

**Required:** Capital accounts of the partners showing final settlement (ignore Garner Vs. Murray)

[5]

**Ans:** Final settlement Rs. 18,000 by each solvent partner A & B

## 12. 2065 Q.No. 11

A., B and C who were sharing profit and loss in the ratio of 5:3:2, dissolved the firm. Their capital accounts and other ledger balances disclosed the following positions:

Credit Balances		Debit Balances	
Partners capital			
A	50,000	Cash at bank	40,000
B	30,000	Realization loss	45,000
C	5,000		
	85,000		85,000

A and B brought their share of realisation losses in cash but C was adjudicated as insolvent and only Rs. 0.40 in a rupee was realised from his estate.

**Required:** Partners capital accounts showing final settlements (apply Garner vs. Murray) [2+2+1]

**Ans:** Bank: A Rs. 48,500; B Rs. 29,100; Total Rs. 72,500; Rs. 43,500; Rs. 9,000

## 13. 2064 Q.No. 10

The financial position of a firm after dissolution but before, the distribution of realisation loss has been presented below:

Credit Balances		Debit Balances	
A's capital	30,000	C's capital	12,000
B's capital	20,000	Realisation losses	6,000
		Cash at bank	32,000
	50,000		50,000

They were sharing profit and loss equally. C was declared as an insolvent and Rs. 0.40 in a rupee was realised from his personal estate.

**Required:** Partners Capital Accounts showing final settlement as per Garner vs. Murray decision. [5]

**Ans:** Final settlement A and B Rs. 24,960 and Rs. 16,640

## 14. 2064 (Old- C) Q.No. 14

A, B and C who were sharing profit and loss in the ratio of 5:3:2 decided to dissolve the firm. Their position after dissolution and after distribution of realisation losses revealed the following position:

Credit Balances		Debit Balances	
A's capital	40,000	Cash at bank	60,000
B's capital	30,000	C's capital	10,000
	70,000		70,000

C was adjudicated as an insolvent and Rs. 0.50 in a rupee was only realised from his personal estate.

**Required:** Partner's capital account showing final settlement among partners. [5]

**Ans:** Final payment to A: Rs. 36,875 and B: Rs. 28,125

## 15. 2063 Q. No. 15

Ram, Shyam and Krishna were in partnership sharing of profit in the ratio of 5:3:2. They decide to dissolve the firm on Chaitra end 2060. The ledger balances and the schedule of assets realization have been given below:

Ram's capital account credit .....	Rs. 60,000
Shyam's capital account credit .....	Rs. 40,000
Krishna's capital account credit .....	Rs. 20,000

The assets were realized as below:

5 <sup>th</sup> Baishakh .....	Rs. 15,000
1 <sup>st</sup> Jestha .....	Rs. 30,000
20 <sup>th</sup> Jestha .....	Rs. 45,000

**Required:** Statement showing piecemeal distribution. [2+3]

**Ans:** Loss on realisation Rs. 15,000, 9,000 and 6,000

**16. 2063 (Partial) Q. No. 14**

Mr. Balgopal, Hari and Shyam were in partnership, sharing profit and losses in the ratio of 5:3:2. They decide to dissolve partnership firm and their position before the distribution of realization losses has been summarized below:

**Ledger Balance**

Credit		Rs.	Debit		Rs.
Partners capital:			Cash at bank		70,000
Balgopal	Rs. 60,000		Realization losses		20,000
Hari	Rs. 40,000	100,000	Shyam's capital		10,000
		100,000			100,000

Shyam was declared as an insolvent and his personal estate realized Rs. 2,000 only.

**Required:** Partners capital accounts (ignore Garner Vs. Murray decision).

[2+2+1]

**Ans:** Final payment to Balgopal = Rs. 42,500 and Hari Rs. 29,500

**17. 2062 (C) Q. No. 9**

M, N and O who were sharing profit and losses equally decided to dissolve the business. The Capital Account and other information after adjustment of realisation loss, but before bringing in the amount of realisation loss, but before bringing in the amount of realisation losses in each were as follows:

Capital Account Credit		Capital Account Debit	
M's capital	Rs. 40,000	O's capital	Rs. 20,000
N's Capital	Rs. 30,000	Bank balance debit	Rs. 50,000
	Rs. 70,000		Rs. 70,000

Realisation loss of Rs. 30,000 was debited to partners Capital Accounts. O was adjudicated as an insolvent and Rs. 0.45 in a rupee was recovered from his personal estate.

**Required:** Partners Capital Account showing final adjustments (apply Garners Vs Murary principles)

[2+2+1]

**Ans:** Total Balance: M = Rs. 50,000, N = Rs. 40,000, O = Rs. 20,000

**18. 2062 (C) 16 (OR)**

The Balance Sheet of X, Y and Z who were sharing profit and losses in the ratio of 5:3 and 2 has been provided as:

**Balance Sheet as at 31<sup>st</sup> December 2002**

Liabilities		Rs.	Assets		Rs.
Capital: A	60,000		Plant and machinery		80,000
B	50,000		Fixture & fittings		40,000
C	40,000	150,000	Inventory		50,000
Accounts payable	50,000		Account receivable		60,000
Profit and Loss A/c	50,000		Cash at bank		20,000
		250,000			250,000

On this day they decided to dissolve the business. A agreed to take Accounts Receivable at 10% less and agreed to discharge Accounts Payable. Other assets are realised, as

Goodwill.....Rs. 20,000 Plant.....Rs. 72,000  
 Fixture & fittings.....Rs. 40,000 Inventory.....Rs. 45,000

The cost of liquidation amounted to Rs. 2,000

**Required:** ① Closing entries ② Partners Capital account

③ Realisation Accounts ④ Bank Account

[4+6+3+2]

**Ans:** (b) Total Balance: A Rs. 135,000 B = Rs. 65,000 C = Rs. 50,000, (c) Total Rs. 282,000  
 (d) Total Rs. 197,000

**19. 2062 (F) Q. No. 9**

The Capital Accounts of A, B and C who were sharing profit and losses in the ratio of 5:3 and 2 disclosed the following position on the date of dissolution.

Capital (all credit balance)

A.....Rs. 80,000  
 B.....Rs. 50,000  
 C.....Rs. 50,000

The asset of the company after making payments of all creditors and making provision for realisation expenses realised as below:

January 20.....	Rs. 15,000
February 05.....	Rs. 40,000
February 25.....	Rs. 80,000

**Required:** Piecemeal distribution of realised amount.

[5]

**Ans:** Capital A = Rs. 22,000, B = Rs. 13,200, C = Rs. 8,800

**20. 2061 (C) Q. No. 13**

A partnership company, which went into dissolution had a liability (Accounts payable) of Rs. 60,000 and credit balances in capital accounts of the partners as under:

A. Rs. 80,000	B. Rs. 60,000	C. Rs. 40,000
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They were sharing profit and losses in the ratio of 5:3:2. The assets realized after deducting realization expenses.

30 <sup>th</sup> January 2002.....	50,000	3 <sup>rd</sup> February.....	15,000
25 <sup>th</sup> February.....	80,000	30 <sup>th</sup> March.....	80,000

**Required:** Statement showing piecemeal distribution among partners.

2+3

**Ans:** Capital of B = Rs. 12,000 and C = Rs. 8,000

**21. 2061 (F) Q. No. 16 (OR)**

D, E and F are the partnership profit and loss in the ratio of 4:3 and 2. Their Balance Sheet on 31<sup>st</sup> December 2002 is provides below:

**Balance Sheet**

		Rs.			Rs.
Capital:	D	60,000	Goodwill		10,000
	E	40,000	Land and building		40,000
Account payable		50,000	Plant and machinery		50,000
			Inventory		20,000
			F's capital		20,000
			Cash at bank		10,000
		<b>150,000</b>			<b>150,000</b>

On that day they decided to dissolve the business. Goodwill realized no value land and building realised the book value. All other assets realised 20% less than their values. Liabilities were discharged at a discount of 10%. The expenses for realization were amounted to Rs. 3,000. F was adjudicated as insolvent and only Rs. 0.25 in a rupee was recovered from his personal estate.

**Required:** (a) Entries for closing book of account (b) Realization account (c) Partners' Capital account (d) Bank account

6+7+4+2

**Ans:** (b) Realisation loss transfer: D's capital = Rs. 9,778, E's capital = Rs. 7,333 and F's capital = Rs. 4,889 (c) Capital of partner capital a/c: D = Rs. 60,000, E = Rs. 40,000, F = Rs. 24,889 (d) Final payment: D = Rs. 39,555 and E = Rs. 24,667

**22. 2060 (C) Q. No. 9**

The balance sheet of A, B and C who were sharing profit & loss in the ratio of 2:1:1 after settlement of creditors is as under:

Capital:			
A	40,000	C's Capital	12,000
B	20,000	Cash at bank	48,000
	<b>60,000</b>		<b>60,000</b>

C became insolvent on the date and only 50 paise in a rupee was realised from his personal estate.

**Required:** Capital A/c of the partners showing final settlement (*ignore Garner vs. Murray*) [2+2+1]

**Ans:** Bank A = Rs. 36,000 & B = Rs. 18,000

**23. 2060 (F) Q. No. 13**

M, J and B were in partnership sharing profit and losses in the ratio of 2:1:1. The balances on their capital account after adjustment of realisation loss of Rs. 20,000 and other related balances have been provided below:

M's capital a/c credit balance	Rs. 20,000	B's credit a/c debt balance	Rs. 15,000
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J's capital a/c credit balance	15,000	Cash at bank debit balance	20,000
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B was declared insolvent on the date and nothing was realised from his personal estate.

**Required:**

Partners capital accounts showing final settlement (apply Garner vs. Murray case) [2+2+1]

Ans: M = Rs. 8,571 & J = Rs. 6,429

**24. 2059 (C) Q. No. 9**

The partners' capital account and the liability of partnership firm, where partners were sharing profit and loss in the ratio of 5:3:2 are given below: [2+2+1]

Capital			
A	Rs. 100,000		Creditors Rs. 40,000
B	Rs. 80,000		
C	Rs. 30,000		
Assets realised			
	Rs. 60,000	1 <sup>st</sup> instalment	
	Rs. 80,000	2 <sup>nd</sup> instalment	
	Rs. 60,000	3 <sup>rd</sup> instalment	
	Rs. 50,000	Yet to be realized	

**Required:** Distribution of assets, realized among partners' showing piece meal distribution.

Ans: Loss on realization: A = Rs. 25,000, B = Rs. 15,000 & C = Rs. 10,000

**25. 2059 (F) Q. No. 9**

The balance sheet of a partnership after adjustment of realisation losses but before bringing in the cash for realisation losses is given below:

Liabilities	Rs.	Assets	Rs.
A's capital	15,000	C's capital a/c	10,000
B's capital	10,000	Cash at bank	15,000
	<b>25,000</b>		<b>25,000</b>

Share of realization losses were Rs. 15,000; Rs. 10,000 and Rs. 5,000 for A, B and C respectively. On the date C was adjudicated as an insolvent and only Rs. 0.50 in a rupee was realized from his personal estate.

**Required:** Partners capital accounts showing final settlement [2+2+1]

Ans: Bank: A = Rs. 27,000 & B = Rs. 18,000

**26. 2057 (F) Q. No. 9**

A and B were in partnership sharing profit and loss in the ratio of 3:2. On 1<sup>st</sup> Baishakh, 2056 they decided to dissolve the partnership. A liquidator was appointed to realise assets and distribute the proceeds. Their position on that day revealed.

