

(Duration – 2 ½ Hours)

Marks : 75

**Q.1A Rewrite the sentence after selecting correct alternative: (Any eight)**

**8M**

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. KG Ltd. issued shares of ₹ 10 each at ₹ 9.50. The underwriting commission will be calculated on \_\_\_\_\_.
  - a. ₹ 10
  - b. ₹ 19.50
  - c. ₹ 0.50
  - d. ₹ 9.50
3. Zotero Ltd. is authorized to issue 7,00,000 number of equity shares. It had issued 4,00,000 equity shares. It has bought back 1,00,000 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. 4,00,000 ; 7,00,000
  - b. 1,00,000 ; 4,00,000
  - c. 3,00,000 ; 1,00,000
  - d. 7,00,000 ; 3,00,000
4. Buyback must be completed within \_\_\_\_\_.
  - a. 12 months
  - b. 3 months
  - c. 6 months
  - d. 2 months
5. If the business of an existing company Zee Ltd. is taken over by an existing company Sugar Ltd., it is called \_\_\_\_\_.
  - a. Internal reconstruction
  - b. External reconstruction
  - c. Absorption
  - d. Amalgamation
6. Under payment method, purchase consideration for the amalgamation means \_\_\_\_\_.
  - a. Aggregate of shares and cash to shareholders
  - b. Aggregate of shares, cash and payment to debenture holders
  - c. Shares, cash and payment to debenture holders and expenses of liquidation
  - d. Payment to debenture holders only
7. The existing 1000 shares of ₹ 100 each are altered to 10,000 shares of ₹ 10 each. This is known as \_\_\_\_\_.
  - a. Consolidation
  - b. Sub-division
  - c. Conversion in stock
  - d. Surrender

8. Creditors accepting part payment of their claims, in a scheme of reconstruction, amounts to \_\_\_\_\_
  - a. Reduction of share capital
  - b. Alteration of share capital
  - c. Variation of shareholders right
  - d. Compromise/ arrangement
9. List C in statement of affairs gives the list of \_\_\_\_\_
  - a. Preferential Creditors
  - b. Debenture Holders
  - c. Unsecured Creditors
  - d. Secured Creditors
10. Liability for compensation under Workmen's Compensation Act is treated as \_\_\_\_\_
  - a. Secured creditor
  - b. Unsecured creditor
  - c. Preferential creditor
  - d. Overriding preferential creditor

**Q.1B State whether the given statements are True or False (Any Seven)**

7M

1. Net liability refers to the number of shares to be taken by each underwriters when the public has not subscribed for it.
2. When the benefit of firm underwriting is not given to individual underwriters, it is treated as unmarked applications.
3. Buy back of shares increases the Earning per share (EPS) of the company.
4. The maximum time interval between two buyback is 152 days.
5. Transferor company means a company which is amalgamated into another company.
6. Under external reconstruction, there is one liquidation and one formation of company.
7. Alteration of capital is required to be done by ordinary resolution.
8. The internal reconstruction scheme involves writing down the assets to their true values by reducing the capital and in some cases reducing the external liabilities.
9. Preferential creditors are to be paid after unsecured creditors.
10. Dividend declared but not paid are to be paid as unsecured debt in priority to any repayment of share capital.

**Q2A** Nirmal Limited took over Satyam Limited on 31<sup>st</sup> March, 2024. The summarised balance sheet of Satyam Limited Ltd. was as follows: **15M**

Liabilities	₹	Assets	₹
Equity shares of ₹10 each	10,00,000	Goodwill	60,000
5% Preference shares of ₹100 each	4,00,000	Land and Building	5,00,000
Creditors	1,00,000	Plant & Machinery	4,10,000
Bills Payables	60,000	Inventory	3,10,000
		Debtors	1,10,000
		Cash & Bank Balance	80,000
		Preliminary Expenses	35,000
		Profit and Loss A/c	55,000
	<b><u>15,60,000</u></b>		<b><u>15,60,000</u></b>

The business was taken over by Nirmal limited on the following terms and conditions:

1. For every 10 Equity shares of Satyam Limited, Nirmal Ltd. issued 11 fully paid-up equity shares of ₹10 each and paid ₹15 in cash.
2. Preference shareholders of Satyam Limited were paid equal number of 6% Preference shares of ₹100 each by Nirmal Limited at a premium of 8%.
3. All assets and liabilities were taken over at book value except form cash and bank balance to extent of ₹14,000 which was left for meeting realisation expenses.

