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[Time: 2:30 Hours] **[Marks:75]**

Please check whether you have got the right question paper.

N.B:
1. All questions are compulsory.
2. Figures to the right indicate full marks.
3. Use of simple calculator is allowed.
4. Working note should from part of your answer.

Q.1 a) Choose the correct Objective from the given questions: **(Attempt any 8)** **(08)**

1. The amount remaining unpaid to preference shareholders in included in balance sheet as_________.
   (a) Share capital
   (b) Loan
   (c) Current liabilities
   (d) Contingent liabilities
2. Capital redemption reserve can be created out of________.
   (a) Statutory reserves
   (b) Capital reserve
   (c) Security premium
   (d) Free reserve
3. Sunita Ltd. issued 50,000 8% debentures of Rs. 10 each at par, which are redeemable after 5 years at a premium of 20%. The amount of loss on redemption of debentures to be written off every year is________.
   (a) Rs.40,000
   (b) Rs. 10,000
   (c) Rs.20,000
   (d) Rs. 5,000
4. The excess of net assets over consideration paid is called________.
   (a) Capital reserve
   (b) Reserve capital
   (c) Goodwill
   (d) Security premium
5. The cancellation of contingent liability is ________for Company.
   (a) Profit
   (b) Loss
   (c) No profit-no loss
   (d) None of above
6. On internal reconstruction, assets are written off except________.
   (a) Land & building
   (b) Goodwill
   (c) Preliminary expenses
   (d) Profit & loss Account
7. Interest paid to vendor should be allocated in the ratio of________.
   (a) Specific Time period
   (b) Time Ratio
   (c) Sales Ratio
   (d) None of the above
8. Amalgamation of companies is governed by________.
   (a) AS -13
   (b) AS -14
   (c) AS-9
   (d) AS – 11

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9. On amalgamation, assets and liabilities are transferred to Realization Account at__________ value.
   (a) Market value
   (b) Book value
   (c) Agreed value
   (d) Cost
10. In amalgamation, Purchase Consideration is payable to________.
   (a) Shareholders
   (b) Shareholders and Debenture holders
   (c) Shareholders and Creditors
   (d) None of the above

Q.1 b) Match the Columns of Columns 'A' with Columns 'B': **(Any seven)** **(07)**

Column 'A'	Column 'B'
1) Dividend Equalisation Reserve	a) Capital Reserve
2) Issue of Shares	b) Post-incorporation period
3) Interest on Own Debentures	c) Shares of Rs. 100 each converted into shares of Rs. 10 each
4) Redemption of Debentures out of profit	d) Is an absorption
5) Amalgamation Adjustment Reserve	e) Purchasing Company
6) Deepika Ltd. takes over Ranbir Ltd.	f) Free Reserve
7) Transferee Company	g) One mode of redemption
8) Pre-incorporation profit	h) Income
9) Share transfer fees	i) Debenture Redemption Reserve A/c
10) Sub-division of shares	j) Statutory Reserve

Q.2 a) The Balance sheet of Sanjay Ltd. As on 31st March, 2017 was as under: **(15)**

Liabilities	Rs.	Assets	Rs.
25,000 Equity shares of Rs. 100 each fully paid	25,00,000	Fixed Assets	15,00,000
10,000 9% Redeemable Preference shares of Rs.100 each Rs. 90 per share paid up	9,00,000	Investment(M.V. Rs. 10,01,000)	10,00,000
General Reserve	3,20,000	Bank Balance	50,000
Profit & Loss a/c	2,99,000	Other Current assets	20,20,000
Dividend Equalization Reserve	2,00,000		
Sundry Creditors	3,51,000		
TOTAL	45,70,000	TOTAL	45,70,000

On 1st April 2017; the company made a call of Rs. 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 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.

