SOLUTION : ADVANCED ACCOUNTING

Ans.1 (a) (i) Computation of average accumulated expenses

		₹
₹ 3,00,000 x 12 / 12	=	3,00,000
₹ 3,50,000 x 9 / 12	=	2,62,500
₹ 5,50,000 x 6 / 12	=	2,75,000
₹ 1,50,000 x 1 / 12	=	12,500
13,50,000		**8,50,000**

(ii) Calculation of average interest rate other than for specific borrowings

Amount of loan (₹)	Rate of interest	Amount of interest (₹)
6,00,000	11%	= 66,000
11,00,000	13%	= 1,43,000
17,00,000		**2,09,000**
Weighted average rate of interest		
$\left(\frac{2,09,000}{17,00,000} \times 100\right)$		= 12.29%

(iii) Interest amount to be capitalized

	₹
Specific borrowings (₹ 3,00,000 x 12%)	36,000
Non-specific borrowings	
[₹ 5,50,000(₹ 8,50,000 – ₹ 3,00,000) x 12.29%]	67,595
Amount of interest to be capitalized	1,03,595

(iv) Journal Entry

Date	Particulars	Dr. (₹)	Cr. (₹)
31.12.2014	Building account Dr. (13,50,000+1,03,595)	14,53,595	
	To Bank account		14,53,595
	(Being amount of cost of building &		
	borrowing cost thereon capitalized)		

(b) (i) Determination of nature of lease

Fair value of asset ₹ 7,00,000

Unguaranteed residual value ₹ 70,000

Present value of residual value at the end of 4th Year = ₹ 70,000 x 0.683 = ₹ 47,810

Present value of lease payment recoverable = ₹ 7,00,000 - ₹ 47,810 = ₹ 6,52,190

The percentage of present value of lease payment to fair value of the asset is

= (₹ 6,52,190/₹7,00,000)x100

= 93.17%

Since it substantially covers the major portion of lease payment and life of the asset, the lease constitutes a finance lease.

(ii) Calculation of Unearned finance income

Annual lease payment = ₹ 6,52,190 / 3.169

= ₹ 2,05,803 (approx.)

Gross investment in the lease = Total minimum lease payment + unguaranteed residual value.

= (₹ 2,05,803 x 4) + ₹70,000

= ₹ 8,23,212 + ₹70,000

= ₹ 8,93,212

Unearned finance income = Gross investment – Present value of minimum lease payment and unguaranteed residual value

= ₹ 8,93,212 – ₹ 7,00,000 (₹ 6,52,190 + ₹ 47,810)

= ₹ 1,93,212

(c) As per AS 26 'Intangible Assets'

(i) Expenditure to be charged to Profit and Loss account for the year ending 31.03.2013

₹ 32 lakhs is recognized as an expense because the recognition criteria were not met until 1st December 2012. This expenditure will not form part of the cost of the production process recognized as an intangible asset in the balance sheet.

(ii) Carrying value of intangible asset as on 31.03.2013

At the end of financial year, on 31st March 2013, the production process will be recognized (i.e. carrying amount) as an intangible asset at a cost of ₹ 28 (60-32) lacs (expenditure incurred since the date the recognition criteria were met, i.e., from 1st December 2012).

(iii) Expenditure to be charged to Profit and Loss account for the year ended 31.03.2014

	(₹ in lacs)
Carrying Amount as on 31.03.2013	28
Expenditure during 2013 – 2014	90
Book Value	118
Recoverable Amount	(82)
Impairment loss	36

₹ 36 lakhs to be charged to Profit and loss account for the year ending 31.03.2014.

(iv) Carrying value of intangible asset as on 31.03.2014

	(₹ in lacs)
Book Value	118
Less: Impairment loss	(36)
Carrying amount as on 31.03.2014	82

(d) As per AS 4 'Contingencies and Events Occurring After the Balance Sheet Date', adjustment to assets and liabilities are required for events occurring after the balance sheet date that provide additional information materially affecting the determination of the amounts relating to conditions existing at the Balance Sheet date.

