

CHAPTER 6

Note: Answers to the alternate questions have been provided. It gives you opportunity to work on the other questions & come up with relevant solutions.

Multiple Choice Questions

1. C
2. -----
3. D
4. -----
5. C
6. -----
7. C
8. -----
9. E
10. -----
11. A
12. -----
13. A
14. -----
15. B
16. -----
17. A
18. -----

True OR False

1. True
2. -----
3. False
4. -----
5. True
6. False (in a general/practical context) but True (in a theoretical context)
7. -----
8. True
9. -----
10. True
11. -----
12. False
13. -----
14. False
15. -----

“Suggested Solutions to Exercises” in Financial Accounting for Management by Ramachandran & Kakani
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- 16. False
- 17. -----
- 18. False
- 19. -----
- 20. False
- 21. -----
- 22. True
- 23. -----

CHAPTER 6
Exercise

1 Sai Limited:

1.

SAI LIMITED
JOURNAL

PARTICULARS	L/F	DEBIT	CREDIT
By Machinery Account		1,25,000	
To Bank Account			25,000
To Equity Share Capital			1,00,000
(Being machinery purchased by issue of equity shares of Rs 10 each after the payment of Rs 25,000 by way of Demand Draft)			
		1,25,000	1,25,000

3 Marandi Gardens Ltd.:

JOURNAL ENTRIES

PARTICULARS	L/F	DEBIT	CREDIT
Bank Account Dr. To Equity Share Application (Being application money received for 50,000 share @ Rs 5 per share)		2,50,000	2,50,000
Equity Share Application Dr. To Equity Share Capital (Being the application money transferred to share capital Account)		2,50,000	2,50,000
Equity Share Allotment Dr. To Equity Share Capital To Equity Share Premium (being amount due on equity share allotment call)		2,00,000	1,00,000 1,00,000
Bank Account Dr. To Equity Share Allotment (Being the allotment money received)		2,00,000	2,00,000
Equity Share First & Final Call Dr. To Equity Share Capital (Being amount due on First and Final Call)		1,50,000	1,50,000
Bank Account Dr. To Equity Share First & Final Call (Being amount received from call)		1,50,000	1,50,000

BANK ACCOUNT

DEBIT	Amount	CREDIT	Amount
To, Equity Share Application	2,50,000	By, Balance (Closing)	6,00,000
To, Equity Share Allotment	2,00,000		
To, Equity Share Call	1,50,000		
	6,00,000		6,00,000

BALANCE SHEET
 As at 31st March

ASSETS	Amount	LIABILITIES	Amount
Bank Balance	6,00,000	Equity Share Capital	
		Authorised Capital Equity Share @... each	
		Subscribed & Paid Up Capital 50,000 Eq. Shares @ 10 each	5,00,000
		Share Premium	1,00,000
	6,00,000		6,00,000

5. Rangoli Colors Limited:

ELIZABETH COLORS LIMITED

JOURNAL

PARTICULARS	L/F	DEBIT	CREDIT
Bank Account Dr. To 12 % Pref. Share Application To Equity Share Application (Being amount received from 2,00,000 preference shares and 3,00,000 equity shares)		1,30,00,000	50,00,000 80,00,000
12 % Pref. Share Application Dr. To Preference Share Capital (Being amount of application money transferred to the preference share capital)		50,00,000	50,00,000
Equity Share Application Dr. To Equity Share Capital To Bank (Being amount of Equity share application money transferred to Equity share capital and application money refunded for applicants of 20,000 shares @ Rs 25/- per share)		80,00,000	75,00,000 5,00,000
12 % Preference Share Allotment Dr. Equity Share Allotment Dr. To Preference Share Capital To Equity Share Capital (Being the amount due on allotment)		50,00,000 90,00,000	50,00,000 90,00,000
Bank Account Dr. To 12 % Preference Share Allotment To Equity Share Allotment (Being Allotment money received)		1,38,50,000	50,00,000 88,50,000
12 % Preference Share 1 st Call Dr. Equity Share 1 st Call Dr. To Preference Share Capital To Equity Share Capital (Being the amount due on 1 st Call)		1,00,00,000 60,00,000	1,00,00,000 60,00,000
Bank Account Dr. To 12 % Preference Share 1 st Call To Equity Share 1 st Call (Being 1 st Call money received)		1,59,00,000	1,00,00,000 59,00,000

Equity Share Capital	Dr.	3,75,000	
To Equity Share Allotment			1,50,000
To Equity Share 1 st Call			1,00,000
To Shares Forfeiture Account			1,25,000
(Being 5,000 shares of Damine forfeited)			
Equity Share 2nd Call	Dr.	73,75,000	
To Equity Share Capital			73,75,000
(Being the amount due on 2nd Call)			
Bank Account	Dr.	73,75,000	
To Equity Share 2nd Call			73,75,000
(Being 2nd Call money received)			
Bank Account	Dr.	4,50,000	
Shares Forfeiture Account	Dr.	50,000	
To Equity Share Capital			5,00,000
(Being reissue of forfeited shares to Hafeez for Rs 90/- per share fully paid)			
Shares Forfeiture Account	Dr.	75,000	
To Capital Reserve			75,000
(Being the balance in the shares forfeiture account transferred to Capital reserve A/c)			