



2 Trial balance sheet of Jay Limited as on 31.03.2010 is 10  
as under :

<i>Debit Balance</i>	<i>Rs.</i>	<i>Credit Balance</i>	<i>Rs.</i>
Custom deposit	24,000	Gross profit	4,81,600
Administrative Expenses	82,240	Forfeited share's a/c	11,200
Director's fees	4,800	Public Deposit	16,000
Paid last year's dividend	12,000	General Reserve	48,000
Debenture's interest (less 30%)	17,920	Profit & Loss appropriation A/C (1-4-2009)	16,000
Debenture discount	12,800	10% Debenture (Redeemable on 31-3-2014)	2,56,000
Last year's income tax paid	96,000	Director's loan	8,000
Prepaid Income tax	16,000	Creditors	56,000
Investments	3,60,000	Provision of income tax (1-4-2009)	1,28,000
Bank-balance	4,640	Interest & Dividend (Gross Rs.10,200)	16,000
Debtors (of more than six month is 16,000)	93,000	Proposed dividend 12% Preference shares of Rs.100 each	50,000
Land & Buildng	2,56,000	Equity shares of Rs.10 each, fully paid up	2,00,000
Furniture	34,000		
Machinery	1,63,000		
Closing stock	80,000		
Lives stock	8,000		
Bills receivables	32,000		
Preliminary expenses	3,200		
	<b>12,99,600</b>		<b>12,99,600</b>

Prepare annual accounts, taking in to consideration, the following adjustments as per provision of Company's Act,1956 :

- (i) Calculate depreciation at 10% on fixed assets
- (ii) Transfer Rs.80,000 to general reserve out of profit

- (iii) Directors have recommended dividend at 10% on equity shares.
  - (iv) The interest receivable on investment in Rs.3,200
  - (v) The total tax liability for income tax was estimated at Rs.2,24,000/- out of which, an amount of Rs.1,20,000 is for the current year.
  - (vi) 1/4<sup>th</sup> of preliminary expenses is to be written off.
  - (vii) Bills receivable Rs.8,000 maturing after 31-3-2010 were discounted in the bank.
- 3 (a)** On 31-3-2010, the issued capital of Gita Limited, consisted of 40,000 equity shares of Rs.100 each, Rs.80 paid up per share and 10,000, 10% Redeemable preference shares of Rs.100 each, Rs.80 paid up. **6**
- On this date, the company decided to redeeme it's preference shares at a premium of Rs.10 per share, after taking necessary steps according to the provisions of Companies Act. On the same date Company's balance sheet showed share premium Rs.25,000, Profit & Loss A/c (Cr.) Rs.4,50,000 and Capital Reserve Rs.75,000.
- For the purpose of redemption necessary equity shares of Rs.100 each were issued at a 5% premium. The company sold it's investments worth Rs.2,20,000 for Rs.3,20,000. All the payments were made.
- Pass necessary journal entries in the books of the company.
- (b)** Calculate goodwill by three years purchase of super profit from the following particulars : **4**
- (i) Average profit Rs.1,80,000 (before charging 40% taxes, 10% dividend on Rs.1,00,000 preference share capital)
  - (ii) Capital employed Rs.2,00,000
  - (iii) Normal rate of return 15%.
- 4** The balance sheet of Kavya Limited as on 31.03.2010 is as follows : **10**

<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
10% Cumulative preference shares of Rs.100 each	1,00,000	Goodwill	90,000
Equity shares of Rs.10 each	4,00,000	Free-hold property	1,60,000
8% Debentures	90,000	Plants	75,000
Accrued & Due interest	7,200	Patents	65,000
Creditors	1,22,800	Investments	1,00,000
		Stock	50,000
		Debtors	57,500
		Preliminary expenses	10,000
		Discount on shares	7,500
		P & L A/C	1,05,000
	<b>7,20,000</b>		<b>7,20,000</b>

The following scheme of reconstruction is approved and implemented :

- (i) Preference shares are to be reduced to Rs. 60 each.
- (ii) Equity shares are to be reduced to Rs.4 each
- (iii) Debenture holders agreed to waive accrued and due interest and take over Freehold property (Book value Rs.60,000) at a valuation of Rs.75,000 in part payment of the due amount due to them.
- (iv) Remaining freehold property is valued at Rs.1,40,000
- (v) Investments are sold at Rs.1,20,000
- (vi) Preference dividend is not declared and paid from 1-1-2008. Preference shareholders agreed to waive half of their dividend and for the remaining amount they agreed to accept equity shares of Rs.4 each fully paid.
- (vii) Goodwill, Patent, Discount on shares preliminary expenses and debit balance of P&L A/C are to be written off.
- (viii) Reconstruction expenses amounted Rs.4,700

Pass journal entries to record the above transaction in the books of the Company.

