FINANCIAL STATEMENTS OF A COMPANY

PREPARATION OF STATEMENT OF P&L

1. The following items appear in the Trail Balance of BHARAT Ltd. as at 31st March 2012:

	Rs.
1. Revenue from Operations	24,00,000
2. Other Income	1,00,000
3. Expenses other than Interest	3,80,000
4. General Reserve (as on 1st April 2011)	1,30,000
5. Profit and Loss Account (as on 1.4.2011) RS. 3,28,000. The recommendation of the company's Board of Directors include equity dividend of 15% and Interim Dividend of Rs. 80,000. Transfer Debenture Redemption Reserve @ 50% of Debentures. Transfer to general reserve at 15%. (assume corporate tax 30% & corporate dividend tax at 20%)	
6. 12%, 10,000 Debentures of Rs. 100 each fully paid up	
7. 14%, 5,000 Preference Shares of Rs. 100 each fully paid up	
8. 6,000 Equity Shares of Rs. 100 each	
9. 8,000 Equity Shares Rs. 100 each, Rs 25 paid up	

Required: Show the above items in Profit and Loss Statement and Balance Sheet

2. Provisional balance sheet of P Ltd as at 31st March 2014 was as under:

Liabilities		Rs.	Assets	Rs.
Share Capital			Fixed assets (at cost less depreciation)	7,00,000
50,000 equity shares of Rs.10 each, Rs.7 per share called up	3,50,000		Cash and bank balances	2,00,000
Less: Calls in arrear on 10,000 shares at Rs.2 per share	(20,000)		Other current assets	6,00,000
	3,30,000			
Add:Calls in advance on 40,000 shares at Rs.3 per share	1,20,000	4,50,000		

20,000, 10% redeemable preference shares of Rs.10 each, fully paid		2,00,000		
Reserves and Surplus				
General Reserve		3,00,000		
Profit and Loss account		2,70,000		
Trade payables		2,80,000		
		15,00,000		**15,00,000**

Calls in arrear are outstanding for 6 months. Calls in advance were also received 6 months back. Interest at 10% p.a on calls in advance and 12% p.a on calls in arrears are allowed/charged.

The Board Of Directors have recommended that:

i. Dividend for the year 2013-2014 be allowed at 20% on equity shares.

ii. Money on calls in advance be refunded. Calls in arrears with interest received.

iii. The preference shares which are redeemable at a premium of 10% any time after 31st March, 2014 may be redeemed by issue of 10% debentures of Rs.100 in cash.

Show Journal entries to give effect to the above proposals including payment and receipt of cash and redraft the statement of Profit and Loss and Balance Sheet of P Ltd.

3. On 31st March, 2015 Bose and Sen Ltd provides to you the following ledger balances after preparing its Profit and Loss account for the year ended 31-03-2015

Credit balances

Particulars	Rs
Equity share capital, fully paid shares of Rs.10 each	70,00,000
General Reserve	15,49,100
Loan from State Finance Corporation	10,50,000
(Secured by hypothecation of Plant and Machinery repayable within one year Rs.2,00,000)	
Loans Unsecured (Long term)	8,47,000
Sundry creditors for goods and expenses (Payable within 6 months)	14,00,000
Profit and Loss account	7,00,000
Provision for tax	3,25,500
Proposed dividend	4,20,000
Provision for dividend distribution tax	71400
	133,63,000
Debit balances	
Calls in arrear	7000
Land	14,00,000

Buildings	20,50,000
Plant and Machinery	36,75,000
Furniture and Fixture	3,50,000
Inventories:Finished goods	14,00,000
Raw material	3,50,000
Trade receivables	14,00,000
Advances:Short term	2,98,900
Cash in hand	2,10,000
Balances with bank	17,29,000
Preliminary expenses	93,100
Patents and trademarks	4,00,000
	133,63,000

The following additional information is also provided in respect of the above transactions:

i. 4,20,000 fully paid up equity shares were allotted as consideration for land and building
ii. Cost of building –Rs.28,00,000
iii. Cost of Plant and Machinery-Rs.49,00,000
Cost of Furniture and Fixtures-Rs.4,37,500
iv. Trade receivables for Rs.3,80,000 are due for more than 6 months
v. The amount of balances with bank includes Rs.18,000 with a bank which is not a scheduled bank and the deposits of Rs.5,00,000 are for a period of 9 months
vi. Unsecured loan includes Rs.2,00,000 from a bank and Rs.1,00,000 from related parties
You are required to give previous year figures and prepare the Balance Sheet as per Schedule III.

4. Sumedha Ltd took a loan from bank for Rs.10,00,000 to be settled within 5 years in 10 half yearly instalments with interest.First instalment is due on 30.09.2013 of Rs.1,00,000.Determine how the loan will be classified in the preparation of Financial Statements of Sumedha Ltd. for the year ended 31st March 2013 according to Schedule III of the Companies Act, 2013.

