

Time: 3 Hrs

Marks: 100

N.B: 1) All questions are compulsory.

2) Figures to the right indicate full marks.

3) Working notes should form part of your answer.

4) Use of simple calculator is allowed.

Q. 1 a) State whether the following statements are true or false (any ten) (10)

- 1) Short term provision is a part of Non Current Liabilities.
- 2) Contingent liabilities are shown in Balance Sheet under the head Current liabilities.
- 3) Change in Inventory = Opening Stock of Raw Material less Closing Stock of Raw Material.
- 4) If the buyback exceeds 10% of the paid-up capital, the board of directors has the authority to approve it by resolution at a meeting.
- 5) The debt equity ratio must be more than 2:1 after buyback.
- 6) The buyback must be completed within 15 months from the date of passing the resolution.
- 7) In the case of internal reconstruction, no new company is created.
- 8) Alteration of share capital is one of the methods of Internal Reconstruction.
- 9) Interest is always calculated on the face value of the securities.
- 10) Profit from the sale of an investment should be debited to the investment account.
- 11) CSR stands for Corporate Social Responsibility.
- 12) Ethics is a branch of moral philosophy that guides people about the basic human conduct.

Q. 1 b) Match the following items from column A with column B (any ten) (10)

Column A	Column B
1) Debentures	a) Subdivision of Shares
2) Mining Rights	b) Not available for buyback
3) Conversion of shares of larger denomination in to shares of smaller denomination	c) Without Interest
4) Credit balance of Capital Reduction account	d) Nothing is to be recorded in cost column
5) Internal Reconstruction	e) Reports certain types of wrongdoing
6) Escrow Account	f) Moral Principles and Values
7) Revaluation Reserve	g) Example of Intangible Asset
8) Investment in Equity Shares	h) Capital Reserve
9) Cum Interest	i) Long term Borrowings
10) Bonus Shares received	j) Example of Variable earning security
11) Whistle blowers	k) With Interest
12) Ethics	l) Necessary to open for Buyback Process
	m) Process of reorganization of a company

Q. 2 Following is the Trial Balance of Pruthvi ltd; as on 31st March 2023.

(20)

Particulars	Amount Rs.	Particulars	Amount Rs.
Land & Building	8,00,000	18,000 Equity Shares of Rs. 100 each fully paid	18,00,000
Plant & Machinery	3,00,000	General Reserve	4,00,000
Furniture	55,000	Bank Loan (Long Term)	4,02,500
Purchases	15,02,709	Unclaimed Dividend	1,500
Salaries	7,00,000	Sundry Creditors	1,28,652
Wages	4,30,442	12% Debentures	2,73,000
Bank Interest	75,000	Sales	32,51,841
Rent Paid	30,000	Interest on Investment	25,632
Repairs	25,000	Surplus (01/04/2022)	50,544
Miscellaneous Expenses	20,000		
Audit Fees	15,000		
Opening Stock	5,16,174		
Sundry Debtors	4,00,000		
Bills Receivables	2,97,140		
Long term Investment	8,66,850		
Advance Income Tax	1,35,000		
Cash at Bank	1,65,354		
Total	63,33,669	Total	63,33,669

Following are the other particulars:

- 1) Provide 10% Depreciation on Land Building and Plant Machinery.
- 2) Outstanding Wages were Rs. 19558
- 3) Interest on Debentures is outstanding for the year 2022-23.
- 4) Transfer Rs. 1,50,000 to General Reserve.
- 5) Directors Proposed Dividend @8%.
- 6) Bills Receivable includes a dishonored bill of Rs. 50,000.
- 7) On 31st March 2023, Stock of finished goods was valued at Rs. 6,46,040.
- 8) The Authorized share capital of the company was Rs. 20,00,000 divided in to 20,000 Equity Shares of Rs.100 each

Prepare statement of profit and loss account for the year ended 31st March 2023 and Balance Sheet as on that date.

