[3 Hours] [Total Marks: 100]

N.B. (1) All questions are **compulsory**. Questions **2 to 6** have an **internal choice**
(2) **Figures** to the **right** indicate **full marks**.
(3) Use of simple calculators is **allowed**.
(4)Working notes should **form part** of your answer.

1(A) State whether following statements are True or False (Any Ten) **(10)**

1. A Debt Equity Ratio after buyback of shares should be maintained up to 2:1 as per legal requirement.
2. Reduction in Liability is debited to Capital Reduction A/c.
3. Investment Accounting is governed by AS 13.
4. In personal investment accounting, dividend received on shares for pre-acquisition period is treated as revenue gain.
5. Goodwill is classified as Fixed Asset under the Companies Act
6. As per CSR policy it is mandatory for certain companies to spend 5% of their average net profit of three immediately preceding financial years.
7. Law has a legal binding but Ethics do not have a binding nature.
8. Consolidation of shares results in profit for a company.
9. Interest Paid is disclosed under Finance Cost in Profit and Loss A/c.
10. For a company, dividend paid is an expense.
11. Capital Reduction requires court's sanction.
12. Public deposit is secured loan.

1(B) Rewrite the following sentences choosing the correct answer (Attempt any 10) **(10)**

1. Bills receivable is shown under ______________________ in Balance Sheet.
   (Trade Receivables/ Other Current Assets)
2. Internal reconstruction is done as per section_______ of Companies Act
   (319/ 66)
3. Buyback of equity shares can be of____________paid up shares.
   (Fully/ Fully and Partly both)
4. Ex-interest price includes __________only.
   (Interest/ Cost)
5. The term 'Ethics' comes from __________word.
   (Greek/ Latin)
6. Accounting Standard Board is constituted by _____________.
   (ICWAI/ ICAI)
7. The premium received on sale of Rights is credited to ________________A/c.
   (Investment/Profit & Loss)
8. A company cannot buy back more than ________of its own funds.
   (10% / 25%)
9. Reconstruction expenses are _______to Capital Reduction A/c.
   (Debited/ Credited)

10. The final accounts of companies are to be prepared in accordance with the provisions of ______________ of Companies Act 2013.
 (Schedule III / Schedule IV)
11. Arrears of preference dividend is shown under_____ Liabilities.
 (Current/ Contingent)
12. Current investments are valued at cost or market value whichever is__________.
 (More/ Lower)

2. The following is the Balance Sheet of Mayuresh Ltd. as on 31-03-2018:

Liabilities	₹	Assets	₹.
Share Capital:		**Fixed Assets:**	
8,00,000 Equity Shares of ₹10 each fully paid	80,00,000	Land and Buildings	40,00,000
Reserves and Surplus:		Plant & Machinery	36,00,000
Security Premium	20,00,000	Furniture and Fixtures	22,00,000
General Reserves	10,00,000	**Investments**	15,00,000
Profit and Loss Account	50,00,000	**Current Assets, Loans & Advances**	
Secured Loan:		Stock	20,00,000
10% Debentures	20,00,000	Debtors	40,00,000
Unsecured Loans	20,00,000	Bills Receivables	10,00,000
Current Liabilities & Provisions:		Bank	47,00,000
Creditors	20,00,000		
Bills Payable	10,00,000		
Total	**2,30,00,000**	**Total**	**2,30,00,000**

The Company decides to buy back the maximum number of equity shares as may be permitted by law at a price of ₹20 per share, being the current market price. Investments are sold out at a loss of 20%.

You are required to pass journal entries (without narration) in the books of Mayuresh Ltd assuming that buy back is carried out. Also prepare Notes to Accounts with respect to Reserves and Surplus and Cash and Cash equivalent as on 31st March 2018.
(Do not prepare Balance Sheet) **(15)**

OR

2. The summarized Balance Sheet of Shalaka Ltd. as on 31-03-2018 is as follows:

Particulars	₹
Share Capital:	
6,00,000 Equity shares of ₹10 each fully paid	60,00,000
Securities Premium	4,00,000
Profit & Loss Account	20,00,000
13% Debentures	28,00,000
Creditors	10,00,000
Total	**1,22,00,000**
Fixed Assets	67,00,000
Investments	25,00,000
Current Assets	30,00,000
Total	**1,22,00,000**

Ascertain the maximum number of equity shares the company can buy back at the maximum possible price under the law as on 31st March 2018.

