

Time: 3 hrs.

Total Marks: 100

N.B. 1) All questions are compulsory

- 2) Figures to the right indicate full marks
- 3) Working notes should form part of your answer
- 4) Use of simple calculator is allowed

Q. 1 A. State whether the following statements are true or false (Any Ten) (10)

1. The preparation of final accounts for companies excludes the cash flow statement.
2. AS 1 requires the disclosure of accounting policies in the final accounts of companies.
3. Outstanding expenses and income do not need to be adjusted in the final accounts preparation.
4. Depreciation is considered an adjustment in the preparation of final accounts.
5. Internal reconstruction and external reconstruction refer to the same process.
6. The buyback of shares can only be conducted under specific legal provisions and restrictions.
7. Ethical behavior in accounting does not have any implications for corporate governance.
8. The principle-based approach to accounting emphasizes the importance of ethical values.
9. Whistle-blowing plays a diminishing role in promoting ethics within organizations.
10. Bad debts should be accounted for in the preparation of final accounts.
11. Investment accounting under AS-13 only applies to fixed income bearing securities.
12. The accounting standard setting process is influenced by ethical considerations.

Q. 1 B. Select the most appropriate option from the given options and rewrite the sentence (Any Ten) (10)

1. Which of the following is excluded from final accounts?

A) Income statement	B) Balance sheet
C) Cash flow statement	D) Shareholders' equity
2. AS 1 requires the disclosure of:

A) Tax liabilities	B) Accounting policies	C) Audit reports	D) Revenue forecasts
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3. Which adjustment is NOT typically made in final accounts?

A) Closing stock	B) Depreciation	C) Capital gains tax	D) Outstanding expenses
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4. What differentiates internal reconstruction from external reconstruction?

A) Legal approval needed	B) Involvement of new investors
C) Shareholder impact	D) Complexity of process
5. Buyback of shares requires compliance with:

A) No restrictions	B) Specific legal conditions
C) Only minority shareholder approval	D) Shareholder consensus
6. Ethical behavior in accounting influences:

A) Financial performance only	B) Corporate governance
C) Personal relationships	D) Software design
7. Which approach emphasizes ethical values?

A) Rules-based	B) Principal-based	C) Compliance-based	D) Risk-based
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8. Whistle-blowing helps to:
- A) Discourage transparency
B) Identify unethical practices
C) Promote silence
D) Protect management
9. Bad debts are:
- A) Ignored in accounts
B) Deducted from income
C) Added to assets
D) Recorded as revenue
10. AS-13 applies to:
- A) Only shares
B) Only debentures
C) Both variable and fixed income securities
D) No securities
11. Proposed dividends must be:
- A) Ignored
B) Included as an expense
C) Recorded only if declared
D) Transferred to reserves
12. A company can alter its share capital by:
- A) Issuing shares at par
B) Reducing capital
C) Changing shareholder rights
D) All of the above

Q.2 A) Following is the Trial Balance of Purva Ltd; as on 31st March 2024: (20)

Debit	Amount Rs.	Credit	Amount Rs.
Land & Building	7,00,000	Share Capital:	
Furniture	2,00,000	1,00,000 Equity Shares of Rs.	
Plant & Machinery	6,00,000	10 each	10,00,000
Motor Vehicle	7,00,000	10% Debentures (01/04/2023)	8,00,000
Salaries & Wages	1,44,000	Provision for Tax (2022-23)	1,40,000
Rent & Taxes	36,000	Sundry Creditors	1,80,000
Travelling expenses	32,000	Bills Payable	80,000
Printing & Stationery	34,000	General Reserve	3,60,000
Motor Vehicle Expenses	16,000	Securities Premium	40,000
Repairs of Machinery	33,000	Capital Reserve	30,000
Stock (01/04/2023)	1,88,000	Profit & Loss a/c (01/04/2023)	1,10,000
Debtors	2,90,000	Sales	23,90,000
Cash	16,000	Interest on Investment	15,000
Bills Receivables	60,000		
10% Investments	3,00,000		
Interest on Debentures	32,000		
Advance Tax			
For 2022-23	1,44,000		
For 2023-24	1,20,000		
Purchases	15,00,000		
	51,45,000		51,45,000

Additional information:

- 1) Stock on 31st March 2024 was valued at Rs. 3,00,000.
- 2) Depreciation on Land & Building is to be provided @ 5%, On Plant & Machinery @ 10%, On Furniture @ 10% and on Motor Vehicle @ 20% p.a.
- 3) Debtors include debts due for more than 6 months is Rs. 40,000

- 4) 10% Dividend is proposed by the directors.
- 5) Provision for taxation is to be made @ 50% on the current year's profit.
- 6) The market value of the Investment on 31st March 2024 was Rs. 3,60,000.
- 7) Interest on Investment is due for 6 months but not received.
- 8) Authorized Share capital of the company is Rs. 20,00,000 divided into 2,00,000 Equity Shares of Rs. 10 each.

