

## BATCH : LI – 9 &amp; 11

DATE: 09.10.2016

MAXIMUM MARKS: 100

TIMING: 3 Hours

**ADVANCE SACCOUNTING****Answer: 1:**

| Particulars   |     | Dr. (Rs.) | Cr. (Rs.) |
|---|-----|-----------|-----------|
| At the end of 1 year  |     |           |           |
| Employees Compensation Expenses A/c<br>To Employee Stock Options Outstanding A/c<br>(Being the compensation expenses recognized in respect of the ESOP) | Dr. | 8,60,625  | 8,60,625  |
| Profit and Loss A/c<br>To Employee Compensation Expense A/c<br>(Being Expenses of the year transferred to P & L A/c)                                    | Dr. | 8,60,625  | 8,60,625  |
| At the end of Year 2  |     |           |           |
| Employees Compensation Expenses A/c<br>To Employee Stock Options Outstanding A/c<br>(Being expense in respect of ESOP recognized for the year 2)        | Dr. | 8,60,625  | 8,60,625  |
| Profit and Loss A/c<br>To Employee Compensation Expenses A/c<br>(Being Expenses of the year transferred to P & L A/c)                                   | Dr. | 8,60,625  | 8,60,625  |
| At the end of Year 3  |     |           |           |
| Employees Compensation Expenses A/c<br>To Employee Stock Options Outstanding A/c<br>(Being expense in respect of ESOP recognized for the year 3)        | Dr. | 21,03,750 | 21,03,750 |
| Profit and Loss A/c<br>To Employee Compensation Expense A/c<br>(Being Expenses of the year transferred to P & L A/c)                                    | Dr. | 21,03,750 | 21,03,750 |

**Working Note:**

- A. No. of Employees expected to take options =  $2,500 \times .80 \times .85 \times .90 \times .90 = 1377$   
 B. No. of Options to be granted to each employee = 500  
 C. Fair Value of each option = Rs. 5  
 D. Total Fair Value of Options expected to vest (A x B x C) = Rs. 34,42,500  
 E. Amount of Fair Value of Options to be recognized as an expense 1st year  
 (34,42,500/4)  
 = Rs. 8,60,625

2nd Year  $(34,42,500 \times (2/4) - 8,60,625) - Rs. 8,60,625 = Rs. 8,60,625$

3rd Year  $[(1530 \text{ employees} \times 500 \text{ options} \times Rs. 5) - (8,60,625 + 8,60,625)] = Rs. 21,03,750$

Since vesting period has been revised in 3rd year all the remaining liabilities in respect of employees stock option plan has been recognized at the end of 3rd year and data for the 4th year has been ignored.

**(4 Marks)**

**Answer 2:****Statement determining the maximum number of shares to be bought back**  
**Number of shares**

| Particulars   | When loan fund is   |                     |                     |
|---|---------------------|---------------------|---------------------|
|   | Rs. 1,800<br>crores | Rs. 1,200<br>crores | Rs. 1,500<br>crores |
| Shares Outstanding Test (W.N.1)                                       | 8.25                | 8.25                | 8.25                |
| Resources Test (W.N.2)  | 6.25                | 6.25                | 6.25                |
| Debt Equity Ratio Test (W.N.3)  | Nil                 | 3.75                | Nil                 |
| Maximum number of shares that can be bought back (least of the above) | Nil                 | 3.75                | Nil                 |

Journal Entries for the Buy Back (applicable only when loan fund is Rs. 1,200 crores)

|     |   | Rs. in crores |        |
|-----|---|---------------|--------|
|     |   | Debit         | Credit |
| (a) | Equity share buy back account Dr.<br>To Bank account<br>(Being buy back of 3.75 crores equity shares of Rs. 10 each @ Rs. 30 per share)   | 112.5         | 112.5  |
| (b) | Equity share capital account Dr.<br>Securities premium account Dr.<br>To Equity share buy back account<br>(Being cancellation of shares bought back)  | 37.5<br>75    | 112.5  |
| (c) | General reserve account Dr.<br>To Capital redemption reserve account<br>(Being transfer of free reserves to capital redemption reserve to the extent of nominal value of share capital bought back out of redeemed through free reserves) | 37.5          | 37.5   |

