

W.N.1

### Calculation of weighted average number of shares

No of shares as on 31-03-2024	800000
Less: No of shares issued on 1-Jan-24	-200000
No of shares after bonus issue	600000

Bonus issue is in the ratio of 1:5

No of shares before bonus issue	$600000/6 \times 5$
	500000
Bonus issue	100000

Date	No of shares	Weight	Weighted Avg
01/04/23	5,00,000	12/12	5,00,000
01/10/23	1,00,000	12/12	1,00,000
01/01/24	2,00,000	3/12	50,000
			6,50,000

**Basic EPS =**  $\frac{\text{Earnings available to ESH}}{\text{Weighted avg no of shares o/s}}$

$$\frac{3120000}{650000}$$

Basic EPS= 4.8 per share

### **Diluted EPS**

Proceeds from Options=80,000×20=₹16,00,000

Average Fair value 25

No of shares at FV 64000

Shares issued without consideration 80,000-64,000

**Dilutive shares 16000**

Shares for Diluted EPS for options 6500000+16000= 666000

**Diluted EPS considering Options**

$$\frac{3120000}{666000} = 4.68$$

Potential shares from Conversion of Debentures

$$3000000/100 \times 4 = 120000$$

Interest saved on 12% debentures post tax

$$=30,00,000 \times 12\% \times (1-30\%) = 252000$$

### **Diluted EPS after Conversion of Debentures**

Earnings available for DEPS =  $3120000+252000$

No of shares for DEPS  $666000+120000$

$$4.29$$

Diluted EPS 4.29 per share



Fair value of equipment	1250000
PV of UGRV $1,20,000 \times 0.735$	88200
Balance	1161800
Annuity factor at 8%	3.312
<b>Annual lease rental</b>	<b>3,50,785.02</b>

PV of MLP	1161800
Fair value of Asset	1250000
PV as a % of FV	92.94%

A lease is called finance lease if the lease term covers the major part of the asset's economic life. Since the PV of MLP substantially covers the fair value of asset, the lease is a finance lease.

The lease term is 4 years out of economic life of 6 years, which covers 67% of the economic life. Since the lease term covers major part of economic life, it can be called finance lease.

**Gross Investment in Lease = MLP + UGRV**

$350,785 \times 4 + 120000 = 15,23,140.00$

**Net Investment in lease 12,50,000.00**

**Unearned Finance Income 2,73,140.00**

Aspect	Defined Contribution Plan	Defined Benefit Plan
<b>Definition</b>	Contributions to the plan are defined	Benefits to be paid out of plan are defined
<b>Risk</b>	The employee bears the investment risk and employer has no further liability	investment and actuarial risk.
<b>Examples</b>	Provident fund	Gratuity, pension plans
<b>Accounting</b>	Expense is recognized as the contribution is paid.	determines liability or asset in the balance

#### Computation of Defined benefit liability/asset

Particulars	Amount (Rs. In Lakhs)
PV of DBO	36
FV of PA	-38.5
Unamortised Past service cost	-7.5
	-10
Amount of Defined benefit Asset	10
PV of available future refund	6
Since the available refund is lower,	
Defined benefit asset is recognised at Rs. 6 lakhs	

	Particulars		Dr.	Cr	
1	Share Final call A/c Dr. [25,000 x 2]		50,000		
	To Equity Share capital A/c			50,000	
	(Being call made on partly paid shares)				
	Bank A/c Dr.		50,000		
	To Share Final call A/c			50,000	
	(being amount received on share final call)				
2	Equity Share Capital A/c (Rs.10) Dr.		7,50,000		
	To Eq. Share capital (Rs. 5)			3,75,000	
	To Capital Reduction A/c			3,75,000	
	(Being equity share capital reduced to FV of Rs. 5 each)				
3	8% Pref Share capital Dr.		3,00,000		
	To 9% Pref share capital (Rs. 7.5)			2,25,000	
	To Capital Reduction A/c			75,000	
	Capital Reduction A/c Dr.		48,000		
	To Equity Share capital (Rs. 5)			48,000	
	[30,000 X 10 X 8% X 2]				
	(Being arrears of preference shares for two years settled by issue of shares @ Rs. 5 per share. No of shares = 9,600)				
4	10% Debentures Dr.		2,50,000		
	Sundry Creditors Dr.		50,000		
	Interest payable on debentures Dr.		25,000		
	Cash Dr.		20,000		
	To Capital Reduction			1,62,500	
	(50% of 250,000 + 10% of 250000)				
	To 12% Debentures			1,82,500	
	<b>Working Note - 1</b>				
	Settlement of Mr. X				
	10% Debentures		2,50,000		
	Creditor balance		50,000		
	Interest payable 10% of 250000		25,000		
	Total Outstanding		3,25,000		
	Amount foregone	1	1,62,500		
	Balance payable		1,62,500		
	Add: cash paid		20,000		
	New debentures to be issued		1,82,500		
5	10% Debentures Dr.	80,000			
	Interest Payable Dr.	8,000			
	To Preference Shares (Rs.7.5)		88,000		
	or				
	10% Debentures Dr.	80,000			
	Interest Payable Dr.	8,000			
	To Preference Shares (Rs.7.5) 11733		87,998		
	To Capital reduction		2.5		

