

HERAMB COACHING CLASSES

Yogeshwar Tower, Katemanivali, Kalyan (E)

Date:

S.Y.BCOM/Financial Accounts

Marks:100

Duration:3Hours

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

1. Capital reserve can be used for payment of debenture interest.
2. Dividend Equalisation Reserve is free reserve.
3. Partly paid preference shares cannot be redeemed.
4. A debenture issued at a discount can be redeemed at premium.
5. Profit prior to incorporation is a capital profit.
6. Issued capital is the capital actually paid by the subscribers.
7. Redemption of debentures may be made out of Proceeds of fresh issue only.
8. Sinking Fund is created under Debenture Redemption Method.
9. Bonus issue of shares results in decrease in Reserves and Surplus.
10. Capital Redemption Reserve is not created out of Securities Premium A/C.
11. Debentureholders get their money only on liquidation of a company.
12. While calculating profit prior to incorporation, Gross profit is allocated on the basis of sales.

(B) Match the following: (any 10)
(10)

Group 'A'

1. Debentures
2. Sinking Fund
3. Equity shares
4. Capital Redemption
5. Bonus Shares
6. Share capital
7. Balance on Reissue of forfeited shares
8. Revaluation reserve
9. Preference Dividend Arrears
10. Dividend Equalisation Reserve
11. Interest on Sinking Fund
12. Partners' salaries

Group 'B'

- (a) Redemption of debenture
- (b) Fully paid Bonus share
- (c) flexible returns
- (d) no cost
- (e) fixed rate of returns
- (f) not a divisible profit
- (g) free reserve
- (h) pre incorporation
- (i) credited to sinking fund
- (j) contingent liability
- (k) calls in arrears
- (l) capital reserve

Q.2. Following is the Balance sheet of Prakash Ltd. as on 31st March,2017.
(15)

Liabilities	Rs.	Assets	Rs.
2,000, 8% Redeemable Preference Shares of Rs.100 each	2,00,000	Fixed Assets	15,75,000
1,00,000 Equity Shares of Rs.10 each fully paid up	10,00,000	Bank	2,18,000
Securities Premium	35,000	Investments (Market Value Rs.1,90,000)	1,50,000
Profit and Loss Account	4,50,000		
Sundry Creditors	2,58,000		
	19,43,000		19,43,000

On the above date the directors of the company took following steps to redeem 8%.

Preference shares at a premium of 5%:

- a) The company issued 4,000 Equity Shares of Rs 10, at a premium of Rs 2 per share for the purpose of redemption of preference shares.
- b) Investment were sold at market price.

c) All the payments were made to the preference shareholders except those holding 100 shares who could not be traced.

You are required to:

1. Pass necessary journal entries in the books of Prakash Ltd. Complying with requirements of Companies Act 2013.
2. Prepare the Balance Sheet of the Company after redemption of preference shares.

OR

Q.2. The summarized Balance Sheet of XYZ Ltd. as on 31st December, 2017 was as under: **(15)**

Balance Sheet

Liabilities	Rs.	Assets	Rs.
Equity shares of Rs.10 each fully paid	9,00,000	Fixed Assets	20,00,000
8% Redeemable Preference Shares of Rs.10 each, fully paid	9,00,000	Current Assets (including bank balance of Rs 2,00,000)	5,80,000
General reserve	3,60,000	Investments	2,70,000
Profit and loss Account	5,40,000		
Securities Premium Account	27,000		
creditors	1,23,000		
	28,50,000		28,50,000

The company exercised the option to redeem 8% redeemable preference shares at 10% premium and for this purpose, the company issued 45,000 rights shares of Rs.10 each at a premium of Rs.10 per share. The right shares were fully paid in cash.

The company also sold all the investments for Rs 3,42,000. All payments were made to redeemable preference shareholders except those holding 450 shares, who could not be found out.

The directors then issued bonus to the then shareholders after issue of new shares, at the rate of 2 shares for 3 shares held, at 5% premium. The company decided to reduce the reserve to minimum.

