

INDEX (Part-I: Corporate Accounting)

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Chapter 1 Underwriting

- Q-1** Sun Ltd. issued 1,00,000 equity shares. The whole of the issue was underwritten as follows:
 Marigold 35%; Lotus: 25%; Tulip: 30%; Lily: 10%
 Applications for 80,000 shares were received in all; out of which applications for 20,000 shares had the stamp of Marigold; 15,000 that of Lotus; 22,000 that of Tulip and 8,000 of Lily. The remaining 15,000 applications did not bear any stamp. Determine the liability of each underwriter. (CS Dec 2014)
- Q-2** A company incorporated on 1st January, 2013 issued a prospectus inviting applications for 5,00,000 equity shares of Rs. 10 each. The whole issue was fully underwritten by four underwriters:
 Underwriter A: 2,00,000 shares; Underwriter B: 1,50,000 shares
 Underwriter C: 1,00,000 shares; Underwriter D: 50,000 shares
 Applications were received for 4,50,000 shares of which marked applications were as follows:
 Underwriter A: 2,20,000 shares; Underwriter B: 90,000 shares
 Underwriter C: 1,10,000 shares; Underwriter D: 10,000 shares
 Find out the liability of each underwriter. (CS Dec 2013)
- Q-3** Lillies Ltd. issued 1,00,000 equity shares, where the issue was underwritten by 3 underwriters as follows: A 40%; B 30%; C 30%. Applications for 60,000 shares were received in all, out of which applications for 20,000 shares had the stamp of A; those for 10,000 shares that of B and those for 20,000 shares that of C. The remaining applications for 10,000 shares did not bear any stamp. Determine the liability of the underwriters.
- Q-4** Excel Ltd. issued 1,00,000 equity shares and the entire issue was underwritten as follows:
 Underwriter – X - 50%
 Underwriter -Y - 30%
 Underwriter – Z - 20%
 Applications were received for 90,000 shares. Out of these, applications for 20,000 shares were marked with X; 10,000 marked with Y and 5,000 marked with Z. The remaining applications for 55,000 shares did not bear any stamp.
 Determine the liability of each underwriter in relation to above. (CS Dec 2015)
- Q-5** Airlinks Ltd. made a public issue of 2,50,000 equity shares of Rs. 10 each, the entire amount payable on application. The entire issue was underwritten as follows:
 Red – 30%; Yellow – 25%; Green – 25% and White – 20% of public issue respectively. Red, Yellow, Green and White had also agreed on firm underwriting of 8,000; 12,000; nil and 30,000 shares respectively. The total subscriptions excluding firm underwriting, including marked applications were 1,80,000 shares.
 The marked applications received were as under:
- | Underwriter | No. of shares |
|-------------|---------------|
| Red | 48,000 |
| Yellow | 40,000 |
| Green | 24,000 |
| White | 48,000 |
- Ascertain the net liability of each underwriter. [CS June 2005]

- Q-6** Sam Ltd. invited applications from public for 1,00,000 equity shares of Rs. 10 each at a premium of Rs. 5 per share. The entire issue is underwritten by the underwriters A, B, C, and D to the extent of 30%, 30%, 20%, and 20% respectively with the provision of firm underwriting of 3,000, 2,000, 1,000 and 1,000 shares respectively. The underwriters were entitled to maximum commission permitted by law. The company has received applications for 70,000 shares from public out of which applications for 19,000, 10,000, 21,000 and 8,000 shares were marked in favour of A, B, C and D respectively. Calculate the liability of each one of the underwriters. Also ascertain the underwriting commission @ 2.5% payable to the different underwriters. **(ICSI Study Material; CS June 2010)**
- Q-7** Jupiter Ltd. issued 10,000 shares of Rs. 10 each. The entire issue was underwritten as follows:
- | | | | |
|------|---|---------------------------------|---------------|
| Sun | - | 5,000 shares [firm underwriting | 1,000 shares] |
| Moon | - | 3,000 shares [firm underwriting | 500 shares] |
| Star | - | 2,000 shares [firm underwriting | 500 shares] |
- Shares applied for were 9,000 shares, the following being the marked application forms including firm underwriting:
- | | | | | | | | | |
|-----|---|--------------|------|---|--------------|------|---|--------------|
| Sun | - | 3,500 shares | Moon | - | 1,400 shares | Star | - | 1,600 shares |
|-----|---|--------------|------|---|--------------|------|---|--------------|
- Calculate the liability of each underwriter. **[Sun 1,187; Moon 1313; Star 500 [CS June 2000]**
- Q-8** ABC Ltd. came up with public issue of 3,00,000 Equity Shares of Rs.10 each at Rs. 15 per share. P, Q and R took underwriting of the issue in ratio of 3 : 2: 1 with the provisions of firm underwriting of 20,000, 14,000 and 10,000 shares respectively. Applications were received for 2,40,000 shares excluding firm underwriting. The marked applications from public were received as under:
- | | | |
|------------|------------|------------|
| P - 60,000 | Q - 50,000 | R - 60,000 |
|------------|------------|------------|
- Compute the liability of each underwriter as regards the number of shares to be taken up assuming that the benefit of firm underwriting is not given to individual underwriters.
- Q-9** A company made a public issue of 2,00,000 equity shares of Rs. 10 each at a premium of Rs. 2 per share. The entire issue was underwritten by the underwriters L, M , N and O in the ratio of 4:3:2:1 respectively with the provision of firm underwriting of 5,000, 4,000, 2,000 and 2,000 shares respectively. The company received application for 1,50,000 shares (excluding firm underwriting) from public, out of which applications for 55,000, 40,000, 42,000 and 8,000 shares were marked in favour of L, M, N and O respectively. Calculate the liability of each underwriter as regards the number of shares to be taken up assuming that the benefit of underwriting is not given to the individual underwriter. **(CA May 2014)**
- Q-10** Metal Ltd. issued 1,25,000 shares of Rs. 10 each to public. The issue was underwritten by Gold, Silver, Bronze and Copper as under:
- Gold 30%, Silver 25%, Bronze 25% and Copper 20%.
- The issue was firm underwritten by the underwriters as under:
- Gold: 4,000 shares; Silver: 6,000 shares; Bronze: Nil; Copper: 15,000 shares
- Public subscription excluding firm underwriting but including marked applications were 90,000 shares. The applications were marked as under:
- | | | | | | |
|--------|---|---------------|---------|---|---------------|
| Gold | : | 24,000 shares | Silver | : | 20,000 shares |
| Bronze | : | 12,000 shares | Copper: | : | 24,000 shares |
- Ascertain the liability of each underwriter, assuming firm underwriting shares be treated as un-marked applications. **(CS December 2016)**

- Q-11** Emess Ltd. issued 40,000 shares which were underwritten as:
 P: 24,000 shares Q: 10,000 shares and R: 6,000 shares. The underwriters made applications for firm underwriting as under:
 P: 3,200 shares; Q: 1,200 shares; and R: 4,000 shares. The total subscription excluding firm underwriting [including marked applications] were 20,000 shares.
 The marked applications were – P: 4,000 shares; Q: 8,000 shares; and R: 2,000 shares. Prepare a statement showing the net liability of underwriters. **(ICSI Study Material)**
- Q-12** A Ltd. came out with an issue of 45,00,000 equity shares of Rs. 10 each at a premium of Rs. 2 per share. The promoters took 20% of the issue and the balance was offered to the public. The issue was equally underwritten by X, Y and Z. Each underwriter took firm underwriting of 1,00,000 shares. Subscriptions for 31,00,000 equity shares were received with marked applications for the underwriters as given below:
- | Underwriter | No. of shares |
|-------------|------------------|
| X | 7,25,000 |
| Y | 8,40,000 |
| Z | 13,10,000 |
| | 28,75,000 |
- The underwriters are eligible for a commission of 5% on face value of shares. The entire amount towards shares subscription has to be paid along with application. You are required to —
- Compute each underwriter's liability [number of shares]; and
 - Compute the amount payable or due to underwriters. Pass necessary journal entries in the books of A Ltd. relating to underwriting. **[CS June 2014]**
- Q-13** Astro Ltd. has authorized capital of Rs. 50,00,000 divided into 1,00,000 equity shares of Rs. 50 each. The company issued for subscription 50,000 shares at the premium of Rs. 10 each. The entire issue was underwritten as follows:
 Underwriter X – 30,000 shares [firm underwriting – 5,000 shares]
 Underwriter Y – 15,000 Shares [firm underwriting – 2,000 shares]
 Underwriter Z – 5,000 Shares [firm underwriting – 1,000 shares]
 Out of the total issue, 45,000 shares including firm underwriting were subscribed. The following were the marked forms:
 Underwriter X – 16,000 shares; Underwriter Y – 10,000 Shares; Underwriter Z – 4,000 Shares
 You are required to –
- Calculate the liability of each underwriter; and
 - Make the accounting entries required to be passed in this regard. **[CS Dec 2012]**
- Q-14** Ramona Ltd., issued 50,000 equity, shares of which only 60% was underwritten by Green. Applications for 45,000 shares were received in all out of which application for 26,000 were marked.
 Determine the liability of Green. **[ICSI Study Material]**
- Q-15** Binsar Ltd. issued 12% 10,000 Preference Shares of Rs. 10 each. The issue was underwritten as follows:
 Apple 30%, Mango 30%, Orange 20%.
 Applications for 8,000 shares were received by the company in all. Determine the liability of the respective underwriters. **(ICSI Study Material)**
- Q-16** ABC Ltd., issued 30,000 6% Debentures of 100 each. 60% of the issue was underwritten by Delton. Applications for 28,000 debentures were by the company.
 Determine the liability of Delton. **(ICSI Study Material)**

- Q-17** A company entered into an underwriting agreement with Mr. B for 60% of the issue of Rs. 50,00,000, 15% debentures with a firm underwriting of Rs. 5,00,000. Marked applications were in respect of debentures worth Rs. 35,00,000. Compute liability of Mr. B and commission payable to him.
(CA June 2009)

Practice Questions

- Q-18** Cybertech Ltd. issued 1,00,000 shares for public subscription and these were underwritten by A, B and C in the ratio of 25%, 30% and 45% respectively. Applications were received for 80,000 shares and of these applications for 16,000 shares had the stamp of A, those for 20,000 shares had the stamp of B and those of 24,000 shares had the stamp of C. The remaining application did not bear any stamp. On the basis of above information, work out the liability of the individual underwriters. (CS Dec 2004)
- Q-19** KBC Ltd. issued 50,000 equity shares. The whole of the issue was underwritten as follows :
Underwriter – K : 40% Underwriter – B : 30% Underwriter – C : 30%
Applications for 40,000 shares were received in all, out of which applications for 10,000 shares had the stamp of Underwriter K; those for 5,000 shares that of Underwriter B; and those for 10,000 shares for Underwriter C. The remaining applications for 15,000 shares did not bear any stamp. Determine the liability of the underwriters. (CS June 2013)
- Q-20** Sampada Ltd. was formed with a capital of Rs. 20,00,000 divided into 2,00,000 equity shares of Rs. 10 each. All shares were issued to public for subscription. The issue was underwritten as follows:
Ajay: 80,000 shares; Bijoy: 60,000 shares; and Rajat: 60,000 shares.
Marked applications were received in favour of Ajay for 32,000 shares; Bijoy for 58,000 shares and Rajat for 42,000 shares. Applications for 30,000 shares were not marked.
Prepare a statement showing net liability of each underwriter. (CS June 2007)
- Q-21** A joint stock company issued 15,00,000 equity shares of Rs. 10 each at par. 30% of the issue was reserved for the promoters and the balance was offered to the general public, the entire amount being asked for with the applications.
P, Q and R agreed to underwrite the public issue in the ratio of 3:1:1 respectively and also agreed to firm underwriting of 30,000; 20,000 and 10,000 shares respectively. The underwriting commission was fixed at 2%. The marked applications were as follows:
P 5,50,000 shares Q 2,00,000 shares R 1,50,000 shares
Unmarked applications excluding for shares underwritten firm totaled 50,000 shares. You are required to:
i. ascertain the number of shares taken up by each one of the underwriters; and
ii. calculate the amount received from or paid to each one of the underwriters by the company in settlement. [CS Dec 2000]
- Q-22** Suprima Ltd. came out with an issue of 45,00,000 equity shares of 10 each at a premium of Rs. 2 per share. The promoters took 20% of the issue and the balance was offered to the public. The issue was equally underwritten by A & Co; B & Co. and C & Co. Each underwriter took firm underwriting of 1,00,000 shares each. Subscriptions for 31,00,000 equity shares were received with marked forms for the underwriters as given below:
- | | |
|----------------|-----------|
| Shares A & Co. | 8,00,000 |
| B & Co. | 7,00,000 |
| C & Co. | 13,75,000 |
| Total | 28,75,000 |
- The underwriters are eligible for a commission of 3.5% on face value of shares. The entire amount

towards shares subscription has to be paid alongwith application. You are required to:

- Compute the underwriters' liabilities [number of shares]
- Compute the amounts payable or due to underwriters; and
- Pass necessary journal entries in the books of Suprima Ltd. relating to underwriting.

Q-23 Jumba Ltd. came up with public issue of 30,00,000 Equity shares of Rs. 10 each at Rs. 15 per share. A, B and C took underwriting of the issue in 3 : 2 : 1 ratio. Applications were received for 27,00,000 shares. The marked applications were received as under:

A 8,00,000 shares B 7,00,000 shares C 6,00,000 shares

Commission payable to underwriters is at 5% on the face value of shares.

- Compute the liability of each underwriter as regards the number of shares to be taken up.
- Pass journal entries in the books of Jumba Ltd. to record the transactions relating to underwriters

Q-24 Dolly Ltd. issued 25,00,000 equity shares of Rs.10 each at par. 10,00,000 shares were issued to the promoters and the balance offered to the public was underwritten by three underwriters P, Q & R in the ratio of 2 : 4 : 4 with firm underwriting of 50,000, 60,000 and 70,000 shares each respectively. Total subscription received 12,88,000 shares including marked application and excluding firm underwriting. Marked applications were as follows:

P 3,00,000 Q 3,50,000 R 4,50,000

Unmarked and surplus applications to be distributed in gross liability ratio. Ascertain the liability of each underwriter.

[ICSI Practice Manual]

Q-25 M Limited issued 30,00,000 equity shares of Rs. 10 each at par. Out of these 12,00,000 shares were issued to the promoters and the balance offered to the public were underwritten by three Underwriters A, B and C in the ratio of 2:3:4 with a firm underwriting of 60,000, 50,000 and 70,000 shares respectively. Total subscription received 15,38,000 shares including marked applications and excluding the firm underwriting. Marked applications were as followed:

A 3,00,000 B 3,50,000 C 5,00,000

Unmarked and surplus applications are to be distributed in the gross liability ratio. Ascertain the liability of each Underwriter.

(CS June 2017)

Q-26 New Ltd. issued 1,00,000 shares which were underwritten as under:

	Number of shares underwritten	Applications for firm underwriting	Marked Applications
Underwriter A	60,000	8,000	10,000
Underwriter B	25,000	3,000	20,000
Underwriter C	15,000	10,000	5,000

Total subscriptions excluding firm underwriting (including marked applications) were 50,000 shares. Prepare a statement calculating net underwriter liability. Consider firm underwriting shares are treated as unmarked applications.

(CS June 2024)

*God is all knowing. Without even saying a word our condition is known to God
- Sant Rajinder Singh Ji*

Chapter 2 Bonus Issue

Q-1 Balance Sheet (Relevant Extracts)

<u>Equities and Liabilities</u>	
1,80,000 equity shares of Rs. 10 each	18,00,000
Capital Redemption Reserve	50,000
Securities Premium	2,50,000
General Reserve	15,00,000
Profit and Loss Account (Surplus)	5,00,000

The Company decided to issue one bonus share for every 3 shares held. Journalise.

Q-2 Balance Sheet (Relevant Extracts) as on 31st March 2017

<u>Equities and Liabilities</u>	
10,000 equity shares of Rs. 10 each	1,00,000
Capital Redemption Reserve	40,000
Securities Premium	10,000
General Reserve	5,00,000
Profit and Loss Account (Surplus)	3,00,000

In June 2017, the company decided to issue 50,000 equity shares in cash. The shares are to be issued @ Rs. 12 each.

After fresh issue the company decided to issue bonus shares @ one share for every two shares held. Journalise.

Q-3 The balance sheet of ABC Ltd. is given as under:

(I) Equity & Liabilities	
Equity Shares of Rs. 10 each	2,00,000
Preference Share Capital	2,00,000
Capital Redemption Reserve	2,00,000
Securities premium	50,000
Capital reserves	30,000
General Reserves	5,000
Revaluation Reserve	<u>4,80,000</u>
Total	<u>11,65,000</u>

Calculate amount of reserves available for issuing fully paid up bonus shares.

Q-4 The balance sheet of ABC Ltd. is given as under:

(I) Equity & Liabilities	
Equity Shares of Rs. 10 each	2,00,000
Preference Share Capital	2,00,000
Capital Redemption Reserve	2,00,000
Securities premium	50,000
Capital reserves (includes Rs. 15,000 on sale of Plant)	30,000
General Reserves	5,000
Revaluation Reserve	<u>4,80,000</u>
Total	<u>11,65,000</u>

Calculate amount of reserves available for issuing fully paid up bonus shares.

Q-5 The balance sheet of ABC Ltd. is given as under:

(I) Equity & Liabilities

Equity Shares of Rs. 10 each	2,00,000
Preference Share Capital	2,00,000
Capital Redemption Reserve	2,00,000
Securities premium (includes Rs. 35,000 for issue of shares to Vendor for purchase of furniture)	50,000
Capital reserves	30,000
General Reserves	5,000
Revaluation Reserve	4,80,000
Total	<u>11,65,000</u>

Calculate amount of reserves available for issuing fully paid up bonus shares.

Q-6 Following items appear in the Trial Balance of Saral Ltd. as on 31st March, 2014:

Particulars	Amount
4,500 Equity Shares of Rs. 100 each	4,50,000
Capital Reserve (including Rs. 40,000 being profit on sale of Plant)	90,000
Securities Premium	40,000
Capital Redemption Reserve	30,000
General Reserve	1,05,000
Profit and Loss Account (Cr. Balance)	65,000

The company decided to issue to equity shareholders bonus shares at the rate of 1 share for every 3 shares held. Company decided that there should be the minimum reduction in free reserves. Pass necessary Journal Entries in the books Saral Ltd.

[CA IPCC, May 2014]

Q-7 Following is the extract of balance sheet of Sunrise Ltd. as on 31st March, 2015 :

Issued and subscribed capital :	Rs.
40,000, 10% Preference shares of Rs. 10 each fully paid	4,00,000
1,80,000 Equity shares of Rs. 10 each, Rs. 7.50 paid-up	13,50,000
Reserves and surplus :	
Capital reserve	1,60,000
General reserve	2,00,000
Securities premium	40,000
Surplus	3,20,000

The company made the final call of Rs. 2.50 per share from equity shareholders and duly received it. Thereafter, it was decided to capitalise its reserves by issuing bonus shares at the rate of 1 share for every 3 shares held. Capital reserve includes Rs. 80,000 being profit on exchange of machinery. Pass journal entries with necessary assumptions.

(CS June 2016)

Q-8 Following is the extract from the Balance Sheet of M/s. Yahoo Ltd. as at 31st March, 2011:

Authorized capital:	
50,000, 10% Preference shares of Rs. 10 each	5,00,000
2,00,000 Equity share s of Rs. 10 each	<u>20,00,000</u>
Issued and subscribed capial:	
40,000, 10% Preference shares of Rs. 10 each fully paid	4,00,000
1,80,000, Equity shares of Rs. 10 each, of which Rs. 7.50 paid up	13,50,000
Reserves and Surplus;	
General reserve	2,40,000
Capital reserve	1,50,000

Securities premium	50,000
Profit and loss account	3,00,000

On 1st April, 2011, the company has made a final call @ Rs. 2.50 each on 1,80,000 equity shares. The call money was received by 30th April, 2011. There after the company decided to capitalize its reserves by issuing bonus shares at the rate of one share for every three shares held. Securities premium of Rs. 50,000 includes a premium of Rs. 20,000 for shares issued to vendor for purchase of a special machinery. Capital reserve includes Rs. 60,000 being profit on exchange of plant and machinery.

Show necessary Journal Entries in the books of the company and prepare the extract of the Balance Sheet after bonus issue. Necessary assumption, if any, should form part of your answer.

[CA IPCC Nov., 2011]

Q-9 The balance sheet of ABC Ltd. is given as under:

(I) Equity & Liabilities

10,000 equity Shares of Rs. 10 each, Rs. 7 paid up	70,000
Capital Redemption Reserve	35,000
General Reserves	20,000
Profit and loss Account	70,000
Revaluation Reserve	15,000

Total **2,10,000**

The company decided to convert all the equity shares into fully paid up shares by way of bonus. Pass journal entries.

Q-10 Anuj Ltd. had an accumulated amount of general reserve of Rs. 5,00,000. The directors of Anuj Ltd. decided to declare bonus shares out of the general reserve and to utilize the dividend in the following manner:

- To make 10,000 partly paid shares of Rs. 10 each paid-up at Rs. 6 each, as fully paid-up.
- To distribute 4 fully paid bonus shares of Rs. 10 each at Rs. 12 each, for 5 fully paid existing 20,000 shares of Rs. 10 each.

Show journal entries in the books of Anuj Ltd. to give effects to the above adjustments.

[CS Dec 2009]

Q-11 Following is the balance sheet of Ashoka Ltd.

(I) Equity & Liabilities

80,000 equity Shares of Rs. 10 each, Rs. 7.5 paid up	6,00,000
Capital Redemption Reserve	1,50,000
Plant Revaluation Reserve	20,000
Securities Premium	1,50,000
Development Rebate Reserve	2,30,000
Investment Allowance Reserve	2,50,000
General Reserve	3,00,000

Total **17,00,000**

(II) Assets

Sundry Assets	17,00,000
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Total **17,00,000**

The company wanted to issue bonus shares to its shareholders at the rate of one share for every two shares held. Give journal entries and prepare Balance sheet. (CS Dec 2011)

***God is all knowing. Without even saying a word our condition is known to God
- Sant Rajinder Singh Ji***

Chapter 3 Redemption of Preference Shares

Q-1 Balance Sheet of ABC Ltd. is given as under:

(I) Equity & Liabilities	
Equity Shares of Rs. 10 each	2,00,000
Preference Share Capital	1,00,000
Securities premium	2,000
Profit and loss Account	1,80,000
Provision for taxation	88,000
Workmen Compensation Fund	<u>2,30,000</u>
Total	<u>8,00,000</u>
(II) Assets	
Fixed Assets	5,00,000
Bank	<u>3,00,000</u>
Total	<u>8,00,000</u>

Preference shares are to be redeemed at 5% premium out of divisible profits. Journalise.

Q-2 Balance Sheet of ABC Ltd. is given as under:

(I) Equity & Liabilities	
Equity Shares of Rs. 10 each	50,000
Preference Share Capital	50,000
Profit and loss Account	1,00,000
Securities Premium	20,000
9% Debentures	<u>80,000</u>
Total	<u>3,00,000</u>
(II) Assets	
Plant & Machinery	50,000
Furniture	1,00,000
Bank	<u>1,50,000</u>
Total	<u>3,00,000</u>

The company decided to redeem all its preference shares at a premium of 10%.

Pass journal entries:-

- i. If preference shares are redeemed out of profits
- ii. If preference shares are redeemed by issuing 5,000 equity shares of Rs. 10 each.

Q-3 Balance Sheet of ABC Ltd. is given as under:

(I) Equity & Liabilities	
Equity Shares of Rs. 10 each	2,00,000
Preference Share Capital	1,00,000
Securities premium	5,000
Revaluation reserve	20,000
Profit and loss Account	70,000
9% Debentures	<u>1,05,000</u>
Total	<u>5,00,000</u>
(II) Assets	
Plant & Machinery	2,00,000
Land & Building	2,00,000
Bank	<u>1,00,000</u>
Total	<u>5,00,000</u>

The company decided to redeem all its preference shares at a premium of 10%. For this purpose, the company decided to issue 5,000 equity shares of Rs. 10 each at par. Journalize.

Q-4	(I) Equity & Liabilities	
	Equity Shares of Rs. 10 each	2,00,000
	Preference Share Capital	2,00,000
	Securities premium	15,000
	Profit and loss Account	1,05,000
	Debentures	<u>4,80,000</u>
	Total	<u>10,00,000</u>
	(II) Assets	
	Fixed Assets	5,00,000
	Bank	2,50,000
	Other Assets	<u>2,50,000</u>
	Total	<u>10,00,000</u>

The management decided to redeem all its preference shares at 10% premium. For the purpose of redemption, sufficient numbers of equity shares of Rs. 10 each are to be issued. Journalize.

Q-5	(I) Equity & Liabilities	
	Equity Shares of Rs. 10 each	2,00,000
	Preference Share Capital	2,00,000
	Securities premium	15,000
	Profit and loss Account	1,05,000
	Debentures	<u>4,80,000</u>
	Total	<u>10,00,000</u>
	(II) Assets	
	Fixed Assets	5,00,000
	Investments	2,20,000
	Bank	30,000
	Other Assets	<u>2,50,000</u>
	Total	<u>10,00,000</u>

The management decided to redeem all its preference shares at 10% premium. The directors decided to sell the investments at market value of Rs. 2,05,000. It was decided to issue sufficient number of equity shares at par. Journalize.

Q-6 Preference shares of Rs 2,00,000 are redeemed at 10% premium.
 Securities premium Rs. 30,000
 Profit & Loss Account Nil
 Issue sufficient equity shares of Rs. 10 each at par.
 Calculate number of shares to be issued.

Q-7 Preference shares of Rs 2,00,000 are redeemed at 10% premium.
 Securities premium Rs. 35,000 Profit & Loss Account Nil
 Issue sufficient number of equity shares of Rs. 10 each at 10% premium.
 Calculate number of shares to be issued.

Q-8 Preference shares of Rs 5,00,000 are redeemed at 5% premium.
 Securities premium Rs. 45,000 General Reserve Rs. 8,00,000
 15,000 equity shares of Rs. 10 each are issued at 20% premium for purpose of redemption.
 Calculate CRR to be created.

Q-9 Preference shares of Rs 2,00,000 are redeemed at 5% premium.
 Securities premium Rs. 15,000 Profit & Loss Account Rs. 1,30,000
 Issue sufficient number of equity shares of Rs. 10 each at 10% premium.
 Calculate number of equity shares to be issued.

Q-10 The paid-up share capital of Foresight Ltd. includes 5,000, 9% redeemable preference shares of Rs. 100 each, repayable at a premium of 6%. As the shares have become ready for redemption, the company has decided to redeem the entire amount out of the proceeds of a fresh issue of 50,000 equity shares of Rs. 10 each at Rs. 10.60 per share. The company realized the entire amount of equity issue in cash and redeemed the preference shares on date. You are required to show the journal entries in the books of the company. [CS Dec 2005]

Q-11 15,000, 9% Redeemable preference shares of Rs. 100 each of Global Customer Care Ltd., repayable at a premium of 12% are now due for redemption. The company has accumulated reserves, the amount of which is much in excess of the sum required for redemption. In addition, there is a large balance lying in securities premium account which is available for payment of premium on redemption. Show the journal entries in the books of the company to give effect to the above. [CS Dec 2003]

Q-12 C Limited had 3,000, 12% Redeemable Preference Shares of Rs. 100 each, fully paid up. The company had to redeem these shares at a premium of 10%.

It was decided by the company to issue the following:

- [i] 20,000 Equity Shares of Rs. 10 each at par,
- [ii] 1,000 14% Debentures of Rs. 100 each.

The issue was fully subscribed and all amounts were received in full. The payment was duly made. The company had sufficient profits. Show Journal Entries in the books of the company.

Q-13 Following is the balance sheet of Jumpers Ltd.

Jumpers Ltd
Balance Sheet as at 31st March, 2022

I. Equity and Liabilities

1. Shareholder's funds

(a) Share Capital	Note No. 1	3,50,000
(b) Reserves and Surplus	Note No. 2	64,000

2. Current Liabilities

Trade Payables	23,700	
Short term provisions	38,500	<u>62,200</u>
Total		<u>4,76,200</u>

II. Assets

1. Non-current Assets

(a) Fixed Assets (Tangible Assets)		2,25,000
(b) Non-current Investments		60,000

2. Current Assets

Inventories	1,30,500	
Trade receivables	49,550	
Cash and Cash Equivalents	9,950	
Other current assets	1,200	<u>1,91,200</u>
		<u>4,76,200</u>

Notes

1. Share Capital

Authorized Share Capital		
40,000 equity shares of ₹ 10 each fully paid up		4,00,000
1,000, 8% preference shares of Rs. 100 each		<u>1,00,000</u>
		<u>5,00,000</u>

Issued, Subscribed Called Up And Paid up Share Capital
1000, 10% Preference shares of Rs 100 each fully paid up
25,000 equity shares of Rs 10 each fully paid up

	1,00,000	
	<u>2,50,000</u>	
		<u>3,50,000</u>

2. Reserves and Surplus	
Securities Premium Reserves	9,000
Surplus Account	<u>55,000</u>
	<u>64,000</u>

In order to redeem its preference shares, the company issued 5,000 equity shares of Rs. 10 each at a premium of 10% and sold its investments for Rs. 70,800. Preference shares were redeemed at a premium of 10%. Show the necessary journal entries in the books of the company. **(ICSI Study Material)**

Q-14 Balance Sheet of ABC Ltd. is given as under:

(I) Equity & Liabilities	
Equity Shares of Rs. 10 each	2,00,000
Preference Share Capital (Rs. 100 each)	5,00,000
Profit and loss Account	15,00,000
Securities Premium	1,00,000
9% Debentures	<u>2,00,000</u>
Total	<u>25,00,000</u>
(II) Assets	
Fixed Assets	16,00,000
Bank	<u>9,00,000</u>
Total	<u>25,00,000</u>

The company decided to redeem preference shares out of profits. A preference shareholder holding 500 shares left India for good and thus his payment couldn't be made by company. Journalize.

