Karanjia Auto College, Karanjia,Mayurbhanj

CORPORATE ACCOUNTING

CC-5

UNIT-1

A. MCQ

1. The maximum amount of stock that may be issued according to the corporation's charter is referred to as the? (a) Authorized stock

(b) Issued stock

(c) Unissued stock

(d) Outstanding stock

2. Company receives more application than shares issued in? (a) Under subscription

(b) Over subscription

(c) Nominal subscription

(d) Routine subscription

3. Ordinary shares are also called? (a) Equity shares

(b) Founders shares

(c) Deferred shares

(d) Preference shares

4. If a share of Rs. 10 is issued at 10% premium, then issue price of share will be?

(a) Rs. 09

(b) Rs. 11

(c) Rs. 12

(d) Rs. 10

5. How many legal basic documents of a public company are? (a) Two

(b) Three
(c) Four

(d) Five

6. The shares of a public limited company generally? (a) Freely transferable

(b) Not transferable

(c) Restricted

(d) All of these

7. The sum of the par value of the shares of a company is called?
(a) Shares

(b) Working capital

(c) Reserve capital

(d) Share capital

8. Discount on issue of shares is a? (a) Revenue loss

(b) Capital profit

(c) Capital loss

(d) Revenue profit

9. The face value of a share is also known as? (a) Market value

(b) Par value

(c) Book value

(d) All of above

10. Shared offered to general public for contribution are called? (a) Authorized shares

(b) Called up shares

(c) Issued shares

(d) Subscribed shares

11. The Principal amount of debentures will be repaid by the company either at the end of a specified period or by instalments during the life time of the company. Such types of debentures are called :

(A) Redeemable Debentures

(B) Irredeemable Debentures

(C) Convertible Debentures
(D) Bearer Debentures

12. The debentures whose principal amount is not repayable by the company during its life time, but the payment is made only at the time of Liquidation of the company, such debentures are called : (A) Bearer Debentures

(B) Redeemable Debentures

(C) Irredeemable Debentures

(D) Non-Convertible Debentures

13. Debenture Application Account is in the natutre of

(A) Real Account

(B) Personal Account

(C) Nominal Account

(D) None of the above

14. Discount on issue of Debentures is in the nature of

(A) Revenue loss

(B) Capital loss

(C) Deferred Revenue Expenditure

(D) None of the above

15. Premium received on issue of debentures may be utilised for

(A) For writing off discount allowed on issue of shares

(B) For writing off premium allowed on redemption of debentures

(C) For writing off preliminary expenses

(D) For All of the Above

16. ‘A’ Fimited purchased the assets from ‘B’ Limited for ₹5,40,000. ‘A’ Limited issued 10% debentures of ₹100 each at 10% discount against the payment. The number of debentures received by ‘B’ Limited will be :

(A) 54,000

(B) 5,400

(C) 60,000

(D) None of the above

17. ‘A’ Limited purchased the assets from ‘B’ Limited for ₹5,40,000. ‘A’ Limited issued 10% debentures of ₹100 each at 20% premium against the payment. The number of debentures received by ‘B’ Limited will be :

(A) 4,500

(B) 5,400

(C) 45,000

(D) 6,000

18. ‘A’ Limited purchased the assets from ‘B’ Limited for ₹8,10,000. ‘A’ Limited issued 10% debentures of ₹100 each at 10% discount against the payment. The number of debentures received by ‘B’ Limited will be :

(A) 8,100

(B) 9,000

(C) 90,000

(D) None of the above

19. Debentures of a Company can be issued : (C.S. Foundation, Dec. 2012)

(A) For Cash

(B) For Consideration other than Cash

(C) As a Collateral Security
(D) Any of the above

20. On issue of debentures as a collateral security, which account is credited? (C.S. Foundation, Dec. 2012)

(A) Debentures Account

(B) Bank Loan Account

(C) Debenture Holdings Account

(D) Debenture Suspense Account

B. DESCRIPTIVE QST

1. What is the difference between calls in arrears and calls in advance? Are there any provisions for interest on such arrears or calls in advance?
2. In what circumstances can a company forfeit shares? Can forfeited shares be reissued at discount? If so, what extent?
3. X, Y, Ltd. was registered with an authorized capital of 2.00,000 shares of Rs. 10 each. 1, 40,000 shares were issued to the public. The public subscribed for 1, 00,000 shares. The company called up Rs. 7 per share all the money called up was duly received. Show the amounts of various types of share capital.
4. A company was formed with a capital of Rs. 15, 00,000 in shares of Rs. 10 each. It offered to the public 1,00,000 shares payable Re. 1 per share on applications, Rs. 2 per share on allotment and, Rs. 3 per share on first call, The balance of Rs. 4 per share to be called only in case of necessity. Applications were received for 90, 00 shares and the shares were accordingly allotted. All the money was duly received with the exception of allotment money on 200 shares and first call on 500 shares. Journalize the transactions and prepare the Balance Sheet.
5. The Hindustan Manufacturing Limited had a total subscribed capital of Rs. 10,00,000 in equity shares of Rs. 10 each of which Rs. 7.50 were called up. A final call of Rs. 2.50 was made and all amounts paid except the two calls of Rs. 2.50 each in respect of 100 shares held by Mr. Y. These shares were forfeited and re-issued at Rs. 8 per share. Make the journal entries) including that of cash) necessary to record transactions of final call, forfeiture of shares and reissue of forfeited shares.

6. On 1st April the directors of ABC Ltd. Issued 1,00,000 equity shares of Rs. 10 each at Rs. 12 per share payable as to Rs. 5 on application, Rs 4 on allotment and the balance on 1st July. The lists closed on 12th April, by which date applications for 1, 40,000 shares had been received. Of the cash received. Rs. 80,000 was returned and Rs. 1, 20,000 was applied to the amount due on allotment the balance of which was paid on 19th April. All shareholders paid the call due on 1st July, with the exception of one allotted for 1,000 shares. These shares were forfeited on 30th November and reissued as fully paid at Rs. 8 per share on 2nd January. Pass journal entries in the books of the company recording the above transactions.
7. A Limited Company issued 25,000 Ordinary Shares of Rs. 25 each payable Rs. 5 on application, Rs. 10 on allotment and Rs. 5 each on subsequent calls, 20,000 shares were fully- subscribed and moneys duly received. You are required to give journal entries, Cash Book and Balance Sheet of the company.
8. **X Ltd. makes an issue of 20,000 Equity Shares of Rs.10 each at Rs. 11 on 1st March payable as follows:**

   Rs. 2 on ApplicationRs.

   3 on allotmentRs.

   6 on First and Final Call (3 months after allotment)

   Applications were received for 26,000 shares. The Directors made the allotment in fill to the Application demanding 10 or more shares and returned money to the applicants for 6,000 shares.

