

ACCOUNTS OF INSURANCE COMPANIES

Q.18

Premium Earned (Net)

(Amount to be credited to revenue Account)

Particulars	₹
Premium on direct Business (WN 1)	42,10,000
Less: Premium on re-insurance ceded	(3,00,000)
Add: Bonus in Redution of premium adjusted	60,000
Amount to be credited to Revenue Account	39,70,000

Working Note 1

Calculation Premium on Direct Business

Particulars	₹
Premium received during 2017-18	42,00,000
Add: Outstanding on 31.03.2018	3,20,000
Premium received in advance on on 31.3.2017	1,10,000
	46,30,000
Less: Outstanding on 01.04.2017	(2,40,000)
Premium received in advance on 31.03.2018	(1,80,000)
Premium on Direct Business	42,10,000

Q.19

Calculation of claim to be Debited to Revenue Account

Particulars	₹
Claims paid	32,00,000
Add: Expenses on claims	30,000
Claims intimated and accepted, but not paid	1,20,000
Claims intimated but not accepted	90,000
	34,40,000
Less: Re-insurance claims	(1,80,000)
Claims outstanding at the begining	(1,60,000)
Amount of claims to be debited	31,00,000

Journal entries

Date	Particulars	LF	Debit ₹	Credit ₹
1	Claims A/c.....Dr To Claims intimated and accepted but not paid To Claims intimated but not accepted		2,10,000	1,20,000 90,000
2	Claims outstanding A/c.....Dr To Claims A/c		1,60,000	1,60,000
3	Claims A/c.....Dr To Expenses on claim		30,000	30,000
4	Re-insurance claims A/c..... Dr To claims A/c		1,20,000	1,20,000
5	Revenue A/c..... Dr To Claims A/c		31,00,000	31,00,000

Q.20 Calculation of claims to be debited to Revenue A/c

Particulars	₹
Claims paid during 2018 (7,500 + 6,000 + 51,000)	64,500
Add: Claims outstanding at the end (Intimated in 2018/Admitted in 2018) (5,000 + 4,000)	9,000
Less: Claims outstanding at the beginning (7,500 + 6,000 + 51,000)	(64,500)
Claims to be debited to Revenue Account	9,000

Note: Though 7,500, 6,000 and 51,000 are paid in 2018, they belong to previous years. 5,000 and 4,000 are intimated/admitted in 2018.

Q.21 Statement showing Corrected Life Fund

Particulars	₹
Balance of Life Assuracne Fund	87,76,500
Add: Dividend	4,80,000
Re-insurance Recoveries	4,22,000
	96,79,500
Less: Income tax	(48,000)
Bonus in reduction of premium	(8,77,500)
Claims intimated	(7,62,000)
Corrected Life Fund	79,92,000

Q.22 Statement showing corrected surplus

Particulars	₹
Surplus as per Revenue Account	10,00,000
Add: Outstanding claim, written back	12,000
Accured interest	1,600
Re-insurance recoveries	52,000
Bonus in reduction of premium	20,000
	10,85,600

Less: Outstanding claim	(20,000)
Rent outstanding	(4,000)
Re-insurance premium outstanding	(1,200)
Bonus in reduction of premium	(20,000)
Outstanding commission	(16,000)
Corrected surplus of the year	10,24,400

Journal entries

Date	Particulars	LF	Debit ₹	Credit ₹
1	Claim A/c..... Dr To Outstanding claim		20,000	20,000
2	Outstanding claim a/c..... Dr To Claim a/c		12,000	12,000
3	Accrued interest A/c..... Dr To Interest		1,600	1,600
4	Rent A/c..... Dr To Outstanding Rent A/c		4,000	4,000
5	Premium A/c.....Dr To Re-insurance premium a/c		1,200	1,200
6	Re-insurance company A/c..... Dr To Claim A/c		52,000	52,000
7	Bonus in reduction of provision A/c.....Dr To Premium A/c		20,000	20,000
8	Commission A/c Dr To Outstanding commission		16,000	16,000

23.

Chiranjeevi Life Assurance Company
Valuation of Balance sheet on 31.03.2018

Liabilities	₹	Assets	₹
Net liability as per actuarial valuation	86,00,000	Life Assurance Fund as per Balance sheet	1,48,60,000
Surplus	62,60,000		
	1,48,60,000		1,48,60,000

Distribution of Surplus to Policyholders

Particulars	₹
Surplus as per Valuation Balance sheet	62,60,000
Add: Interim bonus to policyholders	(4,50,000)
	67,10,000
Less: Dividend payable to shareholders	(8,00,000)
Amount available for distribution	59,10,000
Share of policysholders (95%)	56,14,500
Less: Amouny already paid	(4,50,000)
Amount due to policyholders	51,64,500

24. Balance sheet

Particulars	₹	Particulars	₹
Net liability as per actuarial valuation	30,00,000	Life Assurance Fund	38,00,000
Surplus	8,00,000		
	38,00,000		38,00,000

Distribution of Surplus to Policyholders

Particulars	₹
Surplus as per Valuation Balance sheet	8,00,000
Add: Interim bonus paid	5,00,000
Amount available for distribution	13,00,000
Share of policyholders (95%)	12,35,000
Less: Amount already paid	5,00,000
Amount due to policyholders	7,35,000

25. Valuation Balance sheet as on 31.03.2018

Particulars	₹	Particulars	₹
Net liability as per actuarial valuation	26,50,800	Life Assurance Fund	33,00,800
Surplus	6,50,000		
	33,00,800		33,00,800

Distribution of surplus to policyholders

Particulars	₹
Surplus as per Valuation Balance sheet	6,50,000
Add: Interim bonus paid	80,000
	7,30,000
Less: Amount to be carried forward	1,50,000
Amount available for distribution	5,80,000
Share of policyholders (95%)	5,51,000
Less: Interim bonus paid	(80,000)
Amount due to policyholders	4,71,000

26. Distribution of surplus to policyholders

Particulars	₹
Surplus as per Valuation Balance sheet	5,50,000
Add: Interim bonus paid	50,000
Less: Loss on investment written off	(25,000)
	5,75,000
Less: Provision for taxation	(2,00,000)
Amount available for distribution	3,75,000
Share of policyholders (95%)	3,56,250
Less: Interim bonus paid	(50,000)
Amount due to policyholders	3,06,250

Journal entries

Date	Particulars	LF	Debit ₹	Credit ₹
1	Life Assurance Fund A/c..... Dr To Profit and Loss A/c		5,50,000	5,50,000
2	Profit and Loss A/c..... Dr To Investments		25,000	25,000
3	Profit and Loss A/c..... Dr To Bonus payable in cash		1,20,000	1,20,000
4	Profit and Loss A/c..... Dr To Life Assurme Fund		1,80,000	1,80,000

27. General Insurance Company
Fire Revenue Account (Extracts)
for the year ended 31.03.2018

Particulars	Schedule	₹ '000
Claim incurred	2	5,187

Schedule 2 – Claims Incurred

Particulars	₹
Claims paid during the year (4,670 + 700)	5,370
Add: Surveyors fees	35
Legal expenses	45
	5,450
Add: Claims outstanding on 31.03.2018 (812 + 53 - 113)	752
Less: Claims outstanding on 31-03-2017 (763 + 87 - 65)	(785)
Less: Claims received from re-insurers	(23)
	5,187

28. General Insurance Company
Fire Revenue Account
for the year ended 31.03.2018

Particulars	Schedule	₹ '000
Premium earned (Net)	1	13,10,000
Change in provision for unexpired risk (Working Note 1)		(1,30,000)
Total (A)		11,80,000
Claims incurred	2	5,82,000
Commission	3	2,20,060
Operating expenses	4	2,85,000
Total (B)		10,87,060
Operating Profit from fire insurance business (A – B)		92,940

Schedule 1 – Premium Earned

Particulars	₹
Premium received	13,90,000
Less: Re-insurance premium ceded	80,000
	13,10,000

Working Note 1

$$\text{Change in provision for unexpired risk} = \left(13,10,000 \times \frac{50}{100} = 6,55,000 \right) - 5,25,000$$

$$= \underline{\underline{1,30,000}}$$

Schedule 2 – Claims incurred

Particulars	₹
Claims paid	5,80,000
Add: Outstanding at the end	47,000
Less: Outstanding at the beginning	(45,000)
	5,82,000

Schedule 3 – Commission

Particulars	₹
Commission	2,20,060
	2,20,060

Schedule 4 – Operatign Expenses Related to Insurance Business

Particulars	₹
Expenses of management	2,85,000
	2,85,000

29.**Marine Revenue Account**

Particulars	Schedule	₹ '000
Premium earned (Net)	1	7,250
Change in provision for unexpired risk (Nil – 7,250)		(7,250)
Total (A)		Nil
Claims incurred	2	1,100
Commission	3	465
Operating expenses	4	2,100
Total (B)		3,665
Operating Loss (A – B)		(3,665)

Schedule 1 – Premium

Particulars	₹
Premium received	8,000
Add: Re-insurance premium received	350
Less: Re-insurance premium paid	(1,100)
	7,250

Schedule 2 – Claims

Particulars	₹
Claims paid	1,100
	1,100

Schedule 3 – Commission

Particulars	₹
Commission	465
	465

Schedule 4 – Operating expenses

Particulars	₹
Expenses of management	2,100
	2,100

Long Essays and Problems**Q.2****Form A – RA**

**Messi Life Insurance Company Ltd
for the year ended 31.03.2018**

Policy Holders' Account (Technical Account)

Particulars	Schedule	₹ '000
1. Premium Earned (Net)	1	6,430
2. Income from investments		—
3. Interest, Dividend and Rent		2,740
4. Gain on revaluation of reserves		76
5. Other Income:		
Consideration for Annuities Granted		134
Fees		33
Total (A)		9,413
1. Commission	2	334
2. Operating Expenses Related to Insurance Business	3	1,060
3. Re-insurance Irrecoverable		36
4. Provision for taxation		550
Total (B)		1,980
1. Benefits paid	4	4,576
2. Interim bonus paid		400
3. Bonus in reduction of premium		65
4. Change in valuation of liabilities against life policies in force:		
Net liability on 31.03.2018		16,400
Less: Net liability on 31.03.2017		14,800
Total (C)		6,641
Surplus (Deficit) (D) = (A) – (B) – (C)		792

Appropriations		
Transfer to Shareholders account (792×25%)		198
Transfer to other reserves (792×2%)		158.4
Transfer to funds for future appropriations		435.6
Total (D)		792

Schedule 1 – Premium Earned

Particulars	₹
Premium less re-insurance	6,430
Total	6,430

Schedule 2 – Commission Expenses

Particulars	₹
Commission paid	334
Total	334

Schedule 3 – Operating Expenses Related to Insurance Business

Particulars	₹
Management expenses	850
Depreciation	210
Total	1,060

Schedule 4 – Benefits paid

Particulars	₹
Claims	4,100
Legal charges on claim	148
Annuities	67
Surrenders	261
Total	4,576

Q.3

Form A – RA

Great Life Insurance Company Ltd Revenue Account for the year ended 31.03.2018 Policyholders' Account (Technical Account)

Particulars	Schedule	₹ '000
1. Premium Earned (Net)		
a) Premium	1	2,00,000
b) Re-insurance premium		(20,750)
2. Income from investments		
a) Interest, Dividends and Rent		1,00,000
3. Other income		
a) Consideration for annuities granted		15,000
b) Finance revial of policies		750
Total (A)		2,95,000

1. Commission	2	18,650
2. Operating expenses related to insurance business	3	24,400
3. Provision for taxation		8,500
Total (B)		51,550
1. Benefits paid	4	72,450
2. Bonus is reduction of premium (1,600+2,400)		4,000
Total (C)		76,450
Surplus (D) = (A) – (B) – (C)		1,67,000

Schedule 1 – Premium Earned

Particulars	₹
Premium received	1,96,000
Add: Outstanding premium	1,600
Bonus in reduction of premium	2,400
Total	2,00,000

Schedule 2 – Commission Expenses

Particulars	₹
Commission paid	18,650
Total	18,650

Schedule 3 – Operating Expenses related to Insurance Business

Particulars	₹
Management expenses	22,000
Medical fees	2,400
Total	24,400

Schedule 4 – Benefits paid

Particulars	₹
Claims paid during the year	64,900
Claims outstanding	14,000
Less: Claims outstanding on 01.01.2018	(4,500)
Claims under re-insurance	(8,000)
Annuities	2,050
Surrenders	4,000
Total	72,450

Q.4**Form A – RA**

Redmi Insurance Company Ltd
Revenue Account for the year ended 31.12.2018

Particulars	Schedule	₹ '000
1. Premium Earned (Net)		
a) Premium	1	13,916
b) Re-insurance premium accepted		850
c) Re-insurance premium ceded		(1,235)
2. Income from investments		
a) Interest, Dividends and Rent (Gross)		1,600

3. Other income		
a) Transfer fees		12
b) Consideration for annuities		900
Total (A)		16,043
1. Commission expenses	2	1,325
2. Operating expenses related to insurance business	3	1,870
3. Other expenses		
a. Provision for taxation		135
Total (B)		745
1. Benefits paid	4	12,794
2. Interim bonus paid		220
2. Bonus in reduction of premium (68+12)		80
Total (C)		13,094
Surplus (D) = (A) – (B) – (C)		744
Correction : Amount of salaries is ₹ 1,25,000.		

Schedule 1 – Premium Earned

Particulars	₹
Premium on direct business	13,780
Add: Outstanding premium	268
Bonus in reduction of premium	12
Less: Premium received in advance	(144)
Total	13,916

Schedule 2 – Commission Expenses

Particulars	₹
Commission paid	1,110
Less: Commission on re-insurance ceded	(125)
Commission on re-insurance accepted	340
Total	1,325

Schedule 3 – Operating Expenses related to Insurance business

Particulars	₹
Salaries	125
Audit fees	125
Directors fees	90
Depreciation	225
Legal expenses (65+75)	140
Printing and Stationery	40
Total	745

Schedule 4 – Benefits paid

Particulars	₹
Claims by death	4,500
Claims by maturity	6,750
Re-insurance claims	450
Surrenders	300
Annuities less re-insurance	670
Claims intimated and accepted but not paid	124
Total	12,794

Q.5**Form A – PL**

Sunlife Life Insurance Corporation
Profit and Loss A/c for the year ended on 31.03.2018
Shareholders' Account (Non Technical)

Particulars	₹ '000
1. Balance brought forward from Revenue Account	26,500
2. Income from investments	
a) Interest on general investments	1,200
Total (A)	27,700
1. Expenses other than those directly related to insurance business	
a) General administration expenses	750
b) Loss on relation of general investments	150
Total (B)	900
Profit before Tax (A–B)	26,800
Provision for taxation (50%)	13,400
Profit after Tax	13,400
Profit and Loss A/c	600
Total (C)	14,000
Appropriations:	
a) Interim dividend paid	(250)
b) Proposed dividend	(2,000)
c) Transfer to reserves	(10,000)
Profit carried forward to Balance sheet	1,750

Balance sheet**2.****Form A – BS**

Sahara Assurance Company Ltd.
Balance sheet as at 31.03.2018

Particulars	Schedule	₹ '000
Sources of Funds		
Shareholders funds		
Share capital	5	1,000
Reserves and Surplus	6	300
Debit/credit fair value change Account		—
Borrowings	7	1,000
Policyholders Funds		
Life Assurance Fund		7,500
Add: Balance in Revenue A/c (WN)		1,350
Total		11,150
Application of Funds		
Investments	8	2,000
Loans	9	4,811
Fixed Assets	10	3,350
Current Assets		
Cash and Bank balances	11	2,100
Advances and other Assets	12	216
Sub Total (A)		2,316
Current Liabilities	13	277
Provisions	14	1,050
Sub Total (B)		1,327
Net Current Assets (A) – (B)		989
Miscellaneous Expenditure (Unwritten portion)	15	—
Debit balance in the Profit and Loss A/c		—
Total		11,150

Schedule 5 – Share Capital

Particulars	₹ '000
Authorised, Issued, Subscribed, Called up and paid up capital (1,00,000×10)	1,000
Total	1,000

Schedule 6 – Reserves and Surplus

Particulars	₹ '000
Contingency Reserve	300
Total	300

Schedule 7 – Borrowings

Particulars	₹ '000
Bank Loan	1,000
Total	1,000

Schedule 8 – Investments

Particulars	₹ '000
Investment in govt. securities	1,750
Share and debentures in public companies	250
Total	2,000

Schedule 9 – Loans

Particulars	₹ '000
Loan on companies policies	2,500
Loans and Mortgages	2,311
Total	4,811

Schedule 10 – Fixed Assets

Particulars	₹ '000
House property at cost	2,500
Less: Depreciation	125
Furniture and Equipment	1,000
Less: Depreciation	25
Total	3,350

Schedule 11 – Cash and Bank Balances

Particulars	₹ '000
Cash in hand	250
Cash with bank in current accounts	1,850
Total	2,100

Schedule 12 – Advances and other Assets

Particulars	₹ '000
Advance payment of tax	100
Deposit with RBI	20
Agents balance	50
Sundry debtors	20
Premium outstanding	16
Stock of stationery	10
Total	216

Schedule 13 – Current Liabilities

Particulars	₹ '000
Outstanding expenses	12
Credit balances pending adjustment	15
Sundry creditors	250
Total	277

Schedule 14 – Provisions

Particulars	₹ '000
Provision for income tax	1,000
Proposed dividend	50
Total	1,050

Working Note

₹ '000

1. Revenue Account Balance	2,400
Less: Provision for taxation	(1,000)
Dividend	(50)
	<u>1,350</u>

2. If provision for taxation and advance tax are adjusted, then Balance sheet total will be ₹ 1,10,50,000.

Q.3

Form A – RA

Reliance Life Insurance Company Revenue Account for the year ended 31.03.2018

Particulars	Schedule	₹ '000
1. Premium Earned – Net	1	1,73,500
2. Income from investments		
a. Interest and Dividends Received (1,12,700+19,300)		1,32,000
Total (A)		3,05,000
1. Commission	2	9,300
2. Operating Expenses Related to Insurance Business	3	32,500
Total (B)		41,800
1. Benefits paid	4	2,10,700
2. Bonus in reduction of premium		2,000
4. Bonus to policyholders		31,500
Total (C)		2,44,200

Surplus (D) = (A) – (B) – (C)		19,500
Appropriations:		
Dividend		15,000
Surplus available for future appropriations		4,500

Note: Bonus may be included in benefits paid also.

Form A – BS
Reliance Life Insurance Company
Balance sheet as at 31.03.2018

Particulars	Schedule	₹ '000
Sources of Funds		
Share capital	5	1,00,000
Reserves and Surplus	6	—
Borrowings	7	—
Policyholders Funds (29,72,300 + 4,500)		29,76,800
Total		30,76,800
Application of Funds		
Investments	8	23,05,000
Loans	9	6,65,800
Fixed Assets	10	40,000
Current Assets		
Cash and Bank Balances	11	7,300
Advances and other Assets	12	67,900
Sub Total (A)		75,200
Current Liabilities	13	9,200
Sub Total (B)		9,200
Net Current Assets (A) – (B)		66,000
Total		30,76,800

Schedule 1 – Premium

Particulars	₹
Premium received	1,61,500
Add: Outstanding premium	10,000
Bonus in reduction of premium	2,000
Total	1,73,500

Schedule 2 – Commission

Particulars	₹
Commission paid	9,300
Total	9,300

Schedule 7 – Operating expenses related to Insurance Business

Particulars	₹
Management expenses paid	32,300
Add: Outstanding	200
Total	32,500

Schedule 4 – Benefits paid

Particulars	₹
Claim paid	1,97,000
Add: Outstanding claims	9,000
Surrenders	7,000
Less: Claims covered under re-insurance	(2,300)
Total	2,10,700

Schedule 5 – Share Capital

Particulars	₹
Authorised, Issued, Subscribed and paid up capital (1,00,00,000 × ₹ 10)	1,00,000
Total	1,00,000

Schedule 8 – Investments

Particulars	₹
Investments	23,05,000
Total	23,05,000

Schedule 9 – Loans

Particulars	₹
Mortgages in India	4,92,200
Loan on policies	1,73,600
Total	6,65,800

Schedule 10 – Fixed Assets

Particulars	₹
Freehold premises	40,000
Total	40,000

Schedule 11 – Cash and Bank Balances

Particulars	₹
Cash in hand and Bank	7,300
Total	7,300

Schedule 12 – Advances and other Assets

Particulars	₹
Interest accrued	19,300
Outstanding claims	10,000
Agents balances	9,300
Amount recoverable from Re-insurance companies	2,300
Cash on Deposits	27,000
Total	67,900

Schedule 13 – Current Liabilities

Particulars	₹
Claims unpaid	9,000
Management expenses outstanding	200
Total	9,200

4.

