

UNIVERSITY PAPER* SOLUTIONS (UPS)

NOVEMBER - 2018

Time : 3 Hours

Total Marks : 100

N.B. (1) All questions are **compulsory**. Questions 2 to 6 have an **internal choice**.

(2) **Figures** to the **right** indicate **full marks**.

(3) Use of simple calculators is **allowed**.

(4) Working notes should **form part** of your answer.

Q.1 (a) : State whether following statements are True or False (Any Ten) : (10)

1. A Debt Equity Ratio after buyback of shares should be maintained up to 2 : 1 as per legal requirement.
2. Reduction in Liability is debited to Capital Reduction A/c.
3. Investment Accounting is governed by AS 13.
4. In personal investment accounting, dividend received on shares for pre-acquisition period is treated as revenue gain.
5. Goodwill is classified as Property, Plant and Equipment under the Companies Act.
6. As per CSR policy it is mandatory for certain companies to spend 5% of their average net profit of three immediately preceding financial years.
7. Law has a legal binding but ethics do not have a binding nature.
8. Consolidation of shares results in profit for a company.
9. Interest paid is disclosed under Finance Cost in Profit and Loss A/c.
10. For a company, dividend paid is an expense.
11. Capital Reduction requires court's sanction.
12. Public deposit is secured loan.

Q.1 (b) : Rewrite the following sentences choosing the correct answer (Any Ten) : (10)

1. Bills receivable is shown under _____ in Balance Sheet. (Trade Receivables / Other Current Assets)
2. Internal reconstruction is done as per section _____ of Companies Act. (319 / 66)
3. Buy-back of equity shares can be of _____ paid up shares. (Fully / Fully and Partly both)
4. Ex-interest price includes _____ only. (Interest / Cost)
5. The term 'Ethics' comes from _____ word. (Greek / Latin)
6. Accounting Standard Board is constituted by _____. (ICWAI / ICAI)
7. The premium received on sale of rights is credited to _____ A/c. (Investment / Profit and Loss)
8. A company cannot buy back more than _____ of its own funds. (10% / 25%)
9. Reconstruction expenses are _____ to Capital Reduction A/c. (Debited / Credited)
10. The final accounts of companies are to be prepared in accordance with the provisions of _____ of Companies Act, 2013. (Schedule III / Schedule IV)
11. Arrears of preference dividend is shown under _____ liabilities. (Current / Contingent)
12. Current investments are valued at cost or market value whichever is _____. (More / Lower)

Q.2 : The following is the Balance Sheet of Mayuresh Ltd. as on 31-3-2018 : (15)

Liabilities	₹	Assets	₹
Share Capital :		Fixed Assets :	
8,00,000 Equity Shares of ₹ 10 each fully paid	80,00,000	Land and Buildings	40,00,000
		Plant and Machinery	36,00,000

* Under the earlier Question Paper Pattern, applicable upto the academic year 2018-19.

Reserves and Surplus :		Furniture and Fixtures	22,00,000
Security Premium	20,00,000	Investments	15,00,000
General Reserves	10,00,000	Current Assets, Loans & Advances :	
Profit and Loss Account	50,00,000	Stock	20,00,000
Secured Loan :		Debtors	40,00,000
10% Debentures	20,00,000	Bills Receivables	10,00,000
Unsecured Loans	20,00,000	Bank	47,00,000
Current Liabilities & Provisions :			
Creditors	20,00,000		
Bills Payable	10,00,000		
Total	2,30,00,000	Total	2,30,00,000

The company decides to buy back the maximum number of equity shares as may be permitted by law at a price of ₹ 20 per share, being the current market price. Investments are sold out at a loss of 20%. You are required to pass journal entries (without narration) in the books of Mayuresh Ltd. assuming that buy back is carried out. Also prepare Notes to Accounts with respect to Reserves and Surplus and Cash and Cash Equivalent as on 31st March, 2018.
(Do not prepare Balance Sheet)

OR

Q.2 : The summarised Balance Sheet of Shalaka Ltd. as on 31-3-2018 is as follows : (15)

Particulars	₹
Share Capital :	
6,00,000 Equity Shares of ₹ 10 each fully paid	60,00,000
Securities Premium	4,00,000
Profit and Loss Account	20,00,000
13% Debentures	28,00,000
Creditors	10,00,000
Total	1,22,00,000
Fixed Assets	67,00,000
Investments	25,00,000
Current Assets	30,00,000
Total	1,22,00,000

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, record the journal entries (without narration) in the books of Shalaka Ltd. Also prepare Notes to Accounts with respect to Share Capital and Reserves and Surplus as on 31st March, 2018. (Do not prepare Balance Sheet.)