   One shareholder who was allotted 40 shares paid the first and final call money along-with allotment money and an another shareholder who was allotted 60 shares did not pay allotment interest money but paid along-with first and final call money. The Directors deeded to change and allow interest, as the case may be, on calls-.n-advance and calls-in-arrears. Give journal entries in the books of the company.
9. X Co. Ltd. forfeited 100 shares of Rs. 10 each fully called up, held by Mr. Arun for nonpayment of allotment money of Rs. 3 per share and first and final call of Rs. 4 per share. He paid application money @ Rs. 3 per share. These shares were reissued @ Rs. 9 per share as fully paid.

   Pass forfeiture and reissue journal entries.
10. **Glamour Limited invited applications for 15,000 shares of Rs. 10 each issued at Rs. 11.50 payable as follows:**

    On application 1st July Rs. 7.50 per share

    On allotment on 31st July Rs. 2.00 per share

    On First and Final Call on 31st Aug. Rs. 2.00 per share

    Applications were received for 18,000 shares and it was decided to deal the same as follows in arrangement with Stock Exchange authorities: (a) To refuse allotment to applicants for 800 shares

    (b) To give full allotment to applicants for 2,200 shares

    (c) To allot the remaining shares pro-rata among other applicants

    (d) To utilise the surplus received on application in part payment of amounts due on allotment. An applicant to whom 40 shares were allotted, failed to pay the amount due on the First and final Call and his shares were forfeited on 31st Oct. These shares were reissued on 5th Nov. as fully paid at Rs. 9 per share.

    Give journal entries including those relating to cash to record the above transactions.

11. A company issued 1,000 10% debentures of $100 each at par, with $40 payable on application and the balance on allotment. The public applied for 800 debentures and the applications were accepted. All money was received. **Required:** Show the journal entries.
12. X Ltd. acquired **assets** of $500,000 and took over the **liabilities** of Y Ltd., amounting to $50,000, at an agreed value of $400,000. It issued 12% debentures at a discount of 20% in full satisfaction of the purchase price. **Required:** Show the journal entries.
13. A company issued $500,000 12% debentures at 94%. The terms of the issue include the repayment of the debentures in five equal installments, beginning with the end of the first year of issue.

    Required: Show the amount of discount that should be equitably written off for each of the five years.
14. 10,000 7% **redeemable preference shares** of $10 each, fully paid, are outstanding on 1 January 2019 in a company. The company decides to redeem these shares on 1 March 2019 at $13 per share.

    To provide for redemption, the company issued 5,000 equity shares of $10 each at $14 each, payable in full on 20 February 2019. The profit and loss account shows a **credit** balance of $100,000.

    Required: Show the **ledger account**.

UNIT-2

A.MCQs

1. Raghav Limited purchased a running business from Krishna traders for a sum of ₹15,00,000 payable ₹3,00,000 by cheque and for the balance issued 9% debentures of ₹100 each at par. The assets and liabilities consisted of the following: Plant and Machinery ₹4, 00,000 Building ₹6, 00,000 Stock ₹5,00,000 Debtors ₹3, 00,000 Creditors ₹2,00,000.Calculate amount of capital reserve
   a) ₹200000
   b) ₹100000
   c) None of these
   d) ₹150000
2. How would you show Debentures in the Balance sheet i.e. under which heading?
   a) Share Capital
   b) Reserve and Surplus
   c) Non-current Liabilities
   d) Current Liabilities
3. The following are the types of debentures except
   a) Perpetual Debentures
   b) Equity Debentures
   c) Convertible debentures
   d) Redeemable debentures
4. Vinod Limited redeem its 500 debentures of 100 each by purchasing these debentures at ₹94 from the open market for cancellation. Calculate the profit on cancellation of own debentures.
   a) 3,000
   b) 5000
   c) 2500
   d) 2000
5. When does a company issue debentures as collateral security
   a) When lender does not gives additional security
   b) When lender demands additional security
   c) When lender does not demands additional security
   d) When lender gives additional security
6. When all debentures are redeemed, balance in the Debenture Redemption Fund Account is transferred to: (a)
   Capital Reserve
   (b) General Reserve
   (c) Profit & Loss Appropriation A/c
   (d) None of these
7. According to SEBI guidelines, a Company will have to create debenture redemption reserve equivalent to the amount of the following percentage of debenture issued: (a) 50%
   (b) 25%
   (c) 70%
   (d) 100%
8. The balance of 'Sinking Fund Account' after the redemption of debentures is transferred to :
   (a) Profit & Loss Account
   (b) Profit & Loss Appropriation Account
   (c) General Reserve Account

(d) Sinking Fund Account

9. Profit on cancellation of own debentures is transferred to:
   (a) Profit & Loss Account
   (b) Profit & Loss Appropriation Account
   (c) General Reserve Account (d) Capital Reserve Account
10. If debenture of ₹ 1,00,000 were issued for discount of ₹ 10,000, which are redeemable after four years. Then amount of discount to be written off from P. & L. Account each year is : (a) ₹ 3,000
   (b) ₹ 4,000
   (c) ₹ 2,500
   (d) ₹ 5,000
11. Debentures can be redeemed out of:
   (a) Profit
   (b) Capital
   (c) Provision
   (d) All of the above
12. Premium on redemption of debentures is a :
   (a) Personal A/c
   (b) Real A/c
   (c) Nominal A/c
   (d) Suspense A/c
13. Premium on redemption of debentures is generally provided at the time of .... (a) Issue of debentures
   (b) Redemption of debentures
   (c) Writing off
   (d) After 10 years
14. Debentures cannot be redeemed at:
   (a) Par
   (b) Premium
   (c) Discount
   (d) More than 10% premium
15. If debentures purchased in open market are not immediately cancelled, they are treated as : (a) Current Assets
   (b) Current Liabilities
   (c) Investment
   (d) Capital

A Ltd. had 3,000, 12%. Redeemable preference shares of Rs. 100 each, fully paid up. The company issued 25,000 equity shares of Rs. 10 each at par and 1,000 14%. Debentures of Rs. 100 each. All amounts were received in full. The payment was made in full. The amount to be transferred to capital Redemption Reserve Account Rs.:

A) Nil

16.

B) Rs. 2,00,000

C) Rs. 3,00,000 D) Rs. 50,000

17. Ltd. has redeemed its 12% preference shares of Rs. 2,00,000 at a premium of 4%. To meet the redemption it has issued Rs. 1,98,084 worth of shares of Rs. 20 each at a premium of 5%. The balance outstanding to the credit of share premium account after adjusting premium on redemption of preference shares =?
   A) Rs. Nil
   B) Rs. 1,904
   C) Rs. 1,432
   D) Rs. 8,000
18. Which of the following statements is false ?
   A) A company can redeem its preference shares
   B) Preference shareholders are creditors of a company
   C) The part of the authorized capital which can be called up only in the event of liquidation of a company is called reserve capital
   D) Capital redemption reserve can be utilized for issuing fully paid bonus shares
19. During the year 2000-2001, T Ltd. issued 20,000, 12% Preference Shares of Rs. 10 each at a premium of 5%, which are redeemable after 4 years at par. During the year 2005-2006, as the company did not have sufficient cash resources to redeem the preference shares, it issued 10,000,14% debentures of Rs. 10 each at a premium of 10%. At the time of redemption of 12% preference shares, the amount to be transferred to capital redemption reserve =?

