Program: T.Y.B.Com (A&F) Semester: V Program Code: UGAF03

Course: Financial Accounting-V Course Code: NUAF501

Duration: 2 Hours Examination Pattern: NEP-Autonomous-External Max. Marks: 60

Instructions:

1. All questions are compulsory.
2. Figures to the right indicate full marks.
3. Draw neat diagrams wherever necessary.
4. CO (Course Outcome), KL (Knowledge Level).

Examination:

REGULAR

Q. 1		Attempt of the following.					[15]	CO's	KL's
	(a)	**Fill in the blanks with an appropriate answer from the alternatives given.**					(08)		
		I	A company buys back 20,000 equity shares of ₹10 each at ₹12 per share. What is the premium payable on buy-back?					CO1, CO2, CO3, CO4, CO5	L3
			a.	₹20,000	b.	₹40,000			
			c.	₹2,00,000	d.	₹2,40,000			
		II	A company has 2,00,000 equity shares of ₹10 each. It buys back 20% of the shares at ₹15 per share. What is the total buy-back consideration?						
			a.	₹4,00,000	b.	₹6,00,000			
			c.	₹5,00,000	d.	₹10,00,000			
		III	A company has 1,00,000 equity shares of ₹10 each. The shares are reduced to ₹7 each. The amount credited to Capital Reduction Account is_____.						
			a.	₹1,00,000	b.	₹3,00,000			
			c.	₹2,00,000	d.	₹7,00,000			
		IV	A company's accumulated losses are ₹3,00,000 and its fictitious assets are ₹1,00,000. If these are written off through a reconstruction scheme, the amount required from Capital Reduction Account is_____.						
			a.	₹2,00,000	b.	₹4,00,000			
			c.	₹3,00,000	d.	₹5,00,000			

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		V	A company issues 1,00,000 shares. An underwriter guarantees the entire issue. Applications received are 80,000 shares. What is the underwriter's liability?						
			a.	10,000 shares	b.	20,000 shares			
			c.	80,000 shares	d.	1,00,000 shares			
		VI	A company issues 2,00,000 shares. Underwriter A underwrites 60% and Underwriter B underwrites 40%. Applications received are 1,50,000 shares, with no marked applications. What is the net liability of A?						
			a.	40,000 shares	b.	30,000 shares			
			c.	50,000 shares	d.	60,000 shares			
		VII	A liquidator is entitled to commission of 3% on assets realised. If assets realised amount to ₹10,00,000, what is the commission?						
			a.	₹3,000	b.	₹30,000			
			c.	₹33,000	d.	₹3,00,000			
		VIII	A liquidator realises assets of ₹12,00,000. Liquidation expenses are ₹50,000 and preferential creditors are ₹2,00,000. How much remains for distribution to other creditors?						
			a.	₹10,00,000	b.	₹9,50,000			
			c.	₹9,00,000	d.	₹10,50,000			
	(b)	**State whether the following statements are true or false.**					(07)		
		I	Buy-back means purchase of its own shares by a company.						
		II	A company can buy back its own equity shares subject to the provisions of the Companies Act.					CO1,	
		III	Buy-back results in reduction of the number of outstanding shares.					CO2,	L1
		IV	Capital Reduction Account is used in accounting for certain internal reconstruction adjustments.					CO3,	
		V	Accumulated losses may be written off under a scheme of internal reconstruction.					CO4,	
		VI	Underwriting commission is paid to the underwriter for providing underwriting services.					CO5	
		VII	A liquidator is appointed to carry out the process of liquidation.						

Q. 2		Attempt any ONE of the following.	[15]	CO's	KL's
	(a)	Following is the Balance Sheet of Creative Ltd. as on 31-3-2013 :		CO2	L6

Liabilities	₹	Assets	₹
Equity Shares of ₹ 10 each	3,00,000	Net Block of Fixed Assets	9,00,000
Preference Shares of ₹ 10 each	1,00,000	Long Term Investments	1,00,000
Securities Premium	1,00,000	Bank Balance	10,50,000
General Reserve	1,00,000		
Profit and Loss Account	1,00,000		
Debentures	8,00,000		
Trade Payables	5,00,000		
Total	**20,50,000**	**Total**	**20,50,000**

Keeping in view all the legal requirements, ascertain the maximum number of equity shares that Creative Ltd. can buy back @ ₹ 30 per share, being the current market price.

Pass necessary journal entries.

OR

(b) M/s Unwell Ltd. has incurred heavy losses since past few years. The company adopted a scheme of reconstruction on the basis of following summarised Balance Sheet. CO4 L6

Summarised Balance Sheet of Unwell Ltd. as on 31st March 2014

Particulars	₹
Liabilities :	
Equity Share Capital :	
1,60,000 Shares of ₹ 10 each fully paid	16,00,000

Preference Share Capital :	
4,000, 10% Shares of ₹ 100 each fully paid	4,00,000
10% Debentures	20,00,000
Interest accrued and due on debentures	2,00,000
Creditors	8,00,000
Bills Payable	1,00,000
Outstanding Audit Fees	1,00,000
Total	**52,00,000**
Assets :	
Land and Building	12,20,000
Furniture	4,00,000
Computer	6,00,000
Debtors	6,00,000
Stock	80,000
Bills Receivable	5,00,000
Cash at Bank	3,60,000
Share Issue Expenses	40,000
Profit and Loss Account (Dr. Balance)	14,00,000
Total	**52,00,000**

