



27/11/2018

[Time: 2.5 Hours]

[Marks: 75]

Q1. (A) State whether True or False: (Any 8)

(8)

1. On Redemption of Debentures, balance in DRR A/c is transferred to General reserve A/c
2. Interest paid to vendor should be allocated in the ratio of Specific Time period
3. Excess of Purchase Consideration over Net Asset, of assets taken over is called Goodwill
4. Amount unpaid to preference shareholders is included in balance sheet as Current liabilities
5. Reduction in share capital of a company means reduction in Paid up capital
6. In Profit Prior to Incorporation, the relevant date for segregation of income and expenses is date of Incorporation
7. Interest on sinking fund investment is credited to Profit & Loss A/c.
8. Partly paid Preference shares can be redeemed.
9. Debenture issued at Discount cannot be redeemed at Premium.
10. Capital Redemption Reserve can be created out of Securities Premium.

Q1. (B) Match the Following Columns: (Any 7)

(7)

Column 'A'	Column 'B'
1. Capital Redemption Reserve	a. Is not a divisible profit
2. Premium on Redemption	b. CRR = Nominal value of preference shares to be redeemed
3. Statutory Reserve	c. Goodwill
4. Dividend Equalisation Reserve	d. Post-incorporation
5. Redemption out of profit	e. Post-incorporation
6. Pre-incorporation loss	f. AS - 14
7. Company related expenses	g. Divisible profit
8. Gross margin	h. Sales Ratio
9. Share transfer fees	i. Securities premium
10. Amalgamation	j. Required for redemption out of profit

Q2. (A) X Ltd. redeemed 18,000 9.5% Preference Shares of Rs. 10 each at a premium of 10%. The company issued 10,000 Equity Shares of Rs. 10 each at par for redemption of preference shares. The company has adequate balance in General Reserve.

Pass journal entries for the redemption of preference shares.

(15)

OR

Q2. (B) Metal Box Company Ltd. redeemed its 7½% debentures of the face value Rs. 4,00,000 on 31<sup>st</sup> March, 2018. The company had created sinking fund for this purpose.

Further relevant information:

(15)

Particulars	Rs.
Balance of Sinking Fund Account (1.4.2017)	3,40,000
Balance of Sinking Fund Investment Account (1.4.2017)	3,40,000
Interest on Sinking Fund Investment for the year 2017-18	17,000
Amount of Annual Appropriation	78,000
Sale proceeds of Sinking Fund Investment (31.3.2018)	3,51,000

You are required to prepare the following accounts for the year 2017-18:

- (a) 7½% Debentures Account
- (b) Sinking Fund Account
- (c) Sinking Fund Investment Account





- Q3. (A) The promoters of proposed New Wave Ltd. purchased a running business on 1<sup>st</sup> April, 2017 from Mr. ULTRA Modern. New Wave was incorporated on 1<sup>st</sup> August, 2017. The combined Profit & Loss A/c of the company prior to and after the date of incorporation is as under:

Profit & Loss A/c for the year ended 31<sup>st</sup> March, 2018 (15)

Particulars	Rs.	Particulars	Rs.
To Administration Expenses	12,000	By Gross Profit	1,50,000
To Directors Fees	3,600	By Discount Received from Creditors	6,000
To Preliminary Expenses	4,900		
To Selling Expenses	5,500		
To Interest on Purchase Consideration	10,000		
To Net Profit	1,20,000		
	1,56,000		1,56,000

Following further information is available:

- Sales up to 30<sup>th</sup> July, 2017 were Rs. 3,00,000 out of total sales of Rs. 15,00,000 of the year.
  - Purchases up to 30<sup>th</sup> July, 2017 were Rs. 3,00,000 out of total purchase of Rs. 9,00,000 of the year.
  - Interest paid to vendor on 1<sup>st</sup> February, 2018 @12% on Rs. 1,00,000 being purchase consideration.
- Prepare Profit & Loss of Sultan Ltd. for the year ended 31<sup>st</sup> December, 2017 in columnar form apportioning all the income and expenditure items between Pre incorporation and Post incorporation period on suitable basis.