A) Rs. 90,000
B) Rs. 1,00,000
C) Rs. 2,00,000
D) Rs. 1,10,000

20. Which of the following can be utilized for redemption of preference shares?

A) The proceeds of fresh issue of equity shares
B) The proceeds of issue of debentures
C) The proceeds of issue of fixed deposit
D) All of the above

B. DESCRIPTIVE QSTs

1. Beta Ltd issued 5,000, 9% debentures of Rs.500 each. Pass the necessary journal entries for the issue of debentures in the books of the company When debentures are issued at a premium of 25% to the vendors for machinery purchased for Rs. 6,25,000.
2. What is meant by the purchase of own debentures?
3. State the provisions of Companies Act, 2013 for the creation of debenture redemption reserve.
4. What is meant by convertible debentures?
5. State in brief, the SEBI Guidelines regarding Debenture Redemption Reserve.
6. Animesh Ltd. issued 1,000, 12 % Debenture of 100 each in the following manner:

   For cash at par at Rs. 50,000 nominal value.
   For creditors of Rs. 45,000 against purchase of machinery at nominal value of Rs. 35,000.
   To S.B.I. bank against a loan of Rs. 10,000 as collateral security at nominal value of Rs. 15,000.

   Pass Journal entries.

7. Tata Ltd issued 5,000, 10% debentures of Rs 100 each on 1st April, 2012. The issue was fully subscribed. According to the terms of issue, interest on debentures is payable half-yearly on 30th September and 31st March and tax deducted at source is 10%. Pass the necessary journal entries related to the debenture interest for the half-yearly ending on 31st March, 2013 and transfer of interest on debentures to statement of profit and loss.
8. On 1st April, 2013, the following balances appeared in the books of Blue and Green Ltd. 12% debentures (Redeemable on 31st August, 2015) (Rs.) 20,00,000 Debenture Redemption Reserve (Rs.) 2,00,000 The company met the requirements of the Companies Act, 2013 regarding Debenture Redemption Reserve and Debenture Redemption Investments and redeemed the debentures. Ignoring interest on investments pass necessary journal entries for the above transactions in the books of company.
9. On 1st April, 2015 KK Ltd issued 500, 9% debentures, of Rs.500 each at a discount of 4%, redeemable at a premium of 5% after three years. Pass necessary journal entries for the issue of debentures and debenture interest for the year ended 31st March, 2016 assuming that interest is payable on 30th September and 31st March and the rate of tax deducted at source is 10%. The company closes its books on 31st March every year.
10. X Ltd. Had Rs.12,00,000, 11% Debentures outstanding on 1st April, 2012. During the year, it took a loan of Rs.4 Lakh from Canara Bank for which company deposited debentures of Rs. Lakh as collateral security.

    Pass journal entries and show how these transactions will appear in Balance Sheet of the company.
11. On 1 July 2000, a limited company issued 10,000 redeemable **preference shares** valued at $10 per share. The shares were redeemable at a premium of 10%.

    Two-fifths of the company's issue was redeemed out of profits on 10 January 2004. On 20 January 2004, the company issued 20,000 equity shares at $10 each at a premium of $4 per share. Out of the proceeds of the issue, the balance of redeemable preference shares was redeemed.

    Required: Make journal entries to record these transactions in the company's books.
12. A company issued 50,000 equity shares at $10 per share and 3,000 redemption preference shares at $100 each. All shares were fully called and paid up.

    On 31 March 2004, the profit and loss account showed an undistributed profit of $50,000. The general reserve account stood at $120,000.

    On 2 April 2004, the directors decided to issue 1,500 6% preference shares at $100 per share for cash. They also redeemed the existing preference shares at $105, utilizing as much profits as required for the purpose.

    Required:

    - Show the journal entries to record these transactions
    - Prepare a summarized **balance sheet** showing the company's position on completion of the redemption

      On 31 March 2004, the cash balance amounted to $185,000 and Sundry Creditors stood at $87,000.
13. The summarized balance sheet of a company is given as follows:

Laibilities	$	Assets	$
Equity Share capital fully paid up @ $10 each 7% redeemable:	100,000	Fixed Assets	150,000
Preference Shares of $100 each, $80 per share called up and paid up:	80,000	Current Assets	58,000
Share Premium Account	3,000		
Profit and Loss Account	14,999		
Creditors	10,001		
	208,000		208,000

The redeemable preference shares will be redeemed at a premium of 10%.

The company's directors wish that only the minimum number of fresh equity shares of $10 each at a premium of 5% be issued to provide for the redemption of such preference shares, as could not otherwise be redeemed.

Required: Give the journal entries and prepare the balance sheet after redemption.

UNIT-3

A. MCQs

1. Statements prepared to indicate the profit or loss and financial position of the business are called:

- (•) Financial Statements
- ( ) Bank Reconciliation Statements
- ( ) Trial Balance
- ( ) All of these

2. The account showing the gross profit or gross loss of the business is called:

- ( ) Profit and Loss Account
- ( ) Balance Sheet
- ( ) Trial Balance
- ( ) Trading Account

3. A trading account is prepared to record:

- ( ) Net Profit or Loss
- ( ) Gross Profit or Loss
- ( ) Both (1) and (2)
- ( ) Financial Position

4. The debit side of a trading account records:

- ( ) Direct Expenses
- ( ) Indirect Expenses
- (•) Direct and Indirect Expenses
- ( ) None of these

5. Closing stock is recorded in the:

- ( ) Profit and Loss Account
- ( ) Trading Account and Balance Sheet

Balance Sheet Only

None of the above

6. Goodwill is defined as
(a) Intangible asset
(b) Fictitious asset
(c) Current asset
(d) Liquid asset

7. Break-even indicates
(a) Revenues are more than cost
(b) Revenues and cost are equal
(c) Costs are more than revenue
(d) None of the Above

8. The excess amount which the firm can get on selling its assets over and above the saleable value of its assets is called
(a) Surplus
(b) Super Profit
(c) Reserve
(d) Goodwill

9. A firm's goodwill is not affected by
(a) Location of the firm
(b) The reputation of the Firm
(c) Better Customer Service
(d) None of the Above

10. Weighted average method of calculating goodwill is used when
(a) Profits are not equal
(b) Profits show a trend
(c) Profits are Fluctuating
(d) None of the Above

11. Under the capitalisation method, the formula for calculating the goodwill is
(a) Super profits multiplied by the rate of return
(b) Average profits multiplied by the rate of return
(c) Super profits divided by the rate of return
(d) Average profits divided by the rate of return

