

Answer All Questions

Calculator Permitted

Time: Three (03) hours

01. DPC plc issued 50,000 equity share of Rs.10 each to the public on the following terms.

Value of each share is payable as follow:

- On application Rs.3
- On allotment Rs.4
- On first call Rs.2
- On Second and final call Re.1

Applications were received for 60,000 shares. The excess amounts paid on application to be adjusted against amount due on allotment. The shares were fully called and paid up except amount on first and second calls which are not paid by those who were allotted 2,000 shares. All the shares on which calls were not paid were forfeited by the Board of Directors. Out of the forfeited shares 1000 shares were re-issued as fully paid on receipt of Rs.8 per share.

Required:

Write the journal entries for the above transactions and Prepare relevant ledger accounts

(25 Marks)

02. The Balance Sheet of BSA plc as at 31.12.2009 is as follows:

Liabilities	Rs.	Assets	Rs.
Ordinary shares of Rs. 10 each	1000000	Non current Assets	1100000
10% Redeemable Preference shares of Rs.10 each	500000	Investment	400000
Profit & Loss Account	300000	Debtors	300000
Creditors	200000	Cash & Bank	200000
	2000000		2000000

The redeemable preference shares were to be redeemed at par on 01.01.2010 out of the distributable profits amounting to Rs.200000. The company issued sufficient number of ordinary shares of Rs.10 each at a par to back up the balance of fund required. All the

shares were subscribed fully and cash duly received. The investments were sold for Rs.350000. Payment was duly made to the preference shareholders.

Required:

Open relevant ledger accounts and Post into them the above transactions, and draft the Balance sheet of the company after the redemption of preference shares

(25 Marks)

03. The summarized Balance Sheet of GNP plc as on 31st December, 2009 was as follows:

Liabilities	Rs	Assets	Rs
Ordinary Shares of Rs.10 fully paid	600000	Land, Building and plant	640000
General Reserve	170000	Goodwill	100000
Profit and Loss Account	110000	Stock	168000
12% Debentures	100000	Debtors	36000
Creditors	20000	Cash	56000
	1000000		1000000

KML plc agreed to absorb the business of GNP plc, with effect from January 1st, 2010. The purchase consideration payable by KML plc was agreed as follows:

- A cash payment equivalent to Rs. 2.50 for every ordinary share in GNP plc.
- The issue of 90,000 ordinary shares of Rs.10 each fully paid in KML plc having an agreed value of Rs.15 per share
- The issue of such an amount of fully paid 10% Debentures in KML plc at 96 percent as it is sufficient to discharge 12% Debentures in GNP plc at a premium of 20 percent.

When computing purchase consideration, KML plc valued Land, Building and Plant at Rs.12,00,000, Stock at Rs.1,42,000 and Debtors at their face value subject to a provision of 5 percent for doubtful debts. The cost of liquidation of GNP plc was Rs.5,000.

Assume that GNP plc retains sufficient cash, out of cash taken over to meet realization expenses.

Required:

- Close the books of GNP plc
- Pass journal entries in the books of KML plc regarding absorption of business of GNP plc.

(25 Marks)

03. The Balance Sheets of HC plc and its subsidiary SC plc as at 31.12.2009 are as follows:

Liabilities	HC	SC	Assets	HC	SC
Share Capital (Rs.10)	900000	500000	Land & Buildings	300000	480000
Share Premium	200000	100000	Plant & Machinery	250000	190000
General Reserve	100000	150000	Investments	550000	100000
Profit & Loss A/C	120000	110000	Stocks	115000	70000
Creditors	150000	100000	Debtors	120000	60000
Bills Payable	30000	40000	Bills receivable	50000	45000
			Cash & Bank	115000	55000
	1500000	1000000		1500000	1000000

Additional Information:

- HC plc acquired 40000 ordinary shares of Rs.10 each held in SC plc on 30.06.2009 for Rs.450000.
- SC plc had a credit balance of Rs.30000 in its profit and loss account, and Rs.100000 in general reserve account.
- The profits of SC plc for the year ended 31.12.2009 were earned evenly throughout the year.
- Bills Payable of HC plc includes Rs.10000 drawn in favour of SC plc.
- Stocks of HC plc include goods purchased from SC plc for Rs.25000, which were invoiced by the latter at a profit of 25% plus cost.

Required:

Prepare the Consolidated Balance sheet as at 31.12.2009.

(Show all the workings clearly)

(25 Marks)