

Duration: 2 ½ Hours

Total Marks: 75

- N.B.: (1) All questions are compulsory
(2) Figures to the right indicate marks
(3) Working notes should be part of answer

Q1. (A) Fill in the blank with suitable option (Any Eight):

(08)

1. The shares offered free of cost are called as _____
 - (a) Rights Shares
 - (b) Bonus shares
 - (c) Preferential shares
 - (d) Priority Shares
2. Dividend is usually paid to shareholders as a percentage of _____
 - (a) Paid-up Capital
 - (b) Net Profit
 - (c) Called-up Capital
 - (d) Authorized Capital
3. Capital Redemption Reserve can be utilized for _____
 - (a) Payment of dividend
 - (b) Issue of right shares
 - (c) Issue of fully paid bonus shares
 - (d) Setting off against losses
4. The redemption amount remaining unpaid to preference shareholders is shown in the balance sheet as _____
 - (a) Current Liabilities
 - (b) Loan
 - (c) Share Capital
 - (d) Contingent Liabilities
5. Profit on cancellation of own debentures is transferred to _____
 - (a) Capital Reserve a/c
 - (b) Securities premium
 - (c) Debenture Redemption reserve a/c
 - (d) General reserve
6. Section _____ deals with Debenture redemption reserve
 - (a) 117C
 - (b) 120B
 - (c) 150A
 - (d) 190C
7. Amalgamation is covered under _____
 - (a) AS -14
 - (b) AS – 20
 - (c) AS – 04
 - (d) AS – 20
8. For computation of pre-incorporation profit, salary to director is _____
 - (a) Allocated in time ratio
 - (b) Allocated in sales ratio
 - (c) treated as pre-incorporation expenditure
 - (d) treated as post-incorporation expenditure

9. Share Capital A/c (Rs. 10) Dr.
 To Share Capital A/c (Rs. 100)
 The above entry is the entry of _____
 (a) Internal reconstruction
 (b) Amalgamation
 (c) Sub-division of Share capital
 (d) Consolidation of Share Capital
10. Balance in Capital Reduction Account should be transferred to _____ A/c.
 (a) Capital Reserve
 (b) General Reserve
 (c) Profit & Loss
 (d) Securities Premium

Q1. (B) State whether the following statements are True or False (Any Seven): (07)

1. Authorized capital is disclosed only for information.
2. Participating Preference shareholders can participate and vote on all matters affecting the company.
3. Debenture capital is called as debt capital.
4. Premium on redemption of preference shares is adjusted out of profits.
5. Partly debenture can be redeemed.
6. Sinking fund for redemption of debenture is shown under secured loan.
7. On merger vendor companies are not liquidated.
8. Debentures may be redeemed at Par
9. Interest on sinking fund investment is credited to Profit & Loss A/c.
10. In Internal Reconstruction, cancellation of contingent liability is profit for company.

Q2. (A) Following is the Balance Sheet of Kirtam Ltd. As on 31st March 2021 (15)

Liabilities	Rs.	Assets	Rs.
2,50,000 Equity Shares of Rs. 10 each fully paid	25,00,000	Fixed Assets	37,00,000
20,000 8% Preference Shares of Rs. 100 each fully paid	20,00,000	Investments (M.V. Rs. 15,00,000)	14,00,000
Profit & Loss A/c	12,50,000	Current Assets	26,70,000
Dividend Equalization Reserve	9,00,000		
Securities Premium	1,20,000		
Current Liabilities	10,00,000		
Total	<u>77,70,000</u>	Total	<u>77,70,000</u>

8% Preference Shares are due for redemption on 31st March, 2021 at premium of Rs. 10 per share. The company sold investments at market value. The Company decided to utilize available sources to full extent for redemption purpose. The Preference Shares were redeemed on the due date. The payment was made to all preference shareholders except one shareholder holding 800 preference shares who could not be traced.

Pass journal entries in the books of Kirtam to record the above transaction.

OR

- Q2. (B) ABC Ltd issued 2,500 10 % debenture of Rs. 100 each at par on 01st January, 2014 redeemable at 10% premium. The company decided to set aside Rs. 4,000 per annum. The amount was to be invested in 12% Bonds in multiple of Rs. 100 each.
 Show necessary journal entries for first five years. (15)

- Q3. (A) Keya Co. Ltd. was incorporated on 1st May 2021 to take over the business of M/s. Pujan Bros, as going concern from 1st January 2021. The Profit and Loss Account for the year ending 31st December 2021 was as follows: (15)

Particulars	Rs.	Particulars	Rs.
To Rent & Taxes	8,500	By Gross Profit	2,12,020
To Administrative Salaries & Expenses	25,500		
To Selling Expenses	5,000		
To Director Fees	12,000		
To Carriage Outward	12,960		
To Advertisement	18,000		
To Depreciation	3,000		
To Audit Fees	6,000		
To Electricity Charges	1,260		
To Interest on Debentures	19,800		
To Net Profit	1,00,000		
Total	2,12,020	Total	2,12,020

Additional Information:

- Sales for each month from September 2021 to December 2021 were double the monthly sales from January 2021 to August 2021
- Audit Fees are for the entire period
- Rent was increased from Rs. 500 per month to Rs. 1,000 per month with effect from 1st August 2021.

You are required to prepare statement of Profit & Loss, allocating the income and expenses on suitable basis between pre and post incorporation period.

