(2 ½ Hours) **[Total Marks : 75]**

N.B: (1) **All** the question are **compulsory** with **internal choice.**
(2) **Working** should form **part of your answer.**

1. (A) Rewrite the following statements and state whether True or False (Any Eight): **(8M)**

(1) No journal entry is required for the cancellation of unissued share capital.
(2) Cancellation of contingent liability is treated as profit to the company.
(3) Goodwill arising on amalgamation, as per AS- 14 is to be retained in the books of the company till the winding up.
(4) Fictitious assets appearing in the Balance Sheets of transferor company are transferred to capital reserve account.
(5) Unmarked applications can be distributed among the underwriters in the ratio of gross liability.
(6) Underwriters Account is credited when commission is due.
(7) Partly paid shares can be bought back.
(8) In case of buy back at a discount the amount of discount is transferred to capital reserve account.
(9) Assets not specifically pledged are shown in List C.
(10) Local taxes are an examples of secured creditors.

(B) Match the following **(Any Seven):** **(7M)**

A	B
(1) Firm Underwriting	(a) Statutory Reserve of Transferor Company
(2) Gross liability	(b) Buy Back
(3) General Reserve	(c) Total shares for which guarantee is given
(4) Escrow Account	(d) Definite Commitment
(5) Liquidators Final Statement of a/c	(e) Fictitious Assets
(6) Capital Reduction	(f) Summary of Cash Book
(7) Contributories	(g) Goodwill
(8) Goodwill a/c in a loss making company	(h) Court Order
(9) Excess of Purchase Consideration over Net Asset	(i) Shareholders
(10) Amalgamation Adjustment Reserve	(j) Free Reserve

TURN OVER

2. Following are the Balance Sheets of Honest Ltd and Faithful Ltd as on 31st March, 2018: **(15M)**

Liabilities	Honest Ltd. Rs.	Faithful Ltd Rs.	Assets	Honest Ltd Rs.	Faithful Ltd Rs.
Equity Share Capital of Rs. 100 each fully paid	12,00,000	18,00,000	Goodwill	90,000	1,50,000
7% Pref. Share Capital of Rs. 100 each fully paid	6,75,000	9,00,000	Premises	9,75,000	10,50,000
General Reserve	1,05,000	1,20,000	Plant and Machinery	9,00,000	12,30,000
Profit & Loss Account	67,500	93,000	Stock	2,70,000	3,75,000
Statutory Reserve	40,500	72,000	Sundry Debtors	2,10,000	5,02,500
10% Debentures	2,25,000	1,26,000	Bank	18,000	36,000
Sundry Creditors	1,50,000	2,32,500			
	24,63,000	33,43,500		24,63,000	33,43,500

On the above date, Faithful Ltd takes over Honest Ltd on the following terms and conditions:

1. All Assets and Liabilities are taken over at book value except the following which were revalued as follows :
   Premises Rs. 8,50,000 and Plant and Machinery Rs.7,00,000.

2. Equity Shareholders of Honest Ltd to be issued 10,000 Equity shares of Rs. 100 each at 10% premium.

3. 7% Preference Shareholders of Honest Ltd to be discharged at 10% premium by issuing 8% Preference shares of Rs. 100 each (at par) in Faithful Ltd.

4. Debentures of Honest Ltd to be converted into equivalent number of Debentures of Faithful Ltd.

5. Cost of Liquidation amounting to Rs. 4,000 were borne by Faithful Ltd.

TURN OVER

You are required to:
(a) Calculate purchase consideration.
(b) Pass Journal entries in the books of Faithful Ltd.
(c) Prepare Balance sheet of Faithful Limited as per Purchase Method.

OR

Q. 2. The following are the assets and liabilities as on 31st March, 2018 of Neema Ltd and Seema Ltd. **(15M)**

Liabilities	**Neema Ltd (Rs.)**	**Seema Ltd (Rs.)**		**Neema Ltd (Rs.)**	**Seema Ltd (Rs.)**
Equity share capital (Rs. 100 each)	4,00,000	2,40,000	Land & Building	1,40,000	----
15% Debentures	80,000	---	Plant & Machinery	4,40,000	2,00,000
General Reserve	1,52,000	10,000	Stock	70,000	36,000
Bills payable	12,000	---	Debtors	50,000	32,000
Sundry Creditors	60,000	32,000	Bank	12,000	4,000
Profit & Loss A/c	8,000	----	Misc. Expense not W/o	-----	10,000
	7,12,000	2,82,000		7,12,000	2,82,000

The two companies agree to amalgamate and form a new company M/s Karthik Ltd. which takes over the assets and liabilities of both the companies.

The Authorised Capital of Karthik Ltd is Rs. 40,00,000 consisting of 4,00,000 Equity shares of Rs. 10 each.

The assets of Neema Ltd are taken over at 90% of the book value with the exception of land and building which are accepted at book value.

Both the companies are to receive 10% of the net valuation of their respective business as Goodwill.

The purchase consideration is to be satisfied by Karthik Ltd in its fully paid shares at 10% premium.

TURN OVER

In return of Debentures of Neema Ltd, Debentures of the same amount and denomination are to be issued by Karthik Ltd.

