

Exam - SYBMS (Finance Elective)/ Semester 4 / April 2019 ( Regular)

Subject - Corporate Restructuring ( Solution / Answer key )

Exam Date : 3 May , 2019

Q.P. code : 54078

Q.1. A. ( any 8 ) 8 marks

- a) I
- b) III
- c) III
- d) I
- e) I
- f) I
- g) I
- h) IV
- i) I
- j) I

Q. 1. B. ( any 7 ) 7 marks

Group A	Answers
Corporate restructuring	Redesign one or more aspect of company
Financial restructuring	Change the equity pattern
Consolidation of shares	Shares of Re 1 each converted into shares of Rs 10 each
Capital stock	Can be purchased or sold even in fractions
Statutory reserve	Not transferable to capital reduction
Liquidator	Conduct process of winding up
Purchase consideration	Amt paid by company to vendor
Calculation of purchase price	New values fixed
Control technique	Budgeting
Change in external aspect on reorganization	contract

Q2. A.

(15 marks)

Journal of Anushka Ltd.

Particulars	Amount (dr)	Amount (cr)
Old Equity share capital A/c (Rs.100 x 4000 shares) Dr. To New Equity share capital A/c (Rs.12.5 x 4000shares) To capital reduction A/c	4,00,000	50,000 3,50,000
10% old pref. sh. Cap. A/c ( 3000 sh x Rs 100) Dr To capital reduction A/c To 10% new pref.sh.cap A/c (3000 sh x Rs 50)	3,00,000	1,50,000 1,50,000
Capital reduction A/c Dr To P & L A/c To goodwill A/c To formation Exp. A/c	3,35,350	2,20,750 1,00,000 14,600
Capital reduction A/c Dr To plant and machinery A/c	1,55,000	1,55,000
Capital reduction A/c Dr To capital reserve A/c	14,650	14,650

Dr	Capital reduction A/c		Cr
Particulars	Rs.	Particulars	Rs.
To P& L a/c	2,20,750	By old eq.sh. cap. a/c	3,50,000
To Formation Exp. a/c	14,600	By old 10% pref. sh.cap. A/c	1,50,000
To goodwill a/c	1,00,000		
To Pl & mach a/c	1,55,000		
To cap. reserve a/c ( bal.fig.)	9,650		
	5,00,000		5,00,000

Balance Sheet of Anushka Ltd. As on 31<sup>st</sup> March, 2018

Particulars	Rs.	Rs.
<b>I. Equity &amp; Liabilities</b>		
1. <u>Shareholders fund</u>		
a. Share capital	2,00,000	
b. Reserves & Surplus	81,650	2,81,650
b. <u>Current Liabilities</u>		
Creditors	85,000	
Overdraft	1,02,000	1,87,000
<b>Total</b>		<b>4,68,650</b>
<b>II. Assets</b>		
1. <u>Non Current Assets</u>		
Fixed Assets		2,50,000
2. <u>Current Assets</u>		
Stock	1,58,250	
Debtors	60,400	2,18,650
<b>Total</b>		<b>4,68,650</b>

## Capital reduction A/c

Particulars	Rs.	Particulars	Rs.
To stock a/c (21000 x 60%)	12,600	By creditors a/c (8300 + 9960)	18,260
To Goodwill a/c	83,500	By Interest on debentures a/c ( 22,000 x 50%)	11,000
To P& L a/c	1,76,500	By Eq.sh. cap. a/c (30,000sh x Rs 7)	2,10,000
To Prel. Exp. a/c	12,500	By Pref. sh.cap. A/c (1,00,000 – 60,000)	40,000
To debtors a/c	16,500	By interest on unsecured loan (15,000 x 40%)	6,000
To bank a/c (reconstruction exp.)	8,410	By land and building	15,000
To cap. reserve a/c ( bal.fig.)	1,000	By plant and machinery	10,750
	3,11,010		3,11,010

Balance Sheet of Sonu Ltd. As on 31<sup>st</sup> March, 2018

Particulars	Rs.	Rs.
<b>I. Equity &amp; Liabilities</b>		
1. <u>Shareholders fund</u>		
a. <u>Share capital</u>		
30,000 equity shares of Rs. 3 each	90,000	
b. Capital Reserve	1,000	91,000
2. <u>Non Current Liabilities</u>		
12% debentures	60,000	
11% debentures	2,00,000	
Unsec. L. T. loan	1,30,000	3,90,000
3. <u>Current Liabilities</u>		
Creditors		64,740
<b>Total</b>		<b>5,45,740</b>
<b>II. Assets</b>		
1. <u>Non Current Assets</u>		
<u>Fixed Assets</u>		
Land & Bldg.	1,65,000	
Pl. & Mach	1,18,250	2,83,250
2. Investment		37,500
3. <u>Current Assets</u>		
Stock	84,000	
Debtors	1,38,500	
Bank	2,490	
		2,24,990
<b>Total</b>		<b>5,45,740</b>

Q3. A.

