

Duration :- 3 Hours

1343A23AFM

Maximum Marks:100

Note: All Questions are compulsory

Q1. A. Multiple Choice Questions: (Any Ten)

(CO-1,2,3 -R)

{10M}

1. Bills receivable is shown under -----
 - a. Loans and advances
 - b. Current assets
 - c. Current liabilities
 - d. Contingent liabilities
2. Preference shareholders are entitled to dividend at ----- rate
 - a. fixed
 - b. nil
 - c. variable
 - d. semi variable
3. Rights shares means the shares which are -----
 - a. Issued to promoters
 - b. Issued to debenture holders
 - c. Offered to existing shareholders as a right
 - d. Issued to vendors for consideration other than cash
4. Proceeds of fresh issue as a source of redemption can be -----
 - a. Equity shares
 - b. call money on shares
 - c. debentures
 - d. loan for bank
5. X ltd. Issued 1,000 equity shares of Rs. 100 each at par. The proceeds will be----
 - a. Rs. 1,00,000
 - b. Rs. 1,50,000
 - c. Rs. 1,70,000
 - d. Rs.180,000
6. The period of preference shares cannot exceed -----
 - a. 20 year
 - b. 7 years
 - c. 5 years
 - d. 8 years
7. A company cannot issue -----
 - a. Redeemable cumulative pref. shares
 - b. Redeemable non-cumulative pref. shares
 - c. Redeemable participating pref. shares
 - d. Irredeemable pref. shares
8. Interest on sinking fund investment is credited to-----
 - a. Sinking fund account
 - b. Profit and loss account
 - c. General Reserve Account
 - d. Profit and Loss appropriation account
9. When debenture become due, the claim is credited to-----
 - a. Bank account
 - b. Debenture holder account
 - c. Cash account
 - d. Debentures account
10. Loss prior to incorporation is transferred to -----
 - a. Capital reserve A/c
 - b. Goodwill A/c.
 - c. profit and loss A/c
 - d. Share Premium

Q1.B. Whether following statements are True / False: (Any 10) (CO-1,2,3 -R)

(10M)

1. Land is a depreciable assets.
2. Premium on redemption can be provided out of security premium.
3. Pre-incorporation profit is not chargeable to Income-Tax.
4. Capital reserve is a divisible profit.
5. IPO stand for initial public offer.
6. Debenture can be converted into shares.
7. Loss prior to incorporation is debited to Goodwill Account.
8. Companies must prepare their financial statements in vertical format only
9. Debenture holders have right to vote.
10. Depreciation is allocated in time ratio

Sudarshan Brothers was taken over by Sudarshan Ltd. on 1.5.2020; however, the company was incorporated on 1.2.2021.

The following was Trading and profit and loss account for the period from 1.5.2020 to 31.3.2021.

(CO-3, -A,A)

Particular	Amount	Particular	Amount
To Opening stock	45,000	By Sales	
To Purchases	2,00,000	By Closing Stock	
To Wages	80,000		
To Gross Profit c/d	7,00,000		
	10,25,000		10,25,000 €
To Salaries	72,000	By Gross Profit c/d	7,00,000
To Rent (Net)	39,000	By Discount	7,000
To Delivery Van Expenses	14,000		
To General Expenses	22,000		
To Advertisement	3,50,000		
To Bad Debt Written off	14,000		
To Debenture Interest	72,000		
To Directors Meeting fees	8,000		
Preliminary Expenses	4,000		
To Net Profit c/d	1,12,000		
	7,07,000		7,07,000

You are informed that:

- 1) Salaries in pre-incorporation and post –incorporation period were Rs.6000 per month and Rs.9000 per month respectively.
- 2) Gross profit percentage is fixed. Average monthly turnover is nine times in May, October and November, 2020 as compared to average monthly turnover of remaining months.
- 3) Audit fees Rs.5,500 is to be provided for the above period.
- 4) Rent on the debit side is after subtracting rent received at Rs.4, 000 per month December 2020.

You are required to find prepare statement of pre-incorporation and Post –incorporation for the period from 1.5.2020 to 31.3.2021.

(20M)

Q3. Aakash Ltd. was incorporated on 1st May, 2020 to take over a business from proceeding 1st January.

