

Sneha Khandelwal

Roll no. - HTBAF14D

Financial Accounting 5

Q1

12%. Debentures

Dr.

Cr.

DRR [Debenture Redemption Reserve]

Dr.

Cr.

Bank Alc

Dr.

Gr.

Date	Particulars	Amt	Date	Particulars	Amt
2021			2021		
1 Apr	TD Bal bld	5,00,000	30 Sep	By Int to Deb A/c	30,000
2022			2022		
31 Mar	TD DRR Inv. A/c	23750	31 Mar	By Int to Deb A/c	30,000
31 Mar	TD Bal cld	36250	31 Mar	By Debenture holder A/c	5,00,000
		<u>5,60,000</u>			<u>5,60,000</u>

Q2 Working Note

1,00,000
 ↘ ↗
 @ 12% cumulative (b) 10% debentures (c) Cash
 preference shares

60,000 × 2100	30,000 × 2100	10,000 × 2100
60,00,000	Add: 5% premium	Add: 5% premium
Add: 5% premium	Total - 31,50,000	Total - 10,50,000
Total - 63,00,000		

Calculation of No. of Preference Share	OF Debentures	Transfer
= <u>63,00,000</u>	= <u>315,0000</u>	= <u>10,00,000 × 10%</u>
25	96	= 1,00,000
= 252,000	= 32812.5	

Journal entries in the Books of
 Hindustan Manufacturing Ltd.

Date	Particulars	Debit	Credit
①	Securities Premium A/c	5,00,000	
	To premium on Redemption of Debentures A/c		5,00,000
	(Being premium payable on redemption)		
②	10% Debentures A/c	1,00,00,000	
	Premium on redemption of Debentures A/c		5,00,000
	To Debenture Holders A/c		1,05,00,000

(Being 10% Debentures redeemed at premium @ 5%.

(3)	Debenture holder A/c	6,300,000
	TD 12% cumm. pref. shares A/c	50,40,000
	TD Securities premium A/c	12,60,000
	(Being 12% cumm. pref. shares at premium)	
(4)	Debenture holder A/c	31,50,000
	Discount on issue of Debenture A/c	131250
	TD 10% Debentures A/c	3281250
	(Being 10% Debenture issued at discount)	
(5)	Debenture holder A/c	10,50,000
	TD Bank A/c	10,50,000
	(Being Actual payment made)	
(6)	Profit and Loss A/c	1,00,000
	TD General Reserve A/c	1,00,000
	(Being amount transferred to General Reserve)	

Debenture Holder A/c

Date	Particulars	Amt	Date	Particulars	Amt
(1)	TD 12% pref. shares	50,40,000	(1)	By 10% Debentures	1,00,00,000
(2)	TD Securities premium	12,60,000	(2)	By Premium on	5,60,000
(3)	TD 10% Debentures	31,50,000		redemption of	
(4)	TD Bank A/c	10,50,000		Debentures	

Q3

In the Books of A Ltd
Investment in equity shares of Z Ltd.
for the year ended 31st March, 2022

Dr.

Cr.

Date	Particulars	Nominal value	Income (cost)	Date	Particulars	Nominal value	Income S.P
2021				2021			
1 Apr	TD Bank A/c	₹ 5,00,000	-	15 May	By Bank A/c	-	- 10,000
30 June	TD Bonus Issue	1,00,000	-	-	30 Nov By Bank A/c	- 6000	-
1 Oct	TD Bank A/c	25,000	-	-	31 Dec By Bank A/c	3000	- 27,43,000
31 Dec	TD P&L A/c	-	-	2022	21,660 31 Mar By Bal cld	3250	- 279,110
2022							
31 Mar	TD P&L A/c	-	6000	6250	6250 6000	568410	568410

Working Note

1) Calculation of Cost of Purchase of 1st April, 2021

$$\text{₹} 105 \times 500 \text{ shares} = \text{₹} 52,500$$

$$\text{Add: Brokerage (2%)} = \text{₹} 10,500$$

∴ Total Cost = ₹ 53,500

2) Calculation of number of bonus shares

$$\text{Bonus shares} = \frac{5000}{5} \times 1 = 5000$$

3) Calculation of right shares subscribed

$$\text{Right shares} = \frac{6000}{12} = 500 \text{ shares}$$

$$\text{Shares Subscribed} = \frac{500}{2} = 250 \text{ shares}$$

Value of right shares subscribed = 250 shares
 @ ₹ 45 per share is ₹ 11250

4) Calculation of Sale of right entitlement

$$250 \text{ shares} \times ₹ 45 \text{ per share} = ₹ 11250$$

5) Calculation of profit on sale of shares

$$\begin{array}{l} \text{Total holding} = 5000 \text{ shares original} \\ \quad \quad \quad 1000 \text{ shares Bonus shares} \\ \quad \quad \quad 250 \text{ shares right shares} \\ \hline 6250 \text{ shares} \end{array}$$

3000 shares were sold on 30.12.2021

$$\begin{aligned} \text{Cost of total holding of 6250 shares (on any Basis)} \\ = ₹ 5,37,500 + ₹ 11,250 - ₹ 10,000 = ₹ 5,38,750 \end{aligned}$$