Q-15 Bhalla and Co. Ltd. has an authorized equity capital of Rs. 20 Lakhs divided into shares of Rs. 100 each. The paid-up capital was Rs. 12,50,000. Besides this, the company has 9% Preference shares of Rs. 10 each for Rs. 2,50,000. Balance on other accounts were – Securities Premium Rs. 18,000; Profit and Loss Account Rs. 72,000 and General Reserve Rs. 3,40,000. Included in Sundry Assets were investments of the face value of Rs. 30,000 carried in the books at a cost of Rs. 34,000.

The company decided to redeem the preference shares at 10% premium, partly by the issue of equity shares of the face value of Rs. 1,20,000 at a premium of 10%. Investments were sold at 105% of their face value. All preference shareholders were paid off except 3 holding 250 shares.

Give the necessary journal entries bearing in mind that the Directors wanted a minimum reduction in free reserves, while effecting the above transactions. Working should form part of your answer.

[Study Material]

Q-16 The Balance Sheet of X Ltd. as on 31st March, 2015 is as follows:

	EQUITY AND LIABILITIES	
1.	Shareholders' funds	
	a Share capital	2,90,000
	b Reserves and Surplus	48,000
2.	Current liabilities	
	Trade Payables	56,500
	Total	3,94,500
1.	ASSETS	
	Fixed Assets	
	Tangible asset	3,45,000
	Non-current investments	18,500
2.	Current Assets	
	Cash and cash equivalents [bank]	31,000
	Total	3,94,500

The share capital of the company consists of Rs. 50 each equity shares of Rs. 2,25,000 and Rs. 100 each Preference shares of Rs. 65,000 [issued on 1.4.2013]. Reserves and Surplus comprises Profit and Loss Account only.

In order to facilitate the redemption of preference shares at a premium of 10%, the Company decided:

- [a] to sell all the investments for Rs. 14,000.
- [b] to finance part of redemption from company funds, subject to, leaving a bank balance of 14,000.
- [c] to issue minimum equity share of Rs. 50 each at a premium of Rs. 10 per share to raise the balance of funds required.

You are required to pass:

The necessary Journal Entries to record the above transactions and prepare the balance sheet as on completion of the above transactions.

Q-17 Preference shares of Rs. 5,00,000 to be redeemed. For the purpose of redemption, it was decided to issue 2,000 equity shares of Rs. 100 each at Rs. 110.

Date	Amount received
1 st January 2013	Rs 30 Application
1 st March 2013	Rs. 45 Allotment including premium
1 st January 2014	Balance final call

The preference shares are due for redemption on 1st July 2013

There is sufficient balance in General Reserve. Calculate amount to be created by way of CRR.

Q-18 Preference shares of Rs. 5,00,000 to be redeemed on 30th April 2015.

General reserve Rs. 3,00,000

The company decided to issue sufficient number of equity shares of Rs. 100 each at Rs. 120.

The amount of fresh issue of shares will be received as under:-

Date	Amount received
15 th January 2015	Rs 35 Application
15 th April 2015	Rs. 65 Allotment including premium
15 th December 2015	Rs. 20 final call

Calculate number of shares to be issued.

Q-19 The balance sheet of XYZ as at 31 December 1998, inter alia includes the following:

	Rs.
50,000, 8% Preference Shares of Rs. 100 each, Rs. 70 paid up	35,00,000
1,00,000 Equity Shares of Rs. 100 each fully paid up	1,00,00,000
Securities Premium	5,00,000
Capital Redemption Reserve	20,00,000
General Reserve	50,00,000

Under the terms of their issues, the preference shares are redeemable at premium of 5% on 31st March, 1999. In order to finance the redemption the company makes a right issue of 50,000 equity shares of Rs. 100 each at Rs. 110 per share, Rs. 20 being payable on application, Rs. 35 [including premium] on allotment and the balance on 1 January 2000. The issue was fully subscribed and allotment made on 1 March 1999. The monies due on allotment were received by 31-3-1999.

The preference shares were redeemed after fulfilling the necessary conditions of Section 55 of the Companies Act 2013. The company decided to make minimum utilization of general reserves.

You are asked to pass the necessary journal entries and show the relevant extracts from the balance sheet as on 31 March 1999 with the correspondence figures as on 31 December 1998 [CA November 1999]

Q-20 Jolly Ltd. has the following balance sheet as on 31st March, 2008:

Liabilities	Rs.
Share capital:	
Issue, subscribed and fully paid up [10,000 equity shares of Rs. 100 each]	10,00,000
5,000 Preference shares of Rs. 100 each	5,00,000
Capital reserve	1,00,000
Securities premium account	1,00,000
General reserve	2,00,000
Profit and loss account	1,00,000
Current liabilities	10,00,000
Total	30,00,000
Assets	
Fixed Assets	22,00,000
Current assets	8,00,000
Total	30,00,000

The preference shares are to be redeemed at 10% premium. Fresh issue of equity shares is to be made to the extent it is required under the Companies Act, 2013 for the purpose of this redemption. The shortfall in funds for the purpose of the redemption after utilizing the proceeds of the fresh issue are to be met by taking a bank loan. Show journal entries. [CS June 2009]

Q-21 Extract of ledger balances of Kalpana Ltd. as on 31st March, 2015 includes the following:

	Rs.
2,000, 12% Preference shares of Rs. 100 each, fully paid	2,00,000
Surplus	40,000
Securities premium	12,000

Under the terms of issue, the preference shares are redeemable on 31st March, 2015 at a premium of 10%. The directors desire to make a minimum fresh issue of equity shares of Rs. 10 each at a premium of 5% for redemption purpose.

You are required to ascertain the amount of fresh issue to be made and pass necessary journal entries in the books of the company. (CS June 2016)

Q-22 Zutshi Ltd. has 12% redeemable preference share capital of Rs. 2,00,000 consisting shares of Rs. 100 each fully called and paid-up. The company wants to redeem them at 10% premium. The ledger accounts show the following balances:

Profit and loss account Rs. 40,000 and securities premium account Rs. 8,000. The company desires to make a minimum fresh issue of equity shares of Rs. 10 each at 5% premium for redemption of the preference shares. You are required to ascertain the amount of such fresh issue to be made by the company and pass necessary journal entries regarding fresh issue and redemption of preference shares.

(CS June 2007)

Q-23 Balance Sheet of ABC Ltd. is given as under:

(I) Equity & Liabilities		
10,000 equity Shares of Rs. 10 each		1,00,000
5,000 preference shares of Rs. 100 each	5,00,000	
Less: Calls in arrears on 200 shares @ Rs. 20 each	<u>4,000</u>	4,96,000
Profit and loss Account		10,00,000
Securities Premium		<u>4,000</u>
	Total	<u>16,00,000</u>
(II) Assets		
Fixed Assets		5,00,000

Bank

11,00,000**Total****16,00,000**

The company decided to redeem preference shares out of the proceeds of fresh issue. A shareholder holding 100 shares left India for good and thus he couldn't get his redemption proceeds. Journalize.

Q-24 The following is the balance sheet of Oscar Indian Ltd. as on 31st March, 2008:

Liabilities	Rs.	Assets	Rs.
Preference share capital: 2,500 shares of Rs. 100 each fully called up	2,50,000	Fixed Assets	6,00,000
Less: Final call @ Rs. 20 per share unpaid	<u>2,000</u>	Investments	50,000
	2,48,000	Bank	90,000
Equity Share Capital: 30,000 shares of Rs. 10 each fully paid-up	3,00,000		
Profit and loss account	1,50,000		
Securities premium	15,000		
Creditors	27,000		
	7,40,000		7,40,000

On 30th June, 2008, the Board of directors decided to redeem the preference shares at a premium of 10% and to sell the investments at its market price of Rs. 40,000. They also decided to issue sufficient number of equity shares of Rs. 10 each at a premium of Re. 1 per share, required after utilizing the profit and loss account leaving a balance of Rs. 50,000. Premium on redemption is required to be set off against securities premium account.

Repayments on redemption were made in full except to one shareholder holding 50 shares only due to his leaving India for good.

You are required to show the journal entries and the balance sheet of the company after redemption. Assumption made should be shown in the working. **[Study Material]**

Q-25 Hello Ltd. had an issue of 2,000, 10% Redeemable Preference Shares of Rs 100 each, repayable at a premium of 10%. These shares are to be redeemed out of the accumulated reserves, which are more than the necessary sum required for redemption. Show the necessary entries in the books of the company, assuming that the premium on redemption of shares has to be written off against the company's Securities Premium Reserves. **(ICSI Study Material)**

Q-26 Diamond Ltd. has part of its share capital consisting of 20000, 12% Redeemable Preference Shares of Rs 100 each, repayable at a premium of 10%. The shares have now become ready for redemption. It is decided that the whole amount will be redeemed out of a fresh issue of 20,000 equity shares of Rs 10 each at Rs 15 each. The whole amount is received in cash and the 12% preference shares are redeemed for the relevant portion. Show the necessary journal entries in the books of the company. **(ICSI Study Material)**

Q-27 Futuristic India Ltd. has a part of its share capital in the form of 10,000, 9% redeemable preferences shares of Rs. 100 each repayable at premium of 10%. Now the shares are fully ready for redemption, it has been decided that the whole amount would be redeemed by way of a fresh issue of 1,00,000 equity shares of Rs. 10 each at a premium of Rs. 15 each. Show necessary journal entries assuming that the whole amount is received in cash and 9% preference shares are redeemed. **[CS Dec 2004]**

Q-28 Vanities Ltd. had an issue 1,000, 12% Redeemable Preference Shares of Rs. 100 each, repayable at a premium of 10%. These shares are to be redeemed now out of accumulated reserves, which are more than necessary sum required for redemption. Show the necessary entries in the books of the company, assuming that the premium on redemption of shares has to be written off against the company's Securities Premium Account.
[Study Material; CS June 2013]

Q-29 Rainbow Ltd. has issued 10,000, 12% redeemable preference shares (Face value ₹ 1,000 each). The shares are to be redeemed at a premium of 20%. The redemption proceeds will be raised through issue of equity share capital. Number of equity shares to be issued are 50,000 shares of ₹ 10 each at a ₹ 240 a share. The whole amount is received and paid out towards redemption of preference share capital. Pass the necessary journal entries
(CS June 2024)

Q-30 On 1st April, 2022, the following balances were extracted from the ledger of X Limited:

(i) 10% redeemable preference share capital amount	₹
5,000 shares of ₹ 100 each, fully called up	5,00,000
(ii) Securities premium account	14,000
(iii) General Reserve	1,60,000
(iv) Profit and loss account	1,18,540

The company redeemed all the preference shares at a premium of 5% and for the purpose, it issued equity shares of ₹ 10 each at a premium of ₹ 1 for such an amount as was necessary for the purpose after utilizing the available profits to the maximum possible extent.

You are required to pass the necessary journal entries for above mentioned transactions.

(CS Dec 2023)

*God is all knowing. Without even saying a word our condition is known to God
- Sant Rajinder Singh Ji*

Chapter 4 Buy Back

Q-1 On 31st March, 2001, following was the balance sheet of New Era Ltd.:

Liabilities	Rs. in Lakhs	Assets	Rs. in Lakhs
Equity share capital [Fully paid-up shares of Rs. 10 each]	2,400	Machinery	3,600
Securities premium	350	Furniture	452
General reserve	930	Investments	148
Profit and loss account	340	Stock	1,200
12% Debentures	1,500	Debtors	520
Sundry creditors	750	Cash at bank	740
Sundry provisions	390		
	6,660		6,660

On 1st April, 2001, the company announces the buy-back of 25% of its equity shares @ Rs. 15 per share. For the purpose, it sold all of its investments for Rs. 150 lakh and issued 2,00,000 14% preference shares of Rs. 100 each at par, the entire amount being payable with application.

The issue was fully subscribed. The company achieved the target of the buy-back. Later, the company issued one fully paid up equity share of Rs. 10 by way of bonus share for every four equity shares held by the equity shareholders.

Show journal entries for all the transactions including cash transactions. [CS Dec 2001]

Q-2 The following is the balance sheet of Divya Paints Ltd. as on 31st March, 2008 [Rs. in 000's]

Liabilities	Rs.	Assets	Rs.
Issued and paid-up Capital: 3,00,000 equity shares of Rs. 10 each	3,000	Land and building	630
General reserve	700	Plant and machinery	2,350
Securities premium	505	Furniture and fitting	350
14% Debentures	1,400	Investments	370
Sundry creditors	460	Stock	1,200
		Sundry debtors	590
		Cash and bank balance	575
	6,065		6,065

On 1st April, 2008 the shareholders of the company have approved the scheme of buy-back of shares as under:

- i. 15% of the equity shares would be bought back at Rs. 18.
- ii. General reserve balance may be utilized for this purpose.
- iii. Premium paid on buy back of shares should be met from securities premium account.
- iv. Investments would be sold for Rs. 4,00,000.

Pass journal entries to record the above transactions and prepare the balance sheet of the company immediately after the buy-back of shares. [Study Material]

“Don’t stop when your are tired. STOP when you are DONE.”

Q-3 The balance sheet of Powerlink Ltd. as on 31st March, 2008 is as follows:

Liabilities	Rs.	Assets	Rs.
Share capital:		Fixed Assets	66,00,000
5,00,000 equity shares of Rs. 10 each, fully paid	50,00,000	Investments	18,00,000
General Reserve	6,50,000	Stock	11,87,000
Securities Premium	5,40,000	Sundry debtors	9,60,000
Profit and Loss Account	3,75,000	Cash & bank balance	7,10,000
12% Debentures	25,00,000		
Term Loans	13,25,000		
Sundry Creditors	7,42,000		
Provision for tax	1,25,000		
	1,12,57,000		1,12,57,000

The

shareholder adopted the resolution on the date of the abovementioned balance sheet to:

- Buy back 20% of the paid-up capital @ 15 each.
- Issue 13% debentures of Rs. 5,00,000 at a premium of 10% to finance the buy back of shares
- Maintain a balance of Rs. 3,00,000 in general reserve account, and
- Sell investments worth Rs. 8,00,000 for Rs. 6,50,000.

Pass necessary journal entries to record the above mentioned transactions and prepare the balance sheet immediately after the buy back. [**Study Material; CS Dec 2003; CS Dec 2004**]

Q-4 Following is the balance sheet of Danny Ltd. as on 31st March, 2005

Liabilities	[Rs. 000]
Share capital:	
Issued and paid-up capital [3,00,000 equity shares of Rs. 10 each]	3,000
General reserve	100
Securities premium account	5
10% Debentures	1,400
Sundry Creditors	1,560
Total	6,065
Assets	
Land and buildings	630
Plant and machinery	2,350
Furniture and fittings	350
Investments	370
Stock	1,200
Sundry debtors	590
Cash and bank balance	575
Total	6,065

On 1st April, 2005, the shareholders of the company have approved the scheme of buy-back of equity shares as under:

- 15% of the equity shares would be bought-back at Rs. 11 per share.
- Balance in the general reserve and securities premium account may be utilized to the fullest extent for this purpose.
- Issue 12% redeemable preference shares of Rs. 10 each as per the requirements. Pass the journal entries to record the above transactions and prepare the balance sheet of the company immediately after the buy-back of shares.

[CS June 2006]

Q-5 Following is the Balance Sheet of M/s Competent Limited as on 31st March, 2015:

Liabilities	Rs.	Assets	Rs.
Equity Shares of Rs. 10 Each fully paid	12,50,000	Fixed Assets	46,50,000
Revenue reserve	15,00,000	Current Assets	30,00,000
Securities Premium	2,50,000		
Profit & Loss Account	1,25,000		
12% Debentures	18,75,000		
Unsecured Loans	10,00,000		
Current maturities of long term	16,50,000		
	76,50,000		76,50,000

The company wants to buy back 25,000 equity shares of Rs. 10 each, on 1st April, 2015 at Rs. 20 per share. Buy back of shares is duly authorized by its articles and necessary resolution passed by the company towards this. The payment for buy back of shares will be made by the company out of sufficient bank balance available as part of Current Assets.

Comment with your calculations, whether buy back of shares by company is within the provisions of the companies Act, 2013. If yes, pass necessary journal entries towards buy back of shares and prepare the Balance Sheet after buy back of shares. **(CA Study Material; CS Practice Manual)**

Q-6 KG Limited furnishes the following summarized Balance Sheet as at 31st March, 2015,

Liabilities	[Rs. in lakh s]	Assets	[Rs. in lakhs]
Equity share capital [fully paid up shares of Rs. 10 each]	1,200	Machinery	1,800
Securities premium	175	Furniture	226
General reserve	265	Investment	74
Capital redemption reserve	200	Inventory	500
Profit & loss A/c	170	Trade receivables	160
12% Debentures	750	Cash at bank	740
Trade payables	645		
Other current liabilities	95		
	3,500		3,500

On 1st April, 2015, the company announced the buy back of 25% of its equity shares @ Rs. 15 per share. For this purpose, it sold all of its investments for Rs. 72 lakhs.

On 5th April, 2015, the company achieved the target of buy back. On 30th April, 2015 the company issued one fully paid up equity share of Rs. 10 by way of bonus for every four equity shares held by the equity shareholders.

You are required to:

- [1] Pass necessary journal entries for the above transactions.
- [2] Prepare Balance Sheet of KG Limited after bonus issue of the shares **[CS JUNE 2013]**

Q-7 Following is the balance sheet of Alluwalia Ltd.

Alluwalia Ltd.
Balance Sheet as at 31st March, 2023

I. Equity and Liabilities		
1. Shareholder's funds		
(a) Share Capital	Note No. 1	10,00,000
(b) Reserves and Surplus	Note No. 2	7,05,000
2. Non Current Liability		
Long term borrowing	Note No. 3	4,00,000
2. Current Liabilities		
Trade Payables		<u>60,000</u>
	Total	<u>21,65,000</u>
II. Assets		
1. Non-current Assets		
(a) Fixed Assets (Tangible Assets)		13,30,000
(b) Non-current Investments	Note No. 4	1,50,000
2. Current Assets		
Inventories	1,00,000	
Trade receivables	1,00,000	
Cash and Cash Equivalents	4,85,000	<u>6,85,000</u>
		<u>21,65,000</u>

Notes**1. Share Capital**

Authorized Share Capital

Issued, Subscribed Called Up And Paid up Share Capital

1,00,000 shares of ₹ 10 each fully paid up 10,00,00010,00,000**2. Reserves and Surplus**Securities Premium 2,00,000Surplus Account 5,05,0007,05,000**3. Long term borrowings**14% Debentures 4,00,000**4. Tangible Fixed Assets**Land and Building 9,30,000Plant and Machinery 3,50,000Furniture and Fitting 50,000 13,30,000

On 1st April, 2023 the shareholders of the company have approved the scheme of buy-back of equity shares as under:

- i. 5% of the equity shares would be bought back at Rs 15.
- ii. 12% Debentures to be issued for Rs 10,000 to finance for the buy-back, and balance from the General reserve may be utilized for this purpose.
- iii. Premium paid on buy-back of shares should be met from securities premium account.
- iv. Investments would be sold for Rs 275,000.

Pass journal entries to record the above transactions and prepare the balance sheet of the company immediately after the buy-back of shares. **(ICSI Study Material)**

God is all knowing. Without even saying a word our condition is known to God
- Sant Rajinder Singh Ji

Chapter 5 Issue of Shares

- Q-1** Mona Earth Mover Limited decided to issue 12,000 shares of Rs.100 each payable at Rs.30 on application, Rs.40 on allotment, Rs.20 on first call and balance on second and final call. Applications were received for 13,000 shares. The directors decided to reject application of 1,000 shares and their application money being refunded in full. The allotment money was duly received on all the shares, and all sums due on calls are received except on 100 shares. Record the transactions in the books of Mona Earth Movers Limited. **(ICSI Study Material)**
- Q-2** Jupiter Company Limited issued 35,000 equity shares of Rs. 10 each at a premium of Rs.2 payable as follows: On Application Rs. 3 On Allotment Rs. 5 (including premium) Balance on First and Final Call The issue was fully subscribed. All the money was duly received. Record journal entries in the books of the Company. **(ICSI Study Material)**
- Q-3** Wonder Ltd. issued 10,000, 12% Preference Shares of Rs. 100 each at a premium of Rs. 10 per share payable as follows:
- | | |
|----------------|----------------------------|
| On Application | Rs. 30 |
| On Allotment | Rs. 30 [including premium] |
| On First Call | Rs. 25 |
| On Final Call | Rs. 25 |
- The applications were received for 12,000 shares and the directors allotted 10,000 shares and rejected 2,000 shares with the money received thereon refunded.
The allotment money was duly received while the first call money was received on 9,000 shares and the final call money on 8,000 shares. Pass journal entries in the books of the company.
- Q-4** Elegant Ltd. issued 25,000 equity shares of Rs. 10 each at a premium of 10% payable as follows:
- | | |
|----------------|--|
| On Application | Rs. 5.00 per share (including premium) |
| On Allotment | Rs. 1.00 per share |
| On First Call | Rs. 2.50 per share |
| On Final Call | Rs. 2.50 per share |
- Applications were received for 30,000 shares and the directors allotted 25,000 shares and refunded the excess application money for 5,000 shares.
The allotment money was duly received on all the shares. One shareholder holding 1,000 shares did not pay the first call money while another shareholder holding 200 shares paid the final call money along with the first call money. The company did not make the final call.
Pass journal entries in the books of the company
- Q-5** On 1st April, 2014, A Ltd. issued 45,000 shares of Rs.100 each payable as follows:
Rs. 30 on application; Rs. 20 on allotment;
Rs. 25 on 1st October, 2014; and Rs. 25 on 1st February, 2015.
By 20th May, 2014 40,000 shares were applied for and all applications were accepted. Allotment was made on 1st June. All sums due on allotment were received on 15th July; those on 1st call were received on 20th October. Journalise the transactions when accounts were closed on 31st March, 2015.
- Q-6** X Ltd. invited applications for 10,000 shares of Rs. 100 each payable as follows :
- | | |
|-----------------------------------|--------|
| On Application | Rs. 25 |
| On Allotment [on 1st May, 2014] | Rs. 25 |
| On First Call [on 1st Oct., 2014] | Rs. 25 |
| On Final Call [on 1st Feb., 2015] | Rs. 25 |
- All the shares were applied for and allotted. A shareholder holding 200 shares paid the whole of the amount due along with allotment. Journalise the transactions, assuming all sums due were received.
Interest was paid to the shareholder concerned on 1st February, 2015.

- Q-7** Rocket Ltd. purchased the business of Comet Ltd. for Rs. 2,70,000 payable in fully paid shares. Rocket Ltd. allotted equity shares of Rs. 10 each fully paid in satisfaction of the claim by Comet Ltd. Show the necessary journal entries in the books of Rocket Ltd. assuming that:
- Such shares are issued at par,
 - Such shares are issued at premium of 20% and
 - Such shares are issued at a premium of 10%.
- Q-8** Bright Ltd. was registered with a share capital of Rs. 10,00,000 in equity shares of Rs. 10 each. The company acquired factory building worth Rs. 1,00,000 and plant and machinery worth Rs. 80,000 from Delite Ltd. and issued 18,000 equity shares of Rs. 10 each to the vendors as fully paid-up. The directors also decided to allot 2,000 equity shares credited as fully paid to the promoters for their services. Further capital was issued to the public for cash to the extent of Rs. 3,00,000 payable in full with the application. All the shares were taken up by the public and fully paid for. Show the necessary journal entries and the balance sheet.
- Q-9** Mr. X holds 1 share.
He paid application of Rs. 3 and allotment of Rs. 2.
His share was forfeited for non payment of first and final call of Rs. 3 and Rs. 2 respectively.
- Q-10** Mr. X holds 1 share.
He paid application of Rs. 3 and allotment of Rs. 2.
His share was forfeited for non payment of first call of Rs. 3. The company did not make the final call.
- Q-11** Mr. X holds 1 share.
He paid application of Rs. 3.
He has not paid Allotment of Rs.7 (Including premium), first call of Rs. 3 and final call of Rs.2.
Face value of share is Rs. 10
Pass journal entry of forfeiture.
- Q-12** Mr. X holds 1 share.
He paid application of Rs. 3 and allotment of Rs.7 (Including premium).
He has not paid first call of Rs. 3 and final call of Rs.2.
Face value of share is Rs. 10
Pass journal entry of forfeiture.
- Q-13** Mr. X holds 1 share.
He paid application of Rs. 3 and allotment of Rs.5 (Including premium).
He has not paid first call of Rs. 2. The company did not make the final call of Rs. 2.
Face value of share is Rs. 10
Pass journal entry of forfeiture.
- Q-14** Mr. A hold 100 shares. These shares were issued to Mr. A at premium of Rs. 10 (Face Value – Rs. 10).
He paid application of Rs. 12 (including premium Rs. 7)
He has not paid allotment of Rs. 8 (Including premium of Rs. 3)
Pass journal entry of forfeiture.
- Q-15** Mr. Y hold 100 shares. These shares were issued at a premium of Rs. 5 per share. The company issued 10,000 shares last year.
Mr. Y did not pay the first call of Rs. 3. He paid application of Rs. 6 (including premium – Rs. 2) and allotment of Rs. 4 (including premium).
It was decided to forfeit shares of Mr. Y before final call.
After forfeiture, the company made the final call which was duly received.
Pass journal entries of forfeiture and final call.

Q-16 Give journal entries for the forfeiture and re-issue of shares in the following cases:

- P Ltd. forfeited 300 shares of Rs. 10 each, fully called up for non-payment of final call money of Rs. 4 per share. These shares were subsequently re-issued by the company for Rs. 10 per share as fully paid-up.
- Q Ltd. forfeited 300 shares of Rs. 10 each, fully called up for non-payment of final call money of Rs. 4 per share. These shares were subsequently re-issued by the company for Rs. 12 per share as fully paid-up.
- R Ltd. forfeited 200 shares of Rs. 10 each, Rs. 8 per share being called up on which a shareholder paid application and allotment money of Rs. 5 per share but did not pay the first call money of Rs. 3 per share. Of these forfeited shares, 150 shares were subsequently re-issued by the company as fully paid-up for Rs. 8 per share. **(CS December 2009)**

Q-17 A company has a subscribed capital of 2,00,000 equity shares of Rs. 25 each, Rs. 20 per share called-up. The directors forfeited 200 equity shares held by a shareholder who had failed to pay the first call made @ Rs. 10 per share. Later, the directors reissued these forfeited shares as Rs. 20 per share paid up at Rs. 15 per share. Pass the journal entries for forfeiture and re-issue of shares. **[CS Dec 1999]**

Q-18 Y Ltd. forfeited 1,000 equity shares of Rs. 10 each, Rs. 7 called-up, issued at a premium of 20% [to be paid at the time of allotment] for non-payment of allotment money of Rs. 4 per share [including premium] and first call of Rs. 2 per share. Out of these, 600 shares were re-issued as fully paid-up for Rs. 8.50 per share.
Pass the journal entries for forfeiture and re-issue of shares. **[CS Dec 2013]**

Q-19 The issued share-capital of Kuber Ltd. consists of 2,00,000 equity shares of Rs. 10 each fully paid up. The company offers new equity shares to its existing shareholders on rights basis of 1:1, the equity shares of Rs. 10 each being offered at a premium of Rs. 10 each which are payable as follows:

	On Application [Rs.]	On Allotment [Rs.]
Share capital	5	5
Securities premium	5	5
	10	10

All the shareholders accepted the offer. One shareholder holding 600 shares paid the full offer price with the application. Another shareholder holding 400 shares failed to pay the allotment money and his shares were subsequently forfeited. The forfeited shares were re-issued as fully paid-up for Rs. 8,000 in cash. Journalize the abovementioned transactions. **[CS June 2002]**

Q-20 The following particulars are given from the records of Maxel Ltd. relating to issue and forfeiture of equity shares. The amount per share was payable as Rs. 3 on application; Rs. 5 on allotment [including Rs. 2 as premium]; and Rs. 4 on first and final call:

Category	No. of Shares Allotted	No of Shares Applied
I	20,000	30,000
II	10,000	10,000
III	—	5,000 [Application money refunded]

Allotments were made pro rata in Category-I. Raj, who applied for 450 shares in Category-I, failed to pay the allotment money and call money and his shares were forfeited by the company. Subsequently, 200 forfeited shares were issued to Hari as fully paid for Rs. 9 per share.

Show the journal and Bank account to record the above transactions. **[CS Dec 2006]**

Q-21 X Ltd. Invited applications for 11,000 shares of Rs.10 each, issued at 20% premium payable as :

Application	Rs. [including Rs. 1 premium]
Allotment	Rs. 4 [including Re.1 premium]
Ist call	Rs. 3
IInd call	Rs. 2

Applications were received for 24,000 shares

Category I :- One fourth of the shares applied for allotted 2000 shares

Category II :- Two fourth of the shares applied for allotted 9000 share

Category III :- Remaining applications were rejected

Excess amount received is to be adjusted towards allotment and any amount beyond that shall be refunded.

