(ALL BATCHES)

DATE: 10.09.2018 **MAXIMUM MARKS: 100** **TIMING: 3¼Hours**

PAPER 1: ACCOUNTS

Q. No. 1 is compulsory.
Candidates are required to answer any four questions from the remaining five questions.
Wherever necessary suitable assumptions should bemade by the candidates.
Working notes should form part of the answer.

Answer:1

(a)

(i) As per para 24 of AS 2 (Revised) on Valuation of Inventories, material and other supplies held for use in the production of inventories are not written down below cost if the finished product in which they will be incorporated are expected to be sold at or above cost. However, when there has been a decline in the price of materials and it is estimated that the cost of the finished products will exceed net realizable value, the materials are written down to net realizable value. In such circumstances, the replacement cost of the materials may be the best available measure of their net realizable value. **1M**

Hence, in the given case, the stock of 10,000 kgs. of raw material will be valued at Rs. 80 per kg. The finished goods, if on stock, should be valued at cost or net realizable value which is lower. **1M**

(ii) As per para 13 of AS 2 (Revised), abnormal amounts of waste materials, labour or other production costs are excluded from cost of inventories and such costs are recognized as expenses in the period in which they are incurred. **1M**

In this case, normal waste is 250 MT an abnormal waste is 50 MT.
The cost of 250 MT will be included in determining the cost of inventories (finished goods at the year end. The cost of abnormal waste amounting to Rs. 50,000 (50 MT × Rs. 1,000) will be charged in the profit and loss statement. **1M**

(iii) In accordance with paras & 8 and 9 of AS 2 (Revised), the costs of conversion include a systematic allocation of fixed and Variable production overheads that are incurred 'in converting materials into finished goods. The allocation of fixed production overheads for the purpose of their inclusion in the costs of conversion is based on the normal capacity of the production facilities. **1M**

(b)

The error in the recording of closing stock of the year ended 31st March, 2005 must have also resulted in overstatement of profits of previous year, brought forward to the current year ended 31st March, 2006. Vide para 4 of AS 5 (Revised) on Net Profit or Loss for the period, prior period items and charges in Accounting policies, the rectifications as required in the current year are 'Prior Period Items'. Accordingly, Rs. 20,000 should be deducted from opening stock in the profit and loss account. And Rs. 20,000 should be charged as prior period adjustment in the profit and loss account for **5M** the year ended 31st March 2006 in accordance with para 15 of AS 5 (Revised) which requires that the nature and amount of prior period items should be separately disclosed in the statement of profit and loss in a manner that their impact on the current profit or loss can be perceived. **1M**

(c)

Particulars	Rs.
Purchase Price of Land	30,00,000
Stamp Duty & Legal Fee	2,00,000
Architect Fee	2,00,000
Site Preparation	50,000
Materials (10,00,000 - Wasted Materials Cost not includible in PPE 2,50,000)	7,50,000
Direct Labour Cost (4,00,000 - Cost of Delay period not includible in PPE 22,000)	3,78,000
Interest (40,00,000 × 8% × 9/12) (only upto date of completion of construction)	2,40,000
Total to be capitalized	**48,18,000**

8 items × ½ = 4M

Note: General Overheads are not included in the Cost of PPE.**}1M**

(d)

(i) Computation of average accumulatedexpenses

		Rs.
Rs. 2,00,000 x 12 / 12	=	2,00,000
Rs. 2,50,000 x 9 / 12	=	1,87,500
Rs. 4,50,000 x 6 / 12	=	2,25,000
Rs. 1,20,000 x 1 / 12	=	10,000
		6,22,500

1M

(ii) Calculation of average interest rate other than for specificborrowings

Amount of loan (Rs.)	Rate of interest		Amount ofinterest (Rs.)
5,00,000	11%	=	55,000
9,00,000	13%	=	1,17,000
14,00,000			1,72,000
Weighted average rate of interest $\frac{1,72,000}{14,00,000} \times 100$		=	12.285% (approx)

