

F43CBT II / FA-11 / 10

April-17
Sem - II

Q.P. Code :05543

[Time: 2½ Hours]

[Marks:75]

Please check whether you have got the right question paper.

- N.B:
1. Question no. 1 is compulsory.
 2. Question no. 2 to 5 having internal option.
 3. State your assumption clearly.
 4. Figures to the right indicate full marks.

Q.1 A) Fill in the blanks (Any 8 out of 10)

08

1. The premium payable on redemption can be provided out of _____.
 - a) Statutory reserve
 - b) Capital redemption reserve
 - c) Debentures
 - d) Loan for Bank
2. Super profit is _____.
 - a) Excess of average profit over normal profit
 - b) Extra profit earned
 - c) Average profit earned by similar companies
 - d) None of the above
3. Capital redemption reserve can be utilized for _____.
 - a) Paying dividend
 - b) Issue of bonus shares
 - c) Set off against losses
 - d) Write off fictitious balance
4. Average Profit is Rs 19,167 and normal profit is Rs. 10,000. The Super Profit is _____.
 - a) Rs. 9,167
 - b) Rs. 29,167
 - c) Rs. 19,167
 - d) Rs. 10,000
5. Net Asset value is also called as _____.
 - a) Asset backing value
 - b) Intrinsic value
 - c) Liquidation value
 - d) a, b and c
6. The amount remaining unpaid to preference shareholders is included in Balance Sheet as _____.
 - a) Share capital
 - b) Loan
 - c) Current Liabilities
 - d) Contingent Liabilities
7. Yield value depends on _____.
 - a) Future Maintainable profit
 - b) Paid up equity capital
 - c) Normal rate of return
 - d) All of the above

Turn over

Q.P. Code :05543

8. Securities premium may be used for _____
 - a) Payment of dividend
 - b) Issue of fully paid bonus shares
 - c) Issue of partly paid bonus shares
 - d) None of the above
9. Interest on sinking fund investment is credited to _____
 - a) Sinking fund account
 - b) Profit & Loss account
 - c) Profit & Loss appropriation
 - d) None of the above
10. Maximum buy back in a year can be _____
 - a) 10%
 - b) 20%
 - c) 25%
 - d) 30%

B) Match the column. (Any 7 out of 10)

| Group 'A' | Group 'B' |
|----------------------------------|---|
| 1. Fresh issue | a) Convertible into equity shares |
| 2. Debenture redemption reserve | b) Only shares |
| 3. Buy back | c) Dividend accumulated |
| 4. Sinking fund | d) Re-Purchase |
| 5. Terms of redemption | e) Part of buy back |
| 6. Convertible preference shares | f) Compulsory under Companies Act |
| 7. Cumulative preference shares | g) Specify at issue |
| 8. Reserves | h) Optional |
| 9. Fictitious asset | i) Based on rate of interest and rate of risk |
| 10. NRR | j) Intangible having no realizable value |

07

Q.2

The Assets and Liabilities of Ajit Ltd., as on 31st December, 2016 were as follows:

goodwill

15

| Liabilities | Rs. | Assets | Rs. |
|--|----------|-----------------------|----------|
| 2,500 shares of Rs.100 each Fully paid | 2,50,000 | Land and Building | 5,25,000 |
| Profit & Loss A/c | 50,000 | Plant and Machinery | 1,50,000 |
| Debentures | 1,00,000 | Furniture and Fitting | 10,000 |
| Trade Creditors | 3,00,000 | Delivery Van | 20,000 |
| Provision for Taxation | 90,000 | Stock | 55,000 |
| Proposed dividend | 20,000 | Book Debts | 25,000 |
| | 8,10,000 | Cash | 25,000 |
| | | | 8,10,000 |

The Net Profit of the Company before tax were as follows:

| Year | Profit |
|------|------------|
| 2012 | Rs. 62,000 |
| 2013 | Rs. 64,000 |
| 2014 | Rs. 71,000 |
| 2015 | Rs. 78,000 |
| 2016 | Rs. 85,000 |

Income Tax may be taken @ 30%. Normal Rate of Return may be assumed as 12.5%

Find out of the value of goodwill on five years' purchase of the average super-profit for the last five years, and also find out value of goodwill as per capitalization of super profit method.

OR

Turn over

Share 2

Q.P. Code :05543

Q.2. The Balance of the Jindal Ltd. As on 31st March 2016 revealed the following:

15

| Liabilities | Rs. | Assets | Rs. |
|-----------------------------|------------------|------------------------------------|------------------|
| Share Capital (Issued) | | Fixed Assets 9,00,000 | |
| Equity share of Rs. 10 each | 8,00,000 | Less: Depreciation <u>1,10,000</u> | 7,90,000 |
| Reserves | 2,00,000 | Goodwill | 80,000 |
| Profit and Loss Account | 20,000 | Current Assets | 90,000 |
| 10% debentures | 1,00,000 | Discount on Debentures | 10,000 |
| Current Liabilities | 2,50,000 | Bank Balance | 4,00,000 |
| | 13,70,000 | | 13,70,000 |

1. Fixed assets and Goodwill were revalued at Rs. 7,50,000 and Rs. 1,00,000 respectively.
2. The net profit after tax for the immediately preceding three years were Rs. 1,10,000 Rs. 1,05,000 and Rs. 1,45,000 of which 25% were transferred to reserves.
3. A fair return in the industry in which the company is engaged is considered to be 10%.

