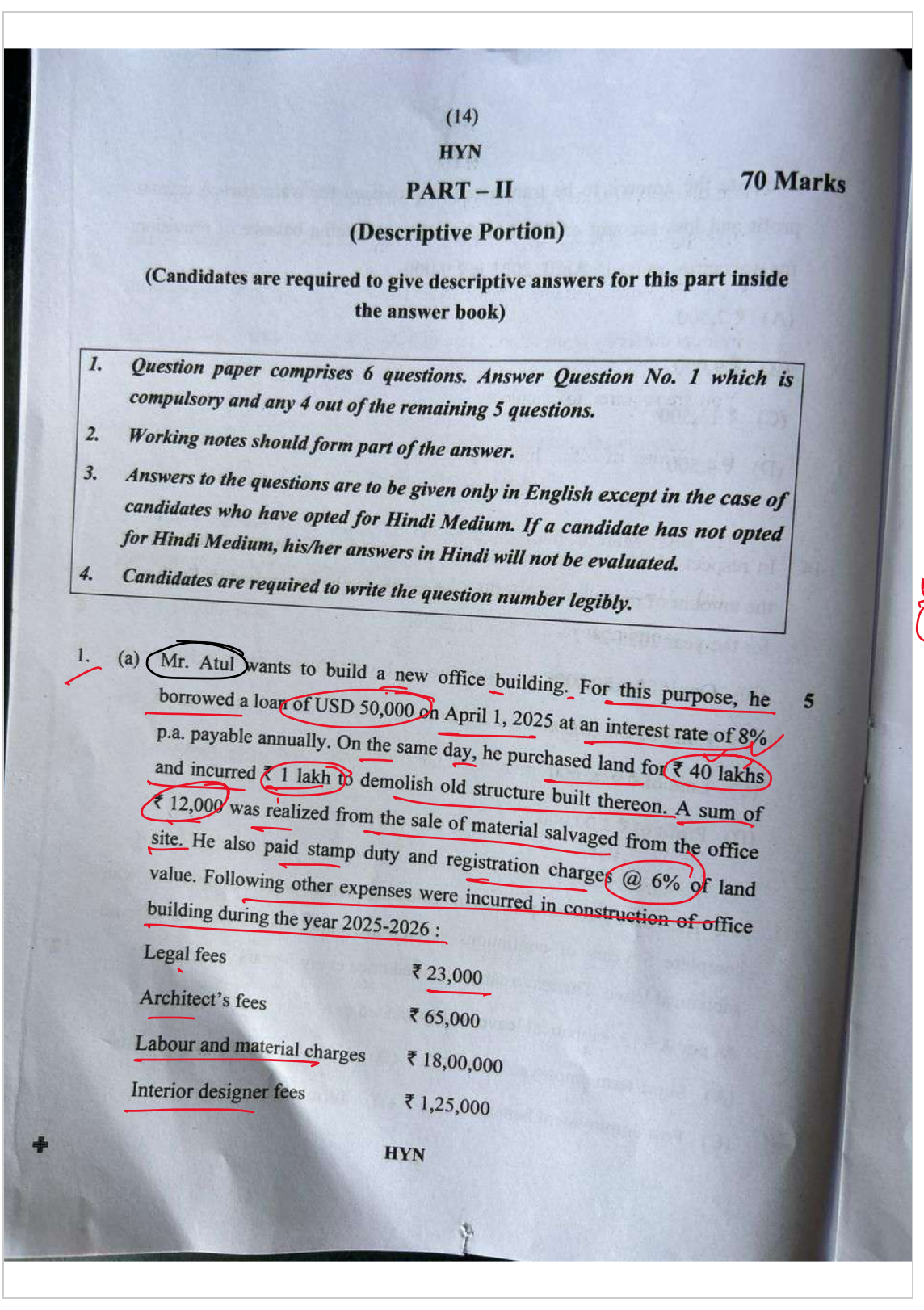
Descriptive Questions pdf

Monday, 7 September 2026 9:53 AM

Descriptive Questions...



(14)

HYN

PART – II 70 Marks

(Descriptive Portion)

(Candidates are required to give descriptive answers for this part inside the answer book)

1. *Question paper comprises 6 questions. Answer Question No. 1 which is compulsory and any 4 out of the remaining 5 questions.*
2. *Working notes should form part of the answer.*
3. *Answers to the questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.*
4. *Candidates are required to write the question number legibly.*

1. (a) Mr. Atul wants to build a new office building. For this purpose, he borrowed a loan of USD 50,000 on April 1, 2025 at an interest rate of 8% p.a. payable annually. On the same day, he purchased land for ₹ 40 lakhs and incurred ₹ 1 lakh to demolish old structure built thereon. A sum of ₹ 12,000 was realized from the sale of material salvaged from the office site. He also paid stamp duty and registration charges @ 6% of land value. Following other expenses were incurred in construction of office building during the year 2025-2026 : 5

Legal fees	₹ 23,000
Architect's fees	₹ 65,000
Labour and material charges	₹ 18,00,000
Interior designer fees	₹ 1,25,000

HYN

WN

①

	USD	Rate.	INR eq.	Savings.
USD Borrowing	50000	92	4600000	
Int	8%		12%	
	4000		552000	

Int in INR = 4000×96 = 384000

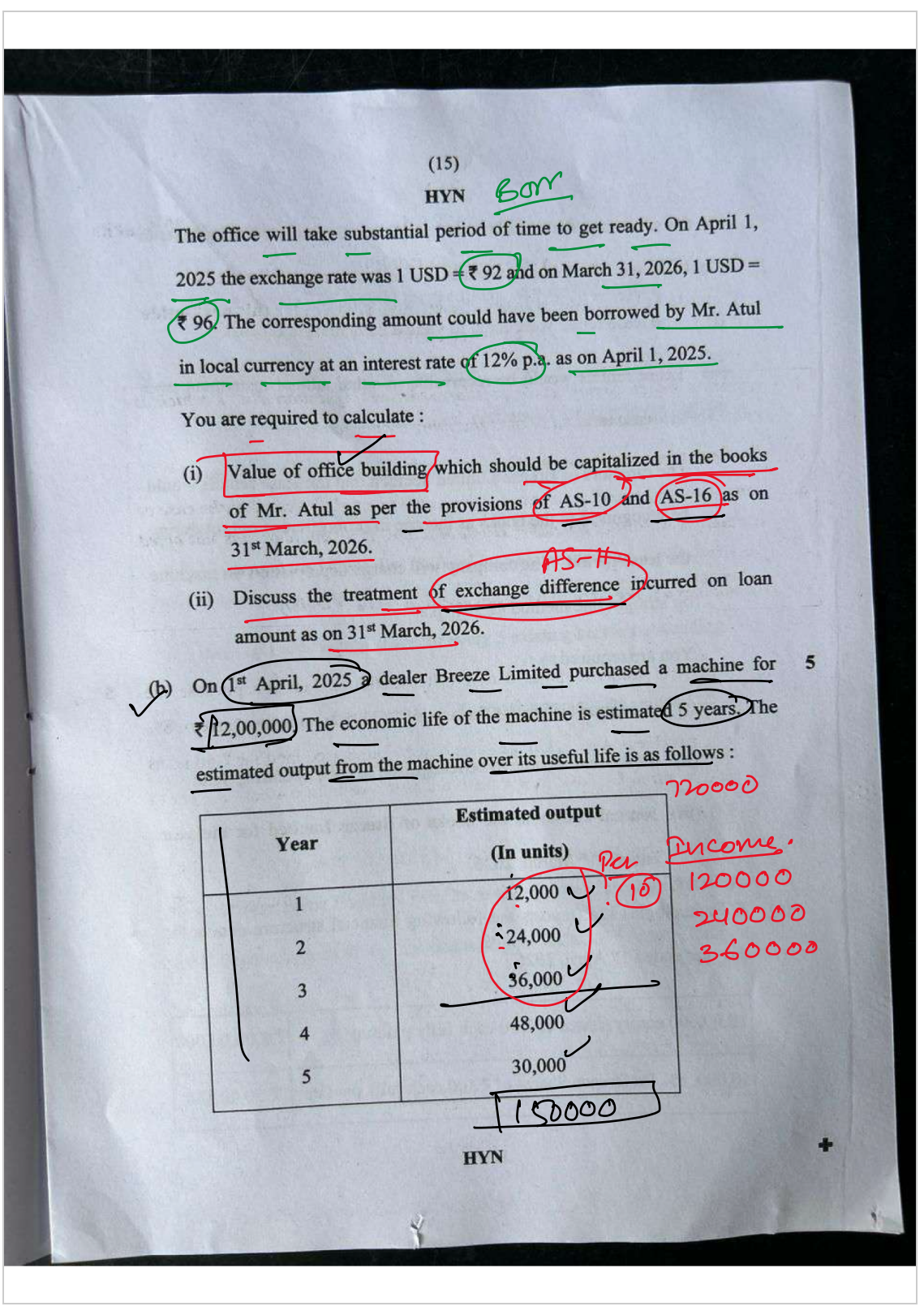
exchange loss : 50000×4 = 200000

Savings = 552000 − 384000 = 168000

Borrowing cost = 384000 + 168000 = 552000 → capitalised.

Balance exch. loss = 32000

As per AS-11 will be tfr to P/L.



(15)

HYN Borr

The office will take substantial period of time to get ready. On April 1, 2025 the exchange rate was 1 USD = ₹ 92 and on March 31, 2026, 1 USD = ₹ 96. The corresponding amount could have been borrowed by Mr. Atul in local currency at an interest rate of 12% p.a. as on April 1, 2025.

You are required to calculate :

(i) Value of office building which should be capitalized in the books of Mr. Atul as per the provisions of AS-10 and AS-16 as on 31st March, 2026.

(ii) Discuss the treatment of exchange difference incurred on loan amount as on 31st March, 2026. AS-11

(b) On 1st April, 2025 a dealer Breeze Limited purchased a machine for ₹ 12,00,000. The economic life of the machine is estimated 5 years. The estimated output from the machine over its useful life is as follows : 5

Year	Estimated output (In units)	
1	12,000	120000
2	24,000	240000
3	36,000	360000
4	48,000	
5	30,000	
	150000	

720000 Per ⑩ Income.

HYN

Cost of office building.

1. Land	4000000
2. Reg. (6%)	2,40,000
	4240000
3. Demolition (100000 −12000)	88000
4. Legal fees.	23000
5. Architect fees	65000
6. Labour/Mat	1800000
7. I.D. fees.	125000
8. Borrowing cost	552000
	2653000
Total.	6893000

Cost of machine = 1200000

Margin 25% = 300000

1500000 → 150000

~~tot~~ Output during Lease = 72000

Total Lease rent = 1500000/150000 ×72000 = 720000

Annual Lease = 720000 ÷ 3 = 240000

① Lease income.

