

22. What is redemption of preference shares? State the provisions regarding redemption of preference shares
23. Distinguish between double entry system and double account system.
24. Explain the methods of alteration of share capital
25. A company is planning to raise funds by making right issue of equity shares to finance its expansion. The existing equity share capital of the company is Rs. 50,00,000. The market value of its share is Rs. 40. The company offers to its shareholders the right to buy 2 shares at Rs. 11 each for every 5 shares held. Calculate theoretical market price after right issue and the value of right.
26. Balance Sheets of H Ltd. and S Ltd. on 31<sup>st</sup> March, 2015 were as follows:

	H Ltd.	S Ltd.
	Rs.	Rs.
<i>Equity and Liabilities</i>		
Shareholders' funds:		
Share Capital		
Equity shares of Rs. 100 each	10,00,000	4,00,000
10% Preference shares of Rs. 100 each	-	1,00,000
Reserves and surplus:		
General reserve	1,00,000	50,000
Surplus account:		
Balance on 1.4.2014	40,000	30,000
Profit for 2014-15	2,00,000	80,000
Current liabilities		
Creditors	<u>1,50,000</u>	<u>70,000</u>
<b>Total</b>	<b><u>14,90,000</u></b>	<b><u>7,30,000</u></b>
<i>Assets</i>		
Non- current assets		
Fixed assets		
Land & building at cost	3,10,000	1,60,000
Machinery less 10% depreciation	2,70,000	1,35,000
Investment- 3000 shares in S Ltd.	4,50,000	-
Current assets		
Stock at cost	2,20,000	1,50,000
Sundry debtors	1,55,000	90,000
Cash and bank	<u>85,000</u>	<u>1,95,000</u>
<b>Total</b>	<b><u>14,90,000</u></b>	<b><u>7,30,000</u></b>

H Ltd. acquired 3000 equity shares in S Ltd. on 1<sup>st</sup> October, 2014. Calculate:

- i. Pre- acquisition profit of S Ltd.
- ii. Post-acquisition profit of S Ltd.
- iii. Goodwill/ Capital reserve of H Ltd.
- iv. Non- Controlling Interest

27. K Ltd is having an asset carrying amount of which is Rs. 60 lakhs on 31.3.2015. The useful life of the asset is five years and residual value at the end of fifth year is Rs. 3 Lakhs. Estimated future cash flow from using the plant in next 5 years are:

For the year ended on	Estimated cash flow (Rs.in Lakhs)
31.3.16	30
31.3.17	20
31.3.18	15
31.3.19	10
31.3.20	10

If discount rate is 25%, calculate the impairment loss if the net selling price of the asset on 30.3.2015 is Rs.40 lakhs.

28. Octane gas Ltd. rebuilt and re- equipped a part of their works at a cost of Rs. 7 crores. The part of the old works thus superseded cost Rs. 4 crores. The capacity of the works is double the capacity of the old works. Rs. 40 lakhs was realised by the sale of old materials and materials worth Rs. 25 lakhs were used in the construction of the new works and included in the total cost of Rs. 7 crores. The cost of materials and labour are 50% higher than what it was when the old works were built. Journalise the transactions.

**(6 × 4 = 24 Marks)**

#### **Part-IV**

Answer any *two* questions. Each question carries 15 marks.

29. A company had the following loans in place at the beginning and end of 2019:

	1.01.2019	31.12.2019
10% Bank loan repayable in 2022	120,00,000	120,00,000
9.5% Bank loan repayable in 2022	80,00,000	80,00,000
8.9% Debenture repayable in 2023	-	150,00,000

The 8.9% debenture was issued on 1<sup>st</sup> July, 2019 to fund the construction of a hydro- electric plant, the construction of which began on 1<sup>st</sup> January, 2019. Expenditure drawn down for the construction was Rs. 30,00,000 on 1<sup>st</sup> January, 2019 and Rs. 20,00,000 on 1<sup>st</sup> October, 2019. What are the borrowing costs to be capitalized for the hydro- electric plant?