You are requested to prepare a Profit and Loss account for the year ended 31st March 2024 and Balance Sheet as on that date.

OR

Q.2 B) Following is the summarized Balance Sheet of Canisha Ltd. As on 31 March 2024. (20)

Liabilities	Amt	Assets	Amt
12,000- 8% Preference Share of 100 each	12,00,000	Goodwill	2,00,000
1,00,000 Equity Shares of 10 each	10,00,000	Plant & Machinery	6,00,000
Capital Reserve	1,00,000	Furniture	2,00,000
6% Debentures of 100 each	6,00,000	Stock*	3,00,000
Interest due on Debentures	1,00,000	Sundry Debtors	1,50,000
Sundry Creditors	3,60,000	Bank & Cash Balance	2,50,000
		Discount on Debentures	60,000
		Land & Building	6,00,000
		Profit & Loss A/C (Dr.) Balance	10,00,000
	<u>33,60,000</u>		<u>33,60,000</u>

Note : Preference dividend is in arrears for three years.

The followings scheme of reconstruction was prepared and duly approved by the court:

1. The preference shares shall be converted into an equal number of 10% preference shares of 50 each.
2. The equity shares shall be reduced to 4 each. However, the face value will remain the same.
3. 6% debentures shall be converted into equal number of 9% debentures of 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 ₹60,000 in part settlement of their renewed claims.
6. The assets are to be revalued as under: Land & Building ₹7,00,000, Plant & Machinery ₹5,00,000, Furniture ₹1,60,000, Stock ₹2,00,000 & Sundry Debtors ₹1,40,000.
7. Write off Profit & Loss A/c (Dr.) Balance, Intangible & fictitious assets.
8. Reconstruction expenses were ₹2000.

Pass Journal Entries in the books of Canisha Ltd. to record the above transactions. Also Prepare Capital Reduction A/c.

Q.3 A) On 1st April 2023, Mr. Rajiv had 80,000 Equity Shares of Rs. 10 each of XY Ltd; purchased at a cost of Rs. 20 per share.

On 30th April 2023, Mr. Rajiv Purchased 20,000 Equity Shares of Rs. 10 each of AB Ltd; at Rs. 30 per share. On the same day he also purchased 40,000 Equity Shares of XY Ltd; at Rs. 15 each.

On 30th June 2023 he sold 4,000 Equity Shares of AB Ltd; @ Rs. 25 per share.

On 1st August 2023, Board of Directors of XY Ltd announced the Right issue of Equity Shares, in the ratio of one share for every three shares held, at Rs. 25 each. Full amount of Right shares was payable by 15th August 2023. Shareholders were allowed to renounce their right either in part or full to the outsiders. Mr. Rajiv renounced 50% of his right at Rs. 10 per share and subscribed for the balance.

On 31st August 2023 AB Ltd; Declared a dividend @ Rs. 3 per share for the year ended 31st March 2023.

On 30th September 2023 XY Ltd; Issued one bonus share for every four shares held as on that date.

On 31st December 2023 Mr. Rajiv Sold 11,200 Equity Shares of XY Ltd; at Rs. 35 per share and 4,000 Equity Shares of AB Ltd; at Rs. 25 per share.

You are required to prepare:

- 1) Investment in Equity Shares of XY Ltd; A/c and
- 2) Investment in Equity Shares of AB Ltd; A/c in the books of Mr. Rajiv for the year ended 31st March 2024. (20)

OR

Q.3 B) Complete the following Fixed Assets Schedule of Jaydeep Ltd;

(10)

Asset	Gross Block				Depreciation				Net Block	
	Opening 01/04/23	Addition	Deduction	Closing 31/3/24	Opening 01/04/23	Addition	Deduction	Closing 31/3/24	Opening 01/04/23	Closing 31/3/24
Land	?	-	-	?	-	-	-	-	?	2,00,000
Building	6,00,000	-	?	?	75,000	10,000	25,000	60,000	?	3,40,000
Plant & Machinery	28,00,000	-	-	?	11,20,000	2,80,000	-	?	?	?
Total	36,00,000	-	2,00,000	34,00,000	11,95,000	2,90,000	25,000	14,60,000	24,05,000	19,40,000

Q.3 C) Arjun Ltd; provided the following data: (10)

Particulars	Amount Rs.
40,000 Shares of Rs. 100 each, Rs. 70 per Share paid up	28,00,000
General Reserve	4,00,000
Profit & Loss Account	30,00,000
Securities Premium	6,00,000
Bank loan (Long term)	15,00,000
Other long term loan	5,00,000

Keeping in view all legal requirements, ascertain the maximum number of Equity Shares that can be bought back by the company at a maximum possible offer price.

