

Time: 2½ hrs.

Marks:75

- Note:
1. All questions are compulsory with Internal options.
  2. Figures to the right indicate full marks.
  3. Draw neat diagram wherever necessary.

**Q.1 (A) Fill in the blanks with the correct answer from the alternatives given below. (Attempt any 8) (08)**

- (1) Dividends are usually paid on \_\_\_\_
  - a) authorised capital
  - b) Issued capital
  - c) paid up capital
  - d) reserve capital
- (2) Interest accrued and due on debentures \_\_\_\_
  - a) should be added to debentures
  - b) should be shown under Other current liabilities
  - c) should be shown under Short-term borrowings
  - d) should be shown under Short-term provisions
- (3) Claims not acknowledged as debts \_\_\_\_
  - a) Is shown under Trade receivables in the balance sheet of a company
  - b) Is shown under Trade payables in the balance sheet of a company
  - c) Is shown under Provisions in the balance sheet of a company
  - d) Is shown by way of a note to the balance sheet of a company under Contingent liabilities
- (4) Capital redemption reserve account can be used \_\_\_\_
  - a) for declaring bonus for making partly paid shares fully paid
  - b) for issuing fully paid up bonus shares to the equity shareholders
  - c) partly for issuing fully paid up bonus shares to the equity shareholders and partly for declaring bonus for making partly paid shares fully paid
  - d) None of the above
- (5) Preference shares can be redeemed \_\_\_\_
  - a) out of profits only
  - b) out of proceeds of fresh issue only
  - c) out of capital profit only
  - d) out of proceeds of fresh issue and / or profit otherwise available for distribution by way of dividend
- (6) The premium payable on the redemption of debentures is \_\_\_\_
  - a) written off from the accumulated profits
  - b) written off from the capital profits
  - c) not to be written off at all
  - d) None of the other options
- (7) The balance of Debenture Sinking fund is transferred to \_\_\_\_
  - a) Profit and Loss account
  - b) Debenture redemption fund investment account
  - c) General reserve account
  - d) Capital reserve account
- (8) The profit earned after incorporation \_\_\_\_
  - a) Is deferred revenue income earned by the company
  - b) Is normal revenue profit earned by the company
  - c) Is capital profit
  - d) belongs to the vendors of the erstwhile business
- (9) For computing pre-incorporation profits, share transfer fees received \_\_\_\_
  - a) Is treated as post-incorporation income
  - b) is treated as post-incorporation expenditure
  - c) Is allocated in time ratio
  - d) Is treated as pre-incorporation income
- (10) Exchange difference of Integral foreign operation is \_\_\_\_
  - a) transferred to suspense account
  - b) transferred to profit and loss account
  - c) transferred to foreign currency translation reserve
  - d) transferred to "Net Investment in Integral foreign operation account"

- (B) State whether the following statements are true or false. (Attempt any 7) (07)
- (1) The share issue expenses written off should be allocated to pre-Incorporation period.
  - (2) Post incorporation profit is available for dividend.
  - (3) Director's fees are divided between pre and post Incorporation period in time ratio.
  - (4) Preliminary expenses should be debited to pre-Incorporation period.
  - (5) Debentures may be redeemed at par.
  - (6) Partly paid preference shares cannot be redeemed.
  - (7) Authorised capital is disclosed only for information.
  - (8) The debentures can be redeemed at discount.
  - (9) Contingent liability should be translated at the exchange rate ruling on the date of balance sheet.
  - (10) Fixed assets should be translated at the rate on the date of the transaction while converting the trial balance of foreign branch.