A's Capital Accounts	Rs. 30,000	Credit Balance
B's Capital Accounts	Rs. 30,000	Credit Balance

Balance of cash after paying liquidators remuneration and making payments to creditors Rs. 6,000. The liquidator further realised the following assets.

On 1 <sup>st</sup> Jetha	Rs. 24,000	Stock sold
On 5 <sup>th</sup> Ashadh	Rs. 25,000	Account received collected

**Required:** Partners capital (piecemeal distribution) [2+1.5×2]

Ans: Loss on realization A = Rs. 3,000 and B = Rs. 2,000

**27. 2056 (F) Q. No. 16**

A, B and C were in partnership sharing profit and loss equally. The balance sheet of the firm on Chaitra end 2054 stood as follows:

	Rs.		Rs.
Partners' Capital: A	20,000	Goodwill	10,000
B	30,000	Plant and Machinery	60,000
Bank loan	55,000	Inventory	30,000
Accounts Payable	50,000	Accounts receivable	60,000
Profit and Loss A/c	15,000	C's Capital a/c	10,000
	<b>170,000</b>		<b>170,000</b>

On that day they decided to dissolve the firm goodwill realized no value, and other assets realized 10% less than their book values. Creditors other than the Bank loan were paid at a discount of 5%. C became insolvent and the final payment of Rs. 0.50 for every Rupee due were realised from his state.

**Required:** (a) Necessary entries showing final settlement among the partners (ignore Garner vs. Murray case) (b) Partners' Capital Account

[9 + (2+2+2)]

Ans: (b) Rs. 3,125 by each solvent partner (i.e. A &amp; B)

**28. 2056 (C) Q. No. 9**

A, B and C were in partnership sharing profit and loss equally. On the date of dissolution their position revealed as follows:

**Capital Accounts**

	Rs.		Rs.
A (Credit Balance)	26,000	Realization loss	30,000
B (Credit Balance)	16,000	Undistributed profit	12,000
C (Credit Balance)	5,000	Cash at bank	39,000

**Required:**

Partners capital accounts showing final statements, (Consider Garner vs. Murray decision).

[2+2+1]

Ans: A = Rs. 600 &amp; B = Rs. 400

**7. AMALGAMATION OF A FIRM AND CONVERSION INTO A LIMITED COMPANY****NUMERICAL PROBLEMS****1. 2059 (F) Q. No. 16 (OR)**

The Balance Sheet of A, B and C who are sharing profit and loss in the ratio of 5:4:3 has been given below:

**Balance sheet as at 31<sup>st</sup> December, 2000**

Liabilities	Rs.	Assets	Rs.
Capital: A	200,000	Land and building	350,000
B	150,000	Plant and machinery*	200,000
C	125,000	Furniture	50,000
Contingency fund	120,000	Inventory	80,000
Profit and loss a/c	150,000	Accounts receivable	100,000
Accounts payable	55,000	Cash at bank	20,000
	<b>800,000</b>		<b>800,000</b>

On this date they sold their business to a Ltd. company. The purchasing company agreed to take over all assets and the liability at their book value and pay goodwill of Rs. 60,000 to the partnership firm. The consideration was to be discharged in 60,000 fully paid shares of Rs. 10 each at an agreed value of Rs. 12 per share and balance in cash.

**Required:** (a) Entries to close book of account (b) Partners' Capital account (c) Opening entries in the book of the Ltd. company

[7+5+3]

Ans: (b) A = Rs. 35,637, B = Rs. 27,453 &amp; C = Rs. 21,910

**2. 2058 (F) Q. No. 7**

On 1<sup>st</sup> Baishakh 2055, a partnership business converted itself into Public Ltd Company with an authorised, issued and paid up capital of 100,000 ordinary share of Rs. 10 each. The balance sheet of the firm on that date was as follows:

Partners capital account:		Goodwill	50,000
A	150,000	Other fixed assets	500,000
B	100,000	Inventory	80,000
C	100,000	Account Receivable	50,000
Reserve Fund	50,000	Cash at bank	20,000
Account payable	150,000		
Profit and loss	150,000		
	<b>700,000</b>		<b>700,000</b>

They issued 30,000 ordinary shares of Rs. 10 each for public subscription. All money due was received.

**Required:** Opening balance sheet of the company.

**Ans:** B/S = Rs. 1,150,000

**3. 2057 (C) Q. No. 9**

The purchasing company agreed to take the following assets after revaluation and discharge all liabilities and also to pay a goodwill of Rs. 40,000.

Plant and machinery	Rs. 75,000
Furniture	25,000
Inventory	30,000
Accounts receivable	32,000
Accounts payable	12,000

**Required:** (a) Amount of purchase consideration (b) Realisation Account

[2+3]

**Ans:** (a) Rs. 190,000 (b) Shareholders = Rs. 40,000

**4. 2057 (F) Q. No. 16**

A, B and C are in partnership sharing profit and loss in the ratio of  $\frac{1}{2}$ ,  $\frac{1}{4}$  and  $\frac{1}{4}$ . Their balance sheet as on Chaitra end stood as follows:

Liabilities	Rs.	Assets	Rs.
Capital Account		Land & Building	150,000
A	60,000	Plant & Machinery	100,000
B	40,000	Furniture	20,000
C	40,000	Inventory	50,000
Reserve fund	40,000	Account Receivable	60,000
Undistributed profits	60,000	Cash at Bank	20,000
10% Bank loan	100,000		
Accounts payable	60,000		
	<b>400,000</b>		<b>400,000</b>

On that day they decided to convert the business into Private Ltd. Company. The new company was to take over all assets and discharge liabilities. The new company was to discharge the purchase consideration in 20,000 fully paid shares of Rs. 10 each and balance in cash of Rs. 100,000.

The company also issued 10,000 ordinary shares to Mr. D for cash.

**Required:** (a) Entries to close book of firm (b) Realisation account (c) Bank account (d) Balance sheet of the Ltd. Company

[6+3+1+5]

**Ans:** (b) Capital A = Rs. 30,000 B = Rs. 15,000 & C = Rs. 15,000 (d) B/S Rs. 460,000

**5. 2056 (F) Q. No. 9**

The balance sheet of a partnership company, sharing of profit and loss in the ratio of 2:2:1 stood as:

**Balance Sheet as on Chaitra end 2054**

Liabilities	Rs.	Assets	Rs.
Partners Capital Account:		Goodwill	20,000
A	100,000	Land and building	200,000
B	80,000	Plant and Machinery	80,000
C	<u>50,000</u>	Stock in Trade	40,000
Accounts Payable	100,000	Accounts receivable	50,000
Undistributed profits	70,000	Cash at bank	10,000
	<b>400,000</b>		<b>400,000</b>

The assets and the liabilities were sold to a Limited Company for 40,000 fully paid shares of Rs. 10 each.

**Required:** (a) Realisation a/c (b) Share of each partner.

[2 + 3]

**Ans:** (a) Profit: A = Rs. 40,000, B = Rs. 40,000 & C = Rs. 20,000  
(b) A = Rs. 168,000, B = Rs. 148,000 & C = Rs. 84,000

## 8. ACCOUNTING FOR FAILURE OF A COMPANY

### THEORETICAL QUESTIONS

#### 1. 2069 Q.No. 4

Write the causes of business failure and methods of calculating remuneration of liquidator. [2.5+2.5]

#### 2. 2059 (C) Q. No. 4

"Settlement of liabilities are required in preferential basis in liquidation of a company." Discuss its brief. [5]

### NUMERICAL PROBLEMS

#### 3. 2069 Q.No. 6

White Co. Ltd. went into voluntary liquidation. The company has total share capital of 1000, 12% preference shares of Rs. 100 each fully paid, having preferential rights as to both dividend and capital, but there is no mention in the memorandum that the preferential dividend were to be paid in the event of winding-up, 2000 ordinary shares of Rs. 100 each, Rs. 60 each per share called and paid up, 3000 ordinary shares of Rs. 80 per share called and paid up and the value of share is Rs. 100. The assets realised Rs. 340,500. The liquidator's remuneration and expenses amounting to Rs. 20,500. Liabilities were Rs. 310,000.

**Required:** Liquidator's Final Statement of Account

[5]

**Ans:** Total Rs. 480,500

#### 4. 2069 Q.No. 11

The balance sheet of a company is as follows:

**Balance Sheet**

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capital:		Land & building	200,000
Equity share of Rs. 100 each,		Plant & machinery	240,000
Rs. 75 called up	300,000	Inventory	190,000
12% Preference shares of Rs.		Account receivable	62,000
50 each fully paid	100,000	Cash	20,000
8% Debentures mortgaged on		Profit & loss account	50,000
plant & machinery	200,000		
Account payable	150,000		
Outstanding preference			
dividend	12,000		
	<b>762,000</b>		<b>762,000</b>

The company went into voluntary liquidation. The assets expect cash realized Rs. 450,000 including Rs. 180,000 on sale of the mortgaged plant and machinery. The liquidator was entitled to a remuneration of 4% on the value of the assets realized.

The liquidation expenses of Rs. 12,000 were incurred.

**Required:** Liquidators Statement of Account

[8]

**Ans:** Total Rs. 570,000

#### 5. 2068 Q.No. 8

A Joint Stock Company with an equity share capital of Rs. 500,000 of Rs. 100 each went into voluntary liquidation. The assets of the company realized Rs. 380,000. The expense of liquidation was Rs. 10,000. The liquidator was entitled to a commission of 2.5% on the value of assets realized and 5% on the amount distributed to equity shareholders. The outstanding liabilities of the company were Rs. 245,000.

**Required:** Liquidator's final statement of a account

[5]

**Ans:** Liquidator's Commission = Rs. 15,000; Equity shareholders = Rs. 110,000

#### 6. 2068 Q.No. 11

A company went into voluntary liquidation on 31<sup>st</sup> December, 2008. The summarized Balance Sheet as on that date is as follows:

## Balance Sheet

Liabilities & equities	Amount	Assets	Amount
Share capital:		Land & building	600,000
4,000; 10% preference shares of Rs. 100 each	400,000	Plant & machinery	400,000
4000 'A' Equity shares of Rs. 100 each	400,000	Inventory	400,000
5000 'B' Equity shares of Rs. 100 each, Rs. 80 paid	400,000	Other current assets	300,000
10% Debenture (mortgage on plant & machinery)	100,000	Investments	200,000
Secured creditors	200,000		
Preferential creditors	100,000		
Unsecured creditors	300,000		
	<b>1,900,000</b>		<b>1,900,000</b>

The preference dividend was in arrear for one year. Total assets realised Rs. 1,300,000. Liquidator's remuneration was 2% on the assets realised and 3% on the amount distributed to unsecured creditors.

**Required:** Liquidator's Final Statement of A/C.

**Ans:** Liquidators remuneration Rs 26,000 + 9,000 = 35,000; 'A' equity shareholders Rs. 100,000 @ Rs. 25; 'B' equity shareholders Rs. 25,000 @ Rs. 5 [8]

## 7. 2067 Q.No. 6

A company went into liquidation. Its assets realised Rs.500,000. The liability and capital are as under:

2000, 10% Preference shares of Rs. 100 each
5000, Equity shares of Rs. 100 each
2000, 10% Debentures of Rs. 100 each (with floating charges)
Unsecured creditors Rs. 500,000

Interest on debentures has been paid upto the end of current year. The liquidation expenses amounted to Rs.20,000. The liquidator's remuneration consists of 5% on realisation of assets and 2% on distribution among unsecured creditors only.