Mr. Remo, holding 300 shares out of category II failed to pay allotment and two calls and his shares were forfeited and re-issued @ Rs.11 fully paid up.

Pass journal entries.

Q-22 A limited company issued a prospectus inviting applications for 2,000 shares of Rs. 10 each at a premium of Rs. 2 per share payable as follows:

On Application	--	Rs. 2
On Allotment	--	Rs. 5 [including premium]
On First Call	--	Rs. 3
On Second and Final Call	--	Rs. 2

Applications were received for 3,000 shares and allotment was made pro-rata to the applicants of 2,400 shares. Money overpaid on application was employed on account of sum due on allotment.

Ramesh, to whom 40 shares were allotted, failed to pay the allotment money and on his subsequent failure to pay the first call, his shares were forfeited. Mohan, the holder of 60 shares failed to pay the two calls and his shares were forfeited after the second and final call.

Of the shares forfeited, 80 shares were sold to Krishna credited as fully paid for Rs. 9 per share, the whole of Ramesh's share being included.

Show journal and Bank Account and the Balance Sheet.

Q-23 Be Beautiful Ltd issued 4,000 equity shares of Rs. 10 each payable as Rs. 3 per share on Application, Rs. 5 per share [including Rs. 2 as premium] on Allotment and Rs. 4 per share on Call. All the shares were subscribed. Money due on all shares was fully received excepting Remu, holding 150 shares, failed to pay the Allotment and Call money and Semu, holding 50 shares, failed to pay the Call Money. All those 200 shares were forfeited. Of the shares forfeited, 125 shares [including whole of Shemu's shares] were subsequently re-issued to Jadu as fully paid up at a discount of Rs. 2 per share.

Pass the necessary entries in the Journal of the company to record the forfeiture and re-issue of the share. Also prepare the Balance Sheet of the company.

Q-24 Alex Ltd. forfeited 100 shares of Rs. 10 each issued at a premium of 20% [to be paid at the time of application money] on which allotment money of Rs. 4 and first call money of Rs. 3 were not received; the final money of Rs. 2 is not yet called. These shares were originally allotted in the ratio of 4:5. These shares were subsequently re-issued at a discount of Re. 1 per share, credited as Rs. 8 paid-up.

Pass journal entries in the books of Alex Ltd.

[CS June 2011]

Q-25 M/s Herbal Tea Plantations Ltd. was registered with a capital of Rs 1 crore divided into equity shares of Rs 100 each. The company offered to public 50000 shares at a premium of Rs 20 per share. The amount on shares was payable as:

- Rs 25 on application
- Rs 50 (including Rs 20 premium) on allotment
- Rs 20 on first call and Rs 25 on final call.

Applications were received for 75000 shares. Shares were allotted to the applicants on prorata basis. Kanti Bhai who was allotted 500 shares did not pay the allotment money. He also failed to pay the first call. His shares were forfeited. Sheetal was holding 200 shares did not pay the first call. Final call was not made. Make journal entries in the books of the company. **(ICSI Study Material)**

Q-26 Ganga Limited issued 10,000 equity shares of 100 each payable as follows: Rs. 20 on application, Rs. 30 on allotment, Rs. 20 on first call and Rs. 30 on second and final calls 10,000 shares were applied for and allotted.

All money due was received with the exception of both calls on 300 shares held by Supriya. These shares were forfeited. Give necessary journal entries relating to Forfeiture of Shares. **(ICSI Study Material)**

Q-27 Arjun & Co. Ltd. issued a prospectus offering 2,00,000 shares of Rs.10 each on the following terms:

On Application	Rs. 1 per share
On Allotment	Rs.3 per share (including premium of Rs. 2)
On First Call (three months after allotment)	Rs.4 per share
On Second Call (three months after first call)	Rs.4 per share

Subscriptions were received for 3,17,000 shares on 3rd April and the allotment was made on 30th April as under:

Shares Allotted

(i) Allotment in full (two applicants paid in full on allotment In respect of 4,000 shares each)	38,000
(ii) Allotment of two-thirds of shares applied for	1,60,000
(iii) Allotment of one-fourth of shares applied for	2,000

Cash amounting to Rs. 31,000 (being application money received with applications for 31,000 shares upon which no allotments were made) was returned to the applicants on 5th May. The amounts due were received on the due dates with the exception of the final call on 100 shares. These Shares were forfeited on 15th November and re-issued to Aayan on the 16th November for payment of Rs.9 per share. The company paid the interest due on calls-in-Advance on 31st October in cash.

Show the Journal and Cash Book Entries and draw a balance sheet of the Company giving effect to the above transactions. **(ICSI Study Material)**

PRACTICE QUESTIONS

Q-28 The board of director of Poly Plastic Limited resolved that 200 equity shares of Rs.100 each be forfeited for non-payment of the second and final call of Rs.30 per share. Out of these, 150 shares were re-issued at Rs.60 per share to Mohit. Show the necessary journal entries. **(ICSI Study Material)**

Q-29 X Ltd. forfeited 1,000 equity shares of Rs. 10 each issued at par for non-payment of the first call of Rs. 2 per share and the final call of Rs. 3 per share. Give journal entry of the forfeiture.

Q-30 X Ltd. forfeited 1,500 Equity Shares of Rs. 10 each, issued at a premium of Rs. 5 per share for non-payment of allotment money of Rs. 8 per share [including share premium Rs. 5 per share] the first call of Rs. 2 per share and the final call of Rs. 3 per share. Give the journal entry for the forfeiture.

- Q-31** X Ltd. forfeited 1,500 equity shares of Rs. 10 each issued at a premium of Rs. 5 per share payable with the allotment money, for non-payment of the first call money of Rs. 2 per share and the final call money of Rs. 3 per share. Give journal entries.
- Q-32** Sukriti Ltd. forfeited 100 shares of Rs. 10 each for non-payment of final call of Rs. 2. Of these, 60 shares were re-issued @ Rs. 9 per share as fully paid. Pass journal entries in the books of Sukriti Ltd. clearly showing how much amount was credited to shares forfeited account and what amount was transferred to capital reserve account. **[CS June 2004]**
- Q-33** XYZ Ltd. issued to public 3,00,000 equity shares of Rs. 10 each at a premium of Re. 1 per share. The amount was payable as to Rs. 2 with application, Rs. 4 [including premium] on the allotment and Rs. 5 on first and final call.
Applications totalled 6,11,000 shares. The Board of directors rejected applications for 11,000 shares and made allotment on all the remaining applications on a pro rata basis.
P to whom 300 shares had been allotted did not pay the balance of allotment money and subsequently the call money. Q, who held 450 shares, did not pay the call. Their shares were forfeited three months after making of the call. All the forfeited three months after making of the call. All the forfeited shares were re-issued as fully paid-up to R at the rate of Rs. 11 per share. You are required to pass journal entries for all the transactions including cash transactions. **[CS June 2000]**
- Q-34** Runa Limited issued at par 10,000 Equity shares of Rs. 10 each payable Rs. 3.50 on application; Rs. 4 on allotment; and balance on the final call. All the shares were fully subscribed and paid except a shareholder having 100 shares could not pay the final call. Give journal entries to record these transactions.
- Q-35** A limited company issued a prospectus inviting applications for 30,000 shares of Rs. 10 each at a premium of Rs. 2 per share. The amount was payable as follows :
- | | |
|----------------------------|-----------------------|
| | Rs. |
| On application — | 2 |
| On allotment — | 5 [including premium] |
| On first call — | 3 |
| On second and final call — | 2 |
- Applications were received for 45,000 shares and allotment was made on pro-rata basis to the applicants of 36,000 shares. Money overpaid on applications was employed on account of sum due on allotment. Ramesh, to whom 600 shares were allotted, failed to pay the allotment money and on his subsequent failure to pay the first call, his shares were forfeited. Mohan, the holder of 900 shares failed to pay the two calls and his shares were forfeited after the second and final call. Of the shares forfeited, 1,200 shares were sold to Krishna credited as fully paid for Rs. 9 per share, the whole of Ramesh's share being included. Show journal and cash book entries and prepare the balance sheet. **[CS June 2013]**
- Q-36** A Ltd forfeited 300 equity shares of Rs. 10 fully called-up, held by Mr. X for non-payment of allotment @ Rs. 4 each and final call @ Rs. 4 each. However, he paid application money @ Rs. 2 per share. These shares were originally issued at par. Give Journal Entry for the forfeiture.
- Q-37** X Ltd forfeited 200 equity shares of Rs. 10 each, Rs. 8 called-up for non-payment of allotment @ Rs. 4 each and first call money @ Rs. 2 each. Application money @ Rs. 2 per share have already been received by the company. Give Journal Entry for the forfeiture [assume that all money due is transferred to Calls-in-Arrears Account].
- Q-38** X Ltd. forfeited 1000 equity shares of Rs. 10 each fully called-up which were issued at a premium of 20%. Amount payable on shares were:
on application Rs. 2; on allotment Rs. 4 [including premium] on First and Final call Rs.6. Only application money was paid by the shareholders in respect of these shares. Pass Journal Entries for the forfeiture.

- Q-39** A holds 200 shares of Rs. 10 each on which he has paid Rs. 2 as application money. B holds 400 shares of Rs. 10 each on which he has paid Rs. 2 per share as application money and Rs. 3 per share as allotment money. C holds 300 shares of Rs. 10 each and has paid Rs. 2 on application, Rs. 3 on allotment and Rs. 3 for the first call. They all fail to pay their arrears on the second and final call of Rs. 2 per share and the directors, therefore, forfeited their shares. The shares are re-issued subsequently for Rs. 12 per share fully paid-up. Journalise the transactions relating to the forfeiture and re-issue.
- Q-40** B Ltd. issued 20,000 equity shares of Rs. 10 each at a premium of Rs. 2 per share payable as follows: on application Rs. 5[including Re.1 premium], on allotment Rs. 5[including Re.1 premium]; on final call Rs. 2. Applications were received for 24,000 shares. Letters of regret were issued to applicants for 4,000 shares and were allotted to all the other applicants. Mr. A, who is the holder of 200 shares, failed to pay the allotment and call money, the shares were forfeited. Show the Journal Entries and Cash Book in the books of B Ltd.
- Q-41** X Co. Ltd. was incorporated with an authorized share capital of 1,00,000 equity shares of Rs. 10 each. The directors decided to allot 10,000 shares credited as fully paid to the promoters for their services
The company also purchased land and buildings from Y Co. Ltd for Rs. 4,00,000 payable in fully paid-up shares of the company. The balance of the shares were issued to the public, which were fully subscribed and paid for.
You are required to pass Journal Entries and to prepare the Balance Sheet.
- Q-42** P Ltd. purchased the business of Q Ltd. for Rs. 10,80,000 payable in fully paid shares. Accordingly, P Ltd. allotted equity shares of Rs. 10 each fully paid in full satisfaction of the claim of Q Ltd. Pass the necessary journal entries in the books of P Ltd. based on following assumptions:

- (i) shares are issued at par; and
(ii) shares are issued at a premium of 25%.

[CS June 2005]

- Q-43** Mithu Ltd, forfeited 1,000 equity shares of Rs. 10 each, which were originally issued at a premium of 20 percent to Guna. On these shares Rs. 9 per share called up (other than premium). Guna failed to pay allotment money Rs. 5 (including premium) and also the first call of Rs. 2 per share. Out of these forfeited shares 700 shares were re-issued to Naku as fully paid-up for Rs. 8 per share. Give journal entries for forfeiture and re-issue of shares.

- Q-44** Zedux Ltd. decided to issue 60,000 shares of ₹ each at a premium of ₹ 2 per share. The amount on shares was payable as follows:

On Application	₹ 2.00
On Allotment	₹ 5.00 (including premium)
First Call	₹ 2.00
Final Call	₹ 3.00

Applications were received for 1,00,000 shares. Shares were allotted on a pro rata basis. Walter was allotted 1,000 shares. Walter did not pay the allotment money and subsequent calls. Walter's shares were forfeited. Pass the necessary journal entries.

(CS June 2024)

***God is all knowing. Without even saying a word our condition is known to God
- Sant Rajinder Singh Ji***

Chapter 6 Employee Stock Option Plan

- Q-1** A Company has its share capital dividend into shares of Rs. 10 each. On 1st April 2010, it granted 20,000 employees' stock options at Rs. 40, when the market price was Rs. 130. The options were to be exercised between 1st January 2011 to 15th March 2011. The employees exercised their options for 18,000 shares only; the remaining options lapsed. The company closes its books on 31st March every year. Pass journal entries with regard to employees' stock options. **[CA IPCC May, 2011]**
- Q-2** A company has its share capital dividend into shares of Rs. 10 each. On 1-4-2010, it granted 5,000 employees stock option at Rs. 50, when the market price was Rs. 140. The options were to be exercised between 1-12-2010 to 28-2-2011. The employees exercised their options for 4,800 shares only; remaining options lapse. Pass the necessary journal entries for the year ended 31-3-2011, with regard to employees stock option. **[CA IPCC Nov., 2011]**
- Q-3** A company has its share capital dividend into shares of Rs. 10 each. On 1st April, 2014, it granted 5,000 shares as employees stock options at Rs. 40 per share, when the market price was ` 130 per share. The options were to be exercised between 16th December, 2014 and 15th March, 2015. The employees exercised their options for 4,500 shares only; the remaining options lapsed. The company closes its books on 31st March every year. Show journal entries in the books of the company. **[CS Dec 2015]**
- Q-4** On 1st January, 2016, Tulip Ltd. offered 100 shares of Rs. 10 each to each of its 500 employees at Rs. 30 per share. The employees were given time upto 31st March, 2016 to accept the offer. The shares issued under ESOP shall be subject to lock-in-period of two years from the grant date. Other details provided are as under:
- The market price of shares of the company on the grant date is Rs. 50 per share.
 - Due to post vesting restriction on transfer of shares, the fair market value of share is estimated at Rs. 40 per share.
 - On 31st March, 2016, 400 employees accepted the offer and paid Rs. 30 per share.
- You are required to pass necessary journal entries to record the allotment of shares in the books of the company. **(CS Dec 2016)**
- Q-5** Suvidhi Ltd. offered 50 shares to each of its 1500 employees on 1st April 2017 for Rs. 30. Option would be exercisable within a year it is vested. The shares issued under the plan shall be subject to lock-in on transfer for three years from the grant date. The market price of shares of the company is Rs. 50 per share on grant date. Due to post vesting restrictions on transfer, the fair value of shares issued under the plan is estimated at Rs. 38 per share.
- On 31st March, 2018, 1200 employees accepted the offer and paid Rs. 30 per share purchased. Nominal value of each share is Rs. 10
- Record the issue of shares in the books of the company under the aforesaid plan. **(CA May 2018)**
- Q-6** X Ltd. granted 500 stock options to its employees on 1.4.2011 at Rs 50 per share. The vesting period is 21/2 years and the maximum exercise period is one year. Market price on that date is Rs 140 per share. All the options were exercised on 30.6.2014. Pass journal entries giving suitable narrations, if the face value of equity share is Rs 10 per share. **[CA IPCC Nov 2014]**

- Q-7** X Ltd. granted 500 stock options on 1st April 2011 at Rs. 50 per share.
 Vesting period = 2½
 Maximum exercise period – one year
 Market price on 1st April 2011 – Rs. 140
 60 options were lapsed on 01st March 2013.
 Remaining options were exercised on 30th June 2014.
 Pass journal entries (Face Value – Rs. 10)
- Q-8** X Ltd. granted 500 stock options on 1st April 2011 at Rs. 50 per share.
 Vesting period = 2½ years
 Maximum exercise period – one year
 Market price on 1st April 2011 – Rs. 140
 60 options were lapsed on 01st March 2013 and another 40 options lapsed on 1st May 2013.
 Remaining 400 options were exercised on 30th June 2014.
 Pass journal entries (Face Value – Rs. 10)
- Q-9** X Ltd. granted 1,000 stock options to its employees on 1st April 2015 at Rs. 20 per share.
 Vesting period = 3 years
 Maximum exercise period – Six months
 Market price on 1st April 2015 – Rs. 100
 100 options were lapsed on 31st December 2015.
 Another 150 options were lapsed on 1st February 2017.
 Another 200 options were lapsed on 1st January 2018.
 Remaining options were exercised on 31st May 2018.
 Pass journal entries (Face Value – Rs. 10)
- Q-10** A company grants 500 options on 1/4/1999 at Rs 40 when the market price is Rs 160, the vesting period is two and a half years, the maximum exercise period is one year. Also suppose that 150 unvested options lapse on 1/5/2011. 300 options are exercised on 30/6/2002 and 50 vested options lapse at the end of the exercise period. Pass the journal entries. **[CA Study Material]**
- Q-11** Choice Ltd. grants 100 stock options to each of its 1,000 employees on 1st April 2001 for Rs. 20 depending upon the employees at the time of vesting of options. Options would be exercisable within a year it is vested. The market price of the share is 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 the year 2 if the average earning of the two years is 13% or lastly it will vest at the end of third year if the average earning of 3 years will be 10%. 5,000 unvested options lapsed on 31.03.2002. 4,000 unvested options lapsed on 31.03.2003 and finally 3,500 unvested options lapsed on 31.03.2004. Following is the earning of Choice Ltd:
- | Year ended on | Earning (in %) |
|---------------|----------------|
| 31.03.2002 | 14% |
| 31.03.2003 | 10% |
| 31.03.2004 | 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. **(CA Study Material)**

Practice Questions

Q-12 Arihant Limited has its share capital dividend into equity shares of Rs. 10 each. On 1-10-2012, it granted 20,000 employees' stock option at Rs 50 per share, when the market price was Rs. 120 per share. The options were to be exercised between 10th December, 2012 and 31st March, 2013. The employees exercised their options for 16,000 shares only and the remaining options lapsed. The company closes its books on 31st March every year. Show Journal Entries (with narration) as would appear in the books of the company upto 31st March, 2013.
[CA IPCC MAY 2013]

Q-13 Raman Ltd. granted 1000 options on April 01, 2018 at Rs. 40 (nominal value Rs. 10 each) when the market price was Rs. 120, and the vesting period was 2.5 years. The maximum exercise period was one year. On Oct 1, 2020, 200 unvested options lapsed and 600 options were exercised. On 30th Oct, 2021 remaining 200 options lapsed at the end of exercise period. Pass necessary journal entries.
(ICSI Study Material)

Q-14 A Company has its share capital divided into shares of Rs. 10 each. On 1st April, 20X1 it granted 10,000 employees' stock options at Rs. 40, when the market price was Rs. 130. The options were to be exercised between 15th March, 20X2 and 31st March, 20X2. The employees exercised their options for 9,500 shares only; the remaining options lapsed. The company closes its books on 31st March every year. Show Journal Entries.
(ICSI Study Material)

Q-15 ABC Ltd. grants 1,000 employees stock options on 1.4.20X0 at Rs. 40, when the market price is Rs. 160. The vesting period is 2½ years and the maximum exercise period is one year. 300 unvested options lapse on 1.5.20X2. 600 options are exercised on 30.6.20X3. 100 vested options lapse at the end of the exercise period. Pass Journal Entries giving suitable narrations.
(ICSI Study Material)

Q-16 P Ltd. granted option for 8,000 equity shares of nominal value of Rs. 10 on 1st October, 20X0 at Rs. 80 when the market price was Rs. 170. The vesting period is 4½ years, 4,000 unvested options lapsed on 1st December, 20X2, 3,000 options were exercised on 30th September, 20X5 and 1,000 vested options lapsed at the end of the exercise period. Pass Journal Entries for above transactions.
(ICSI Study Material)

Q-17 M2 Ltd. is a company and has an ESOP programme, for the following ESOP related exercise:

Date	
1 st April 2018	10,000 options were granted at ₹ 400 each when market price was ₹ 1,000. Vesting period was three years Maximum exercise period was one year
31 st March, 2021	2,000 unvested options lapsed
31 st March, 2021	7,000 options were exercised
31 st March, 2022	1,000 options lapsed

Assume face value of share is ₹ 10. Company follows April-March year end.

You are required to pass necessary journal entries.

(CS June 2024)

***God is all knowing. Without even saying a word our condition is known to God
- Sant Rajinder Singh Ji***

Chapter 7 Debentures

Q-1 Journalize the following transactions:

- (i) Issue at 10% discount, 3,000, 9% debentures of Rs. 100 each, redeemable at par.
- (ii) Issue at 10% premium, 4,000, 10% debentures of Rs. 100 each, redeemable at par.
- (iii) Issue at par, 2,000, 8% debentures of Rs. 100 each, redeemable at premium of 5%.
- (iv) Issue at 10% discount, 2,000, 9% debentures of Rs. 100 each, redeemable at premium of 5%.

Also give journal entry in case of (iv) above at the time of redemption of debentures.

(Note: Narrations need not be given).

(CS June 2006)

Q-2 Amrit Ltd. Issued 10,000, 11% debentures of Rs. 100 each to shareholders on rights basis. On the basis of the following information, pass the journal entries in each case separately:

- (i) Debentures were issued at a discount of 5% and redeemable at a premium of 10%.
- (ii) Debentures were issued at a premium of 5% but redeemable at a premium of 10%.

(CS June 2003)

Q-3 Journalize the following transactions.

Issue of 12%, 1,00,000 debentures of Rs. 100 each

- (i) at par and redeemable at par.
- (ii) at 10% discount and redeemable at par.
- (iii) at 10% premium and redeemable at par.
- (iv) at 10% premium and redeemable at a premium of 5%.
- (v) at par and redeemable at a premium of 5%.
- (vi) at 10% discount and redeemable at a premium of 5%.

(ICSI Study Material)

Q-4 Fortune Ltd. issued Rs. 70,000, 12% debentures of Rs. 100 each at a premium of 5% redeemable at 110%.

You are required to –

- i. Show by means of journal entries how you would record the above issue.
- ii. Also show how they would appear in the balance sheet.

(CS Dec 2012)

Q-5 S Ltd. issued 10,000 12% Debentures of Rs. 100 each at a discount of 5%.

These debentures are redeemable at a premium of 10% after 5 years.

You are required to show

- (i) Journal entry on issue of debentures
- (ii) The loss on issue of debentures account over the period.

(CS Dec 2014)

Q-6 Bee Ltd. issued 2,000, 12% Debentures of Rs. 100 each at a discount of 6% on 1.4.2018 repayable by equal annual drawings in four years. You are required to show the Discount on Issue of Debentures Account over the period.

(ICSI Study Material)

Q-7 Indra Ltd. issued 10,000 debentures of Rs. 100 each at a discount of 6%. The expenses on issue amounted to Rs. 35,000. The debentures have to be redeemed at the rate of Rs. 1,00,000 each year commencing with end of fifth year. How much discount and expenses should be written off each year?

Q-8 X Ltd. purchased machinery worth Rs. 1,00,000 and furniture worth Rs. 50,000 from Y Ltd.

X Ltd. issued necessary debentures to Y Ltd.

Pass journal entries if

- (a) Debentures are issued at par.
- (b) Debentures are issued at 20% premium
- (c) Debentures are issued at 20% discount.

(Face value of Debenture – Rs. 100)

- Q-9** Z Ltd. took over the assets of Rs. 6,00,000 and liabilities of Rs. 80,000 of C Ltd. for an agreed purchase consideration of Rs. 5,40,000 to be satisfied by the issue of 10% Debentures of Rs. 1,000 each.
Required: Show the necessary journal entries in the books of Z Ltd, assuming that—
Case (a) Such Debentures are issued at par;
Case (b) Such Debentures are issued at 20% premium; and
Case (c) Such Debentures are issued at 10% discount.
- Q-10** The Sonu Power Ltd. took over assets of Rs. 230 Lacs and liabilities of Rs. 30 Lakh of PQR Company Ltd. for the purchase consideration of Rs. 220 Lacs. The Sonu Power Ltd. paid the purchase consideration issuing debentures of Rs. 100 each at 10% premium. Give journal entries in the books of the Sonu Power Ltd.
- Q-11** Radha Ltd. purchased machinery worth Rs.1,20,000 and building worth Rs. 2,00,000 from Deepa Ltd. for an agreed purchase consideration of Rs. 3,00,000 to be satisfied by the issue of 3,000, 12% debentures of Rs. 100 each. Show the necessary journal entries in the books of Radha Ltd.
(ICSI Study Material)
- Q-12** Rai Company purchased assets of the book value of Rs. 2,20,000 from another company and agreed to make the payment of purchase consideration by issuing 2,000, 10% debentures of Rs. 100 each at a premium of 10%. Record necessary journal entries.
(ICSI Study Material)
- Q-13** X Ltd. borrowed Rs. 25,00,000 from a scheduled bank at an annual interest rate of 12% and deposited 14% debentures of the face value of Rs. 40,00,000 as collateral security. Pass the journal entries regarding the issue of debentures as collateral security and also show the above items in the company's balance sheet.
(CS Dec 2013)
- Q-14** Z Ltd. secured an overdraft of Rs. 50,000 from the bank by issuing 600, 12% Debentures of Rs. 100 each as collateral security. Prepare the Balance sheet of the Company.
(Study Material)
- Q-15** B Ltd. secured an overdraft of Rs. 80,000 from the bank by issuing 900, 12% Debentures of Rs. 100 each as collateral security. Prepare the Balance Sheet of the Company.
(ICSI Study Material)
- Q-16** Aman Ltd. made the following issues of debentures:
(i) 6,000, 9% Debentures of Rs. 100 each for cash at 10% discount.
(ii) To bank for a loan of Rs. 7,00,000 as collateral security, 10,000 debentures of Rs. 100 each.
(iii) Aman Ltd. also purchased building and machinery worth Rs. 5,40,000 and Rs. 4,60,000 respectively from Baman Ltd. The purchase consideration was settled at Rs. 9,50,000 to be satisfied by issue of 9,500, 15% debentures of Rs. 100 each.
Journalize the above transactions in the books of Aman Ltd.
(CS Dec 2006)
- Q-17** X Ltd. has Rs. 1,00,000, 12% Debentures. Interest is payable half yearly on 30th September and 31st March every year. Pass journal entries related to interest of one year.
- Q-18** X Ltd. has Rs. 1,00,000, 12% Debentures. Interest is payable half yearly on 30th September and 31st March every year. The company is required to deduct TDS @ 10%. Pass journal entries related to interest of one year.