Assuming the buyback is actually carried out, record the journal entries (without narration) in the books of Shalaka Ltd. Also prepare Notes to Accounts with respect to Share Capital and Reserves and Surplus as on 31st March 2018. (Do not prepare Balance Sheet) **(15)**

3. The following is the trial balance of Rahul Ltd. as on March 31, 2018

Particulars	Debit (₹)	Credit (₹)
Stock	1,25,000	-
Purchases and Sales	3,45,000	4,00,000
Wages	50,000	-
Discount	7,000	5,000
Salaries	7,500	-
Rent	4,950	-
General Expenses	17,050	-
Surplus Account	-	15,030
Interim Dividend Paid	9,000	-
Equity Share Capital : 10,000 Shares of ₹10 each	-	1,00,000
Debtors and Creditors	37,500	17,500
Machinery	29,000	-
Cash at Bank	16,200	-
General Reserve	-	1,15,500
Bad Debts	4,830	-
Total	**6,53,030**	**6,53,030**

Additional information:

a) Stock on 31st March, 2018 is valued at ₹3,00,000

b) Purchases include ₹5,000 machinery purchased on 1-10-2017.

c) On 31-3-2018 good worth ₹30,000 were sold to a customer. He has taken away the goods. But no entry is recorded.

d) Directors proposed 10% final dividend (excluding the interim dividend already paid).

e) Provide Income Tax for the year ₹30,000.

f) Transfer ₹20,000 to General Reserve.

Prepare Statement of Profit and Loss and Balance Sheet in vertical format along with notes to Accounts after taking into account the above information. 15)

OR

3A. The authorized share capital of a Tarzan Ltd. is ₹1,00,00,000 divided into 50,000 8% preference shares of ₹100 each and 5,00,000 equity shares of ₹10 each. 50% of each class of shares were issued to the public fully called up. ₹20 per share on 1,000 8% preference shares and ₹2 per share on 20,000 equity shares was not received.

The Company's reserves and surplus was as under:

General Reserve (beginning) stood at ₹30,00,000, Profit & Loss Account (beginning) at ₹10,00,000. Profit made during the year was ₹60,00,000. Interim Dividend paid ₹28,00,000. Transfer made to General Reserve was ₹20,00,000. Profit & Loss (year-end) stood at ₹22,00,000.

Prepare the Note on Share Capital and Reserve and Surplus forming part of the Balance Sheet of the Company. **(10)**

3B. Z Ltd. has opening balance of ₹20,00,000 in its Machinery Account (WDV). Accumulated depreciation at the beginning was ₹12,00,000. There was an addition of Machinery of ₹10,00,000 at the beginning of the year, while Machinery costing ₹5,00,000 was sold at the end of the year. Accumulated depreciation on Machinery sold at the end of the year was ₹2,62,500

Prepare a note on Fixed Assets forming part of the balance sheet of the company if the depreciation is charged for the year @ 15% on original cost. **(5)**

4. Mr. Shivom gives you his following details of investment for the year in 12 % Debentures of ₹100 each in BH Ltd.

Date	Particulars	Numbers of Debentures	Terms
01/04/2017	Balance	2,000	Cost Price ₹ 2,02,000
30/06/2017	Purchased	1,000	₹103 Cum-Interest
01/09/2017	Purchased	1.000	₹98 Ex-Interest
01/11/2017	Sold	1,200	₹102 Cum-Interest
31/12/2017	Sold	200	₹104 Ex-Interest
01/02/2018	Purchased	600	₹97 Cum –Interest
01/03/2018	Sold	400	₹105 Cum-Interest

Interest is payable half yearly on 30th September and 31st March every year. The Books of accounts are closed on 31st March every year.

Prepare 12% Debenture Account in the books of Mr. Shivom for the year ended on 31st March, 2018. **(15)**

OR

4. Mr. Jinen had 10,000 equity shares of AP Ltd. on 1st April, 2017. The face value of the share is ₹10 each but book value on 1st April, 2017 was ₹15 per share.

On 1st May, 2017 he purchased another 2,000 equity shares in AP Ltd., at having market price of ₹13 each.

On 1st June, 2017, he purchased additional 3,000 equity shares of the same company at a market price of ₹5 higher than face value.

On 1st July, 2017 he sold 3,000 equity shares at ₹25 per share.

On 1st October, 2017 the directors of AP Ltd. had declared and issued bonus shares at the rate of one share for every four shares held as on that date.