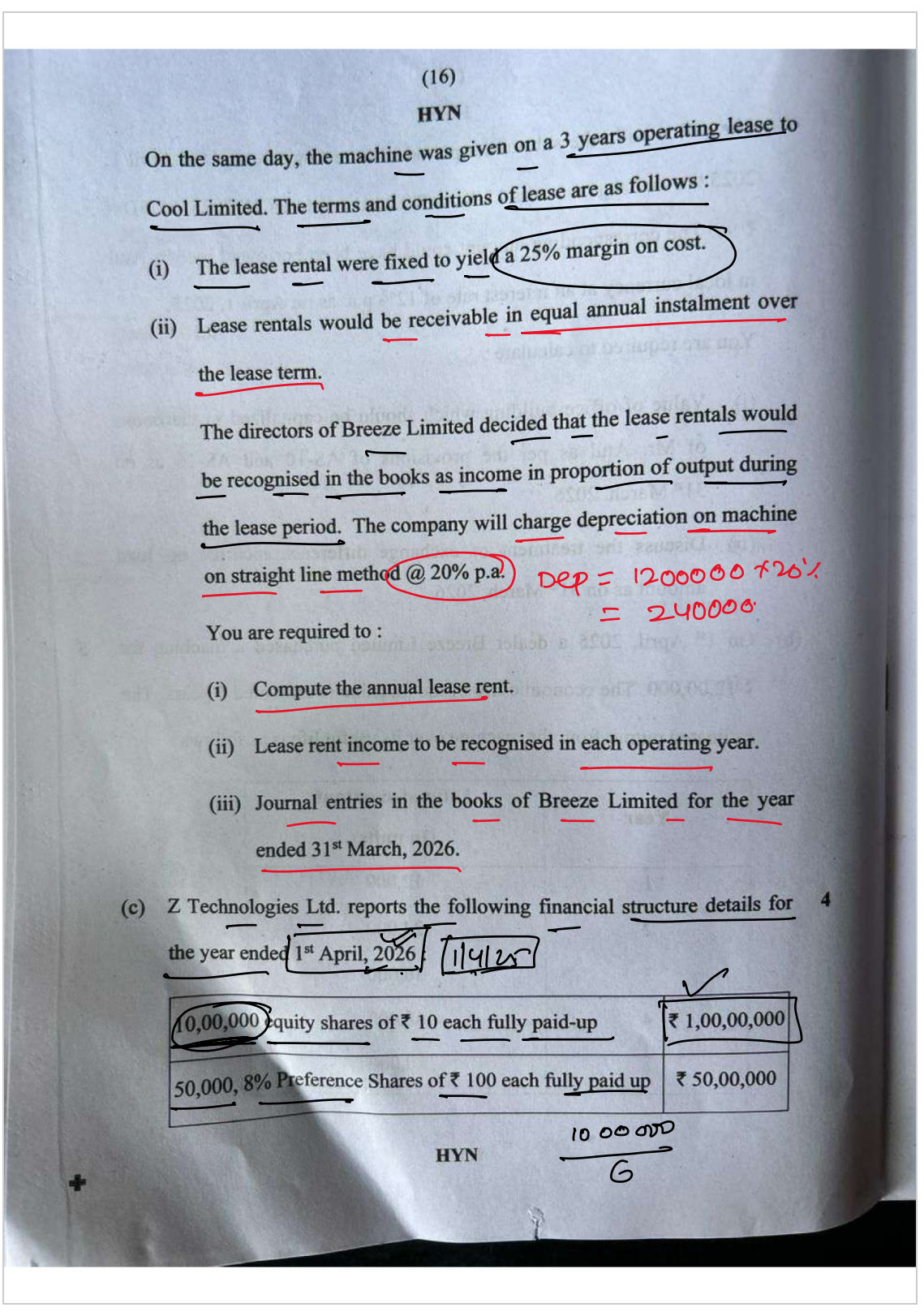
Bank a/c Dr. 240000

To Lease Income 120000

To Lease Unadv. (inc) 120000

② Dep 240000

To P.P.E / Prov. 240000



(16)

HYN

On the same day, the machine was given on a 3 years operating lease to Cool Limited. The terms and conditions of lease are as follows :

(i) The lease rental were fixed to yield a 25% margin on cost.

(ii) Lease rentals would be receivable in equal annual instalment over the lease term.

The directors of Breeze Limited decided that the lease rentals would be recognised in the books as income in proportion of output during the lease period. The company will charge depreciation on machine on straight line method @ 20% p.a. Dep = 1200000 ×20% = 240000

You are required to :

(i) Compute the annual lease rent.

(ii) Lease rent income to be recognised in each operating year.

(iii) Journal entries in the books of Breeze Limited for the year ended 31st March, 2026.

(c) Z Technologies Ltd. reports the following financial structure details for the year ended 1st April, 2026 : 1/4/25 4

10,00,000 Equity shares of ₹ 10 each fully paid-up	₹ 1,00,00,000
50,000, 8% Preference Shares of ₹ 100 each fully paid up	₹ 50,00,000

10 00 000 / 6

HYN

1. Net profit 5800000

Less Pref. div. (50×8%) (400000)

Profit/Earn A.E.S.H. 5400000

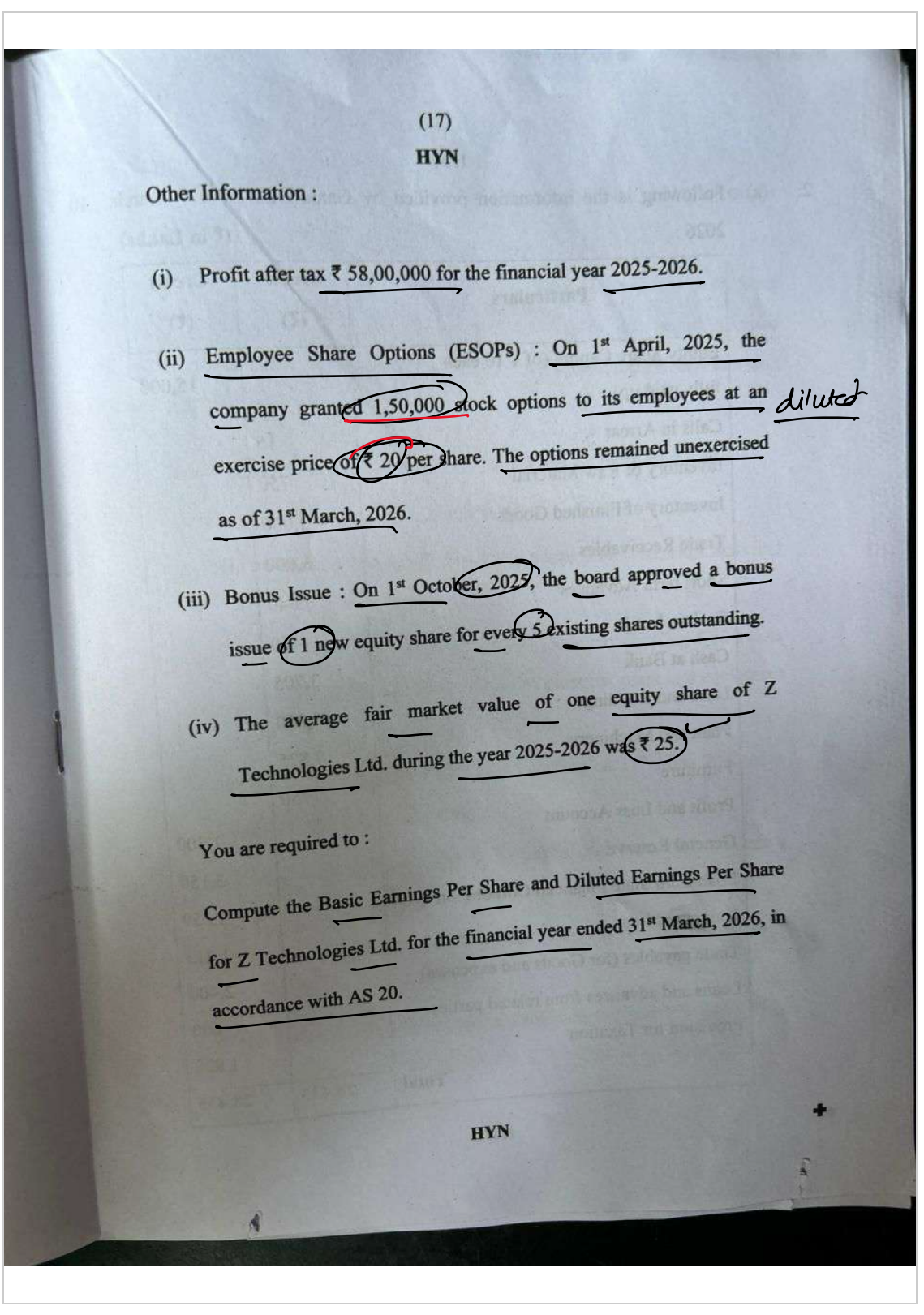
	1/4/25	1/4/26.
Org Sh	1000000	
Bonus (1:5)	200000	
	1200000	1000000
Basic EPS	5400000 ÷ 1200000	5400000 / 1000000
	= 4.5	5.4.

No. of ESOPs 150000

Full value Sh to be iss = 150000×20/25 = 120000

Free Sh = 30000

Diluted	5400000 / 1230000	5400000 / 1030000
Diluted EPS. =	4.39	5.24.



(17)

HYN

Other Information :

(i) Profit after tax ₹ 58,00,000 for the financial year 2025-2026.

(ii) Employee Share Options (ESOPs) : On 1st April, 2025, the company granted 1,50,000 stock options to its employees at an exercise price of ₹ 20 per share. The options remained unexercised as of 31st March, 2026. diluted

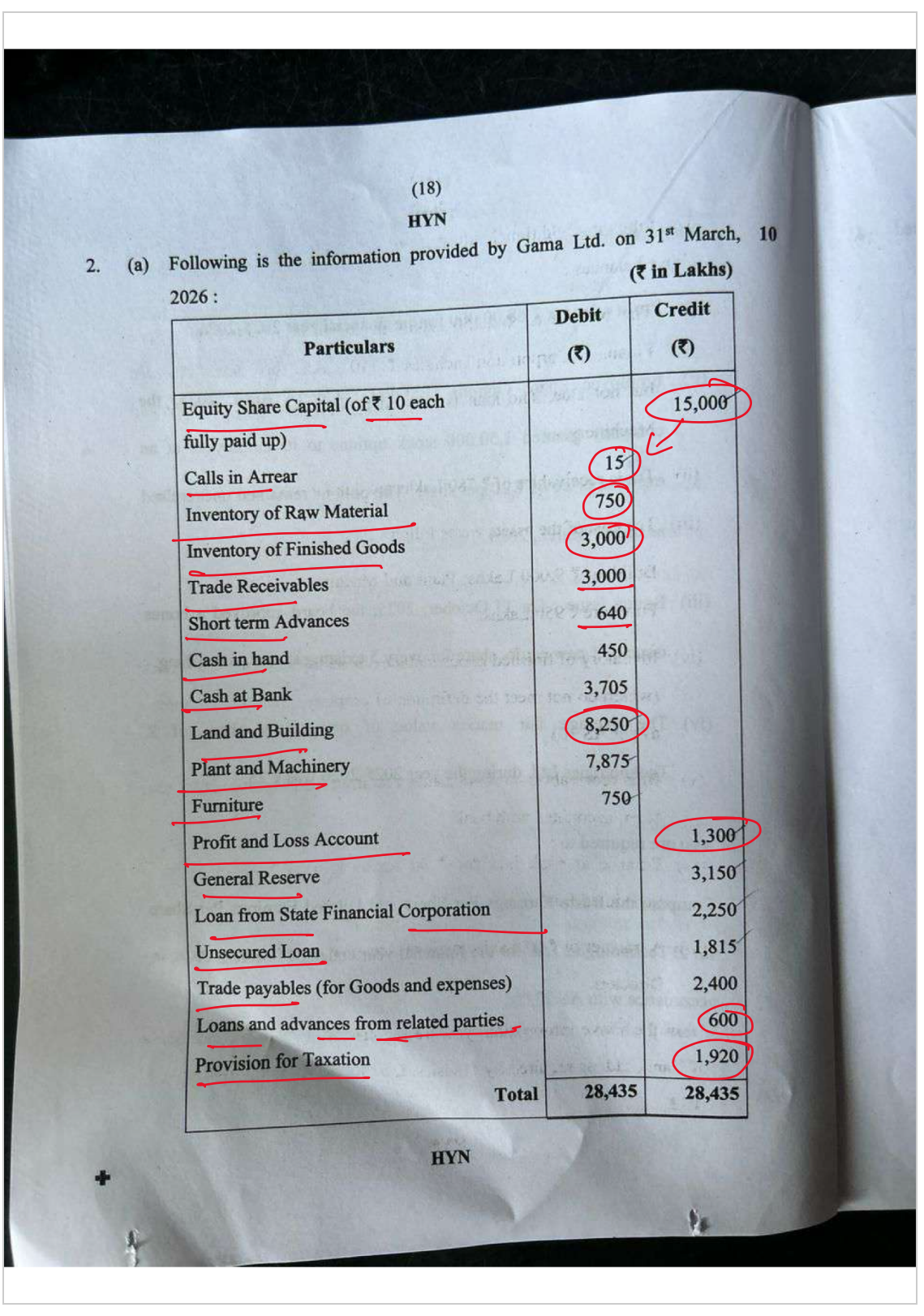
(iii) Bonus Issue : On 1st October, 2025, the board approved a bonus issue of 1 new equity share for every 5 existing shares outstanding.

