

**PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)**

**BVoc DEGREE EXAMINATION DECEMBER 2024
(Third Semester)**

Branch - BVoc (BANKING, STOCK & INSURANCE)

CORPORATE ACCOUNTING

Time: Three Hours

Maximum: 75 Marks

SECTION-A (10 Marks)

Answer ALL questions

ALL questions carry EQUAL marks

(10 × 1 = 10)

Module No.	Question No.	Question	K Level	CO
1	1	Discount on issue of shares is a _____ a) Revenue Loss b) Capital Loss c) Deferred revenue expenditure d) Writing off of capital Losses	K1	CO1
	2	The underwriter is entitled to claim remuneration on _____ a) The issue price of shares underwritten b) The face value of shares actually purchased c) The face value of shares not purchased by him d) The face value of shares partially purchased	K2	CO3
2	3	Interest on debentures is normally payable _____ a) Half yearly b) Quarterly c) Annually d) Monthly	K1	CO1
	4	Profit on cancellation of own debentures is transferred to _____ a) profit & loss A/c b) Dividend equalisation A/C c) Capital reserve d) Debentures A/c	K2	CO3
3	5	Carriage outwards is shown in the statement of profit and loss under _____ a) Employee benefit expenses b) Other Expenses c) Finance Costs d) Depreciation and amortization expenses	K1	CO1
	6	Bank overdraft is shown in the balance sheet of a company as _____ a) Long term borrowings b) Short term borrowings c) Other Current Liabilities d) Reserves and Surplus	K2	CO3
4	7	Goodwill is shown in company's balance sheet under the head _____ a) Fixed assets b) Investments c) Miscellaneous expenditure d) Current Assets	K1	CO1
	8	Super profit is the difference between _____ a) Capital employed and average capital employed b) Average profit and normal profit c) Current year and last year profit d) Current assets and fixed assets	K2	CO3
5	9	Cash flow statements are discussed under which accounting standards? a) AS-8 b) AS-4 c) AS-5 d) AS-3 (Revised)	K1	CO1
	10	The pooling of interests' method is specially applied for _____ a) Amalgamation in the nature of merger b) Amalgamation in the nature of purchase c) Amalgamation in the acquisition d) Long term investment	K2	CO3

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SECTION - B (35 Marks)

Answer ALL questions

ALL questions carry EQUAL Marks

(5 × 7 = 35)

