MyStudyBro - Revision Exercise Tool

This Revision Handout includes the Questions and Answers of a total of 5 exercises!

Chapters:

Forming LTD Companies (Old Syllabus) - ACC25 (Cy MOEC)

QUESTION 5

Red and Green are partners sharing profit and losses in the ratio 3:2 respectively.

Red and Green Balance Sheet as at 31 December 2016

Fixed Assets	**€**	**€**	**Partners' Capital A/cs**	**€**	**€**
Premises	800.000		Red	600.000	
Furn. & Fittings	30.000		Green	400.000	1.000.000
Motor Vans	40.000	870.000			
			Partners' Current A/cs		
Current Assets			Red	65.000	
Stock	150.000		Green	(58.000)	7.000
Debtors	80.000				
Cash	5.000	235.000	**Current Liabilities**		
			Creditors	76.000	
			Bank overdraft	22.000	98.000
		1.105.000			1.105.000

On 1 January 2017, Rainbow Ltd was formed to take over the partnership. Its authorised share capital consists of 300 000 ordinary shares of €5 each. Rainbow Ltd took over all of the above assets and liabilities, except cash and bank overdraft.

The following assets taken over by Rainbow Ltd were revalued as follows:

	€
Premises	950.000
Motor Vans	25.000
Furniture & Fittings	18.000
Stock	160.000
Debtors	76.000 (the difference being provision for bad debts)

The purchase consideration, including Goodwill, was agreed and it was to be settled by the issue of 180 000 ordinary shares in Rainbow Ltd, at a premium of 20%, and a payment of €140.000 by cheque
In order to finance the purchase of the partnership, Rainbow Ltd offered to the public 30 000 ordinary shares at a premium of 20%. The issue was successful and all the shares were fully paid up

Rainbow Ltd paid preliminary expenses of €5.000 for the company formation

Any balance in the partners' capital accounts is to be settled by cheque

REQUIRED

1. In the books of the partnership, show the following:
   a. Realization account **(Marks 4)**
   b. Partners' Capital accounts **(Marks 4)**
   c. Bank account **(Marks 2)**
2. In the books of Rainbow Ltd prepare necessary journal entries (including those relating to cash) to record the above transactions (Narrations are not required). **(Marks 10)**

(Total Marks 20)

(GRAND TOTAL MARKS 100)

--- END ---

QUESTION 5

1.

Books of Red and Green

a.

Realization A/c

	€		**€**
Premises	800.000	Creditors	76.000
Furniture and Fittings	30.000	Rainbow Ltd (180 000X5X1.2)+140.000	1.220.000
Motor Vans	40.000		
Stock	150.000		
Debtors	80.000		
Profit on Realization:			
Capital R 196.000X3/5	117.600		
Capital G 196.000X2/5	78.400		
	1.296.000		1.296.000

(Marks 4)

b.

Partners' Capital A/cs

	Red	Green		Red	Green
Current a/c	---------	58.000	Balance b/d	600.000	400.000
Shares in Rainbow Ltd (W1)	648.000	432.000	Current a/c	65.000	---------
Bank	**134.600**	---------	Realization Profit	117.600	78.400
			Bank	---------	**11.600**
	782.600	490.000		782.600	490.000

(Marks 4)

c.

Bank A/c

	€		**€**
Cash	5.000	Balance b/d	22.000
Rainbow Ltd	140.000	Capital - Red	134.600
Capital - Green	11.600		
	156.600		156.600

(Marks 2)

