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Q.1. A) FILL IN THE BLANKS **(One Mark each-Any Eight)** **(8)**

1	Net Profit	2	Net Asset Value	3	Shareholders Fund	4	Escrow
5	Cannot	6	Free /General	7	Not Divisible	8	Repayment
9	Reserve & Surplus	10	Sinking Fund				

Q.1B) MATCH THE FOLLOWING **(One Mark each-Any Seven)** **(7)**

Group –A	**Group –B**
Goodwill	Intangible Asset
Machinery	Tangible Asset
Buyback of Shares	Repurchase of Shares
Preference Shares	Fixed Dividend
Buyback must be as per	SEBI guidelines
Equity Shares	Fluctuating Dividend
Debentures	Divisible Profit Fixed Interest
Section 80 and 80 A	Redemption of Preference Shares
Section 68	Buyback of Shares
Dividend Equalization Reserve	Non Divisible Profit

Solution –Question-2 A of Jindal Limited

A. **Net Assets Method** (8 marks)

Agreed Values of Assets:		RS
Fixed Assets		7,50,000
Goodwill		1,00,000
Current assets		4,90,000
		13,40,000
Less: 10% Debentures	1,00,000	
Current Liabilities	2,50,000	3,50,000
Net Assets		$\boxed{9,90,000}$

Intrinsic Value per share= Net Assets /No.of Equity Shares = 9,90,000/1,00,000 =RS9.90

B. **Yield Value Method**

I. <u>Calculation of profits available for Equity Shareholders</u>

	RS
Total profits of immediately preceding three years	3,60,000
Average profits after tax	1,20,000
Less Transfer to reserves @ 25%	30,000

(2)

Profit available for Equity Shareholders 90,000

II. Expected Rate of Dividend

Expected rate of dividend = Profits available for Equity Shareholders/Paid up Equity Capital *100

= (90,000+8,00,000)*100=11.25%

III. Yield value of Equity Shares

Yield value of Equity Shares = Expected Rate of Dividend/Normal Rate of Dividend * Paid up value per Equity Share

= (11.25/10)*8=Rs 9.00

OR

Seperatedly Attach

Q.2 B Solution of Anjali Ltd (7 marks)

Super Profit = F.M.P. – Normal Profit

F.M.P.= 2,20,000/5

= 44,000

Normal profit = N.R.R./100 * A.C.E.

= 10/100* 4,00,000

= 40,000

Super Profit = F.M.P. – Normal Profit

= 44,000-40,000

= 4,000 (3 marks)

a) Goodwill as per Annuity Method -

Goodwill = Super Profit * Annuity Value

= 4,000 * 3.78

= 15,120 (5 marks)

b) Goodwill as per capitalisation of Super Profit Method

Goodwill = 100/N.R.R. * Super profit

= 100/10 * 4,000

= 40,000

c) Goodwill = Super Profit * No. of years purchase

= 4,000 * 5

= 20,000

Q. No. 2B

3)

C. Capitalisation of Average Profit Method

Total Profits of last five years = 4,52,000

Average Profits before tax 904,000/5 = 90,400

Less: Taxation @30% of 180,800 = 27,120

Average maintainable trading profits = 63,280

Capitalised Value of business:

Average Maintainable Trading Profits x 100 / Normal rate of return =

63,280 x 100/15 = 4,21,867

Less Capital Employed in Business = 3,50,000

Goodwill = 71,867

D. Capitalisation of Super Profits

Average maintainable trading profits = 63,280

Less: Normal return on average capital employed

c) Where, average Capital Employed is :

Capital employed in business = 3,50,000

Less: Half of average maintainable trading profit after tax of the last year i.e. ½ (1,00,000 – 30% Of 1,00,000) = 35,000

Average Capital Employed = 3,15000

d) Therefore, Normal return on average capital employed = 15% on 3,15,00 = 47,250

Therefore Super Profits = (63,280 – 47,250) = 16,030

Goodwill = Super profits / Normal rate of return = 32,060 / 15% = 16,030 x 100 / 15 = 106867

(4)

Solution of Question -3A (Each option -5 marks each total -15 marks)

Option 1:

Journal of Company

Particulars		Debit	Credit
10% Debentures A/c	Dr.	25,00,000	
Premium on Redemption of Debentures A/c	Dr.	1,25,000	
To Debentureholders A/c			26,25,000
Debenture holders A/c	Dr.	26,25,000	
To 12% Cumulative Preference Shares A/c			21,00,000
To Securities Premium A/c			5,25,000

