009.
Give the journal entries to give effect to the above as of 1st October, 2009.

3. Arjun Ltd issued 10,000 nos. of 12% debentures of Rs.100 each in April 2007.Interest is payable on 30th September and 31st Mar every year. The company purchased 2000 debentures at Rs.104 per debenture on cum interest basis on 1.07.2008.The own debentures were

cancelled on 30.09.2009.Show Journal entries that are required to be passed for purchase of own debentures, interest on own debentures and for cancellation of own debentures.

ESOP

1. ABC Ltd grants 1000 employee stock options on 1.04.2010 at Rs.40, when the market price is Rs.160.The vesting period is 2.5 years and the maximum exercise period is one year.300 unvested options lapse on 1.05.2012.600 options are exercised on 30.06.2013.100 options lapse at the end of the exercise period.
   Pass journal entries giving suitable narrations.

2. Choice Limited grants 100 stock options to each of its 1000 employees on 1.04.2009 for Rs.20 depending upon the employees at the time of vesting the options. Options would be exercisable within a year it is vested. The market price of the share is Rs.50 each.These options will vest at the end of year 1 if the earning of Choice Ltd. is 16%, or it will vest at the end of year 2 if the average earning of two years is 13%, or lastly it will vest at the end of the third year if the average earning of 3 years will be 10%.5000 unvested options lapsed on 31.03.2010.4000 unvested options lapsed on 31.03.2011 and finally 3500 unvested options lapsed on 31.03.2012.

   Following is the earning of Choice Ltd:

Year ended on	Earning (in %)
31.03.2010	14%
31.03.2011	10%
31.03.2012	7%

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

BUY-BACK

1. XYZ Ltd. Has the following capital structure on 31st March 2004

	Particulars	*Rs. in Crores*
a.	Equity share capital (Shares of Rs. 10 each)	300
b.	Reserves	
	General reserve	270
	Securities premium	100
	Profit and loss A/c	50
	Export reserve (Statutory reserve)	80
c.	Loan funds	800

The shareholders have on recommendation of board of directors, approved vide special resolution at their meeting on 10th April 2004, a proposal to buy back maximum permissible equity shares considering the huge cash surplus following sale of one of its divisions.

The market price was hovering in the range of Rs. 25/- and in order to induce existing shareholders to offer their shares for buy back, it was decided to offer a price of 20% above market.

Advice the company on maximum number of shares that can be bought back and record journal entries for the same assuming the buy back has been completed in full within the next 3 months.

If borrowed funds were Rs. 1,200 Crores, and Rs. 1,500 Crores respectively would your answer change?

DEPARTMENTAL ACCOUNTS

1. Z Ltd., has 3 departments, X, Y, Z. The following information is provided :

	X	*Y*	*Z*
Opening Stock	3,000	4,000	6,000
Consumption of direct materials	8,000	12,000	—
Wages	5,000	10,000	—
Closing Stock	4,000	14,000	8,000
Sales	—	—	34,000

Stock of each department is valued at cost to the department concerned. Stocks of X department are transferred to Y at a margin of 50% above departmental cost. Stocks of Y department are transferred to Z department at a margin of 10% above departmental cost. Other expenses were : Salaries Rs. 2,000, Printing & Stationery Rs.1,000, Rent Rs.6,000, Interest paid Rs.4,000, Depreciation Rs.3,000, Allocate expenses in the ratio of departmental gross profit. Opening figures of reserve for unrealised profits on departmental stocks were: Department Y Rs.1,000 ; Department Z Rs.2,000.
Required: Prepare Departmental Trading and Profit & Loss Accounts for the year ended March 31, 2013.

