

N.B. 1. All questions are compulsory 2. Time- 3 Hrs. 3. Figures to the right indicate full marks

Q. 1 a) Fill in the blanks with the appropriate option given in the bracket. (Any Ten) 10

1. Minimum members required to constitute quorum in a public company is
a) 5 members. b) 2 members
c) 7 members d) 20 members
2. Common seal for a company is.....
a) Mandatory b) Optional
c) not needed d) None of the above
3. A company is created by.....
a) Indian companies Act c) Indian income tax Act
b) Indian partnership Act d) GST
4. Preference shareholders are entitled to dividend at.....
a) fixed b) variable
c) nil d) semi-variable
5. Final dividends on equity shares can be declared by.....
a) Board of Directors b) Shareholders
c) Central Government d) Stock Exchange
6. The rights under ESOP are offered to.....
a) shareholders b) suppliers
c) directors d) employees
7. On sanction of bonus, amount is credited to.....
a) Share capital account b) Bonus to shareholders account
c) Reserve d) None
8. The debentures can be issued by a company as Security.
a) Collateral b) Variable
c) Free d) Zero
9. The debenture issued at discount repayable at premium results in.....
a) Loss to company b) Capital reserve
c) Profit to company d) Security premium
10. Issue price of debentures issued at premium is.....
a) Less than face value b) Equal to the face value
c) More than face value d) Any of the above
11. The company intended to provide funds for redemption of shares create.....
a) redemption fund b) depreciation fund
c) sinking fund/redemption fund d) dividend fund
12. The premium payable on redemption can be provided out of.....
a) Statutory reserve b) Capital redemption reserve
c) Profit d) Insurance premium

b) State True or False. (Any Ten)

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1. A company is a legal entity.
2. A company may have unlimited liability.
3. A company is created by Indian companies Act.
4. Equity shares and ordinary shares are synonyms.
5. No company can issue non-redeemable preference shares.
6. Debentures and bonds are synonyms.
7. Company can issue unsecured debentures.
8. I.P.O. means initial public offer.
9. A foreign company is incorporated in India.
10. Interest on debentures is to be paid if the company earns profit.
11. Debenture holders have right to vote.
12. The period of revenue account always shows for one year.

Q.2. Balance Sheet of Sunita Ltd. As on 31 March, 2017 is as below:

Balance Sheet

Liabilities	Amt	Assets	Amt
Issued & Paid up Share Capital (Fully Paid up):		Fixed Assets (net)	9,00,000
5,000 Equity Shares of 100 each	5,00,000	Stock	2,40,000
8,000 9% Redeemable Preference Shares of 100 each	8,00,000	Debtors	4,50,000
General Reserve	2,35,000	Bank Balance	8,25,000
Profit & Loss Account	3,95,000		
8% Debentures	2,50,000		
Sundry Creditors	3,35,000		
	<u>24,15,000</u>		<u>24,15,000</u>

On the above date, both preference shares and debentures were due for redemption. For this purpose, the company made a fresh issue of minimum number of fully paid up equity shares of 100 each at a premium of 10%, after utilizing all the available sources to the maximum extent. All equity shares were fully subscribed and all amounts were duly received. Keeping in view the provisions of section 80 of the Companies Act, all preference shares were redeemed at a premium of 10% and debentures at par. One customer paid his dues of 28,500. One preference shareholder holding 150 preference shares was not traceable.

Pass Journal Entries in the books of the company assuming that redemption is duly carried out and Prepare Balance Sheet after redemption.

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OR

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

Liabilities	Amt	Assets	Amt
Share Capital: 25,000 Equity Shares of ₹ 100 each fully paid	25,00,000	Fixed Assets	15,00,000
10,000 9% Redeemable Preference Shares of ₹ 100 each ₹ 90 per share paid up	9,00,000	Investments (M.V. 10,01,000) (F.V. 10,10,000)	10,00,000
General Reserve	3,00,000	Bank Balance	50,000
Profit & Loss Account	3,19,000	Other Current Assets	20,20,000
Dividend Equalization Reserve	2,00,000		
Sundry Creditors	3,51,000		
	<u>45,70,000</u>		<u>45,70,000</u>

On 1 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 investments at market value. For the purpose of redemption, the company issued minimum number of equity shares at a premium of 10% after utilizing 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 and Prepare Balance Sheet after redemption.