A debtor for ₹ 20,00,000 suffered heavy loss due to earthquake in the last week of February, 2016 which was not covered by insurance. This information with its implications was already known to the company. The fact that he became bankrupt in April, 2016 (after the balance sheet date) is only an additional information related to the condition existing on the balance sheet date. However, bankruptcy of debtors is an adjusting event.

Accordingly, full provision for bad debts amounting ₹ 20,00,000 should be made, to cover the loss arising due to the insolvency of a debtor, in the final accounts for the year ended 31st March 2016. Since the company has already made 5% provision of its total debtors, additional provision amounting ₹ 19,00,000 shall be made (20,00,000 x 95%).

Ans.2 **Realisation Account**

		₹			₹
To Sundry Assets			By Unsecured Loans		15,000
Fixed Assets	45,000		By Current Liabilities		15,000
Investments	15,000		By YTR Ltd. (W.N. 2)		85,500
Stock	10,000				
Debtors	27,500	97,500			
To Bank A/c		5,000			
(Realisation Expenses)					
To Profit on realisation					
transferred to					
Yash	6,500				
Tanish	4,333				
Ruchika	2,167	13,000			
		1,15,500			**1,15,500**

Cash and Bank Account

	₹		₹
To Balance b/d	12,500	By Realisation A/c - Expenses	5,000
To YTR (P) Ltd.	8,667	By Ruchika Capital A/c	16,167
(Balancing figure)			
	21,167		**21,167**

YTR Pvt. Ltd.

	₹		₹
To Realisation A/c	85,500	By Cash and bank A/c	8,667
		By Equity Shares in YTR Pvt. Ltd.	76,833
		A/c (Balancing figure)	
	85,500		**85,500**

Partners' Capital Accounts

	Yash (₹)	Tanish (₹)	Ruchika (₹)		Yash (₹)	Tanish (₹)	Ruchika (₹)
To Current A/c	-	10,000	-	By Balance b/d	50,000	20,000	10,000
To Cash and	-	-	16,167	By Current A/c	6,000	-	4,000
bank A/c							
To Equity Shares			-	By Realisation A/c	6,500	4,333	2,167
in YTR Ltd.							
(in 3:2)	46,100	30,733					
To Tanish's				By Yash's capital			
capital A/c				A/c adjustment		16,400	-
Adjustment	16,400						
	62,500	**40,733**	**16,167**		**62,500**	**40,733**	**16,167**

Working Notes:

1. Calculation of Goodwill

	₹
Actual profits	20,000
Less: Normal Rate of Return @ 17.5% of fixed capital worth ₹ 80,000	14,000
Super Profits	6,000
Goodwill valued at 3 years' purchase	18,000

2. Calculation of Purchase Consideration

	₹
Total value of assets as per Balance Sheet	1,20,000
Less: Cash and Bank Balances	12,500
Current account	10,000
	97,500
Add: Goodwill	18,000
	1,15,500
Less: Liabilities taken over	
Unsecured Loan	15,000
Current Liabilities	15,000
Purchase Consideration	85,500

Note: In the above answer, goodwill has not been raised but has been considered for the purpose of computation of purchase consideration.

Ans.3 (a) Calculation of Correct Profit

	Dept. X ₹	Dept. Y ₹	Dept. Z ₹
Profit after charging managers commission	1,80,000	1,35,000	90,000
Add back : Managers‘ commission (1/9)	20,000	15,000	10,000
	2,00,000	1,50,000	1,00,000
Less: Unrealized profit on stock (W.N.)	(24,500)	(22,500)	(10,000)
Profit before Manager‘s commission	1,75,500	1,27,500	90,000
Less : Commission for Department Manager @ 10%	(17,550)	(12,750)	(9,000)
Departmental Profits after manager‘s commission	1,57,950	1,14,750	81,000

Working Note:

Stock lying with

	Dept. X ₹	Dept. Y ₹	Dept. Z ₹	Total ₹
Unrealized Profit of:				
Department X		1/5×75,000=15,000	20/120×57,000=9,500	24,500
Department Y	0.15×70,000=10,500		0.20×60,000=12,000	22,500
Department Z	20/120×30,000=5,000	25/125×25,000=5,000		10,000

(b) M/s ABC & Co.

