MOCK TEST PAPER – 1

INTERMEDIATE (IPC) COURSE: GROUP – II

PAPER – 5: ADVANCED ACCOUNTING

1. (a) As per AS 26 'Intangible Assets', the depreciable amount of an intangible asset should be allocated on systematic basis over the best estimate of its useful life. There is a rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use. The Company has been following the policy of amortization of the intangible asset over a period of 15 years on straight line basis. The period of 15 years is more than the maximum period of 10 years specified as per AS 26.

Accordingly, the company would be required to restate the carrying amount of intangible asset as on 31.3.2020 at Rs. 48 lakhs i.e. Rs. 120 lakhs less Rs. 72 lakhs (Rs. 120 Lakhs / 10 years x 6 years = 72 Lakhs). The difference of Rs. 24 Lakhs (Rs. 72 lakhs – Rs. 48 lakhs) will be adjusted against the opening balance of revenue reserve. The carrying amount of Rs. 48 lakhs will be amortized over remaining 4 years by amortizing Rs. 12 lakhs per year.

The necessary journal entry (for rectification) will be

Revenue Reserves	Dr.	Rs. 24 Lakhs	
To Intangible Assets			Rs. 24 Lakhs

(Adjustment to reserves due to restatement of the carrying amount of intangible asset)

(b) Calculation of Basic Earnings Per Share

Basic EPS $= \dfrac{\text{Net Profit for the current year}}{\text{No. of Equity Shares}}$

= 50,00,000 / 10,00,000

Basic EPS per share = Rs.5

Calculation of Diluted Earnings per Share

Diluted EPS = $\dfrac{\text{Adjusted net profit for the current year}}{\text{Weighted average no. of Equity Shares}}$

Adjusted net profit for the current year	Rs.
Net profit for the current year	50,00,000
Add: Interest expenses for the current year	1,20,000
Less: Tax saving relating to Tax Expenses	(36,000)
	50,84,000

No. of equity shares resulting from conversion of debentures: 80,000 Shares

Weighted average no. of equity shares used to compute diluted EPS: (10,00,000 + 80,000) = 10,80,000 Equity Shares

Diluted earnings per share: (50,84,000/10,80,000) = Rs. 4.71 (Approx.)

(c) The construction of the oil rig creates an obligation under the terms of the license to remove the rig and restore the seabed and is thus an obligating event. At the balance sheet date, however, there is no obligation to rectify the damage that will be caused by extraction of the oil. An outflow of resources embodying economic benefits in settlement is probable. Thus, a provision is recognized for the best estimate of ninety per cent of the eventual costs that relate to the removal of the oil rig and restoration of damage caused by building it. These costs are included as part of the cost of the oil rig. However, there is no obligation to rectify the damage that will be caused by extraction of oil, as no oil has been extracted at the balance sheet date. So, no provision is required for the cost of extraction of oil at balance sheet date. Ten per cent of costs that arise through the extraction of oil are recognized as a liability when the oil is extracted.

(d) (i) Interest for the period 2019-20

= US \$ 4 lakhs x 4% × Rs. 62 per US\$ = Rs. 9.92 lakhs

(ii) Increase in the liability towards the principal amount

= US \$ 4 lakhs × Rs. (62 - 56) = Rs. 24 lakhs

(iii) Interest that would have resulted if the loan was taken in Indian currency

= US \$ 4 lakhs × Rs. 56 x 10.5% = Rs. 23.52 lakhs

(iv) Difference between interest on local currency borrowing and foreign currency borrowing = Rs. 23.52 lakhs - Rs. 9.92 lakhs = Rs. 13.6 lakhs.

Out of Rs. 24 lakhs increase in the liability towards principal amount, only Rs. 13.6 lakhs will be considered as the borrowing cost. Thus, total borrowing cost would be Rs. 23.52 lakhs being the aggregate of interest of Rs. 9.92 lakhs on foreign currency borrowings plus the exchange difference to the extent of difference between interest on local currency borrowing and interest on foreign currency borrowing of Rs. 13.6 lakhs. Hence, Rs. 23.52 lakhs would be considered as the borrowing cost to be accounted for as per AS 16 and the remaining Rs. 10.40 lakhs (24 – 13.6) would be considered as the exchange difference to be accounted for as per AS 11.

