Duration: - 2.30 HOURS **TOTAL MARKS: 75 MARKS**

NOTE:-

1. **The entire question is compulsory with internal option.**
2. **Each question carries 15 marks.**
3. **Working should form a part of your answer.**
4. **Use of simple calculator is allowed.**

Q.1. (A) STATE WHETHER THE FOLLOWING STATEMENT ARE TRUE/FALSE: (ANY8) **(08)**

1. Directors can be authorise to buyback 15% of its capital.
2. Capital redemption reserve account can be utilised for issuing partly paid Bonus shares.
3. Two or more companies combining to form a new company is called Absorption.
4. Capital reserve arises only when the amalgamation is in the nature of merger.
5. No journal entry is required for the cancellation of unissued Share Capital.
6. A company is allowed to convert its partly paid shares into stock.
7. Local taxes are an example of secured creditors.
8. In statement of affairs, payment to debenture holders is shown after the payment to preferential creditors.
9. Unmarked application is known as direct application.
10. The underwriting commission is payable in cash alone.

Q.1 (B) Match the following columns:

Column A	**Column B**
Buy back is governed by	Consolidation
Sources of buy back	Preferential Creditors
Amalgamation	Sec. 68 of Companies Act
Goodwill or Capital Reserve	Free reserves + securities Premium
Reduction of Share Capital	Stamp of the underwriter
Cancelling unissued shares	Shall not exceed 5%
Makes application	Must be Authorised by Article of Association
Underwriting commission on Debentures	Reduction of only Authorised share capital
Shares of Rs.1each converted into shares of Rs. 10 each	Two or more liquidations one formation
List H appended to statement of Affairs	Net payment method

Q.2) Following is the summary Balance Sheet of BTC Ltd as on 31-3-2019 **(15)**

Liabilities	**Rs.**	**Assets**	**Rs.**
60000 Equity Shares of Rs.10 each RS.8 paid up	480000	Fixed Assets	1120000
10% Preference shares of Rs.100	500000	Investment	100000
Securities Premium	15000	Cash at bank	200000
Capital Reserves		15000	
General Reserves		60000	
Profit & Loss		50000	
Trade Payable		300000	
		1420000	**1420000**

Company took all necessary steps to make the equity for buy back. The company decided to issue 1000 preference shares at Rs.110 in order to buy back 20% equity capital of the company. The new issue was fully subscribed. The company sold the investments at Rs.125000. After the issue of shares the company bought back 20% equity shares capital from the open market @ 12.

Pass journal entries and prepare Balance Sheet of the company.

OR

Q.2) Ganesh Limited issued to Public 1, 80,000 Equity shares of Rs.100 each at par. Rs.50 per shares **(15)** was payable along with Application and the balance on allotment. The issue was underwritten equally by Krishma . Kareena and Katrina for a commission of 3%. They agreed for a Firm underwriting of 10,000 shares each.

Application for 1, 40,000 shares excluding underwriters. Firm underwriting were received as below-

Application with marking of Krishma’s seal	47,500
Application with marking of Kareena’s sael	42,500
Application with marking of Katrina’s seal	38,000

Compute the underwriters Liability and amount payable/receivable.

Q.3) Following is the Balance Sheet of M/s High Expectations Ltd as on 31st March 2019 **(15)**

Liabilities	Rs.	Assets	Rs.
12% Preference Share of Rs. 10 each	1200000	Land and Building	1800000
Equity Shares of Rs. 10 each	2000000	Plant and Machinery	300000
11% debentures	1000000	Stock	1500000
Creditors	3000000	Debtors	2000000
Provision for tax	800000	Bank balance	200000
		Share issue expenses	400000
		Profit and Loss Account	1800000
	8000000		**8000000**

Note: Preference Dividend was in arrears for 3 years.

Following scheme of reconstruction was approved:

1. Equity shares to be reduced to Rs. 2 each fully paid
2. 12% Preference Shares to be reduced to Rs. 2 each fully paid
3. Directors to give short term loan of Rs. 1000000 to the company.
4. Depreciate n Land and Building and Plant and Machinery by 10%.
5. Reduce Debtors by 15%.
6. Reduce stock to 60% of its value.
7. The tax liability was settled for Rs. 850000 and the reconstruction expenses amounted to Rs. 20000.
8. Creditors waived 20% of their claims.
9. 11% Debentures to be converted into 13% Debentures of Rs.600000 in full settlement of their claim.
10. Write off Fictitious assets and Debit balance in Profit and Loss Account.