**Required:** Liquidator's Final Statement of Account

**Ans:** Unsecured creditors Rs. 250,000 [5]

## 8. 2067 Q.No. 11

The capital of Buddha Co. Ltd., is as follows:  
10,000 equity shares of Rs. 100 each, Rs.90 per share paid.  
2,000 preference shares of Rs. 100 each fully paid.

The various creditors amounted to Rs.60,500 including Rs. 15,000 for secured creditors and Rs.5,500 for preferential creditors. Liquidator's remuneration is fixed as 2% on amount realised and 1.5% on amount distributed to equity shareholders. The expenses of liquidation amounted to Rs. 10,000. The liquidator made a call of Rs.10 per share on partly paid equity shares. This was paid in full with an exception of 250 shares. Various assets realised Rs. 155,000. Preference dividend not paid for a year amounted to Rs.20,000.

**Required:** Liquidators Final Statement of A/C.

**Ans:** Preference shareholders Rs. 176,950 @ Rs. 88.475 [8]

## 9. 2066 Q.No. 6

A limited company went into voluntary liquidation. Its liabilities amounted to Rs. 320,000 and assets realized Rs. 1,800,000. The capital of the company consisted of 10,000 preference shares of Rs. 100 each, fully paid. There were also 10,000 equity shares of Rs. 100 each, on which Rs. 90 per share had been called. Holders of 2,000 shares had paid up Rs. 80 per share only.



Assume that preference shares have no prior right as to the capital, cost of winding up amount to Rs. 20,000 and that calls in arrears were duly collected.

**Required:** Liquidator's Final Statement of Accounts.

Ans: Preference share Rs. 790,000; Equity shares Rs. 690,000; Total Rs. 182,000 [5]

10. 2066 Q.No. 10 Or

The capital of a company which went into liquidation are as under:

10,000 'A' Equity shares of Rs. 100 each	Rs. 1,000,000
Less: Calls in arrear	100,000
	900,000
10,000 'B' Equity shares of Rs. 100 each	
Rs. 60 called up	600,000
Add: Calls in advance	100,000
	700,000
Fixed assets	Rs. 1,800,000
Current assets	Rs. 800,000
Unsecured creditors	Rs. 1,600,000

A liquidator is appointed to make final distribution. Total assets realized Rs. 2,200,000. Liquidator's remuneration and expenses amounted to Rs. 30,000.

**Required:** Liquidator's account showing final settlement.

Ans: A Equity shares = Rs. 400,000 + Rs. 85,000; B equity share = Rs. 85,000; Total Rs. 23,00,000 [5]

11. 2065 Q.No. 9

Blue Company Ltd., went into voluntary liquidation. The company has total share capital of Rs. 600,000 consisting of Rs. 2,000 equity shares of Rs. 100 each (Rs. 95 paid up) 3,000 equity shares of Rs. 100 each (Rs. 75 paid up) and 2,000 preference shares of Rs. 100 each fully paid.

The preference shares have prior repayment rights of capital over equity shares.

The total amount realized on sale of assets was Rs. 250,000.

The remuneration received by the liquidator included 7% commission on the value of assets realised and 5% commission on the amount paid to unsecured creditors who were paid in full.

**Required:** Liquidator's final statement of account.

Ans: Equity shareholder's Rs. 40,000 @ Rs. 8; Total Rs. 310,000 [5]

12. 2065 Q.No. 10

The Balance Sheet of Star Company that went into liquidation is given below:

Equities	Rs.	Assets	Rs.
4,500 equity shares of Rs. 100 each	450,000	Land and building	450,000
2000, 10% debentures of Rs. 100 each (mortgage on land and building)	400,000	Plant and machinery	400,000
Outstanding salaries	20,000	Stock	60,000
Bills payable	50,000	Account receivable	50,000
Account payable	80,000	Cash at bank	40,000
	1,000,000		1,000,000

The interest on debentures for 6 months remained outstanding.

The amounts realized by the liquidator on sale of various assets are as follows:

Land and building	Rs. 380,000
Plant and machinery	Rs. 300,000
Stock	Rs. 40,000

Account receivable realized only 80% of the book value.

The liquidator will be provided remuneration @ 5% on the value of assets realized on sale.

**Required:** Liquidator's final statement of account.

Ans: Equity shareholders Rs. 192,000 @ Rs. 42.67; Total Rs. 800,000 [7]

13. 2064 Q.No. 8 OR

A Ltd. Company went into voluntary liquidation on Chaitra 30, 2060. All the assets were realised for Rs. 900,000. However, Rs. 22,000 expenses were incurred for liquidation. Apart from the assets sold, the position of the company on the same date was as follows:

Creditors, unsecured	Rs. 160,000
3000 preference shares of Rs. 100 each fully paid up	300,000
2000 Equity shares of Rs. 100 each Rs. 90 per share called up and paid up	180,000
General reserve	240,000
Profit and loss a/c	44,000
Cash at bank	20,000

Dividends in arrears are Rs. 32,000 which become payable when profit are available.  
Liquidator's remuneration is fixed as 3% on assets realisation and 2% on distribution to shareholders.

**Required:** Liquidator's final statement of account. [8]

**Ans:** Liquidator's remuneration Rs. 34,431; Final payment to equity shareholders Rs. 371,569

**14. 2064 Q.No. 11**

A company went into voluntary liquidation and provides the following information:

The assets realised the following sum:	
Furniture and fittings	Rs. 9,000
Vehicle	8,650
Plant and machinery	22,000
The liabilities to be paid includes:	
Debentures	Rs. 20,000
Preferential creditors	5,000
Unsecured creditors	27,000

The liquidation expenses amounted to Rs. 1,000.

Liquidator's remuneration was agreed at 2% on amount realised and 2% on amount paid to unsecured creditors.

**Required:** Liquidator's Final Account. [5]

**Ans:** Amount paid to unsecured creditors Rs. 12,605

**15. 2064 (Old- C) Q.No. 12**

The Goodluck Co. Ltd. went into liquidation with the following particulars:

Unsecured creditors (including Rs. 5,000 for preferential claims)	Rs. 40,000
Secured creditors (secured on plant of machinery)	20,000
Cash in hand	1,000

The liquidator realised from plant and machinery Rs. 15,000 and the other assets realised Rs. 10,000.

The expenses of liquidation amounted to Rs. 1,000 and his remuneration was fixed at 4% on amount realised and 2% on the amount distributed to unsecured creditors.

**Required:** Liquidator's final account. [5]

**Ans:** Payment to unsecured creditors = Rs. 3,922

**16. 2064 (Old- C) Q.No. 13 OR**

A company went into liquidation on December 31, 2005 on which date company's balance sheet stood as follows:

Liabilities	Rs.	Assets	Rs.
Issued and paid up capital:		Goodwill	250,000
12,000 shares of Rs. 100 each	1,200,000	Lease-hold property	280,000
Sundry creditors		Plant and machinery	360,000
Preferential 80,000		Stock in trade	480,000
Partly secured 250,000		Account receivable	360,000
Unsecured 690,000	1,020,000	Cash	10,000
		P/L account	480,000
	2,220,000		2,220,000

The liquidator realised the assets as follows:

Lease-hold property-utilised to pay the partly secured creditors	Rs. 225,000
Plant and machinery	282,000
Stock-in-trade	437,000

Sundry debtors/account receivable	325,000
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Liquidation expenses amounts Rs. 16,000 and the liquidators remuneration was agreed at 2.5% on the amount realised and 2% on the amount paid to unsecured creditors.

**Required:** Liquidator's account showing the distribution of the amount collected. [7]

Ans: Equity shareholder = Rs. 196,975

**17. 2063 Q. No. 5**

The Ganapati Rice Mill Ltd., with a paid up capital of Rs. 500,000 in Equity shares of Rs. 100 each fully paid went into voluntary liquidation. The sundry assets excluding those in the hands of secured creditor realized Rs. 310,000 and the assets with the secured creditors realized only Rs. 100,000.

The various creditors including the secured creditors of Rs. 150,000 and preferential creditors of Rs. 50,000 amounted to Rs. 250,000. The liquidator was to be paid 5% of the amount paid to the unsecured creditors and his expenses of liquidation of Rs. 8,000.

**Required:** Liquidator's final statement of account. [5]

Ans: Amount to equity = Rs. 147,000; Total Rs. 410,000

**18. 2063 Q. No. 12**

The Balance Sheet of A Limited Co. on December 31, year 15 has been given below:

**Balance Sheet of A Limited Co., on December 31, Year 15**

Liabilities	Rs.	Assets	Rs.
Issued and paid up share capital: 1,500 shares of Rs. 100 each	150,000	Freehold property	50,000
8% Debentures	45,000	Plant and machinery	60,000
Creditors	84,000	Stock	70,000
		Account receivable	40,000
		Cash at bank	8,000
		Profit and loss a/c	51,000
	279,000		279,000

The company went into voluntary liquidation and you are asked to work as liquidator.

The debentures are secured by the freehold property. The amount shown as creditor include Rs. 2,100 on account of income tax due but not paid. Freehold property realized Rs. 65,000, the plant and machinery Rs. 47,000, stock Rs. 59,000 and Account receivable Rs. 33,000. Liquidation expenses amounted to Rs. 6,000 and Liquidator's remuneration was fixed at 2.5% on the amount realised plus Rs. 2,200.

**Required:** Liquidator's final statement of account. [8]

Ans: Amount to equity Rs. 69,700

**19. 2063 (Partial) Q. No. 8**

M/s Kathmandu Trade Ltd; having the share capital in 10,000 fully paid equity shares of Rs. 100 each went into voluntary liquidation. The creditors of the company including preferential creditors of Rs. 50,000 and fully secured creditors of Rs. 200,000 amounted to Rs. 650,000. The various assets of the company realized Rs. 600,000. The liquidator was entitled to a commission of 2% on the amount distributed to unsecured creditors and his expenses amounted to Rs. 23,600.

**Required:** Liquidators final statement of account. [5]

Ans: Amount paid for unsecured creditors = Rs. 320,000; Liquidator's remuneration = Rs. 60,000

**20. 2063 (Partial) Q. No. 11 OR**

A company with following balance sheet on December 31, year 10 went into liquidation.

Liabilities	Rs.	Assets	Rs.
Issued and paid up capital: 1,200 shares of Rs. 100 each	120,000	Goodwill	25,000
Sundry creditors	99,500	Lease hold property	27,500
Bank overdraft unsecured	2,500	Plant and machinery	35,000
		Stock	49,000
		Debtors	36,000
		Cash	500
		Profit and loss account	49,000
	222,000		222,000

Sundry creditors include Rs. 7,800 preferential and Rs. 25,200 partly secured by leasehold property.

The liquidator realized the assets as follows:

Sundry debtors Rs. 32,500; stock Rs. 43,700; plant and machinery Rs. 28,000; Leasehold property utilized to pay the partly secured creditors Rs. 22,500. the expenses of liquidation amounted to Rs. 6,000 and the liquidator remuneration was agreed at 2.55 on the amount realised and 2% on the amount paid to unsecured creditors other than preferential creditors.