OR

- Q3. (B) Following are the Balance Sheets of 'A' Ltd. and 'B' Ltd. (15)
Balance Sheet as on 31st March, 2022

Liabilities	A Ltd. (Rs.)	B Ltd. (Rs.)	Assets	A Ltd. (Rs.)	B Ltd. (Rs.)
Equity Share Capital of Rs. 10 each	37,50,000	22,50,000	Building	12,50,000	7,75,000
Export Profit Reserves	1,50,000	1,50,000	Machinery	16,25,000	8,50,000
Profit & Loss A/c	3,50,000	3,00,000	Stock	12,75,000	9,00,000
General Reserve	1,00,000	2,25,000	Debtors	4,50,000	5,00,000
12% Debentures of Rs. 100 each	2,50,000	1,50,000	Bank	3,50,000	2,75,000
Sundry Creditors	3,50,000	2,75,000	Preliminary Expenses	-	50,000
	<u>49,50,000</u>	<u>33,50,000</u>		<u>49,50,000</u>	<u>33,50,000</u>

'C' Ltd was formed to acquire all assets and liabilities of 'A' Ltd. and 'B' Ltd. on the following terms:

- 'C' Ltd. to have an authorized share capital of Rs. 5 crores divide into 5,00,000 equity shares of Rs. 100 each.
- The business of both companies were taken over for a total price Rs. 60,00,000 to be discharged by 'C' Ltd by issue of equity shares of Rs. 100 each at a premium of 20%.
- The Shareholder of 'A' Ltd. and 'B' Ltd to get shares in 'C' Ltd. in the ratio of net assets value of their respective shares.
- The debentures of both the companies to be converted into equivalent number of 14% debentures of Rs. 100 each in 'C' Ltd. at a discount of 10%.
- All the tangible assets of both the companies are taken over by 'C' Ltd. at book values except the following:

Assets	'A' Ltd.	'B' Ltd.
Building	Rs. 14,00,000	Rs. 9,10,000
Machinery	Rs. 15,75,000	Rs. 8,00,000

6. Sundry creditors of 'A' Ltd. and 'B' Ltd. are taken over at Rs. 3,25,000 and Rs. 2,50,000 respectively.
 7. Statutory reserves are to be maintained for 3 years more.
- You are required to (Apply nature of purchase method):
- (a) Compute Purchase Consideration of 'A' Ltd. and 'B' Ltd.
 - (b) Pass Journal Entries in the books of 'C' Ltd.

Q4. (A) The following was the Balance Sheet of YASHRAJ Ltd.

Balance Sheet as on 31st March, 2022

(15)

Liabilities	Rs.	Assets	Rs.
Equity Shares of Rs. 10 each	4,00,000	Goodwill	40,000
9% Preference Shares of Rs. 100 each	3,00,000	Premises	4,00,000
Current Liabilities	1,00,000	Plant & Machinery	2,20,000
		Stock-in-trade	24,000
		Sundry Debtors	16,000
		Preliminary Expenses	25,000
		Profit & Loss A/c	75,000
	8,00,000		8,00,000

The following scheme of reconstruction was approved by the court:

1. Equity Shares to be reduced to Rs. 6 per share and Preference Shares to be reduced to Rs. 70 per share.
2. Plant & Machinery to be written down to Rs. 1,50,000
3. All intangible and fictitious assets are to be written-off.

You are required to pass journal entries to give effect to the above scheme of reconstruction and prepare Capital Reduction Account in the books of YASHRAJ Ltd.

OR

Q4. (B) Dhara Pvt. Ltd. was incorporated on 1st August 2021. This company agreed to take over business of Jiya & Co. as going concern with effect from 1st April 2021.

(15)

Profit and Loss Account for the year ended 31st March 2022

Particulars	Rs.	Particulars	Rs.
To Administrative Staff Salaries	1,68,000	By Gross Profit	6,00,000
To Rent	1,60,000		
To Electricity Charges	30,000		
To Advertisement	21,000		
To Bad Debt	5,000		
To Commission on Sales	33,000		
To Preliminary Expenses w/off	7,000		
To Interest on Debentures	3,000		
To Interest on Purchase Consideration	6,000		
To Net Profit	1,67,000		
Total	6,00,000	Total	6,00,000

Additional Information:

1. Sales for Pre-Incorporation period were Rs. 5,00,000 which were 1/3 of the total sales.
2. Rent from 1st August 2021 was increased by Rs. 5,000 p.m.
3. Salaries to administrative Staff was increased by Rs. 3,000 p.m. w.e.f 1st August 2021
4. Bad Debts are from the debtors relating to the month of March, 2021.
5. Purchase Consideration was paid on 30th September 2021

Prepare Statement showing Profit and Loss for the year ended 31st March 2022 appropriating all income and expenditure items between Pre-incorporation and Post-incorporation period on suitable basis.

- Q5. (A) What are the provisions of Companies Act, 2013 relating to issue and redemption of preference shares? (08)
- (B) Distinguish between Internal Reconstruction and External Reconstruction (07)

OR

- Q5. (C) Write Short Note (Any Three): (15)
1. Divisible Profit
 2. Capital Redemption Reserve
 3. Profit prior to incorporation
 4. Net Assets Method in Amalgamation
 5. Capital Reduction Account
