

Duration : 2½ hours

Maximum marks: 75

- NOTE:**
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)

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	A		B
1	Amalgamation Adjustment Account	*	Short Term Provision (10)
2	During Amalgamation, Dissolution Expenses borne by Vendor company is	*	Personal Investment Accounting 4
3	During Internal Reconstruction, Appreciation in the value of Fixed Assets is	*	Debited to Realisation Account 2
4	Discosure of Franchises	*	Statutory Reserve 1
5	Disclosure of Land & Building	*	Credited to Capital Reduction Account 8
6	Disclosure of Interest Accrued & due on Debentures	*	Debited to Capital Reduction Account (3)
7	Net Asset Method	*	Intangible Fixed Assets
8	During Internal Reconstruction, Increase in the value of Creditors is	*	Tangible Fixed Assets (5)
9	Cum-Interest and Ex-Interest Price	*	Short Term Loans & Advances
10	Disclosure of Provision for Taxation	*	Purchase Consideration 7
		*	Credited to Realisation Account (8)
		*	Other Current Liabilities

Q1. B. State Whether the following statements are True or False.

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Rewrite the statement. (Any 7)

1. Amalgamation of Companies is governed by AS 14.
2. Sale Proceeds on sale of Right entitlement is Credited to Profit & Loss Account.
3. Unclaimed Dividend is shown under the head 'Other Current Liabilities' in the Balance Sheet of a Limited Company.

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4. Contingent Liability is shown as a foot note in the Balance sheet of a Limited Company.
5. In Personal Investment Accounting, dividend received on Investments in shares for post acquisition period is credited to profit and loss Account.
6. In Personal Investment Accounting, Long Term Investments, at the end of the year are valued at cost.
7. 'Computer Software' is shown under the head 'Intangible Fixed Assets' in the Balance Sheet of a Limited Company.
8. Internal Reconstruction Expenses are debited to Capital Reduction account.
9. During Internal Reconstruction there is no liquidation of Company.
10. 'Pooling of Interest' is a method of calculating Interest on Debentures.

Q2. Following is the Summarised Balance Sheet of Mahesh Ltd as on 31/03/2016.

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Liabilities	Rs.	Assets	Rs.
20,000 8% Cumulative Preference shares of Rs. 100 each fully paid	20,00,000	Goodwill	5,00,000
4,00,000 Equity Shares of Rs. 10 each fully paid	40,00,000	Land & Building	24,00,000
8% Debentures of Rs.100 each (secured against Land & Building)	20,00,000	Plant & Machinery	22,00,000
Debenture interest due	80,000	Investments	2,40,000
Loan from Directors	4,00,000	Current Assets	34,40,000
Current Liabilities	20,00,000	Profit and Loss Accounts	17,00,000
	104,80,000		104,80,000

- Note:** (a) Claims for damages against the company pending in court of law amounted to Rs.2,00,000.
 (b) Arrears of Preference dividend Rs.1,40,000.

Following Scheme of Reconstruction was approved & Implemented:-

- (i) Preference Shares were reduced to equal number of fully paid 8% Preference Shares of Rs.80 each.
- (ii) Equity Shares were reduced to equal number of fully paid Equity Shares of Rs. 2.50 each.
- (iii) Preference Shareholders waived half of the arrears of dividend and 28,000 equity shares of Rs.2.50 each fully paid were issued to them in lieu of the balance.
- (iv) 8% Debenture holders took over part of the Land & Building having book value of Rs.7,20,000 at Rs.10,00,000 in part satisfaction of their debts and 2,40,000 Equity Shares of Rs.2.50 each fully paid were issued to them for the balance amount.

- (v) Debenture holders waived their interest due on Debentures.
- (vi) The claims for damages pending in the court of law were settled by issue of 24,000 Equity Shares of Rs. 2.50 each fully paid.
- (vii) Directors converted their loan into equity shares of Rs. 2.50 each fully paid.
- (viii) Profit & Loss debit balance and intangible assets were written off.
- (ix) The assets were revalued as under:-
Plant and Machinery Rs. 14,00,000,
Investments Rs. 2,00,000.