- 5 (a) The balance sheet of Rima Limited disclosed the following information on 1-1-2008 : 7  
Rs.

13% Debenture A/c .....	7,00,000
Debenture Redemption fund A/c .....	5,00,000
13% Debenture Redemption fund - Investment A/c.....	5,00,000

The annual contribution to the Debenture Redemption fund A/c was Rs.70,000 for the years 2009 and 2010. The debentures were redeemable on 31-12-2010.

On 31-12-2010 the investments were sold for Rs.7,00,000 and debentures were redeemed.

Prepare Debenture A/C, Debenture Redemption Fund A/C and Debenture Redemption Fund Investment A/C for the year 2009 and 2010.

- (b) Find out the intrinsic value of share from the following information : 3

- (i) Fair value of share ..... Rs.112  
(ii) Expected rate of return ..... 10%  
(iii) Rate of dividend ..... 16%  
(iv) Equity share, each of Rs.100 on which Rs.80 paid up.

- 6 (a) The following are the balance sheet of Priya Limited and Sita Limited as on 31-3-2010 : 5

<i>Liabilities</i>	<i>Priya Limited Rs.</i>	<i>Sita Limited Rs.</i>	<i>Assets</i>	<i>Priya Limited Rs.</i>	<i>Sita Limited Rs.</i>
Equity share capital (Rs.10 each)	8,00,000	3,00,000	Fixed Assets	11,00,000	4,73,000
10% preference share capital (Rs.100 each)	-	1,00,000	Current Asset	4,00,000	1,97,000
General Reserve	4,61,000	98,000			
Statutory Reserve	39,000	12,500			
P & L A/C	56,300	35,500			
12% Debentures	-	25,000			
Current liabilities	1,43,700	99,000			
	<b>15,00,000</b>	<b>6,70,000</b>		<b>15,00,000</b>	<b>6,70,000</b>

On 1-4-2010, Priya Limited takes over Sita Limited on following terms :

- (i) Priya Limited will issue 35,000 shares of Rs.10 each at par to the equity shareholders of Sita Limited.
- (ii) Priya Limited will issue 1,100, 10% preference shares of Rs.100 each at par to the preference share holders of Sita limited
- (iii) The debentures of Sita Limited will be converted in an equal number of 12.5% debentures of the same denomination.

You are informed that the satutory reserves of Sita limited are to be maintined for two more year. You are required to show the balance sheet of Priya Limted, after amalgamation assuming that the amalgamation is in the nature of 'Merger'

(b) Balance sheets of Hina Limited are as follows : 5

<i>Liabilities</i>	<i>31-3-2009</i> <i>Rs.</i>	<i>31-3-2010</i> <i>Rs.</i>	<i>Assets</i>	<i>31-3-2009</i> <i>Rs.</i>	<i>31-3-2010</i> <i>Rs.</i>
Equity share capital of Rs.10 each	80,000	1,20,000	Net fixed assets	1,04,000	1,78,400
General Reserve	48,000	16,000	Investments	12,000	9,600
P & L A/C	8,000	9,600	Stock	8,000	12,000
10% Debentures	-	40,000	Debtors	44,000	28,000
Sundry creditor	36,000	40,800	Cash-Bank	9,600	7,200
Provision for tax	12,000	13,600	Priliminary Expenses	6,400	4,800
	<b>1,84,000</b>	<b>2,40,000</b>		<b>1,84,000</b>	<b>2,40,000</b>

Additional Information :

- (i) On 1-4-2009, bonus share at one share for every two share were issued by capitalizing General Reserve.
- (ii) Income tax Rs.11,200 paid during the year.
- (iii) Interim dividend of Rs.7,200 paid during the year.
- (iv) Depreciation Rs.4,000 was provided on fixed assets.
- (v) Investments costing Rs.4,000 were sold at a profit of Rs.1,000

Prepare cash flow statement according to AS-3.

- 7 Write short notes : (any two) 10
- (i) Sources of Bonus share
  - (ii) Advantages of the Holding Company
  - (iii) Issue of share at premium and at discount
  - (iv) Factors affecting the goodwill
  - (v) Purchase consideration.
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