1M

(iii) Interest on average accumulatedexpenses

		Rs.
Specific borrowings (Rs. 1,00,000x10%)	=	10,000
Non-specific borrowings (Rs. 5,22,500*x12.285%)	=	64,189
Amount of interest tobecapitalised	=	74,189

1M

(iv) Total expenses to be capitalised forbuilding

	Rs.
Cost of building Rs. (2,00,000 + 2,50,000 + 4,50,000 + 1,20,000)	10,20,000
Add: Amount of interest to be capitalised	74,189
	10,94,189

1M

(v) JournalEntry

Date	Particulars		Dr. (Rs.)	Cr. (Rs.)
31.12.2016	Building account To Bank account (Being amount of cost of building and borrowing cost thereon capitalised)	Dr.	10,94,189	10,94,189

1M

Answer: 2
(a)

Trading and Profit and Loss A/c of Mr. Green for the year ended….

Dr.	Rs.		Cr. Rs.
To Opening stock	***10,000***	By Sales	***4,00,000***
To Purchase- Balance Figure	***3,40,000***	By Closing Stock	***50,000***
To Gross Profit c/f	***1,00,000***		
	4,50,000		4,50,000
To Expenses (balancing figure)	***20,000***	By Gross Profit b/f	***1,00,000***
To Net Profit	***80,000***		
	1,00,000		1,00,000

8 items × ½ = 4M

Balance Sheet of Mr. Green as at….

Liabilities:	Rs.	Assets	Cr.
Capital	***4,00,000***	Fixed Assets	***5,00,000***
Liabilities	***8,00,000***	Closing Stock	***50,000***
		Sundry Debtors	***6,00,000***
		Cash	***50,000***
	12,00,000		12,00,000

6 items × ½ = 3M

Working notes:-

1. Capital:
Given Fixed Assets Rs. 5,00,000

$$\frac{\text{Fixed Assets}}{\text{Capital}} = 5/4$$

Or, $\text{Capital} = 5,00,000 \times \frac{4}{5} = \text{Rs. } 4,00,000$

1M

2. Liabilities:

$$\frac{\text{Capital}}{\text{Liabilities}} = \frac{1}{2}$$

Or, Liabilities = 4,00,000 × 2 = Rs. 8,00,000

1M

3. Net Profit:

$$\frac{\text{Net Profit}}{\text{Capital}} = 1/5$$

Or, $$\frac{\text{Net Profit}}{\text{Rs.}4,00,000} = 1/5$$

Or, Net profit = Rs. 4,00,000 × ⅕
= Rs. 80,000

1M

4. Sales: $$\frac{\text{Net Profit}}{\text{Sales}} \times 100 = 20$$

Or, $$\frac{80,000}{\text{Sales}} \times 100 = 20$$

Or, Sales = 80,000 × 100/20 = Rs. 4,00,000

1M

5. Gross Profit:

Gross Profit Ratio = 25%

Or, $$\frac{\text{Gross Profit}}{\text{Sales}} \times 100 = 25$$

Or, $$\frac{\text{Gross Profit}}{4,00,000} \times 100 = 25$$

Or, Gross Profit = 4,00,000 × 25/100 = Rs. 1,00,000

1M

6. Opening Stock:

Cost of Goods Sold = Sales - Gross Profit
= Rs. 4,00,000 - Rs. 1,00,000 = Rs. 3,00,000