**Working Notes:****1. Shares Outstanding Test**

| Particulars                   | (Shares in crores) |
|-------------------------------|--------------------|
| Number of shares outstanding  | 33                 |
| 25% of the shares outstanding | 8.25               |

**2. Resources Test**

| Particulars   | (Shares in crores) |
|---|--------------------|
| Paid up capital (Rs. in crores)                             | 330                |
| Free reserves (Rs. in crores)                               | 420                |
| Shareholders funds (Rs. in crores)                          | 750                |
| 25% of Shareholders fund (Rs. in crores)                    | Rs. 187.5 crores   |
| Buy back price per share                                    | Rs. 30             |
| Number of shares that can be bought back (shares in crores) | 6.25 crores shares |

**3. Debt Equity Ratio Test**

|     | Particulars  | When loan fund is |                                  |                  |
|-----|--|-------------------|----------------------------------|------------------|
|     |  | Rs. 1,800 crores  | Rs. 1,200 crores                 | Rs. 1,500 crores |
| (a) | Loan funds (Rs. in crores)   | 1,800             | 1,200                            | 1,500            |
| (b) | Minimum equity to be maintained after buy back in the ratio of 2:1 (Rs. in crores)                         | 900               | 600                              | 750              |
| (c) | Present equity shareholders fund (Rs. in crores)   | 750               | 750                              | 750              |
| (d) | Future equity shareholder fund (Rs. in crores) <b>(See Note 2)</b>   | N.A.              | 712.5<br>(750-37.5)              | N.A.             |
| (e) | Maximum permitted buy back of Equity (Rs. in crores) [(d) – (b)] <b>(See Note 2)</b>                       | Nil               | 112.5 (by simultaneous equation) |                  |
| (f) | Maximum number of shares that can be bought back @ Rs. 30 per share (shares in crores) <b>(See Note 2)</b> | Nil               | 3.75 (by simultaneous equation)  | Nil              |

**Note:**

- Under Situations 1 & 3 the company does not qualify for buy back of shares as per the provisions of the Companies Act, 2013.
- As per section 68 of the Companies Act, 2013, the ratio of debt owed by the company should not be more than twice the capital and its free reserve after such buy-back. In the question, it is stated that the company has surplus funds to dispose off therefore, it is presumed that buy-back is out of free reserves or securities premium and hence a sum equal to the nominal value of the share bought back shall be transferred to Capital Redemption Reserve (CRR). Utilization of CRR is restricted to issuance of fully paid-up bonus shares only. It means CRR is not available for distribution as dividend. Hence, CRR is not a free reserve. Therefore, for calculation of future equity i.e. share capital and free reserves, amount transferred to CRR on buyback has to be excluded from present equity.

Amount transferred to CRR and maximum equity to be bought back will be calculated by simultaneous equation method.

Suppose amount equivalent to nominal value of bought back shares transferred to CRR account is 'X' and maximum permitted buy-back of equity is 'Y'.

Then

Equation 1 : (Present equity – Nominal value of buy-back transfer to CRR) - Minimum equity to be maintained = Maximum permissible buy-back of equity

$$(750 - X) - 600 = Y \quad (1)$$

$$\text{Equation 2 : } \left( \frac{\text{Maximum buy-back}}{\text{Offer price for buy-back}} \times \text{Nominal Value} \right)$$

