ALL NEW TOPICS

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REDEMPTION OF PREFERENCE SHARES

10,000 Shares

Question 1

Given below are the extracts of Balance Sheet of Sea Chemicals Limited as on 31st March, 2022:

Particulars	Amount in ₹
9% Redeemable Preference Share Capital 10,000 Shares	10,00,000
Calls in arrears (Redeemable Preference Shares) 1000 Shares	20,000
General Reserve	7,00,000
Securities Premium	80,000

$\frac{10,00,000}{100}$

It is provided that:

(1) Preference Shares are of ₹ 100 each fully-called, due for immediate redemption at a premium of 5%. 105

(2) Calls-in-arrears are on account of final call on 1000 shares held by four members whose whereabouts are not known.

(3) Balance of General Reserve and Securities Premium to be fully utilised for the purposes of redemption and the shortfall to be made good by issue of equity shares of ₹ 10 each at par.

(4) The redemption of preference shares was duly carried out.

You are required to pass the necessary journal entries (narration not required) to give effect to the above redemption.

RMS

Question 2

Given below is the extracts of Balance Sheet of Daisy Limited as at 31st March, 2021.

Particulars	₹
15% 650 Redeemable Preference Shares of 100 each, Rs 80 per share paid up	52,000
22,500 Equity Shares of ₹ 10 each, 9.50 per share paid up	2,13,750
Revaluations Reserve	45,000
Capital Reserve (realized in cash)	500
General Reserve	40,000
Securities Premium	500
Profit & Loss Account	40,500
Current Liabilities	1,07,750
Fixed Assets (PPE)	3,71,500
Non-Current Investments [Face value ₹50,000]	1,00,000
Bank Balance	28,500

The following information are provided:

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(1) On 1st April, 2021, the Board of Directors decided to make a final call of ₹ 20 on Redeemable Preference Shares and to redeem the same at a premium of 10% on 1st June, 2021.

(2) The investments of the face value of ₹20,000 are sold at the market price which was 150% of the face value. 30,000

(3) It is decided to issue sufficient number of Equity Shares of 10 each at a premium of 25% after leaving a balance of ₹ 50,000 in bank account. 12.5

RMS

$10 \times \frac{25}{100} = 2.5$

$10 + 2.5 = 12.5$

22500 + 4000 = 26500/5 × 1 = 5300 × 10 = 53000 ⇒ Bonus Call

(4) It was also decided to convert the partly paid-up Equity shares into fully paid up without requiring the shareholders to pay for the same.

(5) On 1st July, 2021 the Board decided to issue fully paid bonus shares to the equity shareholders in the ratio of one for five.

You are required to pass the necessary journal entries for the above.

5 का Badle 1 — 15 marks

Question 3

The Capital structure of a company BK Ltd., consists of 30,000 Equity Shares of ₹ 10 each fully paid up and 2,000 9% Redeemable Preference Shares of ₹100 each fully paid up as on 31.03.2020. The other particulars as at 31.03.2020 are as follows:

	Amount (₹)
General Reserve	1,20,000
Profit & Loss Account	60,000
Investment Allowance Reserve (not free for distribution as dividend)	15,000
Cash at bank	1,95,000

40000 ✗
80000 ✓
60000
(−) 4500 = 35500
55500 − 20000

= 40500
4500 × 9 =

110

Preference Shares are to be redeemed at a premium of 10%. For the purpose of redemption, the directors are empowered to make fresh issue of Equity Shares at par after utilizing the undistributed reserve & surplus, subject to the conditions that a sum of ₹40,000 shall be retained in General Reserve and which should not be utilized.

Company also sold investment of 4500 Equity Shares in G Ltd., costing ₹ 45,000 at ₹ 9 per share.

Pass Journal entries to give effect to the above arrangements and also show how the relevant items will appear in the Balance Sheet as at 31.03.2020 of BK Ltd., after the redemption carried out.