(iv) The average fair market value of one equity share of Z Technologies Ltd. during the year 2025-2026 was ₹ 25.

You are required to :

Compute the Basic Earnings Per Share and Diluted Earnings Per Share for Z Technologies Ltd. for the financial year ended 31st March, 2026, in accordance with AS 20.

HYN



(18)

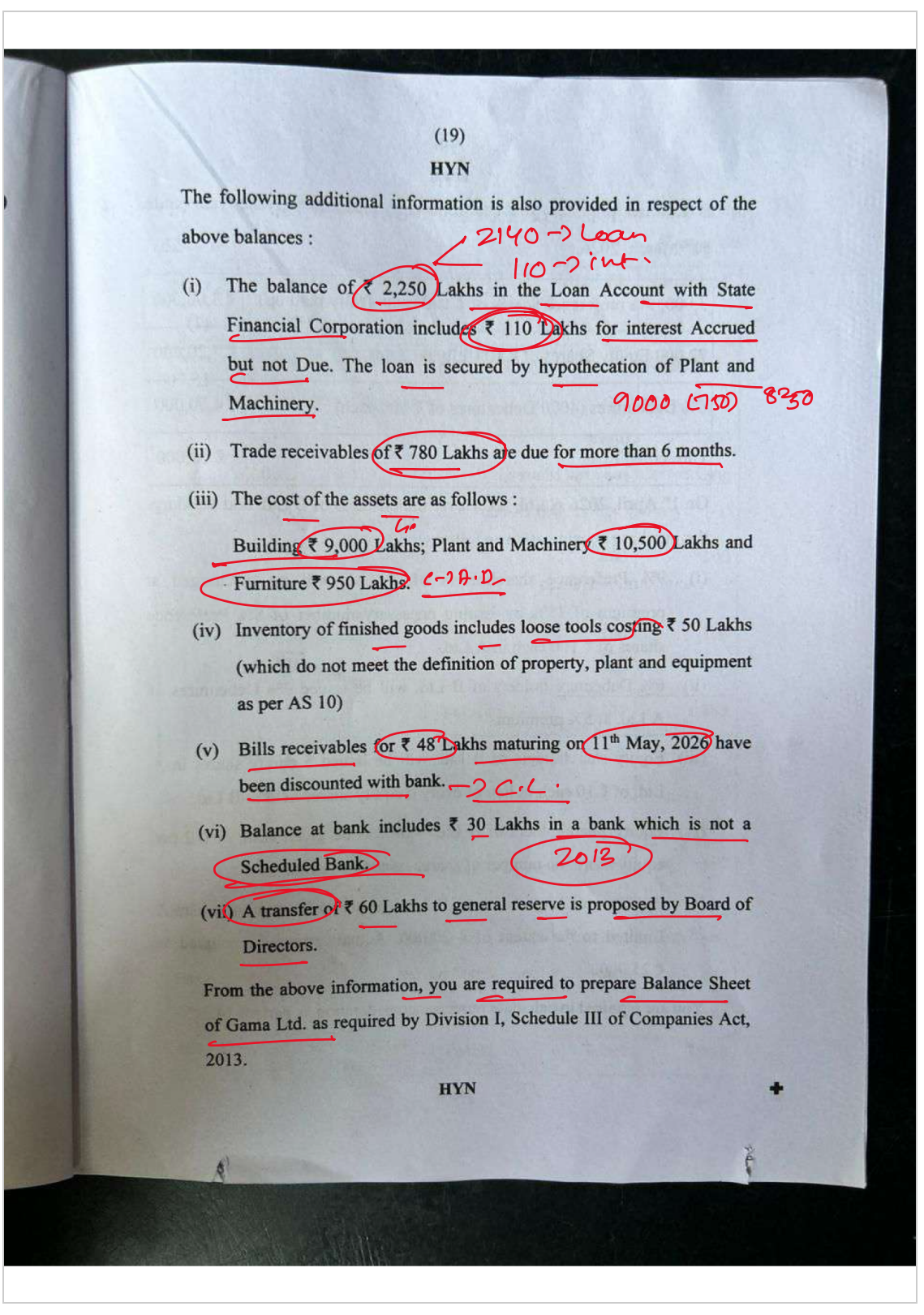
HYN

2. (a) Following is the information provided by Gama Ltd. on 31st March, 2026 : 10

(₹ in Lakhs)

Particulars	Debit (₹)	Credit (₹)
Equity Share Capital (of ₹ 10 each fully paid up)		15,000
Calls in Arrear	15	
Inventory of Raw Material	750	
Inventory of Finished Goods	3,000	
Trade Receivables	3,000	
Short term Advances	640	
Cash in hand	450	
Cash at Bank	3,705	
Land and Building	8,250	
Plant and Machinery	7,875	
Furniture	750	
Profit and Loss Account		1,300
General Reserve		3,150
Loan from State Financial Corporation		2,250
Unsecured Loan		1,815
Trade payables (for Goods and expenses)		2,400
Loans and advances from related parties		600
Provision for Taxation		1,920
Total	28,435	28,435

HYN



(19)

HYN

The following additional information is also provided in respect of the above balances :

(i) The balance of ₹ 2,250 Lakhs in the Loan Account with State Financial Corporation includes ₹ 110 Lakhs for interest Accrued but not Due. The loan is secured by hypothecation of Plant and Machinery. 2140 → Loan 110 → Int.

(ii) Trade receivables of ₹ 780 Lakhs are due for more than 6 months.

(iii) The cost of the assets are as follows :

Building ₹ 9,000 Lakhs; Plant and Machinery ₹ 10,500 Lakhs and Furniture ₹ 950 Lakhs 9000 (150) 8850 (−)B.D.

(iv) Inventory of finished goods includes loose tools costing ₹ 50 Lakhs (which do not meet the definition of property, plant and equipment as per AS 10)

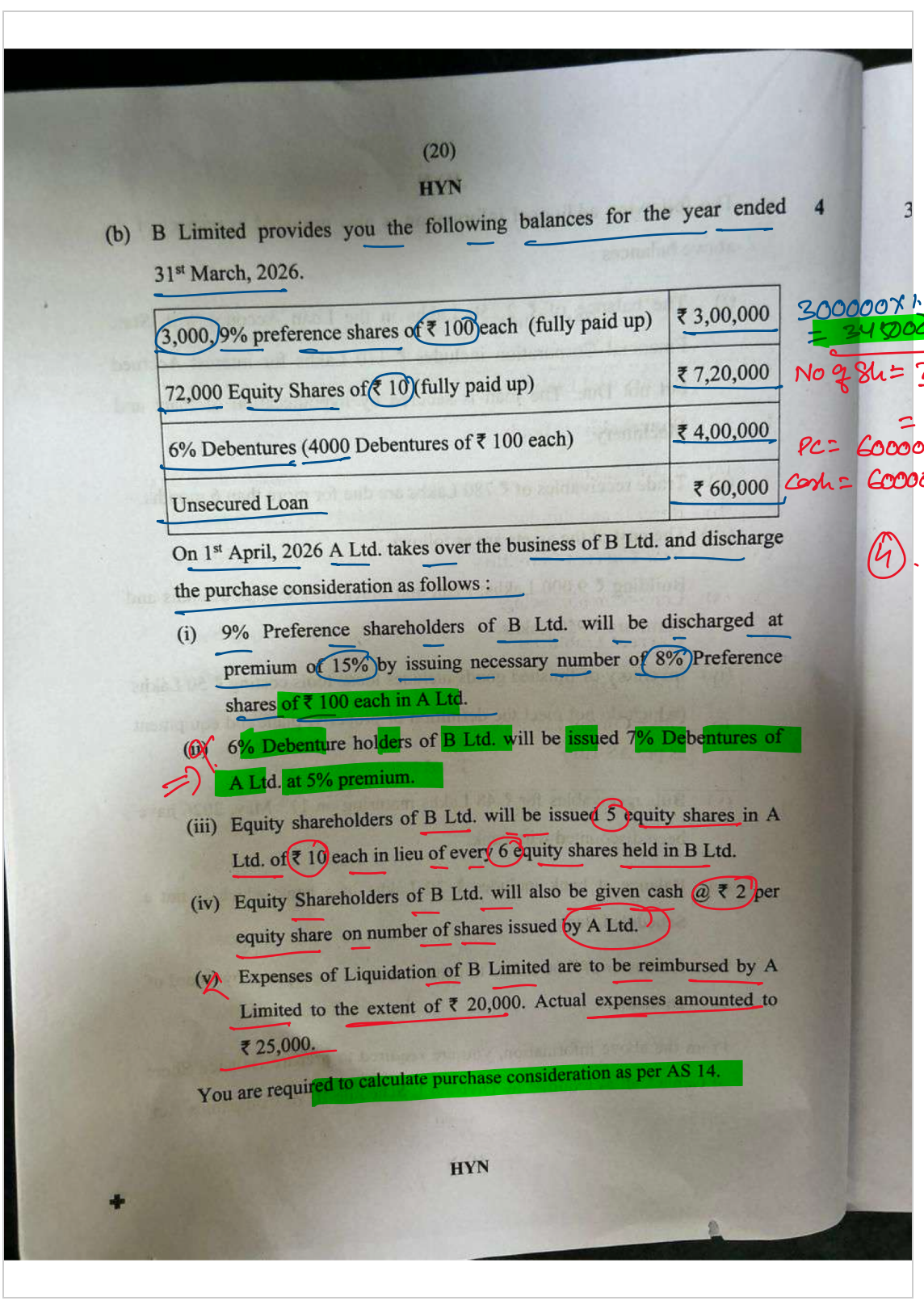
(v) Bills receivables for ₹ 48 Lakhs maturing on 11th May, 2026 have been discounted with bank. → C.L.

(vi) Balance at bank includes ₹ 30 Lakhs in a bank which is not a Scheduled Bank. 2013

(vii) A transfer of ₹ 60 Lakhs to general reserve is proposed by Board of Directors.

From the above information, you are required to prepare Balance Sheet of Gama Ltd. as required by Division I, Schedule III of Companies Act, 2013.

HYN



(20)

HYN

(b) B Limited provides you the following balances for the year ended 31st March, 2026. 4

3,000, 9% preference shares of ₹ 100 each (fully paid up)	₹ 3,00,000
72,000 Equity Shares of ₹ 10 (fully paid up)	₹ 7,20,000
6% Debentures (4000 Debentures of ₹ 100 each)	₹ 4,00,000
Unsecured Loan	₹ 60,000

On 1st April, 2026 A Ltd. takes over the business of B Ltd. and discharge the purchase consideration as follows :

(i) 9% Preference shareholders of B Ltd. will be discharged at premium of 15% by issuing necessary number of 8% Preference shares of ₹ 100 each in A Ltd.

(ii) 6% Debenture holders of B Ltd. will be issued 7% Debentures of A Ltd. at 5% premium.

(iii) Equity shareholders of B Ltd. will be issued 5 equity shares in A Ltd. of ₹ 10 each in lieu of every 6 equity shares held in B Ltd.

(iv) Equity Shareholders of B Ltd. will also be given cash @ ₹ 2 per equity share on number of shares issued by A Ltd.

(v) Expenses of Liquidation of B Limited are to be reimbursed by A Limited to the extent of ₹ 20,000. Actual expenses amounted to ₹ 25,000.

You are required to calculate purchase consideration as per AS 14.