OR

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Q.2 b) The following is the Balance Sheet of Shatirya Ltd. As at 3 1st March, 2017: **(15)**

Liabilities	Rs. In Lacs
Fully Paid equity shares of Rs. 10 each	1,000
8% Preference Shares of Rs. 10 each	500
10% Debentures	800
Debenture Interest outstanding	80
Trade Creditors	330
Directors Remuneration outstanding	20
Other Outstanding Expenses	22
Provisions	33
	2,785
Assets	**Rs. In Lacs**
Goodwill	85
Land and Building	600
Plant and Machinery	390
Furniture and Fixtures	480
Stock	360
Debtors	300
Cash at Bank	54
Discount on issue of Debentures	16
Profit and Loss account	500
	2,785

The following Scheme of internal Reconstruction was framed, approved by the court, all the concerned parties and implemented:

1. All the shares (Equity and Preference shares) be converted into the same number of fully paid equity shares of Rs.2.50 each.
2. After the reduction in Capital the Equity Shares are to be split into 1 share of Rs. 1 each.
3. Directors to forego their outstanding remuneration.
4. The Debenture holders agree to forego their outstanding interest.
5. The Debenture holders agreed to cancel 50% of their dues and for the balance they accept Plant and Machinery for Rs. 350 Lacs and for any further balance if any will take New Debentures @ 12% Interest.
6. Trade Creditors are given the option of either to accept fully paid equity shares of Rs. 1 each for the amount due to them or to accept 80% of the amount due in cash. 50% of creditors accept Equity Shares whereas remaining accepted Cash as final settlement of their dues.
7. Other Outstanding Expenses are to be paid off by paying an amount of Rs. 18 lacs.
8. The existing shareholders agree to subscribe for cash, fully paid equity shares of Rs. 1 each for Rs.300 lacs.
9. The Assets were Revalued as under:

	Rs. in Lacs
Land & Building	850
Furniture & Fixtures	450
Stock	320
Debtors	250

10. All the Fictitious assets are to be written off.

Pass Journal Entries and Prepare Capital Reduction Account for the above transactions.

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Q.3 a) Sumeet Brothers was taken over by Sumeet Ltd. on 1st May 2016; however the company was incorporated on 1st February, 2017. The following was Trading & Profit & Loss A/c for the period from 1st May, 2016 to 31st March, 2017. **(15)**

Particulars	Rs.	Particulars	Rs.
To Opening Stock	1,80,000	By Sales	34,40,000
To Purchases	8,00,000	By Closing Stock	6,60,000
To Wages	3,20,000		
To Gross Profit c/d	28,00,000		
	41,00,000		41,00,000
To Salaries	2,88,000	By Gross Profit b/d	28,00,000
To Rent (net)	1,59,500	By Discount	28,000
To Delivery Van Expenses	56,000		
To General Expenses	88,000		
To Advertisement Expenses	14,00,000		
To Bad Debts Written off	56,000		
To Debenture Interest	88,000		
To Directors Meeting Fees	32,000		
To Preliminary Expenses	16,000		
To Interest on P.C.	18,000		
To Net Profit c/d	6,26,500		
	28,28,000		28,28,000

You are informed that:

1) Salaries in Pre-incorporation and Post-incorporation period were Rs. 24,000 p.m. and Rs. 36,000 p.m. respectively.
2) Gross profit percentage is fixed. Monthly turnover of May, October and November, 2016 was 2 times as compared to monthly turnover of remaining months.
3) Audit fees Rs. 22,000 is to be provided for the above period.
4) The Purchase Consideration was discharged on 28/2/2017.
5) Purchase ratio was 1:1.

You are required prepare Profit & Loss A/c in columnar from, apportioning various income and expenses on suitable basis in the Pre & Post incorporation period from 1st May, 2016 to 31st March, 2017.

OR

Q3 b) On 1st January, 2013, Richa Ltd. issued 30000, 10% Redeemable Debentures of Rs. 100 each at par, redeemable at par on 31st December, 2016. The Amount of Annual appropriation is fixed at Rs. 4,00,000. The amount was to be invested in 10% N.S. Certificates in multiple of Rs. 100 each. On 31st December, 2016, the investments were sold at Rs. 13,25,600 and the debentures were redeemed. You are required to pass necessary Journal Entries. **(15)**

Q.4 a) The Following is the Balance Sheet of Marshal Ltd. as on 31st March, 2017. **(15)**

