

Duration: 2½ Hours

Marks: 75

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

- Q1. (A) Fill in the blank with suitable option and rewrite the statement (**Any Eight**): **(8)**
- (1) Interest on Sinking Fund Investment is credited to _____ A/c
 - (a) Sinking Fund A/c
 - (b) Profit & Loss A/c
 - (c) General Reserve A/c
 - (d) Profit & Loss Appropriation A/c
 - (2) The claim of debenture holders on redemption is credited to _____ A/c
 - (a) Bank A/c
 - (b) Sinking Fund A/c
 - (c) Debenture holders A/c
 - (d) None of the above
 - (3) The expenses pertaining to vendor should be allocated in _____ period
 - (a) Pre-incorporation
 - (b) Post-incorporation
 - (c) Both (a) and (b)
 - (d) None
 - (4) 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
 - (5) On amalgamation as a merger, all assets and liabilities of the transferor company are incorporated in the books of transferee company at _____
 - (a) Book Value
 - (b) Agreed Value
 - (c) Market Value
 - (d) Market or Book value whichever is less
 - (6) Purchase consideration under payment method in amalgamation is _____
 - (a) Payment to Shareholders
 - (b) Payment of borrowed funds
 - (c) Payment to debenture holders
 - (d) Payment to Preference Shareholders
 - (7) Under purchase method, excess of purchase consideration over the net assets taken over is accounted as _____
 - (a) Capital Reserve
 - (b) Reserve Capital
 - (c) Securities premium
 - (d) Goodwill
 - (8) 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
 - (9) Balance in Capital Reduction Account should be transferred to _____
 - (a) Capital Reserve
 - (b) Profit & Loss A/c
 - (c) General Reserve
 - (d) None of the above
 - (10) The Profit/Loss during post incorporation period is transferred to _____
 - (a) Capital Reserve
 - (b) Goodwill A/c
 - (c) Profit & Loss A/c
 - (d) None of the above

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

Column 'A'	Column 'B'
(1) Partly Paid Shares	(a) Post-incorporation
(2) Capital Redemption Reserve	(b) Debit – Capital Reduction a/c
(3) Dividend Equalisation Reserve	(c) Purchase method
(4) Company related expenses	(d) Debenture holders accepting part payment
(5) Transferor company	(e) Credit – Capital reduction account
(6) Amalgamation Adjustment Reserve A/c	(f) Not redeemable
(7) Compromise	(g) Issue of bonus shares
(8) Cancellation of surrendered shares	(h) Indicate “and reduced”
(9) Loss on revaluation of Asset	(i) To be liquidated
(10) Balance Sheet after Internal Reduction	(j) Divisible profit

Q2. (A) Following is the Balance Sheet of RITU Ltd. as on 31st March, 2018:

Balance Sheet as on 31st March, 2018 (15)

Liabilities	Rs.	Assets	Rs.
Equity Shares of Rs. 10 each fully paid	12,00,000	Fixed Assets	13,00,000
10% Redeemable Preference Shares of Rs. 10 each, fully paid	5,00,000	Investments	4,00,000
Securities Premium	50,000	Cash at Bank	5,00,000
General Reserve	2,00,000	Other Current Assets	5,00,000
Profit & Loss A/c	1,50,000		
11% Debentures of Rs. 100 each	4,00,000		
Sundry Creditors	2,00,000		
	27,00,000		27,00,000

On the above date, company decided to redeem 10% Redeemable Preference Shares at 10% premium. For the purpose of redemption, company issued 20,000 Equity Shares of Rs. 10 each at a premium of 10%.

- (1) The company sold all the investments at book value
- (2) All payments were made to redeemable preference shareholders except those holding 200 Shares, who could not be traced out.

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

OR

Q2. (B) The following balances appeared in the books of SIDNEY Ltd. as on 31st March, 2018: (15)

Particulars	Rs.
10% Mortgage Debentures of Rs. 100 each	12,50,000
Sinking Fund Account	13,02,500
Sinking Fund Investment Account	13,77,500

- (1) On 1st April, 2018; the sinking fund investment was sold at Rs. 14,40,725
- (2) Company redeemed Mortgage Debentures on 1st April, 2018 and debenture holders were paid off at Rs. 105 per debenture. The interest on debentures had been paid up to 31st March, 2018.

You are required to prepare the following ledger accounts:

- (a) 10% Mortgage Debentures A/c
- (b) Sinking Fund A/c
- (c) Sinking Fund A/c Investment A/c
- (d) Debenture Holders A/c

Q3. (A) Abhishek Ltd. took over the business of Karan Bros., a firm w.e.f. 1st January, 2017. The company was registered on 1st August, 2017. The accounts of the company for the period ended 31st December, 2017, disclosed the following facts:

- (1) Sales for each of the months April, May, June, October, November and December, 2017 were twice the Sales for each of the months January, February, March, July, August and September, 2017.
- (2) Abhishek Ltd. settled the purchase consideration on 1st October, 2017.
- (3) Audit fees are payable for the entire year.
- (4) The combined 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 December, 2017 (15)

Particulars	Rs.	Particulars	Rs.
To Salaries	11,10,000	By Gross Profit	37,80,000
To Rates and Insurance	5,40,000		
To Printing & Stationery	2,40,000		
To Audit Fees	90,000		
To Directors Fees	72,000		
To Advertising	4,59,000		
To Commission on Sales	3,24,000		
To Debenture Interest	84,000		
To Interest on Purchase Consideration	81,000		
To Net Profit	7,80,000		
	37,80,000		37,80,000

Prepare a statement for the year ended 31st December, 2017 showing amount of profits for pre-incorporation and post-incorporation period.