On 1st December, 2017 he purchased 2,000 equity shares of AP Ltd. when market price was ₹20.

On 1st January, 2018, he purchased 3000 right shares in AP Ltd at ₹18 per share.

On 1st February, 2018 he sold 2,500 equity shares for ₹25 per share.

Market Price of shares on 31st March, 2018 was ₹12 per share.

Prepare Equity Shares A/c in Mr. Jinen's books for the year ended 31st March, 2018 **(15)**

5. The Following is the Balance Sheet of Aarman Ltd. as on 31st March 2018

Liabilities	₹	Assets	₹
10% Preference Shares of ₹10each	5,00,000	Goodwill	2,00,000
Equity shares of ₹10 each	10,00,000	Land & Building	10,00,000
10% Debentures	2,00,000	Investments	5,00,000
Creditors	2,00,000	Stock	4,00,000
Other Liabilities	7,00,000	P & L A/c	4,00,000
		Preliminary expenses	1,00,000
Total	**26,00,000**	**Total**	**26,00,000**

The scheme of Reconstruction as approved by the court was as under:

1. Each existing equity share will be written down from ₹10 to ₹6 fully paid up.
2. Each 10% Preference Share is to be written down from ₹10 to ₹ 8 fully paid up. These Preference shares are to be converted into 12% Preference Shares of ₹2 each and remaining into Equity shares of ₹ 6 fully paid up.
3. 10% Debenture holders agree to waive 20% of their claims.
4. Assets are revalued as follows:
   Land & Building ₹12,00,000.
   Stock reduced by 20%
5. Creditors are settled as follows:
   a. 30% immediate payment
   b. 20% cancelled
   c. 50% paid by issue of 11% debentures
6. All fictitious and Intangible assets are to be written off.
7. 10,000 Equity Shares of ₹6 each were issued to public for cash, which were fully subscribed

You are required:
Prepare Capital Reduction A/c and show the extract of Asset forming part of balance sheet along with notes to accounts of Aarman Ltd after reconstruction. **(15)**

OR

5. The Following is the Balance Sheet of Godfrey Ltd.as on 31st March 2018

Liabilities	₹	Assets	₹
5000, 6% Preference Shares of ₹100 each fully paid up	5,00,000	Goodwill	80,000
40,000 Equity shares of ₹10 each fully paid up	4,00,000	Patents and Trade Marks	20,000
Capital Reserve	25,000	Building	2,15,000
5% Debentures of ₹100 each	2,00,000	Plant & Machinery	2,55,000
Accrued Interest on Debentures	30,000	Furniture	60,000
Creditors	1,55,000	Stock	90,000
		Debtors	75,000
		Cash at Bank	12,500
		Cash in hand	2,500
		Profit & Loss A/c	4,00,000
		Preliminary Expenses	1,00,000
Total	**13,10,000**	**Total**	**13,10,000**

Note: The Preference Dividend is in arrears for 3 years
It was decided to reconstruct the Company for which the following scheme was approved by the Court.

1. The assets are to be revalued as follows:

Building	₹2,50,000
Plant & Machinery	₹2,25,000
Furniture & Fixtures	₹55,000
Stock	₹80,000
Debtors	₹70,000

2. Intangible and fictitious assets are to be written of completely.
3. The Preference Shares shall be converted into 7% Preference Share of ₹50 each, number of shares being the same.
4. The Equity Shares shall be reduced to ₹3 each.
5. The 5% Debentures shall be converted into equal number of 6% Debentures of ₹75 each.
6. The Debenture holders also agreed to waive 50% of the accrued interest
7. Arrears of Preference Dividend to be cancelled.
8. The Creditors agreed to waive 30% of their claims and to accept Equity Shares for ₹30,000 in part settlement of their renewed claims.

Draft journal entries (without narration) and give an extract of Balance Sheet to show Shareholders Funds. **(15)**

6A. What do you mean by Ethics? Describe its features and scope. **(10)**

B. Give disclosure of "Non-Current Investments" of a company as per Schedule III **(10)**

OR

6. **Write Short Notes on the following (Any 4)** **(20)**
   1. Factors affecting Ethical Behaviour
   2. Disclosure of Share Capital in Company Balance Sheet
   3. Methods of Internal Reconstruction
   4. Benefits of Buy Back
   5. Accounting Standard 13
   6. Contingent Liabilities

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