BONUS AND RIGHT ISSUE

Question 1

Following items appear in the Trial Balance of Star Ltd. as on 31st March, 2019:

Particulars	(₹)
80,000 Equity shares of ₹ 10 each, 8 paid-up	6,40,000
Capital Reserve (including 45,000 being profit on sale of Machinery)	1,10,000
Revaluation Reserve	80,000
Capital Redemption Reserve 1	75,000
Securities Premium 2	60,000
General Reserve	2,10,000
Profit & Loss Account (Cr. Balance)	1,00,000

45000 Free Res
65000

320000
(−) 75000
(−) 60000
185000 GR

On 1st April, 2019, the Company has made final call on Equity shares @₹ 2 per share. The entire money was received in the month of April, 2019.

On 1st June, 2019, the Company decided to issue to Equity shareholders bonus shares at the rate of 2 shares for every 5 shares held and for this purpose, it decided that there should be minimum reduction in free reserves.

Pass necessary journal entries in the Books of Star Ltd.

80,000/5 × 2 : 32000 share @10 : 320000

Question 2

Following is the extract of the Balance Sheet of K Ltd. (unlisted company) as at 31st March, 2020

Particulars	₹

Authorized capital : 3,00,000 Equity shares of ₹ 10 each	 30,00,000
	30,00,000
Issued and Subscribed capital: 2,00,000 Equity shares of ₹ 10 each, 8 paid up	 16,00,000
Reserves and surplus: General Reserve Capital Redemption Reserve Security premium (not realised in cash) Profit and Loss Account	 3,60,000 1,20,000 75,000 6,00,000

500000
(-) (120000) CRR
(-) 360000 GR
20000 P&L

On 1st April, 2020, the Company has made final call @ ₹ 2 each on 2,00,000 equity shares. The call money was received by 25th April, 2020. Thereafter, the company decided to capitalise its reserves by way of bonus at the rate of one share for every four shares held. $\frac{200000}{4} \times 1 : 50000 @ 10$

Show necessary entries in the books of the company and prepare the extract of the Balance Sheet immediately after bonus issue.

Question 3

Following is the extract of Balance Sheet of Prem Ltd. as at 31st March, 2018:

Authorized capital	₹
3,00,000 equity shares of 10 each 25,000, 10% preference shares of 10 each	30,00,000 2,50,000
	32,50,000
Issued and subscribed capital: 2,70,000 equity shares of 10 each fully paid up 24,000, 10% preference shares of ₹ 10 each fully paid up	27,00,000 2,40,000
	29,40,000
Reserves and surplus: General reserve Capital redemption reserve Securities premium (in cash) Profit and loss account	 3,60,000 1,20,000 75,000 6,00,000
	11,55,000

1080000
(-) 120000 CRR
(-) 75000 SP
(-) 360000 GR
525000 P&L

$\frac{270000}{5} \times 2 : 108000 \times 10$
$: 1080000$

On 1st April, 2018, the company decided to capitalize its reserves by way of bonus at the rate of two shares for every five shares held. Show necessary journal entries in the books of the company and prepare the extract of the balance sheet after bonus issue.

REDEMPTION OF DEBENTURES

Question 1

A Company had issued 25,000, 12% Debentures of 100 each on 1st April, 2018. The Debentures were due for redemption on 1st July, 2020. The terms of issue of Debentures provided that they will be redeemable at a premium of 5% and also conferred option to convert 20% of their holding into equity Shares (Nominal value 10 each) at a price of Rs.20 per share.

105

Debenture holders holding 5,000 Debentures did not exercise the option. Calculate the number of Equity shares to be allotted to the debenture holders exercising the option to the maximum.

Question 2

AB Limited (a listed company) recently made a public issue in respect of which the following information is available:

(i) No. of partly convertible 8% debentures issued ₹ 3,00,000; face value and issue price ₹ 100 per debenture.

(ii) Convertible portion per debenture- 60%, date of conversion- on expiry of 7 months from the date of closing of issue.

(iii) Date of closure of subscription lists 1-5-2020, date of allotment 1-6- 2020, rate of interest on debenture 8% payable from the date of allotment, market value of equity share as on date of conversion Rs.60 (Face Value ₹ 10).

(iv) Underwriting Commission 1%

(v) No. of debentures applied for 2,50,000.

(vi) Interest payable on debentures half-yearly on 30th September and 31st March.

