

SYBMS sem IV Reg Exam April- 2023

SYBMS - Semester IV

Time 2Hours 30 Minutes

75 Marks

Note :

05/4/23



All Questions are compulsory

Figures to the right indicate Marks.

Working Should be Part of Your Answer

Q.1 A) State the Following statement are True or False. (Any 8 out of 10) 8 MARKS

- Purchase consideration is the price payable by the transferee company to the transferor company for taking over the business of the transferor company.
- Internal Reconstruction of companies involves liquidation of two or more companies.
- Absorption of companies does involves formation of new company.
- Share split up is a corporate action conducted by the company with the intention to reduce its number of shares trading on the stock exchange.
- When the company reconstruct its financial structure internally without undergoing liquidation, it is external reconstruction.
- Corporate growth is an organic growth Strategy.
- At least two companies are involved in amalgamation.
- New resultant company is formed in Absorption
- External reconstruction is done to recognized the financial structure of the company.
- Absorption and amalgamation is done to cut competition and reap the economics of large scale.

Q.1 B) Rewrite the Sentence for the following MCQ'S ANSWER ANY (7 Out of 10) (7 Marks)

1. Action of an organization or Government selling or liquidating an assets or subsidiary

A) Takeover B) Reverse Merger C) Demerger D) Dis investments.

2. When acquirer takes over the control of the target company.

A) Takeover B) Reverse Merger C) Demerger D) Dis investments.

3 Transfer of one or more undertaking as a result of the sale for a lump sum consideration without values being assigned to the individual assets and liabilities in such sales.

A) Disinvestments B) strategic Alliance C) Franchising D) slump sale.

4 At least three companies are involved

A) Amalamtion B) Absorption C) External reconstruction D) Internal Reconstruction

5 Does to recognised the financial structure of the Company

A) Amalgamation B) Absorption C) External reconstruction D) Internal reconstruction.

6 Amount sacrificed by share holders is credited to

A) Capital Reserve a/c B) Capital reduction a/c. C) Reserve capital Account D) Share surrender Accounts.

7 ACompany is a company which acquires majority of equity shares of the other company.

A) Holding B) Subsidiary C) Liquidating D) Vendor.

8 Opportunity for the unlisted companies to become public listed company, without opting for IPO.

A) Takeover B) Reverse Merger C) Demerger D) slump sale.

9. Pujan Ltd Purchase Consideration is Rs 12,345 and Net Assets Rs. 3,568, then

A) Goodwill Rs 8,777 B) Capital Reserve Rs. 8,777 C) Goodwill Rs.15,913 D) Capital Reserve Rs.15913

10. Venture Capital is a type of .

A) Equity B) Debentures C) Preference D) Bonds

Q2 Sanju Limited took over Raksha Limited on 31st March, 2020 on which day the summarized Balance Sheet of Raksha Ltd. was as follow:

Summarised Balance Sheet as on 31st March, 2020 (15)

Liabilities	Rs.	Assets	Rs.
Equity Shares of Rs. 10/- each	5,00,000	Goodwill	30,000
5% Preference shares Rs. 100/- each	2,00,000	Cash & Bank Balance	40,000
Creditors	50,000	Inventory	1,55,000
Bills Payable	30,000	Plant & Machinery	2,05,000
		Debtors	55,000
		Land and Building	2,50,000
		Preliminary Expenses	17,500
		Profit & Loss A/c (Dr. Balance)	27,500
	<u>7,80,000</u>		<u>7,80,000</u>

The business was taken over by Sanju Limited on the following terms and conditions

1. For every 10 equity shares of Raksha Limited, Sanju Ltd. Issued 11 fully paid equity share of Rs. 10 each and paid Rs. 15 in cash
2. Preference shareholder of Raksha Limited were paid, equal number of 6% preference shares of Rs. 100/- each by Sanju Limited at a premium of 8%.
3. All assets and liabilities were taken over at Book value except Cash & Bank Balance to the extent of Rs. 7,000 which was left for meeting realization expenses.

You are required to:

- (a) Calculate Purchase Consideration; and
- (b) Prepare necessary ledger accounts to close the Books of Raksha Ltd. assuming acquisition is in nature of purchase.

OR

A) Amalgamation B) Absorption C) External reconstruction D) Internal reconstruction.