Bangalore Branch Trial Balance in (US $)

as on 31st March, 2015

	Conversion rate per US $ (₹)	Dr. US $	Cr. US $
Stock on 1.4.14	55	5,454.55	-
Purchases and sales	58	13,793.10	20,689.66
Sundry debtors and creditors	60	6,666.67	5,000.00
Bills of exchange	60	2,000.00	4,000.00
Wages and salaries	58	9,655.17	-
Rent, rates and taxes	58	6,206.90	-
Sundry charges	58	2,758.62	-
Computers	-	6,000.00	-
Bank balance	60	7,000.00	-
New York office A/c	-	-	29,845.35
		59,535.01	**59,535.01**

Trading and Profit & Loss Account
for the year ended 31st March, 2015

	US $		US $
To Opening Stock	5,454.55	By Sales	20,689.66
To Purchases	13,793.10	By Closing stock (₹ 4,20,000/60)	7,000.00
To Wages and salaries	9,655.17	By Gross Loss c/d	1,213.16
	28,902.82		28,902.82
To Gross Loss b/d	1,213.16	By Net Loss	13,778.68
To Rent, rates and taxes	6,206.90		
To Sundry charges	2,758.62		
To Depreciation on computers	3,600.00		
(US $ 6,000 × 0.6)			
	13,778.68		**13,778.68**

Balance Sheet of Bangalore Branch
as on 31st March, 2015

Liabilities		US $	Assets		US $
New York Office A/c	29,845.35		Computers	6,000.00	
Less: Net Loss	(13,778.68)	16,066.67	Less: Depreciation	(3,600.00)	2,400.00
Sundry creditors		5,000.00	Closing stock		7,000.00
Bills payable		4,000.00	Sundry debtors		6,666.67
			Bills receivable		2,000.00
			Bank balance		7,000.00
		25,066.67			**25,066.67**

Ans.4 (a) **10% Debentures Account**

Date	Particulars	₹	Date	Particulars	₹
31st Mar, 2016	To Own debentures A/c	5,00,000	1st Apr, 2015	By Balance b/d	40,00,000
	To Bank A/c	35,00,000			
		40,00,000			**40,00,000**

Debenture Redemption Sinking Fund Account

Date	Particulars	₹	Date	Particulars	₹
31st Mar,2016	To 9% Stock A/c	16,000	1st Apr,2015	By Balance b/d	37,45,000
	(loss) (W.N.5)				

	To General reserve A/c (Bal. fig.)	40,00,000	31st Mar,2016	By Profit & loss A/c	1,42,000
	To Capital Reserve	2,23,000		By Interest on	
				sinking fund A/c	
				(W.N.3)	3,47,000
				By Own debentures	5,000
				A/c (W.N.4)	
		42,39,000			**42,39,000**

Working Notes:

1. Amount of stock as on 1st April, 2015

	₹
Sinking fund balance as on 1st April, 2015	37,45,000
Less: Own debentures	(4,95,000)
	32,50,000

2. Sales value of 9% stock

= Face value / ₹ per stock

= ₹33,00,000 / ₹100 = 33,000 stock

Sales value = 33,000 stock x ₹ 98 per stock

= ₹ 32,34,000

3. Interest credited to Sinking Fund

(i)	Interest on 9% stock (₹33,00,000 x 9%)	₹ 2,97,000
(ii)	Interest on own debentures (5,000 Debentures x ₹100 x 10%)	₹ 50,000
		₹ 3,47,000

4. Own Debentures Account

Date	Particulars	₹	Date	Particulars	₹
1st Apr,2015	To Balance b/d	4,95,000	31st Mar, 2016	By 10%	
31st Mar,2016	To Sinking fund A/c	5,000		Debentures A/c	5,00,000
		5,00,000			5,00,000

5. 9% Stock Account

Date	Particulars	₹	Date	Particulars	₹
1st Apr, 2015	To Balance b/d	32,50,000	31st Mar, 2016	By Bank account	32,34,000
	(Face value			(W.N.2)	
	₹33,00,000)			By Sinking fund	
	(W.N.1)			(loss on sales)	16,000
		32,50,000			**32,50,000**

