

Time: 3 hrs.

Marks:100

- 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 State whether the following statement are True or False (any ten): (10)

- (1) Profit prior to incorporation is available for payment of dividend.
- (2) Administration expenses are allocated in sales ratio for calculation of pre-incorporation profit.
- (3) Gross profit should be distributed in the time ratio.
- (4) Profit prior to incorporation is transferred to General Reserve.
- (5) Capital Reserve and Reserve Capital are one and the same.
- (6) In case of redemption of debentures, creation of Debenture Redemption Reserve is optional to the company.
- (7) Loss prior to incorporation is transferred to Goodwill.
- (8) Premium on redemption of preference shares is adjusted out of profits.
- (9) Dividend Equalization Reserve is a divisible profit.
- (10) Interest accrued but not due is a other current liability.
- (11) Debentures issued out of profits are bonus debentures.
- (12) Dividend declared is disclosed as a contingent liability.

(B) Fill in the blanks (any ten): (10)

- (1) The account that can be transferred to Capital Redemption Reserve A/c is. -----
(a) General Reserve A/c (b) Forfeited Shares A/c
(c) Profits Prior to Incorporation (d) Securities Premium A/c
- (2) The following profit does not form part of divisible profits. -----
(a) Workmen Compensation Fund (b) Workmen Accident Fund
(c) Revaluation Reserve (d) None of the above
- (3) Debenture Redemption Reserve must be created when a company redeems debentures. -----
(a) Out of Capital (b) Out of Profit
(c) By Conversion (d) None of the above
- (4) Sinking Fund A/c for redemption of debentures is shown under. -----
(a) Reserves and Surplus (b) Secured Loans
(c) Unsecured Loans (d) Fixed Assets
- (5) Pre-incorporation profit is available for -----
(a) Payment of dividend (b) Payment of interest on debentures
(c) Payment for fixed asset (d) None of the above
- (6) Bad debts written off realized is shown under -----
(a) Pre-incorporation income (b) Profit and Loss Account
(c) Post-incorporation income (d) None of the above
- (7) Dividend is usually paid to shareholders as a percentage of -----
(a) Paid-up capital (b) Net profit
(c) Called-up capital (d) Authorized capital

- (8) Capital Redemption Reserve can be utilized for -----
 (a) Payment of dividend (b) Issue of right shares
 (c) Issue of fully paid bonus shares (d) Setting off against losses
- (9) The redemption amount remaining unpaid to preference shareholders is shown in the balance sheet as -----
 (a) Current liabilities (b) Loan
 (c) Share capital (d) Contingent liabilities
- (10) The claim of debenture holders on redemption is credited to. -----
 (a) Cash/Bank A/c (b) Sinking Fund A/c
 (c) Debenture holders A/c (d) None of the above
- (11) The excess of consideration paid over net value of assets taken over is called -----
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 (a) Security premium (b) Goodwill
 (c) Capital reserve (d) None of the above
- (12) Profit prior to incorporation is available for payment of. -----
 (a) Dividend (b) Interest on debentures
 (c) Both (a) and (b) (d) None of the above

Q.2 A limited company issues ₹ 1,000, 15% 5,000 1st mortgage debentures on which the (20)
 amount payable is ₹ 200 on application; ₹300 on allotment and balance on first call. In
 addition the company offers 1,000- 12%, 2nd mortgage debentures of ₹ 1,000 each
 and the entire money is payable at time. In case of second mortgage debentures the
 company received applications for 1,200 debentures. The directors made pro rata
 allotment and excess money was refunded.

OR

Q.2 A company was incorporated on 1st September, 2016 to take over the business of a (20)
 proprietor w.e.f. 1st April, 2016. The company's Profit and Loss Account for the year
 ended 31st March, 2017 is given as under:

Profit and Loss Account for the year ended 31-3-2017

Particulars	₹
Gross Profit	50000
Less: Salaries - Office staff	12000
Proprietor	3000
General expenses : Fixed	6000
Variable	2000
Travelling expenses : Office staff	12000
Salesman	15000

Other Information :

Sales during the year ended were ₹3,00,000 of which ₹ 1,80,000 relate to the post incorporation period. You are required to prepare a Statement of Profit and Loss for the year ended 31st March, 2017 showing profit or loss in pre-incorporation period and post incorporation period.