12. The total capital employed in the company is ₹8,00,000 a reasonable rate of return is 15% and the profit of the year is 412,00,000. The value of goodwill of the company as per the capitalization method will be (a) ₹ 82,00,000

(b) ₹ 12,00,000
(c) ₹ 72,00,000
(d) ₹ 42,00,000

13. A firm earns ₹1,00,000. The normal rate of return is 10%. The assets of the company amounted to ₹11,00,000 and liabilities to ₹1,00,000. Value of goodwill by the capitalization of average actual profit will be (a) ₹ 2,00,000
(b) ₹ 10,000
(c) ₹ 5,000
(d) ₹ 1,00,000

14. When there is a change in the current partners' association that results in ending the existing agreement and initiate a formation of a new agreement is known as
(a) Revaluation of Partnership
(b) Reconstitution of Partnership
(c) Realization of Partnership
(d) None of the Above

15. X, Y, and Z are partners in a company sharing profits in the ratio 4:3: 2. Their balance sheet as at 31-3-2016 showed a debit balance of Profit and Loss A/c ₹1,80,000. From 1-4-2016 they will share profits equally. In the journal entry to give effect to the above arrangement when X, Y, and Z decide not to close the profit and loss account. (a) Dr X by ₹ 20,000, Cr Z by ₹20,000
(b) Cr X by ₹ 20,000, Dr Z by ₹20,000
(c) Dr X by ₹ 40,000, Cr Z by ₹40,000
(d) Cr X by ₹ 20,000, Dr Z by ₹20,000

16. Under net asset method, value of a share depends on ___________.
a) net assets available to equity shareholders
b) net assets available to debentures holders
c) net assets available to preference shareholders
d) none of the above

18. Net asset value is also called as ___________.
a) asset backing value
b) intrinsic value
c) liquidation value
d) (a), (b) and (c)

19. While deciding net asset value, fictitious assets ___________.
a) should be considered
b) should not be considered

c) added to total assets

d) none of the above

20. Weighted average method of calculating goodwill is used when

a) Profits are not equal

b) Profits show an increasing or decreasing trend
c) Profits are Fluctuating

d) None of the Above

21. Under the capitalisation method, the formula for calculating the goodwill is

a) Super profits multiplied by the rate of return

b) Average profits multiplied by the rate of return

c) Super profits divided by the rate of return

d) Average profits divided by the rate of return

B. PRACTICAL QSTs

1. Prepare trading account from the following ledger balances presented by P. Sen as on 31st March, 2016.

Particulars	₹	Particulars	₹
Stock (1-4-2015)	10,000	Sales	3,00,000
Purchases	1,60,000	Returns inward	16,000
Wages	30,000	Returns outward	10,000
Carriage inwards	10,000	Gas and Fuel	8,000
Freight inwards	8,000		

Additional information:

i. Stock on 31st March, 2016 Rs. 20,000

ii. Outstanding wages amounted to Rs. 4,000

iii. Gas and fuel was paid in advance for Rs. 1,000

2. From the following particulars presented by Thilak for the year ended 31st March, 2017, prepare profit and loss account.

Particulars	₹	Particulars	₹
Gross profit	1,00,000	Interest received	6,000
Rent paid	22,000	Bad debts	2,000
Salaries	10,000	Provision for bad debts (1-4-2016)	4,000
Commission (Cr.)	12,000	Sundry debtors	40,000
Discount received	2,000	Buildings	80,000
Insurance premium paid	8,000		

Adjustments:

i. Outstanding salaries amounted to Rs. 4,000

ii. Rent paid for 11 months

iii. Interest due but not received amounted to Rs. 2,000

iv. Prepaid insurance amounted to Rs. 2,000

v. Depreciate buildings by 10%

vi. Further bad debts amounted to Rs. 3,000 and make a provision for bad debts @ 5% on sundry debtors

vii. Commission received in advance amounted to Rs. 2,000

3. From the following balances as on 31st December, 2017, prepare profit and loss account.

Particulars	₹	Particulars	₹
Gross profit	50,000	Rent received	2,000
Salaries	18,000	Discount received	3,000
Office rent paid	12,000	Carriage outwards	2,500
Advertisement	8,000	Fire insurance premium	6,500

Adjustments:

i. Rent accrued but not yet received Rs. 500

ii. Fire insurance premium prepaid to the extent of Rs. 1,500

iii. Provide manager’s commission at 10% on profits before charging such commission.

4. From the following balances obtained from the books of Siva, prepare trading and profit and loss account.

Particulars	₹	Particulars	₹
Stock on 01.01.2016	9,000	Bad debts	1,200
Purchases	22,000	Sundry expenses	1,800
Sales	42,000	Discount allowed	1,700
Expenses on purchases	1,500	Expenses on sale	1,000
Bank charges paid	3,500	Repairs on office furniture	600

Adjustments:

i. Closing stock on, 31st December, 2016 was Rs. 4,500

ii. Manager is entitled to receive commission @ 5% of net profit after providing such commission.

5. From the following particulars, prepare the balance sheet of Madhu, for the year ended 31st March, 2018.

Particulars	₹	Particulars	₹
Capital	2,00,000	Sundry creditors	40,000
Drawings	40,000	Bills payable	20,000
Cash in hand	15,000	Goodwill	60,000
Loan from bank	40,000	Sundry debtors	80,000
Bank overdraft	20,000	Land and building	50,000
Investments	20,000	Vehicles	80,000
Bills receivable	10,000	Cash at bank	25,000

The following adjustments were made at the time of preparing final accounts:

i. Outstanding liabilities: Salaries Rs. 10,000; Wages Rs. 20,000; Interest on Bank overdraft Rs. 3,000 and Interest on bank loan Rs. 6,000

ii. Provide interest on capital @ 10% p.a.

iii. Bad debts amounted to Rs. 10,000 and make a provision for bad debts @ 10% on sundry debtors.

iv. Closing stock amounted to Rs. 1,20,000

v. Depreciate vehicles @ 10% p.a.

Net profit for the year amounted to Rs. 96,000 after considering all the above adjustments.

6. The following balances were extracted from the books of Thomas as on 31st March, 2018

Particulars	₹	Particulars	₹
Purchases	75,000	Capital	60,000
Returns inward	2,000	Creditors	30,000
Opening stock	10,000	Sales	1,20,000
Freight inwards	4,000	Returns outward	1,000
Wages	2,000		
Investments	10,000		
Bank charges	1,000		
Land	30,000		
Machinery	30,000		
Building	25,000		
Cash at bank	18,000		
Cash in hand	4,000		
	2,11,000		2,11,000

Additional information:

i. Closing stock Rs. 9,000

ii. Provide depreciation @ 10% on machinery

iii. Interest accrued on investment Rs. 2,000

Prepare trading account, profit and loss account and balance sheet.