Pass Journal Entries in the books of XYZ Ltd. for above transactions and also prepare Balance Sheet of the company after redemption is completed.

Q.3. Bhushan Ltd. gave notice of its intention to redeem its outstanding Rs.4,00,000, 8% debenture at Rs.105 (nominal value Rs.100) and offered the following options to the holders:

- a) 11% preference share of Rs 40/- each at Rs.50 per share.
 - b) 10% debenture at Rs.100(at par).
 - c) To have their holdings redeemed for cash(assume redemption out profit only).
- i) The holder of Rs.1,40,000 debenture accepted option (a)
 - ii) The holder of Rs.1,60,000 debenture accepted option (b)
 - iii) The remaining debenture holders accepted option (c)

Pass the necessary journal entries in the books of Bhushan Ltd.

(15)

OR

Q.3. Following is the Balance Sheet of Shamrao Ltd., as on 31st March, 2017.

Liabilities	Rs.	Assets	Rs.
30,000 Equity Share of Rs. 10 each	3,00,000	Land and Building	12,00,000
15,000 - 9% Preference Shares of Rs. 100 each	15,00,000	Plant and Machinery	12,00,000
Profit and Loss Account	12,00,000	Investments	6,00,000
Debenture Redemption Reserve	2,00,000	Stock	1,80,000
10% Debentures	2,00,000	Debtors	2,20,000
Sundry Creditors	7,10,000	Bank Balance	7,70,000
Bills Payable	60,000		

	41,70,000	41,70,000
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On the above date, Preference Shares are redeemable at a premium of 10%. For this purpose, company sold off investment for Rs. 6,50,000. Subsequently, it issued 40,000 equity shares of Rs. 10 each at a premium of 10%. At the end, the company redeemed all the preference shares, as decided. The company also redeemed their 10% debentures at par. **(15)**

Q.4. Big Co. Ltd. took over the business of Small & Sons, a firm w.e.f. 1st April, 2014. The company was registered on 1st November, 2014. Profit & loss account for the year ended 31st March, 2015 was as under: **(15)**

Particulars	Rs.	Particulars	Rs.
To Salaries	2,40,000	By Gross Profit b/d	12,60,000
To Rent & Taxes	1,80,000		
To Printing & Stationery	96,000		
To Audit Fees	30,000		
To Sundry Expenses	24,000		
To Carriage Outward	90,000		
To Advertising	63,000		
To Electricity Charges	72,000		
To Commission on sales	1,08,000		
To Debenture Interest	28,000		
To Depreciation	42,000		
To Interest on Purchase consideration	2,60,000		
To Net Profit c/f			
	12,60,000		12,60,000

Additional Information:

1. Sales for each of the months July, August, September, January, February and March were twice the sales for each of the months April, June, October, November and December.
2. Depreciation shown above, includes depreciation on furniture worthy Rs. 2,40,000 @10% and on delivery van worth Rs. 90,000 @20%. Both these assets were taken over from Small & Sons.
3. Big Co. Ltd. settled purchase consideration on 1st January, 2015.
4. Audit fees are payable for the whole year.

Prepare Profit & Loss Account for the year ended 31st March, 2015 showing profits for pre incorporation and post incorporation periods separately.

OR

Q.4. ICL Ltd. was incorporated to take over the running business of BC and CI Brothers with effect from 1st April, 2014. The Company was incorporated on 1st August, 2014. **(15)**

The following information was available from the books of accounts, which were closed on 31st March, 2015.

		Rs.
Gross profit	7,00,000	
Share Transfer Fees received	<u>10,000</u>	7,10,000
Expenses:		
Office salaries		2,10,000
Partner's salaries		60,000
Advertising		63,000
Printing stationery		15,000
Travelling Expenses		40,000

Office Rent	96,000
Auditor's Remuneration	6,000
Director's Fees	10,000
Bad Debts	12,000
Sales Commission	49,000
Preliminary Expenses	7,000
Debenture Interest	16,000
Interest on Capital	18,000
Depreciation	21,000

Additional Information:

1. Monthly sales were RS. 5,00,000 for pre-incorporation period, While total sales for the year were Rs.70,00,000.

The sales were arose evenly throughout the concerned periods

2. Office rent was Rs.84,000 p.a. upto 30th September,2014.

It became RS.1,08,000 p.a. thereafter.