Form A – RA**Steve Life Insurance Company Ltd.
Revenue Account for the year**

Particulars	Schedule	₹ '000
1. Premium Earned	1	2,80,000
2. Income from investments		
a. Interest, Dividends and Rent		70,000
3. Other Income		
a. Consideration for annuities granted		50,000
b. Profit on sale of assets		2,000
Total (A)		4,02,000
1. Commission	2	24,000
2. Operating Expenses Related to Insurance Business	3	57,000
Total (B)		81,000
1. Benefits paid	4	1,80,000
Total (C)		1,80,000
Surplus (D) = (A) – (B) – (C)		1,41,000

Form A – BS**Steve Life Insurance Company Ltd.
Balance sheet**

Particulars	Schedule	₹ '000
Sources of Funds		
Share capital	5	—
Reserves and Surplus	6	10,000
Borrowings	7	—
Policyholders Funds (20,00,000 + 1,41,000)		21,41,000
Total		21,51,000
Application of Funds		
Investments	8	10,00,000
Loans	9	8,60,000
Fixed Assets	10	1,00,000
Current Assets		
Cash and Bank Balances	11	1,68,400
Advances and other Assets	12	30,600
Sub Total (A)		1,99,000
Current Liabilities	13	8,000
Provisions	14	—
Sub Total (B)		8,000
Net Current Assets (A) – (B)		1,91,000
Total		21,51,000

Schedule 1 – Premium

Particulars	₹ '000
Premiums	2,00,000
Single premiums	80,000
Total	2,80,000

Schedule 2 – Commission

Particulars	₹ '000
Commission paid	24,000
Total	24,000

Schedule 3 – Operating Expenses Related

Particulars	₹ '000
Salaries	3,000
Auditor's fees	1,500
Director's fees	300
Legal expenses	1,000
Printing and Stationery	10,800
Advertising	1,400
Administration expenses	36,000
Depreciation on property	3,000
Total	57,000

Schedule 4 – Benefits paid

Particulars	₹
Claims by death	60,000
claims by Maturity	1,00,000
Surrenders	20,000
Total	1,80,000

Schedule 6 – Reserves and Surplus

Particulars	₹
Investment fluctuation reserve	10,000
Total	10,000

Schedule 8 – Investments

Particulars	₹
Investment in government	10,00,000
Total	10,00,000

Schedule 9 – Loans

Particulars	₹
Loans on mortgages	5,60,000
Loans in policies	3,00,000
Total	8,60,000

Schedule 10 – Fixed Assets

Particulars	₹
Freehold property	1,03,000
Less: Provision for depreciation	3,000
Total	1,00,000

Schedule 11 – Cash and Bank Balances

Particulars	₹
Cash at bank	1,68,400
Total	1,68,400

Schedule 12 – Advances and Other Assets

Particulars	₹
Agents balance owing	3,600
Outstanding premium	24,000
Interest accrued but not due	3,000
Total	30,600

Schedule 13 – Current Liabilities

Particulars	₹
Sundry creditors	2,000
Claims admitted but not paid	6,000
Total	8,000

Q.5**Form B – RA**

Eastern Fire Insurance Company
Revenue Account for the year ended 31.03.2018

Particulars	Schedule	₹ '000
Premium Earned (Net)	1	6,845
Change in unexpired risk (WN1)		(1,042.5)
Total		5,802.5
Claims Incurred	2	3,960
Commission	3	525
Operating expenses	4	570
Sub Total (A)		5,055
Operating profit from fire insurance business		747.5

Schedule 1 – Premium Earned (Net)

Particulars	₹
Premium less re-insurance	6,845

Working Note 1

Reserve for unexpired risk at the beginning	24,60,000
Additional risk at the beginning	<u>3,70,000</u>
	28,30,000
Reserve for unexpired risk at the end	
$\left(68,45,000 \times \frac{50}{100}\right)$	34,22,500
Additional reserve at the end (3,70,000+80,000)	<u>4,50,000</u>
	38,72,500
Change in provision for unexpired risk (28,30,000 – 38,72,500)	(10,42,500)

Schedule 2 – Claims Incurred

Particulars	₹
Claims less re-insurance	3,840
Add: Claims outstanding	360
Less: Claims outstanding on 01.04.2017	(240)
Total	3,960

Schedule 3 – Commission

Particulars	₹
Commission on direct business	560
Add: Commission on re-insurance ceded	85
Less: Commission on re-insurance accepted	(120)
Total	525

Schedule 4 – Operating Expenses

Particulars	₹
Salaries	400
Directors Remuneration	40
Rent and taxes	60
Depreciation	70
Total	570

6.**Form B – PL**

Blue Moon General Insurance Company Ltd.
Profit and Loss Account for the year ended 31.03.2018

Particulars	₹ '000
1. Operating profit from fire insurance	2,500
2. Operating loss from marine insurance	(1,500)
3. Income from Investments Interest, Dividend and Rent (Gross)	500
4. Other Income	
Profit on sale of fixed assets	300
Total (A)	1,800
1. Provisions	
Loss on revaluation of investments	150
2. Other Expenses	
Administration expenses	100
Depreciation of equipments	100
Depreciation on furniture	100
Total (B)	450
Profit before Tax (A – B)	1,350
Less: Provision for taxation (50%)	675
Profit after Tax	675
Profit and loss account	450
Total (C)	1,125
Appropriations	
Transfer to reserves	(100)
Proposed dividend	(400)
Profit carried forward to balance sheet	625

Form B – RA
King Insurance Company Ltd
Revenue Account for the year ended 31.03.2018

Particulars	Schedule	Fire ₹	Marine ₹
1. Premium Earned (Net)	1	2,10,000	1,63,000
2. Change in provision for unexpired risk (See working note)		78,000	(40,000)
Part (A)		2,88,000	1,23,000
1. Commission incurred	2	83,000	66,000
2. Commission	3	25,000	37,000
3. Operating expenses related to insurance business	4	53,000	36,000
Total (B)		1,61,000	1,39,000
Operating Profit (A – B)		1,27,000	(16,000)

Form B – PL
King Insurance Company Ltd.
Profit and Loss Account for the year ended 31.03.2018

Particulars	₹ '000
1. Operating profit from fire insurance [1,27,000 – 16,000]	1,11,000
2. Income from investments	
a. Interest, Dividend and Rent (Gross)	1,20,000
Total (A)	2,31,000
1. Provisions other than Taxation	
Diminution in the value of investments	
Book value	25,15,000
Less: Market value	<u>24,01,000</u>
	1,14,000
Less: Investment Reserve	<u>47,000</u>
	67,000
2. Other Expenses	
Directors fees	4,000
Depreciation	21,000
Total (B)	92,000
Profit before Tax (A – B)	1,39,000

Form B – BS
King Insurance Company Ltd.
Balance sheet as at 31.03.2018

Particulars	Schedule	₹ '000
Sources of Funds		
Shareholders Funds		
Share capital	5	20,00,000
Reserves and Surplus	6	4,10,000
Borrowings	7	—
Total		24,10,000

Application of Funds		
Investments	8	25,15,000
Loans	9	—
Fixed Assets	10	1,29,000
Current Assets		
Cash and Bank Balances	11	1,60,000
Advances and other Assets	12	1,09,000
Sub Total (A)		2,69,000
Current Liabilities	13	66,000
Provisions	14	4,37,000
Sub Total (B)		5,03,000
Net Current Assets (A – B)		(2,34,000)
Total		24,10,000

Schedule 1 – Premium Earned

Particulars	Fire ₹	Marine ₹
Premium less re-insurance	2,10,000	1,63,000
	2,10,000	1,63,000

Working Note 1**Fire**

Reserve for unexpired risk (closing) - $2,10,000 \times \frac{50}{100}$	1,05,000
Additional risk at the beginning - $1,32,000 + 10\%$	1,53,000
	2,58,000
Less: Reserve for unexpired risk (opening)	(2,04,000)
Less: Additional Reserve	(1,32,000)
Excess Reserve	
(To be added in revenue account)	(78,000)

Marine

Reserve for unexpired risk closing - $\left(1,63,000 \times \frac{100}{100}\right)$	1,63,000
Additional reserve closing	16,000
	1,79,000
Less: Reserve for unexpired risk (opening)	(1,23,000)
Additional reserve	(16,000)
Reserve Required	40,000

Schedule 2 – Claims Incurred

Particulars	Fire ₹	Marine ₹
Claims paid re-insurance	80,000	62,000
Add: Outstanding at the end	17,000	6,000
Less: Outstanding at the beginning	(14,000)	(2,000)
	83,000	66,000

Schedule 3 – Commission

Particulars	Fire ₹	Marine ₹
Commission	48,000	39,000
Less: Commission on re-insurance ceded	(23,000)	(2,000)
	25,000	37,000

Schedule 4 – Operating expenses related to insurance business

Particulars	Fire ₹	Marine ₹
Expenses of Management	53,000	36,000
	53,000	36,000

Schedule 5 – Share Capital

Particulars	₹
Paid up share capital 20,000 shares of ₹ 100 each	20,00,000
Total	20,00,000

Schedule 6 – Reserves and Surplus

Particulars	₹
General reserve	1,18,000
Investment reserve (47,000 + 67,000)	1,14,000
Contingency reserve	39,000
Balance of profit and loss account	1,39,000
Total	4,10,000

Schedule 8 – Investments

Particulars	₹
Deposits with RBI	19,21,000
Central Govt. securities	1,23,000
State Govt. securities	2,22,000
Shares in companies	2,49,000
Total	25,15,000

Schedule 10 – Fixed Assets

Particulars	₹
Furniture at cost (18,000–6,000)	12,000
Building at cost (1,25,000–30,000)	87,000
Office equipment at cost (48,000–18,000)	30,000
Total	1,29,000

Schedule 11 – Cash and Bank Balance

Particulars	₹
Cash at bank	1,60,000
Total	1,60,000

Schedule 12 – Advances and other Assets

Particulars	₹
TDS	9,000
Interest accrued	25,000
Outstanding premium	48,000
due fro other inserves	27,000
Total	1,09,000

Schedule 13 – Current liabilities

Particulars	₹
Due to other insurers	43,000
Outstanding claim	23,000
Total	66,000

Schedule 14 – Provisions

Particulars	₹
Reserve for unexpired risk	
Fire	2,58,000
Marine	1,79,000
Total	4,37,000

ACCOUNTS OF BANKING COMPANIES

PRACTICAL PROBLEMS

Q.1 Short Problems:

PART - C

JOURNAL

Date	Particulars	LF	Debit ₹	Credit ₹
31.3.2018	Merchant's Loan A/c..... Dr To Interest Suspense (Interest on doubtful debts brought in to account)		3,00,000	3,00,000
2018-19	Bank A/c.....Dr To Merchant's Loan A/c $\left(23,00,000 \times \frac{80}{100}\right)$ (80% of the claim received)		18,40,000	18,40,000
"	Interest Suspense A/c.....Dr To Interest A/c To Merchant's Loan A/c (Being the amount collected out of interest on doubtful debt and balance transferred to loan account)		3,00,000	2,40,000 60,000
"	Bad Debt A/c..... Dr To Merchant's Loan A/c (Uncollected portion of loan written off as bad)		4,00,000	4,00,000

Dr				Merchant's Loan A/c				Cr	
Date	Particulars	Jf	₹	Date	Particulars	Jf	₹		
2018 March 31	To Balance b/d		20,00,000	2018 March 31	By Balance c/d		23,00,000		
	To Interest Suspense A/c		3,00,000						
			23,00,000				23,00,000		
2018 April 1	To Balance b/d		23,00,000	2018- 19	By Bank		18,40,000		
					By Interest Suspense A/c		60,000		
					By Bad Debt		4,00,000		
			23,00,000				23,00,000		

Dr				Interest Suspense A/c				Cr	
Date	Particulars	Jf	₹	Date	Particulars	Jf	₹		
2018 March 31	To Balance c/d		3,00,000	2018 March 31	By Merchant's Loan A/c		3,00,000		
			3,00,000				3,00,000		

2018-19	To Interest A/c	2,40,000	2018-19	By Balance b/d	3,00,000
"	To Merchant's Loan A/c	60,000			
		3,00,000			3,00,000

Q.2 Calculation of Provision for Bad and Doubtful debts

	Assets	Amount (₹)	Rate (%)	Calculation	Amount of provision ₹
(i)	Standard Assets	50,000	0.40	$50,000 \times \frac{0.40}{100}$	200
(ii)	Sub-standard Assets:	40,000	15	$40,000 \times \frac{15}{100}$	6,000
(iii)	Doubtful Assets:				
	Upto One year	8,000	25	$8,000 \times \frac{25}{100}$	2,000
	One year to three years	6,000	40	$6,000 \times \frac{40}{100}$	2,400
	More than three years	2,000	100	$2,000 \times \frac{100}{100}$	2,000
(iv)	Loss Assets	10,000	100	$10,000 \times \frac{100}{100}$	10,000
	Total Provision Required				22,600

Q.3 Calculation of Provision for Bad and Doubtful debts

	Assets	Amount (₹)	Rate (%)	Calculation	Amount of provision ₹
(i)	Standard Assets	1,60,000	0.40	$1,60,000 \times \frac{0.40}{100}$	640
(ii)	Sub-standard Assets:	1,20,000	15	$1,20,000 \times \frac{15}{100}$	18,000
(iii)	Doubtful Assets:				
	Upto One year (Secured)	48,000	25	$48,000 \times \frac{25}{100}$	12,000
	For two to three years (Secured)	36,000	40	$36,000 \times \frac{40}{100}$	14,400
	More than three years				
	(a) Secured	10,000	100	$10,000 \times \frac{100}{100}$	10,000
	(b) Unsecured	8,000	100	$8,000 \times \frac{100}{100}$	8,000
(iv)	Loss Assets	30,000	100	$30,000 \times \frac{100}{100}$	30,000
	Total Provision Required				93,040

Q.4 Calculation of Provision for Bad and Doubtful debts

	Assets	Amount (₹)	Rate (%)	Calculation	Amount of provision ₹
(i)	Standard Assets	3,000	0.40	$3,000 \times \frac{0.40}{100}$	12
(ii)	Sub-standard Assets:				
	(a) Secured	2,000	15	$2,000 \times \frac{15}{100}$	300
	(b) Unsecured	200	25	$200 \times \frac{25}{100}$	50
(iii)	Doubtful Assets:				
	For One year	900	25	$900 \times \frac{25}{100}$	225
	For two years	600	40	$600 \times \frac{40}{100}$	240
	For three years	400	40	$400 \times \frac{40}{100}$	160
	More than three years	300	100	$300 \times \frac{100}{100}$	300
(iv)	Non-Recoverable Assets	600	100	$600 \times \frac{100}{100}$	600
	Total Provision Required				1,887 lakhs

Q.5 Calculation of Provision for Doubtful Debts

	Assets	Amount (₹)	Rate (%)	Calculation	Amount of provision ₹
(i)	Standard Assets				
	(a) Secured portion	12,000	0.40	$12,000 \times \frac{0.40}{100}$	48
	(b) Unsecured portion	2,000	0.40	$2,000 \times \frac{0.40}{100}$	8
(ii)	Sub-standard Assets:	6,000	15	$6,000 \times \frac{15}{100}$	900
(iii)	Doubtful Assets:				
	1. For less than One year				
	(a) Secured	1,000	25	$1,000 \times \frac{25}{100}$	250
	(b) Unsecured	1,000	100	$1,000 \times \frac{100}{100}$	1,000
	2. More than one year But less than two years				
	(a) Secured portion	600	40	$600 \times \frac{40}{100}$	240

	(b) Unsecured portion	400	100	$400 \times \frac{100}{100}$	400
	3. More than three years	600	100	$600 \times \frac{100}{100}$	600
(iv)	Loss Assets	300	100	$300 \times \frac{100}{100}$	300
	Total Provision Required				3,746

Q.6 Calculation of Rebate on Bills Discounted

Due Date	No. of days beyond 31.3.2018	Amount	Discount Rate (% p.a.)	Calculation	Closing Rebate
12.06.2018	73	1,80,000	14	$\left(1,80,000 \times \frac{14}{100} \times \frac{34}{365}\right)$	5,040
09.07.2018	100	4,00,000	16	$\left(4,00,000 \times \frac{16}{100} \times \frac{100}{365}\right)$	17,534
24.07.2018	115	3,10,000	15	$\left(3,10,000 \times \frac{15}{100} \times \frac{115}{365}\right)$	14,651
05.05.2018	35	2,00,000	14	$\left(2,00,000 \times \frac{14}{100} \times \frac{35}{365}\right)$	2,685
Closing Rebate on Bills Discounted					39,910

Journal Entry:

Discount A/c.....Dr 39,910
 To Rebate on Bills Discounted 39,910
 (For adjustment of discount received in advance)

Q.7 Calculation of Rebate on Bills Discounted

Date of Bill	Term of Bill	Due Date	No. of days beyond 31.3.2018	Amount	Discount Rate	Calculation	Closing Rebate
20.1.2018	5	23.6.2018	84	8,00,000	16	$\left(8,00,000 \times \frac{16}{100} \times \frac{84}{365}\right)$	29,458
10.2.2018	4	13.6.2018	74	4,00,000	18	$\left(4,00,000 \times \frac{18}{100} \times \frac{74}{365}\right)$	14,597
15.3.2018	2	18.05.2018	48	6,00,000	15	$\left(6,00,000 \times \frac{15}{100} \times \frac{48}{365}\right)$	11,835
Closing Rebate on Bills Discounted							55,890

Journal Entry:

Discount A/c.....Dr 55,890
 To Rebate on Bills Discounted 55,890
 (For adjustment of discount received in advance)

Q.8 (i) Calculation of Rebate on Bills Discounted

Date of Bill	Term of Bill	Due Date	No. of days beyond 31.3.2018	Amount	Discount Rate	Calculation	Closing Rebate
10.1.2018	4	13.5.2018	43	3,00,000	12	$\left(3,00,000 \times \frac{12}{100} \times \frac{43}{365}\right)$	4,241
15.2.2018	3	18.5.2018	48	4,00,000	10	$\left(4,00,000 \times \frac{10}{100} \times \frac{84}{365}\right)$	5,260
20.3.2018	2	23.05.2018	53	5,00,000	10	$\left(5,00,000 \times \frac{10}{100} \times \frac{53}{365}\right)$	7,260
Closing Rebate on Bills Discounted							16,761

**Schedule - 13
Interest Earned**

	₹
Discount Received	1,50,000
Add: Opening Rebate	20,057
	1,70,057
Less: Closing Rebate	(16,761)
Discount to be credited to Profit and Loss Account	1,53,296

(ii) Journal Entries**JOURNAL**

Date	Particulars	LF	Debit ₹	Credit ₹
2018 March 31	Rebate on Bills discounted A/c.....Dr To Discount (Opening Rebate Adjusted)		20,057	20,057
"	Discount A/c.....Dr To Rebate on bills discounted (Closing Rebate adjusted)		16,761	16,761
"	Discount A/c.....Dr To Profit & Loss A/c (For Transferring discount)		1,53,296	1,53,296

