(1)

CA INTER: ADVANCED ACCOUNTING
TEST ID: MKG/ADVACC/NOV2024/001

INTERNAL RECONSTRUCTION
AS - 12

Maximum Marks: 33
Time Allowed – 1 hour

Ques 1. The Balance Sheet of X Ltd. as at 31st March, 2024 was as follows:

Particulars	**Amount (₹)**
I. EQUITY AND LIABILITIES	
(1) Shareholders' Funds	
a) Share Capital	
40,000 Equity Shares of ₹100 each fully paid up	40,00,000
20,000 10% Preference shares of ₹100 each, fully paid	20,00,000
b) Reserves and Surplus	
Securities Premium	1,50,000
Profit & Loss Account	(23,00,000)
(2) Non – Current Liabilities	
a) Long-term borrowings	
7% Debentures of ₹ 100 each	4,00,000
(3) Current Liabilities	
a) Other Current Liabilities	
i) Creditors	10,00,000
ii) Loan from Director	2,00,000
Total	**54,50,000**
II. ASSETS	
(1) Non-current Assets	
a) Fixed Assets	
(i) Property, plant and equipments	
a. Land & Building	20,00,000
b. Plant & Machinery	12,00,000
(ii) Intangible Assets	
Goodwill	4,00,000
(2) Current Assets	
Trade Receivables	12,00,000
Stock	5,00,000
Cash at Bank	1,50,000
Total	**54,50,000**

No dividend on Preference shares has been paid for last 5 years.

The following scheme of reorganisation was duly approved by the Court:

- Equity shares to be reduced to ₹ 25.
- Each existing preference shares to be reduced to ₹ 75 and then exchanged for one new 13% Preference Share of ₹ 50 each and one Equity Share of ₹ 25 each.
- Preference Shareholders have foregone their right of dividend for 4 years. One year's dividend at the old rate is however payable to them in fully paid Equity shares of ₹ 25.
- The Debenture-holders be given the option to either accept 90% of their claims in cash or to convert their claims in full into new 13% Preference Shares of ₹ 50 each issued at

par. One-fourth (in value) of the Debenture-holders accepted Preference Shares for their claims. The rest were paid in cash.

- Contingent liability of ₹ 2,00,000 is payable which has been created by wrong action of one director. He has agreed to compensate this loss out of the loan given by the Director to the Company.
- Goodwill does not have any value in the present. Decrease the value of Plant & Machinery, Stock and Debtors by ₹ 3,00,000, ₹ 1,00,000 and ₹ 2,00,000 respectively. Increase the value of land & building to ₹ 25,00,000.
- 50,000 new Equity Shares of ₹ 25 each are to be issued at par payable in full on application. The issue was underwritten for commission of 4%. Shares were fully taken up.
- Total expenses incurred by the Company in connection with the scheme excluding underwriting commission amounted to ₹ 20,000.

Pass necessary journal entries to record the above transactions *(14 Marks)*

Ques 2. Ram Ltd. purchased machinery for ₹ 80 lakhs (useful life 4 years and residual value ₹ 8 lakhs). Government grant received was ₹ 32 lakhs. The grant had to be refunded at the beginning of third year. Show the Journal Entry to be passed at the time of refund of grant and the value of the fixed assets in the third year and the amount of depreciation for remaining two years, if the grant had been credited to Deferred Grant A/c. *(5 Marks)*

Ques 3. Swayambu Ltd received a revenue grant from the State Government amounting to ₹ 45 Lakhs during the last accounting year. The Grant was given subject to certain conditions to be fulfilled by the Company over a nine-year period. During the current accounting year, the entire amount of ₹ 45 Lakhs became refundable, as the conditions attached to it could not be fulfilled. The Company had already recognised ₹ 5 Lakhs in the P&L A/c of the previous year. The Company wants to write-off ₹ 45 Lakhs, being the Grant refundable over a period of 5 years. Discuss whether the above treatment is proper. *(5 Marks)*

Ques 4. The following scheme of reconstruction has been approved for Bheema Limited -

(i) The Shareholders to receive in lieu of their present holding at 1,00,000 Shares of ₹ 10 each the following:

(a) New fully paid ₹ 10 Equity shares equal to $3/5^{th}$ of their holding.

(b) 10% Preference Shares fully paid to the extent of $1/5^{th}$ of the above new Equity Shares.

(c) ₹ 40,000, 8% Debentures.

(ii) An issue of ₹ 1 Lakh 10% First Debentures was made & allotted, payment for the same being received in cash forthwith.

(iii) Goodwill which stood at ₹ 1,40,000 was completely written off.

(iv) Plant and Machinery which stood at ₹ 2,00,000 was written down to ₹ 1,50,000

(v) Freehold Property which stood at ₹ 1,50,000 was written down by ₹ 50,000

You are required to draw up necessary Journal entries in the books of Bheema Limited for the above reconstruction. *(4 Marks)*

Ques 5. In 1^{st} year, a Company had 20,000, ₹ 10 Equity Shares as Authorised Capital and the Shares were all issued on which ₹ 8 was paid up. In year 2, the Company in its General Meeting decided to sub-divide each share into two shares of ₹ 5 with ₹ 4 paid up. In year 2, the company in the general meeting resolved to consolidate 20 Shares of ₹5, ₹4 per share paid up into one share of ₹ 100 each, ₹ 80 paid up. Pass journal entries and show how share capital will appear in notes to Balance Sheet as at year 1 end, year 2 end and year 3 end. *(5 Marks)*