



All Questions are Compulsory

Q.1.a. State the Following Statement True or False: (Any 8)

8 M

1. Two or More Companies combining to form a new company is called absorption.
2. Under Purchase method of Accounting for Amalgamation, Assets and Liabilities are taken at Book Values.
3. Debit Balance of Realisation account is Profit which is transferred to Equity Shareholders A/c under Amalgamation of companies.
4. Purchase Consideration means the amount paid by one company to another company in consideration for the Assets and Liabilities taken.
5. The nature of External Reconstruction and Internal Reconstruction is same.
6. Approval of stakeholders is not required for Internal reconstruction.
7. A company is allowed to convert its fully paid shares into stock.
8. Underwriting o Shares and Debentures is not compulsory as per the companies Act, 2013.
9. Under Liquidation of Companies, the Preference Shareholders are paid last after payment to all the other stakeholders
10. Post Buy back debt – equity ratio should not exceed 1:2.

Q.1. b. Choose the correct option from the option provided and rewrite the statement:

(Any 7)

7 M

1. Every buy back shall be completed within a period of
  - a) 6 months from the date of passing of the special resolution
  - b) 3 months from the date of passing of the special resolution
  - c) 1 year from the date of passing of the special resolution
  - d) 1 month from the date of passing of the special resolution
2. Where a company purchases its own shares out of free reserve or securities premium, a sum should be transferred to Capital Redemption Reserve which should be
  - a) equal to the amount paid to the shareholder who sold his shares
  - b) equal to paid-up capital of the company
  - c) equal to the nominal value of shares so purchased
  - d) none of the above
3. The payment of commission to underwriter (s) is to be authorised by
  - a) The board of directors
  - b) The articles of association
  - c) The memorandum of association
  - d) The Stakeholders of the company
4. A merchant banker can act as a underwriter provided he holds a certificate granted by

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- a) Government of India
  - b) Company Law Board
  - c) SEBI
  - d) Registrar of Companies
5. A company after the completion of a buyback of its shares
- a) Can not issue same kind of shares within one year
  - b) Can not issue same kind of shares within 6 months
  - c) Can issue same kind of shares within 6 months
  - d) Can not issue bonus shares
6. Capital reduction scheme is worth considering
- a) If the company is small
  - b) If the company has recovery prospects
  - c) If the company has no prospects.
  - d) If the company is less capitalized
7. 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
8. Liquidation of Companies the payment schedule is as
- a) Liquidator expenses, Outsider Liabilities, Preferential Liabilities, Owners
  - b) Outsider Liabilities, Preferential Liabilities, Liquidator expenses, Owners
  - c) Liquidator expenses, Preferential Liabilities, Outsider Liabilities, Owners
  - d) Liquidator expenses, Outsider Liabilities, Owners, Preferential Liabilities
9. Investment Allowance Reserve is
- a) Capital Reserve
  - b) Statutory Reserve
  - c) Revenue Reserve
  - d) All of the above
10. For calculating Purchase Consideration under AS – 14:
- a) Only payment to equity shareholders are to be taken into consideration
  - b) Only payment to shareholders are taken to into consideration
  - c) Only payment to shareholders as well as debenture holders are taken to into consideration
  - d) Payment to All stakeholders is taken into consideration

Q.2. a. ISPAT India Ltd. a company which deals in Iron & Steel has suffered heavy losses and looks to restructure its Balance Sheet. It seeks your advice as to how the balance sheet can be restructured and how the restructured Balance Sheet can be made?

From the below information are provided:

15 M





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CITI Bank Financial                      1,00,000 shares

JM Financial                                      1,00,000 shares

Morgan Stanley                                1,00,000 shares

The Application bearing the stamp of lead manager. (Excluding the shares taken by them) was:

SBI Capital                                      30,00,000 shares

CITI Bank Financial                          20,00,000 shares

JM Financial                                      10,00,000 shares

Morgan Stanley                                5,00,000 shares

The Application bearing No stamp of the lead manager was 6,00,000 shares

Prepare a statement of Underwriting of shares & also calculate the Net Liability of Underwriters for a Commission to be paid @ 5% on Issue price of the shares.