2. BOOKS OF RAINBOW LTD

JOURNAL

Particulars	**Dr €**	**Cr €**
Premises	950.000	
Furniture and fittings	18.000	
Motor Vans	25.000	
Stock	160.000	
Debtors	80.000	
Goodwill	**67.000**	
Provision for Bad Debts		4.000
Creditors		76.000
Vendors (Red and Green)		1.220.000
Vendors (Red and Green)	1.220.000	
Bank		140.000
Ordinary Share Capital (180 000X€5)		900.000
Share premium (180 000X€1)		180.000
Ordinary Shareholders (30 000x€6)	180.000	
Ord. Share capital (30 000x€5)		150.000
Share premium (30 000X€1)		30.000
Bank	180.000	
Ordinary Shareholders (30 000x€6)		180.000
Preliminary expenses	5.000	
Bank		5.000
Share Premium	5.000	
Preliminary expenses		5.000

(Marks 10)

Workings:

FOR THE BOOKS OF VENDORS (Red and Green)

1. Allocation of shares in Rainbow Ltd

		€	
Red	(1.080.000x3/5)	= 648.000	No need to show premium at this point!
Green	(1.080.000x2/5)	= 432.000	
		1.080.000	

2 .Calculation of Purchase Price

	€
Value of Shares issued to partners: 180.000 shares x [€5 + (€5x20%)]	1.080.000
Cash payment to partnership	140.000

12

1.220.000

(Total Marks 20)
(GRAND TOTAL MARKS 100)

QUESTION 4

Andreas and Vasilis are partners sharing profits and losses in the proportion of 3:2 respectively:

Andreas & Vasilis
Balance Sheet as at 31 December 2014

Fixed Assets	€	€	**Capital A/cs**	€	€
Land & Buildings	600.000		Andreas	500.000	
Furniture	40.000		Vasilis	300.000	800.000
Motor Van	60.000	700.000	**Current A/cs**		
			Andreas	20.000	
Current Assets			Vasilis	(12.000)	8.000
Stock	100.000		**Long Term Liabilities**		
Debtors	26.000		Loan		20.000
Cash	24.000	150.000	**Current Liabilities**		
			Creditors	18.000	
			Bank Overdraft	4.000	22.000
		850.000			850.000

The partners decided to sell their business into a company.

On 1 January 2015, Ava Plc was formed with an authorized share capital of 800 000 ordinary shares of €3 each and took over all the assets and the liabilities, of Andreas and Vasilis partnership, except cash, motor van, bank overdraft and creditors. Vasilis took over the motor van for €55.000, and assumed responsibility for half amount of the creditors. The rest of the creditors were settled by the partnership for €8.000.

Ava Plc revalued the assets taken over as follows:

	€	
Land & Buildings	750.000	
Furniture	30.000	
Stock	110.000	
Debtors	23.400	(difference being provision for bad debts)

The purchase consideration for the sale of the partnership was agreed to €950.000 and it was discharged by a cash payment of €26.000 and the balance by allocating to the partners 280.00 ordinary shares in Ava Plc according to their Profit and Loss Ratio.

In order to finance the purchase of the partnership, Ava Plc issued to the public additional ordinary shares and paid preliminary expenses €2.000

REQUIRED:

Prepare in the books of the partnership the following:

(i) The Realization A/c **(Marks 8)**

(ii) The Ava Plc A/c **(Marks 2)**

(iii) The Partners' Capital A/cs in columnar form **(Marks 6)**

(iv) The Bank A/c **(Marks 2)**

(v) The Creditors A/c **(Marks 2)**

(Total Marks 20)

QUESTION 4

Andreas and Vasilis Books

Realization A/c

	€	€		€
Land and Buildings		600.000	Loan	20.000
Furniture		40.000	Creditors – discount received	1.000
Motor Van		60.000	Capital A/c Vasilis-motor van	55.000
Stock		100.000	Ava Plc – Purchase price	950.000
Debtors		26.000		
Profit on Realization:				
Andreas 200.000 x 3/5	120.000			
Vasilis 200.000 x 2/5	80.000	200.000		
		1.026.000		1.026.000

(Marks 8)

Ava Plc A/c

	€		€
Realization – purchase price	950.000	Bank	26.000
		Shares in Ava Plc	924.000
	950.000		950.000

