SY B.Com Sem - IV 16/10/18

 (1)

Q.P. Code : 36195

Time : 3 hours Marks: 100

1. All questions are compulsory.
2. Q. No. 1 & Q. 6 carries 20 Marks.
3. Q. 2, 3, 4 & 5 carries 15 Marks.
4. Use of simple calculator is allowed.

**Q.1 A) MULTIPLE CHOICE QUESTIONS. (any 10)** **10**

1. The interest accrued on investment appears in the Balance Sheet under the head _____.
   a) Current assets b) Fixed assets
   c) Loans & advances d) Investments
2. Which of the following items do not come under reserves & surplus ______.
   a) Capital redemption reserve b) General reserve
   c) Provident fund d) Sinking fund
3. Excess application money is to be refunded in the case of ______.
   a) Over subscription b) Par subscription
   c) Under subscription d) None of the above
4. Securities premium may be applied by the company for______.
   a) Writing off preliminary expenses b) Writing off discount on issue of shares
   c) Issue of bonus shares d) All of the above
5. Debentureholders get_____.
   a) Interest at fixed rates b) Ownership of the company
   c) Dividend d) Right shares of the company
6. Debentures issued for purchase of Building is recorded as _____.
   a) Building A/c Dr. and vendor A/c Cr.
   b) Building A/c Dr. and Debentures A/c Cr.
   c) Building A/c Dr. and Cash A/c Cr.
   d) Building A/c Dr. Shares A/c Cr.
7. The account that can be transferred to Capital Redemption Reserve A/c is ____.
   a) General reserve A/c b) Forfeited Shares A/c
   c) Profits prior to incorporation d) Securities premium A/c
8. The following profit does not form part of divisible profits_____.
   a) Workmen compensation fund b) Workmen Accident fund
   c) Revaluation Reserve d) None of the above
9. Debenture Redemption Reserve must be created when a company redeems debentures_______.
   a) Out of capital b) Out of profit
   c) By conversion d) None of the above
10. Sinking Fund A/c for redemption of debentures is shown under _____.
    a) Reserves and Surplus b) Secured Loans
    c) Unsecured Loans d) Fixed Assets
11. Pre-incorporation profit is available for ____.
    a) Payment of dividend b) Payment of interest on debentures
    c) Payment for fixed asset d) None of the above

12. Bad debts written off realized is shown under ______.
    a) Pre-incorporation income   b) Profit & Loss Account
    b) Post-incorporation income   d) None of the above

**Q.1 B) TRUE OR FALSE (any 10)** **10**

1. Brokerage on issue of shares is disclosed under 'Miscellaneous Expenditure'.
2. Bills under discount is a contingent liability.
3. IPO stands for Initial Public Offer
4. Dividend declared is disclosed as a contingent liability.
5. Debentures issued out of profits are bonus debentures.
6. Interest accrued but not due is a other current liability.
7. Dividend Equalization Reserve is a divisible profit.
8. Premium on redemption of preference shares is adjusted out of profits.
9. Gross profit should be distributed in the time ratio.
10. Administration expenses are allocated in sales ratio for calculation of pre – incorporation profit.
11. Profit prior to incorporation is available for payment of dividend.
12. Loss prior to incorporation is transferred to Goodwill.

**Q.2** Following is the Balance Sheet of Dhoni Ltd. As on 31st March, 2017.

| Liabilities | ₹ | Assets | ₹ |
|---|---|---|---|
| 2,000- 8% Redeemable Preference shares of ₹ 100 each, fully paid | 2,00,000 | Sundry Assets | 15,75,000 |
| | | Bank | 2,18,000 |
| 1,00,000 Equity Shares of ₹ 10 each, fully paid | 10,00,000 | Investments (Market Value ₹ 3,50,000) | 3,00,000 |
| Securities Premium | 3,35,000 | | |
| Profit and Loss Account | 3,00,000 | | |
| Sundry Creditors | 2,58,000 | | |
| | 20,93,000 | | 20,93,00 |

On the above date the Directors of the company took following steps to redeem 8% Preference Shares at a premium of 7.50%

The company issued 10,000 Equity Shares of ₹ 10 each at a premium of ₹ 4 per share for the purpose of redemption of preference shares.

Investments were sold at market value.

All the payments were made to the Preference Shareholders except those holding 160 shares who could not be traced.

You are required to pass necessary journal entries in the books of Dhoni Ltd. after complying with requirements of redemption of Preference Shares.

