



# SUPPLEMENTARY\_PAPER 10\_SYLLABUS 2022

## Supplementary on Study Material of Paper 10: Corporate Accounting and Auditing, Edition July 2024

### Section A

### Corporate Accounting

### Module 1: Accounting for Shares and Debentures

#### Module 1.1 Page No. 10

#### Ignore the following part

As per Division II of Schedule III of the Companies Act 2013, Paid up Equity Share Capital is to be shown in the Statement of Changes in Equity as follows:

#### Statement of Changes in Equity

##### A. Equity Share Capital

| Balance as the beginning of the current reporting period | Changes in equity share capital during the current year | Balance at the end of the current reporting period |
|--|---|--|
|  |   |  |

#### Module 1.1 Page No. 18

#### Ignore the following part

As per Division II of Schedule III of the Companies Act,2013, Calls in Arrears is to be deducted from the Paid up Equity Share Capital which is to be shown in the Statement of Changes in Equity as follows:

#### Statement of Changes in Equity

##### B. Equity Share Capital

| Balance as the beginning of the current reporting period | Changes in equity share capital during the current year | Balance at the end of the current reporting period |
|--|---|--|
| Called up Share Capital Less Calls in Arrear             |   |  |

#### Module 1.1 Page No. 56

#### The following part should be replaced:

As per Division II of Schedule III of the Companies Act 2013, Extract of Balance Sheet is to be shown as follows:

An extract of Balance Sheet as at 30<sup>th</sup> April 2023 (after bonus issue):

| Particulars                   | Note No. | ₹                |
|-------------------------------|----------|------------------|
| <b>EQUITY AND LIABILITIES</b> |          |                  |
| Equity                        |          |                  |
| Equity Share Capital          | 1        | 18,07,500        |
| Other Equity                  | 2        | 2,92,500         |
| Liabilities                   |          |                  |
| Non-Current Liabilities       | 3        | 7,50,000         |
| Long-term borrowings          |          |                  |
| <b>Total</b>                  |          | <b>28,50,000</b> |



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## The revised part will be as follows:

An Extract of Balance Sheet as at 30<sup>th</sup> April, 2021 (after bonus issue)

| Particulars                   | Note No. | ₹                |
|-------------------------------|----------|------------------|
| <b>EQUITY AND LIABILITIES</b> |          |                  |
| (1) Shareholders' Funds       |          |                  |
| (a) Share Capital             | 1        | 18,07,500        |
| (b) Reserves and Surplus      | 2        | 2,92,500         |
| (2) Non-Current Liabilities   |          |                  |
| (a) Long-term borrowings      | 3        | 7,50,000         |
| <b>Total</b>                  |          | <b>28,50,000</b> |

## Module 1.1 Section 1.1.4 Page No. 62

**In Question No. 2 'Securities Premium Reserve' will be 'Securities Premium'**

**Ignore the Question and Solution of 'Question No. 3' and consider the revised Question No. 3 and its Solution as follows:**

### Question Number: 3

The paid-up share capital of AB Ltd. Consisted of 1,00,000 Equity shares of ₹10 each fully paid and 50,000 equity shares of ₹10 each, ₹6 called up and paid-up. The company had a General Reserve of ₹20,00,000. It decided to utilize this reserve for issuing bonus shares at a premium of 50% for every fully paid share held and for making partly paid shares as fully paid. Give journal entries to record the above transactions.

### Solution:

| Particulars   | Dr. (₹)   | Cr. (₹)               |
|---|-----------|-----------------------|
| General Reserve A/c .....Dr.<br>To, Bonus to Shareholders A/c<br>(50000 × ₹4)<br>(Being declaration of bonus out of reserve to convert partly paid shares fully paid.)  | 2,00,000  | 2,00,000              |
| Share Final Call A/c .....Dr.<br>To Share Capital A/c<br>(Being final call money due @ ₹4 per share as per Board's Resolution no. ...dated...)  | 2,00,000  | 2,00,000              |
| Bonus to Shareholders A/c .....Dr.<br>To Share Final Call A/c<br>(Being final call money adjusted.)   | 2,00,000  | 2,00,000              |
| General Reserve A/c .....Dr.<br>To Bonus to Shareholders A/c<br>(1,00,000 × ₹15)<br>(Being the declaration of fully paid-up bonus shares out of reserve)  | 15,00,000 | 15,00,000             |
| Bonus to Shareholders A/c .....Dr.<br>To Equity Share Capital A/c<br>To Securities Premium A/c<br>(Being issue of fully paid-up bonus shares of Rs.10 each at a premium of 50% as per Board's Resolution no. ...dated...) | 15,00,000 | 10,00,000<br>5,00,000 |



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## Module 1.1, Section 1.1.5

### Ignore the following part in Page no. 82-83

As per Division II of Schedule III of the Companies Act 2013, Extract of Balance Sheet is to be shown as follows: (Only difference in Equity and Liabilities menu).

