

(2½ Hours)

[Total Marks: 75]

Please check whether you have got the right question paper

NB: 1 All questions are compulsory

2 Figures to the right indicate full marks

3 Working notes should form part of your answers

4 Use of simple calculator is allowed

Q1(A) Match the Columns (Any 8)

(08)

Group A	Group B
1) Purchase consideration	• Reserves and Surplus
2) On Amalgamation, the Reserves appearing in the Balance sheet of the vendor company is	• Personal Investment Accounting
3) AS-13	• Tangible fixed asset
4) On Amalgamation , Preliminary expenses appearing in the Balance sheet of the vendor company is	• The amount paid to the shareholders of the transferor company
5) Calls unpaid	• Credited to Equity shareholders account
6) During Internal reconstruction, sacrifice made by creditors is	• Debited to Equity shareholders account
7) During Internal reconstruction, reconstruction expenses paid are	• Credited to Capital Reduction Account
8) Interest on Debentures is shown under	• Debited to Capital Reduction Account
9) office salaries	• Share capital
10) Disclosure of Franchises	• Finance cost
	• Intangible Fixed asset
	• Employee Benefit Expenses

(B) State whether the following statements are True or False. Rewrite the statement (Any 7)

(07)

- On Amalgamation, payment made to Debenture holders is considered as part of Purchase consideration
- In Internal Reconstruction, consolidation of shares result in profit for the company
- On Amalgamation, vendor companies are not liquidated
- There is no difference between Internal and External reconstruction of companies
- IFRS stands for International Financial Restructuring standards.
- Bonus shares are shares which are issued free of cost to the existing equity shareholders
- Bills under discount , maturing after the Balance sheet date is a contingent liability
- At the end of the year, Non- current Investments are valued at cost
- Unclaimed dividend is shown under the head 'Other current liabilities' in the Balance sheet of a limited company.
- Profit on sale of short term Investment is calculated by using the formula selling price less weighted average cost.

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Q2. The following is the balance sheet of NA Ltd. as on 31st March, 2017:

Liabilities	₹	Assets	₹
20,000 7 % Preference Shares of ₹100 each fully paid	20,00,000	Goodwill	10,00,000
4,00,000 Equity Shares of ₹10 each fully paid	40,00,000	Land & Building	24,00,000
8% Debentures of ₹100 each (Secured on Land & Building)	20,00,000	Plant & Machinery	20,00,000
Interest due on Debentures	80,000	Investments	4,40,000
Loan from Directors	4,00,000	Current Assets	34,40,000
Current Liabilities	20,00,000	Preliminary Expenses	2,00,000
		Profit & Loss A/c	10,00,000
Total	1,04,80,000	Total	1,04,80,000

The following scheme of reconstruction was sanctioned, approved and implemented:

1. Preference Shares were reduced to equal number of fully paid preference shares by ₹20 per share.
2. Equity Shares were reduced to equal number of fully paid equity shares by ₹7.50 per share.
3. 8% debenture holders took over part of the security having book value ₹7,20,000 at ₹10,00,000 in part satisfaction of their loan and 2,40,000 equity shares of ₹2.50 each fully paid were issued to them for the balance.
4. Debentureholders waived their interest due on debentures.
5. Directors converted their loan into equity shares of ₹2.50 each fully paid.
6. Goodwill, preliminary expenses and accumulated losses are to be written off.
7. The assets were revalued as under:

Plant & Machinery	₹12,00,000
Investments	₹4,00,000

You are required to:

1. Pass Journal Entries in the books of NA Ltd. and
2. Prepare Capital Reduction Account

OR

Q2. Sona Ltd. was formed to acquire the business of Mona Ltd. as on 31-3-2017. The summary of Balance Sheet of Mona Ltd. as on that date was as under:

Liabilities	₹	Assets	₹
Equity Shares of ₹10 each fully paid	3,00,000	Goodwill	40,000
General Reserve	50,000	Land & Building	1,60,000
Export Profit Reserve	16,000	Plant	1,60,000
Profit & Loss a/c	36,000	Investments	60,000
12% Debentures	1,20,000	Stock	80,000
Sundry Creditors	74,000	Sundry Debtors	1,00,000
Provision for Tax	60,000	Bills Receivable – Trade	16,000
		Bank Balance	40,000
Total	6,56,000	Total	6,56,000

Terms of Acquisition:

1. Sona Ltd. issued to Mona Ltd. 50,000 equity shares of ₹10 each at ₹12 per share.
2. Sona Ltd. paid ₹4 in cash for each share of Mona Ltd.
3. Sona Ltd. discharged 12% debentures of Mona Ltd. at 10% premium by issue of its 15% debentures at a discount of 12%.
4. Sona Ltd. paid liquidation expenses ₹6,000.

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5. Sona Ltd. revalued Land and Building at ₹2,00,000, Plant at 10% below book value, Stock at ₹70,000 and Debtors subject to 5% provision for doubtful debts.
6. Mona Ltd. sold one-fifth of the shares received from Sona Ltd. at ₹13 per share.
7. Sona Ltd. issued 20,000 equity shares of ₹10 each at ₹12 each to the public. The issue was fully subscribed and paid for.
8. Export Profit Reserve is to be maintained for the next three years.

You are required to:

1. Compute Purchase Consideration.
2. Pass Journal Entries in the books of Mona Ltd.

Q3. BC Ltd. is formed to take over the business of B Ltd. and C Ltd. The summary Balance Sheets on the date of amalgamation as on 31st March 2017 is as under: (15)

Liabilities	B Ltd. ₹	C Ltd. ₹	Assets	B Ltd. ₹	C Ltd. ₹
Equity Shares of ₹100 each fully paid	8,00,000	7,50,000	Land & Building	6,00,000	3,00,000
12% Preference Shares of ₹100 each fully paid	3,00,000	2,00,000	Plant & Machinery	3,00,000	3,60,000
General Reserve	1,70,000	1,50,000	Computers	1,50,000	40,000
Profit & Loss A/c	50,000	30,000	Stock	4,00,000	2,00,000
Statutory Reserves	2,00,000	1,50,000	Sundry Debtors	2,50,000	4,00,000
10% Debentures of ₹100 each	60,000	30,000	Bank Balance	1,20,000	1,60,000
Sundry Creditors	2,20,000	1,40,000	Bills Receivables - Trade	1,80,000	40,000
Bills Payable	2,00,000	50,000			
Total	20,00,000	15,00,000	Total	20,00,000	15,00,000

The terms of amalgamation were as under:

- a) BC Ltd. issued five equity shares for each share of B Ltd. and four equity shares for each equity share of C Ltd. The shares are of ₹10 each issued at ₹30 each.
- b) Preference shareholders of both the companies are issued equivalent number of 15% preference shares of new company at ₹150 each (face value ₹100).
- c) 10% debenture holders of B Ltd. and C Ltd. are discharged by BC Ltd. by issuing such number of its 15% debentures of ₹100 each so as to maintain the same amount of interest.
- d) BC Ltd. revalued the following assets taken over from B Ltd. and C Ltd.

Assets	B Ltd. ₹	C Ltd. ₹
Land & Building	8,00,000	4,00,000
Plant & Machinery	2,40,000	3,00,000
Computers	1,40,000	20,000
Stock	3,00,000	1,60,000
Sundry Debtors	2,20,000	3,80,000

e) It was decided by the directors of BC Ltd. to set off goodwill and capital reserve mutually. You are required to:

- 1) Compute Purchase Consideration
- 2) Pass journal entries in the books of BC Ltd. applying purchase method. (Narration is not required)

OR

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Q3(A) Prepare Vertical Statement of Profit and Loss for the year ending 31-3-2017 of RS Ltd. (08)

Particulars	₹
Interest on Investment	2,00,000
Sales	6,50,000
Opening Stock of Raw Material	30,000
Purchase of Raw Material	3,50,000
Employee Benefits Expenses	25,000
Audit fees	50,000
Sales Return	20,000

Additional Information:

1. Interest on Investment was receivable ₹20,000.
2. Closing Stock of Raw Material ₹ 20,000.
3. Outstanding Audit fees ₹15,000.

