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18/4/2019  
2.30 to 5.30 pm  
pages 06

Paper / Subject Code: 77705 / Accountancy and Financial Management IV

SYB (com) Sem IV (Regular)

18-4-19

Duration: 3 Hours

Marks: 100

Please check whether you have got the right question paper.

- N.B.**
1. All Questions are **Compulsory**.
  2. Q. No. 1 and Q. No. 6 carry **20** marks each, sub question **A** and **B** in these questions Carry **10** marks each.
  3. Q. No. 2 to Q.No. 5 carry **15** marks each, sub question **A** and **B** in these questions carry **8** and **7** marks respectively.
  4. **Working Notes** should form the **part of your answer**.

**Q.1 A] Fill in the blanks choosing the correct alternative: (Any Ten)**

1. .... should form part of the name of One Person Company.
  - a. LLP
  - b. Public Limited
  - c. OPC
  - d. None of the above
2. Unclaimed dividend is shown under .....
  - a. Current assets
  - b. Reserves and surplus
  - c. Current liabilities
  - d. None of the above
3. Sweat Equity shares are issued to .....
  - a. Existing Shareholders
  - b. Employees
  - c. Auditors
  - d. None of the above
4. Trade Payable includes .....
  - a. Creditors for goods
  - b. Creditors for expenses
  - c. Creditors for asset purchased
  - d. All of the above
5. Debentures may be issued at .....
  - a. Par
  - b. Discount
  - c. Premium
  - d. All of the above
6. The shares offered free of cost are called as .....
  - a. Rights shares
  - b. Bonus shares
  - c. Preferential shares
  - d. Priority shares
7. Dividend is usually paid to shareholders as a percentage of .....
  - a. Paid up capital
  - b. Net profit
  - c. Called up capital
  - d. Authorized capital

10

8. Capital Redemption Reserve can be utilized for .....
  - a. Payment of dividend
  - b. Issue of right shares
  - c. Issue of fully paid bonus shares
  - d. Setting off against losses
9. The redemption amount remaining unpaid to preference shareholders is shown in the balance sheet as .....
  - a. Current liabilities
  - b. Loan
  - c. Share capital
  - d. Contingent liabilities
10. The claim of debenture holders on redemption is credited to .....
  - a. Cash/Bank A/c
  - b. Sinking Fund A/c
  - c. Debenture holders A/c
  - d. None of the above
11. The excess of consideration paid over net value of assets taken over is called .....
  - a. Security premium
  - b. Goodwill
  - c. Capital reserve
  - d. None of the above
12. Profit prior to incorporation is available for payment of .....
  - a. Dividend
  - b. Interest on debentures
  - c. Both a and b
  - d. None of the above

**Q.1 B] State whether the following statements are true or false: (Any Ten)**

- 1) Authorized capital is disclosed only for information.
- 2) The shares of all companies are listed on the stock exchanges.
- 3) Participating Preference shareholders can participate and vote on all matters affecting the Company.
- 4) Debenture capital is called as debt capital.
- 5) In case of redemption of debentures, creation of Debenture Redemption Reserve is optional to the Company.
- 6) Capital Reserve and Reserve Capital are one and the same.
- 7) Issue of bonus shares results in conversion of profit into share capital.
- 8) Premium on redemption of preference shares is adjusted out of profits.
- 9) Depreciation on delivery van is allocated in sales ratio.
- 10) After redemption of debentures, balance in Debenture Redemption Reserve is transferred to General Reserve account.
- 11) The assets offered as security are released after redemption of debentures.
- 12) Profit prior to incorporation is transferred to General Reserve.

**Q.2** Sampurna Co. Ltd was incorporated on 1<sup>st</sup> May 2018 to take over the business of M/s Apurna, as going concern from 1<sup>st</sup> January 2018. The Profit and Loss Account for the year ending 31<sup>st</sup> December 2018 was as follows:

Particulars	Rs.	Particulars	Rs.
To Rent and Taxes	8,500	By Gross Profit	2,12,020
To Administrative Salaries and expenses	25,500		
To Selling Expenses	5,000		
To Directors Fees	12,000		
To Carriage Outward	12,960		
To Advertisement	18,000		
To Depreciation	3,000		
To Audit Fees	6,000		
To Electricity Charges	1,260		
To Interest on Debentures	19,800		
To Net Profit	1,00,000		
<b>Total</b>	<b>2,12,020</b>	<b>Total</b>	<b>2,12,020</b>

**Additional Information:**

1. Sales for each month from September 2018 to December 2018 were double the monthly sales from January 2018 to August 2018.
  2. Audit fees are for the entire period.
  3. Rent was increased from Rs.500 p.m. to Rs.1,000 p.m. with effect from 1<sup>st</sup> August 2018.
- You are required to prepare statement of Profit and Loss, allocating the income and expenses on suitable basis between Pre and post incorporation periods.

