

Paper / Subject Code: 44801 / Financial Accounting - V (Rev-2018)

Duration: 2 ½ Hrs.

Marks: 75

DT: - 8/12/22

- Note: (a) All questions are compulsory and carry 15 marks each  
(b) Working notes should form part of your answer  
(c) Use of simple calculator is allowed.

Q.1. A. Choose the correct alternative and rewrite the statements. (Any Eight) [08]

1. When all the shares are underwritten by the underwriters, it is called \_\_\_\_\_.
  - a. Firm underwriting
  - b. Partial underwriting
  - c. Complete underwriting
  - d. None of the above
2. Equity Shares can be bought back \_\_\_\_\_.
  - a. out of profits only
  - b. out of proceeds of fresh issue only
  - c. out of capital profit only
  - d. its free reserves; or the securities premium account; or the proceeds of shares
3. According to Companies Act the underwriting commission on shares should not exceed \_\_\_\_\_.
  - a. 5 per cent
  - b. 2.5 per cent
  - c. 10 per cent
  - d. 1 per cent
4. If the business of an existing company BKC Ltd. is taken over by an existing company PQR Ltd., it is called \_\_\_\_\_.
  - a. external reconstruction
  - b. internal reconstruction
  - c. absorption
  - d. amalgamation
5. A company may purchase its own shares out of \_\_\_\_\_.
  - a. Its free reserve only
  - b. The securities premium account only
  - c. the proceeds of any shares only
  - d. any or all of the above
6. Surrender of fully paid up shares amounts to \_\_\_\_\_.
  - a. Reduction of Share Capital
  - b. Alteration of Share Capital
  - c. Variation of Shareholders Rights
  - d. Compromise or Arrangement
7. Accounting for amalgamation by way of merger is governed by \_\_\_\_\_.
  - a. Accounting Standard 1
  - b. Accounting Standard 13
  - c. Accounting Standard 14
  - d. None of the above

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8. Amount of Calls in Advance is treated as \_\_\_\_\_.
- Secured Creditors
  - Assets not specifically pledged
  - Preferential Creditors
  - Unsecured Creditors
9. A contributory is a \_\_\_\_\_.
- Unsecured creditors
  - Preferential creditors
  - Shareholder
  - Debenture holder
10. In internal Reconstruction \_\_\_\_\_.
- No Company is Liquidated
  - only one company goes into Liquidation
  - two or more companies are Liquidated
  - One or more companies go into Liquidation

B. State whether the following is True or False: (Any Seven) [07]

- Market applications are also known as Direct Applications.
- Absorption is said to take place when an existing company takes over one or more existing companies.
- A company is allowed to convert its fully paid shares into stock.
- The balance in security premium account cannot be transferred to capital reduction account.
- In statement of affairs, payment to debenture holders is shown after the payment to preferential creditors.
- Capital reserve arises only when the amalgamation is in the nature of 'merger'.
- Where a company completes a buy-back of its share, it shall not make a rights issue of the same kind of shares within a period of six months.
- A contributory can only be a present member of the liquidated company.
- Capital redemption reserve account can be utilized for issuing partly paid bonus shares.
- The underwriting commission is payable in cash.

Q.2. A. The following is the summary Balance Sheet of Rupa Ltd: [15]

<b>Liabilities</b>	<b>Amount</b>	<b>Assets</b>	<b>Amount</b>
Equity Share Capital	5,00,000	Intangible Assets	1,00,000
Statutory Reserves(to be maintained for 3 more years)	20,000	Fixed Assets	8,40,000
Debentures	2,00,000	Current Assets	2,20,000
Creditors	1,00,000	Profit & Loss A/c	1,60,000
	13,20,000		13,20,000

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Roop Ltd. absorb Rupa Ltd. on the following terms:

- 1) Roop Ltd. agreed to take over all the assets and liabilities.
  - 2) The assets of Rupa Ltd. are to be considered to be worth Rs. 10,00,000.
  - 3) The purchase price is to be paid one quarter in cash and the balance in shares which are issued at the market price.
  - 4) Liquidation expenses amounted to Rs. 600 agreed to be paid by Rupa Ltd.
  - 5) Market value of share of Rs.10 each of Roop Ltd. is Rs. 12 per share.
  - 6) Debentures of Rupa Ltd. were paid.
  - 7) The amalgamation is in the nature of purchase.
- You are required to show:
- a) Purchase Consideration.
  - b) Ledger accounts in the books of Rupa Ltd.
  - c) Opening entries in the books of Roop Ltd.