Q.3 : The following is the trial balance of Rahul Ltd. as on March 31, 2018 : (15)

Particulars	Debit (₹)	Credit (₹)
Stock	1,25,000	-
Purchase and Sales	3,45,000	4,00,000
Wages	50,000	-
Discount	7,000	5,000
Salaries	7,500	-
Rent	4,950	-
General Expenses	17,050	-
Surplus Account	-	15,030
Interim Dividend Paid	9,000	-
Equity Share Capital : 10,000 Shares of ₹ 10 each	-	1,00,000
Debtors and Creditors	37,500	17,500
Machinery	29,000	-
Cash at Bank	16,200	-
General Reserve	-	1,15,500
Bad Debts	4,830	-
Total	6,53,030	6,53,030

Additional Information :

- (a) Stock on 31st March, 2018 is valued at ₹ 3,00,000.
 (b) Purchases include ₹ 5,000 machinery purchased on 1-10-2017.
 (c) On 31-3-2018 goods worth ₹ 30,000 were sold to a customer. He has taken away the goods. But no entry is recorded.
 (d) Directors proposed 10% final dividend (excluding the interim dividend already paid).
 (e) Provide Income Tax for the year ₹ 30,000.
 (f) Transfer ₹ 20,000 to General Reserve.

Prepare Statement of Profit and Loss and Balance Sheet in vertical format along with notes to accounts after taking into account the above information.

OR

Q.3 (a) : The authorised share capital of Tarzan Ltd. is ₹ 1,00,00,000 divided into 50,000 8% Preference shares of ₹ 100 each and 5,00,000 Equity shares of ₹ 10 each. 50% of each class of shares were issued to the public fully called up. ₹ 20 per share on 1,000, 8% Preference shares and ₹ 2 per share on 20,000 Equity shares was not received. (10)

The company's reserves and surplus was as under :

General Reserve (beginning) stood at ₹ 30,00,000, Profit and Loss Account (beginning) at ₹ 10,00,000. Profit made during the year was ₹ 60,00,000. Interim Dividend paid ₹ 28,00,000. Transfer made to General Reserve was ₹ 20,00,000. Profit and Loss (year-end) stood at ₹ 22,00,000.

Prepare the Note on Share Capital and Reserve and Surplus forming part of the Balance Sheet of the Company.

Q.3 (b) : Z Ltd. has opening balance of ₹ 20,00,000 in its Machinery Account (WDV). Accumulated depreciation at the beginning was ₹ 12,00,000. There was an addition of Machinery of ₹ 10,00,000 at the beginning of the year, while Machinery costing ₹ 5,00,000 was sold at the end of the year. Accumulated depreciation on Machinery sold at the end of the year was ₹ 2,62,500.

Prepare a note on Fixed Assets forming part of the balance sheet of the company if the depreciation is charged for the year @ 15% on original cost. (5)

Q.4 : Mr. Shivom gives you his following details of investment for the year in 12% Debentures of ₹ 100 each in BH Ltd. (15)

Date	Particulars	Numbers of Debentures	Terms
01/04/2017	Balance	2,000	Cost Price ₹ 2,02,000
30/06/2017	Purchased	1,000	₹ 103 Cum-Interest
01/09/2017	Purchased	1,000	₹ 98 Ex-Interest
01/11/2017	Sold	1,200	₹ 102 Cum-Interest
31/12/2017	Sold	200	₹ 104 Ex-Interest
01/02/2018	Purchased	600	₹ 97 Cum-Interest
01/03/2018	Sold	400	₹ 105 Cum-Interest

Interest is payable half yearly on 30th September and 31st March every year. The books of accounts are closed on 31st March every year.

Prepare 12% Debenture Account in the books of Mr. Shivom for the year ended on 31st March, 2018.

OR

Q.4 : Mr. Jinen had 10,000 Equity shares of AP Ltd. on 1st April, 2017. The face value of the share is ₹ 10 each but book value on 1st April, 2017 was ₹ 15 per share.

On 1st May, 2017 he purchased another 2,000 Equity shares in AP Ltd., at a market price of ₹ 13 each.

On 1st June, 2017, he purchased additional 3,000 Equity shares of the same company at a market price of ₹ 5 higher than face value.

On 1st July, 2017 he sold 3,000 Equity shares at ₹ 25 per share.

On 1st October, 2017 the directors of AP Ltd. had declared and issued bonus shares at the rate of one share for every four shares held as on that date.

On 1st December, 2017 he purchased 2,000 Equity shares of AP Ltd. when market price was ₹ 20.

On 1st January, 2018, he purchased 3,000 right shares in AP Ltd. at ₹ 18 per share.

On 1st February, 2018 he sold 2,500 Equity shares for ₹ 25 per share.

Market price of shares on 31st March, 2018 was ₹ 12 per share.

