

Q. P. Code : 23697

(2 ½ Hours)

(Total Marks: 75)

Please check whether you have got the right question paper.

- N. B. :**
- (1) All questions are **compulsory**.
 - (2) **Figures to the right** indicate **full marks**.
 - (3) **Working notes** should form **part of your answers**.
 - (4) **Use of simple calculator** is **allowed**.

1. (A) Match the Column (Any Eight) :

(8)

Group 'A'	Group 'B'
1) Amalgamation of Companies	• Shareholders Funds
2) Personal Investment Accounting	• Fixed income bearing security
3) Equity Shares	• Tangible Fixed Asset
4) Government Bonds	• Current Asset
5) Amalgamation Adjustment Reserve	• AS-13
6) Trade Receivable	• Variable income bearing securities
7) Cum- Interest price of Investment	• AS-14
8) Disclosure of Land and Building	• Statutory Reserve
9) Net Asset Method	• Includes Interest
10) During Internal Reconstruction, increase in the value of asset is	• Purchase Consideration
	• Credited to Capital Reduction A/c
	• Debited to Capital Reduction A/c

(B) State whether the following statements are True or False. Rewrite the statement (Any Seven) :

(7)

- 1) No new company is formed at the time of Internal Reconstruction.
- 2) On Amalgamation of companies, the company which takes over another company is called Transferee Company.
- 3) When short term investments are sold, profit on such sale is transferred to profit and Loss account.
- 4) IFRS stands for International Financial Reporting Standards.
- 5) Computer software is shown under the head Intangible assets in the balance sheet of a company.
- 6) Arrears of Preference Dividend is shown under 'Other current Liabilities' in the Balance Sheet of a company.
- 7) Balance in the Capital Reduction account is transferred to Capital Redemption Reserve Account.
- 8) Interest on Debentures is calculated on cost of Debentures.
- 9) Surrendered shares cannot be reissued.
- 10) Capital Work in progress is shown under the head 'Share Capital' in the Balance Sheet of a company.

TURN OVER

2. Following is the Balance Sheet of Hardship Ltd. as on 31st March, 2017:

(15)

Liabilities	₹	Assets	₹
14,000 8% Cumulative Preference Shares of ₹100 each	14,00,000	Goodwill	3,30,000
1,60,000 Equity Shares of ₹ 10 each	16,00,000	Land & Building	12,00,000
9% Debentures of ₹ 100 each (Secured on Land & Building)	7,00,000	Inventories	4,40,000
Accrued Interest on Debentures	31,500	Sundry Debtors :	
Director's Loan	1,40,000	Good	7,40,000
Sundry Creditors	6,20,000	Doubtful	1,20,000
		Bank	5,60,000
		Preliminary Expenses	20,000
		Profit & Loss A/c	10,81,500
Total	44,91,500	Total	44,91,500

Contingent Liabilities :

- 1) Arrears of cumulative preference dividend for 2 years.
- 2) Claims for damages pending in the court of law ₹ 2,00,000.

The following scheme of reconstruction was duly approved :

- 1) 8 % Preference Shares of ₹100 each were to be reduced to an equal number of fully paid preference shares of ₹60 each.
- 2) Equity Shares of ₹10 each were to be reduced to an equal number of fully paid equity shares of ₹2.50 each.
- 3) Goodwill, preliminary expenses and accumulated losses are to be written off.
- 4) 8 % preference shareholders agreed to waive one year's dividend and to accept equity shares of ₹2.50 each fully paid for the balance of arrears of dividend.
- 5) Inventories are to be revalued at ₹4,00,000 and doubtful debtors to be written off.
- 6) 9 % debenture holders agreed to take over part of the security of the book value of ₹4,00,000 for ₹5,00,000 in part satisfaction of their claim and agreed to waive interest payable to them.
- 7) Sundry creditors agreed to forego ₹20,000 subject to the condition that the company must pay them half of the remaining amount immediately.
- 8) The contingent liability for the claim for damages materialized to the extent of 50%, which the company paid immediately.
- 9) The directors agreed to convert their loan into equity shares of ₹2.50 each fully paid.

You are required to pass journal entries in the books of Hardship Ltd.