Ans.4 (b) **In the books of Vriddhi Infra Ltd.**

Journal Entries

Date 2016	Particulars		Dr. (₹)	Cr. (₹)
April 21	Bank A/c	Dr.	2,50,000	
	To Investment A/c			2,00,000
	To Profit on sale of investment			50,000
	(Being investment sold on profit)			
April 25	Equity share capital A/c	Dr.	2,50,000	
	Securities premium A/c	Dr.	1,25,000	
	To Equity shares buy back A/c			3,75,000
	(Being the amount due to equity shareholders on buy back)			
	Equity shares buy back A/c	Dr.	3,75,000	
	To Bank A/c*			3,75,000
	(Being the payment made on account of buy back of 25,000 Equity Shares)			
	General Reserve A/c / P&L A/c	Dr.	2,50,000	
	To Capital redemption reserve A/c			2,50,000
	(Being amount equal to nominal value of buy back shares from free reserves transferred to capital redemption reserve account as per the law)			
1st May	Capital redemption reserve A/c	Dr.	1,50,000	
	To Bonus shares A/c (W.N.1)			1,50,000
	(Being the utilization of capital redemption reserve to issue bonus shares)			
	Bonus shares A/c	Dr.	1,50,000	
	To Equity share capital A/c			1,50,000
	(Being issue of one bonus equity share for every five equity shares held)			

Working Note:

Amount of bonus shares = $\left[(1,00,000 - 25,000) \times \frac{1}{5}\right] \times 10$

= 15,000 x ₹ 10 = ₹ 1,50,000

Ans.5 (a) **In the books of P Ltd.**

Journal Entries

Date	Particulars		(₹)	(₹)
31.3.2011	Employees compensation expenses A/c	Dr.	**80,000**	
	To Employee stock option outstanding account			**80,000**
	(Being compensation expenses for 6 months recognized in respect of the employee stock option i.e. 8,000 options granted to employees at a discount of ₹ 90 each, amortised on straight line basis over 4 ½ years [(8,000 stock options x ₹ 90)/4.5 years] x 0.5) (W.N.1)			
	Profit and loss account	Dr.	**80,000**	
	To Employees compensation expenses account			**80,000**
	(Being expenses transferred to profit and loss account at the year end)			
31.3.2012	Employees compensation expenses account	Dr.	**1,60,000**	
	To Employee stock option outstanding account			**1,60,000**
	(Being compensation expense recognized in respect of the employee stock option i.e. 8,000 options granted to employees at a discount of ₹ 90 each, amortised on straight line basis over 4 ½ years (8,000 stock options x ₹ 90)/4.5 years) x 1 year)			
	Profit and loss account	Dr.	**1,60,000**	
	To Employees compensation expenses account			**1,60,000**
	(Being expenses transferred to profit and loss account at year end)			
31.3.2013	Employees compensation expenses account	Dr.	**80,000**	
	To Employee stock option outstanding account			**80,000**
	(Being compensation expense recognized in respect of the employee stock option i.e. 4,000 options at a discount of ₹ 90 each, amortised on straight line basis over 4 ½ years (4,000 stock options x ₹ 90)/4.5 years)			

	Employee stock option outstanding account (W.N.2) To General Reserve account (W.N.2) (Being excess of employees compensation expenses transferred to general reserve account)	Dr.	**1,20,000**	**1,20,000**
	Profit and loss account To Employees compensation expenses account (Being expenses transferred to profit and loss account at year end)	Dr.	**80,000**	**80,000**
31.3.2014	Employees compensation expenses account To Employee stock option outstanding account (Being compensation expenses recognized in respect of the employee stock option i.e. 4,000 options at a discount of ₹ 90 each, amortised on straight line basis over 4 ½ years (4,000 stock options x ₹ 90)/4.5 years)	Dr.	**80,000**	**80,000**
	Profit and loss account To Employees compensation expenses account (Being expenses transferred to profit and loss account at year end)	Dr.	**80,000**	**80,000**
31.3.2015	Employees compensation expenses account To Employee stock option outstanding account (Being compensation expenses recognized in respect of the employee stock option i.e. 4,000 options at a discount of ₹90 each, amortised on straight line basis over 4 ½ years [(4,000 stock options x ₹ 90)/4.5 years])	Dr.	**80,000**	**80,000**
	Profit and loss account To Employees compensation expenses account (Being expenses transferred to profit and loss account at year end)	Dr.	**80,000**	**80,000**
30.9.2015	Bank A/c (3,000 × ₹ 80) Employee stock option outstanding To Equity share capital account (3,000 x ₹ 10) To Securities premium (₹ 170 – ₹ 10) x 3,000 (Being 3,000 employee stock option exercised at an exercise price of ₹ 80 each)	Dr. Dr.	**2,40,000** **2,70,000**	 **30,000** **4,80,000**