HYN

300000×1.15 = 345000

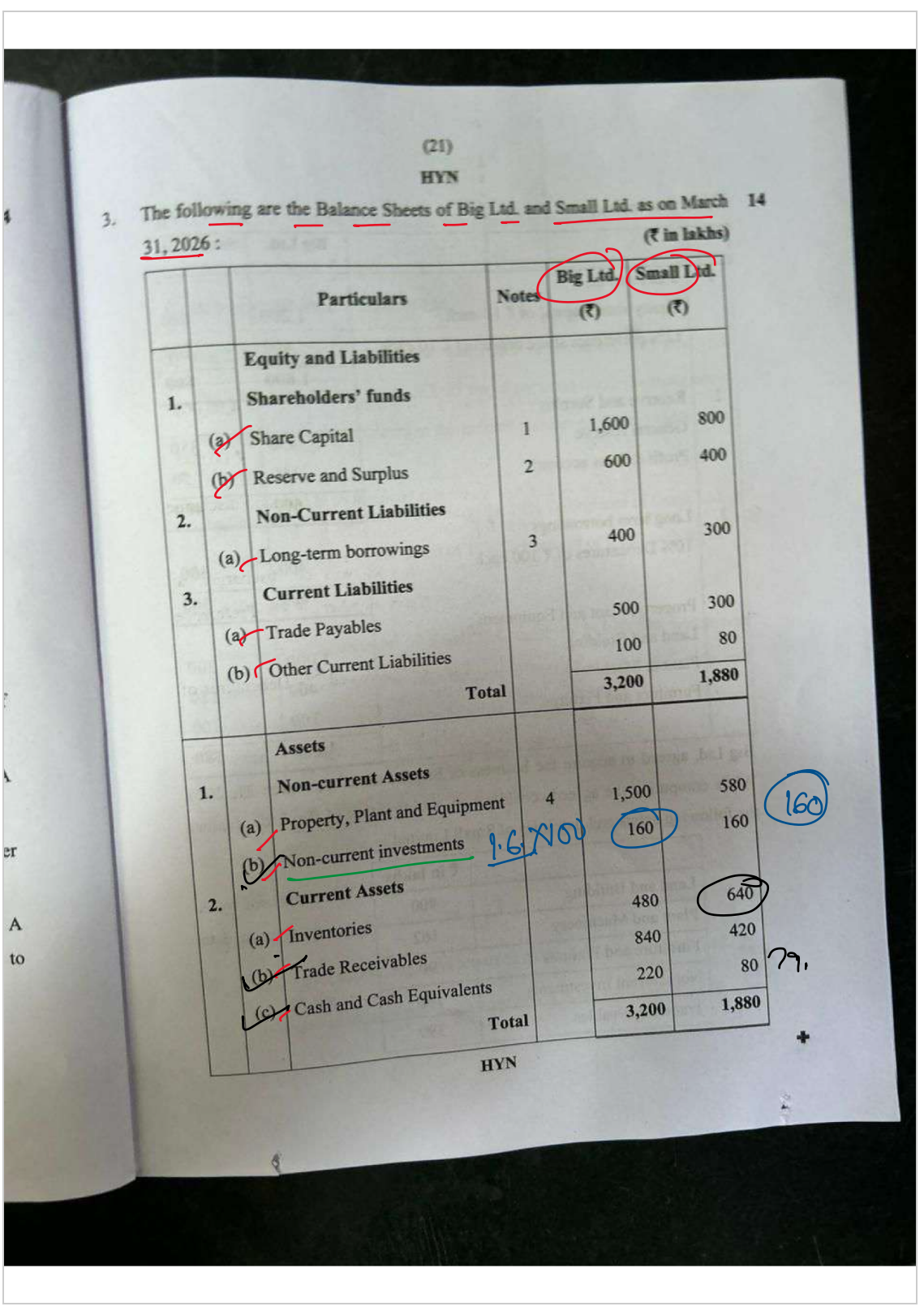
No of Sh = 72000/6 ×5 = 60000

PC = 60000×10 = 600000

Cash = 60000×2 = 120000

1065000

④



(21)

HYN

3. The following are the Balance Sheets of Big Ltd. and Small Ltd. as on March 31, 2026 : 14

(₹ in lakhs)

		Particulars	Notes	Big Ltd. (₹)	Small Ltd. (₹)
		Equity and Liabilities			
1.		Shareholders' funds			
	(a)	Share Capital	1	1,600	800
	(b)	Reserve and Surplus	2	600	400
2.		Non-Current Liabilities			
	(a)	Long-term borrowings	3	400	300
3.		Current Liabilities			
	(a)	Trade Payables		500	300
	(b)	Other Current Liabilities		100	80
		Total		3,200	1,880
		Assets			
1.		Non-current Assets			
	(a)	Property, Plant and Equipment	4	1,500	580
	(b)	Non-current investments		160	160
2.		Current Assets			
	(a)	Inventories		480	640
	(b)	Trade Receivables		840	420
	(c)	Cash and Cash Equivalents		220	80
		Total		3,200	1,880

1.6×100 160 79.

HYN

1. Computation of P.C. (Amt in lacs)

Cash P.S : 3×20 = 60

ES : 2×60 = 120.

Sh. : 64×25 = 1600

PS : 20/80 ×64×25 = 400

ES : 60/80 ×64×25 = 1200

Total PC 1780

1. Ledgers in books of Small.

Realisation A/c.

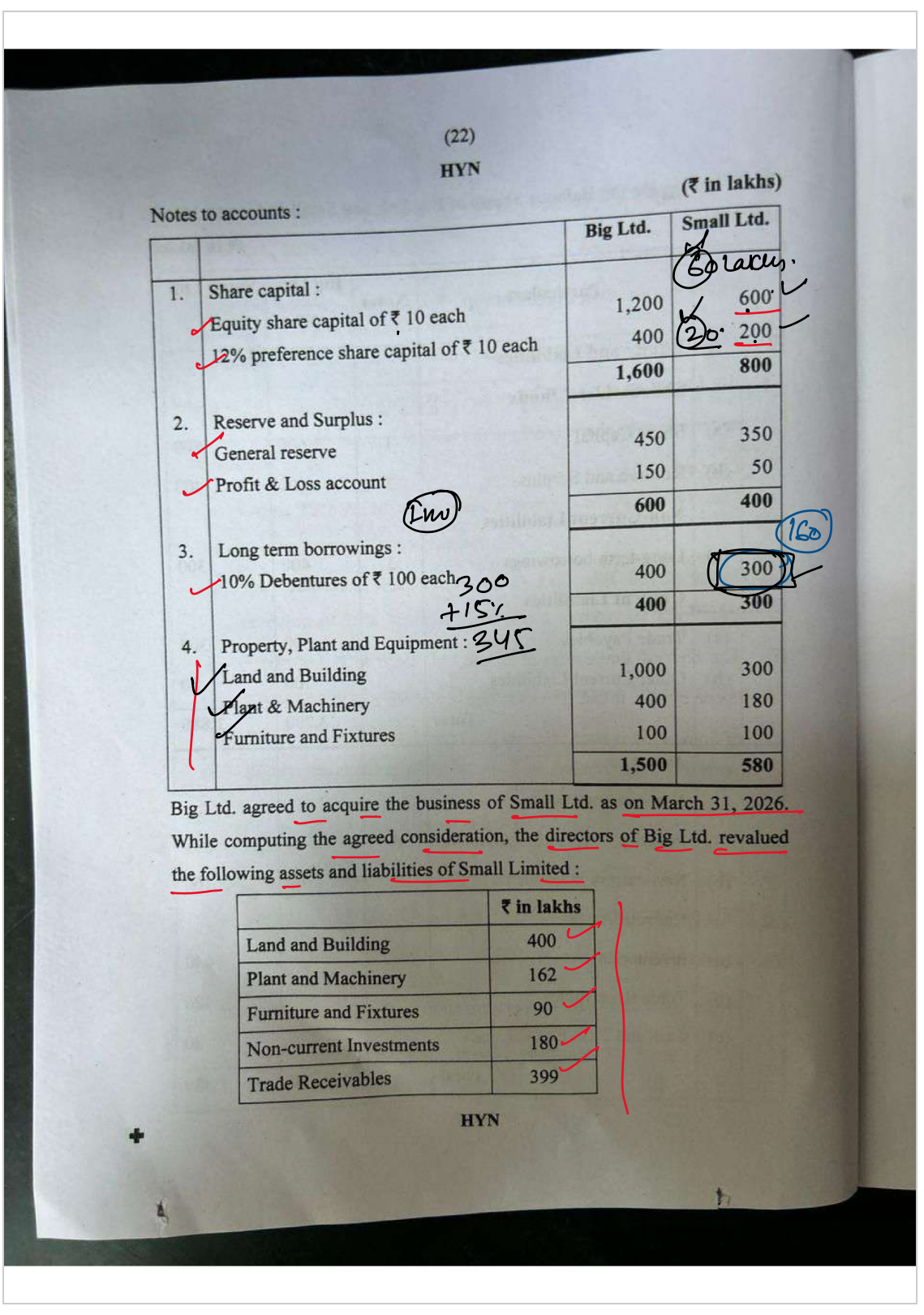
To PPE.	580	By 10% Deb.	300
To N.C.I.	160	By T/P	300
To Inv.	640	By OCL	80.
To T/R	420	By Big Co.	1780.
To Cash (1441)	80		
To PSH	260		
To ESH (Profit)	320.		
			2460

P.S.H.

To Bank	60	By PSC	200
To Sh. in Big	400	By Real. A/c	260.

Big Co.

To Real.	1780	By Sh. in Big Co	1600
		By Bank	180.



(22)

HYN

Notes to accounts : (₹ in lakhs)

		Big Ltd.	Small Ltd.
1.	Share capital :		
	Equity share capital of ₹ 10 each	1,200	600
	12% preference share capital of ₹ 10 each	400	200
		1,600	800
2.	Reserve and Surplus :		
	General reserve	450	350
	Profit & Loss account	150	50
		600	400
3.	Long term borrowings :		
	10% Debentures of ₹ 100 each	400	300
		400	300
4.	Property, Plant and Equipment :		
	Land and Building	1,000	300
	Plant & Machinery	400	180
	Furniture and Fixtures	100	100
		1,500	580

60 lacs. 20. Inv 300 +15% 345 160

Big Ltd. agreed to acquire the business of Small Ltd. as on March 31, 2026. While computing the agreed consideration, the directors of Big Ltd. revalued the following assets and liabilities of Small Limited :

	₹ in lakhs
Land and Building	400
Plant and Machinery	162
Furniture and Fixtures	90
Non-current Investments	180
Trade Receivables	399

HYN

E.S.H.

To Cash	120	By ESC	600
To Sh. Big	1200	By G/R	350
		By P/L	50
		By Real	320
	1320		1320

Cash/Bank

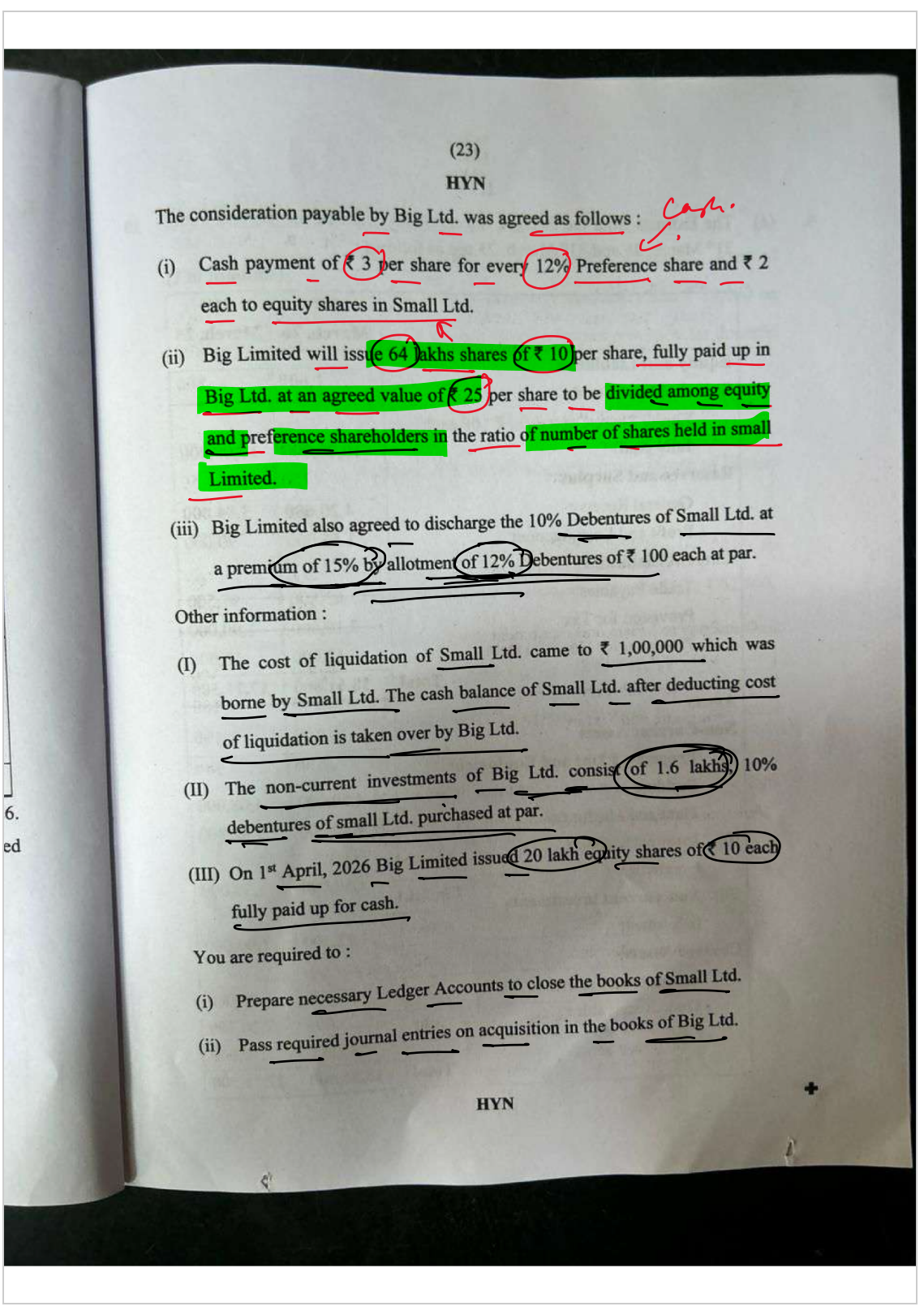
To bal	80	By Realisation	1
To Big.	180	By PSH.	60
		By ESH	120.
		By Real. A/c	79

Journal Entries Book of Big.

