

**Paper / Subject Code: 44851 / Financial Accounting V**

**[Time: 2:30 Hours]**

**[Marks: 75]**

**Note:**

- All questions are compulsory.
- Each question carries 15 marks.
- Figures to the right indicate full marks.
- Use simple calculator.
- Working should form part of answer.

**Q1 A Rewrite the sentences after selecting correct alternative: (Any eight)**

**[08]**

1. Unmarked applications refer to \_\_\_\_\_.
  - a. Applications bearing the stamp of the underwriters
  - b. Applications from public received directly by the company without bearing any stamp of underwriters
  - c. Applications issued by the company to underwriters
  - d. None of the above
2. When an underwriter agrees to buy a definite number of shares in addition to unsubscribed shares it is termed as \_\_\_\_\_.
  - a. Firm underwriting
  - b. Partial underwriting
  - c. Complete underwriting
  - d. Sole underwriting
3. Which of the following is not a 'Free Reserve' for the purpose of buy back of shares
  - a. Profit & Loss Account
  - b. General Reserve
  - c. Dividend Equalization Reserve
  - d. Revaluation Reserve
4. Buy back must be completed within \_\_\_\_\_ from the date of passing the resolution.
  - a. 3 months
  - b. 6 months
  - c. 9 months
  - d. 12 months
5. When the merger involves liquidation of two existing companies and formation of one new company, it is called \_\_\_\_\_.
  - a. Internal reconstruction
  - b. External reconstruction
  - c. Absorption
  - d. Amalgamation
6. If the Maruti Ltd. and Suzuki Ltd. are taken together to form a new company Maruti Suzuki Ltd., it is called \_\_\_\_\_.
  - a. Internal reconstruction
  - b. External reconstruction
  - c. Absorption
  - d. Amalgamation

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7. Increase, consolidation or sub-division of share capital of the company involves \_\_\_\_\_.
- Reduction of share capital
  - Alteration of share capital
  - Variation of shareholder's rights
  - Compromise/Arrangement
8. Balance in Capital Reduction A/c is generally transferred to \_\_\_\_\_.
- General Reserve
  - Capital Reserve
  - Profit & Loss A/c
  - Equity Share Capital A/c
9. List E in statement of affairs gives the list of \_\_\_\_\_.
- Preferential Creditors
  - Debenture Holders
  - Unsecured Creditor
  - Secured Creditors
10. Bills were discounted to the extent of ₹ 10,000/- of which ₹ 4,000/- are likely to be dishonoured. Hence, the liability to rank in respect of these bills will be \_\_\_\_\_.
- ₹ 10,000
  - ₹ 4,000
  - ₹ 6,000
  - ₹ 14,000

Q1 B State whether the given statements are TRUE or FALSE: (Any seven)

[07]

- The underwriters may be individuals, partnership firms or joint stock companies.
- Unmarked applications can be distributed among the underwriters in the ratio of gross liability.
- Buy back of shares decreases the Earning per share (EPS) of the company.
- Only fully paid shares can be bought back.
- Transferor Company means the company which is amalgamated into another company.
- Amalgamation means combination or merger.
- In Internal Reconstruction, no company is liquidated.
- Surrender of fully paid shares amounts to reduction of share capital.
- Amount received from calls to contributories made at the time of winding up is shown on the receipt side.
- If the company is insolvent, interest on debentures is payable up to the date of actual payment.

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- Q2 A** SR Ltd. is taking over Shakti Ltd. The summary Balance Sheet of Shakti Ltd. as on the date of absorption is as below: **[15]**

<u>Liabilities</u>	<u>(₹)</u>	<u>Assets</u>	<u>(₹)</u>
Equity Shares of Rs. 10	2,40,000	Buildings	1,50,000
11% Preference Shares of Rs. 10	1,50,000	Machinery	80,000
General Reserve	45,000	Furniture	10,000
Profit/ Loss A/c	30,000	Investments	1,40,000
9% Debentures	1,00,000	Debtors	1,65,000
Sundry Creditors	60,000	Stock	75,000
Other Liabilities	40,000	Cash and Bank	13,000
		Other Current Assets	20,000
		Share issue expenses	12,000
	<b>6,65,000</b>		<b>6,65,000</b>

SR Ltd. issued 10,000 equity shares of ₹ 10 each to the public at premium of 10%.