	Employee stock option outstanding account (W.N.3)	Dr.	**90,000**	
	To General reserve account (W.N.3)			**90,000**
	(Being ESOS outstanding A/c transferred to General Reserve A/c on lapse of 1000 vested options at the end of the exercise period)			

Working Notes:

1. Fair value = ₹ 170 – ₹ 80 = ₹ 90
2. At 1.12.12, 4,000 unvested option lapsed on which till date expenses recognized to be transferred to general reserve = ₹ (80,000 + 1,60,000) x 4,000/8,000 = ₹ 1,20,000
3. Expenses charged on lapsed vested options transferred to general reserve
   = 1,000 x ₹ 90 = ₹ 90,000

Note: The nominal value of share is assumed as ₹ 10 in the above answer.

Ans.5 (b) (i) Calculation of liability of each underwriter

(Number of shares)

	A	B	C	Total
Gross Liability	50,000	50,000	50,000	50,000
Less: Marked applications				
(excluding firm underwriting)	(24,600)	(20,000)	(15,000)	(59,600)
Balance	25,400	30,000	35,000	90,400
Less: Unmarked applications				
including firm underwriting	(28,800)	(28,800)	(28,800)	(86,400)
Net Liability	(3,400)	1,200	6,200	4,000
Less: Surplus of A allocated to B & C	3,400	(1,200)	(2,200)	-
	-	-	4,000	4,000
Add: Firm underwriting	25,000	20,000	20,000	65,000
Total liability in shares	25,000	20,000	24,000	69,000
Total liability in amount @₹10	2,50,000	2,00,000	2,40,000	6,90,000

(ii) Commission due = 50,000 x ₹ 10 x 5% = ₹ 25,000 each

(iii) Calculation of net cash paid/received from underwriters

	A	B	C	Total
Total liability in amount	2,50,000	2,00,000	2,40,000	6,90,000
Less: Underwriting				
Commission payable @ 5% on				
amount underwritten	(25,000)	(25,000)	(25,000)	(25,000)
	2,25,000	1,75,000	2,15,000	6,15,000
Amount already paid @ ₹ 5	(1,25,000)	(1,00,000)	(1,00,000)	(3,25,000)
Net amount paid (in ₹)	1,00,000	75,000	1,15,000	2,90,000

(iv) Journal Entries in the books of the company (relating to underwriting)

	Particulars		(₹)	(₹)
1.	A	Dr.	1,25,000	
	B	Dr.	1,00,000	
	C	Dr.	1,20,000	
	To Share Capital Account			3,45,000
	(Being allotment of shares to underwriters)			
2.	Underwriting commission A/c	Dr.	75,000	
	To A			25,000
	To B			25,000
	To C			25,000
	(Being amount of underwriting commission payable)			
3.	Bank A/c	Dr.	2,90,000	
	To A			1,00,000
	To B			75,000
	To C			1,15,000
	(Being net amount received from underwriters for shares allotted less underwriting commission)			

Note: It has been assumed that the applications received for 1,46,000 shares already include firm underwritten shares.

Ans.6 (a) Form B – RA

Name of Insurer: M/s Ishan Co.