Stock Turnover Ration = 10

Or, $$\frac{\text{Cost of Goods Sold}}{\text{Average Stock}} = 10$$

Or, $$\frac{3,00,000}{\text{Average Stock}} = 10$$

Or, Average Stock = 3,00,000/10
= Rs. 30,000

$$\text{Average Stock} = \frac{\text{Opening stock} + \text{closing stock}}{2}$$

Opening Stock + Closing Stock = 2 × Average Stock
= 2 × Rs. 30,000 = 60,000

Given Closing Stock = Rs. 50,000

So, Opening Stock = Rs. 60,000 - Rs. 50,000
= Rs. 10,000

2M

7. Cash Balance :

$$\frac{\text{Fixed Assets}}{\text{Total Current Assets}} = 5/7$$

Or, $$\frac{5,000}{\text{Total Current Assets}} = 5/7$$

Or, Total Current Assets = Rs. 5,00,000 × 7/5

= Rs. 7,00,000

Total Current Assets = Closing Stock + Sundry Debtors + Cash

Or Cash = Total Current Assets - Closing Stock - Sundry Debtors

= Rs.7,00,000 - Rs. 50,000 - Rs. 6,00,000

= Rs. 50,000

1M

(b)

(i)	Price of two car		4,00,000
	Less: Depreciation for the first year @ 30%		(1,20,000)
			2,80,000
	Less: Depreciation for second year $\left[2,80,000 \times \frac{30}{100}\right]$		(84,000)
	Agreed value of two cars taken back by the Hire Vendor		1,96,000
(ii)	Cash Purchase Price of one car		2,00,000
	Less: Depreciation on Rs. 2,00,000 @ 20% for the first year		(40,000)
	W.D.V. at the end of Ist year		1,60,000
	Less: Dep. on Rs. 1,60,000 @ 20% for the second year		(32,000)
	Book Value of Car left with the hire purchase		1,28,000
(iii)	Book value of one car as calculated in Note (ii) above		1,28,000
	Book Value of 2 Cars (1,28,000 × 2)		2,56,000
	Value at which the two cars were taken back, calculated in note (i) above		1,96,000
	Hence, Loss on cars taken back Rs. (2,56,000 - 1,96,000)		60,000
(iv)	Sale proceeds of cars repossessed		1,70,000
	Less: Value at which plant were taken back	1,96,000	
	Repairs	10,000	(2,06,000)
	Loss on resale		36,000

1M

1M

2M

1M

Answer: 3

(a)

Dibrugarh Tea Stock A/c

To Opening Stock	1,80,000	By Tea in transit to Calcutta	12,30,000
To Purchase	12,00,000	By Closing Stock	1,50,000
	13,80,000		**13,80,000**

2M

Advance to Dibrugarh Supplier's A/c

To Balance b/d	5,00,000	By Supplier's (Adjustment)	3,50,000
To Dibrugarh bank	3,00,000	By Balance c/d	4,50,000
	8,00,000		**8,00,000**

2M

Dibrugarh Supplier's A/c

To Advance to suppliers	3,50,000	By Balance b/d	3,00,000
To Diburgarh Bank	6,50,000	By Tea Stock (purchase)	12,00,000
To Kolkata Bank	3,50,000		
To Balance c/d	1,50,000		
	15,00,000		**15,00,000**

2M

Dibrugarh Bank A/c

To Balance b/d	75,000	By Advance to supplier	3,00,000
To Kolkata bank A/c	10,00,000	By Suppliers	6,50,000
		By Expenses	25,000
		By Balance c/d	1,00,000
	10,75,000		**10,75,000**

2M

Dibrugarh Branch Ex.a/c

To Prepaid Expense	10,000	By outstanding Ex.	13,000
To Dibrugarh Bank	25,000	By Prepaid Exp.	12,000
To Outstanding Ex.	11,000	By Branch P/L	21,000
	46,000		**46,000**

2M

(b)

Departmental Trading Account for the year ended 31st March, 20X1

Particulars	**A**	**B**	**C**	**Particulars**	**A**	**B**	**C**
	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.
To Opening Stock (W.N.4)	14,400	10,800	30,000	By Sales A-5,200×40 B-9,800×45 C-15,300×50	2,08,000	4,41,000	7,65,000
				By Closing Stock (W.N.4)	9,600	16,200	21,000
To Purchases (W.N.2)	1,20,000	2,70,000	4,50,000				
To Gross Profit (b.f.)	83,200	1,76,400	3,06,000				
	2,17,600	4,57,200	7,86,000		2,17,600	4,57,200	7,86,000

15 items × ½ = 7½M

Working Notes :