You are required to:

- a) Calculate purchase consideration
- b) Prepare necessary ledger account to close the books of Satyam Limited assuming acquisition is in nature of purchase.

**OR**

**Q.2.B** Following is the summarised balance sheet of Virat Ambe Ltd. as on 31.3.2024: **15M**

Liabilities	₹	Assets	₹
20,000 8%Preference shares of ₹100 each full paid	20,00,000	Goodwill	5,00,000
4,00,000 Equity shares of ₹10 each fully paid	40,00,000	Land & Building	24,00,000
8% Debenture of ₹100 each (Secured against Land & Building)	20,00,000	Plant and Machinery	22,00,000
Debenture interest due	80,000	Investments	2,40,000

Loan from Directors	4,00,000	Current Assets	17,00,000
Current liabilities	20,00,000	Profit and Loss account	34,40,000
	<u>1,04,80,000</u>		<u>1,04,80,000</u>

**Note:** (a) Claim for damage against the company pending in court of law amounted to ₹2,00,000 and (b) Arrears of Preference Dividend ₹1,40,000

Following scheme of Reconstruction was approved and implemented:

- 1) Preference shares were reduced to equal number of fully paid 8% Preference shares of ₹80 each.
- 2) Equity shares were reduced to equal number of fully paid equity shares of ₹2.5 each.
- 3) Preference shareholders waived half of the arrears of dividend and 28,000 equity shares of ₹2.5 each fully paid were issued to them in lieu of balance.
- 4) 8% Debenture holders took over part of the Land & building having book value of ₹7,20,000 at ₹10,00,000 in part satisfaction of their debts and 2,40,000 Equity shares of ₹2.5 each fully paid were issued to them for the balance amount.
- 5) Debenture holders waived their interest due on Debentures.
- 6) The claim for damages pending in the court of law were settled by issue of 24,000 Equity shares of ₹2.5 each fully paid.
- 7) Directors converted their loan into equity shares of ₹2.5 each fully paid
- 8) Profit and loss debit balance and intangible assets were written off.
- 9) The assets were revalued as under:  
Plant and Machinery ₹14,00,000  
Investments ₹2,00,000

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

**Q.3A** The summarized balance sheet of Neelkamal ltd. as on 31<sup>st</sup> March, 2024 is as follows:

15M

Particulars	Amount (₹)
<b>Equity &amp; Liabilities</b>	
6,00,000 Equity shares of ₹10 each fully paid	60,00,000
Securities Premium	4,00,000
Profit and Loss account	20,00,000
13% Debentures	28,00,000
Creditors	10,00,000
<b>Total</b>	<u><b>1,22,00,000</b></u>

<b>Assets</b>	
Fixed Assets	67,00,000
Investments	25,00,000
Current Assets	30,00,000
<b>Total</b>	<b><u>1,22,00,000</u></b>

Ascertain the maximum number of equity shares the company can buy back at the maximum possible price under the law as on 31<sup>st</sup> March, 2024.

Assuming the buy-back is actually carried out, Record the Journal Entries in the books of Neelkamal Ltd. also prepare notes to account with respect to Share Capital and Reserve and Surplus as they would appear in notes to account forming part of the balance sheet of Neelkamal Ltd. as on 31<sup>st</sup> March, 2024. (Do not prepare Balance Sheet)

OR

**Q.3B** The summarized Balance Sheet of Shenoy Ltd. as on 31-03-2024, being the date of winding up is as under:

15M

Liabilities	₹	Assets	₹
10,000, 10% Cumulative Preference Shares of ₹ 100 each fully paid up	10,00,000	Plant & Machinery	10,40,000
		Furniture	15,60,000
10,000, Equity Shares of ₹ 100 each, ₹ 60 per share called and paid up	6,00,000	Stock in Trade	6,50,000
		Book Debts	20,50,000
10,000, Equity Shares of ₹ 100 each, ₹ 50 per share called and paid up	5,00,000	Profit & Loss A/c	11,00,000
Securities Premium	15,00,000		
10% Debentures	4,20,000		
Preferential Creditors	2,10,000		
Bank Overdraft	9,70,000		
Trade Creditors	12,00,000		
	<b>64,00,000</b>		<b>64,00,000</b>

Preference dividend was in arrears for three years.

