SY B Com Sem IV Acc. & F.M. L
April 2018
2/4/18
2 to 5
pages - 1 to 7

(3) (480)

Q.P. Code : 36194

Time : 3 hours Marks: 100

1. All questions are compulsory
2. Q. no. 1 & Q.6 carries 20 marks.
3. Q.2, 3, 4 & 5 carries 15 marks
4. Use of simple calculator is allowed.

Q.1 A) MULTIPLE CHOICE QUESTIONS. (any 10) 10

1. RBI is a ______.
   a) Statutory company b) Registered company
   c) Listed company d) Chartered company
2. Discounted bill of exchange is a______.
   a) Contingent Liability b) Current liability
   c) Non-Current Liability d) Fixed Liability
3. Partly paid shares can be made fully paid by capitalizing_______.
   a) General reserve c) Securities Premium
   b) Capital Redemption Reserve d) All of the above
4. Bonus shares cannot be issued by capitalizing_______.
   a) Revaluation reserve c) Capital Reserve
   b) Securities premium d) General Reserve
5. Discount on issue of Debentures is a______.
   a) Capital loss c) Revenue loss
   b) Capital profit d) Revenue profit
6. The Companies Act 2013_______.
   a) Prescribes restrictions on issue of debentures at discount
   b) Does not prescribe any restrictions on issue of debentures at discount
   c) Provides no issue of debentures at discount
   d) All of the above
7. The reserve which cannot be transferred to Capital Redemption Reserve____.
   a) Securities premium A/c c) Revaluation Reserve
   b) Profit prior to incorporation d) All of the above
8. A company can issue_____.
   a) Only redeemable preference shares c) Only Deferred shares
   b) Only irredeemable preference shares d) All of the above
9. Debentures may be redeemed out of_______.
   a) Capital b) Profit
   c) Conversion into shares d) All of the above
10. Capital Reserve is_______.
    a) Current year's profit b) Past accumulated profits
    c) Capital profit d) Divisible profit

11. For computation of pre-incorporation profit carriage on purchases is ______.
    a) Allocated in sales ratio b) Allocated in purchase ratio
    c) Debited to pre-incorporation period d) Debited to post-incorporation period
12. For computation of pre-incorporation profit travelling expenses are allocated in ______.
    a) Pre-incorporation period b) post incorporation period
    c) In sales ratio d) In time ratio

Q.1 B) TRUE OR FALSE (any 10) **10**

1. Loose tools are shown under current liabilities.
2. Short term loan is the loan due for more than 5 years.
3. Calls in arrears is added to subscribed capital.
4. The document inviting offer from public for subscription is share certificate.
5. Rate of underwriting commission in case of debentures cannot exceed 10%.
6. Issue of debentures must be sanctioned by state government.
7. Capital redemption reserve is used for payment of dividend
8. Capital reserve is a divisible profit.
9. Preference shareholders have voting rights.
10. Preference shares may be convertible into equity shares.
11. For computation of pre-incorporation profit advertisement expenses are allocated in time ratio.
12. Profit prior to incorporation is available for payment of dividend.

Q.2 The Balance Sheet of Straight Ltd. As on 31st March, 2017 was as under:

Liabilities	₹	Assets	₹
Share Capital:		Fixed Assets	15,00,000
25,000 Equity Shares of ₹ 100 each fully paid	25,00,000	Investment (M.V. ₹ 10,10,000)	10,00,000
10,000 9% Redeemable Preference shares of ₹ 100 each ₹ 90 per share paid up	9,00,000	Bank Balance	50,000
General Reserve	3,00,000	Other current assets	20,20,000
Profit & Loss A/c	3,19,000		
Dividend Equalization Reserve	2,00,000		
Sundry Creditors	3,51,000		-
	45,70,000		45,70,000

On 1st April, 2017; the company made a call of ₹ 10 each on its preference shares and call money was duly received. All preference shares were redeemed at a premium of 2%. The company sold all its investment at market value. For the purpose of redemption, the company issued minimum number of equity shares at a premium of

10% after utilising available resources to the maximum extent, keeping in view the provisions of the Companies Act, 2013. All preference shareholders were paid off, except one shareholder holding 150 preference shares.

Pass Journal Entries in the books of the company assuming that redemption is duly carried out.

OR

Q. 2 Following is the Balance sheet of Moonlight Ltd. as on 31st March, 2017.

Liabilities	₹	Assets	₹
2,000 – 8% Redeemable Preference shares of ₹ 100 each, fully paid	2,00,000	Fixed Assets	15,75,000
1,00,000 Equity Shares of ₹ 10 each, fully paid	10,00,000	Bank	2,18,000
Securities Premium	35,000	Investments (Market value ₹ 1,90,000)	1,50,000
Profit & 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 ₹ 10, at a premium of ₹ 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 pass necessary journal entries in the books of Moonlight Ltd. Complying with requirements of Companies Act 2013.

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

a) 11% preference share of ₹ 40/- each at ₹ 50 per share.
b) 10% debenture at ₹ 100 (at par).
c) To have their holdings redeemed for cash. Assume redemption out profit only.

1) The holders of ₹ 1, 40,000 debenture accepted option (a).
2) The holders of ₹ 1, 60,000 debentures accepted option (b).
3) The remaining debenture holders accepted option (c).

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

OR

Q.3 The following balance appeared in the books of Paradise Ltd. on 1-4-2012:

i. 12% Debentures ₹ 7,50,000
ii. Balance of Sinking Fund ₹ 6,00,000
iii. Sinking Fund investment ₹ 6, 00,000 represented by 10% ₹ 6, 50,000 secured bonds of Government of India.