	<b>Working Note</b>				
	Remaining debentures	2,00,000			
	Remaining interest	20,000			
	<b>Total due</b>	<b>2,20,000</b>			
	Amount settled at 60%	1,32,000			
	Capital Reduction	88,000			
	No of preference shares @ 7.5	11,733			
	No of shares to be issued	11,733			
	Balance to be paid in cash (0.333*7.5)	2.5			
6	Provision for Taxation Dr.		1,00,000		
	Capital Reduction Dr.		20,000		
	To Cash			1,20,000	
7	Capital Reduction Dr.		30,000		
	To Non Current Investment			30,000	
8	Trade Payables Dr. (130000 -50000)		80,000		
	Capital Reduction		20,000		
	To Inventory			1,00,000	
	(Balance of Trade Payable settled by transferring inventory)				
9	Capital Reduction Dr.		4,600		
	To Provision for Bad debt			4,600	
10	Capital Reduction A/c Dr.		1,50,000		
	To Plant and Machinery A/c			1,50,000	
11	Bank A/c Dr.		3,82,000		
	To 12% Debentures			3,82,000	
	Bank Overdraft A/c Dr.		65,000		
	10% Debentures Dr.		1,20,000		
	Interest payable on Debentures Dr.		12,000		
	To Bank A/c			1,97,000	
12	Capital Reduction A/c Dr.		3,30,000		
	To Inventory			20,000	
	To Goodwill			60,000	
	To P&L			2,50,000	
	<b>Working Note - 2</b>				
	Calculation of Cash Balance				
	Opening Balance		(65,000)		
	Add: Cash brought in by Mr. X		20,000		
	Less: Income Tax Paid		(1,20,000)		
	Less: 10% Debentures		(1,20,000)		
	Less: Interest payable		(12,000)		
	Closing balance		(2,97,000)		
	Balance required		85,000		
	Debentures to be issued		3,82,000		

	WN 3			
	Capital reduction A/c			
	To ESC	48,000	By Eq Share capital	375000
	To Cash - Tax	20,000	by 8% PSC	75000
	To Provision for bad debt	4,600	By Debentures	125000
	To Investment	30,000	By Trade Payables	25000
	To Plant & machinery	1,50,000	By Interest on Debenture	12500
	To Inventory - creditor settlement	20,000	By 10% Debentures	2.5
	To Goodwill	60,000		
	To P&L	2,50,000		
	To Inventory - Balance written off	20,000		
	To Capital Reserve	9,903		
		6,12,503		612502.5
	Note on Revised Share capital			
	Equity Share Capital			
	84,600 equity shares of Rs. 5 each		4,23,000	
	(Out of above 9,600 shares have been issued for consideration other than cash)			
	Preference share capital			
	(41,733 shares of Rs. 7.5 each)		3,12,998	
	(Out of above 11,733 shares have been issued for consideraiton other than cash)			

Provision to be made as on 31-Mar-23  
Invoice from 1st April 2021 to be considered

Date	Amount	%	Provision
17th July 2021	₹25,000	2.50%	₹625.00
27th January 2022	₹47,000	2.50%	₹1,175.00
1st March 2023	₹1,10,000	4.50%	₹4,950.00
			₹6,750.00

Provision to be made as on 31-Mar-24

Date	Amount	%	Provision
1st March 2023	₹1,10,000	2.50%	₹2,750.00
24th August 2023	₹34,000	4.50%	₹1,530.00
20th March 2024	₹75,000	4.50%	₹3,375.00
			₹7,655.00

Amount Dr. to PL	₹905.00
------------------	---------



**Cash flow from operating activities**

Particulars	Amount
Net profit for the year	50,000
Add: Amortisation of GW	30,000
Add: Interest expense	25000
Change in Trade payable	-15000
Change in Trade Receivable	30000
Change in Inventory	-25000
	<b>95,000</b>

