

SYB Com Sem IV April 2019
Accountancy and FM IV
18th April 2019
QP Code: 65538

Q.1 A]

1. should form part of the name of One Person Company.
 - a. LLP
 - b. Public Limited
 - c. OPC**
 - d. None of the above
2. Unclaimed dividend is shown under.....
 - a. Current assets
 - b. Reserves and surplus
 - c. Current liabilities**
 - d. None of the above
3. Sweat Equity shares are issued to.....
 - a. Existing Shareholders
 - b. Employees**
 - c. Auditors
 - d. None of the above
4. Trade Payable includes.....
 - a. Creditors for goods**
 - b. Creditors for expenses
 - c. Creditors for asset purchased
 - d. All of the above
5. Debentures may be issued at
 - a. Par
 - b. Discount
 - c. Premium
 - d. All of the above**
6. The shares offered free of cost are called as.....
 - a. Rights shares
 - b. Bonus shares**
 - c. Preferential shares
 - d. Priority shares
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.....
- 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.1 B]

- 1) Authorized capital is disclosed only for information. **True**
- 2) The shares of all companies are listed on the stock exchanges. **False**
- 3) Participating Preference shareholders can participate and vote on all matters affecting the Company. **False**
- 4) Debenture capital is called as debt capital. **True**
- 5) In case of redemption of debentures, creation of Debenture Redemption Reserve is optional to the Company. **False**
- 6) Capital Reserve and Reserve Capital are one and the same. **False**
- 7) Issue of bonus shares results in conversion of profit into share capital. **True**
- 8) Premium on redemption of preference is adjusted out of profits. **True**
- 9) Depreciation on delivery van is allocated in sales ratio. **True**
- 10) After redemption of debentures, balance in Debenture Redemption Reserve is transferred to General Reserve account. **True**
- 11) The assets offered as security are released after redemption of debentures. **True**
- 12) Profit prior to incorporation is transferred to General Reserve. **False**

Solution Q.2

Sampurna Co. Ltd					
Statement of Profit and Loss for the year ended 31st December 2018.					
Particulars	Basis of Allocation	Pre Incorporation	Post Incorporation	Total	Marks
A. Income					
Gross Profit	Sales 1:3	53,005	1,59,015	2,12,020	1
Total Income		53,005	1,59,015	2,12,020	
B. Expenses					
Rent and Taxes	W Note 3	2,000	6,500	8,500	1
Administrative Salaries and expenses	Time 1:2	8,500	17,000	25,500	1
Selling Expenses	Sales 1:3	1,250	3,750	5,000	1
Directors Fees	Post		12,000	12,000	1
Carriage Outward	Sales 1:3	3,240	9,720	12,960	1
Advertisement	Sales 1:3	4,500	13,500	18,000	1
Depreciation	Time 1:2	1,000	2,000	3,000	1
Audit Fees	Time 1:2	2,000	4,000	6,000	1
Electricity Charges	Time 1:2	420	840	1,260	1

Interest on Deb	Post		19,800	19,800	1
		22,910	89,110	1,12,020	
Capital Reserve		30,095		30,095	1
Net Profit			69,905	69,905	1
Total profit				1,00,000	
Working notes:					
1. Time Ratio= 4 Months : 8 Months = 1:2					1
2. Sales Ratio: Pre: 4 Mths X 1 = 4 & Post: 4 Mths X 1 = 4 4 Mths X 2 = 8 04:12 or 1:3					1
3. Rent:	Pre- Inc	500 X 4 month =	2000		
	Post inc	(500X 3) + (1000X5)=	6500		
	Total		8500		
					15

Solution Q.2

Fida Pvt Ltd					
Statement of Profit and Loss for the year ended 31st March 2019.					
Particulars	Basis of Allocation	Pre Incorporation	Post Incorporation	Total	Marks
A. Income					
Gross Profit	Sales 1:2	2,00,000	4,00,000	6,00,000	1
Total Income		2,00,000	4,00,000	6,00,000	1
B. Expenses					
Administrative staff Salaries	Note 3	48,000	1,20,000	1,68,000	1
Rent	Note 4	40,000	1,20,000	1,60,000	1
Electricity Charges	Time 1:2	10,000	20,000	30,000	1
Advertisement	Sales 1:2	7,000	14,000	21,000	1
Bad Debts	Pre Inc	5,000		5,000	1
Commission on Sales	Sales 1:2	11,000	22,000	33,000	1
Preliminary Expenses	Post Inc		7,000	7,000	1
Interest on Debentures	Post Inc		3,000	3,000	1
Interest on Purchase Consideration	4:2	4,000	2,000	6,000	1
Total Expenses		1,25,000	3,08,000	4,33,000	
Capital Reserve		75,000		75,000	1
Net Profit			92,000	92,000	1
Total Profit				1,67,000	
Working notes:					
1. Time Ratio= 4 Months: 8 Months = 1:2					1
2. Sales Ratio: Pre= 1/3 and Post = 2/3					1
3. Salaries: Pre= 12000 X 4 = 48000 and Post = 15000 X 8 = 120000					
4. Rent: Increase in post = 5000×8= 40000. Balance in time = 160000-40000=120000; Pre= 120000 X 4÷12 = 40000 and Post = (120000 X 8÷12) + 40000 = 120000					
					15