Q3(B) On 1st April, 2016 Mr. Dipesh holds 40,000 Equity Shares of ₹10 each in ABC Ltd at a cost of ₹5,00,000. On 1st June, 2016, he purchased right shares, announced by the Company at the rate of two shares for every five shares held as on that date at ₹16 each. On 1st August, 2016 he purchased 6,000 additional shares of the same Company at a cost of ₹95,000. On 1st October, 2016 Company announced a bonus issue of one share for every four shares held as on that date. On 31st January, 2017 he purchased 5,000 additional shares of the same Company at a cost of ₹92,000. On 1st February, 2017 he sold 1000 shares at ₹25 each.

Prepare Investment in Equity Shares Account in the books of Mr. Dipesh for the year ending 31st March, 2017. (07)

Q4. The following is the Trial Balance of C Ltd. as on 31st March, 2017: (15)

Debit Balances	₹	Credit Balances	₹
Machinery	10,65,000	2,00,000 Equity Shares of ₹10each	
Office Salaries	2,75,000	fully paid up	20,00,000
Finance Expenses	1,07,000	Securities Premium	15,000
Sundry Debtors	90,000	General Reserve	50,000
Interim Dividend	60,000	Revenue from Operations	8,14,000
Cash on Hand	58,000	Discount Received	8,700
Bank Balance	6,00,000	Bills Payable	21,200
Security Deposit- short term	7,800	Sundry Creditors	24,600
Advance Tax (2016-17)	1,00,000	Profit & Loss Account	20,000
10% Debentures	1,00,000	Provision for Taxation (2015-16)	70,000
Stock – Finished Goods	4,50,000	Interest Received(Net of TDS ₹500)	9,500
Advance Tax (2015-16)	80,000		
Packaging Charges	10,200		
Auditors Remuneration	30,000		
Total	30,33,000	Total	30,33,000

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Additional Information:

1. Auditor's remuneration includes their fees as auditor ₹16,000 and the remaining amount as consultants.
2. Sundry Debtors include due for more than 6 months ₹20,000. All debts are considered good and unsecured.
3. Provide for outstanding expense: Office Salaries ₹5,000.
4. Provision for tax for the year 2016-2017 ₹1,00,000 to be made.
5. The income tax assessment for the year 2015-16 was completed resulting into a gross demand of ₹85,000
6. The Authorized Share Capital of the Company is 5,00,000 Equity Shares of ₹10 each.
7. The Board of Directors decided to provide ₹10,000 as Director's fees.

Prepare statement of profit and loss for the year ended 31st March, 2017 and a balance sheet as on that date of C Ltd. Ignore previous year's figures and Corporate Dividend Tax.

OR

Q4. Mr. Bharat holds 2,000 – 12% Bonds of ₹100 each in NP Ltd. as on 1st April, 2016 at a cost of ₹3,00,000. Transactions for the year are as follow:

Date	Particulars	Quantity	Rate ₹
01/05/2016	Purchased	400	200 Cum Interest
01/09/2016	Purchased	500	220 Cum Interest
01/01/2017	Sold	600	240Ex Interest
01/03/2017	Purchased	200	210 Cum Interest

Interest is payable half yearly on 30th June and 31st December every year. Prepare Investment in 12% Bond Account for the year ending 31/03/2017. (15)

- Q5 (A)** Explain the difference between Internal and External Reconstruction of Companies? (08)
- (B)** What are the benefits of adoption of IFRS? (07)

OR

Q5. Write short notes on any 3 of the following: (15)

- a) Disclosure of cash and cash equivalent in the balance sheet of a limited company
- b) Net asset method of purchase consideration
- c) Consolidation and subdivision of shares
- d) Features of IFRS
- e) Cum-interest and Ex- Interest transactions in Investment accounting.

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