**OR**

**Q.2** Fida Pvt. Ltd. was incorporated on 1<sup>st</sup> August 2018. This company agreed to take over business of Ada & Co. as going concern with effect from 1<sup>st</sup> April 2018.

**The Profit and Loss Account for the year ended 31<sup>st</sup> March 2019 is given below:**

Particulars	Rs.	Particulars	Rs.
To Administrative staff salaries	1,68,000	By Gross Profit	6,00,000
To Rent	1,60,000		
To Electricity Charges	30,000		
To Advertisement	21,000		
To Bad Debts	5,000		
To Commission on Sales	33,000		
To Preliminary Expenses w/off	7,000		
To Interest on Debentures	3,000		
To Interest on Purchase Consideration	6,000		
To Net Profit	1,67,000		
<b>Total</b>	<b>6,00,000</b>	<b>Total</b>	<b>6,00,000</b>

**Additional Information :**

1. Sales for pre-incorporation period were ₹ 5,00,000 which were 1/3 of the total sales.
2. Rent from 1<sup>st</sup> August 2018 was increased by ₹ 5,000 p.m.
3. Salaries to administrative staff was increased by ₹ 3,000 p.m., w.e.f. 1<sup>st</sup> August 2018.
4. Bad Debts are from the debtors relating to the month of March 2018.
5. Purchase Consideration was paid on 30<sup>th</sup> September 2018.

Prepare Statement showing Profit and Loss for the year ended 31st March 2019 appropriating all income and expenditure items between Pre-incorporation and Post incorporation period on suitable basis.

Q.3. Following is the Balance Sheet of Diamond Ltd. as on 31<sup>st</sup> March 2019:

Liabilities	₹	Assets	₹
20,000; 8% Preference Shares of ₹100 each fully paid	20,00,000	Fixed Assets	37,00,000
2,50,000 Equity shares of ₹10 each fully paid	25,00,000	Investments (M.V. ₹ 15,00,000)	14,00,000
Profit & Loss a/c	12,50,000	Current Assets	26,70,000
Dividend Equalisation Reserve	9,00,000		
Securities Premium	1,20,000		
Current Liabilities	10,00,000		
<b>Total</b>	<b>77,70,000</b>	<b>Total</b>	<b>77,70,000</b>

8% Preference Shares are due for redemption on 31<sup>st</sup> March 2019 at premium of ₹10 per share. The company sold investments at market value. The Company decided to utilize available sources to full extent for redemption purpose. The Preference Shares were redeemed on the due date. The payment was made to all preference shareholders except one shareholder holding 800 preference shares who could not be traced.

Pass journal entries in the books of Diamond Ltd. to record the above transactions and prepare Balance Sheet of the Company after redemption of Preference Shares.

OR

Q.3. Following is the summarised Balance Sheet of Soham Ltd. as on 31<sup>st</sup> March 2019:

Liabilities	₹	Assets	₹
12% Preference Shares of ₹100 each, ₹80 paid	24,00,000	Fixed Assets	28,00,000
Equity shares of ₹10 each fully paid	12,00,000	Bank	27,60,000
Profit & Loss a/c	11,00,000	Other Current Assets	13,00,000
General Reserve	12,00,000		
Securities Premium	60,000		
Current Liabilities	9,00,000		
<b>Total</b>	<b>68,60,000</b>	<b>Total</b>	<b>68,60,000</b>

The Preference Shares are to be redeemed at 10% premium, for this purpose the Company made the final call and all call money was duly received.

On 1<sup>st</sup> April 2019 a fresh issue of Equity Shares of ₹10 each was made at 10% premium to the minimum extent as required under the Companies Act for the purpose of redemption of Preference Shares.

On 1<sup>st</sup> October 2019, Bonus shares were issued at par at the rate of one share for every two shares held on the same date.

Pass journal entries in the books of Soham Ltd. to record the above transactions.

Q.4. Prudence Ltd. redeemed ₹ 50,00,000; 12% Debentures at a premium of 5% fully out of profit on 30<sup>th</sup> Sept. 2018. The company had a Debenture Redemption Reserve of ₹ 10,00,000. For the purpose of redemption of debentures, apart from creating Debenture Redemption Reserve the Company complied with the necessary statutory provisions in such a manner so as to utilize the funds of the company to the minimum possible extent. Pass necessary journal entries for the redemption of debentures.