2. Department R sells goods to department S at a profit of 25% on cost and Department T at 10% profit on cost. Department S sells goods to R and T at a profit of 15% and 20% on sales respectively. Department T charges 20% and 25% profit on cost to Department R and S respectively.
   Department managers are entitled to 10% commission on net profit subject to unrealised profit on departmental sales being eliminated. Departmental profits after charging manager's commission, but before adjustment of unrealised profit are as under:

   Department R-Rs 54,000
   Department S-Rs. 40,500

Department T-Rs. 27,000
Stock lying at different departments at the end of the year are as under:

Particulars	R	S	T
Transfer from department R	-	22,500	16,500
Transfer from department S	21,000	-	18,000
Transfer from department T	9000	7500	-

Find out the correct departmental profits after charging manager's commission.

3. Giridhari Limited has 3 departments A, B and C. From the following particulars given below compute:
   a. The value of stock as on 31st December 2014 and
   b. The departmental trading results

Particulars	A	B	C
Stock as on 1st Jan 2014	Rs. 24,000	Rs. 36,000	Rs.12,000
Purchases	Rs.1,46,000	Rs.1,24,000	Rs.48,000
Actual sales	Rs.1,72,500	Rs.159,400	Rs.74,600
GP on normal selling price	20%	25%	33.333%

During the year certain items were sold at discount and these discounts were reflected in the value of sales shown above. The item sold at discount were:

Particulars	A	B	C
Sales at normal prices	Rs.10,000	Rs.3000	Rs.1000
Sales at actual prices	Rs.7500	Rs.2400	Rs.600

4. Martis Ltd. has several departments. Goods supplied to each department are debited to a Memorandum Departmental Stock Account at cost, plus a fixed percentage(mark-up) to give the normal selling price.The mark-up is credited to a memorandum departmental 'Mark-up account', any reduction in selling prices(mark down) will require adjustment in the stock account and in mark-up account.The mark up for Department A for the last three years has been 25%.Figures relevant to Deapatment A for the year ended 31st March, 2013 was as follows:

Opening Stock as on 1st April,2012,at cost	Rs.65,000
Purchases at cost	Rs.2,00,000
Sales	Rs.3,00,000

It is further ascertained that:

1. Shortage of stock found in the year ending 31.03.2013 costing Rs.1000 were written off.
2. Opening Stock on 1.04.21012 including goods costing Rs.6000 had been sold during the year and had been marked down in the selling price by Rs.600.The remaining stock had been sold during the year.
3. Goods purchased during the year were marked down by Rs.1200 from a cost of Rs.15,000.Marked down stock costing Rs.5000 remained unsold on 31.03.2013
4. The departmental closing stock is to be valued at cost subject to adjustment for mark-up and mark-down.

   You are required to prepare:

   i. A departmental trading account for the year ended 31st March, 2013 in the books of Head Office
   ii. A memorandum stock account for the year
   iii. A memorandum mark-up account for the year.

BRANCH ACCOUNTING

1. From the following information prepare Delhi Branch account in the books of head office for the year ending on 31st March 2011:

Particulars	Rs	Particulars	Rs
Opening Stock(at cost)	1,78,000	Goods returned by branch to H.O (at cost)	7800
Opening Debtors	14,000	Goods returned by customers to branch	5700
Opening Petty Cash	250	Cash received by branch from its customers	6,11,000
Furniture(in the beginning)	6000	Discount allowed to customers	500
Opening Creditors	6000	Bad debts written off	1000
Goods sent to branch(at cost)	5,22,000	Credit sales	7,29,400
		Cash sales	32,000
		Petty expenses paid by branch	8000
		Cheques sent to branch for expenses:	
		Salaries	30,000
		Rent and insurance	12,000
		Petty cash	7870

i. Goods are sold to customers at cost plus 50%.Depreciate the furniture at 10% p.a.
ii. Goods costing Rs.2500 were damaged in transit and a sum of Rs.2000 was recovered from the insurance company in full settlement of claim.
iii. Loss-in-weight (Normal) (at cost) Rs.2900
iv. Agreed allowance to customers off selling price Rs.1,000 (already taken into account while invoicing)

2. Sunshine Ltd. has two branches at Delhi and Mumbai. Goods are invoiced to branches at cost plus 50%. Goods are transferred by/to another branch at its cost. Following information is available of the transactions of Delhi Branch for the year ended on 31st March.

