

Q.1. The following is the Balance Sheet of Lal Ltd. as at 31.3.2001 **(10)**

Liabilities	Rs.	Assets	Rs.
Share Capital:		Fixed Assets:	
Authorised		Gross Block	3,00,000
10,000 10% Redeemable		Less: Depreciation	1,00,000
Pref. Shares of Rs.10 each.	1,00,000	Investments:	1,00,000
90,000 Equity shares of		Current Assets and Loans	
Rs.10 each	9,00,000	and Advances:	
	10,00,000	Inventory	25,000
Issued and Subscribed:		Debtors	25,000
10,000 10% Redeemable		Cash and Bank	50,000
Preference		Miscellaneous Expenditure	20,000
Shares of Rs.10 each	1,00,000		
10,000 Equity Shares of	1,00,000		
Rs.10 each			
Reserves & Surpluses:			
General Reserve	1,20,000		
Securities Premium	70,000		
Profit and Loss A/c	18,500		
Current Liabilities and			
Provisions:	11,500		
	4,20,000		4,20,000

For the year ended 31.3.2002, the company made a net profit of Rs.15,000 after providing Rs.20,000 depreciation and writing off the miscellaneous expenditure of Rs.20,000.

The following additional information is available with regard to company's operation:

- The preference dividend for the year ended 31.3.2002 was paid before 31.3.2002.
- Except cash and bank balances other current assets and current liabilities as on 31.3.2002, was the same as on 31.3.2001.
- The company redeemed the preference shares at a premium of 10%.
- The company issued bonus shares in the ratio of one share for every equity share held as on 31.3.2002.
- To meet the cash requirements of redemption, the company sold a portion of the investments, so as to leave a minimum balance of Rs.30,000 after such redemption.
- Investments were sold at 90% of cost on 31.3.2002.

Required: (a) Pass necessary journal entries to record redemption and issue of bonus shares, (b) Prepare the cash and bank account. (c) Prepare the Balance Sheet as at 31st March, 2002 incorporating the above transactions.

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Q.2. Tom Limited planned to set up a unit for manufacture of bulk drugs. For the purpose of financing the unit the Board of Directors have issued 15,00,000 equity shares of Rs.10 each. 30% of the issue was reserved for promoters and the balance was offered to the public. A, B and C have come forward to underwrite the public issue in the ratio of 3:1:1 and also agreed for firm undertaking of 30,000; 20,000 and 10,000 shares, respectively. The underwriting commission was fixed at 4%. The amount payable on application was Rs.2.50 per share. The details of subscriptions (excluding firm underwriting) are: **(10)**

Marked forms of A	5,50,000 Shares
Marked forms of B	2,00,000 Shares
Marked forms of C	1,50,000 Shares
Unmarked forms	50,000 Shares

- (a) You are required to show the allocation of liability among underwriters with workings.
 (b) Pass journal entries in the books of Tom Limited:
 (i) For underwriters' net liability and the receipt or payment of cash to or from underwriters.
 (ii) Determining the liability towards the payment of commission to the underwriters.

Q.3. The Jerry Ltd. was incorporated on 1st August 2001, to take over the running business of Goffy Bros. with effect from 1st April 2001. The company received the certificate for commencement of business on 1st October 2001. The following Profit & Loss Account was prepared for the year ended 31st March 2002. **(10)**

Profit and Loss Account for the year ended 31st March 20X2

Particulars	Rs.	Particulars	Rs.
To Office Salaries	21,000	By Gross Profit b/d	80,000
To Partner's Salaries	6,000	By Share Transfer Fees	1,000
To Advertisement	4,400		
To Printing & Stationery	1,500		
To Travelling Exp.	4,000		
To Office Rent	9,600		
To Electricity Charges	900		
To Auditors Charges	600		
To Directors Charges	1,000		
To Bad Debts	1,200		
To Commission on Sales	4,000		
To Preliminary exps.	700		
To Debenture Interest	1,600		
To Interest on Capital	1,800		
To Depreciation	2,100		
To Net Profit	20,600		
	81,000		81,000

Additional Information:

- (a) Total Sales for the year, which amounted to Rs.8,00,000 arose evenly up to the date of certificate of commencement, whereafter they recorded an increase of 2/3 during the year. Gross profit was at an uniform rate of 10% of selling price throughout the year and a commission of 0.5% was paid on sales.
 (b) Office Rent was paid @ Rs.8,400 p.a. up to 30th September 20X1, and thereafter it was paid @ Rs.10,800 p.a.
 (c) Travelling Expenses include Rs.1,600 towards sales promotion.
 (d) Bad Debts written off;-
 (a) A debt of Rs.400 taken over from the vendor.
 (b) A debt of Rs.800 in respect of goods sold in September 2001.

