

[Time: 2.5 Hours]

[Marks: 75]

Q1. (A) State whether True or False: (Any 8)

(8)

1. The cancellation of contingent liability is No Profit No Loss for company.
2. Bad debts written off is allocated in Sales Ratio
3. For computation of pre-incorporation profit depreciation is Allocated in time ratio
4. Amalgamation of company is governed by AS – 14
5. Profit or loss on sale of Sinking Fund Investment is transferred to Sinking Fund A/c
6. The loss prior to incorporation is transferred to Goodwill A/c
7. In profit prior to Incorporation, salary to partner is distributed in time ratio.
8. Cancellation of unissued Capital is also case of Capital reduction.
9. A Debenture holder gets interest only in the event of profit to the company.
10. In Profit Prior to Incorporation, discount written off on Debentures is treated as post-incorporation expenditure

Q1. (B) Match the following Columns: (Any 7)

(7)

Column 'A'	Column 'B'
1. Capital Redemption Reserve	a. Securities premium
2. Premium on Redemption	b. Used for creation of CRR
3. Statutory Reserve	c. Contingent liability
4. Dividend Equalisation Reserve	d. Required for redemption out of profit
5. General Reserve	e. Post-incorporation
6. Arrears of preference dividend	f. Indicate "and reduced"
7. Vendor related expenses	g. Is not a divisible profit
8. Interest on debentures	h. Divisible profit
9. Balance Sheet after internal reduction	i. Debit – Capital Reduction a/c
10. Loss on revaluation of asset	j. Pre-incorporation

Q2. (A) X Ltd. redeemed 2,000 9% Preference Shares of Rs. 100 each at a premium of 10% on 31st March, 2018. Company issued 10,000 Equity Shares of Rs. 10 each at 10% discount. The company has adequate balance in Reserve.
Pass journal entries for the redemption of preference shares.

(15)

OR

Q2. (B) Gumnam Ltd. issued 50,000 10% debentures of Rs. 100 each on 1st April, 2013 at par repayable at a premium of 10% on 31st March, 2018 out of profit.

Further relevant information:

(15)

Particulars	Rs.
Balance of Debenture Redemption Reserve A/c (1.4.2017)	10,00,000
Balance of Debenture Redemption Reserve Investment A/c	7,50,000
Sale proceeds of Debenture Redemption Reserve Investment (31.3.2018)	7,50,000
Amount of Annual Appropriation	2,50,000

Pass Journal entries on the date of redemption.

- Q3. (A) The promoters of proposed New Wave Ltd. purchased a running business on 1st April, 2017 from Mr. ULTRA Modern. New Wave was incorporated on 1st August, 2017. The combined Profit & Loss A/c of the company prior to and after the date of incorporation is as under:

Profit & Loss A/c for the year ended 31st March, 2018 (15)

Particulars	Rs.	Particulars	Rs.
To Administration Expenses	12,000	By Gross Profit	1,50,000
To Directors Fees	3,600	By Discount Received from	6,000
To Preliminary Expenses	4,900	Creditors	
To Selling Expenses	5,500		
To Interest on PC	10,000		
To Net Profit	1,20,000		
	1,56,000		1,56,000

Following further information is available:

- Sales up to 30th July, 2017 were Rs. 3,00,000 out of total sales of Rs. 15,00,000 of the year.
 - Purchases up to 30th July, 2017 were Rs. 3,00,000 out of total purchase of Rs. 9,00,000 of the year.
 - Interest paid to vendor on 1st February, 2018 @ 12% on Rs. 1,00,000 being purchase consideration.
- Prepare Profit & Loss in columnar form apportioning all the income and expenditure items between Pre incorporation and Post incorporation period on suitable basis.

