VCD ___________ F.Y.BBI : Financial Accounting (Choice Based) Sem-II

75 Marks

2½ Hrs.

Note:-
1) Q.1 is compulsory.
2) Q.2 to Q.5 having internal options.
3) State your assumptions clearly.
4) Working should form part of answer

Q.1. A) Fill in the blanks. (Any 8). **(08)**

1. The premium payable on redemption can be provided out of ____________

a) Statutory reserve b) Capital redemption deserve

c) Debentures d) Loan for bank

2. Super profit is __________

a) Excess of average profit over normal profit

b) Extra profit earned

c) Average profit earned by similar companies

d) None of these

3. Capital redemption reserve can be utilized for _________

a) Paying dividend b) Issue of bonus shares

c) Set off against losses d) Write off fictitious balance

4. Average profit is Rs.19,167 and normal profit is Rs.10,000 the super profit is _______

a) Rs.9,167 b) Rs.29,167 c) Rs.19,167 d) 10,000

5. Net asset value is also called as __________

a) Asset backing value b) Intrinsic value c) Liquidation value d) a,b and c

6. The amount remaining unpaid to preference shareholders is included in balance sheet as ___________

a) Share capital b) Loan c) Current liabilities d) Contingent liabilities

7. Yield value depends on _________

a) Future maintainable profit b) Paid up equity capital

c) Normal rate of return d) all of the above

8. Securities premium may be used for ___________

a) Payment of dividend

b) Issue of fully paid bonus shares

c) Issue of partly paid bonus shares

d) None of the above

9. Interest on sinking fund investment is credited to ___________

a) Sinking fund account

b) Profit & Loss account

c) Profit & Loss appropriation

d) None of the above

10. Maximum buy back in a year can be ___________

a) 10% b) 20% c) 25% d) 30%

B) Match the column. (Any 7) **(07)**

Group 'A'	Group 'B'
1. Fresh issue	a) Convertible into equity shares
2. Debenture redemption reserve	b) only shares
3. Buy back	c) Dividend accumulated
4. Sinking fund	d) RE-purchase
5. Terms of redemption	e) Part of buy-back
6. Convertible preference shares	f) Compulsory under companies act
7. Cumulative preference shares	g) Specific at issue
8. Reserves	h) optional
9. Fictitious asset	i) Based on rate of interest and rate of risk
10. NRR	j) Intangible having no realizable value

Q.2. The assets and liabilities of Ajit Ltd, as on 31st December,2016 were as follows. **(15)**

Liabilities	Rs.	Assets	Rs.
2,500 shares of Rs.100 each	2,50,000	Land and building	5,25,000
Fully paid		Plant and machinery	1,50,000
Profit & Loss A/c	50,000	Furniture and fitting	10,000
Debentures	1,00,000	Delivery van	20,000
Trade creditors	3,00,000	Stock	55,000
Provision for taxation	90,000	Book debts.	25,000
Proposed dividend	20,000	Cash	25,000
	8,10,000		8,10,000

The Net profit of the company before Tax were as follows:

Year	Profit
2012	Rs. 62,000
2013	Rs. 64,000
2014	Rs. 71,000
2015	Rs. 78,000
2016	Rs. 85,000

Income tax may be taken @30% normal rate of return may be assumed as 12.5%. Find out of the value of goodwill on five years purchase of the average super profit for the last five years, and also find out value of goodwill as per capitalization of super profit method.

OR

Q.2. The balance of the Jindal Ltd. As on 31st march 2016 revealed the following. **(15)**

Liabilities	Rs.	Assets	Rs.
Share capital (issued)		Fixed assets 9,00,000	
Equity share of Rs.10 each	8,00,000	Less depreciation 1,10,000	7,90,000
Reserves	2,00,000	Goodwill	80,000
Profit and loss account	20,000	Current Assets	90,000
10% debentures	1,00,000	Discount on debentures	10,000
Current liabilities	2,50,000	Bank Balance	4,00,000
	13,70,000		**13,70,000**

1. Fixed assets and Goodwill were revalued at Rs.7,50,000 and Rs.1,00,000 respectively.
2. The Net Profit after tax for the immediately preceding three years were Rs.1,10,000 Rs.1,05,000 and Rs.1,45,000 of which 25% were transferred to reserves.
3. A fair return in the industry in which the company is engaged is considered to be 10%

Compute the value of the company's share by:

i) Net Assets method

ii) Yield value Method

Q.3. Following is the balance sheet of Anish Ltd. As on 31/03/2016.

