

Roll No: _____

Duration: 1 Hour

Jr. Supervisor Sign: _____

B2A522

CLASS: B2A522 - Sem 2 Regular May/22
Date: 07/05/22
Sub: Fin. Accounting - II

Marks : 35

1. Divisible Profit Means _____.
- Profit Disclosed by Profit and Loss A/c.
 - Profit Available for Distribution as Dividend
 - Retained Earnings
 - d. Profit Disclosed by Profit and Loss Less Dividend Tax

Answer: _____

2. Following are the factors affecting goodwill except _____.
- Nature of Business
 - Efficiency of management
 - Technical Know - How
 - Location of the Customers

Answer: _____

3. Average profit is Rs 19,167 and normal profit is Rs 10,000. The super profit is _____.
- Rs 29,167
 - Rs 9,167
 - Rs 19,167
 - Rs 10,000

Answer: _____

4. The provisions of buy back of shares are specified in section _____ of Companies Act.
- 68
 - 75
 - 78
 - 80

Answer: _____

5. The amount not collected by shareholders should be shown as _____.
- Capital Reserve
 - Reserve Capital
 - Share Capital
 - Current Liabilities

Answer: _____

6. The premium payable on redemption can be provided out of _____.
- Statutory Reserve
 - Capital Redemption Reserve
 - Profit and Loss A/c
 - Insurance Premium

Answer: _____

7. The amount remaining unpaid to Preference Shareholders is included in Balance Sheet as _____.
- Share Capital
 - Current Liabilities
 - Loan
 - Contingent Liabilities

Answer: _____

8. The interest on investment representing sinking fund should be credited to _____.
- a. Profit and Loss A/c
 - b. Sinking Fund A/c
 - c. Debenture A/c
 - d. Capital Reserve

Answer: _____

9. Adjustment of loss of interest in calculation of interest is made under _____ method of estimating goodwill.
- a. Annuity
 - b. Weighted Average Method
 - c. Super Normal Profit
 - d. Maintainable Profit

Answer: _____

10. The most important element in valuation of goodwill is _____.
- a. Type of Business
 - b. Efficiency of Owner of Business
 - c. Future Maintainable Profit
 - d. Place and Location of Business

Answer: _____

11. Board of directors can approved buyback up to _____.
- a. 25%
 - b. 10%
 - c. 20%
 - d. 5%

Answer: _____

12. Capital Redemption Reserve is shown in the Balance Sheet under _____.
- a. Share Capital
 - b. Secured Loans
 - c. Unsecured Loans
 - d. Reserves and Surplus

Answer: _____

13. A company cannot issue _____.
- a. Redeemable Cumulative Preference Shares
 - b. Redeemable Non - Cumulative Preference Shares
 - c. Redeemable Participating Preference Shares
 - d. Irredeemable Preference Shares

Answer: _____

14. The companies Act requires creation of _____ by a company issuing debentures.
- a. Debenture Redemption Reserve
 - b. Capital Redemption Reserve
 - c. Capital Reserve
 - d. Statutory Reserve

Answer: _____

15. In case equity shares are bought back out of free reserve, amount equal to face value of equity shares bought back should be transferred to _____.
- a. General Reserve Account
 - b. Development Rebate Reserve
 - c. Sinking Fund Account
 - d. Capital Redemption Reserve Account

Answer: _____

16. Maximum buy back in a year can be _____ %.
- | | |
|-------|-------|
| a. 10 | c. 25 |
| b. 20 | d. 30 |

Answer: _____

17. The security under Buyback cannot be issued within _____.
- | | |
|-----------|-----------|
| a. 1 Year | c. 3 Year |
| b. 2 Year | d. 4 Year |

Answer: _____

18. For a buyback, a company should open an escrow account with _____.
- | | |
|-------------------|----------------|
| a. Stock Exchange | c. Underwriter |
| b. Broker | d. Bank |