① Business Pur A/c Dr 1780

To Liquidators of Small 1780.

② Land & Buildings	Dr	400
Plant	Dr.	162
Furniture	Dr.	90
NCI	Dr.	180
T/R	Dr.	399.
Inventory	Dr.	640
Cash	Dr.	79.
Goodwill (B.F.)	Dr.	531
To T/P		300
To OCL		80
To 10% Deb.		321/345
To B.P.		1780



(23)

HYN

The consideration payable by Big Ltd. was agreed as follows : Cash.

(i) Cash payment of ₹ 3 per share for every 12% Preference share and ₹ 2 each to equity shares in Small Ltd.

(ii) Big Limited will issue 64 lakhs shares of ₹ 10 per share, fully paid up in Big Ltd. at an agreed value of ₹ 25 per share to be divided among equity and preference shareholders in the ratio of number of shares held in small Limited.

(iii) Big Limited also agreed to discharge the 10% Debentures of Small Ltd. at a premium of 15% by allotment of 12% Debentures of ₹ 100 each at par.

Other information :

(I) The cost of liquidation of Small Ltd. came to ₹ 1,00,000 which was borne by Small Ltd. The cash balance of Small Ltd. after deducting cost of liquidation is taken over by Big Ltd.

(II) The non-current investments of Big Ltd. consist of 1.6 lakhs 10% debentures of small Ltd. purchased at par.

(III) On 1st April, 2026 Big Limited issued 20 lakh equity shares of ₹ 10 each fully paid up for cash.

You are required to :

(i) Prepare necessary Ledger Accounts to close the books of Small Ltd.

(ii) Pass required journal entries on acquisition in the books of Big Ltd.

HYN

WN for Deb.

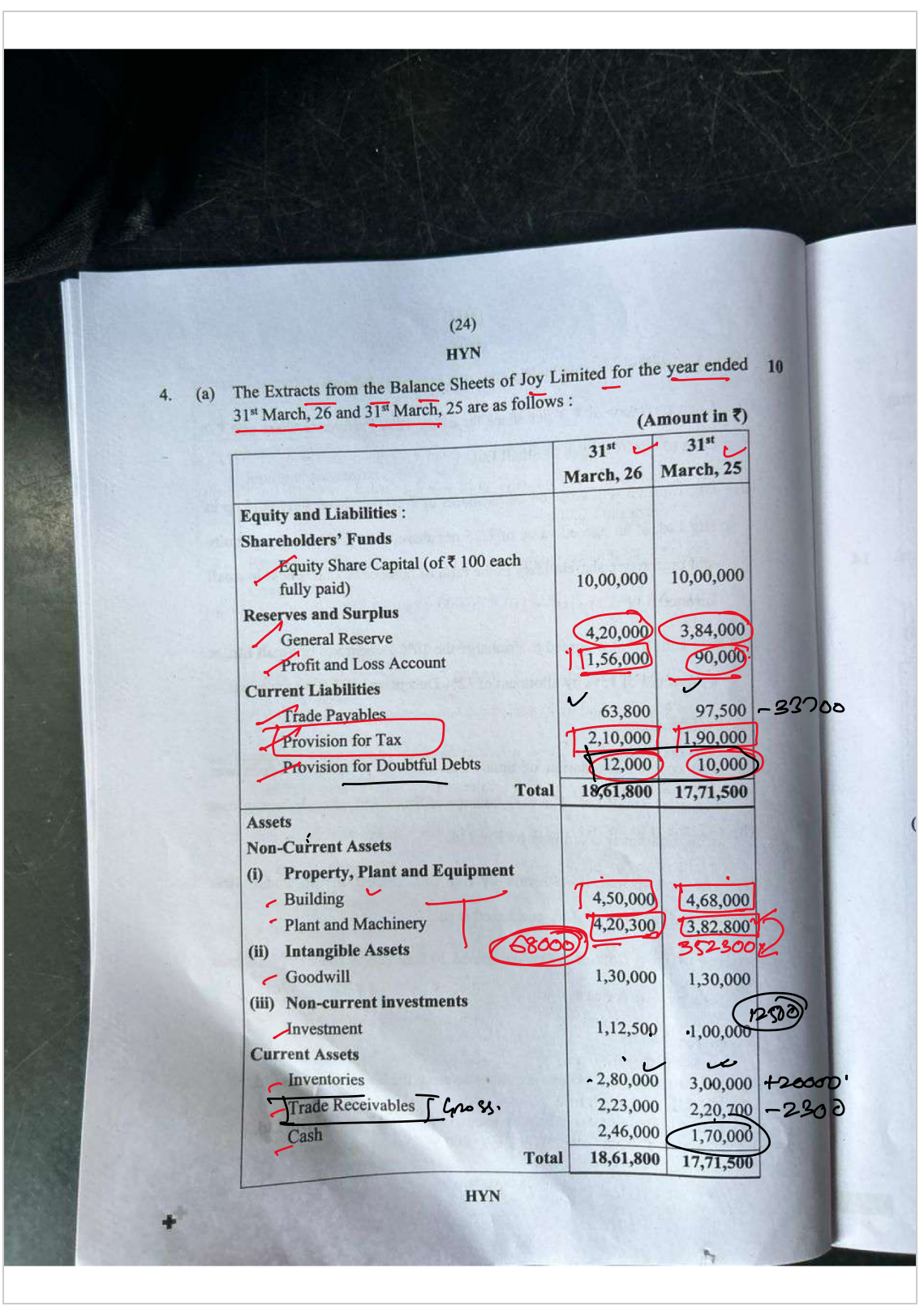
Total Deb	: 300	300
Held by Big.	: 160	
Outsider.	140	
Add 15%.	21	45
	161.	
Total value of Deb = 160+161 = 321		345

② Issue of Sh./Pay cash

Liquidator of Small Dr	1780	
To ESC		640
To SP (64×15)		960
To cash/Bank.		180.

③

10% Deb. A/c Dr	321		345
To 12% Deb (140+15%) @ Par		161	161
To N.C Inv.		160	~~184~~ 180
To C/R			24.



(24)

HYN

4. (a) The Extracts from the Balance Sheets of Joy Limited for the year ended 31st March, 26 and 31st March, 25 are as follows : 10

(Amount in ₹)

	31st March, 26	31st March, 25
Equity and Liabilities :		
Shareholders' Funds		
Equity Share Capital (of ₹ 100 each fully paid)	10,00,000	10,00,000
Reserves and Surplus		
General Reserve	4,20,000	3,84,000
Profit and Loss Account	1,56,000	90,000
Current Liabilities		
Trade Payables	63,800	97,500
Provision for Tax	2,10,000	1,90,000
Provision for Doubtful Debts	12,000	10,000
Total	18,61,800	17,71,500
Assets		
Non-Current Assets		
(i) Property, Plant and Equipment		
Building	4,50,000	4,68,000
Plant and Machinery	4,20,300	3,82,800
(ii) Intangible Assets		
Goodwill	1,30,000	1,30,000
(iii) Non-current investments		
Investment	1,12,500	1,00,000
Current Assets		
Inventories	2,80,000	3,00,000
Trade Receivables	2,23,000	2,20,700
Cash	2,46,000	1,70,000
Total	18,61,800	17,71,500

−33700 68000 352300 12500 +20000 −2300 Gross.

HYN

Inc in GR.	36000
Inc in PL	66000
Dividends.	50000
	152000

P/L (Ref)

To GR	36000	By bal b/d	90000
To Div.	50000		152000
To bal	156000		

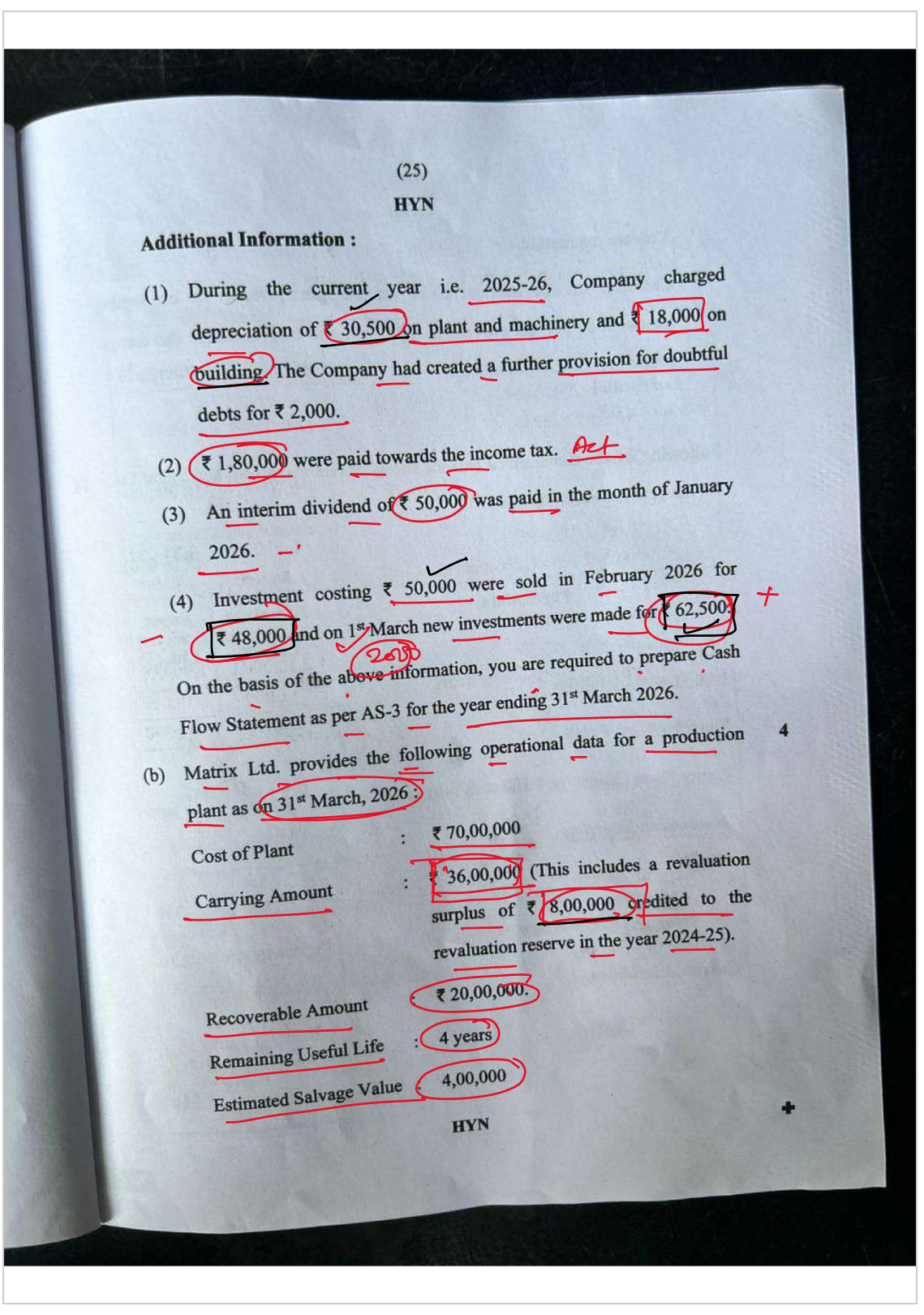
CF.

