

Q.P. Code:00005299

[Time:2.30 Hrs]

[Marks:75]

Please check whether you have got the right question paper.

N.B:

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

Q. 1. A. Multiple Choice Questions (Any 8)

08

1. Unclaimed dividend is shown under _____.
(a) Current liability (b) Long term loans (c) Provision (d) Reserves
2. The uncalled amount in investment in shares is shown a _____.
(a) Investments (b) Contingent liabilities (c) Current liabilities (d) Current assets
3. The redemption of preference shares is governed by _____ of the companies.
(a) section 77 (b) section 78 (c) section 75 (d) section 55
4. The period of preference shares cannot exceed _____.
(a) 20 years (b) 7 years (c) 5 year (d) 8 years
5. The interest on investment representing sinking fund should be transferred to _____.
(a) Profit and Loss A/c (b) Sinking Fund A/c (c) Capital Reserve A/c
(d) Debentures A/c
6. A company may redeem debentures out of capital if the maturity period is less than _____.
(a) 18 months (b) 12 months (c) 15 months (d) 24 months
7. For computation of pre-incorporation profit, freight outward is _____.
(a) Allocated in time ratio (b) Allocated in sales ratio
(c) Treated as pre-incorporation income (d) Treated as post-incorporation income
8. Following is not a monetary item _____.
(a) Bills Receivable (b) Cash (c) Inventory (d) Bills Payable
9. Exchange difference of non-integral foreign operation is transferred to _____.
(a) Suspense A/c (b) Profit and Loss A/c (c) Foreign Currency Translation Reserve
(d) None
10. The interest paid to vendor should be allocated in ratio of _____.
(a) Time (b) Sales (c) Specific Time Ratio (d) None

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Q. 1. B. State whether the following statements are true or false. (Any 7)

07

1. Fixed assets should be translated at the rate on the date of the transaction while converting the trial balance of foreign branch.
2. Contingent Liability should be translated at the exchange rate ruling on the date of balance sheet.
3. Director's fees are dividend in pre and post incorporation period in time ratio.
4. Preliminary expenses should be debited to pre-incorporation period.
5. After redemption of debentures, balance in sinking fund should be transferred to free reserve.
6. Debenture holders get fixed rate of dividend.
7. Security premium can be debited for transfer to capital redemption reserve.
8. A company can issue irredeemable preference shares.
9. Authorised capital is disclosed only for information.
10. Arrears of preference dividend is shown under current liabilities

Q. 2. A. Rao Galvanising co, Ltd. Had an authorised equity capital of 20 lakhs divided into shares of 100 each. The paid-up capital was 12,50,000. Besides this, the company had 9% redeemable cumulative preference shares of 10 each for 2,50,000. Balances on other accounts were: securities premium 28,000; profit and loss account 72,000 and general reserve ₹ 3,40,000. Included in sundry assets were investments of the face value of 30,000 carried in the books at a cost of 34,000. 15

The company decided to redeem the cumulative preference shares at 10% premium, partly by the issue of equity shares of the face value of 1,20,000 at a premium of 10%. Investments were sold at 105% of their face value. All preference shareholders were paid off except 3 holders holding 250 shares.

After redemption of the cumulative preference shares, 1 fully paid bonus share was issued for every 4 shares held

OR

Q. 2. B. Pragati Enterprises Ltd. Issued 35,000, 62% debentures of 100 each on October 1, 2019 (15)

redeemable in five equal annual instalments starting with March 31, 2023. The Board decides to transfer to Debenture Redemption

Reserve ₹ 50,000 and 4,00,000 on March 31, 2020 and 2021 respectively and balance required to be transferred to Debenture Redemption Reserve on March 31, 2022 to raise it to 25% of the FV of debentures. Record necessary journal entries. Ignore entries for payment of interest. Investment as required by law was made in fixed deposit of the bank.

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- Q. 3. A.** AKP Ltd. Was incorporated to takeover a running business of AP trading concern firm with effect from 1-4-2023. The company was incorporated on 1-7-2023. The following further information is provided. **15**

Particulars	Amt	Particulars	Amt
To Salaries	80,000	By Gross Profit	4,00,000
To office Expenses	30,000		
To Publicity Expenses	24,000		
To Insurance Expenses	60,000		
To Carriage Outward	15,000		
To Fees to Director	40,000		
To Depreciation	36,000		
To Commission on Sales	90,000		
To Discount Allowed	5,000		
To Net Profit c/d	20,000		
	4,00,000		4,00,000

Other Information:

- The sales were normal in the month of April. It was doubled from the period of May to January. It increased to three times the sales in April in the month of February and March.
- Salaries include salary to vendor 10,000 and salary to Director ₹ 5,000.
- Depreciation includes depreciation on machinery purchased on 1-12-2023 of 6,000.
- Publicity expenses were incurred by AKP Ltd.