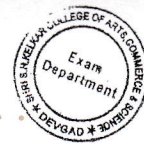
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Q.3. Bharat Ltd. Gave notice of its intention to redeem its outstanding ₹ 4,00,000, 8% debenture at ₹ 105 (nominal value ₹ 100) and offered the following options to the holders:

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

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

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Q.3. On 1 January, 2009; National Ltd. Issued 30,000, 10% redeemable debentures of 100 each at 5% Discount, Redeemable at 10% premium on 31 December, 2013.

The amount is to be invested in 10% N.G. Bonds (2013) in multiples of 100, Amount of annual appropriation is fixed at 4,00,000.

Pass necessary Journal Entries for first 5 years.

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Q.4. Yadav Ltd. took over business of M/s. Ajit Bros, w.e.f. 1st April, 2014.

Yadav Ltd. was Incorporated on 1 September, 2014. Its Summarized Profit & Loss account for the year ended 31st March, 2015 was as under:

Expenses	Amount	Income	Amount
To Salaries	12,000	By Gross Profit b/d	75,000
To Rent and Taxes	9,600		
To Carriage Outward	7,500		
To Audit Fees	1,200		
To Travelling Expenses	6,600		
To Printing and Stationery	2,400		
To Electricity Charges	3,000		
To Commission on Sales	4,800		
To Depreciation	8,000		
To Advertising Expenses	2,400		
To Debenture Interest	800		
To Preliminary Expenses	900		
Written Off			
To Net Profit c/d	15,800		
	75,000		75,000

Additional Information:

1. Trend of Sales during April, 2014 to March, 2015 was as under:

April, May 2014 - ₹78,500 per month

June, July 2014 - ₹10,500 per month

August, September 2014 - ₹12,000 per month

October, November 2014 - ₹14,000 per month

December, 2014 onwards - ₹15,000 per month.

2. Out of travelling expenses, 3,600 were incurred by salesman.

3. Yadav Ltd. took over furniture worth 72,000 from M/s. Ajit Bros. while, it purchased new furniture on 1 February 2015 for 48,000. It provided depreciation @ 10% p.a.

4. Audit Fees are paid for the whole year.

Prepare a statement of Profit and Loss for the year ended 31 March, 2015 showing Post incorporation periods separately.

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OR

Q. 4. Hari Company Limited took over the business of Sham Associates, w.e.f. 1 April 2014. The company Incorporated on 1st November 2014. Summarized Profit & Loss A/c for the year ended 31 March 2015.

Expenses	Amount	Income	Amount
To Salaries	2,40,000	By Gross Profit b/d	12,60,000
To Rent and Taxes	1,80,00		
To Carriage Outward	90,000		
To Audit Fees	30,000		
To Sundry Expenses	24,000		
To Printing and Stationery	96,000		
To Electricity Charges	72,000		
To Commission on Sales	1,08,000		
To Depreciation	42,000		
To Advertising Expenses	63,000		
To Debenture Interest	28,000		
To Interest on purchase consideration	27,000		
To Net Profit c/d	2,60,000		
	12,60,000		12,60,000



Additional Information:

1. Sales for each of the months of July, August, September, January, February and March were twice the sales for each of the months April, May, June, October, November and December.
2. Depreciation shown above, includes depreciation on Furniture worth 2,40,000 @ 10% and on Delivery van worth 90,000 @ 20%. Both these assets were taken over from Small Associates.
3. Hari Company Ltd. Settled purchase consideration on 1st January 2015.
4. Audit fees are payable for the whole year.

Prepare statement of Profit and Loss for the year ended 31 March 2015 showing profits for pre incorporation and post incorporation periods separately.

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| Q.5. What is share capital and its division? | 10 |
| What is Preference Shares and its types? | 10 |

OR

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| Q.5. Write short notes on (Any Four) | 20 |
| 1. Private placement of shares | |
| 2. Reserve & surplus | |
| 3. Redemption by conversion | |
| 4. Initial Public Offer | |
| 5. Equity shares | |
| 6. Redemption of debentures out of profit | |