OR

Q3. (B) The following is the summarized Balance Sheet of RISKY Ltd. as on 31st March, 2018 (15)

Liabilities	Rs.	Assets	Rs.
Equity Shares of Rs. 10 each	8,00,000	Plant & Machinery	10,40,000
10% Preference Shares of Rs. 10 each	4,80,000	Furniture & Fixtures	6,40,000
5% Debentures of Rs. 100 each	9,60,000	Investments	2,40,000
Bank Overdraft	2,40,000	Stock	2,88,000
Sundry Creditors	4,00,000	Sundry Debtors	2,72,000
Other Liabilities	3,20,000	Preliminary Expenses	3,20,000
		Profit & Loss A/c	4,00,000
	32,00,000		32,00,000

Note: Preference Dividend is in arrears for 3 years.

A scheme of reconstruction is prepared and approved by all the authorities. The salient features of the scheme are:

- (1) The paid-up value of Equity Shares is to be reduced to Rs. 2 per share and 10% Preference Shares is to be reduced to Rs. 5 per share. However, the face value of both Equity and Preference Shares remain unchanged.
- (2) Arrears of preference dividend is not payable
- (3) The creditors are settled as:
 - (a) 20% immediate payment in cash
 - (b) 40% amount is cancelled
 - (c) 40% paid by issue of 6% debentures
- (4) Other liabilities of Rs. 80,000 is to be cancelled
- (5) Plant and Machinery having book value of Rs. 1, 60,000 is obsolete. This is sold as scrap for Rs. 32,000.
- (6) The depreciation on Furniture & Fixtures is to be provided to the extent of Rs. 80,000
- (7) Stock includes items valued at Rs. 96,000 which are sold at a loss of 50%.
- (8) The present realisable value of Investment is Rs. 1,12,000
- (9) Reconstruction expenses were Rs. 16,000

You are required to pass Journal Entries in the books of RISKY Ltd. to record the above transactions.

Q4. (A) 'A' Ltd. and 'B' Ltd. agreed to amalgamate and a new company 'C' Ltd. was formed. Their Balance Sheet on the date of amalgamation were as follows: (15)

Balance Sheet 31st March, 2018

Liabilities	A Ltd. Rs.	B Ltd. Rs.	Assets	A Ltd. Rs.	B Ltd. Rs.
Equity Shares of Rs. 100 each	1,00,000	1,20,000	Building	50,000	60,000
General Reserves	15,000	18,500	Plant and Machinery	30,000	40,000
Profit & Loss A/c	8,000	10,000	Debtors	30,000	30,000
Sundry Creditors	14,000	17,000	Inventories	20,000	20,000
			Cash and Bank	7,000	15,500
	1,37,000	1,65,500		1,37,000	1,65,500

The new company 'C' Ltd. to takeover Assets and Liabilities of both the companies on the following basis:

- (1) Assets of 'A' Ltd. are taken over at a reduced valuation of 10% and that of 'B' Ltd. at reduced valuation of 15%.
- (2) Entire Purchase Consideration is discharged by issuing Equity Shares of 'C' Ltd. of Rs.100 each at par.
- (3) The Amalgamation is in the nature of purchase.

You are required to:

- (a) Calculate Purchase consideration.
- (b) Pass journal entries in the books of 'C' Ltd.

OR

Q4. (B) The promoters of proposed New Wave Ltd. purchased a running business on 1st April, 2017 from Mr. ULTRA Modern. New Wave was incorporated on 1st August, 2017. The combined 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, 2018

(15)

Particulars	Rs.	Particulars	Rs.
To Administration Expenses	12,000	By Gross Profit	1,50,000
To Directors Fees	3,600	By Discount Received from Creditors	6,000
To Preliminary Expenses	4,900		
To Selling Expenses	5,500		
To Interest on Purchase Consideration	10,000		
To Net Profit	1,20,000		
	1,56,000		1,56,000

Following further information is available:

- (1) Sales up to 30th July, 2017 were Rs. 3,00,000 out of total sales of Rs. 15,00,000 of the year.
- (2) Purchases up to 30th July, 2017 were Rs. 3,00,000 out of total sales of Rs. 9,00,000 of the year.
- (3) Interest paid to vendor on 1st February, 2018 @12% on Rs. 1,00,000 being purchase consideration.

Prepare Profit & Loss of New Wave Ltd. for the year ended 31st March, 2018 in columnar form apportioning all the income and expenditure items between Pre incorporation and Post incorporation period on suitable basis.

Q5. (A) Explain the creation of Capital Redemption Reserve. (8)

Q5. (B) Meaning and types of Amalgamation (7)

OR

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

- (1) Capital Reduction A/c
- (2) Profit Prior to Incorporation
- (3) Methods of Redemption of Debenture
- (4) Basis of Allocation of expenses between Pre-incorporation and Post-incorporation period
- (5) Distinction between Amalgamation, Absorption and External Reconstruction