Module No.	Question No.	Question	K Level	CO																												
1	11.a.	Batliboi Co.,Ltd issued 50,000 equity shares of Rs.10 each to the public on condition that full amount of shares will be paid in a lump sum. All these shares were taken up and paid by the public. Pass journal entries in the books of company when (a) Shares are issued at par (b) Shares are issued at a premium of 10% and (c) shares are issued at a discount of 10%.	K3	CO2																												
	(OR)																															
	11.b.	Pallav Ltd., has a share capital of 50,000 equity shares of Rs.100 each. Market value is Rs.250 per shares. The company decides to make a rights issue to the existing shareholders in proportion of one new rights share of Rs.100 at a premium of Rs.30 per share. Calculate the value of right. Issue.																														
2	12.a.	Moon Rays Ltd., issued 50,000 8% debentures of Rs.10 each to the public at par, to be paid Rs.4 on application and the balance on allotment. Applications were received for 48,000 debentures. Allotment was made to all the applications and the amount due was received promptly. Give Journal entries to record the transactions and show how they appear in the Balance sheet of the Company.	K3	CO2																												
	(OR)																															
	12.b.	On 01.04.2019 Ram Ltd., issued 2,500 8% debentures of Rs.100 each at 5% discount. Holders of the debentures have option to convert their holdings into equity shares of Rs.100 each at a premium of Rs.25 per share at any time with in 3 years. On 31 st March 2020, holders of 500 debentures notified their intention to exercise option. Show the necessary journal entries in the company's books relating to issue and conversion of the debentures. also show how the items affected would appear in the company's Balance sheet.																														
3	13.a.	<p>The Matafal Manufacturing Company Ltd., Chennai was registered with a nominal capital of Rs.12,00,000 in equity shares of Rs.10 each. The following is the list of balances extracted from its books on 31st March 2018.</p> <table><tr><th>Particulars</th><th>Amount (Rs)</th><th>Particulars</th><th>Amount (Rs)</th></tr><tr><td>Premises</td><td>6,00,000</td><td>Sales</td><td>8,30,000</td></tr><tr><td>Stock (1.4.2017)</td><td>1,50,000</td><td>6% debentures</td><td>6,00,000</td></tr><tr><td>Furniture</td><td>14,400</td><td>Profit & loss A/c (Cr)</td><td>29,000</td></tr><tr><td>Calls in arrears</td><td>15,000</td><td>Bills payable</td><td>76,000</td></tr><tr><td>Plant & Machinery</td><td>6,60,000</td><td>Sundry Creditors</td><td>1,00,000</td></tr><tr><td>Interim Dividend paid</td><td>75,000</td><td>General reserve</td><td>50,000</td></tr></table>	Particulars	Amount (Rs)	Particulars	Amount (Rs)	Premises	6,00,000	Sales	8,30,000	Stock (1.4.2017)	1,50,000	6% debentures	6,00,000	Furniture	14,400	Profit & loss A/c (Cr)	29,000	Calls in arrears	15,000	Bills payable	76,000	Plant & Machinery	6,60,000	Sundry Creditors	1,00,000	Interim Dividend paid	75,000	General reserve	50,000		
Particulars	Amount (Rs)	Particulars	Amount (Rs)																													
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3	13.a.	<table><tr><td>Sundry debtors</td><td>1,74,000</td><td>Provision for doubtful debts (1.4.2017)</td><td>7,000</td></tr><tr><td>Goodwill</td><td>68,000</td><td>Subscribed, called up and Paid up capital</td><td>8,00,000</td></tr><tr><td>Cash & Bank balances</td><td>63,300</td><td></td><td></td></tr><tr><td>Purchases</td><td>3,70,000</td><td></td><td></td></tr><tr><td>Preliminary Expenses</td><td>10,000</td><td></td><td></td></tr><tr><td>Wages</td><td>1,69,730</td><td></td><td></td></tr><tr><td>General expenses</td><td>13,670</td><td></td><td></td></tr><tr><td>Advertising</td><td>20,000</td><td></td><td></td></tr><tr><td>Freight</td><td>26,230</td><td></td><td></td></tr><tr><td>Salaries</td><td>29,000</td><td></td><td></td></tr><tr><td>Directors' Fees</td><td>11,450</td><td></td><td></td></tr><tr><td>Bad debts</td><td>4,220</td><td></td><td></td></tr><tr><td>Debentures interest paid</td><td>18,000</td><td></td><td></td></tr><tr><td>Total</td><td>24,92,000</td><td>Total</td><td>24,92,000</td></tr></table>	Sundry debtors	1,74,000	Provision for doubtful debts (1.4.2017)	7,000	Goodwill	68,000	Subscribed, called up and Paid up capital	8,00,000	Cash & Bank balances	63,300			Purchases	3,70,000			Preliminary Expenses	10,000			Wages	1,69,730			General expenses	13,670			Advertising	20,000			Freight	26,230			Salaries	29,000			Directors' Fees	11,450			Bad debts	4,220			Debentures interest paid	18,000			Total	24,92,000	Total	24,92,000	K4	CO5
		Sundry debtors	1,74,000	Provision for doubtful debts (1.4.2017)	7,000																																																							
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a) Stock on 31 st March 2018 was valued at Rs.1,90,000																																																												
b) Write off preliminary expenses																																																												
c) Provide for half year's debenture interest.																																																												
d) The provision for doubtful debts on 31 st March 2018 should be equal to 1% on sales.																																																												
e) Directors' fees are outstanding to the extent of Rs.550 and salaries Rs.1,000																																																												
f) Depreciate plant & machinery by 5%; premises by 2% and write off Rs.2,400 on furniture.																																																												
g) Goods to the value of Rs.3,000 were distributed as free samples during the year. But no entry in this respect had been made.																																																												
You are required to prepare the statement of Profit & Loss for the year ended 31 st March 2018 and the balance sheet as on the same date.																																																												
(OR)																																																												
	13.b.	Following balances are extracted from the books of Rama Ltd., on 31 st March 2014:																																																										
		Equity Share Capital (1,00,000 shares of Rs.10 each) Rs.10,00,000; Securities Premium Rs.2,00,000; 12% Debentures Rs.5,00,000; Creditors Rs.2,00,000; Proposed Dividend Rs.50,000; Surplus, i.e. Balance in Statement of profit & loss (Debit) Rs.50,000; Land & Building Rs.9,00,000; Government Bonds Rs.5,00,000; Capital Work in-Progress (Building) Rs.3,50,000 and Discount on issue of 12% debentures Rs.1,00,000; Cash at Bank Rs.50,000; Furniture Rs.60,000; Debtors Rs.20,000.																																																										
		Debentures were issued on 01 st April 2013 redeemable after 5 years i.e., on 31 st March 2017.																																																										
		Surplus, i.e. Balance in statement of profit and loss is before writing off discount on issue of debentures.																																																										
		Prepare the balance sheet of the company as per revised schedule VI, part I of the Companies Act, 1956.																																																										