2. **M/s Red, Black and White**

Statement of Profit & Loss for the year ended on 31st March, 2019

	Rs.		*Rs.*
To Dep. Building (1,20,000x5%)	6,000	By Trading Profit	80,000
To Interest on Red's loan (20,000 x 6%)	1,200	By Interest on Debentures	2,400
To Net Profit to :			
Red's Capital A/c	45,120		
Black's Capital A/c	15,040		
White's Capital A/c	15,040		
	82,400		82,400

Balance Sheet of the RBW Pvt. Ltd. as on 1-4-2019

		Notes No.	*Rs.*
I	Equity and Liabilities		
	Shareholders funds		2,39,040
	Non-current liabilities		
	Long term borrowings	1	21,200

	Total		2,60,240
	Assets		
	Non-current assets		
	PPE	2	1,14,000
	Non-current investments		40,000
	Current assets		
	Inventories		80,000
	Cash and cash equivalents		26,240
	Total		2,60,240

Notes to Accounts

		Rs.
1.	Borrowings	
	Loan from Red	21,200
2.	PPE	
	Land and Building (1,20,000 – 6,000)	1,14,000

Working Notes:

1. Calculation of goodwill:

Year ended March, 31

	2014 *Rs.*	*2015* *Rs.*	*2016* *Rs.*	*2017* *Rs.*	*2018* *Rs.*
Book Profits	40,000	(20,000)	40,000	50,000	60,000
Adjustment for extraneous profit 2014 and abnormal loss 2015	(60,000)	40,000	—	—	—
	(20,000)	20,000	40,000	50,000	60,000
Add Back: Remuneration of Red	12,000	12,000	12,000	12,000	12,000
	(8,000)	32,000	52,000	62,000	72,000
Less : Debenture Interest being non-operating income*	(2,400)	(2,400)	(2,400)	(2,400)	(2,400)
	(10,400)	29,600	49,600	59,600	69,600
Total Profit from 2015 to 2018					2,08,400
Less : Loss for 2014					(10,400)
Accumulated Profit					1,98,000
Average Profit					39,600
Goodwill equal to 2 years' purchase					79,200
Contribution from White, equal to 1/5					15,840

2. Partners' Capital accounts

	Red	*Black*	*White*		*Red*	*Black*	*White*
	Rs.	*Rs.*	*Rs.*		*Rs.*	*Rs.*	*Rs.*
To Drawings	24,000	24,000	24,000	By Balance b/d	80,000	1,00,000	—
To Black			15,840				

To Balance c/d	1,13,120	1,14,880	11,040	By General Reserve	12,000	8,000	—
				By White		15,840	—
				By Bank	—	—	35,840
				By Profit & Loss A/c	45,120	15,040	15,040
	1,37,120	1,38,800	50,880		1,37,120	1,38,800	50,880

3. Balance Sheet as on 31st March, 2019

Liabilities *Rs.*		*Rs.*	*Assets*	*Rs.*	*Rs.*
Red's Capital		1,13,120	Land & Building	1,20,000	
Black's Capital		1,14,880	*Less* : Dep.	(6,000)	1,14,000
White's Capital		11,040	Investments		40,000
Red's Loan	20,000		Stock-in-trade		80,000
Add : Int. due	1,200	21,200	Cash (Balancing figure)		26,240*
		2,60,240			2,60,240

4. Conversion into Company

		Rs.
Capital :	Red	1,13,120
	Black	1,14,880
	White	11,040
Share Capital		2,39,040
Distribution of share:	Red (3/5)	1,43,424
	Black (1/5)	47,808
	White (1/5)	47,808

Red should subscribe shares of Rs. 30,304 (Rs. 1,43,424 – Rs. 1,13,120) and White should subscribe shares of Rs. 36,768 (Rs. 47,808 less 11,040). Black withdraws Rs. 67,072 (Rs. 47,808 – Rs.1,14,880).

5 Adjustment for Goodwill amounting Rs. 79,200

	To be raised in old Ratio	To be written off in new ratio	Difference
Red	47,520	47,520	Nil
Black	31,680	15,840	15,840 Cr.
White		15,840	15,840 Dr.

