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[3 Hours]

[Total Marks: 100]

- N.B. (1) All questions are compulsory. Questions 2 to 6 have an internal choice
(2) Figures to the right indicate full marks.
(3) Use of simple calculators is allowed.
(4) Working notes should form part of your answer.

1A) State whether the following statements are True or False (Any 10) (10)

1. In Fixed Assets Note, Opening Net Block = Opening Gross Block – Opening Depreciation.
2. Shareholders Funds are always non-current Liabilities.
3. Goodwill is classified as Fixed Asset under Schedule III of the Companies Act
4. Security Premium can be transferred to Capital Reduction Account.
5. A company can subdivide shares of large denomination into shares of smaller denomination.
6. After buy back of equity shares, the debt-equity ratio should not exceed 2:1.
7. Only fully paid up equity shares can be bought back.
8. Interest is calculated on Market Value of securities.
9. Ex-Interest price Less Accrued interest = Cost of the investment.
10. Corporate Social Responsibility policy to be undertaken by the company are specified in the Companies Act, 2013.
11. The Professional Code of Ethics is voluntary for professional body members.
12. Lowest degree of accountants' ethical behaviour leads to creative accounting.

Q1B) Match the following Column A with Column B (any 10) (10)

COLUMN A	COLUMN B
1. Sundry Creditors	Company is liquidated
2. Currents Assets	Variable Income Bearing Securities
3. Internal Reconstruction	Shares of ₹1 each converted into shares of ₹10 each
4. Consolidation	Is credited to Profit and Loss A/c
5. No Journal entry is required	Investment Accounting
6. Surrender of shares	For cancelling un-issued shares
7. Equity shares	Source of Buy-Back
8. Profit on Sale of Investments	Giving up possession of shares
9. Accounting Standard 13	Current Liabilities
10. One of the Objective of Buy-Back of Equity Shares	Rules expected to be followed by all
11. Free reserve + Securities Premium	Advance recoverable in Cash
12. Ethics	Increase in the earning per share
	Company is not liquidated
	Rules that must be followed by all



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2. Following is the Summarised Balance Sheet of Tiger Ltd. as on 31-3-2018

Liabilities	₹	Assets	₹
6,000 10% Cumulative Preference Shares of ₹100 each, fully paid up	6,00,000	Goodwill	2,00,000
15,000 Equity Shares of ₹100 each, fully paid up	15,00,000	Building	19,50,000
Loans	2,22,000	Machinery	70,000
Creditors	7,50,000	Debtors	2,88,000
		Stock	4,00,000
		Cash and Bank Balance	1,26,000
		Profit & Loss Account	38,000
Total	30,72,000	Total	30,72,000

Note: Preference dividend was in arrears for 2 years.

The Board of Directors of the company decided to go for internal reconstruction, which was approved by the court and carried on as follows:

- Paid up value of Equity Shares shall be reduced by 50%, face value being ₹100/-
- The Machinery was revalued at ₹90,000
- The value of stock was reduced by ₹1,00,000
- Building shall be written down to ₹15,50,000
- Creditors agreed to forego their claims by 10%
- Loan was fully settled for ₹2,00,000
- Intangible and fictitious assets to be written off.
- Cost of reconstruction expenses was paid ₹5,000.
- Arrears of preference dividend are to be settled by issuing 13% debentures of ₹100 each fully paid with regard to 80% of their dues and for the balance equity shares of ₹100 each (₹50 paid up) shall be issued.
- Preference share are to be converted into 13% debentures of ₹100 each fully paid with regard to 80% of their dues and for the balance equity shares of ₹100 each (₹50 paid up) shall be issued.
- All equity shareholders agreed to pay the balance amount, making shares fully paid.

You are required to:

- Pass Journal Entries in the books of the Company (Narration not required)
- Prepare Capital Reduction A/c

(15)

OR

2. The Balance Sheet of Aza Ltd as on 31st March 2018

Liabilities	₹	Assets	₹
10,000 6% Preference Shares of ₹100 each fully paid up	10,00,000	Goodwill	1,60,000
80,000 Equity shares of ₹10 each fully paid up	8,00,000	Patents and Trade Marks	40,000
Capital Reserve	50,000	Building	4,30,000
5% Bank Loan	4,00,000	Plant & Machinery	5,10,000
Accrued interest on Bank Loan	60,000	Furniture	1,20,000
Creditors	3,10,000	Stock	1,80,000
		Debtors	1,50,000
		Cash at Bank	25,000
		Cash in hand	5,000
		Profit & Loss A/c	8,00,000
		Share Issue Expenses	2,00,000
Total	26,20,000	Total	26,20,000

Note: The Preference Dividend is in arrears for 4 years



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It was decided to reconstruct the Company for which the following Scheme was approved by the Court.

