b. The bills payable of S. Ltd. includes Rs. 14,000, accepted for H. Ltd.

c. On the date of acquisition of shares, the balance in profit and loss account in S. Ltd. was Rs. 40,000 and it was Rs. 56,000 in general reserve.

Required: Consolidated Balance Sheet [8]

Ans: Capital profit Rs. 96,000; Revenue profit Rs. 49,600; Minority interest Rs. 85,120; Goodwill Rs. 35,200; B/S Total Rs. 23,64,800

22. 2064 Q.No. 7 OR

The Balance Sheets of Holding Company Ltd. and Subsidiary Ltd. have been provided below:

Balance Sheets as on Chaitra end 2063

Liabilities	H. Ltd. (Rs.)	S Ltd. (Rs.)	Assets	H. Ltd. (Rs.)	S Ltd. (Rs.)
Equity share of Rs. 100	300,000	100,000	Fixed assets	300,000	100,000
Reserve fund	50,000	10,000	Investment on shares of S. Ltd.	100,000	–
Accounts payable	50,000	20,000	Inventories	30,000	20,000
Profit and Loss A/c	50,000	20,000	Accounts receivables	20,000	20,000
			Cash at bank	–	10,000
	450,000	150,000		450,000	150,000

H. Ltd purchased 75% of the equity shares of S.Ltd, on Ashwin end. S. Ltd has credit balance of profit of Rs. 10,000 and no general reserve when shares were purchased. H.Ltd supplied goods worth of Rs. 10,000 at Rs. 15,000 and half of the goods have remained as unsold stocks. S. Ltd remitted Rs. 5,000 on 28th Chaitra, but the H. Ltd. received it only after the balance sheet date.

Required: Consolidated Balance Sheet with workings. [4+4=8]

Ans: Capital profit Rs. 10,000; revenue profit Rs. 20,000; Minority interest Rs. 32,500; Goodwill Rs. 17,500; B/S total Rs. 5,05,000

23. 2063 Q.No. 9

H. Co. Ltd., acquired shares of S Co. Ltd., on 31st December, last year. The balance sheet of H. Co. and S. Co. as on 31st December, last year were as follows:

Liabilities	H Ltd.	S Ltd.	Assets	H Ltd.	S Ltd.
Share capital of Rs. 100 each	1,800,000	450,000	Fixed assets	1,670,000	700,000
10% Debentures	400,000	-	Investment 4,000 shares in S Ltd.	480,000	-
Profit and loss a/c	100,000	50,000	Sundry debtors	400,000	100,000
Bank loan	250,000	100,000	Stock	400,000	50,000
Sundry creditors	500,000	300,000	Cash in hand	100,000	50,000
	3,050,000	900,000		3,050,000	900,000

Sundry creditors of H Ltd., includes a sum of Rs. 160,000 payable to S Ltd. for credit purchase, on which the latter company made a profit of 10% on sales. The stock of H Ltd. includes Rs. 80,000 purchased from S Ltd.

Required: Consolidated Balance Sheet. [1+1+2+4]

Ans: Capital profit a/c Rs. 50,000; Minority interest Rs.55,556; goodwill Rs. 35,556; B/S Total Rs. 33,37,556

24. 2062 Q.No.9

The balance sheets as of 31.12.2060 of Alpha and Beta companies are as follows:

	Alpha Rs.	Beta Rs.		Alpha Rs.	Beta Rs.
Equity share capital (Fully paid)	500,000	200,000	Goodwill	50,000	-
Sundry creditors	100,000	60,000	Fixed assets	350,000	260,000
General reserve	80,000	70,000	Investment in shares of Beta	200,000	-
Profit & Loss a/c	120,000	95,000	Sundry debtors	80,000	70,000
			Inventory	50,000	45,000
			Cash at bank	70,000	50,000
	800,000	**425,000**		**800,000**	**425,000**

Beta Company has balance of Rs. 40,000 in general reserve and credit balance of Rs. 35,000 in profit and loss account on 1.1.2060.

Alpha company purchased 75% of the shares of Beta company on 1.5.2060.

The goods sold for Rs. 30,000 on credit during the period by Beta company to Alpha company at a cost plus 20% profit are still remaining outstanding.

The inventory of Alpha company includes 80% goods supplied by Beta company.

Required: Consolidated balanced sheet including necessary details. [1+1+1+1+4]

Ans: Capital Profit Rs. 105,000; Revenue Profit Rs. 60,000; Minority Interest Rs. 91,250; Capital Reserve Rs. 28,750 ; v Balance Sheet Total Rs. 962,250

25. 2061 Q.No.11

H. Ltd. acquired 2,000 shares of S. Ltd. for Rs. 400,000 on 30th June last year. The accounts of both companies are closed on 31st December every year.

The Balance Sheet of H. Co. as on 31st December, last year was:

Liabilities	Rs.	Assets	Rs.
Issued & subscribed capital:		Fixed assets	950,000
10,000 shares of Rs. 100 each	1,000,000	Investment:	
Profit & loss A/c	550,000	2,000 shares of Rs. 100 each	400,000
Current liabilities	150,000	Current assets	350,000
	1,700,000		1,700,000

The other information are:

- The issued shares of S. Ltd. was 2,500 shares of Rs. 100 each.
- The current assets and current liabilities of S. Ltd. on 31st December, last year were valued at Rs. 200,000 each and fixed assets Rs. 500,000. The current assets of S. Ltd. includes Accounts receivable of Rs. 20,000 due from H. Ltd.
- General Reserve and Profit and Loss Account (credit balance) of S. Co. on 1st Jan., last year was Rs. 100,000 and Rs. 50,000 respectively. The profit earned by S. Co. during the year was Rs. 100,000

Required: Prepare consolidated balance sheet ascertaining Minority interest and cost of control. [2+2+4=8]

Ans: Minority interest Rs. 100,000; Cost of control or goodwill Rs. 40,000 and B/S total Rs. 20,20,000

26. 2060 Q.No.7

Extracted from the Balance Sheets of H. Ltd. and S. Ltd. as on 31st Dec., last year are given below:

	H. Ltd.	S. Ltd.
Fixed assets	Rs. 600,000	Rs. 400,000
Current assets	150,000	100,000
Current liabilities	150,000	100,000
Share capital of Rs. 10 each	500,000	250,000
Profit & loss A/C (Cr.)	300,000	150,000

Additional information:

a. H. Ltd. purchased 15,000 shares of S. Ltd. for Rs. 200,000 on 1st July, last year.

b. Profit and loss a/c of S. Ltd. on 1st Jan., last year was Rs. 70,000.

c. Current liabilities of S. Ltd. includes Rs. 20,000 for goods supplied by H. Ltd. on which the later company made a profit of Rs. 2,000 half the goods are still in the stock on 31st December, last year.