(15 marks)

## Journal of Moon Ltd.

Particulars	Amount (dr)	Amount (cr)
5% Pref.sh.cap. A/c (6,000 sh. X Rs.100 ) Dr	6,00,000	
To 5% Pref.sh.cap. A/c ( 6000 sh. X Rs75)		4,50,000
To Capital Reduction A/c		1,50,000
Equity Sh.Cap a/c (12,000 sh x Rs 100) Dr	12,00,000	
To capital reduction a/c		7,20,000
To equity share capital a/c (12,000 sh x Rs 40)		4,80,000
6% mortgage debenture a/c Dr	3,00,000	
To stock a/c		1,50,000
To debtors a/c		1,20,000
To capital reduction a/c		30,000
Capital reduction a/c Dr	7,65,000	
To goodwill a/c		45,000
To profit and loss a/c		7,20,000
Freehold property a/c Dr	1,80,000	
To capital reduction a/c		1,80,000
Capital reduction a/c Dr	3,09,000	
To plant and machinery a/c		3,00,000
To bank a/c		9,000
Capital reduction a/c Dr	6,000	
To capital reserve a/c		6,000

Balance Sheet of Moon Ltd. As on 31<sup>st</sup> March, 2018

Particulars	Rs.	Rs.
<b>I. Equity &amp; Liabilities</b>		
2. <u>Shareholders fund</u>		
a. <u>Share capital</u>		
12,000 equity shares of Rs. 40 each	4,80,000	
6,000, 5% Cum.Pref. shares of Rs. 75 each	4,50,000	
		9,30,000
b. capital reserve		6,000
c. <u>Current Liabilities</u>		
Bank overdraft	1,50,000	
Creditors	3,00,000	4,50,000
<b>Total</b>		<b>13,86,000</b>
<b>II. Assets</b>		
1. <u>Non Current Assets</u>		
a. <u>Fixed Assets</u>		
freehold property	7,80,000	
plant and machinery	6,00,000	13,80,000
2. <u>Current Assets</u>		
Cash		6,000
<b>Total</b>		<b>13,86,000</b>

Q3. B.

(15 marks)

(Rs in Lakhs)

Purchase consideration

Equity share capital – Rs 24,000 x 3/2 = Rs 36,000  
( 3600 shares of Rs 10 each)

## Journal entries in the books of A Ltd

Particulars		Amount (dr)	Amount (cr)
Business purchase A/c	Dr	36,000	
To liquidator of B ltd A/c			36,000
Pl & mach A/c	Dr	20,000	
Furniture , fixtures & fittings A/c	Dr	6,800	
Stock A/c	Dr	16,164	
Debtors A/c	Dr	4,080	
Bank A/c	Dr	2,436	
Bills receivable A/c	Dr	320	
To 12% Debentures A/c			4,000
To Creditors A/c			1,852
To provisions A/c			2,808
To Cap. Reserve A/c ( bal. fig.)			5,140
To Business purchase A/c			36,000
Liquidator of B ltd A/c	Dr	36,000	
To equity share capital A/c			36,000
General reserve a/c	Dr	4	
To bank a/c			4
12% debentures a/c	Dr	4,000	
To 13% debentures a/c			4,000
Bills payable a/c	Dr	320	
To bills receivable a/c			320
Amalgamation adjustment a/c	Dr	1,240	
To foreign project reserve a/c			1,240

Balance Sheet of A Ltd. As on 1<sup>st</sup> April, 2018

Particulars	Rs.	Rs.
<b>I. Equity &amp; Liabilities</b>		
1. <u>Shareholders fund</u>		
a. <u>Share capital</u>		
9,600 equity shares of Rs. 10 each		96,000
b. <u>Reserves &amp; Surplus</u>		
Securities premium	12,000	
General reserve	37,996	
Profit and loss a/c	11,480	
Capital reserve	5,140	
Foreign exchange reserve	1,240	
		67,856
c. <u>Non - Current Liabilities</u>		
13% Debentures		
d. <u>Current liabilities</u>		4,000
Creditors		
Bills payable	6,172	
Provisions	160	
	10,128	16,460
<b>Total</b>		<b>1,84,316</b>
<b>II. Assets</b>		
1. <u>Non Current Assets</u>		
a. <u>Fixed Assets</u>		
<u>Tangibles</u>		
Furniture		
<u>Land and building</u>	16,016	
<u>Plant and machinery</u>	24,000	
	76,000	
		1,16,016
2. <u>Current Assets</u>		
Stock		
Debtors	47,612	
Bank	12,560	
	6,888	67,060
3. <u>Misc. exp</u>		
Amalgamation adjustment a/c		1,240
<b>Total</b>		<b>1,84,316</b>

Q.4. A.

