

**PAPER 1 : ACCOUNTING**

**Question No. 1 is compulsory.**

**Candidates are required to answer any four questions from the remaining five questions.**

**Answer 1:**

- (a) (i) **False: }{1 M}**  
As per materiality principle, all the items having significant economic effect on the business of the enterprise should be disclosed in the financial statements. }{1 M}
- (ii) **False: }{1 M}**  
Suspense account opened in a trial balance is a temporary account. }{1 M}
- (iii) **False: }{1 M}**  
The sales books is specially kept to record credit sales of the goods dealt in by the firm. Cash sales are recorded in the cash book but not in the sales book. }{1 M}
- (iv) **False: }{1 M}**  
The balance in Forfeited shares account cannot be used for transfer to capital redemption reserve account. It is transferred to capital reserve. }{1 M}
- (v) **False: }{1 M}**  
'Profit & Loss adjustment account' is opened to rectify the errors detected in the next accounting period. }{1 M}
- (vi) **False: }{1 M}**  
Ledger records the transactions in analytical order. But journal records the transactions in a chronological order. }{1 M}

**Answer:**

**(b) Computation of Goodwill of Mr. X**

Average maintainable profits:		Rs.	
Trading profit during	2018	2,40,000	
	2019	2,16,000	
	2021	3,00,000	
		7,56,000	
Less: Loss during	2020	(36,000)	
Total		7,20,000	
Average Profits (Rs. 7,20,000 / 4)		1,80,000	
Less: Remuneration for the proprietor		(36,000)	}{1 M}
Average maintainable Profit		1,44,000	
Less: Normal Profit (11% on capital employed of Rs. 9,00,000)		(99,000)	}{1 M}
Super Profit		45,000	}{1 M}
Goodwill at 6 year's purchase of Super Profit		2,70,000	}{1 M}

**Answer:**

**(c) Calculation of Gain/Loss on Bus damaged by Fire**

Particulars	Rs.	
Original cost as on 1.1.2019	8,00,000	
Less: Depreciation for 2018-19 (3 months)	(40,000)	}{1/2 M}
WDV as on 31st March,2019	7,60,000	

Less: Depreciation for 2019-20	(1,52,000)	} {1/2 M}
WDV as on 31st March, 2020	6,08,000	
Less: Depreciation for 2020-21 (3 months)	(30,400)	} {1/2 M}
WDV as on 1st July, 2020	5,77,600	
Less: Amount received from Insurance company	(6,00,000)	} {1/2 M}
Gain on Bus damaged by Fire	22,400	

**Calculation of depreciation for the year ended 31st March, 2021**

	Machine	Machine	
	I damaged on 1st July, 2020 (8,00,000)	II Purchased on 1st July, 2020 (10,00,000)	
	Rs.	Rs.	
Book value as on 1st April, 2020	6,08,000	} {1/2 M}	
Purchased on 1st July, 2020			10,00,000
Depreciation @20% Machines {1/2 M}	30,400 (for 3 months)	1,50,000 (for 9 months)	} {1/2 M}

Total depreciation Rs. 1,80,400 } {1/2 M}

**Answer 2:**

(a)

**ADJUSTED CASH BOOK**

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Balance b/d	4,18,200	By wrong casting	5,000
To error for wrong posting	{1 M} { 15,260	By cheques not entered	65,500
To dividends collected by bank	{1 M} { 12,500	By subscription	500
To cheques recorded twice	{1 M} { 1,75,000	By balance c/d	6,24,960
To deposit not recorded	{1 M} { 75,000		
	6,95,960		6,95,960

**Bank Reconciliation Statement**

Particulars	Rs.
Balance as per the Cash Book (corrected)	6,24,960
Add: Cheques issued but not yet presented	1,849
Balance as per the Pass Book	6,26,809

**Answer:**

(b)

