

**Q.1 A) True or false. (any eight)**

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- 1) Insurance avoids loss due to fire
- 2) Salvage means cost price of goods saved from fire.
- 3) Preference shares cannot be redeemed at premium.
- 4) Right shares are issued free of cost.
- 5) Memorandum Trading Account can be prepared if proper stock records are available.
- 6) A sales order is issued by the seller
- 7) Capital Redemption reserve is used for payment of dividend.
- 8) Debenture Redemption Reserve is to be created even if debentures are redeemed through conversion.
- 9) To print reports we use CTRL+P key in Tally
- 10) The company can redeem only fully paid preference shares.

**B) Match the columns (Any 7)**

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Group A		Group B	
1.	Dividend Equalization Reserve	A.	Under Insurance of stock
2.	Average clause	B.	Contract of Indemnity
3.	Insurance	C.	Divisible profit available for redemption of pref. shares
4.	Securities premium	D.	Cannot be redeemed.
5.	Interest on Sinking Fund Investment.	E.	Preference share redemption
6.	Partly paid preference shares	F.	Cannot be used for creating capital redemption reserve.
7.	Debenture Redemption	G.	Created to sinking fund
8.	Capital Redemption Reserve	H.	Goods saved from fire
9.	Salvage	I.	Credited to Sinking Fund Investment
10.	Profits not divisible	J.	Capital Reserve

**Q.2.**

On 1st April, 2016, accidentally fire completely destroyed the stock. However, from the information and records available from his Chartered Accountants, the following information was obtained, from which you are requested to prepare a statement showing the amount of claim to be lodged with the Jeevan Insurance Company Ltd.

Particulars	Rs.
<b>Stock at Cost:</b>	
1 st January, 2015	45,000
1 st January, 2016	55,000

<b>Purchases:</b>	
Calendar Year 2015	1,29,250
Three months to 31 <sup>st</sup> March, 2016	60,000
<b>Sales:</b>	
Year ended 31 <sup>st</sup> December, 2015	1,70,000
Period upto the date of fire	1,00,000
<b>Manufacturing Expenses:</b>	
Calendar Year 2015	21,000
Three months to 31 <sup>st</sup> March, 2016	(?)

In February, 2016 goods valued at sales price of Rs. 5,000 were distributed as samples.

Manufacturing Expenses were normally found to be constant. The value of the salvaged stock was estimated at Rs. 7,625.

OR

Q 2.

Amin Enterprises close their accounts on 30th June every year. On 30th September 2016 a major fire destroyed most of their stock. Following information could be gathered from their books:

Particulars	Rs.
Stock on 30.06.2016	3,60,000
Purchases- 1 <sup>st</sup> July 2016 to 30 <sup>th</sup> September 2016	6,00,000
Wages- 1 <sup>st</sup> July 2016 to 30 <sup>th</sup> September 2016	2,30,000
Sales - 1 <sup>st</sup> July 2016 to 30 <sup>th</sup> September 2016	10,00,000
Carriage inward for the above period	10,000
Carriage outward for the above period	15,000

Average percentage of gross profit to cost is  $33 \frac{1}{3}$ . Stock of the value of Rs. 75,000 could be salvaged. Policy was for Rs. 2,50,000/-. Claim was subject to average clause.

Following further information is available:

- 1) Stock in the beginning was calculated at 10% less than cost.
- 2) Purchases include the purchases of the furniture for Rs. 25000/-
- 3) Amount spent for beginning and setting up the furniture in the office was Rs. 5000/ which was included in the carriage inward.

You are required to calculate the claim for the loss of stock.



3. Following is the summary Balance Sheet of ABC Agro Ltd. As on 31st March, 2016:

Liabilities	Rs.	Assets	Rs.
8% Redeemable Preference Shares of Rs. 10 each, fully paid up	13,50,000	Fixed Assets	25,00,000
1,00,000 Equity Shares of Rs. 10 each	13,50,000	Investment (M. V. Rs. 8,80,000)	4,05,000
Securities Premium	40,500	Other Current Assets	10,50,000
Profit and Loss Account	13,50,000	Debtors (Long Term)	20,000
Directors Loan	50,000	Bank Balance	3,00,000
Sundry Creditors	1,34,500		
	<b>42,75,000</b>		<b>42,75,000</b>

It was decided to redeemable Preference shares at a premium of 10%. For this purpose, the company issued 75,000 right shares of Rs. 10 each at a premium of Rs. 10 per share. This issue was fully subscribed and all the monies were duly received. Investments are sold for Rs. 5,13,000. All the payments were made except to the shareholder holding 675, 8% Redeemable Preference Shares who could not be traced.

You are required to give Journal entries to record the above transactions in the books of the company and also Balance Sheet of the company after redemption.

OR

- Q 3. Following is the balance sheet of Rama Ltd as on 31-03-2016

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Liabilities	Rs	Assets	Rs
Equity share of Rs 10 each fully paid up	10,00,000	Fixed Assets	11,00,000
10% Redeemable Preference shares of Rs 100 each fully paid up	5,00,000	Investments	4,00,000
General Reserve	3,00,000	Other Current Assets	14,00,000
8% debentures of Rs. 100 each	4,00,000	Bank Balance	90,000
Security Premium	4,00,000	Preliminary Expenses	10,000
Current Liabilities	4,00,000		
	<b>30,00,000</b>		<b>30,00,000</b>

On the above date the company decided to redeem its preference shares at 10% premium. For this purpose the company sold its investments at a profit of 10% and issued 25000 equity shares of Rs. 10 each at par. Preference shares were duly redeemed. All the money under new issue was received and all money on redemption was paid.

Pass necessary journal entries in the books of the Company. Also prepare Balance sheet after redemption

(P.T.O.)

**Q.4.** Bharat Ltd. had issued 5,000 - 12% debentures of Rs. 100 each redeemable on 31-12-2007 at par.

The company offered three options to the debenture holders as under:

15 Mar

- i. 14% Preference share of Rs. 101 each at Rs. 12.
- ii. 15% Debentures of Rs. 100 each at par.
- iii. Redemption in cash.

The options were accepted as under:

Option (i) by holders of 1,500 debentures

Option (ii) by holders of 1,500 debentures

Option (iii) by holders of 2,000 debentures

The redemption was carried out by the Co. Pass journal entries in the books of Bharat Ltd.

OR

**Q.4.** The following balances appeared in the books of P Ltd on 01.04.2016

15 Mar

- 1) Debenture Redemption Fund Rs. 60,000 represented by investment of an equal amount (nominal value Rs. 75000/-)
- 2) The 12% Debentures stood at Rs. 90,000/-

The company sold required amount of investments at 90% for redemption of Rs. 30,000 debentures at a premium of 20% on the above date. Show the:

- 1) 12% Debentures Account
- 2) Debenture Redemption Fund Account
- 3) Debenture Redemption Fund Investment Account
- 4) Debenture holders account

**Q. 5** A) Explain the provision of Companies Act 1956 regarding redemption of preference shares.

(8 Mar

B) Explain in brief Average Clause

(7 Mar

OR

**Q. 5** **Short Notes: (any three)**

(15 Mar

- 1) Capital Redemption Reserve
- 2) Memorandum Trading Account.
- 3) Redemption of preference shares.
- 4) List the steps for entering the purchase order in Tally.
- 5) Redemption by conversion.

— The End —