- Q-19** M Ltd. had issued Rs. 5,00,000, 10% debentures on which interest was payable half-yearly on 30th September and 31st March. Show the necessary journal entries relating to debenture interest for the year ended 31st March, 2022 assuming that all moneys were duly paid by the company. Tax deducted at source is 10%.
(ICSI Study Material)
- Q-20** A company issued 12% debentures of the face value of Rs. 2,00,000 at 10% discount on 1st January, 2010. Debenture interest after deducting tax at source @ 10% was payable on 30th June and 31st December every year. All the debentures were to be redeemed after the expiry of 5 years period at 5% premium. Pass the necessary journal entries.
(CS June 2012)
- Q-21** 12% Debentures of Rs. 10,00,000 were issued on 01/11/2011. Interest was paid on 30th June and 31st December.
Books of accounts are closed on 31st March. Pass journal entries related to interest on 31st Dec 2011, 31st March 2012 and 30th June 2012.
- Q-22** Favourite Ltd. issued Rs. 15,00,000, 10% debentures on 1st October, 2012 and interest is payable on 30th June and 31st December. Pass journal entries to record debentures interest for accounting years ended on 31st March, 2013 and 31st March, 2014.
(CS June 2014)
- Q-23** Journalise the following:
- 6,000, 9% Debentures of Rs. 100 each are to be redeemed at 2% premium. The debenture holders are redeemed by issue of equity shares of Rs. 10 each.
 - 6,000, 9% Debentures of Rs. 100 each are to be redeemed at 5% premium. The debenture holders are redeemed by issue of equity shares of Rs. 10 each at 20% Premium.
 - 6,000, 9% Debentures of Rs. 100 each are to be redeemed at 10% premium. The debenture holders are redeemed by issue of 10% debentures of Rs. 100 each at 4% discount.
- Q-24** Zenith Ltd. gave notice of its intention to redeem its outstanding Rs. 6,00,000, 9% debentures at 102% and offered the holders the following options to apply for the redemption moneys to subscribe for:
- 6% Cumulative preference shares of Rs. 20 each at Rs. 22.50 per share; and
 - 10% Debentures of Rs. 100 each at Rs. 96.
- The holders of Rs. 2,40,000 debentures accepted the proposal (i); and Rs. 3,60,000 debenture holders accepted the proposal (ii) above.
Pass the necessary journal entries to give effect to the abovementioned transactions.
(CS June 2005)
- Q-25** Journalize the following transactions:
- 950, 14% Debentures of Rs. 100 each, issued at par and redeemable at par, were converted into equity shares of Rs. 10 each issued at par.
 - 950, 14% Debentures of Rs. 100 each, issued at par and redeemable at par, were converted into debentures of Rs. 100 each issued at a discount of 5%.
 - Rs. 95,000, 14% debentures of Rs. 100 each, issued at par and redeemable at par, were converted into equity shares of Rs. 10 each issued at Rs. 9.50 paid-up. **(CS Dec 2007)**
- Q-26** On 10th April, 2012, Zenith Ltd. issued 12,500, 12% debentures of Rs. 100 each at Rs. 98. Holders of these debentures have an option to convert their holdings into 14% preference shares of Rs. 100 each at a premium of Rs. 25 per share at any time within three years. On 31st March, 2013, holders of 2,500 debentures notified their intention to exercise the option.
Show the journal entries relating to the issue and conversion of debentures in the books of the company.
(CS Dec 2013)

- Q-27** On 1st April, 2010, Rosy Ltd. issued 20,000, 13% debentures of Rs. 100 each at 5% discount. Debentureholders have an option to convert their holdings in 14% preference shares of Rs. 100 each at a premium of Rs. 25 per share. On 31st March, 2011, one year's interest has accrued on these debentures and has remained unpaid. A holder of 100 debentures notified his intention to convert his holdings in 14% preference shares. Journalise these transactions. Also show workings for number of preference shares to be issued in exchange. **(CS Dec 2011)**
- Q-28** On 1st January, 2011, a company issued 1,000, 12% debentures of Rs. 500 each at Rs. 450 each. Debentureholders were given an option to get their debentures converted into equity shares of Rs. 100 each at a premium of Rs. 50 per share. On 31st December, 2012, one year's interest had accrued on these debentures which was not paid. A holder of 100 debentures informed that he wanted to exercise the option for conversion of debentures into equity shares. The company, therefore, accepted his request and redeemed these 100 debentures by issuing him equity shares. The interest payable on these 100 debentures was also paid to the debentureholder. Pass the necessary journal entries regarding issue, interest and redemption of debentures. **(CS June 2014)**
- Q-29** In 1999, Gem Ltd. issued 10% Rs. 20,00,000 debentures at a discount of 10%, the debentures were redeemable in 2004. In 2004, the company gave the debenture holders the option of converting the debentures into equity shares of face value of Rs. 10 at premium of 25%. One debentureholder holding Rs. 4,00,000 debentures wants to exercise the option. What is the face value of the shares that he will get? **(CS Dec 2004)**
- Q-30** 12% Debentures as on 01/04/15 Rs. 3,00,000
Interest on Debenture is payable on 30th September and 31st March.
Company purchased following debentures from open market:-
01/06/2015 : Rs. 20,000 debentures were purchased at Rs. 19,700 ex-interest.
01/08/2015 : Rs. 10,000 debentures were purchased at Rs. 9,800 cum-interest
Pass journal entries (ignore interest on due dates)
- Q-31** 12% Debentures as on 01/04/15 (Rs. 100 each) Rs. 5,00,000
Interest dates 30th September & 31st March
Following debentures were purchased from open market:
1st August 2015 : 500 debentures at Rs. 98 ex-interest.
1st February 2016 : 1,000 debentures at Rs. 100.25 cum interest.
Pass journal entries for the year ending 31st March 2016.
- Q-32** A Ltd. had 1,000, 12% Debentures of Rs. 500 each as on 1st Jan, 2012. As per the terms of issue, the company purchased the following debentures in the open market for immediate cancellation:
1st March 2012 - Rs. 50,000 at Rs. 490 (cum-interest)
1st August 2012 - Rs. 1,00,000 at Rs. 501.25 (cum-interest)
15th December 2012 - Rs. 25,000 at Rs. 492.50 (ex-interest)
Debenture interest is payable half-yearly on 30th June and 31st December. Pass Journal entries.
- Q-33** Favourite Ltd. had 2,000, 12% Debentures of Rs. 100 each as on 1st April, 2007. As per the terms of issue, the company purchased the following debentures in the open market for immediate cancellation:
1st May - 400 Debentures at Rs. 98 cum-interest
1st January - 800 Debentures at Rs. 100.25 cum-interest
1st March - 200 Debentures at Rs. 98.50 ex-interest
Assuming that debenture interest was payable half-yearly on 30th September and 31st March and the Income-tax was deductible at the rate of 10% at source. Show the journal entries in the books of the company and prepare the necessary ledger accounts. The company closes its books on 31st March.

- Q-34** 12% Debentures of Rs. 100 each as on 1st April 2015 Rs. 2,00,000
Interest is payable on 30th September and 31st March.
Debentures redeemed during the year:
1. 300 debentures were redeemed on 1st August 2015 by drawing lots.
2. 500 debentures were redeemed on 1st November 2015 by drawing lots.
3. Company purchased 200 debentures from open market at Rs. 99.5 cum interest on 1st Feb 2016.
Pass Journal entries.
- Q-35** 12% Debentures as on 1st April 2015 Rs. 2,00,000
Interest is payable on 30th September and 31st March.
Debentures redeemed during the year:
1. Company purchased Rs. 15,000 debentures from open market at Rs. 14,500 ex interest on 1st July, 2015.
2. The company redeemed Rs. 20,000 debentures by drawing lots on 1st November, 2015.
3. The company redeemed Rs. 10,000 debentures by drawing lots on 1st January, 2016
Pass Journal entries.
- Q-36** ABC Ltd. wants to redeem all its debentures on 30th Sep 2016.
12% Debentures outstanding as on 30th September 30, 2016- Rs. 5,00,000
Interest is paid on 30th June and 31st Dec every year.
Pass journal entries on the date of Redemption. Ignore DRR.
- Q-37** A company had issued 30,000, 14% convertible debentures of Rs. 100 each on 1st April, 2014. The debentures are due for redemption on 1st July, 2016, the terms of issue of debentures provided that they were redeemable at a premium of 5% and also conferred option to the debenture holders to convert 20% of their holding into equity shares (Nominal value Rs. 10) at a price of Rs.15 per share. Debenture holders holding 2,500 debentures did not exercise the option. Calculate the number of equity shares to be allotted to the debenture holders exercising the option to the maximum. **(CA May 2017; 4 Marks)**
- Q-38** Venus Limited recently made a public issue in respect of which the following information is available.
(i) No. of partly convertible debentures issued 4,00,000, face value and issue price of Rs. 100 pr debenture.
(ii) Convertible portion per debenture – 80% date of conversion – on expiry of 7 months from the date of closing of issue.
(iii) Date of closure of subscription list – 01.06.2013, date of allotment – 01.07.2013. Rate of interest on debentures – 10% p.a. payable from the date of allotment. Value of equity share for the purpose of conversion – Rs. 40 (Face value Rs. 10)
(iv) Underwriting commission – 3%
(v) No. of debentures applied for 3,00,000
(vi) Interest payable on debentures – half yearly on 30th September and 31st March,
Write relevant journal entries for all transactions arising out of the above during the year ended on 31st March, 2014 (including cash and bank entries). **(CA Nov 2014; 8 Marks)**
- Q-39** 12% Debentures as on 31st March 2015 Rs. 1,00,000
Sinking Fund as on 31st March 2015 Rs. 60,000
Sinking fund Investments (Face Value Rs. 50,000) as on 31st March 2015 Rs. 52,000
Amount transferred to Sinking fund Rs. 20,000
Sinking funds investments were sold for Rs. 51,000. Prepare necessary ledger.

- Q-40** 12% Debentures as on 31st March 2015 Rs. 5,00,000
 Sinking Fund as on 31st March 2015 Rs. 80,000
 Sinking fund Investments (Face Value Rs. 50,000) Rs. 45,000
 Amount transferred to Sinking fund Rs. 25,000
 Sinking funds investments were sold for Rs. 50,000. Prepare necessary ledger.
- Q-41** 12% Debentures Rs. 1,00,000
 Sinking Fund Rs. 60,000
 Sinking fund Investments (Face Value Rs. 60,000) Rs. 32,000
 Amount transferred to Sinking fund Rs. 25,000
 50% of the sinking fund investment were sold for Rs. 13,000. Prepare necessary ledger.
- Q-42** 12% Debentures Rs. 1,00,000
 Sinking Fund Rs. 60,000
 Sinking fund Investments (Face Value Rs. 60,000) Rs. 32,000
 Amount transferred to Sinking fund Rs. 25,000
 Sinking fund investment of the face value of Rs. 40,000 were sold for Rs. 19,000. Prepare necessary ledger.
- Q-43** 12% Debentures as on 31st March 2015 Rs. 1,00,000
 Sinking Fund as on 31st March 2015 Rs. 85,000
 Sinking fund Investments (Face Value Rs. 80,000) Rs. 80,000
 All the investments were sold @ 105% on 01st April 2015.
 On 1st April 2015 all the debentures were redeemed. Prepare necessary ledger
 (i) If debentures are redeemed at par. (ii) If debenture are redeemed at 110%.
- Q-44** On 31st March, 2000, the following balances were extracted from the books of P Ltd.
 12% First mortgage debentures 50,00,000
 Debenture redemption fund 50,00,300
 Debenture redemption fund investments 42,00,000
 On 1st April, 2000, all the investments were sold for Rs. 41,16,000 and the debentures were redeemed at par. The company had sufficient bank balance. You are required to prepare:
 (i) 12% First mortgage debentures account; (ii) Debenture redemption fund account; and
 (iii) Debenture redemption fund investments account. **(CS Dec 2000)**
- Q-45** On 31st March, 2014 the following balances stood in the books of a company: Rs.
 8% First mortgage debentures 10,00,000
 Debenture redemption fund 10,65,400
 Debenture redemption fund investments:
 Rs. 3,50,000, 6% Haryana Electricity Board Bonds 3,65,300
 Rs. 4,00,000, 5% Punjab Water Board Loan 3,20,340
 Rs. 3,00,000, 8% Rajasthan Govt. Loan 3,08,550
 Rs. 80,000, 7% Gurgaon Gramin Bank Loan 80,210
 On the same day investments were sold as follows:
 6% Haryana Electricity Board Bond at par
 5% Punjab Water Board Loan at Rs. 91
 8% Rajasthan Govt. Loan at Rs. 109
 7% Gurgaon Gramin Bank Loan at Rs. 103
 On 31st March, 2014 debentures were redeemed at a premium of 5%.
 You are required to prepare important accounts in the books of company. **(CS June 2014)**

- Q-46** On June 30, 2016; following balances stood in the books of SP Ltd:
- | | |
|---|----------|
| 7% Second Mortgage Debentures of Rs. 100 each | 4,00,000 |
| Income received on Sinking Fund Investment | 14,500 |
| Discount on issue of Debentures | 25,000 |
| Sinking Fund | 3,65,500 |
- Sinking Fund Investments:
- | | |
|---|----------|
| (a) Rs. 2,00,000 5% State Development Loans | 1,90,000 |
| (b) Rs. 1,80,000 6% National Defence Bonds | 2,00,000 |
- On the same day, the Investments were sold as follows:
- | | |
|---|--|
| (a) The 5% State Development Loans at 90% and | |
| (b) 6% National Defence Bonds at par. | |
- On July 1, 2016, all the Debentures were redeemed at a premium of 2.5%. Annual contribution for redemption was Rs. 50,000. Ignore interest
Prepare 7% Mortgage Debentures, Sinking Fund & sinking Fund Investment Accounts.
(CS June 2017; 5 Marks)
- Q-47**
- | | |
|-------------------------------|--------------|
| Sinking fund Account | Rs. 50,000 |
| Sinking fund Investment | Rs. 20,000 |
| 12% Debentures (Rs. 100 each) | Rs. 1,00,000 |
- The company sold all its investments at a loss of Rs. 2,000.
Sale proceeds of investments are utilized to redeem part debentures at par. Prepare ledger.
- Q-48**
- | | |
|-------------------------------|--------------|
| Sinking fund Account | Rs. 50,000 |
| Sinking fund Investment | Rs. 20,000 |
| 12% Debentures (Rs. 100 each) | Rs. 1,00,000 |
- The company sold all its investments at a loss of Rs. 2,000
Sale proceeds of investments are utilized to redeem part debentures at 20% premium. Prepare necessary ledger.
- Q-49** The following balances appeared in the books of Bright Ltd. as on 1st April, 2013 :
- | | |
|-------------------------------------|--|
| (a) Sinking fund account | 50,000 |
| (b) Sinking fund investment account | 48,000 (10% government securities, nominal value 45,000) |
| (c) 12% Debenture account | 1,00,000. |
- The company sold 30,000 government securities at 110% and redeemed part of the debentures at a premium of 10% on 1st April, 2013.
Show debenture account, sinking fund account, sinking fund investment account and debenture holders account.
(CS June 2015)
- Q-50**
- | | |
|--|---------------|
| 12% Debentures as on 01 st April 2015 | Rs. 10,00,000 |
| Sinking fund as on 1 st April 2015 | Rs. 6,00,000 |
- Transactions during the year:
- Purchased 9% Investments at Rs. 50,000 ex interest (Face Value Rs. 60,000) on 1st June 2015.
 - Interest on investments is received on 30th September and 31st March.
- Prepare Sinking fund Account, 9% Sinking fund Investment Account, and Interest on Sinking fund Investments Account.
- Q-51** Ledger balances as on 1st April 2007
- | | |
|---|------------|
| Sinking fund | Rs. 60,000 |
| 9% Sinking Fund Investment (Face Value Rs 30,000) | Rs. 28,000 |
- 9% Sinking Fund Investment were sold for Rs. 32,000 cum interest on 1st March 2008
Interest is received on 30th sep and 31st March.
Prepare necessary ledger.

Q-52 9% Sinking fund Investment (Face Value – Rs. 1,00,000)
(as on 01/04/2015) Rs. 99,000

Interest is received on 30th September and 31st March
50% of the Sinking Fund Investment was sold on 1st May 2015 at Rs. 47,375 cum Interest.
Prepare necessary ledger accounts.

Q-53 12% Sinking fund Investment A/c (as on 01/04/2015) (FV Rs. 1,00,000) Rs. 1,05,000

Interest is received on 30th September and 31st March
Rs. 30,000 investment were sold on 01/05/2015 for Rs. 32,000 (Ex-interest)
Remaining investment were sold on 01/01/2016 for Rs. 71,000 cum interest.
Prepare Sinking fund investment A/c and Interest on Sinking fund investment A/c.

Q-54 The following balance appeared in the books of a company on 1st April, 2004:

	Rs.
12% Debentures	8,00,000
12% Debenture sinking fund	6,00,000
12% Debenture sinking fund investments (represented by 10% Govt. bonds secured of Rs. 7,20,000)	6,00,000

Annual contributions of Rs. 1,28,000 to sinking fund is to be made on 31st March every year. On 31st March, 2005, balance at bank was Rs. 4,00,000 after receipt of interest. The company sold the investments at 80% and debentures were redeemed. You are required to prepare — (i) 12% debentures account; (ii) debenture sinking fund account; (iii) debenture sinking fund investments account; and (iv) bank account.
(CS Dec 2005)

Q-55 Beta Ltd. has following balance as on 1st April, 2015:

15% Debentures	8,00,000
Sinking fund (<i>represent by 10% bonds, Face value: Rs. 7,20,000</i>)	6,00,000
Bank balance	3,28,000

Other information –

- Annual contribution to sinking fund Rs. 1,28,000 and interest on investments are credited on 31st March each year.
- On 31st March, 2016, the company paid-off the debentures by selling the investment at 80%
- Debentures were redeemed at 10% premium.

Prepare necessary ledger accounts for the year 2015-16. Payment of interest on debentures shall be ignored.
(CS Dec 2016; 5 Marks)

Q-56 Following balances appeared in the books of Bahubali Ltd. as on 1st April, 2014:

14% Debentures	Rs. 15,00,000
Balance of sinking fund	Rs. 12,00,000
Sinking fund investment	Rs. 12,00,000

Following further information is provided:

- Sinking fund investment is represented by 10%, Rs. 13,00,000 secured government bonds.
- Annual contribution to sinking fund is Rs. 2,40,000 on 31st March each year.
- Balance at bank on 31st March, 2015 is Rs. 6,00,000 before receipt of interest.
- Investment was sold at 90% on 31st March, 2015.
- Debentures were redeemed at 10% premium on 31st March, 2015.

Prepare necessary ledger accounts for the year ended 31st March, 2015. **(CS June 2016; 5 Marks)**

- Q-57** 12% Debentures as on 1st April 2016 Rs. 1,00,000
Sinking Fund as on 1st April 2016 Rs. 80,000
The company purchased its own debentures for Rs. 19,900 ex-interest (Face Value – Rs. 20,000) on 1st May 2016 as sinking fund investments.
Interest dates :- 30th September and 31st March.
On 31st March 2017, the company cancelled its own debentures.
Ignore interest on debentures.
Prepare 12% Debentures Account, Own Debenture Account, Sinking Fund Account and Interest on Own Debentures Account.
- Q-58** 12% Debentures as on 1st April 2016 Rs. 1,00,000
Sinking Fund as on 1st April 2016 Rs. 70,000
The company purchased its own debentures for Rs. 19,000 cum-interest (Face Value – Rs. 20,000) on 1st June 2016 as sinking fund investments.
The company again purchased its own debentures for Rs. 9,900 ex-interest (Face Value – Rs. 10,000) on 1st March 2017.
Interest dates :- 30th September and 31st March.
On 31st March 2017, the company cancelled its own debentures.
Ignore interest on debentures.
Prepare 12% Debentures Account, Own Debenture Account, Sinking Fund Account and Interest on Own Debentures Account.
- Q-59** Excell Ltd. purchased its own 12% debentures of the face value of Rs. 100 each (interest payable on 30th September and 31st March) as sinking fund investment as shown below:
1st August, 2002 Rs. 6,00,000 @ Rs. 94 ex-interest.
31st December, 2002 Rs. 4,00,000 @ Rs. 95 cum-interest.
The total amount of debentures outstanding on 1st April, 2002 was Rs. 1,00,00,000.
Calculate the amount to be credited to the sinking fund during the year ending 31st March, 2003 by way of interest resulting from the above mentioned transactions? **(CS Dec 2002)**
- Q-60** ZED Ltd. has 25,000, 10% Debentures of Rs. 100 each outstanding as on 1st April, 2013, redeemable on 31st March, 2014. On 1st April, 2013, Sinking Fund was Rs. 24 lakhs represented by 3,000 own Debentures purchased at the average price of Rs. 98 and 8% Stocks of face value of Rs. 22 lakhs. The annual installment towards Sinking Fund was Rs. 90,000.
On 31st March 2014, the investments were realized at Rs. 97 and the Debentures were redeemed.
Draw the following Accounts for the year ended 31st March, 2014;
(i) 10% Debenture Account.
(ii) Debenture Redemption Sinking Fund Account.
(iii) Show the necessary working notes **(CA May 2014; 8 Marks)**
- Q-61** Rama Ltd issued 8% Debentures of Rs. 3,00,000 in earlier year on which interest is payable half yearly on 31st March and 30th September. The company has power to purchase its own debentures in the open market for cancellation thereof. The following purchases were made during the financial year 2009-10 and cancellation made on 31st March 2010:
i. On 1st April, Rs. 50,000 nominal value debentures purchased for Rs. 49,450 ex-interest.
ii. On 1st September, Rs. 30,000 nominal value debentures purchased for Rs. 30,250 cum-interest.
Show the journal entries (without narrations) for the transactions held in the year 2009-10
(CA Nov 2010, Nov 2011)

Practice Questions

- Q-62** X Ltd made an issue of 10,000 12% debentures of Rs. 100 each , payable as follows:
 Rs. 25 on Application
 Rs. 25 on Application
 Rs. 50 on First and Final call.
 Applications were received for 12,000 debentures and the directors allotted 10,000 debentures rejecting an application for 2,000 debentures. The money received on application for 2,000 debentures rejected was duly refunded. All the calls were made and the moneys duly received.
 Show the necessary Cash Book and Journal Entries to record the above transactions. **(CS Dec 2017)**
- Q-63** ABC Company Ltd., proposes to issue 10,000, 14% debentures of Rs. 100 each to its shareholders on right basis. They give you the following terms of issue and ask you to pass the journal entries in every case separately:
 (i) The debentures were issued at premium of 10% and redeemable at par.
 (ii) The debentures were issued at discount of 5% and redeemable at premium of 10%.
 (iii) The debentures were issued at par but redeemable at premium of 10%.
 (iv) The debentures were issued at premium of 5% but repayable at premium of 10%.
 (v) The debentures were issued at discount of 5% but redeemable at par. **(Study Material)**
- Q-64** Give the necessary journal entries both at the time of issue and redemption of debentures in the following case :
 Eagle Ltd. issued Rs.1,00,000, 15% debentures of Rs.100 each at a discount of 5%, but redeemable at a premium of 5% at the end of 4 years. **(CS Dec 2009)**
- Q-65** Josh Ltd. issued 2,000, 10% debentures of Rs.100 each at a discount of 10%. These debentures are redeemable at a premium of 10% after 8 years.
 You are required to-
 (i) Show journal entries on issue of debentures.
 (ii) Compute the loss on issue of debentures to be accounted over the period **(CS Dec 2016)**
- Q-66** Moon Ltd. issued 5,000 debentures of Rs. 100 each at a discount of 10%. The expenses on issue amounted to Rs. 20,000. The company wants to redeem the debentures at the rate of Rs. 1,00,000 each year commencing with the end of fifth year. How much discount and expenses should be written off in each year? **(CS June 2016; 5 Marks)**
- Q-67** Mars Ltd. obtained an overdraft of Rs. 5,00,000 on 31st March, 2016 from a bank by issuing and securing 6,000, 12% debentures of Rs. 100 each as collateral security. Show necessary journal entries and the entry in the balance sheet as on 31st March, 2016. **(CS Dec 2016; 5 Marks)**
- Q-68** ABC Ltd. made an issue of 50,000 12% Debentures of Rs 100 each, payable as follows: Rs. 25 on Application Rs. 50 on Allotment Rs. 25 on First and Final Call. Applications were received for 52,000 debentures and the directors allotted 50,000 debentures rejecting applications for 2,000 debentures. The application money received for 2,000 rejected debentures was duly refunded. All the calls were made and the moneys duly received. Show the Journal Entries to record the above transactions and prepare the Balance Sheet of the company. **(ICSI Study Material)**
- Q-69** Z Ltd. issued 2,500, 10% Debentures of Rs.100 each, a premium of 10% payable as Rs. 20 on application, Rs.50 on allotment (including the premium) and the balance on first & final call. The public applied for 3,500 debentures. Applications for 2,250 debentures were accepted in full, applicants for 500

were allotted 250 debentures, and remaining applications were rejected. All money was duly received. Journalize these transactions. **(ICSI Study Material)**

- Q-70** Z Ltd. issued 5,000, 14% debentures of Rs 100 each at a discount of 5%, the discount being adjustable on allotment. The debentures were payable as follows: On Application - Rs. 20 On Allotment - Rs. 25 On First and Final Call - Rs. 50 The debentures were fully subscribed and the money was duly received. Show the cash book and journal entries and prepare the balance sheet of the company. **(ICSI Study Material)**
- Q-71** X Limited Issued 10,000, 12% debentures of Rs. 100 each payable Rs. 40 on application and Rs. 60 on allotment. The public applied for 14,000 debentures. Applications for 9,000 debentures were accepted in full; applications for 2,000 debentures were allotted 1,000 debentures and the remaining applications, were rejected. All money was duly received. Journalize the transactions. **(ICSI Study Material)**
- Q-72** Jai Bhagwan Ltd has a balance of Rs. 4,00,000 in the Profit & Loss Statement. The company decided to forego the payment of dividend and utilize the profits to repay 12%, Rs. 3,50,000 debentures on 30th June 2022 at a premium of 10%. Debenture interest is paid annually on 31st December every year when the accounts are closed. The company has a balance of Rs. 2,00,000 in DRR. Journalize and ignore narration. **(ICSI Study Material)**
- Q-73** Bima Ltd. had issued 11% 5,00,000 debentures of Rs. 100 each redeemable on 31st March 2019 at a premium of 5%. The company offered three options to debenture holders as under:
(i) 13% Preference shares of Rs.10 each at Rs.10.50
(ii) 14% debentures of Rs. 100 at par.
(iii) Redemption in cash.
The options were accepted as under:
Option (i) by holders of 1,00,000 debentures.
Option (ii) by holders of 1,00,000 debentures.
Option (iii) by holders of 3,00,000 debentures.
The company carried out the redemption. Pass the necessary journal entries. **(ICSI Study Material)**
- Q-74** XYZ Ltd. has 5000, 10% debentures of Rs.100 each. The interest on these debentures is paid half yearly on June 30, December 31 every year. The company is not maintaining any sinking fund. On 01-04-2022, the company purchased 500 debentures at Rs. 95 each cum – interest for immediate cancellation. On 01-10-2022, the company purchased 600 debentures at Rs. 90 each ex-interest for immediate cancellation. Journalize. **(ICSI Study Material)**
- Q-75** Sugandha Ltd. issued 10,000 12% Debentures of Rs. 100 each on 1st April, 2021. Interest is payable on 30th September and 31st March every year. On 1st July, 2022, the company purchased 1,000 of its Own Debentures at Rs. 96 ex-interest as investments. On 1st January, 2023, the company purchased 2000 of its Own Debentures at Rs. 96 cum interest as investment. On 31st March 2023, the company cancelled all of its Own Debentures and books closes on 31st March every year. Journalize. **(ICSI Study Material)**
- Q-76** A Company had issued 20,000, 13% Convertible debentures of Rs. 100 each on 1ST April, 2007. The debentures are due for redemption on 1st July, 2009. The terms of issue of debentures provided that they were redeemable at a premium of 5% and also conferred option to the debenture holders to convert 20% of their holding into equity shares (Nominal Value Rs. 10) at a price of Rs. 15 per share. Debenture holders holding 2,500 debentures did not exercise the option. Calculate the number of equity shares to be allotted to the Debenture holders exercising the option to the maximum. **(CA May 2010; 2 Marks)**

- Q-77** Gurudev Limited purchases for immediate cancellation 6,000 of its own 12% debentures of Rs. 100 each on 1st November, 2017. The dates of interest being 31st March, and 30th September. Pass necessary journal entries relating to the cancellation if:
- Debentures are purchased at Rs. 98 ex-interest.
 - Debentures are purchased at Rs. 98 cum-interest.
- (CA May 2018)**
- Q-78** ABC Ltd. had Rs. 10,00,000, 6% Debentures of Rs. 100 each as on 31st March, 2015. The company purchased in the open market following debentures for immediate cancellation:
On 01-07-2015 – 1,000 Debentures @ Rs. 97/ (cum-interest)
On 29-02-2016 – 1,800 Debentures @ Rs. 99/ (ex – interest)
Debenture interest due dates are 30th September and 31st March i.e. twice in a year. Provide journal entries in the books of the company for the year ended 31st March, 2016. **(CS June 2017; 5 Marks)**
- Q-79** On 1st April, 2014 Kapil Ltd. had made an issue of 2,000, 6% debentures of Rs. 100 each. The Company during the year 2015-16 purchased for cancellation 500 of these debentures. The company paid Rs. 95 per debenture for 400 debentures and Rs. 98 per debenture for the rest. The expenses on purchase amounted to Rs. 200. Pass journal entries in the books of the company.
(CS June 2017; 3 Marks)
- Q-80** A company purchased 200, 12% debentures of Rs. 100 each at Rs. 97 on cum interest basis on 1st July, 2015 for immediate cancellation. Interest is payable on 30th September and 31st March each year. Pass Journal entries in the books of the company. **(CS June 2016; 3 MARKS)**
- Q-81** M Limited recently made a public issue of debentures. The following information is available in respect of the issue.
- 3,00,000 Partly convertible debentures of face value and issue price of Rs. 100 per debenture were issued.
 - Conversion of 50% of each debenture is to be done on expiry of 6 month from date of close of issue.
 - Date of closure of subscription list is 1st June, 2012. Date of allotment is 1st July 2012.
 - Interest on debenture at the rate of 12% is payable from date allotment;
 - Equity share of Rs. 10 each are issued at Rs. 50 per share for the purpose of conversion:
 - Underwriting commission is 2%
 - 2,25,000 debentures were applied for;
 - Interest on debentures is payable half yearly on 30th September and 31st March.
- Give Journal entries for all transactions relating to the above, including cash and bank entries for the year ended 31st March, 2013. **(CA Nov 2013; 8 Marks)**
- Q-82** The following balance appeared in the books of R Ltd. on April 1, 2017:
- 12% Debentures Rs. 8,00,000.
 - Sinking fund Rs.7,00,000.
 - Sinking fund investment Rs. 7,00,000 represented by 10% Rs. 7,50,000 secured bonds of Government of India.
- Annual contribution to the sinking fund was Rs. 1,20,000 made on 31st March each year. On 31st March, 2018, balance at bank was Rs. 3,50,000 before receipt of interest. The company sold investments at 90% for redemption of debentures at a premium of 10% on the above date.
You are required to prepare the following accounts for the year ended 31st March, 2018:
- Sinking Fund Account
 - Sinking Fund Investment Account
 - Bank Account.
- (CS June 2018; 5 Marks)**

- Q-83** Cheer Ltd. is interested in issuing 10,000, 12% debentures of ₹ 100 each. You are required to pass necessary journal entries in each of the following situations :
- Issued at 10% discount and redeemable at par
 - Issued at 5% premium and redeemable at par
 - Issue at par and redeemable at premium of 10%
 - Issued at discount of 5% and redeemable at premium of 10%
 - Issued at premium of 10% and redeemable at premium of 20%. [CS Dec. 2015]

- Q-84** A company had 40,000, 10 debentures of Rs. 100 each outstanding on 1 April, 2015 redeemable on 31st March, 2016.

On that day, sinking fund was Rs. 37,45,000 represented by 5,000 own debentures purchased at average price of Rs. 99 and 9% stocks of the face value of Rs. 33,00,000. The annual instalment was Rs. 1,42,000. On 31st March, 2016, the investments were realized at Rs. 98 and the debentures were redeemed.

