

12/12/2024

(Duration – 2 ½ Hours)

Max. Marks: 75

Please check whether you have got the right question paper.

N. B.: (1) All questions are compulsory.

(2) Answers to the same questions must be written together.

(3) Numbers to the right indicate full marks.

(4) Draw neat and label diagrams wherever necessary.

Q.1A Choose the correct option and rewrite the statements (Any eight)

8M

- 1 When the benefit of firm underwriting is given to underwriters _____
 - a) Firm underwriting is not treated as unmarked application
 - b) Firm underwriting is treated as marked application
 - c) Firm underwriting is treated as full subscription
 - d) Firm underwriting is treated as under subscription
- 2 _____ can be done by many underwriters in an agreed ratio.
 - a) Joint Underwriting
 - b) Sole Underwriting
 - c) Hold Underwriting
 - d) Discrete Underwriting
- 3 Before buyback all the share must be _____
 - a) Partly paid
 - b) Fully paid
 - c) Fully subscribed
 - d) Under subscribed
- 4 Before buyback the company shall file with the registrar and SEBI _____
 - a) A statement in lieu of prospectus
 - b) A prospectus
 - c) A declaration of insolvency
 - d) A declaration of solvency
- 5 If Pradhan Ltd. is taken over by Vidhayak Ltd. a new company it is called _____
 - a) Internal reconstruction
 - b) External Reconstruction
 - c) Absorption
 - d) Merger
- 6 Under _____ of amalgamation, the purchase consideration is determined by adding up the agreed values of all assets taken over and deducting the agreed values of all liabilities taken over.
 - a) Net Payment Method
 - b) Net Assets Method
 - c) Lumpsum Method
 - d) Expense Method
- 7 The scheme of internal reconstruction requires sanction from _____
 - a) Shareholders
 - b) Article of Association
 - c) NCTL of Companies Act, 2013
 - d) All the above
- 8 Payment of reconstruction expenses is debited to _____
 - a) Profit and Loss account
 - b) Cash account
 - c) Capital Reduction account
 - d) Goodwill account

- 9 Arrears of preference dividend on the date of winding up is _____
 a) Added to preference share capital
 b) Treated as secured creditors
 c) Treated as unsecured creditors
 d) Not consider liabilities
- 10 In Liquidation of Companies, _____ of Statement of Affairs shows unsecured creditors.
 a) List A
 b) List B
 c) List C
 d) List E

Q.1B State whether the following statements are True or False (Any Seven)

7M

- 1 On amalgamation, transferor company cannot be dissolved.
- 2 In underwriting, underwriters are liable to take up securities not subscribed by public.
- 3 The buyback of shares can be affected by purchase from open market.
- 4 In compulsory winding up, remuneration of the liquidator is fixed by the court.
- 5 Underwriter is a broker.
6. On amalgamation debenture of transferor company are credited to Realisation account.
7. Only sick companies undertake capital reduction.
8. Capital Reduction require court order.
9. In statement of affairs, Deficiency account is shown under List B.
10. When a company buys back shares, it shall extinguish and physically destroy the shares bought back within seven days from the last date of completion of buy back.

Q.2A Vodafone Ltd. agreed to acquire business of Hutch Ltd. as on 31-03-2024. The summarized Balance Sheet of Hutch Ltd. as on 31-03-2024 was as follows:

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| Liabilities | ₹ | Assets | ₹ |
|--|----------|-------------------|----------|
| 36,000 Equity shares of ₹ 10 each fully paid | 3,60,000 | Goodwill | 60,000 |
| General Reserve | 1,02,000 | Machinery | 1,80,000 |
| Profit and Loss Account | 66,000 | Furniture | 2,04,000 |
| 6% Debentures | 60,000 | Stock | 1,00,800 |
| Trade Payables | 12,000 | Trade Receivables | 21,600 |
| | | Bank balance | 33,600 |
| | 6,00,000 | | 6,00,000 |

The consideration was payable as follows:

- a) Cash payment equal to ₹5 for every two equity share held in Hutch Ltd.
- b) Issue of 54,000 Equity shares of ₹10 each of Vodafone Ltd. having an agreed value of ₹15 per share.
- c) Issue of such an amount of fully paid 9% Debentures of Vodafone Ltd. at ₹ 96 each as is sufficient to discharge 6% Debentures of Hutch ltd. at 20% premium.
- d) While calculating the consideration the assets were revalued as follows:
 Machinery and Furniture at ₹ 3,60,000 each,
 Trade Receivables are subject to 5% provision for discount, and
 Stock at ₹ 85,200
- e) Liquidation expenses agreed to be paid by Hutch Ltd. was ₹ 3,000.