You are required to :
1.Calculate Purchase consideration.
2. Realisation Account, Karthik Ltd A/c and Equity shareholders Account **in the books of Neema Ltd Seema Ltd.**

Q. 3.The following is the Balance Sheet of Sai Ltd as on 31st March, 2018. **(15M)**

Liabilities	Rs.	Assets	Rs.
8% Preference Shares of Rs.100 each	12,00,000	Goodwill	2,00,000
Equity shares of Rs. 10 each	10,00,000	Building	6,00,000
Capital Reserve	1,00,000	Furniture	2,00,000
6% Debentures of Rs.100 each	6,00,000	Plant and Machinery	6,00,000
Interest due on Debentures	1,00,000	Sundry Debtors	1,50,000
Sundry Creditors	3,60,000	Stock	3,00,000
		Bank	2,50,000
		Discount on Debentures	60,000
		Profit & Loss A/c (Dr)	10,00,000
	33,60,000		33,60,000

Note :The preference dividend is in arrears for three years.
The following scheme of capital reduction was sanctioned by the court and agreed by shareholders.

1. Preference shares shall be converted into equal number of 9% preference shares of Rs. 50 each.
2. The equity shares shall be reduced to Rs. 3 each. However, the face value will remain the same.
3. 6% debentures shall be converted into equal number of 7% debentures of Rs. 75 each. The debenture holders also agreed to waive 50% of the interest due.
4. Arrears of preference dividend is to be reduced to one year's dividend which is paid in cash.
5. The Sundry creditors agreed to waive 30% of their claims and to accept equity shares for Rs.60,000 in part settlement of their renewed claims.

TURN OVER

6.The assets are to be revalued as under:
Building Rs. 7,00,000, Plant & Machinery Rs. 5,00,000, Furniture Rs. 1,60,000, Stock Rs. 2,00,000 & Sundry Debtors Rs. 1,40,000.

7.Write off Profit & Loss A/c (Dr.) Balance, Intangible & fictitious assets.

8.Reconstruction expenses were Rs. 2,000.
Pass Journal entries in the books of Sai Ltd and prepare Capital Reduction Account.

OR

Q.**3**. The following is the assets and liabilities of Fun Ltd as on 31st March, 2018, being the date of winding up is as under: **(15M)**

Liabilities	Rs.	Assets	Rs.
5,000, 10% Cumulative Preference Shares of Rs. 100 each fully paid	5,00,000	Land and Building Plant and Machinery Stock Book Debts Profit and Loss Ac	5,20,000 7,80,000 3,25,000 10,25,000 5,50,000
5,000 Equity Shares o of Rs. 100 each , Rs.60 per share paid 5,000 Equity Shares 5,000 Equity Shares of Rs. 100 each Rs. 50 per share paid up	3,00,000 2,50,000		
Securities Premium	7,50,000		
10% Debentures	2,10,000		
Preferential Creditors	1,05,000		
Bank Overdraft	4,85,000		
Trade Creditors	6,00,000		
	32,00,000		32,00,000

Note: Preference dividend is in arrear for three years.
By 31/3/2018, the assets realised were as follows:

	Rs.
Land and Building	6,20,000
Stock	3,10,000
Plant and Machinery	7,10,000
Book Debts	6,60,000

TURN OVER

Expenses of liquidation are Rs. 86,000. The remuneration of the liquidator is 2% of the realisation of assets. Income tax payable on liquidation is Rs. 67,000. Assuming that the final payments were made on 31/3/2018. Prepare the Liquidator's Statement of Account.

Q. 4. The summarised Balance Sheet of SK Ltd as on 31st March, 2018 is as follows: **(15M)**

Particulars	**Rs.**
Share Capital:	
6,00,000 Equity Shares of Rs. 10 each fully paid	30,00,000
Securities Premium	2,00,000
Profit & Loss Account	10,00,000
13% Debentures	14,00,000
Creditors	5,00,000
Total	**61,00,000**
Assets	
Fixed Assets	33,50,000
Investments	12,50,000
Currents Assets	15,00,000
Total	**61,00,000**

Ascertain the maximum number of equity shares the company can buy back at the maximum possible price under the law as on 31st March, 2018.
Assuming the buy back is actually carried out ascertain :

1. the maximum no. of equity shares that company can buy back and the maximum offer price it can offer.

2. Record the entries in the journal of SK Ltd and prepare Notes to Share Capital & Reserves and Surplus.

OR

Q.4. A Company issued 75,000 shares of Rs. 10 each at a premium of Rs. 10. **(15M)**
The entire issue was underwritten as follows:
X - 45,000 shares(Firm underwriting 6,000 shares)
Y - 16,750 shares (Firm underwriting 2,250 shares)
Z - 11,250 shares (Firm underwriting 7,500 shares)
Total subscription received by the company excluding firm underwriting were 37,500 shares
The marked applications (excluding firm underwriting) were as follows:
X - 7,500 shares : Y - 15,000 : Z - 3,750 shares
Commission payable to underwriters is at 5% of the issue price.

TURN OVER

(i) Determine the liability of each underwriter when benefit of Firm underwriting is given to underwriters.
(ii) Compute the amounts payable or due from underwriters , and
(iii) Pass journal entries in the books of the company relating to underwriting.

Q. 5. (A) Explain the legal provisions regarding buy- back of shares as per Companies Act. **(8 M)**

(B) Differentiate between Internal Reconstruction and External Reconstruction. **(7M)**

OR

Q. 5. Write short notes **(Any Three):** **(15M)**

(1) Underwriting Commission.
(2) Consolidation of shares
(3) Full underwriting and Partial underwriting
(4) AS 14
(5) Need of Internal Reconstruction

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