Draw the following accounts for the year ending 31st March, 2016:

- 10% Debentures Account
- Debenture Redemption Sinking Fund Account (CA Nov 2016; 10 MARKS)

- Q-85** (i) The following balances appeared in the books of a Company as on 1st April, 2022:

Sinking Fund for Redemption of Debentures	₹ 5,50,000;
Sinking Fund Investments	₹ 3,44,325;
7% Debentures	₹ 10,00,000.

In order to redeem these debentures, the company sold the Sinking Fund Investments and realized ₹ 3,45,000.

You are required to pass journal entry for the accounting treatment of profit/ loss on sale of Sinking Fund Investment.

(ii) Out of ₹ 10,00,000 6% Debentures outstanding on 1st April, 2022, ₹ 5,00,000. Debentures were redeemed on 31st October, 2022. The balance of Debenture Sinking Fund Account on 1st April, 2022 was ₹ 10,00,000. Interest on debenture is paid on 31st March, 2022.

How will you deal with the balance of Debenture Sinking Fund Account at the time of its redemption? You are required to pass necessary journal entry in this regard. What will be the amount of interest paid on these debentures at the time of redemption? (CS Dec 2023) (2+3=5 marks)

*God is all knowing. Without even saying a word our condition is known to God
- Sant Rajinder Singh Ji*

Chapter 8: Consolidation of Accounts

Q-1 The balance sheets of H Ltd. and S Ltd are given as under

[I] Equities and Liabilities	H Ltd.	S Ltd.
Equity Share Capital	1,00,000	60,000
Creditors	90,000	10,000
	1,90,000	70,000
[II] Assets		
Fixed Assets	1,00,000	50,000
Investment in 100% shares of S Ltd.	60,000	-
Current Assets	30,000	20,000
	1,90,000	70,000

Prepare Consolidated Balance Sheet

Q-2 The balance sheets of H Ltd. and S Ltd as on 31-03-2009 are given as under

[I] Equities and Liabilities	H Ltd.	S Ltd.
Equity Share Capital	1,00,000	60,000
Creditors	90,000	10,000
	1,90,000	70,000
[II] Assets		
Fixed Assets	1,00,000	40,000
Investment in 100% shares of S L:td.	70,000	-
Current Assets	20,000	30,000
	1,90,000	70,000

Prepare Consolidated Balance Sheet

Q-3 The balance sheets of H Ltd. and S Ltd as on 31-03-2009 are given as under

[I] Equities and Liabilities	H Ltd.	S Ltd.
Equity Share Capital	1,00,000	50,000
Creditors	90,000	40,000
	1,90,000	90,000
[II] Assets		
Fixed Assets	1,00,000	40,000
Investment in 100% shares of S L:td.	40,000	-
Current Assets	50,000	50,000
	1,90,000	90,000

Prepare Consolidated Balance Sheet

Q-4 The balance sheets of H Ltd. and S Ltd as on 31-03-2009 are given as under

[I] Equities and Liabilities	H Ltd.	S Ltd.
Equity Share Capital	4,00,000	2,00,000
Surplus [P & L]	5,00,000	3,00,000
Creditors	8,00,000	4,00,000
	17, 00,000	9,00,000
[II] Assets		
Fixed Assets	9,50,000	8,00,000
Investment in 100% shares of S L:td.	5,50,000	-
Current Assets	2,00,000	1,00,000
	17,0,000	9,00,000

Prepare Consolidated Balance Sheet

Q-5 The balance sheets of H Ltd. and S Ltd as on 31-03-2012 are given as under

[I] Equities and Liabilities	H Ltd.	S Ltd.
Equity Share Capital	3,00,000	3,00,000
Surplus [P & L]	2,00,000	1,50,000
General Reserve	2,00,000	1,00,000
Creditors	2,50,000	-
	9,50,000	5,50,000
[II] Assets		
Fixed Assets	5,00,000	4,00,000
Investment in 100% shares of S L:td.	4,50,000	-
Current Assets	-	1,50,000
	9,50,000	5,50,000

Shares were purchased on 31.03.2012.

Prepare Consolidated Balance Sheet

Q-6 The balance sheets of H Ltd. and S Ltd as on 31-03-2009 are given as under

[I] Equities and Liabilities	H Ltd.	S Ltd.
Equity Share Capital	5,00,000	2,00,000
Surplus [P & L]	6,00,000	5,00,000
Creditors	10,00,000	7,00,000
	21,00,000	14,00,000
[II] Assets		
Fixed Assets	15,00,000	14,00,000
Investment in 100% shares of S L:td.	6,00,000	-
	21,00,000	14,00,000

Shares were purchased on 01.04.2008.

Profit and loss Account balance on 01/04/2008 was Rs. 3,00,000.

Prepare Consolidated Balance Sheet

Q-7 The balance sheets of H Ltd. and S Ltd as on 31-03-2013 are given as under

[I] Equities and Liabilities	H Ltd.	S Ltd.
Equity Share Capital	2,00,000	80,000
Surplus [P & L]	80,000	20,000
Creditors	70,000	20,000
	3,50,000	1,20,000
[II] Assets		
Land and Building	50,000	70,000
Plant and Machinery	1,50,000	30,000
Debtors	50,000	20,000
Investment in 100% shares of S L:td.	1,00,000	-
	3,50,000	1,20,000

Shares were purchased on 01.04.2012.

Profit and loss Account balance on 01/04/2012 was Rs. 12,000.

Prepare Consolidated Balance Sheet

Q-8 The balance sheets of H Ltd. and S Ltd as on 31-03-2009 are given as under

[I] Equities and Liabilities	H Ltd.	S Ltd.
Equity Share Capital	5,00,000	2,00,000
Surplus [P & L]	6,00,000	5,00,000
Creditors	10,00,000	7,00,000
	21,00,000	14,00,000
[II] Assets		

Fixed Assets	15,00,000	14,00,000
Investment in 100% shares of S L:td.	6,00,000	-
	21,00,000	14,00,000

Shares were purchased on 01.08.2008.

Profit and loss Account balance on 01/04/2008 was Rs. 3,50,000.

Prepare Consolidated Balance Sheet

Q-9 The balance sheets of H Ltd. and S Ltd as on 31-03-2013 are given as under

[I] Equities and Liabilities	H Ltd.	S Ltd.
Equity Share Capital	2,00,000	80,000
Surplus [P & L]	80,000	20,000
Creditors	70,000	20,000
	3,50,000	1,20,000
[II] Assets		
Land and Building	50,000	70,000
Plant and Machinery	1,50,000	30,000
Debtors	50,000	20,000
Investment in 100% shares of S L:td.	1,00,000	-
	3,50,000	1,20,000

Shares were purchased on 01.10.2012.

Profit and loss Account balance on 01/04/2012 was Rs. 12,000.

Prepare Consolidated Balance Sheet

Q-10 The balance sheets of H Ltd. and S Ltd as on 31-03-2009 are given as under

[I] Equities and Liabilities	H Ltd.	S Ltd.
Equity Share Capital	1,00,000	60,000
Surplus [P & L]	20,000	30,000
Creditors	65,000	80,000
	1,85,000	1,70,000
[II] Assets		
Fixed Assets	1,00,000	90,000
Investment in 60% shares of S L:td.	35,000	-
Current Assets	50,000	80,000
	1,85,000	1,70,000

Shares were purchased on 31.03.2009.

Prepare Consolidated Balance Sheet

Q-11 The balance sheets of H Ltd. and S Ltd as on 31-03-2009 are given as under

[I] Equities and Liabilities	H Ltd.	S Ltd.
Equity Share Capital	1,00,000	60,000
Surplus [P & L]	20,000	30,000
Creditors	65,000	80,000
	1,85,000	1,70,000
[II] Assets		
Fixed Assets	1,00,000	90,000
Investment in 60% shares of S L:td.	35,000	-
Current Assets	50,000	80,000
	1,85,000	1,70,000

Shares were purchased on 01.04.2008 when Profit and Loss Account balance was stood at Rs. 10,000. Prepare Consolidated Balance Sheet

Q-12 The balance sheets of H Ltd. and S Ltd as on 31-03-2009 are given as under

[I] Equities and Liabilities	H Ltd.	S Ltd.
Equity Share Capital	1,00,000	60,000
Surplus [P & L]	20,000	30,000
Creditors	65,000	80,000
	1,85,000	1,70,000
[II] Assets		
Fixed Assets	1,00,000	90,000
Investment in 60% shares of S L:td.	35,000	-
Current Assets	50,000	80,000
	1,85,000	1,70,000

Shares were purchased on 01.10.2008. Profit and Loss Account balance on 01-04-2008 was stood at Rs. 10,000. Prepare Consolidated Balance Sheet

Q-13 The balance sheets of H Ltd. and S Ltd as on 31.03.2009 are given as under

[I] Equities and Liabilities	H Ltd.	S Ltd.
Equity Share Capital	1,00,000	1,00,000
Profit and Loss Account	80,000	40,000
Creditors	40,000	60,000
	2,20,000	2,00,000
[II] Assets		
Fixed Assets	1,00,000	1,20,000
Investment in 60% shares of S L:td.	70,000	-
Current Assets	50,000	80,000
	2,20,000	2,00,000

Shares were purchased on 01.01.2009.

Profit and Loss Account balance on 01-04-2008 - Nil

Prepare Consolidated Balance Sheet

Q-14 The extracts of balance sheets of H Ltd. and S Ltd. as on 31st March, 2015 are given below:

I. EQUITY AND LIABILITIES	H Ltd.	S Ltd.
[1] Shareholder's funds		
[a] Share capital		
Equity shares of Rs. 10 each	5,00,000	2,00,000
[b] Reserves and surplus		
Securities premium	50,000	10,000
General reserve	1,00,000	50,000
Surplus	75,000	20,000
[2] Current liabilities		
Trade payables	<u>80,000</u>	<u>40,000</u>
	8,05,000	3,20,000
II ASSETS		
[1] Non-current assets		
[a] Fixed assets		
Tangible assets	5,10,000	3,20,000
[b] Long-term investment		
[15,000 equity shares in S Ltd. at cost]	<u>2,95,000</u>	<u>-</u>
	8,05,000	3,20,000

H Ltd. acquired shares in S Ltd. on 31st March, 2015.

You are required to calculate –

- [a] Minority interest; and
[b] Goodwill / capital reserve.

[CS Dec. 2015]

Q-15 The balance sheets of H Ltd. and S Ltd as on 31.03.2009 are given as under

[I] Equities and Liabilities	H Ltd.	S Ltd.
Equity Share Capital	1,00,000	80,000
Profit and Loss Account	50,000	50,000
Loan from H Ltd.	-	50,000
Bills Payable	90,000	30,000
Creditors	1,10,000	40,000
	3,50,000	2,50,000
[II] Assets		
Fixed Assets	1,00,000	1,00,000
Loan to S Ltd.	50,000	-
Debtors	40,000	50,000
Bills Receivable	30,000	30,000
Bank	80,000	70,000
Investment in 70% shares of S Ltd.	50,000	-
	3,50,000	2,50,000

Shares were purchased on 01.04.2008.

Profit and Loss Account balance on 01-04-2008 - Rs. 20,000

Debtors of H Ltd. include Rs. 10,000 receivable from S Ltd.

Bills receivable of S Ltd. includes Rs. 5,000 drawn against H Ltd.

Prepare Consolidated Balance Sheet

Q-16 Following are the balance sheets of Asha Ltd. and Bipasha Ltd. as on 31st March, 2008:

Liabilities	Asha Ltd [Rs.]	Bipasha Ltd [Rs.]
Capital [Rs. 10 per share]	10,00,000	8,00,000
Profit and loss account	4,00,000	2,00,000
Loan from Asha Ltd.	—	80,000
Bills payable	80,000	60,000
	14,80,000	11,40,000
Assets		
Machinery	3,00,000	2,80,000
Furniture	50,000	20,000
Debtors	2,50,000	8,00,000
Loan to Bipasha Ltd.	80,000	—
Shares in Bipasha Ltd.	7,00,000	—
Bills receivable	1,00,000	40,000
	14,80,000	11,40,000

Asha Ltd. purchased 75% shares of Bipasha Ltd. for Rs. 7,00,000 on 31st March, 2008. Bills payable of Bipasha Ltd. include bills of Rs. 20,000 accepted in favour of Asha Ltd. Prepare a consolidated balance sheet. [CS Dec 2008]

Q-17 The balance sheets of H Ltd. and S Ltd as on 31-03-2004 are given as under

[I] Equities and Liabilities	H Ltd.	S Ltd.
Equity Share Capital	1,00,000	50,000
Surplus [P & L]	80,000	50,000
Creditors	85,000	1,40,000
	2,65,000	2,40,000
[II] Assets		
Fixed Assets	1,00,000	80,000

Investment in 70% shares of S L:td.	75,000	-
Current Assets	90,000	1,60,000
	2,65,000	2,40,000

Shares were purchased on 01.01.2004.

- There was abnormal gain on 01-03-2004 for Rs. 12,000.
 - Balance in Profit & Loss Account of S Ltd. on 01-04-2003 – Rs. 18,000
- Prepare Consolidated Balance Sheet

Q-18 The balance sheets of H Ltd. and S Ltd as on 31-03-2004 are given as under

[I] Equities and Liabilities	H Ltd.	S Ltd.
Equity Share Capital	1,00,000	50,000
Surplus [P & L]	80,000	50,000
Creditors	85,000	1,40,000
	2,65,000	2,40,000
[II] Assets		
Fixed Assets	1,00,000	80,000
Investment in 70% shares of S L:td.	75,000	-
Current Assets	90,000	1,60,000
	2,65,000	2,40,000

- Shares were purchased on 01.01.2004.
 - There was abnormal loss on 01-09-2003 for Rs. 6,000.
 - Balance in Profit & Loss Account of S Ltd. on 01-04-2003 – Rs. 18,000.
- Prepare Consolidated Balance Sheet

Q-19 The balance sheets of H Ltd. and S Ltd as on 31.03.2009 are given as under

[I] Equities and Liabilities	H Ltd.	S Ltd.
Equity Share Capital	4,00,000	2,00,000
Profit and Loss Account	2,00,000	1,00,000
Liabilities	1,00,000	2,00,000
	7,00,000	5,00,000
[II] Assets		
Fixed Assets	5,00,000	3,00,000
Investment in 70% shares of S L:td.	1,70,000	-
Current Assets	30,000	2,00,000
	3,50,000	5,00,000

Shares were purchased on 31.03.2009.

Market value of fixed assets of S Ltd. on 31.03.2009 - Rs. 3,50,000

Prepare Consolidated Balance Sheet

Q-20 The balance sheets of H Ltd. and S Ltd as on 31.03.2009 are given as under

[I] Equities and Liabilities	H Ltd.	S Ltd.
Equity Share Capital	4,00,000	2,00,000
Profit and Loss Account	2,00,000	1,00,000
Liabilities	1,00,000	2,00,000
	7,00,000	5,00,000
[II] Assets		
Fixed Assets	5,00,000	3,00,000
Investment in 80% shares of S L:td.	1,70,000	-
Current Assets	30,000	2,00,000
	3,50,000	5,00,000

Shares were purchased on 01.04.2008 when Profit and loss Account balance was Rs. 40,000.		
Market value of fixed assets of S Ltd. on 01.04.2008	-	Rs. 4,80,000
Book Value on 01-04-2008	-	Rs. 3,50,000
Depreciation Rate	-	14.29%
Prepare Consolidated Balance Sheet		

Q-21 Following are the balance sheets of H Ltd. and its subsidiary S Ltd. as at 31st March, 2007:

Liabilities	H Ltd. [Rs.]	S Ltd. [Rs.]
Equity share capital:		
Shares of Rs. 10 each fully paid	6,00,000	2,00,000
General reserve	3,40,000	80,000
Profit and loss account	1,00,000	60,000
Creditors	70,000	35,000
	11,10,000	3,75,000
Assets		
Plant and machinery	3,90,000	1,35,000
Furniture	80,000	40,000
80% Shares in S. Ltd. [at cost]	3,40,000	—
Stock	1,80,000	1,20,000
Debtors	50,000	30,000
Cash at bank	70,000	50,000
	11,10,000	3,75,000

Additional information

- Profit and loss account of S. Ltd. stood at Rs. 30,000 on 1st April, 2006 whereas general reserve stood at Rs. 80,000 even on this date.
- H. Ltd. acquired 80% shares in S. Ltd. on 1st October, 2006.
- S. Ltd.'s plant and machinery which stood at Rs. 1,50,000 on 1st April, 2006 was considered worth Rs. 1,80,000 as on 1st October, 2006, this figure is to be considered while consolidating the balance sheets. You are required to prepare consolidated balance sheet as at 31st March, 2007.

[ICSI Study Material; CS June 2008]

Q-22 From the following balance sheets of Exe Ltd. and Wye Ltd. as on 31st March, 2007, work out [i] net amount due to minority interest; and [ii] cost of control:

Balance Sheets of Exe Ltd. and Wye Ltd. as on 31st March, 2007

Liabilities	Exe Ltd.	Wye Ltd.
Share capital:		
Shares of Rs. 100 each	15,00,000	5,00,000
General reserve	1,50,000	1,00,000
Profit and loss account	2,00,000	75,000
Creditors	1,87,500	1,20,000
	20,37,500	7,95,000
Assets		
Sundry assets	14,77,500	7,95,000
Investments:		
4,000 Shares of Rs. 100 each	5,60,000	—
	20,37,500	7,95,000

The assets of Wye Ltd. included equipments worth Rs. 1,50,000 which was revalued at Rs. 1,25,000. The investments of Exe Ltd. were in shares of Wye Ltd. and the same were acquired on 31st March, 2007.

(ICSI Study Material; CS Dec 2007)

Q-23 The balance sheets of H. Ltd. and its subsidiary S Ltd. as on 31st March, 2014 are given below:

	H Ltd.		S Ltd.	
	[Rs.]	[Rs.]	[Rs.]	[Rs.]
I. EQUITY AND LIABILITIES				
[1] Shareholders' funds				
[a] Share capital [authorized, issued, subscribed and paid-up capital] Equity shares of Rs. 100 each fully called and paid-up		15,00,000		3,00,000
[b] Reserves and surplus				
General reserve	6,00,000		2,25,000	
Surplus	<u>3,00,000</u>	9,00,000	<u>75,000</u>	3,00,000
[2] Current Liabilities				
Trade payables		<u>4,50,000</u>		<u>1,50,000</u>
TOTAL		<u>28,50,000</u>		<u>7,50,000</u>
II. ASSETS				
[1] Non-current assets				
[a] Fixed assets				
[i] Machinery	9,00,000		2,70,000	
[ii] Furniture	1,50,000		51,000	
[iii] Other assets	<u>13,20,000</u>	23,70,000	<u>4,29,000</u>	7,50,000
[b] Long-term investment				
2,400 shares at Rs. 200 Each in S Ltd. [at cost]		<u>4,80,000</u>		---
TOTAL		<u>28,50,000</u>		<u>7,50,000</u>

Other relevant information :

- I. Balance in general reserve and statement of profit and loss [Cr.] of S Ltd. stood at Rs. 75,000 and Rs. 45,000 respectively on the date of acquisition of its 80% shares by H Ltd.
- II. Machinery [book value Rs. 3,00,000] and furniture [book value Rs. 60,000] of S Ltd. were revalued at Rs. 4,50,000 and Rs. 45,000 respectively for the purpose of fixing the price of its shares. Book value of other assets remaining unchanged. These values are to be considered for consolidation purpose.

From the above balance sheets and additional information, prepare a consolidated balance sheet as at that date. **[CS Dec 2014]**

Q-24 From the following balance sheets of Big Ltd., and its subsidiary Small Ltd. drawn as on 31st March, 2000, prepare a consolidated balance sheet as on that date:

Liabilities	Big Ltd.	Small Ltd.
Equity share capital in fully paid Shares of Rs. 10 each	5,00,000	2,00,000
General reserve	1,00,000	—
Profit and loss account	80,000	—
12% Debentures	—	1,00,000
Loan from Big Ltd.	—	50,000
Trade creditors	75,000	45,000

	7,55,000	3,95,000
Assets		
Fixed assets	3,03,000	2,00,000
12% Debentures in Small Ltd., Acquired at par	60,000	—
15,000 Shares in Small Ltd., at cost	1,20,000	—
Stock	90,000	40,000
Debtors	60,000	30,000
Bank	75,000	25,000
Loan to Small Ltd.	47,000	—
Profit and loss account	—	1,00,000
	7,55,000	3,95,000

Take into consideration the following information also:

- i. Big Ltd. acquired the shares on 1st August, 1999.
- ii. The profit and loss account of Small Ltd. showed a debit balance of Rs. 1,50,000 on 1st April, 1999.
- iii. During June, 1999, goods costing Rs. 6,000 were destroyed by fire, against which the insurers paid Rs. 2,000.
- iv. The difference in the amounts on the loan accounts of Big Ltd. and Small Ltd. is due to interest thereon not yet recorded in its book of account by Big Ltd.

[CS June 2000]

Q-25 H Ltd. acquired 8,000 shares of Rs. 10 each in S Ltd. on 31st March, 2001. The summarized balance sheets of the two companies as on that date are given below:

Liabilities	H Ltd.	S Ltd.
Share capital:		
30,000 Shares of Rs. 10 each	3,00,000	—
10,000 Shares of Rs. 10 each	—	1,00,000
Capital reserve	—	52,000
General reserve	25,000	5,000
Profit and loss account	38,200	18,000
Loan from S Ltd.	2,100	—
Bills payable [including Rs. 500 to H Ltd.]	—	1,700
Creditors	17,900	5,000
	3,83,200	1,81,700
Assets	H Ltd. [Rs.]	S Ltd. [Rs.]
Fixed assets	1,50,000	1,44,700
Shares in S Ltd. [at cost]	1,70,000	—
Stock in hand	40,000	20,000
Loan to H Ltd.	—	2,000
Bills receivable [including Rs. 200 from S Ltd.]	1,200	—
Debtors	20,000	10,000
Bank	2,000	5,000
	3,83,200	1,81,700

Note on the balance sheet of H Ltd.: There is a contingent liability of Rs. 1,000 for bills discounted.

- (a) Interest receivable Rs. 100, in respect of the loan due by H Ltd., to S Ltd., has not been credited in the accounts of S Ltd.
- (b) On 31st March, 2001, the directors of H Ltd. decide that the fixed assets of S Ltd. are overvalued and should be written down by Rs. 5,000.

Prepare the consolidated balance sheet as on 31st March, 2001.

[CS Dec. 2001]

Q-26 On 31st March, 2002, the balance sheets of Major Ltd. and its subsidiary Minor Ltd. stood as follows:

Liabilities	Major Ltd. [Rs.]	Minor Ltd. [Rs.]
Equity share capital	8,00,000	2,00,000
General reserves	1,50,000	70,000
Profit and loss account	90,000	55,000
Creditors	1,20,000	80,000
	11,60,000	4,05,000
Assets		
Fixed assets	5,50,000	1,00,000
75% Shares in Minor Ltd. [at cost]	2,80,000	—
Stock	1,05,000	1,77,000
Other current assets	2,25,000	1,28,000
	11,60,000	4,05,000

Draw a consolidated balance sheet as at 31st March, 2002 after taking to consideration the following information:

- Major Ltd. acquired the shares on 31st July, 2001.
- Minor Ltd. earned a profit of Rs. 45,000 for the year ended 31st March, 2002.
- In January, 2002, Minor Ltd. sold to Major Ltd. goods costing Rs. 15,000 for Rs. 20,000. On 31st March, 2002 half of these goods were lying as unsold in the godowns of Major Ltd.

(ICSI Study Material; CS Dec 2002)

Q-27 Following are the balance sheets of H Ltd. and its subsidiary S Ltd. as on 31st March, 2012:

	H Ltd.	S Ltd.
	[Rs.]	[Rs.]
Fully paid-up equity shares of Rs. 10 each	6,00,000	2,00,000
General reserve	3,40,000	80,000
Profit and loss [Surplus]	1,00,000	60,000
Trade payables	<u>70,000</u>	<u>35,000</u>
	<u>11,10,000</u>	<u>3,75,000</u>
Assets		
Machinery	3,90,000	1,35,000
Furniture	80,000	40,000
Investments [80% shares in S Ltd. at cost]	3,40,000	—
Stock	1,80,000	1,20,000
Trade receivables	50,000	30,000
Cash at bank	<u>70,000</u>	<u>50,000</u>
	<u>11,10,000</u>	<u>3,75,000</u>

The following additional information is provided :

- Surplus in the profit and loss statement of S Ltd. stood at Rs. 30,000 on 1st April, 2011 whereas general reserve has remained unchanged since that date.
- H Ltd. acquired 80% shares in S Ltd. on 1st October, 2011 for Rs. 3,40,000 as mentioned above.
- A sum of Rs. 10,000 due from H Ltd. for goods sold at a profit of 25% on cost price is included in trade receivables of S Ltd. Till 31st March, 2012, only half of the goods had been sold while the remaining goods were lying in the godowns of H Ltd. as on that date.

You are required to prepare the consolidated balance sheet as on 31st March, 2012. Show all calculations.

[CS Dec 2012]

Q-28 Prepare the consolidated balance sheet from the following balance sheets of H. Ltd. and S. Ltd. :

		[Rs. In '000]	
		H. Ltd	S. Ltd.
I	EQUITY AND LIABILITIES		
[1]	Shareholder's funds		
[a]	Share capital		
	Equity shares of Rs. 10	10,000	2,000
[b]	Reserves and surplus		
	Reserve fund	1,000	600
	Surplus	4,000	1,200
[2]	Current Liabilities		
[a]	Trade payables	2,000	1,200
[b]	Other current liabilities [bills payable]	-	300
	TOTAL	17,000	5,300
		[Rs. In '000]	
		H. Ltd.	S. Ltd.
II	ASSETS		
[1]	Non-current assets		
[a]	Sundry Assets	8,000	1,200
[b]	Investments [1,50,000 equity In S Ltd. at cost]	1,500	-
[2]	Current Assets		
[a]	Inventories	6,100	2,400
[b]	Trade receivables	1,300	1,700
[c]	Other current assets [bills receivables]	100	-
	TOTAL	17,000	5,300

Following additional information is also given:

- S. Ltd has earned all the profits only since the above 1,50,000 shares were acquired by H. Ltd.
- On the date of acquisition of these 1,50,000 shares by H Ltd., S. Ltd. had balance in the reserve fund of Rs. 6,00,000.
- The bills payable of S. Ltd. were in favour of H. Ltd. which had discounted Rs. 2,00,000 of them.
- Sundry assets of S. Ltd. were undervalued by Rs. 2,00,000. Stock of H. Ltd. includes goods of Rs. 5,00,000 purchased from S. Ltd. on which S. Ltd. made a profit of 25% on cost.

[CS June 2015]

Q-29 On 1st August, 2002. Honey purchased 8,000 shares in Sony Ltd. @ Rs. 175 per shares. The balance sheet of Sony Ltd. as at 31st March, 2003 is as follows:

Liabilities	Rs.	Assets	Rs.
Share capital [fully paid shares of Rs. 100 each]	10,00,000	Goodwill	1,00,000
Reserves [as on 1.4.2002]	4,00,000	Fixed assets [cost Rs. 20,00,000]	16,00,000
Profit and loss account	3,00,000	Current assets	6,00,000
10% Debentures of Rs. 100 each	2,00,000		
Sundry creditors	4,00,000		
	23,00,000		23,00,000

Additional information:

- The opening balance in the profit and loss account was Rs. 1,60,000 out of which dividend amounting to Rs. 1,00,000 was paid in September, 2002.
 - Honey Ltd. held 50% of the debentures in Sony Ltd.
 - Sundry creditors include Rs. 40,000 payable to Honey Ltd.
- You are required to ascertain the [i] minority interest; and [ii] cost of control [or capital reserve].

[CS Dec 2003]

- Q-30** On 1st April, 2002, Broad Ltd. acquired 20 lakh fully paid equity shares of Rs. 10 each in Ways Ltd. for Rs. 3.75 crore. The balance sheets of two companies as on 31st March, 2003 are given below:

Liabilities	[Rupees in Lakhs]	
	Broad Ltd.	Ways Ltd.
Equity share capital of Rs. 10 each, fully paid	500	250
Securities premium	50	—
General reserve	60	130
Profit and loss account	230	75
Creditors	95	85
Outstanding expenses	75	—
	1,010	540
Assets		
Land and buildings	90	80
Plant and machinery	210	135
Furniture and fixtures	100	25
Shares in Ways Ltd.	375	—
Stock	110	145
Debtors	75	85
Cash at bank	50	70
	1,010	540

Additional information is as under:

- (i) The balances of general reserve and profit and loss account on the date of acquisition of shares by Broad Ltd. were Rs. 90 lakh and Rs. 15 lakh respectively.
- (ii) In July, 2002, Ways Ltd. distributed 10% dividend for the year 2000-01. Broad Ltd. credited the entire amount of dividend received to its profit and loss account.
- (iii) On 31st March, 2003, Ways Ltd. owed Rs. 30 lakh to Broad Ltd. for goods purchased from it, which sold goods at cost plus 25%. Goods costing Rs. 15 lakh to Ways Ltd. were still lying unsold with Ways Ltd. on 31st March, 2003.

