

Marks:75

Time: 2 & 1/2 Hours

Q.1.A. Fill in the blanks Any Eight:

08

- i. Interest on calls in advance is — %.
- ii. Debenture holders are — of company.
- iii. Preference shares are redeemable within — years.
- iv. Interest on Sinking Fund Investment is credited to — Account.
- v. Contribution to education fund is at the rate of Re. — per member having treatment.
- vi. Preference shareholders are the — of the company.
- vii. In the Balance Sheet Debenture Premium is shown under — head.
- viii. Redemption of preference shares can be made only out of fresh issue.
- ix. Profit on cancellation of own debenture is transferred to Capital Reserve.
- x. Buy back can be completed within — months.

Q.1.B. State whether True or False Any Seven:

07

- i. Forfeited shares cannot be issued at premium.
- ii. A bonus issue can be made out capital reserve.
- iii. A company can issue debentures with voting rights.
- iv. Discount on debenture is capital profit.
- v. Interest on debenture is payable only if company earns profit.
- vi. A debenture issued at discount must be redeemed with discount only.
- vii. Profit on cancellation of own debenture is transferred to capital reserve.
- viii. After buy back the debt-equity ratio cannot be more than 2:1.
- ix. Buy back should be completed within 10 months from the date of resolution.
- x. Buy back has to be authorised by Articles of Association.

Q.2.A. India Ltd made a public issue of 1,00,000 Equity shares of Rs. 10 each payable as:-

Rs. 2 on application & allotment and the balance in two equal installments.

Applications were received for 1,15,000 shares. The directors rejected applications for 15,000 shares. The remaining shares were allotted.

The first call was duly made. All the shareholders paid the amount except Munna, holder of 400 shares who failed to pay allotment money & first call money and Ajit who did not pay the first call money on 600 shares held by him. The directors decided to forfeit the holdings of both. The second call was made afterwards which was duly paid by all. Record Journal Entries. 15

OR

Q.2.B. Botham Ltd. had issued 50,000, 12% Red. Pref. Shares of Rs. 10 each, Rs. 8 paid up. In order to redeem these shares now being redeemable, the company issued for cash 30,000 Equity Shares of Rs. 10 each at a premium of Rs. 2 per share. Out of the proceeds the Pref. Shares were redeemed & balance being met out of the General Reserve which stood at Rs. 2,50,000. The company then declared the bonus issue of 20,000 Ordinary shares of Rs. 10 each to the existing ordinary shareholders out the reserve created for redemption purpose. Pass Journal Entries giving effect to above transactions. 15

Q.3.A. On 01.01.2001, Smart Ltd. issued 4,000, 6% Debentures of Rs. 100 each at a discount of 10% payable in 4 years by annual equal installments. Give Journal Entries of the date of issue and show Debenture A/c; Debenture Interest A/c & Discount on Debenture A/c till the date of redemption.

15

OR

Q.3.B. The Balance Sheet of Active Ltd. on 31-3-2012 is as follows:-

Liabilities	Rs	Assets	Rs
40,000 Equity shares of Rs. 10 each	4,00,000	Fixed Assets	6,00,000
2,000 Pref shares of Rs. 100 each	2,00,000	Bank balance	2,20,000
Profit & Loss A/c	40,000		
Debentures	80,000		
Sundry Creditors	1,00,000		
	8,20,000		8,20,000

The company wants to buy back 20% of its Equity capital at 10% premium. Not having sufficient profits to buy back, the company issued 600 Pref. shares of 100 each at 10% premium payable as 20 on application and the balance on allotment. These shares were duly taken up and company purchased the equity shares immediately, sufficient profits were used to supplement the new issue. Pass journal entries. Prepare the new Balance Sheet after the buy back.

15

Q.4.A. Following is the Trial Balance of Ashok Tower CHS Ltd. as on 31st March 2014:-

	Rs		Rs
Insurance	3,700	Share Capital	50,000
Electricity charges	40,000	Sinking Fund	26,000
Salary of staff	10,200	Repairs Fund	15,000
Administrative Exps	8,300	Reserve Fund	25,000
Property Taxes	1,60,000	Income & Expenditure A/c	20,000
Water charges	22,600	Contribution from Members:-	
Repairs & Maintenance Exps	40,000	Painting Fund	26,200
Security charges	10,000	Insurance	3,700
Conveyance	1,500	Electricity charges	44,600
A.G. Meeting Exps.	250	Employee Cost	10,200
Investments	60,000	Admin. Exps	8,300
Furniture	10,500	Parking Charges	14,000
Fire Extinguishers	5,000	Property Taxes	2,42,000
Water Pump	7,500	Water charges	65,900
Garbage Trolley	3,192	Repairs & Maintenance Fund	65,000

2

Postage	1,020	Sinking Fund	43,300
Subscription to Hsg. Federation	300	Interest on Investment	10,900
Accounting charges	7,000		
Audit fees	2,500		
Bank charges	250		
Cultural Progm Exps	750		
Bank	2,69,300		
Cash	1,238		
Telephone Exps	5,000		
	6,70,100		6,70,100

Adjustments:-

- 1) Depreciate Furniture by 10%; Fire Extinguishers by 15%; Water Pump by 15%; Garbage Trolley by 15%.
- 2) Transfer 25% of the profit to Reserve Fund.
- 3) Telephone Bill payable Rs. 500.
- 4) Employee salary payable Rs. 1,500. 15

OR

Q.4.B. Crompton Ltd issued 30,000 shares of Rs. 10 each. The share amount was payable as follows:-

Rs. 2 on application; Rs. 3 on allotment; Rs. 3 on first call & Rs. 2 on final call.

Applications were received for 25,000 shares which were allotted. The directors made all the calls except the final one. All moneys called were received except the first call on 700 shares. These shares were forfeited by the directors. The forfeited shares were re-issued as Rs. 8 paid at Rs. 5 per share. Pass Journal Entries & show the Balance Sheet. 15

Q.5. Write Any Three short notes: 15

- a. Bonus Shares
- b. EX-Interest and Cum-Interest
- c. Debenture Redemption Fund
- d. Various funds of Housing society
- e. Income and Expenditure Account.

3