4	14.a.	<p>A firm earned net profits during the last three years as follows:</p> <table><tr><th>Year</th><th>Amount (Rs)</th></tr><tr><td>I Year</td><td>36,000</td></tr><tr><td>II Year</td><td>40,000</td></tr><tr><td>III Year</td><td>44,000</td></tr></table> <p>The Capital investment of the firm is Rs.1,00,000. A fair return on the capital, having regard to the risk involved, is 10%. Calculate the value of Goodwill on the basis of three years' purchase of super profits.</p>	Year	Amount (Rs)	I Year	36,000	II Year	40,000	III Year	44,000	K2	CO3													
	Year	Amount (Rs)																							
	I Year	36,000																							
II Year	40,000																								
III Year	44,000																								
(OR)																									
14.b.	<p>Ganguly Ltd., was formed with an Authorised capital of Rs.12,00,000 divided into equity shares of Rs.10 each, to acquire the business of "A" and "B" whose balance sheet on the date of acquisition was as follows:</p> <table><tr><th>Liabilities</th><th>Rs</th><th>Assets</th><th>Rs</th></tr><tr><td>Capital</td><td>6,00,000</td><td>Freehold premises</td><td>7,00,000</td></tr><tr><td>General Reserve</td><td>4,00,000</td><td>Stock</td><td>2,00,000</td></tr><tr><td>Sundry Creditors</td><td>2,00,000</td><td>Sundry Debtors 1,60,000 Less: Provision for bad debts 10,000</td><td>1,50,000</td></tr><tr><td></td><td></td><td>Cash at Bank</td><td>1,50,000</td></tr><tr><td>Total</td><td>12,00,000</td><td>Total</td><td>12,00,000</td></tr></table> <p>The purchase consideration was agreed upon at Rs.14,00,000 to be paid in Rs.12,00,000 fully paid equity shares at Rs.11 and the balance in cash. Give journal entries to record the above and prepare the balance sheet of Ganguly Ltd., assuming the vendor's account is finally settled.</p>	Liabilities	Rs	Assets	Rs	Capital	6,00,000	Freehold premises	7,00,000	General Reserve	4,00,000	Stock	2,00,000	Sundry Creditors	2,00,000	Sundry Debtors 1,60,000 Less: Provision for bad debts 10,000	1,50,000			Cash at Bank	1,50,000	Total	12,00,000	Total	12,00,000
Liabilities	Rs	Assets	Rs																						
Capital	6,00,000	Freehold premises	7,00,000																						
General Reserve	4,00,000	Stock	2,00,000																						
Sundry Creditors	2,00,000	Sundry Debtors 1,60,000 Less: Provision for bad debts 10,000	1,50,000																						
		Cash at Bank	1,50,000																						
Total	12,00,000	Total	12,00,000																						
5	15.a.	<p>A machine was purchased on 1.1.2011 for Rs.12 Crores and depreciation on straight line basis at 10% p.a. was provided on the basis of 10 years effective life of the machine. On 31.12.2013, it is reassessed and the balance of effective life time is deemed as only 3 more years. How do you deal with the matter under AS-6, depreciation Accounting?</p>	K4	CO5																					
	(OR)																								
	15.b.	<p>A Company incurs the following expenditure during the year 2016-16. Determine the amount to be capitalized under AS-10, Accounting for fixed assets.</p> <p>(i) Rs.4,00,000 for white washing factory and office buildings. (ii) Rs.2,00,000 for purchase of machinery from Bombay. (iii) Rs.2,00,000 for transporting the machines and installing them. (iv) Rs.1,00,000 for maintenance of the new machinery. (v) Rs.6,00,000 for erecting a workshop in the factory.</p>																							