Write relevant journal entries for all transactions arising out of the above during the year ended 31st March, 2021 (including cash and bank entries)

Question 3

Sumit Ltd. (an unlisted company other than AIFI, Banking company, NBFC and HFC) had 8,000, 9% debentures of ₹ 100 each outstanding as on 1st April, 2019, redeemable on 31st March, 2020.
On 1st April, 2019, the following balances appeared in the books of accounts:

- Investment in 1,200, 7% secured Govt. bonds of ₹100 each, ₹ 1,20,000.
- Debenture Redemption Reserve is ₹ 50,000.

Interest on investments is received yearly at the end of financial year. On 31st March, 2020, the investments were realized at par and the debentures were redeemed. You are required to write up the following accounts for the year ended 31st March, 2020:

(1) 9% Debentures Account.
(2) Debenture Redemption Reserve Account.
(3) DRR Investment Account.
(4) Interest On 9% Debenture Account.

Question 4

A company had issued 40,000, 12% debentures of ₹100 each on 1st April, 2015. The debentures are due for redemption on 1st March, 2019. The terms of issue of debentures provided that they were redeemable at a premium of 5% and also conferred option to the debenture holders to convert 20% of their holding into equity shares (nominal value₹10) at a predetermined price of ₹ 15 per share and the payment in cash, 50 debentures holders holding totally 5,000 debentures did not exercise the option. Calculate the number of equity shares to be allotted to the debenture holders and the amount to be paid in cash on redemption.

ISSUE OF SHARES

Question 1

Vivek Sinha private limited issued 200,000 Equity shares of Rs 10 each, amount were payable as follows

At Application	Rs 2
At Allotment	Rs 6
At Share 1st & Final Call	Rs 2

Applications were received for 350,000 shares and Company rejected the application money of 50,000 shares and balances were allotted on pro-rata basis. All amount due were received with the exception of following:-

- Mr Suraj who Applied 45,000 shares failed to pay Share Allotment and Share Final.
- Mrs Chander Who Allotted 20,000 shares Failed to pay Share final Call.

Company forfeited all shares of Suraj and Chander and out of Forfeited Shares Company reissued only 40,000 shares (Which includes all shares of Suraj). at Rs 8 per share in the market.
Pass necessary journal entries to record the above issue of share and show your working notes.

Question 2

Gupta & Sons private limited issued 500,000 Equity shares of Rs 10 each at a premium of 20%, amount were payable as follows

At Application	Rs 3 (Including premium Rs 1)
At Allotment	Rs 5 (Including premium Rs 1)
At Share 1st & Final Call	Rs 4

Applications were received for 700,000 shares and Company rejected the application money of 100,000 shares and balances were allotted on pro-rata basis. All amount due were received with the exception of following:-

- Mr Ram who Allotted 75,000 shares failed to pay Share Allotment and Share Final.
- Mrs Roopa Who Applied 30,000 shares Failed to pay Share final Call.

Company forfeited all shares and out of Forfeited Shares Company reissued only 42,500 shares (Which includes all shares of Roopa). At Rs 7 per share in the market.
Pass necessary journal entries to record the above issue of share and show your working notes.

INCOMPLETE RECORDS

Question 1

Following is the Balance sheet of Mr. Ram, a small trader, as on 31" March, 2008:

Details	Amount	Details	Amount
Creditors L	1,00,000	Cash L	10,000
Capital	4,00,000	Bank L	20,000
		Stock	80,000
		Debtors L	1,00,000
		Fixed Assets	2,90,000
	500,000		**500,000**

A fire occurred on the night of 31" March, 2009, destroying the accounting records as well as the closing cash of the trader. However, the following information was available:

i. Debtors and creditors as on 31" March, 2009 showed an increase of 20% as compared to 31-March, 2008.
ii. Credit period:
PU
Debtors: 1 month Creditors: 2 months
iii. Stock was maintained at the same level throughout the year.
iv. Cash sales constituted at 20% of the total sales.
v. All purchases were on credit basis only.
PU
vi. Current ratio on 31st March, 2009 was exactly 2.
vii. Total expenses excluding depreciation for the year amounted to Rs.5,00,000, half Paid in Cash.
viii. Depreciation was provided @ 10% on the closing book value of fixed assets.
ix. Bank and cash transactions for the financial year 2008-09 were as under.
   a) Payment to creditors included Rs. 1,00,000 by cash.