**Cash flow from financing activities**

Particulars	Amount
Issue of Equity Share capital	100000
Issue of Debentures	100000
Bank loan taken	50000
Dividend paid	-50000
Interest paid on Bank loan	-20000
	<b>180000</b>

		Realisation Account			
Particulars	Light	Bright	Particulars	Light	Bright
To Land & Building	58	44	By Long Term Prov	1.5	
To Plant & Machinery	7.5	4.5	By Trade Payables	3.4	2
To Other Assets	3.2		By Rainbow Ltd	80	64
To Inventory	5.75	7.1			
To Trade Receivable	4.3	5.8			
To Cash	3.15	3.35			
To Equity Shareholder's	3	1.25			
	84.9	66		84.9	66

#### Equity Shareholder's Account

To Equity Shares in Rainbow	80	64	By Equity Share Cap	50	40
			By Statutory Res	2	
			By General Res	18	15
			By Sec Premium	0	5
			By P&L	7	2.75
			By Realisation	3	1.25
	80	64		80	64

#### Balance Sheet of Rainbow Ltd

<b>Equity &amp; Liabilities</b>		
Shareholder's Fund		
a) Share capital		144
b) Reserves and Surplus		0
<b>Non Current Liabilities</b>		
Long Term Provision		1.5
<b>Current Liabilities</b>		
Trade Payables		5.4
	Total	<b>150.9</b>
<b>Assets</b>		
<b>Non Current Assets</b>		
Property, Plant & Equipment	3	121.2
Intangible Assets	4	0.25
<b>Current Assets</b>		
Inventories		12.85
Trade Receivables		10.1
Cash & Cash Equivalents		6.5
	Total	<b>150.9</b>

Note 1		
Share capital		
1,44,000 shares of Rs. 100 each		144
(Above shares issued for consideration other than cash)		
Note 2		
Reserves and Surplus		
Statutory Reserve		2
Amalgamation Adjustment A/c		-2
		0
Note 3		
Property Plant & Equipment		
Land & Building	62+44	106
Plant & Machinery	7.5+4.5	12
Other Assets		3.2
		121.2
Note 4		
Intangible Asset		
Goodwill		0.25
<b>Working Note</b>		
Computation of Goodwill		
Net Assets		
PPE	121.2	
Inventories	12.85	
Trade Receivables	10.1	
Cash & Cash Equivalents	6.5	
Less: Long Term Provision	-1.5	
Less: Trade Payable	-5.4	
	143.75	
Purchase Consideration	144	
Goodwill	0.25	

### WN-1 Analysis of Profits

	Pre	Post	Super
General Reserve	6,50,000	0	6,50,000
Profit & Loss	5,75,000	0	5,75,000
Total	12,25,000		12,25,000
	Super - 75%	9,18,750	
	MI - 25%	3,06,250	

### WN - 2

#### Cost of Control

Cost of Investment	41,50,000
Less:	
75% of Eq Share cap	37,50,000
Pre acquisition profits	-
Goodwill	4,00,000

### WN 3

#### Minority Interest

Equity Share capital - 25%	12,50,000
Share in reserves	3,06,250
	15,56,250

### WN 4

#### Consolidated Reserves

General Reserve of Super	15,50,000
Profit & Loss of Super	10,25,000
Post acquisition reserves of clear	9,18,750
Less: Unrealised profit on inventory (200000 x 15%)	(30,000)
	34,63,750

### Consolidated Balance Sheet of Super & Group

Particulars	Note	Amount (₹)
<b>Equity and Liabilities</b>		
<b>Share holder's fund</b>		
Share Capital	1	95,00,000
Reserves and Surplus	2	34,63,750
Minority Interest	WN	15,56,250
<b>Non Current Liabilities</b>		
Long-term Borrowings	3	7,00,000
<b>Current Liabilities</b>		
Trade Payables	4	4,63,750
Short-term Borrowings		4,50,000
<b>Total Liabilities</b>		<b>1,61,33,750</b>

**Assets****Non Current Assets**

Property, Plant & Equipment	5	1,31,00,000
Intangible Assets	WN	4,00,000

**Current Assets**

Inventories	6	12,10,000
Trade Receivables	7	9,28,750
Cash and Cash Equivalents		4,95,000
<b>Total Assets</b>		<b>1,61,33,750</b>