Any cost of 3000 shares would be

$$\begin{aligned} & \frac{₹ 36750}{6250} \times 3000 \\ & = ₹ 25,7640 \end{aligned}$$

Sale proceeds of 3000 shares (3000 x 95)	285000
less: 2% Brokerage	(5700)
	279,300
less: Cost of 3000 shares	(257,640)
Profit on Sale	21660

6) Dividend received on investment held as on 15th May 2021 = ₹10,000 ($5000 \times ₹100 \times 2\%$)

7) Dividend amounting ₹6000 received on 30.11.2021 will be credited to P and L A/c

8) Calculation of closing value of shares (on any Basis) as on 31st March, 2022

$$\frac{5,36,750}{6250} \times 3250 = ₹2,79,110$$

Q4

In the Books of Nidhi

8%, Bonds Account

(Interest payable = 1st November & 1st May)

Dr.

Cr.

Date	Particulars	Nominal	Income	Cost	Date	Particulars	Nominal	Income	(S.P.)	
									Value	Value
2021										
1.4.21	TO Bank A/c	12,00,000	40,000	9,26,000	1.5.21	By Bank A/c	-	48000	-	
1.10.21	TOP&L A/c	-	-	11,500	1.10.21	By Bank A/c	300000	10,000	243000	
					1.11.21	By Bank A/c	-	36000	-	
2022										
31.3.22	TOP&L A/c	-	84000	-	2022					
					31.3.22	By Bal cld	9,00,000	30,000	694500	
		12,00,000	124000	937500			12,00,000	124000	937500	

Investment in Equity Shares of Ltd A/c

Dr.

Cr.

Date	Particulars	Nominal	Income	Cost	Date	Particulars	Nominal	Income	S.P.	
									Value	Value
2021										
12.4.21	TO Bank A/c	1,00,000	-	40,00,000	15.5.21	By Bank A/c	125000	-	25,00,000	
15.5.21	TO Bonus	150000	-	-	1.12.21	By Bank A/c	-	225000	-	
	Issue A/c									
2022										
31.3.22	TOP&L A/c	-	225000	500000	31.3.22	By Bal cld	125000	-	20,00,000	
		2,50,000	2,25,000	4,50,000			2,50,000	2,25,000	4,50,000	

Working Note

1) Cost of Investment purchased on 1st April, 2021

$$12000 \times \text{Z} 80,70 = \text{Z} 966,000 \text{ (purchase value)}$$

less:

(40,000) (interest)

9,26,000 (cost value)

$$\frac{12,00,000 \times 8\% \times 5/12}{(\text{Z} 12000 \times 100)}$$

Note: Face value of Z100 per bond is assumed

2) Sale of Bonds on 1st October, 2021

3000 Bonds were sold

$$3000 \times \text{Z} 81 = \text{Z} 243,000 \text{ (SP)}$$

Add: Interest

$$(\text{Z} 3,00,000 \times 8\% \times 5/12) = \text{Z} 10,000$$

$$\text{Z} 253,000$$

Sale price Z 2,43,000

Cost of Z 300,000 Bonds

$$\frac{926000}{12,00,000} \times 300000 = \text{Z} 231500$$

Profit on sale Z 11500

3) Interest received on 1st Nov 2021Interest will be received for 9000 Bonds @ 8% for 6 months i.e. Z 906,000 $\times 8\% \times 1/2 = \text{Z} 36,000$

4) Cost of Bonds on 31.3.2021

$$\text{Cost of Bonds will be } \frac{\text{£926,000}}{12,000} \times 9,000 \\ = \text{£6,94,500}$$

Interest accrued

$$9,00,000 \times 8\% \times 5/12 = \text{£36,000}$$

5) Cost per share after Bonus share

$$\frac{\text{£40,00,000}}{250,000} = \text{£16} \text{ (avg. cost method)}$$

Profit per share sold = £4 ∴ Total profit

$$10,000 \times \text{£4} = \text{£50,000}$$

Q7

Journal Entries in the Books of Hindustan Manufacturing Ltd. for the year ended 31st March 2022

Date	Particulars	Dr	Cr
2021			
30 Sep	Int. on Deb A/c TO Bank A/c (Being Int paid)	30,000	30,000
2022			
31 Mar	Int. on Deb A/c TO Bank A/c (Being Int paid)	30,000	30,000
31 Mar	P and L A/c TO DRR A/c (Being DRR created)	30,000	30,000
31 Mar	Bank A/c TO DRR Inv A/c (Being investment sold at loss)	23750	23750
31 Mar	12% Debentures A/c TO Debenture holder A/c (Being debenture redeemed at par)	5,00,000	5,00,000
31 Mar	Debenture holder A/c TO Bank A/c (Being actual payment made)	5,00,000	5,00,000

31 Mar	P and L A/c	60,000
	TD Int on Deb A/c	60,000
	(Being int on Deb. transferred)	
31 Mar	DRR A/c	50,000
	TD General Reserve A/c	50,000
	(Being DRR transferred to General Reserve)	