7. A business earned average profits of Rs. 1,00,000 during the last few years. The normal rate of return in similar type of business is 10%. The assets of the business were Rs. 10,00,000 and external liabilities was Rs. 1,80,000. Calculate the value of goodwill of the firm by super profit method, if the goodwill is valued at 2. 1/2 years' purchase of super profits**.**

8. A business has earned average profits of Rs. 1,00,000 during the last few years and the normal rate of return in similar business is 10%. Find out the value of goodwill by
(i) Capitalisation of super profit method.
(ii) Super profit method, if the goodwill is valued at 3 years' purchase of super profit. The assets of the business were Rs. 10,00,000 and its external liabilities Rs. 1,80,000. (Delhi 2011)

9. A partnership firm earned net profits during the last 3 years as follows

Year	Net Profit
2007-2008	1,90,000
2008-2009	2,20,000
2010-2011	2,50,000

The capital employed in the firm throughout the above mentioned period has been Rs. 4,00,000. Having regard to the risk involved, 15% is considered to be a fair return on the capital. The remuneration of all the partners during this period is estimated to be Rs. 1,00,000 per annum. Calculate the value of goodwill on the basis of

(i) 2 years' purchase of super profits earned on average basis during the above mentioned 3 years and
(ii) By capitalisation method.

10. On 31st December 2004, the Balance Sheet of a Limited Company disclosed the following position:

Liabilities	*Rs.*	*Assets*	*Rs.*
Issued Capital in shares of Rs. 10 each	4,00,000	Fixed Assets	5,00,000
Reserves	90,000	Current Assets	2,00,000
Profit and Loss	20,000	Goodwill	40,000
5% Debentures	1,00,000		
Current Liabilities	1,30,000		
	7,40,000		7,40,000

On 31st December 2004, the fixed assets were independently valued at Rs. 3, 50,000 and the goodwill at Rs. 50,000.

The net profits for the three years were:

2002 Rs. 51,600; 2003 Rs. 52,000 and 2004 Rs. 51.650 of which 20% was placed to Reserve Account and this proportion being considered reasonable in the industry in which the Company is engaged and where a fair investment return may be taken at 10%. Compute the value of the Company's share by (a) the Assets Method and (b) the Yield Method.

11. The Balance Sheet of Sumana Ltd. as at 31.12. 2004 were as follows:

Liabilities	*Rs.*	*Assets*	*Rs.*
Share Capital:		Fixed Assets:	
50,000 Equity Shares of Rs. 10 each, fully paid	5,00,000	Goodwill	10,000
2,000, 8% Preference shares of Rs. 100 each fully paid.	2,00,000	Land & Building	1,50,000
Reserves and Surplus:		Plant & Machinery	3,50,000
Capital Reserve	1,00,000	*Investments:*	
General Reserve	50,000	5% Govt. Securities at cost (face value Rs. 40,000)	50,000
Secured Loan.		*Current Assets:*	
6% Mortgage Debentures	1,00,000	Stock	3,00,000
Current Liabilities & Provisions:		Debtors	2,00,000
Trade Creditors	1,50,000	Cash at Bank	50,000
Provision for Taxation	10,000		
	11,10,000		11,10,000

The assets were revalued as follows:

Land and Building Rs. 1, 00,000: Plant and Machinery Rs. 4, 50,000. The normal rate of return on capital employed for valuation of Goodwill is 10%. Goodwill should be valued on the basis of 3 years' purchase of the super profits of the company. The average annual profits of the company is Rs. 1, 06,000. 40% of the money invested in Building is treated as non-trading assets; because Rent of Rs. 10,000 is collected from the building annually. You are asked to compute the value of each Equity share. Ignore taxation.

12. J & Co. Ltd. was incorporated on 21st April 2004 with an authorised share capital of Rs. 25, 00,000 in equity shares of Rs. 10 each. The company issued 20,000 equity shares for cash at a premium of Rs. 2.50 per share which were all paid. There was no business until 30th June 2004, on which day the company decided to purchase the going businesses of S & Co. Ltd. and L & Co. Ltd. by its own shares of Rs. 10 each at a premium of Rs. 2.50 per share (assets and liabilities of both the companies were taken at their book values and their goodwill was valued at 2½ years' purchase of super-profits, the normal profits being calculated at 10% of the capital employed in case of each).

Summarised Balance Sheets, as on 30.6.2004, were as follows:

	S& Co.	*L & Co.*		*S & Co.*	*L & Co.*
	Rs.	Rs.		Rs.	Rs.
Equity shares of Rs. 10 each fully paid	3,10,000	3,35,000	Fixed Assets (Other than goodwill)	4,50,000	2,90,000
Profit & Loss A/c	1,90,000	15,000	Current Assets	2,50,000	6,10,000
Current Liabilities	2,00,000	5,50,000			
	7,00,000	9,00,000		7,00,000	9,00,000

The trading profits were reported to be as follows:

		S & Co.	L & Co.
		Rs.	Rs.
For the Year ending	30.6.2002	70,500	55,000
" " " "	30.6.2003	88,000	64,000
" " " "	30.6.2004	89,000	68,500

Find out the respective rates for exchange of shares.

13. The following particulars are available in relation to a company:

(a) **Capital:**

450, 6% Preference shares of Rs. 100 each, fully paid.

4,500 Equity shares of Rs. 10 each, fully paid.

(b) External Liabilities Rs. 7,500.

(c) Reserves and Surplus Rs. 3,500.

(d) The average normal profit (after taxation) earned every year by the company Rs. 8,505.

(e) The normal profit earned on the market value of Equity shares, fully paid, of the same type of companies is 9%.

(J) The Asset-Backing Method assuming that out of the total assets worth Rs. 350 are fictitious.

(g) Ascertain the value of equity shares under earning capacity method.

14. The following is the summarised Balance Sheet of X Co. Ltd as on 31.12.2004

Liabilities	*Rs.*	*Assets*	*Rs.*
Authorised, Issued, Subscribed		Goodwill	5,000
Capital:		Land and Building	1,05,000
1,000 Equity shares of Rs. 100		Machinery	55,000
each, fully paid	1,00,000	Stock (at cost)	45,000
1,000 Redeemable Pref. shares		Sundry Debtors	20,000
of Rs. 100 each fully paid	1,00,000	Cash in hand	5,000
General Reserve	15,000	Cash at Bank	1,15,000
Dividend Equalisation Reserve	5,000	Investment in National	
Employees' Compensation Fund	5,000	Plan certificate	5,000
(represented by Investment in		Preliminary Expenses	5,000
securities)			
Provision for Taxation	5,000		
Employees' Savings Account	10,000		
Sundry Creditors	20,000		
Profit and Loss Account	1,00,000		
	3,60,000		3,60,000

On 1.1.2005, all the Preference shares were redeemed at a premium of Rs. 10 per share out of profits otherwise available for dividends.