Depreciation includes Rs.600 for assets acquired in the post-incorporation period.

Required: Show the 'pre' and 'post' incorporation results and also state how the results of pre-and cost-incorporation is dealt with.

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Q.4. The following is the Profit & Loss Account of GULSAN Ltd. for the year ended 31st March 2003. **(10)**

Particulars	Rs	Particulars	Rs
To Salaries & wages	1,92,000	By Gross Profit	10,15,200
To Bonus for 2001-2002	5,000	By Premium on Issue of shares & Debentures	50,000
To Interest an Debentures	12,000	By Profit as Sale of forfeited shares	5,000
To Interest an unsecured Loan	6,000	By Profit on sale of Building (Cost-Rs.2 lakhs WDV Rs.1.30lak)	90,000
To Repairs to Moveable Property	1,000	By Bounties & Subsidies Received from Govt.	60,000
Immovable Property	2,000		
To Contributions	25,000		
To Depreciation	82,000		
To compensation for breach of contract	1,000		
To Insurance Premium against the risk or meeting Liability on A/c of compensation for breach of contract	5,000		
To Loss on Sale of Investments	5,000		
To Loss on Sale of Machinery (Cost Rs.2,00,000 Sale Proceeds Rs.1,10,000 W.D.V. Rs.1,30,000)	20,000		
To expenditure on Scientific Research ?& cost of an ope.	20,000		
To Provision for Income Tax	1,60,000		
To Provision for Doub. Debts	7,500		
To Directors' fees	5,000		
To Ex-gratia, payments to employees	2,200		
To Balance c/d	6,69,500		
	12,20,200		12,20,200
To Proposed Dividend	1,60,000	By Profit for the year 2002-2003	6,69,500
To Corporate Dividend Tax	16,000		
To Balance c/d	4,93,500		
	6,69,500		6,69,500

Notes

- Estimated liability on account of Bonus in respect of 2002-2003 in accordance with the Payment of Bonus Act 1965 is Rs.10,000.
- Depreciation admissible as per Schedule (XIV) amounts to Rs.67,000.

Required: Calculate the Maximum managerial remuneration payable in each of the following alternative cases:

- Overall managerial remuneration u/s 198
- If the Company has one managing director.
- If the company has one managing director & one whole time director.
- If the company has only three part time directors.
- If the company has three part-time directors & one managing director.
- If the company has one whole time director & one manager
- If the company has two whole time directors & one manager
- If the company has three part time directors & one manager
- If the company has three part time directors two whole time directors & one manager.
- If the company has three part-time directors one whole time directors & one manager.

- (k) If the company has only one manager who is entitled to a salary of Rs.2,500 per month plus 2% Commission on the net profits of the company after such salary & commission salary has not yet been accounted for.
- (l) If the company has three whole time directors & two part time directors. The remuneration payable to the whole time directors is to be calculated on net profits remaining after charging remuneration to part-time directors & the remuneration to part-time directors is to be calculated on net profits remaining after charging remuneration to whole time directors.

Q.5. The following balances appeared in the books of X Ltd as on 1.1.2001 **(10)**

6% Debentures (face value Rs 100 each)	Rs 2,00,000
Debenture Redemption Fund	Rs 1,00,000

Debenture Redemption Fund Investment represented by Rs 50,000 own debentures purchased @ rs 90 and the remaining amount by Rs 60,000, 6% Govt. Securities.
On 1.5.2001, the company sold the Govt. Securities of Rs 20,000 @ Rs 95 Ex-Interest and invested the amount realized in own debentures @ Rs 97. On 31.12.2001, Rs.12,400 was appropriated for the Sinking Fund which together with the interest received on the Sinking Fund during the year, was invested in Own Debentures @ Rs.95 each. Interest on the debentures was payable on 30th June and 31st Dec. and interest on Govt. Securities was receivable on the same dates

Required: Prepare (a) Debentures A/c. (b) Debenture Redemption Fund A/c.

- (c) Debenture Redemption Fund Investment (own Debenture) A/c and Debenture Interest A/c and Balance Sheet for the given items:

