

Time: 2:30 Hours

Marks: 75

Q.1 A) Rewrite the sentences after selecting correct alternative: (Any eight) (8)

1. As per SEBI guidelines, commission payable to underwriters for underwriting Preference shares or Debentures up to Rs. 5 lakhs, should not exceed _____.
 - a. 5%
 - b. 2%
 - c. 2.5%
 - d. 10%
2. DJ Ltd. issued shares at a face value of Rs. 100 with a premium of Rs. 20 per share. The underwriting commission will be calculated on _____.
 - a. Rs. 100
 - b. Rs. 120
 - c. Rs. 20
 - d. Rs. 80
3. If the buy-back is at discount, the amount of discount is credited to _____.
 - a. Capital Reserve A/c
 - b. Share Capital A/c
 - c. Profit & Loss A/c
 - d. Securities Premium A/c
4. According to Section 68, before buy-back, all the equity shares _____.
 - a. must be fully paid
 - b. must be fully issued and subscribed to the extent of the authorized capital
 - c. must be held by the same shareholders for at least for one year
 - d. None of the above
5. 'Pooling of interest' is a method of _____.
 - a. Charging depreciation
 - b. Accounting for Amalgamation
 - c. Calculation of Purchase Consideration
 - d. None of the above
6. On amalgamation, Profit & loss A/c (Debit) balance of the vendor company _____.
 - a. is closed by debit to Realisation A/c
 - b. is closed by debit to Equity Shareholders A/c
 - c. is closed by credit to Equity Shareholders A/c
 - d. is closed by credit to Realisation A/c
7. Debenture holders accepting a cash payment less than the face value of their debentures amounts to _____.
 - a. Reduction of share capital
 - b. Alteration of share capital
 - c. Variation of shareholders right
 - d. Compromise/ arrangement
8. Surrender of fully paid shares amounts to _____.
 - a. Reduction of share capital
 - b. Alteration of share capital
 - c. Variation of shareholders right
 - d. Compromise/ arrangement

9. Preferential creditors are shown in the statement of affairs under _____.
 a. List D
 b. List B
 c. List C
 d. List E
10. Any sum due to an employee out of provident fund is an example of _____.
 a. Secured creditor
 b. Unsecured creditor
 c. Preferential creditor
 d. Partly secured creditor

Q.1 B) State whether the given statements are TRUE or FALSE: (Any seven) (7)

1. Unmarked applications are known as direct applications.
2. Underwriter A/c is debited when a company pays the underwriter.
3. Buy back of Equity shares can be made out of the proceeds of an earlier issue of Preference shares.
4. A tender offer is the only method a company can use to buy back shares.
5. Goodwill arising on amalgamation, as per AS-14 is to be retained in the books of the company till the winding up.
6. Under Absorption, there are two or more liquidations and one formation.
7. Internal reconstruction involves the liquidation of a company and the formation of a new one.
8. If authorized by its articles, a company can increase its share capital by making fresh issue.
9. In liquidation, creditors are generally paid before shareholders.
10. List E in statement of affairs gives the list of Unsecured Creditors.

Q.2 A) P Ltd. and Q Ltd. were engaged in the business of manufacturing of jewellery. Both companies decided to amalgamate, forming a new company PQ Ltd. with an authorized capital of Rs.20,00,000 divided into 2,00,000 equity shares of Rs.10 each. (15)

The Balance Sheet of the companies as of 31-03-2024 was as follows:

Particulars	P Ltd.	Q Ltd.
I. EQUITY AND LIABILITIES		
1. Shareholders' Funds		
a. Share Capital	2,80,000	5,00,000
b. Reserves and Surplus		
Profit and Loss A/c	60,000	70,000
Reserve Fund	-	2,40,000
2. Non-Current Liabilities		
- 9% Secured Debentures	2,20,000	-
3. Current Liabilities		
- Trade Payables	1,08,000	2,80,000
Total	6,68,000	10,90,000
II. ASSETS		
1. Non-Current Assets		
Property, Plant, and Equipment		
- Building	2,00,000	3,80,000
- Plant and Machinery	-	1,60,000
- Furniture and Fixtures	50,000	50,000