**Profit and Loss Adjustment Account**

Dr. (Rs.)		Cr. (Rs.)	
To Advertisement (samples)	{1 M} { 80,000	By Net profit	12,00,000
To Sales	{1 M} { 2,00,000	By Electric fittings	30,000
		By Samples	80,000
		By Stock (purchases of March not included in stock)	5,00,000
To Adjusted net profit	{1/2 M} { 20,80,000	By Sales (goods sold in March wrongly taken as April sales)	4,00,000
		By Stock (goods sent on approval basis not included in stock)	1,50,000
	23,60,000		23,60,000

**Calculation of value of inventory on 31<sup>st</sup> March, 2016**

	(Rs.)	
Stock on 31 <sup>st</sup> March, 2016 (given)	7,50,000	
Add: Purchases of March, 2016 not included in the stock	5,00,000	}{1 M}
Goods lying with customers on approval basis	1,50,000	}{1 M}
	14,00,000	}{1/2 M}

**Answer 3:**

**(a)**

**Trading and Profit and Loss Account  
for the year ended 31<sup>st</sup> March, 2019**

Particulars	Rs.	Particulars	Rs.
To Opening Stock	9,15,000	By Sales	
To purchases (W.N.2) {1 M}	1,25,97,000	Cash	1,10,70,000
		Credit (W.N.1) {1 M}	28,60,000
To Gross Profit c/d (10% of Rs. 1,39,30,000)	13,93,000	By Closing Stock	9,75,000
	<b>1,49,05,000</b>		<b>1,49,05,000</b>
To Sundry Expenses {1 M} (W.N.4)	9,18,750	By Gross Profit b/d	13,93,000
To Discount Allowed	54,000	By Discount received	42,500
To Depreciation (Rs. 1,50,000 x 15%)	22,500		
To Net Profit	4,40,250		
	<b>14,35,500</b>		<b>14,35,500</b>

**Balance Sheet of Alka Enterprises  
as at 31<sup>st</sup> March, 2019:**

Liabilities	Rs.	Assets	Rs.
Capital		Furniture	1,50,000
Opening Bal.	6,75,000	Less: Depre.	22,500
Less: Drawings	3,60,000		
	3,15,000	Stock	9,75,000
Add: Net Profit		Trade Debtors	3,43,000
For the year	4,40,250 {1 M}		
	7,55,250	Prepaid insurance	3,000
Trade Creditors	8,29,000	Cash in hand & at bank	1,90,950
Outstanding Expenses	55,200		
	<b>16,39,450</b>		<b>16,39,450</b>

**Working Notes:**

**1. Trade Debtors A/c**

	Rs.		Rs.
To Bal. b/d	3,12,000	By Cash/Bank	27,75,000
To Credit Sales	28,60,000	By Discount allowed	54,000
(Bal. Fig.)		By Balance c/d	3,43,000
	<b>31,72,000</b>		<b>31,72,000</b>

**2. Memorandum Trading Account**

	Rs.		Rs.
To Opening Stock	9,15,000	By Sales	1,39,30,000
To Purchases (Bal. fig.)	1,25,97,000	By Closing Stock	9,75,000
To Gross Profit	13,93,000		

(10% on sales)		
	<b>1,49,05,000</b>	<b>1,49,05,000</b>

**3. Trade Creditors A/c**

	Rs.		Rs.
To Cash/Bank	1,24,83,000	By Balance b/d	7,57,500
To Discount Received	42,500	By Purchases (as calculated in W.N.2)	1,25,97,000
To Bal. c/d (Bal. fig.)	{1 M}{ 8,29,000		
	<b>1,33,54,500</b>		<b>1,33,54,500</b>

**4. Computation of Sundry expenses to be charged to P&L A/c**

	Rs.	
Sundry Expenses paid (as per cash book)	9,31,050	
Add: Prepaid expenses as on 31/03/2018	3,000	{1 M}
	9,34,050	
Less: Outstanding Exp. As on 31/03/2018	(67,500)	{1 M}
	8,66,550	
Add: Outstanding exp. As on 31/03/2019	55,200	{1 M}
	9,21,750	
Less: Prepaid Insu. On 31/03/2019 (Rs. 9000 x 4/12)	(3,000)	{1 M}
	9,18,750	{1 M}

