V.P.M.'s K.G. Joshi College of Arts & N.G.Bedekar College of Commerce, Thane.
TYBSCOM - A & F 5TH SEMESTER
PRELIMINARY EXAMINATION OCT - 2008

TIME : 11.00 a.m. to 1.00 p.m. **MARKS : 60**
CODE : 521 A **DATE : 11/10/2008**

SUBJECT & PAPER :ECON - III.

Note :- 1) All Questions are compulsory
2) All Questions carry equal marks
3) Figures to the right indicate full marks

Q.1
Al Quida Ltd. was incorporated with authorized capital of Rs.25,00,000 dividend in equity shares of Rs 100 each. Of these, 60% shares are issued on which Rs. 80 per share is called up.
The following balances were extracted from their books as on 31st March, 2008

Particulars	Amount	Particulars	Amount
Purchases (include purchase of furniture Rs. 40,000)	13,20,000	Share capital(Rs 80 per share called up)	12,00,000
Salaries	1,42,000	General reserve	80,000
Furniture	2,30,500	Profit and loss account	1.45,000
Director fees	98,000	Sales	14,28,000
Debtors	3,65,000	6% Bank loan	5,00,000
Insurance premium	13,200	Bills payable	66,000
Interest on loan	25,000	Creditors for goods	57,000
Stocks	72,000	Creditors for expenses	12,000
Prepaid expenses	19,000	Provision for bad debts	8,000
Professional fees	61,000	Interest on investment	7,000
Rent	82,500	Unclaimed dividends	2,000
Land and building	5,75,000	Provision for taxation (last year)	60,000
Plant and Machinery	4,40,000		
Audit fees	1,05,000	Repairs	20,200
Printing and stationary	41,000	Cash on hand	19,300
Bills receivable	1,57,500	Advances	92,000
Preliminary expenses	20,000	Bank	31,800

1. During 2007-08 call of Rs. 20 was made by directors. All shareholders except holder of 1,000 shares paid amount. Amount received was deposited in a separate new bank account. This Account was not included in books.
2. Preliminary expenses incurred in earlier year was Rs.20,000. It was decided to write off 10% every year.
3. Stocks on 31/03/2008 was valued at cost Rs.1,20,000 market value Rs. 1,30,000.
4. Professional fees include Rs. 25,000 paid to auditors, for taxation matters.
5. Provide for depreciation on W.D.V. basis on land and building at 5%, plant and machinery 20%, furniture 10%. Original cost are land and building Rs.8,00,000, plant and machinery Rs.6,50,000 and furniture Rs. 3,10,000.
6. Direct payment of Rs. 25,000 made by bank for 16% Bond of I.D.B.I on 01/01/08 is not accounted.
7. Income tax assessment for last year was completed, determining liability at Rs. 72,000. Advance tax Rs. 80,000 paid in last year is included in advances. The provision for income-tax for current year is to be made at Rs. 75,000.
8. Directors propose transfer to general reserve Rs. 10,000 and dividend at Rs. 3 per share.
9. Claims for compensation by worker is pending in court Rs. 50,000.

You are requested to prepare final accounts along with schedules as per Schedule VI of Companies' Act, 1956 in Vertical format. All workings should form part of your answer.

(15 Marks)

OR

Q.1
Amphibians Ltd. acquired business of Fungus Ltd. as on 31st March 2006.

Balance sheet of Fungus Ltd. as on 31st March 2006

Liabilities	Amount	Assets	Amount
80,000 Equity share of Rs. 10 each	8,00,000	Goodwill	1,50,000
General Reserve	1,10,000	Land & Building	3,80,000
Profit and Loss account	1,50,000	Plant & Machinery	4,80,000
6% 1,000 debentures of Rs 100 each	1,00,000	Stock in trade	78,000
Sundry Creditors	60,000	Cash and Bank	56,000
		Sundry Debtors	96,000
	12,20,000		**12,20,000**

The consideration payable by the Amphibians Ltd. was agreed as follows.