= Nominal value of the shares bought – back to be transferred to CRR

$$\left(\frac{Y}{30} \times 10\right) = x$$

$$\left[\text{here } (30 = 25\% \times 120)\right]$$

Or  $3x = y$  (2)

by solving the above two equations we get

$$X = \text{Rs. } 37.5 \text{ crores}$$

$$Y = \text{Rs. } 112.5 \text{ crores}$$

**(8 Marks)**

**Answer 3:**

**(i)**

**Computation of total liability of underwriters in shares**

|  | (in shares)     |                 |                 |                 |
|--|-----------------|-----------------|-----------------|-----------------|
|  | X               | Y               | Z               | Total           |
| Gross liability  | 90,000          | 37,500          | 22,500          | 1,50,000        |
| Less : Marked applications (excluding firm underwriting)   | <u>(15,000)</u> | <u>(30,000)</u> | <u>(7,500)</u>  | <u>(52,500)</u> |
|  | 75,000          | 7,500           | 15,000          | 97,500          |
| Less : Unmarked applications in the ratio of gross liabilities of 12:5:3 (excluding firm underwriting) | <u>(13,500)</u> | <u>(5,625)</u>  | <u>(3,375)</u>  | <u>(22,500)</u> |
|  | 61,500          | 1,875           | 11,625          | 75,000          |
| Less : Firm underwriting   | <u>(12,000)</u> | <u>(4,500)</u>  | <u>(15,000)</u> | <u>(31,500)</u> |
|  | 49,500          | 2,625           | 3,375           | 43,500          |
| Less : Surplus of Y and Z adjusted in X's balance (2,625 + 3,375)                                      | <u>(6,000)</u>  | <u>2,625</u>    | <u>3,375</u>    |                 |
| Net liability  | 43,500          | -               | -               | 43,500          |
| Add : Firm underwriting  | <u>12,000</u>   | <u>4,500</u>    | <u>15,000</u>   | <u>31,500</u>   |
| Total liability  | <u>55,500</u>   | <u>4,500</u>    | <u>15,000</u>   | <u>75,000</u>   |

**(ii)**

**Calculation of amount payable to or due from underwriters**

|   | X         | Y        | Z        | Total      |
|---|-----------|----------|----------|------------|
| Total Liability in shares                                     | 55,500    | 4,500    | 15,000   | 75,000     |
| Amount receivable @ Rs. 20 from Underwriter (in Rs.)          | 11,10,000 | 90,000   | 3,00,000 | 15,00,000  |
| Less: Underwriting Commission payable @ 5% of Rs. 20 (in Rs.) | (90,000)  | (37,500) | (22,500) | (1,50,000) |
| Net amount receivable (in Rs.)                                | 10,20,000 | 52,500   | 2,77,500 | 13,50,000  |

(iii)

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

|    |  |     | Rs.       | Rs.       |
|----|--|-----|-----------|-----------|
| 1. | X  | Dr. | 11,10,000 |           |
|    | Y  | Dr. | 90,000    |           |
|    | Z  | Dr. | 3,00,000  |           |
|    | To Share Capital A/c   |     |           | 7,50,000  |
|    | To Securities Premium A/c  |     |           | 7,50,000  |
|    | <u>(Being allotment of shares to underwriters)</u>   |     |           |           |
| 2. | Underwriting commission A/c  | Dr. | 1,50,000  |           |
|    | TO X   |     |           | 90,000    |
|    | TO Y   |     |           | 37,500    |
|    | TO Z   |     |           | 22,500    |
|    | <u>(Being amount of underwriting commission payable)</u>   |     |           |           |
| 3. | Bank A/c   | Dr. | 13,50,000 |           |
|    | To X   |     |           | 10,20,000 |
|    | To Y   |     |           | 52,500    |
|    | To Z   |     |           | 2,77,500  |
|    | <u>(Being net amount received by underwriters for shares allotted less underwriting commission )</u> |     |           |           |

**(8 Marks)****Answer 4:**

In the matter of the Companies Act, 1956 &amp; in the matter of Equipment Ltd. (in winding up)

