

(2 ½ Hours)

Total Marks: 75

1. (A) Rewrite sentence after selecting correct alternative (Any Eight) **8**
1. The underwriter is entitled to claim remuneration on _____ .
 - a) The issue price of shares underwritten
 - b) The face value of shares actually purchased
 - c) The face value of shares not purchased by him
 - d) None of the above
 2. Accounting for amalgamation is governed by _____ .
 - a) Accounting Standard 1
 - b) Accounting Standard 13
 - c) Accounting Standard 14
 - d) Accounting Standard 11
 3. Internal Reconstruction _____
 - a) No company is liquidated
 - b) Only one company goes into liquidation
 - c) Two or more companies are liquidated
 - d) One or more companies go into liquidation
 4. Amount of calls in advance is treated as _____
 - a) Secured creditor
 - b) Asset not specifically pledged
 - c) Preferential creditor
 - d) Unsecured creditor
 5. Interest on debenture and unsecured loan is payable up to the date of actual payment _____
 - a) If the company is solvent
 - b) If the company is insolvent
 - c) Whether the company is solvent or insolvent
 - d) None of the above
 6. Marked applications refer to _____
 - a) Applications bearing the stamp of the underwriters
 - b) Applications carrying the signature of public who applied for shares
 - c) Applications carrying the stamp of company which offered the shares
 - d) None of the above
 7. Buyback must be completed within _____ from the date of passing the resolution.
 - a) 12months
 - b) 3months
 - c) 6months
 - d) 2months

8. The asset which is not taken under the Net assets method of calculating purchase consideration is _____
 - a) Loose Tools
 - b) Bills Receivables
 - c) Machinery
 - d) Share issue expenses
 9. Capital Redemption Reserve can be utilized only for _____
 - a) Issue of fully paid bonus shares to the members
 - b) Issue of partly paid bonus shares to the members
 - c) Writing off losses
 - d) None of the above
 10. For capital reduction under internal reconstruction, authorization/approval is required from _____
 - a) Shareholders
 - b) Articles of Association
 - c) Tribunal
 - d) All of the above
- 1.B) State whether given statements are True or False (Any 7) 7
1. A company is allowed to convert fully paid shares into stock.
 2. The balance in security premium account cannot be transferred to capital reduction account.
 3. Buyback of security is governed by section 68 of Companies Act.
 4. Cancellation of contingent liability is treated as profit to the company.
 5. Equity shares can be bought back out of fresh issue of shares only.
 6. Underwriting may be done by individuals, partnership firms or joint stock companies.
 7. Marked applications are also known as direct applications.
 8. Local taxes are an example of secured creditors.
 9. In the case of amalgamation there are two or more liquidations and one formation.
 10. If the company is insolvent, interest on debentures is payable up to the date of actual payment.
2. A Ltd. and B Ltd. were carrying on the business of manufacturing of auto components. Both the companies decided to amalgamate and a new company AB Ltd. is formed with an Authorised Capital of Rs.10, 00,000 divided into 1, 00,000 Equity shares of Rs.10 each. The Balance Sheet of the companies as on 31-3-2018 were as under: (15)

Balance Sheet as at 31-3-2018

Particulars	A Ltd (Rs.)	B Ltd (Rs.)
<u>I. EQUITY AND LIABILITIES</u>		
1. Shareholders Funds		
a. Share Capital	1,40,000	2,50,000
b. Reserves and Surplus		
Profit and Loss A/c.	30,000	35,000
General Reserve	---	1,20,000
2. Non-Current Liabilities		
8% Secured Debentures	1,10,000	---
3. Current Liabilities		
Trade payables	54,000	1,40,000
Total	3,34,000	5,45,000
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<u>II. ASSETS</u>		
1. Non-Current Assets		
Fixed Assets		
Building	1,00,000	1,90,000
Plant and Machinery	----	80,000
Furniture and Fixture	25,000	25,000
2. Current Assets		
a. Inventories	1,35,000	50,000
b. Trade Receivables	44,000	1,42,000
c. Cash at Bank	30,000	58,000
Total	3,34,000	5,45,000
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The assets and liabilities of the existing companies are to be transferred at book value with the exception of some items detailed below:

1. Goodwill of A Ltd. was worth Rs.50,000 and B Ltd worth Rs.1,50,000.
2. Furniture and Fixture of B Ltd was valued at Rs.35,000.

TURN OVER

3. The debentures of A Ltd. are to be discharged by issue of 8% 11000 debentures of AB Ltd. at premium of 10%.

You are required to:

- i) Compute Purchase consideration.
- ii) Pass opening entries in the books of AB Ltd and draw a Balance sheet of AB Ltd. as per Purchase Method.

OR

2. The following is the Summary Balance Sheet of Teena Ltd: 15

Liabilities	Rs.	Assets	Rs.
Issued and Paid-up Equity Share Capital of Rs. 10 each	5,00,000	Intangible Assets	50,000
Statutory Reserve (to be maintained for 3 more years)	10,000	Fixed Assets	4,20,000
Debentures	1,00,000	Current Assets	1,10,000
Creditors	50,000	Profit & Loss A/c	80,000
	<u>6,60,000</u>		<u>6,60,000</u>

Meena Ltd. agreed to absorb Teena Ltd, on the following terms:

1. Meena Ltd agreed to take over all the assets and liabilities.
2. The assets of Teena Ltd. are to be considered to be worth Rs.5,00,000.
3. The purchase price is to be paid one-quarter in cash and the balance in shares. of Rs.10. each at premium of Rs. 2 each.
4. Liquidation expenses amounted to Rs.300 agreed to be paid by Teena Ltd.
5. Debentures of Teena Ltd were paid.
6. The amalgamation is in the nature of purchase.