Prepare Equity Shares A/c in Mr. Jinen's books for the year ended 31st March, 2018. (15)

Q.5 : The following is the Balance Sheet of Aarman Ltd. as on 31st March, 2018. (15)

Liabilities	₹	Assets	₹
10% Preference Shares of ₹ 10 each	5,00,000	Goodwill	2,00,000
Equity Shares of ₹ 10 each	10,00,000	Land and Building	10,00,000
10% Debentures	2,00,000	Investments	5,00,000
Creditors	2,00,000	Stock	4,00,000
Other Liabilities	7,00,000	Profit and Loss A/c	4,00,000
		Preliminary Expenses	1,00,000
Total	26,00,000	Total	26,00,000

The scheme of reconstruction as approved by the court was as under :

- Each existing equity share will be written down from ₹ 10 to ₹ 6 fully paid up.
- Each 10% Preference share is to be written down from ₹ 10 to ₹ 8 fully paid up. These Preference shares are to be converted into 12% Preference shares of ₹ 2 each and remaining into Equity shares of ₹ 6 fully paid up.
- 10% Debentureholders agree to waive 20% of their claims.
- Assets are revalued as follows :
Land and Building - ₹ 12,00,000
Stock reduced by 20%
- Creditors are settled as follows :
(a) 30% immediate payment
(b) 20% cancelled
(c) 50% paid by issue of 11% debentures
- All fictitious and intangible assets are to be written off.
- 10,000 Equity shares of ₹ 6 each were issued to public for cash, which were fully subscribed.

You are required :

Prepare Capital Reduction A/c and show the extract of asset forming part of balance sheet along with notes to accounts of Aarman Ltd. after reconstruction.

OR

Q.5 : The following is the Balance Sheet of Godfrey Ltd. as on 31st March, 2018. (15)

Liabilities	₹	Assets	₹
5,000, 6% Preference Shares of ₹ 100 each fully paid up	5,00,000	Goodwill	80,000
40,000 Equity Shares of ₹ 10 each fully paid up	4,00,000	Patents and Trade Marks	20,000
Capital Reserve	25,000	Building	2,15,000
5% Debentures of ₹ 100 each	2,00,000	Plant and Machinery	2,55,000
Accrued Interest on Debentures	30,000	Furniture	60,000
Creditors	1,55,000	Stock	90,000
		Debtors	75,000
		Cash at Bank	12,500
		Cash in Hand	2,500
		Profit and Loss A/c	4,00,000
		Preliminary Expenses	1,00,000
Total	13,10,000	Total	13,10,000

Note : The Preference Dividend is in arrears for 3 years.

It was decided to reconstruct the company for which the following scheme was approved by the court.

- The assets are to be revalued as follows :
Building ₹ 2,50,000
Plant and Machinery ₹ 2,25,000
Furniture and Fixtures ₹ 55,000

Stock	₹ 80,000
Debtors	₹ 70,000

- Intangible and fictitious assets are to be written off completely.
- The Preference Shares shall be converted into 7% Preference Share of ₹ 50 each, number of shares being the same.
- The Equity Shares shall be reduced to ₹ 3 each.
- The 5% Debentures shall be converted into equal number of 6% Debentures of ₹ 75 each.
- The Debentureholders also agreed to waive 50% of the accrued interest.
- Arrears of Preference Dividend to be cancelled.
- The Creditors agreed to waive 30% of their claims and to accept Equity shares for ₹ 30,000 in part settlement of their renewed claims.

Draft journal entries (without narration) and give an extract of Balance Sheet to show Shareholders Funds.

Q.6 (a) : What do you mean by Ethics ? Describe its features and scope. (10)

Q.6 (b) : Give disclosure of "Non-Current Investments" of a company as per Schedule III. (10)

OR

Q.6 : Write short notes on the following : (Any 4) (20)

- Factors affecting Ethical Behaviour
- Disclosure of share Capital in Company Balance Sheet
- Methods of Internal Reconstruction
- Benefits of Buy Back
- Contingent Liabilities.

MAY - 2019

Time : 3 Hours

Total Marks : 100

Q.1 (a) : State whether following statements are **True** or **False** (Any Ten) : (10)

1. In Fixed Assets Note, Opening Net Block = Opening Gross Block - Opening Depreciation.
2. Shareholders Funds are always non-current Liabilities.
3. Goodwill is classified as Fixed Asset under Schedule III of the Companies Act.
4. Security Premium can be transferred to Capital Reduction Account.
5. A company can subdivide shares of large denomination into shares of smaller denomination.
6. After buyback of equity shares, the debt equity ratio should not exceed 2 : 1.
7. Only fully paid up equity shares can be bought back.
8. Interest is calculated on Market Value of securities.
9. Ex-Interest price Less Accrued Interest = Cost of the investment.
10. Corporate Social Responsibility policy to be undertaken by the company are specified in the Companies Act, 2013.
11. The Professional Code of Ethics is voluntary for professional body members.
12. Lowest degree of accountants' ethical behaviour leads to creative accounting.

Q.1 (b) : Match the following Column A with Column B (Any Ten) : (10)

Column A	Column B
1. Sundry Creditors	(a) Company liquidated
2. Current Assets	(b) Variable Income bearing Securities
3. Internal Reconstruction	(c) Shares of ₹ 1 each converted into shares of ₹ 10 each
4. Consolidation	(d) is credited to Profit and Loss A/c
5. No Journal entry is required	(e) Investment Accounting
6. Surrender of Shares	(f) for cancelling un-issued Shares
7. Equity Shares	(g) Source of Buy-Back
8. Profit on Sale of Investments	(h) Giving up possession of Shares
9. Accounting Standard 13	(i) Current Liabilities
10. One of the objective of Buy-Back of Equity Shares	(j) Rules expected to be followed by all
11. Free Reserve + Securities Premium	(k) Advance recoverable in Cash
12. Ethics	(l) Increase in the earning per share
	(m) Company is not liquidated
	(n) Rules that must be followed by all