OR

- Q3. (B) Following is the Balance Sheet of M/s Siddhant Ltd. as on 31<sup>st</sup> March, 2018: (15)

Liabilities	Rs.	Assets	Rs.
Equity shares of Rs. 10 each	10,00,000	Fixed Assets	21,00,000
12% Cumulative Preference shares of Rs. 100 each	7,00,000	Stock	20,00,000
10% Debenture	3,00,000	Sundry Debtors	15,00,000
Sundry Creditors	36,00,000	Bank	1,10,000
Provision for tax	5,00,000	Preliminary Expenses	40,000
		Profit and Loss A/c	3,50,000
	61,00,000		61,00,000

**Note:**

Preference dividend for 3 years was in arrears.

The following Scheme of internal Reconstruction was framed, approved by the court, all the concerned parties and implemented:

- Write off fixed assets by 20%, Sundry debtors by 15% and reduce the value of stock to 55% of its book value.
- Preference shareholders to forego arrears of preference dividends.
- Expenses of reconstruction amounted to Rs. 10,000
- Sundry creditors to give a remission of 20% of their claim and company to allot 11% preference shares of Rs. 100 each fully paid-up in settlement of the balance amount.
- Equity shares to be reduced to Rs. 2 each fully paid-up and 12% cumulative preference shares to be reduced to 1,00,000 cumulative preference shares of Rs. 2 each fully paid-up.
- Write off debit balance in Profit & Loss A/c and Preliminary expenses.

Prepare Capital Reduction Account for the above transactions.





- Q4. (A) A company was incorporated on 1st September, 2017 to take over a business with effect from 1st April, 2017. The combined Profit & Loss A/c of the company prior to and after the date of incorporation is as under:

Profit & Loss A/c for the year ended 31st March, 2018 (15)

Particulars	Rs.	Particulars	Rs.
To Salaries & Wages	12,000	By Gross Profit	84,000
To Directors Fees	800		
To Debenture Interest	5,000		
To Selling Commission	12,000		
To Interest on PC (up to 30.09.2017)	10,800		
To Preliminary Expenses	2,000		
To Dividend on equity shares	10,000		
To Net Profit	31,400		
	84,000		84,000

Sales for the year totalled Rs. 2,25,000, out of which Rs. 1,50,000 related to the period from 1st September, 2017 to 31st March, 2018.

Prepare a statement apportioning the profits between pre incorporation and post incorporation period.

OR

- Q4. (B) RAM Ltd. took over the business of RAVAN Ltd. as on 1st April, 2018 at book value. Following is the summarised Balance Sheet of RAVAN Ltd. as on 31st March, 2018 (15)

Balance Sheet as on 31st March, 2018

Liabilities	Rs.	Assets	Rs.
40,000 Equity Shares of Rs. 10 each	4,00,000	Plant and Machinery	2,50,000
Reserves and Surplus	3,00,000	Furniture and Fixtures	2,25,000
Creditors	50,000	Investments	1,00,000
Bills Payable	50,000	Stock	50,000
		Debtors	1,00,000
		Cash and Bank Balance	25,000
		Preliminary Expenses	50,000
	8,00,000		8,00,000

Additional Information:

(a) Ram Ltd. issued one equity share of Rs. 10 each at a premium of Rs. 2 per share for every share in Ravan Ltd.

(b) Acquisition is in the nature of purchase.

You are required to:

- (i) Calculate Purchase Consideration and  
(ii) Prepare Balance Sheet of Ram Ltd. after acquisition.

Q5. (a) What is the need of Internal Reconstruction? (8)

Q5. (b) What are the methods of Purchase Consideration? (7)

OR

Q.5. Write Short Note on (Any Three): (15)

- (a) Capital Reduction A/c  
(b) Methods of Redemption of Debenture  
(c) Profit otherwise available for dividend (Divisible profits)  
(d) Distinction between Amalgamation, Absorption and External Reconstruction  
(e) Explain allocation of Expenses of Profit Prior to Incorporation in Time Ratio/ Sales Ratio/Pre-incorporation/Post-incorporation period

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