(1) Profit MarginRatio

Selling price of units purchased :	Rs.
Department A (5,000 units x Rs. 40)	2,00,000
Department B (10,000 units x Rs. 45)	4,50,000
Department C (15,000 units x Rs. 50)	7,50,000
Total selling price of purchased units	14,00,000
Less: Purchases	(8,40,000)
Gross profit	5,60,000

½M

$$\text{Profit margin ratio} = \frac{\text{Gross Profit}}{\text{Selling Price}} \times 100 = \frac{5,60,000}{14,00,000} \times 100 = 40\% \;\}\tfrac{1}{2}M$$

(2) Statement showing department-wise per unit cost and purchasecost

Particulars	A	B	C
Selling price per unit (Rs.)	40	45	50
Less: Profit margin @ 40% (Rs.) Profit margin is uniform for all depts.	(16)	(18)	(20)
Purchase price per unit (Rs.)	24	27	30
No. of units purchased	5,000	10,000	15,000
Purchases (purchase cost per unit × units purchased)	1,20,000	2,70,000	4,50,000

½M

(3) Statementshowingcalculationofdepartment-wiseOpeningStock(inunits)

Particulars	A	B	C
Sales (Units)	5,200	9,800	15,300
Add: Closing Stock (Units)	400	600	700
	5,600	10,400	16,000
Less: Purchases (Units)	(5,000)	(10,000)	(15,000)
Opening Stock (Units)	600	400	1,000

½M

(4) StatementshowingDepartment-wisecostofOpeningandClosingStock

	A	B	C
Cost of Opening Stock (Rs.)	600 x24 14,400	400 x27 10,800	1,000 x 30 30,000
Cost of Closing Stock (Rs.)	400 x24 9,600	600 x27 16,200	700 x30 21,000

½M

Answer:4

Partners' Current Accounts

Particular 1.1.20X1	A Rs.	B Rs.	C Rs.	Particulars 1.1.20X1	A Rs.	B Rs.	C Rs.
To Balance b/d			*5,000*	By Balance b/d	*29,000*	*20,000*	
To A's Current A/c – goodwill (W.N.1)	-	*20,000*	*10,000*	By B's Current A/c – goodwill	*20,000*		
To A's Current A/c – Revaluation Profit (W.N.2)	-	*12,000*	*6,000*	By C's Current A/c – goodwill	*10,000*	-	-
To A's Capital A/c – transfer	*80,000*	-	-	By B's Current A/c – Revaluation profit	*12,000*	-	-
				By C's Current A/c – Revaluation profit	*6,000*		
				By Joint Life Policy A/c (Rs. 26,000 – Rs. 20,000)	*3,000*	*2,000*	*1,000*
				By Balance c/d		*10,000*	*20,000*
	80,000	32,000	21,000		80,000	32,000	21,000

31 items × ¼ = 7.75M

1.1.20X1				31.12.20X1			
To Balance b/d		***10,000***	***20,000***	By Profit & Loss Appropriation A/c		***17,617***	***8,808***
31.12.20X1				By Balance c/d		***7,383***	***19,192***
To Drawings A/c		***15,000***	***8,000***				
		25,000	28,000			25,000	28,000
1.1.20X2				30.6.20X2			
To Balance b/d		***7,383***	***19,192***	By Realisation A/c -profit		***12,573***	***6,287***
To B's Capital A/c – transfer		***5,190***		By C's Capital A/c - transfer			***12,905***
		12,573	19,192			12,573	19,192

Partners' Capital Accounts

Particular 1.1.20X1	A Rs.	B Rs.	C Rs.	Particulars 1.1.20X1	A Rs.	B Rs.	C Rs.
To A's Executors A/c	***1,40,000***			By Balance b/d	***60,000***	***40,000***	***20,000***
To Balance c/d		***40,000***	***20,000***	By A's Current A/c	***80,000***		
	1,40,000	40,000	20,000		1,40,000	40,000	20,000
31.12.20X1				1.1.20X1			
To Balance c/d		***40,000***	***20,000***	By Balance b/d		***40,000***	***20,000***
		40,000	20,000			40,000	20,000
30.6.20X2				1.1.20X2			
To C's Current A/c – transfer		***---***	***12,905***	By Balance b/d		***40,000***	***20,000***
To Bank A/c		***45,190***	***7,095***	30.6.20X2			
				By B's Current A/c – transfer		***5,190***	***---***
		45,190	20,000			45,190	20,00

