

[Marks:100]

N.B:

1. All question are compulsory.
2. Figures to the right indicate full marks.
3. Use of simple calculator is allowed.
4. Working Notes should form part of main answer.

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1. A Public Company must have minimum paid up capital of five lakhs rupees and above.
2. Debenture holders are not member of the company.
3. Partly paid preference shares cannot be redeemed.
4. A debenture issued at discount can be redeemed at a premium.
5. Profit after incorporation is capital profit.
6. Discount on issue of debenture account is a fictitious asset.
7. Redeemable preference shares can be redeemed out of profit only.
8. Interest of vendor is allocated in Time Ratio.
9. Amount of Capital Redemption Reserve can be utilised for writing off share issue expenses.
10. The balance of debenture account is transferred to assets side of Balance sheet.
11. Premium on issue of share is shown in Balance sheet in asset side.
12. Time Ratio is ratio of number of months before and after incorporation.

1. Profit on re-issue of shar is transferred to

- a) Profit and Loss A/c
 - b) General Reserve
 - c) Capital Redemption Reserve
 - d) Capital Reserve
- 2) Which of the following statement is false in respect of debenture.
- a) Part of owned capital
 - b) Rate of interest is fixed
 - c) Payment of interest is charge against profits
 - d) No restrictions on issue at discount
- 3) Capital Redemption Reserve Account can be used for _____
- a) Payment of dividend
 - b) Writing of accumulated loss
 - c) issue of fully paid share as bonus
 - d) for all of the above
- 4) When debenture becomes due for redemption, the entry is _____.
- a) Debit Debenture A/c, Credit Bank A/c
 - b) Debit Debenture holder A/c, Credit Bank A/c
 - c) Debit Debenture A/c, Credit debenture holder A/c
 - d) Debit Bank A/c, credit Debenture A/c
- 5) Profit prior to incorporation is transferred to _____
- a) Profit and Loss A/c
 - b) General Reserve A/c

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- c) Capital Reserve A/c d) Premium A/c
- 6) Public company issuing its share to the public needs to file _____ with the registrar of companies.
- a) Prospectus b) Statement in lieu of prospectus
- c) Memorandum of Association d) Articles of Association
- 7) Interest on debenture is calculated on _____.
- a) Face value b) value payable on redemption
- c) Market value d) issue price
- 8) Profit on forfeiture of redeemable preference shares is credited to _____.
- a) Capital Reserve A/c b) Capital Redemption Reserve A/c
- c) Profit and Loss A/c d) General Reserve A/c
- 9) Premium payable on the redemption of debenture is _____.
- a) Written off from accumulated profit b) Written off from capital profit
- c) Not to be written off at all d) All of the above
- 10) For computing pre-incorporation profit, director's fees is _____.
- a) pre-incorporation expenditure b) treated as post-incorporation expenditure
- c) allocated in time ratio d) allocated in sales ratio
- 11) The unpaid dividend of any year will lapse in case of _____.
- a) Non-cumulative preference shares b) Participating preference shares
- c) cumulative preference shares d) Non-participating Preference Shares
- 12) X Ltd. issued 1,000 equity shares of Rs 100 each at 5 % discount. The proceeds will be _____.
- a) Rs 1,00,000 b) Rs 1,05,000 c) Rs 90,000 d) Rs 95,000

Q.2A Bharat Ltd. was incorporated on 1st September 2020 to take over the business of Ekta and Gomati, a partnership firm w.e.f. 1st April 2020. Following is their Profit and Loss Account for the year ended 31st March, 2021.

Particulars	Rs	Particulars	Rs
To Salaries	52,000	By Gross Profit	2,70,000
To Rent	8,000	By Interest on Fixed Deposit	15,000
To Bad Debts	11,000		
To Office Expenses	24,000		
To Directors Fees	11,000		
To Debenture Interest	12,800		
To Selling Expenses	24,300		
To Salary to Partner	10,000		
To Printing and Stationery	12,000		
To Preliminary Expenses	11,500		
To Net Profit	1,08,400		
	<u>2,85,000</u>		<u>2,85,000</u>

Additional Information:

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1. Average monthly turnover from October 2020 to March 2021 was twice the average monthly turnover from April, 2020 to September 2020.
 2. Rent is doubled from 1st December, 2020.
 3. Bad Debts includes Rs 2,000 in respect of sales affected two years ago. Remaining debts are out of sales affected through the year.
 4. Salaries include salary of three employees at an equal monthly remuneration. However, one of them was appointed as a manager from 1st January 2021. His salary was doubled from that date.
 5. In lieu of interest on purchase consideration the vendor would get 40 % of the profit earned in Pre-incorporation period.
 6. Interest on fixed deposit was received for the entire year.
- Prepare Statement of Profit and Loss of Bharat Ltd. for the year ended 31st March, 2021 in the columnar form apportioning all the income and expenditure items between Pre-incorporation and Post-incorporation period on suitable basis.