**Answer:**

**(b)**

**INCOME AND EXPENDITURE ACCOUNT OF MUMBAI CLUB  
(FOR THE YEAR ENDED 31ST DECEMBER 1996)**

Expenditure		Rs.	Income		Rs.
To Salary		2,000	By Donation	5,000	
To Repair Expenses		500	Less: Capitalised	2,500	2,500
To Misc Expenses	500		By Subscriptions	12,000	
Less: Prepaid	90	{1/2 M}{ 410	Add: Outstanding	900	
To Insurance Premium	200			12,900	
Add: Outstanding	40	{1/2 M}{ 240	Less: Advance	350	12,550
To Paper, ink, etc.		150	By Entrance Fees		1,000
To Drama Expenses		500	By Interest on Investment	100	
To Surplus	{1 M}{	14150	Add: Outstanding	{1 M}{ 200	300
			$6000 \times \frac{8}{100} \times \frac{5}{12}$		
			By Interest received from Bank	400	
			By Sale of Old News Paper	150	
			By Sale of Drama Tickets	1,050	
		17,950		17,950	

**BALANCE SHEET OF MUMBAI CLUB  
(FOR THE YEAR ENDED 31ST DECEMBER 1996)**

Liabilities		Rs.	Assets		Rs.
Capital Fund			Billiard Table	30,000	
Opening Balance	36,000		Furniture	6,000	
Add: Surplus	14,150		Investments	6,000	
Add: Donations	2,500	{1 M}{ 52,650	Interest Accrued	200	
Outstanding Insurance Premium		{1/2 M}{ 40	Prepaid Expenses	90	
Subscriptions Received in Advance		{1/2 M}{ 350	Subscriptions Receivable	900	

		Cash in Hand	2,650
		Cash at Bank	7,200
	53,040		53,040

**Working Notes:**

**BALANCE SHEET OF MUMBAI CLUB (AS ON 31ST DECEMBER, 1995)**

Liabilities	Rs.	Assets	Rs.
Capital Fund (Balancing Figure)	{1 M}{ 36,000	Billiard Table	30,000
Creditors for Billiard table	{1 M}{ 8,000	Cash in Hand	4,000
		Cash at Bank	10,000
	44,000		44,000

**Answer 4:**

(a)

**In the books of Mr. Black**

**Manufacturing Account for the year ended 31st March, 2021**

Particulars		Rs.	Particulars	Rs.
Raw material consumed:			By Closing Stock of Work in Progress	78,000 }{1/2 M}
To Opening Stock of Raw Materials	2,10,000		By Sale of Scrap	25,000 }{1/2 M}
			By Cost of goods Manufactured	
Add: Purchases	8,50,000		(Transferred to Trading Account)	11,90,000 }{1 M}
Less: Closing Stock	1,62,000	8,98,000 }{1 M}		
To Opening Stock of WIP	{1/2 M}{ 95,000			
To Wages	1,30,000			
Add: Outstanding Wages	20,000	1,50,000		
To Carriage on Purchases		15,000		
To Repairs to Plant		11,000		
To Rent (3/4)		45,000 }{1 M}		
To Lighting (2/3)		9,000 }{1 M}		
To Depreciation of Plant		70,000 }{1/2 M}		
		12,93,000		12,93,000

**Trading Account for the year ended 31st March, 2021**

Particulars	Rs.	Particulars	Rs.
To Opening Stock of finished goods	{1/2 M}{ 1,55,000	By Sales	16,72,000
To Cost of goods transferred from Manufacturing A/c	11,90,000	By Closing Stock	1,81,000 }{1/2 M}
To Gross Profit c/d	5,08,000 }{1 M}		
	18,53,000		18,53,000

**Profit and Loss Account for the year ended 31st March, 2021**

Particulars		Rs.	Particulars	Rs.
To Salaries	1,00,000		By Gross Profit b/d	5,08,000
Add: Outstanding	9,000	1,09,000	By Commission	4,500
To Telephone & Postage		10,000		
To Repairs to Furniture		3,500		
To Depreciation of furniture		7,500		
To Rent (1/4)		15,000		
To Lighting (1/3)		4,500		
To General Expenses		15,000		

