[Time: $2\frac{1}{2}$ Hours] **[Marks:75]**

Please check whether you have got the right question paper.

N.B:
1. All questions are compulsory and carry 15 marks each.
2. Question no. 2 to Question no.5 have internal option.
3. Working notes should form part of your answer
4. Use of simple calculator is allowed
5. Figure to the right indicate full marks.

Q.1 A) State whether the following statement are true of false **any 8** **08**

1) Accounting for amalgamation is governed by AS-14
2) Capital Reserve or goodwill can arise in pooling of interest method.
3) Provision for unrecorded liability indicates loss to a company.
4) Authorized share capital is to be reduced to the extent of capital reduction.
5) Underwriting is mandatory for all companies as per Indian Companies Act.
6) Underwriting Commission can exceed 5% of the issue price of shares.
7) Wages and salaries are preferential coeditors.
8) Voluntary winding up may be due to members or creditors.
9) Buy back must be as per RBI guidelines.
10) Equity share can be brought back out of Securities premium Account balance.

Q.1 B) Match the item in Column 'A' with most appropriate item in column 'B' and write. **any 7** **07**

Column 'A'		Column 'B'	
i)	Buy back	a)	Utilized for bonus shares
ii)	Capital Redemption Reserve	b)	Submitted to official liquidator
iii)	Firm Underwriting	c)	List B
iv)	Commission on Debenture	d)	RE-Purchase
v)	Consolidation of Share	e)	No Change in Share Capital
vi)	Loss on revaluation of Asset.	f)	Covered as amalgamation
vii)	Approval by 90% Shareholder	g)	Definite commitment by underwriter
viii)	Absorption of Company		
ix)	Statement of affair	h)	Debit capital Reduction account
x)	Secured Creditor	i)	Cannot exceed 5%
		j)	In the nature of merger

P.T.O

Q.2 Following are the Summary Balance Sheets of P Ltd and V Ltd on 31-03-2012 **15**

LIABILITIES	P Ltd. Rs.	V Ltd. Rs.	ASSETS	P Ltd. Rs.	V Ltd. Rs.
Equity Share Capital (RS.10 each)	50,00,000	30,00,000	Land and Building	25,00,000	15,50,000
14% Preference Share Capital (RS.100 each)	22,00,000	17,00,000	Plant and Machinery	32,50,000	17,00,000
General Reserve	5,00,000	2,50,000	Furniture & Fittings	5,75,000	3,50,000
Export Profit Reserve	3,00,000	3,00,000	Investments	7,00,000	5,00,000
Profit and Loss A/c	7,50,000	5,00,000	Stock	12,50,000	9,50,000
13% Debentures (Rs.100 each)	5,00,000	3,50,000	Debtors	9,00,000	10,30,000
Trade Creditors	4,50,000	3,50,000	Cash & Bank	7,25,000	5,20,000
Bills Payable	2,00,000	1,50,000			
	99,00,000	**66,00,000**		**99,00,000**	**66,00,000**

P Ltd takes over V Ltd. on 1st April 2012. P. Ltd. discharges the purchase consideration as below:

1) Issued 3, 00,000 equity shares of Rs.10 each at par to the equity shareholders of V Ltd.
2) Issued 15% preference shares of Rs.100 each to discharge the preference shareholders of V ltd. at 10% premium.
3) The debentures of V Ltd will be converted into equivalent number of debentures of P Ltd.
4) The export Profit Reserve of V Ltd. to be maintained for 3 more years.

You are required to :

1) Make journal entries to close book of V Ltd.
2) Make journal entries and prepare Balance Sheet in the book of P Ltd.

OR

Q.2 The assets and debentures of National Steel Co. Ltd. are taken over by Hindustan Iron and Steel co. Ltd. The Purchase consideration was as follows:- **15**

a) A Payment in cash of Rs.90 for every equity share in the National Steel Co. Ltd.
b) An exchange of four share in Hindustan Iron and steel Co. Ltd. of Rs. 75 each (quoted in the market at Rs. 140 each) for each share in the National Steel Co. Ltd.

P.T.O

The balance sheet of the National Steel Company Ltd., stood as follows when taken over:-

LIABILITIES	Amount (Rs.)	ASSETS	Amount (Rs.)
6,000 equity shares of Rs. 500 each	30,00,000	Land	11,00,000
		Plant and Machinery	15,50,000
1,300 debentures of Rs. 500 each	6,50,000	Furniture and Fittings	2,60,000
Sundry creditors	2,50,000	Patents	2,40,000
Workmen's Saving Bank	2,00,000	Work in Progress	8,15,000
Insurance fund	65,000	Stock of goods	1,85,000
Reserve fund	2,75,000	Sundry debtors	2,65,000
Profit & Loss A/c	60,000	Cash at bank	85,000
	45,00,000		**45,00,000**

Hindustan Iron and Steel Co. Ltd. paid Rs.550 in cash for every debenture of National Steel co.
Make the necessary closing and opening entries in the journal of the purchased and purchasing companies respectively.