**OR**

**Q.2** Balance Sheet of Difficult Ltd. As on 31st March, 2017 is as below:

**Balance Sheet**

| Liabilities | ₹ | Assets | ₹ |
|---|---|---|---|
| **Issued & Paid up Share Capital (Fully Paid up):** | | Fixed Assets (Net) | 9,00,000 |
| 5,000 Equity Shares of ₹ 100 each | 5,00,000 | Stock | 2,40,000 |
| 8,000 9% Redeemable Preference Shares of ₹ 100 each | 8,00,000 | Debtors | 4,50,000 |
| General Reserve | 2,35,000 | Bank Balance | 8,25,000 |
| Profit & Loss Account | 3,95,000 | | |
| 8% Debentures | 2,50,000 | | |
| Sundry Creditors | 2,35,000 | | |
| | 24,15,000 | | 24,15,000 |

On the above date, both preference shares and debentures were due for redemption. For this purpose, the company made a fresh issue of minimum number of fully paid up equity shares of ₹ 100 each at a premium of 10% ,after utilising all the available sources to the maximum extent. All equity shares were fully subscribed and all amounts were duly received. Keeping in view the provision of the Companies Act, all prefrenceshares were redeemed at a premium of 10% and debentures at par. One customer paid his dues of ₹ 28,500. One preference shareholder holding 150 Preference Shares was not traceable.

Pass journal Entries in the books of the company.

**Q.3** Infosys Ltd. Issued on 1st April, 2014; 4,000. 14% redeemable debentures of ₹ 100 each at par Redeemable at a premium of 10% after 4 years. The company decided to set up a sinking fund for the redemption of the debentures setting aside necessary amount every year and investing it in investment carrying 12% interest per annum. The sinking fund factor for 4 years @ 12% was ₹ 0.20964. On 31st March, 2018; the sinking fund investments were sold for ₹ 3, 15,000.

You are required to show the ledger accounts in the books of Infosys Ltd. to carry out the redemption of debentures

**OR**

**Q.3** Tanuja medical suppliers Ltd. gave notice of its intention to redeem its 8% Debentures amounting to ₹ 8, 00,000 of ₹ 100 each at a premium of ₹ 10 per debenture and offered the debentureholders following three options, to apply the redemption money to subscribe for:

a) 8% preference shares of ₹ 100 at ₹ 105 per share.
b) 12% Debentures of ₹ 100 each at ₹ 96 per debenture.
c) To have the holdings redeemed for cash.
   i. Debentureholders of 2,100 accepted proposal (a).
   ii. Debentureholders of 1,440 accepted proposal (b).

iii. Remaining Debentureholders accepted proposal (c).

Pass necessary Journal entries to record the above transactions in the books of the company.

**Q.4** Bharat Manufacturing Limited gave notice of its intention to redeem its 6% debenture, amounting to ₹ 4,00,000 of ₹ 100 each at ₹ 102 and offered the debenture holders the following three option, to apply the redemption money to subscribe for:

1. 5% cumulative preference shares of ₹ 20 each at ₹ 22.50 per share.
2. 6% debentures at ₹ 96 and
3. to have their holdings redeemed for cash.
   i) Debenture holders for ₹ 1,71,000 accepted the Proposal 1,
   ii) Debenture holders for ₹ 1,44,000 accepted the proposal 2,
   iii) Remaining debenture holders accepted the Proposal 3.

Pass the necessary Journal Entries to record the above transactions in the books of the company.

**OR**

**Q.4** The summarized Balance Sheet of Did not Ltd. as at 31st March, 2018 was as follows.

| Liabilities | ₹ | Assets | ₹ |
|---|---|---|---|
| Share Capital | | Fixed Assets at cost | |
| 6% Redeemable Preference | | Less: Depreciation | 4,12,000 |
| Shares of ₹ 10 each | 2,00,000 | Goodwill | 2,00,000 |
| Equity Shares of ₹ 10 each | 4,00,000 | Stock | 4,50,000 |
| Profit and Loss Account | 2,50,000 | Sundry debtors | 2,15,000 |
| 6% Debentures | 3,00,000 | Discount on Debentures | 12,000 |
| Current Liabilities: | | | |
| Bank | 50,000 | | |
| Creditors | 89,000 | | |
| | 12,89,000 | | 12,89,000 |

For redemption of preference shares and debentures the company offered to the redeemable preference shareholders and the debenture holders the options to convert their holding into equity shares, which are to be treated as worth ₹ 12.50 each

Half the preference shareholders and 1/3 rd of the debentures holders agreed to do this. The Company issued 30,000 equity shares at ₹ 12.50 to the public for cash and with the funds available paid off the Bank Loan and redeemed the remaining redeemable preference shares and debentures.

Journalise the above transactions.