Required: Prepare consolidated balance sheet. [8]

Ans: Capital Profit Rs. 1,10,000, Revenue Profit Rs. 40,000, Minority Interest Rs. 160,000, Capital Reserve Rs. 16,000, B/S total Rs. 12,29,000

27. 2059 Q.No.16

On 1st, Kartik, 2058 X co. Ltd. acquired 1600 shares of Rs.100 each in Y Ltd. at a cost of Rs.400000. The other relevant information are:

a. Profit & loss account and general reserve of Y Ltd. stood at Rs.50000 and Rs.60000 respectively on 1st Baisakh 2058

b. Stock of X Ltd. includes Rs.15000 relating to stock purchased on credit from Y Ltd. which follows the practice of charging 25% extra on cost for determining the selling price.

c. X Ltd. remitted Rs.10000 out of credit purchase of Rs.15000 to Y Ltd. but the latter company received it on 5th Baisakh, 2059

d. Profit & Loss account of X Ltd. includes dividend @10% for the year 2057 from Y Ltd.; which was declared and paid after 1st Kartik, 2058.

The balance sheet of X Co. Ltd. and Y Co. Ltd. as at 31st Chaitra, 2058 are as follows:

Balance Sheet

Liabilities	X Co. Amount	Y Co. Amount	Assets	X Co. Amount	Y Co. Amount
Equity Share of Rs.100 each	8,00,000	2,00,000	Plant & Machinery	8,00,000	2,50,000
General Reserve	4,00,000	60,000	Furniture & Fixtures	50,000	70,000
Profit & Loss a/c	3,00,000	80,000	Investment:		
Accounts payable	1,50,000	1,60,000	Shares in Y Co. Ltd.	4,00,000	
			Stock	1,50,000	80,000
			Accounts receivable	1,50,000	70,000
			Cash	1,00,000	30,000
	16,50,000	5,00,000		16,50,000	5,00,000

Required: Prepare consolidated Balance Sheet as on 31st Chaitra , 2058 by ascertaining Minority Interest, Cost of Control, Profit and Loss Balance and Accounts receivable. [2+2+2+2+7=15]

Ans: Rs. 68,000, Goodwill Rs. 132,000, Rs. 3,01,000; Rs, 2,05,000; B/S total Rs. 18,74,000

28. 2058 Q.No.3

X Ltd. purchased a 90% shares of Y Ltd. on Poush last of the previous year. The balance sheet of the two companies prepared as at Chaitra last of the previous year are given below:

Liabilities	X Ltd.	Y Ltd.	Assets	X Ltd.	Y Ltd.
Equity capital of Rs.100 each	8,00,000	3,00,000	Land & Building	4,00,000	2,10,000
General reserve	1,50,000	50,000	Plant & Machinery	2,90,000	2,00,000
Revenue account	2,50,000	90,000	Stock	1,30,000	50,000
Sundry creditors	70,000	30,000	Book Debts	50,000	40,000
Bills payable		30,000	Bills receivable	20,000	-
			Investment in equity shares	3,80,000	-
	12,70,000	5,00,000		12,70,000	5,00,000

a. General reserve account reported credit balance of Rs.50,000 in the beginning of the previous year.

b. Y Ltd. has credit balance of profit of Rs.40,000 on Baisakh 1st of the previous year

c. Y Ltd.'s acceptance of bill was all in the favour of X Ltd.

d. Goods costing Rs.10,000 of Y Ltd. were destroyed by fire during Jestha of the previous year. The loss has been charged to revenue account of the year.

Required: Working sheet and consolidated balance sheet. [4+4=8]

Ans: Capital profit 125,000; Revenue profit 15,000; Minority interest Rs. 44,000; Capital reserve Rs. 2,500; B/S total Rs. 1370,000

29. 2057 Q.No.4

White Ltd. Invested Rs.420,000 for 2,800 equity shares of Black Ltd. on Jestha 31 of the previous year. The summarized balance sheet of White Ltd. and Black Ltd. as at Chaitra last of the previous year are given below:

Capital Liabilities	Amount White Ltd. Rs.	Amount Black Ltd. Rs.	Assets	Amount White Ltd. Rs.	Amount Black Ltd. Rs.
Equity Share capital of Rs.100 each	15,00,000	4,00,000	Fixed Assets	11,80,000	7,00,000
8% Debentures of Rs.100 each	--	3,00,000	Investment for 2,800 equity shares	4,20,000	--
Capital Reserves	90,000	20,000	1000,8% Debentures of Black Ltd.	1,00000	--
General Reserves	1,00,000	---	Stock	50,000	80,000
Profit & Loss A/c	2,20,000	1,70,000	Accounts receivable	1,50,000	1,50,000
Account payable	80,000	60,000	Bills receivable (including Rs.15,000 from Black Ltd.)	50,000	40,000
Bills payable (Including Rs.20,000 to White Ltd.)	--	30,000	Cash at Bank	40,000	10,000
	19,90,000	9,80,000		19,90,000	9,80,000

Further information for incorporation in consolidated balance sheet:

1. The profit of Black Ltd. includes accumulated profit of Rs.50,000 in the beginning of the previous year.
2. Black Ltd. holds 15,000 units of goods out of 20,000 units of finished goods supplied by White Ltd. at Rs.3 per unit. The supply of goods was made at cost plus 20 percent.