OR

- Q3. (B) Following is the Balance Sheet of SWASTIK Ltd. as on 31st March, 2018: (15)

Liabilities	Rs.	Assets	Rs.
Equity shares of Rs. 100 each	8,00,000	Goodwill	1,20,000
9% Debentures	3,00,000	Patents	50,000
Sundry Creditors	80,000	Land & Building	4,30,000
		Computers & Software	3,70,000
		Stock	80,000
		Sundry Debtors	45,000
		Cash	1,000
		Profit and Loss A/c	84,000
	11,80,000		11,80,000

The following Scheme of internal Reconstruction was sanctioned:

- The equity shares to be reduced by Rs. 50 each.
 - Debenture holders total claim be reduced to Rs. 1,80,000 and this would be satisfied by issue of the equity shares.
 - Sundry creditors have agreed to reduce their claim by Rs. 16,000.
 - To write off Computers & software by Rs. 2,25,000.
 - Goodwill, Patents and debit balance in Profit & Loss A/c are to be written off entirely.
- Give Journal Entries to implement the scheme.

- Q4. (A) VIDHI Ltd. was incorporated on 1st September, 2017 to take over the business of M/S Prachi & Suruchi, a partnership firm with effect from 1st April, 2017. The combined Profit & Loss A/c of the company prior to and after the date of incorporation is as under:

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

(15)

Particulars	Rs	Particulars	Rs
To Salaries	60,000	By Gross Profit	1,80,000
To Office Expenses	24,000		
To Bad Debts	6,000		
To Directors Fees	2,000		
To Debenture Interest	4,000		
To Selling Expenses	12,000		
To Interest on PC (up to 1/11/2017)	5,000		
To Preliminary Expenses	2,000		
To Net Profit	65,000		
	1,80,000		1,80,000

Additional Information:-

- (a) Monthly turnover from October, 2017 to March, 2018 was twice that of monthly turnover from April, 2017 to September, 2017.
 (b) Interest on Fixed Deposit was received for the entire year.
 Prepare a statement apportioning the profits between pre incorporation and post incorporation period.

OR

- Q4. (B) Following is the Balance Sheets of 'X' Ltd. And 'Y' Ltd. as on 31st March, 2018

(15)

Balance Sheet as on 31st March, 2018

Liabilities	'X' Ltd. Rs.	'Y' Ltd. Rs.	Assets	'X' Ltd. Rs.	'Y' Ltd. Rs.
Shares of Rs. 100 each	1,00,000	1,20,000	Building	70,000	1,00,000
General Reserve	-	50,000	Furniture	60,000	38,000
Profit & Loss A/c	-	10,000	Stock	18,000	15,000
Loan	50,000	-	Debtors	12,000	12,000
Creditors	25,000	20,000	Cash/Bank Balance	15,000	35,000
	1,75,000	2,00,000		1,75,000	2,00,000

Additional Information:

- (a) 'X' Ltd. and 'Y' Ltd. agreed to amalgamate and new company 'Z' Ltd. Is formed to take over the entire business of both the amalgamating companies.
 (b) The purchase consideration agreed was Rs. 1,20,000 for 'X' Ltd and Rs. 1,65,000 for 'Y' Ltd.
 (c) 'Z' Ltd. Is to discharge the consideration in fully paid-up shares of Rs. 100 each.
 (d) Acquisition is in the nature of purchase.
 You are required to:
 (i) Calculate Purchase Consideration
 (ii) Show notes to accounts of 'Share Capital', Reserves & Surplus and 'Long-term Borrowings' forming part of Balance Sheet of 'Z' Ltd. after amalgamation.

- Q5. (A) Explain methods of Purchase Consideration

(8)

- Q5. (B) Explain methods of Redemption of Debenture

(7)

OR

Q5. (C) Write Short Notes on (Any 3):

(15)

- (a) Capital Reduction A/c
- (b) Profit Prior to Incorporation
- (c) Capital Redemption Reserve
- (d) Net Assets Method in Amalgamation
- (e) Explain allocation of Expenses of Profit Prior to Incorporation in Time Ratio/ Sales Ratio/Pre-incorporation/Post-incorporation period
