Program/Sem:	**T.Y.B.Com (A & F)– Sem - V**	**Course:**	**FA-V**
Program Code:	**2C00455**	**Course Code:**	**44801**

Duration: **2 ½ Hour** 0 7 NOV 2025 **Max. Marks:** **75**

Instructions:

1. All questions are compulsory.
2. Figures to the right indicate full marks.
3. Draw neat diagrams wherever necessary.

Q. 1 **Attempt the following.**

A. Fill in the blanks with an appropriate answer from the alternatives given.(Any 8) **[08]**

i). When all the shares are underwritten by the underwriters, it is called________.

(a) Firm underwriting (b) Partial underwriting

(c) Complete underwriting (d) None of the above

ii). Equity shares can be bought back________.

(a) Out of profit only (b) Out of proceeds of fresh issue only

(c) Out of capital profit only (d) Its free reserve or the securities premium account or the proceeds of shares

iii). According to companies act, the underwriting commission on shares should not exceed_______.

(a) 5% (b) 2.5%

(c) 10% (d) 1%

iv). If the business of an existing company, BKC Ltd. is taken over by an existing company, PQR Ltd. It is called ________.

(a) External reconstruction (b) Internal reconstruction

(c) Absorption (d) Amalgamation

v). A company may purchase its own shares out of________.

(a) It's free reserve only (b) The security premium account only

(c) The proceeds of any shares only (d) Any or all of the above

vi). Surrender of fully paid up shares amounts to_________.

(a) Reduction of share capital (b) Alteration of share capital (c Variation of shareholders right (d) Compromise or arrangement

vii). Accounting for Amalgamation by way of merger is governed by________.

(a) AS 1 (b) AS 13

(c) AS 14 (d) None of the above

viii) The amount of calls in advance is treated as_______.

(a) Secured creditors (b) Assets not specifically placed

(c) Preferential creditors (d) Unsecured creditors

ix). A contributory is a_________.

(a) Unsecured creator (b) Preferential creditors

(c) Shareholders (d) Debentureholders

x). In internal reconstruction_________.

(a) No company is liquidated. (b) Only one company goes into liquidation

(c) Two or more companies are liquidated (d) One or more companies go into liquidation

B. True or False: (Any 7) **[07]**

i). Market applications are also known as direct applications.

ii). Absorption is said to take place when an existing company takes over one or more existing companies.

iii). A company is allowed to convert its fully paid shares into stock.

iv). The balance in the security premium account cannot be transferred to the capital reduction account.

v). In the statement of affairs, payment to debenture holders is shown after the payment to the preferential creditor.

vi). Capital reserve arises only when the amalgamation is in the nature of merger.

vii). When a company completes a buyback of its shares, it shall not make a right issue of the same kind of shares within a period of six months.

viii) A contributory can only be a present member of the liquidated company.

ix). Capital redemption reserve account can be utilised for issuing partly paid bonus shares.

x). The underwriting commission is payable in cash.

Q. 2 **Attempt either A or B.** [15]

A. a) 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.

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

Particulars	**Rs**
Liabilities :	
Equity Share Capital :	
1,60,000 Shares of Rs 10 each fully paid	16,00,000
Preference Share Capital :	
4,000, 10% Shares of Rs 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 Rs 20 per share.
2. Equity Shares to be reduced by Rs 5 per share.
3. Debentureholders agreed to settle their claim fully by issue of New 11% Debentures of Rs 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 Rs 40,000.
5. Land and Building and Furniture to be appreciated by 10%.
6. Stock to be appreciated by Rs 60,000.
7. Fictitious Assets and debit balance of Profit and Loss Account to be written off.
8. Cost of Reconstruction was Rs 50,000.

9. 75% of the Creditors agreed to forgo their claims by 10%.
10. Reduce Debtors by Rs 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.;

OR

B. b) Following is the summarised Balance Sheet of Risky Ltd. as on 31st March, 2015: [15]

Liabilities	Rs	Assets	Rs
10% Preference Shares of Rs 10 each	4,80,000	Premises	6,40,000
		Plant and Machinery	10,40,000
Equity Shares of Rs 10 each	8,00,000	Investments	2,40,000
		Stock	2,88,000
5% Debentures of Rs 100 each	9,60,000	Debtors	1,92,000
		Deposits & Advances	80,000
Sundry Creditors	4,00,000	Preliminary Expenses	3,20,000
Bank Overdrafts	2,40,000	Profit and Loss Account (Dr. Balance)	4,00,000
Other Liabilities	3,20,000		
	32,00,000		**32,00,000**

Note : Preference Dividend is in arrears for 3 years.
A scheme of reconstruction is prepared and approved by all the authorities.
The salient features of the scheme are :

1. Plant and Machinery having book value of Rs 1,60,000 is obsolete. This is sold as scrap for Rs 32,000.
2. The depreciation on plant and machinery is to be provided to the extent of Rs 80,000.
3. Stock includes items valued at Rs 96,000 which are sold at a loss of 50%.
4. The present realizable value of investments is Rs 1,12,000.
5. Arrears of Preference Dividend is not payable.
6. Reconstruction expenses were Rs 16,000.
7. The paid up value of equity shares is to be reduced to Rs 2 per share and preference shares to Rs 5 per share. However, the face value of both equity and preference shares remain unchanged.
8. The creditors dues are settled as :
(a) 20% immediate payment in cash
(b) 40% amount is cancelled
(c) 40% paid by issue of 6% debentures.
9. Other liabilities of Rs 80,000 is to be cancelled.
10. A call of Rs 3 per share on equity shares is made and received.
You are required to pass Journal Entries in the books of Risky Ltd. to record the above transactions.