(Marks 2)

Partners' Capital A/cs

	Andreas	**Vasilis**		**Andreas**	**Vasilis**
Current A/c	-	12.000	B/ces b/d	500.000	300.000
Realization – t. over	-	55.000	Current A/c	20.000	-
Shares in Ava Plc	554.400	369.600	Creditors		9.000
Bank	85.600	-	Profit on Realization	120.000	80.000
			Bank	-	47.600
	640.000	**436.600**		**640.000**	436.600

(Marks 6)

Bank A/c

	€		€
Cash	24.000	B/ce b/d	4.000
Ava Plc	26.000	Creditors	8.000
Capital A/c Vasilis	47.600	Capital A/c Andreas	85.600
	97.600		97.600

(Marks 2)

Creditors A/c

	€		€
Capital A/c Vasilis	9.000	B/ce b/d	18.000
Bank	8.000		
Realization – discount received	1.000		
	18.000		18.000

(Marks 2)
(Total Marks 20)

QUESTION 3

The following Balance Sheet was extracted from the books of Agathi, a sole trader on 31 March 2014:

	€	€	€		€	€
Fixed Assets				**Capital**		374.000
Premises		220.000				
Machinery		87.000		**Long term Liab**.		
Fixture & Fittings		25.000		Loan		20.000
Delivery Vans		35.000	367.000			
				Current Liabil.		
Current Assets				Creditors	40.000	
Stock		40.000		Bank	16.000	56.000
Debtors	24.000					
Less Prov.for B.D.	1.000	23.000				
Cash in hand		20.000	83.000			
			450.000			450.000

On 31 March 2014 Agathi decided to convert her business into a public limited company, the Agatha Plc, with an authorized share capital of €900.000 in Ordinary Shares of €0.50 each.

It was agreed that the company should take over all the Assets and Liabilities with the exceptions of: Cash in hand, Bank, and one of the Delivery Vans, which was taken over by Agathi at a book value of €5.200.

An amount of €10.200 of the creditors was settled by Agathi. The remaining creditors were taken over by the company Agatha Plc.

The assets taken over by the company were revalued as follows:

Premises €250.000, Machinery €100.000, Fixtures and Fittings €20.000, Delivery Vans €30.000, Stock €35.000.

The provision for bad debts should be adjusted to 5% of debtors.

The Goodwill was valued at €10.000.

The purchase consideration should be discharged by the issue to Agathi of 800 000 Ordinary Shares at par and the balance in cash.

Preliminary expenses paid by the company amounted to €4.000.

After allotting shares to Agathi, the company issued to the public 400 000 Ordinary shares at a premium of 20%.

The company also issued 800, 6% Debentures bonds, of €100 each at €96 per bond.

REQUIRED:

a) Make the necessary journal entries, including those relating to cash, in the books of Agatha Plc. (Narrations are not required) (Marks 10)

b) The opening balance sheet of the Agatha Plc, after the completion of the above transactions. (Marks 10)

(Total Marks 20)

Question 3 (a)

Journal Entries	DR	CR
	€	€
Premises	250.000	
Machinery	100.000	
Fixtures and Fittings	20.000	
Delivery Van	30.000	
Stock	35.000	
Debtors	24.000	
Goodwill	10.000	
Provision for Bad Debts (24.000 x 5%)		1.200
Creditors 40.000 – 10.200		29.800
Loan		20.000
Vendor Agathi (purchase price)		418.000
Vendor Agathi	418.000	
Ordinary Share Capital (800.000 x €0.50)		400.000
Bank		18.000
Preliminary expenses	4.000	
Bank		4.000
Ordinary shareholders (400.000 x €0,60)	240.000	
Ordinary Share Capital (400.000 x €0,50)		200.000
Share Premium [400.000 x (€0,50 x 20%)		40.000
Bank	240.000	
Ordinary shareholders (400.000 x €0,60)		240.000
Debentureholders (800 bonds x €96)	76.800	
Debenture discount (800 bonds x €4)	3.200	
6% Debentures (800bondsx€100)		80.000
Bank	76.800	
Debentureholders		76.800
Share Premium	7.200	
Debenture discount		3.200
Preliminary expenses		4.000

