

T.Y.B.COM. FINANCIAL ACCOUNTING (SOLUTION) MODEL PAPER - I

Sol.1 IN BOOKS OF SUNRISE LTD.

JOURNAL OF SUNRISE

DATE	SR.NO.	PARTICULARS	L/F	DEBIT	CREDIT
	1.	Share Final Call A/c (80,000 x 2.5) To Equity Share Capital A/c (Being final call made)	Dr.	2,00,000	2,00,000
	2.	Bank A/c To Share Final Call A/c (Being final call money received)	Dr.	2,00,000	2,00,000
	3.	Old Equity Share Capital A/c (80,000 x 10) To Capital Reduction A/c To New Equity Share Capital A/c(80,000 x 5) (Being shares reduced)	Dr.	8,00,000	4,00,000 4,00,000
*	4.	Capital Reduction A/c To Cash / Bank A/c To Sales tax payable A/c (Being Sales Tax liability paid)	Dr.	19,200	18,000 1,200
	5.	Land and Building A/c To Capital Reduction A/c (Being land and building revalued)	Dr.	1,20,000	1,20,000
	6.	Capital Reduction A/c To Goodwill A/c To Profit and Loss A/c (Being losses w/off)	Dr.	5,25,600	4,00,000 2,85,600
	7.	Sundry Creditors A/c To Capital Reduction A/c To Cash / Bank A/c (Being Creditors paid)	Dr.	42,000	24,000 18,000
	8.	Bank overdraft A/c Capital Reduction A/c To Investment A/c (Being bank overdraft settled)	Dr. Dr.	33,600 14,400	48,000
	9.	Old 9% Preference shares A/c Capital Reduction A/c To New Equity Share Capital A/c (Rs.5) (24 fully paid up Equity Shares : 1 pref. Shares x : 40,000 x = 96,000 x Rs.5 = 4,80,000 (Being Preference share holders settled)	Dr. Dr.	4,00,000 80,000	4,80,000
	10.	Capital Reduction A/c To Capital Reserve A/c (Being balance transferred to Capital Reserve)	Dr.	1,04,800	1,04,800

IDEAL / T.Y.B.COM. / ACCOUNT-I / MODEL PAPER (SOLUTION)

Dr.	CAPITAL REDUCTION A/C	Cr.	
	Amt.		Amt.
To Cash / Bank A/c	18,000	By land and building A/c	1,20,000
To Sales tax payable A/c	1,200	By Cash and Bank A/c	24,000
To Goodwill A/c	40,000	By Equity Share Capital A/c	4,00,000
To Profit and Loss A/c	2,85,600		
To Investment A/c	14,400		
To Equity Share Capital A/c	80,000		
To Capital Reserve A/c	1,04,800		
	5,44,000		5,44,000

BALANCE SHEET AS ON 1-4-2004 (AND REDUCED)

LIABILITIES	Amt.	ASSETS	Amt.
<u>SHARE CAPITAL</u>		<u>FIXED ASSETS</u>	
Authorised	?	Land and Building	4,40,000
<u>Issued, Subscribed & paid up</u>		Plant and Machinery	2,40,000
1,76,000, Equity shares of		<u>INVESTMENT</u>	-
Rs.5 each	8,80,000	<u>CURRENT ASSETS LOANS& ADVANCES</u>	
<u>Reserves & Surplus</u>		Stock	1,08,000
Capital Reserve	1,04,800	Debtors	2,36,000
Secured loan	-	Cash in Hand	1,76,000
Unsecured loan	1,60,000	(12 k + 2 lakh - 18 k - 18 k)	
<u>Current Liability & Provisions</u>			
<u>Current liability</u>			
Sundry Creditors	54,000		
<u>Provisions</u>			
Sales Tax Payable	1,200		
	12,00,000		12,00,000

Sol.2 (a) Rewrite the statements of Group A with the most appropriate statement from Group B:

Column 'A'		Column 'B'	
i	Redemption of Preference Shares.	v	Capital Redemption Reserve
ii.	Amount owed by one amalgamating company to another amalgamating company.	viii	Mutual indebtedness
iii.	Dividend Equalisation Reserve	ii	Free Reserve
iv	Shares held by one amalgamating company in another amalgamating company.	i	Mutual holding
v	Foreign currency transaction.	iii	AS - II
vi	Calls in Arrears	ix	Forfeiture of shares
Vii	Trade Mauk		Fixed Assets
viii	Disputed liability for Income Tax		Provision

IDEAL / T.Y.B.COM. / ACCOUNT-I / MODEL PAPER (SOLUTION)

Sol.2 (b) Answers:

- (i) After Redemption of 100% of debentures, the balance in Sinking Fund A/c is transferred to **General Reserve A/c.**
- (ii) Premium payable on redemption of preference shares can be provided out of **Securities Premium A/c.**
- (iii) Fixed deposits received is shown in schedule vi of the companies Act under **Unsecured Loan**
- (iv) The following item is shown as footnote in Balance Sheet of a company is **Contingent Liability.**
- (v) Redemption of Preference shares is done under section **80** of companies Act, 1956
- (vi) Preliminary Expenses not written off should be shown **on the assets side of Balance Sheet.**
- (vii) Loss of Pre Incorporation period is debited to **Goodwill A/c.**
- (viii) Profit of cancellation of own debentures is transferred to **Capital Reserve.**

Sol.3

	I	II	II	Total
	REFUND	FULL	PRORATA	
<u>NO OF SHARES</u>				
(A) APPLIED	1,000	4,000	20,000	25,000
(B) ALLOTTED	-	4,000	16,000	20,000
(I) <u>APPLICATION STAGE</u>				
RECEIPT (A × 3)	3,000	12,000	60,000	75,000
TRANSFER (B × 3)	-	12,000	48,000	60,000
Excess Application Money	3,000	NIL	12,000	15,000
(1) REFUND	3,000	-	-	3,000
(2) Excess Adjustment in Allot	-	-	12,000	12,000
(II) <u>ALLOTMENT STAGE TRANSFER</u>				
EQUITY SHARE CAPITAL (B × 5)	-	20,000	80,000	1,00,000
SECURITY PREMIUM (B × 2)	-	8,000	32,000	40,000
ALLOTMENT RECEIVABLE	-	28,000	1,12,000	1,40,000
(-) ADJUSTED	-	-	(12,000)	(12,000)
ALLOTMENT RECEIVED	-	28,000	1,00,000	1,28,000
(III) Final call stage				
Transfer (B × 2)	-	8,000	32,000	40,000
(-) Calls in Arrears	-	-	(200)	(200)
Final call money received	-	8,000	31,800	39,800

IDEAL / T.Y.B.COM. / ACCOUNT-I / MODEL PAPER (SOLUTION)

**IN BOOKS OF MOON COMPANY LTD.
JOURNAL**

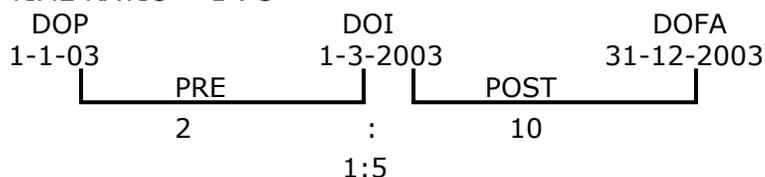
DATE	SR.NO.	PARTICULARS	L/F	DEBIT	CREDIT
	1.	Bank A/c Dr. To Equity Share Application A/c (Being receipt of application money)		75,000	75,000
	2.	Equity Share Application A/c Dr. To Equity Share Capital A/c To Bank A/c To Equity Share Allotment A/c (Being transfer of application)		75,000	60,000 3,000 12,000
	3.	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Security Premium A/c (Being transfer of allotment)		1,40,000	1,00,000 40,000
*	4.	Bank A/c Dr. To Equity Share Allotment A/c (Being receipt of allotment)		1,28,000	1,28,000
	5.	Equity Share Final Call A/c Dr. To Equity Share Capital A/c (Being transfer of final call)		40,000	40,000
	6.	Bank A/c Dr. Calls in Arrears A/c Dr. To Equity Share Final Call A/c (Being receipt of final call)		39,800 200	40,000
	7.	Equity Share Capital A/c Dr. To Calls-in-Arrears A/c To Share forfeiture A/c (Being 100 shares forfeited)		1,000	200 800
	8.	Bank A/c Dr. Share Forfeiture A/c Dr. To Equity Share Capital A/c (Being shares reissued)		900 100	1,000
	9.	Share Forfeiture A/c Dr. To Capital Reserve A/c (Being transfer to Capital Reserve)		700	700