1. The 6% Preference Shares shall be converted into 7% Preference Share of ₹50 each, the number of preference shares remaining the same.
2. The Equity Shares shall be reduced to ₹3 each.
3. The amount of bank loan shall be converted into 6% Debentures at 75% of its book value.
4. 50% of the accrued interest on bank loan is waived off.
5. Arrears of Preference Dividend to be cancelled.
6. Intangible and fictitious assets are to be written off completely.
7. The Creditors agreed to waive 30% of their claims and to accept equity shares for ₹60,000 in part settlement of their renewed claims.
8. The assets are to be revalued as follows:

Building	₹5,00,000.
Plant & Machinery	₹4,50,000
Furniture & Fixtures	₹1,10,000
Stock	₹1,60,000
Debtors	₹1,40,000

Give journal entries (without narration) and show Notes to Accounts on Share Capital and Reserves & Surplus forming part of Balance Sheet after reconstruction. (15)

3. The following are the balances extracted from the books of NayanTara Ltd. as on 31st March, 2018.

Particulars	Debit ₹	Particulars	Credit ₹
Premises	18,00,000	Provision for Depreciation on:	
Furniture	43,200	-Premises	36,000
Calls-in-Arrears	45,000	-Machinery	99,000
Plant and Machinery	19,80,000	-Furniture	7,200
Interim Dividend Paid	2,25,000	10% Bank Loan (Long Term)	18,00,000
Sundry Debtors	5,22,000	Surplus A/c (Opening Balance)	87,000
Goodwill	2,28,000	Profit for the year	4,50,000
Cash and Bank Balance	2,28,200	Sundry Creditors	3,00,000
Stock	2,69,350	Bills Payables	2,28,000
		General Reserve	1,50,000
		Provisions for Doubtful Debts	24,900
		Equity Paid up Capital	21,00,000
		Outstanding Salaries	3,000
		Outstanding Directors Fees	1,650
		Outstanding Debenture Interest	54,000
Total	53,40,750	Total	53,40,750

Additional Information:

1. The authorized capital of the Company was ₹36,00,000 in Equity Shares of ₹100 each.
2. The Company proposed a final dividend of 10% (excluding interim dividend paid)
3. Sundry Debtors include ₹50,000 due for more than six months.
4. 10% Bank Loan is secured against Premises.
5. Sundry Creditors include ₹60,000 for expenses.

You are required to prepare the Balance Sheet of NayanTara Ltd. in vertical format along with its notes to accounts as at 31st March, 2018. (15)

OR



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3. The following is the trial balance of Payal Ltd. as on 31st March, 2018. You are required to prepare a statement of Profit and Loss in vertical format along with its notes to accounts as on that date.

Debit Balances	₹	Credit Balances	₹
Calls-in-Arrears	10,000	30,000 Equity Shares of ₹10 each, fully called up	3,00,000
Building	2,00,000	Surplus A/c (1-4-2017)	1,20,000
Machinery	1,50,000	Capital Redemption Reserve	1,50,000
Bills Receivables	6,200	Sales	3,50,000
Investment	50,000	Commission	400
Sundry Debtors	79,800	Provision for Bad Debts	800
Bad Debts	500	Sundry Creditors	28,700
Printing and Stationery	8,000	Bills Payables	10,000
Freight Outward	6,000		
Wages	11,200		
Salaries	18,700		
Rent	7,500		
Advertisement	12,000		
Purchases	80,000		
Cash at Bank	1,00,000		
Cash on Hand	70,000		
Opening Stock	1,50,000		
Total	9,59,900	Total	9,59,900

Additional Information:

- Charge depreciation- Building at 5%, Machinery at 10%
- Write off further ₹1,000 and make 5% provision for bad debts.
- Bills Receivable included dishonored bill of ₹1,200 not yet recorded.
- Goods destroyed by fire were ₹3,000, and insurance company accepted claim for ₹1,800 only.
- Goods costing ₹1,500 sent on sale or return basis for which no intimation is received from customer, have been treated as sales at a price of ₹2,000.
- 20% dividend is proposed after transfer of ₹40,000 to tax provision.
- Stock as on 31st March, 2018 was ₹1,20,000. (15)