Q.2 : Following is the Summarised Balance Sheet of Tiger Limited as on 31-3-2018. (15)

Liabilities	₹	Assets	₹
6,000 10% Cumulative Preference Shares of ₹ 100 each, fully paid up	6,00,000	Goodwill	2,00,000
15,000 Equity Shares of ₹ 100 each, fully paid up	15,00,000	Building	19,50,000
Loans	2,22,000	Machinery	70,000
Creditors	7,50,000	Debtors	2,88,000
	30,72,000	Stock	4,00,000
		Cash and Bank Balance	1,26,000
		Profit and Loss Account	38,000
			30,72,000

Note : Preference dividend was in arrears for 2 years.

The Board of Directors of the company decided to go for internal reconstruction, which was approved by the court and carried on as follows :

1. Paid up value of Equity Shares shall be reduced by 50%, face value being ₹ 100.

2. The machinery was revalued at ₹ 90,000.
3. The value of stock was reduced by ₹ 1,00,000.
4. Building shall be written down to ₹ 15,50,000.
5. Creditors agreed to forego their claims by 10%.
6. Loan was fully settled for ₹ 2,00,000.
7. Intangible and fictitious assets to be written off.
8. Cost of reconstruction expenses was paid ₹ 5,000.
9. Arrears of preference dividend are to be settled by issuing 13% debentures of ₹ 100 each fully paid with regard to 80% of their dues and for the balance equity shares of ₹ 100 each (₹ 50 paid up) shall be issued.
10. Preference share are to be converted into 13% debentures of ₹ 100 each fully paid with regard to 80% of their dues and for the balance equity shares of ₹ 100 each (₹ 50 paid up) shall be issued.
11. All equity shareholders agreed to pay the balance amount, making shares fully paid.

You are required to :

- (i) Pass Journal Entries in the books of the Company (Narration not required).
- (ii) Prepare Capital Reduction A/c.

Ans.: Refer Chapter 2, Illustration 9.

OR

Q.2 : The Balance Sheet of Aza Ltd. as on 31st March, 2018 :

(15)

Liabilities	₹	Assets	₹
10,000 6% Preference Shares of ₹ 100 each, fully paid up	10,00,000	Goodwill	1,60,000
80,000 Equity Shares of ₹ 10 each, fully paid up	8,00,000	Patents and Trade Marks	40,000
Capital Reserve	50,000	Building	4,30,000
5% Bank Loan	4,00,000	Plant and Machinery	5,10,000
Accrued Interest on Bank Loan	60,000	Furniture	1,20,000
Creditors	3,10,000	Stock	1,80,000
		Debtors	1,50,000
		Cash at Bank	25,000
		Cash in Hand	5,000
		Profit and Loss Account	8,00,000
		Share Issue Expenses	2,00,000
	26,20,000		26,20,000

Note : The Preference dividend is in arrears for 4 years.

It was decided to reconstruct the Company for which the following scheme was approved by the Court.

1. The 6% Preference Shares shall be converted into 7% Preference Share of ₹ 50 each, the number of preference shares remaining the same.
2. The Equity Shares shall be reduced to ₹ 3 each.
3. The amount of bank loan shall be converted into 6% Debentures at 75% of its book value.
4. 50% of the accrued interest on bank loan is waived off.
5. Arrears of Preference Dividend to be cancelled.
6. Intangible and fictitious assets are to be written off completely.
7. The Creditors agreed to waive 30% of their claims and to accept equity shares for ₹ 60,000 in part settlement of their renewed claims.
8. The assets are to be revalued as follows :

Building	₹ 5,00,000
Plant and Machinery	₹ 4,50,000
Furniture and Fixtures	₹ 1,10,000
Stock	₹ 1,60,000
Debtors	₹ 1,40,000

Give Journal Entries (without narration) and show Notes to Accounts on Share Capital and Reserves and Surplus forming part of Balance Sheet after reconstruction.

Ans: Self-Practice. (Similar to Chapter - 2, Illustration No. 8 and Q. 5)

Q.3 : The following are the balances extracted from the books of Nayantara Ltd. as on 31st March, 2018 : (15)

Particulars	Dr. ₹	Particulars	Cr. ₹
Premises	18,00,000	Provision for Depreciation on	
Furniture	43,200	- Premises	36,000
Calls-in-Arrears	45,000	- Machinery	99,000
Plant and Machinery	19,80,000	- Furniture	7,200
Interim Dividend Paid	2,25,000	10% Bank Loan (Long Term)	18,00,000
Sundry Debtors	5,22,000	Surplus A/c (Opening Balance)	87,000
Goodwill	2,28,000	Profit for the year	4,50,000
Cash and Bank Balance	2,28,200	Sundry Creditors	3,00,000
Stock	2,69,350	Bills Payables	2,28,000
		General Reserve	1,50,000
		Provisions for Doubtful Debts	24,900
		Equity Paid up Capital	21,00,000
		Outstanding Salaries	3,000
		Outstanding Directors Fees	1,650
		Outstanding Debenture Interest	54,000
	<u>53,40,750</u>		<u>53,40,750</u>

Additional Information :

- The authorised capital of the company was ₹ 36,00,000 in Equity Shares of ₹ 100 each.
- The company proposed a final dividend of 10% (excluding interim dividend paid).
- Sundry Debtors include ₹ 50,000 due for more than six months.
- 10% Bank Loan is secured against Premises.
- Sundry Creditors include ₹ 60,000 for expenses.