(iii) Balance Sheet

- (1) Bills discounted (50,00,000) is an asset (Schedule 9 – Advances)
- (2) Rebate on bills discounted (16,761) is a liability (Schedule 5 – Other Liabilities)
- (3) Net Discount (1,53,296) is an income, which will be shown in the profit and loss A/c (Schedule 13)

Q.9 Calculation of Rebate on Bills Discounted

Due Date	No. of days after 31.3.2018	Amount	Discount Rate	Calculation	Closing Rebate
15.04.2018	15	3,75,000	12	$\left(3,75,000 \times \frac{12}{100} \times \frac{15}{365}\right)$	1,849
06.05.2018	36	4,90,000	12	$\left(4,90,000 \times \frac{12}{100} \times \frac{36}{365}\right)$	5,799

01.06.2018	62	2,45,000	12	$\left(2,45,000 \times \frac{12}{100} \times \frac{62}{365}\right)$	4,994
20.06.2018	81	3,68,000	12	$\left(3,68,000 \times \frac{12}{100} \times \frac{81}{365}\right)$	9,800
04.07.2018	95	4,85,000	12	$\left(4,85,000 \times \frac{12}{100} \times \frac{95}{365}\right)$	15,148
Total Rebate on Bills Discounted					37,590

Schedule 13
Interest Earned

(ii)

	₹
Discount Received	6,10,800
Add: Opening Rebate	60,610
	6,71,410
Less: Closing Rebate	(37,590)
Discount to be credited to Profit and Loss A/c	6,33,820

(iii) **Balance sheet**

(1) Bills Discounted (24,42,250) is an asset. (Schedule 9 – Advances)

(2) Rebate on Bills Discounted (37,590) is a liability (Schedule 5 – other liabilities)

(iv) **Journal Entries****JOURNAL**

Date	Particulars	LF	Debit ₹	Credit ₹
31.03 2018	Rebate on Bills Discounted A/c..... Dr		60,610	
	To Discount			60,610
31	(Opening Rebate adjusted)			
"	Discount A/c.....Dr		37,590	
	To Rebate on Bills Discounted			37,590
	(Closing Rebate adjusted)			
"	Discount A/c.....Dr		6,33,820	
	To Profit and Loss A/c			6,33,820
	(For transferring discount)			

Part – D**Q.1**
SARASWATHY BANK LTD.
PROFIT AND LOSS ACCOUNT
for the year ended 31.3.2018

	Schedule No.	31.3.2018 (₹)
I. INCOME		
Interest Earned	13	7,41,000
Other Income	14	9,000
(A) Total		7,50,000

II. EXPENDITURE		
Interest Expended	15	3,95,000
Operating Expenses	16	83,800
Provisions and Contingencies	—	—
(B) Total		4,78,800
III. PROFIT/LOSS		
Net Profit for the year (A-B)		2,71,200
Profit brought forward		—
(C) Total		2,71,200
IV. APPROPRIATIONS		
Transfer to Statutory Reserve (25% of current year's profit)		67800
Transfer to other reserve		—
Transfer to Government/Proposed Dividend		—
Balance carried over to Balance sheet		2,03,400
(D) Total		2,71,200

SUPPLEMENTARY SCHEDULES TO PROFIT AND LOSS ACCOUNT

Schedule 13 Interest Earned

	₹
Interest on Loan	2,60,000
Discount on Bills Discounted	2,00,000
Interest on Cash credit	2,25,000
Interest on Overdraft	56,000
Total	7,41,000

Schedule 14 Other Income

	₹
Commission charged to customers	9,000
Total	9,000

Schedule 15 Interest Expended

	₹
Interest on Fixed Deposits	2,80,000
Interest allowed on Current Accounts	45,000
Interest on Savings Bank Deposit	70,000
Total	3,95,000

Schedule 16 Operating Expenses

	₹
Establishment Expense	56,000
Printing and Stationery	23,000
Directors Fees	1,500
Sundry charges	3,300
Total	83,800

Q.2

Thrifty Bank Ltd.
Profit and Loss Account
for the year ended 31.3.2018

	Schedule No.	31.3.2018 (₹)
I. INCOME		
Interest Earned	13	74,20,000
Other Income	14	82,000
(A) Total		75,02,000
II. EXPENDITURE		
Interest Expended	15	38,50,000
Operating Expenses	16	8,22,000
Provisions and Contingencies	—	2,00,000
(B) Total		48,72,000
III. PROFIT/LOSS		
Net Profit for the year (A-B)		26,30,000
Profit brought forward		—
(C) Total		26,30,000
IV. APPROPRIATIONS		
Transfer to Statutory Reserve $\left(26,30,000 \times \frac{25}{100}\right)$		6,57,500
Transfer to other reserve		15,57,000
Transfer to Central Government		2,00,000
Balance carried over to Balance sheet		2,15,500
(D) Total		26,30,000

Schedule 13
Interest Earned

	₹
Interest on Loan	25,90,000
Discount on Bills Discounted	15,50,000
Less: Rebate on bills discounted	<u>(4,90,000)</u>
	10,60,000
Interest on cash credit	22,30,000
Interest on overdrafts	15,40,000
Total	74,20,000

Schedule 14
Other Income

	₹
Commission, Exchange and Brokerage	82,000
Total	82,000

Schedule 15
Interest Expended

	₹
Interest on Fixed Deposits	31,70,000
Interest on Savings Bank Deposits	6,80,000
Total	38,50,000

Schedule 16
Operating Expenses

	₹
Payment to Employees	5,40,000
Rent, Taxes and Lighting	1,80,000
Director's fees and allowances	30,000
Audit fees	12,000
Postage and Telephone	14,000
Printing and Stationery	29,000
Sundry charges	17,000
Total	8,22,000

Q.3

Lakshmi Vilas Bank Ltd
Profit and Loss Account
for the year ended 31.3.2018

S. No.		Schedule No.	31-03-2018
I. INCOME			
Interest Earned		13	40,55,000
Other Income		14	4,30,000
	(A) Total		44,85,000
II. EXPENDITURE			
Interest Expended		15	24,04,000
Operating Expenses		16	4,73,000
Provisions and Contingencies		—	11,00,000
	(B) Total		39,77,000
III. PROFIT/LOSS			
Profit for the year (A–B)			5,08,000
Profit brought forward			—
	(C) Total		5,08,000
IV. APPROPRIATIONS			
1. Transfer to Statutory Reserve (5,08,000 × 25/100)			1,27,000
2. Transfer to other reserve			—
3. Proposed Dividend			1,00,000
4. Balance carried over to Balance sheet			2,81,800
	(D) Total		5,08,000

Schedule 13
Interest Earned

	₹
Interest and Discount received	40,60,000
Add: Opening rebate on bills discounted (31.03.2017)	10,000
	40,70,000
Less: Closing Rebate on bills discounted (31.03.2018)	(15,000)
Total	40,55,000

Schedule 14
Other Income

		₹
Commission, Exchange and Brokerage		1,80,000
Rent received		60,000
Profit on sale of investment	2,00,000	
Less: Loss on sale of investment	10,000	1,90,000
Total		4,30,000

Schedule 15
Interest Expended

	₹
Interest paid on deposits	24,04,000
Total	24,04,000

Schedule 16
Operating Expenses

	₹
Salaries and Allowances	2,10,000
Director's fees and allowances	24,000
Rent and Taxes	1,08,000
Printing & Stationery	48,000
Postage and Telephone	40,000
Audit fees	8,000
Preliminary expense	10,000
Depreciation on bank's property	25,000
Total	4,73,000

Provisions and Contingencies

	₹
Bad debt (5,00,000 × 60/100)	3,00,000
Provision for bad debt	1,00,000
Provision for tax	7,00,000
Total	11,00,000

Q.4

Malabar Grameen Bank Ltd.
Profit and Loss Account
for the year ended 31.3.2018

		Schedule No.	31-3-2018 (₹)
I. INCOME			
Interest Earned		13	11,27,000
Other Income		14	49,000
(A) Total			11,76,000

II.	EXPENDITURE		
	Interest Expended	15	6,85,000
	Operating Expenses	16	2,89,000
	Provisions and Contingencies	—	1,25,200
	(B) Total		10,99,200
III.	Profit or Loss (current years profit) (A–B)		76,800
	Profit or Loss brought forward		33,200
	(C) Total		1,10,000
IV.	APPROPRIATIONS		
	Transfer to Statutory Reserve (76,800 × 25/100)		19,200
	Other reserve		—
	Proposed Dividend		—
	Balance carried over to Balance sheet		90,800
	(D) Total		1,10,000

Schedule 13
Interest Earned

	₹
Interest on loan	5,72,000
Discount on bills discounted	62,000
Interest on cash credit	4,00,000
Interest on overdraft	80,000
Income from investments	8,000
	11,22,000
Add: Interest Accrued on investments	5,000
Total	11,27,000

Schedule 14
Other Income

	₹
Amount charged against current Account	18,000
Profit on sale of investments	12,000
Commission, Exchange and Brokerage	24,000
Loss on Non-banking assets	(8,000)
Transfer fee	3,000
Total	49,000

Schedule 15
Interest Expended

	₹
Interest on savings bank deposit	3,40,000
Interest on fixed deposit	2,75,000
Interest on current account	70,000
Total	6,85,000

Schedule 16
Operating Expense

	₹
Establishment expense	1,60,000
Rent, Rates and Taxes	15,000
Director's fees	30,000
Contribution to Provident Fund	16,000
Dearness Allowance	68,000
Total	2,89,000

Note : (1) Provisions and Contingencies

	₹
Provision for doubtful debts	10,000
Provision for tax @ 60%	1,15,200
Total	1,25,200

(2) Calculation of provision for Tax

	₹	₹
Interest earned		11,27,000
Other income		49,000
		11,76,000
Less: Expenditures		
1. Interest expended	6,85,000	
2. Operating expense	2,89,000	
3. Provision for bad debt	10,000	9,84,000
Profit before Tax		1,92,000

Provision for tax = $1,92,000 \times 60/100 = 1,15,200$

Q.5

Modern Bank Ltd.
Profit and Loss Account
for the year ended 31.3.2018

		Schedule No.	31-3-2018 (₹)
I.	INCOME		
	Interest Earned	13	5,96,000
	Other Income	14	12,500
	(A) Total		6,08,500
II.	EXPENDITURE		
	Interest Expended	15	2,30,000
	Operating Expenses	16	94,000
	Provisions and Contingencies	—	1,03,000
	(B) Total		4,27,000
III.	PROFIT/LOSS		
	Profit for the year (A-B)		1,81,500
	Profit brought forward		—
	(C) Total		1,81,500

IV. APPROPRIATIONS		
Transfer to Statutory Reserve (1,81,500 × 25/100)		45,375
Balance carried over to Balance sheet		1,36,125
(D) Total		1,81,500

Schedule 13
Interest Earned

	₹
Interest on loans	2,25,000
Interest on cash credit	1,05,000
Interest on overdraft	95,000
Discount	2,01,000
Less: unexpired discount	(30,000)
Total	5,96,000

Schedule 14
Other Incomes

	₹
Commission earned	46,500
Loss on sale of investments	(34,000)
Total	12,500

Schedule 15
Interest Expended

	₹
Interest on fixed deposit	1,55,000
Interest on savings bank deposit	75,000
Total	2,30,000

Schedule 16
Operating Expenses

	₹
Salaries and allowances	82,000
Printing and Stationery	4,500
Audit fees	5,000
Directors fee	2,500
Total	94,000

- N.B.** (1) Provision for tax to be created = 84,000 + 54,000 – 66,000
= 72,000
- (2) Provision for bad debt to be created = 52,000 + 21,000 – 42,000
= 31,000

Provisions and Contingencies

	₹
Provision for tax	72,000
Provision for bad debt	31,000
Total	1,03,000

Q.6

South Indian Ltd.
Profit and Loss Account
for the year ended 31.3.2018

		Schedule No.	31-3-2018
I. INCOME			
Interest Earned		13	6,88,000
Other Income		14	30,000
(A) Total			7,18,000
II. EXPENDITURE			
Interest Expended		15	3,62,000
Operating Expenses		16	2,55,000
Provisions and Contingencies		—	73,550
(B) Total			6,90,550
III. PROFIT/LOSS			
Net profit for the year (A-B)			27,450
Profit brought forward			—
(C) Total			27,450
IV. APPROPRIATIONS			
Transfer to Statutory Reserve (27,450 × 25/100)			6862.5
Proposed Dividend			15,000
Balance carried over to Balance sheet			5,587.5
(D) Total			27,450

Schedule 13
Interest Earned

		₹
Interest on loan		3,00,000
Less: Interest on doubtful debts		(4,000)
		2,96,000
Interest on overdraft		30,000
Interest on cash credit		2,40,000
Discount on Bills discounted	1,52,000	
Less: Closing Rebate	30,000	1,22,000
Total		6,88,000

Schedule 14
Other Income

	₹
Commission, Exchange and Brokerage	30,000
Total	30,000

Schedule 15
Interest Expended

	₹
Interest on fixed deposit	2,75,000
Interest on saving bank deposit	87,000
Total	3,62,000

Schedule 16
Operating Expense

	₹
Salaries and allowances (1,50,000 + 30,000)	1,80,000
Postage and Stamp	10,000
Printing and Stationery	20,000
Sundry expense	10,000
Rent	15,000
Tax and Licences	10,000
Audit fee	10,000
Total	2,55,000

Note (1) Calculation of provision for tax

		₹
Interest earned		6,88,000
Other income		30,000
		7,18,000
Less: Expenditures		
(1) Interest expended	3,62,000	
(2) Operating expenses	2,55,000	
(3) Bad debt	40,000	6,57,000
Profit before tax		61,000

$$\text{Tax @ 55\%} = 61,000 \times 55/100 = \underline{\underline{33,550}}$$

(2) Provisions and Contingencies

	₹
Provision for Tax	33,550
provision for bad debt	40,000
Total	73,550

Q.7

New Generation Bank Ltd.
Profit and Loss Account
for the year ended 31.3.2018

		Schedule No.	31-3-2018 (₹)
I. INCOME			
Interest Earned		13	6,10,000
Other Income		14	8,90,000
(A) Total			15,00,000

II. EXPENDITURES	Interest Expended	15	4,60,000
	Operating Expenses	16	5,35,000
	Provisions and Contingencies	—	1,05,000
	(B) Total		11,00,000
III. PROFIT/LOSS	Net profit for the year (A-B)		4,00,000
	Profit brought forward		—
	(C) Total		4,00,000
IV. APPROPRIATIONS	Transfer to Statutory Reserve (4,00,000 × 25/100)		1,00,000
	Balance carried over to Balance sheet		3,00,000
	(D) Total		4,00,000

Schedule 13
Interest Earned

	₹
Discount	2,10,000
Interest received	4,00,000
Total	6,10,000

Schedule 14
other Income

	₹
Commission, exchange and brokerage	6,30,000
Locker Rent	1,10,000
Transfer fee	1,50,000
Total	8,90,000

Schedule 15
Interest Expended

	₹
Interest paid on deposits	2,10,000
Interest on Borrowings	2,50,000
Total	4,60,000

Schedule 16
Operating Expense

	₹
Payment to employees	2,68,000
Advertising	15,000
Printing and Stationery	48,000
Postage and Telephone	29,000
Directors fee and allowances	30,000
Rent, Rates and Taxes	70,000
Depreciation	30,000
Audit fees	20,000
Miscellaneous expense	25,000
Total	5,35,000

Q.8

Tamil Nadu Mercantile Bank Ltd.
Balance sheet as on 31.3.2018

	Schedule No.	31.3.2018
CAPITAL AND LIABILITIES:		
Capital	1	3,00,000
Reserves and Surplus	2	1,23,750
Deposits	3	11,25,000
Borrowings	4	—
Other Liabilities and Provisions	5	1,250
Total		15,50,000
ASSETS:		
Cash and Balances with RBI	6	62,500
Balances with Banks and Money at Call & Short Notice	7	2,12,500
Investments	8	1,18,750
Advances	9	11,50,000
Fixed Assets	10	5,000
Other Assets	11	1,250
Total		15,50,000
Contingent Liabilities	12	1,25,000
Bills for Collection	—	3,00,000

Schedule – 1
Capital

	₹
Share Capital	3,00,000
Total	3,00,000

Schedule – 2
Reserves and Surplus

	₹	₹
(i) Reserve Fund		96,250
(ii) Statutory Reserve (27,500×25/100)		6,875
(iii) Profit and Loss A/c	27,500	
Less; Transfer to Statutory Reserve	(6,875)	20,625
Total		1,23,750

Schedule 3
Deposits

	₹
Current and savings deposit	6,25,000
Fixed deposit	5,00,000
Total	11,25,000

Schedule 4
Borrowings

	₹
Borrowings from banks	—
Total	—

Schedule 5
Other Liabilities and Provisions

	₹
Unclaimed dividend	1,250
Total	1,250

Schedule 6
Cash and Balances with RBI

	₹
Cash in hand	62,500
Total	62,500

Schedule 7
Balances with banks and Money at Call & Short Notice

	₹
Cash at bank	2,12,500
Total	2,12,500

Schedule 8
Investments

	₹
Investments @ cost	1,18,750
Total	1,18,750

Schedule 9
Advances

	₹
Local bills discounted	2,25,000
Cash credit and overdraft	3,50,000
Loans	5,75,000
Total	11,50,000

Schedule 10
Fixed Assets

	₹
Furniture	5,000
Total	5,000

Schedule 11
Other Assets

	₹
Stock of stationery	1,250
Total	1,250

Schedule 12
Contingent Liabilities

	₹
Acceptance on behalf of customers	1,25,000
Total	1,25,000

Q.9

ICICI Bank Ltd.
Balance sheet as on 31.3.2018

	Schedule No.	31.3.2018 (₹)
CAPITAL AND LIABILITIES:		
Share Capital	1	49,90,075
Reserves and Surplus	2	14,65,159
Deposits	3	9,57,72,266
Borrowings	4	40,000
Other Liabilities and Provisions	5	3,35,838
Total		10,26,03,338
ASSETS:		
Cash and Balances with RBI	6	1,16,60,870
Balances with Banks and Money at Call & Short Notice	7	35,54,458
Investments	8	3,25,47,495
Advances	9	5,43,29,392
Fixed Assets	10	1,11,150
Other Assets	11	3,99,973
Total		10,26,03,338
Contingent Liabilities	12	10,02,082
Bills for Collection	—	1,50,000

Schedule – 1
Share Capital

	₹
Share capital	50,00,000
Less: Calls-in-Arrear	9,925
Total	49,90,075

Schedule – 2
Reserves and Surplus

	₹	₹
(i) Statutory Fund	50,000	
Add: 25% of current year's profit $(3,15,159 \times 25/100)$	78,790	1,28,790
(ii) Profit and Loss A/c balance	3,15,159	
Less; Transfer to Statutory Reserve	78,790	2,36,369
(iii) Reserve Fund		11,00,000
Total		14,65,159

Schedule – 3
Deposits

	₹
Fixed Deposits	3,10,00,000
Current Account	6,47,72,266
Total	9,57,72,266

Schedule – 4
Borrowings

	₹
Borrowings from other banks	40,000
Total	40,000

Schedule – 5
Other liabilities and provision

	₹
Bills payable	21,007
Provident Fund	61,808
Unclaimed dividend	10,725
Rebate on bills discounted	32,298
Provision for Tax	2,10,000
Total	3,35,838

Schedule – 6
Cash and balance with RBI

	₹
Cash in hand	80,26,000
Balances with RBI	36,34,870
Total	1,16,60,870

Schedule – 7
Balance with banks and Money at call and short notice

	₹
Money at call	3,50,000
Cash with banks	32,04,458
Total	35,54,458

Schedule – 8
Investments

	₹
Investments	3,25,47,495
Total	3,25,47,495

Schedule – 9
Advances

	₹
Bills Discounted	47,35,620
Cash credit and overdraft	2,75,93,772
Loans	2,20,00,000
Total	5,43,29,392

