



# SIDDHARTH EDUCATION SERVICES LTD™

For CS, CA, ICWA [Foundation, Inter, Final] BMS, M.Com  
 301, Prestige Chambers, Opp. Thane Railway Stn. P.F.2, Thane(W):25334903  
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 2/18, Popatlal Bldg, Opp. Bank of Maharashtra, Ranade Rd, Dadar(W). Tel:55240023

**Time : 1 ½ hrs.**

**Inter – Accounts**

**Mks : 50**

(Issue of Shares and Redemption of Preference Share)

- Q. 1** Mention any five purposes for which share premium account can be utilized. (5M)
- Q. 2** State the prerequisites to be complied with by a company for issue of shares at a discount. (5M)
- Q. 3** Golden Spoon Ltd., issued 5,000 equity shares of Rs. 10 each at a premium of Rs. 2 per share payable as follows:

|                       | Rs.                   |
|-----------------------|-----------------------|
| On application        | 7 (including premium) |
| On allotment          | 3                     |
| On first & final call | 2                     |

The company has received 6,000 applications equity shares. The allotment was made on prorata. Excess application moneys were utilized towards dues on allotment.

Mr. Y who held 200 shares, failed to pay allotment money and first & final call. These shares were forfeited. The company reissued 150 shares out of 200 forfeited shares to Mr. K as fully paid for Rs. 8 per share.

**Required :**

Pass journal entries in the books of the company for the above transactions. (10M)

- Q. 4** Following is the Summarized Balance Sheet of X Ltd.

| Liabilities             | (Rs.)        | Assets       | (Rs.)    |
|-------------------------|--------------|--------------|----------|
| Paid up Share Capital   |              | Bank         | 90,000   |
| 50,000 Equity Shares of | 5,00,000     | Other Assets | 8,10,000 |
| Rs. 10 each fully paid, |              |              |          |
| 1,000, 10% Redeemable   |              |              |          |
| Preference Shares of    |              |              |          |
| Rs. 100 each full       |              |              |          |
| called up               | 1,00,000     |              |          |
| Less : Calls-in-arrear  |              |              |          |
| @ 20 each               | <u>1,000</u> |              |          |
| Reserve & Surplus :     |              |              |          |
| Securities, Premium     | 20,000       |              |          |
| Profit & Loss A/c       | 60,000       |              |          |
| General Reserve         | 70,000       |              |          |

|                       |          |  |          |
|-----------------------|----------|--|----------|
| Creditor              | 1,51,000 |  |          |
| Current Liabilities : |          |  |          |
|                       | 9,00,000 |  | 9,00,000 |

The redeemable preference shares were redeemed on the following basis:

- (i) Further 4500 equity shares were issued at a premium of 10%.
- (ii) Expenses for fresh issue of shares of Rs. 5000.
- (iii) Of the 50 preference shares, holders of 40 shares paid the call money before the date of redemption. The balance 10 shares were forfeited of non-payment of calls before redemption. The forfeited shares were reissued as fully paid on receipt of Rs. 500 before redemption.
- (iv) Preference shares were redeemed at a premium of 10% and securities premium account was utilized in full for this purpose.

Show journal entries and Summarized Balance Sheet after redemption. (10M)

**Q. 5** CEC Ltd. offered for public subscription 2000 equity shares of Rs. 100 each at a premium of Rs. 20 per share on the following terms:

- (a) Application money to be paid before June 30, 2007; Rs. 40 per share.
- (b) Allotment money to be paid before September, 30, 2007; Rs. 50 per share including Rs. 20 premium.
- (c) First and Final Call money to be paid before December 31, 2007; Rs. 30 per share.

Applications for 4000 shares were received, the company decided to:

- (i) Allot in full 200 shares to 4 applicants who had applied for the same.
- (ii) Reject the application for 1400 shares applied for by persons suspected to be agents of a rival company.
- (iii) Allot the balance number of shares proportionately, to the remaining applicants, and to apply the excess money paid towards the allotment money dues.

ARUP who had applied for 100 shares and who was allotted all the shares applied for could not pay allotment money.

ARUNDHATI who was allotted 60 shares on the proportion basis could not pay the first and final call. After due notices all such shares were forfeited and re-issued at a discount of 20% of the face value of the share to Mr. REDDY.

Pass the necessary Journal entries to record the above transactions in the books of CEC LTD. (10M)

**Q. 6** The following is the balance sheet of Sachin Ltd. as on 31.03.2008 :

| Liabilities              | Rs.              | Assets              |                 | Rs.      |
|--------------------------|------------------|---------------------|-----------------|----------|
| Share Capital :          |                  | Fixed Assets :      |                 |          |
| Authorised               |                  | Gross Block         | 6,00,000        |          |
| 20,000, 10% redeemable   |                  | Less : Depreciation | <u>2,00,000</u> | 4,00,000 |
| preference shares of Rs. |                  | Investments         |                 | 2,00,000 |
| 10 each                  | 2,00,000         | Current Assets,     |                 |          |
| 1,80,000 Equity Shares   |                  | Loans & Advances :  | 50,000          |          |
| of Rs. 10 each           | <u>18,00,000</u> | Inventory           | 50,000          |          |
|                          | <u>20,00,000</u> | Debtors             |                 |          |
| Issued, Subscribed       |                  | Cash & Bank         |                 |          |

|   |                 |  |          |          |
|---|-----------------|--|----------|----------|
| and paid up capital :<br>20,000, 10% redeemable<br>preference share of<br>Rs. 10 each<br>20,000 equity shares<br>of Rs. 10 each |                 | balances<br>Miscellaneous<br>Expenditure to the<br>extent<br>not written off | 1,00,000 | 2,00,000 |
|   | 2,00,000        |  |          | 40,000   |
|   | <u>2,00,000</u> |  |          |          |
| Reserve and Surplus :   | <u>4,00,000</u> |  |          |          |
| General Reserve   |                 |  |          |          |
| Securities premium  | 2,40,000        |  |          |          |
| Profit and Loss<br>Account  | 1,40,000        |  |          |          |
| Current Liabilities<br>& Provision  | 37,000          |  |          |          |
|   | 23,000          |  |          |          |
| Total   | 8,40,000        |  |          | 8,40,000 |

For the year ended 31.3.2009, the company made a net profit of Rs. 30,000 after providing for Rs. 40,000 depreciation and writing off miscellaneous expenditure of Rs. 40,000. The following additional information is available with regard to company's operation.

- (1) The preference dividend for the year ended 31.3.2009 was paid before 31.3.2009.
- (2) Except cash & bank balances, other current assets and current liabilities on 31.3.2009, was the same as on 31.3.2008.
- (3) The company redeemed the preference share at a premium of 10%.
- (4) The company issued bonus shares in the ratio of 1 share for every two equity shares held as on 31.3.2009.
- (5) To meet the cash requirements of redemption, the company sold a portion of the investments, so as to leave a minimum balance of Rs. 60,000 after such redemption.
- (6) Investments were sold at 90% of cost as on 31.3.2009.

Prepare

- (i) Necessary journal entries to record redemption and issue of shares.
- (ii) Cash & Bank Account.
- (iii) Balance Sheet as on 31.3.2009.

(10M)