

T.Y.B.Com<sup>TH</sup> Sem A.T.K.1. APR-2024

Time: 3 hrs.

Total Marks: 100

- N.B. 1) All questions are compulsory  
 2) Figures to the right indicate full marks  
 3) Working notes should form part of your answer  
 4) Use of simple calculator is allowed

Q.1 A) Match the following items from column A with column B (any ten) (10)

Column A	Column B
1) Capital Reserve	a) No new company is formed
2) Provision for Income Tax	b) Consolidation of Shares
3) Sales Commission	c) Debit Side of Capital Reduction a/c
4) Internal Reconstruction	d) Other expenses
5) Conversion of Shares from smaller denomination to larger denomination	e) Debit side of Bank a/c
6) Payment of Reconstruction Expenses	f) Reports certain types of wrongdoing
7) Buyback less than 10% of paid up equity capital and free reserves	g) Short term provisions
8) Escrow Account	h) Authorized by Board of Directors.
9) Profit on Sale of Investment	i) Required for buyback process
10) Pre-acquisition dividend	j) Debit Side of Investment a/c
11) Whistle blower	k) 2% of Net Profit
12) CSR	l) Credited to Investment a/c
	m) Reserve & Surplus

Q.1 B) State whether the following statements are true or false (any ten) (10)

- Income received in advance should be recorded in Other Current Liabilities.
- Mining Rights is a Intangible Asset.
- Finance cost means the cost incurred by a company on borrowings/ loans taken.
- Internal Reconstruction needs to represent a true and fair view of the financial position of the company.
- Alteration of share capital is a method of internal reconstruction.
- Upon surrender of shares by shareholder, the share capital account should be debited.
- To increase earnings per share is one of the objectives of buyback of shares.
- Dividend Equalization Reserve is a part of divisible profit and it is available for buyback of shares.
- Equity Share is an example of fixed earning security.
- Long term investments are valued at cost or market value whichever is lower.
- Ethical behavior should be practiced with employees only.
- Unethical behavior increases reputation of the company.

Q.2 A) The following balances of ledger accounts have been extracted from the books of accounts of Duplessis Ltd; for the year ended 31<sup>st</sup> March 2024. (20)

Particulars	Debit Rs.	Credit Rs.
Building	18,00,000	
Furniture	1,80,000	
Motor Vehicle	1,72,500	
Investment (long term)	12,07,500	



Purchases	22,50,000	
Stock (1 <sup>st</sup> April 2023)	12,00,000	
Debtors	8,40,000	
Advance against construction of Building	3,90,000	
Cash and Bank Balance	5,16,000	
Share Capital (Shares of Rs. 100 each)		30,00,000
Creditors		10,50,000
Sales		52,50,000
Profit and loss account (1 <sup>st</sup> April 2023)		60,000
Dividend Received		30,000
Salaries and Wages	6,60,000	
Directors Fees	24,000	
Electricity Charges	75,000	
Rent, Rates and Taxes	30,000	
Auditors fees	45,000	
<b>Total</b>	<b>93,90,000</b>	<b>93,90,000</b>

**Additional information:**

- 1) Provide depreciation @10% on all fixed assets
  - 2) Stock has been valued at Rs. 10, 80,000 on 31<sup>st</sup> March 2024.
  - 3) There has been a loss of stock by fire of Rs. 1, 50,000. However, the insurance company admitted the claim of Rs. 1, 20,000 only.
  - 4) Provide for taxation @40%
  - 5) The directors have proposed dividend @20%
- You are requested to prepare, statement of profit and loss for the year ended 31<sup>st</sup> March 2024 and Balance sheet of Duplesis Ltd. as at that date.