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- (a) Calculate Purchase Consideration; and
- (b) Prepare necessary ledger accounts to close the Books of Raksha Ltd. assuming acquisition is in nature of purchase.

OR



Q.2 A) How is Purchase Consideration calculated as per Net Assets Method and Net Payment Method ?(8)

B) State the impact of Reorganization on internal aspects of Company (7)

Q.3) Following balances appeared in the books of RAHUL Ltd. as on 31st March, 2022: (15)

20,000 Equity Shares of Rs. 10 each		2,00,000
1,000 8% Cumulative Preference Share of Rs. 100 each		1,00,000
Securities premium Account		40,000
Creditors		10,000
Goodwill	30,000	
Premises	1,75,000	
Plant & Machinery	60,000	
Stock	15,000	
Debtors	20,000	
Preliminary Expenses	10,000	
Profit & Loss Account	40,000	
	3,50,000	3,50,000

Note: Preference dividends for 3 years are in arrears.

The following terms were settled under a duly approved capital reduction scheme:

- The Equity Shares are to be reduced to Rs. 5 each and the preference shares to Rs. 80 each.
- One Rs. 5 Equity Share to be issued for each Rs. 10 of gross preference share dividend in arrears.
- Plant & Machinery to be written down to Rs. 50,000
- All intangible assets to be written off

Pass journal entries to implement the above scheme and draw capital Reduction A/c

Q.3 A) Distinguish between Amalgamation and absorption. (8)

B) Write a Note on Impact of reorganization. (7)


Q.4) Following are the Balance Sheets of 'A' Ltd. and 'B' Ltd. (15 Marks)

Balance Sheet as on 31st March, 2022

Liabilities	A Ltd. (Rs.)	B Ltd. (Rs.)	Assets	A Ltd. (Rs.)	B Ltd. (Rs.)
Equity Share Capital of Rs. 10 each	37,50,000	22,50,000	Building	12,50,000	7,75,000
Export Profit Reserves	1,50,000	1,50,000	Machinery	16,25,000	8,50,000
Profit & Loss A/c	3,50,000	3,00,000	Stock	12,75,000	9,00,000
General Reserve	1,00,000	2,25,000	Debtors	4,50,000	5,00,000
12% Debentures of Rs. 100 each	2,50,000	1,50,000	Bank	3,50,000	2,75,000
Sundry Creditors	3,50,000	2,75,000	Preliminary Expenses	-	50,000
	<u>49,50,000</u>	<u>33,50,000</u>		<u>49,50,000</u>	<u>33,50,000</u>

'C' Ltd was formed to acquire all assets and liabilities of 'A' Ltd. and 'B' Ltd. on the following terms:

- 'C' Ltd. to have an authorized share capital of Rs. 5 crores divide into 5,00,000 equity shares of Rs. 100 each.
- The business of both companies were taken over for a total price Rs. 60,00,000 to be discharged by 'C' Ltd by issue of equity shares of Rs. 100 each at a premium of 20%.

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3. The Shareholder of 'A' Ltd. and 'B' Ltd. to get shares in 'C' Ltd. in the ratio of net assets value 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 'C' Ltd. at a discount of 10%.
 5. All the tangible assets of both the companies are taken over by 'C' Ltd. at book values except the following:

<u>Assets</u>	<u>'A' Ltd.</u>	<u>'B' Ltd.</u>
Building	Rs. 14,00,000	Rs. 9,10,000
Machinery	Rs. 15,75,000	Rs. 8,00,000

6. Sundry creditors of 'A' Ltd. and 'B' Ltd. are taken over at Rs. 3,25,000 and Rs. 2,50,000 respectively.
7. Statutory reserves are to be maintained for 3 years more.
You are required to (Apply nature of purchase method):
 - (a) Compute Purchase Consideration of 'A' Ltd. and 'B' Ltd.
 - (b) Pass Journal Entries in the books of 'C' Ltd.

OR

Q.4 A) State the Need of Corporate restructuring. (8)

B) Distinguish between Internal and External Reconstruction (7)

Q.5 a) Explain with example what you understand by Horizontal Merger and Vertical Merger. (8)

b) Explain the different types of Debentures (7)

Or

Q.5 Write Short Notes on (Any Three) (15)

- A) Impact of Re-organization on Human and Cultural aspects.
- B) Purchase Consideration
- C) Disinvestment
- D) Scope of Corporate Restructuring.
- E) Merger