

Practice Test - 09 (Accounting)

Sampurna June 2024

Accounting

Shares , Debentures

Time - 1 hour

Date- 10-03-2024

Q1 State with Reasons , whether the following statements are True or False :

The rate of dividend on preference shares may vary From year to year. (2 Marks)

Q2 State with Reasons , whether the following statements are True or False :

If a company incurs loss, then it does not pay interest to the debenture holders. (2 Marks)

Q3 State with Reasons , whether the following statements are True or False :

As per table F, rate of interest on calls in arrears is 12%. (2 Marks)

Q4 State with Reasons , whether the following statements are True or False :

Coupon rate is a specified interest rate payable on debenture. (2 Marks)

Q5 State with Reasons , whether the following statements are True or False :

Preliminary Expenses are shown in the Balance sheet on the Assets side . (2 Marks)

Q6 On 1st April 2020, Zaid Ltd. took over assets of ₹4,50,000 and liabilities of 60,000 of Bharat Ltd. for the purchase consideration of ₹ 4,40,000. It paid the purchase consideration by issuing 8 % debenture of ₹ 100 each at 10 % premium on the same date.

Zaid Ltd. issued another 3000, 8 % debenture of ₹ 100 at discount of 10 % redeemable at premium of 5 % after 5 years. According to the terms of the issue ₹ 30 is payable on application and the balance on the allotment on debentures. It has been decided to write off the

entire loss on the issue of discount in the current year itself.

You are required to pass the journal entries in the books of Zaid Ltd. for the financial year 2020-21. (5 Marks)

Q7 Avantika Ltd. purchased machinery worth ₹ 9,90,000 from Avneet Ltd. The payment was made by issue of 10 % debentures of ₹ 100 each. Pass the necessary journal entries for the purchase of machinery and issue of debentures when: (i) Debentures are issued at par; (ii) Debentures are issued at 20 % discount; and (iii) Debentures are issued at 20 % premium. (5 Marks)

Q8 Fashion Garments Ltd invited applications for issuing 10,000 equity shares of ₹ 10 each. The amount was payable as follows:

(i) On Application ₹ 1 per share

(ii) On Allotment ₹ 2 per share

(iii) On First call ₹ 3 per share

(iv) On Second and final Call ₹ 4 per share .

The issue was fully subscribed. Mr.A to whom 100 shares were allotted, failed to pay the allotment money and his shares were forfeited immediately after the allotment.

Mr.B to whom 150 shares were allotted, failed to pay the first call. His shares were also forfeited after the first call. Afterwards the second and final call was made. Mr.C to whom 50 shares were allotted , failed to pay the second and final call. His shares were also forfeited. All the forfeited shares were re-issued at ₹ 9 per share fully paid-up.



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Pass necessary Journal entries in the books of Fashion Garments Ltd. **(10 Marks)**

- Q9** Tarzan Limited issued Rs.10,00,000 new capital divided into Rs.100 shares at a premium of Rs.20 per share, payable as under :
- On Application - Rs.10 per share
 - On Allotment - Rs.40 per share (including premium of Rs.10 per share)
 - On First and Final Call - Balance
- Over-payments on application were to be applied towards sums due on allotment and

first and final call. Where no allotment was made, money was to be refunded in full .

The issue was oversubscribed to the extent of 13,000 shares. Applicants for 12,000 shares were allotted only 2,000 shares and applicants for 3,000 shares were sent letters of regret and application money was returned to them.

All the money due was duly received.

Give Journal Entries to record the above transactions (including cash transactions) in the books of the company. **(10 Marks)**



Answer Key

Q1 false

Q2 false

Q3 false

Q4 true

Q5 false

Q6 **IN THE BOOKS OF ZAID LIMITED****JOURNAL ENTRIES**

DATE	PARTICULARS	LF	DEBIT (₹)	CREDIT (₹)
20 20				
Ap ril	Goodwill a/c (Balancing figure)	Dr.	50,000	
	Sundry Assets a/c	Dr.	4,50,000	
	To Sundry Liabilities a/c			60,000
	To Bharat Limited a/c			4,40,000
	(Being net consideration given for Assets and Liabilities)			
	Bharat Limited a/c	Dr.	4,40,000	
	To 8% Debentures a/c			4,00,000
	To Securities Premium a/c			40,000
	(Being 4000; 8% debentures issued at premium of 10% @ ₹100 each)			
	Bank a/c	Dr.	90,000	
	To Debenture application a/c			90,000
	(Being application money received on 3000; 8% debentures @ ₹30 each)			

	Debenture application a/c	Dr.	90,000	
	To 8% Debenture a/c			90,000
	(Being 8% Debenture allotted)			
	Debenture allotment a/c (3000₹60)	Dr.	1,80,000	
	Loss on issue of debenture a/c(3000₹15)	Dr.	45,000	
	To 8% Debenture a/c(3000₹70)			2,10,000
	To Premium on redemption of debenture a/c (3000₹5)			15,000
	(Being 3000; allotment made on 8% debentures issued at 10% discount and redeemable at 5% premium)			
	Bank a/c (3000₹60)	Dr.	1,80,000	
	To Debentures allotment a/c			1,80,000
	(Being allotment money received)			
20 21				
M ar ch 31	Profit and Loss a/c	Dr.	45,000	
	To Loss on issue of Debenture a/c			45,000
	(Being loss on issue of debenture written off)			