**Required:** Liquidator's final statement of account.

[7]

**Ans:** Equity share = Rs. 14,598

**21. 2062 (C) Q. No. 10**

The Balance Sheet of Y Hospital Ltd. Which went to liquidation has been given below:

Liabilities	Rs.	Assets	Rs.
Share Capital:		Goodwill	200,000
A share of Rs. 100 fully paid	500,000	Land & building	500,000
B share of Rs. 100 each Rs. 80 paid	400,000	Plant & machinery	300,000
10% Mortgage debenture	200,000	Inventory	150,000
Accounts payable	300,000	Accounts receivable	200,000
Liabilities for expenses (all preferential)	50,000	Cash at bank	20,000
		Profit & Loss A/c	80,000
	<b>1,450,000</b>		<b>1,450,000</b>

A liquidator was appointed and he realised all assets and paid out liabilities including the security in the hands of secured creditors. He was promised a payment of 2% on assets realised as remuneration and 5% of amount payable to unsecured creditors plus the necessary expenses incurred on realisation. The assets realised

Goodwill	No value
Land & building	Face value
Plant & machinery (given as security)	Rs. 150,000
Inventory	Rs. 120,000
Accounts receivable	Rs. 150,000

**Required:** Liquidators Final Statement of Account.

[7]

**Ans:** Equity shareholder A: Rs. 228,300 (@ Rs. 45.66) B = Rs. 128,300 (@ Rs. 25.66)

**22. 2062 (C) Q. No. 15**

A Ltd. Company went into voluntary liquidation. The company has paid up capital of Rs. 500,000 in equity share of Rs. 100 each fully paid. The assets of the company realised Rs. 500,000. The various creditors including secured creditors including secured creditors of Rs. 150,000 and preferential creditors of Rs. 20,000, amounted to Rs. 265,000. The liquidator was entitled to the remuneration of 3% on assets realised and 5% of the amount distributed to Equity Shareholders. The expenses of the liquidator amounted to Rs. 10,000.

**Required:** Liquidators Final Statements of Accounts

[4]

**Ans:** Equity shareholders @ Rs. 40 each Rs. 200,000

**23. 2062 (F) Q. No. 10**

The Balance Sheet of Y Ltd has been given below:

Liabilities	Rs.	Assets	Rs.
Share capital Equity share of Rs. 100	500,000	Land & building	400,000
Less calls in arrear	20,000	Plant & machinery	300,000
10% Mortgage debenture (secured with plant)	250,000	Inventory	100,000
Accounts payable	400,000	Accounts receivable	50,000
Preferred creditors	20,000	Cash at bank	20,000
		Profit & Loss	280,000
	<b>1,150,000</b>		<b>1,150,000</b>

Owing to high accumulated losses the company went into voluntary liquidation. A liquidator was appointed at a remuneration of 4% on assets realised and 4% of the amount distributed to Equity shareholders. The liquidator's expenses amounted to Rs. 20,000. The assets realised as follows:

Land & building	Rs. 400,000
Plant & machinery	Rs. 275,000
Inventory	Rs. 75,000
Accounts receivable	Rs. 37,292

**Required:** Liquidator's Final Statement of Accounts.

[7]

**Ans:** Equity shareholders Rs. 81,714

**24. 2062 (F) Q. No. 15**

Moon Ltd., went into voluntary liquidation. The paid up capital of the company was 5,000 shares of Rs. 100 each Rs. 80 paid. The company's assets realised Rs. 350,000. The various creditors including secured creditors of Rs. 250,000, preferential creditors of Rs. 25,000 amounted to Rs. 500,000. The expenses of liquidator amounted to Rs. 7,500 and he was entitled to the remuneration of Rs. 10,000 and 5% of the amount available to unsecured creditors.

**Required:** Liquidator's Final Statement of Account

[4]

**Ans:** Unsecured creditors Rs. 150,000

**25. 2061 (C) Q. No. 8**

A Ltd. Company with paid up capital of 5,000 'A' Equity share of Rs. 100 fully paid and 5,000 'B' Equity share of Rs. 100 each Rs. 80 called went into liquidation. The assets of the company realized Rs. 1,000,000. The creditors of the company consists of Rs. 20,000 for preferential creditors, Rs. 100,000 for secured creditors and Rs. 180,000 for unsecured creditors. The liquidator was entitled to a commission of Rs. 40,000.

**Required:** Liquidator's statement of accounts.

5

**Ans:** Equity shareholders: A = Rs. 380,000 and B = Rs. 280,000

**26. 2061 (C) Q. No. 12 (OR)**

A Ltd. Company with a capital of 10,000 equity share of Rs. 100 each fully called up went into voluntary liquidation. There was a calls in arrears of Rs. 10,000 in share capital.

The creditors of the company were:

Secured creditors	Rs. 200,000
Unsecured creditors	Rs. 300,000
Preferential creditors	Rs. 50,000

The assets realized Rs. 1,100,000 and the liquidators expenses amounted to Rs. 23,000 and he was entitled to remunerations of 2% on assets realized and 3% on amount distributed to shareholders.

**Required:** Liquidator's Statement of Account

4+4

**Ans:** Equity shareholders @ Rs. 50 each = Rs. 500,000

**27. 2061 (F) Q. No. 11**

A Ltd. Company with paid up capital of Rs. 450,000 in 5,000 equity shares of Rs. 100 each partly paid when into voluntary liquidation. The assets realised Rs. 400,000. The creditors of company were preferential Rs. 32,000, secured Rs. 200,000 and unsecured of Rs. 300,000. The liquidator was entitled to a remuneration of 2% on assets realised and 5% of the amount distributed to unsecured creditors.

**Required:** Liquidator's Statement of Account

5

**Ans:** Unsecured creditors = Rs. 200,000

**28. 2061 (F) Q. No. 15 (OR)**

**Balance Sheet of A Ltd has been given below:**

	Rs.		Rs.
Share capital:		Goodwill	300,000
Equity share of Rs. 100 each, Rs. 80 called up	400,000	Land and building	500,000
		Plant and machinery	300,000

10% Preference shares of Rs. 100 each fully paid	500,000	Inventory	100,000
		Accounts receivable	100,000
10% Debenture secured by land and building	200,000	Cash at bank	50,000
Account payable	200,000		
Preferential creditors	50,000		
	1,350,000		1,350,000

The company went into voluntary liquidation. The assets realised Rs. 850,000 excluding cash. The liquidator was initiated to a remuneration of 2% on assets realised and his expenses for realisation amounted to Rs. 12,000.

The liquidators made a call of Rs. 20 per shares on partly paid equity share for making payments to preference shareholders. All shareholders paid the call money with the exception of one shareholders holding 2,000 shares.

**Required:** Liquidators statement of accounts.

4+4

**Ans:** Preferences shareholders = Rs. 481,000

**29. 2060 (C) Q. No. 6**

A limited company with a paid up capital of Rs. 100,000 in 10% Preferences shares of Rs. 100 each and Rs. 400,000 in equity shares of Rs. 100 each went into voluntary liquidation. The preference dividends were in arrear for the last two years and are payable on liquidation. The various assets realised Rs. 450,000. The expenses of liquidation amounted to Rs. 2,000. The liquidator is entitled to a commission of 4% on assets realised and 10% on amount distributed to equity shareholders. The liabilities of the company were of Rs. 200,000.

**Required:** Liquidator's final statement of account

[5]

**Ans:** Equity shareholders = Rs. 100,000 @ Rs. 25 per

**30. 2060 (C) Q. No. 13 (OR)**

The capital of a company, which went into liquidation consisting of 10,000 equity shares of Rs. 100 each, Rs. 90 per share paid up; 5000, 10% Preference share of Rs. 100 each fully paid and 1,000; 10% debentures of Rs. 100 each. A liquidator is appointed at a remuneration of 2% on assets realised and 6% on the amount distributed among the unsecured creditors. The liquidator made a call of Rs. 10 on partly paid up shares. All the call monies were received with the exception of 1,000 shares. The expenses of liquidation amounted to Rs. 6,000. Interest on debentures remains unpaid for full one year.

Under the article of association, the preference shares have priority over equity shares. The assets realised were Rs.1,120,000. The various creditors including preferential creditors of Rs. 22,600 and fully secured creditors of Rs. 140,000 amounted to Rs. 412,600.

**Required:** Liquidator's final statement of account

[8]

**Ans:** Equity shareholders Rs. 144,000, @ Rs. 16

**31. 2060 (F) Q. No. 8**

There was a calls in arrear of Rs. 15,000 in 10,000 fully paid equity of Rs. 100 each. The assets realised Rs. 1,185,000 including the assets in the hands of secured creditors. The creditors including preferential creditors of Rs. 20,000 and secured creditors of Rs. 150,000 amounted to Rs. 400,000. The liquidators are entitled to be remuneration of 5% on assets realised.

**Required:** Liquidator's Statement of account.

[5]

**Ans:** Equity shareholders Rs. 725,750 @ Rs. 73.66

**32. 2060 (F) Q. No. 12 (OR)**

The Balance Sheet of X Ltd, which went on liquidation, has been given below:

Share capital:		Land and Building	700,000
10,000 A Equity share of Rs. 100 each fully called	1,000,000	Plant and Machinery	1,000,000
Less: Calls in arrear	20,000	Furniture	300,000
10,000 B Equity share of Rs. 100 each Rs. 80 paid	800,000	Inventory	300,000
5,000 A Debenture with first charge on land building	500,000	Accounts receivable	300,000

3,000 B Debenture with second charge on land building	300,000	Cash at bank	200,000
Accounts payable	200,000		
Creditors for preferential claims	20,000		
	<b>2,800,000</b>		<b>2,800,000</b>

Assets realised 20% less than their book value. Liquidator expenses amounted to 20,000 and his remuneration was fixed at Rs. 50,000. The liquidator of the company made call on partly paid shares, all shareholder will the exception of one holding 1,000 share paid the call money.

**Required:** Liquidator's Statement of account.

[4+4]

**Ans:** Equity shareholders: A and B = Rs. 685,000

**33. 2059 (C) Q. No. 6**

A company was placed in voluntary liquidation on 31<sup>st</sup> Chaitra, last year. The total book value of assets was Rs. 200,000 and liquidator realised Rs. 150,000 only. The expenses of liquidation amounted to Rs. 2,000 and liquidator's remuneration was agreed at 4% on assets realized and 10% on the amount paid to unsecured creditors. The secured and unsecured creditors of the company were Rs. 54,000 and Rs. 100,000 respectively.

**Required:** Liquidator's final statement of account.

[4]

**Ans:** Unsecured creditors Rs. 80,000

**34. 2059 (C) Q. No. 13 (OR)**

A company went into liquidation. The called and paid up capital of the company is as under:

10,000, 10% Preference shares of Rs. 10 each, fully paid
5,000 Equity shares of Rs. 100 each, Rs. 75 per share paid up
5,000 Equity share of Rs. 100 each, Rs. 60 per share paid up.

Under the article of association, the preference shares have priority over ordinary shares. The total liabilities of the company were Rs. 140,000. Liquidator's expenses amounted to Rs. 6,000 and remuneration Rs. 9,000. The various assets realized were Rs. 180,000.

**Required:** Liquidator's final account assuming that he made necessary calls for adjustment of rights of partly paid shareholders.

[5]

**Ans:** Preference shareholders Rs. 100,000

**35. 2059 (F) Q. No. 6**

A company went into liquidation having the following liabilities:

Secured creditors	Rs. 200,000
Preferential creditors	Rs. 50,000
Unsecured creditors	Rs. 500,000

Liquidation expenses amounted to Rs. 20,000. The liquidator is entitled to a remuneration of 10% on the amount distributed to unsecured creditors. The various assets (including securities) realized is Rs. 710,000.