Required: Necessary working sheet and Consolidated Balance Sheet. [4+4=8]

Ans: Capital profit Rs. 90,000; Revenue profit Rs.100,000; Minority interest Rs. 177,000; Goodwill Rs. 77,000; Total B/S Rs. 25,04,500

30. 2057 (Cancelled) Q.No.1

The compiled balance sheet of P. Ltd. and Q. Ltd. are given below:

As at Chaitra last of the previous year

Liabilities	P Ltd. Rs.	Q Ltd. Rs.	Assets	P Ltd. Rs.	Q Ltd. Rs.
Equity capital of Rs. 100 each	2,000,000	800,000	Fixed assets	1,200,000	450,000
12% preference capital	—	200,000	Current assets excluding stock	400,000	300,000
General reserve	400,000	—	Stock	200,000	150,000
Profit & loss account	200,000	—	Investment	850,000	70,000
Trade creditors	80,000	50,000	Bank	30,000	20,000
			Profit & loss a/c	—	60,000
	2,680,000	1,050,000		2,680,000	1,050,000

1. Investment of P. Ltd. includes Rs. 750,000 paid to Q Ltd. for the purchase of 6,000 equity shares of Shrawan 1 of the previous year.
2. The profit and loss account of Q Ltd. showed a credit balance of Rs. 30,000 on Baishak 1 of the previous year.
3. Q Ltd. supplied goods worth Rs. 80,000 to P. Ltd. on credit at a profit of 25 percent on cost price.
4. Half of the goods received from Q Ltd. are still in the stock of P Ltd.
5. P Ltd. has paid 25 percent of the amount due against credit purchase of goods from Q Ltd. before closing accounts for Balance Sheet.

Required: Consolidated balance sheet with necessary working notes. [4+4=8]

Ans: Capital profit Rs. 7,500; Revenue loss Rs. 67,500; Minority interest = Rs. 38,500; Goodwill Rs. 144,375; B/S total Rs. 2,996,375

31. 2056 Q.No.3

The equity capital of a subsidiary company is Rs. 400,000 divided into 4,000 shares of Rs. 100 each. Out of these, the holding company acquired 3,000 shares @ Rs. 200 each. The general reserve and undistributed profit on the date of share acquired were Rs. 40,000 and Rs. 60,000 respectively. On balance sheet date the minority interest, in total, was of Rs. 145,000.

Required:

a. Computation of capital profit.

b. Cost of control.

c. Profit after the date of acquisition. [2+2+4]

Ans: a. Rs. 100,000; b. Rs. 225,000; c. Rs. 80,000

32. 2055 Q.No.16

The assets and liabilities of Holding Company and Subsidiary Company as on 31st Chaitra of previous year given below:

	Holding Co.	Subsidiary Co.
Fixed assets	Rs. 470,000	Rs. 175,000
Current assets	300,000	200,000
Profit & loss account	100,000	60,000
Reserve	340,000	80,000
Current liabilities	70,000	35,000
Fully paid equity shares of Rs. 10 each	600,000	200,000

Additional Information:

i. Holding company acquired 16,000 shares on 1st Kartik of last year for Rs. 340,000.

ii. Profit and loss account of subsidiary company stood at Rs. 30,000 on 1st Baishak, last year. The general reserve remained unchanged since that date.

iii. The debtors of subsidiary company include a sum of Rs. 10,000 due from Holding company for goods supplied at a profit of 25% on cost.

iv. The current assets further include the entire stock purchased from subsidiary company as mentioned in (iii).

v. Holding company remitted Rs. 5,000 to Subsidiary company but the later company received it only on 2nd Baishak of this year.

Required:

a. Goodwill/capital reserve
b. Minority interest. [3+2]
c. Inter-company owing
d. Unrealised profit. [1+2]
e. Cash remitted and not received.
f. Consolidated balance sheet. [1+6]

Ans: a. Goodwill Rs. 80,000; b. Rs. 68,000; c. Rs. 10,000, Rs. 5,000; d. Rs. 2,000; e. Rs. 5,000; f. B/S total Rs. 1,218,000

8. Corporate Liquidation

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 Q. No. 4

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

Numerical Problems

3. 2072 Q.No. 15

The balance sheet of a company is as follows:

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
20,000 Equity shares @ Rs.100 each, Rs.80 paid up	16,00,000	Land & building	1,200,000
12% pref. share @ Rs.100	1,000,000	Machinery	900,000
10% Debenture (having floating charge in all assets)	600,000	Closing stock	200,000
Creditors	200,000	Debtors	600,000
Interest accrued on debentures	120,000	Cash	100,000
		P/L a/c	520,000
	3,520,000		3,520,000

The company went into voluntary liquidation. The assets realized is 2,500,000 including sale of machinery book value, which was mortgaged against 10% debentures. The liquidation expenses were Rs.10,000 and liquidator was entitled to remuneration of 3% on value of assets realized and 2% on amount paid to equity shareholders.

Required: Liquidator's final statement of account. [10]

Ans: Rs 485,294

4. 2072 (ii) Q.No. 14

A Ltd. company, having the following capital structure, went into voluntary liquidation.

5,000 Equity shares of Rs.100 each Rs.80 called up Add calls in advance	Rs.400,000 Rs.4,000
Less calls in arrear	Rs.404,000 Rs.6,000
2,000 preference shares of Rs.100 each	Rs.398,000 Rs.200,000

The various creditors amounted to Rs.200,000 including Rs.50,000 secured creditors, and Rs.10,000 for preferential creditors. The liquidator realized Rs.300,000 from various assets. He was entitled to a remuneration @ 10% on assets realized and liquidation expenses amounted to Rs.5,000. The liquidator had made a collection of calls in arrear and amount on partly paid up shares to refund preference share capital with one year dividend arrear.

Required: Liquidator Statement of Account [10]

Ans: Preference shareholders 306,000

5. 2071 Q.No.15

X Ltd. which has capital of Rs.1,000,000 in equity share of Rs.100 went into voluntary liquidation. The liquidation expenses is amounted to Rs.20,000 and liquidator was entitled to the remuneration of 3.5% on assets realized and 4.5% on amount distributed to equity share holders. The assets of the company realized Rs.800,000. Total amount of creditors is Rs.450,000 including Rs.300,000 of secured creditors and Rs.50,000 preferential creditors.