Prepare statement showing distribution of profit in pre and post incorporation period for the year ended 31-3-2024.

OR

- Q. 3. B.** The following balances appeared in the London Branch of NP Ltd. Having head office at Mumbai as on 31-3- 2023. **15**

Particulars	Amt	Particulars	Amt
Stock on 1-4-2022	1,000	Sales	4,000
Purchase	2,000	Trade Payables	2,000
Trade Receivable	3,000	Interest on Investments	200
Insurance	600	H.O. Account	8,000
Carriage Inward	100		
Salaries	300		
Postage	600		
Building	4,200		
Land	1,000		
Bank Balance	1,400		
	14,200		14,200

Additional Information:

The stock on 31-3-2023 was £ 1,000. Building was purchased when 1 £ was equal to ₹70.

Depreciation is provided on building 10%. Land was purchased when 1 £ was equal to 75.

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The branch account in the books of head office accounts shows debit balance of ₹ 3,00,000.

The following were the exchange rates during the year:

1-4-2017 1£=80

31-3-2018 1£=₹90

Average rate 1£=85

You are required to convert the trial balance in reporting currency and prepare Profit and Loss Account and Balance Sheet of the branch in the books of head office for the year ended 31-3-2023.

Q4. A. The following is the trial balance of Soni Ltd. As on 31-3-2023

15

Particulars	Amt	Particulars	Amt
Machinery	15,00,000	Equity Share Capital	10,00,000
Land	10,00,000	9 % Preference Share Capital	8,00,000
Debtors	3,00,000	Sales	20,00,000
Purchases	8,00,000	Bills Payables	2,00,000
Advance Tax	50,000	Cash Credit	1,00,000
Investment	3,00,000	Unclaimed Dividend	20,000
Wages	30,000	General Reserve	80,000
Salaries	1,50,000	Profit And loss A/c	2,00,000
Rent	60,000	10% Debentures	1,00,000
Opening Stock	90,000		
Interest on Debentures	10,000		
Licenses and Franchise	1,80,000		
Interim Dividend	30,000		
	45,00,000		45,00,000

Additional Information:

- The authorised capital of the company was 20,000 Equity shares of 100 each and 8,000 9% Preference of 100 each.
- Closing stock as on 31-3-2018 was 60,000.
- Depreciation was to be provided on Machinery @ 10%.
- 10% of the investments were short term in nature.
- Debentures were to be redeemed on 31-8-2018.
- Create provision for doubtful debt @ 10%.
- During the year 20,000 were transferred to General reserve.
- Provide for Taxation 30%.

Prepare Income Statement and Balance Sheet from the given information.

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Q4. B. A Company has 4,000 redeemable preference shares of 100 each, fully paid. The company decides to redeem these shares on December 31, 2023 at a premium of 5%. The company makes the following issues: **8**

(a) 1,000 Equity Shares of 100 each at a premium of 10%.

(b) 1,000 Debentures of 100 each.

The issues were fully subscribed and allotments were made. The redemption was duly carried out. The company has sufficient profits. Give Journal entries to record the above transactions.

Q4. C Beeta Limited had issued 5,000 12% Debentures of 100 each under SEBI regulations redeemable on 31st December, 2023 at a premium of 5%. The company offered three options to Debenture holders as follows: **7**

(i) 14% Preference Shares of 10 at 12

(ii) 15% Debentures of 100 at par

(iii) Redemption in cash.

The options were accepted as under:

(i) Option (i) by holders of 1,500 debentures

(ii) Option (ii) by holders of 1,500 debentures

(iii) Option (iii) by holders of 2,000 debentures.

The redemption was carried out by the company after creating Debenture Redemption Reserve for the minimum amount required by law. Show Journal entries.

Q5. A State the provisions relating to redemption of preference shares. **8**

Q5. B Explain non-integral foreign operation **7**

OR

Q5. B Write short notes on (Any 3) **15**

1. Debenture redemption reserve and debenture redemption investments
2. Time ratio and sales ratio
3. Fixed assets
4. Capital redemption reserve
5. Proposed dividend and interim dividend.
