

3. Director's fees are divided in pre and post incorporation period in time ratio.
4. Preliminary expenses should be debited to pre-incorporation period.
5. After redemption of debentures, balance in sinking fund should be transferred to free reserve.
6. Debenture holders get fixed rate of dividend.
7. Security premium can be debited for transfer to capital redemption reserve.
8. A company can issue irredeemable preference shares.
9. Authorised capital is disclosed only for information.
10. Arrears of preference dividend is shown under current liabilities.

Q.2 An Indian company Morning Star Ltd. has a branch at New York (USA). The branch is an integral foreign operation of the Indian company. The trial balance of the Branch as at 31st March 2018 is as follows: [15]

Particulars	Debit (\$)	Credit (\$)
Office Equipment	48,000	
Furniture	32,000	
Opening stock	22,400	
Purchases	96,000	
Sales		1,66,400
Goods sent to HO	32,000	
Salaries	3,200	
Carriage Inward	400	
Rent, Rates and Taxes	800	
Insurance	400	
Trade Expenses	400	
Head Office Account		45,600
Sundry Debtors	9,600	
Sundry Creditors		6,800
Cash at Bank	2,000	
Cash in Hand	400	
	2,18,800	2,18,800

The following further information is given:

1. Salaries outstanding \$400
2. Depreciate office equipment and furniture @ 10% at written down value
3. The head office sent goods to branch for Rs.15,80,000
4. The head office showed an amount of Rs.20,50,000 due from Branch
5. Closing stock \$21,500
6. On 1st April 2016 when the fixed assets were purchased the rate of exchange was Rs.43 to one \$. On 1st April 2017 the rate was Rs.47 per \$. On 31st March 2018 the rate was Rs.50 per \$. Average Rate during the year was Rs.45 per \$

Prepare:

- a) Trial Balance incorporating adjustment given, converting dollars into rupees.
- b) Trading Profit & Loss Account for the year ended 31st March 2018 and the Balance sheet on that date.

OR

Q.2 The following is the balance sheet of Motherson Ltd. as on 31st March 2017

[15]

Liabilities	RS.	Assets	Rs.
<u>Share Capital</u>		Fixed Assets	6,90,000
Authorised		Current Assets	3,22,000
70,000 Equity shares of Rs.10 each	7,00,000		
20,000 6% Preference shares of Rs. 10 each	2,00,000		
	9,00,000		
<u>Issued:</u>			
39,000 Equity shares of Rs.10 each fully paid	3,90,000		
16,000 6% Preference shares of Rs.10 each fully paid	1,60,000		
<u>Reserves & Surplus</u>			
Profit & Loss a/c	3,70,000		
<u>Current Liabilities</u>			
Sundry Creditors	92,000		
	10,12,000		10,12,000

The preference shares were redeemed on 1st April 2018 at a premium of Rs.2 per share, the whereabouts of the holders of 1200 such shares not being known. The company issued 10,000 equity shares of Rs.10 each at a premium of Rs.2 per share for redemption.

Draw up Journal entries to record the above transactions in the books of Motherson Ltd. and show the Balance sheet as it would appear after such transaction have been completed.

Q.3 A) A company issued 15,000 10% Debentures of Rs.100 each on 1st April 2013 at a discount of 6% redeemable at par by drawing lots method as follows:

[08]

Date of redemption	Amount of redemption (Face Value)
31 st March 2014	Rs.5,00,000
31 st March 2015	Rs.5,00,000
31 st March 2016	Rs.5,00,000

Calculate the amount of discount to be written off to Profit & Loss account each year.

AND

Q.3 B) Pass journal entries in the following cases

[07]

- 5000 6% Debentures of Rs.100 each were issued at par and were to be redeemed after 10 years at a premium of 10%
- 6000 8% Debentures of Rs. 100 each were issued at 5% premium, redeemable at par.
- 8000 10% Debentures of Rs. 100 each were issued at 5% discount and redeemable at 10% premium.
- 2000 7% Debentures of Rs. 10 each were issued at par and redeemable at par.

OR

Q.3 HMT Ltd. gave notice of its intention to redeem its 6% Debentures amounting to Rs. 4,00,000 [15]
of Rs.100 each at Rs. 102 and offered the debenture holders the following three options.

1. 5% Preference shares of Rs.20 each at Rs.22.5
2. 6% Debentures of Rs.100 each at Rs.96
3. To have their holdings redeemed in cash

Accordingly:

- a) Debenture holders for Rs. 1,71,000 accepted the proposal (1)
- b) Debenture holders for Rs. 1,44,000 accepted the proposal (2)
- c) Remaining debenture holders accepted proposal (3)

Pass journal entries to record the above transactions in the books of the company.

Q.4 Wagh Ltd. took over business of M/s Kolhe Bros w.e.f 1st April 2014. Wagh Ltd. was [15]
incorporated on 1st September 2014.

Income:	
Gross Profit	75,000
Expenses	
Salaries	12,000
Rent and taxes	9,600
Carriage outward	7,500
Audit Fees	1,200
Travelling expenses	6,600
Printing & Stationery	2,400
Electricity charges	3,000
Delivery expenses	4,800
Depreciation	8,000
Advertising expenses	2,400
Debenture Interest	800
Preliminary Expenses w/off	900
Net Profit	15800

Additional Information:

- a) Trend of sales during April 20 14 to March 2015 was as under:

April and May 2014	Rs.8,500 per month
June and July 2014	Rs.10,500 per month
August & September 2014	Rs.12,000 per month
October & November 2014	Rs.14,000 per month
December 2014 onwards	Rs. 15,000 per month
- b) Out of travelling expenses, Rs.3,600 were incurred by salesman
- c) Wagh Ltd. took furniture worth Rs.72,000 from Kolhe Bros while it purchased new furniture on 1st February 2015 for Rs.48,000. It provided depreciation @ 10% p.a.
- d) Audit fees are paid for the whole year.

Prepare a statement of Profit and Loss for the year ended 31st March 2015 showing profit for Pre and Post incorporation separately.

OR

Q.4 A) Hinduja Ltd. Trial Balance as on 31.3.2016.

[08]

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
Land	15,00,000	Provision for Depreciation (1.4.2015)	
Building	50,00,000	Building	20,00,000
Furniture & Fittings	15,00,000	Furniture	10,00,000
Plant & Machinery	3,20,000	Plant & Machinery	1,80,000

Additional Information:

Provide Rs. 1,00,000 depreciation on furniture & fittings; Rs.20,000 depreciation on Plant and Machinery and Rs.2,00,000 on building.

Show how the above fixed assets will be presented in Balance sheet of Hinduja Ltd.

Q.4 B) OSO Ltd - Trial Balance as on 31-3-2015

[07]

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
		Share Capital	12,50,000
		General Reserve	8,50,000

- Company is registered with an authorized capital of Rs.25, 00,000 divided into equity shares of Rs.100 each. 50% of the shares are issued and are fully paid up.
- During the year company decided to issue bonus shares in ratio of one fully paid share for five shares out of General Reserves. The accounting entries are yet to be passed.

Show the presentation of share capital and Reserve & Surplus in the Balance sheet of OSO Ltd.

Q.5 A) Explain redemption of debentures out of profits and out of capital.

[08]

B) Explain non-integral foreign operation.

[07]

OR

Q.5 Write short notes on: (Attempt any three)

[15]

- Capital Redemption Reserve
- Time Ratio
- Monetary and Non-Monetary items as per AS-II
- Contingent Liabilities
- Debenture Redemption Reserve
