

2 The following are the balance of Akbar Ltd. as on
31st March, 2008 :

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<i>Debit</i>	<i>Rs.</i>	<i>Credit</i>	<i>Rs.</i>
Premises	30,72,000	Share capital	40,00,000
Plant	33,00,000	12% Debentures	30,00,000
Stock	7,50,000	P. and L. A/c.	2,62,500
Debtors	8,70,000	Bills payable	3,70,000
Goodwill	2,50,000	Creditors	4,00,000
Cash and bank	4,06,500	Sales	41,50,000
Calls in Arrear	75,000	General reserve	2,50,000
Interim dividend paid	3,92,500	Bad debt provision on 1-4-97	35,000
Purchases	18,50,000		
Wages	9,79,800		
General expenses	68,350		
Salaries	2,02,250		
Bad debts	21,100		
Debentures interest paid	1,80,000		
	1,24,67,500		1,24,67,500

Information :

- (i) Depreciate plant by 15%.
- (ii) Write off Rs. 5,000 from preliminary expenses.
- (iii) Half year's Debenture Interest due.
- (iv) Credit 5% provision on Debtors for doubtful debts.
- (v) Provide for Income-tax @ 50%.
- (vi) Stock on 31st March, 2008 was Rs. 9,50,000.
- (vii) A claim of Rs. 25,000 for workmen's compensation is being disputed by the company.

Prepare Final Accounts of the Company.

- 3 The Balance Sheet of Raja Co. Ltd. as at 31-3-2010 is 10
as under :

<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
1,00,000 Equity shares of Rs. 10 each fully paid	10,00,000	Goodwill	2,00,000
4,000 10% Debentures of Rs. 100 each	4,00,000	Other assets	9,00,000
Interest on debentures	40,000	Profit and Loss A/c.	5,00,000
Sundry creditors	1,60,000		
	16,00,000		16,00,000

For the purpose of reconstruction of the company necessary resolutions are passed on the following lines :

- (i) The equity shares are to be sub divided into shares of Re. 1 each and each shareholder shall surrender 60% of his holding.
- (ii) Out of surrendered shares, 60,000 shares will be converted to 8% preference shares of Rs. 10 each.
- (iii) Debenture holders will reduce their total claim by Rs. 1,40,000 (including interest) and in consideration the debenture holders are to get the entire preference share capital converted from shares surrendered.
- (iv) Creditor's claims are to be reduced to the extent of Rs. 1,00,000 and in consideration they are to receive equity shares of Re. 1 each amounting to Rs. 40,000 from the shares surrendered.
- (v) Goodwill and Profit and Loss A/c. (Dr.) are to be written off completely.
- (vi) The remaining surrendered shares shall be cancelled.

You are required to give the journal entries and the resultant balance-sheet of the company.

- 4 (a) A company issues 15% 1,000 debentures of Rs. 100 each at 10% discount redeemable after a period of five years. 6

According to the terms and conditions of issue these debentures were redeemable at a premium of 5%.

The debenture holders had also the option at the time of redemption to get converted 20% of their holding into equity shares of Rs. 10 each at a pre-determined price of Rs. 20 per share and the balance in cash holders of debentures of Rs. 80,000 preferred to get their debentures redeemed in cash only while the rest opted for getting debentures converted into equity shares as per terms of issue.

Pass the necessary journal entries.

- (b) From the following details of Hira Co. Ltd. Calculate the cash in flow from operation for the year 2009-2010 : 4
Profit during the year Rs. 90,000.

	<i>31-3-2009</i>	<i>31-3-2010</i>
	<i>Rs.</i>	<i>Rs.</i>
Debtors	40,000	36,000
Creditors	16,000	22,000
Bills receivable	8,000	10,500
Bills payable	6,000	5,000
Outstanding expenses	1,200	1,600
Accrued income	1,500	1,700
Stock	25,000	30,000

- 5 (a) A company issued Rs. 1,80,000 Redeemable Preference 6
shares at par on 1st January, 2000 redeemable at the
option of the company on or after 31st December, 2004
in whole or in part. The following redemptions were
made out of profits :

On 30th June, 2007Rs. 60,000

On 30th June, 2007Rs. 40,000

In December, 2007 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
transaction.

- (b) From the following information, you are asked to 4
calculate the value of goodwill of a firm assuming that
goodwill is to be taken at 5 years' purchase of super
profits :

(i) The annual average profitRs. 1,00,000

(ii) Average capital employed in
the businessRs. 5,00,000

(iii) Return expected from capital having
regard to the risk involved10%

(iv) Fair remuneration to the partners
for their services (p.a.)25,000

Ignore Taxation.

- 6 (a) A Ltd. and B Ltd. decided to amalgamate on 6
1st April, 2009, A new company C Ltd. was formed to
take over the business of both the companies. The
balance sheet of the two amalgamating companies as on
31st March, 2009 were as follows :

"A Ltd."

Liabilities	Rs.	Assets	Rs.
Share capital :		Land & building	40,000
2000 Equity shares		Machinery	60,000
of Rs. 100 each	2,00,000	Stock	20,000
Creditors	50,000	Debtors	70,000
Creditors for		Cash	11,000
outstanding rent	1,000	P. & L. A/c.	50,000
	2,51,000		2,51,000

"B Ltd."

Liabilities	Rs.	Assets	Rs.
Share capital :		Goodwill	25,000
3000 Equity shares		Land & building	1,50,000
of Rs. 100 each	3,00,000	Machinery	1,25,000
Reserve fund	50,000	Stock	50,000
Dividend		Debtors	1,00,000
equalisation fund	25,000	Prepaid	
P. and L. A/c.	40,000	insurance	2,000
Creditors	37,000		
	4,52,000		4,52,000

The new company issues its equity shares of Rs. 100 each in payment of purchase price.

You are requested to prepare necessary ledger Accounts and give the Journal entries to close the books of the A Ltd.

- (b) The paid up capital of Z Ltd. consists of 5,000 equity shares of Rs. 100 each fully paid. The normal average profit (Less Tax) of the company is Rs. 1,00,000. It is the practice of the company to transfer Rs. 20,000 out of the profit to General Reserve. The normal return applicable to the particular type of business is 10%.

Calculate the Market value of share.

7 Write short notes : (any two)

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- (i) Advantages of the Holding Company
 - (ii) Redemption of preference shares
 - (iii) Factors affecting value of shares
 - (iv) Reserve capital and Capital reserve.
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