1)A cash payment of Rs. 2.50 (two rupees and fifty paise) per share in Fungus Ltd.
2)The issue of 100,000 Rs. 10 Equity shares in the Amphibians Ltd. having an agreed value of Rs. 15 per share.
3)The issue of such an amount of fully paid 5% debentures of Rs 100 at Rs 96 in Amphibians Ltd. as is sufficient to discharge the 6% debentures of the Fungus Ltd. at a premium of 20%.

While computing the agreed consideration the directors of the Amphibians Ltd. valued the above Land and Building at Rs. 5,00,000 , Plant and Machinery at Rs. 6,00,000, Stock in trade at Rs. 1,32,000 and debtors as the book value after deducting an allowance of 5% to cover doubtful debts. Cost of liquidation of Fungus Ltd. came to Rs. 15,000 paid by Fungus Ltd.
You are required to
a) Show the necessary Ledger Accounts in the books of Fungus Ltd.
b) Draft journal entries required in the books of Amphibians Ltd.
c) Show details of purchase consideration.

(15 Marks)

Q.2
Chak De India Ltd. had equity capital of Rs. 10,00,000 divided into shares of Rs. 100 each, 11% Cumulative redeemable preference share of Rs. 100 each for Rs. 5,00,000 and Rs. 80,000 and Rs. 1,10,000 respectively to the credit of Profit and Loss Account and General Reserves as on 31st March, 2008. It had also Rs. 18,000 to the credit of Securities Premium Account.

As per the agreement with the preference shareholders, the Directors decided to redeem the shares on 1.4.2008 at a premium of 10%. It was also decided to sell certain investments whose book and market values on 31.3.08 were Rs. 1,20,000 and Rs. 1,50,000 respectively to enable redemption.

For purposes of redemption, the Board decided to utilize free reserve to the extent possible. It was decided to issue equity shares at a premium of 20% to finance the redemption for the balance

After redemption, the Board decided to issue bonus shares to equity holders in the ratio of 6:1 (including the new issue)

Holders of 500 preference shares were not traceable.

Pass the necessary journal entries to record the above transactions in the books of Chak De India Ltd. and also show the relevant extracts of the Balance Sheet of the Company after the redemption is carried through.

(15 Marks)

OR

Q.2
Ramdas Swami gave a notice of its intention to redeem its outstanding Rs 20,00,000, 9% Debentures of Rs 100 each at Rs 110 and offered the holders the following options

a) 12% Preference Shares of Rs. 20 each at Rs. 30
b) 10% Debentures at Rs 99
c) To have their holdings redeemed for cash

1) The holders of Rs 450,000 debentures accepted proposal 'b'
2) The holders of Rs 600,000 debentures accepted proposal 'a'
3) The remaining Debentureholders accepted proposal 'c'

Pass the necessary journal entries in books of Ramdas Swami to record the above transactions.

(15 Marks)

Q.3
Following Trial Balance is extracted from the books of Shah Rukh Khan (Pvt) Ltd. as on 31.03.2006. The Company was incorporated on 1.08.2005 to take over the business of a proprietory concern from 1.4.2005. The authorized share capital was 25000 Equity shares of Rs.10 each. The purchase consideration was settled on 1.10.2005, being Rs.2,25,000. It was in the form of 15000 shares of Rs.10 each and the balance in the form of debentures of Rs.100 each.

Trial Balance as on 31.03.2006

Particulars	Rs.	Particulars	Rs.
Opening Stock	33,600	Sales	2,55,000
Purchases	1,85,800	Sundry Creditors	1,10,200
Carriage Inwards	7,200	Bills Payable	59,000
Salaries	30,000	Capital	2,15,000
Office Expenses	18,100	Interest on Investments	1,800
Postage & Telephone	11,000		
Printing & Telephone	19,900		
Office Rent	28,600		
Carriage Outwards	13,200		
Selling Expenses	12,900		
Directors' fees	5,200		

Interest on Purchase consideration	7,625		
Preliminary Expenses	9,500		
Sundry Debtors	72,000		
Bills Receivable	11,375		
Fixed Assets	1,50,000		
Investments	25,000		
	6,41,000		6,41,000

It is further informed that :

1) Closing stock is valued at Rs.21,200.
2) Fixed Assets include Furniture of Rs.20,000 purchased on 1.10.2005, Depreciation is to be charged on Fixed Assets @10% p.a.
3) Total sales for the post-incorporation period are Four times the total sales for the pre-incorporation period.
4) Rate of interest on debentures is 10% p.a. while on purchase consideration is 9% p.a.
5) Preliminary expenses should be written off.
6) Investments are purchased by the proprietor during 2003-04.