Schedule – 10
Fixed Assets

	₹
Office furniture	1,11,150
Total	1,11,150

Schedule – 11
Other Assets

	₹
Stock of Stamps and Stationery	73,228
Branch Adjustment A/c (Dr.)	3,26,745
Total	3,99,973

Schedule – 12
Contingent liabilities

	₹
Acceptance on behalf of customers	10,02,082
Total	10,02,082

Q.10

HDFC Bank Ltd.
Balance sheet as on 31.3.2018

	Schedule No.	31.3.2018 (₹)
CAPITAL AND LIABILITIES:		
Share Capital	1	20,00,000
Reserves and Surplus	2	10,90,000
Deposits	3	78,00,000
Borrowings	4	12,00,000
Other Liabilities and Provisions	5	30,000
Total		1,21,20,000
ASSETS:		
Cash and Balance with RBI	6	18,00,000
Balance with Banks and Money at Call & Short Notice	7	—
Investments	8	9,60,000
Advances	9	91,20,000
Fixed Assets	10	40,000
Other Assets	11	2,00,000
Total		1,21,20,000
Contingent Liabilities	12	5,00,000

Schedule – 1
Share Capital

	₹
Share capital	20,00,000
Total	20,00,000

Schedule 2
Reserves and Surplus

	₹	₹
(i) Profit & Loss A/c	2,20,000	
Less: Rebate on bills discounted	10,000	
	2,10,000	
Less: Provision for doubtful debts	80,000	
	1,30,000	
Less: Transfer to Statutory Reserve (1,30,000×25/100)	32,500	97,500
(ii) Statutory Reserve	7,70,000	
Add: 25% of current year's profit	32,500	8,02,500
(iii) Contingency Reserve		1,90,000
Total		10,90,000

Schedule – 3
Deposits

	₹
Current Deposit	38,00,000
Recurring Deposit	10,00,000
Fixed Deposit	20,00,000
Cash Certificates	10,00,000
Total	78,00,000

Schedule – 4
Borrowings

	₹
Loan	12,00,000
Total	12,00,000

Schedule – 5
Other liabilities and provisions

	₹
Unclaimed dividend	20,000
Rebate on bills discounted	10,000
Total	78,00,000

Schedule – 6
Cash and balances with RBI

	₹
Cash in hand	5,00,000
Cash with RBI	13,00,000
Total	18,00,000

Schedule – 7**Balances with banks and money at call and short notice**

	₹
Cash with other banks	—
Total	—

Schedule – 8**Investments**

	₹
Gold	10,000
Investments	9,50,000
Total	9,60,000

Schedule – 9**Advances**

	₹
Cash credit	20,00,000
Overdraft	8,00,00
Loans	46,00,000
Bills Discounted	18,00,000
	92,00,000
Less: Provision for doubtful debts	80,000
Total	91,20,000

Schedule – 10**Fixed Assets**

	₹
Furniture	40,000
Total	40,000

Schedule – 11**Other Assets**

	₹
Stock of stamps and stationery	18,000
Silver	12,000
Branch Adjustments (Dr)	1,70,000
Total	2,00,000

Schedule – 12**Contingent liabilities**

	₹
Acceptance on behalf of customers	5,00,000
Total	5,00,000

Q.11

Himalaya Bank Ltd.
Profit and Loss Account
for the year ended 31.3.2018

		Schedule No.	31-3-2018 (₹)
I.	INCOME		
	Interest Earned	13	4,95,000
	Other Income	14	90,000
	(A) Total		5,85,000
II.	EXPENDITURE		
	Interest Expended	15	3,00,000
	Operating Expenses	16	1,13,000
	Provisions and Contingencies		22,000
	(B) Total		4,35,000
III.	PROFIT/LOSS		
	Profit for the year (A-B)		1,50,000
	Profit brought forward		80,000
	(C) Total		2,30,000
IV.	APPROPRIATIONS		
	Transfer to Statutory Reserve (1,50,000 × 25/100)		37,500
	Balance carried over to Balance sheet		1,92,500
	(D) Total		2,30,000

Himalaya Bank Ltd.
Balance sheet as on 31.3.2018

	Schedule No.	31.3.2018 (₹)
CAPITAL AND LIABILITIES		
Share Capital	1	15,00,000
Reserves and Surplus	2	7,30,000
Deposits	3	20,00,000
Borrowings	4	2,00,000
Other Liabilities and Provisions	5	2,15,000
	Total	46,45,000
ASSETS:		
Cash and balances with RBI	6	5,00,000
Balances with banks and Money at call and short notice	7	11,00,000
Investments	8	3,00,000
Advances	9	22,25,000
Fixed Assets	10	4,70,000
Other Assets	11	50,000
	Total	46,45,000
Contingent Liabilities	12	5,00,000
Bills for Collection	—	3,00,000

Schedule – 1
Share Capital

	₹
6% preference share capital (5,000 shares @ ₹ 100 each)	5,00,000
Equity share capital (10,000 shares @ ₹ 100 each)	10,00,000
Total	15,00,000

Schedule 2
Reserves and Surplus

	₹	₹
(i) Statutory Reserve	5,00,000	
Add: 25% of current year's profit	37,500	5,37,500
(ii) Profit and Loss A/c		1,92,500
		7,30,000

Schedule – 3
Deposits

	₹
Deposits	20,00,000
Total	20,00,000

Schedule – 4
Borrowings

	₹
Borrowings from RBI	2,00,000
Total	2,00,000

Schedule – 5
Other liabilities and provisions

	₹
Pension Fund	1,50,000
Unclaimed dividend	60,000
Rebate on bills discounted	5,000
Total	2,15,000

Schedule – 6
Cash and balances with RBI

	₹
Cash in hand	5,00,000
Total	5,00,000

Schedule – 7
Balances with Banks and Money at Call and Short Notice

	₹
Cash at bank	6,00,000
Money at call and short notice	5,00,000
Total	11,00,000

Schedule – 8
Investments

	₹
Investment in Government Securities	3,00,000
(Market value ₹ 2,90,000)	3,00,000

Schedule – 9
Advances

	₹
Loans and cash credit	22,47,000
Less: Provision for doubtful debts	22,000
Total	22,25,000

Schedule – 10
Fixed Assets

	₹
Furniture	50,000
Premises	4,20,000
Total	4,70,000

Schedule – 11
Other Assets

	₹
Non-banking assets	50,000
Total	50,000

Schedule – 12
Contingent Liabilities

	₹
Acceptance on behalf of customers	5,00,000
Total	5,00,000

Schedule – 13
Interest Earned

	₹
Interest and Discount	5,00,000
Less: Rebate on bill discounted	5,000
Total	4,95,000

Schedule – 14
Other Incomes

	₹
Commission Received	20,000
Miscellaneous Income	70,000
Total	90,000

Schedule – 15
Interest Expended

	₹
Interest on Deposits and Borrowings	3,00,000
Total	3,00,000

Schedule – 16
Operating Expense

	₹
Audit Fee	10,000
Salary and Allowances	80,000
Director's Fees	5,000
Printing and Stationery	5,000
Depreciation	10,000
Other expenditure	3,000
Total	1,13,000

Provisions and Contingencies

	₹
Provision for doubtful debts	22,000
Total	22,000

Q.12

New Delhi Bank Ltd.
Profit and Loss Account
for the year ended 31.3.2018

		Schedule No.	31-3-2018 (₹)
I. INCOME			
Interest Earned		13	12,87,046
Other Income		14	1,47,750
(A) Total			14,34,796
II. EXPENDITURE			
Interest Expended		15	8,78,400
Operating Expense		16	1,88,666
Provisions and Contingencies		—	3,980
(B) Total			10,71,046
III. PROFIT/LOSS			
Net profit for the year (A-B)			3,63,750
Profit brought forward			80,666
(C) Total			4,44,416
IV. APPROPRIATIONS			
Transfer to Statutory Reserve (3,63,750 × 25/100)			90,938
Balance carried over to Balance sheet			3,53,478
(D) Total			4,44,416

New Delhi Bank Ltd.
Balance sheet as on 31.3.2018

	Schedule No.	31.3.2018 (₹)
CAPITAL AND LIABILITIES		
Share Capital	1	20,00,000
Reserves and Surplus	2	9,74,416
Deposits	3	1,97,52,766
Borrowings	4	—
Other Liabilities and Provisions	5	2,75,588
Total		2,30,02,770
ASSETS:		
Cash and balance with RBI	6	16,32,648
Balance with banks and Money at Call & Short Notice	7	24,10,250
Investments	8	17,00,000
Advances	9	1,67,97,060
Fixed Assets	10	4,61,560
Other Assets	11	1,252
Total		2,30,02,770
Contingent Liabilities	12	4,00,000

**Schedule – 1
Share Capital**

	₹
Share Capital	20,00,000
Total	20,00,000

**Schedule 2
Reserves and Surplus**

	₹	₹
Reserve Fund		4,00,000
Statutory Reserve Fund	1,30,000	
Add: 25% of current year's profit	90,938	2,20,938
Profit and Loss A/c		3,53,478
		9,74,416

**Schedule – 3
Deposits**

	₹
Savings deposit	51,36,000
Current deposit	68,25,658
Fixed deposit	77,91,108
Total	1,97,52,766

**Schedule – 4
Borrowings**

	₹
Borrowings from RBI/Banks	—
Total	—

Schedule – 5
Other liabilities and provisions

	₹
Branch Adjustment A/c (Cr.)	93,788
Provident Fund	70,000
Pension Fund	1,00,000
Rebate on bills discounted	11,800
Total	2,75,588

Schedule – 6
Cash and Balances with RBI

	₹
Cash in hand and with RBI	16,32,648
Total	16,32,648

Schedule – 7
Balances with Banks and money at Call and Short Notice

	₹
Cash with other banks	24,10,250
Total	24,10,250

Schedule – 8
Investments

	₹
Investments @ Market price	17,00,000
Total	17,00,000

Schedule – 9
Advances

	₹
Loans, Cash credit and Overdraft	1,40,00,000
Bills Discounted	28,01,040
	1,68,01,040
Less: Provision for doubtful debts	3,980
Total	1,67,97,060

Schedule 10
Fixed Assets

	₹	₹
Furniture	74,560	
Less: Depreciation	7,000	67,560
Buildings	4,10,000	
Less: Depreciation	16,000	3,94,000
		4,61,560

Schedule – 11**Other Assets**

	₹
Unexpired Insurance stamp in hand	874
	378
Total	1,252

Schedule – 13**Interest Earned**

	₹
Interest and Discount	12,98,846
Less: Rebate on bills discounted	11,800
Total	12,87,046

Schedule – 14**Other Income**

	₹
Commission and Exchange	2,04,000
Loss on revaluation of investments (17,56,250–17,00,000)	(56,250)
Total	1,47,750

Schedule – 15**Interest Expended**

	₹
Interest paid on deposits	8,78,400
Total	8,78,400

Schedule – 16**Operating Expense**

	₹
Director's fee	9,960
Audit fees	2,000
Postage and Telephone	2312
Printing and Stationery	6,780
Depreciation (16,000+7,000)	23,000
Rent and Taxes	17,014
Provident Fund Contribution	20,000
Salaries and Allowances	1,04,300
Law charges	3,300
Total	1,88,666

Provisions and Contingencies

	₹
Provision for doubtful debts	3,980
Total	3,980

Q.13

Big Bank Ltd.
Profit and Loss Account
for the year ended 31.3.2018

		Schedule No.	31-3-2018 (₹)
I. INCOME	Interest Earned	13	7,97,000
	Other Income	14	10,300
	(A) Total		8,07,300
II. EXPENDITURE	Interest Expended	15	2,00,000
	Operating Expense	16	1,90,300
	Provisions and Contingencies	—	65,000
	(B) Total		4,55,300
III. PROFIT/LOSS	Net profit for the year (A-B)		3,52,000
	Profit brought forward		37,500
	(C) Total		3,89,500
IV. APPROPRIATIONS	Transfer to Statutory Reserve (3,52,000 × 25/100)		88,000
	Interim dividend paid		30,000
	Balance carried over to Balance sheet		2,71,500
	(D) Total		3,89,500

Big Bank Ltd.
Balance sheet as on 31.3.2018

	Schedule No.	31.3.2018 (₹)
CAPITAL AND LIABILITIES		
Share Capital	1	7,50,000
Reserves and Surplus	2	8,09,500
Deposits	3	96,46,000
Borrowings	4	1,05,000
Other Liabilities and Provisions	5	15,000
Total		1,13,25,500
ASSETS:		
Cash and balance with RBI	6	9,15,000
Balance with Banks and Money at Call & Short Notice	7	1,86,000
Investments	8	15,30,000
Advances	9	80,45,000
Fixed Assets	10	6,37,500
Other Assets	11	12,000
Total		1,13,25,500
Contingent Liabilities	12	—
Bills for collection	—	50,000

Schedule – 1
Share Capital

	₹
Share Capital	7,50,000
Total	7,50,000

Schedule – 2
Reserves and Surplus

	₹
General Reserve	4,50,000
Statutory Reserve Fund	88,000
Profit & Loss A/c	2,71,500
Total	8,09,500

Schedule – 3
Deposits

	₹
Deposits	96,46,000
Total	96,46,000

Schedule – 4
Borrowings

	₹
Borrowings from other banks	1,05,000
Total	1,05,000

Schedule – 5
Other liabilities and provision

	₹
Rebate on bills discounted	15,000
Total	15,000

Schedule – 6
Cash and balance with RBI

	₹
Cash in hand	2,15,000
Cash with RBI	7,00,000
Total	9,15,000

Schedule – 7
Balance with banks and Money at Call and Short Notice

	₹
Money at Call and short Notice	85,500
Balance with other banks	1,00,500
Total	1,86,000

Schedule – 8
Investments

	₹
Government Securities	15,30,000
Total	15,30,000

Schedule – 9
Advances

	₹
Loans and Advances	80,20,000
Bills Discounted	90,000
	81,10,000
Less: Provision for doubtful debts	(65,000)
Total	80,45,000

Schedule – 10
Fixed Assets

	₹	₹
Furniture	80,000	
Less: Depreciation $[(80,000+20,000) \times 10/100]$	10,000	70,000
Computer		35,000
Premises		5,32,500
		6,37,500

Schedule – 11
Other Assets

	₹
Accrued Interest on Investments	12,000
Total	12,000

Schedule – 12
Contingent Liabilities

	₹
Contingent liabilities	—
Total	—

Schedule – 13
Interest Earned

	₹
Interest and Discount	8,00,000
Less: Rebate on bills discounted	15,000
Add: Accrued interest	12,000
Total	7,97,000

Schedule – 14
Other Income

	₹
Miscellaneous Income	300
Commission	10,000
Total	10,300

Schedule – 15
Interest Expended

	₹
Interest on deposits and Borrowings	2,00,000
Total	2,00,000

Schedule – 16
Operating Expense

	₹
General expense	82,500
Rent, Rates and Taxes	6,900
Director's fees	4,200
Audit fees	1,200
Salaries and allowances	85,500
Depreciation on Furniture	10,000
Total	1,90,300

N.B: Provisions and Contingencies

	₹
Provision for doubtful debts	65,000
Total	65,000

Q.14

Samada Bank Ltd.
Balance sheet as on 31.3.2018

	Schedule No.	31.3.2018
CAPITAL AND LIABILITIES		
Share Capital	1	9,90,000
Reserves and Surplus	2	14,70,000
Deposits	3	1,10,00,000
Borrowings	4	4,53,000
Other Liabilities and Provisions	5	6,20,000
Total		1,45,33,000
ASSETS:		
Cash and balances with RBI	6	8,00,000
Balances with banks and Money at Call & Short Notice	7	13,00,000
Investments	8	12,00,000
Advances	9	1,00,00,000
Fixed Assets	10	10,80,000
Other Assets	11	1,53,000
Total		1,45,33,000
Contingent Liabilities	12	5,00,000
Bills for collection		1,50,000

Schedule – 1
Share Capital

	₹
Subscribed & Called up capital	10,00,000
Less: Calls-in-Arrear	10,000
Total	9,90,000

Schedule 2
Reserves and Surplus

	₹	₹
(i) General Reserve		60,000
(ii) Statutory Reserve	7,00,000	
Add: 25% of current year's profit (6,00,000×25/100)	1,50,000	8,50,000
(iii) Profit & Loss A/c	6,00,000	
Less: Transfer to Statutory Reserve	1,50,000	
	4,50,000	
Add: Profit on 1/4/2017	1,10,000	5,60,000
		14,70,000

Schedule – 3
Deposits

	₹
Current Deposit	30,00,000
Savings Deposit	32,00,000
Fixed Deposit	48,00,000
Total	1,10,00,000

Schedule – 4
Borrowings

	₹
Borrowings from banks	4,53,000
Total	4,53,000

Schedule – 5
Other Liabilities and Provisions

	₹
Rebate on bills discounted	12,000
Unclaimed dividend	8,000
Bills payable	6,00,000
Total	6,20,000

Schedule – 6
Cash and balance with RBI

	₹
Cash in hand	3,00,000
Cash with RBI	5,00,000
Total	8,00,000

Schedule – 7**Balance with banks and Money at call & Short Notice**

	₹
Money at call and short notice	8,00,000
Balance with banks	5,00,000
Total	13,00,000

Schedule – 8**Investments**

	₹
Investments	12,00,000
Total	12,00,000

Schedule – 9**Advances**

	₹
Cash credit and overdraft	40,00,000
Term Loans	50,00,000
Bills Discounted and Purchased	10,00,000
Total	1,00,00,000

Schedule – 10**Fixed Assets**

	₹
Land and Buildings	10,30,000
Furniture	50,000
Total	10,80,000

Schedule – 11**Other Assets**

	₹
Interest accrued on loans	1,50,000
Stock of stamps & stationery	3,000
Total	1,53,000

Schedule – 12**Contingent liabilities**

	₹
Claim against bank not acknowledged as debt	3,00,000
Acceptance on behalf of customers	2,00,000
Total	5,00,000

Q.15

KOTAK MAHINDRA BANK LTD.
Profit and Loss Account
for the year ended 31.3.2018

		Schedule No.	31-3-2018 (₹)
I.	INCOME		
	Interest Earned	13	1,35,620
	Other Income	14	—
	(A) Total		1,35,620
II.	EXPENDITURE		
	Interest Expended	15	—
	Operating Expense	16	63,500
	Provisions and Contingencies	—	5,000
	(B) Total		68,500
III.	PROFIT/LOSS		
	Profit for the year (A–B)		67,120
	Profit brought forward		16,000
	(C) Total		83,120
IV.	APPROPRIATIONS		
	Transfer to Statutory Reserve (67,120 × 25/100)		16,780
	Interim dividend		20,000
	Balance carried over to Balance sheet		46,340
	(D) Total		83,120

Kotak Mahindra Bank Ltd.
Balance sheet as on 31.3.2018

	Schedule No.	31.3.2018 (₹)
CAPITAL AND LIABILITIES		
Share Capital	1	5,00,000
Reserves and Surplus	2	3,13,120
Deposits	3	2,95,000
Borrowings	4	—
Other Liabilities and Provisions	5	3,380
	Total	11,11,500
ASSETS:		
Cash and balances with RBI	6	1,93,000
Balances with Banks and Money at Call & Short Notice	7	80,000
Investments	8	4,50,000
Advances	9	3,26,000
Fixed Assets	10	46,000
Other Assets	11	16,500
	Total	11,11,500
Contingent Liability	12	1,15,000
Bills for collection	—	—

Schedule – 1
Share Capital

	₹
Authorised capital; 80,000 Equity shares of ₹ 10 each	8,00,000
Subscribed and called up capital	5,00,000
Less: Calls-in-Arrear	—
Paid up capital	5,00,000
Total	5,00,000

Schedule – 2
Reserves and Surplus

	₹
Reserve Fund	2,50,000
Statutory Reserve	16,780
Profit and Loss A/c Balance	46,340
Total	3,13,120

Schedule – 3
Deposits

	₹
Current Deposits	1,00,000
Fixed Deposits	1,25,000
Savings Bank Deposits	50,000
Recurring Deposits	20,000
Total	2,95,000