MANAGERIAL REMUNERATION

1. The following extract of Balance Sheet of X Ltd was obtained:
Balance Sheet (Extract) as on 31st March, 2015

Liabilities	Rs.
Authorised Capital:	
20,000, 14% preference shares of Rs.100	20,00,000
2,00,000 equity shares of Rs.100 each	200,00,000
	2,20,00,000
Issued and Subscribed Capital:	
15,000, 14% preference shares of Rs.100 each fully paid	15,00,000
1,20,000 equity shares of Rs.100 each, Rs.80 paid up	96,00,000
Share Suspense a/c	20,00,000
Reserves and Surplus	
Capital Reserves (Rs.1,50,000 is revaluation reserve)	1,95,000
Securities Premium	50,000
Secured Loans	
15% Debentures	65,00,000

Unsecured Loans:	
Public Deposits	3,70,000
Cash credit loan from SBI (Short term)	4,65,000
Current Liabilities	
Trade Payables	3,45,000
Assets:	
Investment in shares, debentures etc.	75,00,000
Profit and Loss account	15,25,000

Share suspense account represents application money received on shares, the allotment of which is not yet made.

You are required to compute effective capital as per provisions of Schedule V. Would your answer differ if X Ltd is an investment company?

2. The following is the Profit and Loss a/c of Mudra Ltd for the year ended 31.03.2015

Particulars	Rs.	Particulars	Rs.
To Salaries and wages	1,92,000	By Gross profit	10,15,200
To Bonus for 2013-2014	5000	By premium on issue of shares and debentures	50,000
To interest on debentures	12,000	By profit on sale of forfeited shares	5000
To interest on unsecured loan	6000	By Profit on sale of building (Cost-Rs.2 lakhs, W.D.V Rs.1.3 lakhs)	90,000
To repairs to -Movable property -immovable property	 1000 2000	By bounties and subsidies received from Govt.	60,000
To contributions	25000		
To Depreciation	82,000		
To Compensation for breach of contract	1000		
To insurance premium against the risk or meeting liability on a/c of compensation for breach of contract	5000		
To loss on sale of investments	5000		
To loss on sale of machinery (Cost Rs.2,00,000 Sale proceeds Rs.1,10,000 W.D.V Rs.1,30,000)	20,000		
To Expenditure on Scientific Research	20,000		
To Provision for income tax	1,60,000		
To Provision for doubtful debt	7,500		
To Directors' fees	5000		
To Ex-gratia payments	2,200		

to employees			
To Balance c/d	6,69,500		
	12,20,200		**12,20,200**
To proposed dividend	1,60,000	By profit for the year 2014-2015	**6,69,500**
To Corporate dividend tax	16,000		
To bal c/d	4,93,500		

Estimated liability on account of bonus in respect of 2014-2015 in accordance with the payment of Bonus Act is Rs.10,000

Depreciation on fixed assets as per Schedule II of the Companies Act, 2013 was 67,000.You are required to calculate the maximum limits of the managerial remuneration as per Companies Act, 2013.

CASH FLOW STATEMENTS

1. The Balance Sheets of Z Ltd. as on 31st March, 2012 and 2013 are given below:

Liabilities	*31.03.2012* *Rs.*	*31.03.2013* *Rs.*	*Assets*	*31.03.2012* *Rs.*	*31.03.2013* *Rs.*
Share Capital	3,00,000	4,00,000	Fixed Assets:	8,00,000	9,50,000
Capital Reserve	—	10,000	*Less:* Depreciation	(2,30,000)	(2,90,000)
General Reserve	1,70,000	2,00,000	Trade Investment (in shares)	1,00,000	80,000
Profit and Loss A/c	60,000	75,000			
10% Debentures	2,00,000	1,40,000	Cash & Bank Bal.	80,000	30,000
Current Liabilities	1,20,000	1,30,000	Other Current Assets	2,00,000	3,00,000
Provision for Income Tax	90,000	85,000	Preliminary Exp.	20,000	10,000
Proposed Dividend	30,000	36,000			
Unpaid Dividend	—	4,000			
	9,70,000	10,80,000		9,70,000	10,80,000

During the year 2012 – 2013, the Company

(i) Sold one machine for Rs.25,000 the cost of which was Rs.50,000 and the depreciation provided on it was Rs.21,000.

(ii) Provided Rs.95,000 as depreciation.

(iii) Redeemed 30% of the Debentures at Rs 103 as at 31.3.2013.

(iv) Sold some Trade Investments at a profit which was credited to Capital Reserve.

(v) Decided to value stock at cost where as previously the practice was to value stock at cost less 10%. The stock according to books on 31.3.2012 was Rs.54,000. The stock on 31.3.2013 was correctly valued at Cost Rs.75,000.

(vi) Decided to write off Fixed Assets costing Rs. 14,000 (depreciated).