Q.3 The following is the Balance Sheet of Parry Ltd. as on 31st December 2016: **15**

BALANCE SHEET

LIABILITIES	Amount (Rs.)	ASSETS	Amount (Rs.)
13% Cumulative Preference Shares of Rs. 100 each	1,00,000	Fixed Assets	15,00,000
Equity Shares of Rs.10 each	7,00,000	Current Assets	35,00,000
8% Debentures	3,00,000	Profit & Loss A/c	3,00,000
Current Liabilities	39,00,000		
Provision for Taxation	3,00,000		
Total	**53,00,000**	**Total**	**53,00,000**

The following scheme of re-organization is sanctioned:

1) Fixed Assets are to be written down by 33-1/3 %
2) Current Assets are to be revalued at Rs.27, 00,000.
3) Preference Shareholders decided to forego their right to arrears of dividend which were in arrears for three years.
4) The taxation liability has been assessed at Rs.4, 00,000.
5) One of the creditor of the company, to whom the company owes Rs. 25,00,000 decided to forego 50% of his claim. He is allotted 1, 00,000 equity shares of Rs.5 each in part satisfaction of the balance of his claim.
6) The rate of interest of debentures is increased to 11%. The debenture holders surrender their existing debentures of Rs.100 each and exchange the same for fresh debentures of Rs.75 each.
7) All existing equity shares are reduced to Rs.5 each.
8) All preference shares are reduced to Rs. 75 each.

Pass journal entries and show the balance sheet of the company after giving effect to the above.

P.T.O

OR

Q.3 On 31st December, 2015, X Co. Ltd. Went into voluntary liquidation. Its Balance Sheet as on that date was: **15**

LIABILITIES	Amount (Rs.)	ASSETS	Amount (Rs.)
Shares Capital:		**Goodwill**	2,50,000
2,000 6% Cumulative Preference Shares of Rs.100 each	2,00,000	Buildings	2,80,000
		Machinery	3,55,000
1,000 7% Non-cumulative Preference shares of Rs.75 each	1,00,000	Stock	4,85,000
		Sundry Debtors	3,62,000
5,000 Equity shares of Rs.80 each fully paid.	4,00,000	Cash in Hand	3,000
12,500 Equity shares of Rs. 80 each Rs. 40 paid.	5,00,000	Profit and Loss	4,85,000
Sundry Creditors	9,95,000		
Bank Overdraft (having a floating charge of the assists)	25,000		
Total	**22,20,000**	**Total**	**22,20,000**

a) Sundry Creditors include:
   i) Outstanding Income Tax demanded but not paid Rs. 2, 50,000.
   ii) Municipal rates Rs.4, 000.
   iii) Wages of factory workers Rs. 10,000.
   iv) Loan fully secured by mortgage on Building Rs. 2, 00,000.
   v) The Liquidator realised the assets as follows:

	Rs.
Buildings	2,25,000
Machinery	100,000
Stock	3,00,000
Sundry Debtors	3,00,000

The liquidator by way of his own remuneration is entitled to 3% of the amount realized from the sale of assets and 2% of the amount distributed to the unsecured creditors. Liquidation expenses amounted to Rs. 5,000.

Prepare the Liquidator’s Final Statement of Account showing the distribution.

P.T.O

Q.4 A company issued 1,50,000 shares of Rs. 10 each at a premium of Rs.10. the entire issue was underwritten as follows: **15**

X-90,000 Shares (Firm underwriting 12,000 shares)
Y-37,500 Shares (Firm underwriting 4,500 shares)
Z-22,500 Shares (Firm underwriting 15,000 shares)

Total subscriptions received by the company (excluding firm underwriting and marked applications) were 22, 500 shares.

The marked applications (excluding firm underwriting) were as follows:

X-15, 000 shares; Y-30,000 shares; Z-7,500 shares

Commission payable to underwriters is at 5% of the issue price. The under wring contract provides that credit for unmarked applications be given to the underwriters in proportion to the shares underwritten and benefit of firm underwriting is to be given to individual underwriters.

a) Determine the liability of each underwriter

b) Compute the amount payable or due from underwriters.

c) Pass journal entries in the books of the company relating to underwriting.

OR

Q.4 The summary balance sheet of V Ltd. As on 31-03-2012 is as follows: **15**

LIABILITIES	**Amount (Rs.)**	**ASSETS**	**Amount (Rs.)**
I. SHARES CAPITAL:		**I. FIXED ASSTES**	
Authorized:	?	Net Block	60,00,000
Paid up:		**II. INVESTMENTS**	
Equity share of Rs. 10 each	50,00,000	Trade Investments	50,00,000
II. RESERVES & SURPLUS		**III. CURRENT ASSTES**	
Securities Premium A/c	5,00,000	Bank	80,00,000
General Reserve	20,00,000		
Profit & Loss A/c	25,00,000		
III. SECURED LOANS			
Debentures	50,00,000		
IV.CURRENT LIABILITIES			
Creditors	40,00,000		
Total	**190,00,000**	**Total**	**190,00,000**

Keeping in view all the legal requirements, ascertain

i) The maximum no. of equity shares that V Ltd can buy back; and

ii) The maximum price it can offer.

Assume that the buy-back is carried out actually at the legally permissible terms, record the entries in the Journal of V Ltd and prepare its balance sheet thereafter.

P.T.O

Q.5 A) What do you mean by liquidation of a company? Describe the different modes of winding up **08**

B) Explain when and why internal reconstruction becomes necessary. **07**

OR

Q.5 Write short Notes (any 3) **15**

1) Purchase consideration
2) Internal reconstruction Vs External reconstruction
3) Underwriting commission
4) Preferential creditors as per Indian companies Act
5) Maximum limits for buyback
