

(Duration – 2.5 Hours)

Max. Marks: 75

Please check whether you have got the right question paper.

- N. B.:** (1) All questions are compulsory.  
 (2) Answers to the same questions must be written together.  
 (3) Numbers to the right indicate full marks.  
 (4) Draw neat and Tadel diagrams wherever necessary.

**Q.1.A Multiple Choice Questions (Attempt any EIGHT of the following) (08)**

- 1 As per the Companies Act, 2013, the maximum underwriting commission on shares is \_\_\_\_\_.  
 a) 2%  
 b) 3%  
 c) 5%  
 d) 10%
- 2 A contributory is a \_\_\_\_\_.  
 a) Unsecured Creditors  
 b) Preferential Creditors  
 c) Shareholder  
 d) Debenture holder
- 3 The company must apply for an order confirming the reduction \_\_\_\_\_.  
 a) To the Supreme Court  
 b) to the High court  
 c) to the Tribunal  
 d) to the Liquidator
- 4 Alpha Ltd. Issue shares of Rs.1,000 each at 950. The underwriters commission will be paid on \_\_\_\_\_.  
 a) Rs. 1,000  
 b) Rs. 950  
 c) Rs. 1,950  
 d) Rs. 50
- 5 Equity shares that can be bought back \_\_\_\_\_.  
 a) Out of profit only  
 b) Out of proceeds of fresh issue only  
 c) Out of capital profit only  
 d) Its Free Reserve
- 6 When the merger involves liquidation of one or more existing companies and formation of no new company, it is called \_\_\_\_\_.  
 a) Internal reconstruction  
 b) absorption  
 c) external reconstruction  
 d) amalgamation

- 7 \_\_\_\_\_ of the following items cannot be written off by using a Reconstruction Account.
  - a) Preliminary Expenses
  - b) Debit balance of Profit and Loss Account
  - c) Fictitious assets
  - d) Goodwill purchased for cash
- 8 The Buyback of Equity shares in any financial year shall not exceed Twenty-five % of its total \_\_\_\_\_.
  - a) Authorised capital in that financial year
  - b) Paid up capital in that financial year
  - c) Paid up capital and Free reserve in that financial year
  - d) Called up capital in that financial year
- 9 Preferential creditors are shown in the statement of affairs under \_\_\_\_\_.
  - a) List D
  - b) List B
  - c) List C
  - d) List A
- 10 Goodwill arising on amalgamation is to be \_\_\_\_\_.
  - a) Retained in the book of the transferee company
  - b) Amortised to income on a systematic company
  - c) Adjusted against reserve and profit and loss account of the transferee company immediately
  - d) None of the above

**Q.1.B True or False (Attempt any SEVEN of the following)**

(07)

- 1 Unmarked application can be distribution among the underwriters in the ratio of gross liability.
- 2 Underwriting of shares and debentures is not compulsory as per the companies Act, 2013.
- 3 The buyback of shares can be affected by purchase from open Market.
- 4 Buyback of security is governed by section 68 of Companies Act.
- 5 Two or more companies combining to form a new company is called absorption.
- 6 Local taxes are an example of secured creditors
- 7 Only sick companies undertake capital reduction.
- 8 The nature of external reconstruction and internal reconstruction.
- 9 Marked application are also known as direct application
- 10 In compulsory winding up, remuneration of the liquidator is fixed by the court.

- Q.2.A** Gill Ltd. agreed to acquire business of Virat Ltd as on 31<sup>st</sup> March 2024. The Summarised Balance Sheet of Virat Ltd. As on 31<sup>st</sup> March 2024 was as follows:

(15)

| Liabilities                                   | Rs.             | Assets        | Rs.             |
|-----------------------------------------------|-----------------|---------------|-----------------|
| 12,000 Equity shares of Rs. 10 each full paid | 1,20,000        | Goodwill      | 20,000          |
| General Reserve                               | 34,000          | Building      | 60,000          |
| Profit and Loss account                       | 22,000          | Machinery     | 68,000          |
| 6% Debentures                                 | 20,000          | Closing Stock | 33,600          |
| Creditors                                     | 4,000           | Debtors       | 7,200           |
|                                               |                 | Bank Balance  | 11,200          |
|                                               | <b>2,00,000</b> |               | <b>2,00,000</b> |

The consideration payable are as follows:

1. Cash payment equal to Rs. 2.5 each per share Virat Ltd.
2. Issue of 18,000 Equity shares of Rs. 10 each of Gill Ltd. having an agreed value of Rs. 15. per share.
3. While calculating the consideration the assets were revalued as follows:  
Building and Machinery at Rs. 1,20,000 each, Stock at Rs. 28,400 and Debtors subject to 5% provision for discount.
4. Liquidation expenses agreed to be paid by Virat Ltd. Was Rs. 1,000.