You are required to prepare the consolidated balance sheet of Broad Ltd. and its subsidiary Ways Ltd. as on 31st March, 2003.

[CS June 2004]

- Q-31** Following are the balance Sheets of H Ltd. and S Ltd. as at 31st March, 2008.

Liabilities	H Ltd.	S Ltd.	Assets	H Ltd.	S Ltd.
Share Capital:			Goodwill	40,000	30,000
Shares of Rs. 100 each	5,00,000	2,00,000	Land and Building	2,00,000	1,30,000
Gen Res as on 1.4.2007	1,00,000	60,000	Plant & Machinery	1,60,000	90,000
Profit & Loss Account	1,40,000	90,000	Debtors	20,000	75,000
Bills Payable		40,000	Stock in Trade	1,00,000	90,000
Creditors	80,000	50,000	Shares in S Ltd.		
			1,500 shares [at cost]	2,40,000	
			Cash at Bank	60,000	25,000
	8,20,000	4,40,000		8,20,000	4,40,000

The Profit and Loss Account of S Ltd. showed a credit balance of Rs. 50,000 on 1st April, 2007. A dividend of 15% was paid in December, 2007 for the year 2006-07. This dividend was credited to Profit and Loss Account by H Ltd.

H Ltd. acquired the shares in S Ltd. on 1st October, 2007.

The Bills Payable of S Ltd. were all issued in favour of H Ltd. which company got the bill discounted. Included in the Creditors of S Ltd. is Rs. 20,000 for goods supplied by H Ltd. Included in the stock of S Ltd are goods to the value of Rs. 8,000 which were supplied by H Ltd. at a profit of 33 1/3% on cost.

In arriving at the value of S Ltd. shares, the plant and machinery which then stood in the books at Rs. 1,00,000 on 1.4.2007 was revalued at Rs. 1,50,000. The new value was not incorporated in the books. No changes in these have been made since then.

Prepare the consolidated balance sheet as on that date. **[CS June 2010; Study Material]**

Q-32 From the following balance sheets of a holding company (H Ltd.) and its subsidiary (S Ltd.) on 31-03-2016, prepare a consolidated balance sheet:

[I] Equities and Liabilities	H Ltd.	S Ltd.
Share Capital (Rs. 10)	5,00,000	2,00,000
Surplus [P & L]	90,000	70,000
General Reserve	80,000	60,000
Creditors	50,000	40,000
Outstanding Expenses	20,000	10,000
	7,40,000	3,80,000
[II] Assets		
Goodwill	30,000	10,000
Machinery	3,00,000	1,50,000
Stock	80,000	50,000
Debtors	1,20,000	1,60,000
Cash at bank	20,000	10,000
Investments: 16,000 shares in S Ltd.	1,90,000	-
	9,50,000	5,50,000

When control was acquired, S Ltd. had Rs. 40,000 in general reserve and Rs. 30,000 in profit and loss account. Immediately on purchase of shares, H Ltd. received Rs. 16,000 as dividend from S Ltd. which was credited to profit and loss account. Debtors of H Ltd. include Rs. 20,000 due from S Ltd. whereas creditors of S Ltd. include Rs. 20,000 due to H Ltd. the difference being accounted for by a cheque-in-transit. **(ICSI Study Material; CS June 2017)**

Q-33 The summarized balance sheets of P Ltd. and S Ltd. as at 31st March, 2005 were as follows:

Liabilities	P Ltd. [Rs.]	S Ltd. [Rs.]
Share capital:		
3,000 shares of Rs. 100 each	3,00,000	—
10,000 shares of Rs. 10 each	—	1,00,000
Capital reserve	—	55,000
General reserve	30,000	1,05,000
Profit and loss account	38,200	18,000
Loan from S Ltd.	2,100	—
Bills payable [including Rs. 500 to P Ltd.]	—	1,700
Creditors	17,900	7,000
	3,88,200	2,86,700
Assets		

Fixed assets	1,50,000	2,44,700
Investments in S Ltd., at cost	1,70,000	—
Stock	40,000	20,000
Loan to P Ltd.	—	2,000
Bills receivable[including Rs. 200 from S Ltd.]	1,200	—
Debtors	20,000	15,000
Cash	7,000	5,000
	3,88,200	2,86,700

There is a contingent liability of Rs. 1,000 for bills discounted appearing in the balance sheet of P Ltd. P Ltd. acquired 8,000 shares of Rs. 10 each in S Ltd. on 31st March, 2005. You are given the following additional information:

- S Ltd. made a bonus issue on 31st March, 2005 of one share for every two shares held, reducing general reserve by an equivalent amount, but the transaction is not shown in the balance sheet.
- Interest receivable amounting to Rs. 100 in respect of a loan due by P Ltd. has not been credited in the accounts of S Ltd.
- The directors decided that the fixed assets of S Ltd. were overvalued and should be written down by Rs. 5,000.

Prepare a consolidated balance sheet of the two companies as at 31st March, 2005 giving all the workings.
[CS Dec 2005]

Q-34 Following are the balance Sheets of H Ltd. and S Ltd. as at 31st March, 2010.

Liabilities	H Ltd.	S Ltd.	Assets	H Ltd.	S Ltd.
Share Capital[Rs. 10]	3,00,000	1,00,000	Fixed Assets	5,00,000	4,00,000
Profit & Loss Account	2,00,000	3,00,000	Investment in 8,000 shares of S Ltd.	1,40,000	
Creditors	2,00,000	1,00,000	Current Assets	60,000	1,00,000
	8,20,000	4,40,000		8,20,000	4,40,000

H Ltd. acquired the shares on 1/11/2009.

- Balance in P & L account on 01/04/2009 of S Ltd. was Rs. 1,70,000.
- Abnormal loss on 01/09/2009 was Rs. 10,000.
- Market value of Fixed Assets of S Ltd. on 01/11/2009 was Rs. 5,00,000. Rate of Depreciation – 20% p.a.
- On 31/03/2010, Bonus was declared and distributed by S Ltd.-1:1. No entry was passed by S Ltd. Prepare consolidated Balance sheet.

Q-35 Strong Ltd. acquired 32,00,000 equity shares of Weak Ltd. on 31st March, 2018. Following are the Balance Sheets of both the companies as on that date:

	Strong Ltd (Rs. in Lakh)	Weak Ltd. (Rs. in Lakh)
I. EQUITY & LIABILITIES		
1. Shareholder's Funds:		
(a) Share Capital:		
Equity Shares of Rs. 10 each	1,000	400
(b) Reserve & Surplus:		
General Reserve	480	340
Statement of Profit & Loss	114.40	72
2. Non- current Liabilities:		
Bank Loan	160	-
3. Current Liabilities:		

Bills payable (including Rs. 8 lakh to Strong Limited)	-	16.80
Sundry Creditors	94.40	18
Total	1848.80	846.80
II. ASSETS		
1. Non-Current Assets:		
(a) Tangible & Building		
Land & Building	300	360
Plant & Machinery	480	318.80
(b) Non-Current Investments:		
Investment in shares of Weak Ltd.	680	-
2. Current Assets:		
Stock	240	72
Sundry Debtors	88	80
Bills Receivable (including Rs. 6 lakh from Weak Ltd.)	31.60	-
Cash and Cash Equivalents	29.20	16
Total	1848.80	846.80

You are supplied the following additional information:

- Weak Ltd. made a bonus issue on 31st March, 2018 (after above Balance Sheet) of one equity share for every four shares held by its shareholders.
- The directors of both companies, have decided to revalue the Land and Building and Plant and Machinery of Weak Ltd. at Rs. 400 lakh and Rs 298.80 lakh respectively
- Sundry creditors of Strong Ltd. are included Rs. 24 lakh due from Weak Ltd.

Prepare the consolidated Balance Sheet as at 31st March, 2018 in the books of Strong Ltd. Show your working clearly
[CS June 2018; 8 MARKS]

Q-36 The following are the abridged balance sheets of H Ltd. and S Ltd. as on 31st March, 1999:

Liabilities	H Ltd. [Rs.]	S Ltd. [Rs.]
Equity shares of Rs.100 each , fully paid up	10,00,000	5,00,000
General reserve	1,00,000	1,70,000
Profit and loss account	1,60,000	1,30,000
Current liabilities	4,40,000	2,00,000
Total	17,00,000	10,00,000
Assets		
Fixed assets	4,80,000	2,50,000
Investments in shares of S Ltd.	5,00,000	—
Current assets	7,20,000	7,50,000
Total	17,00,000	10,00,000

The following additional information is provided:

- H Ltd. acquired 3,000 shares in S Ltd. on 1st July, 1998. The reserves and surplus position of S Ltd. as on 1st April, 1998 was as under:
 - General reserve: Rs. 2,50,000.
 - Profit and loss account [credit balance]: Rs. 1,20,000.
- On 1st October, 1998, S Ltd. issued one share for every four shares held as bonus share. No entry has been made in the books of H Ltd. for the receipt of these bonus shares.
- On 30th September, 1998, S Ltd. declared a dividend out of pre-acquisitions profits @ 25% on Rs. 4,00,000, its capital on that date. H Ltd. credited the dividend to its profit and loss account.

- iv. H Ltd. owed S Ltd. Rs. 50,000 for purchase of stock from S Ltd. The entire stock is held by H Ltd. on 31st March, 1999. S Ltd. made a profit of 25% on cost.
Prepare a consolidated balance sheet of H Ltd. and its subsidiary S Ltd. as on 31st March, 1999.
[CS June 2009; Dec 1999]

Q-37 The following the Balance Sheet of H Ltd. And S Ltd. as on 31st March, 1989:

BALANCE SHEETS AS AT 31ST MARCH, 1989		
Liabilities	H Ltd. [Rs.]	S Ltd. [Rs.]
Share capital:		
Equity shares of Rs. 100 each fully paid	10,00,000	8,00,000
Reserves and Surplus:		
General Reserve	2,00,000	2,00,000
Profit and Loss Account	4,00,000	3,00,000
Current Liabilities	2,00,000	2,00,000
	18,00,000	15,00,000
Assets		
Fixed Assets	5,00,000	4,00,000
Investment in S Ltd.	5,00,000	—
Current Assets	8,00,000	11,00,000
	18,00,000	15,00,000

The following further information is furnished:

- H Ltd. acquired 3,000 shares in S Ltd. on 1-4-88 when the Reserves and Surplus of S Ltd. was as under:
 - General Reserve Rs. 5,00,000
 - Profit and Loss Account – Credit Balance Rs. 2,00,000
- On 1-10-88 S Ltd. issued 3 fully paid up shares for every 5 shares held, as bonus shares out of pre-acquisition General Reserve. No entry is made in the books of H Limited for the receipt of these bonus shares.
- On 30-6-88 S Ltd. declared 20% dividend, out of pre-acquisition profit and H Ltd. credited the receipt of Dividend to its profit and Loss account.
- S Ltd. owed H Ltd. on 31-3-89 Rs. 1,00,000 for purchase of stock from H Ltd. The entire stock is held by S Ltd. on 31-3-1989. H Ltd made a profit of 25% on cost.
- H Ltd. transferred for cash payment a machine to S Ltd. for Rs. 80,000. The book value of the machine to H Limited was Rs. 60,000.
Prepare Consolidated Balance Sheet as at 31st March, 1989. Adjustment for depreciation on machine transferred by H Ltd. to S Ltd. is to be ignored.

Q-38 On 31st March, 2004 the Balance Sheets of H Ltd. and its subsidiary S Ltd. stood as follows:

Liabilities	H Ltd. [Rs.] Rs. in Lakhs	S Ltd [Rs.] Rs. in Lakhs
Share Capital:		
Authorised	15,000	6,000
Issued and Subscribed:		
Equity shares of Rs. 10 each, fully paid up	12,000	4,800
General Reserve	2,784	1,380
Profit and Loss Account	2,715	1,620
Bills Payable	372	160
Sundry Creditors	1,461	854
Provision for Taxation	855	394
Outstanding expenses	1,200	—

	21,387	9,208
Assets	H Ltd. [Rs. in lakhs]	S Ltd. [Rs. in lakhs]
Land and Building	2,718	–
Plant and Machinery	4,905	4900
Furniture and Fittings	1,845	586
Investments in shares in S Ltd.	3,000	–
Stock	3,949	1,956
Debtors	2,600	1,363
Cash and Bank balances,	1,490	204
Bills Receivable	360	199
Sundry Advances	520	–
	21,387	9,208

The following information is also provided to you:

- H Ltd. purchased 180 lakh shares in S Ltd. on 1st April, 2003 when the balances to General Reserve and Profit and Loss Account of S Ltd. stood at Rs. 3,000 lakh and 1,200 lakh respectively.
- On 4th July, 2003 S Ltd. declared a dividend @ 20% for the year ended 31st March, 2003. H Ltd. credited the dividend received by it to its Profit and Loss Account.
- On 1st January, 2004 S Ltd. issued 3 fully paid-up shares for every 5 shares held as bonus shares out of balances to its general reserve as on 31st March, 2003.
- On 31st March, 2004 all the bills payable in S Ltd.'s balance sheet were acceptances in favour of H Ltd. But on that date, H. Ltd. held only Rs. 45 'lakh of these acceptances in hand, the rest having been endorsed in favour of its creditors.
- On 31st March, 2004 S Ltd.'s stock included goods which it had purchased for Rs. 100 lakh from H Ltd. which made a profit @ 25% on cost.

Prepare a Consolidated Balance Sheet of H Ltd. and its subsidiary S Ltd. as at 31st March, 2004 bearing in mind the requirements – of AS21.

(CA Final November 2016)

- Q-39** On 1st October, 2009, Poddar Ltd. acquired 12,000 equity shares of Bhansali Ltd. of the face value of Rs. 10 each at a price of Rs. 1,70,000. The balance sheets of two companies as on 31st March, 2010 are as follows:

Liabilities	Poddar Ltd. [Rs.]	Bhansali Ltd. [Rs.]
Equity shares of Rs. 10 each	10,00,000	2,00,000
General reserve [1 st April, 2009]	4,20,000	1,00,000
Profit and loss account [1 st April, 2009]	90,000	40,000
Profit for the year	1,70,000	45,000
Creditors	2,40,000	92,000
Bills payable	80,000	60,000
	20,00,000	5,37,000
Assets		
Goodwill	3,00,000	70,000
Land and building	4,00,000	1,00,000
Plant and machinery	5,00,000	1,00,000
Stock	2,00,000	40,500
Debtors	3,00,000	1,34,500
Investments	2,00,000	—
Bills receivable	20,000	30,000
Bank	60,000	50,000
Cash	20,000	12,000
	20,00,000	5,37,000

Out of the debtors and bills receivable of Poddar Ltd. Rs. 50,000 and Rs. 16,000 respectively represented those due from Bhansali Ltd. The stock in the hands of Bhansali Ltd. includes goods purchased from Poddar Ltd. at Rs. 20,000 which includes profit charged by latter company @ 25% at cost. Prepare a consolidated balance sheet as on 31st March, 2010 and also show your workings.

(ICSI Study Material; CS Dec 2010)

Q-40 Balance Sheets of H Ltd. and S Ltd. as at 31st March, 2006 are given below:

Liabilities	H Ltd. [Rs.]	S Ltd. [Rs.]
Share capital of Rs. 10 each, fully paid	5,00,000	2,00,000
General reserve	1,00,000	50,000
Profit and loss account	60,000	35,000
Creditors	80,000	60,000
	7,40,000	3,45,000
Assets	H Ltd. [Rs.]	S Ltd. [Rs.]
Fixed assets	3,00,000	1,00,000
60% Shares in S Ltd., at cost	1,62,400	—
Current assets	2,77,600	2,39,000
Preliminary expenses	—	6,000
	7,40,000	3,45,000

H Ltd. acquired the shares on 1st April, 2005 and on that date general reserve and profit and loss account of S Ltd. showed balances of Rs. 40,000 and Rs. 8,000 respectively. No part of preliminary expenses was written off during the year ended 31st March, 2006. Prepare a consolidated balance sheet of H Ltd. and its subsidiary S Ltd. as on 31st March, 2006.

(ICSI Study Material; CS June 2007)

Q-41 On 31st March, 2013 the balance sheets of H. Ltd. and S. Ltd. appeared as follows :

	H. Ltd.	S. Ltd.
	[Rs.]	[Rs.]
I EQUITY AND LIABILITIES		
[1] Shareholders' funds		
[a] Share capital [in Rs. 100 shares]	50,00,000	20,00,000
[b] Reserves and surplus		
Securities premium	4,00,000	—
General reserve [as on 1.4.2012]	20,00,000	4,00,000
Surplus	15,40,000	3,10,000
[2] Current liabilities		
Trade payables	5,60,000	1,30,000
TOTAL	95,00,000	28,40,000
II ASSETS		
[1] Non-current assets		
[a] Fixed assets		
Land and building	28,00,000	10,00,000
Plant and machinery	14,00,000	5,16,000
[b] 75% Shares in S. Ltd.	20,25,000	—
[2] Current assets		
[a] Inventories	16,80,000	6,42,000
[b] Trade receivables	15,00,000	5,80,000
[c] Cash	95,000	1,02,000
TOTAL	95,00,000	28,40,000

Additional information :

- (i) H. Ltd. acquired the shares of S. Ltd. on 1st August, 2012.
 - (ii) Surplus of H. Ltd. includes interim dividend @15% per annum received from S. Ltd. on 1st January, 2013.
 - (iii) On 1st April, 2012, S. Ltd.'s surplus showed credit balance of 1,90,000.
- You are required to prepare a consolidated balance sheet of H. Ltd. and S. Ltd. on 31st March, 2013.

[CS June 2014]

Q-42 The balance sheets of Ashish Ltd. and Anand Ltd. as on 31st March, 1998 are as follows:

Liabilities	Ashish Ltd.	Anand Ltd.
Equity share capital of Rs. 10 each, fully paid	4,00,000	1,00,000
General reserve [1.4.1997]	2,80,000	4,000
Profit and loss account	1,70,000	72,000
Sundry creditors	70,000	35,000
	9,20,000	2,11,000
Assets	Ashish Ltd.	Anand Ltd.
Buildings	2,80,000	58,000
Plant and machinery	2,00,000	52,000
Furniture and fittings	15,000	7,000
Investments	2,00,000	—
Stock	75,000	42,000
Sundry debtors	80,000	32,000
Cash at bank	70,000	20,000
	9,20,000	2,11,000

Prepare a consolidated balance sheet after considering the following:

- a) Ashish Ltd. acquired 8,000 equity shares of Anand Ltd. on 1st July, 1997 at Rs. 2,00,000.
- b) Stock of Ashish Ltd. includes Rs. 6,000 relating to stock at cost purchased from Anand Ltd. which sells goods at cost plus 25%.
- c) Sundry creditors of Ashish Ltd. include Rs. 10,000 due to Anand Ltd.
- d) Profit and loss account of Ashish Ltd. includes interim dividend received from Anand Ltd. Interim dividend was @ 10% which was declared by Anand Ltd. after 1st July, 1997.
- e) Balance in profit and loss account as at 1st April, 1997 in Anand Ltd.'s ledger stood at Rs. 56,000. An interim dividend @ 10% was paid out of this balance after 1st July, 1997.
- f) Profits during the year 1997-98 have been earned by Anand Ltd. on uniform basis throughout the year.

[CS Dec 1998]

Q-43 From the following balance sheets of Vipul Ltd. and its subsidiary Vedika Ltd. as on 31st March, 2002, prepare the consolidated balance sheet of the two companies as on that date:

Liabilities	Vipul Ltd. [Rs.]	Vedika Ltd. [Rs.]
Share capital		
Shares of Rs. 10 each, fully paid	10,00,000	2,00,000
General reserve	3,10,000	—
Profit and loss account	1,50,000	40,000
Creditors	2,30,000	69,000
	16,90,000	3,09,000
Assets		
Fixed assets	11,62,000	1,80,000
70% Shares of Vedika Ltd. [at cost]	1,42,000	—
Current assets	3,86,000	1,24,000
Discount on issue of Debentures	—	5,000
	16,90,000	3,09,000

On 31st December, 2001, Vipul Ltd. acquired the shares in Vedika Ltd on 1st April, 2001.

Vedika Ltd.'s profit and loss account showed a debit balance of Rs. 8,000.

On 31st March, 2002, Vedika Ltd. decided to revalue its fixed assets at Rs. 2,00,000. [CS June 2003]

Q-44 Orchid Ltd. holds 80% shares in its subsidiary Tulip Ltd. From the following information calculate minority interest at the end of each year :

— Share capital of Tulip Ltd. was 10,00,000 (Rs. 10 each) and reserves Rs. 2,00,000 on the date of acquisition on 31st March, 2012.

— Fully paid bonus shares were issued by Tulip Ltd. on 31st March, 2013 in the ratio of 2 bonus shares for every 5 shares held.

— Profit and loss of Tulip Ltd. for the various years are :

	Profit/Loss (Rs.)
31st March, 2013 :	3,00,000
31st March, 2014 :	(1,00,000) (loss)
31st March, 2015 :	2,00,000
31st March, 2016 :	2,50,000 (including profit of Rs. 1,50,000 on revaluation of assets)

(CS Dec 2016; June 2018)

Practice Questions

Q-45 From the following balance sheets of H Ltd. and its subsidiary S Ltd. drawn up at 31st March, 2014, prepare a consolidated balance sheet as at that date, having regard to the following:

[i] Reserves and Profit and Loss Account [Cr.] of S Ltd. stood at Rs. 25000 and Rs. 15,000 respectively on the date of acquisition of its 80% shares by H Ltd.

[ii] Machinery [book-value Rs. 1,00,000] and Furniture [Book-value Rs. 20,000] of S Ltd. were revalued at Rs. 1,50,000 and Rs. 15,000 respectively for the purpose of fixing the price of its shares; book values of other assets remaining unchanged. These values are to be considered for consolidation purposes.

Balance Sheet of H Ltd. as on 31st March, 2014

I EQUITIES AND LIABILITIES	H Ltd.		S Ltd	
		Amount [Rs.]		Amount [Rs.]
1 Shareholders' funds				
[a] Share Capital				
Authorized, Issued subscribed and paid up capital				
Equity shares of Rs 100 each, fully called up and paid up		5,00,000		1,00,000
[b] Reserve and surplus			75,000	
General Reserve			<u>25,000</u>	
Surplus A/c	2,00,000			
2 Current Liabilities	<u>1,00,000</u>	3,00,000		1,00,000
Trade Payables				
TOTAL		<u>1,50,000</u>		<u>50,000</u>
II. ASSETS		<u>9,50,000</u>		<u>2,50,000</u>
1 Non-current Assets				
[a] Fixed Assets				
Machinery	3,00,000		90,000	
Furniture	50,000		17,000	
Other Assets	<u>4,40,000</u>	7,90,000	<u>1,43,000</u>	2,50,000
[b] Long term Investment				
800 Shares at Rs. 200 each in S Ltd. [at cost]]		<u>1,60,000</u>		
TOTAL		<u>9,50,000</u>		<u>2,50,000</u>

Q-46 H Ltd. acquired as investment 15,000 shares in S Ltd. for Rs. 1,55,000 on 1st July, 2001. The balance sheets of the two companies on 31st March, 2002 were as follows:

Liabilities	H Ltd. [Rs.]	S Ltd. [Rs.]
Equity shares of Rs. 10 each fully paid up	9,00,000	2,50,000
General reserve	1,60,000	40,000
Profit and loss account	80,000	25,000
Bills payable	40,000	20,000
Creditors	50,000	30,000
	12,30,000	3,65,000
Assets		
Machinery	7,00,000	1,50,000
Furniture	1,00,000	70,000
Investment	1,55,000	—
Stock	1,00,000	50,000
Debtors	60,000	35,000
Cash at bank	90,000	40,000
Bills receivable	25,000	20,000
	12,30,000	3,65,000

The following additional information are provided to you:

- General reserve appearing in the balance sheet of S Ltd. has remained unchanged since 31st March, 2001.
- Profit earned by S Ltd. for the year ended 31st March, 2002 amounted to Rs. 20,000.
- On 1st February, 2002. H Ltd. sold to S Ltd. goods costing Rs. 8,000 for Rs. 10,000. 25% of these goods remained unsold with S Ltd. on 31st March 2002. Creditors of S Ltd. include Rs. 4,000 due to H Ltd. on account of these goods.
- Out of S Ltd.'s acceptance, Rs. 7,000 are those which were accepted in favour of H Ltd. You are required to draw a consolidated balance sheet as on 31st March, 2002.

[CS June 2006; June 2002]

Q-47 The following are the balance sheets of Snow Ltd. and white Ltd. as at 31st March, 2006:

Liabilities	Snow Ltd. [Rs.]	White Ltd. [Rs.]
Share capital of Rs. 10 each	14,00,000	2,00,000
General reserve	1,00,000	60,000
Profit and loss account	2,00,000	60,000
Sundry creditors	1,80,000	1,00,000
Bills payable	20,000	30,000
Liabilities for expenses	10,000	30,000
	19,10,000	4,80,000
Liabilities	Snow Ltd. [Rs.]	White Ltd. [Rs.]
Land and building	6,00,000	2,00,000
Plant and machinery	5,60,000	1,00,000
14,000 Shares in White Ltd.	2,00,000	—
tock	1,40,000	1,00,000
Sundry debtors	3,00,000	40,000
Bills receivable	20,000	—
Cash and bank balances	90,000	40,000
	19,10,000	4,80,000

The additional information is as under:

- All the bills receivable of Snow Ltd. including those discounted accepted by White Ltd.
- At the time of acquisition of shares on 1st July, 2005 by Snow Ltd., in White Ltd. the general reserve was Rs. 40,000 and Rs. 10,000 credit in profit and loss account as on 1st April, 2005.

- (iii) The stock of White Ltd. includes Rs. 40,000 purchased from Snow Ltd., which has made 25% profit on cost.
- (iv) White Ltd. had declared and paid dividend equivalent to 20% for the period ended 31st March, 2005 and Snow Ltd. had credited to its profit and loss account.
- You are required to prepare the consolidated balance sheet as at 31st March, 2006.

Q-48 The following are the balance sheets of H Ltd. and S Ltd. as at 31st March, 2013 :

I EQUITY AND LIABILITIES	H. Ltd. [Rs.]	S. Ltd. [Rs.]
[1] Shareholders' Funds		
[a] Share capital [Rs. 100 each]	5,00,000	2,00,000
[b] Reserves and surplus		
General reserve [1.4.2012]	1,00,000	60,000
Surplus [Profit & Loss a/c]	1,40,000	90,000
[2] Current Liabilities		
Trade payables	<u>80,000</u>	<u>90,000</u>
TOTAL	<u>8,20,000</u>	<u>4,40,000</u>
II ASSETS		
[1] Non-current assets		
[a] Fixed assets		
[i] Tangible assets	3,60,000	2,20,000
[ii] Goodwill	40,000	30,000
[b] Investments [1,500 shares in S. Ltd.]	2,40,000	—
[2] Current assets		
[a] Inventories	1,00,000	90,000
[b] Trade receivables	20,000	75,000
[c] Cash	<u>60,000</u>	<u>25,000</u>
TOTAL	<u>8,20,000</u>	<u>4,40,000</u>

The profit and loss account of S Ltd. showed a balance of Rs. 53,000 on 1st April, 2012. A dividend of 15% was paid on 15th October, 2012 for the year 2011-12. Corporate dividend tax @ 15% which becomes 17.304% after including surcharge was also paid on dividend. The dividend was credited by H Ltd. in its profit and loss account. H Ltd. acquired the shares on 1st October, 2012. The trade payables of S. Ltd. include Rs. 20,000 for goods supplied by H. Ltd. The stock of S Ltd. includes goods to the value of Rs. 8,000 which were supplied by H Ltd. at a profit of 33 1/3 % on cost. Prepare a consolidated balance sheet. [CS Dec 2013 9 marks]

Q-49 The following are the balance sheets of X Ltd. and its subsidiary Y Ltd. as on 31st March, 2011 :

Liabilities	X Ltd. [Rs.]	Y Ltd. [Rs.]	Assets	X Ltd. [Rs.]	Y Ltd. [Rs.]
Equity shares of Rs. 10 each	4,00,000	1,00,000	Equipments	2,50,000	95,000
Profit & loss account	50,000	20,000	Investment [9,000 equity shares in Y Ltd. on .		
External liabilities	7,50,000	4,80,000	1st April, 2010]	1,40,000	—
			Other assets	<u>8,10,000</u>	<u>5,05,000</u>
	<u>12,00,000</u>	<u>6,00,000</u>		<u>12,00,000</u>	<u>6,00,000</u>

On 1st April, 2010, profit and loss account of Y Ltd. showed a credit balance of Rs. 8,000 and equipments of Y Ltd. were revalued by X Ltd. at 20% above its book value of Rs. 1,00,000 [but no such adjustment affected in the books of Y Ltd.]. Prepare the consolidated balance sheet as on 31st March, 2011. (ICSI Study Material; CS June 2012)

Q-50 The following are the balance sheets of H Ltd. and its subsidiary S Ltd. as on 31st March, 2012 :

Equity and Liabilities	H Ltd. [Rs.]	S Ltd. [Rs.]
Shareholders' funds :		
Share capital		
Shares of Rs.100 each fully paid	5,00,000	2,00,000
Reserves and surplus :		
General reserve	1,00,000	—
Profit and loss account	80,000	(-)1,00,000
Non-current liabilities :		
6% Debentures	—	1,00,000
Current liabilities :		
Trade payables	<u>75,000</u>	<u>45,000</u>
	<u>7,55,000</u>	<u>2,45,000</u>
Assets		
Non-current assets :		
Fixed assets	3,50,000	1,50,000
Non-current investments :		
6% Debentures in S Ltd. [acquired at cost]	60,000	—
1,500 Shares in S Ltd. at Rs. 80 each	1,20,000	—
Current assets :		
Inventories	90,000	40,000
Trade receivables	60,000	30,000
Cash	<u>75,000</u>	<u>25,000</u>
	<u>7,55,000</u>	<u>2,45,000</u>

H Ltd. acquired the shares on 1st August, 2011. The profit and loss account of S Ltd. showed a debit balance of Rs. 1,50,000 on 1st April, 2011. During June, 2011 goods of S Ltd. costing Rs. 6,000 were destroyed by fire against which insurer paid only Rs. 2,000. Trade payables of S Ltd. include Rs. 20,000 for goods supplied by H Ltd. on which H Ltd. made a profit of Rs. 2,000. Half of the goods were still in stock on 31st March, 2012. Prepare a consolidated balance sheet and show the complete working.