Prepare Trading and Profit & Loss Account for the year ending 31.03.2006 showing the treatment of Preincorporation profits separately. Prepare Balance sheet as on the same date.

(15 Marks)

OR

Q.3

A and B were equal partners. The balance sheet as on 31st December, 2005 was as under:

Liabilities	Amount Rs.	Assets	Amount Rs.
Trade Creditors	1,11,000	Stock	84,000
Bills Payable	20,000	Book Debts	1,20,000
Bank Overdraft	58,000	Furniture	3,000
A's Capital	49,500	Joint Life Policy (at surrender value)	15,000
B's Capital	88,500	Plant and Machinery	36,000
		Leasehold Property	45,000
		A's Current A/c	18,000
		B's Current A/c	6,000
	3,27,000		3,27,000

They carried on business till 30th June 2006 and during the period from 1st January, 2006 to 30th June 2006, the firm earned a net profit of Rs.24,600 after writing off 10% p.a. on leasehold property. Meanwhile trade creditors had been reduced by Rs.24,000, bills payable by Rs.5,850 and bank overdraft by Rs.6,000. Each partner had withdrawn Rs.6,000 during the period. Stock stood at Rs.90,600, book debts at Rs.92,400 and subject to any necessary alteration, the other items remained as at 31st December, 2006.On 30th September 2006, the partners decided to convert the business into a limited company, upon the basis that stock shall be taken over at a discount of 5% and book debts at a discount of 2 ½ % and other assets at book values as on 30th June, 2006. The company took over the liabilities but did not take over the joint life policy. The company also agreed to pay Rs.15,000 for the profits during the period from 1st July 2006 to 30th September, 2006 and Rs.75,000 by way of goodwill. The purchase money is to be paid as Rs.15,000 in cash and the balance in equity shares of Rs.10 each fully paid. A agrees to receive shares only in settlement of his account and B agreed to take over joint life policy.

Close the books of the firm and prepare the following:

(1) Balance Sheet as on 30th June, 2006.
(2) Realisation account.
(3) Partner's Capital accounts
(4) Statement of purchase consideration.

(15 Marks)

Q.4

Following is the balance sheet of MNC Ltd. as on 30-6-2006.

Balance Sheet

Particulars	Amount Rs. in lacs	Amount Rs. in lacs
Sources of Funds:		
Share Capital:		
Issued:		
8,00,000 Shares of Rs.10 each (Rs.8 paid up)		64
Reserves:		
Securities Premium	10	
General Reserve	30	
Investment Fluctuation Reserve	5	
Balance in Profit and Loss A/c	8	53
Loans:		
Secured	30	
Unsecured	20	50
		167
Application of Funds:		
Fixed Assets (at WDV)		92
Investments		55
Current Assets	40	
Less: Current Liabilities	20	
Net Current Assets		20
		167

The company bought back 1,50,000 equity shares at a price of Rs.15 per share completing the necessary legal provisions.Pass the necessary journal entries for the same. Assume adequate bank balances. Also prepare the Balance Sheet after buyback.

(15 Marks)

OR

Q.4(A)

The following information is available from the books of Beta Ltd.

Equity Share Capital (Rs.10 each)	7,50,000
Securities Premium	3,00,000
Balance in Profit and Loss A/c	5,00,000
Investments (at cost)	5,00,000

The company decided to buyback 25% of the shares at Rs.11 per share. For the same 40% of the investments were sold at 5% profit. Pass the necessary journal entries in the books of Beta Ltd.

(7 Marks)

(B)

Write Short Note on any two of the following :-

a) Free Reserves
b) Profit prior to incorporation
c) Fixed Assets (Disclosure requirement)

(8 Marks)

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