Q. 3 **Attempt either A or B.** [15]

a) TM Ltd. went in for liquidation on 31st March, 2017, **[15]**

The Balance Sheet of the company as at 31-3-2017 is given below :

Liabilities	Rs	Assets	Rs
Share Capital:		Freehold Property	11,85,000
1,00,000 Equity Shares of Rs 10 each fully paid up	10,00,000	Plant	6,03,000
		Motor Vehicles	1,15,000
10% Preference Shares of Rs 100 each fully paid up	12,00,000	Stock	3,72,000
		Sundry Debtors	1,48,000
Securities Premium	1,00,000	Profit & Loss A/c	4,28,000
5% Debentures	2,00,000		
Interest on Debentures	5,000		
Bank Overdraft	1,16,000		
Sundry Creditors	2,30,000		
	28,51,000		**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 Rs 10 per share and finally any residue shall be paid to the equity shareholders.
The liquidator realised the assets as below :

Particulars	Rs
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 Rs 7,640.
Prepare the Liquidator's Statement of Account.

OR

B. **[15]**

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	
			Plant & Machinery	2,20,000	1,00,000
15% Debentures	40,000		Stock	35,000	18,000
Reserve Fund	76,000	5,000	Debtors	25,000	16,000

Employee's provident fund Sundry Creditors Profit & Loss A/c	6,000 30,000 4,000	 16,000	Bank Misc. Exp. not W/o Debenture Issue Exp	6,000	2,000 5,000
	3,56,000	**1,41,000**		**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.

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 A. Attempt either A or B. **[15]**

a) Jupiter Ltd. issued 10,000 shares of F 10 each. The entire issue was underwritten as follows : **[08]**

Sun - 5,000 shares (firm underwriting - 1,000 shares)

Moon - 3,000 shares (firm underwriting - 500 shares)

Star - 2,000 shares (firm underwriting - 500 shares)

Shares applied for were 9,000 shares, the following being the marked application forms including firm underwriting :

Sun - 3,500 shares

Moon - 1,400 shares

Star - 1,600 shares

Calculate the liability of each underwriter.

b) Delta Ltd. issued 25,00,000 equity shares of Rs 10 each at par. 7,00,000 shares were issued to the promoters and the balance offered to the public was underwritten by three underwriters P, Q and R in the ratio of 2: 3: 4 with firm underwriting of 50,000, 60,000 and 70,000 shares each respectively. **[07]**

Total subscription received 13,88,000 shares including marked application and excluding firm underwriting. Marked applications were as follows :

P - 3,00,000; Q - 3,50,000; and R - 4,50,000.

Unmarked and surplus applications to be distributed in gross liability ratio, Ascertain the liability. of each underwriter.

OR

B.

c) The Summary Balance Sheet of Manish Ltd. (a non-listed company) as on 31-03-2012 is as follows: **[15]**

Liabilities	**Rs**	**Assets**	**Rs**
Share Capital :		Fixed Assets :	
Authorised, Issued,		Net Block	40,00,000
Subscribed and		Trade Investments	15,00,000
Called-up :		Current Assets :	
Equity Shares of Rs 10 each	25,00,000	Current Assets (Including Bank Balance 15,00,000)	35,00,000
Reserves & Surplus :		Loans and Advances	5,00,000
Security Premium	5,00,000		
General Reserve	10,00,000		
Profit & Loss Account	10,00,000		
Secured Loan :			
10% Debentures	25,00,000		
Current Liabilities :			
Sundry Creditors	15,00,000		
Bills Payable	5,00,000		
	95,00,000		**95,00,000**

Keeping in view all the legal requirements ascertain:

(1) Maximum number of Equity shares that Manish Ltd. can buy-back.

(2) The maximum price it can offer.

Assume that the buy-back is carried out actually on the legally permissible terms, record the entries in the Journal of Manish Ltd.

Q. 5 **Attempt either (A and B) or C.** **[15]**

A. Explain the types of underwriting in details . **[08]**

B. Explain the needs and importance of internal reconstruction. **[07]**

OR

C. **Short Note: (Any 3) (5 marks each)** **[15]**

a) Underwriting commission

b) Benefits of Buyback

c) Reduction of share capital

d) Net Assets method

e) Preferential Creditors

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