Professor Vishwanathan Iyer's

HERAMB COACHING CLASSES

TYBCOM/FINANCIAL ACCOUNTS MARKS: 100 TIME: 3HOURS

Q.1. (A) Multiple Choice Questions (10)

1) If equity shares have been bought back out of reserves amount equal to the face value of equity shares bought back should be transferred to
a) Development rebate reserve b) General reserve
c) Sinking fund d) Capital redemption reserve

2) No company call purchase its own shares unless the buyback is of less than 25% of
a) Total paid up capital of the company
b) Total paid up capital and reserves of the company
c) Total paid up capital and free reserves of the company
d) Total nominal capital and free reserve of the company

3) Balance in capital in capital reduction account is generally transferred to
a) General reserve b) capital reserve c) profit and loss account
d) None of the above

4) While granting approval to any scheme of capital reduction the court may direct the company to add the following word to its name for such period as it thinks fit.
a) And reduced b) Unlimited and reduce c) Liquidated
d) Limited and reduce

5) Any reduction to market value of current investment from cost on valuation date is debited to
a) Revaluation reserve b) Profit and loss account c) capital reserve
d) General reserve

6) Interest on security is paid
a) To holder of the security on the due date in respect of his actual period of holding
b) To the holder of the security on the due date irrespective of actual period of holding
c) To the original purchaser of the security
d) None of the above

7) The cost of right share is
a) Added to the cost of investment b) Subscribe from cost of investment
c) No treatment is required d) none of the above

8) Accounting standard 1 is
a) Recommendatory b) Mandatory c) Optional d) No longer valid

9) A concern should select an accounting policy which enable it to
a) Show good profit
b) Present a true and fair view of its state of affairs and profit or loss
c) Calculate the correct amount of cash in hand
d) pay the proper amount of income tax

10) According to AS 1 disclosure should be made of
a) Fundamental accounting assumption b) All accounting principles
c) All significant accounting policies d) All accounting policies

Q.1 (B) State whether true or false: (10)
1) Buy back of equity shares can be made out of proceeds of an earlier issue of preference shares.
2) Equity shares can be bought out of security premium account balance.
3) If equity shares have been bought back out of security premium there is no need to make and transfer to capital redemption reserve.
4) A company cannot sub divide shares of larger denomination into shares of small denomination.
5) External construction involves reduction of capital.
6) Interest is always calculated on the market value of its security.
7) Investment held as long term investment is always valued at cost at the year-end as per AS-13.
8) Future bad debts are usually estimated as percentage of debtors.
9) Horizontal balance sheet cannot have separate schedule.
10) The experts of goods calculated on C.I.F. basis are to be disclosed by way of a note to the profit and loss account.

Q.2.M/s Sanjay Co Ltd is a registered company with an authorized share capital of Rs. 70,000 divided into 7,000 Equity Shares of Rs 10 each. Company's Trial Balance as on 31.03.2012 was as under: **(15)**

Debit Balance	Rs	Credit Balance	Rs
Building (Cost Rs 50,000)	40,000	Share Capital	
Furniture (Cost Rs 5,000)	4,000	5,000 Equity Shares of Rs. 10 each	50,000
Vehicle (Cost Rs 10,000)	6,500		
Equity Shares of Companies (Market Value Rs 22,000)	20,000	6% Debentures of Rs. 100 each	10,000
500 8% Preference Shares of Rs 10 each, Rs 6 per share paid up)	3,000	Provision for Tax (Accounting year 2010-11)	10,000
Stock in trade at cost	20,000	Sundry Creditors	7,500
Sundry Debtors	14,000	Bills Payable	4,000
Cash at Bank	8,750	General Reserves	10,000
Shares Issue Expenses	400	Profit and Loss Statement (1.4.11)	2,000
Salaries	10,000		
Directors Sitting Fees	400	Gross Profit	55,000
Audit Fees	650	Dividend on Shares	700
Debenture Interest	500		
Advance Payment of Income Tax:			
Accounting Year 2010-11	9,000		
Accounting Year 2011-12	9,000		
Advance against construction of building	3,000		
	1,49,200		1,49,200

Adjustments:
(1) Provide 10% Depreciation p.a. on cost of Fixed Assets
(2) Provide Rs. 10,000 in respect of taxation liability for the year 2011-12
(3) Dividend is proposed for the year @10%

(4) Sundry Debtors include Debts which are due for more than 6 months Rs. 4,000
(5) Income tax assessment for the accounting year 2010-11 has been completed with a gross demand of Rs. 11,000

Prepare Profit and Loss statement for the year 31.03.2012 and Balance Sheet as on that as per the provision of the Companies Act taking into consideration the above mentioned adjustments.