Q 3 (b)

Balance Sheet of Agatha Plc as at 31 March 2014

FIXED ASSETS	€	€		€	€
INTANGIBLE ASSETS			**AUTHORISED CAP.**		
Goodwill		10.000	1.800.000 Ordinary		
TANGIBLE ASSETS			Shares of €0,50 each	900.000	
Premises	250.000		**ISSUED SHARE CAPITAL**		
Machinery	100.000		1.200.000 Ordinary		
Fixtures &Fittings	20.000		Shares of €0,50 each		600.000
Delivery Van	30.000	400.000	**RESERVES & SURPLUSES**		
CURRENT ASSETS			Share Premium		32.800
Stock	35.000		**LONG TERM LIABILITIES**		
Debtors 24.000			6% Debentures	80.000	
Less Provision			Loan	20.000	100.000
for Bad Debts 1.200	22.800		**CURRENT LIABILITIES**		
Bank	294.800	352.600	Creditors		29.800
		762.600			762.600

Workings: Bank A/c

	€		€
Ordinary shareholders	240.000	Vendor	18.000
Debenture holders	76.800	Preliminary expenses	4.000
		Balance c/d	294.800
	316.800		316.800
Balance b/d	294.800		

QUESTION 2

Flora and **Nora** are in partnership, sharing profits and losses 3:2 respectively. They decided to convert their partnership into a public company, **LIMA Plc**. The Balance Sheet on 30 April 2013 was as follows:

Balance Sheet as at 30 April 2013

	€	€		€	€
FIXED ASSETS			**CAPITAL A/Cs:**		
Land and Buildings	332.000		Flora	300.000	
Furniture and Fittings	28.000	360.000	Nora	200.000	500.000
CURRENT ASSETS			**CURRENT A/CS:**		
Stock	178.000		Flora	18.000	
Debtors	30.400		Nora	(6.000)	12.000
Cash	11.600	220.000	**CURRENT LIABILITIES**		
			Creditors		68.000
		580.000			580.000

The Authorised Share Capital of LIMA Plc consists of 1 600 000 ordinary shares of €0.50 each. The company took over all assets (excluding cash) and liabilities of the partnership at the following valuations:

	€	
Land and Buildings	360.000	
Stock	168.000	
Debtors	29.200	(The difference being provision for bad debts €1.200)
Goodwill	32.000	

Furniture and Fittings, Creditors were taken over at book values.

Realisation expenses amounted to €2.000.

The purchase consideration was settled by the issue of 800 000 shares at a premium of 20% and the balance in cash.

In order to raise the necessary funds the company offered for subscription to the public 320 000 shares at a premium of 20% and issued €240.000 7% Debentures in bonds of €10 each at €9,50 per bond. Both issues were subscribed and fully paid up.

Preliminary expenses paid by the company amounted to €8.000.

REQUIRED:

1. In the books of the partnership, show the following accounts:

(a) Realisation A/c	(Marks 4)
(b) Partners' Capital A/c	(Marks 2)
(c) LIMA Plc A/c	(Marks 2)
(d) Shares in LIMA Plc A/c	(Marks 2)
(e) Cash A/c	(Marks 2)

2. In the books of LIMA Plc show the following accounts:

(a) Cash A/c	(Marks 4)
(b) Share Premium A/c	(Marks 4)

(Total Marks 20)

Question 2

1) Books of the partnership

(a) Realisation A/C

Land and Buildings		332.000	Creditors	68.000
Furniture and Fittings		28.000	Lima P/c (W1)	549.200
Stock		178.000		
Debtors		30.400		
Cash-Realisation Exp		2.000		
Profit on Realisation: Capital A/cs: Flora (46.800x3/5) Nora (46.800x2/5)	 28.080 18.720	 46.800		
		617.200		617.200