2. Current Assets		
- Inventories	2,70,000	1,00,000
- Trade Receivables	88,000	2,84,000
- Cash at Bank	60,000	1,16,000
Total	6,68,000	10,90,000

Additional Information:

1. Goodwill of P Ltd. was valued at Rs.1,00,000 and Q Ltd. at Rs.3,00,000.
2. Furniture and Fixtures of Q Ltd. was revalued at Rs.70,000.
3. The 9% Debentures of P Ltd. were to be discharged by issuing 9% 22,000 debentures of PQ Ltd. at a premium of 10%.

You are required to:

1. Compute the Purchase Consideration.
2. Pass the necessary opening journal entries in the books of PQ Ltd.
3. Prepare Notes to Accounts of Share Capital and Reserves & Surplus only of PQ Ltd. as per the Purchase Method. (Do not prepare Balance Sheet)

OR**Q.2 B) Following is the summary Balance Sheet of Rajiv Ltd. as on 31-03-2024. (15)**

Liabilities	Rs.	Assets	Rs.
2,00,000 Equity Shares of Rs. 10 each, Rs. 8 paid up	16,00,000	Plant & Machinery	13,00,000
Profit & Loss Account	16,00,000	Furniture	9,00,000
Security Premium	8,00,000	Investments	5,00,000
12% Debentures	16,00,000	Sundry Debtors	12,00,000
Creditors	6,00,000	Stock	13,00,000
		Bank balance	10,00,000
	62,00,000		62,00,000

The company decided to buy back maximum number of equity shares as may be permitted at an offer price of Rs. 20 per share being the current market price.

Assuming that the buy-back is actually carried out, you are required to:

- a) Ascertain the maximum number of Equity shares the company can buy back.
- b) Pass journal entries in the books of the Rajiv Ltd.
- c) Prepare Notes to Accounts of Share Capital and Reserves & Surplus as they would appear in Notes to accounts forming part of the Balance Sheet of Rajiv Ltd. as on 31-03-2024. (Do not prepare Balance Sheet.)

Q.3 A) Balance Sheet of Shobha Ltd. as on 31-03-2024:**(15)**

Liabilities	Rs.	Assets	Rs.
<u>Paid up Capital:</u>		<u>Fixed Assets:</u>	
2,000, 6% Preference Shares of Rs. 100 each fully paid up	2,00,000	Plant & Machinery	4,40,000
4,000, Equity Shares of Rs. 100 each fully paid up	4,00,000	Land & Building	4,00,000
6,000, Equity Shares of Rs. 100 each, Rs. 50 per share paid up	3,00,000	<u>Current Assets:</u>	
<u>Secured Loan:</u>		Debtors	2,00,000
6% Debentures (Floating charge on all assets)	2,00,000	Stock	2,00,000

Other:		Cash at Bank	60,000
Mortgage on Land & Building	2,00,000	Profit & Loss A/c	2,00,000
Current Liabilities:			
Sundry Creditors	1,80,000		
Income Tax	20,000		
	15,00,000		15,00,000

The company went into liquidation on 1st April, 2024.

Preference dividend was in arrears for three years. The arrears are payable on liquidation.

The assets realized were as follows:

Land & Building	Rs. 4,80,000
Plant & Machinery	Rs. 3,60,000
Stock	Rs. 1,40,000
Debtors	Rs. 1,20,000

Expenses of liquidation are Rs. 16,000.

The liquidator is entitled to a commission at 2% on all assets realised and 3% on amounts distributed to unsecured creditors.

Assuming that the final payments were made on 30-09-2024, prepare the Liquidator's Statement of Account.