You are asked to ascertain the intrinsic value of each of the Equity shares by Assets Backing Method, on the basis of the Balance Sheet immediately after redemption of preference shares.

Take into account the following information:

(i) Goodwill to be taken at Rs. 50,000

(ii) 10% of Sundry Debtors are bad;

(iii) A claim for compensation to an employee has been admitted on 1.1.2005, for Rs. 1,000;

(iv) All the other assets are taken at their book values as shown in the above Balance Sheet.

15. The following is the Balance Sheet of XYZ Co. as on 31st December 2004:

Liabilities		*Rs.*	*Assets*	*Rs.*
Share Capital:				
15,000 Equity Shares or Rs. 10 each fully paid		1,50,000	Freehold Premises	60,000
Reserves and Surplus:			Plant	30,000
General	60,000		Stock	1,50,000
Capital	20,000		Debtors	1,01,500
Profit & Loss	60,000	1,40,000	Bank	58,000
Current Liabilities and Provisions:			Cash	1,350
Creditors	46,850			
Income Tax payable	5,750			
Propose Dividend	17,250			
Provision for Taxation	41,000	1,10,850		
		4,00,850		4,00,850

Net profits (before taxation) for the past three years—

ended 31st Dec. 2002	Rs. 69,000
ended 31st Dec. 2003	Rs. 91,500
ended 31st Dec. 2004	Rs. 98,500

Freehold Premises were valued early in 2004 t Rs. 80000. Average yield in this type of business is 15 per cent on Capital Employed.

You are required to find out the fair value of each share on the basis of above-mentioned facts, assuming the weights for 2002, 2003 and 2004 were assigned as 1, 2, and 3, respectively.

UNIT-4

A. MCQs

1. The preference shareholders are legally entitled to the repayment of capital in the event of liquidation of the company.

2. A company being a creation of law cannot die a natural death. It comes to an end by law through the process of liquidation.

3. Voluntary winding up:

a. If period fixed for the company is expired.
b. If company passes a special resolution the company wound up voluntarily.
c. Members voluntary winding up is applicable to solvent companies only. *d. All of the above*

4. Compulsory winding up:

a. If a company unable to pay its debt
b. If the number of members of company reduced below statutory limit.
c. If a company does commence its business within a year from its incorporation. *d. All of the above.*

5. If a company makes a default in delivering the statutory report to the registrar or in holding the statutory meeting, then company is compulsorily wound up by the court.

6. Creditors voluntary winding up applies to insolvent companies.

7. Liquidator is appointed by

Court	*In case of compulsory winding up*
Members	*Members voluntarily winding up*

Creditors and Members	*In case of creditors voluntarily winding up*

8. Liquidator of the company is responsible for realisation of assets and distibute the proceeds amongst the right claimants.

9. The first item in order of payment to be made by liquidator is:
a. Secured creditors
b. Preferential creditors
c. *Liquidation expenses*
d. Preferential creditors

10. Liquidator's statement of receipts and payment is know as:
a. Cash flow statement
b. Cash book
c. *Liquidator's final statement of account*
d. Deficiency accout

11. A contibutory is
a. A creditor
b. *A shareholder*
c. A debentureholder
d. A convertible debentureholder

12. Present members are included in "A" list of contributories.

13. The holder of fully paid shares are also treated as contributories even though they are not to contribute to the assets of the company.

14. Past members are included in "B" list of contributories.

15. A past member is not liable to contribute:
a. In respect of any liability contracted after he ceased to be member of the company.
b. One year passed since he ceased to be a member.
c. In case of company limited by shares, no liability arises if shares are fully paid up. *d. All of the above*

16. Correct order of payment:
a. Liquidation expenses

b. *Secured creditors*
c. *Preferential creditors*
d. *Unsecured creditors*
e. *Any surplus, among the contributories*

17. Preference shareholders are legally entitled to the repayment of capital in the event of liquidation of the company.

18. The liquidator has a legal right of forfeiting the shares of those who fail to pay the amount due.

19. Which of the following statement is true:
a. Preference share capital together with any arrears of dividend will have priority for payment over equity capital.
b. The holders of cumulative preference shares are entitled to arrears of dividend if there is a surplus after return of equity capital.
c. *Preference shares are treated as fully secured creditors.*
d. If articles provides for payment of arrear of dividend, then it must be paid even by contributories if shares are partly paid.

20. Interest on liabilities is to be paid upto the date of actual payment in case of solvent companies and up to date of commencement of insolvency in case of insolvent company.

21. A creditor for Rs. 10000 holding a charge on the stock of the book value Rs. 12000 (Market value Rs. 8000) is called <u>Partly secured creditors.</u>

22. Calls in advance on shares have priority over payment of paid up share capital of that class.
23. Which of the following is not a preferential creditors:
a. All sum due to employee from a provident fund, pension fund, gratuity fund or any other fund maintain for welfare of employee.
b. Compensation under workmen's compensation act.
c. Amount due under empoyees state insurance act for 12 months previous to the winding up
d. *Amount due to employee undeer amalgamation or reconstruction*

24. All revenue, taxes due to government within 12 months before the date of commencement of winding up is preferential.

25. Salaries due to director, manager, secretary etc. are preferential.

26. Salaries due to clerk is preferential for a period not exceeding: a. Two months
b. Three months
c. *Four months*

d. Fine months

27. Maximum ___________ can be treated as preferential salary and wages. *a. 20000*

b. 25000

c. 30000

d. 40000

28. Amount due to workman is rank with secured creditors in the event of liquidation of the company.

29. "B" List of contributories are not liable:

a. If shares are fully paid up

b. For liabilities after they are ceases to be member of the company.

c. If present shareholders paid the unpaid amount of the shares transferred by them. *d. All of the above*

30. Workman means any person employed in any skilled or unskilled, manual, supervisory(wages less than 1600 p.m.), technical work.

B. PRACTICAL QSTs

1. Sri Gobinda Chandra Sadhukhan is appointed liquidator of Sun Co. Ltd in voluntary liquidation on 1st July 1993.

Following balances are extracted from the books on that date:

	Rs.		Rs.
Capital :		Machinery	45,000
24,000 shares of Rs. 5 each	1,20,000	Leasehold Properties	60,000
Reserve for Bad Debts	15,000	Stock-in-trade	1,500
Debentures	75,000	Book Debts	90,000
Bank Overdraft	27,000	Investments	9,000
Liabilities for purchases	30,000	Calls-in-Arrear	7,500
		Cash in hand	1,500
		Profit and Loss Account	52,500
	2,67,000		2,67,000

You are required to prepare a Statement of Affairs to the meeting of Creditors.

The following assets are valued as under:

	Rs.
Machinery	90,000
Leasehold Properties	1,09,000
Investments	6,000
Stock-in-trade	3,000

Bad Debts are Rs. 3,000 and the doubtful debts are Rs. 6,000 which are estimated to realise Rs. 3,000. The Bank Overdraft secured by deposit of title deeds of Leasehold Properties. Preferential Creditors are Rs. 1,500. Telephone rent outstanding is Rs. 120.