**Statement of Affairs on 31 December, 2012, the date of winding up****Estimated realizable value**

| <b>Assets</b>                                      |                       |                          |   |                                    | <b>Rs.</b> |
|--|-----------------------|--------------------------|---|------------------------------------|------------|
| Assets not specifically pledged (as per list A)    |                       |                          |   |                                    |            |
| Trade Debtors                                      |                       |                          |   |                                    | 60,000     |
| Stock in trade                                     |                       |                          |   |                                    | 74,000     |
| Plant  |                       |                          |   |                                    | 1,30,000   |
| Tools  |                       |                          |   |                                    | 4,000      |
| Patents  |                       |                          |   |                                    | 30,000     |
| Unpaid calls                                       |                       |                          |   |                                    | 5,000      |
|  |                       |                          |   |                                    | 3,03,000   |
| Assets specifically pledged (as per list B)        |                       |                          |   |                                    |            |
|  | Estimated Realisation | Due to Secured Creditors | Deficiency Ranking as Unsecured Creditors | Surplus carried to the last column |            |
|  | Rs.                   | Rs.                      | Rs.                                       | Rs.                                |            |
| Investments  | 1,70,000              | 1,90,000                 | 20,000                                    |                                    |            |
| Land & Building                                    | 1,30,000              | 80,000                   |   | 50,000                             |            |
|  | 3,00,000              | 2,70,000                 |   |                                    |            |
| Estimated surplus from assets specifically pledged |                       |                          |   |                                    |            |
| Estimated total assets available for preferential  |                       |                          |   |                                    | 50,000     |

|                          |   |            |            |
|--------------------------|---|------------|------------|
|                          | creditors, debenture holders and unsecured creditors  |            | 3,53,000   |
|                          | Summary of Gross Assets :   |            |            |
|                          | Gross realisable value of –   |            |            |
|                          | Assets specifically charged   | 3,00,000   |            |
|                          | Others assets   | 3,03,000   |            |
|                          |   | 6,03,000   |            |
|                          | Estimated total assets available for preferential creditors, debenture holders, bank overdraft and unsecured creditors brought forward. |            | 3,53,000   |
| <b>Gross Liabilities</b> | <b>Liabilities</b>  |            |            |
| <b>Rs.</b>               |   | <b>Rs.</b> | <b>Rs.</b> |
| 2,50,000                 | Secured creditors (as per List B) to the extent to which claims are estimated to be covered by assets specifically pledge               |            | 22,000     |
| 22,000                   | Preferential creditors as per list C<br>Estimated balance of assets available for Debenture holders, Bank & unsecured creditors         |            | 3,31,000   |
| 1,02,500                 | Debenture holders secured by a floating charge as per list D  |            | (1,02,500) |
|                          | Surplus as regards debenture holders  |            | 2,28,500   |
|                          | Unsecured creditors as per list E   |            |            |
|                          | Estimated unsecured balance of claim of creditors partly secured on   |            |            |
|                          | Specific assets   | 20,000     |            |
|                          | Trade creditors   | 2,65,500   |            |
| 2,92,500                 | Outstanding expenses  | 7,000      | 2,92,500   |
|                          | Estimated deficiency as regards creditors   |            |            |
|                          | Being the difference between gross Liabilities and gross assets   |            | 64,000     |
| 6,67,000                 |   |            |            |
|                          | Issued & Called up Capital :  |            |            |
|                          | 3,000 Equity shares or Rs. 100 each Rs. 80 paid   | 2,40,000   |            |
|                          | 6% 1,000 preference shares of Rs. 1000 each fully called  | 1,00,000   | 3,40,000   |
|                          | Estimated Deficiency as regards members as per list H   |            | 4,04,000   |

\* Note :- For the purpose of section 530 (1) (b) of the Companies Act, 1956, the term "employee" shall include officers and other administrative staff members but it shall not include workmen and managing director. In fact, section 530(8) (bb) clearly states that the expression "employee" does not include a workman. Also section 2(26) read with the explanation to section 269 concludes that a managing director is not an ordinary employee and hence he should not be considered as an employee for the purpose of section 530. The Secretary of a company, being an officer, is to be included within the definition of "employee" for the purpose of section 530.