OR

Q.3 B) The Ledger Balances of Avani Ltd includes:

(15)

Particulars	Amount (Rs.)
Building	4,10,000
Furniture	2,00,000
Computer	3,00,000
Debtors	3,50,000
Share Issue Expenses	70,000
Bills Receivable	50,000
Stock	3,90,000
Cash at Bank	90,000
Creditors	3,50,000
Bills Payable	75,000
Outstanding Audit Fees	75,000
Equity Share Capital (80,000 shares @ Rs.10 each)	8,00,000
'M' 10% Debentures	4,00,000
'N' 12% Debentures	5,00,000
Outstanding Interest for one year on Debentures	1,00,000
8% Preference Shares (2,000 shares @ Rs.100 each)	2,00,000
Outstanding Salary	20,000
Profit & Loss A/c (Debit Balance)	?

1. The company has incurred heavy losses. The following scheme of Reconstruction is agreed upon.

- 8% Preference Shares to be reduced by Rs.20 per share.
- Equity Shares to be reduced by Rs.5 per share.

2. To settle the claim of debenture holders of:

- 'M' 10% Debentures to be settled by issuing new 12% Debentures worth Rs.2,00,000.
- 'N' 12% Debentures to be settled by issuing new 13% Debentures worth Rs.5,00,000.
- 'M' Debenture holders to forgo interest.
- Outstanding debenture interest on 'N' 12% Debenture holders to be paid.

3. To write-off fictitious assets and debit balance of Profit & Loss A/c.

- Computer to be written down by Rs.50,000.
- Directors refund Rs.70,000 fees previously received by them

You are required to show:

- a) Journal Entries to record the above transactions.
- b) Capital Reduction Account

Assume that all the formalities are duly complied.

Q.4 A) Following is the Summary Balance Sheet of Ujala Ltd. as on 31-03-2024: (15)

Liabilities	Rs.	Assets	Rs.
Equity Shares of Rs. 10 each fully paid up	8,00,000	Land and Building	7,70,000
Capital Reserve	50,000	Furniture and Fittings	1,60,000
Profit and Loss Account	1,50,000	Stock	80,000
Export Profit Reserve	1,20,000	Trade Receivables	1,50,000
Revaluation Reserve	3,00,000	Cash and Bank Balance	4,40,000
Trade Payables	1,80,000		
Total	16,00,000	Total	16,00,000

On the above date, Prakash Ltd. is formed to take over the business of Ujala Ltd including cash and bank balance,

on the following conditions:

1. Trade Receivables are taken over at Rs. 1,40,000, subject to reserves for bad debts.
2. Land and building are taken over at agreed value of Rs. 20,00,000.
3. Stock is taken over at Rs. 70,000
4. Furniture and Fittings are taken over Rs. 1,40,000
5. Statutory reserves are required to be maintained for 3 more years
6. Goodwill is valued and taken over at 250% of the book value of furniture and fittings.
7. 90% purchase consideration is settled by issuing equity shares in Prakash Ltd, of Rs. 10 each at Rs. 15 each, to the Equity shareholders of Ujala Ltd. 10 % purchase consideration is settled in cash.
8. Prakash Ltd issued, 15% 80,000 Preference Shares of Rs. 10 each at Rs. 9 each fully paid up. All shares were fully subscribed for by Public and issued accordingly by the company.

You are required to:

- a. Calculate Purchase Consideration.
- b. Prepare Balance Sheet of Prakash Ltd after Amalgamation

OR

Q.4 B) Ambani Ltd. issued 80,000 equity shares of Rs. 10 each. The issue was underwritten by Shankar- 48,000; Suman- 20,000 and Madan- 12000. In addition to this there was firm underwriting as Shankar- 6,400; Suman- 2,400 and Madan- 8000. The total subscription received including firm underwriting and marked applications are 60,000 shares. The Marked applications excluding firm underwriting are Shankar- 8,000; Suman- 16,000 and Madan- 4000 shares.

You are required to show statement of liability of underwriters in both cases if credit of firm underwriting is to be given and not to be given.

(15)

Q.5 A) What are the types of underwriting?

(8)

Q.5 B) Distinguish between purchase method vs merger method.

(7)

OR

Q.5 Write short notes on: (Any 3)

(15)

- (a) Test to check conditions for buyback
- (b) Reduction of Share Capital
- (c) Preferential Creditors
- (d) Liability of the underwriter
- (e) Purchase consideration
