MKG

Roll No ……814592…………
Question Paper Booklet No. 6112024
Total No. of Printed Pages: 5 **Time allowed: 3 hours**
Total No. of Questions – 15 **Maximum Marks: 30**

GENERAL INSTRUCTIONS TO CANDIDATES

1. The question paper comprises two parts, Part I and Part II.
2. Part I comprises Multiple Choice Questions (MCQs).
3. Part II comprises questions which require descriptive type answers.
4. Ensure that you receive the question paper relating to both the parts. If you have not received both, bring it to the notice of the invigilator.
5. Answers to MCQs in Part I are to be marked on the OMR answer sheet as given on the cover page of descriptive answer book only. Answers to questions in Part II are to be written in the same descriptive answer book. Answers to MCQs, if written inside the descriptive answer book or on Part-I Question paper will not be evaluated.
6. OMR answer sheet given on the cover page of descriptive answer book will be in English only for all candidates, including for Hindi medium candidates.
7. The bar coded sticker provided in the attendance register, is to be affixed only on the descriptive answer book.
8. You will be allowed to leave the examination hall only after the conclusion of the exam. If you have completed the paper before time, remain in your seat till the conclusion of the exam.
9. Duration of the examination is 3 hours. You will be required to submit (a) Part I of the question paper containing MCQs, and (b) the answer book in respect of descriptive answer book with OMR cover page to the invigilator before leaving the exam hall, after the conclusion of the exam.
10. The invigilator will give you acknowledgement on Page 2 of the admit card, upon receipt of the above-mentioned items.
11. Candidate found copying or receiving or giving any help or defying instructions of the invigilators will be expelled from the examination and will also be liable for further punitive action.

PART I

Case Scenario 1

Laser Ltd., a company engaged in various business activities, has decided to initiate a share buy-back on 1st April 2024. The Company plans to repurchase 25,000 equity shares of ₹ 10 each at a price of ₹ 20 per share. This buy-back initiative is in compliance with the company's articles of association, and the necessary resolution has been duly passed by the company. As part of the financial arrangement for the share buy-back, Laser Ltd. intends to utilize its current assets, particularly the bank balance, to make the payment for the repurchased shares.

Here is the snapshot of Laser Ltd.'s Balance Sheet as of 31st March 2024:

A. Share Capital: Equity share capital (fully paid up shares of ₹ 10 each) - ₹ 12,50,000.

B. Reserves and surplus: Securities Premium ₹ 2,50,000; Profit and Loss Account ₹ 1,25,000; Revenue Reserve ₹ 15,00,000

C. Long-term borrowings: 14% Debentures - ₹ 28,75,000, Unsecured Loans - ₹ 16,50,000

D. Land and Building ₹ 19,30,000; Plant and Machinery ₹ 18,00,000; Furniture and fittings ₹ 9,20,000 and Other Current Assets - ₹ 30,00,000

Authorized, issued and subscribed capital: Equity share capital (fully paid up shares of ₹ 10 each)- ₹ 12,50,000

Based on the information given in the above case scenario, answer the following Question No. 1 - 4:

1. By using the Shares Outstanding Test, the number of shares that can be bought back: **2**
   (a) 1,25,000
   (b) 31,250
   (c) 25,000
   (d) 30,000

2. By using the Resources Test, the number of shares that can be bought back: **2**
   (a) 25,000
   (b) 31,250
   (c) 28,750
   (d) 39,062

3. By using the Debt-Equity Test, the number of shares that can be bought back: **2**
   (a) 25,000
   (b) 31,250
   (c) 28,750
   (d) 39,062

4. On the basis of all Three Tests, maximum number of shares that can be bought back: **2**
   (a) 25,000
   (b) 31,250
   (c) 28,750
   (d) 39,062

Case Scenario 2:

Star Ltd. and Moon Ltd. had been carrying on business independently. They agreed to amalgamate and form a new company Neptune Ltd. with an authorised share capital of ₹ 2,00,000 divided into 40,000 equity shares of ₹ 5 each.

On 31st December, 2024, the respective Balance Sheets of Star Ltd. and Moon Ltd. were as follows:

	Star Ltd. **₹**	**Moon Ltd.** **₹**
Property, plant & equipments	3,17,500	1,82,500
Current Assets	1,63,500	83,875
	4,81,000	**2,66,375**
Less: Current Liabilities	2,98,500	90,125
Representing Capital	**1,82,500**	**1,76,250**

Additional Information:

(a) Revalued figures of non-current and current Assets were as follows:

	Star Ltd.	**Moon Ltd.**
Property, plant & equipments	3,55,000	1,95,000
Current Assets	1,49,750	78,875

(b) The debtors and creditors—include ₹ 21,675 owed by Star Ltd. to Moon Ltd.

The purchase consideration is satisfied by issue of the following shares and debentures:

(i) 30,000 equity shares of Neptune Ltd., to Star Ltd. and Moon Ltd. in the proportion to the profitability of their respective business based on the average net profit during the last three years which were as follows:

		Star Ltd.	**Moon Ltd.**
20X0	Profit	2,24,788	1,36,950
20X1	(Loss)/Profit	(1,250)	1,71,050
20X2	Profit	1,88,962	1,79,500

(ii) 15% debentures in Neptune Ltd., at par to provide an income equivalent to 8% return on capital employed in their respective business as on 31st December, 20X2 after revaluation of assets.

Based on the information given in the above case scenario, answer the following Question No. 5 - 8:

5. The amount of Debentures to be issued by Neptune Ltd. to Star Ltd. and Moon Ltd. are: **2**
   (a) ₹ 16,500 and ₹ 14,700
   (b) ₹ 30,938 and ₹ 27,563
   (c) ₹ 1,10,000 and ₹ 98,000
   (d) ₹ 3,86,719 and ₹3,44,531
6. The amount of Shares to be issued by Neptune Ltd. to Star Ltd. and Moon Ltd. are: **2**
   (a) ₹ 13,750 and ₹ 16,250
   (b) ₹ 68,750 and ₹ 81,250
   (c) ₹ 1,37,500 and ₹ 1,62,500
   (d) None of the above

7. Amount of Goodwill/ Capital Reserve in Neptune Ltd.'s Balance Sheet, immediately after take-over: **2**
   (a) Goodwill ₹ 750
   (b) Goodwill ₹ 32,000
   (c) Capital Reserve ₹ 750
   (d) Capital Reserve ₹ 32,000

8. In the Cash flow statement (indirect method) to be prepared by Neptune Ltd., the Current Assets and Current Liabilities taken over will be classified as: **2**
   (a) Operating Activity
   (b) Investing Activity
   (c) Financing Activity
   (d) Cash and Cash Equivalent

Case Scenario 3:

Following information are available in respect of Z Limited as on 31st March 2024:

1.	Equity shares of ₹ 100 each	₹ 500 lakhs
2.	General reserve	₹ 100 lakhs
3.	Loss for the year ending 31st March 2024	₹ 5 lakhs

Due to absence of profits during the year 2023-24, the management recommends to declare dividend of 10% on equity share capital out of general reserve.

The rates of equity dividend for the last 5 years immediately preceeding the year 2023-24 are as follows:

2022-23	2021-22	2020-21	2019-20	2018-19
12%	14%	10%	10%	7%

Based on the information given in the above case scenario, answer the following Question No. 9 - 12:

9. Maximum amount that can be withdrawn out of free reserves is: **2**
   (a) ₹ 50 lakhs
   (b) ₹ 55 lakhs
   (c) ₹ 60 lakhs
   (d) ₹ 75 lakhs

10. Amount required to be withdrawn out of free reserve: **2**
   (a) ₹ 50 lakhs
   (b) ₹ 45 lakhs
   (c) ₹ 40 lakhs
   (d) ₹ 25 lakhs

11. Balance amount to be maintained in General Reserve after withdrawl for dividend: **2**
   (a) ₹ 50 lakhs
   (b) ₹ 75 lakhs
   (c) ₹ 89.25 lakhs
   (d) ₹ 90 lakhs

12. Maximum amount of dividend that can be declared out of General Reserve: **2**
    (a) ₹ 60 Lakhs
    (b) ₹ 50 Lakhs
    (c) ₹ 25 Lakhs
    (d) ₹ 20 Lakhs

13. If the goods costing ₹ 100 are sent by Head Office to the branch at an Invoice Price of ₹ 120, to be sold at ₹ 150, then the entry for creating stock reserve in case of dependent branch will be: **2**
    (a) Branch Adjustment A/c Dr.
    To Stock Reserve
    (b) Branch A/c Dr.
    To Stock Reserve
    (c) Branch Profit and Loss A/c Dr.
    To Stock Reserve
    (d) Head Office Profit and Loss A/c Dr.
    To Stock Reserve

14. The Company has 12% Cumulative Preference Share Capital of ₹ 10,00,000. Cumulative preference dividend for last 3 years is in arrears. Under a scheme of internal reconstruction, preference shareholders agreed to waive 2/3rd of their arrears and receive equity shares for the balance arrears. Following journal entry will be passed: **2**

(a) Capital Reduction A/c Dr.	1,20,000	
To Equity Share Capital A/c		1,20,000
(b) Equity Share Capital A/c Dr.	1,20,000	
To Capital Reduction A/c		1,20,000
(c) Preference Dividend Payable A/c Dr.	3,60,000	
To Equity Share Capital A/c		1,20,000
To Capital Reduction A/c		2,40,000
(d) Capital Reduction A/c Dr.	1,20,000	
To Bank A/c		1,20,000

15. Suzlon Energy Limited had issued Foreign Currency Convertible Bonds (FCCB) of $ 10 Million during 2014-15. The bonds are redeemable on 30th September 2025 and also conferred option to the bond-holders to convert their holdings into equity shares. The Company is of the view that the Bond-holders will exercise the option of conversion to the fullest and the company will not have to pay cash for redemption. While preparing Balance Sheet as on 31st March 2025, The FCCB shall be classified as: **2**
    (a) Non-current Liabilities: Long-term borrowings
    (b) Current Liabilities: Short-term borrowings
    (c) Current Liabilities: Other Current Liabilities
    (d) Shareholders' Funds: Share Capital