* Also the closing cash balance can be derived as shown below:

	Rs.	*Rs.*
Trading profit (assume realised)		80,000
Add: Debenture Interest		2,400
Add: Decrease in Debtors Balance		40,000
		1,22,400
Less: Increase in stock	20,000	
Less: Decrease in creditors	40,000	(60,000)
Cash Profit		62,400

Add: Opening cash balance		20,000
Add: Cash brought in by White		35,840
		1,18,240
Less: Drawings	72,000	
Less: Additions to Building	20,000	(92,000)
		26,240

3. (a)

Journal Entries in the books of Alpha Limited

Date 2020	*Particulars*	*Dr.*	*Cr. (. in lakhs)*
April 1	Bank A/c Dr.	150	
	To Investment A/c		148
	To Profit on sale of investment		2
	(Being investment sold on profit)		
April 5	Equity share capital A/c Dr.	600	
	Securities premium A/c Dr.	300	
	To Equity shares buy back A/c		900
	(Being the amount due to equity shareholders on buy back)		
	Equity shares buy back A/c Dr.	900	
	To Bank A/c		900
	(Being the payment made on account of buy back of 60 Lakh Equity Shares)		
April 5	General reserve A/c Dr.	530	
	Profit and Loss A/c Dr.	70	
	To Capital redemption reserve A/c		600
	(Being amount equal to nominal value of bought back shares from free reserves transferred to capital redemption reserve account as per the law)*		

* *Alternatively, combination of different amounts from P&L A/c and General Reserve may be used.*

Balance Sheet (After buy back)

Particulars			*Note No*	*Amount (Rs. in Lakhs)*
I.	**Equity and Liabilities**			
	(1)	**Shareholder's Funds**		
	(a)	Share Capital	1	1,800
	(b)	Reserves and Surplus	2	1,322
	(2)	**Non-Current Liabilities**		
	(a)	Long-term borrowings - 12% Debentures		1,500
	(3)	**Current Liabilities**		

	(a) Trade payables		1,400
	(b) Other current liabilities		478
	Total		6,500
II.	**Assets**		
	(1) Non-current assets		
	(a) Property, Plant & Equipment	3	4,050
	(2) Current assets		
	(a) Current investments		-
	(b) Inventory		1,200
	(c) Trade receivables		5,00
	(d) Cash and cash equivalents (W.N.)		750
	Total		6,500

Notes to Accounts

			(Rs. in Lakh)
1.	**Share Capital**		
	Equity share capital (Fully paid up shares of Rs. 10 each)		1800
2.	**Reserves and Surplus**		
	General Reserve 530		
	Less: Transfer to CRR (530)	-	
	Capital Redemption Reserve 400		
	Add: Transfer due to buy-back of shares from P/L 70		
	Transfer due to buy-back of shares from Gen. res. 530	1,000	
	Securities premium 350		
	Less: Adjustment for premium paid on buy back (300)	50	
	Profit & Loss A/c 340		
	Add: Profit on sale of investment 2		
	Less: Transfer to CRR (70)	272	1,322
3.	**Property, Plant & Equipment**		
	Machinery	3,600	
	Furniture	450	4,050

Working Note:

Cash at bank after buy-back

	₹ in lakhs
Cash balance as on 1st April, 2020	1,500
Add: Sale of investments	150
	1,650
Less: Payment for buy back of shares	(900)
	750

(b) Journal Entries in the books of Company

Date	Particulars	Dr.	Cr.
			Rs.
1-3-X2	Bank A/c (7,200 x 50) Dr.	3,60,000	
	Employees compensation expenses A/c Dr.	6,48,000	
	To Equity Share Capital A/c (7,200 x Rs. 10)		72,000
	To Securities Premium A/c (7,200 x Rs. 130)		9,36,000
	(Being allotment to employees - 7,200 shares of Rs. 10 each at a premium of Rs. 130 at an exercise price of Rs. 50 each)		
31-3-X2	Profit and Loss account Dr.	6,48,000	
	To Employees compensation expenses A/c		6,48,000
	(Being transfer of employees compensation expenses)		

Working Note:

Employee Compensation Expenses = Difference between Market Price and option price = Rs. 90 x 7,200 = Rs. 6,48,000.

