

T7 A/F

Seri - V

(ATKT)

J. Y B Com

March 2024

82/03/21

Paper / Subject Code: 44801 / Financial Accounting - V (Rev-2018)

[Time: 2:30 Hours]

[Marks: 75]

Note:

- All questions are compulsory.
- Each question carries 15 marks.
- Figures to the right indicate full marks.
- Use simple calculator.
- Working should form part of answer.

Q1 A Rewrite the sentences after selecting correct alternative: (Any eight)

[08]

1. If a part of the issue of shares or debentures is underwritten, it is termed as _____.
 - a. Firm underwriting
 - b. Partial underwriting
 - c. Complete underwriting
 - d. Sole underwriting
2. The underwriting commission is calculated on _____.
 - a. Net liability of share value
 - b. Firm underwriting value of the shares
 - c. Marked applications of the share value
 - d. Issue price of the shares underwritten
3. Zomato Ltd. is authorized to issue 5,00,000 number of equity shares. It had issued 3,00,000 equity shares. It has bought back 50,000 shares. As a result of this transaction, the no. of shares (i) in authorized share capital and (ii) in issued share capital will be _____.
 - a. 2,00,000 ; 50,000
 - b. 3,00,000 ; 2,50,000
 - c. 5,00,000 ; 3,00,000
 - d. 5,00,000 ; 2,50,000
4. On buy back of shares, there is a reduction in the share capital to the extent of the _____.
 - a. Market value of shares bought back
 - b. Face value of shares bought back
 - c. Called up value of shares bought back.
 - d. Unpaid value of shares bought back

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5. As per AS 14, purchase consideration is an amount payable to _____.
- Shareholders only
 - Shareholders and Debenture holders
 - Shareholders and Creditors
 - Employees
6. If the business of an existing company Surya Ltd. is taken over by an existing company SUNLIGHT Ltd., it is called _____.
- Internal reconstruction
 - External reconstruction
 - Absorption
 - Amalgamation
7. Surrender of fully paid shares amounts to _____.
- Reduction of share capital
 - Alteration of share capital
 - Variation of shareholder's rights
 - Compromise/Arrangement
8. Debenture holders accepting a cash payment less than the face value of their debentures amounts to _____.
- Reduction of share capital
 - Alteration of share capital
 - Variation of shareholder's rights
 - Compromise/Arrangement
9. Amount of government dues that arose within 12 months before the date of winding up is treated as _____.
- Secured creditor
 - Unsecured creditor
 - Preferential creditor
 - Overriding preferential creditor
10. List H shows _____ Account.
- Deficiency or Surplus
 - Preferential Creditors
 - Fixed Assets Account
 - Share capital

Q1 B State whether the given statements are TRUE or FALSE: (Any seven)

[07]

1. Unmarked applications are also known as direct applications.
2. In underwriting, underwriters are liable to take up securities not subscribed by public.
3. Buy back of shares is just the opposite of raising capital through issue of shares.
4. Date of buy-back of shares is known on the date of issue of shares.
5. Goodwill arising on amalgamation, as per AS-14 is to be retained in the books of the company till the winding up.
6. Accounting for amalgamation is governed by Accounting Standard 16.
7. Only sick companies undertake capital reduction.
8. Internal Reconstruction refers to an arrangement, whereby a previously unprofitable or a weak company is reconstructed by certain measures.
9. A Contributory is a Shareholder.
10. Amount of calls in advance is treated as unsecured creditor.

Q2 A Raja Ltd and Rani Ltd Agreed to amalgamated and form a new company Rajni Ltd.