2. From the following balance sheet and information, prepare Cash Flow Statement of Ryan Ltd. for the year ended 31st March,2013

Balance Sheets

Liabilities	31.03.2013	31.03.2012	Assets	31.03.2013	31.03.2012
Equity Share Capital	6,00,000	5,00,000	Land and building	1,50,000	2,00,000
10% Redeemable Preference	-	2,00,000	Plant and machinery	7,65,000	5,00,000
Capital Redemption Reserve	1,00,000	-	Investments	50,000	80,000
Capital Reserve	1,00,000	-	Inventory	95,000	90,000
General Reserve	1,00,000	2,50,000	Bills receivable	65,000	70,000
Profit and loss a/c	70,000	50,000	Sundry debtors	1,75,000	1,30,000
9% Debentures	2,00,000	----	Cash and bank	65,000	90,000
Sundry creditors	95,000	80,000	Preliminary expenses	10,000	25,000
Bills payable	20,000	30,000	Voluntary separation payments	1,25,000	65,000
Liabilities for expenses	30,000	20,000			
Provision for taxation	95,000	60,000			
Proposed dividend	90,000	60,000			
	15,00,000	**12,50,000**		**15,00,000**	**12,50,000**

a. A piece of land has been sold out for Rs.1,50,000 (Cost :Rs.1,20,000) and the balance land was revalued. Capital Reserve consisted of profit on sale and profit on revaluation

b. On 1st April 2012 a plant was sold for Rs.90,000 (Original Cost Rs.70,000 and W.D.V Rs.50,000) and debentures worth Rs.1,00,000 was issued at par as part consideration for plant of Rs. 4.5 lakhs acquired.

c. Part of the investments (Cost Rs.50,000) was sold for Rs.70,000

d. Pre-acquisition dividend received Rs.5000 was adjusted against cost of investment.

e. Directors have proposed 15% dividend for the current year

f. Voluntary separation cost of Rs.50,000 was adjusted against general reserve.

g. Income tax liability for the current year was estimated at Rs.1,35,000

h. Depreciation at 15% has been written off from Plant account but no depreciation has been charged on Land and Building a/c

3. Given below is the Statement of Profit and Loss of ABC Ltd. and the relevant Balance Sheet information:

Statement Of Profit and Loss of ABC Ltd for the year ended 31st December, 2013

Particulars	Rs.in lakhs
Revenue	
Sales	4150
Interest and dividend	100
Stock adjustment(difference between opening stock and closing stock)	20
Total (A)	**4270**
Expenditure:	
Purchases	2400
Wages and salaries	800
Other expenses	200
Interest	60
Depreciation	100
Total (B)	**3560**
Profit before tax(A-B)	**710**
Tax Provision	**200**
Profit after tax	**510**
Balance of Profit and Loss account brought forward	**50**
Profit available for distribution	**560**
Appropriations:	
Transfer to general reserve	200
Proposed dividend	300
Dividend Distribution Tax	30
Total	**530**
Balance	**30**

Relevant Balance Sheet Information:

Particulars	31.12.2013	31.12.2012
Trade receivables	400	250
Inventories	200	180
Trade payables	250	230
Outstanding Wages	50	40
Outstanding expenses	20	10
Advance Tax	195	180
Tax Provision-Assessed tax liability	200	180

Compute cash flow from operating activities using direct method and indirect method

4. The Summarised Balance Sheets of XYZ Ltd. As at 31.3.2010 and 31.3.2011 are given below

Liabilities	*31.03.2010* *Rs*	*31.03.2011* *Rs.*	*Assets*	*31.03.2010* *Rs.*	*31.03.2011* *Rs.*
Preference share capital	4,00,000	2,00,000	Plant and machinery	7,00,000	8,20,000
Equity Share Capital	4,00,000	6,60,000	Long term investment	3,20,000	4,00,000
Securities Premium	40,000	30,000	Goodwill	-	30,000
Capital Redemption Reserve	NIL	1,00,000	Current Assets	9,10,000	11,41,000
General Reserve	2,00,000	1,20,000	Short term investments (less than 2 months)	50,000	84,000
P&L account	1,30,000	1,75,000	Cash at bank	1,00,000	80,000
Current Liabilities	6,40,000	9,00,000	Preliminary expenses	40,000	20,000
Proposed dividend	1,60,000	2,10,000			
Provision for tax	1,50,000	1,80,000			
	21,20,000	23,75,000		21,20,000	23,75,000

Additional information: During the year 2011 the company:

i. Preference share capital was redeemed at a premium of 10% partly out of proceeds issue of 10,000 equity shares of Rs.10, each issued at 10% premium and partly out of profits otherwise available for dividends.
ii. The company purchased plant and machinery for Rs. 95,000.It also acquired another company stock Rs. 25,000 and plant and machinery Rs. 1,05,000 and paid Rs. 1,60,000 in equity share capital for the acquisition.
iii. Foreign exchange loss of Rs. 1600 represents loss in value of short term investment.
iv. The company paid tax of Rs.1,40,000

Prepare Cash flow statement.