Liabilities	Rs.	Assets	Rs.
36,000 8% Preference shares of Rs.50 each	18,00,000	Goodwill	6,00,000
45,000 Equity Shares of Rs. 50 each	22,50,000	Land	6,00,000
Directors Loan	17,19,000	Building	6,00,000
Sundry Creditors	6,20,000	Plant & Machinery	8,04,000
Bills Payable	1,06,000	Patents	3,54,000
		Stock	12,00,000
		Debtors	9,84,000
		Preliminary Expenses	33,000
		Profit & Loss A/c	13,20,000
	64,95,000		64,95,000

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Note: Unpaid Preference Dividend for 5 years Rs. 7,20,000

The following Scheme of internal Reconstruction was framed, approved by the court, all the concerned parties and implemented:

1. The equity shares of Rs. 50 each were to be reduced to an equal number of fully paid shares of Rs. 20 each and then are to be split into each shares of Rs.1 each.
2. Each equity shareholders agreed to take against cash 4 equity shares of Rs. 1 each for every equity share held by them.
3. The preference shareholders agreed to waive three - fourths of their dividends in arrears. The rest of the amount to be paid in cash.
4. Preference shareholders were to be issued four 4% preference shares of Rs.10 each and four equity shares of Rs. 1 each for every 8% Preference shares of Rs. 50 each held.
5. 16,000 4% Preference shares of Rs. 10 each and 7,00,000 new equity shares of Rs. 1 each will be issued to directors in lieu of their loans given.
6. The Directors were to receive Rs. 4,80,000 in cash in full settlement of their loan.
7. The Balance of Capital Reduction will be used as follows:
   (a) To write off preliminary expenses, profit and loss account and patents completely.
   (b) To write off plant and Machinery to the extent of Rs. 30,000.
   (c) To write of stock of the value of Rs. 30,000.
   (d) The balance to be used in writing off goodwill and if balance any left to be transferred to Capital Reserve.

Pass Journal Entries and Prepare Capital Reduction Account for the above transactions.

OR

Q.4 b) The Summarised Balance sheet of 'A' Ltd. and 'B' ltd. as on 31st March, 2017 were as follows. **(15)**

Liabilities	A Ltd.	B Ltd.	Assets	A Ltd.	B Ltd.
Equity Shares of Rs. 10 each	8,00,000	6,00,000	Land & Building	6,00,000	4,80,000
Reserves and Surplus	5,80,000	1,00,000	Plant & Machinery	1,20,000	80,000
Creditors	4,20,000	2,60,000	Motor Vehicle	60,000	40,000
6% Debentures (Rs. 100 each)	-	2,40,000	Debtors	4,00,000	1,60,000
			Inventories	4,60,000	3,60,000
			Cash & Bank Balance	1,60,000	80,000
	18,00,000	12,00,000		18,00,000	12,00,000

Additional Information:

A Ltd. and B Ltd. amalgamate their business. They form 'AB' Ltd. to takeover Assets and Liabilities of both the companies on the following basis:

1. Assets and Liabilities are taken over at book value, with the following exceptions:
   (a) Goodwill of 'A' Ltd. and 'B' Ltd. to be valued at Rs. 2,80,000 and Rs. 80,000 respectively.
   (b) Plant and Machinery of 'A' Ltd. to be valued at Rs. 2,00,000.
2. 6% Debentures of 'B' Ltd. are to be discharged at a premium of 5 % by issue of 6% Debentures of Rs. 100 each of 'AB' Ltd. at par.
3. Entire Purchase Consideration is discharged by issuing Equity Shares of 'AB' Ltd. of Rs. 10 each at par.
4. The Amalgamation is in the nature of purchase.

You are required to:

(a) Calculate Purchase consideration.
(b) Pass journal entries in the books of 'AB' Ltd.

Q.5 a) Explain the term 'Purchase Consideration' for Amalgamation of Companies as stated under its Accounting Standard. **(08)**

b) Explain in brief Internal Reconstruction and its accounting. **(07)**

OR

Q.5 Write Short Notes on **(Any 3):** **(15)**

1. Provisions of Redemption of Preference Shares
2. Profit Prior to Incorporation
3. Capital Reduction A/c
4. Net Assets Method in Amalgamation
5. Accounting for Debenture Redemption Fund/ Sinking Fund

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