

Q.P. Code:00000934

[Time:3:00 Hrs]

[Marks:100]

Please check whether you have got the right question paper.

- 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.

Q.1 A State if the following sentences are True or False. (Any Ten) 10

1. The maximum amount beyond which a company is not allowed to raise funds, by issue of shares is called Nominal capital.
2. The price of right issue is much less than the existing MPS.
3. Bonus shares are also called stock dividend.
4. Equity shares have a right to vote in all matters of a company.
5. The minimum number of members in a Private company are two.
6. Interest on Debentures has to be paid whether or not there are profits.
7. Discount on issue of Debentures is a fixed asset.
8. A company can redeem partly paid preference shares.
9. A debenture issued at discount can be redeemed at premium.
10. Profit prior to incorporation is considered as revenue profits.
11. Advertising expenses must be distributed in pre and post incorporation period in time ratio.
12. Share transfer fees is a post incorporation expense.

Q.1 B Fill in the blanks choosing the correct word from the bracket given alongside with 10 each sentence. (Attempt any 10 out of 12)

1. The common seal of a company acts like its _____.
(Signature / logo / trademark)
2. The maximum number of members in a one-person company is _____.
(one / 200 / unlimited)
3. There has to be at least ____ number of directors in a public company
(one/two / three)
4. The portion of the issued capital which has been taken up by the subscribers is called _____ capital. (subscribed / called up / paid up)
5. Dividend is paid a percentage of _____ of shares.
(face value / market price / anticipated price)
6. Contingent liabilities are disclosed in _____ balance sheet. (notes to accounts / current liabilities / secured loans)
7. When a Memorandum of Association contains salient features of a prospectus as may be specified by SEBI, then it's called a _____ prospectus.
(red herring / shelf / abridged)
8. In case of _____ the number of shares applied in an issue are more than the shares offered for subscription.
(underwriting / under subscription / over subscription)

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9. In case of redemption of preference shares, out of divisible profits _____ account must be created (CRR / DRR / General reserve).
10. A company can issue Redeemable preference shares for a period of more than _____ years only for infrastructure projects. (10 / 20 / 30)
11. _____ debentures can be converted into equity shares at the time of redemption. (participating / bearer / convertible)
12. In determining profit prior to incorporation, electricity charges is allocated on _____ basis between pre and post incorporation period.
(time ratio / sales ratio / equally)

Q.2 A G Ltd issued Rs. 1,80,000 Redeemable Preference shares at par on 1st April 2015, 20 redeemable at the option of the company on or after 31st March 2019 in whole or in part. The company made the following redemption out of accumulated profits:-

On 31st March 2019	Rs. 60,000
On 30th October 2019	Rs. 40,000
On 31st March 2020	all the balance preference shares.

For the purpose of redemption on 31st March 2020 the company issued Equity shares of Face Value Rs. 60,000 at a premium of 2%. Show Journal entries for the issue and redemption of Preference shares.

OR

Q.2 B The Balance sheet of S Ltd as on 31st March 2020 was as under 20

Liabilities	Rs.	Assets	Rs.
20,000 9 % Preference Shares of Rs. 10 each fully paid	2,00,000	Fixed Assets	3,50,000
5,000 Equity Shares of Rs. 100 each fully paid	5,00,000	Investments	2,00,000
Profit / loss a/c	1,85,000	Bank	10,000
Current Liabilities	1,00,000	Other Current Assets	4,25,000
	<u>9,85,000</u>		<u>9,85,000</u>

- On the above date the company decided to redeem its Preference shares at a premium of Rs. 2 per share.
- For the purpose of Redemption of Preference shares the company made the following arrangements:-
 - Sold of Investments @90% of its Balance sheet value.
 - Issued required number of new Equity shares at a premium of Rs. 40 per share.
 - It was decided to leave a balance of Rs. 25,000 in the Profit/Loss account.
 - Issue Bonus shares for all Equity Shareholders out of the balance available in Capital redemption reserve account.

The Preference shares were duly redeemed. Show Journal entries for the Redemption of Preference shares and issue of bonus shares.