Solution Q.3

Journal of Diamond Ltd.					Mark s
Date	Particulars		Debit Rs.	Credit Rs.	
31-03-19	8% Preference share capital A/c Dr. Premium on Redemption of Preference shares A/c Dr. To 8% Preference Shareholders (Being Amt due on Redemption of Preference shares)		20,00,000 2,00,000	22,00,000	1
	Bank A/c Dr To Profit and Loss A/c Dr To Investments (Being Investments sold at profit)		15,00,000	1,00,000 14,00,000	2
	Profit & Loss a/c Dr To Premium on Redemption of Preference shares A/c (Being Prem. on Red. adjusted out of P & L Account)		2,00,000	2,00,000	2
	Profit & Loss a/c Dr Dividend Equalisation Reserve Dr To Capital redemption reserve A/c. (Being CRR created out of Divisible Profits)		*11,50,000 8,50,000	20,00,000	2
	Preference Shareholders A/c Dr To Bank A/c. (Being amt Paid to Preference shareholder holding 19,200 Preference shares)		21,12,000	21,12,000	2
Balance Sheet as on 31/03/2019 (after redemption)					
	Particulars	Not e No.	Rs.	Rs.	
I	Equity and Liabilities:				
1	Shareholders' fund:				
	a) Share Capital	1	25,00,000		
	b) Reserves and Surplus	2	21,70,000	46,70,000	1
2	Current liabilities:				
	Trade Payable (Assumed)		10,00,000		
	Other current Liabilities	3	88,000	10,88,000	
	Total			57,58,000	1
II	Assets				
1	Non Current assets				
	a) Fixed assets			37,00,000	
2	Current Assets	4		20,58,000	
	Total			57,58,000	1

Notes to accounts					
Sr. No	Particulars		Rs.	Rs.	
1	Share Capital Issued and Subscribed 2,50,000 Equity Shares of Rs. 10 each fully paid			25,00,000	
				25,00,000	
2	Reserves and surplus Securities Premium Account Capital Redemption Reserve Dividend Equalisation Reserve*			1,20,000 20,00,000 50,000	
				21,70,000	1
3	Other current Liabilities Unpaid Preference shareholders			88,000	1
4	a) Current assets including Cash and cash equivalent Add: Sale of Investment Less: Paid to Preference Shareholders		26,70,000 15,00,000 -21,12,000	20,58,000	1
					15

*Alternatively, Dividend Equalisation Reserve may be fully utilized for CRR purpose, in which case balance in Profit & Loss a/c will be Rs. 50,000

Solution Q.3

Journal of Soham Ltd.					
Date	Particulars		Debit Rs.	Credit Rs.	Marks
31-03-19	12% Preference share Final call A/c Dr To 12% Preference share Capital (Being Final Call on 20,000 shares @Rs. 30 per share)		6,00,000	6,00,000	1
	Bank A/c Dr 12% Preference share Final call A/c (Being Final Call received on Due date)		6,00,000	6,00,000	1
	12% Preference share capital A/c Dr Prem on Redemption of Preference shares A/c Dr To 12% Preference Shareholders (Being Amt due on Redemption of Preference shares)		30,00,000 3,00,000	33,00,000	3
	Profit & Loss a/c Dr General reserve a/c Dr To Capital redemption reserve A/c. (Being CRR created out of Divisible Profits)		8,00,000 12,00,000	20,00,000	3
01-04-19	Bank A/c. Dr To Equity Share Capital A/c To Securities Premium account (Being E. Shares of Rs. 10 each issued at 10% Prem)		11,00,000	10,00,000 1,00,000	2

