

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. For computation of pre-incorporation profit travelling expenses are allocated in _____
 - (a) Pre-Incorporation Period
 - (b) Post-Incorporation Period
 - (c) Sales Ratio
 - (d) Time Ratio
2. Discount on issue of debenture is a _____
 - (a) Capital Loss
 - (b) Revenue Loss
 - (c) Capital Profit
 - (d) Revenue Profit
3. On amalgamation, the transferor company transfer its assets to Realizations account is ____
 - (a) Agreed value
 - (b) Book value
 - (c) Market value
 - (d) original cost
4. As per Companies Act, 2013, the Company is required to create Debenture redemption reserve equal to at least _____
 - (a) 25% of the value of debenture
 - (b) 50% of the value of debenture
 - (c) 15% of the value of debenture
 - (d) 10% of the value of debenture
5. Interest on Sinking Fund Investment is credited to _____ A/c
 - (a) Sinking Fund
 - (b) Profit & Loss
 - (c) General Reserve A/c
 - (d) Profit & Loss Appropriation A/c
6. The Profit/Loss during post incorporation period is transferred to _____ A/c
 - (a) Capital Reserve
 - (b) Goodwill A/c
 - (c) Profit & Loss A/c
 - (d) General Reserve
7. Reduction in share capital of a company means reduction in _____
 - (a) Paid-up Capital
 - (b) Authorised Capital
 - (c) Called-up Capital
 - (d) Uncalled Capital
8. Interest paid to vendor should be allocated in the ratio of _____
 - (a) Specific Time period
 - (b) Sales Ratio
 - (c) Time Ratio
 - (d) None of the above

9. On amalgamation as a purchase of business assets and liabilities are transferred to the books of transferee company at _____
- Agreed Value
 - Book Value
 - Market Value
 - Market or Book value whichever is less

10. Share Capital A/c (Rs. 100) Dr.
 To Share Capital A/c (Rs. 10)
 The above entry is the entry of _____
- Internal reconstruction
 - Amalgamation
 - Sub-division of Share capital
 - Consolidation of Share Capital

Q1. (B) Match the following Columns (Any Seven): (07)

Column 'A'	Column 'B'
1. A company can-not issue	(a) AS – 14
2. Capital Redemption Reserve	(b) Transfer to capital Reserve
3. Development Rebate Reserve	(c) Required for redemption out of profit
4. Dividend Equalisation Reserve	(d) Divisible profit
5. Arrears of preference dividend	(e) Is not a divisible profit
6. Company related expenses	(f) Post-incorporation
7. Amalgamation	(g) Contingent liability
8. Transferee Company	(h) Purchasing Company
9. Balance sheet after reduction	(i) Indicate 'and reduced'
10. Credit balance in Capital Reduction a/c	(j) Irredeemable preference shares

Q2. (A) Following is the summarized Balance Sheet of Rishi Ltd. March 2021 (15)

Liabilities	Rs.	Assets	Rs.
12% Preference Shares of Rs. 100 each Rs. 80 paid	24,00,000	Fixed Assets	28,00,000
Equity Shares of Rs. 10 each fully paid	12,00,000	Bank	27,60,000
Profit & Loss A/c	11,00,000	Other Current Assets	13,00,000
General Reserve	12,00,000		
Securities Premium	60,000		
Current Liabilities	9,00,000		
	<u>68,60,000</u>		<u>68,60,000</u>

- The Preference Shares are to be redeemed at 10% premium, for this purpose the Company made the final call and all call money was duly received.
- On 1st April 2021 a fresh issue of Equity Shares of Rs. 10 each was made at 10% premium to the minimum extend as required under the Company Act for the purpose of redemption of Preference Shares.

Pass Journal Entries in the books of Rishi Ltd. to record the above transactions.

OR

Q2. (B) Raju Ltd gave notice of its intention to redeem its outstanding Rs. 3,00,000 – 8% debenture at Rs. 103 and offered the holders the following options:

- 10% preference shares of Rs. 20 each at Rs. 25.
- 9% Debenture at Rs. 96.
- To have their holdings redeemed for cash

- The holders of Rs. 90,000 debenture accepted proposal 1.
- The holders of Rs. 1,20,000 debenture accepted proposal 2.
- The remaining debenture holders accepted proposal 3.

Pass necessary Journal Entries in the books of the company

(15)

Q3. (A) The promoters of the Proposed New Company Pujan Ltd., purchased a running business on 1st January, 2021 from Mr. Mayur. The new company was incorporated on 1st May 2021. The Profit and Loss Account for the year ended 31st December, 2021 was as under: (15)

Particulars	Rs.	Particulars	Rs.
To Rent, Rates, Insurance, Electricity	24,000	By Gross Profit	3,00,000
To Directors Sitting Fees	7,200	By Discount Received	12,000
To Preliminary Expenses	9,800		
To Selling Expenses	11,000		
To Interest paid to vendors	20,000		
To Net Profit	2,40,000		
	<u>3,12,000</u>		<u>3,12,000</u>

Following further information available:

- Sales upto 30 April, 2021 was Rs. 6,00,000 out of total sales of Rs. 30,00,000 for the year.
- Purchase upto 30 April, 2021 was Rs. 6,00,000 out of total purchase of Rs. 18,00,000 of the year.
- Interest paid to vendors was @ 12% on Rs. 2,00,000 p.a. till the payment was made.