The account was made up to 31st December, 2020 as usual and the Trading and Profit & Loss Account showed the following results:

(CO-3, -A,A)

Particulars	Amount	Particulars	Amount
To Opening Stock	30,000	By Sales	2,40,000
To Purchases	1,80,000	By Closing Stock	54,000
To Gross Profit c/d	84,000		-
	2,94,000		2,94,000
To Salaries	12,000	By Gross Profit b/d	84,000
To Rent & Rates	4,800		
To Directors Fees	3,000		
To Travellers Commission	2,400		
To Office Expenses	12,000		
To Bad Debts	500		
To Discount	3,600		
To Audit Fees	600		
To Depreciation	1,800		
To Debenture Interest	1,000		

To Interest on Purchase			
Consideration to 01-10-2020	4,500		
To Formation Expenses	5,000		
To Carriage Outwards	1,200		
To General Expenses	2,100		
To Advertising	1,800		
To Stationery and Printing	3,000		
To Net Profit	24,700		
	84,000		84,000

Notes:

1. It is ascertained that sales for January were one and a half times of the average of the average of the year, whilst for April, August and December were only half the average and those for March twice the average.
2. Out of Bad debts Rs.200 relate to debts created prior to incorporation. Apportion the year's profit between pre-incorporation and post- incorporation periods. **(20M)**

Q.3. The balance sheets of Jam Ltd. as on 31.3.2022 disclose the following information: (CO-2,-A,A)

Liabilities	Amount	Assets	Amount
Share Capital:		Fixed Assets	4,00,000
Authorized :		Bank	2,10,000
5% Preference shares of Rs.10 each	1,50,000		
Equity Shares of Rs.10 each	<u>5,00,000</u>		
Paid up capital:			
5% Preference share of Rs.10 each fully paid	1,10,000		
Equity shares of Rs.10 each fully paid	3,00,000		
Profit and loss Account	2,00,000		
	6,10,000		6,10,000

On 1.4.2022, the Preference shares were redeemed at a premium of Rs.4 per shares. The company could not yet trace holders of 1,200 Preference Shares. Show the journal entries to record the transaction and also prepare the balance sheet after redemption of Preference shares. **(20M)**

OR

Q.3A. Kanchan Ltd. had 6,000 9% redeemable preference shares of Rs.50 each fully paid. The companies decide to redeem the shares at a premium of 10%. The company makes the following issue for the purpose of redemption.

- a) 25,000 Equity shares of Rs.10 each at a premium of 10%.
- b) 3,000 9% Debenture of Rs.100 each at a premium of Rs.10 each.

The company has a General Reserve of Rs.3, 75,000 and Securities Premium of Rs.50,000. Pass Journal entries to record above transactions. **(CO-2,-A,C)** **(10M)**

Q.3B. A Company was incorporated on 1.9.2020 to take over the business of a proprietor with effect from 1.4.2020. A company's profit and loss account for the year ended 31.3.2021 is given as under. **(CO-3,-A,A)**

Profit and loss account for the year ended 31.3.2021

Particular	Amount	Amount
Gross Profit	*-	50,000
Less:		
Office Staff Salaries	12,000	-
Proprietor Salaries	3,000	-
General Expenses:		
-Fixed	6,000	-
-Variable	2,000	-
Traveling Expenses:		
-office Staff	12,000	-
-Salesmen	15,000	-

Other Information:

Sales during the year ended were Rs.3, 00,000 of which Rs.1,80,000 relate to the post incorporation period. You are required to prepare income statement to find out profit loss in pre-incorporation period and post incorporation period for the year 31.3.2021. (10M)

Q.4.Nirmal ltd. issued 50000 15% Debenture of Rs.500 each at Rs.476 per debenture. The debentures are redeemable in five annual installment of Rs.100 each. It is decided to write off discount in proportion to the amount of debenture finance usage over the various years. You are asked to:

- a) Prepare statement for write off discount over the five year period.
- b) Pass appropriate Journal entries for five years. (CO-2-A,A,C) (20M)

OR

Q.4. Sanjay medical supplies ltd. gave notice of its intension to redeem its 8% Debenture amounting to Rs.8,00,000 of Rs.100 each at a premium of Rs.10 per debenture and offered the debenture holder following three option to apply the redemption money to subscribe for:

- a) 8% Preference shares of Rs.100 at Rs.105 per share.
- b) 12% Debenture of Rs.100 each at Rs.96 per Debenture.
- c) To have the holding redeemed for cash.
 - i) Debenture holder of 2100 accepted proposal (a)
 - II) Debenture holder of 1440 accepted proposal (b)
 - iii) Remaining Debenture holder accepted proposal (c)

Pass necessary journal entries to record the above transaction in the books of the company. Working note is part of the answer. (CO-2-A,A,C) (20M)

Q.5. A. Explain different types of debentures.(CO-1, U) (10M)

Q.5.B. what rules must be complied for issue of bonus shares? (CO-2, U) (10M)

OR

Q.5. Write short notes (Any four) (CO-1,2,3-U) (20M)

- a) Legal Provision for redemption of preference shares
- b) Sweat Equity share
- c) Divisible Profit
- d) Prepare format of company balance sheet as per companies' act 2013.
- e) Profit prior to incorporation

XXXXXXXXXXXXXXXXXX