BALANCE SHEET OF MOON COMPANY LTD AS ON _____

LIABILITIES	Amt.	ASSETS	Amt.
AUTHORISED SHARE CAPITAL	?	Bank	2,40,700
ISSUED, SUBSCRIBED & PAID UP CAPITAL 20,000, Equity shares of Rs.10 each	2,00,000		
RESERVES & SURPLUS Security Premium	40,000		
Capital Reserve	700		
SECURED LOAN	-		
UNSECURED LOAN	-		
Current Liability & Provisions	-		
	2,40,700		2,40,700

Sol.4 WORKING NOTE

(1) TIME RATIO = 1 : 5



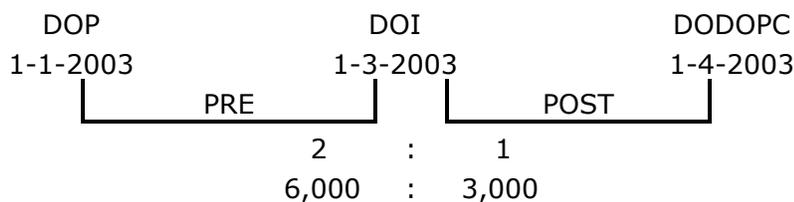
(2) SALES RATIO = 1 : 10

Let monthly average sales be 2 (from 1-3 to 31-12)

∴ January and February, is half monthly ∴ 1

Jan. 1	Feb. 1	Mar. 2	Apr. 2	May 2	Jun. 2	Jul. 2	Aug. 2	Sept. 2	Oct. 2	Nov. 2	Dec. 2
Pre 2		Post 20									
1 : 10											

(3) Interest on purchase consideration = 2 ; 1



$$PC = 6,00,000 \times \frac{6}{100} \times \frac{3}{12}$$

$$= 9,000 \text{ Interest}$$

Interest on Debentures

$$3,00,000 \times \frac{6}{100} \times \frac{9}{12}$$

$$= 13,500$$

(4) Salaries to staff = 2 : 15

In pre period – 10 staff, In post priod – 15 staff

Jan. Pre 10	Feb. 10	Mar. Post 15	Apr. 15	May 15	Jun. 15	Jul. 15	Aug. 15	Sept. 15	Oct. 15	Nov. 15	Dec. 15
Pre 20		Post 150									
Pre ₹ 40,000		Post 3,00,000									

(5) Rent

Jan. PRE 1,500 × 2	Feb. 1,500 × 2	Mar. POST 1,500 × 8	Apr. 1,500 × 8	May 1,500 × 8	Jun. 1,500 × 8	Jul. 1,500 × 8	Aug. 1,500 × 8	Sept. 1,500 × 8	Oct. 1,500 × 8	Nov. 1,500 × 8	Dec. 1,500 × 8
3,000		18,000									
3,000 : 18,000											

IDEAL / T.Y.B.COM. / ACCOUNT-I / MODEL PAPER (SOLUTION)

IN BOOKS OF MAHESH LTD.

PROFIT AND LOSS A/C FOR THE YEAR ENDED 31-12-2003.