(15marks)

Purchase consideration

Assets 25,00,000

Less: Liabilities

Debentures' (5,00,000)

    Creditors (2,50,000)17,50,000Discharge of purchase consideration

Cash 4,37,500

1,09,375 shares of Rs 12 each 13,12,500

**In the books of Sachin Ltd**

Dr		Realization a/c		Cr	
Particulars	Rs.	Particulars	Rs.	Particulars	Rs.
To intangible assets	2,50,000	By debentures	5,00,000		
To fixed assets	21,00,000	By creditors	2,50,000		
To current assets	5,50,000	By kapil's a/c (P.C)	17,50,000		
		By equity share holders a/c (loss)	4,00,000		
	<u>29,00,000</u>				<u>29,00,000</u>

Dr		Equity shareholders a/c		Cr	
Particulars	Rs.	Particulars	Rs.	Particulars	Rs.
To realization a/c	4,00,000	By equity share capital a/c	25,00,000		
To profit and loss a/c	4,00,000	By statutory reserve a/c	50,000		
To bank a/c	4,37,500				
To equity shares in kapil ltd a/c	13,12,500				
	<u>25,50,000</u>				<u>25,50,000</u>

Dr		Kapil Ltd a/c		Cr	
Particulars	Rs.	Particulars	Rs.	Particulars	Rs.
To realization a/c (p.c)	17,50,000	By bank a/c	4,37,500		
		By equity sh. In kapil ltd a/c	13,12,500		
	<u>17,50,000</u>				<u>17,50,000</u>

Journal entries in the books of kapil Ltd

Particulars	Amount (dr)	Amount (cr)
Business purchase A/c Dr To liquidator of sachin ltd A/c	17,50,000	17,50,000
Assets A/c Dr To creditor A/c To debentures A/c To business purchase A/c	25,00,000	2,50,000 5,00,000 17,50,000
Liquidator of sachin ltd A/c Dr To equity share capital A/c To securities premium A/c To bank A/c	17,50,000	10,93,750 2,18,750 4,37,500
Amalgamation adj A/c Dr To statutory reserve A/c	50,000	50,000
Debentures A/c Dr To bank A/c	5,00,000	5,00,000



Q4. B.

(15 marks)

Purchase consideration

Particulars	Ram Ltd	Shyam Ltd	Ram and Shyam Ltd
Assets			
Goodwill	9,60,000	3,60,000	13,20,000
Freehold property	12,60,000	7,20,000	19,80,000
Plant and machinery	3,00,000	1,80,000	4,80,000
Motor vehicle	3,60,000	-	3,60,000
Stock	7,20,000	9,36,000	16,56,000
Debtors	9,84,000	-	9,84,000
Cash / bank	5,16,000	-	5,16,000
<b>Total</b>	<b>51,00,000</b>	<b>21,96,000</b>	<b>72,96,000</b>
Less: liabilities			
6% debentures	-	7,56,000	7,56,000
Creditors	9,00,000	-	9,00,000
<b>Total</b>	<b>9,00,000</b>	<b>7,56,000</b>	<b>16,56,000</b>
<b>Net assets</b>	<b>42,00,000</b>	<b>14,40,000</b>	<b>56,40,000</b>

Discharge of purchase consideration

Particulars	Ram Ltd	Shyam Ltd	Ram and Shyam Ltd
4,20,000 equity shares of Rs 10 each	42,00,000	-	-
1,44,000 equity shares of Rs 10 each	-	14,40,000	-
5,64,000 equity shares of Rs 10 each	-	-	56,40,000

Journal entries in the books of Ram and Shyam ltd.

p		Amount (dr)	Amount (cr)
Business purchase A/c	Dr	56,40,000	
To liquidator of Ram ltd A/c			42,00,000
To liquidator of Shyam ltd A/c			14,40,000
Goodwill A/c Dr		13,20,000	
Freeholdproperty A/c Dr		19,80,000	
Plant and machinery A/c Dr		4,80,000	
Vehicle A/c Dr		3,60,000	
Stock A/c Dr		16,56,000	
Debtors A/c Dr		9,84,000	
Bank A/c Dr		5,16,000	
To 6% debentures A/c			7,56,000
To creditors A/c			9,00,000
To business purchase A/c			56,40,000
Liquidators of Ram ltd A/c	Dr	42,00,000	
Liquidators of Shyam ltd A/c	Dr	14,40,000	
To equity share capital A/c			56,40,000
6% debentures A/c Dr		7,56,000	
To 6% debentures A/c			7,20,000
To securities premium A/c			36,000

Balance Sheet of Ram and Shyam Ltd. As on 1<sup>st</sup> April, 2018

Particulars	Rs.	Rs.
<b>III. Equity &amp; L</b>		
2. <u>Shareholders fund</u>		
b. <u>Share capital</u>		
5,64,000 equity shares of Rs. 10 each		56,40,000
b. <u>Reserves &amp; Surplus</u>		
Securities premium		36,000
d. <u>Non - Current Liabilities</u>		
6% Debentures		7,20,000
d. <u>Current liabilities</u>		
Creditors		9,00,000
<b>Total</b>		<b>72,96,000</b>
<b>IV. Assets</b>		
4. <u>Non Current Assets</u>		
a. <u>Fixed Assets</u>		
Goodwill	13,20,000	
Freehold property	19,80,000	
Plant and machinery	4,80,000	
Vehicle	3,60,000	41,40,000
5. <u>Current Assets</u>		
Stock	16,56,000	
Debtors	9,84,000	
Bank	5,16,000	31,56,000
<b>Total</b>		<b>72,96,000</b>

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