Particulars	Rs
Opening Stock at cost	2,67,000
Goods sent to branch(including goods invoiced at Rs.15,000 to Branch on 31st March but not received by branch before close of the financial year)	7,83,000
Goods received from Mumbai Branch	6000
Goods transferred to Mumbai branch	51,000
Goods returned by branch to H.O	11,700
Goods returned by credit customers to Branch	5700
Goods returned by credit customers directly to HO	1200
Agreed allowance to customers off the selling price (already taken into account while invoicing)	1000
Normal loss due to wastage and deterioration of stock (at cost)	1000
Loss-in-transit(at invoice price) Rs.6600 against which a sum of Rs.4067 was recovered from the insurance company in full settlement of claim	1000
Cash sales Rs.32,000 and credit sales Rs.729,400	
Branch expenses(including insurances charges)	Rs.50,000
Bad debts Rs.1000 and discount allowed to customers Rs.500	

Prepare branch stock, branch adjustment account and branch Profit and Loss account if closing stock at branch at its cost as per physical verification amounted to Rs.2,00,000

3. **FINAL ACCOUNTS METHOD**

M/s Bright and Company with its H.O in Madras invoiced goods to its branch at Bombay at 20% less than the catalogue price which is cost plus 50% with instructions that cash sales were to be made at invoice price and credit sales at catalogue price. Discount on credit sales at 15% on prompt payment will be allowed. From the following particulars available from the branch, prepare Branch Trading and Profit and Loss account for the year ended 31.3.2012 in the H.O books, so as to show the actual profit or loss of the branch for the year 2011-2012.

Opening stock(invoice price)Rs 12,000; Goods received from H.O(invoice price) Rs.1,32,000;Opening debtors Rs.10,000, Sales-Cash Rs.46,000, Sales-Credit Rs.1,00,000 Cash realised from debtors Rs.85,635; discount allowed to debtors Rs.13,365;Expenses at the branch-Rs.6000;Remittances to H.O Rs.1,20,000;Closing debtors Rs.11,000;Closing cash in hand Rs.5635; Closing stock(Invoice price)-Rs.15,000

It was reported that a part of the stock at the branch was lost by fire during the year whose value is to be ascertained; and provision should be made for discount to be allowed to debtors as at 31st March 2012 on the basis of the year's trend of prompt payment.

4. **WHOLESALE BRANCH METHOD**

Premier Ltd with its head office at Chennai has a branch at Kanpur. The company supplies goods to its branch at selling price less 20%. The company as well as branch sell goods to consumers at a profit of 100% on cost. The company also sell goods to their approved stockists at the same price at which they are sending to their branch at Kanpur. From the following particulars, prepare Trading and Profit and Loss account of the head office and of the branch for the second year of business and show the provisions for unrealised profits on stock at the branch supplied by head office.

Particulars	Head Office (Rs.)	Branch (Rs.)
Stock in the beginning	36,000	1600
Purchases during the year	2,50,000	-
Goods sent to branch	40,000	
Goods received from the head office	-	40,000
Goods sold to approved stockist	60,000	-
Goods sold to customers	1,20,000	36,000
Goods destroyed by accident	1000 (Retail Value)	1000
Expenses	8500	400

INDEPENDENT BRANCHES

1. Show adjustment journal entry in the books of Head Office at the end of April, 2003 for incorporation of inter-branch transactions assuming that only Head Office maintains different branch accounts in its books.