**Q.5** A company was incorporated on 31st August, 2017 to take over the business as going concern from 1st March, 2017. Trial Balance drawn on 31st December,2017.

**Trial Balance**
**As on 31st December, 2017**

| Debit Balances | ₹ | Credit Balances | ₹ |
|---|---|---|---|
| Land & Building | 1,50,000 | Vendor's Capital | 2,40,000 |
| Plant & Machinery | 50,000 | Debentures | 10,000 |
| Computer | 20,000 | Sundry Creditors | 2,400 |
| Sundry Debtors | 30,000 | Bills Payable | 2,000 |
| Bank | 30,000 | Interest Received | 5,000 |
| Stock | 25,000 | Gross Profit | 96,000 |
| Management Expenses | 12,000 | | |
| Rent | 4,200 | | |
| Office Expenses | 5,500 | | |
| Director's Fees | 17,000 | | |
| Postage and Telegrams | 500 | | |
| Bad Debts | 2,000 | | |
| Free samples | 800 | | |
| Formation Expenses | 2,000 | | |
| Debentures interest | 1,000 | | |
| Commission on sales | 800 | | |
| Depreciation | 3,000 | | |
| Carriage Outwards | 1,600 | | |
| | 3,55,400 | | 3,55,400 |

**Additional Information:**

1. The purchase consideration was settled at ₹ 2, 50,000 by issuing 2,500 equity shares of ₹ 100 each.
2. Total sales for the period from 1st March, 2017 to 31st December, 2017 was ₹ 2,56,000 and out of which ₹ 1,12,000 was for the period from 1st September, 2017 to 31st December, 2017.
3. In lieu of interest on purchase consideration, the vendors would get 50% of the net profit prior to incorporation.
4. Bad debts of ₹ 800 are related to sales made in pre-incorporation period.
5. Rent is paid on the basis of floor space occupied which was doubled in post incorporation period.
6. 40% of goodwill and 20% of formation expenses are to be written off.

Prepare Profit and Loss Account for the period ended 31st December, 2017 showing pre and post incorporation profit and Balance Sheet as on that date.

OR

**Q.5** The following Trial Balance was extracted from the books of M/s. ICICI Pvt. Ltd. which had taken over business of Mr. Nirav on 1st April, 2017. The company was incorporated on 1st July, 2017. However, no effect of conversion was given in the books which continued thereafter.

**Trial Balance**
**As on 31st March, 2018**

| | Pre ₹ | Post ₹ |
|---|---|---|
| Capital account of Mr. Nirav on 1.4.2017 | - | 9,00,000 |
| Debtors | 80,000 | - |
| Creditors | - | 1,00,000 |
| Rent | 33,000 | - |
| Office Salary | 1,10,000 | - |
| Carriage Outward | 54,000 | - |
| Directors Remuneration | 16,000 | - |
| Travelling Expenses | 28,500 | - |
| Preliminary Expenses | 15,000 | - |
| Administrative Expenses | 1,60,000 | - |
| Bills receivable | 30,000 | - |
| Bills payable | - | 21,500 |
| Cash at Bank | 60,000 | - |
| Plant & Machinery | 2,00,000 | - |
| Land & Building | 5,00,000 | - |
| Furniture | 40,000 | - |
| Stock | 1,90,000 | - |
| Gross profit | - | 4,95,000 |
| | 15,16,500 | 15,16,500 |

**Further information:**

1. Gross profit percentage is fixed. Turnover is doubled in April, November and December as compared to other months.
2. 1/5 of Preliminary expenses are to be written off.
3. Purchase consideration ₹ 10,00,000 to be paid by the issue of 80,000 equity shares of ₹ 10 each and 2,000 9% preference shares of ₹ 100 each.
4. Travelling expenses are incurred by salesmen only.
5. Audit fee is ₹ 18,000 for 1st April, 2017 to 31st March, 2018 and is outstanding.
6. Rent of office was paid @ ₹ 2,500 per month upon September, 2017 and thereafter, it was increased by ₹ 500 per month.
7. Provide depreciation @10% p.a. on plant & machinery, land & Building and on furniture.

Prepare Profit & Loss Account for the year ended 31st March, 2018 appropriating between the pre and post incorporation period and Balance Sheet as on 31st March, 2018.

Q.6 A) What are different types of companies ?. 10

B) Explain the procedure for issue of shares. 10

**OR**

Q. 6 Write short notes (any 4) 4×5=20

1. Book building.
2. Preferential allotment.
3. Capital reserve.
4. Wasting assets.
5. Redemption of debenture out of capital.
6. Securities premium.

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