PARTICULARS	BASIS	PRE	POST	PARTICULARS	BASIS	PRE	POST
To Salaries to staff	WN-4	40,000	3,00,000	By Gross Profit	1 : 10	66,000	6,60,000
To Office Expenses	1:5	4,000	20,000	By Int. on Investment	POST	-	6,000
To Rent	WN-5	3,000	18,000	By Share Transferred fees	POST	-	1,000
To Selling Expenses	1:10	6,000	60,000				
To Carriage outwards	1:10	1,000	10,000				
To Debenture Interest	POST	-	13,500				
To Directors fees	POST	-	24,000				
To Preliminary Expenses	POST	-	28,700				
To Interest on PC	WN-3	6,000	3,000				
To loss on sale of furniture	PRE	3,000					
To Audit fees	1:5	5,000	25,000	By Goodwill	-	2,000	-
To Net Profit		-	1,64,800				
	-	68,000	6,67,000		-	68,000	6,67,000

Sol.5

Pradeep Limited

Trading Profit and Loss A/c for the year ended 31st March, 2004

Particulars	Amt.	Particulars	Amt.
To opening stock	2,40,000	By Sales	41,30,000
To Purchase	27,75,000	(-) Returns	-
(-) Returns	-	By Closing Stock	3,34,000
To Gross profit c/d	14,49,000		
	44,64,000		44,64,000
To Administration & Selling Exp.	3,53,000	By Gross Profit b/d	14,49,000
To Interest on Deb.	21,000	By Rent	72,000
(+) outstanding Interest	6,000	By Investment income	7,556
To Bank Interest	11,640		
To Depreciation	6,000		
Motor van	36,600		
Other properties	7,000		
Leasehold Property			
To Managing Directors Remundration	1,00,000		
(+) outstanding Remuneration	8,732		
To Provision for Tax	5,87,150		
To Net Profit c/d	3,91,434		
	15,28,556		15,28,556

Profit and Loss Appropriation A/c for the year ended 31st March, 2004

Particulars	Amt.	Particulars	Amt.
To Interim Dividend	33,600	By Balance b/d	1,15,040
To Proposed Dividend	3,86,400	By Net Profit b/d (Current Year)	3,91,434
To transfer to GR	20,000		
To Balance c/d (transfer to profit & loss A/c)	66,474		
	5,06,474		5,06,474

Working Note:

(1)	(i)	Equity Share Capital A/c.(1,000 × 20)	Dr.	20,000	
		To Calls in Arrears A/c .(1,000 × 2)			2,000
		To Share forfeiture A/c .(1,000 × 18)			<u>18,000</u>
	(ii)	Share Suspense A/c	Dr.	6,000	
		Share forfeiture A/c	Dr.	14,000	
		To Equity Share Capital			20,000
	(iii)	Share forfeiture A/c	Dr.	4,000	
		To Capital Reserve A/c			4,000

(2)	Property (cost) Rs.16,00,000			
	Leasehold Property		Other Property	
	2,80,000	(on 1/4/1997)		<u>13,20,000</u>
	(-) PFD	(42,000) (for 6 years)	(-) PFD	<u>(1,00,000)</u>
	WDV	<u>2,38,000</u>	WDV	<u>12,20,000</u>
	(-)	(7,000) (for 1 year)	(-) Depreciation @ 3%	<u>(36,6000)</u>
		<u>2,31,000</u>		<u>11,83,450</u>

(3)	Investment income (Net) 90%	6,800
	TDS 10%	<u>756</u>
	Gross 100%	<u>7,556</u>

(4)	Managing Director's Remuneration is
	10% of Net Profit 1,08,732
	(-) Amt. paid (T.B.) <u>(1,00,000)</u>
	Balance payable <u>8,732</u>

(5)	Provision for Tax
	Net Profit Before Tax 9,78,584
	Tax Rate × 60% <u>5,87,150</u>
	Provision for Tax <u>5,87,150</u>