OR**Q.2 B** The following is the summarised Balance Sheet of X Ltd. as on 31st March, 2020. **20**

Liabilities	Rs	Assets	Rs
1,00,000 Equity Shares of Rs 10 each fully paid	10,00,000	Net Block	10,00,000
60,000 – 10 % Preference Shares of Rs 10 each Rs 8 called up	4,80,000	Investments	4,00,000
Capital Reserve	2,00,000	Inventories	4,50,000
General Reserve	2,50,000	Account receivable	7,80,000
Profit and Loss A/c	5,20,000	Cash at Bank	20,000
Sundry Creditors	2,00,000		
	26,50,000		26,50,000

On 1st April, 2020, the company made a final call on its preference shares and it was paid by all shareholders. Thereafter, the company redeemed the fully paid preference shares at a premium of 10 %. In order to pay off the preference shareholders, the company sold its investments, realising Rs 4,40,000 and issued 2,000 -11 % Preference Shares of Rs 100 each. The full amount was called up on application. Thereafter the company made Bonus issue in the ratio of 1:2. Show entries and the Balance Sheet

Q.3 A M/s Tanuja have noticed for redemption of its 8 % Debentures of 6,00,000 of Rs **20**

100 each at a Premium of Rs 10 per debenture and offered the following options to the debenture holders, to apply the redemption money to subscribe for:

- a. 8 % Preference shares of Rs 100 at Rs 105, per share.
 - b. 12 % Debenture of Rs 100 each at Rs 96 each.
 - c. To have the holdings of redeemed for cash.
- i. Debenture holders of 1,575 accepted proposal (a)
 - ii. Debenture holders of 1,080 accepted proposal (b)
 - iii. Remaining debenture holders accepted proposal (c)

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

OR

Q.3 B3 CMS Ltd. was incorporated on 1st July 2021 to take over the running business of 20

Mr. R with effect from 1st April 2021.

The following Profit and Loss Account for the year ended 31st March, 2022 was drawn up:

Particular	Rs	Particular	Rs
To Commission	2,625	By Gross Profit	98,000
To Advertisement	5,250	By Bad debts realised	500
To Managing Director's Remuneration	9,000		
To Depreciation	2,800		
To Salaries	18,000		
To Insurance	600		
To Preliminary Expenses	700		
To Rent and Taxes	3,000		
To Discount	350		
To Bad Debts	1,250		
To Net Profit	54,925		
	<u>98,500</u>		<u>98,500</u>

The following details are available:

1. Average monthly turnover from July, 2022 was double than that of previous months.
2. Rent for first three months was paid @ Rs 200 per months and thereafter at a rate increased by Rs 50 per month.
3. Bad debts Rs 350 related to sales affected after 1st September, 2021 and realization of bad debts was in respect of bad debts written off during 2018.
4. Advertisement expenses were directly proportionate to sales.

You are required to find out the profit prior to incorporation and state the treatment thereof in the books of the company.

Q.4 A The Balance Sheet of Shakti Ltd on 31st March, 2022 was under:

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Liabilities	Rs	Assets	Rs
10 % Preference Shares of Rs 100 each fully paid	5,00,000	Fixed Assets	11,00,000
Equity shares of Rs 10 each fully paid	10,00,000	Investment	4,00,000
Securities Premium	4,00,000	Bank	90,000
General Reserve	3,00,000	Other Current	
8 % Debenture of Rs 100 each	4,00,000	Assets	14,00,000
Current Liabilities	4,00,000	Preliminary	10,000
	<u>30,00,000</u>	Expenses	
			<u>30,00,000</u>

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On the above date the company decided to redeem its preference shares at 10 % premium. For this purpose, the company sold its investment at a profit of 10 % and issued 25,000 Equity shares of Rs 10 each at par. Preference shares were duly redeemed. All the money under new issue was received and all money on redemption was paid.

You are required to give necessary journal entries for the above transaction keeping in view all the legal requirements.

OR

Q.4B (I) On 1st January 2021; following balances appeared in the books of Akanksha Ltd. **10**

- 14 % Debentures: Rs 24,00,000
- Debenture Redemption Reserve: Rs 18,00,000
- Profit and Loss Appropriation A/c: Rs 8,00,000
- General Reserve: Rs 5,00,000

All the debentures were redeemed out of profit at a premium of 10 % on 31st December 2021. (Ignore TDS)

Pass the necessary journal entries in the books of the company.

(II) 2,000 9 % redeemable debenture of Rs 100 each of XYZ Ltd. are due for redemption at 5 %. Premium on 31st December 2022. On the same date, balance on 10 Debenture Redemption Reserve was Rs 1,00,000 On 1st December 2022; XYZ Ltd. issued 600 8 % debenture of Rs 100 each at par. The issue has been fully subscribed and with this amount 2,000 9 % debenture of Rs 100 each redeemed. (Ignore Interest). Journalise the above transactions.

Q.5A Explain the SEBI guidelines for issue of Bonus Shares. **10**

B Explain the difference between Shares and Debentures. **10**

OR

Q.5C Write Short Notes (Any FOUR)

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- Non divisible profits
- Non- Profit Companies
- Characteristics of Debentures
- Procedure for forfeiture of shares
- Over Subscription of Shares
- Proceeds of "Fresh Issue of Shares"