You are required to show:

- a) Purchase Consideration
- b) Ledger accounts in the books of Teena Ltd.
- c) Opening entries in the books of Meena Ltd.

TURN OVER

3. The following is the Balance Sheet of XY Ltd which is in the hands of the liquidator. (15)

Balance Sheet as at 31/03/2018

Liabilities	Rs.	Assets	Rs.
Share Capital:		Fixed Assets	2,00,000
1,000, 6% Preference shares of Rs. 100 each, fully paid	1,00,000	Stock	1,20,000
2,000 Equity shares of Rs. 100 each	2,00,00	Book debts	2,40,000
2,000 Equity shares of Rs. 100 each, Rs. 75 paid	1,50,000	Cash	40,000
Loan from Bank (on security of stock)	1,00,000	Profit and Loss Account	3,00,000
Trade Creditors	3,50,000		
	9,00,000		9,00,000

The assets realised the following amounts (after all costs of realisation and liquidator's commission amounting to Rs. 5,000 paid out of cash in hand Rs. 40,000 as per Balance Sheet):

Fixed Assets	Rs. 1,68,000
Stock	Rs. 1,10,000
Book Debts	Rs. 2,30,000

Calls on partly paid shares were made but the amount due on 200 shares was found to be irrecoverable.

Prepare the Liquidators' Final Statement of Account.

OR

TURN OVER

3. Following is the Balance sheet of Panasonic Ltd as on 31st March, 2018 (15)

Liabilities	Amount	Assets	Amount
6,000 8% Preference shares of Rs.100 each	6,00,000	Goodwill	60,000
50,000 Equity shares of Rs.10 each	5,00,000	Patents	40,000
5% Debenture of Rs.100 each Outstanding	3,00,000	Building	6,00,000
Debenture interest	50,000	Furniture	1,00,000
Sundry creditors	1,80,000	Stock	1,50,000
Total	<u>16,30,000</u>	Sundry Debtors	75,000
		Bank	75,000
		Profit and loss a/c	5,30,000
		Total	<u>16,30,000</u>

Note: Preference dividend is in arrears for three years.

The following scheme of reconstruction is approved by Court-

- 1) The Preference shares shall be converted into equal number of 9% Preference shares of Rs.50 each and the Equity shares shall be reduced to Rs.3 each.
- 2) 5% Debentures shall be reduced to Rs.75 each. The debenture holders agreed to waive 50% of outstanding interest.
- 3) Sundry creditors agreed to waive 30% of their claims and to accept Equity shares for Rs.30,000 in part settlement of their renewed claims.
- 4) Arrears of Preference dividend to be reduced to one year's dividend which is paid immediately.

- 5) The assets are revalued as under-
- Building – Rs.6,60,000
 - Furniture - Rs.80,000
 - Stock - Rs.1,00,000
 - Sundry debtors-Rs.70,000
- 6) Intangible and fictitious assets are to be written off.

You are required to Pass Journal entries and prepare Capital reduction a/c in the books of Panasonic ltd.

4. Following is the Balance sheet of Ms. Satya Ltd. as on 31st March,2018

15

Liabilities	Rs.	Assets	Rs.
Equity Shares (Rs.10)	50,00,000	Fixed Assets	60,00,000
Security Premium	5,00,000	Investments	50,00,000
General Reserve	20,00,000	Bank	30,00,000
Profit and Loss A/c	25,00,000	Other Current Assets	50,00,000
10% Debentures	40,00,000		
Bank Loans	10,00,000		
Sundry Creditors	40,00,000		
	<hr/>		<hr/>
	1,90,00,000		1,90,00,000

The Company decided to buy back its equity shares for this purpose the company took the following steps:

- Issued 3,000, 8% preference shares of Rs.100 each at a premium of 5%.
- Issued 2,000, 10% Debentures of Rs.100 each at a premium of 10%.
- Sold 70% of investments at a profit of 10%.

Ascertain:

- Maximum Number of equity shares that can be bought back.
- Maximum price it can offer for buy back.
- Pass Journal Entries in the books of the company.

OR

TURN OVER

4. Spine Ltd. invited applications from public for 1,00,000 Equity shares of Rs.10 each at a premium of Rs.5 per share. The entire issue was underwritten by the underwriters P, Q, R and S to the extent of 30%, 30%, 20% and 20% respectively with the provision of firm underwriting of 3,000; 2,000; 1,000 and 1,000 shares respectively. The underwriters were entitled to the maximum commission permitted by law.

The company received applications for 70,000 shares from public out of which applications for 19,000; 10,000; 21,000 and 8,000 shares were marked in favor of P, Q, R and S respectively.

Calculate the liability of each of the underwriters when firm underwriting shares are treated as marked and unmarked applications.

- 5 A) State the conditions for amalgamation in the nature of merger. 8
B) What do you mean by Liquidation of a company? Describe the different modes of winding up? 7

OR

5. Short notes: (Any 3) 15

1. Overriding commission
2. Purchase consideration
3. Preferential Creditors
4. Need of Internal Reconstruction
5. Buyback of equity shares