

C4AC323

S4B Com

Sem IV

2013/23

A & final

Marks: 100

Duration 3 Hrs.

Note: All questions are compulsory  
Figures to the right indicate full marks

Q.1 A State whether following statements are true or false ( any 10 )

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1. A company can issue non-redeemable Preference shares.
2. Right shares are issued to Preference shareholders also.
3. When number of share applied is more than number of shares issued it is called Over subscription.
4. The Debentures can be redeemed whenever company desires.
5. Preference shares are issued to Directors of company only.
6. Post incorporation profit is available for payment of dividend.
7. Equity share capital Is always non-redeemable.
8. Preference shares can be redeemed only out of profits.
9. Equity shares can be forfeited by company for any reason.
10. Bonus shares are issued to Equity shareholders free of cost.
11. Depreciation is allocated in time ratio to separate pre and post incorporation Profit.
12. Bad debts are allocated in sales ratio

Q.1 B Rewrite the statement by selecting correct option ( Any 10 )

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1. A public company is one -----  
A) Which is managed by public B) Which is not private company  
C) Which is formed by public D) None of the above
2. The person who invents the idea of formation of company is called -----  
A) Promoter B) Director C) Manager D) Leader
3. Maximum amount of share capital of a company is mentioned in -----  
A) Memorandum of association B) Articles of association  
C) Prospectus D) None of the above
- 4) The amount received in excess of face value of share is credited to -----  
A) Profit and loss account B) Security premium a/c  
C) Capital reserve a/c D) share capital
- 5) The expenses related to company are allocated to -----period.  
A) Pre incorporation B) Post incorporation C) Both D) None
- 6) Amount not received on calls on shares is called -----  
A) Calls in advance B) calls in arrears  
C) called up amount D) Forfeited shares a/c
- 7) Debentures issued b company is -----  
A) Owned capital B) Loan C) current liability D) Contingent liability
- 8) Premium on redemption of Debentures is -----  
A) Asset B) Liability C) Loss / expense D) Income

- 9) Profit or loss on sale of sinking fund investment is transformed to-----  
A) Sinking fund A/c    B) Profit and loss A/c    C) General Reserve    D) Capital Reserve
- 10 ) Profit up to date of incorporation is -----  
A) Revenue profit    B) Capital Reserve    C) Security premium    D) Statutory reserve.

11) The interest paid to vendor is allocated in -----.  
 A) Time ratio B) Specific time ratio C) to Post incorporation D) Sales ratio

12) For redemption of debentures sinking Fund is created out of -----.  
 A) Past profits B) current year profit C) security premium D) Unsecured loans.

Q.2 XYZ ltd. was incorporated on 01/08/2022 to take over business from Miss Rani and Raja from 01/04/2022. The profit and loss a/c as given by XYZ ltd for the year ended 31/03/2023 is as under.

| Particulars               | Rs        | Particulars            | Rs        |
|---------------------------|-----------|------------------------|-----------|
| To Advertisement          | 1,70,000  | By Gross Profit        | 34,00,000 |
| To Audit fees             | 18,000    | By share transfer fees | 20,000    |
| To Bad debts              | 34,000    |                        |           |
| To Depreciation           | 60,000    |                        |           |
| To Interest on Debentures | 1,00,000  |                        |           |
| To Preliminary expenses   | 75,000    |                        |           |
| To Rent                   | 1,80,000  |                        |           |
| To Salaries               | 3,60,000  |                        |           |
| To selling expenses       | 5,10,000  |                        |           |
| To Office expenses        | 2,40,000  |                        |           |
| To Carriage outwards      | 68,000    |                        |           |
| To Electricity charges    | 36,000    |                        |           |
| To Directors fees         | 45,000    |                        |           |
| To net profit             | 15,24,000 |                        |           |
| Total                     | 34,20,000 |                        | 34,20,000 |

Prepare profit and loss a/c showing allocation of Pre- incorporation and post incorporation profit. Consider following information.

- 1) Sales for August and November 22 were one and half times (1.5 times) the average monthly sales while for December 2022 to March 2023 were two times the average sales of the other months.
- 2) Depreciation includes Rs. 3000 for assets acquired in post incorporation period only.

OR

Following is the summarized Balance sheet of Soham ltd as on 31/03/2023

| Liabilities  | Rs       | Assets                  | Rs       |
|--|----------|-------------------------|----------|
| 12% preference share capital<br>Rs.100 eachRs.80 paid up | 2,40,000 | Fixed assets            | 2,80,000 |
| Equity share capital Rs.10 each                          | 2,20,000 | Bank                    | 2,76,000 |
| Profit and loss a/c                                      | 90,000   | Investments             | 1,00,000 |
| General reserve  | 60,000   | Other current<br>assets | 50,000   |
| Securities premium                                       | 6,000    |                         |          |
| Current liabilities                                      | 90,000   |                         |          |
| Total  | 7,06,000 | Total                   | 7,06,000 |

The Preference shares are to be redeemed at 10% premium. For this purpose company made final call on preference shares and duly received. Company issued 2000, 10% debentures of Rs.100 each at par redeemable at 10% Premium.