3. Travelling expenses included Rs.7,000 towards sales promotion.

4. Auditor's Remuneration was payable for the whole year.

5. Bad debts written off included a debt of Rs.4,000 taken over from the vendor, while the remaining were in respect of goods sold in September,2014.

6. Depreciation includes Rs.6,000 for asset acquired in the post incorporation period.

Prepare Profit and loss account for the year ended 31st March, 2015 in the columnar form showing profit/loss for the pre and post incorporation period.

Q.5. Following is the Balance Sheet of M/s ALPHA PLUS LTD. as at 31st March,2000:

Liabilities	Rs.	Assets	Rs.
10,000 Equity Shares of Rs.100 each fully paid up	10,00,000	Fixed Assets	20,00,000
		Investments	2,00,000
		(Market Value Rs.2,20,000)	
5,000, Redeemable Preference shares of Rs.100 each fully paid up	5,00,000	<u>Current Assets:</u>	
Reserve Fund	1,00,000	Debtors	3,50,000
Share Premium	80,000	Bank Balance	1,00,000
General Reserve	2,00,000	Stock	3,50,000
Profit and Loss Account	80,000		
Current Liabilities	10,40,000		
	30,00,000		30,00,000

Redeemable Preference Shares are to be redeemed at a premium of 10%. Fresh issue of Equity Shares to be made to the extent required in terms of provisions of Companies Act,1956. All investments were sold at the market value. Temporary Bank Overdraft was to be arranged in case of shortage of funds. Company redeemed the Preference Shares on 1.4.2000 except in case of one shareholder holding 100 Preference Shares, who could not be traced. Pass journal entries to record the above transactions & prepare a Balance Sheet after giving effect of those entries. (15)

OR

Q.5. Eeshan Ltd. was incorporated on 1st August, 2014 to acquire a business as on 1st April, 2014. The account were closed on 31st March,2015. (15)

The following items appeared in the Profit & Loss Account.

Profit & Loss A/C
For the year ended 31st March, 2015

	Rs.		Rs.
Director's Fees	49,000	By Gross Profit	9,60,000

Rent	85,500		
Bad Debts	12,000		
Salaries	1,83,000		
Interest on Debenture	24,000		
Depreciation	66,000		
Preliminary Expenses	42,000		
General Expenses	49,200		
Commission on Sales	36,000		
Printing & Stationery	93,000		
Advertising	1,20,500		
Audit Fees	58,600		
Carriage Outwards	72,800		
Electricity Charges	44,400		
Insurance Premium	24,000		
	9,60,000		9,60,000

Additional Information:

1. Rent is paid on the basis of floor space occupied. Floor space occupied was doubled in the post incorporation period.
 2. Sales for each month of December, 2014 to March, 2015 were double the monthly sales of April to November, 2014.
 3. Bad debts Rs.500 were in respect of sales effected two years ago.
 4. Mr. Amit was working partner in the firm entitled to a remuneration @ Rs.12,000 p.m., from 1st August,2014 he was managing director of a company entitled to salary @ Rs. 15,000 p.m. The remaining salary is to two Clerks employed during the period 1st July to 30th November, 2014.
- You are required to prepare Profit and loss Account for the year ended 31st March, 2015 and show 'Pre' and 'Post' incorporation profit or loss.

Q.6.a) What do you mean by debenture? Explain the different types of Debentures. **(10)**

b) Define a Company. Explain important characteristics of a company. **(10)**

OR

Q.6. Write short notes: (any 4) **(20)**

1. Profit prior to incorporation
2. Debenture Redemption Reserve
3. Divisible Profit
4. Distinguish between shares and debentures
5. Provisions for redemption of preference Shares
6. Issue of Shares