(2 Hours)

[Total Marks : 60

N.B. : (1) Question No. 1 and 2 are compulsory.
(2) Question Nos. 3 and 4 have internal option.
(3) **Figures** to the right indicate full marks assigned to the question.
(4) **Working notes** should form a part of your answer.

1. The following is the Balance Sheet of SMS Ltd. as at March 31st, 2012 — 15

Liabilities	₹in Lacs
Fully paid equity shares of ₹ 10 each	500
Capital Reserve	6
12% Debentures	400
Debenture Interest Outstanding	48
Creditors	165
Directors Remuneration Outstanding	10
Other Outstanding Expenses	20
Provisions	24
	1173

Assets	₹in lacs
Goodwill	15
Land and Building	184
Plant and Machinery	286
Furniture and Fixture	41
Stock	142
Debtors	80
Cash and Bank	27
Discount on issue of Debentures	8
Profit and Loss A/c	390
	1173

The following scheme of internal reconstruction was framed, approved by the Court, all the concerned parties and implemented.

(i) All the equity shares be converted into the same number of fully-paid equity shares of ₹2.50 each.

(ii) Directors agree to forego their outstanding remuneration.

(iii) The debentureholders also agree to forego outstanding interest in return of their 12% debentures being converted into 13% debentures.

(iv) The existing shareholders agree to subscribe for cash, fully paid equity shares of ₹2.50 each for ₹125 lacs.

(v) Trade creditors are given the option of either to accept fully-paid equity shares of ₹2.50 each for the amount due to them or to accept 80% of the amount due in cash. Creditors for Rs. 65 lacs accept equity shares of ₹65 lakhs whereas those for ₹100 lacs accept ₹80 lacs in cash in full settlement.

(vi) The Assets are revalued as under :–

	₹in lacs
Land and Building	230
Plant and Machinery	220
Stock	120
Debtors	76

[TURN OVER

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(vii) Capital Reserve be used for Reconstruction
(viii) Goodwill, Profit Loss Account and discount on issue of Debentures to be written off.

Pass Journal entries for all the above mentioned transactions and draft the company's Balance Sheet immediately after the reconstruction.

2. (A) Rewrite the statement stating whether it is **True** or **False** :– 7
   (a) A person can sell partly paid shares in the market.
   (b) After all adjustments are made capital reduction account must show debit balance.
   (c) In merger method the difference between purchase consideration and share capital is adjusted against General Reserve.
   (d) In case of export when there is an increase in the rate of Exchange when amount is received there is a Foreign Exchange Gain.
   (e) In case of amalgamation in nature of merger all assets including fictitious assets are transferred from old company to new company.
   (f) In case of sale of Investments cost price is determined as per AS 13 on the basis of First in First out method
   (g) Cancellation of unissued capital is also a case of Capital Reduction.

(b) Choose the most appropriate answer from the following and rewrite the complete statement :– 8
   (a) Amalgamation adjustment account in the books of transferee company is prepared to incorporate _________
      (i) Assets of Transferor Company
      (ii) Liability of transferor Company
      (iii) Investment of transferor Company
      (iv) Statutory Reserve of transferor Company.
   (b) Trade Liability denominated in foreign currency at the Balance Sheet date is disclosed by using the _________
      (i) Opening Rate
      (ii) Average Rate
      (iii) Closing Rate
      (iv) None of the above.
   (c) Existing 2000 shares of Rs. 2 each are altered to 200 shares of 20 each this is known as _________
      (i) Conversion of stock into shares
      (ii) Sub division of shares
      (iii) Consolidation of shares
      (iv) Surrender of shares.
   (d) Kamini Limited agrees to issue 3 shares of ₹10 each, ₹9 paid up at market value of ₹15 per share for every 5 shares in IPL Limited. If IPL Limited has 2,00,000 equity shares of ₹10 each, ₹ 5 paid up and market value of ₹ 8 per share, the amount of purchase consideration is _________
      (i) ₹14 Lakhs
      (ii) ₹16 Lakhs
      (iii) ₹18 lakhs
      (iv) ₹ 20 Lakhs.

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(e) Under purchase method of amalgamation if the net asset taken over is more than purchase consideration it is known as ________
  (i) Goodwill
  (ii) Capital Reserve
  (iii) General Reserve
  (iv) Capital Redemption Reserve.

(f) Decrease in value of liability in Internal Reconstruction is ________
  (i) Credited to Capital Reduction account
  (ii) Debited to Capital Reduction account
  (iii) Credited to Liability account
  (iv) Credited to Realisation account.