- On 1/4/2017 Dr. Jude holds 2,000 10 % Debentures of ₹100 each in JR Ltd. at a cost of ₹2,50,000. During the year he purchased and sold debentures as follows:
 - On 1/6/2017, 1,000 10 % Debentures of ₹100 each are purchased cum-interest at a cost of ₹1,06,000.
 - On 1/11/2017, 1,200 10 % Debentures of ₹100 each are purchased ex-interest at a cost of ₹1,17,600.
 - On 30/11/2017, 1,000 10 % Debentures of ₹100 each are sold ex-interest at a cost of ₹1,20,000.
 - On 1/12/2017, 1,500 10 % Debentures of ₹100 each are sold cum-interest at a cost of ₹1,47,000.
 - On 1/2/2018, 500 10 % Debentures of ₹100 each are purchased cum-interest at a cost of ₹51,000.
 - Interest is payable on 30th June and 31st December every year. The Books of accounts are closed on 31st March every year.
 Prepare 10% Debenture Account in the books of Dr. Jude for the year ends on 31st March, 2018. (15)



(5)

OR

4. Ms. Barkha gives you her following details of investment in equity shares of MP Ltd having face value of ₹10 each.

Date	Particulars	Numbers of Equity Shares	Market Price ₹
20/05/2017	Purchased	100	15
25/06/2017	Purchased	200	18
30/07/2017	Purchased	300	20
16/08/2017	Sold	200	25
18/09/2017	Sold	100	23
10/10/2017	Bonus issue	One share for three held	12
22/02/2018	Purchased	200	22

On 21st March, 2018 the Company announced right issue of equity shares in the ratio of 3 : 2. She purchased all right issues at market price of ₹24 per share.

Market Price of shares on 31st March, 2018 is ₹16.

Prepare Equity Shares Account in Ms. Barkha's books for the year ended 31st March, 2018. (15)

5. The summarized Balance Sheet of Bhagya Ltd. as on 31-03-2018 is as follows:

Particulars	₹
Share Capital:	
Equity shares of ₹10 each fully paid	50,00,000
Securities Premium	5,00,000
General Reserve	20,00,000
Profit & Loss Account	25,00,000
12% Debentures	40,00,000
Bank Loan	10,00,000
Trade Payables	40,00,000
Total	1,90,00,000
Fixed Assets (Net Block)	60,00,000
Long Term Investments	50,00,000
Cash at Bank	30,00,000
Other Current Assets	50,00,000
Total	1,90,00,000

The Company decided to buy back 1,00,000 equity shares of ₹10 each at an offer price of ₹30 per share. For this purpose the company took the following steps:

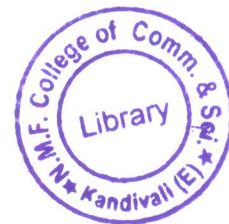
- Issued 3,000 8% Preference shares of ₹100 each at a premium of 5%.
- Sold 70% of Investments at a profit of 10%.

Pass Journal entries in the books (without narration) of the Company and prepare Notes to Accounts with respect to Share Capital, Reserves & Surplus and Cash & Cash Equivalent as on 31st March 2018.

(Do not prepare Balance Sheet)

(15)

OR



6

5. The following is the Balance Sheet of Suyash Ltd. as on 31-03-2018:

Liabilities	₹	Assets	₹
Share Capital:		Fixed Assets:	
Authorised:		Land and Building	30,00,000
10,00,000 Equity shares of ₹10 each	1,00,00,000	Plant & Machinery	30,00,000
Issued:		Furniture	22,00,000
8,00,000 Equity Shares of ₹10 each, ₹8 paid up	64,00,000	Investments	15,00,000
Reserves and Surplus:		Current Assets, Loans & Advances	
Security Premium	20,00,000	Stock	19,00,000
General Reserves	15,00,000	Accounts Receivables	58,00,000
Profit and Loss Account	45,00,000	Bank	40,00,000
Secured Loan:			
11% Debentures	35,00,000		
Unsecured Loans:			
Bank Term Loan	15,00,000		
Current Liabilities & Provisions:			
Accounts Payable	20,00,000		
Total	2,14,00,000	Total	2,14,00,000

The Company decides to buy back the maximum number of equity shares as may be permitted by law at a price of ₹15 per share. Find out maximum number of shares to be bought back and Pass journal entries (without narration) in the books of Suyash Ltd. and prepare Notes to Accounts with respect to Share Capital and Cash and Cash Equivalent as on 31st March 2018. (Do not prepare Balance Sheet) (15)

6. A) What is Ethical Behaviour? Explain the principles of Accounting Ethics? (10)
 B) Distinguish Between Internal and External Reconstructions? (10)

OR

6. Write Short Notes on (Any Four) (20)
- Conditions for buyback of shares
 - Meaning and types of Whistle Blowing
 - Need for reconstruction of a company
 - Outstanding Expenses and Prepaid Expenses
 - Ex and Cum-Interest Purchase Price
 - Laws and Ethics

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