Required: Liquidator's final statement of accounts [10]

Ans: Liquidator's remuneration Rs. 41,005; Payment to equity shareholders Rs. 288,995

6. 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

7. 2069 Q.No. 11

The balance sheet of a company is as follows:

Balance Sheet

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

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: Liquidator's Statement of Account [8]

Ans: Total Rs. 570,000

8. 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

9. 2068 Q.No. 11

A company went into voluntary liquidation on 31st 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
		Inventory	400,000

4000 'A' Equity shares of Rs. 100 each	400,000	Other current assets	300,000
5000 'B' Equity shares of Rs. 100 each, Rs. 80 paid	400,000	Investments	200,000
10% Debenture (mortgage on plant & machinery)	100,000		
Secured creditors	200,000		
Preferential creditors	100,000		
Unsecured creditors	300,000		
	1,900,000		1,900,000

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. [8]

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

10. 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 [5]

Ans: Unsecured creditors Rs. 250,000

11. 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: Liquidator's Final Statement of A/C. [8]

Ans: Preference shareholders Rs. 176,950 @ Rs. 88.475

12. 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. [5]

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

13. 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. [5]

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

14. 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 was Rs. 20,000. The remuneration received by 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. [5]

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

15. 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		Plant and machinery	400,000
(mortgage on land and building)	400,000	Stock	60,000
Outstanding salaries	20,000	Account receivable	50,000
Bills payable	50,000	Cash at bank	40,000
Account payable	80,000		
	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. [7]

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

16. 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

17. 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

18. 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

19. 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:		Freehold property	50,000
1,500 shares of Rs. 100 each	150,000	Plant and machinery	60,000
8% Debentures	45,000	Stock	70,000
Creditors	84,000	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

20. 2062 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
	1,450,000		1,450,000

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: Liquidator's Final Statement of Account. [7]

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

21. 2062 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: Liquidator's Final Statements of Accounts [4]

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

22. 2061 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

23. 2061 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

24. 2060 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

25. 2060 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

26. 2059 Q. No. 6

A company was placed in voluntary liquidation on 31st 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

27. 2059 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

28. 2058 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: Liquidator's Final Statement of Account. [5]

Ans: Equity shareholders = Rs. 139,700

29. 2058 Q. No. 12

The paid up capital of a company in liquidation were of 2,000 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 preferences shareholders.

Required: Liquidator's Final Statement of Account. [5]

Ans: Preference shareholders = Rs. 200,000

30. 2057 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: Liquidator's Final Statement of Account. [2+3]

Ans: Equity shareholders = Rs. 180,000

31. 2057 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		
	600,000		600,000

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: Liquidator's Final Statement of Account [2+2+4]

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

32. 2056 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 deducing 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)

33. 2056 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

9. Depreciation

Theoretical Questions

1. 2072 Q.No. 13

Explain briefly the meaning of depreciation. Also, explain its effect on Income Statement and Balance Sheet. [5]

2. 2072 Q.No. 9

A machine was purchased at Rs.110,000; and has a life of 4 years with Rs.10,000 salvage value. Determine the amount of depreciation for first-four years under sum of years digit-method. [2]

Ans: Rs 10,000; 20,000; 30,000; 40,000

3. 2072 (ii) Q.No. 13

Point out the objectives of making provision for depreciation on fixed assets in a business. [5]

4. 2071 Q.No.13

Why depreciation should be charge on fixed assets? Write the factors determining the amount of depreciation. [2+3=5]

5. 2071 Old Q.No.3

Explain briefly the meaning of depreciation and mention any three objectives of providing depreciation. [2+3]

6. 2069 Q.No. 4

What do you mean by the retrospective effect while changing the method of charging depreciation? Clarify your answer with suitable example. [3+2]

7. 2068 (I) Q.No. 4

Why is it necessary to provide depreciation? List out the factors that affect the amount of depreciation. [3+2]

8. 2065 Q.No. 4

What is depreciation? Explain briefly the annuity method of depreciation. [2+3]

9. 2064 Q.No. 4

State in brief the meaning of sum-of-the-year's Digit method of depreciation and also write how the depreciation amount is determined under this method. [3+2]

10. 2063 Q.No.3

Write in brief about the different factors, which should be considered for calculating depreciation. [5]

11. 2062 Q.No.3

Write a short note on straight-line method of depreciation and its advantages. [2+3]

12. 2061 Q.No.4

Define depreciation. Write in short about the reasons for depreciating fixed assets. [2+3=5]

13. 2058Q.No.8 OR

What is depreciation? Write with example the machine hour rate of changing depreciation on machine. [2+3=5]

14. 2057 (Cancelled) Q.No.7 OR

Briefly explain the sum of the years' digit method of charging depreciation. [4]

15. 2056 Q.No.8 OR

"Depreciation Fund Method provides sufficient fund at the time of replacement need of Fixed Assets." Comment the statement in 7 to 10 sentences. [5]

16. 2055 Q.No.8 OR

In about five to seven effective sentences, give reasons for changes in profit position, because of changes in depreciation policy. [5]

Numerical Problems

17. 2072 Q.No. 13

A machine having 5 years of life was purchased on 1st January 2005 at a cost of Rs.1,200,000. A portion of machine costing 300,000 was sold for Rs.250,000 at the end of 3rd year. The company uses diminishing balance method for charging depreciation at the rate of 20%. At the end of the 4th year company decided to change the method of depreciation from diminishing balance to straight line method applicable from the purchase date.

Required: Machinery accounts for 3rd and 4th years. [5]

Ans: Gain on sale Rs 96,400; Dep. adj 100,800; Balance Rs 180,000

18. 2072 (ii) Q.No. 7

A company purchased machinery for Rs.200,000 and incurred expenditure of Rs.5,000 for custom and Rs.15,000 for installation. The scrap value after 5 years is estimated to Rs.20,000.

Required: Amount of depreciation for 2nd and 4th year under sum of the years digits method.[2]

Ans: 2nd year: Rs 53,333.33; 4th year Rs 2,666.67

19. 2072 (ii) Q.No. 13 (ii)

On 1st Shrawan 2066, a trader purchased furniture for Rs.50,000. Depreciation has been provided at 10% p.a. on original cost on 31st Chaitra every year. With effect from 1st Baishak 2068, the trader decided to change method of depreciation to diminishing balance @ 15% p.a. On 1st Shrawan 2069, the furniture was sold at a profit of Rs.3,000. [5]

Required: Furniture accounts for 4 years.

Ans: Gain on sales Rs 3,000

20. 2071 Q.No.7

The balance of machinery on 1st Baisakh 2070 was Rs 224,000. It was purchased on 1st Baisakh 2068. Depreciation was charged 20% p.a. under diminishing balance method. On 31st Chaitra 2070 the machine was sold for Rs 180,000.

Required: ❶ Cost of machine ❷ Profit/Loss on sale of machine. [2]

Ans: ❶Rs. 350,000❷ Profit = Rs. 800

21. 2071 Q.No.13❷

A Progressive Co. Ltd., purchased a machine for Rs.500,000 on 1st January 2009. The Co. paid Rs.20,000 for custom duty and Rs.30,000 for transportation and installation. The life of the machine is 4 years, and expected salvage value of Rs.50,000. The Co. invests the depreciation amount to earn interest at 5%. The sinking fund table shows Re.0.2320 invested at 5% will give Re.1 at the end of 4th year.

