

Time: 2 ½ Hours

Total Marks: 75

Note: 1. All questions are compulsory.**2. Figures to the right indicate full Marks.****3. Working note should be part of Answer.****Q.1 State whether the following statements are True or False (Any 8) (8 Marks)**

1. No dividend is paid on calls in advance.
2. A bonus issue can be made out of capital reserve.
3. Advertising Expenses allocated on the basis of sales ratio.
4. A company can redeem only fully paid preference shares.
5. Debenture holders are entitled to receive interest at fixed rate.
6. A company can issue debentures with voting rights.
7. A debenture holder is an owner of the company.
8. A debenture holder receives interest only in the event of Profits.
9. A notice of 21 days is must for the payment of calls on shares.
10. Interest on calls in advance is allowed @ 10 %

Q.1 B Match the column (Any 7) (7 Marks)

Column A	Column B
1.Pre corporation Expenditure	1.Time Ratio
2.Depreciation allocation	2.Cannot be issued
3.Balance of DRR Account after redemption	3.Interest to Vendor
4.Irredeemable Preference shares	4.Written off in the ratio of the amount of funds used
5 Profit which is divisible	5.Credited Profit & Loss A/C
6.Discount on issue of debenture A/C	6.Sinking Fund after deducting liability
7.Debentures issued at collateral security	7.Shares cannot freely transferable
8.Shares issued at par	8.No interest is payable
9.Private Company	9.Bonus Shares
10.Fresh issue of shares to existing share holders	10.Shares of Rs. 10 each issued for rs.10

Q.2 Summary Balancesheet of RAVI Ltd. as at 31st March, 2017 (15 Marks)

Liabilities	Amt	Assets	Amt.
Authorised Capital :		Sundry Assets	2,00,000
10,000 Equity Shares of 10 each	<u>1,00,000</u>		
Issued and paid-up Capital:			
10,000 Equity Shares of Rs. 10 each	80,000		
Rs. 8 Paid up			
Reserve & Surplus :			
Securities Premium	6,000		
General Reserve	4,000		
Current Liabilities:			
Trade Creditors	70,000		
Bank overdraft	40,000		
	<u>2,00,000</u>		<u>2,00,000</u>

Necessary resolutions were passed:

1. Partly paid shares to be converted into fully paid-up shares.
2. Issue 2,000 fully paid bonus shares of Rs. 10 each to the existing shareholders.

Pass necessary Journal Entries to record the above and prepare Revised Balance sheet.

ORQ.2 Following is the Balancesheet of KIRAN Ltd. as on 31st March, 2017: (15 Marks)

Liabilities	Amt	Assets	Amt
2,000- 8 % Redeemable Preference shares of Rs. 100 each, Fully paid	2,00,000	Fixed Assets	15,75,000
1,00,000 Equity Shares of Rs.10 each, Fully paid	10,00,000	Bank	2,18,000
Securities Premium	35,000	Investments	1,50,000
Profit and loss Account	4,50,000	(Market Value	
Sundry Creditors	2,58,000	Rs.1,90,000)	
	19,43,000		19,43,000

On the above date, the directors of the company took following steps to redeem 8 % Preference Shares at a premium of 5 %.

- The company issued 4,000 Equity shares of Rs. 10 at a premium of Rs. 2 per share for the purpose of redemption of preference shares.
- Investments were sold at market price.
- All the payments were made to the Preference Shareholders except those holding 100 shares who could not be traced.

You are required to:

- Pass necessary Journal Entries in the books of Prakash Limited complying with requirements of Companies Act, 2013.
- Prepare the Balancesheet of the company after redemption of Preference shares.

Q.3 ABC Ltd. issued 1,100 5% debentures of Rs.100 each on 1st January 2011, redeemable at par. The company decided to set aside every year a sum of Rs.34,898 to be invested @ 5% outside the business. The investments were sold at Rs. 71,580 at the end of the third year and the debentures were redeemed. Give Journal entries. Also prepare Sinking Fund Account and Sinking Fund Investments Account.(15 Marks)

OR

Q.3 Company gave notice of its intention to redeem its outstanding Rs. 4, 00,000, 12 % Debentures Stock at Rs. 102 and offered the holders following options: (15 Marks)

To apply the redemption money for subscribing:

- 8 % Cumulative Preference Shares of Rs. 20 each at Rs. 22.50 per share.
- 10 % Debenture stock at 96 Percent.
- To have their holding redeemed for cash.

Holders of Rs. 1, 71,000 stock accepted the proposal (a)

Holders of Rs.1, 44,000 Stock accepted the proposal (b)

And the remaining stock holders accepted the proposal C

Pass the journal entries to record the above transactions. Requirement of depositing or investing the amount at the beginning of the year may be ignored.

Q.4 The promoters of the proposed New company REDO Ltd. purchased a running business on 1st January 2017 from Mr. AMIT. The New company was incorporated on 1st may, 2017. The profit & loss account for the year ended 31st December 2017 was as under: (15 Marks)

Particulars	Amount	Particulars	Amount
Rent , Rates, Insurance	24,000	Gross Profit	3,00,000
Directors Sitting Fees	7,200	Discount received.	12,000
Preliminary Expenses	9,800		
Selling Expenses	11,000		
Interest Paid to Vendors	20,000		
Net Profit	2,40,000		
	3,12,000		3,12,000

Following further information available:

Sales upto 30 April, 2017 was Rs. 6,00,000 out of total sales of Rs. 30,00,000 for the year.

Purchases upto 30 April, 2017 was Rs. 6,00,000 out of total purchase of Rs. 18,00,000 of the year. Interest paid to vendors was @ 12 % on Rs. 2,00,000P.a till the payment was made.

From the above information, prepare Statement of Profit & Loss for the year ended 31st December , 2017 showing Pre and Post- Incorporation Profits and how it will be treated in accounts.

OR

Q.4 VIJAY Private Limited was incorporated on 1st August 2016. This company agreed to take over business of Jay Ajay & company as going concern, effective from 1st April, 2016. The profit & Loss Account for the year ended 31st March, 2017 is : (15 Marks)

Particulars	Amount	Particulars	Amount
To Salaries	30,000	By Gross Profit	1,20,00
To Rent	9,000	By Profit on Sale of Investment	20,000
To Office Expenses	6,000		
To Sales Commission	15,000		
To Bad Debts	5,000		
To Director fees	8,000		
To Depreciation	18,000		
To Debenture interest	8,000		
To Interest to Vendor	6,000		
To Net Profit	35,000		
	1,40,000		1,40,000

Additional Information:

- Monthly Sales for October, 2016 to March, 2017 is 150 % of monthly sales for April, 2016 to September, 2016.
- Bad debts is in respect of sales affected two years ago.
- Investment was sold on 1st November, 2016.
- Consideration to Vendors was paid on 1st October, 2016.
- Rent was increased from Rs. 500 per month to Rs. 1,000 per month effective from 1st October, 2016.

Prepare Statement of Profit & Loss.

Q.5 a) What do you mean by Company? Describe its features.

(8 Marks)

b) List any two method of redemption of debentures.

(7 Marks)

OR

Q.5 Write short notes (Any 3)

(15 marks)

1. Profit prior to Incorporation.
2. Redemption by conversion
3. Capital Redemption Reserve.
4. Divisible Profits
5. Bonus share