4. Journal Entries

		Rs.	*Rs.*
Bank A/c	Dr.	10,00,000	
To Equity share capital A/c			10,00,000
(Being money on final call received)			
Equity share capital (Rs. 50) A/c	Dr.	75,00,000	
To Equity share capital (Rs. 40) A/c			60,00,000
To Capital Reduction A/c			15,00,000
(Being conversion of equity share capital of Rs. 50 each into Rs. 40 each as per reconstruction scheme)			
Bank A/c	Dr.	12,50,000	
To Equity Share Capital A/c			12,50,000
(Being new shares allotted at Rs. 40 each)			
Trade payables (Trade Creditors) A/c	Dr.	12,40,000	
To Equity share capital A/c			7,50,000
To Bank A/c (4,90,000 x 70%)			3,43,000
To Capital Reduction A/c			1,47,000
(Being payment made to creditors in shares or cash to the extent of 70% as per reconstruction scheme)			
8% Debentures A/c	Dr.	3,00,000	
12% Debentures A/c	Dr.	4,00,000	
To A A/c			7,00,000
(Being cancellation of 8% and 12% debentures of A)			

A A/c Dr.	7,00,000	
To 15% Debentures A/c		5,00,000
To Capital Reduction A/c		2,00,000
(Being issuance of new 15% debentures and balance transferred to capital reduction account as per reconstruction scheme)		
Bank A/c Dr.	1,00,000	
To 15% Debentures A/c		1,00,000
(Being new debentures subscribed by A)		
8% Debentures A/c Dr.	1,00,000	
12% Debentures A/c Dr.	2,00,000	
To B A/c		3,00,000
(Being cancellation of 8% and 12% debentures of B)		
B A/c Dr.	3,00,000	
To 15% Debentures A/c		2,50,000
To Capital Reduction A/c		50,000
(Being issuance of new 15% debentures and balance transferred to capital reduction account as per reconstruction scheme)		
Land and Building Dr. (51,84,000 – 42,70,000)	9,14,000	
Inventories Dr.	30,000	
To Capital Reduction A/c		9,44,000
(Being value of assets appreciated)		
Outstanding expenses A/c Dr.	10,60,000	
To Bank A/c		10,60,000
(Being outstanding expenses paid in cash)		
Capital Reduction A/c Dr.	33,41,000	
To Machinery A/c		1,30,000
To Computers A/c		1,20,000
To Trade receivables A/c		1,09,000
To Profit and Loss A/c		29,82,000
(Being amount of Capital Reduction utilized in writing off P & L A/c (Dr.) balance and downfall in value of other assets)		
Capital Reserve A/c Dr.	5,00,000	
To Capital Reduction A/c		5,00,000
(Being debit balance of capital reduction account adjusted against capital reserve)		

Balance Sheet of Shorya Ltd. (as reduced) as on 31.3.2020

Particulars			*Notes*	*Rs.*
	Equity and Liabilities			
1	**Shareholders' funds**			
	a	Share capital	1	80,00,000

2		**Non-current liabilities**		
	a	Long-term borrowings	2	8,50,000
		Total		**88,50,000**
		Assets		
1		**Non-current assets**		
	a	PPE	3	63,04,000
2		**Current assets**		
	a	Inventories		3,50,000
	b	Trade receivables		9,81,000
	c	Cash and cash equivalents		12,15,000
		Total		**88,50,000**

Notes to accounts

			Rs.
1.	**Share Capital**		
	2,00,000 Equity shares of Rs. 40		80,00,000
2.	**Long-term borrowings**		
	Secured		
	15% Debentures (assumed to be secured)		8,50,000
3.	**PPE**		
	Land & Building	51,84,000	
	Machinery	7,20,000	
	Computers	4,00,000	63,04,000

Working Notes:

1. **Cash at Bank Account**

	Particulars	*Rs.*		*Particulars*	*Rs.*
To	Balance b/d	2,68,000	By	Trade Creditors A/c	3,43,000
To	Equity Share capital A/c	10,00,000	By	Outstanding expenses A/c	10,60,000
To	Equity Share Capital A/c	12,50,000	By	Balance c/d (bal. fig.)	12,15,000
To	15% Debentures A/c	1,00,000			
		26,18,000			26,18,000

2. **Capital Reduction Account**

	Particulars	*Rs.*		*Particulars*	*Rs.*
To	Machinery A/c	1,30,000	By	Equity Share Capital A/c	15,00,000
To	Computers A/c	1,20,000	By	Trade payables A/c	1,47,000
To	Trade receivables A/c	1,09,000	By	A A/c	2,00,000
To	Profit and Loss A/c	29,82,000	By	B A/c	50,000
			By	Land & Building	9,14,000
			By	Inventories	30,000
			By	Capital Reserve A/c	5,00,000

	33,41,000		33,41,000

5. (a) Indus Bank Limited

Profit & Loss Account for the year ended 31st March, 2020

		Schedule	*Rs. '000s*
I.	Income		
	Interest earned	13	8,971
	Other income	14	2,419
	Total		11,390
II.	Expenditure		
	Interest expended	15	4,120
	Operating expenses	16	3,703
	Provisions (Refer W.N.)		1,013.8
	Total		8,836.8
III.	Profit/Loss		2,553.20

Schedule 13 – Interest Earned

	Rs. '000s
Interest / discount on advances bills	
Interest on term loans [2,550- (731-238)]	2,057
Interest on cash credits and overdrafts (5,663-923)	4,740
Income on investments	2,174
	8,971
Note: Interest on non-performing assets is recognized on receipt basis.	

Schedule 14 – Other Income

	Rs. '000s
Commission, exchange and brokerage	201
Profit on sale of investments	1,876
Profit on revaluation of investments	342
	2,419

Schedule 15 – Interest Expended

	Rs. '000s
Interest on deposits	4120

Schedule 16 – Operating Expenses

	Rs. '000s
Payments to and provision for employees - salaries, bonus and allowances	2,745
Rent, taxes and lighting	385
Printing & stationery	62
Director's fee, allowances and expenses	313
Depreciation Charges	99
Repairs & maintenance	56

Insurance	43
	3,703

Working Note:

Provisions		*Rs.'000s*
Provision for standard and non-performing assets		
Standard (4,700 x .4%)		18.8
Sub-standard (1900 x 15%)		285
Doubtful (400 x 100%)		400
Doubtful (40 x25%)		10
Loss assets (300 x 100%)		300
		1,013.8

(b) **In the books of Srishti Insurance Co. Ltd.**

Journal Entries

Date	*Particulars*		*(Rs. in crores)*	
			Dr.	*Cr.*
1.4.19	Unexpired Risk Reserve (Fire) A/c	Dr.	50	
	Unexpired Risk Reserve (Marine) A/c	Dr.	35	
	Unexpired Risk Reserve (Miscellaneous) A/c	Dr.	15	
	To Fire Revenue Account			50
	To Marine Revenue Account			35
	To Miscellaneous Revenue Account			15
	(Being unexpired risk reserve brought forward from last year)			
31.3.20	Marine Revenue A/c	Dr.	41.2	
	To Unexpired Risk Reserve A/c			41.2
	(Being closing reserve for unexpired risk created at 100% of net premium income)			
	Fire Revenue A/c	Dr.	65.85	
	To Unexpired Risk Reserve A/c			65.85
	(Being closing reserve for unexpired risk created at 50% of net premium income)			
	Miscellaneous Revenue A/c	Dr.		14.55
	To Unexpired Risk Reserve A/c		14.55	
	(Being closing reserve for unexpired risk created at 50% net premium income)			

Note: Alternative set of entries may be given without reversing the opening provisions and creating the net required amount of provision (closing -opening).