**OR**

**Q.2 B)** Following transactions of 10% Debentures of Rs. 100 each of Sanju Ltd; appears in the books of Mr. Ponting. (20)

Interest is payable on 30<sup>th</sup> June and 31<sup>st</sup> December every year. On 1<sup>st</sup> April 2023 he held 1,500, 10% Debentures at a cost of Rs. 1,45,500. Mr. Ponting provided following details of transactions taken place in the financial year 2023-24:

Date	Transaction
01/05/2023	Purchased 2,250 10% Debentures at Rs. 102 cum- interest.
01/06/2023	Sold 2,250, 10% Debentures at Rs. 103 Cum- Interest
01/11/2023	Purchased 3,375, 10% Debentures at Rs. 99 ex- interest
01/12/2023	Sold 2,700, 10% Debentures at Rs. 100 ex interest.
01/02/2024	Purchased 1,125, 10% Debentures at Rs. 101 ex- interest
01/03/2024	Sold 2,850, 10% Debentures at Rs. 104 cum- interest.

You are required to prepare Investment in 10% Debentures account in the books of Mr. Ponting for the year ended 31<sup>st</sup> March 2024.

**Q.3 A)** The following is the Balance Sheet of Raturaj Ltd; as at 31<sup>st</sup> March 2024. (20)

Particulars	Note No.	Amount Rs.
<b>I. Equity and Liabilities:</b>		
<b>1) Shareholders Funds</b>		
a) Share Capital (40,000 Equity Shares of Rs. 100 each)		40,00,000
b) Reserve & Surplus:		
i) Capital Reserve		50,000



ii) Profit & Loss a/c (Debit Balance)		(39,60,000)
<b>2) Non-current liabilities:</b>		
a) Long term borrowings:		
i) 12 % Debentures		10,00,000
ii) Bank Loan		1,10,000
<b>3) Current Liabilities:</b>		
a) Trade Payables (Trade Creditors)		6,00,000
b) Other Current Liabilities (Outstanding Debenture Interest)		2,40,000
<b>Total</b>		<b>20,40,000</b>
<b>II. Assets:</b>		
<b>1) Non- Current Assets:</b>		
<b>a) Property, Plant &amp; Equipment</b>		
<b>i) Tangible Assets</b>		
Land & Building		3,00,000
Plant & Machinery		6,00,000
Furniture		1,60,000
<b>ii) Intangible Assets</b>		
Goodwill		1,00,000
<b>iii) Other non-current assets:</b>		
Discount on issue of Debentures		40,000
<b>2) Current Assets:</b>		
a) Inventories (Stock)		7,00,000
b) Trade Receivables (Trade Debtors)		1,20,000
c) Cash & Cash equivalents (Cash at Bank)		20,000
<b>Total</b>		<b>20,40,000</b>

The following scheme of internal reconstruction is executed:

- i) Equity Shares are reduced to Rs. 5 per share. They are then consolidated in to 20,000 equity shares of Rs. 10 each.
- ii) Debenture holders agree to forgo outstanding debenture interest. As a compensation, 12% Debentures are converted in to 14% Debentures.
- iii) Trade Creditors are given the option to either accept 50% of their claim in cash in full settlement or to convert their claim in to equity shares of Rs. 10 each. Creditors of Rs. 4,00,000 opted for shares in satisfaction of their claim and remaining opted for cash.
- iv) To make payment to trade creditors opting for cash payment, to repay bank loan and to augment the working capital, the company issued 1,00,000 equity shares of Rs. 10 each at par, the entire amount being payable with the application. The shares were fully subscribed.
- v) Land and Building is revalued at Rs. 4, 50,000, whereas the plant and Plant & Machinery is written down to Rs. 4, 20,000. A provision of ₹ 10,000 is to be made for doubtful debts.

You are required to pass the journal entries and prepare the Balance Sheet after reconstruction.

**OR**

**Q.3 B)** Mr. Macmilan entered in to following transactions of Equity Shares of Rs. 100 each of Boul Ltd;

(10)

Date	No. of shares	Transactions
01/04/2023	1,000	Cost Rs. 2,30,000 (Opening)
01/06/2023	500	Purchase @ Rs. 220 per share
01/10/2023	1,000	Bonus Shares Received
01/01/2024	700	Sale @ Rs. 240 per share

On 31<sup>st</sup> August 2023, Dividend @ Rs. 30 per Share was received for the year ended 31<sup>st</sup> March 2023.