- Q.3** Teebee Limited had issued - 1,50,000 - 10% preference shares of ₹ 10/- each, (20)
redeemable at premium of 10% on 31st December, 2017. The company has adequate balance in General Reserves.

To provide funds for redemption, company -

(i) Sold investments costing 2,00,000 for ₹3,00,000.

(ii) Issued for cash - 2,500 - 15% Debentures of ₹ 100/- at par.

(iii) Issued - 50,000 equity shares of 10/- at premium of 4/- per share.
Show journal entries.

OR

- Q.3** Following is the Balance Sheet of Prakash Ltd. as on 31st March, 2017: (20)

Liabilities	₹	Assets	₹
2,000-8% Redeemable Preference Shares of 100 each, fully paid	2,00,000	Fixed Assets	15,75,000
1,00,000 Equity Shares of 10 each, fully paid	10,00,000	Bank	2,18,000
Securities Premium	35,000	Investments (Market Value ₹ 1,90,000)	1,50,000
Profit and Loss Account	4,50,000		
Sundry Creditors	2,58,000		
Total	<u>19,43,000</u>	Total	19,43,000

On the above date, the directors of the company took following steps to redeem 8% Preference Shares at a premium of 5%.

- (a) The company issued 4,000 Equity Shares of 10 at a premium of 2 per share for the purpose of redemption of preference shares.

- (b) Investments were sold at market price.
 (c) All the payments were made to the Preference Shareholders except those holding 100 shares who could not be traced.
 You are required to :
 (i) Pass necessary Journal Entries in the books of Prakash Limited complying with requirements of Companies Act, 2013.
 (ii) Prepare the Balance Sheet of the company after redemption of Preference Shares.

Q.4 Roshan Ltd. gave notice of its intention to redeem its outstanding ₹4,00,000, 8% debenture at ₹ 105 (nominal value ₹100) and offered the following options to the holders: (20)

- (a) 11% preference share of ₹40/- each at ₹50 per share.
 (b) 10% debenture at ₹100 (at par).
 (c) To have their holdings redeemed for cash. Assume redemption out of profit only.

1. The holders of ₹ 1,40,000 debenture accepted option (a).
 2. The holders of ₹ 1,60,000 debenture accepted option (b).
 3. The remaining debenture holders accepted option (c).
 Pass the necessary Journal Entries in the books of Roshan Ltd.

OR

Q.4 Fida Pvt. Ltd. was incorporated on 1st August 2018. This company agreed to take over business of Ada & Co. as going concern with effect from 1st April 2018. (20)

The Profit and Loss Account for the year ended 31st March 2019 is given below

Particulars	₹	Particulars	₹
To Administrative Staff Salaries	168000	By Gross Profit b/d	600000
To Rent	160000		
To Electricity charges	30000		
To Advertisement	21000		
To Bad Debts	5000		
To commission on sales	33000		
To Preliminary Expenses w/off	7000		

To Interest on Debentures	3000		
To Interest on Purchase Consideration	6000		
To Net Profit	167000		
Total	600000		600000

Additional Information:

1. Sales for pre-incorporation period were ₹5,00,000 which were 1/3 of the total sales.
2. Rent from 1st August 2018 was increased by ₹ 5,000 p.m.
3. Salaries to administrative staff was increased by ₹ 3,000p.m., w.e.f. 1st August, 2018.
4. Bad Debts are from the debtors relating to the month of March, 2018.
5. Purchase Consideration was paid on 30th September, 2018.

Prepare Statement showing Profit and Loss for the year ended 31st March, 2019 appropriating all income and expenditure items between Pre-incorporation and Post incorporation period on a suitable basis.

- Q.5 A) Explain different types of debentures. (10)
 B) What is an Employee Stock Option Plan? Explain the legal provisions governing it. (10)

OR

- Q.5 Write short notes on (Attempt any 4) (20)
- (1) ESCROW Account
 - (2) Bonus Shares
 - (3) Debenture Redemption Reserve
 - (4) Non-divisible Profits
 - (5) Partnership vs. Limited Company
 - (6) Profit Prior to Incorporation

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