

Note :

A/C

☺ Attempt the Questions as follow :

Q. 1 (A) & Q. 1 (B)	10 Marks each	ATTEMPT BOTH - Q. 1 (A) & 1 (B)	TOTAL MARKS 20
Q. 2 (A)	Marks 20	ATTEMPT ANY ONE	MARKS 20
Q. 2 (B)	Marks 20		
Q. 3 (A)	Marks 20	ATTEMPT ANY ONE	MARKS 20
Q. 3 (B)	Marks 20		
Q. 4 (A)	Marks 20	ATTEMPT ANY ONE	MARKS 20
Q. 4 (B)	Marks 20		
Q. 5 (A) & Q. 5 (B)	10 Marks each	ATTEMPT - EITHER BOTH - Q. 5 (A) & 5 (B)	TOTAL MARKS 20
Q. 5	MARKS 20	OR ONLY Q. 5	

☺ All working notes must be part of your answer else your answer may be considered incomplete.

☺ Write legibly and maintain neatness and clarity else the answer may not be assessed or marks may be deducted.

Q. 1 (A) : State whether the following statements are True or False - any Ten (Rewrite the whole sentence)

- 1 A Company is a Legal entity.
- 2 A Private Company must have at least two Directors.
- 3 Authorised Capital is mentioned in the Articles of Association of the Company.
- 4 A Partnership Firm can issue Equity Shares.
- 5 Authorised Capital is always less than the Company's Issued, Subscribed and Paid Up Capital.
- 6 Contingent Liabilities are shown as 'Current Liabilities' in the Company's Balance sheet.
- 7 Preference Shares can not be Irredeemable.
- 8 Premium payable on redemption of Preference Shares can be written off only against profits of the Company.
- 9 Proceeds of Fresh issue for redemption of Preference Shares does not include Premium on issue of Shares.
- 10 Premium payable on redemption of Debentures is a Profit for the Company.
- 11 Debentures Redemption Reserve is to be created if redemption of Debentures is out of Capital.
- 12 Interest paid on Debentures is an appropriation of Profit of the Company.

Q. 1 (B) : Match the columns - any Ten

(Rewrite the whole sentence)

- | | | |
|--|----|--------------------------------|
| 1 Capital Redemption Reserve can not be created out of | a) | Over the Period of Redemption |
| 2 Preference Shares must be redeemed within | b) | Face value of Debentures |
| 3 Loss on issue of Debentures should be written off | c) | The date of its payment |
| 4 Interest on Debentures will be paid on | d) | Goodwill account |
| 5 Interest on Purchase Consideration will be paid till | e) | Securities Premium a/c |
| 6 Loss incurred in the Pre Incorporation Period | f) | Twenty years |
| 7 Purchase Consideration | g) | Depreciation |
| 8 Time Ratio | h) | Till the date of Incorporation |
| 9 Sales Ratio | i) | Issue of Bonus Shares |
| 10 Pre Incorporation period | j) | Post Incorporation Period |
| 11 Expenses related to Company | k) | Carriage Outward |
| 12 Capital Redemption Reserve | l) | Net Assets |

Q. 2 (A) :

Balance sheet of Zenith Ltd. as on March 31, 2023

Liabilities	Rs.	Assets	Rs.
30,000 Equity Shares of Rs. 10 each, fully paid	3,00,000	Building	5,00,000
30,000 7% Redeemable Preference Shares of Rs. 10 each, Rs. 8 paid up.	2,40,000	Machinery	7,00,000
Capital Reserve	1,50,000	Stock	1,60,000
Dividend Equalisation Reserve	2,00,000	Debtors	1,50,000
General Reserve	3,00,000	Bank	2,00,000
Profit & Loss Account	4,00,000		
Current Liabilities	1,20,000		
	17,10,000		17,10,000

On the above date, Zenith Ltd. decided to Redeem its Preference Shares, at a premium of 7% and for the purpose, issued 5,000 Equity Shares at PAR.

The Preference Shares were redeemed as planned and subsequently, the Company issued Bonus shares to its Equity Shareholders (including new Shares issued for the purpose of Redemption) in the ratio of two new Equity Share for every Seven Equity Shares held.

Pass necessary Journal entries to record the above and Balance sheet after Redemption.

Q. 2 (B) :

On April 1, 2016; TCS Ltd. issued 2500 - 7% Redeemable Debentures of Rs. 100 each at PAR, Redeemable also at PAR. The Redemption will be in five equal instalments, starting from March 31, 2018.

Interest on Debenture, will be paid on March 31 every year.

Wipro Ltd. closes its books of accounts on March 31 every year.

Show all Journal entries in the books of TCS Ltd., for the years 2016-17, 2017-18; 2018-19, 2019-20, 2020-21 and 2021-22 and also show Balance-sheet extracts for all years.