Answer: _____

19. Capital Reserve is _____.
- | | |
|----------------------------|---------------------|
| a. Current year's Profit | c. Capital Profit |
| b. Past Accumulated Profit | d. Divisible Profit |

Answer: _____

20. Debenture Redemption Reserve is dealt with by section _____.
- | | |
|--------|---------|
| a. 110 | c. 116 |
| b. 115 | d. 117C |

Answer: _____

21. A company has to create debenture redemption reserve if the maturity period is more than _____.
- | | |
|--------------|--------------|
| a. 18 Months | c. 24 Months |
| b. 12 Months | d. 60 Months |

Answer: _____

22. While Calculating Maintainable profit extraordinary loss may be _____ in the Profit and Loss A/c.
- | | |
|------------|-----------------|
| a. Reduced | c. Ignore |
| b. Added | d. Fluctuations |

Answer: _____

23. For a buyback, a company should open an escrow account with _____.
- | | |
|-------------------|----------------|
| a. Stock Exchange | c. Underwriter |
| b. Broker | d. Bank |

Answer: _____

24. The company before buyback has to submit a declaration of _____.
- a. Liquidity
 - b. Insolvency
 - c. Solvency
 - d. Competency

Answer: _____

25. Capital Redemption Reserve is to be created to the extent redemption is out of _____.
- a. Bank Account
 - b. New Issue of Share
 - c. Capital Profit
 - d. Divisible Profit

Answer: _____

26. The terms of Redemption is specified at time _____.
- a. Allotment of Shares
 - b. Issue of Shares
 - c. Receipt of Application for Shares
 - d. Re - issue of Share

Answer: _____

27. Capital Redemption Reserve can be utilized for _____.
- a. Paying Dividend
 - b. Set off against losses
 - c. Issue of Bonus Shares
 - d. Write off Fictitious Balance

Answer: _____

28. Debenture can be redeemed by _____.
- a. Issue of Cheque
 - b. Transfer of Fixed Assets
 - c. Transfer of Investment
 - d. Endorsement of Bill of Exchange

Answer: _____

29. To Provide funds for redemption a company may _____.
- a. Create Redemption Funds
 - b. Create Sinking Funds
 - c. Remain inactive
 - d. Open new Bank Account

Answer: _____

30. Buyback must be completed within _____.
- a. 12 Months
 - b. 3 Months
 - c. 6 Months
 - d. 2 Months

Answer: _____

31. The Following is not a free Reserve _____.
- a. General Reserve A/c
 - b. Profit and Loss A/c
 - c. Revaluation Reserve
 - d. Dividend Equalization Reserve

Answer: _____

32. The company which can issue redeemable preference shares is _____.
- a. A company Limited by Shares
 - b. A company Limited by guarantee not having share capital
 - c. A company Limited by guarantee having share capital
 - d. An unlimited Company

Answer: _____

33. Profit on forfeiture of Redeemable Preference shares is credited to _____.
- a. Capital Reserve A/c
 - b. Capital Redemption Reserve A/c
 - c. Profit and Loss A/c
 - d. General Reserve A/c

Answer: _____

34. As per SEBI Guidelines, the company is required to create the redemption reserve equal to _____.
- a. 80% of the issue size
 - b. 100% of the issue size
 - c. 50% of the issue size
 - d. 20% of the issue size

Answer: _____

35. At the time of admission of partner goodwill is transferred to old partner in _____.
- a. Their Profit Sharing Ratio
 - b. In the Ratio of Capital
 - c. In the Ratio of Sacrifice made by the partner
 - d. Equally

Answer: _____

Q.1 Multiple Choice Question (Separate Sheet Attached) 35

Q.2 Solve any 1 Question out of 3. 10

A. The Balance Sheet of RK Ltd as on 31st March, 2017 is as follows:

Liabilities	Rs.	Asset	Rs.
10,000 shares of Rs.10 each fully paid	1,00,000	Land and building	1,20,000
Profit & loss A/c	50,000	Plant and Machinery	80,000
Debentures	50,000	Furniture and Fittings	15,000
Trade Creditors	25,000	Stock	20,000
Provision for taxation	5,000	Book Debts	10,000
Proposed Dividend	20,000	Cash and Bank	5,000
	2,50,000		2,50,000

The net profits of the company after charging depreciation and taxes for the years ending 31st March were as follows:

2013 - Rs. 47,000, 2014 - Rs. 44,000, 2015 - Rs. 50,000, 2016 - Rs. 52,000, 2017 - Rs. 59,000.