Exp 5L
To Cash 2.5L
To Bank 2.5L

Creditor
To Cash

Bank To Debtors

b) Received from debtors included Rs. 11,80,000 by way of cheques. Bank To Cash
c) Cash deposited into the Bank Rs.2,40,000.
d) Personal drawings from Bank Rs. 1,00,000. Drawings To Bank
e) Fixed assets purchased and paid by cheques Rs.4,50,000. F.A To Bank

x. Assume that cash destroyed by fire is written off in the Profit and Loos account.

You are required to prepare:

- Trading and Profit and Loss account of Shri Ram for the year ended 31* March, 2009.
- A Balance Sheet as at that date.

Question 2

The books of Mr. Z showed the following information: Opn Closi

Particulars	1.1.2007	31.12.2007
Bank Balance		50,000
Debtors		87,500
Creditors		46,000
Stock	50,000	62,500
Fixed Assets	7,500	9,000

(-) 2500
5000 + 5000 = 10,000

The following are the details of the bank transactions:

Receipt from customer:	3,40,000	Bank To Debtors
Payment to Creditors	2,80,000	Creditors To Bank
Capital brought in	5,000	Bank To Cap
Sale of Fixed assets	1,750	Bank 1750 Loss on Sale 750 To F.A 2500
Expenses paid	49,250	Exp To Bank
Drawings	25,000	Draw To Bank
Purchase of Fixed assets	5,000	F.A To Bank
Other information:		
i. Cost of goods sold		260,000
ii. Gross profit 25% on cost of goods sold		
iii. Book value of Assets sold		2.500

Prepare Trading, Profit & loss account for the year ended 31.12.2007 and Balance Sheet as at 31.12.2007.

Question 3

34000 = Furniture To Bank

The books of account of Ruk Ruk Maan of Mumbai showed the following figures:

	31.3.2008	31.3.2009
	Rs.	Rs.
Furniture & Fixtures	200,000	234,000
Stock	2,45,000	3,20,000
Debtors	1,25,000	?
Cash in hand & Bank	1,10,000	?
Creditors	1,35,000	1,90,000
Bill Payable	70,000	80,000
Outstanding Salaries	19,000 (-)	20,000 +

An analysis of the cash book revealed the following:

	Rs.
Cash sales	16,20,000
Collection from debtors	1038,000

Bank To Sale
Bank To Debtors

Purch. To Bank

Discount allowed to debtors	20,000 — D.All To Debtors
Cash purchases	6,15,000
Payment to Creditors	9,73,000 — Creditors To Bank
Discount received from creditors	32,000 — Creditors To D.Rec
Payment for bills payable	B/P To Bank 4,30,000
Drawings for domestic expenses	1,20,000 — Drawings To Bank
Salaries paid	Salary To Bank — 2,36,000
Rent paid	1,32,000 — Rent To Bank
Sundry trade expenses	T.Exp To Bank 81,000

Depreciation is provided on furniture & fixtures 10% pa. on diminishing balance method. Ruk Ruk Maan maintains a steady gross profit rate of 25% on sales.

You are required to prepare trading and profit and loss account for the year ended 31st March, 2009 and balance sheet on same date.

DISSOLUTION OF PATNERSHIP FIRM

Question 1

Read, Write and Add are partners sharing profit and loss in the ratio of 5:3:2 respectively, their balance sheet as on 31st march 2010 is as follows: -

Balance sheet
31st March 2010

Read loan To Bank

Liabilities		Amount	Assets	Amount
Read loan		15,000	Plant and fitting	30,000
Creditor		17,800	Stock	2,000
Loan on Hypothecation of stock		6,200	Debtor	18,400
J.L.P Reserve Distribute		12,400	J.L.P	15,000
Provision for bad debts		400	Patent and trade mark	10,000
Mrs Add Loan		3,000	Cash at bank	18400
Capital A/c			Investment	3,000
Read	30,000			
Write	10,000			
Add	2,000	42,000		
		96,800		96,800

Additional Information

The firm was dissolved on 31.03.2010 and you are given the following information: -

i. Add had taken a loan from Insurer for Rs 5000 on the security of J.L.P. The policy was surrender and insurers paid a sum of Rs 10200 after deducting Rs 5000 for Add's loan and Rs300 as interest thereon.