[CS June 2013]

Q-51 On 1st April, 2000, Big Ltd. acquired 40 lakhs, fully paid equity shares of Rs. 10 each in Small Ltd. for Rs. 7.5 crore. The balance sheets of the two companies as at 31st March, 2001 are given below:

Liabilities	[Rupees in Lakhs]	
	Big Ltd.	Small Ltd.
Share capital, fully paid		
Equity shares of Rs. 10 each	1,000	500
Securities premium	100	—
General reserve	120	260
Profit and loss account	460	150
Creditors	190	170
Unclaimed dividend	—	3
Outstanding expenses	150	—
	2020	1,083
		[Rupees in Lakhs]

Assets	Big Ltd.	Small Ltd.
Land and buildings	175	160
Plant and machinery	425	270
Furniture and fixtures	200	57
Shares in Small Ltd.	750	—
Stock	220	286
Debtors	150	170
Cash at bank	100	140
	2,020	1,083

The following additional information is given:

- The balance of general reserve and profit and loss account on the date of acquisition of shares by Big Ltd. were Rs. 180 lakhs and Rs. 30 lakhs respectively.
 - In July, 2000, Small Ltd. distributed 10% dividend for the year 1999-2000. Big Ltd. credited the entire amount of dividend received to its profit and loss account.
 - On 31st March, 2001, Small Ltd. owed Rs. 60 lakhs to Big Ltd. for goods purchased from it. Big Ltd. sold goods to Small Ltd. at cost plus, 25%. Goods costing Rs. 15 lakhs to Small Ltd. were still lying unsold with Small Ltd. on the above-mentioned date of balance sheet.
 - As expected, the entire amount of unclaimed dividend appearing in the balance sheet of Small Ltd. belonged to the minority shareholders.
 - No part of preliminary expenses has been written off during the year.
- You are required to prepare consolidated balance sheet of Big Ltd. and its subsidiary Small Ltd. as at 31st March, 2001. **[CS June 2001]**

Q-52 H Ltd. acquired 4,000 shares on 30th June, 2012 in S Ltd. H Ltd. received 10% dividend for the year 2011 and it is credited in profit and loss account of H Ltd.

Following are the balance sheets of H Ltd. and S Ltd. as on 31st December, 2012 :

	H Ltd.	S Ltd.
	[Rs.]	[Rs.]
I. Equity and Liabilities		
Share capital		
Equity share capital of Rs. 10 each	60,000	50,000
Reserves and surplus		
General reserve [1.1.2012]	12,000	10,000
Profit/loss [as on 1.1.2012]	4,000	8,000
Profit for the year ended 31.12.2012	30,000	20,000
Current liabilities		
Trade payables	<u>10,000</u>	<u>8,000</u>
Total	<u>1,16,000</u>	<u>96,000</u>
II. Assets		
Non-current assets		
Fixed assets	44,000	60,000
Investment		
Investment in S Ltd.	52,000	—
Current assets	<u>20,000</u>	<u>36,000</u>
Total	<u>1,16,000</u>	<u>96,000</u>

You are required to prepare consolidated balance sheet for H Ltd. as on 31st December, 2012 from the above information. **(CS Dec 2014)**

Q-53 From the following details, calculate value of Goodwill/Capital Reserve and Minority Interest that will reflect in consolidated Balance Sheet on 31st March, 2023:

Summarized Balance Sheets as on 31st March, 2023					
Liabilities	H.Ltd.(₹)	S.Ltd.(₹)	Assets	H.Ltd.(₹)	S.Ltd.(₹)
Share Capital (₹ 100 shares)	10,00,000	4,00,000	Sundry Assets 3000 shares in S Ltd.	20,00,000	10,00,000
Profit and Loss	6,00,000	4,00,000	(01.04.22)	7,00,000	—
General Reserve	2,00,000			
Liabilities	9,00,000	2,00,000			
Total	27,00,000	10,00,000	Total	27,00,000	10,00,000

Balance Sheet of S Ltd. on 31st March, 2022 exhibited profit of ₹ 1,00,000 and general reserve of ₹ 60,000.
(CS Dec 2023) (5 marks)

Q-54 Balance Sheet on 31st March, 2023:

Summarized Balance Sheets as on 31st March, 2023					
Liabilities	H.Ltd.(₹)	S.Ltd.(₹)	Assets	H.Ltd.(₹)	S.Ltd.(₹)
Share Capital (₹ 10 each)	1,50,000	1,00,000	Sundry Assets Investments (8,000 shares in S Ltd.)	1,00,000	1,52,000
Profit and Loss	25,000	32,000		1,10,000	—
Creditors	35,000	20,000			
Total	2,10,000	1,52,000	Total	2,10,000	1,52,000

If shares have been acquired by H.Ltd. on 30th December, 2022 and on that date the credit balance in P & L Account of S Ltd. was ₹ 22,000 (no dividend was declared since that date). Calculate Minority Interest.
(CS Dec 2023)

Q-55 On 30th June, 2018, two-third of the shares of S Ltd. (with total capital of Rs. 48,00,000) was acquired by H Ltd. The balance sheet of S Ltd. showed a debit balance Rs. 24,00,000 on 1st January, 2018 and a credit balance of Rs. 14,40,000 on 31st December, 2018. The investment by H Ltd. in shares of S Ltd. is Rs. 36,00,000. Calculate the “cost of control” in this acquisition.

(ICSI Study Material) (CS Dec 2020)

Q-56 The following are the balance sheets of H Ltd. and S Ltd. as at 31st March, 2020:

I EQUITY AND LIABILITIES	H. Ltd. (₹)	S. Ltd. (₹)
[1] Shareholders' Funds		
[a] Equity Share capital [Rs. 100 each]	6,00,000	2,50,000
[b] Reserves and surplus		
General reserve	1,00,000	60,000
Profit & Loss a/c	1,50,000	90,000
[2] Current Liabilities		
Trade payables - Creditors	70,000	60,000
Other Current Liabilities – Income Tax	60,000	70,000
	9,80,000	5,30,000
II ASSETS		
[1] Non-current assets		
[a] Fixed assets		
[i] Tangible assets		
Machinery	1,50,000	1,08,000
Vehicle	1,30,000	50,000

Furniture	50,000	30,000
[ii] Intangible Assets - Goodwill	60,000	40,000
[b] Investments [2,000 equity shares in S. Ltd.]	3,80,000	—
[2] Current assets		
[a] Inventories - Stock	70,000	1,40,000
[b] Trade receivables - Debtors	60,000	1,00,000
[c] Cash & Cash Equivalents - Bank	<u>80,000</u>	<u>62,000</u>
TOTAL	<u>9,80,000</u>	<u>5,30,000</u>

Additional information:

- I. H Ltd. acquired 2,000 equity shares of S Ltd. on 01.04.2019.
- II. The profit and Loss Account of S Ltd. had a credit balance of ₹ 30,000 and that of General Reserve ₹ 50,000 on the date of acquisition.
- III. On 01.06.2019 S Ltd. declared a dividend out of its pre-acquisition profits @ 12% of its share capital. H Ltd credited the same to its Profit and Loss Account.
- IV. S Ltd. owed ₹ 20,000 for purchase of stock from H Ltd. The entire stock is held on 31.03.2020. H Ltd. made a profit of 25% on cost.
- V. Machinery standing in the books of S Ltd. at ₹ 1,20,000 on the date of acquisition of shares, were revalued at ₹ 1,44,000.

Prepare a consolidated Balance Sheet of H Ltd. and S Ltd. on 31.03.2020. (CS June 2021)

Q-57 On 31st March, 2023, H Ltd. has 20,000 shares out of 25,000 equity shares issued by S Ltd. H Ltd. acquired these shares in S Ltd. in the following manner:

Date of Acquisition	% of Shares Acquired
01st April, 2022	25%
01st October, 2022	37.5%
01st January, 2023	37.5%

On 31st March, 2022, the balance sheet of S Ltd. exhibited equity share capital of ₹ 2,50,000 (in ₹ 10 shares) and reserves and surplus of ₹ 1,25,000. During the year 2022- 23, net profit earned by the company was ₹ 50,000, that was distributed evenly throughout the year. Amount of Reserves and Surplus on 31st March, 2023 stood at ₹1,75,000. Ascertain the share of parent company in profits of S Ltd. on the dates of acquisition of these shares. (CS June 2023)

Q-58 The summarized balance sheet of H Ltd. and S Ltd. as on 31 March, 2023 are given below:

Equity and Liabilities	H Ltd. (₹)	S Ltd. (₹)
Share Capital:		
Shares of Rs. 10 each	1,00,00,000	20,00,000
Reserves	16,00,000	6,00,000
Profit & Loss A/c	12,00,000	8,00,000
Total	1,28,00,000	34,00,000
Assets		
Sundry Assets	1,00,00,000	34,00,000
Equity in S Ltd. 1,60,000 shares	28,00,000	
	1,28,00,000	34,00,000

S Ltd. had reserves of ₹ 6,00,000 when H Ltd. acquired shares in S Ltd. but P & L balance was fully earned after the purchase of shares by H Ltd. S Ltd. decided to issue bonus shares out of the post-acquisition profits in the ratio of 1 share for every 5 shares held.

- (i) Calculate cost of control before issue of bonus shares and after issue of bonus shares.
- (ii) What will be the journal entry passed in the books of S Ltd. and H Ltd. on issue of bonus shares by S Ltd?

(CS June 2024)

Chapter 9 Cash Flow Statement

Q-1 The following are the summary of cash transactions extracted from the books of Zigzag Ltd.:

	(Rs. in thousands)
Balance as on 1 st July, 2001	70
Receipts from customer	5,566
Issue of shares	600
Sales of fixed assets	256
Sub Total	6,492
Payments to suppliers	4,094
Payments for fixed assets	460
Payment for overheads	230
Wages and salaries	138
Taxation	486
Dividends	160
Repayment of bank loans	500
Sub Total	6,068
Balance as on 30th June, 2002	424

You are required to prepare a cash statement of the company for the period ended 30th June, 2002 in accordance with Accounting Standard-3 (Revised). **(CS Dec 2002; June 2007)**

Q-2 Madhuri Ltd. gives you the following information for the year ended 31st March, 2006:

- i. Sales for the year totalled Rs. 96,00,000. The company sells goods for cash only.
- ii. Cost of goods sold was 60% of sales.
- iii. Closing inventory was higher than opening inventory by Rs. 43,000.
- iv. Trade creditors on 31st March, 2006 exceeded those on 31st March, 2005 by Rs. 23,000.
- v. Tax paid amounted to Rs. 7,00,000.
- vi. Depreciation on fixed assets for the year was 3,15,000 whereas other expenses totalled Rs. 21,45,000. Outstanding expenses on 31st March, 2005 and 31st March, 2006 totalled Rs. 82,000 and Rs. 91,000 respectively.
- vii. New machinery and furniture costing Rs. 10,27,500 in all were purchased.
- viii. A rights issue was made of 50,000 equity shares of Rs. 10 each at a premium of Rs. 3 per share. The entire money was received with applications.
- ix. Dividends totaling Rs. 4,00,000 were distributed among shareholders.
- x. Cash in hand and at bank as at 31st March, 2005 totalled Rs. 2,13,800.

You are required to prepare a cash flow statement using direct method: **(CS Dec 2006; June 2012)**

Q-3 The following information is available from the books of Exclusive Ltd. for the year ended 31st March, 2005:

- (i) Cash sales for the year were Rs. 10,00,000 and sales on account Rs. 12,00,000.
- (ii) Payments on accounts payable for inventory totalled Rs. 7,80,000.
- (iii) Collection against account receivable were Rs. 7,60,000.
- (iv) Rent paid in cash Rs. 2,20,000, outstanding rent being Rs. 20,000.
- (v) 4,00,000 Equity shares of Rs. 10 **par** value were issued for Rs. 48,00,000.
- (vi) Equipment was purchased for cash Rs. 16,80,000.
- (vii) Dividend amounting to Rs. 10,00,000 was declared, but yet to be paid.
- (viii) Rs. 4,00,000 of dividends declared in the previous year were paid.
- (ix) An equipment having a book value of Rs. 1,60,000 was sold for Rs. 2,40,000.
- (x) The cash account was increased by Rs. 37,20,000.

Prepare a cash flow statement using direct method.

(CS Dec 2005)

Q-4 From the information given below you are required to calculate the cash paid for the inventory:

Particulars	(Rs.)	
Inventory in the beginning	40,000	
Credit Purchases	1,60,000	
Inventory in the end	38,000	
Trade payables in the beginning	14,000	
Trade payables in the end	14500	(ICSI Study Material)

Q-5 From the following balances calculate cash from operations:

	31st December	
	2021	2022
Bills receivable	5,000	4700
Debtors	1000	1250
Bills payable	2000	2500
Creditors	800	600
Outstanding Expenses	100	120
Prepaid Expenses	80	70
Accrued Income	60	75
Income received in advance	80	25
Profit made during the year	–	7,000

(ICSI Study Material)

Q-6 Following is the Balance Sheet of ABC Co. Ltd., on at 01st January, 2022 and 31st December 2022.

	(Amount In Rs.)	
Particulars	01-01-2022	31-12-2022
I. Equity and Liabilities:		
Equity share capital	30,000	35000
Share premium	--	3000
General Reserve	4500	6500
Profit and Loss	3000	8080
6% Debentures	--	7000
Sundry creditors	8500	9070
Provision for taxation	2250	4050
Proposed Divided	3000	3500
Total	51250	76200
II. Assets:		
Land and building	23,000	39000
Plant and machinery	8540	14000
Furniture	550	650
Stock	8240	9570
Sundry debtors	7500	8550
Bank balance	3420	4430
Total	51250	76200

Additional Information:

Depreciation written off during the year

Land and building 6000

Plant and machinery 5000

Furniture 120

You are required to prepare a cash flow statement

(ICSI Study Material)

Q-7 From the following Balance Sheets of Roop Ltd., prepare a cash flow statement.

I. Equity and Liabilities	2021 (Rs.)	2022 (Rs.)
Equity Share Capital	15000	2,0000
12% Preference share capital	7500	5000
General Reserve	2000	3500
P & L A/c	1500	2400
Creditors	3750	4950
Total	29750	35850
II. Assets		
Goodwill	3600	2000
Building	8000	6000
Plant	4000	10000
Debtors	11900	15450
Stock	1000	1500
Cash	1250	900
Total	27950	35850

Depreciation charged on plant was Rs. 1000 and on building Rs. 6000. **(ICSI Study Material)**

Q-8 The Balance Sheets of a Prem Limited Company at 31.3.2021 and 31.3.2022 were as follows:

I. Equity and Liabilities	31.3.2021 (Rs.)	31.3.2022 (Rs.)
Equity Share Capital	4500	6500
General Reserve	500	750
Profit and Loss Account	1000	1500
Debentures	1000	2000
Sundry creditors	870	1100
Total	7870	11850
II. Assets		
Fixed Assets	4600	8300
Stock	1100	1300
Debtors	1870	1950
Cash	200	2500
Preliminary Expenses	100	50
Total	7870	11850

Additional information : Depreciation on fixed assets for the year 2021-22 was Rs. 1170.

Prepare a Cash Flow Statement

(ICSI Study Material)

Q-9 A company has provided you the following details:

Liabilities	31.12.2007	31.12.2008
Share capital	70,000	74,000
Debentures	12,000	6,000
Reserves for doubtful debts	700	800
Trade creditors	10,360	11,840
Profit and loss a/c	10,040	10,560
	1,03,100	1,03,200
Assets	31.12.2007	31.12.2008
Cash	9,000	7800
Debtors	14,900	17,700
Stock	49,200	42,700
Land	20,000	30,000

Goodwill	10,000	5,000
	1,03,100	1,03,200

Additional information –

- Dividend paid Rs. 3,500; and
- Land was purchased for Rs. 10,000.

Prepare a cash flow statement as per Accounting Standard – 3(Revised).

(CFOA – 14,300; CFIA – (10,000); CFFA – (5,500)

(CS June 2009)

Q-10 Balance sheet of XYZ is as follows:

I. Equity and Liabilities	2021 (Rs.)	2022 (Rs.)
Share Capital	7000	7400
Debentures	1200	600
Sundry Creditors	1036	1184
Provision for doubtful debts	70	80
P & L A/c	1004	1056
Total	10310	10320
II. Assets		
Cash	900	780
Sundry Debtors	1490	1770
Stock	4920	4270
Land	2000	3000
Goodwill	1000	500
Total	10310	10320

Additional Information:

(i) Dividend totaling Rs. 350 was paid.

(ii) Land was purchased for Rs. 1000 and amount provided for the amortization of goodwill totaled Rs. 500.

(iii) Debentures of Rs. 600 were redeemed. Prepare a Cash flow statement. **(ICSI Study Material)**

Q-11 Given below are the balance sheets of Veer & Sons.

I. Equity and Liabilities	01 Jan 2022	31 Dec. 2022
	₹	₹
Creditors	4,000	4,400
Mrs. A's Loan	2,500	-
Loans from Bank	4,000	5000
Capital	12,500	15300
Total	23,000	24,700
II. Assets		
Cash	1,000	700
Debtors	3,000	5,000
Stock	3,500	2,500
Machinery	8,000	5,500
Land	4,000	5,000
Building	3,500	6,000
Total	23,000	24,700

During the year a machine costing Rs. 1000 (accumulated depreciation Rs. 300) is sold for Rs. 500. The provisions for depreciation against machinery as on 01 January 2022 was Rs. 2500 and on 31 December 2022 Rs. 4000. Net profit for the year amounts to Rs. 4500.

You are required to prepare a Cash Flow Statement.

(ICSI Study Material)

Q-12 Balance sheet of Anupama Trading Company as on 1st January, 2001 and 31st December, 2001 were as under:

	1.1.2001 (Rs.)	31.12.2001 (Rs.)
Liabilities		
Creditors	40,000	44,000
Sarika's loan	25,000	—
Loan from bank	40,000	50,000
Capital	1,25,000	1,53,000
	2,30,000	2,47,000
Assets		
Cash	10,000	7,000
Debtors	30,000	50,000
Stock	35,000	25,000
Machinery	80,000	55,000
Land	40,000	50,000
Buildings	35,000	60,000
	2,30,000	2,47,000

During the year, a machine costing Rs. 10,000 (total depreciation written off Rs. 3,000) was sold for Rs. 5,000. The provision for depreciation against machinery as on 1st January, 2001 was Rs. 25,000 and on 31st December, 2001 was Rs. 40,000. Net profit for the year 2001 amounted to Rs. 45,000.

Prepare the cash flow statement in accordance with Accounting Standard-3(Revised). (CS June 2003)

Q-13 From the following Balance Sheets of Hotel Hills Ltd., and additional information, prepare a Cash Flow Statement for the year 2022.

	2021 (Rs.)	2022 (Rs.)
I. Equity and Liabilities		
Share Capital	7000	8000
Share Premium	900	1100
Retained earnings	2382	3082
7% Mortgage loan	--	2000
Creditors	690	600
Outstanding salaries	200	140
Provision for taxation	100	140
Total	11272	15062
II. Assets		
Plant & Machinery	6200	6600
Accumulation Dep. on plant and mach	(3700)	(2620)
Building	9500	11600
Accumulation depreciation on Building	(4300)	(4500)
Land	1000	1200
Stock	1022	962
Debtors	860	760
Prepaid expenses	72	80
Cash	618	980
Total	11272	15062

Additional information:

- Plant costing Rs. 1600 (accumulated depreciation Rs. 1480) was sold during the year for Rs. 120.
- Building was acquired during the year at a cost of Rs. 2100. In addition to cash payment of Rs. 100 a 7% mortgage loan was raised for the balance.
- Dividend of Rs. 800 was paid during the year.
- A sum of Rs. 1390 was transferred to provision for taxation account in 2022. (ICSI Study Material)

Q-14 A company has provided out the following details:

<i>Liabilities</i>	31.12.2006 (Rs.)	31.12.2007 (Rs.)
Share capital	4,50,000	4,50,000
General Reserve	3,00,000	3,10,000
Profit and loss account	56,000	68,000
Creditors	1,68,000	1,34,000
Provision for taxation	75,000	10,000
Mortgage loan	–	2,70,000
	10,49,000	12,42,000
<i>Assets</i>		
Plant and machinery	4,00,000	3,20,000
Investments	50,000	60,000
Inventory	2,40,000	2,10,000
Debtors	2,10,000	4,55,000
Cash at bank	1,49,000	1,97,000
	10,49,000	12,42,000

Additional Information:

- Investments costing Rs. 8,000 were sold during the year for Rs. 8,500.
 - Provision for taxation made during the year was Rs. 9,000.
 - During the year, a part of plant and machinery costing Rs. 10,000 was sold for Rs. 12,000, the profit was included in profit and loss account.
 - Dividend paid during the year amounted to Rs. 44,080.
- You are required to prepare cash flow statement in new format as per AS -3 by indirect method.
(CFOA – (1,80,420); CFIA – 2,500; CFFA – 2,25,920) (CS June 2008)

Q-15 The following are the balance sheets in condensed form of Modern Ltd.:

<i>Liabilities</i>	As on 31.03.2004 (Rs.)	As on 31.03.2005 (Rs.)
Sundry creditors	5,15,000	4,80,000
Outstanding expenses	65,000	60,000
8% Debentures	4,50,000	3,50,000
Depreciation fund	2,00,000	2,20,000
Reserve for contingencies	3,00,000	3,00,000
Profit and loss account	80,000	1,15,000
Equity share capital	11,50,000	11,50,000
	27,60,000	26,75,000
<i>Assets</i>		
Cash and bank balances	4,50,000	4,50,000
Sundry debtors	3,35,000	2,15,000
Temporary investments	5,50,000	3,70,000
Prepaid expenses	5,000	10,000
Stock in trade	4,10,000	5,30,000
Machinery	2,60,000	3,50,000
Land and buildings	7,50,000	7,50,000
	27,60,000	26,75,000

The following information are also available:

- 10% Dividend in cash.
- New machinery for Rs. 1,50,000 was purchased, but old machinery costing Rs. 60,000 was sold for Rs. 20,000. Accumulated depreciation thereon was Rs. 30,000.

- (iii) Rs. 1,00,000, 8% debentures were redeemed through open market purchase @ Rs. 96 for a debenture of Rs. 100.
- (iv) Rs. 1,80,000 investments were sold at book value.
- You are required to prepare a cash flow statement for the year ended 31st March, 2005 in accordance with Accounting Standard – 3 (Revised) by direct method. **(CS June 2006)**

Q-16 Prepare cash flow statement with the help of the following Balance Sheets:

I. Equity and Liabilities	2021 (Rs.)	2022 (Rs.)
Equity Share Capital	30000	40,000
Redeemable Pref. Capital	15000	10,000
General Reserve	4000	7000
Profit and Loss Account	3000	4800
Proposed Dividend	4200	5000
Creditors	5500	8300
Bills Payable	2000	1600
Provision for Taxation	4000	5000
Total	67700	81700
II. Assets		
Goodwill	11500	9000
Land and Building	20000	17000
Plant	8000	20000
Debtors	16000	20000
Stock	7700	10900
Bills Receivable	2000	3000
Cash in Hand	1500	1000
Cash at Bank	1000	800
Total	67700	81700

It is also given that:

- (a) Depreciation of Rs. 2000 on land and building and Rs.1000 on plant has been charged in 2022.
- (b) Interim dividend of Rs. 2000 has been paid in 2022.
- (c) Income tax Rs.3500 has been paid during 2022. **(ICSI Study Material)**

Q-17 The balance sheets of X Ltd. as on 31st March, 2010 and 31st March, 2011 were as follows:

Liabilities	31st March, 2010	31st March, 2011
	(Rs.)	(Rs.)
Share capital	5,00,000	7,00,000
General reserve	50,000	70,000
Profit and loss account	1,00,000	1,60,000
Sundry creditors	1,53,000	1,90,000
Bills payable	40,000	50,000
Outstanding expenses	<u>7,000</u>	<u>5,000</u>
	<u>8,50,000</u>	<u>11,75,000</u>
Assets		
Land and building	80,000	1,20,000
Plant and machinery	5,00,000	8,00,000
Stock	1,00,000	75,000
Sundry debtors	1,50,000	1,60,000
Cash	<u>20,000</u>	<u>20,000</u>
	<u>8,50,000</u>	<u>11,75,000</u>

Additional information:

- i. Rs. 50,000 depreciation has been charged to plant and machinery during the year 2011.

- ii. A piece of machinery costing Rs. 12,000 (depreciation provided thereon Rs. 7,000) was sold at 60% profit on book value.

You are required to prepare cash flow statement.

(CS Dec 2011)

Q-18 From the following particulars of Bright Ltd., prepare cash flow statement as per AS – 3 (Revised):

Balance Sheets

Liabilities	31.03.2009 Rs.)	31.03.2010 (Rs.)
Equity share capital	3,00,000	3,50,000
18% Preference share capital	2,00,000	1,00,000
14% Debentures	1,00,000	2,00,000
Reserves and surplus	1,10,000	2,70,000
Creditors	70,000	1,45,000
Provision for doubtful debts	<u>10,000</u>	<u>15,000</u>
	<u>7,90,000</u>	<u>10,80,000</u>
Assets		
Fixed assets (net)	5,10,000	6,20,000
10% Investments	30,000	80,000
Cash	40,000	75,000
Debtors	1,00,000	2,10,000
Stock	1,00,000	90,000
Discount on debentures	<u>10,000</u>	<u>5,000</u>
	<u>7,90,000</u>	<u>10,80,000</u>

You are informed that during the year –

- A machine with a book value of Rs. 40,000 was sold for Rs. 25,000.
- Depreciation charged during the year was Rs. 70,000.
- Preference shares were redeemed on 31st March, 2010 at a premium of 5%.
- An interim dividend @ 15% was paid on equity shares on 31st March, 2010. Preference dividend was also paid on 31st March, 2010.
- New shares and debentures were issued on 31st March, 2010.

(June 2011)

Q-19 For each of the following transactions, calculate the resulting cash flow and state the nature of cash flow, viz., operating, investing and financing.

- Acquired machinery for Rs. 2,50,000 paying 20% by cheque and executing a bond for the balance payable.
- Paid Rs. 2,50,000 to acquire shares in Informa Tech. and received a dividend of Rs. 50,000 after acquisition.
- Sold machinery of original cost Rs. 2,00,000 with an accumulated depreciation of Rs. 1,60,000 for Rs. 60,000.

(ICSI Study Material)

*God is all knowing. Without even saying a word our condition is known to God
- Sant Rajinder Singh Ji*

Chapter 10 Ratio Analysis

- Q-1** Current Assets - Rs. 1,00,000; Liquid assets - Rs. 60,000. Calculate Stock.
- Q-2** Working Capital is Rs. 24 Lakh, Total Debt is Rs. 52 Lakh and Long-term debt is Rs. 40 Lakh, Calculate current ratio. **(CS Dec 2018)**
- Q-3** Stock, Current Assets and Working Capital are Rs. 25 Lakh, Rs. 80 Lakh and Rs. 30 Lakh respectively. Calculate liquid ratio. **(CS Dec 2018)**
- Q-4** Current Ratio 2.5
Working capital Rs. 60,000
Calculate Current Liabilities and Current Assets.
- Q-5** Current ratio is 2.5:1 and Working Capital is Rs. 120 Lakh. Calculate current liabilities. **(CS Dec 2018)**
- Q-6** In an organization, working capital is Rs.1,00,000 and current ratio 3:1. Calculate value of current assets. **(CS June 2015)**
- Q-7** The current ratio of brave Ltd. is 2:1, while quick ratio is 1.8:1. If the current liabilities are Rs.40,000, Calculate value of stock **(CS June 2015)**
- Q-8** In an organization, current ratio is 2.5, liquid ratio 1.5, prepaid expenses nil and stock Rs.4,000. Calculate amount of current liabilities. **(CS June 2015)**
- Q-9** Find the current liability from the following:
- | | | | |
|------------------|---|-----------|----------------------|
| Current ratio | - | 2:5 | |
| Liquid ratio | - | 1:5 | |
| Prepaid expenses | - | Nil | |
| Stock | - | Rs. 4,000 | (CS Dec 2014) |
- Q-10** Current ratio = 2.5
Quick ratio (quick assets/quick liabilities) = 1.3
Working capital = Rs. 1,20,000
Bank overdraft = Rs. 15,000
Calculate Closing stock.
- Q-11** Current ratio is 2.5:1 and Liquid Ratio is 1.5:1. If inventory is Rs. 9,60,000, Calculate the amount of current assets. **(CS Dec 2018)**
- Q-12** Current ratio is 2.5 and liquid ratio is 1.5. Working capital is Rs.75,000. Calculate value of the stock held. **(CS Dec 2015)**
- Q-13** Working capital Rs. 60,000 Current Ratio 2:1
Calculate Current liabilities.
- Q-14** Current Ratio 3.3
Quick Ratio 1.3
Stock Rs. 4,00,000
Calculate Current liabilities of the firm.