You are required to prepare:

1. Statement of Purchase Consideration.
2. Necessary Ledger accounts to close the books of Hutch Ltd.
3. Opening Journal entries in the books of Vodafone Ltd.

OR

Q.2B Following is the summary Balance Sheet of Shail Ltd. as on 31-03-2024.

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| Liabilities | ₹ | Assets | ₹ |
|--|------------------|-------------------|------------------|
| 1,00,000 Equity Shares of ₹ 10 each, ₹ 8 paid up | 8,00,000 | Plant & Machinery | 6,50,000 |
| Profit & Loss Account | 8,00,000 | Furniture | 4,50,000 |
| Security Premium | 4,00,000 | Investments | 2,50,000 |
| 12% Debentures | 8,00,000 | Sundry Debtors | 6,00,000 |
| Creditors | 3,00,000 | Stock | 6,50,000 |
| | | Bank Balance | 5,00,000 |
| | | | |
| | 31,00,000 | | 31,00,000 |

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

Assuming that the buy-back is actually carried out, you are required to:

- a) Ascertain the maximum number of equity shares the company can buy back.
- b) Pass Journal Entries in the books of the Shail Pvt. Ltd.
- c) Prepare notes to accounts of Share Capital and Reserves & Surplus as they would appear in notes to accounts forming part of the Balance Sheet of Shail Ltd. as on 31-03-2024.

Q.3A Following is the summary Balance Sheet of M/s Ajanta Ltd. as on 31-03-2024.

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| Liabilities | ₹ | Assets | ₹ |
|---|------------------|---------------------|------------------|
| 60,000 8% Cumulative Preference Shares of ₹ 10 each | 6,00,000 | Goodwill | 1,25,000 |
| 50,000 Equity Shares of ₹ 10 each | 5,00,000 | Freehold Property | 2,60,000 |
| Securities Premium | 30,000 | Leasehold Property | 4,44,000 |
| 12% Debentures | 3,60,000 | Plant & Machinery | 6,40,000 |
| Accrued Debentures Interest | 21,600 | Furniture | 2,40,000 |
| Sundry Creditors | 5,10,000 | Stock | 1,80,000 |
| Bank Overdraft | 5,76,000 | Debtors | 3,60,000 |
| | | Share Issue Expense | 20,000 |
| | | Profit & Loss A/c | 3,28,600 |
| | | | |
| | 25,97,600 | | 25,97,600 |

Note: Preference dividend was in arrears for four years.

The following scheme of reconstruction was approved and implemented:

- a. The preference shares were reduced to ₹ 7.50 per share fully paid and equity shares to ₹ 2 per share fully paid.
- b. After reduction, both the classes of shares were consolidated into ₹ 10 per shares.
- c. The balance of securities premium was utilized.

- d. Plant & Machinery was written down to ₹ 6,00,000.
- e. Furniture was sold for ₹ 2,08,000.
- f. Goodwill, share issue expense, debit balance in Profit & Loss A/c, debts of ₹ 51,600 and obsolete stock of ₹ 60,000 were to be written off.
- g. Debenture holders agreed to forgo principal amount by ₹ 90,000 and accrued debentures interest in full.

Pass Journal Entries for Internal Reconstruction and prepare Capital Reduction A/c.

OR

Q.3B PNG Ltd. issued 40,000 equity shares of ₹ 10 each. The issue was underwritten by Rohan- 24,000; Sohan- 10,000 and Mohan- 6000 respectively. 8M

In addition to this, there were firm underwriting as under:

Rohan- 3,200;

Sohan- 1,200 and

Mohan- 4,000.

The total subscription received including firm underwriting and marked applications are 30,000 shares. The marked applications excluding firm underwriting are Rohan- 4,000; Sohan- 8,000 and Mohan- 2,000 shares.

You are required to prepare statement showing the liability of each underwriter (firm underwriting applications are to be treated as unmarked applications.)