Bank 10200
A'Cap 5300
To Realisation

17800 – 4500 = 13300 ⇒ Real To Bank

ii. One of the creditors took sum of the patents whose book value was Rs 6000 at the valuation of Rs 4500 the balance of that creditor was paid in cash.
iii. The firm had previously purchased some share in a joint stock company and had written them of on finding them useless. The shares were now found to be worth Rs3000 and the loan creditor agreed to accepts the share at this value and balance amount were paid in cash. 6200 – 3000 : 3200 ⇒ Real To Bank
iv. The reaming assets realized the following amount :
    - Plant & machinery: 17,000
    - Stock: 1,000
    - Debtor: 16,700

    Bank To Real
v. Patents 50 % of their book value. 4000 × 50% : 2000
vi. Loan of Mrs Add is paid by Mr Add at agreed consideration of Rs 2,800. ⇒ Reali To A' cap
vii. The exp. Of realization amounted to Rs 2300 were paid by Read. ⇒ Real To R' cap
viii. Investments were taken over by read at book value.
ix. Add become insolvent and no amount is recovered from his private estate. R' cap To Reali

Prepare the Realization A/c, Partner capital A/c and Bank Account.

Question 2

Rakesh and Rajesh are partners in firm profit sharing ratio 3:2. Balance sheet as on 31st March 2012 shows as follows:

Balance Sheet

Liabilities		Amount	Assets		Amount
Capital a/c			Bank		11500
Rakesh	22500		Land & building		38000
Rajesh	6500	29000	Stock		7500
			Debtor		
Creditor		38000	21500		20,000
Reserve fund		5000	Less: Provision	1500	10,000
Rakesh loan a/c		5000	Investment		
Secured Bank loan		8500			
Investment Fluctuation Fund		1500			
		87,000			87,000

Rak loan To Ban

Adjustment:
a. Debtor realized at Rs 5500
b. Stock at Rs 3000
c. Building at Rs 22000

Bank To Realisation

d. There was a unrecorded typewriter which was taken over by Rakesh at Rs 1500 Rak' cap To Reali
e. Realization expanses amounted to Rs 1500. → Real To Bank
f. All Partner became Insolvent

Prepare Necessary ledgers

MCRM

Question 3

Particulars	**A**	**B**	**C**	**D**
Capitals	300,000	450,000	900,000	600,000
Ratio	2	3	1	2

Question 4

The following is the Balance Sheet of Anand. Bharat and Cheema on 31st December, 2000 when they decided to dissolve the partnership.

Balance Sheet

Liabilities		**Amount**	**Assets**	**Amount**
Creditors		2,000	Sundry Assets	48,500
Anand's Loan		5,000	Cash	500
Capital Account				
Anand	15,000			
Bharat	18,000			
Cheema	9,000	42,000		
		49,000		**49,000**

The Assets realized the following sums in installments:

I. 1,000
II. 3,000
III. 3,900
IV. 6,000
V. 20,100 ← include

100 Profit

The expenses of realization were expected to be Rs 500 but ultimately amounted to Rs 400 only. Show how at each stage the cash received should be distributed between partners. They share profits in the ratio of 2:2:1, Profit on Exp is included in last installment.

Question 5

The firm of LMS was dissolved on 31-3-1995, at which date its Balance Sheet stood as follows:

Liabilities	r	Assets	r
Creditors (2)	2,00,000	Fixed Assets	45,00,000
Bank Loan (1)	5.00.000	Cash and Bank	2.00.000
L's Loan (3)	10.00.000		
Capital			
L (4)	15.00.000		
M	10,00,000		
S	5,00,000		
	47,00,000		47.00.000

1:1:1

Partners share profits equally. A firm of Chartered Accountants Is retained to realize the assets and distribute the cash after discharge of liabilities. Their fees which are to Include all expenses is fixed at Rs 100,000. No loss is expected on realization since fixed assets include valuable land and building.

Exp

Realizations are:

i. 560,000
ii. 15,00,000
iii. ~~15.00.000~~
iv. [illegible]
v. [illegible]

The Chartered Accountant firm decided to pay off the partners in 'Maximum Loss Method'. You are required to prepare a statement showing distribution of cash with necessary workings