[15]

Summarized Balance sheet of Raja Ltd and Rani Ltd on the date of amalgamation are as follows:

Balance Sheet as on 31/03/2019

| Liabilities | Raja Ltd | Rani Ltd | Assets | Raja Ltd | Rani Ltd |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Equity shares of Rs.10 each | 5,00,000 | 4,80,000 | Land & Building | 1,50,000 | 2,00,000 |
| General Reserves | 50,000 | 75,000 | Furniture | 80,000 | 70,000 |
| Profit & Loss A/c | 60,000 | 70,000 | Investment | 1,70,000 | 1,20,000 |
| Export Profit Reserve | 20,000 | 25,000 | Stock | 1,00,000 | 1,50,000 |
| Trade payable | 20,000 | 25,000 | Debtors | 50,000 | 85,000 |
| | | | Bank | 1,00,000 | 50,000 |
| | 6,50,000 | 6,75,000 | | 6,50,000 | 6,75,000 |

a) Rajni Ltd takes over the assets and Liabilities of both the companies at book values except the following:

| Particulars | Raja Ltd | Rani Ltd |
|-----------------|----------|----------|
| Land & Building | 2,50,000 | 2,20,000 |
| Furniture | 70,000 | 50,000 |

- b) Purchase consideration by allotting fully paid shares of Rs.100/- each at par.
- c) Export Profit reserve needs to be maintained for five more years.

Prepare statement of purchases consideration and Balance Sheet of Rajni Ltd. after Amalgamation.

OR

B Following is the summary balance sheet of Heena Ltd. As on 31st March, 2023.

[15]

| Liabilities | Rs. | Assets | Rs. |
|---------------------------------|------------------|--------------|------------------|
| 40,000 Equity Shares of Rs.10 | 4,00,000 | Fixed Assets | 10,00,000 |
| 12% Preference shares of Rs.100 | 5,00,000 | Investment | 2,00,000 |
| Profit & Loss | 2,00,000 | Bank | 1,50,000 |
| General Reserve | 50,000 | | |
| 10% Debentures | 1,00,000 | | |
| Creditors | 1,00,000 | | |
| | 13,50,000 | | 13,50,000 |

Keeping in view all the legal requirement, ascertain the maximum number of shares that can be bought back at Rs. 20, Investment is sold for Rs. 2,50,000. You are required to pass the necessary journal entry and prepare notes to accounts of Share Capital and Reserves and Surplus.

Q3 A Following is the Balance Sheet of M/s Downward Ltd. as on 31st March 2023

[15]

| Liabilities | Rs. | Assets | Rs. |
|--------------------------------------|------------------|---------------------|------------------|
| Equity Shares of Rs. 10 each | 35,00,000 | Land & Building | 30,00,000 |
| 8% Preference Shares of Rs. 100 each | 20,00,000 | Plant and Machinery | 10,00,000 |
| Security Premium | 3,00,000 | Vehicles | 16,00,000 |
| General Reserve | 5,00,000 | Cash | 5,00,000 |
| 5% debentures | 15,00,000 | Debtors | 10,00,000 |
| Bills payables | 3,00,000 | Stock | 5,00,000 |
| Creditors | 5,00,000 | Profit & Loss A/c | 10,00,000 |
| | 86,00,000 | | 86,00,000 |

Note: Preference Dividend was in arrears for 4 years.

Following scheme of reconstruction was approved:

1. 8% Preference Shares to be reduced by 20% & Equity shares to be reduced to 60%.
2. Debenture-holders agreed to take over Machinery in full settlement of their claim.
3. Preference dividend for one year is to be paid by equity share and balance waived off.
4. Creditors of Rs. 3,00,000 agreed to give discount of 10% and rest agreed to the proposal of issue of equity shares against their payment.

5. Bills payable amount was waived off to the extent of 10%.
6. Land & Building was reduced by 10% while stock was appreciated by 20%
7. Vehicles were depreciated by 15%.
8. Security premium & 50% of General Reserve were utilized for the reconstruction.
9. Cost of reconstruction was Rs. 50,000.

You are requested to show Journal entries reflecting the above transactions in the books of M/s Downward Ltd.

OR

B Alpha Ltd. Issued 8,00,000 equity shares of Rs. 10 each at a premium of 5%. The entire [15]
Issue was underwritten as:

| | |
|-------|-------|
| X Co. | - 30% |
| Y Co. | - 20% |
| Z Co. | - 20% |
| P Co. | - 30% |

They also agreed on firm underwriting.

| | |
|-------|-----------------|
| X Co. | - 25,000 Shares |
| Y Co. | - 20,000 Shares |
| Z Co. | - 10,000 Shares |
| P Co. | - 5,000 Shares |

Commission payable 2% on issue price.