**Required:** Liquidator's final statement of account.

[5]

**Ans:** Unsecured creditors = Rs. 400,000

**36. 2059 (F) Q. No. 13**

A company went into voluntary liquidation on 31<sup>st</sup>, Chaitra last year, when its summarized balance sheet was as follows:

Liabilities	Rs.	Assets	Rs.
Share capital:		Fixed assets	1,000,000
5000: 10% Preference shares of Rs. 100 each	500,000	Current assets	800,000
5000: 'A' Equity shares of Rs. 100 each	500,000	Investment	180,000
Less: Calls in arrear	<u>20,000</u>	Preliminary expenses	20,000
5000: 'B' Equity shares of Rs. 100 each Rs. 80 called up	400,000		
Add: Calls in advance	<u>20,000</u>		
10% Debenture	420,000		
Secured creditors	100,000		
	200,000		

Preferential creditors	50,000	
Unsecured creditors	250,000	
	<b>2,000,000</b>	<b>2,000,000</b>

The preference dividend was in arrear for two years, total assets realized Rs. 1,350,000 and call-in-arrears were duly collected. Liquidation costs were Rs. 5,000 and liquidator's remuneration was 2% on the amount realized and 4% on the amount distributed to unsecured creditors.

**Required:** Liquidator's final statement of account

[8]

**Ans:** Equity shareholders = Rs. 3,800 @ Rs. 0.76

**37. 2058 (C) Q. No. 5**

A Limited Company went into liquidation. Its assets realised Rs. 400,000. The liquidator's remuneration is 2% on assets realised and a commission of 10% on the amount distributed to the unsecured creditors were amounted to Rs. 23,000. The secured creditors of the company were of Rs. 200,000 and the preferential creditors amounted to Rs. 27,000.

**Required:** Liquidators Final Statement of Account.

[5]

**Ans:** Equity shareholders = Rs. 139,700

**38. 2058 (C) Q. No. 12**

The paid up capital of a company in liquidation were of Preference share capital of Rs. 100 each fully paid, and 10,000 ordinary share capital of Rs. 10 each and Rs. 5 as paid up. The assets of the company realised Rs. 800,000. The creditors of the company including secured creditors of Rs. 300,000 and the preferential creditors of Rs. 30,000 were amounted to Rs. 630,000. The liquidator's expenses and remuneration amounted to Rs. 20,000.

The liquidator made a call of Rs. 5 on each ordinary shareholder to enable him to make full and final payments to the preference shareholders.

[8]

**Required:** Liquidators Final Statement of Account.

[5]

**Ans:** Preference shareholders = Rs. 200,000

**39. 2058 (F) Q. No. 6**

X Ltd. went into voluntary liquidation. The liabilities of the company were of secured creditors and unsecured creditor only. The various assets realised Rs. 500,000 and liquidator is entitled to a commission of 5% each on assets realised and the amount distributed to the unsecured creditors. His remuneration and commission were amounted to Rs. 40,000.

**Required:** Liquidators Final Statement of Account.

[1+2+1+1]

**Ans:** Secured creditors = Rs. 160,000

**40. 2058 (F) Q. No. 14 (OR)**

A company with a paid up capital of Rs. 200,000 in 10,000 preference shares of Rs.10 each fully paid and 10,000 ordinary shares of Rs. 10 each fully paid, went into voluntary liquidation. The asset realised Rs. 560,000 (including the assets in the hand of secured creditors). The creditors of the company were as follows: secured creditors Rs. 200,000 (security value Rs. 100,000)

Preferential creditor Rs. 20,000

Unsecured creditors Rs. 200,000

The liquidator was entitled to a commission of Rs. 10,000

**Required:** Liquidators Final Statement of Account.

[8]

**Ans:** Ordinary shareholders' Rs. 30,000

**41. 2057 (C) Q. No. 8 (OR)**

The liquidator of a company realized Rs. 800,000 from sale of assets and Rs. 200,000 from calls on partly paid shares. The liability and capital are as follows:

Fully secured creditors	Rs. 150,000
Partly secured creditors (Security value Rs. 200,000)	300,000
Preferential creditors	30,000
Unsecured creditors	300,000
Fully paid equity capital of Rs. 100 each	10,00,000

Liquidator expenses amounted to Rs. 16,000 and he is entitled to a remuneration of 2% each on assets realised and amount paid to unsecured creditors.



Required: Liquidators Final Statement of Account.

[2+3]

Ans: Equity shareholders = Rs. 180,000

## 42. 2057 (C) Q. No. 13

The Balance Sheet of a company in liquidation has been given below:

Liabilities	Rs.	Assets	Rs.
1000, 'A' Equity shares of Rs. 100 fully paid	100,000	Land and building	200,000
1000, 'B' Equity share of Rs. 100 and Rs. 80 paid	80,000	Plant and machinery	250,000
'A' Debenture with first mortgage on land and building	100,000	Inventory	50,000
'B' Debenture with second charge on land and building	100,000	Bills receivable	80,000
Preferential creditors	20,000	Cash at bank	20,000
Unsecured creditors	200,000		
	<b>600,000</b>		<b>600,000</b>

Various assets realised:

Land and building Rs. 150,000

Plant and machinery Rs. 200,000

Inventory and Bills receivable 20% less

Liquidator is entitled to a remuneration of 5% on assets realised and his expenses amounted to Rs. 14,000.

Required: Liquidators Final Statement of Account

[2+2+4]

Ans: A &amp; B equity shareholders = Rs. 37,300 @ Rs. 18.65

## 43. 2057 (F) Q. No. 8 (OR)

A Ltd. Company with the paid up capital of Rs. 1,000,000 in equity share of Rs. 100 each went into voluntary liquidation. The various creditors including preference creditors of Rs. 20,000 and secured creditors of Rs. 400,000 amounted to Rs. 720,000. The liquidators realised Rs. 1,250,000 from sale of assets and is entitled to remuneration of 4% of the amount distributed to equity shareholders and his expenses amounted to Rs. 10,000.

Required: Liquidators Final Statement of Account

[1+4]

Ans: Equity shareholders Rs. 500,000

## 44. 2057 (F) Q. No. 13

A Ltd. company with paid up capital of 1000, 10% Preference share of Rs. 100 fully paid and 1000 equity shares of Rs. 100 each, and Rs. 80 only paid, went into voluntary liquidation. The various assets realised Rs. 226,000. The creditors of the company amounted to Rs. 100,000 (including secured creditors of Rs. 40,000 and preferential creditors of Rs. 10,000).

The liquidator made a call on partly paid share and the shareholders with the exception of 100 shares responded the liquidators calls. His remuneration and expenses were amounted to Rs. 12,000.

According to articles of association the preference shareholders have no prior over equity shareholders on repayment of capitals.

Required: Liquidators Final Statement of Account

[1+4]

Ans: Equity shareholders = Rs. 66,000

## 45. 2058 (C) Q. No. 6

The statement of affairs of Y Ltd. in voluntary liquidation showed a surplus balance of assets realized of Rs. 600,000, after making payments to secured creditors and deducting liquidators' remuneration and commission, but before making payments to the unsecured creditors of Rs. 180,000. The paid up capital of the company were consisted of 100,000. A Ordinary Share capital of Rs. 8 paid up and 100,000 B Ordinary Share capital of Rs. 6 paid up.

Required:

Liquidators' Final Statement of Account, showing settlement among shareholders.

[1+2+2]

Ans: A = Rs. 310,000 (@ Rs. 3.10) and B = Rs. 110,000 (@ Rs. 1.10)

**46. 2056 (C) Q. No. 13**

A Ltd. went into voluntary liquidation. The assets of the company realized of Rs. 660,000 and the liquidator made a call of Rs. 4 on 10,000 partly paid ordinary share of Rs. 10 each. A holder of 1,000 shares failed to respond the liquidator's call. The liquidator paid Rs. 200,000 to secured creditors. Rs. 54,000 to preferential creditors and Rs. 250,000 to the unsecured creditors. His expenses and remuneration were of Rs. 20,000.

The capital of the company was of 10,000 preference share of Rs. 10 each, fully paid and 10,000 ordinary share of Rs. 10 each of which Rs. 6 paid.

**Required:** Liquidator's final statement of account. [8]

**Ans:** Rs. 72,000 to ordinary shareholders @ Rs. 8 each

**47. 2056 (F) Q. No. 6**

Y Ltd. went into voluntary liquidation. The various assets including the assets in the hands of secured creditors realised Rs. 500,000. The liquidator was entitled to a remuneration of 2% on the assets realised (excluding the assets in the hand of secured creditors) and a commission of 5% on amount received by the unsecured creditors. The various creditors including the secured creditors of Rs. 100,000 and the preferential creditors of Rs. 20,000 amounted to Rs. 320,000. The remaining amounts out of the assets realised were distributed among 10,000 ordinary shareholders on pro-rata basis.

**Required:** Liquidator's Final Statement of Account. 8

**Ans:** Ordinary shareholders = Rs. 162,000 @ Rs. 16.20 each

**48. 2056 (F) Q. No. 13**

The total assets of a company in liquidation, including of Rs. 40,000. Bank balances, realized Rs. 640,000. The liquidator is entitled to a commission of 5% on assets realized and his expenses is Rs. 8,000. The creditors of the company are preferential creditors of Rs. 20,000, secured creditors of Rs. 100,000 and unsecured creditors of Rs. 200,000.

The capital of the company is of 100,000 preference shares of Rs. 10 each, of which Rs. 8 as paid and 100,000 ordinary share of Rs. 10 each, of which 6 as paid up. The article of association of the company has made no provision for prior claims of the preference shareholders for capital payment.

**Required:** Liquidators' Final Statement of Account. [8]

**Ans:** Pref. shareholders = Rs. 241,000 @ Rs. 2.41 and Equity shareholders = Rs. 41,000 @ Rs. 0.41

**9. ACCOUNTING FOR CONSIGNMENT OF GOODS****THEORETICAL QUESTIONS****1. 2069 Q.No. 2**

Differentiate between consignment and sales clarifying their meaning. [5]

**2. 2062 (F) Q. No. 1**

How would you treat bad debts when consignee gets del-credere commission and does not get de-credere commission? [5]

**3. 2060 (C) Q. No. 4**

Define Del Credere Commission. Write the purpose of providing Del Credere commission in consignment business. [3+2]

**4. 2058 (C) Q. No. 4 (OR)**

Write the rights and liabilities of a consignee where delcredere commission is provided. [5]

**5. 2057 (C) Q. No. 3 (OR)**

Write in brief about delcredere commission. [5]

**6. 2057 (F) Q. No. 4**

Briefly write about the different features of consignment business. [5]

**7. 2056 (F) Q. No. 1**

Write the points of dissimilarities between consignment and sales. [5]

**NUMERICAL PROBLEMS****8. 2069 Q.No. 16 Or**

A of Kathmandu sends 10,000 units of an article @ Rs. 10 per unit to B of Birgunj on Baishak 2, 2004. During transit 1% articles were destroyed and it is considered normal. B remitted a cheque of Rs. 30,000 as advance payment to A. A incurred the following expenses for despatching goods to B.

Rs. 5,000 for freight and Rs. 3,900 for insurance. B submitted the account sales on Baishak 31, 2064 stating that:

7,500 units of articles were sold @ Rs. 16 each.