**The following information is available:**

- Equity Shareholders are to be issued 7 Equity Shares of ₹ 10 at par in SR Ltd. and are to be paid ₹ 5 in cash for surrender of 6 shares.
- Preference shareholders are to be paid at 10% premium by 12.5% preference shares in SR Ltd issued at par.
- All Assets and liabilities are valued at book value except Machinery which is valued at 10% below book value and Debtors are worth ₹ 1,60,000.
- Liquidation expenses of ₹ 12,500 are to be borne by SR Ltd.
- The Face value of Equity shares and preference shares in SR Ltd. is ₹ 10 each.
  - Calculate Purchase Consideration
  - Prepare Realisation A/c, Equity Shareholder's A/c, SR Ltd A/c in the books of Shakti Ltd.
  - Prepare Journal entries in the books of SR Ltd.

**OR**

- B** Following is the summary balance sheet of M/s. Pure Ltd. as on 31-03-2023. **[15]**

<u>Particulars</u>	<u>(₹)</u>
<b><u>Liabilities</u></b>	
Equity Share Capital:	
1,60,000 Shares of ₹ 10 each fully paid up	16,00,000
Preference Share Capital:	
4,000, 10% Shares of ₹ 100 each fully paid	4,00,000
10% Debentures	20,00,000
Interest accrued and due on debentures	2,00,000
Creditors	8,00,000
Bills Payable	1,00,000

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Outstanding Audit Fees	1,00,000
<b>Total</b>	<b>52,00,000</b>
<b>Assets</b>	
Land and Building	12,20,000
Furniture	4,00,000
Computer	6,00,000
Debtors	6,00,000
Stock	80,000
Bills Receivable	5,00,000
Cash at Bank	3,60,000
Share Issue Expenses	40,000
Profit and Loss Account (Dr. Balance)	14,00,000
<b>Total</b>	<b>52,00,000</b>

The following scheme of internal reconstruction was approved by the court:

1. 10% Preference Shares to be reduced by ₹ 20 per share.
2. Equity Shares to be reduced by ₹ 5 per share.
3. Debenture holders agreed to settle their claim fully by issue of New 11% Debentures of ₹ 14,00,000. They also agree to forgo 50% of their interest. The payment of remaining 50% of interest to be made immediately.
4. Computer was to be written down by ₹ 40,000.
5. Land and Building and Furniture to be appreciated by 10%.
6. Stock to be appreciated by ₹ 60,000.
7. Fictitious Assets and debit balance of Profit and Loss Account to written off.
8. Cost of Reconstruction was ₹ 50,000.
9. 75% of the Creditors agreed to forgo their claims by 10%.
10. Reduce Debtors by ₹ 70,000.

You are required to pass journal entries to record the above transaction and Prepare a Capital Reduction Account in the books of Pure Ltd.

**Q3 A** Sattire Ltd. issued 10,000 shares of ₹ 10 each. The entire issue was underwritten as follows: **[15]**

A - 5,000 shares (firm underwriting - 1,000 shares);

B - 3,000 shares (firm underwriting - 500 shares);

C - 2,000 shares (firm underwriting - 500 shares)

Shares applied for were 9,000 shares, the following being the marked applications including firm underwriting:

A - 3,500 shares

B - 1,400 shares

C - 1,600 shares

Commission is paid to them at 5%.

Treat firm underwriting as marked applications and unmarked applications are to be divided in the ratio of gross liability.

Calculate the net liability of each underwriter and the net amount receivable from the

- B Following is the summarized balance sheet of M/s Kanyakumari Ltd. (a non-listed company) [15]  
as on 31<sup>st</sup> March 2023.

<u>Liabilities</u>	₹	<u>Assets</u>	₹
16,00,000 Equity shares of ₹ 10 each, ₹ 8 paid-up	1,28,00,000	Plant and Machinery	60,00,000
Profit and Loss A/c	1,20,00,000	Land and Buildings	60,00,000
Security Premium	40,00,000	Furniture	44,00,000
10% Debentures	40,00,000	Investments	30,00,000
Bank Term Loan	40,00,000	Debtors	94,00,000
Creditors	60,00,000	Bank Balance	1,00,00,000
		Stock	40,00,000
	<u>4,28,00,000</u>		<u>4,28,00,000</u>

The company decides to buy-back maximum number of equity shares as may be permitted at a price of ₹ 20 per share being the current market price.