To Provision for doubtful Debts: Required (1% of Rs. 1,67,200)	16,720			
Less: Existing Provision	16,500	220	{1 M}	
To Net Profit		3,47,780	{1 M}	
		5,12,500		5,12,500

**Answer:**

**(b)**

**A's Capital Account**

2016		Rs.	2016		Rs.
Sep. 30	To Current A/c (6,000 - 900)	5,100	Jan. 1	By Balance b/d	20,000
Dec. 31	To Profit and Loss Adj. (Unrecorded Liability)	2,000 {1 M}	Dec. 31	By Profit and Loss A/c :	
	To Balance Transferred to A's Executor's A/c	39,270 {1 M}		Interest on Capital	2,000 {1 M}
				Share of Profit	1,670 {1 M}
				B & C (Goodwill)	8,700 {1 M}
				Insurance Policies A/c	14,000 {1 M}
		46,370			46,370

**Working Notes:**

(i) Valuation of Goodwill

Year	Profit before Interest on fixed capital Rs.	Interest Rs.	Profit after interest Rs.
2013	19,280	4,000	15,280
2014	13,440	4,000	9,440
2015	5,380	4,000	1,380
	38,100	12,000	26,100

	Rs.
Average	8,700
Goodwill at two years purchase of average net profits	17,400
Share of A in the goodwill	8,700 {1 M}

(ii)	Profit on Separate Life Policy	
	A's policy	20,000
	B and C's policy @ 20%	8,000
		28,000
	Share of A (1/2)	14,000 {1 M}
(iii)	Share in profit for 2016	
	Profit for the year	7,340
	Less: Interest on capitals	(4,000)
		3,340
	A's share in profit (1/2)	1,670 {1 M}

(iv) As unrecorded liability of Rs. 4,000 has been charged to Capital Accounts through Profit and Loss Adjustment Account, no further adjustment in current year's profit is required. } {1 M}

**Answer 5:**

**(a)** Journal Entries in the books of Akshay

2018			Dr.	Cr.	
			(Rs.)	(Rs.)	
Jan. 1	Bills receivable (No. 1) A/c	Dr.	32,000		{1 M}
	Bills receivable (No. 2) A/c	Dr.	50,000		{1 M}
	To Vishal A/c			82,000	
	(Being drawing of bills receivable No. 1 due for maturity on 4.3.2018 and bills receivable No. 2 due for maturity on 4.4.2018)				
March 4	Vishal's A/c	Dr.	32,000		{1 M}
	To Bills receivable (No.1) A/c			32,000	
	(Being the reversal entry for bill No. 1 on renewal)				
March 4	Bills receivable (No. 3) A/c	Dr.	32,800		{1 M}
	To Interest A/c			800	{1 M}
	To Vishal 's A/c			32,000	
	(Being the drawing of bill of exchange no. 3 due for maturity on 7.5.2018 together with interest at 15%p.a. in lieu of the original acceptance of Vishal)				
March 25	Bank A/c	Dr.	49,500		{1 M}
	Discount A/c	Dr.	500		{1 M}
	To Bills receivable (No. 2) A/c			50,000	
	(Being the amount received on retirement of bills No.2 before the due date)				
May 7	Vishal's A/c	Dr.	32,800		{1 M}
	To Bills receivable (No. 3) A/c			32,800	
	(Being the amount due from Vishal on dishonor of his acceptance on presentation on the due date)				
May 7	Bank A/c	Dr.	16,400		{1 M}
	Bad debts A/c	Dr.	16,400		{1 M}
	To Vishal's A/c			32,800	
	(Being the amount received from official assignee of Vishal at 50 paise per rupee against dishonoured bill)				

**Answer:**

**(b)** In the books of M/s Ajay and Vijay  
**Realization Account**

Particulars	Rs.	Particulars	Rs.
To Sundry Assets:		By Cash A/c:	
Plant & Machinery	7,500	Plant & Machinery	3,750
Furniture	1,500	Furniture	450
Debtors	3,000	Debtors	1,200
Stock	2,400	Stock	1,500
Cash A/c-expenses	525	By Partners' Capital A/c	
		Loss on realization (Bal. fig.)	
		Ajay	4,012
		Vijay	4,013
	14,925		8,025
			14,925