Revenue Account for the year ended 31st March, 2015

		Schedule	Current Year (₹)
1.	Premium earned (net)	1	7,46,050
2.	Interest, Dividends and Rent – Assumed Gross		18,000
	Total (A)		7,64,050
1.	Claims incurred (net)	2	92,400
2.	Commission	3	93,600
3.	Operating expenses related to Insurance business	4	46,600
	Total (B)		2,32,600
	Operating Profit from Marine Insurance business (A-B)		5,31,450

Schedules forming part of Revenue Account

	Current Year (₹)
Schedule –1	
Premium earned (net)	
Total Premium earned	4,04,200
Less: Premium on reinsurance ceded	(25,200)
Total Premium earned (net)	3,79,000
Adjustment for change in reserve for unexpired risk	
[(opening) ₹ 7,65,000 – (closing) ₹ 3,97,950(3,79,000 + 18,950)]	3,67,050
Net Premium earned	7,46,050
Schedule – 2	
Claims incurred (net)	92,400
Schedule – 3	
Commission paid	
Direct	96,000
Add: Re-insurance accepted	5,600
Less: Re-insurance ceded	(8,000)
Net Commission	93,600
Schedule – 4	
Operating expenses related to insurance business	
Establishment expenses	30,000
Rent, rates and taxes	14,000
Printing and stationery	1,800
Legal and professional charges ₹ (2,000-1,200)	800
	46,600

Note: Profit on sale of furniture, Double income tax refund, bad debts and Income tax paid have not been shown in the above revenue account assuming that these items are not related specifically with marine business. Thus, they will be shown in the profit and loss account of M/s Ishan Co.

Working Notes:

		Direct (₹)	Re-insurance (₹)
1.	**Total Premium Income**		
	Received	3,60,000	38,000
	Add: Receivable on 31st March, 2015	16,000	1,800
		3,76,000	39,800
	Less: Receivable on 1st April, 2014	(10,000)	(1,600)
		3,66,000	38,200

Total premium income ₹ 3,66,000 + ₹ 38,200 = ₹ 4,04,200

		Re-insurance (₹)
2.	**Premium Expense on reinsurance**	
	Premium Paid during the year	24,000
	Add: Payable on 31st March, 2015	2,200
		26,200
	Less: Payable on 1st April, 2014	(1,000)
		25,200

		Re-insurance (₹)
3.	**Claims Paid**	
	Direct Business	1,54,000
	Re-insurance	14,000
	Legal Expenses	1,200
		1,69,200
	Less: Re-insurance claims received	(17,000)
		1,52,200

		Re-insurance (₹)
4.	**Claims outstanding as on 31st March, 2015**	
	Direct	16,000
	Re-insurance	4,200
		20,200
	Less: Recoverable from Re-insurers on 31st March, 2015	(1,900)
		18,300

		Re-insurance (₹)
5.	**Claims outstanding as on 1st April, 2014**	
	Direct	78,000
	Re-insurance	1,500
		79,500
	Less: Recoverable from Re-insurers on 1st April, 2014	(1,400)
		78,100

		Re-insurance (₹)
6.	**Claims incurred during the year**	
	Net Claims Paid + Claims outstanding on 31.3.2015 – Claims outstanding	
	on 1.4.2014 = ₹ 1,52,200 + ₹ 18,300 – ₹ 78,100	92,400

Ans.6 (b) **In the books of ABC Bank Ltd.**

Journal Entries **(₹ in crores)**

	Particulars		Debit (₹)	Credit (₹)
1.	Rebate on bills discounted A/c	Dr.	40	
	To Discount on bills A/c			40
	(Being the transfer of opening balance in 'Rebate on bills discounted A/c' to 'Discount on bills A/c')			
2.	Bills purchased and discounted A/c	Dr.	5,000	
	To Discount on bills A/c			280
	To Clients A/c			4,720
	(Being the discounting of bills of exchange during the year)			
3.	Discount on bills A/c	Dr.	14	
	To Rebate on bills discounted A/c			14
	(Being the unexpired portion of discount in respect of the discounted bills of exchange carried forward)			
4.	Discount on bills A/c	Dr.	306	
	To Profit and Loss A/c			306
	(Being the amount of income for the year from discounting of bills of exchange transferred to Profit and loss A/c)			

Working Notes:

1. Discount received on the bills discounted during the year
   ₹ 5,000 crores x 14/100 x 146/365 = ₹ 280 crores
2. Calculation of rebate on bill discounted
   ₹ 500 crores x 14/100 x 73/365 = ₹14 crores
3. Income from bills discounted transferred to Profit and Loss A/c would be calculated by preparing Discount on bills A/c.