Unexpired Risk Reserve Account

Date		Particulars	Marine (Rs.)	Fire (Rs.)	Misc (Rs.)	Date		Particulars	Marine (Rs.)	Fire (Rs.)	Misc (Rs.)
1.4.19	To	Revenue A/c	35	50	15	1.4.19	By	Balance b/d	35	50	15
31.3.20	To	Balance c/d	41.2	65.85	14.55	31.3.20	By	Revenue A/c	41.2	65.85	14.55
			76.2	115.85	29.55				76.2	115.85	29.55

Working Note:

Calculation of Closing Unexpired Risk Reserve

	Marine	Fire	Misc
Premium collected on Direct Business	35	105	28
Add Premium of other Insurance Companies	12.5+4.4-3.2 = 13.7	26.3+15.5-9.8 = 32	7.8+2.6-1.3 = 9.1
Less Premium Paid / Payable to other insurance companies	(7.5)	(5.3)	(8)
Net Premium earned	41.2	131.7	29.1
Closing Unexpired Risk Reserve	41.2	65.85	14.55

6. (a) Calculation of correct departmental Profits

	Department A	Department B	Department C	Department D
	Rs.	Rs.	Rs.	Rs.
Profit after charging managers' commission	2,25,000	3,37,500	1,80,000	4,50,000
Add back: Managers' commission (1/9)	25,000	37,500	20,000	50,000
	2,50,000	3,75,000	2,00,000	5,00,000
Less: Unrealized profit on stock (Working Note)	31,000	37,500	5,000	17,250
Profit before Manager's commission	2,19,000	3,37,500	1,95,000	4,82,750
Less: Commission for Department Manager @ 10%	21,900	33,750	19,500	48,275
Correct Departmental Profits after manager's commission	1,97,100	3,03,750	1,75,500	4,34,475

Working Note :

Stock lying with

	Dept. A	Dept. B	Dept. C	Dept. D	Total
	Rs.	Rs.	Rs.		Rs.
Unrealized Profit of:					

Department A		45,000 x 25/125 = 9,000	50,000 x 25/125 =10,000	60,000 x 25/125 = 12,000	31,000
Department B	50,000 x 0.3 = 15,000			75,000 x 0.3 = 22,500	37,500
Department C	33,000 x10/110 = 3,000	22,000x 10/110 = 2,000			5,000
Department D	40,000 x 0.15 = 6,000	10,000 x 0.15 = 1,500	65,000 x 0.15 = 9,750		17,250

(b) **Revenue Statement for the year ended 31st March, 2019**

	Singapore dollar		Singapore dollar
To Opening Stock	12,000.00	By Sales	47,058.82
To Purchases	31,372.55	By Closing stock (15,60,000/52)	30,000.00
To Wages and salaries	21,960.78		
To Gross profit b/d	11,725.49		
	77,058.82		77,058.82
To Rent, rates and taxes	14,117.65	By Gross profit c/d	11,725.49
To Sundry charges	6,274.51	By Net loss b/d	13,466.67
To Depreciation on computers			
(Singapore dollar 12,000 × 0.4)	4,800.00		
	25,192.16		25,192.16

Balance Sheet of Delhi Branch as on 31st March, 2019

Liabilities		Singapore dollar	*Assets*	Singapore dollar	Singapore dollar
Singapore Office A/c	59,897.43		Computers	12,000.00	
Less: Net Loss	(13,466.67)	46,430.76	Less: Depreciation	(4,800.00)	7,200.00
Sundry creditors		11,538.46	Closing stock		30,000.00
Bills payable		9,230.77	Sundry debtors		15,384.61
			Bank balance		10,000.00
			Bills receivable		4,615.38
		67,199.99			67,199.99

Working Note:

M/s Rani & Co.

Delhi Branch Trial Balance in (Singapore $) as on 31st March, 2019

			Conversion	*Dr.*	*Cr.*
			rate per Singapore dollar	*Singapore dollar*	Singapore dollar
			(Rs.)		
Stock on 1.4.18	6,00,000.00		50	12,000.00	–

Purchases and sales	16,00,000.00	24,00,000.00	51	31,372.55	47,058.82
Sundry debtors and creditors	8,00,000.00	6,00,000.00	52	15,384.61	11,538.46
Bills of exchange	2,40,000.00	4,80,000.00	52	4,615.38	9,230.77
Wages and salaries	11,20,000.00		51	21,960.78	–
Rent, rates and taxes	7,20,000.00		51	14,117.65	–
Sundry charges	3,20,000.00		51	6,274.51	–
Computers	6,00,000.00		–	12,000.00	–
Bank balance	5,20,000.00		52	10,000.00	–
Singapore office A/c			–		59,897.43
				1,27,725.48	1,27,725.48