- Q-15** Current liabilities of a firm are Rs.1,50,000.
Its current ratio is 3:1 and liquid ratio is 1:1. Calculate the value of stock **(CS June 2016)**
- Q-16** Working capital Rs. 60,000
Current Ratio 2:1
Liquidity Ratio 1.5:1
Liquid assets are
- Q-17** The relevant data from financial statements of Ross Ltd. as on 31st March, 2016 is given below :
- | | Rs. |
|----------------------------------|-----------|
| Cash | 1,50,000 |
| Trade receivables | 4,00,000 |
| Investment (<i>short-term</i>) | 3,30,000 |
| Stock | 25,00,000 |
| Prepaid expenses | 50,000 |
| Current liabilities | 10,00,000 |
- Calculate Quick ratio. **(CS Dec 2016)**
- Q-18** Mahi Ltd. has closing stock Rs. 648 lakh and prepaid expenses Rs. 32 lakh. Total liquid assets were Rs. 1,830 lakh. If the liquid ratio is 1.5:1, Calculate working capital. **(CS Dec 2019)**
- Q-19** N Ltd. has Net working capital of Rs 119 Lakh, Total Liabilities Rs 225 Lakh and non-current liabilities are Rs 140 Lakh. Calculate current Ratio **(CS Dec 2019)**
- Q-20** The following information is pertaining to A Ltd.
- | | | |
|---------------------|---|----------------|
| Current ratio | : | 4 |
| Acid Test ratio | : | 2.8 |
| Current liabilities | : | Rs. 31.00 Lakh |
- Find out the value of Inventory. **(CS August 2021)**
- Q-21** Current ratio is 2.5:1 and Liquid ratio is 1:1. Stock is Rs. 60,000. Calculate current liability. **(CS Dec 2020)**
- Q-22** Calculate quick ratio from the information given in Q-21. **(ICSI Study Material)**
- Q-23** X Ltd., has a current ratio of 3.5:1 and quick ratio of 2:1. If excess of current assets over quick assets represented by inventories is Rs. 24,000, calculate current assets and current liabilities. **(ICSI Study Material)**
- Q-24** Current Liabilities of a company are Rs. 75,000. If current ratio is 4:1 and Liquid Ratio is 1:1, calculate value of Current Assets, Liquid Assets and Inventory. **(ICSI Study Material)**
- Q-25** Handa Ltd. has inventory of Rs. 20,000. Total liquid assets are Rs. 1,00,000 and quick ratio is 2:1. Calculate current ratio. **(ICSI Study Material)**
- Q-26** Current Ratio is 3.5:1
Working Capital is Rs. 90,000.
Calculate the amount of Current Assets and Current Liabilities. **(ICSI Study Material)**

- Q-27** Shine Limited has a current ratio 4.5:1 and quick ratio 3:1; if the inventory is 36,000, calculate Current Liabilities and Current Assets. **(ICSI Study Material)**
- Q-28** Calculate Current Ratio if: Inventory is Rs. 6,00,000; Liquid Assets Rs. 24,00,000; Quick Ratio 2:1. **(ICSI Study Material)**
- Q-29** Calculate Current Ratio from the following information:
- | Particulars | (Rs.) | |
|--|----------|------------------------------|
| Inventories | 50,000 | |
| Trade receivables | 50,000 | |
| Advance tax | 4,000 | |
| Cash and cash equivalents | 30,000 | |
| Trade payables | 1,00,000 | |
| Short-term borrowings (bank overdraft) | 4,000 | (ICSI Study Material) |
- Q-30** Debt service ratio from the following data will be:
- | | | |
|--|--------------|----------------------|
| Interest charges | Rs. 6,50,000 | |
| Net profit Rs. 15,00,000 after charging: | | |
| Interest | Rs. 3,00,000 | |
| Salary | Rs. 2,40,000 | |
| Rent | Rs. 60,000 | |
| Taxes | Rs. 2,00,000 | (CS Dec 2020) |
- Q-31** The net profit (after tax) of a company is Rs. 2,10,000 and its fixed interest charges on long-term borrowings are Rs. 50,000. If the tax rate of income tax is 30%, Calculate interest coverage ratio of the company. **(CS August 2021)**
- Q-32** From the following details, calculate interest coverage ratio: Net Profit after tax Rs. 60,000; 15% Long-term debt 10,00,000; and Tax rate 40%. **(ICSI Study Material)**
- Q-33**
- | | | |
|-----------------------------|--------------|--|
| Debentures | Rs. 4,00,000 | |
| Creditors | Rs. 1,00,000 | |
| Long-term loans | Rs. 8,00,000 | |
| Share capital | Rs. 2,00,000 | |
| Reserve fund | Rs. 1,20,000 | |
| Preliminary expenses | Rs. 20,000 | |
| Calculate Debt equity ratio | | |
- Q-34** Calculate debt-equity ratio from the following information:
- | | | |
|---------------------|---------------|------------------------------|
| Total Assets | Rs. 15,00,000 | |
| Current Liabilities | Rs. 6,00,000 | |
| Total Debts | Rs. 12,00,000 | (ICSI Study Material) |
- Q-35**
- | | | |
|---------------------------------|--------------|--|
| Debentures | Rs. 5,00,000 | |
| Long term loans | Rs. 1,00,000 | |
| Preference share capital | Rs. 2,00,000 | |
| Equity share Capital | Rs. 2,00,000 | |
| Profit and loss Account | Rs. 3,00,000 | |
| General reserve | Rs. 5,00,000 | |
| Calculate Capital Gearing ratio | | |

Q-36 From the following balance sheet of a company, calculate Debt-Equity Ratio:

Balance Sheet		Note No.	Amount (Rs.)
Particulars			
I. Equity and Liabilities			
1. Shareholders' funds			
(a) Share capital 8,00,000			
(b) Reserves and Surplus	1		1,00,000
2. Share application money pending allotment			2,00,000
3. Non-Current Liabilities			
Long-term borrowings			1,50,000
4. Current liabilities			1,50,000
Total			14,00,000
II. Assets			
1. Non-Current Assets			
a) Fixed assets			
Tangible assets	2		11,00,000
2. Current Assets			
a) Inventories			
b) Trade receivables			1,00,000
c) Cash and cash equivalents			90,000
c) Cash and cash equivalents			1,10,000
Total			14,00,000
Notes to Accounts			
Rs.			
1. Share Capital			
Equity Share Capital			6,00,000
Preference Share Capital			2,00,000
Total			8,00,000
2. Tangible Assets:			
Plant and Machinery			5,00,000
Land and Building			4,00,000
Motor Car			1,50,000
Furniture			50,000
Total			11,00,000

(ICSI Study Material)

Q-37 Equity share capital: Rs.30 lakh (30,000 shares of Rs.100 each); 9% preference shares: Rs.10 lakh; profit before tax: Rs.24.46 lakh and tax rate 30%. Calculate Earnings per share. **(CS December 2015)**

Q-38 In an organization, profit after interest, tax and dividend on preference shares is Rs. 4,00,000. The number of equity shares is 40,000 and dividend payout ratio is 40%. Calculate dividend per share. **(CS Dec 2014)**

Q-39 The net profit of a company is Rs.2,00,000 preference dividend Rs.25,000 and taxes paid Rs.15,000. Number of equity shares is 1,00,000. Calculate earnings per share (EPS). **(CS June 2015)**

Q-40 The following information is given:
9% preference shares of Rs. 10 each Rs. 4,00,000, Equity shares of Rs. 10 each Rs. 12,00,000, Profit after tax Rs. 4,20,000, Equity dividend paid 20%, Market price of equity share Rs. 25 each. What will be the earnings per share? **(CS June 2019)**

Q-41 If price-earnings ratio is 0.05 and earnings per share is Rs.8, Calculate market price of share. **(CS December 2016)**

- Q-42** If market price per share, Earning per share and Dividend per share are Rs. 150, 16.50 and Rs. 15 respectively, then Price Earning Ratio will be: **(CS Dec 2018)**
- Q-43** Net income of a company after payment of preference dividend was Rs.63 lakh. The number of equity shares was 1,40,000. The P/E ratio of the company was 8.50 times. Calculate Earnings per share and market value per share. **(CS Dec 2015)**
- Q-44** The capital of Juhi Ltd. is as follows :
- | | | |
|-------------------------------------|---|-------------|
| 10% Preference shares of Rs.10 each | : | Rs.5,00,000 |
| Equity shares of Rs.100 each | : | Rs.7,00,000 |
| Other information : | | |
| Profit (after tax @ 50%) | : | Rs.1,55,000 |
| Depreciation | : | Rs.60,000 |
| P/E ratio | : | 12 times |
- Calculate market price of equity share. **(CS December 2016)**
- Q-45** Market price of a share having a face value of Rs.10 is Rs.40. The profits available for equity shareholders are Rs.2,00,000. If the paid-up share capital of the company is Rs.5,00,000, the Earning Yield Ratio is: **{(CS Dec 2020) (OS)}**
- Q-46** Credit sales Rs. 3,00,000, Opening balance of accounts receivable Rs. 50,000 and Closing balance of accounts receivable Rs. 70,000 (assuming 360 days in a year). Calculate Debtors turnover ratio. **(CS June 2017)**
- Q-47** Credit sales of jump Ltd. for the year is Rs.12,00,000 and debtors at the end of year Rs.2,40,000. Assuming 360 days in a year, calculate Average Collection Period. **(CS June 2015)**
- Q-48** Closing debtors are Rs. 8,00,000 which are 125 percent of opening debtors. Cash sales is 25 percent of total sales. If the debtors turnover ratio is 4 times then the amount of total sales will be _____ **(CS June 2019)**
- Q-49** From the following information, calculate debtor's turnover ratio and average collection period:
Closing debtors Rs. 2,00,000, Cash sales 25% of credit sales
Excess of closing debtors over opening debtors Rs. 80,000, Total sales Rs. 12,00,000 **(CS Dec 2021)**
- Q-50** Debtors Velocity = 3 months
Annual Sales Rs. 25,00,000
Bills receivable & bills payable at the end of the year were Rs. 60,000 and Rs. 36,667 respectively. Calculate Sundry debtors: **(CS Dec 2019; June 2018)**
- Q-51** The balances of some of the assets and liabilities as on 31-3-2017 are:
Cash Rs. 10,000; Plant Rs. 2,00,000; Bills Receivable Rs. 5,000; Goodwill Rs. 90,000; Debtors Rs. 25,000; Stock Rs. 20,000; Creditors Rs. 20,000; Bills Payable Rs. 10,000 and Cost of sales Rs. 1,80,000. In this case, the Working Capital Turnover Ratio is: **(CS Dec 2017)**
{Hint: Sales is not given in this question. Therefore we will use cost of sales in working capital turnover ratio. Working capital turnover ratio = cost of sales/working capital}
- Q-52** The average creditors are Rs. 74,000, creditors turnover ratio is 4.80. Calculate amount of credit purchases. **(CS June 2019)**

- Q-53** For the financial year ended 31st March, 2017, the figures extracted from the balance sheet of EXE Ltd. are as follow:
- | | |
|--------------------|--------------|
| Opening stock | Rs. 29,000 |
| Closing stock | Rs. 31,000 |
| Cost of goods sold | Rs. 2,40,000 |
- Calculate stock turnover ratio **(CS June 2018)**
- Q-54** Cost of goods sold is Rs. 90 lakh, Purchases are Rs. 96 Lakh and closing stock is Rs. 18 Lakh, then Stock Turnover Ratio will be **(CS Dec 2018)**
- Q-55** From the following information find out the value of opening stock:
- Stock turnover ratio 6 times
Gross profit ratio 20% on sales
Annual sales Rs. 3,00,000
Closing stock is Rs. 10,000 more than the opening stock **(CS August 2021)**
- Q-56** A company's purchases are Rs. 385 lakhs, Sales Rs. 510 lakhs and closing stock Rs. 58 lakhs. If the rate of gross profit is 25% on cost, then Stock Turnover Ratio will be: **(CS Dec 2019)**
- Q-57** The following information is given for X Ltd.
Stock velocity 3.75 months, Gross profit Rs. 80,000 being 20% of sales. The closing stock of the year is Rs. 25,000 more than the opening stock. What will be the amount of opening and closing stocks? **(CS June 2019)**
- Q-58** If Average Inventory is Rs. 125 Lakh, Inventory Turnover Ratio is 8 times and Profit is 20% on sales, then amount of sales will be: **(CS Dec 2018)**
- Q-59** Following information is given :
- | | | |
|--------------------|---|---|
| Total sales | : | Rs.24,00,000 |
| Inventory turnover | : | 4.80 times on basis of cost ratio of goods sold |
| Gross profit ratio | : | 25% on cost of goods sold |
- Closing inventory is Rs.60,000 more than opening inventory.
The amount of opening stock and purchases respectively will be — **(CS Dec 2016)**
- Q-60** From the following information, calculate inventory turnover ratio:
- | | |
|---------------------------|----------|
| | Rs. |
| Revenue from operations = | 4,00,000 |
| Average Inventory = | 55,000 |
| Gross Profit Ratio = | 10% |
- (ICSI Study Material)**
- Q-61** From the following information, calculate inventory turnover ratio:
- | | |
|----------------------------|--------|
| | Rs. |
| Inventory in the beginning | 18,000 |
| Inventory at the end | 22,000 |
| Net purchases | 46,000 |
| Wages | 14,000 |
| Revenue from operations | 80,000 |
| Carriage inwards | 4,000 |
- (ICSI Study Material)**

Q-62 Calculate the Trade receivables turnover ratio from the following information:

	Rs.	
Total Revenue from operations	4,00,000	
Cash Revenue from operations	20% of Total Revenue from operations	
Trade receivables as at 1.4.2021	40,000	
Trade receivables as at 31.3.2022	1,20,000	(ICSI Study Material)

Q-63 Compute Inventory Turnover Ratio from the following information:

Revenue from Operations	Rs. 2,00,000
Gross Profit	Rs. 50,000
Inventory at the end	Rs. 60,000
Excess of inventory at the end over inventory in the beginning	Rs. 20,000 (ICSI Study Material)

Q-64 From the following information calculate Gross Profit Ratio, Inventory Turnover Ratio and Trade Receivable Turnover Ratio.

Revenue from Operations	Rs. 3,00,000	
Cost of Revenue from Operations	Rs. 2,40,000	
Inventory at the end	Rs. 62,000	
Gross Profit	Rs. 60,000	
Inventory in the beginning	Rs. 58,000	
Trade Receivables	Rs. 32,000	(ICSI Study Material)

Q-65 Calculate Inventory Turnover Ratio from the data given below:

Inventory in the beginning of the year	Rs. 10,000	
Inventory at the end of the year	Rs. 5,000	
Carriage	Rs. 2,500	
Revenue from Operations	Rs. 50,000	
Purchases	Rs. 25,000	(ICSI Study Material)

Q-66 Calculate Inventory Turnover Ratio if: Inventory in the beginning is Rs. 76,250, Inventory at the end is Rs. 98,500, Sales is Rs. 5,20,000, Sales Return is Rs. 20,000, Purchases is Rs. 3,22,250.

(ICSI Study Material)

Q-67 P Ltd. furnished the following information:

Cost of Goods Sold	:	Rs. 6 Lakh
Net Profit	:	Rs. 3 Lakh
Sales Return	:	Rs. 1 Lakh

If the net profit margin of P Ltd. was 25%, then the gross profit margin was:

(CS August 2021)

Q-68 Following information is available for the year 2022-23, calculate gross profit margin ratio:

Revenue from Operations:

Cash	25,000
Credit	75,000

Purchases:

Cash	15,000
Credit	60,000

Carriage Inwards	2,000
Salaries	25,000

(ICSI Study Material)

Q-69 Given the following information:

Revenue from Operations	3,40,000
Cost of Revenue from Operations	1,20,000
Selling expenses	80,000
Administrative Expenses	40,000

Calculate Gross profit ratio and EBITDA margin **(ICSI Study Material)**

Q-70 Following information is available for the year 2022-23, calculate gross profit margin ratio:

Revenue from Operations:	
Cash	25,000
Credit	75,000
Purchases:	
Cash	15,000
Credit	60,000
Carriage Inwards	2,000
Salaries	25,000

(ICSI Study Material)

Q-71 Given the following information:

Revenue from Operations	3,40,000
Cost of Revenue from Operations	1,20,000
Selling expenses	80,000
Administrative Expenses	40,000

Calculate Gross profit ratio and EBITDA margin **(ICSI Study Material)**

Q-72 Following information is available for the year 2022-23, calculate gross profit margin ratio:

Revenue from Operations:	
Cash	25,000
Credit	75,000
Purchases:	
Cash	15,000
Credit	60,000
Carriage Inwards	2,000
Salaries	25,000

(ICSI Study Material)

Q-73 Given the following information:

Revenue from Operations	3,40,000
Cost of Revenue from Operations	1,20,000
Selling expenses	80,000
Administrative Expenses	40,000

Calculate Gross profit ratio and EBITDA margin **(ICSI Study Material)**

Q-74 Following information is available for the year 2022-23, calculate gross profit margin ratio:

Revenue from Operations:	
Cash	25,000
Credit	75,000
Purchases:	
Cash	15,000
Credit	60,000
Carriage Inwards	2,000
Salaries	25,000

(ICSI Study Material)

Q-75 Given the following information:

Revenue from Operations	3,40,000
Cost of Revenue from Operations	1,20,000
Selling expenses	80,000
Administrative Expenses	40,000

Calculate Gross profit ratio and EBITDA margin

(ICSI Study Material)

Q-76 From the books of Raja & Co., following details as on 31st March, 2016 are collected:

	Rs.
Equity share capital	: 20,00,000
Retained earnings	: 10,00,000
10% Debentures	: 20,00,000
Current liabilities	: 10,00,000
Profit before interest and tax	: 12,00,000
Interest	: 1,60,000
Tax	: 3,12,000

The rate of return on capital employed will be —

(CS Dec 2016)

Q-77 Profit before interest and tax of AB Ltd. was Rs. 3,40,000. Their net fixed assets were Rs. 2,10,00,000 and working capital was Rs. 27,70,000.

Return on investments = ?

{(CS June 2018) (OS)}

Q-78 Profit after tax of AB Ltd. was Rs. 3,44,460. Total assets are Rs. 5,97,70,000 out of which Rs. 3,57,70,000 was financed from loan funds.

Calculate the return on equity?

(CS Dec 2019)

Q-79 Profit before tax Rs. 1,00,000

Tax @ 30%

Share capital Rs. 4,00,000

Reserves and surplus Rs. 6,00,000

Calculate Return on Net worth

Q-80 Gross profit ratio of a company was 25%. Its credit revenue from operations was Rs. 20,00,000 and its cash revenue from operations was 10% of the total revenue from operations. If the indirect expenses of the company were Rs. 50,000, calculate its net profit ratio.

(ICSI Study Material)

Q-81 ABC Ltd. has earned 12% return on total assets of Rs. 8,00,000 and has a net profit ratio of 8%. Sales of the firm shall be:

{(CS June 2019)(OS)}

Q-82 Cost of goods sold : Rs.4,00,000

Administration and office expenses : Rs.35,000

Selling and distribution expenses : Rs.45,000

Net credit sales : Rs.4,75,000

Cash sales : Rs.1,25,000

Operating profit ratio will be —

(CS June 2016)

Q-83 Sales Rs. 10,00,000

Gross profit 20% of sales

Operating expenses Rs. 20,000

Calculate operating ratio.

Q-84 Company A lists Rs. 40,00,000 in short-term liabilities and Rs. 70,00,000 in long-term liabilities on their balance sheet. They've also issued Rs. 20,00,000 in preferred stock, Rs. 5,00,000 in minority interest, and have around Rs. 8,00,000 outstanding shares trading at Rs. 10 per share. Using all that information, calculate the debt-to-capital ratio. **(ICSI Study Material)**

Q-85 You are given the following figures:

Current ratio	2.5
Liquidity ratio	1.5
Net working capital	Rs. 3,00,000
Fixed assets turnover ratio (on cost of sales)	2 times
Average debt collection period	2 months
Stock turnover ratio (cost of sales/closing stock)	6 times
Gross profit ratio	20%
Fixed assets/shareholders net worth	0.80
Reserve and surplus/capital	0.50
Draw up the balance sheet of the company.	(CS Dec 2006; CS June 2003)

Q-86 From the following information prepare balance sheet:

Current ratio	2.5	Working capital	60,000
Liquidity ratio	1.5	Reserves and surplus	40,000
Proprietary ratio (fixed assets/ Proprietary fund)	0.75	Bank overdraft	10,000
There is no long-term loan or fictitious assets.			(CS Dec 1998; CS Dec 2009)

Q-87 Following are the selected ratios of Sharp Publishers Ltd.:

Total debt to net worth	1.4
Total assets turnover	3 times
Inventory turnover (Sales/inventory)	9 times
Average collection period (Assume 360 days in a year)	20 days
Current ratio	3.3
Quick ratio	1.3
Total debts	Rs. 7,00,000
On the basis of above information, prepare the balance sheet of Sharp Publishers Ltd.	(CS Dec 2003)

Q-88 Following information is available from the books of Smart Project Ltd.:

Debtors velocity	:	3 months
Stock velocity	:	6 months
Creditors velocity	:	2 months
Gross profit ratio	:	20%

Gross profit for the year ended 31st March, 1999 was Rs. 5,00,000. Stock on 31st March, 1999 was Rs. 20,000 more than what it was at the beginning of the year. Bills receivable and bills payable were Rs. 60,000 and Rs. 36,667 respectively.

You are required to calculate-

- Sales
- Sundry debtors
- Sundry creditors; and
- Closing stock

(CS June 2000; June 2011)

Q-89 Following information is available, you are required to calculate- (i) Sales; (ii) Sundry debtors; (iii) Sundry creditors; and (iv) Closing stock

Debtors' velocity	:	3 months
Stock velocity	:	6 months
Creditors' velocity	:	2 months
Gross profit ratio	:	20%

Gross profit for the year ended 31st March, 2007 was Rs. 10,00,000. Closing stock for the same period was Rs. 40,000 more than what it was at the beginning of the year. Bills receivable and bills payable were Rs. 1,20,000 and Rs. 73,333 respectively.

(CS Dec 2002; Dec 2007)

Q-90 From the following information provided by Big Brothers Ltd., draw up its balance sheet:

Current ratio	2.5
Liquid ratio	1.5
Net working capital	Rs. 60,000
Stock turnover ratio (cost of sales/closing stock)	6 times
Gross profit ratio	20%
Fixed assets turnover ratio (on cost of sales)	2 times
Average collection period	2 months
Fixed assets to shareholders net worth	0.8
Reserves and surplus to capital	0.5
Long term loans	Rs. 30,000

(CS June 2007)

Q-91 A firm having owner's equity of Rs. 1 lakh provides the following ratios:

Short term debt to total debt	=	0.40
Total debt to owner's equity	=	0.60
Fixed assets to owner's equity	=	0.60
Total assets turnover	=	2 times
Inventory turnover	=	8 times

From the above information, draw a balance sheet of the firm.

(CS June 2006)

Q-92 From the following information pertaining to ABC Ltd., prepare its trading, profit and loss account for the year ended 31st March, 2011 and summarized balance sheet as at that date:

Current ratio	2.5
Quick ratio (quick assets/quick liabilities)	1.3
Proprietary ration (fixed assets/proprietary funds)	0.6
Gross profit to sales ratio	10%
Debtors velocity	40 days
Sales	Rs. 7,30,000
Working capital	Rs. 1,20,000
Bank overdraft	Rs. 15,000
Share capital	Rs. 2,50,000
Closing stock	10% more than opening stock
Net profit	10% of proprietary funds.

(CS Dec 2011)

Q-93 From the following particulars, prepare the balance sheet of Dhan Dhanya Ltd.:

Current ratio	2	
Working capital	Rs. 4,00,000	
Capital block (employed) to current assets	3:2	
Fixed assets to turnover	1:3	
Cash sales/credit sales	1:2	
Debentures/share capital	1:2	
Stock Velocity	2 months	
Creditors Velocity	2 months	
Debtors Velocity	3 months	
Gross profit ratio	25% (to sales)	
Net profit	10% of turnover	
Reserve	2.5% of turnover	(June 2012)

Q-94 Following is the profit and loss account of Tradeways Ltd. for the year ended 31st March, 2003:

Particulars	(Rs. in '000)	Particulars	(Rs. in '000)
To opening stock	10,000	By Sales	1,00,000
To purchases	55,000	By Closing stock	15,000
To Gross profit c/d	50,000		
	1,15,000		1,15,000
To office and admin expenses	18,000	By Gross profit b/d	50,000
To selling expenses	12,000		
To Net profit	20,000		
	50,000		50,000
Balance sheet as on 31st March, 2003			
Liabilities	(Rs. in '000)	Assets	(Rs. In '000)
Share capital of Rs. 10 each	1,00,000	Land and buildings	50,000
Profit and loss account	20,000	Plant and machinery	30,000
Creditors	25,000	Stock	15,000
Bills payable	15,000	Sundry debtors	15,000
		Bills receivable	12,500
		Cash & bank balances	37,500
	1,60,000		1,60,000

You are required to calculate the following:

- Stock turnover ratio
- Current ratio
- Liquid ratio
- Operating ratio and
- Proprietary ratio

(CS June 2004)

***God is all knowing. Without even saying a word our condition is known to God
- Sant Rajinder Singh Ji***

Chapter 11 Forecasting Financial Statements

Q-1 You are the Company Secretary of DP Ltd and assigned task of profitability projections of difference scenarios based on historical data provided: (Rs in Cr.)

Revenue (Sales)	200
Variable cost (60% of Sales)	120
Fixed Cost (others)	20
Depreciation	25
Taxes	10
Cash flow from operation	50
Net Cash flow	50

Company is forecasting that sales will be increased by 37.5% approximately keeping in the mind of Market forces whereas, the variable cost will be forecasted at 56% of sales. Company is in the anticipation of having fixed cost of Rs.15 cr. On the other side (i.e.) on worst situation, Company is forecasting the that sales will be curb by 25% approximately keeping in the mind of Market forces whereas, the variable cost will be forecasted at 65% of sales. Company is in the anticipation of having fixed cost of Rs. 25 cr. It is forecasted that depreciation remains unchanged in case of any scenario and tax rate shall be applicable at 28.57%
(ICSI Study Material)

Q-2 Following is the balance sheet of XL Ltd at the end of 2022 is as follows and you are required to forecast Cash flow for 2023. (Rs. in cr.)

Liabilities	Amount Rs	Assets	Amount Rs
Share Capital	100	Fixed Assets	180
Reserves and Surplus	20	Current Assets:	
Secured Loans	80	Cash	20
Unsecured Loans	50	Trade Receivables	80
Current liabilities	90	Inventories	80
Provisions	20		
Total	360	Total	360

The projected Profit & Loss for the year 2023 is given below:

Revenue from operation	400
Cost of Goods Sold	300
Depreciation	20
Profit Before Interest and taxes	80
Interest	20
PBT	60
Tax	30
PAT	30
Dividend	10
Retained Earnings	20

During the year 2023, company has forecasted to raise secured term loan of Rs. 20 crore and repay of previous term loan to the extent of Rs. 5 crore and increase unsecured loan by Rs. 10 crore. It is forecasted that current liabilities and provisions remains unchanged. While, company is planning to buy fixed assets worth Rs. 30 crore and increase the inventories and receivables by Rs. 10 crore and Rs. 15 crore respectively. Company is in the projection of paying dividend of Rs. 10 crore. Assuming other asset would remain unchanged except cash.
(ICSI Study Material)

Q-3	Y Ltd recently reported the following income Statement.	Rs in Cr.
	Sales	700
	Operating Cost	500
	EBIT	200
	Interest	40
	EBT	160
	Taxes@40%	64
	EAT (Net Income)	96
	Dividend	32
	Retained Earnings	64

This year company is forecasting 25% increase in sales and it expects that its year end operating cost will be around 70% of sales. It is expected that tax rate, interest and dividend pay-out ratio will be constant. You are required to compute projected Net Income and expected growth rate in dividend

(ICSI Study Material)

Q-4 At the end of last year, X ltd reported the following income statement

	(Rs in Cr.)
Sales	3000
Operating Cost excluding depreciation	2450
EBITDA	550
Depreciation	250
EBIT	300
Interest	125
EBT	175
Taxes @40%	70
EAT (Net Income)	105

Looking ahead to the following year, the company management has assembled the following information.

- Year-end sales are expected to be 10% higher than last year.
- Year-end Operating Cost excluding depreciation are expected to equal 80% of year-end sales.
- Depreciation is expected to increase at the same rate as sales.
- Interest costs are expected to remain unchanged.
- Interest costs are expected to remain unchanged.
- Tax rate is expected to remain at 40%.

Based on the above information, what will be the forecast for year-end net income?

(ICSI Study Material)

***God is all knowing. Without even saying a word our condition is known to God
- Sant Rajinder Singh Ji***