Q.2 a) Following is the Trial balance of EY Ltd. as on 31<sup>st</sup> March, 2017 :- (15)

Debit balances	Rs.	Credit balances	Rs.
Stock (at cost)	5,00,000	Share Capital (Equity shares of Rs. 100 each)	20,00,000
Fixed Assets (Net block)	12,35,000	General reserve	70,000
Sundry Debtors	4,00,000	Loan from Financial Co.	3,00,000
Staff Advance	97,400	Provision for taxation	11,000
Cash on hand	60,000	Net profit for the year	2,70,000
Bank balance	4,94,000	Profit & Loss A/c (Opening Balance)	1,00,000
Share issue expenses	26,600	Short term loans	50,000
Bills receivable - Trade	58,000	Sundry creditors	1,40,000
Investments (at cost)	75,000	Unclaimed dividend	5,000
	29,46,000		29,46,000

Additional information :-

- a) Transfer to general reserve Rs. 50,000.
  - b) Out of debtors, debts due for more than 6 months were Rs. 52,000.
  - c) Sundry creditors included creditors for goods Rs. 1,05,000 while the remaining are for expenses.
  - d) Loan from financial company is secured against stock.
  - e) Market value of investments is Rs. 78,000 while its face value is Rs. 60,000.
- Prepare Balance sheet as on 31<sup>st</sup> March, 2017 as per legal requirements, after considering the above adjustments.

OR

Q.2 Following is the trial balance of Neelam Electronics Ltd. as on 31<sup>st</sup> March, 2015. (15)

Particulars	Dr. (Rs.)	Cr. (Rs.)
Cash in hand	39,000	
Cash at bank	68,600	
Share capital		18,40,000
9% Debentures		6,00,000
Bank Overdraft (Union Bank)		4,00,000
Investments (Long term)	20,000	
Bills receivable - Trade	2,80,000	
Sundry Debtors	11,00,000	
Sundry Creditors		4,80,000
Security Deposit (Long term)	8,000	
Profit & Loss A/c		5,80,000
Securities premium		1,80,000
Interest on debentures accrued and due		13,500
Goodwill	1,30,000	
Land and Building (Cost Rs. 5,00,000)	3,80,000	
Plant and Machinery (Cost Rs. 10,00,000)	6,00,000	
Furniture (Cost Rs. 1,60,000)	90,000	
Provision for taxation		2,41,000
Advance tax	2,00,000	
Bills payable		60,000
General reserve		2,00,000
Stock in trade	16,98,900	



Capital reserve		20,000
	46,14,500	46,14,500

**Additional Information:-**

- The authorised share capital of the company was Rs. 60,00,000 divided into 6,00,000 Equity shares of Rs. 10 each.
- Sundry debtors, which are all unsecured and considered goods include Rs. 1,80,000 due for more than six months.
- Investments represent 5,000 Equity shares in X Ltd. of Rs. 10 each, Rs. 4 per share called and paid up.
- Bills receivable discounted with the bank, not matured till the balance sheet date, amounted to Rs. 15,000.

You are required to prepare Balance sheet of Neelam Electronics Ltd. as on 31<sup>st</sup> March, 2015 as per provisions of the Companies Act.

**Q.3**

Following is the balance sheet of Zakal Auto Ltd. as on 31.3.2017.

(15)

Liabilities	Rs.	Assets	Rs.
3,000 9% Redeemable Preference shares of Rs. 100 each, Rs. 80 paid up	2,40,000	Fixed assets	12,00,000
1,20,000 Equity shares of Rs. 10 each fully paid	12,00,000	Investments (at cost)	2,90,000
Revenue reserve	1,50,000	Bank balance	1,70,000
8% Debentures	2,00,000	Other current assets	4,00,000
Current liabilities	2,70,000		
	20,60,000		20,60,000

On the above date 9% Preference shares were redeemable at a premium of 5%.

- The company made final call of Rs. 20 per share on preference shares. All the shareholders paid the call money.
- The company issued 20,000 equity shares of Rs. 10 each at a premium of Rs. 2 per share for cash consideration. The issue was fully subscribed and paid for.
- Part of the investments were sold for Rs. 1,32,000 at a profit of 10% on cost.
- The company redeemed the preference shares as per the terms. One preference shareholder holding 100 shares was untraceable, hence payment could not be made to him.

You are required to pass necessary journal entries in the books of Zakal Auto Ltd. to record the above transactions.

OR

**Q.3**

Following is the Balance sheet of Shamrao Ltd. as on 31<sup>st</sup> March, 2017.