A. Delhi Branch:
   1. Received goods from Mumbai-Rs.35,000 and 15,000 from Kolkata
   2. Sent goods to Chennai-Rs.25,000, Kolkata-Rs.20,000

3. Bills receivable received-Rs.20,000 from Chennai
4. Acceptances sent to Mumbai-Rs.25,000, Kolkata-Rs.10,000

B. Mumbai Branch (apart from the above):

5. Received goods from Kolkatta-Rs.15,000, Delhi-Rs.20,000
6. Cash sent to Delhi-Rs.15,000, Kolkata-Rs.7000

C. Chennai Branch(apart from the above):

7. Received goods from Kolkatta-Rs.30,000
8. Acceptances and cash sent to Kolkatta-Rs.20,000 and Rs.10,000 respectively

D. Kolkata Branch (apart from the above):

9. Sent goods to Chennai-Rs.35,000
10. Paid cash to Chennai-Rs.15,000
11. Acceptances sent to Chennai-Rs.15,000

2. Give Journal entries in the books of Branch A to rectify or adjust the following:

i. Head Office expenses Rs.3500 allocated to the Branch, but not recorded in the branch books
ii. Depreciation of branch assets, whose accounts are kept by the Head Office not provided earlier for Rs.1500
iii. Branch paid Rs.2000 as salary to a H.O inspector, but the amount paid has been debited by the branch to Salaries account
iv. H.O collected Rs.10,000 directly from a customer on behalf of the branch, but no intimation to this effect has been received by the Branch
v. A remittance of Rs.15,000 sent by branch has not yet been received by the Head Office.
vi. Branch A incurred advertisement expenses of Rs.3000 on behalf of Branch B.

Pass entry in the books of HO

Goods sent to branch Rs.12,000 stolen during transit .Branch manager refused to accept the liability.

FOREIGN BRANCHES

Refer Practice Manual

INTERNAL RECONSTRUCTION

1. The Balance Sheet of Munna Ltd. on 31st March, 2012 is as under:

Liabilities	***Rs***	***Assets***	***Rs***
Equity Share Capital 20,000 shares of Rs 100 each	20,00,000	Goodwill	2,00,000
		Plant and Machinery	18,00,000
10,000, 7% preference shares of Rs 100 each	10,00,000	Stock	3,00,000
Sundry Creditors	7,00,000	Debtors	7,50,000
Bank overdraft	3,00,000	Preliminary Expenses	1,00,000
		Cash	1,50,000
		Profit & Loss Account	7,00,000
	40,00,000		**40,00,000**

Two years' preference dividend are in arrears. The company had been bad time during the last two years and hopes for better business in future, earning profit and paying dividend provided the capital base is reduced.

An internal reconstruction scheme as follows was agreed to by all concerned:

(i) Creditors agreed to forgo 50% of the claim.

(ii) Preference shareholders withdrew arrears dividend claim. They also agreed to lower their capital claim by 20% by reducing nominal value in consideration of 9% dividend effective after reorganization in case equity shareholders' loss exceeded 50% on the application of the scheme.

(iii) Bank agreed to convert overdraft into term loan to the extent required for making current ratio equal to 2:1.

(iv) Revalued figure for plant and machinery was accepted as Rs 15,00,000.

(v) Debtors to the extent of Rs 4,00,000 were considered good.

(vi) Equity shares shall be exchanged for the same number of equity shares at a revised denomination as required after the reorganization.

Required:

(a) Total loss to be borne by the equity and preference shareholders for the reorganization;

(b) Shares of loss to the individual classes of shareholders;

(c) New structure of share capital after reorganization;

(d) Working capital of the reorganized Co.; and

(e) A proforma balance sheet after reorganization.

5. The Balance Sheet of R Ltd at March 2012 was as follows:

Liabilities	Rs	Assets	Rs
Share Capital Authorised:	14,00,000	Intangibles	68,000
Issued:		Freehold premises at cost	1,40,000
64,000, 8% Cumulative Preference Shares of Rs.10 each, fully paid, Rs. 7.5 paid	4,80,000	Plant and equipment at cost less depreciation	2,40,000
Loan from directors	60,000	Investments in shares Q Ltd(at cost)	3,24,000
Sundry Creditors	4,40,000	Stock	2,48,000
Bank Overdraft	2,08,000	Debtors	3,20,000
		Deferred Revenue expenditure	48,000
		Profit and Loss a/c	4,40,000
	18,28,000		**18,28,000**