The following scheme of reconstruction was approved by the court:

1. 10% Preference Shares to be reduced by ₹ 20 per share.
2. Equity Shares to be reduced by ₹ 5 per share.
3. Debentureholders agreed to settle their claim fully by issue of New 11% Debentures of ₹ 14,00,000. They also agree to forgo 50% of their interest. The payment of remaining 50% of interest to be made immediately.
4. Computer was to be written down by ₹ 40,000.
5. Land and Building and Furniture to be appreciated by 10%.
6. Stock to be appreciated by ₹ 60,000.
7. Fictitious Assets and debit balance of Profit and Loss Account to be written off.
8. Cost of Reconstruction was ₹ 50,000.
9. 75% of the Creditors agreed to forgo their claims by 10%.
10. Reduce Debtors by ₹ 70,000.

		You are required to pass journal entries to record the above transactions and prepare the Capital Reduction Account in the books of M/s Unwell Ltd.			
Q. 3		**Attempt any ONE of the following.**	**[15]**	**CO's**	**KL's**
	(a)	TM Ltd. went in for liquidation on 31st March, 2017.The Balance Sheet of the company as at 31-3-2017 is given below:		**CO5**	**L6**

Liabilities	**₹**	**Assets**	**₹**
Share Capital:		Freehold Property	11,85,000
1,00,000 Equity Shares of ₹ 10 each fully paid up	10,00,000	Plant	6,03,000
10% Preference Shares of ₹ 100 each fully paid up	12,00,000	Motor Vehicles	1,15,000
Securities Premium	1,00,000	Stock	3,72,000
5% Debentures	2,00,000	Sundry Debtors	1,48,000
Interest on Debentures	5,000	Profit & Loss A/c	4,28,000
Bank Overdraft	1,16,000		
Sundry Creditors	2,30,000		
Total	**28,51,000**	**Total**	**28,51,000**

The preference dividends are in arrear for the years 2015-16 and 2016-17. The Company's Articles provide that on liquidation, out of surplus assets remaining after payment of liquidation costs and outside liabilities, it shall be applied firstly towards arrears of preference dividend, secondly to preference shareholders with a premium thereon at ₹ 10 per share and finally any residue shall be paid to the equity shareholders.

The liquidator realised the assets as below:

Particulars	**₹**
Freehold Property	14,25,000
Plant	5,05,000
Motor Vehicles	1,18,000
Stock in Trade	3,00,000
Sundry Debtors	1,20,000

Creditors were paid less discount of 5%. Debentureholders were paid alongwith accrued interest upto 30-6-2017. Liquidators remuneration is 2% of the assets realised and cost of liquidation was ₹ 7,640.

Prepare the Liquidator's Statement of Account.

OR

(b) The following are the Summary Balance Sheets as on 31-3-2012 of Nisha Ltd. and Usha Ltd.

Liabilities	Nisha (Rs.)	Usha (Rs.)	Assets	Nisha (Rs.)	Usha (Rs.)
Equity Share Capital (₹100 per share)	2,00,000	1,20,000	Land & Building	70,000	—
15% Debentures	40,000	—	Plant & Machinery	2,20,000	1,00,000
Reserve Fund	76,000	5,000	Stock	35,000	18,000
Employee's Provident Fund	6,000	—	Debtors	25,000	16,000
Sundry Creditors	30,000	16,000	Bank	6,000	2,000
Profit & Loss A/c	4,000	—	Misc. Expenses not Written Off	—	5,000
Total	**3,56,000**	**1,41,000**	**Total**	**3,56,000**	**1,41,000**

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

The authorised capital of Ujala Ltd. is Rs 20,00,000 consisting of 2,00,000 Equity shares of Rs 10 each.

CO3 L6

		The assets of Nisha 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 Ujala Ltd. in its fully paid shares at 10% premium. In return of Debentures of Nisha Ltd., Debentures of the same amount and denomination are to be issued by Ujala Ltd. Close the books of Nisha Ltd. and Usha Ltd.			
Q. 4		**Attempt any ONE of the following.**	**[15]**	**CO's**	**KL's**
	(a)	Madhavi Ltd. issued 10,000 shares of ₹ 10 each. These shares are underwritten as Nitu - 6,000, Mitu - 2,500 and Anand - 1,500. In addition to this there was firm underwriting as Nitu - 800, Mitu - 300 and Anand - 1,000 shares. The total subscription received including firm underwriting and marked applications are 7,500 shares. The Marked applications excluding firm underwriting are Nitu - 1,000, Mitu - 2,000 and Anand - 500 shares. You are required to show statement of liability of underwriters in both cases if credit of firm underwriting is to be given and not to be given.		**CO1**	**L3**
		OR			
	(b)	**Short notes (any 3) (5 Marks each)** 1. Underwriters 2. Buyback 3. Reduction of share capital 4. Purchase method 5. Unsecured Creditors		**CO1, CO2, CO3, CO4, CO5**	**L4**

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