On 1<sup>st</sup> April 2023 a fresh issue of Equity shares is made at 10% premium to the minimum extent required under companies act for redemption purpose. Investments are sold at 20% profit in book value. Capital redemption reserve created is fully utilized to issue bonus shares to Equity shareholders.

You are required to pass necessary Journal entries in the Books of company.

**Q.3** Tanuja ltd. Gave notice of its intention to redeem its 8% Debentures of Rs. 10,00,000(Rs.100 per Debenture).Redemption is made at a premium of Rs.10 per Debenture. Debenture holders are given option to

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1. Subscribe for 9% preference shares of Rs.100 each at Rs.105.
2. 12% Debentures of Rs.100 each at Rs.96 per Debentures (face value Rs.100).
3. Equity shares of Rs.100 each at par.
4. Cash on redemption.

The options were exercised as under :

1. Holders of 2100 debentures accepted proposal 1<sup>st</sup>
2. Debenture holders of 1440 accepted proposal 2<sup>nd</sup>.
3. Debenture holders holding 2000 Debentures accepted option 3<sup>rd</sup>
4. Remaining accepted cash. Pass journal entries in the books of company.

**OR**

The following balances are extracted from the books of Sudan ltd.

1,000, 11% Redeemable preference shares of Rs.100 each fully paid up.

1000, 10% Redeemable preference shares of Rs. 100 each Rs.80 paid up.

4000 Equity shares of Rs. 10 each fully paid up.

General reserve Rs.70,000 Profit and loss a/c Rs.30,000. The preference shares are to be redeemed at 10% premium. For this purpose company took following steps ,

A call is made on 10% preference shares and paid by all shareholders.

Issued 5000 Equity shares of Rs.10 each at 10% premium. Issued 1000, 8% preference shares of Rs. 100 each at par. The company also sold its investment of Rs.40,000 at Rs.50,000 .

Pass journal entries in the books of company.

**Q.4** Pearl ltd was incorporated on 1st July 2022 ; to take over a business as a going concern from 1st march 2022 . The profit and loss a/c is drawn on 31st December 2022.

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| Particulars                | Rs.      | Particulars     | Rs.      |
|----------------------------|----------|-----------------|----------|
| To Management expenses     | 70,000   | By Gross profit | 7,70,000 |
| To Rent                    | 30,000   |                 |          |
| To office expenses         | 20,000   |                 |          |
| To directors fees          | 12,000   |                 |          |
| To Bad debts               | 15,000   |                 |          |
| To Free samples            | 14,000   |                 |          |
| To Formation expenses      | 27,000   |                 |          |
| To Debenture interest      | 13,000   |                 |          |
| To Commission and discount | 7,000    |                 |          |
| To Depreciation            | 25,000   |                 |          |
| To Carriage outwards       | 21,000   |                 |          |
| To Goodwill written off    | 50,000   |                 |          |
| To Dividend on shares      | 1,00,000 |                 |          |
| To Net profit              | 3,66,000 |                 |          |
| Total                      | 7,70,000 | Total           | 7,70,000 |

The following information is available :

1. Sales in pre and post incorporation period were in 3: 4 ratios.
2. Bad debts Rs.1,000 were written off in June 2022.
3. Rent has been paid from 1st October 2022 @ Rs.10,000 per month.

4. The purchase consideration was agreed to be paid at Rs.15,00,000 for assets valued at Rs.14,50,000 . In lieu of interest in purchase consideration the Vendors would get 75% of the profits earned before incorporation.

Ascertain profits in pre and post incorporation period.

OR

Infosys Ltd issued on 01/04/2019 4000, 14% Debentures of Rs.100 each at par redeemable at a premium of 10% after 4 years. The company decided to set up a sinking fund for the redemption of Debentures setting aside necessary amount every year and investing it in investments carrying 12% interest p.a. . The sinking fund factor for 4Years @ 12% was Rs.0.20964. On 31/3/2023 the sinking fund investments were sold for Rs.3,15,000 .

You are required to prepare ledger accounts in the books of Infosys Ltd to carry out redemption of Debentures for 4 years.

Sinking fund a/c , sinking fund investment a/c , 14% Debentures a/c , Loss on issue of Debentures a/c .

- Q.5 (A) Which are provisions in companies act 2013 for redemption of Preference shares? 20  
(B) On what basis the expenses and incomes are divided between pre and post incorporation period to calculate pre and post incorporation profit?

OR

Write short notes on any four of the following.

1. Divisions of Equity share capital.
1. Bonus Shares
2. Debenture redemption reserve
3. Divisible profits
4. Partnership Vs limited company
5. Profit prior to incorporation
6. Capital Redemption reserve

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