Q7 **Books of Avantika Ltd.****Journal**

Machinery A/c	Dr.	9,90,000	
To Avneet Ltd. A/c			9,90,000



(Machinery purchased)		
Case (i) When Debentures are issued at par - Avneet Ltd. A/c Dr. To 10% Debentures A/c (10% Debentures issued to Avneet Ltd.)	9,90,000	9,90,000
Case (ii) When Debentures are issued at 20% discount - Avneet Ltd. A/c Dr. Discount on issue of debentures A/c Dr. To 10% Debentures A/c (10% Debentures issued to Avneet Ltd. at 20% discount)	9,90,000 2,47,500	12,37,500
Case (iii) When Debentures are issued at 20 % premium Avneet Ltd. A/c Dr. To 10% Debentures A/c To Premium on issue of debentures A/c (10% Debentures issued to Avneet Ltd.)	9,90,000	8,25,000 1,65,000

Q8 Journal Entries

Date	Particulars	Debit	Credit
	Bank A/c Dr. To Equity Share Application A/c (Applications money received)	₹ 10,000	₹ 10,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c (Application money transferred to Share Capital A/c)	10,000	10,000
	Equity Share Allotment A/c Dr.	20,000	20,000

	To Equity Share Capital A/c (Allotment due on 10,000)		
	Bank A/c Dr. To Equity Share Allotment A/c (Allotment money received except on 100shares)	19,800	19,800
	Equity Share Capital A/c(1003) Dr. To Equity Share Allotment A/c (1002) To Forfeited Shares A/c (1001) (100 shares forfeited for non payment of Allotment money)	300	200 100
	Equity Share First Call A/c Dr. To Equity Share Capital A/c (First call due on 9,900 shares @ Rs.3 per share)	29,700	29,700
	Bank A/c Dr. To Equity Share First Call A/c (Amount received on first call except on 150 shares)	29,250	29,250
	Equity Share Capital A/c(1506) Dr. To Equity Share First Call A/c (1503) To Forfeited Shares A/c (1503) (150 shares forfeited for non payment of first call)	900	450 450
	Equity Share Final Call A/c Dr. To Equity Share Capital A/c (Final call due on 9,750 shares @ Rs.4 per share)	39,000	39,000



Bank A/c Dr. To Equity Share Final Call A/c (Amount received on final call except on 50 shares)	38,800	38,800
Share Capital A/c(5010) Dr. To Share Final Call A/c (504) To Share Forfeiture A/c (506) (50 shares forfeited for non payment of Final Call)	500	200 300
Bank A/c(3009) Dr. Share Forfeiture A/c(3001) Dr. To Share Capital A/c (Reissue of 300 shares @ 9 per share fully paid up)	2,700 300	3,000
Share Forfeiture A/c Dr. To Capital Reserve A/c (Profit transferred to Capital Reserve A/c)	550	550

Note :

Profit on 100 shares of Mr.A	
Profit on 150 shares of Mr.B	100
Profit on 50 shares of Mr.C	450
Less : Loss on Reissue	300
Transferred to Capital Reserve	850 (300) 550

Q9

D	Particulars	L.F	Dr.(Rs.)	Cr.(Rs.)
a				

Bank A/c Dr. To Share Application A/c (23,000 × Rs.10) (Application Money received for 10,000 + 13,000 = 23,000 shares @ Rs.10 per share)		2,30,000	2,30,000
Share Application A/c Dr. To Share Capital A/c (10,000 * Rs.10) To Share Allotment A/c (2,000 * Rs.40) To Calls in Advance A/c (Rs.1,00,000 - Rs.80,000) To Bank A/c (3,000 * Rs.10) (Application Money adjusted)		2,30,000	1,00,000 80,000 20,000 30,000
Share Allotment A/c Dr. To Share Capital A/c To Securities Premium Reserve A/c (Allotment money due on 10,000 shares)		4,00,000	3,00,000 0 1,00,000
Bank A/c Dr. To Share Allotment A/c (Allotment Money received)		3,20,000	3,20,000
Share First & Final Call A/c Dr. To Share Capital A/c		7,00,000	6,00,000 0 1,00,000



Hints & Solutions

Q1 Text Solution:

The dividend rate on preference shares remains constant throughout and does not change from year to year.

Q2 Text Solution:

Even if the company incurs loss or earns profit, it has to pay the interest on debentures. Unlike shares, it is the legal obligation of the company to pay the interest on due dates irrespective of its earning.

Q3 Text Solution:

The rate of interest on calls in arrears is 10% as per the provisions of Table F.

Q4 Text Solution:

Coupon rate is a specified interest rate payable on debenture.

Q5 Text Solution:

Preliminary Expenses are not shown in the Balance sheet. As per AS-26, they are written off in the same year in which they are incurred.



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