From the above information, prepare Statement of Profit & Loss for the year ended 31st December 2021 showing Pre and Post – Incorporation profits and how it will be treated in accounts.

OR

Q3. (B) Following are the Balance Sheet of Arav Limited and Sumit Limited on 31.03.2018. (15)

Liabilities	Aray Ltd. (Rs.)	Sumit Ltd. (Rs.)	Assets	Arya Ltd. (Rs.)	Sumit Ltd. (Rs.)
Equity Shares of Rs. 100 each fully paid	6,00,000	9,00,000	Goodwill	45,000	75,000
7% Preference Shares of Rs. 100 each	3,37,500	4,50,000	Premises	4,87,500	5,25,000
General Reserve	52,500	60,000	Plant & Machinery	4,50,000	6,15,000
Profit & Loss Account	33,750	46,500	Stock	1,35,000	1,87,500
Statutory Reserve	20,250	36,000	Sundry Debtors	1,05,000	2,51,250
10% Debentures	1,12,500	63,000	Bank	9,000	18,000
Sundry Creditors	75,000	1,16,250			
	<u>12,31,500</u>	<u>16,71,750</u>		<u>12,31,500</u>	<u>16,71,750</u>

On the above date, Sumit Limited takes over Arav Limited on the following terms and conditions:

- All Assets and Liabilities are taken over at book value except the following which were revalued as: Premises Rs. 4,25,000 and Plant & Machinery Rs. 3,50,000
- Shareholders of Arav Limited to be issued 5,000 equity shares of Rs. 100 each at 10% premium.
- 7% Preference shareholders of Arav Limited to be discharged at 10% premium by issuing 8% Preference shares of Rs. 100 each (at par)
- Debentures of Arav Limited to be converted into equivalent number of debentures of Sumit Limited
- Sundry debtors of Sumit Limited include Rs. 12,500 due from Arav Limited
- Cost of liquidation amounting to Rs. 2,000 were borne by Sumit Limited.
- Statutory Reserve is required to be maintained for one more year.

You are required to:

- Calculate Purchase Consideration
- Pass Journal entries in the books of Sumit Limited.

Q4. (A) Following is the Balance Sheet of SNEHAL Ltd. as on 31st March, 2022: (15)

Liabilities	Rs.	Assets	Rs.
Equity shares of Rs. 10 each	2,00,000	Goodwill	35,000
8% Preference shares of Rs. 10 each	1,50,000	Building	2,10,000
7% Debentures	85,000	Plant & Machinery	55,000
Bank Loans	25,000	Stock	40,000
Creditors	11,500	Sundry Debtors	27,500
		Cash & Bank	9,000
		Profit and Loss A/c	95,000
	4,71,500		4,71,500

The following Scheme of Internal Reconstruction was sanctioned:

- The equity shares to be reduced to Rs. 4 per share fully paid and Preference shares to be reduced to Rs. 7 per share fully paid but the rate of dividend increased to 9%
- Provide depreciation of Rs. 15,000 on Machinery and Stock to be valued at Rs. 30,000.
- Write off debit balance in Profit & Loss A/c and Intangible Assets.

Pass journal entries to implement the above scheme and draw Capital Reduction A/c

OR

Q4. (B) Om Private Limited was incorporated on 1st August, 2021. This company agreed to take over business of M/s Heet & Co. as going concern, effective from 1st April, 2021. The agreement also provided that vendors are entitled to 60% of profits (or loss, if any) for period up to 1st August, 2021. The Profit and Loss Account for year ended 31st March, 2022 is: (15)

Particulars	Rs.	Particulars	Rs.
To Stock	30,000	By Sales	3,00,000
To Materials consumed	1,20,000	By Stocks	42,000
To Wages	30,000		
To Factory Expenses	42,000		
To Gross Profit	1,20,000		
	3,42,000		3,42,000
To Salaries	30,000	By Gross Profit	1,20,000
To Rent	9,000	By Profit on Sale of Investment	20,000
To Office Expenses	6,000		
To Sales Commission	15,000		
To Bad Debts	5,000		
To Director's Fees	8,000		
To Depreciation	18,000		
To Debentures Interest	8,000		
To Interest to Vendor	6,000		
To Net Profit	35,000		
	1,40,000		1,40,000

Additional Information:

- Monthly Sales for October, 2021 to March 2022, is 150% of monthly sales for April 2021 to September, 2021
- Bad Debt in respect of sales effected two years ago.
- Investment was sold on 1st November, 2021
- Consideration to Vendors was paid on 1st October, 2021
- Rent was increased from Rs. 500 per month to Rs. 1,000 per month effective from 1st October 2021.

Prepare a statement showing profits for the pre and post incorporation period separately.

- Q5. (A) What is the process of redemption of debentures by Sinking Fund Method? (08)
(B) What is Internal Reconstruction of a company and what is its need? (07)

OR

- Q5. (C) Write Short Note (Any Three): (15)
1. Capital Redemption Reserve
 2. Net Assets Method in Amalgamation
 3. Sources of redemption of preference shares
 4. Redemption of debentures out of capital
 5. Distinguish between Internal and External Reconstruction