**OR**

Q.2. B. Following are the Summary Balance Sheets of S Ltd. and H Ltd.

[15]

Balance Sheet as on 31<sup>st</sup> March, 2017

Liabilities	S Ltd.	H Ltd.	Assets	S Ltd.	H Ltd.
Equity share Capital of Rs. 10 each	7,50,000	4,50,000	Building	2,50,000	1,55,000
Export Profit Reserves	30,000	30,000	Machinery	3,25,000	1,70,000
Profit & Loss A/c	70,000	60,000	Stock	2,55,000	1,80,000
General Reserve	20,000	45,000	Debtors	90,000	1,00,000
12% Debentures of Rs. 100 each	50,000	30,000	Bank	70,000	55,000
Sundry creditors	70,000	55,000	Share Issue Expenses	-	10,000
	9,90,000	6,70,000		9,90,000	6,70,000

Z Ltd. was formed to acquire all assets and liabilities of S Ltd. and H Ltd. on the following terms:

- 1) Z Ltd. to have an authorized share capital of Rs. 50 lakhs divided into 50,000 equity shares of Rs. 100 each.
- 2) The businesses of both the companies were taken over for a total price of Rs. 12 lakhs to be discharged by Z Ltd. by issue of equity shares of Rs.100 each at a premium of 20%.
- 3) The Shareholders of S Ltd. and H Ltd. to get shares in Z Ltd. in the ratio of net assets values of their respective shares.
- 4) The debentures of both the companies to be converted into equivalent number of 14% Debentures of Rs.100 each in Z Ltd. at a discount of 10%.
- 5) All the tangible assets of both the companies are taken over by Z Ltd. at book values except the following:

Assets	S Ltd.	H Ltd.
Building	2,80,000	1,82,000
Machinery	3,15,000	1,60,000

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6) Sundry Creditors of S Ltd. and H Ltd. are taken over at Rs. 65,000 and Rs. 50,000 respectively.

7) Statutory Reserves are to be maintained for 3 years more.

You are required to:-

- 1) Compute purchase Consideration of S Ltd. and H Ltd.
- 2) Pass journal entries in the books of Z Ltd.
- 3) Prepare Balance Sheet after amalgamation. Apply purchase method.

Q.3. A. The following is the Balance Sheet of Anjali Ltd. which is in the hand of Liquidator. [15]

Balance Sheet as at 31-12-2017

Liabilities	Amount	Assets	Amount
Share Capital:		Fixed Assets	2,00,000
1,000 6% Preference shares of Rs.100 each, fully paid	1,00,000	Stock	1,20,000
2,000 Equity Shares of Rs. 100 each, fully paid	2,00,000	Book Debts	2,40,000
2,000 Equity Shares of Rs.100 each, Rs.75 paid	1,50,000	Cash	40,000
Loan from Bank (on security of stock)	1,00,000	Profit and Loss	3,00,000
Trade Creditors	3,50,000		
	9,00,000		9,00,000

The assets realized the following amounts (after all costs of realization and liquidators remuneration amounting to Rs.5,000 paid out of cash in hand Rs.40,000 as per Balance Sheet):

	Amount
Fixed Assets	1,68,000
Stock	1,10,000
Book Debts	2,30,000

Calls on partly paid shares were made but the amount due on 200 shares was found to be irrecoverable.

Prepare the Liquidators Final Statement of Account.