**Cash Account**

Particulars	Rs.	Particulars	Rs.
To Balance b/d	600	By Realization A/c- expenses	525
To Realization A/c		By Sundry Creditors A/c (Bal. fig.)	7,575
- Sale of sundry assets	6,900		
To Vijay's Capital A/c	600		
	8,100		8,100

**Sundry Creditors Account**

Particulars	Rs.	Particulars	Rs.
To Cash A/c	7,575	By Balance b/d	14,400
To Deficiency A/c-transfer (bal. fig.)	6,825		
	14,400		14,400

**Partners' Capital Accounts**

Particulars	Ajay (Rs.)	Vijay (Rs.)	Particulars	Ajay (Rs.)	Vijay (Rs.)
To Balance b/f	—	1,650	By Balance b/f	2,250	—
To Realization A/c			By Cash A/c	—	600
- loss	4,012	4,013	By Deficiency		
			A/c- transfer (bal. fig.)	1,762	5,063
	4,012	5,663		4,012	5,663

**Deficiency Account**

Particulars	Rs.	Particulars	Rs.
To Partners' Capital A/c		By Sundry Creditors A/c	6,825
Ajay	1,762		
Vijay	5,063		
	6,825		6,825

**Answer 6:**

**(a)**

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	Bank A/c Dr.	(1/2 M)	4,80,000	
	To Equity Share Application A/c			4,80,000
	Equity Share Application A/c Dr.		4,80,000	
	To Equity Share Capital A/c			3,20,000
	To Equity Share Allotment A/c			64,000
	To Bank A/c			96,000
	Equity Share Allotment A/c Dr.	(1/2 M)	4,00,000	
	To Equity Share Capital A/c			2,40,000
	To Securities Premium Reserve A/c			1,60,000
	Bank A/c <sup>(1)</sup> Dr.	(1/2 M)	3,23,400	
	To Equity Share Allotment A/c			3,23,400
	Equity Share First and Final call A/c Dr.	(1/2 M)	2,40,000	
	To Equity Share Capital A/c			2,40,000
	Bank A/c Dr.	(1/2 M)	2,16,000	
	To Equity Share First and Final Call A/c			2,16,000
	Equity Share Capital A/c Dr.	(1/2 M)	70,000	
	Securities Premium Reserve A/c <sup>(2)</sup> Dr.	(1/2 M)	6,000	



## MITTAL COMMERCE CLASSES

	To Equity Share Allotment A/c			12,600	(1/2 M)
	To Equity Share First and Final Call A/c			21,000	(1/2 M)
	To Share Forfeiture A/c			42,400	(1/2 M)
	<b>OR</b>				
	Equity Share Capital A/c (3,000 x 10)	Dr.		30,000	
	Securities Premium A/c	Dr.	(1/2 M)	6,000	
	To Equity Share Allotment A/c			12,600	
	To Equity Share First and Final Call A/c			9,000	
	To Share Forfeiture A/c			14,400	(1 M)
	Equity Share Capital A/c (4,000 x 10)	Dr.		40,000	
	To Equity Share First & Final Call A/c			12,000	
	To Share Forfeiture A/c			28,000	(1 M)
	Bank A/c	Dr.		56,000	
	Share Forfeiture A/c		(1/2 M)	14,000	
	To Equity Share Capital A/c			70,000	
	Share Forfeiture A/c	Dr.	(1/2 M)	28,400	
	To Capital Reserve A/c			28,400	