**Note :** (i) The above is subject to cost to winding up estimated at Rs. 15,000 and to any surplus in deficiency on trading realisation of assets.

(ii) There are 3,000 shares unpaid @ Rs. 20 per share liable to be called up.

## List H- Deficiency Account

| A. Item contributing to Deficiency :   | Rs              |
|--|-----------------|
| 1. Excess of capital & liabilities over assets on 1-1-2010   | Nil             |
| 2. Net dividend & bonuses during the period Jan.-Dec.2010  | 29,700          |
| 3. Net trading losses after charging depreciation, taxation, Interest on debentures, etc. during the same period (Rs. 1,09,000 + Rs. 1,31,300) | 2,40,300        |
| 4. Losses other than trading losses written off or for which Provision has been made in the books during the same Period-stock loss.           | 40,000          |
| 5. Estimated losses now written off or for which provision has Been made for the purpose of preparing the statement:                           |                 |
| Plant  | Rs. 70,000      |
| Tools  | 16,000          |
| Patents  | 20,000          |
| Stock  | 13,000          |
| Investments  | 10,000          |
| Debtors  | 30,000          |
| 6. Other reducing items contributing to deficiency   | 1,59,000<br>Nil |
|  | 4,69,000        |
| <b>B. Items reducing Deficiency</b>  |                 |
| 7. Excess of assets over capital and liabilities on 1st Jan. 2008  | 15,000          |
| 8. Net trading profit during the period 1st Jan. 2006 to 31st Dec. 2008  | 40,000          |
| 9. Profit & Incomes other than trading profit during the same period   |                 |
| 10. Other items Deficiency-Profit expected on Land & Building  | 10,000          |
|  | 65,000          |
| Deficiency as shown by the statement of Affairs (A)-(B)  | 4,69,000        |
|  | 4,04,000        |

**Working Notes:**

(1) Trial Balance to ascertain the amount of loss for 2012.

|                             | Dr. Rs.  | Dr. Rs.  |
|-----------------------------|----------|----------|
| Land & Building             | 1,20,000 |          |
| Plant                       | 2,00,000 |          |
| Tools                       | 20,000   |          |
| Patents                     | 50,000   |          |
| Stock                       | 87,000   |          |
| Investments                 | 1,80,000 |          |
| Debtors                     | 90,000   |          |
| Equity Capital              |          | 2,40,000 |
| 6% Preference share capital |          | 95,000   |
| 5% Debentures               |          | 1,00,000 |
| Interest Outstanding        |          | 2,500    |
| Mortgage on Land & Building |          | 80,000   |
| Trade Creditors             |          | 2,65,500 |
| Owing for Wages             |          | 20,000   |

|                                      |           |           |
|--------------------------------------|-----------|-----------|
| Secretary's Salary                   |           | 3,000     |
| Managing Director's Salary           |           | 6,000     |
| Profit & Loss Account on 1-1-2010    |           | 1,90,000  |
|                                      | 1,23,700  |           |
|                                      | 8,70,700  | 10,02,000 |
| Loss for the year (balancing figure) | 1,31,300  |           |
|                                      | 10,02,000 | 10,02,000 |

**Reserve & Surplus Account**

| 2007           |                                 | Rs.      | 2007            |                        | Rs.      |
|----------------|---------------------------------|----------|-----------------|------------------------|----------|
| Dec.31<br>2008 | To Profit & Loss A/c (Transfer) | 25,000   | Dec.31<br>2008  | By Balance b/d         | 40,000   |
|                | To Dividend Equity Preference   | 24,000   | Dec. 31<br>2009 | By Profit for the year | 40,000   |
| 2009           | To Profit & Loss A/c (Loss)     | 5,700    | 2009<br>Dec.31  | By Balance C/d         | 1,23,700 |
|                | To Loss of Stock                | 1,09,000 |                 |                        |          |
|                |                                 | 40,000   |                 |                        |          |
|                |                                 | 2,03,700 |                 |                        | 2,03,700 |