Schedule – 4
Borrowings

	₹
Borrowings from RBI/Other banks	—
Total	—

Schedule – 5
Other liabilities and provisions

	₹
Rebate on bills discounted	380
Interim dividend declared but not paid	3,000
Total	3,380

Schedule – 6
Cash and Balance with RBI

	₹
Cash in hand and with RBI	1,93,000
Total	1,93,000

Schedule – 7**Balance with banks and Money at call and short notice**

	₹
Money at call and short notice	80,000
Total	80,000

Schedule – 8**Investments**

	₹
Shares and stocks of companies	50,000
India Government Securities (Market value at ₹ 3,90,000)	4,00,000
Total	4,50,000

Schedule – 9**Advances**

	₹
Loans, cash credit and overdraft	2,85,000
Bills purchased and Discounted	46,000
Less: Provision for bad and doubtful debts	(5,000)
Total	3,26,000

Schedule – 10**Fixed Assets**

	₹	₹
Premises	50,000	
Less: Depreciation (40,000×10/100)	4,000	46,000
		46,000

Schedule – 11**Other Assets**

	₹
Stock of Stationery	8,500
Accrued interest on investment	8,000
Total	16,500

Schedule – 12**Contingent Liabilities**

	₹
Acceptance and Endorsement on behalf of customer	1,15,000
Total	1,15,000

Schedule – 13**Interest Earned**

	₹
Interest and discount	1,28,000
Accrued interest on investment	8,000
Less: Rebate on bills discounted	(380)
Total	1,35,620

Schedule – 14
Other Income —

	₹
Other income	—

Schedule – 15
Interest Expended – Nil

Schedule – 16
Operating Expense

	₹
Salaries	28,000
General expenses	27,400
Rent, Rates and Taxes	2,300
Directors fees	1,800
Depreciation on premises	4,000
Total	63,500

N.B: **Provisions and Contingencies**

	₹
Provision for doubtful debts	5,000
Total	5,000

INTERNAL RECONSTRUCTION

PRACTICAL PROBLEMS

Q.1

JOURNAL

Date	Particulars	LF	Debit ₹	Credit ₹
1	Creditors A/c..... Dr To Cash To Capital Reduction (B.F.) [For the settlement of creditors]		20,000	16,000 4,000
2	Creditors A/c..... Dr To Cash (1,00,000×20/100) To Capital Reduction (1,00,000×80/100) (80% of claim forgone by creditors on a scheme of Capital Reduction)		1,00,000	20,000 80,000
3	14% Debentures A/c..... Dr To Equity share capital (1,00,000×90/100) To Capital Reduction		1,00,000	90,000 10,000
4	(Old) 12% preference share capital A/c..... Dr To (New) 15% preference share capital To Capital Reduction (12% 1,000 preference shares of ₹ 100 each reduced to ₹ 80 each)		1,00,000	80,000 20,000

Q.2

JOURNAL

Date	Particulars	LF	Debit ₹	Credit ₹
1	(Old) Equity share capital A/c.....Dr (25,000×10) To (New) Equity share capital (2,50,000×2/5) To 15% Preference share capital (1,00,000×20/100) To 12% Debentures (3,000×10) To Capital Reduction A/c [Equity share capital being reconstructed on a scheme of capital reorganisation]		2,50,000	1,00,000 20,000 30,000 1,00,000
2	Bank A/c..... Dr To 13% Debentures (For the issue of first debentures)		25,000	25,000

3	Capital Reduction A/c..... Dr To Goodwill To Machinery To Leasehold Premises [Intangible assets and excess depreciation written off]	1,00,000	75,000 12,500 12,500
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Q.3**JOURNAL**

Date	Particulars	LF	Debit ₹	Credit ₹
1	(Old) 6% Preference share capital A/c..... Dr To (New) 9% preference share capital (10,000×60) To Capital Reduction (B.F.) [6% preference shares being reduced to ₹ 60 each on a scheme of Capital Reduction]		10,00,000	6,00,000 4,00,000
2	(Old) Equity share capital A/c.....Dr (50,000×10) To (New) Equity share capital (50,000×2) To Capital Reduction (B.F) (Equity shares of ₹ 10 each reduced to ₹ 2 each on a scheme of Capital Reduction)		5,00,000	1,00,000 4,00,000
3	Capital Reduction A/c..... Dr To Accumulated losses To Preliminary expenses To Fixed Assets To Capital Reserve (B.F) [Being losses written off, assets written off and balance in Capital Reduction A/c transferred to Capital Reserve A/c]		8,00,000	3,50,000 20,000 4,00,000 30,000

Q.4**JOURNAL**

Date	Particulars	LF	Debit ₹	Credit ₹
1	(Old) Preference share capital A/c.....Dr (25,000×20) To (New) Preference share capital (25,000×15) To Capital Reduction (B.F.) [25,000 preference shares of ₹ 20 each are converted into preference shares of ₹ 15 each]		5,00,000	3,75,000 1,25,000
2	(Old) Equity share capital A/c.....Dr (25,000×15) To (New) Equity share capital (25,000×10) To Capital Reduction A/c (Partly paid Equity shares converted into fully paid up shares and balance transferred to capital reduction A/c)		3,75,000	2,50,000 1,25,000
3	Capital Reduction A/c..... Dr To Profit & Loss A/c To Plant & Machinery To Goodwill To Investments To Capital Reserve (B.F) [Losses written off, assets written down and balance transferred to Capital Reserve)		2,50,000	1,05,000 45,000 20,000 40,000 40,000

Q.5**JOURNAL**

Date	Particulars	LF	Debit ₹	Credit ₹
1	(Old) Equity Share capital A/c..... Dr (1,00,000×10) To (New) Preference share capital (1,00,000×5) To Capital Reduction A/c [Reduction of 1,00,000 shares by ₹ 5 per share]		10,00,000	5,00,000 5,00,000
2	Securities Premium A/c.....Dr To Capital Reduction A/c (Securities premium transferred to Capital Reduction A/c)		1,00,000	1,00,000
3	Capital Reduction A/c..... Dr To Goodwill A/c To Profit & Loss A/c To Land and Buildings To Plant & Machinery To Stock A/c To Provision for bad debt (1,48,000×10/100) [Being losses written off and value of assets reduced]		6,00,000	2,00,000 1,00,000 84,000 1,34,000 67,200 14,800

Balance sheet of Gloomy Ltd. (And Reduced)

Liabilities	₹	Assets	₹
Share capital; 1,00,000 fully paid shares of ₹ 5 each	5,00,000	Land and Buildings (3,24,000 – 84,000)	2,40,000
Creditors	1,24,000	Plant & Machinery (4,14,000–1,34,000)	2,80,000
Bank overdraft	1,46,000	Stock (1,84,000–67,200)	16,800
		Debtors 1,48,000	
		Less: Provision 14,800	1,33,200
	7,70,000		7,70,000

Q.6**JOURNAL**

Date	Particulars	LF	Debit ₹	Credit ₹
1	(Old) Equity share capital A/c.....Dr (40,000×10) To (New) Equity share capital (40,000×1) To Capital Reduction A/c (B.F.) [Equity shares of ₹ 10 each reduced by ₹ 9 on a scheme of capital reduction]		4,00,000	40,000 3,60,000
2	(Old) 10% Preference share capital A/c..... Dr (1,000×100) To (New) 13% preference share capital (1,000×60) To Capital Reduction (10% preference shares of ₹ 100 each converted into shares of ₹ 60 each on a scheme of capital reduction)		1,00,000	60,000 40,000
3	(Old) 8% Debentures A/c..... Dr To (New) 12% Debentures (2,00,000×90/100) To Capital Reduction (2,00,000×10/100) [8% Debentures of ₹ 2,00,000 reduced by 10% on a scheme of capital reduction]		2,00,000	1,80,000 20,000

4	Creditors A/c..... Dr To Capital Reduction (6,60,000×1/3) (Creditors being reduced by 33 $\frac{1}{3}$ % on a scheme of Capital Reduction)	2,20,000	2,20,000
5	Capital Reduction A/c..... Dr To Preliminary Expense To Goodwill To Patent To Discount on issue of shares To Surplus A/c (Dr.) To Machinery To Inventory To Provision for bad debt (Intangible and fictitious assets written off and assets written down)	6,40,000	20,000 1,20,000 80,000 80,000 1,70,000 1,20,000 20,000 30,000

Balance sheet of Weak Ltd. (And Reduced)

	Note No.	Amount (₹)
I. EQUITY AND LIABILITIES		
(1) Shareholders Fund:		
(i) Share capital		
40,000 equity shares of ₹ 1 each		40,000
13% preference shares of ₹ 60 each		60,000
(ii) Reserves and Surplus		—
(2) Non-Current Liabilities		
12% Debentures		1,80,000
(3) Current Liabilities		
Creditors for expenses		40,000
Sundry Creditors (6,60,000–2,20,000)		4,40,000
Total		7,60,000
II. ASSETS		
(1) Non-Current Assets		
(a) Tangible		
Buildings		4,00,000
Machinery		1,40,000
(b) Intangible		—
(2) Current Assets:		
Debtors (1,10,000 – 30,000)		80,000
Inventories (1,60,000–20,000)		1,40,000
Total		7,60,000

Q.7**JOURNAL**

Date	Particulars	LF	Debit ₹	Credit ₹
1	(Old) Preference share capital A/c.....Dr (1,000×100) To (New) preference share capital (1,000×60) To Capital Reduction [Preference shares of ₹ 100 each being reduced to ₹ 60 each on scheme of Capital Reduction]		1,00,000	60,000 40,000

2	(Old) Equity share capital A/c.....Dr (2,000×10) To (New) Equity share capital (2,000×40) To Capital Reduction (2,000×60) (Equity shares of ₹ 100 each being reduced to ₹ 40 each)	2,00,000	
			80,000
			1,20,000
3	6% Debentures A/c.....Dr To Stock To Debtors To Capital Reduction (Debenture holders took over stock and debtors in satisfaction of their claim)	50,000	
			25,000
			20,000
			5,000
4	Freehold Premises A/c.....Dr To Capital Reduction (Value of freehold premises increased by 10%)	10,000	
			10,000
5	Reconstruction A/c.....Dr To Bank (For payment of reconstruction expense)	2,000	
			2,000
6	Capital Reduction A/c.....Dr To Goodwill To Surplus A/c To Reconstruction expense To Plant & Machinery To Capital Reserve (B.F) (Intangible & fictitious assets written off and assets written down)	1,75,000	
			7,500
			1,12,500
			2,000
			50,000
			3,000

Balance sheet of Short Life Ltd. (And Reduced)

Particulars	Note No.	Amount (₹)
I. EQUITY AND LIABILITIES		
(1) Shareholders Fund:		
(i) Share capital		
Equity share capital		80,000
5% preference share		60,000
(ii) Reserves and Surplus		
Capital Reserve		3,000
(2) Non-Current Liabilities		—
(3) Current Liabilities		
Creditors		50,000
Bank overdraft		17,500
Total		2,10,500
II. ASSETS		
(1) Non-Current Assets		
Plant and Machinery		1,00,000
Freehold premises		1,10,000
(2) Current Assets:		
Cash at bank		500
Total		2,10,500

Q.8**JOURNAL**

Date	Particulars	LF	Debit ₹	Credit ₹
1	(Old) Equity share capital A/c.....Dr (8,000×10) To (New) Equity share capital (80,000×6) To Capital Reduction [Equity shares of ₹ 10 each being reduced by ₹ 4 each]		8,00,000	4,80,000 3,20,000
2	(Old) 12% Preference share capital A/c.....Dr (60,000×10) To (New) 12% preference share capital (60,000×8) To Capital Reduction [Preference shares of ₹ 10 each being reduced to ₹ 8 each]		6,00,000	4,80,000 1,20,000
3	(Old) 8% Debentures A/cDr To (New) 12% Debentures (8,00,000×80/100) To Capital Reduction (8,00,000×20/100) [Claim of debenture holders reduced by 20%]		8,00,000	6,40,000 1,60,000
4	Bank A/c.....Dr To Capital Reduction (Refund of directors fees)		1,20,000	1,20,000
5	Provision for Tax A/c.....Dr To Bank To Capital Reduction (Settlement of tax liability at ₹ 1,20,000 and balance transferred to capital Reduction Account)		2,00,000	1,20,000 80,000
6	Capital Reduction A/c.....Dr To Goodwill To Profit & loss A/c To Fixed Assets (B.F) (Intangible and fictitious assets written off and fixed assets written down)		8,00,000	4,00,000 3,60,000 40,000

Balance sheet of Black and White Ltd. (And Reduced)

	Note No.	Amount (₹)
I. EQUITY AND LIABILITIES		
(1) Shareholders Fund:		
(a) Share capital		
60,000, 12% preference shares of ₹ 8 each		4,80,000
80,000 Equity shares of ₹ 6 each		4,80,000
(b) Reserves and Surplus		—
(2) Non-Current Liabilities		
12% Debentures		6,40,000
(3) Current Liabilities		
Creditors		4,00,000
Total		20,00,000
II. ASSETS		
(1) Non-Current Assets		
Fixed Assets		7,60,000
(2) Current Assets:		
Stock		4,00,000
Debtors		5,20,000
Cash at bank (3,20,000+1,20,000–1,20,000)		3,20,000
Total		20,00,000

Q.9**JOURNAL**

Date	Particulars	LF	Debit ₹	Credit ₹
1	(Old) Equity share capital A/c.....Dr (1,20,000×10) To (New) Equity share capital (12,00,000×1/3) To 15% Preference share capital (4,00,000×1/2) To 16% Debentures To Capital Reduction (B.F) (Equity shares being reconstructed on a scheme of Capital Reduction)		12,00,000	4,00,000 2,00,000 3,00,000 3,00,000
2	Capital Reduction A/c..... Dr To Goodwill To Machinery To Profit & Loss A/c To Capital Reserve (B.F) (Fictitious assets written off, fixed assets written down and balance transferred to capital reserve)		3,00,000	1,50,000 60,000 70,000 20,000

Q.10**JOURNAL**

Date	Particulars	LF	Debit ₹	Credit ₹
1	(Old) 6% Preference share capital A/c..... Dr (32,000×10) To (New) 6% Preference share capital To Capital Reduction (Preference shares reduced by ₹ 5 each)		3,20,000	1,60,000 1,60,000
2	(Old) Equity share capital A/c.....Dr (96,000×5) To (New) Equity share capital (96,000×1) To Capital Reduction A/c (Equity shares reduced by ₹ 4 each)		4,80,000	96,000 3,84,000
3	Trade payables A/c..... Dr To 6% Debentures (6% Debentures given to trade payables to the extent of 50% of their claim)		1,60,000	1,60,000
4	Capital Reduction A/c..... Dr To Profit & Loss A/c To Land & Buildings To Plant & Machinery To Provision for doubtful debts To Goodwill To Capital Reserve (B.F) (Various assets, profit & loss A/c debit balance and goodwill written off)		5,44,000	1,44,000 64,000 88,000 8,000 2,24,000 16,000

Balance sheet of Bad Luck Ltd. (And Reduced)

	Note No.	Amount (₹)
I. EQUITY AND LIABILITIES		
(1) Shareholders Fund:		
(a) Share capital		
96,000, Equity shares of ₹ 1 each		96,000
32,000 6% preference shares of ₹ 5 each		1,60,000
(b) Reserves and Surplus		
General Reserve		1,600
Capital Reserve		16,000
(2) Non-Current Liabilities		
5% Debentures		1,92,000
6% Debentures		1,60,000
(3) Current Liabilities		
Trade payables		1,60,000
Total		7,85,600
II. ASSETS		
(1) Non-Current Assets		
Land and Buildings		3,20,000
Plant and Machinery		2,72,000
(2) Current Liabilities		
Inventories		64,000
Trade Receivables		1,20,000
Cash & Bank Balance		9,600
Total		7,85,600

Q.11**JOURNAL**

Date	Particulars	LF	Debit ₹	Credit ₹
1	(Old) Preference share capital A/c.....Dr (4,000×10) To (New) Preference share capital (4,000×75) To Capital Reduction (4,000×25) (Preference shares reduced by ₹ 75 each)		4,00,000	3,00,000 1,00,000
2	(Old) Equity share capital A/c.....Dr (3,000×100) To (New) Equity share capital (3,000×40) To Capital Reduction (3,000×60) (Equity shares being reduced to ₹ 40 each)		3,00,000	1,20,000 1,80,000
3	10% Debentures A/c.....Dr To Stock To Debtors To Capital Reduction (Debenture holders took over stock and debtors in satisfaction of their claim)		2,00,000	60,000 1,00,000 40,000

4	Sundry Creditors A/c..... Dr To Equity share capital To Capital Reduction (Equity shares allotted to sundry creditors)	1,80,000	1,30,000 50,000
5	Premises A/c.....Dr To Capital Reduction (For the appreciation of premises)	30,000	30,000
6	Capital Reduction A/c..... Dr To Goodwill To Surplus A/c To Machinery (Intangible & fictitious asset written off)	4,00,000	50,000 3,20,000 30,000

Balance sheet of Navaneeth Ltd. (And Reduced)

	Note No.	Amount (₹)
I. EQUITY AND LIABILITIES		
(1) Shareholders Fund:		
(a) Share capital		
4,000, preference shares of ₹ 75 each		3,00,000
6,250, Equity shares of ₹ 40 each		2,50,000
(b) Reserves and Surplus		—
(2) Non-Current Liabilities		—
(3) Current Liabilities		—
Total		5,50,000
II. ASSETS		
(1) Non-Current Assets		
Premises (1,50,000+30,000)		1,80,000
Machinery (4,00,000–30,000)		3,70,000
(2) Current Assets		—
Total		5,50,000

Q.12

JOURNAL

Date	Particulars	LF	Debit ₹	Credit ₹
1	(Old) equity share capital A/c..... Dr (₹ 100) To (New) Equity share capital (₹ 5) (Being sub-division of equity shares)		20,00,000	20,00,000
2	Equity share capital A/c.....Dr To Surrendered share A/c (90% of Equity share surrendered)		18,00,000	18,00,000
3	Surrendered share A/c.....Dr To Equity share capital (Being issue of equity shares to debenture holders)		2,50,000	2,50,000

4	6% Debentures A/c..... Dr Interest on Debentures A/c..... Dr To Capital Reduction A/c.....Dr (Being claim of debenture holders credited to capital Reduction A/c)	5,10,000 1,20,000	6,30,000
5	Share surrendered A/c.....Dr To Capital Reduction (Balance in surrendered share a/c transferred to Capital Reduction)	15,50,000	15,50,000
6	Capital Reduction A/c..... Dr To Assets A/c To Capital Reserve (Being the balance utilised in writing off reduction in assets and balance credited to Capital Reserve)	21,80,000	21,60,000 20,000

Working Note

Calculation of the Book Value of the Assets

Assets = Liabilities + Capital

Assets = 20,00,000 + 10,00,000 + 1,20,000

= 31,20,000

Balance sheet

Liabilities	₹	Assets	₹
Equity share capital	20,00,000	Sundry Assets (B.F)	31,20,000
6% Debentures	10,00,000		
Outstanding debenture interest	1,20,000		
	31,20,000		31,20,000

Balance sheet as on 31/12/2018 (And Reduced)

Liabilities	₹	Assets	₹
9,000 shares of ₹ 5 each	4,50,000	Sundry Assets	9,60,000
Capital Reserve	20,000		
6% Debentures	4,90,000		
	9,60,000		9,60,000

Q.13**JOURNAL**

Date	Particulars	LF	Debit ₹	Credit ₹
1	(Old) Equity share capital A/c.....Dr (₹ 100) To (New) Equity share capital (₹ 5) (Being sub-division of Equity shares)		50,00,000	50,00,000
2	Equity share capital A/c.....Dr To Surrendered share A/c (Surrender of 90% of shares)		45,00,000	45,00,000

3	Share surrendered A/c..... Dr To Equity share capital (For the issue of surrendered shares to preference shareholders)	6,25,000	6,25,000
4	Preference share capital A/c..... Dr To Capital Reduction (Sacrifice by preference shareholders transferred to Capital Reduction A/c)	12,50,000	12,50,000
5	Trade payables A/c..... Dr To Capital Reduction (Reduction of claims of trade payables)	5,00,000	5,00,000
6	Trade payables A/c..... Dr To Capital Reduction (Issue of Equity shares out of surrendered shares)	2,50,000	2,50,000
7	Surrendered share A/c..... Dr To Equity share capital (Conversion of surrendered shares into new equity shares)	2,50,000	2,50,000
8	Share surrendered A/c..... Dr To Capital Reduction (Cancellation of unissued surrendered shares)	36,25,000	36,25,000
9	Capital Reduction A/c..... Dr To Fixed Assets To Current Assets To Surplus A/c To Capital Reserve (B.F) (For utilisation of capital Reduction A/c balance)	56,25,000	20,00,000 3,75,000 21,25,000 11,25,000

**Balance sheet of A Ltd. (And Reduced)
as on 31.03.2018**

	Note No.	Amount (₹)
I. EQUITY AND LIABILITIES		
(1) Shareholders Fund:		
(a) Share capital		
2,75,000, Equity shares of ₹ 5 each fully paid		13,75,000
12,500, 10% preference shares of ₹ 100 each		12,50,000
(b) Reserves and Surplus		
Capital Reserve		11,25,000
(2) Non-Current Liabilities		—
(3) Current Liabilities		
Trade payables		5,00,000
Total		42,50,000
II. ASSETS		
(1) Non-Current Assets		30,00,000
(2) Current Assets		12,50,000
Total		42,50,000

Q.14**JOURNAL**

Date	Particulars	LF	Debit ₹	Credit ₹
1	(Old) Equity share capital A/c.....Dr (₹ 100) To (New) Equity share capital (₹ 10) (Being sub-division of Equity shares)		10,00,000	10,00,000
2	Equity share capital A/c.....Dr To Shares surrendered A/c (Surrender of 50% of shares)		5,00,000	5,00,000
3	Surrendered share A/c.....Dr To 10% preference share capital (1,000 surrendered shares converted into 10% preference shares)		1,00,000	1,00,000
4	15% Debentures A/c..... Dr Accrued Interest A/c..... Dr To Capital Reduction (Debenture holders reduced 50% of their claim)		1,50,000 45,000	1,95,000
5	Creditors A/c..... Dr To Capital Reduction (Creditors being reduced by 25%)		13,000	13,000
6	Surrendered share A/c.....Dr To Equity shares capital (For the issue of equity shares to creditors)		13,000	13,000
7	Surrendered share A/c.....Dr To Capital Reduction (Cancellation of unissued surrendered shares)		3,87,000	3,87,000
8	Capital Reduction A/c..... Dr To Surplus A/c To Capital Reserve (Accumulated loss written off and balance transferred to Capital Reserve)		5,95,000	5,80,000 15,000

**Balance sheet of Daddy Cool Ltd. (And Reduced)
as on 31.03.2018**

	Note No.	Amount (₹)
I. EQUITY AND LIABILITIES		
(1) Shareholders Fund:		
(a) Share capital		
51,300, Equity shares of ₹ 10 each		5,13,000
10%, 10,000 preference shares of ₹ 10 each		1,00,000
(b) Reserves and Surplus		
Capital Reserve		15,000
(2) Non-Current Liabilities		
15% Debentures		1,50,000

(3) Current Liabilities		
Creditors		39,000
Provision for tax		36,000
Total		8,53,000
II. ASSETS		
(1) Non-Current Assets		
Plant and Machinery		3,50,000
(2) Current Assets		
Stock		2,53,000
Debtors		2,30,000
Cash at bank		20,000
Total		8,53,000

Q.15**JOURNAL**

Date	Particulars	LF	Debit ₹	Credit ₹
1	(Old) Equity share capital A/c.....Dr (24,000×100) To (New) Equity share capital (24,000×40) To Capital Reduction (24,000×60) (Equity shares of ₹ 100 each being reduced to shares of ₹ 40 each)		24,00,000	9,60,000 14,40,000
2	(Old) Preference share capital A/c.....Dr (12,000×100) To (New) Preference share capital (12,000×75) To Capital Reduction (Preference shares being reduced to ₹ 75 each)		12,00,000	9,00,000 3,00,000
3	10% Debentures A/c.....Dr To Inventories To Trade Receivables To Capital Reduction (Debenture holders took over stock & trade receivables)		6,00,000	2,60,000 2,80,000 60,000
4	Land & Buildings A/c.....Dr To Capital Reduction (Land & Buildings appreciated by 30%)		3,60,000	3,60,000
5	Reconstruction Expense A/c.....Dr To Bank (For the payment of reconstruction expense)		5,000	5,000
6	Capital Reduction A/c.....Dr To Surplus A/c To Goodwill To Preliminary expense To Plant & Machinery To Reconstruction Expense To Capital Reserve (B.F) (Fictitious and intangible assets written off and assets written down)		21,60,000	14,00,000 90,000 40,000 5,40,000 5,000 85,000

Balance sheet of Zodiac Ltd. (And Reduced)
as on 31.03.2018

	Note No.	Amount (₹)
I. EQUITY AND LIABILITIES		
(1) Shareholders Fund:		
(a) Share capital		
24,000, Equity shares of ₹ 40 each		9,60,000
12,000 preference shares of ₹ 75 each		9,00,000
(b) Reserves and Surplus		
Capital Reserve		85,000
(2) Non-Current Liabilities		—
(3) Current Liabilities		
Trade payables		3,00,000
Bank overdraft		6,00,000
Total		28,45,000
II. ASSETS		
(1) Non-Current Assets		
Land and Buildings		15,60,000
Plant and Machinery		12,60,000
(2) Current Assets		
Cash at Bank		25,000
Total		28,45,000

AMALGAMATION, ABSORPTION AND EXTERNAL RECONSTRUCTION (As per AS-14 and Ind AS – 103)

Q.10 Calculation of purchase consideration

Particulars	X Ltd ₹	Y Ltd ₹
Agreed value of Assets taken over:		
Land and Building	25,00,000	19,00,000
Plant and Machinery	19,50,000	25,00,000
Intangible assets	10,00,000	13,00,000
Sundry assets		4,50,000
Bills Receivable	9,50,000	2,25,000
Inventories	18,00,000	15,00,000
Cash at bank	5,00,000	—
	87,00,000	78,75,000
Less: Agreed value of Liabilities taken over:		
Bank overdraft	—	5,00,000
Trade payables	15,00,000	15,00,000
	15,00,000	20,00,000
Purchase consideration	72,00,000	58,75,000

Q.11

Particulars	₹
Agreed value of assets taken over:	
Sundry assets	19,26,000
$\left[\left(18,00,000 \times \frac{75}{100} \times \frac{112}{100} \right) + \left(18,00,000 \times \frac{25}{100} \times \frac{92}{100} \right) \right]$	
	19,26,000
Less: Agreed values of liabilities taken over:	
10% Debentures	2,00,000
Sundry creditors	2,00,000
Bank overdraft	50,000
Bills payable	40,000
Unrecorded liability	25,000
	5,15,000
Purchase consideration	14,11,000

Q.12 Calculation of purchase consideration

Particulars	X Ltd ₹	Y Ltd ₹
a) Equity shares Titan Ltd. $3,00,000 \times \frac{6}{30} \times 5$	3,00,000	
b) 12% preference shares Sona Ltd. $\frac{1,50,000}{15} \times 10$		1,00,000
c) Cash Titan Ltd. $3,00,000 \times \frac{6}{30} \times 5$	50,000	
Sona Ltd. $1,50,000 \times \frac{10}{15}$		1,00,000
	3,50,000	2,00,000

Q.13

Particulars	₹
a) 12% Preference shares 20,000, 12% Preference shares (200 × 150)	30,000
b) Equity shares (750 × 4 × 30)	90,000
	1,20,000

Q.14 Share exchange ratio = 3:2
Number of shares issued = $10,000 \times \frac{3}{2}$
= 15,000 shares
Purchase consideration = $15,000 \times 15$
= ₹ 2,25,000

Market price (₹ 20) of B Ltd has no significance in this problem as exchange ratio is already given in the problem

Q.15 Exchange ratio = 15:20
= 3:4
Number of shares issued = $10,000 \times \frac{3}{4}$
= 7,500 shares
Purchase consideration = $7,500 \times 20$
(Market price) = ₹ 1,50,000
Purchase consideration = $7,500 \times 10$
(Face value) = 75,000

Q.16 Exchange Ratio = 20:60
= 1:3
Number of shares issued = $30,000 \times \frac{1}{3}$
= 10,000 shares
Purchase consideration = $10,000 \times 60$
₹ 6,00,000

Essays and Problems

Q.1 Calculation of Purchase Consideration

Particulars	₹
a) Cash (8,000 × 10)	80,000
b) Equity shares $\left(8,000 \times \frac{5}{2} \times 15\right)$	3,00,000
	3,80,000

In the books of Balco Ltd. Journal Entries

Date	Particulars	LF	Debit ₹	Credit ₹
1	Realisation A/c..... Dr To Land and Building To Plant and Machinery To Furniture To Stock To Debtors To Cash To Cash (expenses) (Various assets transferred to realisation account)		6,27,000	2,30,000 1,80,000 20,000 90,000 1,00,000 2,000 5,000
2	14% Debentures A/c..... Dr Sundry creditors Dr Bank overdraft Dr Staff provident fund Dr Workmen compensation fund Dr Milco Ltd (Purchase consideration) Dr Provision for bad debt To Realisation A/c (Various liabilities transferred to realisation account)		50,000 40,000 10,000 40,000 8,000 3,80,000 5,000	5,33,000
3	Equity shareholders A/c..... Dr To Realisation A/c (Loss on realisation transferred to shareholders account)		94,000	94,000
4	Realisation account..... Dr To Cash (Realisation expenses met by Balco Ltd)		5,000	5,000
5	Equity share capital General reserve Workmen compensation fund To Equity shareholders A/c (Share capital and reserves are transferred)		4,00,000 50,000 22,000	4,72,000
6	Equity shareholders A/c..... Dr To Discount on issue of shares (Transfer of accumulated losses)		3,000	3,000
7	Cash A/c Dr To Milco Ltd. (Receipt of purchase consideration in cash)		80,000	80,000

8	Equity shareholders A/c.....Dr	3,75,000	
	To Cash		75,000
	To Shares in Milco Ltd.		3,00,000
	(Discharge of purchase consideration)		

Realisation A/c

Particulars	₹	Particulars	₹
To Land and Building	2,30,000	By 14% debentures	50,000
To Plant and Machinery	1,80,000	By Creditors	40,000
To Furniture	20,000	By Bank OD	10,000
To Stock	90,000	By Staff provident fund	40,000
To Debtors	1,00,000	By Workmen fund	8,000
To Cash	2,000	By Provision for bad debt	7,000
To Cash (expenses)	1,000	By Milco Ltd	3,80,000
		By Equity shareholders A/c (loss)	94,000
	6,27,000		6,27,000

Cash A/c

Particulars	₹	Particulars	₹
To Milco Ltd.	80,000	By Realisation A/c	5,000
		Equity shareholders A/c	75,000
	80,000		80,000

Equity shareholders A/c

Particulars	₹	Particulars	₹
To Discount on issue of shares	3,000	By Equity share capital	4,00,000
Realisation (loss)	94,000	workmen fund	22,000
Shares in Milco Ltd.	3,00,000	General reserve	50,000
Cash	75,000		
	4,72,000		4,72,000

2. Discharge of Purchase Consideration

Particulars	₹
Equity shares of Thick Ltd. (60,000 shares of ₹ 10 at ₹ 15)	9,00,000
Cash	80,000
Total	9,80,000

**Books of Thin Ltd.
Journal**

Date	Particulars	LF	Debit ₹	Credit ₹
1	Realisation A/c..... Dr		18,60,000	
	To Intangible assets			1,00,000
	To Land and Building			6,50,000
	To Machinery			4,00,000
	To Stock			4,50,000
	To Debtors			2,00,000
	To Cash at bank			60,000
	(Various assets in transferred to realisation account)			

2	12% Debentures A/c..... Dr	2,00,000	
	Creditors A/c..... Dr	6,10,000	
	Employees pension fund.....Dr	60,000	
	Employees provident fund..... Dr	40,000	
	To Realisation A/c (Various liabilities are transferred to realisation)		9,10,000
3	Thick Ltd. A/c..... Dr	9,80,000	
	To Realisation A/c (Purchase consideration due)		9,80,000
4	Shares in Thick Ltd. A/c..... Dr	9,00,000	
	Bank A/c..... Dr	80,000	
	To Thick Ltd (Receipt of purchase consideration)		9,80,000
5	Realisation A/c..... Dr	15,000	
	To Bank (Realisation expenses met by Thin Ltd.)		15,000
6	Realisation A/c..... Dr	15,000	
	To Equity shareholders (Profit on realisation transferred to equity shareholders A/c)		15,000
7	Equity share capital A/c.....Dr	8,00,000	
	Reserves (2,00,000 – 1,50,000)..... Dr	50,000	
	Dividend Equilisation Fund..... Dr	1,00,000	
	To Equity shareholders A/c (Accumulated profits transferred to equity shareholders A/c. Preliminary expenses and discount on issue of debentures are adjusted against reserves)		9,50,000
8	Equity shareholders A/c.....Dr	9,65,000	
	To Shares in thick Ltd.		9,00,000
	To Bank (Payment to shareholders)		65,000

Realisation A/c

Particulars	₹	Particulars	₹
To Intangible Assets	1,00,000	By 12% Debentures	2,00,000
Land and building	6,50,000	Creditors	6,10,000
Machinery	4,00,000	Employees Provident Fund	40,000
Stock	4,50,000	Employees Pension Fund	60,000
Debtors	2,00,000	Thick Ltd.	9,80,000
Cash at bank	60,000		
Cash (expenses)	15,000		
Equity shareholders A/c (Profit)	15,000		
	18,90,000		18,90,000

Cash A/c

Particulars	₹	Particulars	₹
To Thick Ltd.	80,000	By Realisation	15,000
		By Equity shareholders A/c	65,000
	80,000		80,000

Equity shareholders A/c

Particulars	₹	Particulars	₹
To Share in Thick Ltd.	9,00,000	By Equity share capital	8,00,000
Cash	65,000	Reserves	50,000
		Dividend Equilisation Fund	1,00,000
		Realisation A/c	15,000
	9,65,000		9,65,000

3. Calculation of Purchase Consideration

Particulars	₹
a) Cash (6,000 × 90)	5,40,000
b) Equity shares (6,000 × 4 × 140)	33,60,000
	39,00,000

Journal entries in the books of Lipton Ltd.

Date	Particulars	LF	Debit ₹	Credit ₹
1	Realisation A/c..... Dr To Land and Building To Plant and Machinery To Patent To Furniture To Inventories To Debtors To Cash at bank (Various assets transferred to realisation account)		45,00,000	11,00,000 15,50,000 2,40,000 2,60,000 10,00,000 2,65,000 85,000
2	10% Debentures A/c..... Dr Creditors A/c..... Dr Workmen Savings Fund A/c..... Dr To Realisation A/c (Various liabilities transferred to realisation account)		6,50,000 2,50,000 2,00,000	11,00,000
3	Tata Ltd A/c..... Dr To Realisation A/c (Purchase consideration due)		39,00,000	39,00,000
4	Cash A/c..... Dr Equity shares in Tata Ltd..... Dr To Tala Ltd. (Receipt of purchase consideration)		5,40,000 33,60,000	39,00,000
5	Realisation A/c..... Dr To Equity shareholders a/c (Profit on realisation)		5,00,000	5,00,000
6	Equity share capital A/c..... Dr Insurance fund A/c..... Dr Reserve fund A/c..... Dr Surplus A/c..... Dr To Equity shareholders A/c (Accumulated profits transferred equity shareholders account)		30,00,000 65,000 2,75,000 60,000	34,00,000
7	Equity shareholders A/c..... Dr To Cash A/c To Equity shares in Tata Ltd. (Final settlement of equity shareholders)		39,00,000	5,40,000 33,60,000

**Ledger Accounts
Realisation A/c**

Particulars	₹	Particulars	₹
To Land and Building	11,00,000	10% Debenture	6,50,000
Plant and Machinery	15,50,000	Creditors	2,50,000
Patent	2,40,000	Workmen savings fund	2,00,000
Furniture	2,60,000	Tata Ltd.	39,00,000
Inventories	10,00,000		
Debtors	2,65,000		
Cash at bank	85,000		
Equity shareholders	5,00,000		
	50,00,000		50,00,000

Cash A/c

Particulars	₹	Particulars	₹
To Tata Ltd	5,40,000	By Equity shareholders	5,40,000
	5,40,000		5,40,000

Equity shareholders A/c

Particulars	₹	Particulars	₹
To Cash	5,40,000	By Realisation	5,00,000
To Shares in Tata Ltd	33,60,000	By Equity share capital	30,00,000
		Insurance Fund	65,000
		Reserve Fund	2,75,000
		Surplus	60,000
	39,00,000		39,00,000

4. Calculation of Purchase Consideration

Particulars	₹
a) Payment to Equity shareholders	
Equity shares (2,50,000×11)	27,50,000
Cash (2,50,000×4)	10,00,000
Workmen Profit sharing Fund (3,00,000+10% Premium)	3,30,000
b) Payment to preference shareholders	
Equity shares (1,00,000×11)	11,00,000
Purchase consideration	51,80,000

In the Books of Rolta Ltd.

Realisation A/c

Particulars	₹	Particulars	₹
To Building	7,00,000	By Creditors	4,00,000
Plant and machinery	13,00,000	Bajajhind Ltd	51,80,000
Intangible Assets	8,00,000		
Inventories	7,00,000		
Debtors	9,00,000		
Cash	6,60,000		
Workmen profit sharing fund	30,000		
Preference shareholders	40,000		
Equity shareholders A/c (Profit)	3,90,000		
	55,80,000		55,80,000

Equity shareholders A/c

Particulars	₹	Particulars	₹
To Equity shares in Bajajhind Ltd A/c	27,50,000	By Equity share capital	20,00,000
Cash	13,30,000	By General reserve	6,00,000
		By Workmen profit sharing fund	3,30,000
		Surplus A/c	7,60,000
		Realisation A/c	3,90,000
	40,80,000		40,80,000

Workmen Profit sharing fund A/c

Particulars	₹	Particulars	₹
To Equity shareholders A/c	3,30,000	By Balance b/d	3,00,000
		By Realisation	30,000
	3,30,000		3,30,000

Preference shareholders A/c

Particulars	₹	Particulars	₹
To Equity shares in Bajajhind Ltd	11,00,000	By Preference share capital	10,00,000
		By Realisation	1,00,000
	11,00,000		11,00,000

Share in Bajajhind A/c

Particulars	₹	Particulars	₹
To Bajajhind Ltd	38,50,000	By Equity shareholders A/c	27,50,000
		By Preference shareholders A/c	11,00,000
	38,50,000		38,50,000

5. Calculation of Purchase Consideration

Particulars	₹
a) 11% Preference shareholders $\left(\frac{15,000}{5} \times 4 \times 10\right)$	1,20,000
b) Equity shareholders $\left(\frac{25,000}{5} \times 6 \times 10\right)$	3,00,000
	4,20,000

ii) Realisation A/c

Particulars	₹	Particulars	₹
To Plant and Machinery	4,00,000	By 11% Debentures	1,00,000
Stock in the trade	30,000	Creditors	50,000
Debtors	70,000	Sun Ltd.	4,20,000
Cash	50,000	Preference shareholders	30,000
Equity shareholders (Profit)	50,000		
	6,00,000		6,00,000

Equity shareholders A/c

Particulars	₹	Particulars	₹
To Equity shares in Sun Ltd.	3,00,000	By Equity share capital	2,50,000
		Realisation A/c	50,000
	3,00,000		3,00,000

Preference shareholders A/c

Particulars	₹	Particulars	₹
To Preference Shares in Sun Ltd.	1,20,000	By 11% Preference share capital	1,50,000
Realisation	30,000		
	1,50,000		1,50,000

Sun Ltd.

Particulars	₹	Particulars	₹
To Realisation A/c	4,20,000	By Preference shares in Sun Ltd.	1,20,000
		By Equity shares in Sun Ltd.	3,00,000
	4,20,000		4,20,000

Journal Entries in the Books of Sun Ltd.

Date	Particulars	LF	Debit ₹	Credit ₹
1	Business Purchase A/c..... Dr To Liquidator of Bluemoon Ltd. (Amount payable as purchase consider)		4,20,000	4,20,000
2	Plant and Machinery Inventories Sundry debtors Cash at bank Goodwill A/c (Balancing figure) To 11% Debentures To Sundry creditors To Business purchase (Assets and liabilities are taken over)		4,00,000 30,000 70,000 50,000 20,000	1,00,000 50,000 4,20,000
3	Liquidator for Bluemoon Ltd. A/c..... Dr To Equity share capital To 13% Preference share capital (Issue of shares and preference share against purchase consideration)		4,20,000	3,00,000 1,20,000
4	12% Debentures in Bluemoon Ltd. A/c..... Dr To 12% Debenture A/c (Issue of debentures of to debentureholders in Bluemoon Ltd.)		1,00,000	1,00,000

Q.6**In the Books of Hari Ltd****Realisation A/c**

Particulars	₹	Particulars	₹
To Land and Building	4,00,000	9% Debentures	1,00,000
Goodwill	1,00,000	Creditors	50,000
Cash	1,00,000	Harikrishnan Ltd.	4,00,000
Equity shareholder A/c (Profit)	20,000		
	5,50,000		5,50,000

Equity shareholders A/c

Particulars	₹	Particulars	₹
To Equity shares in Harikrishnan Ltd.	4,00,000	By Realisation A/c	20,000
		Share capital	3,00,000
	4,00,000	General Reserve	80,000
			4,00,000

In the Books of Krishnan Ltd.

Realisation A/c

Particulars	₹	Particulars	₹
To Land and Building	2,10,000	By Creditors	10,000
Cash	10,000	Harikrishnan Ltd.	2,00,000
		Equityshareholders A/c	10,000
		(Loss)	
	2,20,000		2,20,000

Equity shareholders A/c

Particulars	₹	Particulars	₹
To Equity shares in Harikrishnan Ltd.	2,00,000	By Share capital	2,00,000
Realisation (loss)	10,000	General Reserve	10,000
	2,10,000		2,10,000

Journal Entries in the Harikrishnan Ltd.

Date	Particulars	LF	Debit ₹	Credit ₹
1	Business Purchase A/c..... Dr To Liquidator of Hari Ltd. To Liquidator of Krishnan Ltd. (Purchase consideration due)		6,00,000	4,00,000 2,00,000
2	Land and Building A/c..... Dr Cash A/c..... Dr Goodwill (Balancing figure) To 9% Debentures To Creditors To Business Purchase A/c (Assets and liabilities of Hari Ltd are brought to the accounts)		4,00,000 30,000 1,20,000	1,00,000 50,000 4,00,000
3	Land and Building A/c..... Dr Cash A/c..... Dr To Creditors To Business purchase To Capital Reserve (Balancing figure) (Assets and liabilities of Krishnan Ltd are brought to the accounts)		2,10,000 10,000	10,000 2,00,000 10,000
4	Liquidator of Hari Ltd. A/c.....Dr To Share Capital (Payment of purchase consideration Hari Ltd.)		4,00,000	4,00,000

5	Liquidation of Krishnan Ltd. A/c..... Dr To Share capital (Payment of purchase consideration to Krishnan Ltd.)	2,00,000	2,00,000
6	Preliminary expenses A/c..... Dr To Bank (Payment of formation expenses)	3,000	3,000
7	Capital Reserve A/c..... Dr To Preliminary expenses (Preliminary expenses written off)	3,000	3,000
8	Capital Reserve A/c..... Dr To Goodwill (Capital reserve set off against goodwill)	7,000	7,000
9	9% Debentures A/c..... Dr To 10% Debentures A/c (Issue of 10% debentures to 9% debentureholders)	1,00,000	1,00,000

Balance sheet of Harikrishnan Ltd.

Particulars	Note No.	Amount (₹)
I. EQUITY AND LIABILITIES		
(1) Shareholders Funds:		
(a) Share capital (4,00,000 + 2,00,000)		6,00,000
(2) Share Application Money Pending Allotment		
(3) Non-Current Liabilities		
(a) Long-term Borrowings (10% Debentures)		1,00,000
(4) Current Liabilities		
(a) Trade payables (Creditors)		60,000
Total		7,60,000
II. ASSETS		
(1) Non-Current Assets		
(a) Fixed Assets		
i) Tangible Assets (4,00,000 + 2,10,000)		6,10,000
(b) Intangible Assets (Goodwill) (1,20,000 – 7,000)		1,13,000
(2) Current Assets		
i) Cash and Cash Equivalents (Cash) (30,000 + 10,000 – 3,000)		37,000
Total		7,60,000

Question 7

$$\begin{aligned}\text{Purchase consideration} &= 10,000 \times \frac{5}{4} \times 60 \\ &= \underline{\underline{\text{₹ } 7,50,000}}\end{aligned}$$

Memorandum Balance sheet of Better Ltd.

Particulars	₹	Particulars	₹
To Equity share capital (10,000×75)	7,50,000	By Sundry Assets (Balancing figure)	10,00,000
Reserve Fund	2,50,000		
	<u>10,00,000</u>		<u>10,00,000</u>

Realisation A/c

Particulars	₹	Particulars	₹
To Sundry Assets	10,00,000	By Best Ltd. Equity shareholders A/c (Loss)	7,50,000 2,50,000
	<u>10,00,000</u>		<u>10,00,000</u>

Equity shareholders A/c

Particulars	₹	Particulars	₹
To Realisation A/c Equity shares in Best Ltd.	2,50,000 7,50,000	By Equity share capital Reserve Fund	7,50,000 2,50,000
	<u>10,00,000</u>		<u>10,00,000</u>

Best Ltd

Particulars	₹	Particulars	₹
To Realisation A/c	7,50,000	By Shares in Best Ltd.	7,50,000
	<u>7,50,000</u>		<u>7,50,000</u>

Journal Entries in the Books of Best Ltd.

Date	Particulars	LF	Debit ₹	Credit ₹
1	Business Purchase A/c..... Dr To Liquidator of Better Ltd. (Purchase consideration due)		7,50,000	7,50,000
2	Sundry Assets A/c..... Dr To Business purchase To Capital Reserve (Balancing figure) (Assets and Liabilities and brought into accounts)		10,00,000	7,50,000 2,50,000
3	Liquidator of Better Ltd. A/c..... Dr To Equity share capital (Payment of purchase consideration)		7,50,000	7,50,000

Balance sheet of Best Ltd.

Particulars	Note No.	Amount (₹)
I. EQUITY AND LIABILITIES		
(1) Shareholders Funds:		
(a) Share capital		
(52,500 × 60)		31,50,000
(2) Reserves and Surplus		6,00,000
Capital Reserve		2,80,000
Total		40,00,000
II. ASSETS		
(1) Sundry Assets		
(30,00,000 + 10,00,000)		40,00,000
Total		40,00,000

Note: Sundry assets of Best Ltd can be ascertained by preparing a Memorandum Balance sheet.

Q.8**Calculation of purchase consideration**

Particulars	₹
Cash (30,000 × 2.50)	75,000
Equity shares (45,000 × 15)	6,75,000
	7,50,000

In the Books of Week Ltd.

Particulars	₹	Particulars	₹
To Goodwill	50,000	10% Debentures	50,000
Land and Building	3,20,000	Creditors	10,000
Stock in trade	84,000	Strong Ltd.	7,50,000
Debtors	18,000		
Cash at bank	28,000		
Cash (expenses)	2,500		
Equity shareholders A/c	3,07,500		
	8,10,000		8,10,000

Strong Ltd.

Particulars	₹	Particulars	₹
To Realisation	7,50,000	By Shares in Strong Ltd	6,75,000
	7,50,000	Cash	75,000
			7,50,000

Cash A/c

Particulars	₹	Particulars	₹
Balance b/d	28,000	By Realisation	28,000
Strong Ltd	75,000	By Liability for workmen compensation	3,000
		By Realisation	2,500
		Equity shareholders	69,500
	1,03,000		1,03,000

Equity shareholders A/c

Particulars	₹	Particulars	₹
To Cash	69,500	By Share capital	3,00,000
Shares in Strong Ltd.	6,75,000	General reserve	80,000
		Surplus A/c	55,000
		Realisation A/c	3,07,500
		Workmen compensation fund (5,000 – 3,000)	2,000
	7,44,500		7,44,500

**Strong Ltd.
Journal**

Date	Particulars	LF	Debit ₹	Credit ₹
1	Business Purchase A/c..... Dr To Liquidator of Week Ltd. (Purchase consideration due)		7,50,000	7,50,000
2	Land and Building Stock in trade Debtors A/c Cash A/c Goodwill A/c (Building figure) To Creditors To Provision for bad debt To Business purchase To 9% Debentures (Assets and liabilities of week Ltd brought to the accounts)		6,00,000 71,000 18,000 28,000 93,900	10,000 900 7,50,000 50,000
3	10% Debentures A/c..... Dr Goodwill..... Dr (Discount 2,500 + Premium on redemption 10,000) To 9% Debentures (Discharge of 10% Debentures)		50,000 12,500	62,500
4	Liquidator of Week Ltd. A/c..... Dr To Equity share capital To Securities Premium To Cash (Payment to liquidator of Week Ltd.)		7,50,000	4,50,000 2,25,000 75,000

Q. 9**Calculation of Purchase Consideration
(Net Assets Taken Over)**

Particular	₹
Bills Receivable	15,000
Freehold premises	4,00,000
Furniture and Fittins	80,000
Machinery	1,60,000
Stock	3,45,000
	<u>10,00,000</u>

Discharge of Purchase Consideration

a) Preference shares ($10,00,000 \times \frac{1}{4}$)	2,50,000
b) Equity shares $\left(\frac{7,50,000}{8} = 93,750 \text{ shares}\right)$	7,50,000
	<u>10,00,000</u>

In the Books of Prabhu Ltd
Realisation A/c

Particulars	₹	Particulars	₹
To Freehold Premises	2,20,000	By Provision for bad debt	4,000
Machinery	1,77,000	Provision for income tax	1,13,000
Furniture and Fittings	90,800	Acceptances	20,000
Stock	3,87,400	Creditors	1,13,000
Debtors	80,000	Deva Ltd	10,00,000
Bills Receivable	15,000	Cash (Debtors)	79,500
To Cash : (Payments)			
Acceptances	19,000		
Income tax	1,11,600		
Creditors	1,03,700		
Liquidation expenses	4,000		
Equity shareholders (Profit)	1,80,000		
	<u>13,26,500</u>		<u>13,26,500</u>

Equity shareholders A/c

Particulars	₹	Particulars	₹
To 13% Preference shares	2,50,000	By Equity share capital	6,00,000
Equity shares in Deva Ltd.	7,50,000	Profit prior to incorporation	21,000
		Contingency Reserve	1,35,000
		Surplus A/c	1,26,000
		Realisation A/c	1,18,000
	<u>10,00,000</u>		<u>10,00,000</u>

Cash A/c

Particulars	₹	Particulars	₹
To Balance b/d	2,300	By Realisation A/c	
Bank	1,56,500	Acceptances	19,000
Realisation (Debtors)	79,500	Income Tax	1,11,600
		Liquidation expenses	4,000
		Creditors	1,03,700
	<u>2,38,300</u>		<u>2,38,300</u>

Deva Ltd A/c

Particulars	₹	Particulars	₹
To Realisation A/c	10,00,000	By 13% Preference shares of Deva Ltd.	2,50,000
		By Equity shares in Deva Ltd.	7,50,000
	<u>10,00,000</u>		<u>10,00,000</u>

In the Books of Deva Ltd.
Journal

Date	Particulars	LF	Debit ₹	Credit ₹
1	Business Purchase A/c..... Dr To Liquidator of Prabu Ltd. (Purchase consideration due)		10,00,000	10,00,000
2	Bills Receivable A/c.....Dr Freehold Premises A/c.....Dr Furniture and Fittings A/c.....Dr Machinery A/c..... Dr Stock A/c.....Dr To Business Purchase A/c (Assets are brought into the books)		15,000 4,00,000 80,000 1,60,000 3,45,000	10,00,000
3	Liquidator of Prabhu Ltd. A/c.....Dr To 13% Cumulative Preference shares To Equity share capital (Payment of purchase consideration)		10,00,000	2,50,000 7,50,000

Q.10 Calculation of Purchase Consideration

Particulars	₹
12% Preference shareholders ($50,000 \times 2 \times 5$)	5,00,000
Equity shareholders ($1,50,000 \times 1 \times 5$)	7,50,000
	12,50,000

In the Books of Target Ltd.

Particulars	₹	Particulars	₹
To Land and Building	9,00,000	By 10% Debentures	3,00,000
Goodwill	4,00,000	Creditors	2,00,000
Patent	1,50,000	Optimum Ltd.	12,50,000
Stock in trade	4,90,000	Bank	
Debtors	2,55,000	(Sales proceeds of patent)	10,000
Cash at bank	5,000	Equity shareholders A/c	4,50,000
Bank (Realisation expenses)	10,000	(loss)	
	22,10,000		22,10,000

Optimum Ltd.

Particulars	₹	Particulars	₹
To Realisation A/c	12,50,000	By Equity shares in optimum Ltd.	12,50,000
	12,50,000		12,50,000

Cash A/c

Particulars	₹	Particulars	₹
To Balance b/d	5,000	By Realisation	5,000
To Realisation (Patent)	10,000	By Realisation (expenses)	10,000
	15,000		15,000

12% Cumulative Preference Shareholders A/c

Particulars	₹	Particulars	₹
To Equity shares in optimum Ltd.	5,00,000	By 12% Cumulative Preference shares capital	5,00,000
	5,00,000		5,00,000

Equity Shareholders A/c

Particulars	₹	Particulars	₹
To Preliminary expenses	20,000	By Equity share capital	15,00,000
To Surplus A/c (Debit balance)	2,80,000		
To Realisation loss	4,50,000		
To Equity shares in optimum Ltd.	7,50,000		
	15,00,000		15,00,000

**Books of Optimum Ltd.
Journal**

Date	Particulars	LF	Debit ₹	Credit ₹
1	Business Purchase A/c..... Dr To Liquidator of Target Ltd. (Purchase consideration due)		12,50,000	12,50,000
2	Land and Building Stock Debtors Bank Goodwill To 10% Debentures To Creditors To Business purchase A/c (Assets and liabilities brought into accounts)		6,10,000 4,30,000 2,55,000 5,000 4,50,000	3,00,000 2,00,000 12,50,000
3	Liquidator to Target Ltd. A/c..... Dr To Equity share capital (Allotment of shares to liquidator of Target Ltd.)		12,50,000	12,50,000
4	10% Debentures A/c..... Dr To Equity share capital (Allotment of shares to debentureholders)		3,00,000	3,00,000
5	Bank A/c..... Dr To Equity share capital (Allotment of 45,000 shares to directors)		4,50,000	4,50,000

Balance sheet of Optimum Ltd.

Particulars	Note No.	Amount (₹)
I. EQUITY AND LIABILITIES		
(1) Shareholders Funds:		
(a) Share capital (12,50,000+3,00,000+4,50,000)		20,00,000
(2) Current Liabilities		
(a) Trade payables (Creditors)		2,00,000
Total		22,00,000

II. ASSETS		
(1) Non-Current Assets		
(a) Fixed Assets		
i) Tangible Assets (Land and Building)		6,10,000
ii) Intangible Assets		4,50,000
(2) Current Assets		
(a) Inventories		4,30,000
(b) Trade Receivables		2,55,000
(c) Cash and Cash Equivalent		4,55,000
Total		22,00,000

Q.11 Balance sheet of Moderate Ltd.

Particulars	Note No.	Amount (₹)
I. EQUITY AND LIABILITIES		
(1) Shareholders Funds:		
(a) Share capital		30,00,000
(b) Reserves and Surplus		3,00,000
(2) Current Liabilities		
(a) Trade payables		1,00,000
(b) Other Current Liabilities (Provident Fund + Employee Profit sharing account)		1,60,000
Total		35,60,000
II. ASSETS		
(1) Non-Current Assets		
(a) Fixed Assets		
i) Tangible Assets (Building + Machinery)		25,00,000
ii) Intangible Assets		1,00,000
(2) Current Assets		
(a) Current Investments		3,40,000
(b) Inventories		2,80,000
(c) Cash and Cash Equivalent		3,40,000
Total		35,60,000

Note: Purchase consideration

Long Ltd = 20,00,000 satisfied by the issue of shares of ₹ 100

Short Ltd = 10,00,000 satisfied by the issue of shares of ₹ 100

**Q.12 In the Books of Vasudha Ltd.
Journal**

Date	Particulars	LF	Debit ₹	Credit ₹
1	Realisation A/c..... Dr		17,30,000	
	To Land and Building			14,00,000
	To Stock			1,60,000
	To Debtors			1,40,000
	To Cash at Bank			30,000
	(Assets are transferred to realisation a/c)			

2	10% Debentures A/c..... Dr Employees PF A/c..... Dr Trade creditors A/c..... Dr To Realisation /c (Liabilities transferred to realisation account)	2,00,000 1,00,000 30,000	3,30,000
3	Equity share capital A/c..... Dr General Reserve A/c..... Dr Dividend Equilisation Fund A/c..... Dr Surplus A/c To Equity shareholders A/c (Transfer of share capital and reserves to equity shareholders account)	10,00,000 3,40,000 40,000 20,000	14,00,000
4	Vaishnava Ltd A/c..... Dr To Realisation A/c (Purchase consideration due)	12,00,000	12,00,000
5	Equity shareholders A/c..... Dr To Realisation A/c Loss on realisation – 3,30,000+12,00,000–17,30,000)	2,00,000	2,00,000
6	Share in Vaishnava Ltd A/c..... Dr To Vaishnava Ltd (Purchase consideration received)	12,00,000	12,00,000
7	Equity shareholders A/c..... Dr To Shares in Vaishnava Ltd. (Payment of purchase consideration)	12,00,000	12,00,000

**In the Books of Vaishali Ltd.
Journal**

Date	Particulars	LF	Debit ₹	Credit ₹
1	Realisation A/c..... Dr To Land and Building To Stock To Debtors To Cash at Bank (Assets are transferred to realisation a/c)		6,80,000	14,00,000 80,000 90,000 10,000
2	Trade creditors A/c..... Dr To Realisation (Liabilities transferred to Realisation account)		80,000	80,000
3	Equity share capital A/c..... Dr To Equity shareholders A/c (Share capital transferred to shareholders account)		6,00,000	6,00,000
4	Vaishnava Ltd. A/c..... Dr To Reliasation A/c (Purchase consideration due)		6,00,000	6,00,000
5	Shares in Vaishnava Ltd A/c..... Dr To Vaishnava Ltd. (Purchase consideration received)		6,00,000	6,00,000
6	Equity shareholders A/c..... Dr To Shares in Vaishnava Ltd. (Payment of purchase consideration)		6,00,000	6,00,000

In the Books of Vaishnava Ltd.