500 units of articles lost abnormally by fire in B's warehouse and insurance Co. paid Rs. 3,000 to B.

Expenses incurred: Rs 4,800 (non-recurring), and Rs. 5,000 (recurring).

Commission entitlement @ Rs. 6.5% of sales

**Required:** In the book of A ① Journal entries ② Consignment account and ③ B's Account  
[5+7+3 = 15]

**Ans:** ① Profit and loss a/c Rs. 21,063 ② Total Rs. 123,000

**9. 2068 Q.No. 16 OR**

Mr. Thapa of Hetauda consigned goods costing Rs. 250,000 to his agent Mr. Pradhan of Kathmandu.

Mr. Thapa incurred Rs. 50,000 for transportation and insurance for the goods consigned.

Mr. Thapa received Rs. 45,000 as insurance compensation for the one-fifth of the consigned goods destroyed in transit. Mr. Pradhan incurred storing and selling expenses amounting to Rs. 20,000 for the goods received on consignment and sold four-fifth of the goods for Rs. 265,000 to customers inclusive of Rs. 40,000 sold on credit.

Mr. Pradhan could not collect Rs. 2,000 from one of his customers. Mr. Pradhan was entitled to a commission of 4% on cash sales and 6% del-credere commission on credit sales.

**Required:** Journal entries, consignment account and Mr. Pradhan's account in the book of Mr. Thapa. [8+4+3=15]

**Ans:** Profit on consignment = Rs. 41,600; Consignment stock = Rs. 48,000; Abnormal loss = Rs. 15,000

**10. 2067 Q.No. 16 OR**

Birat of Biratnagar consigned 1,000 cases of fruit juice to Kancha of Kathmandu. The cost of consigned juice amounted to Rs. 80,000 but were charged at pro-forma invoice price to show profit 25% on sales. The consigner paid Rs. 6,000 for freight and Rs. 4,000 for insurance. The consignee paid 5% of cost as duty and Rs.2,000 as carriage and unloading charges. The consignee remitted 40% of cost as an advance against consignment. The consignee sold 80% of consigned juice at Rs. 120,000. The consignee is entitled to a commission of 5% on gross proceeds of sales as his remuneration.

**Required:** (a) Consignment Account in the book of consigner (b) Journal entries in the book of consignee (c) Consignor account in the book of consignee [8 + 4 + 3 = 15]

**Ans:** (a) Profit = Rs. 36,800 (b) Bank = Rs. 120,000

**11. 2066 Q.No. 11**

A Co. Ltd. of Kathmandu consigned 1,000 boxes of tea to B Co. Ltd. of Butwal @ Rs. 200 per box. A Co. paid Rs. 2,500 as carriage and Rs. 4,500 as insurance. During transit 50 boxes were accidentally destroyed for which insurance company paid directly to the consigner Rs. 7,000 in full settlement of the claim.

B. Co. Ltd sold 950 boxes @ Rs. 250 per box and expenses being rent Rs. 2,000 and salesmen's salary Rs. 3,000. B.Co. Ltd. are entitled to a 5% commission on sales.

**Required:** Consignment account and B. Co. Ltd.'s account in the books of A Co. Ltd. [5+3]

**Ans:** Consignment profit Rs. 23,975; Bank Rs. 220,625

**12. 2065 Q.No. 16**

Nepal mobile supplier consigned 100 mobile sets at a proforma invoice of Rs. 640,000 to Pokhara mobile distributor of Pokhara.

The despatch expenses of Rs. 300 per mobile set were incurred by the consignor.

The Pokhara mobile distributor was allowed 6 percent commission on cash sales and 10 percent on credit sales including del credere commission. The consignee possessed beginning stock containing 10 mobile sets at Rs. 6,000 per mobile set.

The consignee paid Rs. 18,000 for unloading 90 mobile sets only because of 10 mobile sets were damaged in transit and Rs. 10,000 for storing and advertising.

The consignee sold 60 mobile sets at Rs. 8,000 per mobile set for cash and 25 mobile set on credit for Rs. 205,000. Out of the credit sales the consignee could recover Rs. 200,000 only in full settlement.

The consignee realised Rs. 50,000 from insurance company as compensation for the mobile sets damaged in transit. The damaged mobile sets were later sold for Rs. 18,000 after repairing by incurring Rs. 6,000. The consignee sent a draft for the balance due to the consignor.

**Required:** (i) Consignment account (ii) Consignee's account (iii) Abnormal loss account [8+4+3]  
**Ans:** (i) Profit = Rs. 48,200 (ii) Bank Rs. 669,700 (iii) P/L a/c = Rs. 5,000

**13. 2064 Q.No. 16**

Nepalgunj Electric Shop Nepalgunj is an authorized electric fan seller of Emerging Electric Appliance Centre of Kathmandu. The terms and conditions allow a commission of 5 percent on sales price including del-credere commission.

Nepalgunj Electric Shop has 70 table fans in the beginning of Poush 2062. The cost of each table fan is Rs. 800. The proportionate expenses allocated is Rs. 100 each. A fresh despatch containing 200 table fans was made at a cost of Rs. 840 each on 8.9.2062. The total despatching expenses amounting to Rs. 120 each were incurred. The Emerging Electric Appliance Centre of Kathmandu received Rs.840 per table fan on 15.9.2062 as insurance compensation for 10 table fans damaged on transit. An account sale was received from Nepalgunj Electric Shop on 20.9.2062 along with 50% remittance for 250 table fans sold including entire opening stock at 25% profit on sales price. The transit expenses amounting to Rs. 11,400 and Rs. 5,000 as godown expenses were incurred by Nepalgunj Electric Shop. The price of 2 table fans out of credit sales could not be recovered therefore treated as bad since the customer was declared insolvent.

Nepalgunj Electric Shop sent a bank draft for the balance due on 30.9.2062.

**Required:** (a) Journal entries in the book of Emerging Electric Appliance Centre of Kathmandu (b) Journal Entries in the book of Nepalgunj Electric Shop of Nepalgunj (c) Consignment Account. [8+3+4=15]

**Ans:** Amount of sales Rs. 359,429; Net profit Rs. 89,587

**14. 2064 (Old- C) Q.No. 16**

Orange farming of Jomshom consigned 5,000 kg. orange at a cost of Rs. 20 per kg. by adding 40% on the cost to fruit supplier of Kathmandu. Orange farming of Jomshom incurred Rs. 10,000 as transit expenses and Rs. 5,000 as insurance on transit.

Orange farming of Jomshom received full compensation equal to the cost price for the 1/5th of the orange damaged on transit.

The fruit supplier of Kathmandu paid Rs. 8,000 for loading unloading and carriage, Rs. 5,000 for storing and Rs. 3,000 for selling and distribution. The fruit supplier of Kathmandu remitted Rs. 25,000 including Rs. 8,500 compensation received from insurance company for the 1/10th of the remaining goods damaged in storing.

The fruit supplier of Kathmandu sold the remaining goods after damage in storing at Rs. 30 per kg. and sent a bank draft for the balance due after charging 5% commission on sales.

**Required:** (a) Journal entries in the book of orange farming of Jomshom. (b) Journal entries in the book of fruit supplies of Kathmandu. (c) Consignment account. [8+3+4 = 15]

**Ans:** Profit = Rs. 4,600; Bank remittance = Rs. 70,100

**15. 2063 Q. No. 16 OR**

A of Kathmandu sends regular consignments of goods to B of Butwal, who are agent for selling the goods at the risk of A and entitled to a commission of 5% on gross sales and an additional 3% for delectredere commission on credit sales only.

The transactions between A and B are as under:

- 1.1.2062 Goods costing Rs. 100,000 consigned at pro-forma invoice price of 20% profits on cost, paying insurance and other forwarding charges Rs. 5,000.
- 3.1.2062 Goods received by B and paid Rs. 2,000 unloading charge.
- 27.1.2062 Account sales sent to A showing three-fourth of goods sold for Rs. 108,000 half of which were sold for credit. One-half of the balance of goods remained unsold was destroyed by fire and a claim lodged for Rs. 10,000 was settled for a sum of Rs. 9,000. The balance of goods was in stock.
- 31.1.2062 B paid a bank draft for the due amount. It has been informed that a customer who bought goods for Rs. 20,000 was able to pay only 75% of the amount due from him.

**Required:** (a) consignment account in the books of A (b) B's account in the books of A (c) Journal entries in the books of B. [7 + 3 + 5]

**Ans:** (a) Profit = Rs. 20,730 (b) Value of closing stock Rs. 15,875

**16. 2063 (Partial) Q. No. 16 Or**

The transactions between the consigner K of Kathmandu and P of Pokhara are given below:

- 1.1.2005 K consigned 10,000 units of commodities @ Rs. 100 per unit and paid Rs. 35,000 as transport and insurance.
- 2.1.2005 200 units were destroyed in transit and the insurance claim was settled for Rs. 18,000 and paid to K directly.
- 3.1.2005 P took delivery of consignment
- 5.1.2005 Bills accepted by P for Rs. 500,000 for one month.
- 18.2.2005 An account sale was received by K from P containing the following information:
- 8,000 units were sold @ Rs. 150 per unit
  - Unloading charge Rs. 20,000
  - Godown rent Rs. 5,000
  - Printing, advertisement and others Rs. 25,000
  - 200 units were lost which is considered as normal.
- 28.2.2005 P paid the amount due in respect of the consignment after charging commission 5% on sales.

**Required:** (a) Journal entries in the books of K (b) Consignment account (c) Consignee's account in the books of K [8+4+3]

**Ans:** (a) Profit = Rs. 248,083 (b) Value of closing stock = Rs. 172,383  
(c) Remitted by consignee = Rs. 590,000

**17. 2062 (C) Q. No. 16**

R of Rajbiraj was appointed an agent by P of Pokhara. You are give the following particulars relating to an accounting period.

- Cost of goods despatched by P on consignment Rs. 100,000
- Expenses incurred by P towards: Transportation Rs. 7,000; Insurance Rs. 3,000
- One-tenth of the goods was destroyed in transit.
- Expenses incurred by R: godown rent and selling expenses Rs. 2,500
- Half of goods received by R has been sold for Rs. 75,000; including Rs. 15,000 credit sale. The agent is entitled to a commission of 5% on gross sale and 5% del-credere commission. One of the debtor did not pay Rs. 5,000
- One-fifth of the remaining goods destroyed in godown and nothing was realised from insurance.
- Insurance claim recovered by P towards loss in transit was Rs. 9,000.

**Required:** Journal entries, Consignment Account and R's Account in the books of P [9+3+3]

**Ans:** Profit Rs. 15,500 (b) Remittance Rs. 65,000

**18. 2062 (F) Q. No. 16**

On 1<sup>st</sup> Baishakh, last year, A of Kathmandu consigned goods of the value of Rs. 36,000 to B of Biratnagar. The pro-forma invoice was made by adding 20% of the cost. A paid thereon Rs. 2,000 for packaging and Rs. 1,000 for insurance. B was allowed 10% commission on gross sale. He was also allowed 5% extra commission on profit from consignment sales after charging such commission, B paid Rs. 1,000 for landing charge and Rs. 1,050 for selling expenses.

On 15<sup>th</sup> Ashadh, B sold half of the goods for Rs. 30,000. On 29<sup>th</sup> Ashadh, half of the remaining goods were destroyed by fire in godown and B recovered Rs. 3,000 from insurance company.