17 items × ¼ = 4.25M

Date	Particulars	Rs.	Date	Particulars	Rs.
1.1.20X1	To Bank A/c	***20,000***	1.1.20X1	To A's Capital A/c	***1,40,000***
1.1.20X1	To Balance c/d	***1,20,000***			
		1,40,000			1,40,000
30.6.20X1	To Bank A/c	***20,000***	1.1.20X1	By Balance b/d	***1,20,000***
30.6.20X1	To Balance c/d	***1,03,000***	30.6.20X1	By Interest A/c	***3,000***
		1,23,000			1,23,000
31.12.20X1	To Bank A/c	***20,000***	1.7.20X1	By Balance b/d	***1,03,000***
31.12.20X1	To Balance c/d	***85,575***	31.12.20X1	By Interest A/c	***2,575***
		1,05,575			1,05,575
30.6.20X2	To Bank A/c	***87,715***	1.1.20X2	By Balance b/d	***85,575***

14 items × ¼ = 3.5M

			30.6.20X2	By Interest A/c	***2,140***
		87,715			87,715

½M

Working Notes:

(1) Adjustment in regard to Goodwill

Partners		**A**	**B**	**C**
Share of goodwill before death	(Rs.)	30,000	20,000	10,000
Share of goodwill after death	(Rs.)	-	40,000	20,000
Gain (+)/Sacrifice (-)	(Rs.)	(30,000) Cr.	20,000 Dr.	10,000 Dr.

½M

2. Adjustment in regard to revaluation ofassets

Partners		**A**	**B**	**C**
Share of profit on revaluation credited to all the partners	(Rs.)	18,000	12,000	6,000
Debited to the continuing partners	(Rs.)	-	24,000	12,000
	(Rs.)	(18,000) Cr.	12,000 Dr.	6,000 Dr.

½M

3. Ascertainment of Profit for the year ended31.12.20X1

	(Rs.)	**(Rs.)**
Profit before charging interest on balance due to A's executors		32,000
Less: Interest payable to A's executors:		
from 1.1.20X1 to 30.6.20X1	3,000	
From 1.7.20X1 to 31.12.20X1	2,575	(5,575)
Balance of profit to be shared by B and C		26,425

½M

4. Balance Sheet as at31.12.20X1

Liabilities	Rs.	**Assets**	Rs.
Capital Account – B	40,000	Sundry Assets (balancing figure)	1,19,000
Capital Account – C	20,000	Partners' Current A/–B	7,383
A's Executors A/c	85,575	Partners' Current A/–C	19,192
	1,45,575		1,45,575

1½M

5. RealisationAccount

Particular	Rs.	**Particulars**	Rs.
To Sundry Assets A/c	1,19,000	By Bank A/c (purchase consideration)	1,40,000
To Interest A/c – A's Executors	2,140		
To Partners' Capital A/c – B	12,573		
To Partners' Capital A/c –C	6,287		
	1,40,000		1,40,000

1½M

Answer:5
(a)