7. **(a)** As per AS 5 "Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies", Extraordinary items should be disclosed in the statement of profit and loss as a part of net profit or loss for the period. The nature and the amount of each extraordinary item should be separately disclosed in the statement of profit and loss in a manner that its impact on current profit or loss can be perceived. In the given case the selling of land to tide over liquidation problems as well as fire in the Factory does not constitute ordinary activities of the Company. These items are distinct from the ordinary activities of the business. Both the events are material in nature and expected not to recur frequently or regularly. Thus, these are Extraordinary Items. Therefore, in the given case, disclosing net profits by setting off fire losses against profit from sale of land is not correct. The profit on sale of land and loss due to fire should be disclosed separately in the statement of profit and loss**.**

(b) **Calculation of Total Remuneration payable to Liquidator**

		Amount in Rs.
2% on Assets realized	(45,00,000 x 2%)	90,000
3% on payment made to Preferential creditors	1,25,000 x 3%	3,750
3% on payment made to Unsecured creditors (Refer W.N)		79,551
Total Remuneration payable to Liquidator		1,73,301

Working Note:

Liquidator's remuneration on payment to unsecured creditors =

Cash available for unsecured creditors after all payments including liquidation expenses, payment to secured creditors, preferential creditors & liquidator's remuneration

= Rs. 45,00,000 – Rs. 50,000 – Rs. 15,00,000 – Rs. 1,25,000 – Rs. 90,000 – Rs. 3,750

= Rs. 27,31,250

Liquidator's remuneration on payment to unsecured creditors = 3/103 x Rs. 27,31,250 = Rs. 79,551.

(c) In order to determine the amount to be credited to the Profit and Loss A/c it is necessary to first ascertain the amount attributable to the unexpired portion of the period of the respective bills. The workings are as given below:

Value (Rs.)	Due Date	Days after 31-03-2019	Discount %	Discount Amount Rs.
10,95,000	15-06-2019	(30+31 + 15) = 76	14%	31,920

30,00,000	25-06-2019	(30 + 31 + 25) = 86	12%	84,822
16,92,000	05-07-2019	(30 + 31 + 30 + 5) = 96	16%	71,203
24,36,000	15-07-2019	(30 + 31 + 30 + 15) = 106	16%	1,13,191
		Rebate on bills discounted as on 31.3.2019		3,01,136

Journal Entry for transferring the amount of discount on bills to Profit and Loss account

	Dr.	Cr.
	Rs.	*Rs.*
Discount on Bills A/c Dr.	4,65,814	
To Profit and Loss A/c		4,65,814
(Being the amount of discount on Bills transferred to Profit and Loss Account)		

Working Note:

The amount of discount to be credited to the Profit and Loss Account will be:

	Rs.
Transfer from Rebate on bills	
discount as on 1.4.18	1,32,960
Add: Discount received during the year ended 31-3-2019	6,33,990
	7,66,950
Less: Rebate on bills discounted as on 31.3.2019	(3,01,136)
	4,65,814

(d)

1.	Selling expenses, e.g., discount, bad debts, selling commission, freight outward, travelling sales manager's salary and other costs	Sales of each department
2.	Lighting and Heating expenses	Consumption of energy by each department
3.	Rent, rates and taxes of building	Floor area occupied by each department (if given) otherwise on time basis
6.	Depreciation, insurance and maintenance of capital assets	Value of assets of each department otherwise on time basis

(e) An LLP may be wound up by the Tribunal in the following circumstances:

- If the LLP decides that it should be wound up by the Tribunal;
- If for a period of more than six months, the number of partners of the LLP is reduced below two;
- If the LLP is unable to pay its debts;
- If the LLP has acted against the interests of the integrity and sovereignty of India, the security of the state or public order;
- If the LLP has defaulted in the filing of the Statement of Account and Solvency with the Registrar for five consecutive financial years;
- If the Tribunal is of the opinion that it is just and equitable that the LLP be wound up.