OR

Q.4. Pass necessary journal entries for the following independent transactions:

1. 9%, 8,000 Debentures of ₹ 100 each due for redemption at 10% premium.
2. Money paid off to Preference shareholders for 11%, 30,000 Preference shares of ₹ 10 each due for redemption at 5% premium.
3. 25,000 fully paid Bonus shares of ₹ 10 each issued out of Capital Redemption Reserve.
4. Investment made of ₹ 3,00,000 in pursuant to statutory compliance of Redemption of Debentures.
5. Premium on Redemption of Preference Shares ₹ 1, 50,000 written off.
6. Debenture Redemption Reserve ₹ 5, 00,000 transferred to General Reserve.
7. Money received in full out of fresh issue of 50,000 Equity Shares of ₹ 10 each at premium ₹ 10 per share for the purpose of Redemption of Preference Shares.

Q.5 Following is the summarised Balance Sheet of Sunshine Ltd. as on 31<sup>st</sup> March 2019:

Liabilities	₹	Assets	₹
<b>Authorised Share Capital:</b>		Fixed Assets	5,50,000
1,00,000 Equity Shares of Rs.10 each	10,00,000	Investments	1,00,000
10,000; 9% Redeemable Preference Shares of Rs. 100 each	<u>10,00,000</u>	Cash at bank	1,20,000
<b>Issued and Paid up Capital:</b>		Other Current Assets	5,80,000
50,000 Equity shares of Rs.10 each fully paid	5,00,000		
5,000; 9% Redeemable Preference Shares of Rs.100 each fully paid.	5,00,000		
<b>Reserves &amp; Surplus:</b>			
Profit & Loss a/c	2,00,000		
General Reserve	1,00,000		
Current Liabilities	50,000		
<b>Total</b>	<b>13,50,000</b>	<b>Total</b>	<b>13,50,000</b>

On 1<sup>st</sup> April 2019 the Company sold part of its investments at ₹ 72, 000 at 10% loss. Further the Company decided to:

1. Redeem the Preference Shares at premium of 5%.
2. Issue Equity Shares of ₹ 10 each at par to the extent it is required under the Companies Act for the purpose of redemption of Preference Shares.
3. Arrange Temporary Bank Overdraft to manage the funds if required.

**You are required to:**

- a. Show necessary Journal entries in the books of Sunshine Ltd. to record the above transactions.
- b. Prepare Balance Sheet thereafter.

**OR**

**Q.5 A.** On 31<sup>st</sup> December 2018 Plasto-craft Ltd. redeemed 5,000, 9% debentures of ₹ 100 each by converting them into equity shares of ₹10 each at a premium of ₹2.50 per share. On the same date the company also redeemed 2,500, 12% debentures of ₹ 100 each in cash. Company complied with the necessary statutory provisions in such a manner so as to utilize profits and funds of the company to the minimum possible extent. Give the necessary journal entries.

**Q.5 B.** Calculate the profits prior to and post incorporation from the following details:  
Majestic Ltd. was formed on 1<sup>st</sup> August 2018 to take over the business of a partnership firm from 1<sup>st</sup> April 2018. Sales from 1<sup>st</sup> April 2018 to 31<sup>st</sup> July 2018 were ₹ 6,00,000 and sales from 1<sup>st</sup> August 2018 to 31<sup>st</sup> October 2018 were ₹ 11,00,000. Sales from 1<sup>st</sup> November 2018 to 31<sup>st</sup> March 2019 were ₹ 13,00,000. Gross profit for the year was ₹ 6,93,000. Total fixed expenses for the year were ₹2,10,000 and total expenses relating to sales were ₹ 2,40,000. Directors' Fees amounted to ₹12,000 and Auditor's Remuneration for full year was ₹ 24,000 which include ₹ 6,000, charged for consultancy with respect to formation of Company.

**Q.6.A.** What is Employee Stock Option Plan? Explain the legal provisions governing it.

**Q.6.B.** Distinguish between Shares and Debentures.

**OR**

**Q.6.** Write Short notes (Attempt any **FOUR**):

1. ESCROW Account
2. Bonus Shares
3. Debenture Redemption Reserve
4. Non- divisible profits
5. Partnership Vs. Limited Company.
6. Profit Prior to Incorporation