Ryan Ltd.
Cash Flow Statement for the year ending 31st March, 20X1

	Rs.	Rs.
Cash flows from operating activities		
Net profit before taxation	23,000	
Adjustments for:		
Depreciation	37,000	
Gain on sale ofinvestments	(12,000)	
Loss on sale of plant assets	3,000	
Interestexpense	23,000	
Interest income	(6,000)	
Operating profit before working capital changes	68,000	
Decrease in accounts receivable	8,000	
Increase in inventory	(34,000)	
Decrease in prepaid expenses	4,000	
Increase in accounts payable	7,000	
Increase in accrued liabilities	3,000	
Cash generated from operations	56,000	
Income taxes paid*	(9,000)	
Net cash generated from operating activities		47,000
Cash flows from investing activities		
Purchase of plant	(1,20,000)	
Sale of plant	5,000	
Purchase of investments	(78,000)	
Sale of investments	1,02,000	
Interest received	6,000	
Net cash used in investing activities		(85,000)
Cash flows from financing activities		
Proceeds from issuance of share capital	1,50,000	
Repayment of bonds	(50,000)	
Interest paid	(23,000)	
Dividends paid	(8,000)	
Net cash from financing activities		69,000
Net increase in cash and cash equivalents		31,000
Cash and cash equivalents at the beginning of the period		15,000
Cash and cash equivalents at the end of the period		46,000

29 item×½ = 14.5M

*** Working Note:**

	Rs.	
Income taxes paid:		
Income tax expense for the year	7,000	
Add: Income tax liability at the beginning of the year	5,000	½M
	12,000	
Less: Income tax liability at the end of the year	(3,000)	
	9,000	

(b) Amount that can be drawn from reserves for 10% dividend

10% dividend onRs.80,00,000		Rs. 8,00,000	
Profitsavailable			
Currentyearprofit	3,00,000		1M
Less:Preferencedividend	(1,57,500)	(1,42,500)	
Amount which can be utilisedfrom reserves		6,57,500	

Conditions as per Companies (Declaration of dividend out of Reserves) Rules, 20X1:

ConditionI

Since 10% is lower than the average rate of dividend (12%), 10% dividend can be declared. **1M**

Condition II

Maximumamountthatcanbedrawnfromtheaccumulatedprofitsandreservesshould notexceed10%ofpaidupcapitalplusfreereservesie.Rs. 12,25,000[10%of(80,00,000+17,50,000+25,00,000)] **1M**

Condition III

Thebalanceofreservesafterdrawl Rs. 18,42,500(Rs.25,00,000-Rs. 6,57,500)shouldnotfall below 15 % of its paid up capital ie. Rs. 14,62,500 (15% of Rs. 97,50,000] **1M**

Since all the three conditions are satisfied, the company can withdraw Rs. 6,57,500 from accumulated reserves.(as per Declaration and Payment of Dividend Rules, 2014.) **1M**

Answer: 6

(a) Thedecisionofmakingprovisionfornon-movinginventoriesonthebasisoftechnical evaluation does not amount to change in accounting policy. Accounting policy of a company may require that provision for non-moving inventories should be made. The method of estimating the amount of provision may be changed in case a more prudent estimate can bemade. **2M**

Inthegivencase,consideringthetotalvalueofinventory,thechangeintheamountof required provision of non-moving inventory from Rs. 3.5 lakhs to Rs. 2.5 lakhs is also not material. The disclosure can be made for such change in the following lines by way of notes to the accounts in the annual accounts of ABC Ltd. for the year2016-17: **2M**

"The company has provided for non-moving inventories on the basis of technical evaluation unlike preceding years. Had the same method been followed as in the previous year, the profit for the year and the corresponding effect on the year endnet assets would have been lower by Rs. 1lakh." **1M**

(b)

Calculation of effective capital and maximum amount of monthly remuneration

	(Rs. in lakhs)
Paid up equity share capital	120
Paid up Preference share capital	20
Reserve excluding Revaluation reserve (150- 10)	140
Securities premium	40
Long term loans	40
Deposits repayable after one year	20
	380
Less: Accumulated losses not written off	(20)
Investments	(180)
Effective capital for the purpose of managerialremuneration	180

10 item× ¼ = 2.5M

SinceKumarLtd.isincurringlossesandnospecialresolutionhasbeenpassedbythe company for payment of remuneration, managerial remuneration will be calculated on the basis of effective capital of the company, therefore maximum remuneration payable to the Managing Director should be @ Rs. 60,00,000 perannum. **1½M**