You are required to prepare the Balance Sheet of Nayantara Ltd. in vertical format along with its notes to accounts as at 31st March, 2018.

Ans: Self-Practice. (Similar to Chapter - 1, Illustration No. 26)

OR

Q.3 : The following is the trial balance of Payal Ltd. as on 31st March, 2018. You are required to prepare a statement of Profit and Loss in vertical format along with its notes to accounts as on that date. (15)

Debit Balances	₹	Credit Balances	₹
Calls-in-Arrears	10,000	30,000 Equity Shares of ₹ 10	
Building	2,00,000	each, fully called up	3,00,000
Machinery	1,50,000	Surplus A/c (1-4-2017)	1,20,000
Bills Receivables	6,200	Capital Redemption Reserve	1,50,000
Investment	50,000	Sales	3,50,000
Sundry Debtors	79,800	Commission	400
Bad Debts	500	Provision for Bad Debts	800
Printing and Stationery	8,000	Sundry Creditors	28,700
Freight Outward	6,000	Bills Payable	10,000
Wages	11,200		
Salaries	18,700		
Rent	7,500		
Advertisement	12,000		
Purchases	80,000		
Cash at Bank	1,00,000		
Cash on Hand	70,000		
Opening Stock	1,50,000		
	<u>9,59,900</u>		<u>9,59,900</u>

Additional Information :

- Charge depreciation - Building at 5%, Machinery at 10%.
- Write off further ₹ 1,000 and make 5% provision for bad debts.
- Bills Receivable included dishonoured bill of ₹ 1,200 not yet recorded.

- Goods destroyed by fire were ₹ 3,000 and insurance company accepted claim for ₹ 1,800 only.
- Goods costing ₹ 1,500 sent on sale or return basis for which no intimation is received from customer, have been treated as sales at a price of ₹ 2,000.
- 20% dividend is proposed after transfer of ₹ 40,000 to tax provision.
- Stock as on 31st March, 2018 was ₹ 1,20,000.

Ans: Refer Chapter - 1, Illustration No. 26.

Q.4 : On 1-4-2017 Dr. Jude holds 2,000 10% Debentures of ₹ 100 each in JR Ltd. at a cost of ₹ 2,50,000. During the year he purchased and sold debentures as follows : (15)

- On 1-6-2017, 1,000 10% Debentures of ₹ 100 each are purchased cum-interest at a cost of ₹ 1,06,000.
- On 1-11-2017, 1,200 10% Debentures of ₹ 100 each are purchased ex-interest at a cost of ₹ 1,17,600.
- On 30-11-2017, 1,000 10% Debentures of ₹ 100 each are sold ex-interest at a cost of ₹ 1,20,000.
- On 1-12-2017, 1,500 10% Debentures of ₹ 100 each are sold cum-interest at a cost of ₹ 1,47,000.
- On 1-2-2018, 500 10% Debentures of ₹ 100 each are purchased cum-interest at a cost of ₹ 51,000.
- Interest is payable on 30th June and 31st December every year. The Books of accounts are closed on 31st March every year.

Prepare 10% Debenture Account in the books of Dr. Jude for the year ending on 31st March, 2018. Ans: Self Practice.

OR

Q.4 : Ms. Barkha gives you her following details of investment in equity shares of MP Ltd. having face value of ₹ 10 each. (15)

Date	Particulars	Numbers of Equity Shares	Market Price
20/05/2017	Purchased	100	15
25/06/2017	Purchased	200	18
30/07/2017	Purchased	300	20
16/08/2017	Sold	200	25
18/09/2017	Sold	100	23
10/10/2017	Bonus Issue	One share for three held	12
22/02/2018	Purchased	200	22

On 21st March, 2018 the company announced right issue of equity shares in the ratio of 3 : 2. She purchased all right issues at market price of ₹ 24 per share. Market Price of shares on 31st March, 2018 is ₹ 16.

Prepare Equity Shares Account in Ms. Barkha's books for the year ended 31st March, 2018. Ans: Self Practice.