On 31st March, 2017 assets were valued as under.

Land and building Rs. 1,80,000, Plant and machinery Rs. 1,10,000, Furniture and Fittings - Rs.10,000. 12% return on investment can be considered fair for the business.

You are required to find value of goodwill by:

- Five years purchase of super profits.
- Capitalization of super profits.

B. ST. Ltd Provides you with following Balance Sheet as on 31st March, 2017.

Liabilities	Rs.	Asset	Rs.
3750 Equity shares of Rs. 100 each	3,75,000	Goodwill	52,500
Profit and Loss A/c	90,000	Land and building	1,50,000
Sundry Creditors	1,35,000	Plant and Machinery	1,40,000
Provision for Taxation	90,000	Stock	2,40,000
Bank Overdraft	30,000	Sundry Debtors	1,27,500
		Bank	10,000

Profit before providing for taxation for past five years are:

2013 - Rs.93, 000; 2014 - Rs.97, 500; 2015 - Rs. 1, 05,000; 2016 - Rs.1, 25,000; 2017 - Rs.1, 52,500.

Tax rate is 40% and 15% is fair return on capital employed in such type of concerns.

Ascertain goodwill of the business by:

- Capitalization of average profits.
- Five years purchase of super profits.
- Capitalization of Super profits.

C. The following is the balance sheet of Zobox Ltd. As on 31st March, 2016.

Liabilities	Rs.	Asset	Rs.
Share capital:		Fixed assets:	
25,000 10% cumulative redeemable Preference shares of Rs. 100 each (Issue on 1 st March, 2005 as fully paid shares and redeemable at premium of 10% on 28.02.2015)	25,00,000	Cost	60,00,000
5, 00,000 equity shares of Rs.10 each.	50,00,000	80,00,000	
Secured Loan:		Less: Depreciation	75,00,000
Industrial Credit and investment Corporation of India Ltd. 12% loan secured by a charge of fixed assets.	25,00,000	<u>20,00,000</u>	
Current liabilities and provision	40,00,000	Current assets, loans and advances	
		Profit and loss account as per balance sheet	5,00,000
		30,00, 000	
		Less: Profit during The year	
		<u>25,00,000</u>	
	1,40,00,000		1,40,00,000

Note: Preference dividends are in arrears for two years.
You are asked to evaluate the equity shares on the net asset backing method.

Q.3 Solve any 1 Question out of 3.

10

A. Following is the summarized Balance Sheet of Chandra Ltd. As on 31/03/2018

Liabilities	Rs.	Asset	Rs.
16,00,000 Equity Shares of Rs.10 each Rs.8 paid up	1,28,00,000	Land and Building	60,00,000
Profit and Loss A/c	1,20,00,000	Plant and Machinery	60,00,000
Security Premium	40,00,000	Furniture	44,00,000
10% Debentures	40,00,000	Investments	30,00,000
Bank Term Loan	60,00,000	Debtors	94,00,000
Creditors		Bank Balance	1,00,00,000
		Stock	40,00,000
	4,28,00,000		4,28,00,000

The company decided to Buy back maximum number of Equity shares as may be permitted at a price of 20 per share being the current market price. Assuming that Buy – back is actually carried out, you are required to pass necessary Journal entries in the books of the company.