**Prepare:**

- a) Statement of purchase consideration.
- b) Necessary ledger account to close the books of Virat Ltd.
- c) Calculate goodwill in the books of Gill Ltd.

**OR**

- Q.2.B** Following is the Balance Sheet of M/s. Ramakant Ltd. as on 31<sup>st</sup> March, 2025:

(15)

| Liabilities                                      | Rs.              | Assets               | Rs.              |
|--------------------------------------------------|------------------|----------------------|------------------|
| Equity Shares of Rs. 10 each                     | 10,00,000        | Fixed Assets         | 21,00,000        |
| 12% Cumulative Preference Shares of Rs. 100 each | 7,00,000         | Stock                | 20,00,000        |
| 10% Debentures                                   | 3,00,000         | Sundry Debtors       | 15,00,000        |
| Sundry Creditors                                 | 36,00,000        | Bank                 | 1,10,000         |
| Provision for Tax                                | 5,00,000         | Preliminary Expenses | 40,000           |
|                                                  |                  | Profit & Loss A/c    | 3,50,000         |
| <b>Total</b>                                     | <b>61,00,000</b> | <b>Total</b>         | <b>61,00,000</b> |

**Note:** Preference dividend for 3 years was in arrears.

**Following scheme of reconstruction was approved:**

1. Write off fixed assets by 20%, sundry debtors by 15% and reduce the value of stock to 55% of its book-value.
2. Preference shareholders to forego arrears of preference dividend.
3. Directors give a temporary loan of Rs. 5,00,000 to the company.
4. The company settled tax liability to the extent of Rs. 5,40,000 and to meet the expenses of reconstruction amounting to Rs. 10,000.
5. Sundry creditors to give a remission of 20% of their claims and a company to allot 11% preference shares of Rs. 100 each fully paid up in settlement of the balance amount.
6. 10% debentures to be converted into 13% debentures of Rs. 1,60,000 in full settlement of their claim.
7. Equity shares to be reduced to Rs. 2 each fully paid up and 12% cumulative preference shares to be reduced to 1,00,000 cumulative preference shares of Rs. 2 each fully paid up.
8. Write off debit balance in Profit & Loss Account and preliminary expenses.

**Draft Journal Entries and prepare Capital Reduction Account.**

Q.3.A Following is the balance sheet of Deepa Ltd. as on 31 March 2025.

(15)

| Liabilities                           | Rs.              | Assets                                                  | Rs.              |
|---------------------------------------|------------------|---------------------------------------------------------|------------------|
| Equity Shares of Rs. 10 each          | 12,00,000        | Fixed Assets                                            | 41,80,000        |
| 10% Preference Shares of Rs. 100 each | 3,00,000         | Investments                                             | 12,00,000        |
| Securities Premium                    | 2,40,000         | Current Assets<br>(Including Bank Balance Rs. 2,50,000) | 16,20,000        |
| General Reserve                       | 4,00,000         |                                                         |                  |
| Profit and Loss A/c                   | 3,60,000         |                                                         |                  |
| 10% Debenture                         | 20,00,000        |                                                         |                  |
| Long term Loan                        | 16,00,000        |                                                         |                  |
| Current Liabilities                   | 9,00,000         |                                                         |                  |
| <b>Total</b>                          | <b>70,00,000</b> | <b>Total</b>                                            | <b>70,00,000</b> |

Keeping in view all the legal requirements, ascertain the maximum no. of equity shares that Deepa Ltd. can buy back @ Rs. 50 per share. Assume that the buy back is actually carried out. Investment costing Rs.6,00,000 sold for 6,20,000 after the buyback.

- Ascertain the Maximum number shares of Equity shares that company can buy back.
- Pass Journal entry in the book of M/s Deepa Ltd.
- Prepare Balance sheet of M/s Deepa Ltd after buy back.

OR

Q.3.B The summarised Balance Sheet of Kishin Ltd. as on 31<sup>st</sup> December, 2024; being the date of voluntary winding up is as under:

(15)

| Liabilities                                                             | Rs.              | Assets              | Rs.              |
|-------------------------------------------------------------------------|------------------|---------------------|------------------|
| <b>Share Capital:</b>                                                   |                  | Land and Building   | 3,86,000         |
| 12% Cumulative Preference Shares:                                       |                  | Plant and Machinery | 8,21,000         |
| 10,000 Shares of Rs. 100 each fully paid up                             | 10,00,000        | Stock-in-Trade      | 1,84,000         |
| Equity Share Capital:                                                   |                  | Book Debts          | 13,37,000        |
| 5,000 Equity Shares of Rs. 100 each Rs. 60 per share called and paid up | 3,00,000         | Profit and Loss A/c | 3,72,000         |
| 5,000 Equity Shares of Rs. 100 each Rs. 50 per share called and paid up | 2,50,000         |                     |                  |
| 15% Debentures                                                          | 4,00,000         |                     |                  |
| Preferential Creditors                                                  | 1,05,000         |                     |                  |
| Bank Overdraft                                                          | 3,03,000         |                     |                  |
| Trade Creditors                                                         | 7,42,000         |                     |                  |
| <b>Total</b>                                                            | <b>31,00,000</b> | <b>Total</b>        | <b>31,00,000</b> |