01-10-19	Profit & Loss a/c Dr To Prem on Redemption of Preference shares A/c (Being Prem on Red adjusted out of P & L Account)	3,00,000	3,00,000	2
	Preference Shareholders A/c Dr To Bank A/c. (Being amt. Paid to Preference shareholder)	33,00,000	33,00,000	1
	Capital redemption reserve A/c Dr To Bonus to Equity shareholders A/c (Being use of CRR for issue of fully paid Bonus shares to existing shareholders)	11,00,000	11,00,000	1
	Bonus to Equity shareholders A/c Dr To Equity Share Capital a/c. (Being 1,10,000 Equity Share issued as Bonus to existing shareholders holding 2,20,000 shares)	11,00,000	11,00,000	1
				15

Solution Q.4

Journal entries in the books of Prudence Ltd.				
Date	Particulars	Debit	Credit	Marks
April 30	Debenture Redemption investment A/c To Bank A/c (Being minimum investment made at 15 % of nominal value of redeemable debentures during the year) 50,00,000 x 15% = 7,50,000	7,50,000	7,50,000	03
Sept 30 2018	Profit & loss A/c To Debenture Red. Reserve A/c (Being balance in DRR increased up to 100% of nominal value of debentures due for redemption fully out of profits) 50,00,000-10,00,00 = 40,00,000	40,00,000	40,00,000	03
Sept 30 2018	12% Debentures A/c Premium on Red. of Debentures A/c To Debenture holders A/c (Being 12% Debentures due for redemption @ 5% premium) 50,00,000 x 5% = 2,50,000	50,00,000 2,50,000	52,50,000	03
Sept 30 2018	Bank A/c To Deb. Red. Investment A/c (Being investments encashed for the purpose of redemption)	7,50,000	7,50,000	02
Sept 30 2018	Debenture holders A/c To Bank A/c (Being redemption money due to Debenture holders fully paid off)	52,50,000	52,50,000	02
Sept 30 2018	Debentures Redemption Reserve A/c To General Reserve A/c (Being bal. in DRR transferred to General Reserve after redemption)	50,00,000	50,00,000	02

Solution: Q.4

Independent journal entries for miscellaneous transactions.				
Sr. No.	Particulars	Debit	Credit	Marks
1	9% Debentures A/c Premium on Red. of Debentures A/c To Debenture holders A/c (Being 9% Debentures due for redemption @ 10% premium)	8,00,000 80,000	8,80,000	02
2	Preference shareholders A/c To Bank A/c (Being redemption money due to Pref. Shareholders fully paid off) 3,00,000 + 5,000 = 3,15,000	3,15,000	3,15,000	02
3a	Capital Redemption Reserve A/c To Bonus to shareholders (Being fully paid Bonus shares declared out of CRR)	2,50,000	2,50,000	02
3b	Bonus to shareholders A/c To Equity Shares Capital A/c (Being fully paid Bonus shares issued to shareholders)	2,50,000	2,50,000	02
4	Debenture Redemption investment A/c To Bank A/c (Being investment made for debentures due for red. during the year)	3,00,000	3,00,000	02
5	Profit and Loss A/c Premium on redemption of Preference shares A/c (Being prem. on redemption of Preference shares W/off out of profits)	1,50,000	1,50,000	02
6	Debentures Redemption Reserve A/c To General Reserve A/c (Being bal. in DRR transferred to General Reserve after red.)	5,00,000	5,00,000	01
7	Bank A/c To Equity Share Capital A/c To Securities Premium A/c (Being fresh issue of E. shares of Rs.10 each made at prem of Rs.10 per share for the purpose of redemption of Pref. shares)	10,00,000	5,00,000 5,00,000	02

Solution: Q.5

Journal of Sunshine Ltd.					Marks
Date	Particulars	Debit Rs.	Credit Rs.	Marks	
01-04-19	Bank A/c Dr Profit and Loss A/c Dr To Investments 72000X100/90) (Being Investments sold at 10% loss)	72,000 8,000	80,000	2	
	9% Preference share capital A/c Dr Prem on Red of Preference shares A/c Dr To 9% Preference Shareholders (Being Amt due on Red of Preference shares)	5,00,000 25,000	5,25,000	2	

Bank A/c Dr To Equity share capital A/c (Being Equity Shares issued at par for the purpose of redemption)		2,33,000	2,33,000	1
Profit & Loss a/c Dr To Prem on Red of Preference shares A/c (Being Premium on Redemption adjusted out of Profit and loss Account)		25,000	25,000	1
Profit & Loss a/c Dr General reserve a/c Dr To Capital redemption reserve A/c. (Being CRR created out of Divisible Profits)		1,67,000 1,00,000	2,67,000	2
Preference Shareholders A/c Dr To Bank A/c. (Being amt Paid to Preference shareholder in settlement of their claim)		5,25,000	5,25,000	1
Bank A/c Dr To Bank Overdraft (Being temporary BOD arranged)	1,00,000 1,00,000			1

