

VCD 5/5/2022

CLASS: FYBBI

SEM II

SUBJECT: ACCOUNTANCY & FINANCIAL MANAGEMENT II HOUR :2 ½ MARKS: 75

Q1. Multiple choice questions

[40 marks]

1. Debenture can be redeemed

- [a] only out of the proceeds of the fresh issue of debentures [b] only out of divisible profits
[c] only out of capital [d] out of capital or profits

2. When debentures become due for redemption, the entry is

- [a] debit debenture A/c; credit bank A/c [b] debit debenture holders A/c; credit bank A/c
[c] debit debenture A/c; credit debenture holders A/c [d] none of the above.

3. The premium payable on the redemption of debentures is

- [a] Written off from the accumulated profits [b] Written off from the capital profits
[c] Not to be written off at all [d] None of the above

4. The balance of Debenture Sinking Fund is transferred to

- [a] profit and Loss Account [b] Debenture Redemption investment Account
[c] General Reserve Account [d] Capital Reserve Account

5. Loss on sale of Sinking Fund Investment will be debited to

- [a] Profit & Loss Account [b] Sinking Fund Account
[c] Sinking Fund investment Account [d] General Reserve Account

6. An asset which is not fictitious but intangible in nature, having realisable value
(a) Machinery (b) Building (c) Vehicle (d) Goodwill

7. On buyback of shares

- (a) There is a reduction in the share capital to the extent of the face value of the shares bought back.
(b) There is a payment from the company to the extent of the price of the shares paid to the Shareholders.
(c) The shareholders whose shares are bought cease to be the shareholders of the company.
(d) All of the above

8. A company may purchase its own shares out of -

- (a) Its free reserves only (b) The securities premium account only
(c) The proceeds of any shares only (d) any or all of the above

9. A company cannot issue redeemable preference shares for a period exceeding

- [a] 6 years [b] 7 years [c] 8 years [d] 20 years

10. A company can issue redeemable preference shares

- [a] only at par [b] only at premium [c] only at discount [d] only [a] or [b]

11. If preference shares are redeemed at premium at premium, such premium may be provided out of-

- [a] profit and loss account [b] Proceeds of fresh issue of shares
[c] Forfeited Shares Account [d] Capital Redemption Reserve Account

12. From which of the following accounts can transfer be made to capital redemption reserve on redemption of preference shares?

- [a] Securities Premium [b] Capital Reserve [c] Profits Prior to incorporation [d] General Reserve

13. X Co. Ltd. has to redeem 1000 preference shares of Rs.100 each at 10 % Premium. It issues 5000 equity shares of Rs.10 each at 10%. General reserve amount transferred to capital redemption reserve will be.

[a] 100000 [b] 50000 [c] 55000 [d] 110000

14. Monetary value of the reputation, connections and profit-earning capacity a firm,
(a) Trademark (b) Goodwill (c) Super Profits (d) Brand name

15. Precise value of goodwill is known only

(a) By average profit method

(c) When business is sold as a whole by negotiation.

(b) By super profit method

(d) By annuity method

16. Amount of capital used by a business concern to run its business activities.

(a) Capital Employed (b) Share Capital (c) Paid-up Capital (d) Authorized Capital

17. Rate of profit estimated or expected on capital employed.

(a) Super Profit (b) Average Profit (c) Normal Rate of Return (d) None of the above

18. A company can buy-back

(a) Equity Shares (b) Preference Shares (c) Both the above (d) None of the above

19. Equity shares can be bought back

(a) out of profits only

(b) Out of proceeds of fresh issue only

(c) out of capital profit only

(d) Its free reserves; or the securities premium account; or the proceeds of shares.

20. If equity shares have been bought back out of free reserves, amount equal to the face value of equity shares bought back should be transferred to

(a) Development Rebate Reserve (b) General Reserve (c) Sinking Fund (d) Capital Redemption Reserve

Q2. Solve any one:

[7 marks]

OR

{A}. The following is the extract of the trial balance of Krishna Ltd. as on 30-6-2022 {7 Marks}

Particulars	Debit Rs.	Credit Rs.
Equity share capital {5000 shares of rs.100 each}		500000
Redeemable Preference Share capital {1000 shares of Rs.100 each, Rs.75 paid up}		75000
General Reserve		65000
Bank	200000	

The company decides to redeem the preference shares @ 5% premium after making a call on preference Shares for balance which was fully received. 400 Equity shares of Rs.100 each were issued at par to obtain the fund for redemption. Write necessary entries.