SECTION -C (30 Marks)

Answer ANY THREE questions

ALL questions carry EQUAL Marks (3 × 10 = 30)

Module No.	Q.No	Question	K Level	CO																																																																												
1	16	Moon and Star Co.Ltd., is a company with an authorized capital of Rs.5,00,000 divided into 5,000 equity shares of Rs.100 each on 31.12.2015 of which 2,500 shares were fully called up. The following are the balances are extracted from the ledger as on 31.12.2015. Trial Balance of Moon & Star Co.Ltd <table><tr><th>Debit Balances</th><th>Rs</th><th>Credit Balances</th><th>Rs</th></tr><tr><td>Opening Stock</td><td>50,000</td><td>Sales</td><td>3,25,000</td></tr><tr><td>Purchases</td><td>2,00,000</td><td>Discount received</td><td>3,150</td></tr><tr><td>Wages</td><td>70,000</td><td>Profit & Loss A/C</td><td>6,220</td></tr><tr><td>Discount allowed</td><td>4,200</td><td>Creditors</td><td>35,200</td></tr><tr><td>Insurance up to (31.3.2016)</td><td>6,720</td><td>Reserves</td><td>25,000</td></tr><tr><td>Salaries</td><td>18,500</td><td>Loan from managing director</td><td>15,700</td></tr><tr><td>Rent</td><td>6,000</td><td>Share Capital</td><td>2,50,000</td></tr><tr><td>General Expenses</td><td>8,950</td><td></td><td></td></tr><tr><td>Printing</td><td>2,400</td><td></td><td></td></tr><tr><td>Advertisements</td><td>3,800</td><td></td><td></td></tr><tr><td>Bonus</td><td>10,500</td><td></td><td></td></tr><tr><td>Debtors</td><td>38,700</td><td></td><td></td></tr><tr><td>Plant</td><td>1,80,500</td><td></td><td></td></tr><tr><td>Furniture</td><td>17,100</td><td></td><td></td></tr><tr><td>Bank</td><td>34,700</td><td></td><td></td></tr><tr><td>Bad debts</td><td>3,200</td><td></td><td></td></tr><tr><td>Calls-in Arrears</td><td>5,000</td><td></td><td></td></tr><tr><td>Total</td><td>6,60,270</td><td>Total</td><td>6,60,270</td></tr></table> <p>You are required to prepare statement of Profit &Loss for the year ended 31.12.2015 and a balance sheet as on that date. The following further information is given:</p> <p>(a) Closing stock was valued at Rs.1,91,500</p> <p>(b) Depreciation on plant at 15% and on furniture at 10% should be provided</p> <p>(c) A tax provision of Rs.8,000mis considered necessary.</p> <p>(d) The directors declared an interim dividend on 15.8.2015 for 6 months ending June 30,2015 @6%.</p>	Debit Balances	Rs	Credit Balances	Rs	Opening Stock	50,000	Sales	3,25,000	Purchases	2,00,000	Discount received	3,150	Wages	70,000	Profit & Loss A/C	6,220	Discount allowed	4,200	Creditors	35,200	Insurance up to (31.3.2016)	6,720	Reserves	25,000	Salaries	18,500	Loan from managing director	15,700	Rent	6,000	Share Capital	2,50,000	General Expenses	8,950			Printing	2,400			Advertisements	3,800			Bonus	10,500			Debtors	38,700			Plant	1,80,500			Furniture	17,100			Bank	34,700			Bad debts	3,200			Calls-in Arrears	5,000			Total	6,60,270	Total	6,60,270	K4	CO5
		Debit Balances	Rs	Credit Balances	Rs																																																																											
		Opening Stock	50,000	Sales	3,25,000																																																																											
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Calls-in Arrears	5,000																																																																															
Total	6,60,270	Total	6,60,270																																																																													
2	17	On 30 th June 2021, the balance sheet of Sandhya Ltd., stood as follows: <table><tr><th>Liabilities</th><th>Amount (Rs)</th><th>Assets</th><th>Amount (Rs)</th></tr><tr><td>Equity Share Capital</td><td>10,00,000</td><td>Sundry Assets</td><td>14,00,000</td></tr><tr><td>Redeemable pref. Share capital</td><td>4,00,000</td><td>Bank</td><td>5,00,000</td></tr><tr><td>P&L A/c</td><td>3,00,000</td><td></td><td></td></tr><tr><td>Sundry Creditors</td><td>2,00,000</td><td></td><td></td></tr><tr><td>Total</td><td>19,00,000</td><td>Total</td><td>19,00,000</td></tr></table> <p>On the above date, the preference shares had to be redeemed. For this purpose, 2,000 equity shares of Rs.100 each were issued at Rs.110. The Company also issued 8% debentures totaling Rs.3,00,000. The shares and debentures were immediately subscribed and paid for. The preference shares were duly redeemed. Give journal entries and the balance sheet after redemption.</p>	Liabilities	Amount (Rs)	Assets	Amount (Rs)	Equity Share Capital	10,00,000	Sundry Assets	14,00,000	Redeemable pref. Share capital	4,00,000	Bank	5,00,000	P&L A/c	3,00,000			Sundry Creditors	2,00,000			Total	19,00,000	Total	19,00,000	K4	CO5																																																				
		Liabilities	Amount (Rs)	Assets	Amount (Rs)																																																																											
		Equity Share Capital	10,00,000	Sundry Assets	14,00,000																																																																											
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		P&L A/c	3,00,000																																																																													
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		Total	19,00,000	Total	19,00,000																																																																											