B. Balance Sheet of ICA Ltd as on 31.03.2016

Balance Sheet as on 31.03.2016		
	Amt	Amt
A] Equity and Liabilities:		
1) Shareholders Funds:		
Share Capital	100	
Reserve and Surplus	<u>300</u>	400
1) Current Liabilities:		<u>40</u>
Total		<u>440</u>
B] Assets:		
1) Non-Current Assets:		
Fixed Assets (at WDV)	Nil	
Non-Current Investments (Market value Rs.400 crores)	<u>100</u>	100
2) Current Assets:		<u>340</u>
Total		440

Notes forming part of Financial Statements

(Rs. In Crores)

Particulars	Amt (Rs)
Share Capital	
Authorized	100
Issued, Subscribed and paid up	
12% redeemable preference shares of Rs.100 each, fully paid	75
Equity shares of Rs.10 each, fully paid	25
Total Share capital:	100
Reserve and Surplus:	
Capital Reserve	15
Securities Premium	25
Revenue Reserves	260
Total	300
Fixed Assets:	
Cost	100
Less: Provision for Depreciation	100
Net Block	0

The company bought back 50 lakh equity shares of Rs.10 each at Rs. 50 per share. The payments for the above made out of the huge bank balances, which appeared as part of current assets. Preference shares were redeemed at par.

You are asked to pass journal entries to record the above. Also prepare Balance sheet after buyback.

C. S.K Ltd. A debt company, decided to buyback 1, 00,000 equity shares of Rs.10 each at 20% premium. The balances on account were.

Particulars	Rs
Share Capital	50,00,000
Securities Premium	1,10,000
General Reserve	7,00,000
Dividend Equalization Reserve	50,000
Capital Reserve	1,00,000
Capital Redemption Reserve	1,60,000
Profit and Loss A/c	6,00,000

You are required to check whether legal requirement are fulfilled and pass the necessary journal entries.

Q.4 Solve any 1 Question out of 3.

10

A. Balance Sheet of Gladrag Ltd. As at 31st March, 2017

Particulars	Amt
A) Equity and Liabilities:	
1) Shareholders Funds:	
Share Capital	54,00,000
Reserves and Surplus	27,81,000
2) Current Liabilities:	
Trade Payables	3,69,000
Total	85,50,000
B) Assets	
1) Non Current Asset	
Fixed Asset	50,00,000
2) Current Asset	
Investments	8,10,000
Trade Receivables	21,40,000
Cash and Cash Equivalents	6,00,000
Total	85,50,000

Notes forming part of Financial Statements:

Share Capital	
Authorized, Issued and called up:	
8% Redeemable Preference Share of Rs.10 each	27,00,000
Equity Shares of Rs.10 each	27,00,000
Total Share Capital	54,00,000

Reserves and Surplus	
Securities Premium	81,000
General Reserve	12,80,000
Profit and Loss A/c	14,20,000
Total	27,81,000

The company exercises the option to redeem 8% Redeemable Preference Shares at 10% premium and for this purpose the company issued 1,35,000 right shares of Rs. 10 each at a premium of Rs. 10 per share. The right shares were fully paid in cash.

The company also sold out the investments at Rs. 10, 26,000. All payments were made to the Redeemable Preference shareholders except those holding 1,350 shares who could not be traced. The Directors then issued bonus shares to the then shareholders after issue of new shares, at the rate of 2 shares for every 3 shares held at a 5% premium. The company decided to reduce the reserves to a minimum.

Pass necessary journal entries in the books of Gladrag Ltd. for the above transactions and also prepare the Balance Sheet of the company after redemption.

B. A company issued Rs.1, 80,000 Redeemable Preference Shares at par on 1st January 2011, redeemable at the option of the company on or after 31st December, 2014 in Whole or in part. The following Redemption was made out of profits.

On 30 th June, 2015	Rs. 60,000
On 30 th June, 2016	Rs.40,000

In December, 2016 the company issued Equity shares of the Face value of Rs.60,000 at a premium of 2% and on 31st December in the same year, it redeemed the balance of Preference Shares. Pass the necessary Journal Entries to record the above transactions.