BALANCE SHEET OF MOON COMPANY LTD AS ON _____

LIABILITIES	Rs.	Rs.	Rs.	ASSETS	Rs.	Rs.	Rs..
Share Capital			?	Fixed Assets			
Authorised				Motor van (cost)	50,000		
Issued, Subscribed & paid up				(-) PFD (20,000 + 6,000 + NIL)	(26,000)	24,000	
42,000 Equity share of Rs.20				Other Properties (cost)	13,20,000		
Each, fully paid up			8,40,000	(-) PFD (1,00,000 + 36,600 + NIL)	(1,36,600)	11,83,400	
Reserves & Surplus				Leasehold Property (cost)	2,80,000		
General Reserve	2,00,000			(-) PFD (42,000 + 7,000 + NIL)	(49,000)	2,31,000	14,38,400
(+) trf. To General Reserve	20,000	2,20,000		Investments			
Capital Reserve		4,000		Investment (cost)	-	-	1,35,000
Profit and Loss A/c		66,474	2,90,474	Current Assets, Loans & Advances			
Secured Loan				(a) Current Assets			
9% Debentures	3,00,000			Cash in Hand	30,200		
(+) o/s Interest	6,000	3,06,000		Cash at Bank	1,80,000		
Bank Overdraft		14,600	3,20,600	Debtors	6,20,000		
Unsecured Loan				Closing Stock	3,34,000	11,64,200	
Current Liability & Provisions				(b) Loans and Advances			
(a) Current Liabilities				Tax deducted at source		(756)	11,64,956
Creditors	3,02,000			Miscellaneous Expenditure	-	-	-
o/s Managing Directors Remu.	8,732						
Unclaimed dividend	3,000	3,13,732					
(b) Provisions							
Proposed dividend	3,86,400						
Provision for Tax	5,87,150	9,73,550	12,87,282				
	-	-	27,38,356		-	-	27,38,356

Sol.6

**In the books of small Ltd.
Realisation A/c**

To Computer	30,000	By Bills Payable	10,000
To Stock	2,70,000	By Sundry Creditors	80,000
To Debtors	55,000	By Big Ltd.	3,00,000
To Cash at Bank	75,000	By Equity shareholders A/c	70,000
To Bills receivable	30,000	(Loss)	
	4,60,000		4,60,000

Equity Shareholders A/c

To Realisation A/c	70,000	By Equity share capital	3,00,000
To Equity Shares in Big Ltd.	3,00,000	By Reserves A/c	70,000
	3,70,000		3,70,000

JOURNAL OF BIG LTD.

DATE	PARTICULARS	L/F	DEBIT	CREDIT
2001 Mar. 31	Business Purchase A/c Dr. To Liquidator of Small Ltd. A/c (Being purchase consideration due)		3,00,000	3,00,000
	Computer A/c Dr. Stock A/c Dr. Debtors A/c Dr. Cash at Bank A/c Dr. Bills receivable A/c Dr.		30,000 2,70,000 55,000 75,000 30,000	
	To Bills payable To Sundry creditors To Business purchase To Capital Reserve A/c (Being Assets & Liabilities taken over)			10,000 80,000 3,00,000 70,000
	Liquidator of Small Ltd. A/c Dr. To Equity Share Capital A/c (Being shares issued in settlement of purchase consideration)		3,00,000	3,00,000
*	Bills Payable A/c Dr. To Bills receivable A/c (Being inter company bills adjusted)		5,000	5,000
	Capital Reserve A/c Dr. To Stock A/c (Being unrealized Profit Adjusted)		3,000	3,000
	Capital Reserve A/c / Goodwill A/c Dr. To Bank A/c (Being amalgamation expenses paid)		7,000	7,000

IDEAL / T.Y.B.COM. / ACCOUNT-I / MODEL PAPER (SOLUTION)

BIG Ltd.

BALANCE SHEET AS ON 31st MARCH 2001

LIABILITIES	Amt.	ASSETS	Amt.
Share Capital		Fixed Assets	
<u>Issued, Subscribed & Paid up</u>		Plant	8,00,000
1,30,000 Equity shares of ₹10 each		Computers	1,30,000
fully paid (of the above ₹ 3,00,000		Current Assets, Loans & Advances	
have been allotted to vendors to		Stock	5,67,000
pursuant to a contract without		Debtors	2,35,000
payment being received in cash)	13,00,000	Cash at Bank	1,68,000
Reserves and Surplus		Loans & Advances	
Capital Reserve	60,000	Bills Receivable	45,000
Other Reserve	3,00,000		
Current Liabilities & Provisions			
Current Liabilities			
Bills Payable	55,000		
Sundry Creditors	2,30,000		
Provisions	-		
	19,45,000		19,45,000

Sol.7

In the Books of Mr. Nene

Dr. Investment A/c In 12% Govt Securities (Tax free) for the year. ended 31st Dec. 03 Cr.