OR

Q.2 Following is the Balance Sheet of S Ltd. As on 31-03-2005: **(15)**

Liabilities	Rs.	Assets	Rs.
6,000 8% Preference shares of Rs.100 each 50,000 Equity Shares of Rs.10 each Capital Reserves 5% Debentures of Rs.100 each Debentures Interest Due Sundry Creditors	6,00,000 5,00,000 50,000 3,00,000 50,000 1,80,000	Goodwill Patents & Trade Marks Building Plant & Machinery Furniture Stock Sundry Debtors Bank Cash Discount on Debentures Profit & Loss Account	60,000 40,000 3,00,000 3,00,000 1,00,000 1,50,000 75,000 1,00,000 25,000 30,000 5,00,000
	16,80,000		16,80,000

Note: Preference Dividend is in arrears for three years.

The following scheme of reconstruction was prepared and duly approved by the court.

a) Preference shares shall be converted into equal number of 9% Preference Shares of Rs.50 each.
b) The equity share shall be reduced to Rs.3 each. However, the face value will remain the same.
c) 5% Debentures shall be converted into equal number of 6% Debentures of Rs.75 each. The debenture holder also agreed to waive 50% of the accrued interest.
d) An arrears of preference dividend is to be reduced one year's dividend which is paid in cash.
e) The Sundry creditors agreed to waive 30% of their claims and to accept Equity share for Rs.30,000 in part settlement of their renewed claims.
f) The assets are to be revalued as under:

Building	Rs. 3, 50,000	Plant & Machinery	Rs. 2, 50,000
Furniture	Rs. 80,000	Stock	Rs. 1, 00,000
Sundry Debtors	Rs. 70,000		

Pass necessary Journal Entries to assuming that the scheme was accepted.

Q.3. On 1.4.2010 Aditya had Rs 50,000 equity shares in T Ltd. The face value of the shares was Rs 10 each but the book value was Rs 24 per share.

On 1.6.2010, Aditya purchased 10,000 equity shares in T Ltd at a premium of Rs 6 per share

On 1.7.2010, the directors of T Ltd issued bonus shares at the rate of one share for every three shares held

On 1.1.2011 Aditya purchased 5,000 right shares of T Ltd of Rs 10 each at Rs 15 per share

On 31.1.2011 he sold 20,000 equity shares in T Ltd of Rs 10 each at Rs 30 per share

Show Investment A/c as it would appear in Aditya's book for the year ended 31.3.2011.

OR

Q.3. Following is the Trial Balance of Akansha Ltd. as on 31st March, 2009.

Particulars	Debit Rs.	Credit Rs.
Equity Share Capital (Fully Paid up)		10,00,000
General Reserve		6,50,000
Securities Premium		3,50,000
Sundry Debtors	15,10,000	
Sundry Creditors		7,20,000
9% Debentures		2,04,500
Investments	7,00,000	
Profit & Loss A/c.		2,75,000
Unsecured Loans		7,00,000
Bills Receivable	1,25,000	
Bills Payable		70,500
Provision for Income Tax (A.Y. 2009-10)		2,10,000
Proposed Dividend		80,000
Capital Reserve		1,09,000
Stock in Trade	12,65,000	
Fixed Assets	2,70,000	
Cash in Hand	95,000	
Cash at Bank	1,49,000	
Pre-paid Expenses	35,000	
Preliminary Expenses	20,000	
Advance Income Tax (A.Y. 2009-10)	2,00,000	
	43,69,000	43,69,000

Additional Information:

a) Authorised Share capital of the Company is Rs.20,00,000 dividend into 1,50,000 Equity Shares of Rs.10 each and 5,000 10% Preference Shares of Rs.100 each.
b) On 31st March 2009 market value of stock in trade was Rs.13,00,000 and that of investment was Rs.6,50,000.
c) Debentures are unsecured and interest accrued but not due on debentures amounting to Rs.4,500 has been included in Debentures.
d) Sundry Debtors are unsecured and considered good. Debtors of Rs.3,65,000 are due for more than six months.