Q.5 : The summarised Balance Sheet of Bhagya Ltd. as on 31-3-2018 is as follows : (15)

Particulars	₹
Share Capital :	
Equity Shares of ₹ 10 each fully paid	1,00,00,000
Securities Premium	5,00,000
General Reserve	20,00,000
Profit and Loss Account	25,00,000
12% Debentures	40,00,000
Bank Loan	10,00,000
Trade Payables	40,00,000
Total	1,90,00,000
Fixed Assets (Net Block)	
Long Term Investments	60,00,000
Cash at Bank	50,00,000
Other Current Assets	30,00,000
Total	1,90,00,000

The company decided to buy back 1,00,000 equity shares of ₹ 10 each at an offer price of ₹ 30 per share. For this purpose the company took the following steps :

- Issued 3,000 8% Preference Shares of ₹ 100 each at a premium of 5%.
 - Sold 70% of investments at a profit of 10%.
- Pass Journal Entries in the books (without narration) of the company and prepare Notes to Accounts with respect to Share Capital, Reserves and Surplus and Cash and Cash Equivalents as on 31st March 2018. (Do not prepare Balance Sheet). Ans: Self Practice.

Q.5 : The following is the Balance Sheet of Suyash Ltd. as on 31-3-2018 : (15)

Liabilities	₹	Assets	₹
Share Capital :		Fixed Assets :	
Authorised :		Land and Building	30,00,000
10,00,000 Equity Shares of ₹ 10 each	1,00,00,000	Plant and Machinery	30,00,000
Issued :		Furniture	22,00,000
8,00,000 Equity Shares of ₹ 10 each, ₹ 8 paid up	64,00,000	Investments	15,00,000
Reserves and Surplus :		Current Assets, Loans and Advances :	
Security Premium	20,00,000	Stock	19,00,000
General Reserves	15,00,000	Accounts Receivables	58,00,000
Profit and Loss Account	45,00,000	Bank	40,00,000
Secured Loan :			
11% Debentures	35,00,000		
Unsecured Loans :			
Bank Term Loan	15,00,000		
Current Liabilities and Provisions :			
Accounts Payable	20,00,000		
	2,14,00,000		2,14,00,000

The company decides to buy back the maximum number of equity shares as may be permitted by law at a price of ₹ 15 per share. Find out maximum number of shares to be bought back and pass Journal Entries (without narration) in the books of Suyash Ltd. and prepare Notes to Accounts with respect to Share Capital and Cash and Cash Equivalent as on 31st March 2018. (Do not prepare Balance Sheet)

Ans: Refer Chapter 3, Illustration No. 20.

- Q.6 (a) What is Ethical Behaviour ? Explain the principles of Accounting Ethics. (10)
 (b) Distinguish between Internal and External Reconstruction. (10)

OR

Q.6 : Write Short Notes on (Any Four) : (20)

- Conditions for Buyback of Shares
- Meaning and Types of Whistle Blowing
- Need for Reconstruction of a Company
- Outstanding Expenses and Prepaid Expenses
- Ex and Cum-Interest Purchase Price
- Laws and Ethics

Time : 3 Hours

Total Marks : 100

Q.1 (a) : State whether following statements are True or False (Any Ten) : (10)

- The buy back of shares has to be authorised by articles of association.
- Internal reconstruction involves reduction in capital.
- Amount paid on forfeited shares is added to paid-up capital in the balance sheet.
- When the rights are sold without subscribing, no entry is made in Investment A/c.
- Equity shares can be bought-back out of free reserves.
- Capital reserve is a non-free reserves.
- Any company can undertake capital reduction.
- Liability in respect of bills discounted is not an example of contingent liability.
- Short-term investments are carried at its cost price only.
- No company shall buy back its own shares unless the buyback is less than 10% of the total paid-up capital and free reserves of the company.
- In internal reconstruction, amount of shares surrendered by shareholders is transferred to General Reserve Account.
- In ethical views, ethics remain same at all the time and every place.

Q.1 (b) : Rewrite the following sentences choosing the correct answer (Any Ten) : (10)

- As per AS 13, the cost of investment sold is to be calculated as per _____ method. (FIFO, LIFO, weighted average, simple average)
- The components of workplace ethical behaviour are _____. (honesty, legality, disclosure, all of these)
- The carrying amount of long term investment is to be shown at _____. (cost, market value, face value, cost or market value whichever is lower)
- Charging cost of family dinner to the company is _____. (misappropriation of assets, fraudulent reporting, ethical reporting, all of these)
- The amount not collected by shareholders should be shown as _____. (current liabilities, capital reserve, share capital, reserve capital)
- Before buyback, all the shares must be _____. (partly paid up, fully paid up, fully subscribed, forfeited)
- The ethical issues faced by the accountants include _____. (accuracy, accountability, values and moral, all of these)
- Payment of dividend is based on _____ capital. (paid up, authorised, issued, reserve)
- Schedule III of Companies Act, 2013 requires profit and loss account to be prepared in _____. (horizontal form, vertical form, convenient form, columnar form)
- Interim dividend of a company can be declared by _____. (shareholders, board of directors, managing director, SEBI)
- The scheme of Internal reconstruction required sanction from _____. (shareholders, articles of association, court, all of these)
- Z Ltd. has 8,000 equity shares of ₹ 100 each fully paid. Each share is sub-divided into equity shares of ₹ 10 each. The number of shares after sub-division will be _____. (8,000, 80,000, 75,000, 60,000)

Q.2 : The following is the Balance Sheet of Falguni Limited as on 31st March, 2018. (20)

Liabilities	₹	Assets	₹
Share Capital :		Land and Building	6,50,000
1,00,000 Equity Shares of ₹ 10 each	10,00,000	Plant and Machinery	6,00,000
₹ 100 each	4,00,000	Furniture	35,000
		Goodwill	25,000

Bank Overdraft	7,50,000	Patent	15,000
Sundry Creditors	50,000	Stock	80,000
Bills Payable	1,40,000	Sundry Debtors	90,000
	60,000	Bills Receivable	15,000
		Profit and Loss A/c	8,00,000
		Preliminary Expenses	90,000
	24,00,000		24,00,000

The Shareholders and the Board of Directors sanctioned the scheme of reconstruction and the following adjustment should be considered. Preference dividend are in arrears for four years.