Also Pass Journal Entries in context to the Underwriters.

**15 M**

Q.3. a. Following is the balance sheet of M/s Sharp Ltd. as on 31<sup>st</sup> March, 2019:

Balance sheet of M/s Component Limited as at 31<sup>st</sup> March, 2019

**15 M**

| Particulars   | Note No. | Rs.                |
|---|----------|--------------------|
| <b>A. EQUITY AND LIABILITIES</b>                              |          |                    |
| <b>1. Shareholders' Funds:</b>                                |          |                    |
| a. Share Capital  | 1        | 25,00,000          |
| b. Reserves & Surplus   | 2        | 37,50,000          |
| c. Money Received against Share warrants                      |          | -                  |
| <b>2. Share Application Money received Pending allotment:</b> |          | -                  |
| <b>3. Non-Current Liabilities:</b>                            |          |                    |
| a. Long --Term Borrowings                                     | 3        | 57,50,000          |
| <b>4. Current Liabilities:</b>                                |          |                    |
| a. Short Term Borrowings                                      |          | 13,00,000          |
| b. Trade Payables   |          | 10,00,000          |
| c. Other Current Liabilities                                  |          | 10,00,000          |
| <b>Total</b>  |          | <b>1,53,00,000</b> |
| <b>B. ASSETS</b>  |          |                    |
| <b>1. Non-Current Assets:</b>                                 |          |                    |
| a. Fixed Assets   |          |                    |
| i. Tangible Assets  | 4        | 93,00,000          |
| b. Non-Current Investments                                    |          | -                  |
| <b>2. Current Assets:</b>                                     |          |                    |
| a. Current Investments  |          | 10,00,000          |
| b. Inventories  |          | 10,00,000          |
| c. Trade Receivables  |          | 10,00,000          |
| d. Cash & Cash Equivalents                                    |          | 30,00,000          |
| <b>Total</b>  |          | <b>1,53,00,000</b> |

Notes of Accounts:





|  |                  |
|--|------------------|
| <b>1. Share Capital:</b>                         |                  |
| <u>Authorised Capital:</u>                       |                  |
| 3,00,000 Equity Shares of Rs. 10 each            | 30,00,000        |
| Issued, Subscribed and paid up Capital:          |                  |
| 2,50,000 Equity Shares of Rs. 10 each fully paid | 25,00,000        |
| <b>2. Reserve &amp; Surplus:</b>                 |                  |
| Revenue Reserve                                  | 30,00,000        |
| Security Premium                                 | 5,00,000         |
| Profit & Loss A/c                                | 2,50,000         |
|  | <b>37,50,000</b> |
| <b>3. Long Term Borrowings:</b>                  |                  |
| Secured Loans:                                   |                  |
| 12% Debentures                                   | 37,50,000        |
| Unsecured Loans                                  | 20,00,000        |
|  | <b>57,50,000</b> |
| <b>Fixed Assets:</b>                             |                  |
| <u>a. Tangible assets:</u>                       |                  |
| Land & Building                                  | 53,00,000        |
| Plant & Machinery                                | 30,00,000        |
| Furniture & Fittings                             | 10,00,000        |
|  | <b>93,00,000</b> |

The company wants to buy back 50,000 equity shares of RS.10 Each on 1<sup>st</sup> April, 2019 at RS. 20 per share. Buy back of shares is duly authorised by its articles and necessary resolution passed by the company towards this. The payment for buy back of shares will be made by the company out of sufficient bank balance available.

Comment with your calculations, whether buy back of shares by company is within provisions of the Companies Act, 2013. If yes, pass necessary journal entries towards buy back of shares and prepare a Balance sheet after a buyback of shares.