**(12 Marks)**

**Answer 5:**

**M. Ltd. (In liquidation)**

**Liquidator's Statement of Account from 1<sup>st</sup> January, 2011 to 30<sup>th</sup> June, 2011**

|   |          | Rs.             |  |          | Rs.             |
|---|----------|-----------------|--|----------|-----------------|
| Balance at Bank                         |          | 74,000          | Liquidator's Remuneration                    |          | 7302            |
| Realisation from :<br>Trade receivables |          | 52,000          | (3% on Rs. 2,43,398)                         |          |                 |
| M. Ltd.-                                |          |                 | Liquidation Expenses                         |          | 3000            |
| Rs. 1,40,000 6% Debentures              | 1,42,800 |                 | Loan on Mortgage with Accrued Interest       |          | 2,04,000        |
| Cash                                    | 2,62,200 | 4,05,000        | Creditors including Outstanding Expenses     |          | 75,500          |
| 6 months' interest On debentures        |          | 4,200           | Return contributors :                        |          | 1,00,000        |
| Equity shareholders                     |          | 5,35,200        | 6% Preference share-Holders Rs. 10 per share |          |                 |
| Less : Cost of Collection of Debts      |          | (2000)          | 6% Debentures Cash (03 P. approx.)           | 1,42,800 |                 |
|   |          |                 | Per share                                    | 598      | 1,43,398        |
| <b>Total</b>                            |          | <b>5,33,200</b> |  |          | <b>5,33,200</b> |

**(6 Marks)**

**Answer 6:**

**M/s Complex Departmental Trading and Profit & Loss Account for year ended 31-03-2013**

|   | A Rs.  | B RS.  | C RS.  | Total Rs. |  | A Rs.  | B Rs.  | C Rs.  | Total Rs. |
|---|--------|--------|--------|-----------|--|--------|--------|--------|-----------|
| To Opening Stock                                  | 3,000  | 4,000  | 6,000  | 13,000    | By Internal transfer                               | 18,000 | 33,000 | -      | 51,000    |
| To Direct material consumption                    | 8,000  | 12,000 | -      | 20,000    | BY Sales   | -      | -      | 34,000 | 34,000    |
| To Wages  | 5,000  | 10,000 | -      | 15,000    | By Closing Stock                                   | 4,000  | 14,000 | 8,000  | 26,000    |
| To Internal transfer                              | -      | 18,000 | 33,000 | 51,000    |  |        |        |        |           |
| To Gross Profit C/d                               | 6,000  | 3,000  | 3,000  | 12,000    |  |        |        |        |           |
|   | 22,000 | 47,000 | 42,000 | 1,11,000  |  | 22,000 | 47,000 | 42,000 | 1,11,000  |
| To Salaries                                       | 1,000  | 500    | 500    | 2,000     | By Gross profit b/d                                | 6,000  | 3,000  | 3,000  | 12,000    |
| To Printing & Stationery                          | 500    | 250    | 250    | 1000      | By Net Loss C/d                                    | 2,000  | 1,000  | 1,000  | 4,000     |
| To Rent   | 3,000  | 1,500  | 1,500  | 6,000     |  |        |        |        |           |
| To Depreciation                                   | 1,500  | 750    | 750    | 3,000     |  |        |        |        |           |
| To Interest paid                                  | 2,000  | 1,000  | 1,000  | 4,000     |  |        |        |        |           |
|   | 8,000  | 4,000  | 4,000  | 16,000    |  | 8,000  | 4,000  | 4,000  | 16,000    |
| To Net Loss b/d                                   |        |        |        | 4000      | By Reserve for unrealise profit (On opening stock) |        |        |        | 3000      |
| To Reserve for unrealized profit on closing stock |        |        |        | 3,918     |  |        |        |        |           |
|   |        |        |        |           | By Balance transferred to P & L A/c                |        |        |        | 4918      |
|   |        |        |        | 7918      |  |        |        |        | 7918      |