- The preference shares are to be reduced to ₹ 50 each and equity shares to ₹ 2 each.
- Of the preference dividend in arrears 75% to be waived and remaining to be paid in cash.
- The debenture holders to take over plant and machinery at ₹ 6,50,000 in part satisfaction of their claim and balance amount due to them to be converted to 13% debentures.
- Bills payable to be paid off and the creditors agreed to waive ₹ 20,000.
- All intangible and fictitious assets to be written off.
- The following assets to be valued as follows : Furniture ₹ 30,000, Stock ₹ 60,000, Land and Building ₹ 6,00,000, Sundry Debtors ₹ 70,000.
- The company obtained a secured loan of ₹ 1,50,000 at the rate of 12% interest by mortgaging land and building, for repayment of bank overdraft, bills payable and reconstruction expenses amounted to ₹ 20,000.

Pass necessary journal entries to record the above scheme and prepare Capital Reduction Account and Balance Sheet after Reconstruction.

OR

Q.2 : Following is the summarised Balance Sheet of Solar Electronics Limited as on 31st March, 2019. (20)

Liabilities	₹	Assets	₹
Share Capital Authorised :		Equipments	12,00,000
1,00,000 Equity Shares of ₹ 10 each	10,00,000	Computer Software	4,00,000
Issued :		Loans and Advances	3,00,000
40,000 Equity Shares of ₹ 10 each	4,00,000	Trade Receivables	1,50,000
Reserves :		Factory Building	6,00,000
General Reserves	4,00,000	Security Deposit	1,50,000
Profit and Loss Account	6,00,000	Cash on Hand	7,00,000
Securities Premium	2,00,000	Balance with Banks	2,00,000
11% Debentures	14,00,000		
Bank Term Loan	6,00,000		
Creditors	1,00,000		
	37,00,000		37,00,000

The company decided to buyback the maximum number of equity shares at the maximum possible price under the law as on 31st March, 2019.

Assuming that the buyback of shares is duly authorised by its articles and necessary resolution is passed by the company towards this buyback.

Pass necessary Journal Entries in the books of the company. Also prepare Notes to Accounts with respect to Share Capital and Reserves and Surplus as they would appear in Notes forming part of Balance Sheet of the Company as on 31st March, 2019. (Do not prepare Balance Sheet)

Q.3 : Following is the Trial Balance of Devakinandan Ltd. as on 31st March, 2019. (20)

Particulars	Debit ₹	Credit ₹
20,000 Equity Shares of ₹ 100 each fully paid up		20,00,000
10,000 10% Preference Shares of ₹ 100 each		10,00,000
General Reserve		1,00,000
Public Deposits		25,000
8% Debentures of ₹ 100 each fully paid up		10,00,000
Profit & Loss Account (Cr.)		1,50,000
Provision for Tax		25,000

Sundry Creditors	75,000	
Bills Payables	25,000	
Advance Received from Customer	12,000	
Bank Overdraft (State Bank of India)	35,000	
Loan from IDBI	1,28,500	
Fixed Assets (Net Block)	38,70,000	
Investment in Shares of TCS Ltd.	3,25,000	
Stock on 31st March 2019	1,20,000	
Bank Balance with Bank of Maharashtra	1,20,000	
Cash in Hand	27,500	
Advance to Supplier	40,000	
Short-term Investments	20,000	
Bills Receivables	18,000	
Sunday Debtors	35,000	
	45,75,500	45,75,500

Additional Information :

1. Authorised share capital of the company is divided into 50,000 equity shares of ₹ 100 each and 20,000 10% Preference shares of ₹ 100 each.
2. Debentures are secured against the fixed asset of the company.
3. Debtors includes debtors ₹ 7,500 which are due for more than six months.
4. Stock on 31 March 2019 includes following :

Raw Material	₹ 35,000
Finished Goods	₹ 65,000
Work in Progress	₹ 20,000
5. Preference dividend for last five years is in arrears.
6. Creditors includes creditors for expenses ₹ 4,500.
7. Bills Receivables includes a dishonoured bill of ₹ 2,000.

On the basis of given information prepare balance sheet as on 31st March, 2019 as per revised schedule III of Companies Act.

OR

Q.3 (a) : Following information is available from the books of Pranali Ltd.

