

Time: 2 ½ Hours

Total Marks: 75

- Note: 1 All Questions are Compulsory
2 Figures to the right indicates Full Marks.
3. Working Notes should be part of Answer.

Q1. (A) Fill in the blank with correct option: (Any 8 out of 10) (8)

1. The reserve which can be utilized for creation of Capital Redemption Reserve ____
(a) Securities Premium (c) Capital Reserve
(b) Revaluation Reserve (d) General Reserve
2. Directors' fees are divided into pre and post incorporation period in _____.
(a) pre-incorporation period (c) post incorporation period
(b) sales ratio (d) time ratio
3. In amalgamation, Profit on Realisation is debited to _____.
(a) Equity Shareholders A/c (c) Preference Shareholders A/c
(b) Profit & Loss A/c (d) Creditors A/c
4. For computation of pre-incorporation profit travelling salesman salary is allocated in _____.
(a) pre-incorporation period (c) post incorporation period
(b) sales ratio (d) time ratio
5. The existing 1,000 shares of Rs. 10 each altered to 100 shares of Rs. 100 each is _____.
(a) Consolidation of Share Capital (c) Conversion of Share Capital
(b) Surrender of Share Capital (d) Sub-division of Share Capital
6. As per AS 14 amalgamation under Net payment method, payment to creditors by Transferee company _____.
(a) Forms part of purchase consideration (c) Debited to Realisation A/c
(b) Does not form part of purchase consideration (d) Credited to creditors A/c
7. Re-arrangement of rights or liabilities without any dispute is _____.
(a) Amalgamation (b) Arrangement (c) Compromise (d) Merger
8. Debenture holders accepting part payment of their claims amounts to _____.
(a) Compromise (c) Reduction of share capital
(b) Alteration of share capital (d) Variation of shareholders rights
9. Balance in Capital Reduction Account should be transferred to _____ Account.
(a) General Reserve (c) Profit & Loss
(b) Capital Reserve (d) Securities Premium
10. Reduction in share capital of a company means reduction in _____ Capital.
(a) Paid-up (b) Called-up (c) Authorised (d) Uncalled

Q1. (B) State whether the following statements are True or False: (Any 7 out of 10 Ten) (7)

1. Accounting for amalgamation is governed by AS-14.
2. The payment made to debenture holders is a part of purchase consideration.
3. Amalgamation involves two or more companies.
4. The balance in sinking fund is to be transferred to general reserve after redemption.
5. Profits earned after Incorporation are Capital Profits.
6. Sub-division of shares result in profit for a company.
7. Capital reduction and internal reconstruction is synonym.

8. Debenture holder gets interest only in the event of profit to the company.
9. On amalgamation as a purchase of business assets and liabilities are transferred to the books of transferee company at book value.
10. For computation of pre-incorporation profit carriage on purchases is allocated in purchase ratio

Q2. (A) The Following is the Balance Sheet of SABRINA Auto Ltd. as on 31-3-2023 (15)

Liabilities	Rs.	Assets	Rs.
3,000 – 9% Redeemable Preference Shares of Rs. 100 each Rs. 80 paid up	2,40,000	Fixed Assets	12,00,000
1,20,000 Equity Shares of Rs. 10 each fully paid	12,00,000	Investment (at cost)	2,90,000
Revenue Reserve	1,50,000	Bank Balance	1,70,000
8% Debentures	2,00,000	Other Current Assets	4,00,000
Current Liabilities	2,70,000		
	20,60,000		20,60,000

On the above date 9% Preference Shares were redeemable at a premium of 5%.

1. The company made final call of Rs. 20 per share on 9% Preference Shares. All the shareholders paid the call money.
2. The company issued 20,000 equity shares of Rs. 10 each at a premium of Rs. 2 per share for cash consideration. The issue was fully subscribed and paid for.
3. Part of the investments were sold for Rs. 1,32,000 at a profit of 10% on cost.
4. The company redeemed the preference shares as per the terms. One preference shareholder holding 100 shares was untraceable, hence payment could not be made to him.

You are required to pass necessary Journal Entries in the Books of SABRINA Auto Ltd. to record the above transactions

OR

Q2. (B) JOITA Ltd issued 2,500 10% debenture of Rs. 100 each at par on 01st January, 2018 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) Ashwin Limited was incorporated on 1st August 22. This company agreed to take over business of M/s Saba & Co. ongoing concern, effective from 1st April, 2022. The Agreement also provided that vendors are entitled to 60% of profits (or loss, if any) for period up to 1st August, 2022. The Profit and Loss Account for year ended 31st March, 2023 is:

(15)

Particulars	Rs.	Particulars	Rs.
To Opening Stock	30,000	By Sales	3,00,000
To Materials consumed	1,20,000	By Closing 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:

- 1) Monthly Sales for October, 2022 to March 2023, is 150% of monthly sales for April 2022 to September, 2022.
- 2) Bad Debt in respect of sales effected two years ago.
- 3) Investment was sold on 1st November, 2022.
- 4) Consideration to Vendors was paid on 1st October, 2022.
- 5) Rent was increased from Rs. 500 per month to Rs. 1,000 per month effective from 1st October 2022.

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

OR

Q3. (B) The following is the balance Sheet of Neha Ltd. as on 31st March 2023 (15)

Liabilities	Rs.	Assets	Rs.
Equity Shares of Rs. 100 each fully paid	50,00,000	Buildings	75,00,000
8% Preference shares of Rs. 100 each	14,00,000	Machinery	25,00,000
10% Debenture	25,00,000	Patents	6,00,000
Trade Creditors	75,00,000	Inventories	15,00,000
Outstanding Expenses	5,00,000	Debtors	12,00,000
		Preliminary Expenses	75,000
		Discount on Issue of Debentures	2,50,000
		Profit and Loss Account	32,75,000
	1,69,00,000		1,69,00,000

In order to revive the Company, it was decided to –

- Reduce equity share by Rs. 90 each.
- Reduce 8% preference share by Rs. 60 each and raise rate of preference dividend to 9%
- Reduce 10% Debenture by 20% and raise rate of debenture interest by 12.5%
- Reduce claims of the trade creditors by 1/4th
- Reduce Machinery to Rs. 10,00,000
- Reduce Inventories by Rs. 5,00,000
- Provide 10% for doubtful debts.
- Write off all intangible assets.
- Write off buildings to the extent of balance in the Capital Reduction Account.
- Arrears of Preference dividend for four years was cancelled.

Assuming that the company duly complied with all proposal and got the sanction of the court pass the journal entries to implement the scheme

Q4. (A) Following are the Balance Sheets of Raj Ltd. and Vansh Ltd. as on 31st March, 2023 (15)

Liabilities	Raj Ltd Rs.	Vansh Ltd. Rs.	Assets	Raj Ltd Rs.	Vansh Ltd. Rs.
Equity Shares of Rs. 100 each	5,00,000	6,00,000	Premises	4,00,000	5,50,000
General Reserves	15,000	52,500	Plant and Machinery	1,90,000	2,00,000
Profit & Loss A/c	20,000	57,500	Stock	65,000	80,000
10% Debentures	1,25,000	1,50,000	Debtors	40,000	50,000
Sundry Creditors	50,000	40,000	Bank	15,000	20,000
	7,10,000	9,00,000		7,10,000	9,00,000

On the above date, Vansh Ltd. takes over Raj Ltd. on the following terms and conditions:

- All the assets and liabilities are taken over at book value except the Premises revalued at Rs. 3,50,000
- Shareholders of Raj Ltd. to be issued 4,000 Equity Shares of Rs. 100 each at 10% premium.
- Debenture holders of Raj Ltd. to be converted into equivalent number of debentures of Vansh Ltd.

You are required to:

- Calculate Purchase consideration.
- Pass journal entries in the books of Vansh Ltd.

OR

Q4. (B) Akshay Limited was incorporated on 1st July, 2022 to acquire the business from 1st April, 2022. It commenced its business on 1st August 2022. Its Profit & Loss Account for the year ending 31st March, 2023 is as under: **(15)**

Particulars	Rs.	Particulars	Rs.
To Office Salaries	60,000	By Gross Profit b/d	5,20,000
To Selling Commission	78,000		
To Carriage Outward	42,250		
To Rent & Taxes	1,20,000		
To Debenture Interest	25,400		
To Printing & Stationery	15,000		
To Advertising Expenses	65,000		
To Net Profit	1,14,350		
	5,20,000		5,20,000

Additional Information:

(a) Sales for the pre-incorporation period was Rs. 5,00,000 per month. Total Sales for the year ended 31st March, 2023 was Rs. 65,00,000

Prepare Statement of Profit & Loss in the columnar form for the year ending 31st March, 2023 allocating various items in suitable basis in the pre-incorporation and post incorporation period.

Q5. (A) What is the process of redemption of debentures by Sinking Fund Method? **(8)**

(B) What is Internal Reconstruction of a company and what is its need? **(7)**

OR

Q5. (C) Write Short Notes (Any 3 out of 5) **(15)**

- (a) Net Assets Method in Amalgamation
- (b) Redemption of debentures out of capital
- (c) Profit otherwise available for dividend (Divisible Profits)
- (d) Distinguish between Internal and External Reconstruction
- (e) Intrinsic Value Method (Shares Exchange Method) of Purchase Consideration