(Marks 4)

(b) Partners' Capital A/cs

	Flora	Nora		Flora	Nora
Current A/c	-	6.000	B/ce b/d	300.000	200.000
Shares in Lima Plc	288.000	192.000	Current A/c	18.000	-
Cash	58.080	20.720	Realization – Profit	28.080	18.720
	346.080	218.720		346.080	218.720

(Marks 2)

(c) Lima Plc A/c

Realisation	549.200	Shares in Lima Plc 800.000x[0.50+(0.50x20%)]	480.000
		Cash (549.200 – 480.000)	69.200
	549.200		549.200

(Marks 2)

(d) Shares in Lima Plc A/c

Lima Plc	480.000	Capital A/cs: Flora (480.000x3/5) Nora (480.000x2/5)	 288.000 192.000
	480.000		480.000

(Marks 2)

(e) Cash A/c

B/ce b/d	11.600	Realization – expenses	2.000
Lima Plc	69.200	Capital Flora	58.080
		Capital Nora	20.720
	80.800		80.800

(Marks 2)

2) Books of LIMA Plc

(a) Cash A/c

Ordinary Shareholders (320.000x€0.60)	192.000	Flora & Nora	69.200
Debenture holders (24.000x€9.50)	228.000	Preliminary expenses	8.000
		B/ce c/d	342.800
	420.000		420.000
B/ce b/d	342.800		

(Marks 4)

(b) Share Premium A/c

Preliminary Expenses	8.000	Flora & Nora (800.000x €0.10)	80.000
Debenture Discount (24.000 bonds x 0.50)	12.000	Ordinary Shareholders (320.000x€0.10)	32.000
B/ce c/d	92.000		
	112.000		112.000
		B/ce b/d	92.000

(Marks 4)

Workings

(W1) Calculation of Purchase Price

	€	€
Assets taken over:		
Land & Buildings	360.000	
Furniture & Fittings	28.000	
Stock	168.000	
Debtors	30.400	
Goodwill	32.000	618.400
Less Liabilities undertaken:		
Provision for Bad Debts	(1.200)	
Creditors	(68.000)	(69.200)
PURCHASE PRICE		€549.200

(Total Marks 20)

QUESTION 5

Manos and Stelios are partners sharing profits and losses in the ratio of 3:2 respectively. The Balance Sheet as at 31 December 2012 was as follows:

Balance Sheet as at 31 December 2012

	€	€		€	€
Fixed Assets			**Capital A/cs:**		
Land & Buildings	750.000		Manos	540.000	
Furniture &Fittings	35.000		Stelios	360.000	900.000
Motor Vehicles	85.000	870.000			
			Current A/cs:		
Current Assets			Manos (Dr)	(38.000)	
Stock	62.000		Stelios (Dr)	(17.000)	(55.000)
Debtors	45.000	107.000			
			Current Liabilities		
			Creditors	63.000	
			Bills Payable	12.000	
			Bank Overdraft	57.000	132.000
		977.000			**977.000**

On 1 January 2013, "Antigone Ltd" was formed with Authorized Share Capital of 800 000 ordinary shares of €3 each and took over all the above Assets and Liabilities, except the Bank Overdraft, which was repaid by the partnership.

The Assets taken over by "Antigone Ltd" as at 1 January 2013 were valued as follows:

	€	
Land & Buildings	1.200.000	
Furniture & Fittings	20.000	
Motor Vehicles	57.000	
Stock	55.000	
Debtors	43.000	(the difference being provision for doubtful debts)

The purchase consideration was agreed to €1.400.000. This was satisfied by a cheque payment of €146.000 and by the issue to the partners' of ordinary shares at a premium of 10%.