(10)

80,000 Equity Shares of ₹ 10 each ₹ 8 paid-up	6,40,000
General Reserve	1,00,000
Profit and Loss Account	4,60,000
Securities Premium	2,40,000
10% Debentures	2,00,000
Secured Long-term Loan	2,00,000

Keeping in view all the legal requirements ascertain :

- (a) Maximum number of Equity Shares which company can buy back at offer price of ₹ 25 per share.
- (b) Prepare notes to accounts of Reserve and Surplus.

Q.3 (b) : On 1/4/2018 Sanket had 50,000 equity shares in Tata Ltd. The face value was ₹ 10 each but the book value was ₹ 24 per share.

On 1/6/2018 he purchased 10,000 Equity shares in Tata Ltd. at a premium of ₹ 6 per share.

On 1/7/2018 the directors of Tata Ltd. issued bonus shares at the rate of one share for every three shares held.

On 1/1/2019 he purchased 5,000 Right shares in Tata Ltd. ₹ 10 each at ₹ 15 per share.

On 31/1/2019 he sold 20,000 Equity shares in Tata Ltd. of ₹ 10 each at ₹ 30 per share.

Prepare Investment in Equity Shares of Tata Ltd. Account as it would appear in Sanket's books for the year ended 31st March, 2019.

Q.4 : During the year ended 31st March 2019, Mr. Ravi bought and sold the following 12% Debentures of ₹ 100 each of ABC Ltd. Interest being payable by ABC Ltd. on 1st April and 1st October each year.

(20)

Date	Particulars
1/6/18	Bought 1050 debenture at ₹ 95 ex-interest
1/9/18	Bought 350 debentures at ₹ 90 cum-interest
1/12/18	Sold 700 debentures at ₹ 95 ex-interest
1/2/19	Bought 500 debentures at ₹ 96 ex-interest

Books are closed on 31st March every year. Market price on 31st March, 2019 was ₹ 90 per debenture. You are required to prepare investment in 12% debenture in ABC Ltd. Account for the year. Apply AS-13.

OR

Q.4 (a) : From the following Trial Balance as at 31.3.2019 of Mr. Ganesh Modak Ltd., and the adjustments given prepare the final accounts of the company.

Particulars	Dr. ₹	Cr. ₹
Called-up Capital 15,000 shares of ₹ 10 each		
Securities Premium		1,50,000
Capital Reserve		30,000
General Reserve		17,500
Stock as on 1.4.2018		35,000
Purchases and Sales	1,00,000	
Return Inwards and Return Outwards	5,12,500	7,20,000
Profit and Loss Statements 1.4.2018	7,500	12,500
Plant and Machinery		7,500
Building		75,000
Motor Van		1,00,000
Debtors and Creditors		50,000
Bank Interest (paid and received)	81,500	50,000
Loan from Bank (Secured)		3,000
Bill Payable		62,500
Cash at Canara Bank	20,000	
Cash in Hand	2,250	
Share issue Expenses	15,000	
Manufacturing Wages	45,000	
Gas and Fuel	30,000	
Directors Fees	5,000	
Auditors Fees	3,000	
Administrative Expenses	15,000	
Salaries	25,000	
Insurance	3,750	
Maintenance of Motor Van	6,250	
	10,99,750	10,99,750

Closing Stock as on 31.3.2019 was ₹ 1,57,500.

You are asked to prepare the balance sheet of Mr. Ganesh Modak Ltd. as on 31st March, 2019, giving the information required by the companies Act of 2013.

(10)

Q.4 (b) : Following is the balance sheet of Nilesh Ltd. as on 31st March, 2018.

Liabilities	₹	Assets	₹
11,200 Equity Shares of ₹ 100 each	11,20,000	Buildings	7,50,000
9% Preference Shares of ₹ 100 each	3,50,000	Machinery	4,40,000
10% Debentures	2,80,000	Cash	5,02,000
Creditors	1,75,000	Inventory	2,27,000
Bank Overdraft	1,75,000	Debtors	1,44,000
		Preliminary Expenses	20,000
		Profit and Loss Account	17,000
	21,00,000		21,00,000

The board of directors decided to go in for internal Reconstruction with the approval of the shareholders. Following adjustments should be considered.

1. Equity share is reduced to ₹ 70 each and preference shares reduced by ₹ 20 each.

2. Preference dividend and debenture interest is outstanding for current year and it is to be paid off immediately.
3. Machinery is to be valued at ₹ 4,50,000.
4. Bank waived ₹ 20,000
5. Write-off Fictitious Assets

Pass necessary Journal Entries in the book of Nilesh Limited.

Q.5 (a) : Discuss the implications of unethical behaviour for financial reports. Explain the effects of unethical behaviour on financial reporting. (10)

Q.5 (b) : Discuss and explain the principles versus rule based approaches of ethical behaviour. (10)

OR

Q.5 : Write short notes on the following : (Any 4) (20)

- (a) CSR
- (b) Disclosure of Tangible Assets in Company Balance Sheet
- (c) Internal Reconstruction Vs. External Reconstruction
- (d) Maximum Limits on Buyback
- (e) Principle Based Approach to Professional Code of Ethics
- (f) Pre-acquisition Dividend