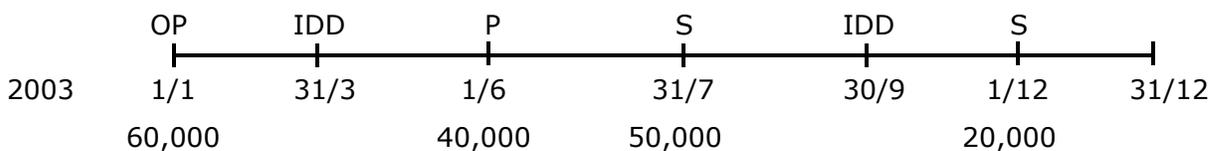
Date 2003	Particulars	Face Value	Interest	Amt. (EIP)	Date 2003	Particulars	Face Value	Interest	Amt. (EIP)
1/1	To Balance b/d	60,000	-	56,500	3/4	By Bank A/c	-	3,600	-
1/1	To Accrued Int.	-	1,800	-	31/7	By Bank A/c	50,000	2,000	47,000
1/6	To Bank A/c	40,000	800	38,000	31/7	By P & L A/c (Loss)	-	-	250
					4/10	By Bank A/c	-	3,000	-
					1/12	By Bank A/c	20,000	400	18,800
					1/12	By P & L A/c (Loss)	-	-	100
					31/12	By Accrued Int. A/c	-	900	-
31/12	To P & L A/c	-	7,300	-	31/12	By Bal. c/d	30,000	-	28,350
		1,00,000	9,900	94,500			1,00,000	9,900	94,500

Working Note:

Interest Table

SR.No.	LDI	DOI	M	FV	Interest	EIP	CIP
1.	30/9/02	1/1/03	3 m	60,000	1,800	56,500	-
2.	30/9/02	31/3/03	6 m	60,000	3,600	-	-
3.	31/3/03	1/6/03	2 m	40,000	800	38,000	38,800
4.	31/3/03	31/7/03	4 m	50,000	2,000	47,000	-
5.	31/3/03	30/9/03	6 m	50,000	3,000	-	-
6.	30/9/03	1/12/03	2 m	20,000	400	18,800	19,200
7.	30/9/03	31/12/03	3 m	30,000	900	-	-

Time line



On 1/6

Purchase (400 × 96.5)	=	38,600
(+) Brokerage	=	200
		38,800

On 31/7

Sold (500 × 94.5)	=	47,250
(-) Brokerage	=	(250)
		47,000

Weighted Average Cost

Particulars	Face Value	Weighted Average Cost
Opening	60,000	56,500
(+) Purchase 1/6	40,000	38,000
Balance	1,00,000	94,500
(-) Sold 1/7	50,000	(47,250)
Balance	50,000	47,250
(-) Sold 1/12	20,000	(18,900)
Balance	30,000	28,350
Market value (300 × 96)	30,000	28,800
	Note: As per A 5.13	
		Cost: will be market value or WAC whichever is less

Profit and Loss on Sale 1/7

Weighted Average Cost	47,250
(-) Selling Price	47,000
Loss	250

Profit and Loss on Sale 1/12

Weighted Average Cost	18,900
(-) Selling Price	18,800
Loss	100

IDEAL / T.Y.B.COM. / ACCOUNT-I / MODEL PAPER (SOLUTION)

Sol.8

REDEMPTION OF PREFERENCE SHARES

Face Value	2,000 × 100	2,00,000
Issue Price	2,000 × 100	2,00,000
Proceeds		
(Face Value or Issue Price ↓)	2,000 × 100	2,00,000