You are requested to prepare Investment Account in the books of Mr. Macmilan for the year ended 31<sup>st</sup> March 2024.

**Q.3 C)** Following is the summarized Balance Sheet of Polard Ltd; as on 31<sup>st</sup> March 2024. (10)

Liabilities	Amount Rs.	Assets	Amount Rs.
80,000 Equity Shares of Rs.10 each fully paid	8,00,000	Building	32,00,000
General Reserve	18,00,000	Machinery	21,00,000
Capital Reserve	4,00,000	Trade Receivables	3,00,000
Debenture Red. Reserve	2,00,000	Bank Balance	10,00,000
10% Debentures	40,00,000	Cash in Hand	8,00,000
Creditors	2,00,000		
	74,00,000		74,00,000

By Considering all the legal requirements, company decided to buyback 20,000 Equity Shares at offer price of Rs. 40 per Share.

You are requested to pass journal entries for buyback of 20,000 Equity Shares and Prepare note of Reserve & Surplus.

(Note: Calculation of maximum number of shares is not required)

**Q.4 A)** Following is the Balance Sheet of Mr. Shephard Ltd; As on 31<sup>st</sup> March 2024. (20)

Liabilities	Amount Rs.	Assets	Amount Rs.
Equity Shares (Rs. 10)	37,50,000	Fixed Assets	45,00,000
General Reserve	26,25,000	Investments	37,50,000
Securities Premium	1,25,000	Bank	22,50,000
P&L a/c	10,00,000	Other Current Assets	37,50,000
10% Debentures	30,00,000		
Bank Loan	7,50,000		
Sundry Creditors	30,00,000		
	1,42,50,000		1,42,50,000

The Company decided to buy back its equity shares, for this purpose the company took the following steps:

- Issued 22,500, 12% Preference Shares of Rs. 10 each at a premium of 5%.
- Issued 1,500, 10% Debentures of Rs. 100 each at par.
- It sold 50% of its Investment at a profit of 20%.

You are required to:

- Ascertain Maximum number of equity shares that can be bought back with maximum offer price.
- Pass Journal entries in the books of Shephard Ltd.

OR

**Q.4 B)** From the following individual transactions pass necessary journal entries (10)

- Ravindra Ltd; having 50,000 equity shares of Rs. 10 each decides to convert the shares in to equity shares of Rs. 100 each.
- Sachin Ltd; having 20,000 equity shares of Rs. 100 each decided to subdivide the shares in to shares of Rs. 10 each



- 3) The share capital of Rachin ltd; consists of 50,000 equity shares of Rs. 100 each fully paid up. For the purpose of reconstruction, it was decided to sub-divide shares of Rs. 100 each in to shares of Rs. 25 each. After that the members decide to surrender three out of four shares held for reconstruction of the company and the company decides to cancel 1/3<sup>rd</sup> of the surrendered shares.
- 4) The company has a balance of Creditors account is Rs. 5,00,000, The Claim of 75% of the creditors is settled by paying cash of Rs. 93,750.

Q.4 C) From the following, Prepare relevant notes to accounts. (10)

Particulars	Amount Rs.
Capital Reserve	6,00,000
Capital Redemption Reserve	12,00,000
Securities Premium	18,00,000
General Reserve	48,00,000
P&L account – Opening Balance	1,40,00,000
Profit for the period	1,50,00,000
Transfer to Reserve 10%	
Interim Dividend paid	30,00,000
Proposed Dividend:	
Preference Shares	35,00,000
Equity Shares	70,00,000
Transfer to Debenture Redemption reserve	30,00,000

Q.5 A) What is unethical behavior? Explain the effects of unethical behavior on financial reporting. (10)

Q.5 B) Explain the ethical issues for Accountants. (10)

OR

Q.5 C) Write Short Notes (Any four) (20)

- Need for Internal Reconstruction
- Shareholders Funds
- Accounting for Dividend Received in Investment a/c
- Capital reduction
- Conditions for buyback
- Ex interest and Cum Interest

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