OR

Q.3 b. The following is the Balance Sheet of Suman Ltd. which is in the hand of Liquidator. 15 M  
Balance Sheet as at 31-12-2019

| Liabilities   | Rs.             | Assets          | Rs.             |
|---|-----------------|-----------------|-----------------|
| Share Capital:                                      |                 | Fixed Assets    | 1,00,000        |
| 500 6% Preference shares of Rs.100 each, fully paid | 50,000          | Stock           | 60,000          |
| 1,000 Equity Shares of Rs. 100 each, fully paid     | 1,00,000        | Book Debts      | 1,20,000        |
| 3,000 Equity Shares of Rs.50 each, Rs.25 paid       | 75,000          | Cash            | 20,000          |
| Loan from Bank (on security of stock)               | 50,000          | Profit and Loss | 1,50,000        |
| Trade Creditors                                     | 1,75,000        |                 |                 |
|   | <b>4,50,000</b> |                 | <b>4,50,000</b> |

The assets realized the following amounts (after all costs of realization and liquidators remuneration amounting to Rs.3,000 paid out of cash in hand Rs.20,000 as per Balance Sheet):

|              |          |
|--------------|----------|
| Fixed Assets | 84,000   |
| Stock        | 55,000   |
| Book Debts   | 1,15,000 |

Prepare the Liquidators Final Statement of Account.

Q.4. a. The Summarised Balance sheet of A Ltd. & B Ltd. as at 1<sup>st</sup> April, 2019 are as follows:

| <b>Balance Sheet of A Ltd. &amp; B Ltd.</b>                   |          | <b>15 M</b>      |                  |
|---|----------|------------------|------------------|
| Particulars   | Note No. | A Ltd.<br>Rs.    | B Ltd.<br>Rs.    |
| <b>A. EQUITY AND LIABILITIES</b>                              |          |                  |                  |
| <b>1. Shareholders' Funds:</b>                                |          |                  |                  |
| a. Share Capital:   |          |                  |                  |
| Equity Shares of Rs. 10 each fully paid                       |          | 6,00,000         | 5,00,000         |
| 11% Preference Shares of Rs. 10 each fully paid               |          | -                | 3,00,000         |
| b. Reserves & Surplus   |          |                  |                  |
| Profit & Loss A/c   |          | 2,00,000         | -                |
| Reserves  |          | 2,40,000         | -                |
| <b>2. Share Application Money received Pending allotment:</b> |          |                  |                  |
| <b>3. Non-Current Liabilities:</b>                            |          |                  |                  |
| a. Long –Term Borrowings – 12% Debentures                     |          | 1,00,000         | 2,00,000         |
| <b>4. Current Liabilities:</b>                                |          |                  |                  |
| a. Trade Payables   |          |                  |                  |
| Sundry Creditors  |          | 60,000           | 1,00,000         |
| <b>Total</b>  |          | <b>12,00,000</b> | <b>11,00,000</b> |
| <b>B. ASSETS</b>  |          |                  |                  |
| <b>1. Non-Current Assets:</b>                                 |          |                  |                  |
| b. Fixed Assets   |          |                  |                  |
| i. Tangible Assets  |          |                  |                  |
| Plant & Machinery   |          | 7,00,000         | 8,00,000         |
| <b>2. Current Assets:</b>                                     |          |                  |                  |
| a. Inventories  |          | 2,00,000         | 60,000           |
| b. Trade Receivables  |          |                  |                  |
| Sundry Debtors  |          | 2,50,000         | 1,40,000         |
| c. Cash & Cash Equivalents                                    |          |                  |                  |
| Cash at Bank  |          | 50,000           | 1,00,000         |
| <b>Total</b>  |          | <b>12,00,000</b> | <b>12,00,000</b> |

The above two companies agree to amalgamate and form a new company AB Ltd. on the following conditions:

**A Ltd**

- For every 5 equity shares, 6 shares of AB Ltd. of Rs. 10 each will be issued at premium of 50%.
- Debenture holders will issued 12% debentures of AB Ltd. of same amount and denomination.

**B Ltd.**

- The holders of 11% Preference shares will be allotted 4, 13% Preference shares of Rs. 10 each of AB Ltd. for every 5 shares held.
- For every 5 equity shares 6 shares of AB Ltd. of Rs. 10 each will be issued at premium of 50%.
- Debenture holders will be issued 12% debentures of AB Ltd. of same amount and denomination.
- Creditors worth Rs. 10,000 in the balance sheet of A ltd are from the goods purchased by B Ltd.