The total subscription excluding firm underwriting and including Marked application were 6,50,000 shares. Marked Application excluding firm underwriting received were as under:

| | |
|-------|-------------------|
| X Co. | - 2,00,000 Shares |
| Y Co. | - 75,000 Shares |
| Z Co. | - 1,10,000 Shares |
| P Co. | - 2,20,000 Shares |

- a) Ascertain the net liability of each underwriter, assuming that benefit of firm underwriting is given to each underwriter.
- b) Pass Journal entries of Underwriting.

Q4 A From the following balance sheet of Ramzan Ltd. which is in the liquidation stage

[15]

Balance sheet as on 31st March, 2023

| Liabilities | Rs. | Assets | Rs. |
|--|-----------------|-------------------|-----------------|
| 5000 Equity Shares of Rs. 10 each | 50,000 | Plant | 1,50,000 |
| 3000 Equity Shares of Rs. 10 each, Rs. 8 Paid up. | 24,000 | Building | 1,00,000 |
| 1000 5% Preference Shares of Rs. 100 each | 1,00,000 | Stock | 50,000 |
| 15% Debentures | 50,000 | Cash | 1,00,000 |
| Unsecured Creditors | 75,000 | Profit & Loss A/c | 49,000 |
| Secured Creditors (Mortgaged against Plant & Machinery) | 50,000 | | |
| Bank Overdraft | 1,00,000 | | |
| | 4,49,000 | | 4,49,000 |

a) The Assets realized as under:

Building Rs. 1,20,000

Plant Rs. 1,40,000

Stock Rs. 60,000

b) Debenture holders were paid with Interest upto 31st March, 2023.

c) Commission payable to liquidator is 3% of Asset realization.

d) Expenses of liquidation were Rs. 35,000/-

e) Company made calls of all unpaid Shares.

Prepare liquidator's Final Statement of Account

OR

B Rajan Ltd decided to take over Kallu Ltd as on 31st March, 2023. The summarized Balance sheet of Kallu Ltd was as follows:

[08]

| Liabilities | Rs. | Assets | Rs. |
|----------------------------|------------------|------------------|------------------|
| 15000 Equity Share Capital | 15,00,000 | Plant | 7,00,000 |
| 5000 10% Preference Shares | 5,00,000 | Building | 12,50,000 |
| General Reserve | 2,40,000 | Computer | 1,00,000 |
| Bank Loan | 2,00,000 | Inventory | 2,50,000 |
| Trade Payable | 60,000 | Trade Receivable | 70,000 |
| | | Bank | 1,30,000 |
| | 25,00,000 | | 25,00,000 |

1) 5000 fully paid preference shares of Rs. 100 each issued at 10% Premium to discharge the 10% Preference shareholders of Kallu Ltd.

- 2) Rajan Ltd. issued sufficient number of equity shares of Rs. 100 each at par to the equity shareholder of Kallu Ltd to discharge the balance amount of Purchase consideration.

You are required to:

- 1) Calculate the amount of purchase consideration
- 2) Pass necessary Journal entries in the books of Rajan Ltd. (without Narration)

- C Subway Ltd. issued 1,00,000, 9% Preference Shares of Rs. 100 each. 80% of the issue was [07]
underwritten by Mr. Kotak. In addition, there is a firm underwriting of 8,000 shares from
Mr. Kotak. In all, the company received application for 80,000 shares. 60,000 share *marked*
application had the seal of Mr. Kotak. Determine the liability of Mr. Kotak. Firm
underwriting applications to be treated like marked applications. Ascertain the respective
liabilities of the underwriter and company.

You are required to

1. Determine the liability of the underwriters
2. Calculate underwriters commission if commission is payable to underwriter @ 2.5%
on the issue price

- Q5 A Distinguish between Firm Underwriting and Conditional or Open Underwriting. [08]
B What are the methods of Purchase Consideration? [07]

OR

- Q5 C Write short notes (Any 3) [15]
- a) Marked and Unmarked Applications
 - b) Buy back of shares
 - c) External reconstruction
 - d) Capital Reduction A/c
 - e) Liquidator's Commission