On 31<sup>st</sup>, Ashadh, B sent a bank draft to A for the amount so far due from him.

**Required:** ① Consignment Account ② B's Account in the books of A ③ A's Account in the books of B [9+3+3]

**Ans:** (a) Profit Rs. 8,524 (b) Remittance Rs. 27,524

**19. 2061 (C) Q. No. 16 (OR)**

A of Kathmandu who entered into consignment transactions with P of Palpa, provides you the following information:

- 10,000 litres Soya oil consigned @ Rs. 50 per litre on 1<sup>st</sup> Baishak, last year.
- Expenses incurred by the consignor towards carriage, loading and insurance Rs. 30,000.
- On 7<sup>th</sup> Baishak, 200 litres of oil were destroyed in transit and insurance claim was settled for Rs. 7,600 and was paid to the consignor directly.
- 9,000 litres of oil sold by consignee @ Rs. 65 per litre.
- Expenses incurred by the consignee; unloading charge Rs. 10,000, other selling expenses Rs. 5,000.
- 200 litres of oil were lost due to leakage which is considered as normal.
- P remitted the amount due to A after deducting 5% commission on sales on 31<sup>st</sup> Ashadh.

**Required:** (a) Consignment to Palpa a/c and P's Account in the books of A (b) A's Account in the books of P. [8+5+2]

**Ans:** (a) Profit on Rs. 32,575 (b) P's Bank a/c = Rs. 540,750

**20. 2061 (F) Q. No. 16**

P of Pokhara was appointed agent by B and Co. You are the following particulars relating to last year.

- a. Cost of goods despatched by the company on consignment Rs. 400,000 which was 25% above cost.
- b. Expenses incurred for goods invoiced:  
Carriage Rs. 12,000  
Insurance Rs. 6,000
- c. Advance remitted by the agent worth Rs. 200,000
- d. Goods at invoice price of Rs. 300,000 were sold for Rs. 400,000
- e. Goods at invoice price of Rs. 20,000 were taken by agent.
- f. Goods at invoice price of Rs. 10,000 were lost through negligence of agent.
- g. Selling expenses paid by agent Rs. 5,000.

The agent is entitled to a commission of 10% on sales. Any goods taken by agent or lost through consignee's negligence would be valued at cost and no commission would be allowed on them. The loss through negligence of agent would be charged to agent's account. Agent paid the amount due by bank draft on closing date.

**Required:**

- (i) Consignment to Pokhara account and P's account in the books of B and Co.
- (ii) Journal entries in the books of P.

7+3+5

**Ans:** (i) Profit on consignment = Rs. 101,500 (ii) Remittance = Rs. 180,350

**21. 2060 (C) Q. No. 16**

K of Kathmandu consigned goods to B of Bhadrapur. The total cost of the product is Rs. 80,000. The invoice was made pro-forma so as to show a profit of 25% on cost. K paid transportation and insurance cost Rs. 4,000. Some of the goods were damaged in transit and B took delivery of 90% of consignment only. K received Rs. 6,000 from the insurance company as a compensation for damaged goods. B paid Rs. 2,500 for godown rent and Rs. 2,000 for selling expenses and sold half of the total goods consigned for Rs. 70,000. B is entitled to a commission of 5% on sales and 10% of the net profit after charging such commission on sales. Half of the remaining goods after sold were destroyed by fire in godown and nothing was recovered from the insurance company. B paid the amount due by bank draft.

**Required:** (a) Consignment account (b) B's Account in the books of K (c) K's account in the book's of B.

[8+4+3]

**Ans:** Profit = Rs. 23,636 (b) Bank Rs. 59,636

**22. 2060 (F) Q. No. 16 (OR)**

K of Kathmandu consigned 500 trousers at a cost of Rs. 600 each to D of Dharan on Baishakh 1st, last year. K paid Rs. 3,000 as carriage and insurance charges. 50 trousers were destroyed in transit. The insurance claim was settled at Rs. 25,000 and was directly paid to consignor. D took delivery of remaining trousers and sent a bank draft to K for Rs. 100,000 as an advance payment. On 31st Ashadh, D reported as follows:

- 300 trousers sold for cash Rs. 750 each and 100 trousers sold at credit @ Rs. 800 each.
- The other expenses were:

Godown rent Rs. 5,000

Printing, selling and advertisement Rs. 3,000

Out of the credit sales, one customer could not pay the bill of 10 trousers.

D is entitled to a commission of 5% plus 2% declared on sale affected by him. D paid the amount due in respect of the consignment of 31st Ashadh.

**Required:** (a) Journal entries in the book of K (b) D's account in the book of K (c) K's account in the book of D

[10+3+2]

**Ans:** (a) Profit = Rs. 33,250 (b) Bank Rs. 175,650

**23. 2059 (C) Q. No. 16 (OR)**

The particulars relating to consignment transactions are given below:

1000 telephone sets costing Rs. 300 per set were consigned by consignor at invoice price of 400 per set.

Consignee was informed to sell at Rs. 450 per set.

Expenses made by consignor on consignment were:

- Freight and insurance Rs. 5,000
- Miscellaneous expenses Rs. 2,000

Consignor drew a three months bill on consignee for Rs. 200,000

An account sales from the consignee disclosed the following particulars:

- Sales of 400 sets at Rs. 450 per set for cash and 400 sets Rs. 500 per set on credit.
- Consignee took over the balance at Rs. 500 per set.
- Expenses incurred for consignment were:

- Carriage Rs. 5000
- Octoral Rs. 4,000
- Selling expenses Rs. 21,000

• Commission of 5% and 2% as Del Credere commission on gross sales proceeds.

• All debtors except one who owed Rs. 2,000 paid cash.

• Consignee remitted the amount due on consignment.

**Required:** (a) Entries in the book of consignee (b) consignment a/c in the book of consignor (c) Consignee's a/c in the book of consignor

[5+6+4]

**Ans:** (b) Profit = Rs. 116,400, (c) Bank Rs. 223,400

**24. 2059 (F) Q. No. 16**

B of Biratnagar consigned to P to Pokhara for sale on the basis of 10% commission on sales at invoice price and 25% of any excess amount realised over invoice price. The goods consigned was 25% above the cost. The consignor incurred Rs. 5,000 for packaging and Rs. 10,000 for transportation cost. P received consignment by paying and Rs. 5,000 for carriage to godown.

During transit, 10% of the consignment goods amounting to Rs. 25,000 at invoice price were accidentally destroyed for which insurance company paid directly to the consignor Rs. 20,000 in full settlement of the claim. After 3 months from the date of the consignment of the goods, P reported that the total consignment received was sold for Rs. 300,000 mid other expenses being Rs. 10,000 P remitted the balance to B after deducting his commission and expenses.

**Required:** In the books of B (a) Journal entries (b) consignment a/c (c) P's a/c

[7+5+3]

**Ans:** (b) Profit = Rs. 50,250 (c) Bank Rs. 243,750

**25. 2058 (C) Q. No. 16 (OR)**

- A factory produced leather jackets at a cost of Rs. 2,600 per piece.
- The factory consigned 300 pieces at Rs. 3,250 per piece to his agent at Biratnagar.
- The expenses of the factory for the consigned goods were Rs.14,000 for packaging and Rs. 10,000 for forwarding and insurance.
- Terms of sales were 4% commission on sales at consigned price and 5% commission of the profit beyond the consigned price.
- 50 pieces of jackets were damaged in transit and returned by the agent incurring Rs. 2,000. The amount realized from insurance company for the damaged goods was Rs. 125,000.
- The agent at Biratnagar took delivery of 250 pieces of jackets only.
- The expenses incurred by the agent in connection with the consigned goods were:

Freight	Rs. 18,000
Storage and insurance	Rs. 12,000

- The agent sold 200 pieces of jackets at Rs. 700,000.
- The agent informed that he could collect Rs. 60,000 from insurance company for 25 additional pieces of jackets destroyed by fire at godown.

**Required:** (a) Journal entries in the books of the factory (b) Consignment Account [10+5]

**Ans:** (b) Profit = Rs. 107,100

**26. 2058 (F) Q. No. 13**

The particulars of consignment transaction are given below:

- Stock of consignment goods at the beginning with the consignee was Rs. 25,000
- Goods despatched for consignment was Rs. 230,000
- Consignee's expenses for consignment was Rs. 7,000 for salaries and Rs. 2,000 for other expenses.
- Term of sales was cost plus 20%
- Sales reported by the consignees:  
Credit sales 110,000 Cash sales 160,000
- Commission enjoyed by the consignee:  
Ordinary 5% on sales Del Credere 2% on credit sales
- Debts amounting to Rs. 2,500 became unrecoverable and treated as bad debts.

**Required:** (a) Consignee's a/c (b) Consignment a/c [3+5]

**Ans:** (a) Bank Rs. 145,300 (b) Profit Rs. 20,300

**27. 2057 (C) Q. No. 16 (OR)**

Gorkha Tyres manufacturing from consigned 50 pieces of tyres to Nepalgunj at a pro-forma invoice of 25% on cost. The consignee at Nepalgunj is allowed commission of 8% on cash sales and 10% on credit sales inclusive of delcredre commission. Details of the consignment transactions for a period are as stated below:

- Stock in the beginning consists of 15 pieces of tyre at a pro-forma a invoice of Rs. 6,000 per piece.
- Pro-forma invoice price of the new despatch is Rs. 300,000.
- Despatch expenses are Rs. 260 per tyre.
- Consignee paid Rs. 12,000 for unloading, store placement and selling expenses of Rs. 5,000
- Sales made by the consignee
  - 40 tyres for cash at Rs. 7,000 per tyre inclusive of opening stock.
  - 10 tyres on credit for Rs. 80,000
- The consignee recovered Rs. 35,000 from insurance company for the 10 tyres damaged in transportation. The damaged tyres were sold for cash at Rs. 15,000 after incurring repairing expenses of Rs. 5,000.
- The consignee realised Rs. 75,000 out of credit sale in full settlement./
- The consignee remitted the balance due.



**Required:** (a) Journal entries in the book of consignor (b) Consignment a/c  
(c) Consignee's a/c

[6+5+4]

**Ans:** (b) Profit = Rs. 63,500 (c) Bank Rs. 321,400

**28. 2057 (F) Q. No. 16 (OR)**

Cheese manufactured in Jomsom was despatched on consignment to Kathmandu at the invoice of Rs. 420,000. The invoice price was fixed at 20% above cost of production. The consignor at Jomsom paid Rs. 30,000 for freight and carriage and Rs. 16,000 as other expenses. The consignor received advance payment of Rs. 100,000 against the consigned goods.

Terms and conditions are to be followed by the consignee at Kathmandu.

- Sales of consigned goods are to be made at 25 percent above the invoice price.
- The consignee at Kathmandu shall be entitled to a sales commission of 4%.
- Any goods taken by the consignee or loss caused because of his negligence shall be valued at 10% above cost manufacture for the purpose of charging in his account.
- Balance due on sales after deduction of necessary expenses should be remitted immediately.

Account sale along with a draft for the balance due was received from the consignee with the following details:

- Inspection and receiving expenses of Rs. 24,000 were paid.
- Rs. 28,000 was paid as advertising and selling expenses.
- Goods at invoice price of Rs. 354,000 were sold at an agreed sale price.
- The consignee took goods worth at invoice price of Rs. 20,000
- Goods at invoice price of Rs. 4,000 were lost because of negligence of the consignee.

