

Q.P. Code : 283800

(2 Hours)

[Total Marks : 60

- N.B. :** (1) **Question No.1 and 2 are compulsory.**
(2) **Question No.3 and 4 have internal options.**
(3) **Each question carry 15 marks.**
(4) **Figures to the right indicate full marks.**
(5) **Working notes should form part of your answer.**

1. Following are the assets and liabilities of Sunset Ltd. as on 31st March, 2016: **15**

Particulars	₹
Liabilities :	
80,000 Equity Shares of ₹ 10 each, 7.50 paid up	6,00,000
4,000 9% Preference Shares of ₹ 100 each fully paid	4,00,000
Unsecured loan	1,60,000
Sundry Creditors	96,000
Bank Overdraft	33,600
Total	12,89,600
Assets :	
Goodwill	40,000
Land and Building	3,20,000
Plant and Machinery	2,40,000
Investments	48,000
Stock	1,08,000
Debtors	2,36,000
Cash in hand	12,000
Profit & Loss (Dr.)	2,85,600
Total	12,89,600

Note : Dividend on Preference shares has not been declared for 2 years. No provision has been made for Tax liability of ₹ 19,200.

The following scheme of reconstruction has been approved by the court :

1. Uncalled Equity share capital is to be called up in full and then reduced to ₹ 5 per share.

TURN OVER

2. Tax Liability of ₹18,000 is to be paid immediately.
3. Land and Building are to be shown in Balance sheet at full market value of ₹4,40,000. Goodwill is to be written off.
4. Investments are to be taken over by bank in full settlement of overdraft balance.
5. Preference shareholders have agreed to sacrifice their right for 2 years dividend.
6. Trade creditors have agreed to forego 25% of their dues on the condition that 25% of net liability after remission is paid forthwith and the balance is paid within one year.

Pass necessary Journal Entries for recording the transactions.

2. (a) Rewrite the following statements stating whether it is **True** or **False** : **8**
1. Shares surrendered A/c balance is transferred to Capital reduction A/c.
 2. Appreciation in value of asset is credited to capital reduction account.
 3. Equipment is a monetary item.
 4. Receivable is a non-monetary item.
 5. In calculating purchase consideration by net asset method, all assets including fictitious asset must be taken into account.
 6. The company issues right shares at more than market value of shares. Profit on sale of right entitlement is credited to Investment account.
 7. High court approval is must for Internal Reconstruction.
 8. Bonus shares are offered free of cost.

TURN OVER

2. (b) Rewrite the statements given in Group A with corresponding most appropriate Statement from Group B :

Group 'A'	Group 'B'
(1) Balance of Capital Reduction A/c	(a) Sub division
(2) Share of ₹100 each converted into 100 shares of ₹1 each.	(b) On date of sale of assets
(3) Amalgamation	(c) Capital reserve
(4) Dissolution expenses paid by vendor company	(d) Revenue income
(5) Post- acquisition dividend	(e) Merger type
(6) In translation of foreign currency, fixed assets are converted	(f) On date of purchase of assets
(7) In amalgamation approval by 90% shareholders	(g) AS - 14
	(h) Debited to Realization A/c

3. On 1st April, 2015 400 6% Debentures of ₹100 each of Bharat Pvt. Ltd. were held as investment by Mr. Suraj at a cost of ₹16,400. Bharat Pvt. Ltd. pays interest on 1st May and 1st November every year. 15

The following other transactions were entered by him during the year ended 31st March, 2016 in regard to these debentures :

Date	No. of Debentures	Transaction	Rate
1 st April, 2015	100	Sale	₹98 cum-interest
1 st October, 2015	100	Purchase	₹104 ex-interest
1 st December, 2015	200	Purchase	₹97 cum-interest
1 st February, 2016	100	Sale	₹97 ex-interest

You are required to prepare investment in 6% Debentures in Bharat Pvt. Ltd account for the year ended 31st March, 2016 as it would appear in the books of Mr. Suraj. Apply AS-13.

TURN OVER

OR

3. On 1st January 2016, Zolo Ltd. an Indian importer, purchased \$ 2,50,000 worth goods from Solo Trading Company of USA. The payment for the import was made as follows :

On 10 th February 2016	\$ 1,00,000
On 15 th March, 2016	\$ 75,000
On 20 th April, 2016	\$ 75,000

Zolo Ltd. closes its books on 31st March every year.

The exchange rate for \$ 1 was follows :

1 st January 2016	66.00
10 th February 2016	66.50
15 th March 2016	64.60
31 st March 2016	62.00
20 th April 2016	63.75

Pass necessary journal entries.

Prepare Solo Trading Company account and Foreign Exchange Fluctuation Account in the book of Zolo Ltd.

4. Following are the assets and liabilities of S Ltd. and T Ltd. as on 31st March, 2016 :

Particulars	S Ltd. (₹)	T Ltd. (₹)
Liabilities :		
Equity Share Capital (₹ 10 each)	4,50,000	3,00,000
13% Preference Share Capital (₹ 100 each)	2,70,000	1,70,000
General Reserves	50,000	25,000
Export Profit Reserves	30,000	20,000
Investment Allowance Reserves	-	10,000
Profit and Loss A/c	75,000	50,000
14% Debentures (₹ 100 each)	50,000	35,000
Current Liabilities	45,000	40,000
Total	9,70,000	6,50,000

TURN OVER

Particulars	₹	₹
Assets :		
Land and Building	3,71,000	1,45,000
Plant and Machinery	3,15,000	1,80,000
Furniture	59,500	35,000
Investments	12,000	97,000
Stock	85,000	88,000
Debtors	77,500	67,000
Cash and Bank	50,000	38,000
Total	9,70,000	6,50,000

S Ltd. Takes over T Ltd. on 1st April, 2016. S Ltd. discharges the purchase consideration as below :

- (1) Issued 35,000 equity shares of ₹10 each at par to the equity shareholders of T Ltd.
- (2) Issued 15% preference shares of ₹100 each to discharge the preference shareholders of T Ltd. at 10% Premium.
- (3) The debentures of T Ltd. will be converted into equivalent number of debentures of S Ltd.
- (4) The statutory reserves of T Ltd. (export profit reserve and investment allowance reserve) are to be maintained for 2 more years.

You are required to compute Purchase Consideration and record journal entries in the books of S Ltd. Assuming that the amalgamation is in the nature of purchase.

OR

4. Write short note on :

- (a) Internal reconstruction and external reconstruction
- (b) Amalgamation Adjustment account
- (c) Bonus shares and right shares

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