

Please check whether you have got the right question paper.

N.B:

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

Q. 1. A. Multiple Choice Questions (Any Ten):

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1. Issued capital is the part of _____
a) Subscribed Capital b) Authorised Capital c) Called-up Capital d) Paid-up Capital
2. Shares are issued
a) for cash only b) on credit only c) for cash or for consideration other than cash d) for consideration other than cash only
3. In the balance sheet of a company, Debentures Premium is shown under
a) Share Capital b) Secured loans c) Unsecured Loans d) Reserves and Surplus
4. Interest on debentures is calculated on its
a) face value b) value payable on redemption c) market value d) issue price
5. 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
6. A company cannot issue redeemable preference shares for a period exceeding
a) 6 years b) 7 years c) 8 years d) 20 years
7. Loss on sale of Sinking Fund Investments will be debited to
a) Profit and Loss Account b) Sinking Fund Account c) Sinking Fund Investment Account d) General Reserve Account
8. For the redemption of debentures, sinking fund is created out of
a) Capital reserve b) Share Capital c) secured loans d) Current year profit
9. Profits prior to incorporation should be transferred to
a) Profit and Loss A/c b) Capital Reserve c) General Reserve d) None of the above
10. Preliminary expenses written off should be charged to
a) Pre incorporation profits b) Post incorporation profits c) Trading Account d) None of these
11. Discount on issue of debentures is a _____
a) Capital Loss b) Revenue Loss c) Capital Profit d) Revenue Profit
12. A company can issue _____
a) Only redeemable preference shares b) Only deferred shares c) Only irredeemable preference shares d) All of the above

Q. 1. B. True or False (Any Ten):

10

1. Capital reserve is a divisible profit.
2. Loose tools are shown under current liabilities.
3. Short term loan is the loan due for more than 5 years.
4. Preference shareholders have voting rights.
5. Calls in arrears is added to subscribed capital.
6. The document inviting offer from public for subscription is share certificate.
7. Rate of underwriting commission in case of debentures cannot exceed 10%.
8. Issue of debentures must be sanctioned by state government.
9. Capital redemption reserve is used for payment of dividend.

10. Preference shares may be convertible into equity shares.

11. For computation of pre-incorporation profit advertisement expenses are allocated in time ratio.

12. Profit prior to incorporation is available for payment of dividend.

- Q. 2.** On April 1, 2020 Nikhil Jain & Co. Ltd issued 1,00,00,000, 7% debenture of Rs. 100 each at a discount of 4% redeemable after 5 years at a premium of 6%. Record necessary Journal entries for issue of debenture and writing off loss on issue debenture account. Also prepare loss on issue of debenture account. **15**

OR

- Q. 2.** Crudent Ltd. Redeemed Rs. 50,00,000, 12% Debentures at a premium of 5% fully out of profit on 30th September, 2018. The company had a Debenture Redemption Reserve of Rs. 10,00,000. For the purpose of redemption of debentures, apart from creating Debenture Redemption Reserve the company complied with the necessary statutory provisions in such a manner so as to utilize the funds of the company to the minimum possible extent. Pass necessary journal entries for the redemption of debentures. **15**

- Q. 3.** Following is the Balance sheet of Bharat Co Ltd. As on 31-3-2017: **15**

Liabilities	Amt (Rs)	Assets	Amt (Rs)
Share Capital:		Fixed Assets	23,00,000
Authorised:		Cash at Bank	3,00,000
100000 – 9% Redeemable			
Preference share of Rs. 10 each	10,00,000		
Issued & Paid up:			
50,000, 9% Redeemable	5,00,000		
Preference shares of Rs. 10, each			
fully paid			
1,00,000 equity share of Rs. 10	10,00,000		
each fully paid			
Sundry Creditors	7,50,000		
Profit & Loss A/c	3,50,000		
	26,00,000		26,00,000

The Redeemable Preference Shares were redeemed on 15th April, 2017, at a premium of 5%. The profits available being not sufficient to redeem the whole issue, the company issued 25,000 Equity shares of Rs. 10 each at par on 1-4-2017 which were duly taken up and paid for.

The company decided to utilise the CRR for issuing Equity shares as bonus shares. Pass the necessary journal entries and show the Balance Sheet after redemption.

OR

- Q. 3.** Fortune Ltd. Redeems its fully paid preference shares at a premium of 20%. For this purpose, it makes fresh issue of 5000 equity shares of Rs. 10 each at a par and sells its investments at a loss of 5%. On the date of redemption of Preference shares, the company's Balance sheet stood as under: **15**

Liabilities	Amt (Rs)	Assets	Amt (Rs)
Equity Share Capital (Rs.10 each)	8,00,000	Fixed Assets	21,00,000
Redeemable Preference Share Capital (Rs 100 each fully paid)	4,00,000	Investments	4,00,000
Redeemable Preference Share Capital (Rs 100 each partly paid up)	2,00,000	Bank & Cash	2,00,000
Capital Redemption Reserve	2,00,000	Other Current Assets	3,00,000
Profit & Loss Account	6,00,000		
Current Liabilities	8,00,000		
	30,00,000		30,00,000

Prepare Journal & Balance Sheet.

- Q. 4.** Aarav Enterprise Ltd. Issued 12,000, 6% Debentures of Rs. 100 each on September 1, 2009 redeemable at a premium of 7% as under: **15**
- On March 31, 2015 4000 Debentures
 On March 31, 2016 4000 Debentures
 On March 31, 2017 4000 Debentures
- The Board of Directors has also decided to transfer an amount equal to 25% of the FV of debentures to DRR in four equal instalments starting with March 31, 2011.
- Record necessary journal entries. Ignore entries for interest. Investment as required by law was made in fixed deposit of the bank.

OR

- Q. 4.** Hindustan Manufacturing Ltd gave notice of its intention to redeem its 6% Debenture, amounting to Rs. 4,00,000 of Rs. 100 each at Rs. 102 and offered the debenture holders the following three options, to apply the redemption money to subscribe for: **15**
- a) 5% cumulative preference shares of Rs. 20 each at Rs. 22.50 per share.
 b) 6% debenture at Rs. 96 and
 c) to have their holdings redeemed for cash.
- Debenture holders for Rs.1,71,000 accepted the proposal (a)
 Debenture holders for Rs. 1,44,000 accepted the proposal (b)
 Remaining debenture holders accepted the proposal (c).
- Pass the necessary journal entries to record the above transactions in the books of the company. The redemption in cash, wherever applicable, was made fully out of profit.

OR

Statement of Profit & Loss for the year ended 31st March 2017

It is ascertained that the sales for February, 2017 and March, 2017 are one and half times the average for the year. Apportion the years profit between the pre-incorporation and the post-incorporation period.

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