Preference dividend is in arrears for two years. By 31<sup>st</sup> March, 2025;

1) The assets realised were as follows:

- Land and Building: Rs. 9,84,000
- Stock-in-Trade: Rs. 1,63,000
- Plant and Machinery: Rs. 7,12,000
- Book Debts: Rs. 11,91,000

2) Expenses of Liquidation are Rs. 54,000.

3) The remuneration of the liquidator is 3 per cent of the realisation.

4) Income tax payable on liquidation is Rs. 44,500.

Assuming that the final payments are made on 31<sup>st</sup> March, 2025; prepare the Liquidator's Final Statement of Accounts.

**Q.4.A** Kartik Ltd. invited applications for 4,00,000 equity shares of Rs. 10 each at a premium of Rs. 5 per share. The entire issue was underwritten as follows: P – 30%, Q – 30%, R – 20%, S – 20%. They also agreed for firm underwriting of 12,000 shares, 8,000 shares, 4,000 shares and 4,000 respectively. The underwriters were entitled to the maximum commission permitted by law, (15)

The company received applications for 2,80,000 shares from the public, out of which applications for 76,000; 40,000; 84,000 and 32,000 shares were marked to P, Q, R and S.

**Determine the liability of each underwriter.**

(a) When no credit is given for firm underwriting, and

(b) When credit is given for firm underwriting.

**OR**

**Q.4.B** Following is the summarised Balance Sheet of Tom Ltd. As on 31<sup>st</sup> March, 2025: (15)

| Liabilities                                   | Rs.              | Assets                  | Rs.              |
|-----------------------------------------------|------------------|-------------------------|------------------|
| 12,000 – 8% Preference Shares of Rs. 100 each | 12,00,000        | Goodwill                | 2,00,000         |
| 1,00,000 Equity Shares of Rs. 10 each         | 10,00,000        | Building                | 6,00,000         |
| Capital Reserve                               | 1,00,000         | Plant & Machinery       | 6,00,000         |
| 6% Debentures of Rs. 100 each                 | 6,00,000         | Furniture               | 2,00,000         |
| Interest due on Debentures                    | 1,00,000         | Stock                   | 3,00,000         |
| Sundry Creditors                              | 3,60,000         | Sundry Debtors          | 1,50,000         |
|                                               |                  | Bank & Cash Balance     | 2,50,000         |
|                                               |                  | Discount on Debentures  | 60,000           |
|                                               |                  | Profit & Loss A/c (Dr.) | 10,00,000        |
| <b>Total</b>                                  | <b>33,60,000</b> | <b>Total</b>            | <b>33,60,000</b> |

**Note:** Preference dividend is in arrears for three years.

**Scheme of Reconstruction:**

- The preference shares shall be converted into equal number of 9% preference shares of Rs. 50 each.
- The equity shares shall be reduced to Rs. 3 each. However, the face value will remain the same.
- 6% debentures shall be converted into equal number of 7% debentures of Rs. 75 each. The debenture holders also agreed to waive 50% of the interest due.
- Arrears of preference dividend is to be reduced to one year's dividend which is paid in cash.
- The Sundry creditors agreed to waive 30% of their claims and to accept equity shares for Rs. 60,000 in part settlement of their renewed claims.
- The assets are to be revalued as under:
  - Building Rs. 7,00,000
  - Plant & Machinery Rs. 5,00,000
  - Furniture Rs. 1,60,000
  - Stock Rs. 2,00,000

- Sundry Debtors Rs. 1,40,000
- Write off Profit & Loss A/c (Dr.) Balance, Intangible & fictitious assets.
- Reconstruction expenses were Rs. 2,000.

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

**Q.5.A** Explain the methods of purchase consideration in details. (8)

**Q.5.B** Give the conditions laid down for Buy Back of Equity shares under companies Act 2013. (7)

OR

**Q.5** Write any **three** short notes (15)

- (a) Need of Internal Reconstruction
- (b) Types of Amalgamation
- (c) Content of Liquidator's Statement of Accounts.
- (d) Underwriters commission under Underwriting of Shares and Debentures
- (e) Alteration of share capital

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