The investment was sold for Rs.400,000.

Required: Depreciation fund investment account. [5]

Ans: Annual depreciation Rs. 116,000; Gain on sales of investment Rs. 34,310

22. 2071 Old Q.No.12 OR

A company purchased a machine costing Rs.400,000 in the beginning of the year 1 having three years life. The company decided to write off the machine in three years under the annuity method at the interest rate of 5 percent per annum.

Annuity table proposed Re.0.367209 to write off Re.1 at 5 percent per annum in three years.

Required: ❶ Machine account ❷ Interest account [6+2]

Ans: Annual depreciation = Rs. 146,883.6; Interest:Rs. 20,000; Rs. 13,655.82; Rs. 6,994.98

23. 2070 Q.No. 12 OR

A company has been using a plant manufactured in its workshop since July 1, 2007. The manufacturing of the plant in the workshop consumed materials costing Rs. 150,000; wages Rs. 30,000 and chargeable expenses of Rs. 20,000. Depreciation at 10% per annum has been charged under the original cost method. The company closes its account on 31st December every year. The company decided in 2010 end to change the method of depreciation to diminishing balance method at 15% per annum with retrospective effective from 2007.

Required: Plant account for the first 5 year [8]

Ans: Depreciation adjustment Rs. 16,337.50; Balance c/d Rs. 96,571

24. 2069 Q.No. 15

On 1st January 2005, a company purchased a machine for Rs. 300,000 and decided to provide annual depreciation under annual depreciation fund method. The company also decided to replace the machine after 3 years by depreciation fund method. Interest is expected to be earned at 5%.

On 31st Dec, 2007, the investment are sold for Rs. 200,078. The sinking fund table shows that Re. 0.3172 has to be invested every year to provide Re. 1 at the end of three years at 5%.. [4+4=8]

Required: For three years:❶ Depreciation fund investment a/c ❷ Depreciation fund a/c

Ans: Annual depreciation = Rs. 95,160; Interest = Rs. 4,758; Rs. 9,753.90;
Profit on sale of investment = Rs. 5,000

25. 2068 (I) Q.No. 12 OR

A company which provides secretarial services in the township purchased a set of high-tech machines for Rs.9,25,000 and spent Rs.82,000 for shipping and installation on beginning of 2063. The life of the machine set is estimated to be 6 years and salvage value of Rs.125,000. The company decided to apply the accelerated technique, the sum-of-the-years digits method for providing depreciation on the machine set. At the end of the year 2066, the company got the chance to dispose the machine set for Rs.325,000 and disposed off and acquired another set for Rs.1,150,000 on the same date.

Required: Account for machine set for 4 years ending year 2066. [2×4=8]

Ans: Profit and loss a/c Rs. 74,000; Balance Rs. 11,50,000

26. 2068 (II) Q.No. 15

The firm purchased three machines of equal value on 01.01.2061. The machine account of the firm reported opening balance of Rs.105,000 on 01.01.2063. The SL method of depreciation @ 10% p.a. was charged till 2063. One of the machines purchased on 01.01.2061 was sold for Rs.42,000 on 01.01.2064. The firm decided on 15.12.2064 to follow written down value method of charging depreciation by using 15% p.a. with effective from 01.01.2061 and adjust the difference of depreciation amount in the machine account on closing day of 2064.

Required: Machine Account for 2063 and 2064 by showing necessary working notes. [3+5]

Ans: Gain on sale Rs. 11,375; Adjustment of Depreciation Rs. 7,514; Balance Rs. 45,979

27. 2067 (I) Q. No. 15

A firm decides to establish a depreciation fund method of charging depreciation for the replacement of fixed assets. Interest is expected to be earned at 5%. The sinking fund table shows that Re.0.2320 has to invest every year to produce Re.1 at the end of 4 years at 5%. The transactions related to a fixed assets are as follows:

1.1.006	Purchased fixed assets for Rs.220,000 and paid Rs.12,000 on its installation. After 4 years, its scrap value will be Rs.32,000
31.12.009	Fixed assets sold for Rs.36,000 and investment sold for Rs. 138,962.

Required: (1) Sinking Fund Investment Account (2) Sinking Fund Account [4 + 4]

Ans: Annual depreciation Rs. 46,400 Loss on sale of investment Rs. 7,314

28. 2067 (II) Q. No. 15

On 1st January 2005, X Ltd., purchased a machine for Rs.110,000 and spent Rs.6,000 on its installation. The expected life of machine is 4 years after which it is expected to have salvage value of Rs.16,000. The company decided to invest the depreciation amount to earn interest at 5% p.a. Re.0.2320 invested at 5% p.a. will give Re.1 at the end of 4 years as per sinking fund table. At the end of 4th year, the investment were sold for Rs.70,000.

Required: (1) Depreciation Fund Account (2) Depreciation Fund Investment Account [4+4=8]

Ans: (1) Annual depreciation Rs. 23,200; Loss on sales of investment Rs. 3,138 (2) Rs. 73,138

29. 2066 Q.No. 10

A company purchased four machines for Rs. 160,000 on 1–1–2063. The life of the machines were estimated to be 4 years. At the end of 4th year, it was estimated to fetch Rs. 10,000 as the residual values of the machines. The company used WDV method of charging depreciation @ 25% p.a. One of the machines was sold for Rs. 10,000 on 30–12–2064. On 1–1–2065, the company decided to change the method of charging depreciation from WDV method to straight line method charging the similar rate of depreciation with retrospective effect.

Required: Machinery Account for 2063, 2064 and 2065. [3+2+3]

Ans: Loss of sale Rs. 12,500; Balance c/d Rs .35,625; Adj. Depreciation a/c Rs. 3,750

30. 2065 Q.No. 10

A firm purchased a machine costing Rs. 100,000 on 1st Baishakh 2060. The useful life of the machine is 3 years after which it is expected to have a salvage value of Rs. 20,000. The firm decided to invest the depreciation amount to earn interest at 5% per annum. Rs. 0.317208 invested at 5% p.a. will give Re. 1 at the end of 3 years as per sinking fund table. At the end of 3rd year, the investments were sold for Rs. 55,000.