{A}. Baba. Ltd. had issued 8000, preference shares of ₹100 each, all shares being fully called and paid up. On 31st March 2022, Profit and Loss account showed profit of ₹ 2,50000 and general reserve stood at 720000. On 1st April 2022 company decided to redeem the preference shares. Pass journal entries in the books of Baba Ltd.

Q3. Solve Any one :

[7 marks]

[A] Zebra .Ltd. redeemed Rs.33,00,000, 8% Debentures issued at a premium of 5% as follows : 12,00,000 8% Debentures were converted into Equity Shares of Rs.100 each issued at par and the balance by converting them into 8% preference Shares of Rs.100 each issued at par. Pass the necessary Journal entries in the books of the company.

Or

[A].Gogia Ltd. had issued 5000 -10% debentures of Rs.100 each redeemable on 31-3-2021 at par.

The company offered three options to debentureholders as under:

[i] 14% Preference shares of Rs. 10 each at par.

[ii] 15% Debentures of Rs.100 each at par.

[iii] Redemption in cash.

The options were accepted as under :

option [i] by holders of 1500 debentures.

option [ii] by holders of 1500 debentures.

option [iii] by holders of 2000 debentures.

The redemption was carried out by the Co.

Pass journal entries in the books of Gogia Ltd.

Q4[.A.] Princ Ltd. Provides you with the following Balance Sheet as on 31st March, 2018. {7 Marks}

Particulars	RS	Assets	RS
3750 Equity shares of Rs. 100 each	3,75,000	Goodwill	52,500
Profit and Loss A/C	90,000	Land and Building	1,50,000
Sundry Creditors	1,35,000	Plant and Machinery	1,40,000
Provision for taxation	90,000	Stock	2,40,000
Bank overdraft	30,000	Sundry Debtors	1,27,500
		Bank	10,000
Total	7.20,000	Total	7.20,000

Profits before providing for taxation for past five years are:

2013 - Rs. 93,000; 2014 - Rs. 97,500; 2015 - Rs. 1,05,000; 2016 - Rs. 1,25,000; 2017 - Rs. 1,52,500.

Tax rate is 40% and 15% is fair return on capital employed in such type of concerns.

Ascertain goodwill of the business by.

(a) Capitalization of average profits.

b) Five years purchase of super profits

(c) Capitalization of super profits.

OR

Q4.[B] Gem Limited submits the following information as on 31st March, 2014 {7 Marks}

Fixed Assets (Tangibles)	15,00,000
Current Assets	6,00,000
Patent Rights	2,50,000
Investments	1,00,000
Capital Issue Expenses	50,000
Liabilities	4,00,000

Capital comprises 12,500 shares of & 100 each fully paid . It is ascertained that Patent Right are valueless.

Ascertain the value of shares on asset backing method.

Q5.[A] . Abad Ltd, provides the balance sheet as on 31st March 2020.

{7 Marks}

Liabilities	RS	Assets	RS
4000 Equity shares of Rs. 10 each fully paid	40,000	Fixed Assets	40,000
500 10% Preference shares of Rs 10 each	5,000	Bank	12,000
Revenue reserve	4,500	Stock	10,000
Profit & loss a/c	7,000	Debtors	6,000
Creditors	10,000		
Securities premium	1,500		
TOTAL	68,000	TOTAL	68,000

The company bought back 1000 equity shares at par after compiling with the legal formalities. Pass the journal entry.

OR

Q5.[B] Following is the Summary Balance Sheet of B . Lid (a non-listed company) as on 31-3-2020
{7 Marks}

Liabilities	Rs.	ASSETS	Rs.
Share Capital		Sundry assets	12,20,000
60,000 Equity Shares of Rs,10 Each	480000	Cash at Bank	2,00,000
Rs.8 paid up			
10% Preference Share Capital Rs. 100 paid	5,00,000		
Securities Premium A/c	15000		
Capital Reserves	15,000		
General Reserve	60,000		
Profit & Loss A/c	50,000		
Trade Payables	3,00,000		
Total	1420000	Total	1420000

Company took all necessary steps to make the equity shares eligible for buy-back. Then the company decided to issue 1,200 preference shares at par in order to buy-back 20% equity capital to the company. The new issue was fully subscribed. The company also issued 1000, 10% Debentures of Rs.100 each fully paid. After the issue of shares and debentures the company bought back 20% equity share capital from the open market. Pass journal entries

Q6. Write Short notes [any 2]

[7 Marks]

- Effects of Buyback of shares
- Need for valuation of Goodwill
- CRR
- Redemption of debentures.
- Redemption of Preference shares