NOTE: The arrears of preference dividends amount to Rs.51,200

A scheme of reconstruction was duly approved with effect from 1st April, 2012 under the conditions stated below:

a. The unpaid amount on the equity shares should be called up
b. The preference shareholders would forego their arrear dividends. In addition, they would accept a reduction of Rs. 2.5 per share.The dividend rate would enhanced to 10%
c. The equity shareholders would accept a reduction of Rs.7.5 per share
d. R Ltd holds 21,600 shares in Q Ltd. This represents 15% of the share capital of that company.Q Ltd is not a quoted company.
   The average net profit(after tax) of the company is Rs.2,50,000.The shares would be valued based on 12% capitalisation rate.
e. A bad debt provision at 2% would be created
f. The other assets would be valued at:
   Intangibles Rs.48,000
   Plant Rs.1,40,000
   Freehold premises Rs.3,80,000
   Stocks Rs.2,50,000
g. The profit and loss account debit balance and the balance standing to the debit of deferred revenue expenditure account

h. The directors would have to take equity shares at the new face value of Rs.2.5 per share in settlement of the loan.
i. The equity shareholders, including the directors, who would receive equity shares in settlement of their loans, would take up two new equity shares for every one held.
j. The preference shareholders would take up one preference share for every four held.
k. The authorised share capital would be restated to Rs.14,00,000
l. The new face value of the shares preference and equity will be maintained at their reduced levels.

Prepare necessary ledger accounts and balance sheet of the company after reconstruction.

AMALGAMATION OF COMPANIES

Following is the Balance Sheet as at 31st March, 2012

Liabilities	Max Ltd	Mini Ltd	Assets	Max Ltd	Mini Ltd
Share Capital: Equity shares of Rs.100 each	1500	1000	Goodwill	20	NIL
9% Preference shares of Rs.100 each	500	400	Other Fixed assets	1500	760
General Reserve	180	170	Debtors	651	440
Profit and Loss account	-	15	Stock	393	680
12% Debentures of Rs..100 each	600	200	Cash at bank	26	130
Sundry Creditors	415	225	Own Debentures (Nominal Value Rs.2,00,000)	192	NIL
			Discount on issue of debentures	2	NIL
			Profit and Loss account	411	NIL
	3195	**2010**		**3195**	**2010**

On 1.04.2012, Max Ltd adopted the following scheme of reconstruction:

a. Each equity share shall be subdivided to 10 equity shares of Rs.10 each fully paid.50% of the equity share capital would be surrendered to the company
b. Preference dividends are in arrears for 3 years. Preference shareholders agreed to waive 90% of the dividend claim and accept payment for the balance.

c. Own debentures of Rs.80,000 were sold at Rs.98 cum interest and remaining own debentures were cancelled.
d. Debenture holders of Rs.2,80,000 agreed to accept one machinery of book value of Rs.3,00,000 in full settlement.
e. Creditors,debtors and Stock were valued at Rs.3,50,000, Rs.5,90,000 and Rs.3,60,000 respectively.The goodwill, discount on issue of debentures and profit and loss account (Dr.) balance are to be written off.
f. The company paid Rs.15,000 as penalty to avoid capital commitments of Rs.3,00,000
On 2.04.2012 a scheme of absorption was adopted.Max Limited would take over Mini Limited.The purchase consideration was fixed as follows:
   i. Equity shareholders of Mini Ltd will be given 50 equity shares of Rs.10 each fully paid up, in exhange of every 5 shares held in Mini Ltd
   ii. Issue of 9% Preference shares of Rs.100 each in the ratio of 4:5

Issue of one 12% debentures of Rs.100 each of Max Limited for every 12% debentures in Mini Ltd
Required: Give journal entries and draw up the Balance Sheet as at 2nd April 2012

ALL THE BEST