To finance the conversion of the Partnership to a Limited Company, "Antigone Ltd" issued €175.000 of 7% Debenture Stock at a discount of 5% which were subscribed and fully paid up.
Preliminary Expenses of €5.000 were paid by "Antigone Ltd".

REQUIRED:

I. In the books of the partnership:

Show the necessary entries in the following Accounts to close the Partnership:

i.	Realization Account	**(Marks 3)**
ii.	Partners' Capital Accounts (in columnar form)	**(Marks 3)**
iii.	"Antigone Ltd" Account	**(Marks 1,5)**
iv.	Bank Account	**(Marks 1,5)**
v.	Shares in "Antigone Ltd" Account	**(Marks 1)**

II. In the books of "Antigone Ltd":

Show the Journal entries necessary to open the books of "Antigone Ltd" (narrations are not required) **(Marks 10)**

(Total Marks 20)

(GRAND TOTAL MARKS 100)

----THE END----

ANSWER 5

In the books of the partnership:

(i)

Realization Account

	€		€
Land & buildings	750.000	Creditors	63.000
Furniture & fittings	35.000	Bills payable	12.000
Motor vehicles	85.000	Antigone Ltd (Purchase price)	1.400.000
Stock	62.000		
Debtors	45.000		
Capital a/cs: profit on realisation			
Manos: (€498.000 X 3/5)	298.800		
Stelios: (€498.000 X 2/5)	199.200		
	1.475.000		**1.475.000**

(ii)

Capital Accounts

	Manos	Stelios		Manos	Stelios
Current accounts	38.000	17.000	Balance b/d	540.000	360.000
Shar. in Antigone Ltd	752.400	501.600	Realisation profit	298.800	199.200
Bank	48.400	40.600			
	838.800	**559.200**		**838.800**	**559.200**

(iii)

Antigone Ltd Account

	€		€
Realisation (purchase price)	1.400.000	Bank	146.000
		Shares in Antigone Ltd	1.254.000
	1.400.000		**1.400.000**

(iv)

Bank Account

	€		€
Antigone Ltd	146.000	Balance b/d	57.000
		Capital a/cs: Manos	48.400
		Stelios	40.600
	146.000		**146.000**

(v)

Shares in Antigone Ltd

	€		€
Antigone Ltd	1.254.000	Capital a/cs:	
		Manos (€1.254.000 X 3/5)	752.400
		Stelios (€1.254.000 X 2/5)	501.600
	1.254.000		**1.254.000**

In the books of Antigone Ltd:
Journal entries:

	€	€
Land & buildings	1.200.000	
Furniture & fittings	20.000	
Motor vehicles	57.000	
Debtors	45.000	
Stock	55.000	
Goodwill (W1)	**100.000**	
Provision for bad debts		2.000
Vendors (Manos & Stelios)		1.400.000
Creditors		63.000
Bills payable		12.000
Vendors (Manos & Stelios)	1.400.000	
Bank		146.000
Ordinary share capital (sh. 380 000 X €3)		1.140.000
Share premium (shares 380 000 X €0.30)		114.000
Debenture holders (€175.000 X 95%)	166.250	
Debenture discount (€175.000 X 5%)	8.750	
7% Debentures		175.000
Bank	166.250	
Debenture holders		166.250
Preliminary expenses	5.000	
Bank		5.000

Working for Calculation of Goodwill:

	€	€	€
Purchase price			1.400.000
Assets taken over:			
Land& buildings	1.200.000		
Furniture & fittings	20.000		
Motor vehicles	57.000		
Stock	55.000		
Debtors 45. 000			
Less provision for bad debts 2.000	43.000	1.375.000	
Less liabilities undertaken:			
Creditors	63.000		
Bills payable	12.000	75.000	
Net Assets taken			1.300.000
Goodwill			**100.000**

(Marks 20)
(Total Marks 20)

(GRAND TOTAL MARKS 100)