Face of Pref. Share Capital to redeemed = **Proceeds** + **Depreciation transfer to Capital Redemption Reserve**

5,000 × 100
5,00,000 = 2,00,000 + **3,00,000**

General Reserve
Profit and Loss
2,00,000
1,00,000

Premium on Redemption = **Selling Price (B/S + New)** + **DP**

5,00,000 × 10%
50,000 = 50,000 + NIL

**IN BOOKS OF ABHIPRAYA LTD.
JOURNAL**

DATE	SR.NO.	PARTICULARS	L/F	DEBIT	CREDIT
	1.	Cash Bank A/c To Equity Share Capital A/c (Being shares issued)	Dr.	2,00,000	2,00,000
	2.	General Reserve A/c Profit and Loss A/c To Capital Redemption Reserve A/c (Being depreciation transfer to CRR)	Dr. Dr.	2,00,000 1,00,000	3,00,000
	3.	12% Redeemed Preference Shares A/c Premium on Redemption A/c To Preference Shareholders A/c (Being Preference Shares redeemed)	Dr. Dr.	5,00,000 50,000	5,50,000
	4.	Preference Shareholders A/c To Bank A/c (Being Preference Share holder paid)	Dr.	5,50,000	5,50,000
	5.	Security Premium A/c To Premium on Redemption A/c (Being Premium on Redemption w/off)	Dr.	50,000	50,000
	6.	Cash Bank A/c To Bank Loan A/c (Being loan taken)	Dr.	3,50,000	3,50,000

BALANCE SHEET OF ABHIPRAYA AS ON 31-3-04

LIABILITIES	Amt.	ASSETS	Amt.
AUTHORISED CAPITAL	?	Fixed Assets	24,00,000
<u>Issued, Subscribed & Paid up</u> 12,000 Equity Shares of Rs.100 each	12,00,000	Stock	5,00,000
Reserves and Surplus		Debtors	50,000
Capital Reserve	1,00,000	Cash	50,000
Security Premium	50,000		
Capital Redemption Reserve	3,00,000		
Secured Loan			
Bank Loan	3,50,000		
Current Liability	10,00,000		
	30,00,000		30,00,000

IDEAL / T.Y.B.COM. / ACCOUNT-I / MODEL PAPER (SOLUTION)

Cash / Bank A/c

To Balance b/d	50,000	By Preference Shareholders A/c	5,50,000
To Equity Share Capital	2,00,000	(5,00,000 + 50,000)	
To Bank Loan	3,50,000	By Balance c/d	50,000
	6,00,000		6,00,000

Sol.9 (a) JOURNAL ENTRIES IN THE BOOKS OF DISHA LTD.

DATE	PARTICULARS	L/F	DEBIT	CREDIT
1/1/05	Purchase A/c (1,00,000 × 46) Dr. To Obama Traders A/c (1,00,000 × 46) (Being goods imported)		46,00,000	46,00,000
31/3/05	Obama Traders A/c A/c (1,00,000 × 1) Dr. To Foreign exchange fluctuation A/c (Being valuation on closing)		1,00,000	1,00,000
31/3/05	Foreign exchange fluctuation A/c Dr. To Profit and Loss A/c (Being balance transfer to Profit and Loss A/c)		1,00,000	1,00,000
15/4/05	Obama Traders A/c A/c (1,00,000 × 45) Dr. Foreign exchange fluctuation A/c (1,00,000 × 3) Dr. To Bank A/c (1,00,000 × 48) (Being payment mode)		45,00,000 3,00,000	48,00,000

(b) JOURNAL ENTRIES IN THE BOOKS OF VIMAL LTD.