1. CF from op.

Net profit	152000
Add Prov for tax	200000
Profit bef. Tax	352000
Add Non cash exp	
Dep	48500
PBD	2000
Inv (Loss on sale)	+ 2000
	~~402500~~ 404500
W.C. Changes.	
Inventory	+ 20000
T/R	−(2300)
T/P	(33700)
	388500
Less Tax Paid	(180000)
CFO	208500
CFI.	
Purch of Mach.	(68000)
Sale of Inv.	48000
Purchase	(62500)
	(82500)

Prov for Tax

To Bank	180000	By bal b/d	190000
To bal c/d	210000	By P/L	200000
	390000		



(25)

HYN

Additional Information :

(1) During the current year i.e. 2025-26, Company charged depreciation of ₹ 30,500 on plant and machinery and ₹ 18,000 on building. The Company had created a further provision for doubtful debts for ₹ 2,000.

(2) ₹ 1,80,000 were paid towards the income tax. Act

(3) An interim dividend of ₹ 50,000 was paid in the month of January 2026.

(4) Investment costing ₹ 50,000 were sold in February 2026 for ₹ 48,000 and on 1st March new investments were made for ₹ 62,500. 2000

On the basis of the above information, you are required to prepare Cash Flow Statement as per AS-3 for the year ending 31st March 2026.

(b) Matrix Ltd. provides the following operational data for a production plant as on 31st March, 2026 : 4

Cost of Plant	:	₹ 70,00,000
Carrying Amount	:	₹ 36,00,000 (This includes a revaluation surplus of ₹ 8,00,000 credited to the revaluation reserve in the year 2024-25).
Recoverable Amount	:	₹ 20,00,000.
Remaining Useful Life	:	4 years
Estimated Salvage Value	:	4,00,000

HYN

CFF

Dividend	(50000)
Cash gen. from (Op+Inv+Fin)	76000
(+) Cash eq. at beg	170000
	246000

Imp loss = 3600000 − 2000000 = 1600000

Adjusted against Rev Surplus 800000

P/L 800000.

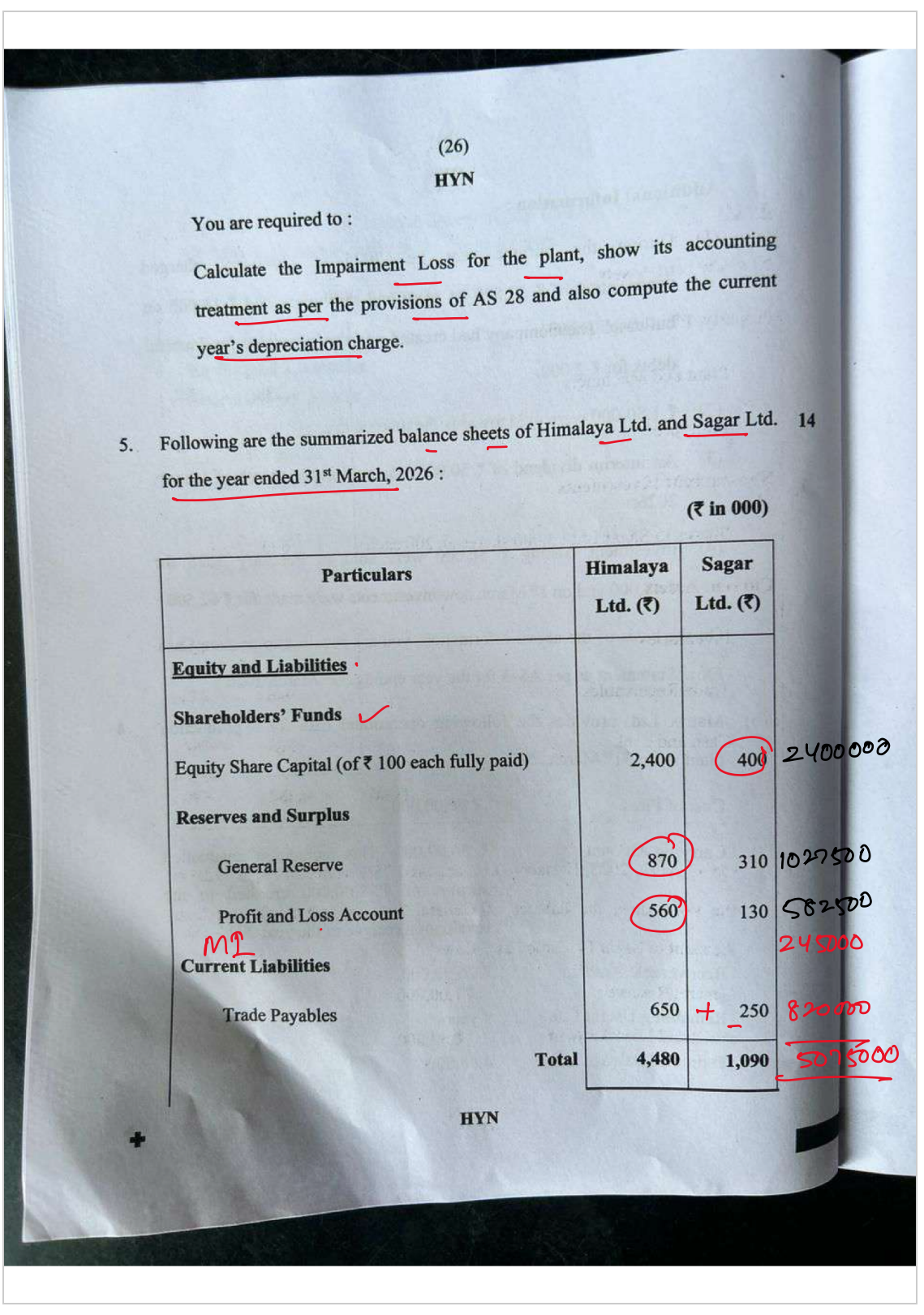
(Dr) P/L Dr	800000	
R Rese Dr	800000	
To PPE		1600000

Carrying Amt after imp = 2000000

Res. value (400000)

1600000

Dep per Year = 1600000/4 = 400000.



(26)

HYN

You are required to :

Calculate the Impairment Loss for the plant, show its accounting treatment as per the provisions of AS 28 and also compute the current year's depreciation charge.

5. Following are the summarized balance sheets of Himalaya Ltd. and Sagar Ltd. for the year ended 31st March, 2026 : 14

(₹ in 000)

Particulars	Himalaya Ltd. (₹)	Sagar Ltd. (₹)	
Equity and Liabilities :			
Shareholders' Funds			
Equity Share Capital (of ₹ 100 each fully paid)	2,400	400	2400000
Reserves and Surplus			
General Reserve	870	310	1027500
Profit and Loss Account	560	130	582500
MI			245000
Current Liabilities			
Trade Payables	650	+ 250	[illegible]
Total	4,480	1,090	5075000

HYN

① Net Assets on Date of Acq.

	31/3/26	1/4/25	Post
ESC	400000	400000	
GR.	310000	100000	210000 (75% = 157500)
P/L	130000	60000.	70000
Fv adj			
PPE	180000	200000	(20000)
Furniture	(17000)	(20000)	3000
Net Asset		740000	263000
Less URP.			(23000)
			240000
H Ltd (75%)		555000	180000
NCI (25%)		185000	60000

P/L 240000 − 210000 = 30000 − 75% = 22500

⇒ G/W or C/R.

Cost of Inv = 600000

Sh in NA = 555000

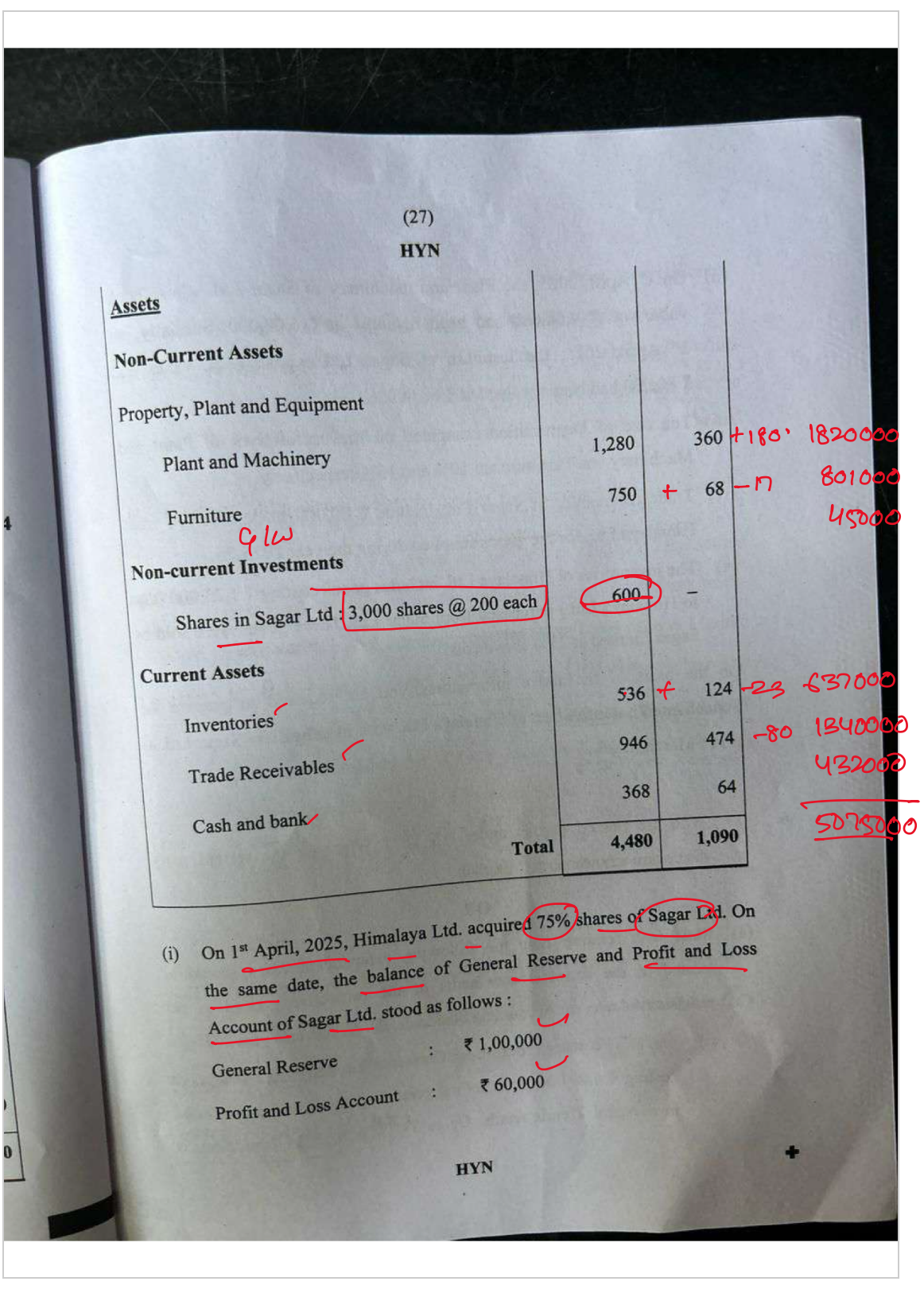
G/W 45000

⇒ MI bal = 185000 + 60000 = 245000

⇒ R/S.