(g) Company issues right shares at ________
  (i) Face value of shares
  (ii) Market value quoted at Stock exchange
  (iii) More than market value
  (iv) Less than market value.

(h) IFRS are issued by ________
  (i) ICAI
  (ii) IASC
  (iii) FASB
  (iv) IASB.

3. Ms. Mitali Gupta held as Investment 12% Debentures of ₹100 each of Aries Ltd. on 1st April, 2011. Interest is payable on 30th June and 31st December every year. The following were the transactions for the year ended 31st March, 2012. 15

Date	No. of Debentures	Details
1-4-2011	1000	Opening balance at a cost of ₹1,10,000
31-7-2011	250	Sale at ₹115 each cum-interest.
1-11-2011	300	Purchase at ₹112 each ex-interest.
1-2-2012	450	Purchase at ₹118 each cum-interest.
1-3-2012	500	Sale at Rs. 120 each ex-interest.

Prepare Investment Account of 12% Debentures in the books of Ms. Mitali Gupta for the year ended 31st March, 2012, valuing closing balance at cost or market price whichever is lower. The market value on 31st March, 2012 was ₹125 per debenture of the said investment. Use Weighted Average Cost.

OR

3. Axe Ltd. exported goods to Star Ltd., California, on 30th November, 2010 worth US $ 50,000, when the exchange rate was US $ 1= Rs. 45.00. The payment for the same was to be received in five equal instalments along with interest @ 6% p.a. Accordingly Star Ltd. made the payment on the following dates : 15

31st December, 2010
31st January, 2011
28th February, 2011
31st March, 2011
30th April, 2011

The exchange rates per US $ was as follows :

30-11-10 ₹45.00	31-12-10 ₹46.00	31-1-11 ₹45.50
28-2-11 ₹46.50	31-3-11 ₹ 46.00	30-4-11 ₹45.50

You are required to prepare in the books of Axe Ltd. for the year ended 31st March, 2011 and 31st March, 2012 :

1) Star Ltd. A/c
2) Foreign Exchange Fluctuation A/c
3) Interest A/c.

4. The Balance Sheet of West Indian Ltd. and Shrilankans Ltd. as on 31st March, 2012 were as follows :– 15

Liabilities	West Indian Ltd (₹)	Shrilankans Ltd (₹)	Assets	West Indian Ltd (₹)	Shrilankans Ltd (₹)
Equity Share Capital (₹ 100)	15,00,000	4,50,000	Building	4,00,000	1,55,000
General Reserve	50,000	50,000	Computers	7,50,000	1,70,000
Profit and Loss A/c	140,000	55,000	Inventory	6,00,000	1,00,000
Export Profit Reserve	60,000	20,000	Trade Receivables	1,30,000	1,85,000
Statutory Reserve	–	10,000	Cash and Bank	1,00,000	50,000
12% Debentures	1,00,000	–	Preliminary Expenses	–	10,000
13% Debentures	–	35,000			
Trade Payable	1,30,000	50,000			
	19,80,000	6,70,000		19,80,000	6,70,000

A new company Twenty-Twenty Ltd. was formed to acquire all the assets and liabilities of West Indian Ltd. and Shrilankans Ltd.on following terms :—

(a) Twenty-Twenty Ltd. to have an authorised capital ₹ 5 cores divided into Equity Shares of ₹10 each.
(b) The business of both the companies taken over for a total price of Rs. 22,00,000 to be discharged by Twenty-Twenty Ltd. by issue of equity shares of Rs. 10 at 10% premium.
(c) The shareholders of West Indian Ltd. and Shrilankans Ltd. to get shares in Twenty-Twenty Ltd. in the ratio of 3:1 respectively.
(d) The debentures of both the companies to be converted into equal number of 14% Debenture in Twenty-Twenty Ltd.
(e) Export Profit Reserve and Statuory reserve to be maintained for 4 more years.
(f) The Assets of both the companies to be revalued as –

	West Indian Ltd. ₹	Shrilankans Ltd. ₹
Building	5,60,000	1,90,000
Computers	6,40,000	1,60,000

Show :

(i) Journal entries in the books of Twenty-Twenty Ltd. assuming that amalgamation is in the nature of purchase
(ii) Balance Sheet of Twenty-Twenty Ltd.

OR

4. Answer the following – 15

(a) Distinguish between Monetary and Non-Monetary Items in Foreign Exchange Transactions.
(b) Give the limitations of IFRS.