OR

Q. 2 Mr. Manoj holds 1,500, 10% Debentures of Rs. 100 each in Rahul ltd; as on 1st April 2022 at a cost of Rs. 1,80,000. Interest is payable half yearly on 30th September and 31st March every year. Following are the transactions for the year ended 31st March 2023. (20)

Date	Particulars	No. of Debentures	Rate
31/05/2022	Purchase	1,200	Rs. 95 Cum interest
30/06/2022	Purchase	300	Rs. 90 Cum interest

01/11/2022	Sales	1,200	Rs. 110 Cum interest
30/11/2022	Purchase	900	Rs. 97 Ex interest
01/01/2023	Sales	600	Rs. 105 Ex interest
01/02/2023	Purchase	300	Rs. 93 Ex interest
01/03/2023	Sales	1,200	Rs. 103 Cum interest

The books of accounts are closed on 31st March every year. Prepare Investment in 10% Debentures account in the books of Manoj for the year ended 31st March 2023. Market value of the above Investment on 31st March 2023 was Rs. 1,22,000.

Q.3 Following is the Summarized Balance Sheet of Shital Ltd; as on 31st March 2023. (20)

Particulars	Amount Rs.	Amount Rs.
I. Equity and Liabilities		
Equity Shares of Rs. 10 each fully Paid	30,00,000	
12% Cumulative Preference Shares of Rs. 100 each fully paid	15,00,000	45,00,000
12% Debentures		15,00,000
Interest on Debentures		1,80,000
Creditors		15,00,000
Bank Overdraft		3,00,000
Total		79,80,000
II Assets		
Goodwill		3,00,000
Land and Building		28,00,000
Plant and Machinery		5,00,000
Furniture & Fixtures		8,00,000
Investments		4,30,000
Stock		6,00,000
Debtors		10,90,000
Cash at Bank		1,00,000
Profit and loss account		12,00,000
Discount on Issue of Shares		75,000
Preliminary Expenses		85,000
Total		79,80,000

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Preference Dividend is in arrears for two years. Following scheme of Reconstruction was approved by the court.

- 1) Preference Shares were converted in to equal number of fully paid 10% preference Shares of Rs. 70 each.
- 2) Equity Shares to be reduced to Rs. 6 each fully paid up.
- 3) Investment was sold at a profit of 10%.
- 4) Preference Shareholders waived half of the arrears of dividend, and the remaining amount was paid in cash.
- 5) 12% Debenture holders agreed to accept Plant and Machinery for Rs. 7,00,000, and for remaining balance they accepted 8,000, 15% Debentures of Rs. 100 each fully paid.

- 6) Debenture holders agreed to forgo 50% of the interest and remaining balance is to be paid off immediately.
 7) Write off Goodwill, Debit balance of Profit and loss a/c, Discount on Issue of Shares and Preliminary Expenses.
 8) Bank Overdraft was paid.
 You are requested to pass necessary journal entries, Prepare Capital reduction account and Balance Sheet after Reconstruction.

.OR

Q. 3 a) From the following information prepare statement of Profit and Loss account of Nitin Ltd; for the year ended 31st March 2023 (10)

Particulars	Amount Rs.
Sales	20,20,000
Miscellaneous Receipts	2,500
Interest Received on Government Bonds	6,000
Reserve for Bad Debts (01/04/2022)	8,000
Sales Return	20,000
Opening Stock of Raw Material	1,00,000
Purchase of Raw Material	10,50,000
Freight on Raw Material	50,000
Opening Stock of Finished Goods	1,50,000
Wages	75,000
Salaries	4,00,000
Bad Debts	6,000
Debenture Interest	14,000
Rent Rates & Taxes	13,000
Travelling Expenses	4,000
Depreciation on Fixed Assets	60,000
Carriage Outward	3,000
Closing Stock of Raw Material	75,000
Closing Stock of Finished Goods	2,00,000
Provision for Bad Debts (31/03/2023)	10,000
Provision for Taxation should be made at 20% of the Profit	

Q. 3 b) From the following information Find out Maximum number of Shares to be bought Back by the Shreyash Ltd; at a offer Price of Rs. 250 Per Share. (10)

Particulars	Amount Rs.
Authorised Share Capital:	
1,00,000 Equity Shares of Rs. 100 each	1,00,00,000
10,000, 10% Preference Shares of Rs. 100 each	10,00,000