You are required to pass necessary Journal Entries in the books of Mahesh Ltd.

OR

- Q2. Mr. Ashok entered into following transactions of Equity Shares of Rs. 10/- each of Anmol Ltd.

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Date	No. of shares	Details
01/04/2015	1500	Rs. 34,500 Cost (opening)
15/05/2015	1000	Purchase @ Rs. 22/- per share
15/07/2015	2500	Bonus shares received
15/12/2015	1500	Sale @ Rs. 22/- per share
01/03/2016	1000	Sale @ Rs. 24/- per share

Additional Information :-

- On 1st September 2015, dividend @ Rs. 3/- per share was received for the year ended 31/3/2015.
- On 10th November 2015, the company made a right issue of equity shares in the ratio of one share for every five shares held on payment of Rs. 20/- per share.

Mr. Ashok subscribed for 50% of the shares and sold remaining of his rights @ Rs. 3/- per share.

You are required to prepare Investment in Equity Shares A/c in the books of Mr. Ashok for the year ended 31/03/2016. (Round off figures to the nearest Rupee.)

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- Q3. The Summarised Balance Sheets of 'A' Ltd and 'B' Ltd as on 31/3/2016 were as follows:-

Liabilities	A Ltd. (Rs.)	B Ltd. (Rs.)	Assets	A Ltd. (Rs.)	B Ltd. (Rs.)
Equity share Capital (Shares of Rs. 10 each)	8,00,000	6,00,000	Land & Building	6,00,000	4,80,000
Reserves & Surplus	5,80,000	1,00,000	Plant & Machinery	1,20,000	80,000
Creditors	4,20,000	2,60,000	Motor Vehicle	60,000	40,000
6% Debentures (Rs. 100/- each)	—	2,40,000	Debtors	4,00,000	1,60,000
			Inventories	4,60,000	3,60,000
			Cash & Bank Balance	1,60,000	80,000
	18,00,000	12,00,000		18,00,000	12,00,000

Additional Information :-

A Ltd & B Ltd amalgamate their business. They form 'AB' ltd. to takeover Assets and Liabilities of both the Companies on the following basis :-
Assets and Liabilities are taken over at Book value, with the following exceptions :

- Goodwill of 'A' Ltd and 'B' Ltd. to be valued at Rs. 2,80,000 and Rs. 80,000 respectively.
- Plant and Machinery of 'A' Ltd. to be valued at Rs. 2,00,000.
- Debentures of 'B' Ltd are to be discharged at a premium of 5% by issue of 6% Debentures of Rs.100/- each of 'AB' Ltd. at par.
- Entire Purchase Consideration is discharged by issuing Equity shares of 'AB' Ltd of Rs. 10 each at par.

You are required to:

- Calculate Purchase Consideration.
- Pass Journal entries in the books of 'AB' Ltd.
- Show notes to Accounts of 'Share Capital' and 'Long Term Borrowings' forming part of Balance Sheet of 'AB' Ltd. after Amalgamation.

OR

- Q3 (A) Show the presentation of the following items under appropriate notes to accounts forming part of the Balance Sheet of Mehul Ltd as on 31/03/2016. 07
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| a) General Reserve (opening Balance) | Rs.50,00,000 |
| b) Debenture Redemption Reserve (opening Balance) | Rs.10,00,000 |
| c) Profit & Loss Account (opening Balance) | Rs.30,00,000 |
| d) Net profit for the year (before Transfers & Appropriations) | Rs.40,00,000 |
| e) Transfer to General Reserve | Rs.10,00,000 |
| f) Transfer to Debenture Redemption Reserve | Rs.5,00,000 |
| g) Proposed Equity Dividend | Rs. 4,00,000 |
| h) Interim Dividend paid | Rs. 1,00,000 |

- Q3. (B) Following is the extract of the Trial Balance of Satya Ltd. as on 31/03/2016. 08