Annual contribution to the sinking funds was ₹ 1, 20,000 made on 31st March each year. On 31-03-2013, balance at bank was ₹ 3, 00,000 before receipt of interest. The company sold the investment at 90% for redemption of debenture at a premium of 10% on the above date.

You are required to prepare the following accounts for the year ended 31st March, 2013.

1. Debentures Account
2. Sinking Fund Account
3. Sinking Fund Investment Account
4. Bank Account
5. Debentureholders Account

Q.4 A limited, a trading company decided that the value of its building could be used to provide additional working capital. The Balance Sheet of the company as on 31st March, 2018 was as under:

Liabilities	₹	Assets		₹
Paid up Capital:		Fixed Assets:		
10,000 Equity Shares of ₹ 10 each	1,00,000	Building at cost	2,00,000	
		Less: Depreciation	40,000	1,60,000
5,000 12% Redeemable Preference Shares of ₹ 10 each	50,000	Furniture at cost	90,000	
		Less: Depreciation	30,000	60,000
Reserves & Provisions:		**Current Assets, Loans and Advances**		
Profit & loss Account	1,35,000			
Secured Loans:		Stock		58,000
12% Debentures	70,000	Debtors		52,000
Unsecured loans:	Nil	Bank		65,000
Current Liabilities & Provisions:				
Creditors	40,000			
	3,95,000			3,95,000

Depreciation on building has been provided @ 2% per annum on cost. The following action was taken

a) The building was sold for ₹ 2, 20,000 to another company, who leased it back to A Limited for 21 Years at annual rent of ₹ 16,000.

b) 12% Debentures were discharged at a premium of 10%.

c) Preference Shares were redeemed at a premium of 10%.

The directors expect that the profit of the company will further increase by ₹ 20,000 for the coming year due to change in working capital.

You are required to draft the necessary journal entries to record the above transactions.

OR

Q.4 On 1st January, 2013 XYZ Limited issued 10,000 fifteen years debentures of ₹ 100 each bearing interest at 10% p.a. One of the conditions of issue was that the company could redeem the debentures by giving six month's notice at any time after 5 years, at a premium of 4%, either by payment in cash or by allotment of preference shares and / or other debenture at the option of the debentureholders.

On 1st April, 2018 the company gave notice to the debentureholders of its intention to redeem the debentures on 1st October, 2018 either by payment in cash or by allotment of 11% preference shares of ₹ 100 each at ₹ 130 per share or 11% second Debentures of ₹ 100 at ₹ 96 per debenture.

Holders of 4,000 debentures accepted the offer of the preference shares; holders of 4,800 debentures accepted the offer of the 11% second debentures and the rest demanded cash on 1st, October, 2018.

Required:

Give the journal entries to give effect to the above as of 1st October, 2018. Suggest how discount on issue of debentures can be dealt in the accounts. Ignore interest.

Q.5 ABC Ltd. was incorporated to take over the running business of BC and CI brothers with effect from 1st April, 2017. The Company was incorporated on 1st August, 2017.

The following information was available from the books of accounts, which were closed on 31st March, 2018.

		₹
Gross profit	7,00,000	
Shares transfer fees received	10,000	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
Directors' 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 ₹ 5, 00,000 for pre-incorporation period, while total sales for the year were ₹ 70, 00,000.
   The sales were arose evenly throughout the concerned periods.
2. Office rent was ₹ 84,000 p.a. upto 30th September, 2017.
   It became ₹ 1, 08,000 p.a. thereafter.
3. Travelling expenses included ₹ 7,000 towards sales promotion.
4. Auditor's Remuneration was payable for the whole year.
5. Bad debts written off included a debt of ₹ 4,000 taken over from the vendor, while the remaining were in respect of goods sold in September, 2017.
6. Depreciation includes ₹ 6,000 for asset acquired in the post incorporation period.

Prepare profit & Loss account for the year ended 31st March, 2018 in the columnar form showing profit/ loss for the pre and post incorporation period.

OR

Q.5 Nishan Ltd. was incorporated on 1st August, 2017 to acquire a business as on 1st April, 2017. The first accounts were closed on 31st March, 2018.

The following items appeared in the Profit and Loss Account.

Profit & Loss A/c
For the year ended 31st March, 2018

	₹		₹
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 & stationary	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 . The floor space occupied was doubled in the post incorporation period.

2. Sales for each month of December, 2017 to March, 2018 were double the monthly sales of April to November, 2017.
3. Bad debts ₹ 500 were in respect of sales effected two years ago.
4. Mr. Amit was working partner in the firm entitled to a remuneration @ ₹ 12,000 p.m. from 1st August, 2017 he was managing directors of a company entitled to salary @ ₹ 15,000 p.m. The remaining salary is to two Clerks employed during the period 1st July to 30th November, 2017.

You are required to prepare Profit & Loss Account for the year ended 31st March, 2018 and show 'pre' and 'post' incorporation profit or loss.

Q.6 a) Explain different types of debentures (10)

b) What rules must be complied for issue of Bonus shares ? (10)

OR

Q.6 Write short notes (any 4)

1. Sources of Bonus issue.
2. Sweat Equity shares.
3. Issue of Debentures as collateral security.
4. Divisible Profit.
5. Profit prior to incorporation.
6. Writing off discount on issue of debentures.

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