2. M. Co. Ltd. went into voluntary liquidation on 1.3.1991.

The following are extracted from its books on that date:

	Rs.		Rs.	Rs.
Capital :		Building		1,50,000
50,000 Equity Shares of Rs. 10 each	5,00,000	Plant and Machinery		2,10,000
Debentures (secured by a floating charge)	2,00,000	Stock-in-Trade		95,000
Bank Overdraft	30,000	Book Debts	75,000	
Creditors	40,000	*Less* : Provision	10,000	
				65,000
		Calls-in-Arrear		1,00,000
		Cash in hand		10,000
		Profit and Loss Account		1,40,000
	7,70,000			7,70,000

Plant and Machinery and Building are valued at Rs. 1,50,000, and Rs. 1,20,000, respectively. On realisation, losses of Rs. 15,000 are expected on Stock. Book-Debts will realise Rs. 70,000. Calls-in-arrear are expected to realise 90%. Bank Overdraft is secured against Buildings. Preferential Creditors for taxes and wages are Rs. 6,000 and Miscellaneous expenses outstanding Rs. 2,000.

Prepare a Statement of Affairs to be submitted to the meeting of creditors.

3. The following information is extracted from the books of Unlucky Ltd. on 31st July 1983, on which date a winding-up order was made:

	Rs.
Unsecured Creditors	38,000
Salaries due for 5 months	2,000
Bills Payable	10,600
Debtors—good	43,000
Doubtful (estimated to produce Rs. 6,200)	13,000
Bad	8,800
Bills Receivable (Good Rs. 1,000)	1,600
Bank Overdraft	4,000
Land (estimated to produce Rs. 50,000)	36,000
Stock (estimated to produce Rs. 58,000)	82,000
Furniture and Fixtures	8,000
Cash in hand	400
Estimated Liabilities for Bills Discounted	6,000
Secured Creditors holding first mortgage on Land	40,000
Partly Secured Creditors holding secured mortgage on Land	20,000
Weekly Wages unpaid	600
Liabilities under Workmen's Compensation Act, 1925	200
Income-tax due	800
5,000, 9% Mortgage Debentures of Rs. 10 each, interest payable to 30th June and 31st December, paid to 30th June 1983	50,000
Share Capital	
2,000, 10% Preference Shares of Rs. 10 each	20,000
5,000 Equity Shares of Rs. 10 each	50,000
General Reserve since 31st Dec. 1979	10,000

In 1979 the company earned a profit of Rs. 45,000 but thereafter it suffered trading losses totalling Rs. 58,400. The Company also suffered a speculation loss of Rs. 5,000 during 1980. Excise authorities imposed penalty of Rs. 35,000 in 1981 for evasion of tax which was paid in 1982.

From the foregoing information, prepare the Statement of Affairs and the Deficiency Account.

4. **summarised Balance Sheet of Mathew Ltd. as on 31.3.1998, being the date of voluntary winding up is as under:**

Liabilities	Rs.	*Assets*	Rs.
Share Capital		Land and Building	3,86,000
12% Cum. Pref. Shares 10,000 shares of Rs. 100 each fully paid up	10,00,000	Plant and Machinery	8,21,000
Equity Share Capital		Stock-in-Trade	1,84,000
5,000 Equity Shares of Rs. 100 each Rs. 60 per share Called up and Paid up	3,00,000	Book Debts	13,37,000
5,000 Equity Shares of Rs. 100 each, Rs. 50 per share Called up and Paid up	2,50,000	P & L A/c	3,72,000
Paid up Share Capital	15,50,000		
15% Debentures	4,00,000		
Preferential Creditors	1,05,000		
Bank Overdraft	3,03,000		
Trade Creditors	7,42,000		
	31,00,000		31,00,000

Preference Dividend is in arrears for two years. By 31.3.1999, the assets realised were as follows:

	Rs.
Land and Building	9,84,000
Stock-in-Trade	1,63,000
Plant and Machinery	7,12,000
Book Debts	11,91,000

Expenses of liquidation is Rs. 54,000. The remuneration of the liquidator is 3% of the realisation. Income-Tax payable on liquidation is Rs. 44,500. Assuming that the final payments are made on 31.3.1999, prepare the Liquidator's Final Statement of Account.

5. **Prakash Processors went into voluntary liquidation on 31st Dec. 1999, when their Balance Sheet read as follows:**

	Rs.
Liabilities :	
5,000, 10% Cum. Pref. Shares of Rs. 100 each fully paid	5,00,000
2,500 Equity Shares of Rs. 100 each, Rs. 75 paid	1,87,500
7,500 Equity Shares of Rs. 100 each, Rs. 60 paid	4,50,000
15% Debentures secured by a floating charge	2,50,000
Interest Outstanding on Debentures	37,500
Creditors	3,18,750
	17,43,750
Assets :	
Land and Buildings	2,50,000
Machinery and Plant	6,25,000
Patents	1,00,000
Stocks	1,37,500
Sundry Debtors	2,75,000
Cash and Bank	75,000
Profit and Loss A/c	2,81,250
	17,43,750

Preference Dividends were in arrears for 2 years and the creditors included preferential creditors of Rs. 38,000.

The assets realised as follows:

Land and Building Rs. 3,00,000; Machinery and Plant Rs. 5,00,000; Patents Rs. 75,000; Stock Rs. 1,50,000; Sundry Debtors Rs. 2,00,000

The

The expenses of liquidation amounted to Rs. 27,250.

The liquidator is entitled to a commission of 3% on assets realised except cash. Assuming the final payments including those on Debentures is made on 30th June 2000, show the Liquidator's Final Statement of Account.

6. Break Ltd. went into voluntary liquidation on 31.3.1991. **The balances in its books on that date were:**

Liabilities	Rs.	*Assets*	Rs.
Share Capital		Land	50,000
Authorised and Subcribed		Building	2,00,000
5,000, 6% Pref. Shares of Rs. 100 each fully paid	5,00,000	Plant and Machinery	6,25,000
		Stock	1,37,500
	Rs.		Rs.
2,500 Equity Shares of Rs. 100 each, Rs. 75 paid up	1,87,500	Sundry Debtors	2,75,000
		Cash and Bank	75,000
7,500 Equity Share of Rs. 100 each, Rs. 60 paid up	4,50,000	Profit and Loss A/c	4,10,000
5% Debentures (Secured by a floating charge on all assets)	2,50,000		
Interest Due on Debentures	12,500		
Bank Overdraft	1,00,000		
Unsecured Creditors	2,00,000		
Taxes due on Govts. within 12 months	12,500		
Salaries and Wages due for 4 months for workers	60,000		
	17,72,500		17,72,500

The liquidator is entitled to a remuneration of 5% on all assets realised except cash and 1% on the amount distributed to unsecured creditors other than preferential creditors.

