

Accounts Test

Issue of shares, Redemption of preference shares, Redemption of debentures and Ratio analysis

Marks 50

Time 1hour 30 mins

Q1. (A) Fill in the blanks (1 mark each)

1. P to whom 100 shares of Rs. 10 each were allotted at par paid the application money of Rs. 2 and allotment money of Rs. 4 per share. He did not pay the call money of Rs.4 per share. His shares were forfeited. The amount credited to share forfeiture account is _____.
2. On an equity share of Rs. 20, the company has called up Rs. 16 and amount received Rs. 18, the difference of Rs. 2 will be credited to _____.
3. Stock turnover ratio is calculated as _____.

Q1. (B) State true or false with reason (2 marks)

1. Securities premium can be used to create CRR.

Q2. K limited issued prospectus inviting applications for 6000 shares of Rs. 10 each at a premium of Rs. 2 per share, payable Rs. 2 on application, Rs. 5 including premium on allotment, Rs. 3 on 1st call and balance in second and final call. Applications were received for 10000 shares. Full allotment was made to 2000 shares. 2000 shares were rejected and balance issued on pro rata basis.

X who applied for 100 shares to whom full allotment was made didn't pay allotment money.

Y who applied 180 shares to whom pro rata allotment was made didn't pay allotment money.

On their subsequent failure to pay the 1st call, their shares were forfeited. Z who applied for 120 shares to whom pro rata allotment was made didn't pay both the calls and on his failure, his shares were forfeited. 200 forfeited shares were reissued to A at Rs. 8 per share (it includes 40 shares of Z, 60 shares of Y and remaining of X). Pass Journal entries (10 marks)

Q3. Following is balance sheet of S ltd as on 31.3.2012

Liabilities	Amount	Assets	Amount
Preference share capital of Rs. 100 each 500000		Fixed assets	1200000
Less Calls in arrears of Rs. 20 per share <u>4000</u>	496000	Investments	100000
Equity share capital of Rs. 10 each	600000	Bank	180000
Profit and loss account	300000		
Securities premium	30000		
Creditors	54000		
Total	1480000	Total	1480000
	0		

On 31.3.12, board of directors decided to redeem the preference shares at a premium of 10%. It is also decided to sell all investments at its market price of Rs. 80000. Co issued sufficient equity shares of Rs. 10 each at premium of Re. 1 per share, required after utilizing the profit and loss account leaving balance of Rs. 100000. Repayments were made in full except a share holder holding 100 shares who left India. You are required to pass journal entries and balance sheet after redemption. (10 marks)

Q4. From the following information prepare balance sheet of C ltd. (10 marks)

Current ratio 2:1	Stock velocity 2 months
Working capital Rs. 400000	Creditors velocity 2 months

Capital block to current asset 3:2	Debtors velocity 2 months
Fixed asset to turnover 1:3	Gross profit ratio 25%
Sales cash/credit 1:2	Net profit 10% of turnover
Debenture/share capital 1:2	Reserves 2.5% of turnover

Q5. Write short notes on: (5 marks each)

1. Sinking fund method for redemption of debentures
2. Difference between CRR and DRR
3. Capital redemption reserve