You are required to show:

- The calculation of purchase consideration
- Journal Entries in the books of AB Ltd. under Purchase method
- Opening Balance sheet of AB Ltd.

OR





Q.4. b. Following is the summarised balance sheet of Hexza Ltd. as at 31<sup>st</sup> March, 2019:

Balance sheet as at 31<sup>st</sup> March, 2019

15 M

| Particulars   | Note No. | Rs.                |
|---|----------|--------------------|
| <b>A. EQUITY AND LIABILITIES</b>                              |          |                    |
| <b>1. Shareholders' Funds:</b>                                |          |                    |
| a. Share Capital  |          | 60,00,000          |
| b. Reserves & Surplus   |          |                    |
| General Reserve   |          | 12,00,000          |
| Profit & Loss A/c   |          | 15,20,000          |
| Workmen profit sharing fund                                   |          | 6,00,000           |
| <b>2. Share Application Money received Pending allotment:</b> |          | -                  |
| <b>3. Non-Current Liabilities:</b>                            |          | -                  |
| <b>4. Current Liabilities:</b>                                |          |                    |
| a. Trade Payables   |          |                    |
| Creditors   |          | 8,00,000           |
| <b>Total</b>  |          | <b>1,01,20,000</b> |
| <b>B. ASSETS</b>  |          |                    |
| <b>1. Non-Current Assets:</b>                                 |          |                    |
| a. Fixed Assets   |          |                    |
| i. Tangible Assets  |          |                    |
| Building  |          | 14,00,000          |
| Plant & Machinery   |          | 26,00,000          |
| ii. Intangible assets   |          |                    |
| Goodwill  |          | 16,00,000          |
| <b>2. Current Assets:</b>                                     |          |                    |
| a. Inventories  |          | 14,00,000          |
| b. Trade Receivables  |          |                    |
| Sundry Debtors  |          | 18,00,000          |
| c. Cash & Cash Equivalent                                     |          |                    |
| Cash at Bank  |          | 13,20,000          |
| <b>Total</b>  |          | <b>1,01,20,000</b> |

Penta Ltd decided to absorb the business of Hexza Ltd. on 1<sup>st</sup> April, 2019 at the respective book value of assets and trade liabilities except building which was valued at Rs, 24,00,000 and Plant & machinery at Rs, 20,00,000.

Purchase consideration was payable as follows:

1. Payment of Liquidation Expenses Rs. 10,000.
2. Issue of Equity shares of Rs. 10 each fully paid at Rs. 11 per share for every Preference shares and every Equity share of Hexza Ltd. and a payment of Rs. 4 per Equity share in cash.
3. Sundry Creditors of Hexza Ltd worth Rs. 1,00,000 were due to Penta Ltd.
4. Inventories worth Rs. 1,20,000 of Hexza Ltd was the unsold stock purchase from Penta Ltd on which the company charges profit of 20% on Sales.

Calculate the Purchase consideration, show the necessary ledger accounts in the books of Hexza Ltd. and opening Journal Entries in the books of Penta Ltd.

Q.5. a. Give the methods under which Purchase Consideration are calculated. 8 m

Q.5. b. Give the conditions laid down for Buy Back of Equity Shares under Companies Act, 2013. 7 m

OR

Q.5. c. Short Notes (Any 3) 15 m

1. Capital Reduction A/c
2. Firm Underwriting
3. Liquidation of Companies
4. Underwriters Commission under underwriting of Shares and Debentures
5. Types of Amalgamation

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TYBAF - 19/11/2019

Q.P. code - 76608 / 44801



Page no 7 question no 4 b

Point no. 2. Issue of equity shares of Rs 10 each fully paid at Rs. 11 per for every preference shares and every Equity shares of Hexza ltd and a payment of ₹4 per equity share in cash

To be read as ;

Issue of equity shares of Rs 10 each fully paid at Rs. 11 per for every Equity shares of Hexza ltd and a Balance payment of ₹4 per equity share in cash.

Combi am - @ 12.00

|      | 305        | 306             | 311             |
|------|------------|-----------------|-----------------|
| Sign | <u>Ric</u> | <u>19/11/19</u> | <u>19/11/19</u> |