Compute the value of the company's share by :

- i) Net Assets Method
- ii) Yield Value Method

Q.3 Following is the balance sheet of Anish Ltd. As on 31-03-2016.

15

| Liabilities | Rs. | Assets | Rs. |
|--|------------------|---------------------------|------------------|
| 8% Redeemable Preference share Capital (Shares of Rs. 10 each fully paid up) | 13,50,000 | Fixed Assets (Net) | 25,00,000 |
| Equity Share Capital (Rs. 10 each) | 13,50,000 | Investments | 4,05,000 |
| Securities Premium | 40,500 | Bank Balance | 3,00,000 |
| Profit and Loss A/c | 13,50,000 | Other Current Assets | 10,50,000 |
| Directors Loan | 50,000 | Miscellaneous Expenditure | 20,000 |
| Sundry Creditors | 1,34,500 | | |
| | 42,75,000 | | 42,75,000 |

The company exercised the option to Redeem the preference Shares at 10% premium. For this purpose, it issued 67,500 right shares of Rs. 10 each at a premium of Rs. 10 per share. Investment were sold for Rs. 5,13,000. Pass necessary Journal entries in books of Anish Ltd.

OR

Turn over

Q.3 The Balance Sheet of Straight Ltd. as on 31st March, 2016 was as under:

15

| Balance Sheet | | | |
|-----------------------------------|------------------|------------------------------|------------------|
| Liabilities | Rs. | Assets | Rs. |
| Share Capital: | | Fixed Assets | 15,00,000 |
| 25,000 Equity Shares of Rs. 100 | | Investments | 10,00,000 |
| Each fully paid | 25,00,000 | Market Value [Rs. 10,01,000] | |
| 10,000 9% redeemable | | Bank Balance | 50,000 |
| Preference shares of Rs. 100 each | | Other Current Assets | 20,00,000 |
| Rs. 90 per share paid up | 9,00,000 | | |
| General Reserves | 3,00,000 | | |
| Profit and Loss A/c | 2,99,000 | | |
| Dividend Equalization Reserves | 2,00,000 | | |
| Sundry Creditors | 3,51,000 | | |
| | 45,50,000 | | 45,50,000 |

On 1st April, 2016; the company made a call of Rs. 10 each on its preference shares and call money was duly received. All preference shares were redeemed at a premium of 2%. The company sold all its investments at market value. For the purpose of redemption, the company issued minimum number of equity shares at a premium of 10% after utilizing available resources to the maximum extent, keeping in view the provision of the Companies Act, 1956.

Pass Journal Entries in the book of the company that redemption is duly carried out.

Q.4 The Balance Sheet of Archana Ltd. as on 31st March, 2016 is as follows:

15

| Balance Sheet | | | |
|---|------------------|-----------------------------------|------------------|
| Liabilities | Rs. | Assets | Rs. |
| Share Capital: | | Fixed Assets: | |
| Authorized, Issued, Subscribed and called-up: | | Net Block | 40,00,000 |
| Equity Shares of Rs. 10 each | 25,00,000 | Investments | 15,00,000 |
| Reserves & Surplus: | | Current Assets, Loans & Advances: | |
| Securities premium | 5,00,000 | Current Assets | |
| General Reserve | 10,00,000 | (including Bank balance Rs. | |
| Profit & Loss A/c | 10,00,000 | 15,00,000) | 35,00,000 |
| Secured Loans: | | Loan & Advances | 5,00,000 |
| 10% debentures | 25,00,000 | | |
| Current liabilities & provisions: | | | |
| Sundry Creditors | 15,00,000 | | |
| Bills Payable | 5,00,000 | | |
| | 95,00,000 | | 95,00,000 |

Keeping in view all the legal requirements ascertain:

- Maximum number of equity shares that Archana Ltd. can buy-back.
- The maximum price it can offer.

Assume that the buy-back is carried out actually on the legally permissible terms, record the entries in the Journal of Archana Ltd.

OR

Turn over

Q.P. Code :05543

- Q.4** A Company gave notice of its intention to redeem its outstanding Rs. 50,000; 10% Debentures of 100 each at 15 a premium of 5% and offered the holders the following options:
1. To accept 12% cumulative Preference Shares of Rs. 20 each at Rs. 25 per share.
 2. To accept 10% Debentures stock at 96%
 3. To have their holding redeemed for cash. Accordingly.
 - i) Rs. 25,000 debentures holders accepted the Proposal 1.
 - ii) Rs. 20,000 debentures holders accepted the Proposal 2.
 - iii) Remaining debentures holders accepted the Proposal 3.
- Pass the Journal Entries in the books of Company.

- Q.5 A)** Explain the Provision of the Companies Act, 1956, regarding redemption of preference shares.
B) Distinguish between Redemption of Shares and Buyback of Shares.

08
07

OR

- Q.5** Write short Notes (Any 3/5)
- A. Sources of BuyBack
 - B. Bonus Shares
 - C. Sinking Fund Method
 - D. Yield Value Method of Shares Valuation
 - E. Super-profit Method of valuation of goodwill

15