Particulars	Debit (Rs.)	Credit (Rs.)
Profit & Loss Account (opening)		25,00,000
Advance Income Tax (2014-15)	1,20,000	
Provision for Income Tax (2014-15)		1,70,000
Advance Income Tax (2015-16)	1,30,000	

Additional Information :-

- 1) Net Profit before Tax for the year ended 31/3/2016 is Rs. 6,00,000.
- 2) Income Tax Provision to be made for the year 2015-16 is Rs. 1,40,000.
- 3) No effect is given to Income Tax Assessment which is completed for 2014-15, resulting in a Gross Demand of Rs. 1,50,000.

You are required to show, how the relevant items will appear in the Statement of Profit & Loss of Satya ltd. for the year ended 31/3/2016 and also in the Balance Sheet as on 31/3/2016.

Q4. Following is the Trial Balance of Bharat Ltd. as on 31/03/2016

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PARTICULARS	DEBIT Rs.	CREDIT Rs.
4,00,000 Equity Shares of Rs. 10/- each		40,00,000
12% Debentures		30,00,000
Profit and Loss Account (Balance as on 01/04/2015)		2,62,500
Bills Payable		3,70,000
Creditors		4,00,000
Sales		41,50,000
General Reserve		2,50,000
Provision for Doubtful Debts		35,000
Premises	30,72,000	
Plant and Machinery	33,00,000	
Opening stock of finished goods	7,50,000	
Debtors	8,70,000	
Goodwill	2,50,000	
Cash & Bank Balance	4,81,500	
Interim Dividend	3,92,500	
Purchases of finished goods	18,50,000	
Share Issue Expenses	50,000	
Salaries	9,79,800	
General Expenses	68,350	
Advertisement Expenses	2,02,250	
Bad debts	21,100	
Interest on Debentures	1,80,000	
	12,467,500	12,467,500

Additional information :

- 1) Authorised Capital of the Company is 5,00,000 equity shares of Rs. 10/- each.
- 2) Write off 10% of Share Issue Expenses.
- 3) Stock of finished goods on 31/03/2016 is Rs. 9,50,000/-
- 4) Create Provision for Doubtful debts @ 5% on Debtors.
- 5) Provide Rs. 1,80,000/- for Income Tax.
- 6) Depreciate Plant & Machinery @ 15% p.a.

From the above information prepare statement of Profit & Loss for the year ended 31/03/2016 & Balance sheet as on that date of BHARAT LTD.

OR

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- Q4. Following Transactions appear in the books of Mr. Joshi for 12% Government Bonds of 15 Rs. 100/- each.
Interest is payable on 30th June and 31st December every year. Transactions during the year ended 31/03/2016 are as follows:

Date	No. of Bonds	Details
01/04/2015	2400	Opening Balance at a cost of Rs. 2,28,000/-
01/06/2015	900	Sold @ Rs. 105 each cum Interest
01/09/2015	2100	Purchased @ Rs. 98 each Ex- Interest
01/12/2015	1200	Purchased @ Rs. 108 each Cum-Interest
01/02/2016	2700	Sold @ Rs. 97 each Ex-Interest

Prepare 12% Government Bond Account in the books of Mr. Joshi for the year ended 31/03/2016. Market value of the above investment on 31/03/2016 was Rs. 2,03,456/-
(Figures to be Rounded off to the nearest rupee)

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Q5.

- (A) Explain Pre-acquisition and Post-acquisition Dividend in Personal Investment Accounting.
- (B) Distinguish between Amalgamation v/s Absorption v/s External Reconstruction of Companies.

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OR

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Q5.

- Write short notes on **Any 3** of the following:
- Challenges in Convergence with IFRS
 - Disclosures of Reserves & Surplus in the Balance Sheet of a Limited Companies.
 - Methods of calculating Purchase Consideration.
 - Consolidation & Subdivision of Shares.
 - Sale of Right entitlement & Purchase of Right Shares.

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