G/R = 870000 + 157500 = 1027500

P/L = 560000 + 22500 = 582500



(27)

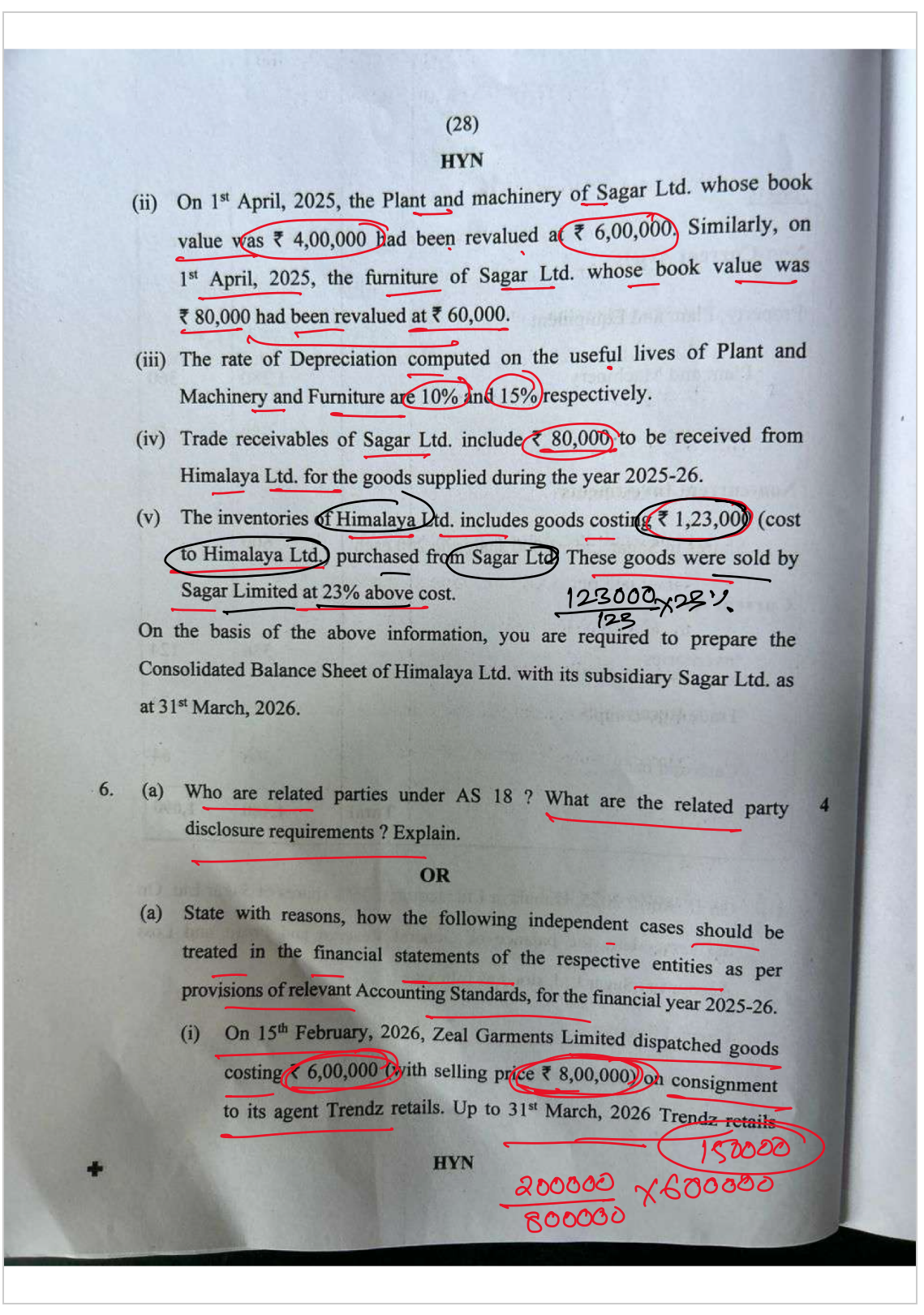
HYN

	Himalaya Ltd.	Sagar Ltd.	
Assets			
Non-Current Assets			
Property, Plant and Equipment			
Plant and Machinery	1,280	360 +180	1820000
Furniture	750	+ 68 −17	801000
G/W			45000
Non-current Investments			
Shares in Sagar Ltd : 3,000 shares @ 200 each	600	−	
Current Assets			
Inventories	536	+ 124 −23	637000
Trade Receivables	946	474 −80	1340000
Cash and bank	368	64	432000
Total	4,480	1,090	5075000

(i) On 1st April, 2025, Himalaya Ltd. acquired 75% shares of Sagar Ltd. On the same date, the balance of General Reserve and Profit and Loss Account of Sagar Ltd. stood as follows :

General Reserve	:	₹ 1,00,000
Profit and Loss Account	:	₹ 60,000

HYN



(28)

HYN

(ii) On 1st April, 2025, the Plant and machinery of Sagar Ltd. whose book value was ₹ 4,00,000 had been revalued at ₹ 6,00,000. Similarly, on 1st April, 2025, the furniture of Sagar Ltd. whose book value was ₹ 80,000 had been revalued at ₹ 60,000.

(iii) The rate of Depreciation computed on the useful lives of Plant and Machinery and Furniture are 10% and 15% respectively.

(iv) Trade receivables of Sagar Ltd. include ₹ 80,000 to be received from Himalaya Ltd. for the goods supplied during the year 2025-26.

(v) The inventories of Himalaya Ltd. includes goods costing ₹ 1,23,000 (cost to Himalaya Ltd.) purchased from Sagar Ltd. These goods were sold by Sagar Limited at 23% above cost. 123000/123 ×23%

On the basis of the above information, you are required to prepare the Consolidated Balance Sheet of Himalaya Ltd. with its subsidiary Sagar Ltd. as at 31st March, 2026.

6. (a) Who are related parties under AS 18 ? What are the related party disclosure requirements ? Explain. 4

OR

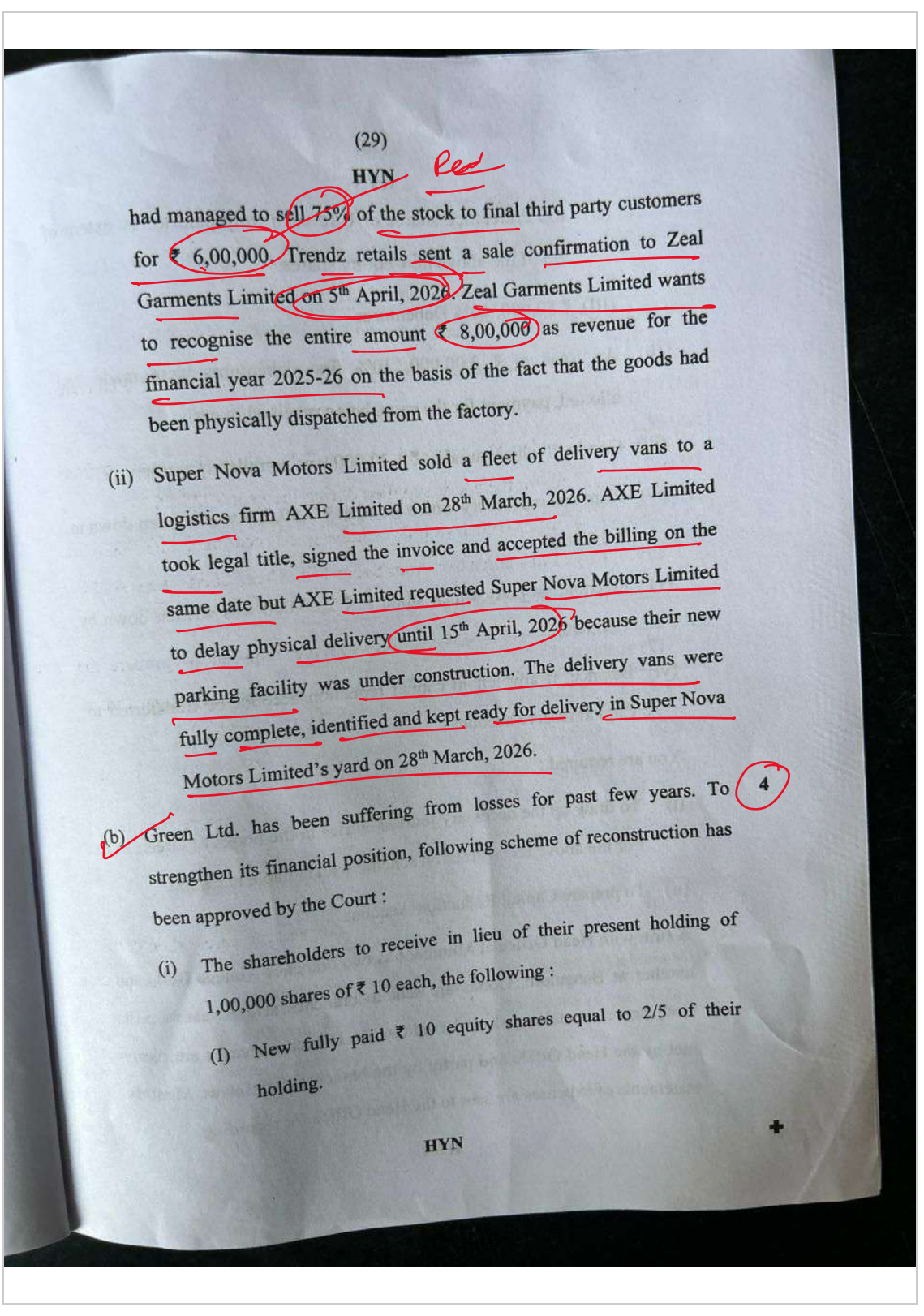
(a) State with reasons, how the following independent cases should be treated in the financial statements of the respective entities as per provisions of relevant Accounting Standards, for the financial year 2025-26.

(i) On 15th February, 2026, Zeal Garments Limited dispatched goods costing ₹ 6,00,000 (with selling price ₹ 8,00,000) on consignment to its agent Trendz retails. Up to 31st March, 2026 Trendz retails

150000

200000/800000 ×600000

HYN



(29)

HYN Rev

had managed to sell 75% of the stock to final third party customers for ₹ 6,00,000. Trendz retails sent a sale confirmation to Zeal Garments Limited on 5th April, 2026. Zeal Garments Limited wants to recognise the entire amount ₹ 8,00,000 as revenue for the financial year 2025-26 on the basis of the fact that the goods had been physically dispatched from the factory.

(ii) Super Nova Motors Limited sold a fleet of delivery vans to a logistics firm AXE Limited on 28th March, 2026. AXE Limited took legal title, signed the invoice and accepted the billing on the same date but AXE Limited requested Super Nova Motors Limited to delay physical delivery until 15th April, 2026 because their new parking facility was under construction. The delivery vans were fully complete, identified and kept ready for delivery in Super Nova Motors Limited's yard on 28th March, 2026.

(b) Green Ltd. has been suffering from losses for past few years. To strengthen its financial position, following scheme of reconstruction has been approved by the Court : 4

(i) The shareholders to receive in lieu of their present holding of 1,00,000 shares of ₹ 10 each, the following :

(I) New fully paid ₹ 10 equity shares equal to 2/5 of their holding.

HYN

Journal Entries in the books of Green Ltd.