Balance Sheet of Diamond Ltd., as on 01.04.2023

(₹ in lakhs)

| Ref No. | Particulars                    | Note No. | Current Year Reporting Period | Previous Year Reporting Period |
|---------|--------------------------------|----------|-------------------------------|--------------------------------|
|         |                                |          | ₹                             | ₹                              |
| I       | <b>EQUITY AND LIABILITIES</b>  |          |                               |                                |
| 1       | <b>Equity</b>                  |          |                               |                                |
|         | Equity Share Capital           | 1        | 6,000                         |                                |
|         | Other Equity                   | 2        | 7,000                         |                                |
| 2       | <b>Non-current liabilities</b> |          | <b>Nil</b>                    |                                |
|         | (a) Long-term borrowings       | 3        | 7,000                         |                                |
| 3       | <b>Current Liabilities</b>     |          |                               |                                |
|         | (a) Trade payables             |          | 2,300                         |                                |
|         | (b) Short-term provisions      | 4        | 1,000                         |                                |
|         | <b>Total (1+2+3+4)</b>         |          | <b>23,300</b>                 |                                |
| II      | <b>ASSETS</b>                  |          |                               |                                |
| 1.      | <b>Non-current assets</b>      |          |                               |                                |
|         | (a) Fixed assets               |          |                               |                                |
|         | (i) Tangible assets            | 5        | 14,000                        |                                |
| 2       | <b>Current assets</b>          |          |                               |                                |
|         | (a) Cash and cash equivalents  |          | 1,050                         |                                |
|         | (b) Other current assets       |          | 8,250                         |                                |
|         | <b>Total (1+2)</b>             |          | <b>23,300</b>                 |                                |



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**Instead consider the following part (Balance Sheet as per Division I)**

Balance Sheet of Diamond Ltd., as on 01.04.2021

Balance Sheet as at: 01.04.2021

(₹ in lakhs)

| Ref No. | Particulars                                      | Note No. | Current Year Reporting Period | Previous Year Reporting Period |
|---------|--|----------|-------------------------------|--------------------------------|
|         |  |          | ₹                             | ₹                              |
| I       | <b>EQUITY AND LIABILITIES</b>                    |          |                               |                                |
| 1       | <b>Shareholders' Funds</b>                       |          |                               |                                |
|         | (a) Share capital                                | 1        | 6,000                         |                                |
|         | (b) Reserves and surplus                         | 2        | 7,000                         |                                |
| 2       | <b>Share application money pending allotment</b> |          | Nil                           |                                |
| 3       | <b>Non-current liabilities</b>                   |          | Nil                           |                                |
|         | (a) Long-term borrowings                         | 3        | 7,000                         |                                |
| 4       | <b>Current Liabilities</b>                       |          |                               |                                |
|         | (a) Trade payables                               |          | 2,300                         |                                |
|         | (b) Short-term provisions                        | 4        | 1,000                         |                                |
|         | <b>Total (1+2+3+4)</b>                           |          | <b>23,300</b>                 |                                |
| II      | <b>ASSETS</b>                                    |          |                               |                                |
| 1.      | <b>Non-current assets</b>                        |          |                               |                                |
|         | (a) Fixed assets                                 |          |                               |                                |
|         | (i) Tangible assets                              | 5        | 14,000                        |                                |
| 2       | <b>Current assets</b>                            |          |                               |                                |
|         | (a) Cash and cash equivalents                    |          | 1,050                         |                                |
|         | (b) Other current assets                         |          | 8,250                         |                                |
|         | <b>Total (1+2)</b>                               |          | <b>23,300</b>                 |                                |

**Module 1.2 Page No. 88 to 91**

**Ignore all the four pages. The Chapter starts from 1.2.1 in Page no. 92**

**Module 1.2, Section 1.2.3 Page 111**

**Consider the following before the Point 'Provisions on Creation of Debenture Redemption Reserve (DRR)'**

The common sources that may be utilized by the companies for the purpose of redemption of debentures are –

- Redemption out of proceeds of fresh issue of shares/ debentures: Here the company issues fresh equity/ preference shares or debentures or bonds for raising the money required for redemption of debentures. This may amount to change in the capital structure.
- Redemption out of profits: A company may utilize a portion of its profit which otherwise were available for distribution of dividend to redeem the debentures. This may be done by transferring a portion of profits to Debenture Redemption Reserve. The profits so transferred may be retained within the company or may be invested outside in readily marketable securities.
- Redemption out of capital: Here the company does not set aside any profits for redemption purpose. Thus, eventually, the amount is paid out of capital.



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In India, redemption of debenture is guided by Section 71 of the Companies Act, 2013 and Rule 18 of the Companies (Share Capital and Debentures) Rules, 2014 which require mandatory creation of Debenture Redemption Reserve. Hence, the redemption happens to be partly out of profits and partly out of capital.

## Module 1.2, Section 1.2.3 Page No. 113

**The 'Note' should be read as follows:**

**Note:** It is to be noted that a company only requires to create DRR to the extent of 10% of the nominal value of the debentures. Then, effectively 90% of the nominal value of debentures is redeemed out of capital. In short, Investment of Debenture Redemption Fund requirement is needed in the case of following types of companies:

- i. All listed NBFCs
- ii. All listed HFCs
- iii. All other listed companies (Other than AIFIs, Banking Companies and other FIs); and
- iv. All unlisted companies which are not NBFCs and HFCs.

## Module 2: Preparation of the Statement of Profit and Loss and Balance Sheet (As Per Schedule III of Companies Act,2013)

### Page No. 153

**Under the heading 'Form and Content of Financial Statements'**

**The 'Note' to be read as follows**

**Note:** In this Module, preparation of financial statements has been discussed primarily as per Division I i.e., for whom Financial Statements are required to comply with the Companies (Accounting Standards) Rules, 2021.

### Module 2.3 - Page 205 to 246

**Illustration 8 to 14 on Division II of Schedule III of the Companies Act, 2013 are for knowledge purpose only.**

### Solved Case in Page No.215 – 218

**In Page no. 216, before the 'Solution' consider inserting the following line:**

**'The company follows Division I of Schedule III of the Companies Act, 2013.'**