

G.V.M'S G.G.P.R. COLLEGE OF COMMERCE & ECONOMICS
 FARMAGUDI, PONDA
 INTRA SEMESTER ASSESSEMENT TEST - I OF SEMESTER VI JANUARY 2012
 T.Y.B.COM.
 ADVANCED ACCOUNTANCY - MAJOR - 1

MARKS:- 10

Duration:- 30 minutes

Balance Sheet of Max Ltd. as on 31-12-2011 is as under:-

<u>BALANCE SHEET</u>			
<u>LIABILITIES</u>		<u>ASSETS</u>	
<u>Authorised Capital</u>		Goodwill	3,00,000
20000 Equity share of ₹ 100/- each	20,00,000	Other fixed Assets	15,85,000
5000 6% preference shares of ₹ 100/- each	5,00,000	Stock	95,000
<u>Issued Capital</u>		Debtors	50,000
10000 Equity Shares fully paid up	10,00,000	Investment	20,000
2000 6% pref. shares fully paid up	2,00,000	Cash at bank	12,000
(dividend in arrears for 5 years)		Preliminary Expenses	5,000
5% debentures of ₹ 100/- each	16,60,000	Discount on issue of shares	3,000
Sundry creditors	4,80,000	Profit & Loss A/C	12,90,000
Income tax liability	20,000		
	33,60,000		33,60,000

The following scheme of reconstruction has been approved

- 1) Equity Shares shall be reduced to share of ₹ 10/- each, 5/- per share being Paid up
- 2) Preference Share holders shall forgo 90% of their claim, in shares and the remaining share shall be converted to 7% preference share of ₹ 10/- each, While their claim for arrears of dividend shall be reduced to one year dividend and the same shall be discharged by issue of fully paid equity shares.
- 3) Debentureholders agree to settle for 60% of their claim, which shall be discharged by issue of 7 ½ % debentures of ₹ 100/- each.
- 4) Sundry creditors to forgo 60% of their claims.
- 5) Assets to be revalued as under:

Other fixed assets	₹12,00,000/-
Stock	₹ 70,000/-
Debtors	₹ 40,000/-
Investments	₹ 10,000/-
- 6) In order to provide sufficient working capital, Equity shareholders are to Pay the balance amount due against Each share.

Show Journal entries in book of Max Ltd. and also Prepare Capital Reduction A/C. (8 mks)

CONTD... 2/-

Q. 2) Following items appeared on the liability side of JIA LTD. on the date of absorption.

10000 12% Preference Shares of ₹ 10/- each	1,00,000/-
20000 Equity Shares of ₹10/- each	2,00,000/-
12% debentures	1,00,000/-

PROSPECTS LTD agreed to absorb JIA LTD. for the following consideration:

- Preference Share holders were to be allotted 8% preference Shares of ₹ 1,10,000/-
- Equity Share holders to be allotted 6 Equity Shares of ₹10/- each issued at a Premium of 10% & ₹ 3/- cash against every five shares held.
- Debentureholders to be paid @ 8% premium by issue of 14% debentures at 10% discount.

Compute purchase consideration.

(2 mks)

**** best of luck ****