

Duration: 2½ Hours

Marks: 75

- N.B.: (1) All questions are compulsory.
(2) Figures to the right indicate marks.

Q1. (A) State whether the following are True or False (Any Eight): (8)

- (1) Capital redemption reserve is to be created out of Capital Reserve
- (2) Amalgamation of companies is governed by AS-9
- (3) On redemption of preference shares, the unpaid amount to preference shareholders is to be disclosed as current liability
- (4) The scheme of internal reconstruction can be utilised to provide funds for the company
- (5) Profits earned before Incorporation of company are Capital Profits.
- (6) Profit /Loss on sale of Sinking Fund Investment is transferred to profit & loss account
- (7) The Balance Sheet prepared after implementation of internal reconstruction scheme is to be suffixed by words - 'and reduced'
- (8) Time Ratio is ratio of number of months before and after incorporation.
- (9) In profit prior to Incorporation, salary to partner is treated as pre-incorporation expense.
- (10) Partly paid Preference shares cannot be redeemed.

Q1. (B) Match the following Columns (Any Seven) (7)

| Column 'A' | Column 'B' |
|---|-----------------------------------|
| 1. Statutory Reserve | a. Time ratio |
| 2. Dividend Equalisation Reserve | a. Contingent liability |
| 3. Arrears of preference dividend | b. Amount payable to Shareholders |
| 4. Audit fees | c. Purchase method |
| 5. Purchase Consideration | d. Debit – Capital Reduction a/c |
| 6. Amalgamation Adjustment Reserve A/c | b. Transfer to capital Reserve |
| 7. Transferee Company | e. No reduction of capital |
| 8. Sub-division of shares | c. Divisible profit |
| 9. Loss on revaluation of asset | f. Purchasing Company |
| 10. Credit balance in capital reduction a/c | d. Is not a divisible profit |

Q2. (A) Balance Sheet of AJAY Ltd. as on 31st March, 2019 (15)

| Liabilities | Rs. | Assets | Rs. |
|---|-----------|--|-----------|
| Equity Shares of Rs. 10 each fully paid | 4,50,000 | Fixed Assets | 10,00,000 |
| 9% Redeemable Preference Shares of Rs. 100 each, fully paid | 4,50,000 | Investments | 1,35,000 |
| General Reserve | 1,80,000 | Current Assets | 2,99,000 |
| Profit & Loss A/c | 2,79,000 | (including cash & bank balance Rs. 1,00,000) | |
| Securities Premium | 13,500 | | |
| Sundry Creditors | 61,500 | | |
| | 14,34,000 | | 14,34,000 |

Further Information:

- (1) Company exercised the option to redeem 9% Redeemable Preference Shares at 10% premium and for this purpose, the company issued 25,000 Equity Right Shares of Rs. 10 each at a Rs. 12 per share.
- (2) Company also sold the investments for Rs. 1,60,000.
- (3) Payments were made to redeemable preference shareholders except those holding 200 Shares, who could not be traced.

Pass Journal Entries in the books of the company for the above transactions

OR

Q2. (B) PUSHPA Ltd. issued 20,000, 10% debentures of Rs. 100 each on 1st April, 2014 at par repayable at a premium of 10% after 5 years out of profit. On 31st March, 2019, the balance in Debenture Redemption Reserve is Rs. 4,00,000 and in Debenture Redemption Reserve Investment is Rs. 4,00,000. You are required to pass Journal Entries to record the above transactions. (15)

- Q3. (A) EXCEL Ltd. was incorporated on 1st August, 2018 to take over a business as a going concern from 1st April, 2018. The sales turnover for the year ended 31st March, 2019 was Rs. 5,00,000 out of which Rs. 1,50,000 related to the period from 1st April, 2018 to 31st July, 2018. The Profit & Loss A/c of the company prior to and after the date of incorporation is as under:

Profit & Loss A/c for the year ended 31st March, 2019 (15)

| Particulars | Rs. | Particulars | Rs. |
|---------------------|---------|-----------------|---------|
| To Salaries | 84,000 | By Gross Profit | 200,000 |
| To Directors Fees | 10,000 | | |
| To Rent and Rates | 36,000 | | |
| To Bank Charges | 3,000 | | |
| To Interest on loan | 18,000 | | |
| To Discount Allowed | 5,000 | | |
| To Selling Expenses | 12,000 | | |
| To Net Profit | 32,000 | | |
| | 200,000 | | 200,000 |

You are required to prepare a statement apportioning the profits between pre incorporation and post incorporation period.

OR

- Q3. (B) On 31st March, 2019; the following was the Balance Sheet of RAHUL Ltd.

Balance Sheet as on 31st March, 2019 (15)

| Liabilities | Rs. | Assets | Rs. |
|---|-----------|----------------------|-----------|
| Equity Shares of Rs. 10 each | 11,00,000 | Goodwill | 1,20,000 |
| 7% Cumulative Preference Shares of Rs. 100 each | 6,00,000 | Freehold Premises | 9,50,000 |
| Securities Premium Account | 1,60,000 | Plant & Machinery | 3,20,000 |
| Creditors | 1,60,000 | Stock | 1,40,000 |
| | | Sundry Debtors | 90,000 |
| | | Preliminary Expenses | 1,00,000 |
| | | Profit & Loss A/c | 3,00,000 |
| | 20,20,000 | | 20,20,000 |

Dividends on the preference shares are in arrears as from 1st April, 2018. The following terms were settled under a duly approved capital reduction scheme:

- (1) Equity Shares to be reduced to Rs. 5 each and the Preference Shares to be reduced to Rs. 80 each.
- (2) One Rs. 5 Equity Share to be issued for each Rs. 10 of gross preference share dividend in arrears.
- (3) All intangible assets and the Securities Premium Account to be written-off.
- (4) Freehold premises to be written down to Rs. 7,40,000

Pass journal entries to implement the above scheme of reconstruction

- Q4. (A) RAMLEELA Ltd. was incorporated on 1st October, 2018 to take over the business of RAM & LEELA, a partnership firm with effect from 1st April, 2018. Following is their Profit & Loss A/c for the year ended 31st March 2019 (15)

| Particulars | Rs. | Particulars | Rs. |
|---------------------------------------|---------|------------------------------|----------|
| To Salaries | 120,000 | By Gross Profit | 2,50,000 |
| To Rent | 35,000 | By Interest on Fixed Deposit | 7,000 |
| To Office Expenses | 18,000 | | |
| To Debenture Interest | 6,000 | | |
| To Selling Expenses | 8,000 | | |
| To Salary to Partners | 24,000 | | |
| To Interest on Purchase Consideration | 9,000 | | |
| To Preliminary Expenses | 2,000 | | |
| To Net Profit | 35,000 | | |
| | 257,000 | | 257,000 |

Additional Information:-

- (1) Monthly turnover from 1st October, 2018 to 31st March, 2019 was twice that of monthly turnover from 1st April, 2018 to 30th September, 2018.
- (2) Purchase Consideration was settled on 31st December, 2018.
- (3) Interest on Fixed Deposit was received for the entire year.

You are required to prepare Profit & Loss of the company for the year ended 31st March, 2019 in columnar form apportioning all the income and expenditure items between Pre incorporation and Post incorporation period on suitable basis.

OR

- Q4. (B) The RAM KRISHNA Company Ltd. was formed to acquire the running business of RAM Co. Ltd. and KRISHNA Co. Ltd. as from 1st April, 2019. The Balance Sheet of the two companies on that date were as follows: (15)

| Liabilities | RAM Ltd. (Rs.) | KRISHNA Ltd. (Rs.) | Assets | RAM Ltd. (Rs.) | KRISHNA Ltd. (Rs.) |
|------------------------------|-------------------|-----------------------|-------------------|-------------------|-----------------------|
| Equity Shares of Rs. 10 each | 8,00,000 | 4,00,000 | Land & Building | 4,00,000 | 2,00,000 |
| General Reserves | 40,000 | - | Plant & Machinery | 1,00,000 | 50,000 |
| Profit & Loss A/c | 80,000 | 1,00,000 | Stock | 3,00,000 | 1,80,000 |
| Sundry Creditors | 1,80,000 | 1,00,000 | Debtors | 1,40,000 | 50,000 |
| | | | Cash and Bank | 1,60,000 | 1,20,000 |
| | 11,00,000 | 6,00,000 | | 11,00,000 | 6,00,000 |

- (1) All the Assets and Liabilities of both the companies were taken over at book value by RAMKRISHNA Ltd.
- (2) Purchase Consideration was paid partly in cash Rs. 1,00,000 to Ram Ltd. and KRISHNA Ltd. each and balance in Equity Shares of Rs. 10 each.

You are required to prepare Purchase Consideration and journal entries in the books of 'RAMKRISHNA' Ltd.

- Q5. (A) What are the provisions relating to issue and redemption of preference shares? (8)
 (B) Distinction between Amalgamation, Absorption and External Reconstruction (7)

OR

- Q.5. (C) Write Short Note on (Any Three): (15)

- (1) Capital Reduction A/c
- (2) Profit Prior to Incorporation
- (3) Net Assets Method in Amalgamation
- (4) Internal Reconstruction of a company
- (5) Explain the methods of Redemption of Debenture