Q.4 A) Following is the summarized Balance Sheet of Ditya Ltd. As on 31 March 2024: (20)

Liabilities	Amt	Assets*	Amt
10% Preference Share of 100 each	6,00,000	Goodwill	80,000
1,00,000 Equity Shares of 10 each	10,00,000	Other Fixed Assets	11,20,000
Unsecured Loan	50,000	Investment (Mkt Value 50,000)	65,000
6% Debentures of 100 each	6,00,000	Stocks	7,00,000
Interest due on Debentures	1,08,000	Sundry Debtors	80,000
Loan from Bajaj Finance (Including 15,000 Outstanding Interest)	1,15,000	Bills Receivable	67,000
Sundry Creditors	69,000	Profit & Loss A/C (Dr.) Balance	4,30,000
	<u>25,42,000</u>		<u>25,42,000</u>

Note: Preference dividend is in arrears for One years.

1. Preference shareholders to give up their claims, inclusive of dividends to the extent of 30% and balance to be paid off.
2. Debenture holders agree to give up their claims to receive interest in consideration of their rate of interest being enhanced to 10% henceforth.
3. Bajaj Finance agree to give up 50% of their interest outstanding in consideration of their claim being paid off at once.
4. Sundry creditors would like to grant a discount of 5% if they were to be paid off immediately.

5. Balance of Profit & Loss Account, goodwill and 25% of the total sundry debtors to be written off.

6. Other Fixed assets to be written down by 1,20,000.

7. Investment to be reflected at their market value.

8. Cost of reconstructions is 2,350.

9. To the extent required, equity shareholders suffer on reduction of their rights.

Pass necessary Journal Entries in the books of the company assuming that scheme has been put through fully and prepare the Balance Sheet after reconstruction.

OR

Q.4 B) Following is the Balance Sheet of Mrunal Ltd; as on 31st March 2024. (10)

Liabilities	Amount Rs.	Assets	Amount Rs.
Equity Shares of Rs. 10 each Rs. 8 per share paid up	10,00,000	Fixed Assets	15,00,000
Security Premium	1,25,000	Investments	12,50,000
General Reserve	5,00,000	Bank	5,00,000
P & L a/c	6,25,000	Other Current Assets	12,50,000
10% Debentures	10,00,000		
Bank loans	2,50,000		
Sundry Creditors	10,00,000		
	45,00,000		45,00,000

After fulfilling all legal requirements, the company decided to buyback 31,250 Shares at an offer price of Rs. 20 per Share. For the purpose of redemption the company took the following steps:

- Issued 20,000, 10% Preference Shares of Rs. 10 each at a premium of 10%.
- It sold 50% of Investments at a profit of 10%

Assuming that the buyback is actually carried out, you are requested to pass necessary journal entries in the books of the company.

(Calculation of Maximum number of Shares is not required)

Q.4 C) Mr. Parth holds 48,000, 12% Debentures of Rs. 10 each in Janki Ltd; as on 1st April 2023 at a cost of Rs. 5,60,000. Interest is payable on 30th June and 31st December every year. Mr. Parth provides you the further details: (10)

- On 31st May 2023: 16,000, 12% Debentures were purchased at Rs. 1,63,200 cum interest.
- On 31st October-2023: 16,000, 12% Debentures were purchased at Rs. 1,53,600 ex- interest.
- On 1st December 2023: 24,000, 12% Debentures were sold for Rs. 2,58,000 cum interest.
- On 31st January 2024: 32,000, 12% Debentures were sold for Rs. 3,09,200 ex interest.

You are requested to prepare Investment in 12% Debentures account in the books of Mr. Parth for the year ended 31st March 2024. The debentures were quoted at par on 31st March 2024.

Q.5 A) Why is ethical behavior important for accountants? Give examples of how unethical behavior can affect financial reports and companies. (10)

Q.5 B) What are the legal provisions for the buyback of shares under the Companies Act, how does it affect the company's debt –equity ratio? (10)

OR

Q.5 C) Write Short Notes (Any Four) (20)

1. Importance of Learning Ethics
2. Investment Accounting (AS 13)
3. Distinction: Internal vs External Reconstruction
4. Capital vs Revenue Expenditure
5. Whistle-Blowing in Accounting
6. Buy Back of Shares