AMALGAMATION OF COMPANIES

1. Let us consider the draft balance sheet of X Ltd as on 31st March,2011

Liabilities	Rs(‘000)	Assets	Rs(‘000)
Share Capital			
Equity shares of Rs.10 each	7500	Land and Buildings	5000
14% Preference shares	2500	Plant and machinery	4500

of Rs.100 each			
General reserve	1250	Furniture	1050
12% Debentures	4000	Investments	500
Trade payables and other current liabilities	2000	Inventory	2300
		Trade receivables	2400
		Cash and bank balance	1500
	17,250		17,250

Other information:

i. Y Ltd takes over X Ltd on 10th April, 2011
ii. Debentureholders of X Ltd are discharged by Y Ltd at 10% premium by issuing 15% own debentures of Y Ltd.
iii. 14% Preference shareholders of X Ltd are discharged at a premium of 20% by issuing necessary number of 15% preference shares of Y Ltd.(Face value Rs. 100 each)
iv. Intrinsic Value per share of X Ltd is Rs.20 and that of Y Ltd Rs.30.Y Ltd will issue equity shares to satisfy the equity shareholders of X Ltd. on the basis of intrinsic value.

Compute the purchase consideration

2. P Ltd. acquires the business of V Ltd. whose Balance Sheet as at 31st March 2012 was as under:

Liabilities	**Rs**	**Assets**	**Rs**
6% Preference Share Capital (Rs 100)	4,00,000	Goodwill	2,00,000
Equity Share Capital (Rs 100)	8,00,000	Tangible Fixed Assets	10,50,000
Statutory Reserves	78,400	Stock	1,50,000
Profit & Loss A/c	71,600	Book Debts	1,55,000
6% Debentures	2,00,000	Bills Receivable	25,000
Interest outstanding on above	12,000	Cash at Bank	70,000
Workmen's compensation Reserve (Expected liability Rs 5,000)	8,000	Underwriting Commission	40,000
Trade Creditors	1,00,000		
Bills Payable	20,000		
	16,90,000		**16,90,000**

Prior to acquisition, V Ltd decided to declare and pay an equity dividend of 4% and preferences dividend.

P Ltd. was to take over all assets (except cash) and liabilities (except for interest due on debentures) and to pay the following amounts.

(i) Rs 2,00,000 7% Debentures (Rs 100 each) in P Ltd. for the existing debentures in V Ltd.; for the purpose, each debenture of P Ltd. is to be treated as worth Rs 105.

(ii) For each preference share in V Ltd. Rs 10 in cash and one 9% preference share of Rs 100 each in P Ltd.

(iii) For Each equity share in V Ltd. Rs 20 in cash and one equity share in P Ltd. of Rs 100 each at Rs 140.

(iv) Expenses of liquidation of V Ltd. are to be reimbursed by P Ltd. to the extent of Rs 10,000. Actual expenses amounted to Rs 12,500.

P Ltd. valued Tangible Fixed Assets at Rs 12,20,000.

V Ltd. owed P Ltd. Rs 60,000 for the purchases of stock from P Ltd. which made a profit of 20% on cost. Four fifth of such stock were sold till 31.3.2011. All Bills Receivables of V Ltd. were drawn upon P Ltd. the bills amounting to Rs 10,000 have already been discounted with the Bank.

Required: Prepare Journal of V Ltd. and P Ltd. Also show Realization Account, Cash at Bank Account and Equity shareholders' Account (Assume Corporate Dividend Tax @ 10%)

3. Consider the following summarized balance sheets of X Ltd and Y Ltd.

Balance sheet as on 31st March, 2012

(Rs. In 000's)

Liabilities	X Ltd	Y Ltd	Assets	X Ltd	Y Ltd
Equity share capital (Rs.10 each)	5000	3000	Land and building	2500	1550
14% Preference share capital(Rs.100 each)	2200	1700	Plant and Machinery	3250	1700
General Reserve	500	250	Furniture and Fittings	575	350
Export profit reserve	300	200	Investments	700	500
Investment allowance reserve		100	Inventory	1250	950
Profit and Loss	750	500	Trade receivables	900	1030
13% Debentures(Rs. 100 each)	500	350	Cash and bank	725	520
Trade creditors	450	350			
Other current liabilities	200	150			
	9900	6600		9900	6600

X Ltd takes over Y Ltd. on 1st April 2012.X Ltd discharges the purchase consideration as below:

i. Issued 3,50,000 equity shares of Rs.10 each at par to the equity shareholders of Y Ltd.
ii. Issued 15% preference shares of Rs.100 each to discharge the preference shareholders of Y Ltd at 10% premium

The debentures of Y Ltd will be converted into equivalent number of debentures of X Ltd.

The statutory reserves are required to be maintained for 2 more years.

Show the balance sheet of X Ltd after amalgamation on the assumption that:

a. The amalgamation is in the nature of purchase
b. The amalgamation is in the nature of merger.