You are required to:

- Ascertain maximum no. of shares to be bought back.
- Pass journal entries for the above transactions in the books of the company.
- Prepare Notes to Accounts for Share Capital and Reserves and Surplus as would appear in the Balance Sheet of Kanyakumari Ltd on 31<sup>st</sup> March 2023.

- Q4 A The following was the summary Balance sheet of Indra Ltd, as on 31/3/2023.

[15]

<u>Liabilities</u>	₹	<u>Assets</u>	₹
<u>Issued and Paid-up</u> Equity Share Capital	5,00,000	Fixed Assets	4,00,000
Reserves	10,000	Debtors	1,00,000
Debentures	70,000	Stock	50,000
Creditors	50,000	Profit / Loss A/c	80,000
	<u>6,30,000</u>		<u>6,30,000</u>

The following scheme of reconstruction is duly sanctioned:

- A new company Indu Ltd. is formed with an Authorised share capital of ₹ 10,00,000 divided into 1,00,000 shares of ₹ 10 each.
- Indu Ltd agreed to take over all the assets and liabilities of Indra Ltd at book values.
- The purchase consideration is to be paid one-quarter in cash and balance in shares which are issued at the market price of ₹ 12 per share.

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- 4) Liquidation expenses amount to ₹ 300 agreed to be paid by Indra Ltd.
- 5) Debentures of Indra Ltd. were taken over by Indu Ltd. and then paid-off by Indu Ltd.
- 6) The amalgamation is in the nature of purchase.
  - 1) Calculate Purchase Consideration
  - 2) Prepare necessary ledger accounts in the books of Indra Ltd.:
  - 3) Prepare Journal entries in the books of Indu Ltd.

OR

B Following is the balance sheet of Priya Ltd. as on 31/12/2023.

[15]

<u>Liabilities</u>	<u>₹</u>	<u>Assets</u>	<u>₹</u>
<b>Share Capital:</b>		Goodwill	1,68,000
1,500 8% Preference Shares of ₹ 100 each fully paid	1,50,000	Land and Building	3,27,000
3,000 equity shares of ₹ 100 each ₹ 80 paid up	2,40,000	Plant and Machinery	1,35,000
4,500 equity shares of ₹ 100 each, ₹ 70 paid-up	3,15,000	Furniture	15,000
8% Debentures (having a floating charge on all assets)	1,50,000	Office Equipment	30,000
Outstanding Debentures Interest	6,000	Stock	1,48,500
Creditors	2,40,000	Debtors	1,27,500
		Bills Receivable	33,000
		Cash in Hand	12,000
		Profit and Loss A/c	1,05,000
	<b>11,01,000</b>		<b>11,01,000</b>

The company went into liquidation as on above Balance Sheet date:

(a) Preference dividend was in arrears for last 3 years and it was to be paid before paying Equity

Share Capital.

(b) Sundry Creditors include a loan from bank of ₹ 60,000 secured on the hypothecation of Plant and Machinery. Sundry Creditors also include Preferential Creditors of ₹ 15,000.

(c) The Liquidator realised the assets as follows:

Land and Building	3,22,500
Plant and Machinery	75,000
Office Equipment	19,500
Furniture	12,000
Stock	1,05,000
Debtors	90,000
Bills Receivable	21,000

(d) Legal charges on liquidation amounted to ₹ 1,500.

(e) The Liquidation expenses were ₹ 3,900.

(f) The Liquidator's remuneration was fixed at ₹ 1,500.

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- Q5 A Distinguish between internal reconstruction and external reconstruction. **[08]**  
B Give the conditions laid down for Buy Back of Equity Shares under Companies Act, 2013. **[07]**

**OR**

- Q5 C Write short notes (Any 3) **[15]**  
a) Firm Underwriting  
b) Benefits of buy back of shares  
c) Net Asset Method of Purchase Consideration  
d) Need of Internal reconstruction  
e) Preferential Creditors
- .....