Q.4. M/s Amol Investment Co Ltd submit the following details regarding one of their investments for the year ended 31st Dec 2011.

Opening Balance on 1.1.2011 Face Value Rs 80,000 Cost Price 82,400

Purchase:

1.5. 2011 Face Value Rs 40,000 cum Interest at 3% Discount

1.11.2011 Face Value Rs 36,000 Ex- Interest at 2% Discount

Sales:

1.8.2011 Face Value Rs 42,000 ex- Interest at 2% Premium

1.12.2011 Face Value Rs 30,000 cum Interest at 3% Premium

Market price of Investment at 3% premium on 31st December 2011. Investments carry interest at 5% per annum payable on every 31stMarch and 30th September. **(15)**

OR

Q.4.Following is the balance sheet of Kavya Ltd. as on31-03-2012: **(15)**

Liabilities	**Rs.**	**Assets**	**Rs.**
Share capital: 80,000 Equity shares of Rs.10 each 4,000- Preference shares of Rs.100 each Profit and loss account Debentures Creditors	 8,00,000 4,00,000 80,000 1,60,000 2,00,000	Fixed assets Bank balance	10,20,000 6,20,000
Total	16,40,000	Total	16,40,000

The company wants to buy back 20% of its equity capital at 10% premium. Not having sufficient profits to buy back, the company issued 1,200 preference shares of Rs.100 each at 10% premium. These shares were duly taken up and company purchased the equity shares immediately, sufficient profit were used to supplement the new issue. Pass the necessary journal entries.

Q.5. The balance sheet of the Ketan Ltd. as on 31-03-2015 is as follows: **(15)**

Liabilities	Rs.	Assets	Rs.
Equity shares of Rs.10 each 10% Preference shares of Rs.100 each Securities premium General reserves Profit and loss account 10% Debentures Term loan from Dena Bank Current liabilities	6,00,000 1,50,000 1,20,000 2,00,000 1,80,000 10,00,000 8,00,000 4,50,000	Fixed assets Investment Current assets (including bank balance Rs.1,25,000)	20,90,000 6,00,000 8,10,000
Total	35,00,000	Total	35,00,000

Keeping in view all the legal requirements, ascertain the maximum no. of equity shares that Ketan Ltd. can buy back @Rs. 50 per share. Assumes that the buy back is actually carried out. Investment costing Rs.3,00,000 sold for Rs. 3,20,000. Pass the journal entries.

OR

Q.5. The following is the Balance Sheet of Sick Ltd. as on 31.12.2006:

Liabilities	Rs.	Assets	Rs.
13% Cumulative Preference Shares of Rs.100 each Equity Shares of Rs.10 each 8% Debentures Current Liabilities Provision for Taxation	 1,00,000 7,00,000 3,00,000 39,00,000 3,00,000	Fixed Assets Current Assets Profit & Loss A/c.	15,00,000 35,00,000 3,00,000
	53,00,000		53,00,000

The following scheme of reorganised is sanctioned:

1) Fixed Assets are to be written down by 33 $^{1}/_{3}$%.
2) Current Assets are to be revalued at Rs.27,00,000.
3) Preference Shareholders decide to forego their right to arrears of dividend which are in arrears for three years.
4) The taxation liability of the company is settled at Rs.4,00,000.

5) One of the creditors of the company, to whom the company owes Rs.25,00,000 decides to forego 50% of his claim. He is alloted 1,00,000 equity shares of Rs.5 each in part satisfaction of the balance of his claim.
6) The rate of interest on debentures is increased to 11%. The debenture holders surrender their existing debentures of Rs.100 each & exchange same for fresh debentures of Rs.75 each.
7) All existing equity shares are reduced to Rs.5 each.
8) All preference shares are reduced to Rs.75 each.

Pass journal entries after the above scheme is implemented.

Q.6. (A) Explain the surrender of shares. **(10)**

(B) Distinguish between ex-interest price and cum-interest price. **(10)**

OR

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

1) Capital reduction account
2) Weighted average cost of investment
3) Pre-acquisition dividend
4) Methods of internal reconstruction
5) Note on current liabilities
6) Non-current investment

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