

**IMBA Sem.-4 Examination**  
**Advanced Financial Accounting-2**  
**April-2025**

Time : 2-30 Hours]

[Max. Marks : 70

- Q.1 a)** What are the major provisions related to right issue of a company? [07]  
**Q.1 b)** Write a note on: Consolidation and sub-division of shares [07]

OR

- Q.1** Following is the Balance Sheet of BK Ltd. as on 31st March, 2024: [14]

Particulars	Rs.
<b>I. Equity and Liabilities</b>	
Shareholders' funds	
12% Preference shares of Rs. 100 each fully paid up	15,00,000
Equity shares of Rs. 10 fully paid up	50,00,000
Securities Premium	40,000
Profit and loss Account (surplus)	4,00,000
Current Liabilities	
Trade Payables (Trade Creditors)	1,60,000
<b>TOTAL</b>	<b>71,00,000</b>
<b>II. ASSETS</b>	
Non-Current Assets	
Property, Plant and Equipment (Tangible Assets)	37,00,000
Current Assets	
Investment at cost	2,00,000
Inventories	12,00,000
Trade Receivables	15,50,000
Cash and cash equivalent	4,50,000
<b>TOTAL</b>	<b>71,00,000</b>

On 1<sup>st</sup> April, 2024 the board of directors decided to redeem the preference shares at a premium of 10%. The investments were sold at a loss of 25% on cost. For the purpose of redemption of preference shares, the company issued sufficient number of equity shares of Rs. 10 each at a premium of Rs. 1 per share. The company maintains minimum cash balance of Rs. 1,00,000. Shortfall in cash, if any, was to be met by raising bank loan. Pass journal entries and prepare the balance sheet after redemption.

(P.T.O)

Q.2

[14]

Particulars	Rs.
<b>I. EQUITY AND LIABILITIES</b>	
1. Shareholders' Funds	
1,000 13% Cumulative Preference shares of Rs. 100 each	1,00,000
70,000 Equity shares of Rs. 10 each	7,00,000
Deficit in the profit and loss account	(3,00,000)
2. Non-current Liabilities	
Long-term Borrowings- 8% debentures	3,00,000
3. Current Liabilities	
Short-term Borrowings- Provision for tax	3,00,000
Trade Payables (Trade Creditors)	39,00,000
<b>Total</b>	<b>50,00,000</b>
<b>II. ASSETS</b>	
1. Non-current Assets	
Property, Plant and Equipment:	
Tangible Assets	15,00,000
2. Current Assets	
Inventories	2,00,000
Trade Receivables (Sundry Debtors)	28,00,000
Cash and Cash Equivalents (Cash at Bank)	5,00,000
<b>Total</b>	<b>50,00,000</b>

The following scheme of reorganisation is sanctioned:

- Tangible assets are to be written down by 33 1/3%.
- Trade Receivables are to be revalued at Rs. 20,00,000.
- The preference shareholders decide to forego their right to arrears of dividend which are in arrears for three years.
- The taxation liability of the company is settled at Rs. 4,00,000 and the same is paid immediately.
- One of the trade creditors of the company to whom the company owes Rs. 25,00,000, decides to forego 50% of his claim. He is allotted 1,00,000 equity shares of Rs. 5 each in part satisfaction of the balance of his claim.
- The interest rate on debentures is increased to 11%. The debenture holders surrender their debentures of Rs. 100 each and exchange the same number of fresh debentures of Rs. 75 each.
- The nominal and paid-up value of existing equity and preference shares are reduced to Rs. 5 and Rs. 75 each respectively.

Pass necessary Journal entries and prepare the Balance Sheet.

OR

- Q.2 Explain the concept of Capital Reconstruction. Discuss its objectives, types, and the methods through which it can be carried out. [14]
- Q.3 a) Explain the order of payment in the liquidation of a company. How are the claims of different stakeholders settled as per the Companies Act, 2013? [07]
- Q.3 b) Differentiate between compulsory winding up and voluntary winding up of a company. [07]
- Q.4 a) Discuss different methods for valuation of goodwill. [07]
- Q.4 b) What are the factors which affects goodwill? [07]
- Q.5 The balance sheet of Jigar Ltd. and Ami Ltd. as on 31-3-24 were as under: [14]

Jigar Ltd's balance sheet

Liabilities	Rs.	Assets	Rs.
15,000 Equity shares of Rs. 10 each fully paid up	1,50,000	Land and building	60,000
8% debentures	25,000	Plants	30,000
Creditors	20,000	Furniture	30,000
Bills payable	19,000	Stock	15,000
		Debtors	28,000
		Profit and Loss a/c	41,000
		Preliminary expenses	10,000
	2,14,000		2,14,000

Ami Ltd.'s balance sheet

Liabilities	Rs.	Assets	Rs.
40,000 Equity shares of Rs. 10 each fully paid up	4,00,000	Goodwill	30,000
General Reserve	25,000	Land and building	1,30,000
Profit and Loss a/c	30,000	Plants	1,80,000
7% debentures	1,00,000	Furniture	60,000
Creditors	15,000	Stock	20,000
Bills payable	10,000	Debtors	90,000
		Bills receivable	30,000
		Bank balance	40,000
	5,80,000		5,80,000

The two companies decided to amalgamate on 1-4-'24 and a new company *Amar Prem Ltd.* was formed with an authorised capital of Rs. 12,00,000 divided in shares of Rs. 10 each.

The New Company agreed to take over all assets and liabilities at book values of old companies. The purchase consideration were as under:

**For Jigar Ltd:**

- (1) 4 shares of Rs. 10 each fully paid in the new company in exchange of 5 shares of Jigar Ltd.
- (2) The debenture-holders of Jigar Ltd. were to be allotted such debentures in new company bearing interest at 10% p.a. as would bring them the same amount of interest.
- (3) Rs. 10,000 to be paid in cash to Jigar Ltd.

**For Ami Ltd :**

- (1) 6 shares of Rs. 10 each fully paid in the new company in exchange of 5 shares of Ami Ltd.
- (2) The debenture-holders of Ami Ltd. were to be allotted such debentures in new company bearing interest at 10% p.a. as would bring them the same amount of interest.
- (3) Rs. 10 in cash for every 5 shares of Ami Ltd.

The expenses of winding up of the Jigar Ltd. Rs. 2,000 and Ami Ltd. Rs. 3,000 were paid by Amar Prem Ltd.

Company issued remaining shares to public at a premium of Rs. 2 per share by cash, which have been fully paid up.

Prepare the journal entries in books of Ami Ltd. and prepare initial balance sheet of new company.

OR

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|--------|-----------------------------------------------------|------|
| Q.5 a) | Write short note on Net assets method.              | [07] |
| Q.5 b) | What are the benefits associated with amalgamation? | [07] |

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