- (A) Excess amount received from Ramesh on application:  
 Ramesh has been allotted 3,000 shares. He must have applied for more shares.  
 If shares allotted were 80,000, shares  
 application for were = 96,000  
 $\therefore$  If shares allotted were 3,000  
 applied for were  $\frac{96,000}{80,000} \times 3,000 = 3,600$  shares. **(1/2 M)**  
 Excess application money received from Ramesh = 3,600 shares. - 3,000 share  
 = 600 shares x Rs. 4 = Rs. 2,400 **(1/2 M)**
- (B) Amount due from Ramesh on allotment:  
 3,000 shares x Rs. 5 = Rs. 15,000  
 Less : Excess received from Ramesh on application = 2,400 **(1/2 M)**  
 Net amount due from Ramesh on allotment,  
 Which has not been received = Rs. 12,600 **(1/2 M)**
- (C) Total amount due on allotment 80,000 shares x 5 = 4,00,000  
 Less: Excess amount received on applications = 64,000  
 Balance due = 3,36,000  
 Less: Amount not received from Ramesh on allotment = 12,600  
 Net amount received on allotment in cash = 3,23,400 **(1/2 M)**
- (D) Premium is due with allotment and only Ramesh has not paid the amount of  
 allotment therefore, Securities Premium Reserve account has been debited from the  
 amount of premium due from  
 Ramesh = 3,000 shares x Rs. 2 = Rs. 6,000 **(1/2 M)**

## MITTAL COMMERCE CLASSES

**Answer:**

**(b) (i)** Calculation of Theoretical Market Price per Share after the Right Issue:  
 Theoretical Market Price =

$$\frac{(\text{No. of Shares before Right Issue} \times \text{Market Price}) + (\text{No. of Shares Issued as Right Issue} \times \text{Right Issue Price})}{(\text{No. of Shares outstanding before Right Issue}) + \text{No. of Shares Issued as Right Issue}}$$

$$= \frac{8,00,000 \times 45 + 3,20,000 \times 12}{8,00,000 + 3,20,000}$$

$$= \frac{3,60,00,000 + 38,40,000}{11,20,000}$$

$$= \frac{3,98,40,000}{11,20,000} = \text{Rs. } 35.57 \text{ } \{2 \text{ M}\}$$

(ii) The Value of Rights = Market Price – Theoretical Market Price  
 = 45 – 35.57 = 9.43 }{1 M}

(iii) Percentage increase in Share Capital:  
 =  $\frac{\text{No. of fresh Shares issued}}{\text{Total no. of Shares before Right Issue}} \times 100$   
 =  $\frac{3,20,000}{8,00,000} \times 100 = 40\% \text{ } \{1 \text{ M}\}$

### Working Notes:

1. No. of Shares Outstanding at Beginning

$$= \frac{80,00,000}{10} = 8,00,000 \text{ Shares } \{1/2 \text{ M}\}$$

2. No. of Shares Issued as Right Issue

$$= 8,00,000 \times \frac{2}{5} = 3,20,000 \text{ Shares } \{1/2 \text{ M}\}$$

**Answer:**

**(c)**

### Journal Entries in the books of Roshni Ltd.

	Dr. (Rs.)	Cr. (Rs.)	
Bank A/c	Dr. 80,000		{1/2 M}
Profit & Loss A/c (Loss on sale)	Dr. 20,000		
To Investment A/c		1,00,000	
(Being sale of Investments and transfer of Loss to Profit and Loss A/c)			
12% Preference Share Capital A/c	Dr. 4,80,000		{1/2 M}
Premium Payable on Redemption A/c	Dr. 48,000		
To Preference Shareholders Account		5,28,000	
(Being amount payable to Preference Shareholders on redemption of Preference Shares at a premium of 10%)			
Bank Account	Dr. 3,82,800		{1/2 M}
To Equity Share Application & Allotment A/c		3,82,800	
(Being application money received on Equity Shares issued)			
Equity Share Application & Allotment A/c	Dr. 3,82,800		{1/2 M}
To Equity Share Capital A/c		3,48,000	
To Securities Premium A/c		34,800	
(Being the allotment of 34,800 equity shares of Rs. 10 each at a premium of Rs. 1 per share)			
Profit & Loss Account	Dr. 1,32,000		{1/2 M}
To Capital Redemption Reserve Account		1,32,000	

Being creation of CRR to the extent of nominal value of Preference Shares redeemed out of profits.)			
Profit & loss Account	Dr.	48,000	}{1/2 M}
To Premium Payable on Redemption A/c		48,000	
(Being Premium Payable on Redemption written off.)			
Preference Shareholders Account	Dr.	5,28,000	}{1/2 M}
To Bank Account		5,28,000	
(Being amount paid to Preference Shareholders holding 4,800 preference shares on Redemption.)			