Discount on bills A/c

₹ in crores

Date	Particulars	₹	Date	Particulars	₹
31.3.2015	To Rebate on bills	14	1.4.2014	By Rebate on bills	40
	discounted			discounted b/d	
	To Profit and Loss A/c	306	2014-15	By Bills purchased and	280
	(Bal. Fig.)			discounted	
		320			**320**

Ans.7 (a) As per AS 20, "Earnings Per Share", the weighted average number of equity shares outstanding during the period reflects the fact that the amount of shareholders' capital may have varied during the period as a result of a larger or lesser number of shares outstanding at any time.

For the purpose of calculating basic earnings per share, the number of equity shares should be the weighted average number of equity shares outstanding during the period

Computation of weighted average number of shares outstanding during the period

Date	No. of equity shares	Period outstanding	Weights (months)	Weighted average number of shares
(1)	**(2)**	**(3)**	**(4)**	**(5) = (2) x (4)**
1st April, 2014	5,00,000 (Opening)	3 months	3 /12	1,25,000
30th June 2014	6,00,000 (after Additional issue)	6.5 months	6.5/12	3,25,000
15th Jan, 2015	5,50,000 (after Buy back)	2.5 months	2.5/12	1,14,583
31st March, 2015	5,50,000 (Balance)	0 month	0/12	-
			Total	**5,64,583**

Ans.7 (b) Calculation of Total Remuneration payable to Liquidator

		Amount in (₹)
2% on Assets realised	(45,00,000 x 2%)	90,000
3% on payment made to Preferential creditors	(1,25,000 x 3%)	3,750
3% on payment made to Unsecured creditors (Refer W.N)		45,000
Total Remuneration payable to Liquidator		**1,38,750**

Working Note:

Liquidator's remuneration on payment to unsecured creditors =

Cash available for unsecured creditors after all payments including liquidation expenses,

payment to secured creditors, preferential creditors & liquidator's remuneration

= ₹ 45,00,000 – ₹ 50,000 – ₹ 15,00,000 – ₹ 1,25,000 – ₹ 90,000 – ₹ 3,750

= ₹ 27,31,250

Sufficient amount is available for unsecured creditors therefore Liquidator's remuneration on payment to unsecured creditors = 3% x ₹ 15,00,000 = ₹ 45,000

(c) Profit and Loss Account of Anurag Trading Co. for the year ended 31st March, 2015 (Assuming business is not a going concern)

	₹		₹
To Opening Stock	36,000	By Sales	5,00,000
To Purchases	4,50,000	By Trade payables	500
To Expenses	16,500	By Closing Stock	38,000
To Depreciation (69,000-64,000)	5,000		
To Provision for doubtful debts	4,000		
To Deferred expenditure	15,000		
To Loan penalty	2,000		
To Net Profit	10,000		
	5,38,500		**5,38,500**

(d) Journal Entries in the Books of Branch

	Particulars		Amount (₹)	Amount (₹)
(i)	Head office account	Dr.	24,000	
	To Salaries account			24,000
	(Being the rectification of salary paid on behalf of H.O.)			

(ii)	Expenses Account	Dr.	22,500	
	To Head office account			22,500
	(Being the allocated expenditure by the head office recorded in branch books)			
(iii)	Head office account	Dr.	50,000	
	To Debtors account			50,000
	(Being the adjustment of collection from branch debtors)			
(iv)	No Entry in branch books			

(e) As per para 10 of AS 12 "Accounting for Govt. Grants", Where the government grants are of the nature of promoters' contribution, i.e., they are given with reference to the total investment in an undertaking or by way of contribution towards its total capital outlay (for example, central investment subsidy scheme) and no repayment is ordinarily expected in respect thereof, the grants are treated as capital reserve.

Subsidy received by A Ltd. is in the nature of promoter's contribution, since this grant is given with reference to the total investment in an undertaking and by way of contribution towards its total capital outlay and no repayment is ordinarily expected in respect thereof. Therefore, this grant should be treated as capital reserve which can be neither distributed as dividend nor considered as deferred income.

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