Q.3C Following is the summarized balance sheet of Mithu Ltd. as on 31st March, 2024. 7M

| Liabilities | ₹ | Assets | ₹ |
|----------------------------------|------------------|-------------------------------|------------------|
| Equity shares of ₹10 each | 8,00,000 | Goodwill | 80,000 |
| 10% Preference share of ₹10 each | 4,80,000 | Premises | 6,40,000 |
| 5% Debentures of ₹100 each | 9,60,000 | Plant and Machinery | 10,40,000 |
| Sundry creditors | 4,00,000 | Investments | 2,40,000 |
| Bank overdraft | 2,40,000 | Stock | 2,88,000 |
| Other liabilities | 3,20,000 | Debtors | 1,92,000 |
| | | Preliminary Expenses | 3,20,000 |
| | | Profit and loss (Dr. Balance) | 4,00,000 |
| | 32,00,000 | | 32,00,000 |

Note: Preference Dividend is in arrears for 3 years.

A scheme of reconstruction is prepared and approved by all the authority. The salient feature of the scheme is:

1. Premises having book value of ₹1,60,000 is obsolete. This is sold as scrap for ₹32,000
2. The depreciation on plant and machinery is to provide to extent of ₹80,000.
3. Stock includes items valued at ₹96,000 which are sold at a loss of 50%.
4. The present realizable value of investment is ₹1,12,000.
5. Arrears of preference dividend is not payable.
6. Reconstruction expenses were Rs.16,000
7. The paid-up value of equity shares is to be reduced to ₹2 per share and preference share to ₹5 per share. However, the face value of both the equity & preference shares remains unchanged.

8. The creditors due are settled as:
 - a) 20% immediate payment in cash.

- b) 40% amount is cancelled.
 c) 40% paid by issue of 6% debentures.
 9. Other liabilities of ₹80,000 is to be cancelled.
 You are required to prepare Capital Reduction A/c

Q.4A Believer Ltd. made issue of 10,00,000 equity shares of Rs. 100 each. The promoters took 30% of the issue and the balance was offered to the public. The equity shares were issued to public at a premium of Rs. 50 per share. **15M**

The issue was underwritten as follows:

AB – 20%, BB- 30%, CB- 20% and DB – 30%.

The firm underwriting was as follows:

AB- 5,000 shares

BB- 7,500 shares

CB- 20,000 shares

DB- 6,000 shares

The applications bearing stamp of the underwriters (excluding firm underwriting) were:

AB- 90,000 shares

BB- 1,00,000 shares

CC- 1,00,000 shares

DB- 70,000 shares

A total of 1,50,000 shares were unmarked which were to be divided in the Gross Liability Ratio. Commission is payable to the underwriters @ 5% on the issue price of shares

- a) Ascertain the net liability (number of shares) of each underwriter, if the benefit of firm underwriting is given.
 b) Compute the amount payable or due from the underwriters.

OR

Q4B Sai Sudarshan Ltd. went into liquidation on 31st December, 2023 when its balance sheet was as follows: **15M**

| Liabilities | ₹ | Assets | ₹ |
|---|--------------------|---------------------|--------------------|
| 30,000 10% Preferences of ₹100 each | 30,00,000 | Building | 15,00,000 |
| 15,000 Equity shares of ₹100 each, ₹75 paid | 11,25,000 | Plant & Machinery | 37,50,000 |
| 45,000 Equity shares of ₹100 each, ₹60 paid | 27,00,000 | Patents | 6,00,000 |
| 15% Debentures | 15,00,000 | Stock | 8,05,000 |
| Interest outstanding on Debentures | 2,25,000 | Debtors | 16,50,000 |
| Creditors | 19,12,500 | Cash at Bank | 4,50,000 |
| | | Profit and Loss A/c | 17,07,500 |
| | 1,04,62,500 | | 1,04,62,500 |

Preference Dividend were in arrears for two years and the creditors include preferential creditors of ₹76,000.

The assets realised were as follows:

Building ₹18,00,000;

Plant & Machinery ₹30,00,000;

Patents ₹ 4,50,000;

Stock ₹ 9,00,000 and

Sundry Debtors ₹12,00,000.

The expenses of liquidation amounted ₹54,500. The Liquidator is entitled to a commission of 3% on assets realised except cash. Assuming the final payments including those on debentures were made on 30th June, 2024.

Show the liquidator's Final statement of Accounts.

- Q.5A** What do you mean by liquidation of company? Explain the different methods of winding up.
- Q.5B** Give the conditions laid down for Buy Back of shares under companies Act 2013.
- OR**
- Q.5C** Write short notes on : (Any **three**)
- (i) Need of Internal Reconstruction
 - (ii) Types of Purchase Consideration
 - (iii) Firm Underwriting v/s Conditional Underwriting
 - (iv) Winding up of a company v/s Dissolution of a company
 - (v) Escrow Account

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