4. The following is the summarised Balance Sheets of A Ltd and B Ltd as on 31.3.2012

(Rs. In thousands)

Particulars	A Ltd	B Ltd
Liabilities		
Share Capital		
Equity shares of Rs.100 each fully paid	2000	1000
Reserves	800	----
10% Debentures	500	----
Loan from banks	250	450
Bank Overdraft	----	50
Trade payables	300	300
Proposed dividend	200	----
Total	**4050**	**1800**
Assets		
Tangible assets/fixed assets	2700	850
Investments	700	----
Trade receivables	400	150
Cash at bank	250	---
Accumulated losses	---	800
Total	**4050**	**1800**

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

1. Banks agreed to waive off the loan of Rs.60,000 of B Ltd.
2. B Ltd will reduce its shares to Rs.10 per share and then consolidate 10 such shares into one share of Rs.100 each(new share)
3. Shareholders of A Ltd .will be given one share (new) of B Ltd.in exchange of every share in A Ltd.
4. Proposed dividend of A Ltd will be paid after merger to shareholders of A Ltd.
5. Trade payables of B Ltd includes Rs.100 thousands payable to A Ltd.
   Pass necessary entries in the books of B Ltd. and prepare balance sheet after merger.

5. The following is the summarised Balance Sheet of A Ltd as at 31st March 2012:

Liabilities	Rs.	Assets	Rs.
8000 equity shares of Rs.100 each	8,00,000	Building	3,40,000
10% debentures	4,00,000	Machinery	6,40,000
Loan from A Ltd	1,60,000	Inventory	2,20,000
Trade payables	3,20,000	Trade receivables	2,60,000
General Reserve	80,000	Bank	1,36,000
		Goodwill	1,30,000
		Share issue expenses	34,000
	17,60,000		**17,60,000**

B Ltd agreed to absorb A Ltd on the following terms and conditions:

a. B Ltd would take over all assets, except bank balance at their book values less 10%. Goodwill is to be valued at 4 year's purchase of super profits, assuming that the normal rate of return be 8% on combined amount of share capital and general reserve.
b. B Ltd is to take over trade payables at book value.
c. The purchase consideration is to be paid in cash to the extent of Rs.6,00,000 and the balance in fully paid equity shares of Rs.100 each at Rs.125 per share.

The average profits is Rs.124,400.The liquidation expenses amounted to Rs.16,000.B Ltd sold prior to 31st March, 2012 goods costing Rs.1,20,000 to A Ltd for Rs.1,60,000.Rs.1,00,000 worth of goods are still in inventory of A Ltd on 31st March 2012.Trade payables of A Ltd include Rs.40,000 still due to B Ltd.

Show the necessary ledger accounts to close the books of A Ltd. and prepare the balance sheet of B Ltd as at 1st April 2012 after the takeover.

6. Given below is the balance sheet of X ltd. as at 31st March 2012 at which date the Company was taken over by T Ltd.

Liabilities	Rs	Assets	Rs
12% Pref. Shares of Rs 100 each	1,00,000	Land & Building	2,00,000
Equity SHARES OF Rs 10 each	2,00,000	Plant & Machinery	1,00,000
Reserves & Surplus	50,000	Stock	2,00,000
12% Debentures	1,00,000	Debtors	50,000
Current Liabilities	1,50,000	Cash & Bank Balance	43,600
		Preliminary Expenses	6,400
	6,00,000		6,00,000

Terms of Absorption:

a) X Ltd. is to declare and pay dividend @ 12% on shares prior to absorption.

b) The value of Land & Building to be increase by Rs 50,000, Stock to be increased to Rs 2,20,000 and Debtors at their book value subject to an allowance of 5% to cover doubtful debts, Goodwill to be valued at Rs 7,500.

c) Expenses of liquidation of X Ltd. are to be reimbursed by T Ltd. to the extent of Rs 4,000. The actual expenses amounted to Rs 5,000.

d) T Ltd. is to issue such an amount of fully paid 15% Debentures at 96 per cent as is sufficient discharge 12% debentures in X Ltd. at a premium of 8%.

e) 12% Preference Shareholders of X Ltd. to be discharged at 10% premium by issuing 15% preference shares (Rs 100 each) of the transferee company at 12% discount to be extent of 80% and balance in cash.

[Assume Corporate Dividend Tax @ 10%]

Required: Calculate the Purchase consideration if:

Equity Shareholders to be allotted 4 Equity Shares of Rs 10 each., Rs 8 paid up at a premium of Rs 3 per share for every 5 shares held in X Ltd. In addition necessary cash to be paid to be Equity Shareholders as is required to adjust the rights of equity shareholders of X Ltd. in accordance with the intrinsic value of the shares of X Ltd.

