

money and Anand to whom 150 shares were allotted, failed to pay the two calls. Set journal entries for the above transactions in the books of company.

OR

Q:1[A] Discuss provisions of Companies Act 1956 regarding 'issue of shares at discount'. [05]

[B] A company offers 10000 shares to the public. The amount payable is as under: [10]

On Application	Rs. 3
On Allotment	Rs. 2
On 1 st Call	Rs. 3
On Final Call	Rs. 2

Applications are received for 15000 shares. The directors make the allotment as follows:

- (i) No allotment to applicants for 3000 shares.
- (ii) Rest allotted on a pro rata basis.

All calls were duly made and paid except:

- Sita, a holder of 100 shares paid the two calls with allotment.
- Gita, a holder of 200 shares fails to pay the 1st and the final call.
- Rita, a holder of 100 shares fails to pay the final call.

Pass necessary journal entries to record the above transactions.

Q:2 On 31st March 2011, the following balances appeared in the books of Gajanand Ltd. [15]

8% Mortgage Debentures	15,00,000
Discount on Issue of Debentures	1,50,000
Debenture Redemption Fund	13,50,000
Debenture redemption Fund Investments:	
5% Gujarat Government Loan	6,00,000
7% National Defence Bonds (Investment were purchased at nominal or face value)	7,50,000
Interest received on DRF Investment	87,500

Resolution was passed on 31st March 2011 for redeeming debentures.

Investments were sold on 1-4-2011 as under:

Gujarat Govt. Loan at Rs.97 and National Defence Bonds at Rs.102.

All the debentures were redeemed on 1-4-2011 at 10% premium. The company transfer Rs.1,50,000 every year from the profit to the debenture Redemption Fund.

Write the journal entries in the books of the company to record transactions and also prepare the necessary ledger accounts.

OR

Q:2[A] What are the types of debentures? Briefly discuss them. [07]

[B] Fill in the blanks: [05]

- 1) _____ debentures are secured by charge on the assets of company.
- 2) The balance of debenture sinking fund after redemption of debenture is transferred to _____.
- 3) Premium on redemption represents _____ to the company.
- 4) Debenture discount is shown under the heading _____ in the balance sheet.
- 5) Profit on sale of sinking fund investments is to be credited to _____ account.

[C] On 1-1-2011 Reliance Ltd. issued 8,000 12% Debentures of Rs.100 each at a discount of 5%. All the debentures are to be redeemed after ten years at a premium of 5%. Pass necessary journal entries in the books of company. [03]

Q:3 On 31-3-2011, the Balance Sheet of SHIV LTD. is as under. [15]

Liabilities	Rs	Asset	Rs.
3,000, Equity share of 100 each	3,00,000	Land and Building	3,50,000
1,000, 8% preference share of 100 each	1,00,000	Plant and Machinery	1,00,000
1,000, 7% preference share of 100 each,		Investment	75,000
Rs. 80 paid up	80,000	Stock	60,000
Share Premium	20,000	Debtors	1,40,000
General Reserve	1,00,000	Cash	75,000
6% Debenture	50,000		
P/L A/c	50,000		
Creditors	1,00,000		
	8,00,000		8,00,000

Company decided to redeem both class of Preference share at 10% premium and Debentures are to be redeemed at a premium of 3%. For this purpose necessary numbers of equity shares are issued at par. Cash balance should be maintained at Rs.3,500. All the investments are to be sold for Rs.80,000.

The company decided to utilize the resultant reserve created out of the preference shares for issuing fully paid up bonus shares to its equity share holder.

Pass necessary journal entry and prepare a B/S after the redemption and issue of Bonus share.

OR

Q:3[A] Discuss guidelines for issue of bonus shares. [07]

[B] State whether the following statements are True or False. [05]

- 1) Preference share can be redeemed only if they are fully paid up.
- 2) Preference share can be redeemed either out of proceeds of issue of equity shares or fresh issue of debentures.
- 3) CRR can be utilized for writing off miscellaneous expenditure and losses.
- 4) When divisible profits are used for redemption of debentures, an equal amt. should be transferred to capital redemption reserve.
- 5) Security premium account can be utilized to write off premium payable on redemption of preference shares.

[C] Calculate minimum amount of fresh issue to be needed in order to comply with requirement of section 80 of Companies Act, 1956. [03]

No.	Amt. of Pref.Share	Profit shown in B/S
1.	2,00,000 at par	30,000 profit 10,000 security premium
2.	2,00,000 at a premium of 10%	30,000 profit 10,000 security premium
3.	2,00,000 at a premium of 10%	30,000 profit 20,000 general reserve 50,000 dividend equalization fund 8,000 security premium

Q:4 Indicate the correct answer: [05]

- [A]**
- 1) Dividend are usually paid on:
 - a) Called –up capital
 - b) Paid up capital & calls in advance
 - c) Paid –up capital
 - d) Subscribed capital
 - 2) Any transfer to reserve during current year is recorded on:
 - a) Debit side of P& L A/C
 - b) Asset side of B/S
 - c) Credit side of P& L A/C
 - d) Debit side of P& L Appro. A/C
 - 3) While preparing Balance sheet Forfeited share amount is to be added to:
 - a) Reserves
 - b) Fixed Assets
 - c) Paid up capital
 - d) Secured Loans
 - 4) Amount set apart to meet losses due to bad debt is a:
 - a) Provision
 - b) Liability
 - c) Reserve
 - d) Contingent liability
 - 5) Advance payment of tax is in the nature of:
 - a) Asset
 - b) Liability
 - c) Revenue Expenses
 - d) Prepaid Expenses

[B] Briefly explain following: [05]

- I.) Corporate dividend tax
- II.) Unclaimed dividend

[C] Enumerate five items which are included under each of the following heading: [05]

- I.) Reserves & Surplus
- II.) Contingent liabilities

OR

Q:4 M Ltd. was incorporated with nominal capital of Rs.5,00,000 divided in equity shares of Rs. 10 each. On 31st March 2011, 25,000 shares were fully called up. The following balances were extracted from the ledger of the company as on 31st March 2011. [15]

Particular	Rs.	Particular	Rs.
Stock	50,000	Advertisement	3,800
Sales	4,25,000	Bonus	10,500
Purchases	3,00,000	Debtors	38,700
Productive wages	70,000	Creditors	35,200
Discount allowed	4,200	Plant & Machinery	80,500
Discount received	3,150	Furniture	17,100
Insurance up to 30-6-2011	6,720	Loan from Managing Director	15,700
Salaries	18,500	General Reserve	25,000
Rent	6,000	Cash at bank	1,34,700
General Exps.	8,950	Bad debts	3,200
Profit & Loss A/C	6,220	Calls in arrears	5,000
Printing & stationery	2400		

Required: Prepare Trading and P & L A/C for the year ended on 31-3-2011 and the Balance Sheet as on the date in the prescribed form. The following further information is given to you:

- 1) Closing stock was Rs.91,500.
- 2) Depreciation is to be charged on plant & Machinery and furniture at 15% and 10% respectively.
- 3) Outstanding liabilities on 31st March, 2011 were:
Wages Rs.5,200; Salary Rs.1,200 and Rent Rs.600.
- 4) Dividend for the year ended on 31st March 2011 @ 1% is to be provided.
- 5) Make a provision for taxation @ 35%.