By 31-03-2024, the assets realized were as follows:

Plant & Machinery	₹ 12,40,000
Stock in Trade	₹ 6,20,000

Furniture ₹ 14,20,000

Book Debts ₹ 13,20,000

Expenses of liquidation are ₹ 1,72,000. The remuneration of the liquidator is 2% of the realization of assets. Income tax payable on liquidation is ₹ 1,34,000.

Assuming that the final payments were made on 31-03-2024, Prepare the Liquidator's Statement of Account.

**Q4A** Dreamland Ltd. has authorised capital of ₹25,00,000 divided into 1,00,000 Equity shares of ₹25 each. The company issued for subscription 25,000 shares at a premium of ₹10 each. The entire issue was underwritten as follows: **15M**

Aman - 15000 shares (Firm underwriting - 2,500 shares)

Akash - 7,500 shares (Firm underwriting - 1,000 shares)

Akshay - 2,500 shares (Firm underwriting - 500 shares)

Out of the total issue, 22,500 shares including firm underwriting were subscribed.

The following were the marked application:

Aman - 8,000 shares

Akash - 5,000 shares

Akshay - 2,000 shares

Calculate the liability of each underwriter, when:

- Benefit of firm underwriting is given to underwriters
- Benefit of firm underwriting is not given to underwriters

**OR**

**Q4B** Following are the summary Balance Sheets of Hema Ltd. and Lata Ltd. as on 31-03-2024 **15M**

Liabilities	Hema Ltd. ₹	Lata Ltd. ₹	Assets	Hema Ltd. ₹	Lata Ltd. ₹
<b>Share Capital:</b>			<b>Fixed Assets:</b>		
Equity shares of ₹ 100 each fully paid	4,50,000	7,50,000	Goodwill	75,000	75,000
12%, Preference shares of ₹ 100 each fully paid	3,00,000	4,50,000	Land & Building	3,00,000	3,75,000

<b>Reserves &amp; Surplus:</b>			Plant & Machinery	2,25,000	3,00,000
General Reserves	37,500	45,000	Furniture	1,50,000	2,25,000
Revaluation Reserve	22,500	30,000	<b>Investments</b>	75,000	75,000
Export Profit Reserve	15,000	22,500	<b>Current Assets, Loans &amp; Advances</b>		
Profit & Loss A/c	7,500	15,000	Stock	1,50,000	2,25,000
<b>Secured Loans:</b>			Sundry Debtors	75,000	1,50,000
12% Debentures of ₹ 100 each	1,50,000	2,25,000	Bills Receivables	37,500	75,000
Term Loan	75,000	37,500	Bank	97,500	1,87,500
<b>Current Liabilities &amp; Provisions:</b>					
Sundry Creditors	1,12,500	90,000			
Bills Payables	15,000	22,500			
	<b>11,85,000</b>	<b>16,87,500</b>		<b>11,85,000</b>	<b>16,87,500</b>

Hemlata Ltd. was formed to take over the business of Hema Ltd. and Lata Ltd. with an authorized share capital of ₹ 25,00,000 consisting of 20,000 13% Preference shares of ₹ 100 each and 50,000 Equity shares of ₹ 10 each.

The terms of amalgamation are as follows:

- 12% Preference shareholders of both the companies are issued equal number of 13% Preference Shares of Hemlata Ltd. at a price of ₹ 125 each.
- Hemlata Ltd. will issue four Equity shares for every three Equity shares of Hema Ltd. and four Equity shares for every five Equity shares of Lata Ltd. The shares are to be issued at ₹ 35 each.
- 12% Debenture holders of both the companies are discharged by Hemlata Ltd. by issuing such number of its 15% Debentures of ₹ 100 each so as to maintain the same amount of interest.
- Hemlata Ltd. agree to take over all assets and liabilities at book values except the following:
  - Tangible fixed assets at 10% more than book value.
  - Investments and sundry debtors at 10% less than book value.
- Export profit reserves are to be maintained for three more years.

You are required to prepare:

- i. Purchase Consideration of Hema Ltd. and Lata Ltd.
- ii. Give necessary Journal entries in the books of Hemlata Ltd.

**Q5A** Write the Distinguish between Buy-back of shares and Redemption of Preference shares. **8M**  
**Q5B** Explain the meaning and types of amalgamation. **7M**

OR

**Q5C** Write short notes on: (Any 3) **15M**

- i. Objectives of Buy-back of shares
- ii. Marked application and Unmarked application
- iii. Statutory Reserves under Amalgamation
- iv. Alteration of Share Capital
- v. Preferential Creditors

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