Liabilities	Rs.	Assets	Rs.
8% Redeemable preference		Fixed assets (net)	25,00,000
Share capital (shares of Rs.10 each fully paid up)	13,50,000	Investments	4,05,000
Equity share capital(Rs.10 each)	13,50,000	Bank Balance	3,00,000
Securities premium	40,500	Other current assets	10,50,000
Profit & Loss a/c	13,50,000	Miscellaneous	
Directors Loan	50,000	Expenditure	20,000
Sundry Creditors	1,34,500		

The company exercised the options to redeem the preference shares at 10% premium for this purpose, it issued 67,500 right shares of Rs.10 each at a premium of Rs.10 per share. Investment were sold for Rs.5,13,000. Pass necessary journal entries in books of Anish Ltd.

OR

Q.3 The balance sheet of Straight Ltd. As on 31st March, 2016 was as under. **(15)**

Liabilities	Rs.	Assets	Rs.
Share capital		Fixed assets	15,00,000
25,000 Equity shares of Rs.100 each fully paid preference shares of Rs.100 each	25,000	Investments	1,00,000
Rs.90per share paid up	9,00,000	Market value (Rs.10,01,000)	
General reserves	3,00,000	Bank Balance	50,000
Profit and Loss A/c	2,99,000	Other current assets	20,00,000
Dividend Equalization			
Reserves	2,00,000		
Sundry Creditors	3,51,000		
	45,50,000		45,50,000

On 1st April,2016 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 provision of the companies Act, 1956. Pass journal entries in the books of the company that redemption is duly carried out.

Q.4. The balance sheet of Archana Ltd. As on 31st march,2016 is as follows **(15)**

Balance sheet

Liabilities	Rs.	Assets	Rs.
Share capital		Fixed Assets	
Authorized issued		Net block	40,00,000
Subscribed and called up		Investments	15,00,000
Equity shares of Rs.10 each	25,00,000	Current, Assets	
Reserves & surplus		Loans & advances	
Securities premium	5,00,000	Current assets(including bank balance Rs.15,00,000	
General reserves	1,00,000		
Profit & loss A/c	10,00,000		35,00,000
Secured loans		Loan & advance	5,00,000
10% debentures	25,00,000		
Current liabilities & provision			
Sundry creditors	15,00,000		
Bills Payable	5,00,000		
	95,00,000		95,00,000

Keeping in view all the legal requirements ascertain:

i) Maximum number of equity shares that Archana ltd. Can buy-back.

ii) The maximum price it can offer.

Assume that the buy-back is carried out actually on the legally permissible terms, record the entries in the journal of Archana Ltd.

OR

Q.4. A company gare notice of its intention to redeem its outstanding Rs.50,000, 10% debentures of 100 each at a premium of 5% and offered the holders the following options:

1. To accept 12% cumulative preference shares of Rs.20 each at Rs.25 per share.
2. To accept 10% debentures stock at 96%
3. To have their holding redeemed for cash accordingly,

i) Rs.25,000 debentures holders accepted the proposal 1.

ii) Rs.20,000 debentures holders accepted the proposal 2.

iii) Remaining debentures holders accepted the proposal 3.

Pass the journal entries in the books of company.

Q.5. **A)** Explain the provision of the companies Act,1956, regarding redemption of preference shares. **(08)**

B) Distinguish between redemption of shares and buy back of shares. **(07)**

OR

Q.5. Write short notes (Any Three) **(15)**

a) Sources of Buy back

b) Bonus shares

c) Sinking Fund Method.

d) Yield value method of shares valuation

e) Super- profit method of valuation of goodwill.