

Q.P. Code :05544

[Time: 2½ Hours]

[Marks:75]

Please check whether you have got the right question paper.

- N.B:
1. Solve all questions.
 2. Questions 2, 3, 4 and 5 have internal options.
 3. Workings should form part of your answer.

Q.1 A) Select correct option to complete the statements (Any 8/10)

08

1. Goodwill is _____.
 - a) An intangible asset
 - b) A fixed assets
 - c) Realisable
 - d) All the above
2. Super profit is _____.
 - a) Excess of profit average profit over normal profit
 - b) Extra profit earned
 - c) Average profit earned by similar companies
 - d) None of the above
3. Normal profit depends on _____.
 - a) Normal rate of return
 - b) Average capital employed
 - c) Both a and b
 - d) None of the above
4. Net assets method is based on the assumption that the company is _____.
 - a) A going concern
 - b) Going to be liquidated
 - c) a and b
 - d) none of the above
5. Maximum buy back in a year can be ____%.
 - a) 10%
 - b) 20%
 - c) 25%
 - d) 30%
6. The debt: equity ratio after buy should not exceed _____.
 - a) 2:1
 - b) 1:1
 - c) 1:2
 - d) 3:4
7. Capital redemption Reserve is to be created to the extent redemption is out of _____.
 - a) Bank account
 - b) New issue of shares
 - c) Capital profits
 - d) Divisible profits

Turn over

Q.P. Code :05544

8. The period of preference shares cannot exceed _____ years.
- 20
 - 15
 - 5
 - 10
9. The interest on sinking fund investment is credited to _____
- Sinking fund account
 - Profit & Loss account
 - Debentures account
 - None of the above
10. Debentures can be redeemed by _____
- Lump sum payment
 - Annual installment
 - Purchase in the open market
 - All of the above

B) State whether following statements are true or false (Any 7/10)

- FMP is considered while calculating value of goodwill.
- Yield value depends on Net Assets value.
- The equity shares can be redeemed by a company.
- The partly paid shares can be bought back.
- Buyback of shares can be as per RBI guidelines.
- The shares must be cancelled and destroyed after buyback.
- Capital reserve is a divisible profit.
- A company can issue shares at premium to redeem debentures.
- The debentures can be redeemed at different points of time.
- After redemption of debentures, balance in sinking fund should be transferred to free reserves.

Q.2 The Balance Sheet of HMT Ltd. as on 31st March, 2017 is as follows.

Liabilities	Rs.	Assets	Rs.
10,000 shares of 10 each fully paid	1,00,000	Land & Building	84,000
Profit & Loss A/c	20,000	Plant & machinery	60,000
Debentures	15,000	Furniture & Fittings	5,000
Trade Creditors	20,000	Delivery Van	20,000
Provision for taxation	9,000	Stock	2,000
Proposed dividend	15,000	Book Debts	6,000
		Cash	2,000
	1,79,000		1,79,000

The net profits of the company after charging depreciation and taxes for the years ending 31st March were as follows:

2013-Rs. 17000; 2014-Rs. 19000; 2015-Rs. 18000; 2016-Rs. 20000 and 2017-Rs. 19000

On 31st March, 2017, assets were valued as under:

Land & Building-Rs. 95000, Plant & machinery-Rs. 71000, Furniture & Fittings-Rs.4000

10% return on investment can be considered fair for the business.

You are required to find value of goodwill by:

- Five years purchase of super profits.
- Capitalization of super profits

Turn over

Q.P. Code :05544

OR

Q.2 The Balance Sheet of FYBBI Ltd as on 31st March, 2017 is as follows:

15

Liabilities	Rs.	Assets	Rs.
10% Preference Capital	3,20,000	Goodwill	24,320
Equity Capital (FV 10 each)	3,20,000	Land & Building	4,16,000
Profit & Loss A/c	1,28,000	Plant & Machinery	3,84,000
10 % Bank Loan	1,28,000	Furniture & Fittings	19,200
Trade Creditors	24,000	Investments	36,480
Provision for Taxation	12,800	Stock	25,600
		Book debts	18,000
		Cash	9,200
	9,32,800		9,32,800

Additional information:

- Realizable value of goodwill is Rs. 48,000 and that of Land & Building is Rs. 4,61,000
- The expected rate of return on capital employed is 15%.
- Average annual profits is Rs. 1,80,000. Tax rate is 50%.

You are required to find fair value of each equity share.

Q.3 As on 1st April 2014, Infy Ltd. issued Rs. 20,00,000 15% Debentures of Rs. 100 each at par redeemable at a premium of 10%. Out of this, 60% debentures are to be redeemed at the end of 2nd year and the balance at the end of the 3rd year. The board has decided to transfer minimum required amount to D. R. R. at the end of the first year. 15

Pass journal entries for recording the above transactions. Ignore interest.

OR

Q.3 The summarized Balance Sheet of Bahar Ltd. on 31st March, 2016; was as follows:

15

Liabilities	Rs.	Assets	Rs.
10,000, 8% redeemable Preference Shares of Rs. 100 each	10,00,000	Fixed assets	25,00,000
3,00,000 Equity Shares of Rs. 10 each	30,00,000	Current assets	34,00,000
Profit & Loss A/c	6,50,000		
Current Liabilities	12,50,000		
	59,00,000		59,00,000

The condition of issue of the redeemable preference shares provided for their being redeemed on 15th July, 2016; at a premium of 5 percent. The profit available being not sufficient to redeem the whole issue, the company issued 50,000 Equity shares of Rs. 10 each at par on 1st July, 2016; which were duly taken up and paid for. The redeemable preference shares were redeemed on the due date.

Show Journal Entries to record the above transactions.

Turn over

Q.P. Code :05544

Q.4 Balance Sheet of MB Ltd. as on 31st March, 2017 is as follows:

Liabilities	Rs.	Assets	Rs.
Equity shares (Rs. 10 each)	6,00,000	Fixed assets	18,00,000
Preference shares (Rs. 100 each)	2,00,000	Long Term Investments	2,00,000
Security Premium	3,00,000	Bank Balance	21,00,000
General Reserve	2,00,000		
Profit & Loss A/c	2,00,000		
Debentures	16,00,000		
Creditors	10,00,000		
	41,00,000		41,00,000

15

Company want to buyback shares at Rs. 30 each.

Keeping in view all the legal requirements, determine maximum possible quantity of shares to be bought back. Also pass necessary journal entries for the buyback assuming that all for the formalities are completed the company.

OR

Q.4 Following is the Balance Sheet of KMT Ltd. as on 31st March, 2017

Liabilities	Rs.	Assets	Rs.
Equity shares (Rs. 10 each)	8,00,000	Fixed Assets	10,20,000
Preference shares (Rs. 100 each)	4,00,000	Bank Balance	6,20,000
Profit and Loss A/c	80,000		
Debentures	1,60,000		
Creditors	2,00,000		
	16,40,000		16,40,000

15

The company wants to buyback 20% of its equity Capital at 10% premium. The company issued 1200 preference shares of Rs. 100 each at 10% premium.

Pass necessary journal entries to records the above transactions.

Q.5 Answer the following

- Explain the steps in calculation of goodwill by super profit method.
- What are the benefits of buyback of shares?

08

07

OR

Q.5 Write short notes on any three

- Methods of valuation of equity shares
- Sinking fund method of redemption of debentures
- Limits on buyback of equity shares
- Capital Redemption reserves
- Average capital employed

15