3	18	Big Bull Ltd., has a nominal Capital of Rs.6,00,000 divided into shares of Rs.10 each. The following trial balance is extracted from the books of the company as on 31.12.2017.				K4	CO5		
		Particulars		Amount (Rs)	Particulars			Amount (Rs)	
		Calls in arrears		7,500	6% Debentures			3,00,000	
		Premises (Rs.60,000 added on 1.7.2017)		3,60,000	P&L A/c (1.1.2017)			14,500	
		Machinery		3,00,000	Creditors			50,000	
		Interim Dividend paid		7,500	General Reserve			25,000	
		Purchases		1,85,000	Share Capital (Called up)			4,60,000	
		Preliminary Expenses		5,000	Bills payable			38,000	
		Freight		13,100	Sales			4,15,000	
		Directors' Fess		5,740	Provision for Bad debts			3,500	
		Bad debts		2,110					
		4% Government Securities		60,000					
		Stock (1.1.2017)		75,000					
		Furniture		7,200					
		Sundry Debtors		87,000					
		Goodwill		25,000					
		Cash		750					
		Bank		39,900					
		Wages		84,800					
		General Expenses		16,900					
		Salaries		14,500					
		Debenture Interest		9,000					
		Total		13,60,000	Total			13,60,000	
		Prepare final accounts of the company for the year ending 31.12.2017 in the prescribed form after taking into account the following adjustments:							
		(i) Depreciate machinery by 10% and furniture by 5%							
		(ii) Write off preliminary expenses							
		(iii) Wages include Rs.10,000 paid for the construction of a compound wall to premises and no adjustment was made.							
		(iv) Provide 5% for bad debt on sundry debtors.							
		(v) Transfer Rs.10,000 to general reserve.							
		(vi) Provide for income tax Rs.25,000							
		(vii) Stock on 31.12.2017 was Rs.1,01,000.							