-

**Notes to Accounts****1. Share capital**

800000 equity shares of Rs. 10 each fully paid up	80,00,000
15000 preference shares of Rs. 100 each fully paid up	15,00,000
	95,00,000

**2. Reserves & Surplus**

General Reserve	15,50,000
Profit & Loss Account	10,25,000
Less: Unrealised profit	(30,000)
General Reserve - Clear	4,87,500
Profit & Loss Account - Clear	4,31,250
	34,63,750

**3. Long term borrowings**

10% debentures	500000
9% debentures	200000
	7,00,000

**4. Trade Payable**

Super Ltd	365000
Clear Ltd	245000
Less: Intercompany [25% of 585000]	-146250
	4,63,750

**5. Property, Plant & Equipment**

Land & Buildings	6500000	45,50,000
Plant & Machinery	950000	6,75,000
Furniture & Fittings	250000	1,75,000
	77,00,000	54,00,000
		1,31,00,000

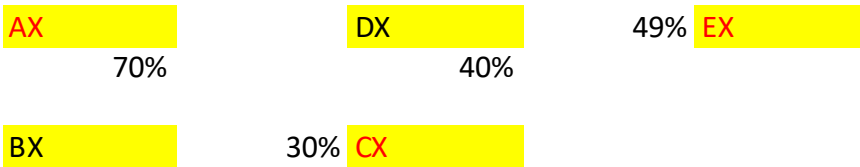
**6. Inventory**

Super Ltd	675000
Clear Ltd	565000
Less: Unrealised profits	-30000
	12,10,000

**7. Trade receivables**

Super Ltd	585000
Clear Ltd	490000
Less: Intercompany	-146250
	9,28,750

**AX Limited holds 70% shares of BX Limited.**  
**BX Limited holds 30% shares of CX Limited.**  
**DX Limited holds 40% shares of CX Limited.**  
**DX Limited holds 49% shares of EX Limited.**



AX	BX - Subsidiary CX - Associate
CX	AX - Holding of Investing party BX - Investing Party DX - Investing Party
EX	DX - Investing Party

The following are related parties as per AS-18  
 (a) enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise (this includes holding companies, subsidiaries and fellow subsidiaries);  
 (b) associates and joint ventures of the reporting enterprise and the investing party or venturer in respect of which the reporting enterprise is an associate or a joint venture;

ii) If DX would have sold its investment in EX Ltd on 1st Oct 2023 the related party relationship would have been reported as above since AS-18 requires disclosure for related party relationship existing anytime during the year.

### Trading, Profit & Loss Account

To Opening stock	1,15,000	By Sales	8,20,000
To Purchases	6,50,000	By Closing stock	78,000
To Other expense	25,000	By discount	4,000
To Deferred expen	9,000		
To Dep on machin	20,000		
To Bad debt	5,000		
To Bank charges	2,500		
To interest	1,600		
To Profit	73,900		
	<b>902000</b>		<b>902000</b>

	Particulars	Dr.	Cr.
1	Bank A/c Dr.	32,00,000	
	Profit & Loss A/c Dr.	8,00,000	
	To Investments		40,00,000
	(Being investments sold)		
2	Equity Share Capital A/c	8,00,000	
	Premium payable on Buy back A/c	4,00,000	
	To Equity Shareholder's A/c		12,00,000
	(Being 80,000 shares bought back at Rs. 15/share)		
3	Equity Shareholder's A/c	12,00,000	
	To Bank		12,00,000
	(Being amount paid to ESH)		
4	Securities Premium A/c Dr.	4,00,000	
	To Premium payable on Buyback		4,00,000
	(Being premium provided from SP)		
5	Revenue Reserve Dr.	8,00,000	
	To Capital Redemption Reserve		8,00,000
	(Being face value of equity shares bought back transferred to CRR)		



	Particulars	Dr Amount (₹)	Cr Amount (₹)
1	Head Office A/c Dr.	7,500	
	To Commission Income A/c		7,500
	(To record commission income allocated by HO)		
2	Supplier A/c Dr.	12,000	
	To Head Office A/c		12,000
	(To record payment made by HO directly to supplier)		
3	No entry is required. Since branch would have recorded it already		
4	Head Office A/c Dr.	9,800	
	To Salary A/c		9,800
	(To correct entry for salary wrongly debited)		
5	Head Office A/c Dr.	18,000	
	To Bank A/c		18,000
	(To record furniture purchase retained by HO)		
6	Head Office A/c Dr.	5,500	
	To Bank A/c		5,500
	(To record expenses incurred for other branches)		