INTERNAL RECONSTRUCTION

1. **The Shareholders of Sunrise Ltd decided on a corporate restricting exercise necessitated due to economic recession and a slump in business. From the audited prepare:**

(i) Balance Sheet after the completion of the restricting exercise.

(ii) The Capital Reduction Amount,

(iii) The Cash Account of the entity.

Balance Sheet of Sunrise Ltd as on 31-03-2010

Liabilities	***Rs***	***Assets***	***Rs***
Share Capital		**Fixed Assets**	
30,000 Equity Shares (Rs 10 each)	3,00,000	Trade Marks and Patents	1,10,000
40,000 8% Cumulative Preference Shares (Rs 10 each)	4,00,000	Goodwill at cost	36,100
Reserves and Surplus		Freehold Land	1,20,000
Securities Premium Account	10,000	Freehold Premises	2,44,000
Profit & Loss Account	(1,38,400)	Plant and Equipment	3,20,000
Secured Borrowings:		Investment (Market to Market)	64,000
9% Debentures (Rs 100) 1,20,000		**Current Assets**	
Accrued Interest 5,400	1,25,400	Inventories:	
Current Liabilities		Raw materials and packing	
Creditors	1,20,000	Materials 60,000	
Deferred Vat Payable	50,000	Finish goods 16,000	
Temporary Bank Overdraft	2,23,100	Trade receivable	76,000
			1,20,000
	10,90,100		**10,90,100**

Note: Preference Dividends are in arrears for 4 years.

The scheme of reconstruction that received the permission of the Court was on the following lines:

(1) The Authorized capital of the Company to be re-fixed at Rs 10 Lakhs (preference Capital Rs 3 Lakhs and Equity Capital Rs 7 Lakhs both Rs 10/- per share each).

(2) The Preference shares are to be reduced to Rs 5 each and equity share reduced by Rs 3 per share. Post reduction, both classes of shares to be consolidated into Rs 10 shares.

(3) Trade Investments are to be liquidated in the open market

(4) One fresh equity share of Rs 10 to be issued for every Rs 40 of preference dividends in arrears (ignore taxation).

(5) The Securities premium is to be fully utilized to meet the reconstruction programme.

(6) The debenture holder took over freehold land at Rs 2,10,000 and settled the balance after adjusting their dues.

(7) Unprovided contingent Liabilities were settled at Rs 54,000 and a pending insurance claim receivable settled at Rs 12,500 on conditions that claim will be immediately settled.

(8) The Intangible assets were all the written off along with Rs 10,000 worth obsolete packing material and 10% of the Receivables.

(9) Remaining cash available as a result of the above transactions is to be utilized to pay off the bank overdraft to that extent.

(10) The equity shareholder agree that they who bring in cash to liquidate the balance outstanding on the overdraft account and also agree the sufficient funds will be brought in to bring up the net working

capital, after completing the re-structuring exercise, to Rs 2 lakhs. The Equity Shares will be issued at par for this purpose.

2. Green Limited had decided to reconstruct the Balance Sheet since it has accumulated huge losses. The following is the Balance Sheet of the Company on 31.3.2012 before reconstruction:

Balance Sheet of Green Limited as at 31.3.2012

Liabilities	Rs	Assets	Rs
Share Capital:		**Fixed Assets:**	
Authorized:		Goodwill	20,00,000
1,50,000 Equity Shares of Rs. 50 each	75,00,000	Building	10,00,000
		Plant	10,00,000
Subscribed 50,000 Equity Shares of Rs. 50 each	25,00,000	Computers	25,00,000
1,00,000 Equity Shares of Rs. 50 each, Rs. 40 per share paid up	40,00,000	Investments	Nil
Secured Loans:		**Current Assets**	Nil
12% First Debentures	5,00,000	**Profit and Loss A/c (Loss)**	20,00,000
12% Second Debentures	10,00,000		
Current Liabilities:			
Sundry Creditors	5,00,000		
	85,00,000		**85,00,000**

The Following is the interest of Mr. X and Mr. Y in Green Limited:

	Mr. X Rs	**Mr. Y Rs**
12% First Debentures	3,00,000	2,00,000
12% Second Debentures	7,00,000	3,00,000
Sundry Creditors	2,00,000	1,00,000
	12,00,000	6,00,000
Fully paid up Rs. 50 shares	3,00,000	2,00,000
Parly paid shares (Rs. 40 paid up)	5,00,000	5,00,000

The following Scheme of Reconstruction is approved by all parties interested and also by the Court:

(a) Uncalled capital is to be called up in full and such shares and the other fully paid up shares be converted into equity shares of Rs. 20 each.

(b) Mr. X is to cancel Rs. 7,00,000 of his total debt (other than share amount) and to pay Rs. 2 lakhs to the company and to receive new 14% First Debentures for the balance amount.

(c) Mr. Y is to cancel Rs. 3,00,000 of his total debt (other than equity shares) and to accept new 14% First Debentures for the balance.