(15)

Liabilities	Rs.	Assets	Rs.
30,000 Equity shares of Rs. 10 each	3,00,000	Land and Building	12,00,000
15,000 - 9% Preference shares of Rs. 100 each	15,00,000	Plant and Machinery	12,00,000
Profit & Loss account	12,00,000	Investments	6,00,000
Debenture Redemption Reserve	2,00,000	Stock	1,80,000
10% Debentures	2,00,000	Debtors	2,20,000
Sundry creditors	7,10,000	Bank balance	7,70,000
Bills payable	60,000		
	41,70,000		41,70,000

On the above date, Preference shares are redeemable at a premium of 10%. For this purpose, company sold investment for Rs. 6,50,000. Subsequently, it issued 40,000 equity shares of Rs. 10 each at a premium of 10%. At the end, the company redeemed all the preference shares, as decided. The company also redeemed their 10% debentures at par.

Pass necessary journal entries in the books of the company to record the above transactions and prepare balance sheet after redemption.

**Q.4**

Sachin Ltd. was incorporated to take over the running business of Tendulkar Bros. w.e.f. 1<sup>st</sup> April, 2016. The company was incorporated on 1<sup>st</sup> August, 2016 and it commenced its business on 1<sup>st</sup> October, 2016. The following information was available from the books of accounts which were closed on 31<sup>st</sup> March, 2017.

(15)

Particulars	Rs.	Rs.
Gross Profit		3,50,000
Less :- Office salaries	1,35,000	
Office expenses	45,000	
Travelling expenses	24,600	
Office rent	48,000	
Salesman's commission	24,500	
Depreciation	10,500	2,87,600
Net Profit		62,400

**Additional Information :-**

- Sales were Rs. 2,50,000 p.m. during pre-incorporation period, while total sales for the year were Rs. 35,00,000. The sales arose evenly throughout the concerned period.
- Office rent was Rs. 42,000 p.a. It became Rs. 54,000 p.a. from the date of commencement of business.
- Travelling expenses included Rs. 3,600 incurred by the office staff and balance by the sales staff.
- Depreciation included Rs. 3,000 for the asset acquired in post-incorporation period.
- Salaries included partner's salaries Rs. 30,000 while the remaining salary was for the office staff.

Prepare statement of profit and loss for the year ended 31<sup>st</sup> March, 2017 in the columnar form showing profit or loss during the pre-incorporation and post-incorporation period separately.

OR

**Q.4** Nasik Ltd. having branch at New York, submits the following trial balance as 31<sup>st</sup> (15)  
December 2017.

Particulars	Debit \$	Credit \$
Head Office Account	-	18,000
Sales	-	1,20,000
Goods from Head Office account	90,000	-
Stock on 1 <sup>st</sup> January, 2017	15,000	-
Furniture and fixtures	20,000	-
Cash in hand	100	-
Cash at bank	1,900	-
Owing for expenses	-	2,000
Salaries	6,000	-
Rent	500	-
Taxes and Insurance	2,000	-
Sundry debtors	4,500	-
	1,40,000	1,40,000

The branch account in head office books shows a debit balance of Rs. 7,74,000 whereas goods sent to branch account credit balance of Rs. 35,60,000. Furniture and fixtures were acquired when 1\$ = Rs. 40.

The exchange rates were :

January 1<sup>st</sup> 2017 1\$ = Rs. 41.50

December 31<sup>st</sup> 2017 1\$ = Rs. 43.00

Average 1\$ = Rs. 42.00

The stock at branch on 31<sup>st</sup> December was valued \$ 4,500. Depreciate furniture and fixtures by 10%. Convert the branch trial balance into rupees and prepare Branch Trading and Profit and loss account for the year 2017 and also prepare Balance sheet of Nasik Branch in the books of head office.

- Q.5 A)** Explain conditions for redemption of preference shares. (08)  
**B)** Explain allocation of expenses under profit prior to incorporation. (07)

OR

**Q.5** Write short notes on (Attempt any 3) (15)

- Sinking fund
- Capital reserve
- Issue of bonus shares
- Capital redemption reserve
- Reserves and surplus

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