Bank overdraft is secured by deposit of title deed of land and building which realised Rs. 3,00,000.

Other assets realised the following sums:

	Rs.
Plant and Machinery	5,00,000
Stock	1,50,000
Sundry Debtors	2,00,000

Expenses of liquidation amounted to Rs. 27,250.

Prepare Liquidator's Final Statement of Account.

Liquidator realised all assets on 1.4.1991 and discharged his obligation on the same date. Dividend on preference shares were in arrears for two years.

7. **Balance Sheet of Asco Ltd. as on 31st March 1993:**

Liabilities	Rs.	Assets	Rs.
Share Capital		*Fixed Assets*	
1,000, 6% Pref. Shares of Rs. 100 each fully paid	1,00,000	Machinery	1,90,000
		Furniture	10,000
2,000 Equity Shares of Rs. 100 each fully paid	2,00,000	*Current Assets*	
		Stock	1,20,000
2,000 Equity Shares of Rs. 100 each, Rs. 75 paid	1,50,000	Debtors	2,40,000
		Cash at Bank	50,000
Loan — Bank (Secured on Stock)	1,00,000		
Current Liabilities & Provisions		*Misc. Expenditure*	
Creditors	3,50,000	P & L A/c	3,00,000
Income-tax Payable	10,000		
	9,10,000		9,10,000

The company went into liquidation on 1.4.1993.

The assets were realised as follows :

	Rs.
Machinery	1,66,000
Furniture	8,000
Stock	1,10,000
Debtors	2,30,000
Liquidation expenses amounted to	4,000

The liquidators are entitled to a commission at 2% on amount paid to unsecured creditors. Calls on partly paid shares were made but the amount due on 200 shares were found to be irrecoverable.

Prepare liquidator's Statement of Account.

8. T. Ltd. was placed in voluntary liquidation on 31.12.2002, when its Balance Sheet was as follows:

Liabilities	Rs.	Assets	Rs.
Issued Share Capital :		Freehold Property	5,80,000
50,000 Equity Shares of Rs. 10 each, fully paid less calls in arrear amounting to Rs. 25,000	4,75,000	Plant and Machinery	2,89,000
		Motor Vehicles	57,500
		Stock	1,86,000
6,000, 5% Cumulative Pref. Shares of Rs. 100 each fully paid	6,00,000	Debtors	74,000
		Profit and Loss Account	2,14,000
Share Premium Account	50,000		
5% Debenture Account	1,00,000		
Interest on Debentures	2,500		
Bank Overdrafts	58,000		
Creditors	1,15,000		
	14,00,500		14,00,500

The Preference dividends are in arrear from 1999 onwards.

The Company's. Articles provide that, on liquidation, out of the surplus assets remaining after payment of liquidation costs and outside liabilities, there shall be paid, firstly, all arrears of Preference dividend, secondly, the amount paid up on the Preference shares together with a premium thereon of Rs. 10 per share, thirdly, any balance then remaining shall be paid to the Equity shareholders.

The

The Bank overdraft was guaranteed by the Directors who were called upon by the Bank to discharge their liability under the guarantee. The Directors paid the amount to the Bank.

The liquidator realised the assets as follows:

	Rs.
Freehold Property	7,00,000
Plant and Machinery	2,40,000
Motor Vehicles	59,000
Stock	1,50,000
Debtors	60,000
Calls-in-Arrears	25,000

Creditors were paid less discount of 5%. The Debentures and accrued interest were repaid on 31st March 2003.

Liquidation costs were Rs. 3,820 and the liquidator's remuneration was 2% on the amounts realised.

Prepare the Liquidator's Statement of Account.

9. The following is the Balance Sheet of Poddar Ltd. which is in the hands of the liquidator:

Balance Sheet
as at 31.12.1983

Liabilities	Rs.	*Assets*	Rs.
Share Capital :		Fixed Assets	2,00,000
1,000, 6% Preference Shares of Rs. 100 each, fully paid	1,00,000	Stock	1,20,000
2,000 Equity Shares of Rs. 100 each, fully paid	2,00,000	Book Debts	2,40,000
2,000 Equity Shares of Rs. 100 each, called Rs. 75	1,50,000	Cash in hand	40,000
Loan from Bank (on security of stock)	1,00,000	Profit and Loss Account	3,00,000
Trade Creditors	3,50,000		
	9,00,000		9,00,000

The assets realised the following amounts (after all costs of realisation and liquidator's commission amounting to Rs. 5,000 paid out of cash in hand Rs. 40,000 as per Balance Sheet):

	Rs.
Fixed Assets	1,68,000
Stock	1,10,000
Book Debts	2,30,000

Calls on partly paid shares were made but the amounts due on 200 shares were found to be irrecoverable.

Prepare Liquidator's Final Statement of Receipts and Payments.

10. following is the Balance Sheet of Confidence Builders Ltd., as at 30th Sept 1990 :

Liabilities		*Rs.*	*Assets*	*Rs.*
Share Capital :			Land and Buildings	1,20,000
Issued : 11% Pref. Shares of Rs. 10 each		1,00,000	Sundry Current Assets	3,95,000
10,000 Equity Shares of Rs. 10 each, fully paid up		1,00,000	Profit and Loss Account	38,500
5,000 Equity Shares of Rs. 10 each, Rs. 7.50 per share paid up		37,500	Debenture Issue Expenses ot written-off	2,000
13% Debentures		1,50,000		
Mortagage Loan		80,000		
Bank Overdraft		30,000		
Creditors for Trade		32,000		
Income-tax arrears :				
(assessments concluded in July 1987)				
assessment year 85-86	21,000			
assessment year 86-87	5,000			
		26,000		
		5,55,500		5,55,500

Mortgage loan was secured against land and buildings. Debentures were secured by a floating charge on all the other assets. The company was unable to meet the payments and therefore the debentureholders appointed a Receiver and this was followed by a resolution for members' voluntary winding up.

The Receiver for the Debenture-holders brought the Land and Buildings to auction and realised Rs. 1,50,000. He also took charge of Sundry assets of the value of Rs. 2,40,000 and, realised Rs 2,00,000 The Liquidator realised Rs. 1,00,000 on the sale of the balance of sundry current assets.

The Bank Overdraft was secured by a personal guarantee of two of the Directors of the Company and on the Bank raising a demand, the Directors paid off the dues from their personal resources. Costs incurred by the Receiver were Rs. 2,000 and by the Liquidator Rs. 2,800.

The Receiver was not entitled to any remuneration but the liquidator was to receive 3% fee on the value of assets realised by him. Preference shareholders had not been paid dividend of period after 30th September 1991 and interest for the last half-year was due to the debenture-holders.

Prepare the accounts to be submitted by the Receiver and the Liquidator.