(d) The amount thus rendered available by the scheme shall be utilized in writing off of Goodwill, Profit and Loss A/c Loss and the balance to write off the value of computers.

Required: Pass the Journal Entries and prepare the Balance Sheet of the reconstructed company.

3. The following is the balance sheet of CSJHB Ltd. as at 31st March, 2012:

Liabilities	**Rs**	**Assets**	**Rs**
Share Capital:		**Fixed Assets:**	
Authorized:		Pune Property	1,60,000
30,000 Equity Shares of Rs 10 each	3,00,000	Bombay Property	1,20,000
30,000 13% Pref. Shares of Rs 10 each	3,00,000	Plant and Machinery	1,50,000
	6,00,000	**Investments:**	
Subscribed, Issued and Paid-up:		10% Government loan earmarked against Workmen's compensation Fund	30,000
20,000 Equity Shares of Rs 10 each fully paid	2,00,000	**Miscellaneous expenditure and losses:**	
18,000 13% Pref. Shares of Rs 10 fully paid	1,80,000	Profit and Loss Account	40,000
Reserves & Surplus:			
Workmen's compensation fund:			
Pune 20,000			
Bombay 10,000	30,000		
Secured loans:			
12% 'A' Debentures secured			
On Pune Property 30,000			
12% 'B' Debentures secured on Bombay Property 35,000	65,000		
Current Liabilities & Provisions:			
(A) Current Liabilities:			
Sundry Creditors			
(B) Provisions:	25,000		
	5,00,000		**5,00,000**

The following scheme of reconstruction was duly approved:

(a) Equity shares were to be reduced to Re. 1 each.

(b) Preference shares were to be reduced by Rs 2 per share.

(c) Debenture holders were to forgo their unpaid interest Rs 5,200 which is included in sundry creditors.

(d) *'B'* Debenture holders agreed to take over the Bombay property at Rs 50,000 and paid the balance amount due from them in cash.

(e) Workmen's compensation fund (Bombay) disclosed the fact that actually there was a liability of Rs 2,000 only. As a result the relevant fund amount balance was to be brought down to the required amount. Investments were realized at 10% above the book value.

(f) The Plant and Machinery were to be written down by Rs 90,000.

(g) Any balance remaining was to be applied as to 75% in writing down Pune property and 25% transferred to capital reserve.

Required: Pass the necessary journal entries and prepare the Balance Sheet after reconstruction.

NOT FOR PROFIT ORGANISATION

1. Following is the Receipts and Payments accounts for the year ended 31st March 2011

Receipts	Rs	Payments	Rs
To Balance as per pass book	8230	By honorarium of secretary	4800
To Cash overspent	20	By printing and stationery	470
		By balance as per pass book	3480

Unpresented cheques being payment on printing on 01.04.2010 Rs. 90 and on 31.03.2011 Rs.30

Cash overspent represents amount of honorarium to the treasurer not drawn due to shortage of fund. But the total salary payable to him for the year was already included in Rs.4800.

Required:

How will you show the above items in final accounts of a club for the year ended 31st March,2011

2. How will you deal with the following items in the final accounts of a club for the year ended 31st March 2011

a) Entrance donation received during 2010-2011 Rs.1,00,000

b) Entrance donation received pending membership Rs.1,00,000 as on 1.04.2010

c) A sum of Rs.20,000 received in October 2010 as entrance donation from an applicant was to be refunded as he had not fulfilled the requisite membership qualifications. The refund was made on 03.06.2011

d) 50% of entrance donation was to be capitalized. There was no pending membership as on 31.03.2011

3. Prizes awarded Rs.2,00,000.Prize fund as at 31.03.2010 Rs.12,00,000.Donations for prizes received during the year 2010-2011 Rs.2,80,000, 10% Prize fund investments as at 31.03.2010 Rs. 12,00,000.Interest received on prize fund investments Rs.60,000.Capital fund as at 31.03.2010 Rs.90,00,000.How will you disclose these items in balance sheet as at 31.03.2011

4. Expenditure on building Rs.2,00,000, building fund as at 31.03.2010 Rs.12,00,000.Donations for building received during the year 2010-2011 Rs.2,80,000, 10% building fund investments as at 31.03.2010 Rs.12,00,000.Interest received on building fund investments Rs.60,000.Capital fund as at 31.03.2010 Rs.90,00,000.How will you disclose these items in the balance sheet as at 31.03.2011.

5. How will you deal with the following items while preparing the Income and Expenditure a/c for the year ending on 31st March, 2011 and balance sheet as on that date

Particulars	As at 1.04.2010	As at 31.03.2011
Amount due to Suppliers of Sports material	15000	9750
Advances to suppliers of sports material	5000	3750
Stock of sports material	15,000	2000

During 2010-2011 the payment made to suppliers of sports materials was Rs.44,000.Cash purchases amounted to 20% of total purchases.