You are required to pass necessary journal entries and prepare Capital Reconstruction Account.

OR

Q.3) The following is the balance sheet of X Ltd as on 31st December 2018: **(15)**

Liabilities	Rs.	Assets	Rs.
20000 6% Preference shares of Rs. 10/-	200000	Land and Building	190000
10000 Equity shares of Rs. 10 each, Rs. 9 paid	90000	Plant and Machinery	120000
10000 Equity shares of 10 each, 5 paid	50000	Patents	10000
6% mortgage debenture (holding a floating charge on all the assets)	100000	Stock	45000
Interest on above debentures	6000	Debtors	90000
Loan (on security of stock)	40000	Cash at bank	30000
Trade creditors	80000	Investment	40000
Creditors for salaries and wages	15000	Profit and Loss A/c	70500
Liability for workmen compensation	2000		
Owing to government for telephone & purchases	2500		
Owing to government for taxes	10000		
	595500		**595500**

The company went into liquidation on 1st Jan 2019 and a liquidator was appointed with a remuneration of 2% of assets realised with the exception of cash and 2% of the amount distributed among unsecured creditors other than preferential creditors. The dividend for Preference shares was paid. Sock realised Rs.30000 and other assets excluding cash realised Rs.400000.All assets were realised and payment made on June 30, 2019. Assume the expenses for liquidation was Rs.4450.

Prepare the liquidators Final statement of Account.

Q.4) A Ltd and B Ltd Agreed to amalgamated and form a new company C Ltd. Summarised Balance sheet of A Ltd and B Ltd. On the date of amalgamation are as follows:

Balance Sheet as on 31/03/2019

Liabilities	**A Ltd**	**B Ltd**	**Assets**	**A Ltd**	**B Ltd**
Equity shares of Rs.100 each	200000	240000	Plant & Machinery	60000	80000
General Reserves	30000	37000	Stock	40000	40000
Creditors	28000	34000	Debtors	60000	60000
Profit & Loss A/c	16000	20000	Building	100000	120000
			Cash and bank balance	14000	31000
	274000	**331000**		**274000**	**331000**

C Ltd takes over the assets and Liabilities of both the companies' value except building which is taken over from A Ltd. At Rs.200000/- and B Ltd at Rs.180000/- C Ltd Paid purchase consideration by allotting fully paid shares of Rs.100/- each at par.

Prepare statement of purchases consideration. Give opening journal Entries in the books of C Ltd and prepare Balance Sheet of new company.

OR

Q.4) Rahul Ltd decided to take over Chandra Ltd as on 31st March, 2018. The summarized Balance sheet of Chandra Ltd was as follows:

Liabilities	**Rs.**	**Assets**	**Rs.**
50000 Equity shares of Rs. 10 each	500000	Land and Building	300000
Profit and Loss A/C	250000	Plant and Machinery	25000
Export Profit Reserve	120000	Furniture	555000

5% Debentures	100000	Stock Sundry	70000
Sundry Creditors	30000	debtors Cash at	35000
		Bank Cash in	10000
		hand	5000
	1000000		**1000000**

Rahul Ltd agreed to take over all the assets and liabilities of Chandra Ltd. The current assets were to be taken over at their book value but the fixed assets were revalued as follows:

Land and Building	350000
Furniture	15000
Plant and Machinery	600000

Rs. 50000 was to be paid of goodwill. The purchase consideration paid as Rs. 255000 in cash and the balance in fully paid equity shares of Rs. 10 of Rahul Ltd. The absorption was fully carried out and the expenses of absorption amounted to Rs. 5000 paid by Chandra Ltd. You are required to show the necessary ledger account in the books of Chandra Ltd and opening entries in the books of Rahul Ltd.

Q.5)

(A) What is amalgamation? Explain the different methods of Purchase Consideration? **(8)**

(B) Explain the Preferential Creditors as given under the Indian Companies Act. **(7)**

OR

Q.5) WRITE SHORT NOTES (ANY 3) **(15)**

1. Maximum limit of Buy Back
2. Internal Reconstruction
3. Overriding Commission
4. Amalgamation vs. absorption
5. Modes of Winding up

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