C. Following is the Balance Sheet of IPL Ltd as on 31-03-2017

Particulars	Amt	Amt
A] Equity and Liabilities		
1) Share holders Funds		
Share Capital	12,34,000	
Reserves and Surplus	<u>2,08,000</u>	14,42,000
2) Current Liabilities		
Short Term Borrowings	58,000	
Trade Payables	<u>2,00,000</u>	2,58,000

Total		17,00,000
B) Assets		
1) Non-Current Assets		
Fixed Assets	12,00,000	
Investments	2,00,000	
		14,00,000
2) Current Assets		
Other Current Assets		3,00,000
Total		17,00,000

Notes forming part of Financial Statements:

Particulars	Rs.
Share Capital	
Authorized	
1,50,000 Equity Shares of Rs. 10 each	15,00,000
40,000 9% Preference Shares of Rs.10 each	4,00,000
Total Authorized	19,00,000
Issued and called up:	
1,00,000 Equity Shares of Rs.10 each	10,00,000
30,000 9% Preference Shares of Rs. 10 each, 8 Called up	2,40,000
Less: Calls in Arrears	(6,000)
Total Share Capital	12,34,000
Reserves and Surplus	
Securities Premium	50,000
General Reserve	1,58,000
Total	20,80,000
Short Term Borrowing	
Bank Overdraft	58,000

The 3,000 Preference Shares on which calls were in arrears were forfeited and cancelled and then the final call of Rs. 2 per share was made by the Board of Directors, which was paid by all the shareholders.

Subsequently the company redeemed the Preference Shares at a premium of 5%. For the purpose of redemption of Preference shares the company issued 20,000 equity shares of Rs. 10 each at 10% premium and 1,000 8% Debentures of Rs. 100 each at 5% discount, redeemable at 10% premium at the end of 5 years. Both the issues were fully subscribed and paid for.

You are required to give:

Necessary Journal Entries in the books of the company.

Q.5 Solve any 1 Question out of 3.

A. Shut App Ltd. issued 11%, 60,000 Debentures of Rs. 100 each on 01-01-2013 redeemable in 3 equal installment starting from 31-03-2016. The Board of Directors of the Company decided to transfer to DRR Rs. 50,000 on 31-03-2013 and Rs. 6,00,000 on 31-03-2014 and balance required as per law on 31-03-2015. Pass necessary Journal Entries in the books of the company regarding redemption.

B. X Co. Ltd. has 2,000 6% debentures of Rs. 100 each outstanding on 1st January, 2018. There was a Debenture Redemption fund amounting to Rs. 50,000 represented by 4% Mumbai Municipal Corporation Debentures of face value of Rs. 60,000. Interest on this is payable on 30th June and 31st December every year and these were also the dates for the payment of interest an debentures of the company. Half-yearly interest of Rs. 1,200 was received upto 30th June 2018. On 1st July, 2018, the company purchased for cancellation 100 debentures in the market at Rs. 95 and amount required for this purpose was raised by selling Mumbai Municipal Corporation debentures of face value of Rs. 10,830 on the same date.

On 31st December, 2018 further Rs. 8,000 were appropriated towards the Debenture Redemption Fund and corresponding investment in Mumbai Municipal Corporation Debentures was acquired with this amount and interest received on existing investments which amounted to Rs. 984. The face value of investments made was Rs. 11,200.

Show ledger accounts in books of X Co. Ltd. relating to following for the year 2018. (a) Debenture Redemption Fund a/c (b) Debenture Redemption Fund Investment a/c and (c) 6% Debentures a/c..

C. On 1-1-2018 Hero No.1 Ltd. had 2,000 12% Debentures of Rs. 100 each. Interest on Debentures is payable half yearly on 30th June and 31st December. On 1st May, 2018 the company purchased 100 of its Own Debentures at Rs. 97 ex-interest.

The Company sold 100 debentures at Rs. 105 cum-interest on 1st December, 2018.

Give necessary Journal entries for the year 2018.