Issued, Subscribed, Called up and Paid up:	
70,000 Equity Shares of Rs. 100 each, Rs. 80 Per share Called up and Paid Up.	56,00,000
5,000 10% Preference Shares of Rs. 100 each fully Paid	5,00,000
Reserves:	
General Reserve	12,00,000
Securities Premium	25,00,000
Profit & loss a/c	51,00,000
Long term Borrowings	
10% Debentures	25,00,000
Bank loan	25,00,000
Current Liabilities:	
Creditors	15,00,000

Q.4 The Summarized Balance Sheet of Prakash Ltd; as on 31st March 2023

(20)

Particulars	Amount Rs.	Amount Rs.
I. Equity and Liabilities		
1. Shareholders' Funds		
a) Share Capital		
4,00,000 Equity Shares of Rs. 10 each fully Paid	40,00,000	
b) Reserve & Surplus		
Securities Premium	7,00,000	
General Reserve	10,00,000	
Profit and Loss a/c	3,00,000	60,00,000
2. Non Current liabilities		
a) Long Term Borrowings		
11% Debentures	12,00,000	
Bank Loan (long term)	9,00,000	21,00,000
3. Current liabilities		
a) Trade Payables		
Sundry Creditors		6,00,000
Total		87,00,000
II Assets		
1. Fixed Assets		55,00,000
2. Bank Balance		18,00,000
3. Other Current Assets		14,00,000
Total		87,00,000

Ascertain the maximum number of shares the company can buyback at a price of Rs. 30 per share. Assuming the buyback is actually carried out:

- Pass Necessary Journal entries in the books of Prakash Ltd; and
- Prepare Balance Sheet after buyback.

OR

Q. 4 a) On 1st April 2022 Mr. Dhananjay had 3,000 Equity Shares of Rs. 100 each at a cost of Rs. 6,90,000. He furnished the following particulars for the year ended 31/03/2023. (10)

Date	No. of Shares	Transaction details
30/04/2022	2,000	Purchased @ Rs. 220 per Share
31/07/2022	5,000	Bonus Shares Received
31/12/2022	4,000	Sale @ Rs. 220 Per Share

Following additional information is also provided by him:

- 1) On 31st August 2022 Dividend @ Rs. 30 per Share for the year ended 31/03/2022 was received by him.
- 2) On 30 September, 2022 The Company issued right shares, in the ratio of one share for every five shares held on Payment of Rs. 200 per share. Mr. Dhananjay Subscribed 50% of the Rights and Sold remaining to Mr. Pravin @ Rs. 150 per Share.

You are requested to prepare the Investment in Equity Shares account for the year ended 31st March 2023.

Q. 4 b) Following is the summarized Balance Sheet of M/s Jayashri Ltd; as on 31st March 2023

Liabilities	Amount Rs.
10% Preference Shares of Rs. 100 each	10,00,000
Equity Shares of Rs. 10 each	15,00,000
11% Debentures	3,00,000
Sundry Creditors	3,00,000
Other Current Liabilities	6,00,000
Total	37,00,000
Assets:	
Goodwill	4,50,000
Land & Building	15,00,000
Plant & Machinery	7,00,000
Stock	6,00,000
Publicity Campaign Expenses	4,00,000
Discount on issue of Debentures	50,000
Total	37,00,000

Following scheme of Reconstruction has been approved by the court:

- 1) Equity Shares to be reduced by Rs. 3 per share.
- 2) 10% Preference Shares were reduced to Rs. 80 per share fully paid up.
- 3) 11% Debenture holders agreed to waive 30% of their rights.
- 4) 30% of the creditors are to be reduced to 80% and 60% of the creditors to be reduced by 30%.
- 5) All intangible and Fictitious Assets are to be written off.

- 6) Assets were revalued as: Land & building Rs. 16,00,000
: Plant & Machinery Rs. 7,50,000
: Stock to be reduced by Rs. 62,000.

You are required to pass necessary journal entries and prepare capital reduction account in the books of M/s Jayashri.

Q. 5 a) Explain the effects of unethical behaviour on financial reporting.

(10)

b) What are the sources of buyback? Explain benefits of buyback.

(10)

OR

Q. 5 Write Short Notes (Any Four)

(20)

- a) Reserve and Surplus in Final Accounts of Companies
- b) Consolidation and Subdivision of Shares
- c) Whistle Blowing
- d) Ex Interest and Cum Interest
- e) Property, plant and Equipment (Tangible Fixed Asset)
- f) Need of internal Reconstruction