Date	Particulars	LF	Debit ₹	Credit ₹
1	Business purchase A/c.....Dr To Liquidator of Vasudha Ltd. To Liquidator of Vaishnava ltd. (Purchase consideration due)		18,00,000	12,00,000 6,00,000
2	Land and Building A/c..... Dr Stock Debtors Cash To Trade Creditors To Employee PF To 10% Debentures To Surplus To Dividend Equilisation Fund To Business Purchase A/c To General Reserve (3,40,000–12,00,00–1,00,000) (The difference between the amount recorded as share capital issued and share capital of Vasudha Ltd adjusted against general reserves)		14,00,000 1,60,000 1,40,000 30,000	1,00,000 30,000 2,00,000 20,000 40,000 12,00,000 1,40,000
3	Land and Building Stock Debtors Cash at Bank To Trade Creditors To Business purchase (Assets and liabilities brought into the books – No reserve adjustment required as there is no excess payment)		5,00,000 80,000 90,000 10,000	80,000 6,00,000
4	Liquidator of Vasudha Ltd. Liquidator of Vaishali Ltd. To Equity share capital (Issue of 1,80,000 equity shares as purchase consideration)		12,00,000 6,00,000	18,00,000
5	10% debentures A/c.....Dr To 10% Debentures A/c (Issue of debentures to debentures in Vasudha Ltd)		2,00,000	2,00,000

Balance sheet of Vaishnava Ltd.

Particulars	Note No.	Amount (₹)
I. EQUITY AND LIABILITIES		
(1) Shareholders Funds:		
(a) Share capital		18,00,000
(b) Reserves and Surplus (1,40,000+40,000+20,000)		2,00,000

(2) Non-Current Liabilities		
(a) Long term Borrowes (10% Debentures)		2,00,000
(3) Current Liabilities		
(a) Trade payables		1,80,000
(b) Other Current Liabilities		30,000
Total		24,10,000
II. ASSETS		
(1) Non-Current Assets		
(a) Fixed Assets		
i) Tangible Assets (14,00,000+5,00,000)		19,00,000
(2) Current Assets		
(a) Inventories		2,40,000
(b) Trade Receivables		2,30,000
(c) Cash and Cash Equivalent		40,000
Total		24,10,000

Q.13

**In the Books of Star Ltd.
Journal**

Date	Particulars	LF	Debit ₹	Credit ₹
1	Realisation A/c..... Dr To Plant and Machinery To Stock To Debtors To Bills Receivable To Cash (Transfer of assets to realisation account)		26,00,000	12,50,000 6,75,000 5,75,000 60,000 40,000
2	Creditors A/c.....Dr Bills payable A/c..... Dr To Realisation (Transfer of liabilities to realisation account)		3,50,000 50,000	4,00,000
3	Dell Ltd. A/c..... Dr To Realisation (Purchase consideration due)		20,00,000	2,00,000
4	Shares in Dell Ltd A/c..... Dr To Dell Ltd. (Receipt of purchase consideration)		20,00,000	20,0,000
5	Equity shareholders A/c.....Dr To Realisation (Loss on realisation)		2,00,000	2,00,000
6	Share capital A/c..... Dr Reserve A/c.....Dr To Equity shareholders (Share capital and reserves transferred to equity shareholders account)		12,00,000 10,00,000	22,00,000
7	Equity shareholders A/c.....Dr To Shares in Dell Ltd. (Payment of purchase consideration)		20,00,000	20,00,000

In the Books of Dell Ltd.

Date	Particulars	LF	Debit ₹	Credit ₹
1	Business purchase A/c.....Dr To Liquidator of Star Ltd. To Liquidator of Moon Ltd. (Purchase consideration due)		32,00,000	20,00,000 12,00,000
2	Plant and Machinery Inventories Debtors Bills Receivable Cash at bank To Creditors To Bills payable To Business purchase To General Reserve [10,00,000–20,00,000–12,00,000] (The difference between shares issued and share capital of Star Ltd. adjusted against reserves)		12,50,000 6,75,000 5,75,000 60,000 40,000 3,50,000 50,000 20,00,000 2,00,000	
3	Plant and Machinery Inventories Debtors Bills Receivable Cash at bank To Creditors To Bills payable To Business purchase To General Reserve (2,60,000–12,00,000–10,00,000) (The difference between the shares issued and share capital of Moon Ltd adjusted against reserves)		7,00,000 4,80,000 2,20,000 80,000 20,000	1,80,000 60,000 12,00,000 60,000
4	Liquidator of Start Ltd A/c Liquidator of Moon Ltd A/c To Equity share capital (Issue of shares to satisfy purchase consideration)		20,00,000 12,00,000	32,00,000
5	Creditors A/c..... Dr To Debtors (Mutual indebtedness set-off)		25,000	25,000
6	Bills payable A/c..... Dr To Bills Receivable A/c (Mutual acceptances set off)		20,000	20,000

- Notes:** 1) Journal entries in the books of Moon Ltd are recorded in the same pattern as in the case of Star Ltd.
2) Journal entries related to mutual acceptances and indebtedness are recorded only in the books of Dell Ltd.
3) Mutual acceptances to be set off = 50,000 – 30,000 = ₹ 20,000 (30,000 has been discounted with the bank)

LIQUIDATION OF COMPANIES

PRACTICAL PROBLEMS

Q.1

Calculation of Preferential Creditors

	₹
1. Wages ($\text{₹ } 100 \times 4 \text{ months} \times 15$)	6,000
2. Salary ($\text{₹ } 300 \times 4 \text{ months} \times 5$)	6,000
3. Income tax deducted from employees salary	1,000
4. Compensation to Employee	5,000
Preferential Creditors	18,000

Q.2

Calculation of Liquidator's Remuneration

	₹
1. 2% of the Assets realised ($70,00,000 \times 2/100$)	1,40,000
2. 3% on preferential creditors ($1,50,000 \times 3/100$)	4,500
3. 3% on the amount distributed to unsecured creditors ($26,55,500 \times 3/103$)	77,345
Liquidators Remuneration	2,21,845

Working Notes

(1) Calculation of amount available to the unsecured creditors

	₹	₹
Assets realised		70,00,000
Less: (1) Secured creditors	40,00,000	
(2) Liquidation expense	50,000	
(3) Liquidators Remuneration ($1,40,000 + 4,500$)	1,44,500	
(4) Preferential creditors	1,50,000	(43,44,500)
Cash available for unsecured creditors		26,55,500

In this case the cash available is insufficient to make payment of unsecured creditors. Therefore, liquidator's remuneration is calculated as follows:

$$\frac{\text{Amount available for unsecured creditors} \times \text{Rate}}{100 + \text{Rate}}$$

Q.3 Calculation of Liquidator's Remuneration

	₹
1. 3% on assets realised (3,00,000×3/100)	9,000
2% on amount distributed to unsecured creditors (2,81,000×2/102)	5,510
Liquidators Remuneration	14,510

Working Note**Calculation of amount available to the unsecured creditors**

Assets Realised	3,00,000
Less: (1) Liquidators Remuneration	(9,000)
(2) Preferential creditors	(10,000)
Cash available for unsecured creditors	<u>2,81,000</u>

Q.4**NAYANA LTD (IN LIQUIDATION)****LIQUIDATOR'S FINAL STATEMENT OF ACCOUNT**

Receipts	₹	Payments	₹
1. Assets Realised	6,90,000	1. Liquidation expense	7,000
2. Surplus from securities given to secured creditors (1,00,000 – 80,000)	20,000	2. Liquidator's Remuneration	10,000
		3. Debenture holders	2,00,000
		4. Preferential Creditors	30,000
		5. Unsecured creditors	2,60,000
		6. Equity shareholders (B.F) (50,000 shares @ ₹ 4.06 per share)	2,03,000
	<u>7,10,000</u>		<u>7,10,000</u>

Q.5**SABARI LTD (IN LIQUIDATION)****Liquidator's Final Statement of Account**

Receipts	₹	₹	Payments	₹	₹
Assets Realised:		4,80,000	1. Liquidator's expense		2,000
			2. Liquidator's Remuneration		
			(i) 2% on assets realised (6,00,000×2/100)	12,000	
			(ii) 3% of preferential creditors (10,000×3/100)	300	
			(iii) 3% of unsecured creditors (1,90,000×3/100)	5,700	18,000
			3. Debenture holders		2,00,000
			4. Preferential creditors		10,000
			5. Unsecured creditors		1,90,000
			6. Preference shareholders (B.F)		60,000
		<u>4,80,000</u>			<u>4,80,000</u>

Working Notes:

1. Liquidator's Remuneration is calculated on the basis of 2% on assets realised including assets held as security with secured creditor.

$$\begin{aligned}\text{Liquidator's Remuneration} &= (4,80,000 + 1,20,000) \times \frac{2}{100} \\ &= \underline{\underline{12,000}}\end{aligned}$$

2. 3% on preferential creditors

$$10,000 \times 3/100 = \underline{\underline{300}}$$

3. Cash available for payment to unsecured creditors

$$\begin{aligned}&= 4,80,000 - (2,000 + 12,000 + 300 + 2,00,000 + 10,000) \\ &= \underline{\underline{2,55,700}}\end{aligned}$$

In this problem cash available is sufficient to make the full payment of unsecured creditors.

$$\begin{aligned}\text{Liquidators Remuneration} &= 1,90,000 \times \frac{3}{100} \\ &= \underline{\underline{5,700}}\end{aligned}$$

Q.6 Calculation of Liquidator's Remuneration

	₹
1. 2½% on the amount realised from assets $\left(80,000 \times \frac{2.5}{100}\right)$	2,000
2. 2% on preferential creditors $\left(25,000 \times \frac{2}{100}\right)$	500
3. 2% on amount available to unsecured creditors $\left(21,000 \times \frac{2}{102}\right)$	412
Liquidators Remuneration	<u><u>2,912</u></u>

Calculation of Amount available to unsecured creditors

	₹	₹
Assets realised		80,000
Less: (1) Liquidation expense	1,500	
(2) Liquidators Remuneration (2,000+500)	2,500	
(3) 6% Debentures	30,000	
(4) Preferential creditors	25,000	(59,000)
Cash available to unsecured creditors		<u><u>21,000</u></u>

LIQUIDATOR'S FINAL STATEMENT OF ACCOUNT

Receipts	₹	Payments	₹
1. Assets Realised	80,000	1. Liquidation expense	1,500
		2. Liquidator's Remuneration	2,912
		3. Debenture holders	30,000
		4. Preferential creditors	25,000
		5. Unsecured creditors (B.F)	20,588
	<u>80,000</u>		<u>80,000</u>

Q.7**LIQUIDATOR'S FINAL STATEMENT OF ACCOUNT**

Receipts	₹	₹	Payments	₹	₹
1. Assets Realised		9,24,000	1. Liquidation expense		9,000
2. Surplus from securities given to secured creditors		24,000	2. Liquidator's Remuneration		
3. Call money collected from contributories [(12,000-1200)×2]		21,600	(i) 3% on assets realised $(9,24,000+24,000) \times \frac{3}{100}$	28,440	
			(ii) 2% on preferential creditors $(24,000 \times 2/100)$	480	
			(iii) 3% of amount available to unsecured creditors $(607680 \times 2/102)$	11,915	40,835
			3. Payment to debenture holders		3,00,000
			4. Preferential creditors		24,000
			5. Unsecured creditors (B.F)		5,95,765
		9,69,600			9,69,600

Working Notes:

Cash available to unsecured creditors

$$= (9,24,000 + 24,000 + 21,600) - (9,000 + 28,440 + 480 + 3,00,000 + 24,000)$$

$$= \underline{\underline{6,07,680}}$$

Q.8**BENGAL TIGERS LTD. (IN LIQUIDATION)****Liquidator's Final Statement of Account**

Receipts	₹	₹	Payments	₹	₹
1. Assets Realised:			1. Payment to secured creditors		35,000
Buildings	35,000		2. Liquidation expense		1,000
Machinery	51,000		3. Liquidator's Remuneration		
Stock	39,000		(i) 2.5% on assets realised $(1,86,000 \times 2.5/100)$	4,650	
Debtors	58,500	1,83,500	(ii) 2% on preferential creditors $(24,200 \times \frac{2}{100})$	484	
2. Cash at bank		2,500	(iii) 2% on amount available to unsecured creditors	2,366	7,500
			4. Payment to preferential creditors		24,200
			5. Payment to unsecured creditors (B.F)		1,18,300
		1,86,000			1,86,000

Working Notes:

Cash available to unsecured creditors:

$$= (1,83,500 + 2,500) - (35,000 + 1,000 + 4,650 + 484 + 24,200)$$

$$= \underline{\underline{1,20,666}}$$

Q.9**LITTLE KINGDOM LTD. (IN LIQUIDATION)****Liquidator's Final Statement of Account**

Receipts	₹	₹	Payments	₹	₹
1. Assets Realised:			1. Liquidation expense		26,250
Land and Buildings	9,00,000		2. Liquidator's Remuneration (36,75,000 × 2/100)		1,10,250
Plant and Machinery	15,00,000		3. Debenture holders	7,50,000	
Patents	2,25,000		Add: Outstanding interest		
Stock	4,50,000		up to 31/12/2017	1,12,500	
Debtors	6,00,000		Add: Interest outstanding		
		36,75,000	up to the date of payment		
2. Cash at bank		2,25,000	30/6/2018		
Amount received			$\left(7,50,000 \times \frac{15}{100} \times \frac{6}{12}\right)$	56,250	9,18,750
on call for 22,500			4. Preferential creditors		38,000
equity shares			5. Unsecured creditors		9,18,250
@ ₹ 0.80 per share		18,000	(9,56,250 - 38,000)		
			6. Preference shareholders	15,00,000	
			Add: Arrear dividend		
			$\left(15,00,000 \times \frac{10}{100} \times 2\right)$	3,00,000	18,00,000
			7. Equity shareholders		
			7,500 @ ₹ 14.2 per		1,06,500
			shares		
		39,18,000			39,18,000

Working Notes**1. Cash available to Equity shareholders**

	₹	₹
Assets realised		
Cash at bank		2,25,000
Other assets realised		36,75,000
		39,00,000
Less: Payments		
1. Liquidation Expense	26,250	
2. Liquidator's Remuneration	1,10,250	
3. Payment to debenture holders	9,18,750	
4. Preferential creditors	38,000	
5. Unsecured creditors	9,18,250	
6. Preference shareholders	18,00,000	38,11,500
Cash available or equity shareholders		88,500

2. Calculation of Loss (Deficiency) per Equity share

	₹	₹
Cash available for Equity shareholders		88,500
Less: Amount payable to Equity shareholders		
(i) Class A (7,500 × 75)	5,62,500	
(ii) Class B (22,500 × 60)	13,50,000	19,12,500
Deficiency/Loss		18,24,000

$$\text{Loss per equity share} = \frac{18,24,000}{7,500 + 22,500} = ₹ 60.80 \text{ per share}$$

(i) Amount paid to holders of 7,500 shares

$$(75 - 60.80) = 14.2 \times 7,500 = \underline{1,06,500}$$

(ii) Amount collected from holders of 22,500 shares

$$(60.80 - 60) = 0.80 \times 22,500 = \underline{18,000}$$

Q.10

ABC LTD (IN LIQUIDATION) LIQUIDATOR'S FINAL STATEMENT OF ACCOUNT

Receipts	₹	₹	Payments	₹	₹
1. Assets Realised:			1. Liquidation expense		10,900
Plant & Machinery	2,00,000		2. Liquidator's Remuneration		
Patents	30,000		(i) 3% on assets realised		
Stock	60,000		$\left[(3,70,000 + 70,000) \times \frac{3}{100} \right]$	13,200	
Sundry Debtors	80,000	3,70,000	(ii) 2% of preferential creditors $\left(15,000 \times \frac{2}{100} \right)$	300	
			(iii) 2% on unsecured creditors $\left(80,000 \times \frac{2}{100} \right)$	1,600	15,100
2. Cash at bank		75,500	3. Debenture holders	10,00,000	
3. Surplus from security given to secured creditors		70,000	Add: Outstanding interest	14,000	
			Add: Outstanding interest up to the date of payment $\left(1,00,000 \times \frac{14}{100} \times \frac{6}{12} \right)$	7,000	1,21,000
			4. Preferential creditors		15,000
			5. Unsecured creditors		80,000
			6. Preference shareholders	2,00,000	
			Add: Arrear dividend $\left(2,00,000 \times \frac{14}{100} \times 2 \right)$	56,000	2,56,000
			7. Equity shareholders		
			1000 shares @ ₹ 15.625/ share		15,625
			3000 shares @ ₹ 0.625/ share		1,875
		5,15,500			5,15,500

Working Notes

1. Calculation of cash available to equity shareholders

	₹	₹
Assets realised		
Cash at bank		75,500
Other assets realised		3,70,000
Surplus from security given to secured creditors		70,000
		5,15,500

Less: Payments		
1. Liquidation Expense	10,900	
2. Liquidator's Remuneration	15,100	
3. Debenture holders	1,21,000	
4. Preferential creditors	15,000	
5. Unsecured creditors	80,000	
6. Preference shareholders	2,56,000	4,98,000
Cash available for equity shareholders		17,500

2. Calculation of loss/deficiency per equity share

	₹
Cash available for equity shareholders	17,500
Less: Amount payable to equity shareholders	
(i) Class A (1000 × 75) = 75,000	
(ii) Class B (3000 × 60) = <u>1,80,000</u>	2,55,000
Deficiency/Loss	2,37,500

$$\begin{aligned}\text{Loss per equity shares} &= \frac{2,37,500}{1,000 + 3,000} \\ &= ₹ 59.375 \text{ per share}\end{aligned}$$

(i) Amount paid to holders of 1,000 shares = ₹ 15,6425

(75 – 59.375 = ₹ 15.625 per share)

(ii) Amount paid to holders of 3000 shares = ₹ 1,875

(60 – 59.375 = ₹ 0.625/share)

Q.11

LAMCY INDIA LTD (IN LIQUIDATION) LIQUIDATOR'S FINAL STATEMENT OF ACCOUNT

Receipts	₹	₹	Payments	₹	₹
Assets Realised:			1. Payment to secured creditors (90,000+10,000)		1,00,000
Land & Building	3,40,000		2. Liquidation expense		4,600
Plant & Machinery	3,60,000		3. Liquidator's Remuneration		
Stock	1,20,000		(i) 3% on all assets realised		
Debtors	1,60,000	9,80,000	(9,80,000 × 3/100)	29,400	
			(ii) 2% on unsecured creditors		
			(3,70,000 × 2/100)	7,400	36,800
Cash at bank		60,000	4. Debenture holders	2,00,000	
			Add: Outstanding interest	10,000	
			Add: Interest upto the date of payment		
			$\left(1,00,000 \times \frac{10}{100} \times 6/12\right)$	5,000	2,15,000
			5. Preferential creditors		30,000

			6. Unsecured creditors		3,70,000
			Preference shareholders	2,00,000	
			Add: Arrear dividend		
			$\left(2,00,000 \times \frac{10}{100} \times 2\right)$	40,000	2,40,000
			7. Equity shareholders		
			2000 shares @ ₹ 16.70		33,400
			per share		
			6000 shares @ ₹ 1.70		10,200
			per share		
		10,40,000			10,40,000

Working Notes

1. Calculation of cash available to equity shareholders

	₹	₹
Assets realised		
Cash at bank		60,000
Other assets		9,80,000
		10,40,000
Less: Payments		
1. Secured creditors	1,00,000	
2. Liquidation Expense	4,600	
3. Liquidator's Remuneration	36,800	
4. Debenture holders	2,15,000	
5. Preferential creditors	30,000	
6. Unsecured creditors	3,70,000	
7. Preference shareholders	2,40,000	(9,96,400)
Cash available for equity shareholders		43,600

2. Calculation of loss/deficiency per equity share

	₹	₹
Amount available for equity shareholders		43,600
Less: Amount payable to equity shareholders		
(i) $2,000 \times 75 = 1,50,000$		
(ii) $6,000 \times 60 = \underline{3,60,000}$		5,10,000
Deficiency		4,66,400

$$\text{Deficiency per equity share} = \frac{4,66,400}{2,000 + 6,000} = \underline{\underline{\text{₹ } 58.3}} \text{ per share}$$

(i) Amount paid to holders of 2,000 shares = **33,400**
(75 – 58.30 = ₹ 16.7 per share)

(ii) Amount paid to holders of 6,000 shares = **10,200**
(60 – 58.30 = ₹ 1.70 per share)