**Working Notes:**

- 200 preference shares having calls in arrears, will not be redeemed. The amount of fresh issue under section 55 of the Companies Act has been calculated taking into consideration the redemption of 4,800 Preference shares, which are fully paid-up.

- Calculation of Profits Available for Redemption

Balance given in the Question	3,00,000	}{1/2 M}
Less: Loss on sale of Investment (1,00,000 – 80,000)	(20,000)	
Less: Minimum balance to be maintained in P& L A/c	(1,00,000)	
Less: Premium on redemption of Preference shares	(48,000)	
Closing Balance	1,32,000	

- No. of shares to be issued

Total Nominal Value of Preference Shares	4,80,000	}{1/2 M}
Less: Amount of profit available for redemption of Preference shares	(1,32,000)	
Amount required out of fresh issue	3,48,000	

$$\text{No. of Shares to be issued} = \left( \frac{\text{Amount required out of proceeds fresh issue of shares}}{\text{Par value per share (proposed issue)}} \right)$$

$$= \frac{3,48,000}{10} = \mathbf{34,800} \text{ shares of Rs. 10 each}$$

}{1/2 M}

- Determination of closing bank balance**

Opening bank balance	1,80,000
Add: Proceeds from sale of Investment	80,000
Add: Proceeds from fresh issue of 34,800 equity shares @ Rs. 11	3,82,800
Less: Paid to Preference Shareholders on Redemption (4,800 × Rs. 110)	(5,28,000)
Closing Balance	1,14,800

**OR**

**Answer:**  
(c)

Date	Particulars	Rs.	Rs.
30/4/22	Debenture Redemption Reserve Investment Dr. (DRRI) A/c	11,25,000	
	To Bank A/c (75,00,000 × 15%)		11,25,000
	(Being Debenture to be redeemed invested)		

}{1/2 M}

## MITTAL COMMERCE CLASSES

31/3/23	Bank A/c	Dr.	12,07,500		
	To Debenture Redemption Reserve Investment A/c			11,25,000	{1/2 M}
	To Interest on DRRI A/c (W.N. 1) (11,25,000 x 8% x 11/12)			82,500	
	(Being amount of Investment matured)				
	9% Debentures A/c (75,000 x 100)	Dr.	75,00,000		{1/2 M}
	Premium payable on Redemption A/c		7,50,000		
	To Debentures Holder A/c			82,50,000	
	(Being Redemption amount Due)				
	Debentures Holders A/c	Dr.	82,50,000		{1/2 M}
	To Bank A/c			82,50,000	
	(Being amount paid to Debenture Holders)				
	Debenture Redemption Reserves (DRR) A/c	Dr.	7,50,000		{1/2 M}
	To General Reserve A/c	Dr.		7,50,000	
	(Being Debenture Redemption Reserve account transferred to General Reserve Account)				
	Interest on DRRI A/c	Dr.	82,500		{1/2 M}
	To Profit & Loss A/c			82,500	
	(Being Interest transferred to Profit and Loss account)				
	Profit & Loss A/c		7,50,000		{1/2 M}
	To Premium Payable on Redemption A/c			7,50,000	
	(Being premium payable on redemption of Debentures charged to Profit and Loss account)				

**Note:**

1.

Interest on Debentures A/c	Dr.	6,75,000			{1/2 M}
To Debenture Holders A/c			6,75,000		
(Being Interest due to Debenture Holders)					
Debenture Holders A/c	Dr.	6,75,000			{1/2 M}
To Bank A/c			6,75,000		
(Being interest on debentures paid to debenture holders)					
P&L A/c	Dr.	6,75,000			{1/2 M}
To Interest on debentures A/c			6,75,000		
(Interest on debentures charged to Profit & Loss A/c)					

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