Balance Sheet as on 1st April 2019 (after redemption)

	Particulars	Note No.	Rs.	Rs.	
I	Equity and Liabilities:				
1	Shareholders' fund:				
	a) Share Capital	1	7,33,000		
	b) Reserves and Surplus	2	2,67,000	10,00,000	
2	Current liabilities:		50,000		
	Bank Overdraft	3	1,00,000	1,50,000	
	Total			11,50,000	1
II	Assets				
1	Non Current assets				
	a) Fixed assets		5,50,000		
	b) Investments		20,000	570000	
2	Current Assets		5,80,000		
	Cash and cash equivalent	4	Nil	5,80,000	
	Total			11,50,000	1

Notes to accounts

Sr. No	Particulars	Rs.	Rs.
1	Share Capital Authorised Share Capital: 1,00,000 Equity Shares of Rs.10 each		10,00,000

	10,000 9% Red. Pref. Shares of Rs. 100 each		10,00,000	20,00,000	1
	Issued and Subscribed				
	73,300 Equity Shares of Rs. 10 each fully paid			7,33,000	
				7,33,000	1
2	Reserves and surplus				
	Capital Redemption Reserve		2,67,000		
	General reserve		Nil		
	Profit and Loss Account		Nil	2,67,000	
3	Current Liabilities: Bank Overdraft			1,00,000	1
4	Cash and cash equivalent		1,20,000		
	Add: Issue of Capital		2,33,000		
	Add: Sale of investment		72,000		
	Less: Paid to Preference Shareholders		-5,25,000	Nil	

Solution: Q.5A

Journal entries in the books of Plasto-craft Ltd.				
Date	Particulars	Debit	Credit	Marks
30 April	Debenture Redemption investment A/c To Bank A/c (Being investment made for 12% debentures due for red. during year)	37,500	37,500	01
2018 Dec 31	9% Debentures A/c To Debenture holders A/c (Being 9% Debentures due for redemption)	5,00,000	5,00,000	01
Dec 31	Debenture holders A/c To Equity Share Capital A/c To Securities Premium A/c (Being 9% Debentures redeemed by converting them into equity shares of Rs.10 each at a premium of Rs.2.50 per share)	5,00,000	4,00,000 1,00,000	01
Dec 31	Profit & loss A/c To Debentures Redemption Reserve A/c (Being minimum required DRR i.e. 25% created for 12% debentures due for red. during year)	62,500	62,500	01
Dec 31	12% Debentures A/c To Debenture holders A/c (Being 12% Debentures due for redemption)	2,50,000	2,50,000	01
Dec 31	Bank A/c To Deb. Red. Investment A/c (Being investments encashed for redemption of 12% Debentures)	37,500	37,500	01
Dec 31	Debenture holders A/c To Bank A/c (Being redemption money due to 12% Debenture holders paid off)	2,50,000	2,50,000	01
Dec 31	Debentures Redemption Reserve A/c To General Reserve A/c (Being bal. in DRR transferred to Gen Res. after red. of 12% Deb.)	62,500	62,500	01

Solution: Q.5B

Majestic Ltd.					
Statement of Profit and Loss for the year ended 31st March 2019.					
Particulars	Basis of Allocation	Pre Incorporation	Post Incorporation	Total	Marks
A. Income					
Gross Profit	Sales 1:4	1,38,600	5,54,400	6,93,000	1
Total Income		1,38,600	5,54,400	6,93,000	
B. Expenses					
Total Fixed Expenses	Time 1:2	70,000	1,40,000	2,10,000	1
Sales Related Expenses	Sales 1:4	48,000	1,92,000	2,40,000	1
Directors' Fees	Post Inc	0	12,000	12,000	1
<u>Auditor's Remuneration</u>					
Audit	Time 1:2	6,000	12,000	18,000	1
Consultancy for Company	Post Inc	0	6,000	6,000	1
Total Expenses		1,24,000	3,62,000	4,86,000	
Capital Reserve		14,600		14,600	1
Net Profit			1,92,400	1,92,400	1
Total Profit				2,07,000	
Working notes:					
1. Time Ratio= 4months: 8 Months = 1:2					
2. Sales Ratio : Pre= 600000 ; Post= 1100000+1300000= 2400000 So Sales Ratio= 1:4					
					8