**Required:** (a) Journal entries in the book consignor (b) Consignment account  
(c) Consignee's Account

[7+5+3]

**Ans:** (b) profit Rs. 40,800 (c) Bank Rs. 294,800

**29. 2056 (C) Q. No. 16 (OR)**

Mechi Tea Industry of Jhapa consigned 5,000 packets of tea to Kathmandu Tea Supplier at a pro-forma invoice of Rs. 175,000. The pro-forma invoice was at cost plus 25 percent. The industry incurred Rs. 2,500 for freight and Rs. 1,500 for insurance.

Transport company returned back 500 packets of tea on account of damage for which Rs. 12,000 only was recovered from insurance company. Kathmandu Tea Supplier incurred Rs. 9,000 as carriage inward and Rs. 4,000 as storage and advertisement for the goods received on consignment. The supplier sold 2,000 packets for Rs. 84,000 in cash and 800 packets at Rs. 45 each on credit. The supplier was entitled to a commission of 5% on all sales. The industry received cash from Kathmandu Tea Supplier after deducting commission and the expenses paid by the supplier for consignment.

Kathmandu Tea Supplier recovered Rs. 5,000 from insurance company for 200 packets of tea destroyed by fire in its godown. Out of the credit sales, Rs. 4,000 became bad debts and balance including the insurance compensation were received and remitted by the Kathmandu Tea Supplier.

**Required:** (a) Journal entries in the books of Mechi Tea Industry. (b) consignment Account (c) Consignee's Account

[8+4+3]

**Ans:** (b) Profit = Rs. 19,760 (c) Bank = Rs. 102,000

**30. 2056 (F) Q. No. 15**

The particulars of consignment transaction are mentioned below:

- 2,000 articles were consigned by a consignor
- Cost per article was Rs. 280 and was consigned at Rs. 350
- The consignee was informed to sell at Rs. 415 per article
- Consignor's expenses on consignment were:
  - Rs. 5,000 for carriage
  - Rs. 20,000 for freight
  - Rs. 10,000 for other expenses

200 articles were damaged in transit for which the amount recovered from insurance company was Rs. 50,000 only.

The account sales received from the consignee disclosed the following particulars:

- Sales 1500 articles
- Commission 2% on sales
- The expenses incurred in connection with the consigned goods were:
  - Rs. 20,000 for custom duty
  - Rs. 10,000 for clearing charges
  - Rs. 10,000 for other expenses

The consignee cleared his due through cheque

**Required:** (a) Consignment Account (b) Consignee's Account

[4+3]

**Ans:** (a) Profit = Rs. 128,800 (b) Bank Rs. 570,050

## 10. ACCOUNTING FOR JOINT VENTURES

### THEORETICAL QUESTIONS

1. 2068 Q.No. 4

Write at least three points of differentiation between Partnership and Joint Venture.

[5]

2. 2067 Q.No. 2

Differentiate between Joint Venture and Partnership.

[5]

3. 2066 Q.No. 4

"Joint venture is a temporary partnership agreement." Comment.

[5]

4. 2065 Q.No. 1

Define joint venture and mention any three features of joint venture.

[2+3]

5. 2064 Q.No. 4

"Joint venture is a partnership without name." Comment with various features of joint venture.

[5]

6. 2063 Q. No. 2

Write the characteristics of joint ventures.

[5]

7. 2063 (Partial) Q. No. 2

"A joint venture is a business of short duration entered into by two or more persons jointly."

Discuss.

[5]

8. 2062 (F) Q. No. 1 (OR)

Mention the main features of joint venture.

[5]

9. 2062 (C) Q. No. 2

Differentiate between consignment and joint venture.

[5]

10. 2061 (F) Q. No. 1

Write in brief the important features of Joint Ventures accounting.

[5]

11. 2060 (F) Q. No. 1

Write about different methods of maintaining accounts in joint venture business.

[5]

12. 2059 (F) Q. No. 1

What is a joint venture? Differentiate between joint venture and partnership.

[2+3]

13. 2058 (C) Q. No. 1

Give at least three reasons to distinguish a joint venture business from partnership business.

[5]

14. 2057 (C) Q. No. 4

Write at least three main points of differentiation between partnership and joint venture.

[5]

15. 2057 (F) Q. No. 3 (OR)

Under which circumstances Joint Bank is opened in Joint Venture Account?

[5]

16. 2056 (C) Q. No. 1

"Joint venture is a temporary partnership." Justice in 5 to 7 effective sentences

[5]

### NUMERICAL PROBLEMS

17. 2069 Q.No. 7

A and B entered into a Joint Venture to purchase and sell Radios. It was agreed that A should purchase the Radios for the venture and B undertook the sales on a commission of 5% on the

sale proceeds. A purchased 100 Radios @ Rs. 500 per Radio. He paid transportation cost Rs. 2,000. B sold 90 Radios @ Rs. 600 each. B took over the remaining Radios at cost plus 10% and settled his account with A.

**Required:** Joint Venture Account and B's Account in the books of A assuming that profit should be divided equally. [3+2]

**Ans:** Total Rs. 59,720 and Final settlement Rs. 54,510

**18. 2068 Q.No. 7**

A and B entered into Joint Venture agreeing to share the profit & loss on the ratio of 2:1.

A supplied goods of Rs. 60,000 to B and incurred Rs. 2,000 for freight and insurance.

The goods worth Rs. 5,000 was damaged in transit and a sum of Rs. 3,000 was recovered from the insurance company. B reported that 90% of the remaining goods were sold at a profit of 30% of the original cost.

B was entitled under the agreement to a commission of 5% on sales. Selling expenses incurred by B were Rs. 1,000. the unsold goods were taken over by B at cost.

**Required:** Joint Venture Account in the book of A. [5]

**Ans:** Profit on joint venture Rs. 6,532.5

**19. 2067 Q.No. 7**

X and Y entered into joint venture agreement six months ago with equal profit sharing ratio by assigning responsibility to X to look after the joint venture business for 4% commission on profit.

The summarized transactions of the period of joint venture business are as follows:

a. Cash received from Y for joint venture business	Rs.30,000
b. Goods purchased for joint venture	Rs.50,000
c. Store rent and transportation expenses paid in cash	Rs.20,000
d. Cash received from sale	Rs. 120,000
e. Goods retained by X	Rs. 10,000

X as a coventurer remitted the balance payable to coventurer Y after completion of joint venture business.

**Required:** Joint venture account and Y's Account in the book of X. [5+2]

**Ans:** Profit on Y = Rs. 28,800; P/L a/c = Rs. 28,800

**20. 2066 Q.No. 7**

A and B entered into a joint venture, agreeing to share profit and losses in the ratio of 3:2. The following transactions took place: A purchased goods for cash Rs. 60,000 and paid carriage, Rs. 3,000. B purchased goods for cash Rs. 50,000 and paid godown rent, Rs. 5,000.

A sold goods for cash Rs. 80,000 and paid sales commission of Rs. 4,000.

B sold goods for cash Rs. 75,000 and paid sales commission of Rs. 2,000.

The unsold stock taken by A at the value of Rs. 9,000.

**Required:** Joint venture account and B's account in the book of A. [3+2]

**Ans:** Profit: A = Rs. 24,000; B = Rs. 16,000; Total = Rs. 164,000 and Rs. 75,000

**21. 2065 Q.No. 13**

A and B entered into joint venture. Each party was to receive a commission of 5% on the proceeds of goods sold by them, but the commission paid to sales agents were not to be charged against the joint venture. Subject to this, profit was to be shared equally.

They purchased good at a cost of Rs. 300,000 which was paid by A. All the goods were sold for cash. Other transactions relating to the venture were:

	A (Rs.)	B (Rs.)
Payment for carriage and travelling expenses	40,000	24,000
Commission paid to sales agent (individually)	30,000	15,000
Sundry expenses	10,000	8,000
Receipt for goods sold	170,000	190,000

The goods remained unsold valued at Rs. 60,000 and A took over them at the price and paid B the amount due to him.

**Required:** Joint venture account and B's account in the book of A. [5]

**Ans:** Profit Rs. 10,000 (both); Total Rs. 420,000 and Rs. 190,000

**19. 2064 Q.No. 5**

A and B entered into a Joint Venture and they agreed to share profits equally. A agreed to supply goods to B and B agreed to sell the goods at cost plus 20%. The following transactions for the month of April are given:

5 April	A purchased goods and sent to B Rs. 150,000 and paid for carriage Rs. 3,000
15 April	Goods received by B and sold the whole of the goods
25 April	B paid Rs. 2,000 for insurance, warehouse and other expenses.
30 April	Joint venture account is closed by necessary payments to A

**Ans:** Amount of sales Rs. 186,000; Share of profit A and B Rs. 15,500 each

**20. 2064 (Old- C) Q.No. 7**

Two co-ventures Hari and Om jointly undertook to erect a building for a company at a price of Rs. 1,500,000 to be paid as Rs. 1,000,000 in cash and Rs. 500,000 in debentures of the company. The profits and losses are shared equally. The transactions in relation to construction work are as under:

- Hari and Om contributed Rs. 300,000 and Rs. 250,000 respectively.
- Material purchased Rs. 760,000; wages paid Rs. 495,000 and other expenses paid Rs. 80,000.
- Om brought a plant of the value of Rs. 50,000.
- Value of materials taken by Hari Rs. 80,000 and machinery taken by Om Rs. 45,000 after the completion of contract work.
- Hari agree to take over the debentures at a valuation of Rs. 460,000 when the contract price was duly received.

**Required:** Joint venture account.

[5]

**Ans:** Profit Rs. 2,00,000

**21. 2063 Q. No. 9**

Tara and Lama enter into a joint venture to develop residential building sites and sell them sharing profit or loss there from in the ratio 2:1. They purchased a five ropanies of agricultural plot at Rs. 250,000 per ropani. They approached a finance company, which agreed to finance them only for a year to the extent of 80% of the cost at 16% interest. The buying arrangements were finalized on Baishakh 2, 2061 and vendor was paid off on the same day. Balance of purchase price and registration expenses of 8% of purchase price were met by Tara and Lama 60% and 40% respectively. The entire area was dealt with as under:

- 15% of the total area was to be left for roads, market place & public area.
- 8 plots of 4 anaas each, 7 plots of 3 anaas, and 6 plots of 2.5 anaas ratio were made.
- 2.5 anaas plots carried the premium of 50%, 3 anaas plots the premium of 45% and 4 anaas plots the premium of 40% over the cost.

Lama to receive 5% of the sales proceeds as fee for his effort.

The land development cost, Municipal fees and advertisement expenses come to Rs. 2,500 per plot in an average.

**Required:** Joint venture account showing profit or loss to each of them.

[7]

**Ans:** Profit: Tara = Rs. 380,859 and Lama = Rs. 190,430

**22. 2063 (Partial) Q. No. 9**

Hari and Kumar undertake jointly to construct a building of a company for a contract price of Rs. 120,000. A bank account is opened in their joint names, Hari paying in Rs. 40,000 and Kumar Rs. 30,000. Their transactions were as follows:

Material supplied by Hari	Rs.15,000
Kumar	14,000
Bought materials from suppliers	25,000
Paid wages	32,000
Hari paid fees to architect	13,000

Hari and Kumar to share profit or loss in the ratio of 2:1

The contract was completed and price duly received. The joint venture was closed by Hari assuming material at site for Rs. 1,500.