Q.3 A On 1st April 2013 "A" Ltd issued 10,000 18% debentures of Rs. 100 each at a 20 Discount of 10% redeemable at par. Show Discount on issue of Debenture account

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if debentures are redeemed after 4 years assuming accounts are closed on 31st March every year.

OR

Q.3 B K Ltd issued on 1st January 2009 30,000 10% Redeemable Debentures of Rs. 100 each at a discount of 5% redeemable at a premium of 10% on 31st December 2013. The amount to be invested in 10% N.G. Bonds (2013) in multiples of Rs. 100. The amount of annual appropriations is fixed at Rs. 4,00,000. Pass necessary Journal entries for first five years assuming books close on 31st December each year. **20**

Q.4 A D Ltd was incorporated on 1st April 2019 in order to purchase the business from Mr. D 1st January 2019. The following particulars are available for the year ended 31st December 2019. The Authorized Capital was 5,000 Equity shares of Rs. 10 each. **20**

Summarized Profit/Loss statement for the year ended 31st December 2019

Particulars	Rs	Particulars	Rs
Cost of Sales	1,600	Sales	25,000
Administrative expenses	1,768		
Selling Commission	875		
Goodwill w/off	200		
Interest paid to vendor	373		
Distribution expenses	1,250		
Preliminary exps. w/off	330		
Interest on Debentures	320		
Depreciation	444		
Directors Fees	100		
Net profit c/f	17,740		
	25,000		25,000

Additional Information:-

a. Sales for the first 3 months was Rs. 5,000

b. The loan of the vendor was repaid on 30th April 2019

c. 60% of the Distribution expenses are variable in nature. Remaining are fixed.

From the above data ascertain the Profit Prior to Incorporation and Profit After Incorporation for year ended 31st December 2019.

OR

Q.4 B F Ltd was incorporated on 1st August 2020 to purchase the partnership business of Mr. F from 1st April 2020. The following particulars are available for the year ended 31st March 2021. **20**

Summarized Profit/Loss statement for the year ended 31st March 2021

Particulars	Rs	Particulars	Rs
Director's Fees	98,000	Gross Profit	19,20,000
Rent	1,71,000		
Bad Debts	24,000		
Salaries	3,66,000		

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Interest on Debentures	48,000		
Depreciation	1,32,000		
Preliminary Expenses w/off	84,000		
General Expenses	98,400		
Commission on Sales	72,000		
Printing & Stationery	1,86,000		
Advertisement Expenses	2,41,000		
Audit Fees	1,17,200		
Carriage Outwards	1,45,600		
Electricity Charges	88,800		
Insurance Premium	48,000		
Net Profit	NIL		
	19,20,000		19,20,000

Additional Information:-

1. Sales for the months from December 2020 to March 2021 were double the monthly sales of April 2020 to November 2020
 2. Rent is paid on the basis of floor space utilized. The floor space used was doubled in the post incorporation period as compared to the pre incorporation period.
 3. Audit fees are payable for the full year
 4. The Bad debts of Rs. 1,000 are in respect of sales affected 2 years ago
 5. Salary includes the following. Mr. F was the working partner of the firm entitled to a remuneration of Rs. 24,000 per month. From 1st August 2020 he was made the Managing Director with a remuneration of Rs. 30,000 per month. The remaining salary is for two clerks employed from 1st July 2020 to 30th November 2020
- From the above data ascertain the Profit Prior to Incorporation and Profit after Incorporation for year ended 31st March 2021

Q.5 A Explain in detail the procedure for the formation of a limited company as per the provisions of Indian Companies Act, 1956. **10**

B Explain the provisions per Indian Companies Act, 1956 for redemption of Preference shares by a limited company in India. **10**

OR

Q.5 C Write short notes on **any four** of the following:- **20**

- a) Types of debenture:-
- b) CRR v/s DRR
- c) Meaning of profits before and after incorporation.
- d) Forfeiture of shares
- e) IPO's
- f) Conversion of debentures into shares at the time of redemption.