Required: (a) Depreciation Fund Investment Account (b) Depreciation Fund Account [4+4]

Ans: (a) Gain on sale of investment Rs. 2,977.89 (b) Annual depreciation Rs. 25,376.64

31. 2064 Q.No. 10

The machine account of a factory has opening debit balance of Rs. 32,400 on 01.01.2062. The factory used written down value method of depreciation @ 10% p.a. on the four machines of equal value purchased on 01.01.2060. One machine was sold for Rs. 7,500 on 30.09.2062. A new machine costing Rs. 20,000 was purchased on the next day.

The factory closed the machine account of 2062 by changing the original WDV method of depreciation to straight-line method of depreciation with retrospective effect.

Required: Machine account for 2062 and 2063 [6+2=8]

Ans: Adjustment of depreciation Rs. 300; Balance c/d Rs. 35.500; Profit on sale = Rs. 7.50

32. 2063 Q.No.8

A Company acquired a five-year lease for Rs. 400,000 and it was decided to depreciate the lease by Annuity method, calculating interest at 5% per annum. The annuity table shows that the annual amount required to write off Re. 1 in 5 years at 5 percent per annum is Rs. 0.230975.

Required: Leasehold account and interest account for 5 years. [5+3]

Ans: Balance at end Rs. 92,390; Interest Rs. 20,000; 16,380.50; Rs. 12,580; Rs. 8,589.50; Rs. 4,400

33. 2062 Q.No.8

The following information are given:

1 Jan 2001: The firm acquired a three years lease for Rs. 500,000 and decides to establish a depreciation fund for its replacement. Interest is expected to be earned at 5%.

31 Dec 2003: The investments are sold for Rs. 510,013.50

Additional information:

Sinking fund table shows that Rs. 0.3172 has to be invested every year to produce Re. 1 at the end of three years at 5%.

Required: For the year 2001, 2002 and 2003: ❶ Depreciation fund investment account ❷ Depreciation fund account ❸ Lease account [3+3+2]

Ans: Annual depreciation Rs. 158,600; Profit on sale of investment Rs. 184,883.50; Profit transferred to profit & loss account Rs. 184,870

34. 2061 Q.No.8

A factory has purchased a plant costing Rs. 275,000 on Baishak 1 of 20X3. The plant will become useless after 3 years of useful life with Rs. 25,000 as terminating value. The factory has invested annual amount of depreciation in the securities that has offered 5 percent per annum interest. The investments were made in the nearest rupee only. The investments in securities has realized Rs. 160,000 after 3 years. Sinking Fund Table explains that Rs. 0.3172 invested annually at 5 percent per annum interest will realize Re. 1 after 3 years.

Required: 1. Sinking fund investment account. 2. Sinking fund account. [4+4]

Ans: Annual depreciation Rs. 79,300

(b) Amount of interest: 20x4- Rs. 3965 and 20x5- Rs. 8128 (c) Los on investment Rs. 2565

35. 2060 Q.No.8

Four machines of equal value were purchased by a mill at a total cost of Rs. 400,000 on 1.1.20X1. The life of the machines was 10 years. One machine was sold for Rs. 70,000 on 30.6.20X3. Annual accounts were closed on Chaitra 31st of every year. SLM is adopted to depreciate the machines. The mill decided to close the machine account of 20X4 by following diminishing balance method charging 15% p.a. depreciation with retrospective effective from the beginning date.

Required: Machine account for the two years ending Chaitra 31st, 20X4 [3+2=5]

Ans: Adjusted Depreciation Rs. 25,762.50 and Loss on Sale - Rs. 5,000; Balance Rs. 15,56,601.37

36. 2059 Q.No.8

Plant account of an industry has debit balance of Rs.340000 on 1.1.20x7.The plants were purchased on 1.7.20x5. Depreciation of 10% per annum was charged on original cost. The industry has sold a plant costing Rs.100,000 for Rs.72000 on 30.06.20x7. The industry has been using Bickram Sambat Calendar year and decided to close the plant account of 20x7 by applying written down value method of charging depreciation with retrospective effective from 1.7.20x5 using similar rate.

Required: Plant account for 20x7 and 20x8. [5+3=8]

Ans: Balance Rs.2,07,765 and Loss on Sales Rs.8,000; Depreciation Adjustment 1,500 (Dr.)

37. 2058 Q.No.7

A company purchased plant at a cost of Rs.500,000 in the beginning of Year I. A portion of the plant costing Rs.100000 was sold for Rs.70000 at the end of year III. The useful life of the plant is 5 years. The company used straight line method for charging depreciation. At the end of the 4th year company decided to change the method of depreciation from straight line to diminishing balance method at the rate of 15% applicable from the purchased date.

Required: Machine account for 3rd and 4th year. [3+3=6]

Ans: Balance Rs.2,08,802.5; Depreciation Adjustment Rs. 85,650 and Gain on sales Rs.30,000

38. 2057 Q.No.10

A firm is purchased a plant costing Rs.90,000 that produces salvage value of Rs.10,000 after 3 year. The fitting charges incurred is Rs.30,000. A sinking fund is created to replace the plant after 3 year. The amount of depreciation is invested in the purchase of securities that provides 5 percent interest. Calculations of interest are made to the nearest rupee. Sinking fund table reveals that 0.317208 invested each year at 5 percent per annum will accumulate to Rs.1 after 3 year. The investment realized Rs.70,000 at the end of 3rd year.

Required: Sinking fund investment account for three year. [6]

Ans: Annual depreciation Rs.34892.88 or Rs.34893 and Interest for 2nd year Rs.1744.65 or Rs.1745

39. 2057 (Cancelled) Q.No.8

A workshop acquired a property for 3 year under lease for Rs.125000 in the beginning of 2051. The workshop management decided to purchase insurance policy for the same amount to get sufficient fund for renewal of lease. The annual premium payable is Rs. 40,000. The policy matured at the end of 3rd year.

Required: (i) Depreciation insurance policy account (ii) Depreciation Reserve account [3+3]

Ans: Gain on policy Rs.5,000

40. 2056 Q.No.7

A machinery was purchased three years ago at a cost of Rs.500000. At that time the life of the machine was estimated for 5 years and the company applied the diminishing balance method of depreciation at the rate of 20%. At the beginning of 4th year the company decided to change the depreciation method into fixed installment method to the book salvage of Rs.50,000. Write up Machinery Account for the remaining two year. [4+2=6]

Ans: Depreciation adjustment Rs.26,000

41. 2055 Q.No.6

The following are the particulars relating to the machinery accounts.

i.	Purchase	5 machines at Rs.50000 each
ii.	Date of purchase	Baisakh 1. 20x1
iii.	Depreciation applied	Fixed installment of 20% p.a.
iv.	Salvage value	Rs.10000 each (book value)
v.	Scrapped	One machine realizing Rs.30000 on the last day of Chaitra 20x3
vi.	Accounts closed on	The last day of Chaitra of every year.