6. How will you treat the following items in the final accounts of a club?

   a. Payment for new car(less sale proceeds of old car Rs.6000 as on 1.4.2010) Rs.25,200
   b. Car (as on 1.4.2010) Rs.24,380
   c. Depreciation on car(as on 1.04.2010) Rs.20,580
   d. Rate of depreciation on car at 15% p.a for whole year

7. The following particulars relate to Hanuman Sports Club:

Income & Expenditure Account *for the year ending on 31st Dec., 20X2*

Expenditure	**Rs**	**Income**	**Rs**
To Secretary's Salary	1,500	By Entrance Fees	10,500
To Printing & Stationery	2,200	By Subscriptions	15,600
To Advertising	1,600	By rent	2,800
To Audit Fees	500	By Interest on Investments	1,200
To Fire Insurance	1,000		
To Depreciation:			
-Sports Equipments	9,000		
-Furniture	500		
To Surplus	13,800		
	30,100		**30,100**

Receipts & Payments Account

Dr. *for the year ending on 31st Dec., 20X2*

Receipts	Rs	Payments	Rs
To Balance b/d	4,200	By Secretary's Salary	1,000
To Entrance Fee 20X1	1,000	By Printing & Stationery	2,600
To Entrance Fee 20X2	10,000	By Advertising	1,600
To subscriptions 20X1	600	By Fire Insurance	1,200
To Subscription 20X2	15,000	By 12% Investments	
To Subscription 20X3	400	(purchased on 1.7.20X2)	20,000
To Rent received	2,400	By Furniture	2,000
To Interest received	600	By Balance c/d	5,800
	34,200		**34,200**

The assets on 1 January, 20X2 included Club Grounds & Pavilion Rs 44,000, Sports Equipments Rs 25,000 and Furniture and Fixtures Rs 4,000. Subscriptions in arrear on that date were Rs 800. Subscriptions received in advance on that date were Rs 200. Creditors for Printing & Stationery on that date were Rs 500.

Requirements: Prepare the Balance sheet as at 1.1.20X2 and 31.12.20X2.

8. The Lok Kalyan Dispensary had the following:

Income and Expenditure Account *for the year ending on 31st March, 2012*

Expenditure	Rs	Income	Rs
Salaries	23,500	Subscriptions	25,000
Surgery & Dispensary	3,000	Interest	9,000
Rent and Taxes	500	Donations	4,000
Insurance	200	Miscellaneous Receipts	300
Office expenses	800		
Depreciation:			
Building -3750			
Furniture -120			
Instruments-100	3,970		
Surplus	6,330		
	38,300		38,300

Information:	31.3.2011	31.3.2012
	Rs	Rs
Cash in hand and at bank	?	18,700
4.5% Tax free Government securities (Face value Rs 2,00,000)	1,80,000	1,80,000
Subscription outstanding	7,000	10,000
Subscription received in advance	200	600
Salaries unpaid	1,000	1,500
Furniture	2,000	1,980
Land & Buildings	1,00,000	96,250
Instruments	3,500	3,900
Creditors for medicines	200	300
Stock of medicines	300	100

Prepare Receipts and Payments Account for 2011-2012 and also the Balance Sheet.

9. Prepare Income and Expenditure Account and Balance Sheet of Sports Club, Delhi from the following Information:

Receipts and Payments Account of Sports Club, Delhi

for the year ending on 31st March, 2012

To Balance b/d:		By Balance b/d (Bank Overdraft)	3,000
Cash	200	By Insurance (paid up to 30.6.2012)	300
To Subscriptions	7,000	By Miscellaneous Expenses	3,875
To Entrance Fees	200	By Postage Expenses	200
To Life Membership Subscription	500	By Refreshment Room Expenditure	2,100
To General Donations	2,000	By Furniture (Purchased on 1.10.2011)	600
To Cricket Fees	250	By Honorarium to Cricket coach	600
To Refreshment Room Receipts	3,100	By Sports Equipments (on 1.10.2011)	2,200
To Sale of Old periodicals	72,	By 10% RBI Tax Free Bonds (on 1.1.2012) (Pavilion)	10,000
To Interest on Govt. Securities (T.D.S. @ 20%)	144	By Balance c/d:	
To Donation for Club Pavilion (on 1.1.2012)	10,000	Cash in hand 52	
		Cash at bank 514	591
	23,466		**23,466**

Information:

Particulars	**1.4.2011 Rs '000**	**31.3.2012 Rs '000**
Club Pavilion Fund	5,000	?
Sports Equipments	4,500	?
Furniture	3,200	?
Stock of Foodstuff	120	80
6% Government Securities (Face Value Rs 30,00,000)	2,580	?
Subscription Outstanding	600	250
Subscription in Advance	-	300
Outstanding Miscellaneous Expenses	200	250

Accounting policies followed by Sports Club, Delhi are, provide as under:

(a) The sports equipments and furniture are to be depreciated @ 25% and 19% p.a. respectively.

(b) One half of the entrance fees and life membership fee are to be treated as income.