**OR**

Q.3. B. Following is the Summary Balance Sheet of Hetal Ltd.as on 31<sup>st</sup> March, 2018. [15]

Liabilities	Rs.	Assets	Rs.
Share Capital:		Goodwill	1,70,000
80,000 Equity Share of Rs.5 each fully paid	4,00,000	Land & Building	1,30,000
2,000 6% Cumulative Preference Shares of Rs.100 each fully paid	2,00,000	Equipments	1,25,000
8% Debentures (Rs.100 each)	2,00,000	Sundry Debtors	1,20,500
Bank Overdraft	75,000	Stock	1,66,100

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Sundry Creditors (Including Rs. 10,000 interest due on Bank Overdraft)	1,70,000	Investment	22,750
		Cash at Bank	9,150
		Profit & Loss A/c	3,01,500
	10,45,000		10,45,000

Preference dividend is in arrears for five years. Following scheme of reconstruction was approved by the court.

- 1) Equity shares be reduced to Rs. 1.25 each and then to be consolidated into shares of Rs.10 each.
- 2) 6% Preference Shares be reduced to Rs. 40 each and then to be subdivided into shares of Rs. 10 each.
- 3) Interest accrued but not due on 8% Debentures for half year ended 31<sup>st</sup> March 2018 has not been provided in the above balance sheet. The debenture holders have agreed to receive 40% of this interest in cash immediately and provision for the balance be made in the books of account.
- 4) Rs. 12,000 be paid to Preference Shareholders in lieu of arrears of preference dividend.
- 5) The debenture holders have also agreed to accept equal number of 9% debentures of Rs.60 each in exchange of 8% debentures of Rs. 100 each.
- 6) Bank has agreed to take over 50% of stock in full settlement of its claim including interest. The remaining stock be revalued at Rs.60,000.
- 7) Investments be sold for Rs. 20,000.
- 8) Tangible fixed assets be appreciated by 20%. Goodwill be written off in full and provision be made for doubtful debts of Rs.10,000.

Give journal entries for the above scheme of reconstruction (without narration), prepare Capital Reduction Account in the books of Hetal Ltd. and Balance Sheet of the company after reconstruction.

Q.4. A Following is the Balance Sheet of M/s Amey Ltd. ( a non-listed company) as on 31<sup>st</sup> March, 2012 [15]

Liabilities	Amount	Assets	Amount
10,000 Equity Shares of Rs. 100 each	10,00,000	Fixed Assets	20,00,000
5,000- 10% Preference Shares of Rs. 10 each	5,00,000	Investments	1,00,000
Securities Premium	2,00,000	Stock	2,50,000
General Reserve	2,00,000	Debtors	3,50,000
Profit and Loss A/c	1,00,000	Bank Balance	3,00,000
8% Debentures	6,00,000		
Creditors	4,00,000		
Total	30,00,000	Total	30,00,000

It was decided to buy back maximum number of Equity shares at the maximum price possible under the law. Temporary bank overdraft was arranged in case of shortage of funds.

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You are required to:

- 1) Ascertain maximum number of equity shares that company can buy back.
- 2) Maximum price that the company can offer.
- 3) Pass journal entries in the books of M/s Amey Ltd.
- 4) Prepare Balance Sheet of M/s Amey Ltd. after buy back.

**OR**

- Q.4. B. Samikanth Ltd. made a public issue of Rs.5,00,000 Equity shares of Rs. 10 [15]  
each, the entire amount payable on application. The entire issue was underwritten as follows: A -30%, B- 25%, C- 25% and D - 20% of the public issue respectively. A, B, C and D has also agreed on firm underwriting of 16,000; 24,000; Nil and 60,000 shares respectively. The total subscriptions excluding from underwriting, including marked applications were 3,60,000 shares. The marked applications received were as under:

<b>Underwriter</b>	<b>No. of Shares</b>
A	96,000
B	80,000
C	48,000
D	96,000

Ascertain the net liability of each underwriter.

- Q.5 A What are the contents of "Liquidator's Statement of Accounts"? How  
Frequently does a liquidator has to submit such statement? 08
- B Write distinguish between internal reconstruction and external  
reconstruction. 07

**OR**

- Q.5 Write Short Notes (Any Three) 15
- a) Preferential Creditors
  - b) Method of Internal Reconstruction
  - c) Net Assets Method
  - d) Benefits of Buy-Back
  - e) Firms Undertaking

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