Required: Machinery for 20x3

Ans: Balance Rs. 104,000, Gain on sale Rs. 4,000

10. Price Level Changes

Theoretical Questions

1. 2072 Q.No. 19 (ii)

Explain the meaning and steps involved in current cost accounting method. [8]

2. 2068 (II) Q.No. 4

How amount to be credited to current cost accounting reserve (CCAR) is determined? [5]

3. 2067 (I) Q. No. 4

State the meaning of gearing adjustment in price level accounting. How is it ascertained? [2 + 3]

4. 2067 (II) Q. No. 3

Write, in brief, about monetary items and its treatment in Price Level Change Accounting. [3 + 2]

5. 2066 Q.No. 4

What do you mean by current purchasing power method? Write its advantages. [2+3]

6. 2063 Q.No.4

State the different advantages of current purchasing power method. [5]

7. 2062 Q.No.4

State the meaning of holding gain on monetary items. How is it ascertained? [2+3]

8. 2061 Q.No.3

Write in brief about the gearing adjustment in inflation accounting. [5]

9. 2060 Q.No.4

Define holding gain and holding loss in monetary items with reference to inflation accounting. [2.5+2.5]

10. 2056 Q.No.14

What are the benefits of applying current cost accounting approach under price level change?

Numerical Problems

11. 2072 Q.No. 8

The following information are given to you:

Materials purchased	Rs.200,000
Opening stock of materials	Rs.20,000
Materials Consumed	Rs.180,000
Price index: Beginning 100 ending 120	

Required: Cost of Sale Adjustment (COSA) [2]

Ans: 5,333.33

12. 2072 Q.No. 14

Following are the balance sheet under MC base for 2012 and 2013.

Balance Sheet

Liabilities	2012 (Rs.)	2013 (Rs.)	Assets	2012 (Rs.)	2013 (Rs.)
Share capital	600,000	600,000	Fixed assets	600,000	600,000
Bank overdraft	240,000	150,000	Accumulated deprecation	(60,000)	(120,000)
Creditors	300,000	450,000	Stock	150,000	200,000
P/L a/c	360,000	400,000	Debtors	660,000	720,000
			Cash at bank	150,000	200,000
	1,500,000	1,600,000		1,500,000	1,600,000

Other additional information:

- Price index at the end of 2012- 200
- Price index at the end of 2013 - 300
- Price index when fixed assets purchased - 100

① Rs 540,000, Rs 960,000; ② Rs.180,000; ③ Rs.70,833; ④ Rs.135,000

13. 2072 (ii) Q.No. 10

The restated value of a laptop is 150,000 at the end of the year when the price index is 180. It was purchased on last year when the retail price index was 120.

Required: Historical value (HCV) of laptop [2]

Ans: Rs 100,000

14. 2072 (ii) Q.No. 15

The given is the HC based income statement stood at the end of current year.

Sales		Rs.4,000
Less: Cost of goods sold		
Opening stock	500	
Purchase	2,500	
	3,000	
Less: Closing stock	700	2,300
Gross profit		1,700
Less: Operating exp.	500	
Depreciation	200	
Interest on loan	200	900
Profit before tax		800
Less: Provision for tax		320
Profit after tax		480
Less: Dividend		280
Net profit		200
Add: Opening retained profit		100
Year end retained profit		300

Additional information:

a. Total current cost adjustment Rs.501
b. Gearing ratio 15.43%
c. Increase in value due to price level change

Fixed assets	Rs.1,400
Inventory	Rs.64

Required: ❶ Current cost income statement ❷ Current cost Accounting Reserve [5+5=10]

Ans: ❶ (123.70); ❷ 1887.70

15. 2071 Q.No.10

The following information is provided: [2]

Opening stock = 200,000
Closing stock = 360,000
Purchase = 450,000
Index to cost of sales was 40, 50 and 60 for beginning, average and ending.

Required: Cost of sale adjustment.

Ans: Rs 110,000

16. 2071 Q.No.14

The income statement of a company for the year ended 31st Ashad 2071 is given below:

Particulars			Amount
Sales			900,000
Less:	Cost of goods sold:		
	Opening stock	180,000	
	Purchase	450,000	
	Closing stock	(120,000)	510,000
Gross profit			390,000
Less:	Operating expenses:		
	Wages & salary	150,000	
	Depreciation	30,000	
	Other expenses	10,000	
	Income tax	60,000	250,000
Net profit			140,000

Additional information:

- The general price index for beginning, average and end was 100, 150 and 200 respectively.
- Company is using FIFO method of inventory valuation.

Required:

❶ Price level gain or loss on monetary items
❷ Restated income statement under CPPA [4+6=10]

Ans: ❶ Price level loss Rs 96,667 ❷ Rs. (30,000)

17. 2071 Old Q.No.13

The HC based Trading and Profit and Loss account of a company for the year ended December 2012, is given below

Trading and Profit & Loss Account
for the year ending December 31, 2012

		Rs.
Sales revenue		100,000
Less:	Cost of goods sold	70,000
	Gross profit	30,000
Less:	Operating expenses	12,000
	Profit before interest and tax	18,000
Less:	Interest	1,000
	Profit before tax	17,000
Less:	Provision for tax	5,000
	Profit after tax	12,000
Less:	Dividend	5,000
		7,000
Add:	Opening retained profit	8,000
	Ending retained profit	15,000

Additional information

Current cost adjustment	Rs.6,000
Gearing ratio	20%
Increase in value of fixed assets	10,000
Increase in value of stock	1,500

Required: ❶ Current cost trading and profit and loss account
❷ Current cost accounting reserve [5+3=8]

Ans: ❶ Rs. 10,200 ❷ Rs. 16,300

18. 2070 Q.No. 13

A corporation has the following historical costing balance sheet as at 31-12-2012.