DATE	PARTICULARS	L/F	DEBIT	CREDIT
(1)	Machinery A/c Dr. To Kamal Ltd. A/c (Being machinery purchased on credit)		9,90,000	9,90,000
(2)(a)	<u>If shares are issued at par.</u> Kamal A/c Dr. To Equity Share Capital A/c (Being equity shares issued) No. of Shares = $\frac{\text{Amt. Payable}}{\text{issued price}}$ $= \frac{9,90,000}{100} = 99,000$ Shares		9,90,000	9,90,000
(b)	<u>If shares are at 25% premium</u> Kamal Ltd. Dr. To Equity share capital A/c To Security premium A/c No of Shares = $\frac{\text{Amt. Payable}}{\text{issued price}}$ $= \frac{9,90,000}{125} = 7,920$ Shares		9,90,000	7,92,000 1,98,000
(c)	<u>If shares are at 10% discount</u> Kamal Ltd. A/c Dr. Discount on issue of shares A/c Dr. To Equity Share Capital A/c No of Shares = $\frac{\text{Amt. Payable}}{\text{issued price}}$ $= \frac{9,90,000}{90} = 11,000$ Shares		9,90,000 1,10,000	11,00,000

(c) JOURNAL ENTRIES

DATE	PARTICULARS	L/F	DEBIT	CREDIT
1.	Share Final Call A/c To Share Capital A/c (Being final call money transfer)	Dr.	20,000	20,000
2.	General Reserve A/c To Bonus to Equity Share holders A/c (Being bonus declared)	Dr.	20,000	20,000
3.	Bonus to Equity Share holders A/c To Share final call A/c (Being bonus recovered)	Dr.	20,000	20,000
4.	Capital Redemption Reserve A/c Securities Premium A/c General Reserve A/c To Equity Share Capital A/c (Being bonus declared)	Dr. Dr. Dr.	4,000 2,000 4,000	10,000
5.	Bonus to Equity Shareholders A/c To Equity share Capital A/c (Being bonus recovered)	Dr.	10,000	10,000

(d)

Particulars	Option 1 9% Debentures	Option 2 11% Debentures	Option 3 Cash	Total
Face Value	7,12,500	1,10,000	1,77,500	10,00,000
(+) POR @ 5%	35,625	5,500	8,875	50,000
Total	7,48,125	1,15,500	1,86,375	10,50,000

↓
Is paid by issuing 9% Debentures of Rs. 100 at Rs. 95.

$$\therefore \text{No. of Debentures} = \frac{\text{Total Amt.}}{\text{Issue Price}} = \frac{7,48,125}{95}$$

No. of Debentures = 7,875
Face Value = 7,875 × 100 = 7,87,500
Discount = 7,875 × 5 = 39,375

↓
Is paid by issuing 11% cumulative Preference Shares of at Rs. 110

$$\therefore \text{No. of Shares} = \frac{\text{Total Amt.}}{\text{Issue Price}} = \frac{1,15,500}{110}$$

No. of Shares = 1,050
Face Value = 1050 × 100 = 1,05,000
Selling Price = 1050 × 10 = 10,500

JOURNAL ENTRIES

DATE	PARTICULARS	L/F	DEBIT	CREDIT
31/3/04	8% Debentures A/c Premium On Redemption A/c To Debenture holders a/c (Being Debentures redeemed)	Dr. Dr.	10,00,000 50,000	10,50,000
31/3/04	Debenture holders A/c Discount on issue A/c To 9% Debentures A/c To 11% Preference Shares A/c To Securities Premium A/c To Cash / Bank A/c (Being Debenture holders paid)	Dr. Dr.	10,50,000 39,375	7,87,500 1,05,000 10,500 1,86,375
31/3/04	Securities Premium A/c To Premium on Redemption A/c (Being Premium on Redemption w/off)	Dr.	50,000	50,000

(e) Redemption of Shares and Buyback of Shares.

Redemption of Preference Shares		Buyback of Shares	
1.	Preference shares can be redeemed.	1.	Any shares can be bought back.
2.	Date of redemption of preference shares is known on the date of issue.	2.	Date of buy back is not known on the date of issue.
3.	SEBI rules do not govern redemption of preference shares.	3.	SEBI rules govern buyback.
4.	Source of redemption of preference shares is divisible profits.	4.	Source of buyback is free reserves and securities premium.
5.	Section 77 A to 77 B of Companies Act govern buyback of shares.	5.	Section 80 & 80 A of Companies Act govern redemption of preference shares.