OR

TURN OVER

2. Sun Ltd. was formed to acquire the business of Moon Ltd. as on 31-03-2017. The (15)
summary balance sheet of Moon Ltd as on that date was as under :

Liabilities	₹	Assets	₹
Equity Shares of ₹10 each fully paid	4,50,000	Goodwill	60,000
General Reserve	75,000	Land & Building	2,40,000
Export Profit Reserve	24,000	Plant	2,40,000
Profit & Loss A/c	54,000	Investment	90,000
12% Debentures	1,80,000	Stock	1,20,000
Sundry Creditors	1,11,000	Sundry Debtors	1,50,000
Provision for tax	90,000	Bills Receivable – Trade	24,000
		Bank Balance	60,000
Total	9,84,000	Total	9,84,000

Terms of Acquisition :

- 1) Sun Ltd issued to Moon Ltd. 75,000 equity shares of ₹10 each at ₹12 per share.
- 2) Sun Ltd paid ₹4 in cash for each share of Moon Ltd.
- 3) Sun Ltd discharged 12% debentures of Moon Ltd at 10% premium by issue of its 15% debentures at a discount of 12%.
- 4) Sun Ltd paid liquidation expenses ₹15,000.
- 5) Sun Ltd revalued land and building at ₹3,00,000. Plant at 10% below book value, Stock at ₹1,05,000 and debtors subject to 5% provision for doubtful debts.
- 6) Moon Ltd sold one-fifth of the shares received from Sun Ltd at ₹13 per share.
- 7) Sun Ltd issued 30,000 equity shares of ₹10 each at ₹12 each to the public. The issue was fully subscribed and paid for.
- 8) Export profit reserve is to be maintained for the next three years.

You are required to:

- a) Compute Purchase Consideration.
- b) Pass journal entries in the books of Moon Ltd.

TURN OVER

3. Following are the summary of Balance Sheet of S Ltd and B Ltd as on 31-3-2017 : (15)

Liabilities	S. Ltd. (₹)	B. Ltd. (₹)	Assets	S. Ltd. (₹)	B. Ltd. (₹)
8% Preference Share of ₹100 each	18,00,000	27,00,000	Goodwill	4,50,000	4,50,000
Equity Share of ₹100 each	27,00,000	45,00,000	Land & Building	18,00,000	22,50,000
General Reserve	2,25,000	2,70,000	Plant & Machinery	13,50,000	18,00,000
Revaluation Reserve	1,35,000	1,80,000	Computer	9,00,000	13,50,000
Export Profit Reserve	90,000	1,35,000	Investment	4,50,000	4,50,000
Profit & Loss A/c	45,000	90,000	Stock	9,00,000	13,50,000
10% Debenture of ₹100 each	9,00,000	13,50,000	Sundry Debtors	4,50,000	9,00,000
Term Loans	4,50,000	2,25,000	Bills Receivables	2,25,000	4,50,000
Sundry Creditors	6,75,000	5,40,000	Bank	5,85,000	11,25,000
Bills Payable	90,000	1,35,000			
Total	71,10,000	1,01,25,000	Total	71,10,000	1,01,25,000

SB Ltd. was formed to take over the business of S Ltd and B Ltd with an Authorized Share Capital of ₹90,00,000 consisting of 60,000, 12% preference shares of ₹100 each and 3,00,000 equity share of ₹10 each.

Terms of Amalgamation :

- 1) 8% preference shareholders of both the companies are issued equal number of 12% preference shares of SB Ltd. at a price of ₹125 each.
- 2) SB Ltd. will issue four equity shares for three equity shares of S Ltd. and four equity shares for five equity shares of B Ltd. The shares are to be issued at ₹35 each.
- 3) 10% debenture holders of both the companies are discharged by SB Ltd. by issuing such number of its 12% debentures of ₹100 each so as to maintain the same amount of interest.

TURN OVER

- 4) SB Ltd. agree to take over all assets and all liabilities at book values except the following :
- Tangible fixed assets at 10% more than book values.
 - Investments and sundry debtors at 90% of their book values.
- 5) Export profit reserves are to be maintained for three more years.

You are required to :

- Compute purchase consideration of S Ltd. and B Ltd.
- Pass journal entries after amalgamation in the books of SB Ltd. applying Purchase Method. (Narration is not required).

