

UNIT TEST -II
CS EXECUTIVE –OLD SYLLABUS
PAPER NO. 5-COMPANY ACCOUNTS
AND AUDIT

TIME: 1 Hr 30 Mins

Maximum Marks: 50

Attempt all questions.

1. Write a short note on Preference share in subsidiary company. (4 marks)
2. Why corporate structuring is carried out? (5 marks)
3. What is the treatment of Bonus issue by subsidiary company? (5 marks)
4. Write a short note on Minority Interest. (5 marks)
5. What are the conditions, which, according to AS 14 on Accounting for Amalgamations, must be satisfied for an amalgamation in the nature of merger? (6 marks)
6. The Balance Sheet of M/s. Hot Ltd. as on 31-03-2015 is given below: (16 marks)

(i) **EQUITY AND LIABILITIES**

	Amount
(1) Shareholders' funds	
Share capital	
1,00,000 Equity shares of Rs.10 each fully paid up	10,00,000
4,000, 8% Preference shares of Rs.100 each fully paid	4,00,000
6% Debentures (secured by freehold property)	4,00,000
Current liabilities	
Arrear interest	24,000
Sundry creditors	1,01,000
Director's loan	3,00,000
Total	22,25,000

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(ii) **ASSETS**

	Amount
(1) Non-current	
(a) Fixed assets	
(i) Freehold Property	5,50,000
(ii) Plant & Machinery	2,00,000
(2) Current assets	
(a) Sundry Debtors	4,50,000
(b) Trade investments	2,00,000
(c) Stock in trade	3,00,000
Deferred Advertisement Expenses	50,000
P& L Account	4,75,000
Total	22,25,000

The Board of Directors of the company decided upon the following scheme of reconstruction with the consent of respective stakeholders:

- (i) Preference shares are to be written down to Rs. 80 each and equity shares to Rs.2 each.
- (ii) Preference dividend in arrear for 3 years to be waived by 2/3rd and for balance 1/3rd, equity shares of Rs. 2 each to be allotted.
- (iii) Debenture holders agreed to take one freehold property at its book value of 3,00,000 in part payment of their holding. Balance debentures to remain as liability of the company.
- (iv) Arrear debenture interest to be paid in cash.
- (v) Remaining freehold property to be valued at Rs.4,00,000.
- (vi) Investment sold out for Rs. 2,50,000.
- (vii) 75% of Director's loan to be waived and for the balance, equity shares of Rs. 2 each to be allotted.
- (viii) 40% of sundry debtors, 80% of stock and 100% of deferred advertisement expenses to be written off.
- (ix) Company's contractual commitments amounting to Rs.6,00,000 have been settled by paying 5% penalty of contract value.

Show the Journal Entries for giving effect to the internal re-construction and draw the Balance Sheet of the company after effecting the scheme.

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7. From the Balance Sheet and additional information given below, prepare consolidated Balance Sheet of H Ltd. (Holding Company) :

Balance Sheets of H Ltd. and S Ltd.
As on 31st March, 2019

I. Equity and Liabilities

	H Ltd. (Rs)	S Ltd. (Rs.)
(1) Shareholder's fund		
(a) Share Capital (Equity shares of 100 each)	5,00,000	2,00,000
(b) Reserve and Surplus		
General Reserve	60,000	40,000
P & L account	30,000	10,000
(2) Non-Current Liabilities		
12% secured debentures of Rs 100 each		1,00,000
(3) Current Liabilities		
(a) Trade payable		
Creditors	40,000	25,000
Bills Payable	12,000	8,000
(b) Short Term Provisions	40,000	20,000
	6,82,000	4,03,000

II. Assets

	H Ltd. (Rs)	S Ltd. (Rs.)
(1) Non-Current Assets		
(a) Fixed Assets- Tangible		
Plant & Machinery	3,50,000	3,20,000
(b) Non-Current Investments		
Shares in S ltd. (1500 shares @ 120 each)	1,80,000	-
12% debentures (400 debentures in S ltd. @ 90 each)	36,000	-

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(2) Current Assets		
(a) Inventories- Stock	35,000	15,000
(b) Trade Receivables		
Debtors	60,000	30,000
Bills Receivable	10,000	8,000
(c) Cash and cash equivalents		
Cash in hand	11,000	30,000
	6,82,000	4,03,000

The following are the additional information:

- (a) H Ltd. acquired 12,000 equity shares in S Ltd., the General Reserve and Profit & Loss Account of S Ltd. showed a balance of Rs. 30,000 and Rs. 4,000 (Dr.) respectively.
- (b) Creditors of S Ltd. include Rs. 10,000 for goods supplied by H Ltd. at a profit of 20% on sales. Half of the goods were still in stock on 31st March, 2019.
- (c) The Bills accepted by H Ltd. were all in the favour of S Ltd.
- (d) Plant and Machinery were overvalued by Rs.20, 000.

Prepare a consolidated balance sheet giving proper working notes.

(10 marks)