Working Notes:

Calculation of Unrealised Profit on Closing Stock :

Dept. B : Closing Stock Rs. 14,000

Cost element transferred from Deptt. A  $Rs. 14,000 \times \frac{18,000}{40,000} = Rs.6300$

Profit added by Deptt. A  $Rs. 6,300 \times \frac{50}{150} = Rs.2100$

Clarification: Cost increased during the current period by Deptt. B are Direct Material Rs. 12000 wages Rs. 10000 and Transfer received from Deptt. A Rs. 18,000; Total Rs. 40,000

So cost element of Deptt. A Rs. 18,000 in closing stock is  $\frac{Rs.18,000}{Rs.40,000}$

(FIFO formula for stock issue is assumed)

Deptt. C : Closing stock Rs. 8,000

Profit added by Deptt. B: Rs. 8000 X  $\frac{10}{110} = Rs.727$

Cost element from Deptt. A :

$(Rs. 8000 - Rs. 727) \times \frac{Rs.18,000}{Rs.40,000} = Rs.3,273$

Profit added by Deptt. A : Rs. 3273 X  $\frac{50}{150} =$  Rs. 1,091

Rs. 1,818

Total Unrealised Profit : Rs. 2,100 + Rs. 3,918

**(12 Marks)**

**Answer 7:**

**Statement of liabilities of B list contributories**

| Share holders | No. of shares transferred | Maximum liability (upto Rs. 2 per share) | Division of Liability as on |             |            |           |              |
|---------------|---------------------------|--|-----------------------------|-------------|------------|-----------|--------------|
|               |                           |  | 1.5. 2012                   | 1.10. 2012  | 1.11. 2012 | 1.2. 2013 | Total        |
| P             | 1,500                     | Rs. 3,000                                | Rs. 1,500                   | Rs. -       | Rs. -      | Rs. -     | Rs. 1,500    |
| Q             | 1,000                     | 2,000                                    | 1,000                       | 555         | -          | -         | 1,555        |
| R             | 500                       | 1,000                                    | 500                         | 278         | 188        | -         | 966          |
| S             | <u>300</u>                | <u>600</u>                               | <u>300</u>                  | <u>167</u>  | <u>112</u> | <u>21</u> | <u>600</u>   |
|               | <u>3,300</u>              | <u>6,600</u>                             | <u>3,300</u>                | <u>1000</u> | <u>300</u> | <u>21</u> | <u>4,621</u> |

**Working Note:**

| Date      | Cumulative Liability | Increase in liability | Ratio of no. of shares held by the members |
|-----------|----------------------|-----------------------|--|
| 1.5.2012  | 3,300                | -                     | 30:20:10:6                                 |
| 1.10.2012 | 4,300                | 1,000                 | 20:10:6                                    |
| 1:11:2012 | 4,600                | 300                   | 10:6                                       |
| 1.2.2013  | 6,000                | 1,400                 | Only S                                     |

Liability of S has been restricted to the maximum allowable limit of Rs. 600, therefore amount payable by S is restricted to Rs. 21 only, on 1.2.2013.

**Notes:**

1. A will not be liable to pay to the outstanding creditors since he transferred his shares prior to one year preceding the date of winding up.
2. P Will not be responsible for further debts incurred after 1st May, 2012 (from the date when he ceases to be member). Similarly, Q and R will not be responsible for the debts incurred after the date of their transfer of shares.