Note: Revaluationreserve,andapplicationmoneypendingallotmentarenotincluded while computing effective capital of Kumar Ltd. **1M**

(c)

In the books of C Limited
Journal Entries

Date	Particulars		Dr. (Rs.)	Cr. (Rs.)	
	Bank A/c To Equity Share Capital A/c (Beingtheissueof25,000equitysharesofRs.10eachatpar as per Board's resolutionNo……dated…..)	Dr.	2,50,000	2,50,000	¾M
	Bank A/c To 14% Debenture A/c (Being the issue of 1,000 Debentures of Rs. 100 each as per Board's Resolution No…..dated……)	Dr.	1,00,000	1,00,000	¾M
	12% Redeemable Preference Share Capital A/c Premium on Redemption of Preference Shares A/c To Preference Shareholders A/c (Being the amount payable on redemption transferred to Preference Shareholders Account)	Dr. Dr.	3,00,000 30,000	3,30,000	¾M

	Preference Shareholders A/c To Bank A/c (Being the amount paid on redemption of preference shares)	Dr.	3,30,000	3,30,000	¾M
	Profit & Loss A/c To Premium on Redemption of Preference Shares A/c (Being the adjustment of premium on redemption against Profits & Loss Account)	Dr.	30,000	30,000	¾M
	Profit & Loss To Capital Redemption Reserve A/c (Being the amount transferred to Capital Redemption Reserve Account as per the requirement of the Act)	Dr.	50,000	50,000	¾M

Working Note:

Amount to be transferred to Capital Redemption Reserve Account

Face value of shares toberedeemed	Rs.3,00,000	½M
Less: Proceeds fromnewissue	(Rs.2,50,000)	
TotalBalance	Rs.50,000	

(d)

Journal Entries in the books of Preet Ltd.

			Rs.	Rs.	
1-4-20X1	Equity share final call A/c To Equity share capital A/c (ForfinalcallsofRs.2pershareon1,35,000equity shares due as per Board's Resolutiondated….)	Dr.	2,70,000	2,70,000	¾M
20-4-20X1	Bank A/c To Equity share final call A/c (For final call money on 1,35,000 equity shares received)	Dr.	2,70,000	2,70,000	¾M
	Securities PremiumA/c	Dr.	37,500		¾M
	Capital Redemption Reserve A/c	Dr.	60,000		
	General Reserve A/c	Dr.	1,80,000		
	Profit and Loss A/c	Dr.	60,000		
	To Bonus to shareholders A/c (For making provision for bonus issue of one share for every four shares held)			3,37,500	
	Bonus to shareholders A/c To Equity share capitalA/c (For issue of bonus shares)	Dr.	3,37,500	3,37,500	¾M

Extract of Balance Sheet as at 30th April, 20X1 (after bonus issue)

	Rs.	
Authorised Capital		
15,000 12% Preference shares of Rs.10 each	1,50,000	½M
1,83,750 Equity shares of Rs.10 each (refer working note below)	18,37,500	
Issued and subscribed capital		
12,000 12% Preference shares of Rs.10 each, fully paid	1,20,000	
1,68,750 Equity shares of Rs.10 each, fully paid	16,87,500	½M
(Out of above, 33,750 equity shares @ Rs.10 each were issued by way of bonus)		
Reserves and surplus		½M
Profit and Loss Account	2,40,000	

Working Note :

The authorised capital should be increased as per detailsgivenbelow: Rs.

Existing authorised Equitysharecapital 15,00,000 ½M

Add : Issue of bonus shares toequityshareholders

3,37,50018,37,500

(e) Under section 27 (3) of the LLP Act, 2008, any obligation of the LLP arising out of a contract or otherwise will be the sole obligation of the LLP. The partners of an LLP in the normal course of business are not liable for the debts of the LLP. However, under section28(2)oftheLLPAct,2008,apartnerwillbeliableforhisownwrongfulactsor commissions, but will not be liable for the wrongful acts or commissions of other partners of theLLP. 5M

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