Liabilities & equities	Amount (Rs.)	Assets	Amount (Rs.)
Accounts payable	80,000	Fixed assets at cost	2,000,000
Bonds payable	420,000	Accumulated depreciation	(600,000)
Share capital	1,200,000	Inventory	600,000
Retained earning	500,000	Cash	20,000
		Accounts receivable	180,000
	2,200,000		2,200,000

Consumer price indices:

01-01-2012	125
31-12-2012	200
Weighted average	160
Time of fixed assets acquired	100
Time of share issued	100

Required: Restate Balance Sheet under CPPA [8]

Ans: Rs. 37,50,000

19. 2069 Q.No. 14

The HL Trading and Profit & Loss a/c of a company for the year ending December end, 2007 is given below:

Trading and Profit and Loss a/c for December end 2007

Net operating profit	Rs. 28,000
Less: Interest on loan	4,000
Profit before tax	24,000
Less: Provision for income tax	8,000
Profit after tax	16,000
Balance b/d	64,000
Balance c/d	80,000

Additional information:

Total current cost adjustments	Rs. 19,800
Gearing ratio	18.08%

Increase in value due to price level change:

Fixed assets	Rs. 9,600
Inventory	1,760

Required: ❶ CC P/L a/c showing CC profit or loss ❷ CCA reserve. [4+4=8]

Ans: ❶ Rs. 63,779.84 ❷ Rs. 27,580.16

20. 2068 (I) Q.No. 13

An income statement of a firm for the year ended Chaitra 31, 2066 is as follows:

Sales revenue		Rs.250,000
Cost of goods sold		
Opening stock	42,000	
Purchases	80,000	
Less: Closing stock	(33,600)	
	88,400	
Wages	50,000	138,400
Gross profit		111,600
Operating expenses		40,000

Net profit	71,600
Add: Retained profit of the previous year	18,000
	89,600

The depreciation adjustment of Rs.25,000 was required.
The gearing adjustment for the period was Rs.8,000
The MWCA for the period was Rs.10,000
The general price index of Baishak was 120 and it was 140 at Chaitra 2066.
Required: (a) Cost of sales adjustment (b) Current cost profit and loss account [3+5=8]

Ans: (a) Rs. 5,900 (b) 56,700

21. 2068 (II) Q.No. 12

A company's income statement for the year ended 2064, are given:

	(Rs.)	(Rs.)
Sales revenue		400,000
Less: Cost of goods sold		
Opening stock	30,000	
Purchases	300,000	
Closing stock	(60,000)	270,000
Gross profit		130,000
Less: Depreciation	20,000	
Operating expenses	60,000	80,000
Net profit before tax		50,000
Less: Tax		20,000
Net profit after tax		30,000
Less: Dividend		10,000
Retained profit		20,000

Price Index 1-1-2064 110
Price Index 31-12-2064 120

Required: ❶ Price level gain or loss ❷ Income statement based on current purchasing power (CPP) [3+5=8]

Ans: ❶ Price Level Loss Rs. 1,739 ❷ R/E Rs. 18,064

22. 2067 (I) Q. No. 13

The following information is provided:

	1st Baisakh	31st Chaitra
Stock	Rs. 330,000	Rs 420,000
Monetary working capital	Rs. 44,000	Rs. 98,000
Net borrowing	Rs. 700,000	Rs. 600,000
Shareholder's fund	Rs. 1,300,000	Rs.1,700,000

The cost of purchase gone up by 40% at the end of this year and 10% at the end of last year. The depreciation adjustment for the period is Rs.200,000.

Required: (1) Cost of Sales Adjustment (2) Monetary Working Capital (3) Gearing adjustment. [2.5 + 2.5 + 3 = 8]

Ans: (1) Rs. 90,000 (2) Rs. 16,500 (3) Rs. 92,655

23. 2067 (II) Q. No. 13

The HC based Trading and Profit and Loss Account of a company for year ending December 31, 2008 is given below:

Trading and Profit & Loss Account
for year ending December 31, 2008

Sales	Rs. 200,000
Less: Cost of goods sold	140,000
Gross profit	60,000
Less: Operating expenses	33,600
Profit for interest & taxes	26,400
Less: Bond interest	2,400
Profit before taxes	24,000
Less: Provision for tax	6,400
Profit after tax	17,600
Less: Dividend	9,200
	8,400

Add:	Opening retained profit	10,800
	Year end retained profit	19,200

Additional information:

Total current cost adjustment		Rs.11,278
Gearing ratio		21%
Increase value of:	Fixed assets	Rs.23,003
	Stock	Rs.1,702

Required: (1) CC Trading and Profit & Loss Account
(2) Current Cost Accounting Reserve. [5 + 3 = 8]

Ans: (1) Rs. 10,290 () Rs. 33,615

24. 2066 Q.No. 13

A firm's income statement for the year ended Chaitra 31, 2064 is as follows:

			Rs.
	Sales revenue		136,500
Less:	Cost of goods sold		
	Beginning inventory	25,000	
	Purchases	63,000	
	Ending inventory	(18,000)	
		70,000	
	Wages	30,000	100,000
	Gross profit		36,500
Less:	Operating expenses		30,000
	Net profit		6,500
Add:	Retained profit of the previous year		8,000
			14,500

The gearing adjustment for the period was Rs. 2,000.
The depreciation adjustment of Rs. 3,500 was required.
The MWCA for the period was Rs. 3,000.
The general price indices were 125 of Baishak 2064 and 150 of Chaitra 2064.
Required: (1) Cost of sales adjustment (2) Current cost profit and loss account. [3+5=8]

Ans: (1) Rs. 4,000 (2) Rs. 6,000

25. 2065 Q.No. 14

The extracted from the beginning and closing Balance Sheet of a company are as under:

	Beginning (Rs.)	Ending (Rs.)
Inventory	300,000	450,000
Sundry debtors	412,500	540,000
Sundry creditors	375,000	450,000
Debentures	825,000	750,000
Cash and Bank	150,000	135,000
Equity share capital	750,000	750,000
Reserve and surplus	225,000	300,000

Specific index for inventory, debtors and creditors are:

Beginning	100
Average	110
Ending	120

Fixed assets credited to CCAR: Beginning Rs. 325,000 and ending Rs. 550,000
Required: (a) Cost of sales adjustment (b) Monetary working capital adjustment
(c) Gearing ratio [2+2+4=8]

Ans: (a) Rs. 67,500 (b) Rs. 11,250 (c) Rs. 30.49%

26. 2064 Q.No. 14

The HC base income statement of a company is given below:

HC base Income Statement for the year ending 2005

Net operating profit before interest and taxes	Rs. 40,000
Less: Interest on loan	8,000
Profit before tax	32,000
Less: Taxes	12,000
Profit after tax	20,000
Add: Retained profit b/d	70,000