**(5 Marks)**

**Answer 8:**

**Silk Stock Account**

| 2012                     | Rs.      | 2012           | Rs.      |
|--------------------------|----------|----------------|----------|
| To Balance b/d           |          | By Sales A/c   | 1,25,000 |
| To Cost           18,600 |          | By Mark-up A/c | 2,000    |
| Mark-up <u>9,300</u>     | 27,900   | By Balance C/d | 51,350   |
| To Purchases   93,400    |          |                |          |
| Mark-up <u>46,700</u>    | 1,40,100 |                |          |
| To Khadi A/c     6,900   |          |                |          |
| Mark-up <u>3,450</u>     | 10,350   |                |          |
|                          | 1,78,350 |                | 1,78,350 |

**Silk Mark-up Account**

| 2012                     | Rs.    | 2012           | Rs.    |
|--------------------------|--------|----------------|--------|
| To Stock A/c             | 2,000  | By Balance b/d | 9,300  |
| To Profit & Loss A/c     | 41,000 | By Stock A/c   | 46,700 |
| To Balance c/d           | 16,450 | By Stock A/c   | 3,450  |
| [(1/3 of 52,350) – 1000] |        |                |        |
|                          | 59,450 |                | 59,450 |

**Working Notes:**

|                              |                 |
|------------------------------|-----------------|
| Verification of Profit       | Rs.             |
| Sales                        | 1,25,000        |
| Add: Mark down in goods sold | <u>1,000</u>    |
|                              | <u>1,26,000</u> |
| Gross Profit 1/3             | 42,000          |
| Less : Mark down             | <u>(1,000)</u>  |
| Gross profit as per books    | <u>41,000</u>   |

**Khadi Stock Account**

| 2012                               | Rs. | Rs.      | 2012        | Rs.          | Rs.    |
|------------------------------------|-----|----------|-------------|--------------|--------|
| To Balance b/d<br>(10,500 + 2,240) |     | 12,740   | By Sales    |              | 95,600 |
|                                    |     |          | Silk Deptt. | 6,900        |        |
|                                    |     |          | Mark-up A/c | <u>2,300</u> | 9,200  |
| To Purchases   75,900              |     | 1,01,200 | By Loss of  | 390          |        |
| Markup       25,300                |     |          | Stock A/c   |              |        |

|  |  |                 |                  |                 |
|--|--|-----------------|------------------|-----------------|
|  |  |                 | Marsk-up A/c 130 | 520             |
|  |  |                 | By Mark-up A/c   | 360             |
|  |  |                 | By Balance c/d   | 8,260           |
|  |  | <b>1,13,940</b> |                  | <b>1,13,940</b> |

**Khadi Mark-up Account**

| 2012 | Rs.                              | Rs.           | 2012 | Rs.                             | Rs.           |
|------|----------------------------------|---------------|------|---------------------------------|---------------|
|      | To Stock A/c (transfer)          | 2,300         |      | By Balance b/d<br>(3,500-1,260) | 2,240         |
|      | To Stock A/c (re-sale)           | 130           |      | By Stock A/c                    | 25,300        |
|      | To Stock A/c (mark<br>down)      | 360           |      |                                 |               |
|      | To Profit & Loss A/c             | 22,685        |      |                                 |               |
|      | To Balance (1/4 of Rs.<br>8,260) | 2,065         |      |                                 |               |
|      |                                  | <u>27,540</u> |      |                                 | <u>27,540</u> |

**Working Note:**

|   |                |
|---|----------------|
| Verification of Profit                                  | Rs.            |
| Sales as per books                                      | 95,600         |
| Sales as per books                                      | <u>1,620</u>   |
| Add : Mark-down (1,260 + 360)                           | <u>97,220</u>  |
| Gross Profit on fixed selling price @ 25% on Rs. 97,220 | 24,305         |
| Less : Mark down  | <u>(1,620)</u> |
|   | <u>22,685</u>  |

**(10 Marks)**

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