OR

3. (A) Prepare Vertical Statement of Profit and Loss for the year ended 31-3-2017 of (08)
MAS Agro Ltd. :

Particulars	₹
Interest on Investment	1,00,000
Sales	4,50,000
Opening Stock of Raw Material	60,000
Purchase of Raw Material	2,50,000
Employee Benefits Expenses	40,000
Audit fees	10,000
Sales Return	20,000

Additional Information:

- Interest on Investment was receivable ₹30,000.
 - Closing Stock of Raw Material ₹40,000.
 - Outstanding Audit fees ₹20,000.
- (B) On 1st April 2016 Mr. Rajesh holds 20,000 Equity Shares of ₹10 each in H Ltd., (07)
at a cost of ₹3,00,000.
On 1st July, 2016 he purchased 4,000 additional shares of the same Company at a cost of ₹64,000.
On 1st October, 2016, Company issued bonus of one share for every six shares held as on that date.
On 1st January, 2017 he purchased right shares, announced by Company at the rate of two shares for every five shares held as on that date at ₹12 each.
On 31st January, 2017 he purchased 2,000 additional shares of the same Company at a cost of ₹36,000.
On 1st February 2017 he sold 1,000 shares for ₹20 each.
Prepare Investment in Equity Shares Account in the books of Mr. Rajesh for the year ended 31st March, 2017.

TURN OVER

4. The following is the Trial Balance of A Ltd. as on 31st March, 2017 : (15)

Debit Balances	₹	Credit Balances	₹
Fixed Assets - Tangibles	9,55,000	1,60,000 Equity Shares of	
Office Salaries	1,55,000	₹10 each fully paid up	16,00,000
Office Rent	1,20,000	Securities Premium	15,000
Establishment Expenses	58,000	General Reserve	50,000
Finance Expenses	49,000	Revenue from Operations	8,00,000
Sundry Debtors	90,000	Discount Received	8,700
Interim Dividend	80,000	Bills Payable	1,200
Cash on Hand	8,000	Sundry Creditors	24,600
Bank Balance	2,00,000	Profit & Loss Account	20,000
Security Deposit- short term	7,800	Provision for Taxation	70,000
Advance Tax (2016-17)	1,00,000	(2015-16)	
5% Investments in Bonds	2,10,000	Interest Received (Net of	9,500
Stock – Finished Goods	4,50,000	TDS ₹500)	
Advance Tax (2015-16)	80,000		
Selling Expenses	20,200		
Auditors Remuneration	16,000		
Total	25,99,000	Total	25,99,000

Additional Information :

- 1) Market value of investments is ₹2,10,000 while face value is ₹2,00,000.
- 2) Auditors remuneration includes their fees as auditors ₹10,000 and remaining as Consultants.
- 3) Sundry Debtors include due for more than 6 months ₹15,000. All debts are considered good and unsecured.
- 4) Provide for outstanding expense : Office Salaries ₹8,000; Office Rent ₹10,000; Establishment expenses ₹7,000.
- 5) Provision for tax for the current year ₹1,00,000 to be made.
- 6) The income tax assessment for year 2015-16 was completed resulting into a gross demand of ₹78,000.
- 7) The Authorized Share Capital of the Company is 2,50,000 Equity Shares of ₹10 each.
- 8) Transfer ₹1,00,000 to general reserve.

Prepare statement of Profit and Loss for the year ended 31st March, 2017 and a balance sheet as on that date of A Ltd. Ignore previous year's figures and corporate dividend tax.

OR

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4. Mr. Shivam holds 1,000 – 10% Debentures of ₹100 each in TM Ltd. as on 1st April, 2016 at a cost of ₹1,20,000. Interest is payable half yearly on 30th September and 31st March every year. Transactions for the year are as follow :

Date	Particulars	Number of Debentures	Rate ₹
30/06/2016	Purchased	500	102 Cum Interest
01/10/2016	Purchased	500	97 Ex Interest
31/12/2016	Sold	700	110 Cum Interest
01/02/2017	Sold	300	98 Ex Interest
01/03/2017	Purchased	200	105 cum Interest

The books of accounts are closed on 31st March every year.

Prepare Investment in 10% Debenture Account in the books of Shivam for the year ended 31/03/2017. Market value of the above investment on 31st March 2017 was ₹1,30,000.

5. (a) What is Purchase Consideration? Explain the different methods of computation of Purchase Consideration? (08)
 (b) Distinguish between Internal Reconstruction and External Reconstruction of Companies. (07)

OR

5. Write short notes on **Any Three** of the following : (15)
 a) Purchase method of Amalgamation.
 b) Tangible fixed assets and Intangible fixed assets.
 c) Need of convergence to IFRS.
 d) Capital Reduction Account.
 e) Cum Interest and Ex Interest Price.

TURN OVER