Option 2 :

Journal of Company

Particulars		Debit	Credit
10% Debentures A/c	Dr.	20,00,000	
Premium on Redemption of Debentures A/c	Dr.	1,00,000	
To Debentureholders A/c			21,00,000
Debentureholders A/c	Dr.	21,00,000	
Discount on Issue of Debentures A/c	Dr.	87,500	
To 10% Debentures A/c			21,87,500

Option 3:

Journal of Company

Particulars		Debit	Credit
10% Debentures A/c	Dr.	5,00,000	
Premium on Redemption of Debentures A/c	Dr.	25,000	
To Debentureholders A/c			5,25,000
Debentureholders A/c	Dr.	5,25,000	
To Cash/Bank A/c			5,25,000

OR

Solution -3 B Journal of A Ltd. (1,2 and 3- 3 marks each and 4,5,6-2 marks each)

Particulars		Dr.	Cr.
1) Bank A/c	Dr.	3,30,000	
To Equity Share Capital A/c			3,00,000
To Security Premium A/c 10% of 3,00,000			30,000
2) Bank A/c	Dr.	2,00,000	
To Debentures A/c			2,00,000
3) Redeemable Preference Share Capital A/c	Dr.	12,00,000	
Premium on Redemption of Preference Share Capital A/c 10% 12,00,000	Dr.	1,20,000	
To Preference Shareholders A/c			13,20,000
4) Profit and Loss A/c	Dr.	1,20,000	
To Premium on Redemption of Preference Share Capital A/c			1,20,000
5) Profit and Loss A/c	Dr.	9,00,000	
To Capital Redemption Reserve A/c			9,00,000

15

6) Preference Shareholders A/c	Dr.	13,20,000	
To Bank A/c			13,20,000

Question 4 A –Solution of Chandra Ltd

1) 25% of Owners Fund
   25% of 3,20,00,000
   =80,00,000
2) Owners Fund minus 50% of Borrowed Fund
   3,20,00,000- 50% of (40,00,000)
   =2,80,00,000
3) 25% of Number of Equity Shares * Offer Price (Given)
   25% of 16,00,000 *20
   4,00,000*20
   = 80,00,000

   Minimum of 1, 2 and 3 divide by offer price
   80,00,000/ 20
   4,00,000 Equity shares can be bought back at Rs 20/- (5 marks)

Qn. 4 A

Journal Entries in the books of Chandra Ltd (1 and 2 – 1 mark each & 3,4,5 & 6-2 marks each)

Particulars		Debit	Credit
1) Equity Share Final Call A/C	Dr	32,00,000	
To Equity Share Capital A/c			32,00,000
2) Bank A/c	Dr	32,00,000	
To Equity Share Final Call A/C			32,00,000
3) Equity Share Capital A/c	Dr	40,00,000	
Premium on Buyback of Shares A/c	Dr	40,00,000	
To Equity Shareholders A/c			80,00,000
4) Profit & Loss A/c	Dr	40,00,000	
To CRR A/c			40,00,000
5) Security Premium A/c	Dr	40,00,000	
To Premium on Buyback of Shares A/c			40,00,000
6) Equity Shareholders A/c		40,00,000	
To Bank A/C			40,00,000

OR

Q.4 B) Journal of Vijay Enterprises Ltd. (Each Entry -3 marks each)- 15 marks

Particulars		Dr.	Cr.
1. Bank A/c	Dr.	2,00,000	
To 9% Debentures A/c			2,00,000
2. Bank A/c	Dr.	1,90,000	
Discount on Issue of Debentures A/C	Dr.	10,000	
To 9% Debentures A/c			2,00,000
3. Bank A/c	Dr.	2,10,000	
To 9% Debentures A/c			2,00,000
To Securities Premium A/c			10,000
4. Bank A/c	Dr.	1,80,000	
Loss on Issue of Debentures A/c	Dr.	30,000	
To 9% Debentures A/c			2,00,000
To Premium on Redemption of Debentures A/C			10,000
5. Bank A/C	Dr.	2,00,000	
Loss on Issue of Debentures A/c	Dr.	20,000	
To 9% Debentures A/c			2,00,000
To Premium on Redemption of Debentures A/c			20,000

Q.5 A) and Q.5 B) – Theory question

OR

Q.5 Short Notes (Any Three)