4	19	On 31 st December.2018, the balance sheet of Ganesh Ltd., was as follows:				K4	CO5		
		Liabilities		Amount (Rs)	Assets			Amount (Rs)	
		Share Capital: 15,000 equity shares of Rs.100 each fully paid		15,00,000	Land & Buildings			6,60,000	
		Profit & Loss A/c		3,09,000	Plant & Machinery			2,85,000	
		Sundry Creditors		2,31,000	Stock			10,50,000	
		Bank Overdraft		60,000	Sundry Debtors			4,65,000	
		Provision for Taxation		1,35,000					
		Dividend Equalization Fund		2,25,000					
		Total		24.60,000	Total			24.60,000	

		<p>The net Profit of the Company, after deducting all working charges and providing for depreciation and taxation were as under: 2014- Rs.2,55,000; 2015-Rs.2,88,000;2016-Rs.2,70,000; 2012- Rs.3,00,000; and 2018- Rs.2,85,000. On 31st December 2018. Land & Buildings were valued at Rs.7,50,000 and Plant & Machinery at Rs.4,50,000. In view of the nature of the business, it is considered that 10% is a reasonable return on capital. Calculate the value of the Company's share after taking into account the revised values on fixed assets and your own valuation of goodwill based on four years of Purchase of the annual super profits.</p>																																																														
5	20	<p>From the following balance sheets of Ponni Ltd., make out the statement of cash flow.</p> <table><tr><th>Liabilities</th><th>2020 Rs.</th><th>2021 Rs.</th><th>Assets</th><th>2020 Rs.</th><th>2021 Rs.</th></tr><tr><td>Equity Share Capital</td><td>3,00,000</td><td>4,00,000</td><td>Goodwill</td><td>1,15,000</td><td>90,000</td></tr><tr><td>8% Redeemable pref. share capital</td><td>1,50,000</td><td>1,00,000</td><td>Land & Buildings</td><td>2,00,000</td><td>1,70,000</td></tr><tr><td>General Reserve</td><td>40,000</td><td>70,000</td><td>Plant</td><td>80,000</td><td>2,00,000</td></tr><tr><td>P&L A/c</td><td>30,000</td><td>48,000</td><td>Debtors</td><td>1,60,000</td><td>2,00,000</td></tr><tr><td>Proposed Dividend</td><td>42,000</td><td>50,000</td><td>Stock</td><td>77,000</td><td>1,09,000</td></tr><tr><td>Creditors</td><td>55,000</td><td>83,000</td><td>Bills receivable</td><td>20,000</td><td>30,000</td></tr><tr><td>Bills Payable</td><td>20,000</td><td>16,000</td><td>Cash in hand</td><td>15,000</td><td>10,000</td></tr><tr><td>Provision for taxation</td><td>40,000</td><td>50,000</td><td>Cash at Bank</td><td>10,000</td><td>8,000</td></tr><tr><td>Total</td><td>6,77,000</td><td>8,17,000</td><td>Total</td><td>6,77,000</td><td>8,17,000</td></tr></table> <p>Additional Information: (i) Depreciation of Rs.10,000 and Rs.20,000 have been charged on Plant account and land & Buildings account respectively in 2021. (ii) An Interim dividend of Rs.20,000 has been paid in 2021. (iii) Income tax Rs.35,000 was paid during the year 2021.</p>	Liabilities	2020 Rs.	2021 Rs.	Assets	2020 Rs.	2021 Rs.	Equity Share Capital	3,00,000	4,00,000	Goodwill	1,15,000	90,000	8% Redeemable pref. share capital	1,50,000	1,00,000	Land & Buildings	2,00,000	1,70,000	General Reserve	40,000	70,000	Plant	80,000	2,00,000	P&L A/c	30,000	48,000	Debtors	1,60,000	2,00,000	Proposed Dividend	42,000	50,000	Stock	77,000	1,09,000	Creditors	55,000	83,000	Bills receivable	20,000	30,000	Bills Payable	20,000	16,000	Cash in hand	15,000	10,000	Provision for taxation	40,000	50,000	Cash at Bank	10,000	8,000	Total	6,77,000	8,17,000	Total	6,77,000	8,17,000	K4	CO5
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