Q. 3 (A) :

Balance sheet of Zerodha Ltd. as on March 31, 2023

20,000 Equity Shares of Rs. 10 each; Rs. 8 paid up	1,60,000	Building	1,20,000
10,000 7% Redeemable Preference Shares of Rs. 10 each, Rs. 7 paid up.	70,000	Plant and Machinery	1,30,000
Securities Premium	60,000	Bank	1,40,000
Statutory Reserves	40,000	Investment (Market value - Rs. 1,20,000)	1,10,000
Profit & Loss Account	1,70,000	Debtors	1,00,000
Current Liabilities	1,00,000		
	6,00,000		6,00,000

On the above date, Zerodha Ltd. decided to Redeem its Preference Shares at 10% Premium.

Holders of 100 Preference Shares failed to pay their final call and directors forfeited these shares. These shares were reissued for Rs. 500, as fully paid.

Sharekhan Ltd. has also decided to sell its Investments at its market value and to redeem Preference Shares out of Profits of the Company.

After the Redemption, Sharekhan Ltd. decided to make its Equity Shares fully paid, by giving Bonus.

Pass necessary Journal entries to record the above and Balance sheet after Redemption.

Q. 3 (B) :

Reshma Ltd. was incorporated on September 1st, 2022 to acquire a running business as on April 1st, 2022. The accounts were closed on March 31st, 2023.

The Profit and Loss account of Reshma Ltd. as on March 31, 2023 was as follows -

Particulars	Rs.	Particulars	Rs.
To Director's Fees	19,000	By Gross Profit	9,40,000
To Rent	1,44,000	Bad Debts recovered	6,000
To Bad Debts	25,500	Interest Received	24,000
To Salaries	1,80,000		
To Interest on Debentures	5,000		
To Preliminary Expenses	7,000		
To Depreciation	36,000		
To General Expenses	17,000		
To Commission on Sales	51,000		
To Printing and Stationery	27,000		
To Audit Fees	42,000		
To Carriage outwards	12,750		
To Net Profit	4,03,750		
	9,70,000		9,70,000

Prepare a statement showing allocation of expenses and calculation of Pre-Incorporation and Post-Incorporation profits, after considering the following information :

- Gross Profit Ratio was constant throughout the year.
- Additional space is hired in the post incorporation period, at a rent of Rs. 12,000 per month.
- Bad Debts Recovered is for a sale made in December 2020.
- The average monthly Sales in the Pre Incorporation period was twice the average monthly Sales in the Post Incorporation period.
- The Audit Fees is for the entire year.

Q. 4 (A) :

Birbal Ltd. was incorporated on December 1, 2022; to take over the business of a partnership firm with effect from April 1, 2022. Following is their Profit and Loss account for the year ended March 31, 2023 :

Particulars	Rs.	Particulars	Rs.
To Salary	1,80,000	By Gross Profit	4,30,000
To Rent	84,000	By Interest on Fixed Deposits	24,000
To Depreciation	30,000		
To Bad Debts	11,000		
To Travelling Expenses	6,000		
To Office Expenses	2,400		
To Director's Fees	1,000		
To Free Samples	3,400		
To Debenture Interest	2,800		
To Selling Expenses	21,250		
To Salary to Partners	5,000		
To Printing and Stationery	6,000		
To Preliminary Expenses	1,500		
To Net Profit	99,650		
	4,54,000		4,54,000

Additional Information :

- a) Rent is paid on the basis of floor space occupied. The floor space occupied was doubled in the post incorporation period.
- b) Sales for each month of December 2022 to March 2023 were double the monthly sales of April to November 2022
- c) Bad Debts of Rs. 500 were in respect of Sales effected two years ago.
- d) Mr. Amit was working partner in the firm entitled to a remuneration of Rs. 12,000 per month. From December 1st, 2022, he was appointed as the Managing Director of the Company, at monthly Salary of Rs. 15,000 per month. The remaining Salary is of two clerks employed during the period July 1st to December 31st, 2022.

Prepare statement of Profit and Loss of Birbal Ltd. for the year ended March 31, 2022; in columnar form, apportioning all Incomes and Expenses between Pre Incorporation and Post Incorporation periods, on suitable basis.

Q. 4 (B) :

Bhagirathi Ltd. issued 6,500 10% Debentures of Rs. 100 each, at a discount of 8%. These Debentures are to be redeemed at 12% premium, in four equal instalments, starting from the end of second year.

Show, how the Loss on Issue of Debentures will be written off.

(Show working of Loss on issue of Debentures to be written off, pass Journal entries to write off Loss on issue of Debentures for all years and show Balance sheet extracts for all years)

Q. 5 (A) :

Explain Equity and Preference Shares.

Q. 5 (B) :

What are the different bases for allocation of expenses for calculating profits prior to incorporation.

Q. 5 :

Write Short Notes (Any Four)

- a. Authorised, Issued and Subscribed Capital
- b. Private Companies
- c. Sales and Time Ratio for calculating Profits Prior to Incorporation
- d. Interest paid to Vendors for calculating Profits Prior to Incorporation
- e. Distinction between Shares and Debentures
- f. Premium on Redemption of Debentures



all the best - always keep on smiling