#	Particulars	Dr (₹)	Cr (₹)
1	Equity Share Capital A/c (old) ..... Dr.	10,00,000	
	To Equity Share Capital A/c (new)		4,00,000
	To 8% Preference Share Capital A/c		1,60,000
	To 10% Debentures A/c		50,000
	To Capital Reduction A/c		3,90,000
	(Old shares replaced under reconstruction scheme)		
2	Bank A/c ..... Dr.	2,00,000	
	To 10% First Debentures A/c		2,00,000
	(Fresh debentures issued for cash)		
3	Capital Reduction A/c ..... Dr.	2,20,000	
	To Goodwill A/c		1,20,000
	To Plant & Machinery A/c		50,000
	To Freehold Property A/c		50,000
	(Assets written off/down)		
4	Capital Reduction A/c ..... Dr.	1,70,000	
	To Capital Reserve A/c		1,70,000
	(Balance transferred to Capital Reserve)		

Capital Reduction Account

Dr	₹	Cr	₹
To Goodwill	1,20,000	By Equity Share Capital A/c	3,90,000
To Plant & Machinery	50,000		
To Freehold Property	50,000		
To Capital Reserve (bal.)	1,70,000		
	3,90,000		3,90,000

Q6(c) — Branch Accounts (Debtors Method)

WN — Loading on stocks & goods

1. Loading on Opening & Closing Stock (stocks given at cost & loading = 25% of cost)

	Cost (given)	Loading = 25% × Cost	IP = Cost + Loading
Delhi — Opening	30,000	7,500	37,500
Delhi — Closing	35,000	8,750	43,750
Bangalore — Opening	25,000	6,250	31,250
Bangalore — Closing	32,000	8,000	40,000

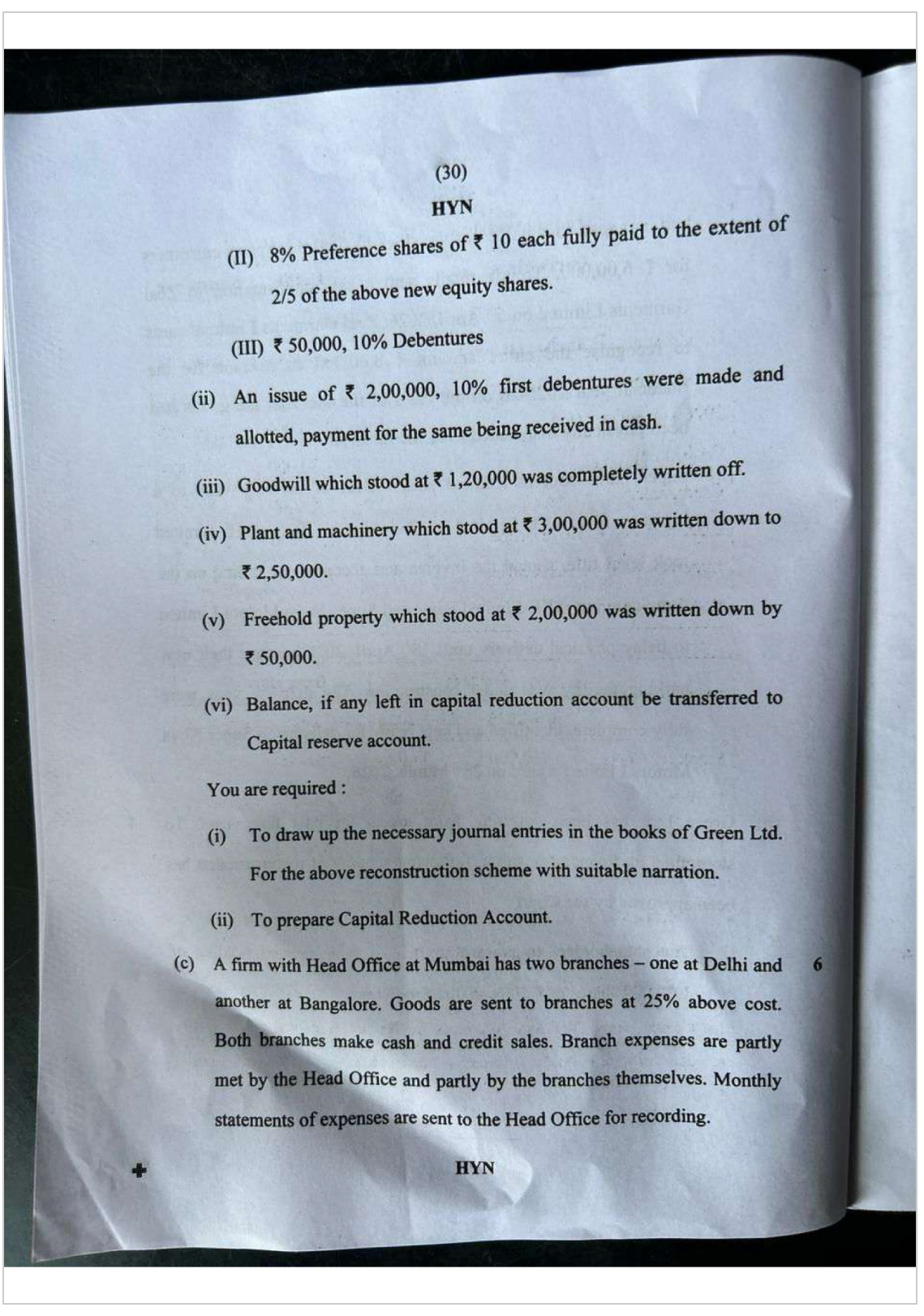
2. Stock-in-Transit — Bangalore only

Goods sent by HO at cost ₹2,00,000 → at IP = 2,00,000 × 1.25 = ₹2,50,000

	Sent by HO (IP)	Received by branch (IP)	In transit (IP)
Delhi	2,50,000	2,50,000	Nil
Bangalore	2,50,000	2,30,000	20,000

Bangalore in-transit at IP ₹20,000

Cost = 20,000 ÷ 1.25 = ₹16,000; Loading = 16,000 × 25% = ₹4,000



(30)

HYN

(II) 8% Preference shares of ₹ 10 each fully paid to the extent of 2/5 of the above new equity shares.

(III) ₹ 50,000, 10% Debentures

(ii) An issue of ₹ 2,00,000, 10% first debentures were made and allotted, payment for the same being received in cash.

(iii) Goodwill which stood at ₹ 1,20,000 was completely written off.

(iv) Plant and machinery which stood at ₹ 3,00,000 was written down to ₹ 2,50,000.

(v) Freehold property which stood at ₹ 2,00,000 was written down by ₹ 50,000.

(vi) Balance, if any left in capital reduction account be transferred to Capital reserve account.

You are required :

(i) To draw up the necessary journal entries in the books of Green Ltd. For the above reconstruction scheme with suitable narration.

(ii) To prepare Capital Reduction Account.

(c) A firm with Head Office at Mumbai has two branches – one at Delhi and another at Bangalore. Goods are sent to branches at 25% above cost. Both branches make cash and credit sales. Branch expenses are partly met by the Head Office and partly by the branches themselves. Monthly statements of expenses are sent to the Head Office for recording. 6

HYN

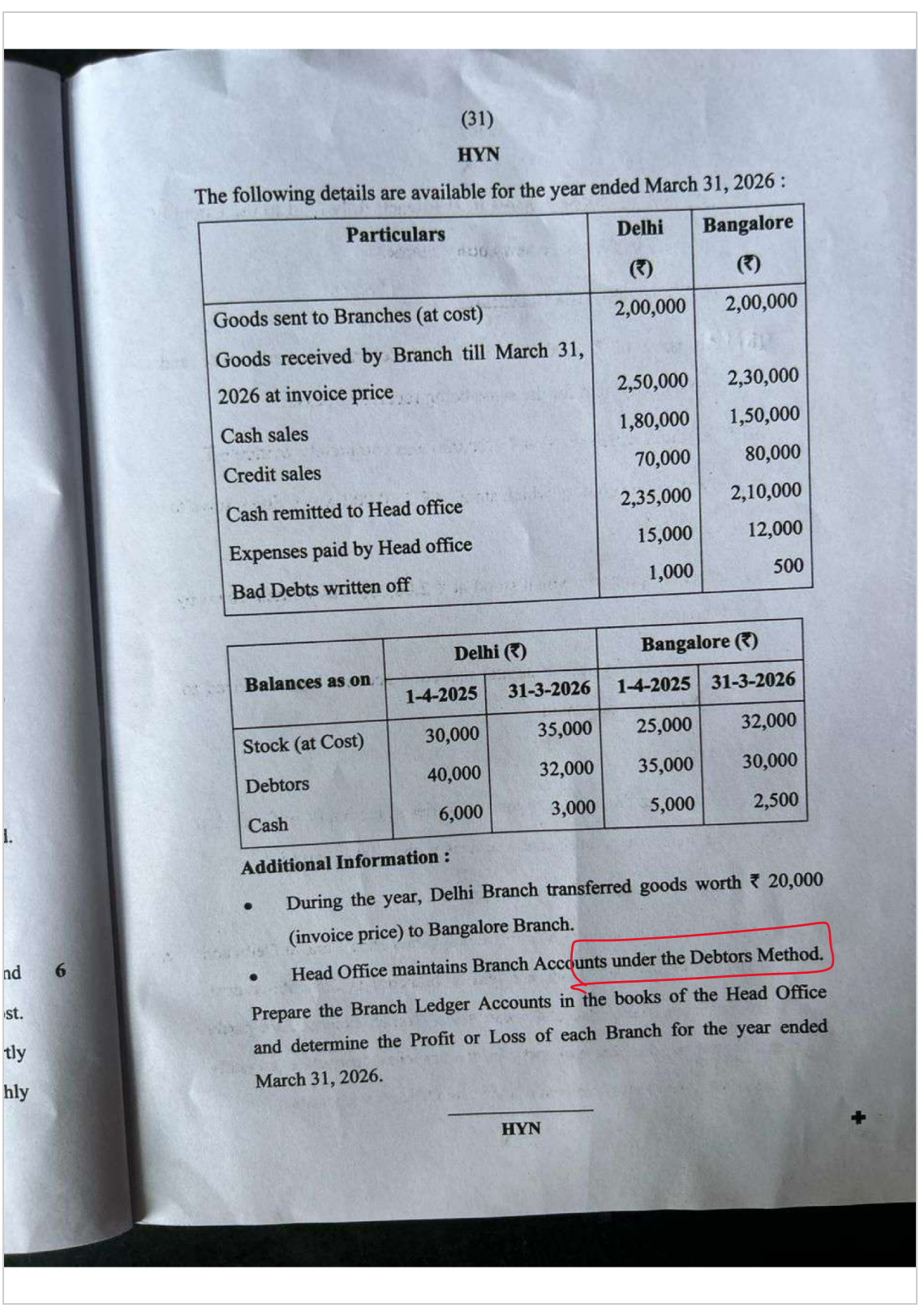
Delhi Branch Account (at Invoice Price)

Dr	₹	Cr	₹
To Balance b/d: Stock (IP)	37,500	By Bank (remittance)	2,35,000
Debtors	40,000	By Goods sent to Br. (transfer to B'lore, cost)	16,000
Cash	6,000	By Goods sent to Br. A/c (loading)	50,000
To Goods sent to Branch (IP)	2,50,000	By Stock Reserve (opening loading)	7,500
To Bank (HO expenses)	15,000	By Balance c/d: Stock (IP)	43,750
To Stock Reserve (closing loading)	8,750	Debtors	32,000
To Net Profit (to General P&L)	30,000	Cash	3,000
	3,87,250		3,87,250

Delhi Branch — Profit = ₹30,000

Bangalore Branch Account (at Invoice Price)

Dr	₹	Cr	₹
To Balance b/d: Stock (IP)	31,250	By Bank (remittance)	2,10,000
Debtors	35,000	By Goods sent to Br. A/c (loading)	50,000
Cash	5,000	By Stock Reserve (opening loading)	6,250
To Goods sent by HO (IP)	2,50,000	By Balance c/d: Stock (IP)	40,000
To Delhi Branch (transfer in, cost)	16,000	Stock in transit (IP)	20,000
To Bank (HO expenses)	12,000	Debtors	30,000
To Stock Reserve (closing loading: 8,000 + 4,000)	12,000	Cash	2,500
		By Net Loss (to General P&L)	2,500
	3,61,250		3,61,250



(31)

HYN

The following details are available for the year ended March 31, 2026 :

Particulars	Delhi (₹)	Bangalore (₹)
Goods sent to Branches (at cost)	2,00,000	2,00,000
Goods received by Branch till March 31, 2026 at invoice price	2,50,000	2,30,000
Cash sales	1,80,000	1,50,000
Credit sales	70,000	80,000
Cash remitted to Head office	2,35,000	2,10,000
Expenses paid by Head office	15,000	12,000
Bad Debts written off	1,000	500

Balances as on	Delhi (₹) 1-4-2025	Delhi (₹) 31-3-2026	Bangalore (₹) 1-4-2025	Bangalore (₹) 31-3-2026
Stock (at Cost)	30,000	35,000	25,000	32,000
Debtors	40,000	32,000	35,000	30,000
Cash	6,000	3,000	5,000	2,500

Additional Information :

- During the year, Delhi Branch transferred goods worth ₹ 20,000 (invoice price) to Bangalore Branch.
- Head Office maintains Branch Accounts under the Debtors Method.

Prepare the Branch Ledger Accounts in the books of the Head Office and determine the Profit or Loss of each Branch for the year ended March 31, 2026.

HYN