

LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.B.A. DEGREE EXAMINATION – BUSINESS ADMINISTRATION

FOURTH SEMESTER – APRIL 2010

BU 4502/BU 4500 - COMPANY ACCOUNTSDate & Time: 23/04/2010 / 9:00 - 12:00 Dept. No.

Max. : 100 Marks

PART – A**Answer ALL the following questions:****(10 x 2 = 20 marks)**

1. What is called firm underwriting?
2. What do you understand by forfeiture of shares?
3. What is called securities premium? How can it be used?
4. Write a note on Capital Redemption Reserve?
5. Who are called preferential creditors?
6. What do you understand by cum-interest and ex-interest?
7. A company forfeited 100 shares of Rs 100 each for non payment of a call of Rs. 20 each . These shares were forfeited and reissued at Rs.70 per share. Pass Journal entries for forfeiture and re-issue.
8. 6% redeemable preference share capital Rs 5,00,000. Premium on redemption 10%. Securities premium Rs 20,000 . Divisible profits Rs 2,00,000. The company decided to redeem above shares by making issue of equity shares at 5% premium for requisite number. Find the fresh issue.
9. Issued at par 14% , 100 debentures of Rs 10 each redeemable at a premium of 5%. Journalize the transition.
10. Mr. X a small scale industrialist decided to convert his firm into a limited company with effect from 1.2.04. But he obtained the certificate of incorporation on 1.7.04 and the certificate of commencement to business on 1.11.04. His accounts were closed on 31.12.04. Find out the time ratio, for the purpose of ascertaining pre incorporation profits.

PART – B**Answer any FIVE following questions****(5 x 8 = 40 marks)**

11. Following a series of losses J Ltd resolved to reduce its capital to Rs.50,000 fully paid Rs.5 shares and to eliminate Share Premium account. The company's Balance sheet prior to implementation of the scheme was

Liabilities	Amount	Assets	Amount
Share capital 50,000 fully paid shares of Rs 10 each	5,00,000	Goodwill	1,00,000
Share premium	50,000	Land and building	1,62,000
Creditors	62,000	Plant & Machinery	2,07,000
Bank overdraft	73,000	Stock	92,000
		Debtors	74,000
		Profit & Loss a/c	50,000
	6,85,000		6,85,000

It was resolved to apply the sum available under the scheme.

- i. To write off the goodwill a/c
- ii. To write off the debit balance of the profit and loss a/c
- iii. To reduce the book values of the assets by the following amounts

Land & building	42,000
Plant & Machinery	67,000
Stock	33,600

- iv. To provide a bad debts reserve of 10% of the book value of debtors.

Show the journal entries to give effect to the scheme and prepare the revised balance sheet after its implementation.

12. The following particulars related to a limited company which went into voluntary liquidation.

Assets realized as follows:

Cash	Rs. 10,000
Machinery	Rs. 14,240
Stock	Rs. 15,400
Debtors	Rs. 18,000
Unsecured creditors	35,000
Preferential creditors	4,000
Debentures	40,000
Secured creditors	20,000 (securities realized Rs. 25,000)
Liquidation expenses	300

Liquidator's remuneration at 2% on amount realized including cash and 1 ½ % on the amount paid to unsecured creditors. Prepare Liquidator's Final Statement of Account.

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13. From the following information, calculate the value of goodwill on the basis of 5 years purchase of super profit.
- Average capital employed in the business is Rs.30,00,000.
 - Rate of interest expected from capital having regard to the risk involved is 10%.
 - Net trading profits of the firm for the past three years were Rs. 3,60,000 Rs. 4,80,000 and Rs.3,00,000.
 - Fair remuneration to the partners for their services is Rs. 50,000 p.a
 - Sundry assets of the firm are Rs. 24,00,000 & current liabilities are Rs. 98,000
14. X ltd has made an issue of Rs. 50,000 9% debentures on 1st April 2002 the terms of which include that the company must take a 4 year sinking fund insurance policy for the redemption of debentures at a premium of 5%. The Annual premium is Rs.11,500. The value of the policy increases by 6%. Give the sinking fund a/c and sinking fund insurance a/c for
15. On 1.7.2001 company decided to redeem the preference shares at a premium of 5%. For this purpose the company can utilize its funds subject to leaving balance on Profit and Loss a/c of Rs. 50,000 and company decided to issue sufficient shares of Rs 100 each at a premium of 10% .

Balance Sheet of PQR ltd as on 30.6.2001

Share capital 30,000 equity of Rs 100 each	3,00,000	Fixed assets	4,00,000
2,000 6% redeemable preference share @Rs 100 each	2,00,000	Current Assets	1,00,000
Profit and loss	1,00,000	Cash	3,00,000
Creditors	2,00,000		
	8,00,000		8,00,000

Preference shares were redeemed and equity shares were fully subscribed and paid for.
Pass Journal entries and prepare balance sheet.

16. Explain the order of payment made by the liquidator of a company for final settlement.
17. Briefly explain the steps involved in adopting a scheme of reconstruction.
18. Explain the various methods of share valuation and the factors affecting the valuation of shares.

PART – C

Answer any **TWO** questions:

(2 x 20 = 40 marks)

19. From the following Prepare Cash Flow Statement.

BALANCE SHEET OF X LTD

	31.12.03	31.12.04		31.12.03	31.12.04
Share capital	1,00,000	1,50,000	Goodwill	60,000	20,000
5% Debentures	40,000	70,000	Fixed assets	1,10,000	3,40,000
Retained earnings	60,000	85,000	Trade investments	70,000	80,000
Bank overdraft	70,000	90,000	Cash	10,000	15,000
Mortgage loan	1,20,000	40,000	Stock	2,20,000	1,00,000
Current liabilities	1,60,000	1,90,000	debtors	1,40,000	1,50,000
Provision for depreciation on fixed asset	60,000	80,000			
	6,10,000	7,05,000		6,10,000	7,05,000

During the year ending 31st March 2000.

- Dividend paid to share holders was Rs. 60,000
 - Fixed assets costing Rs 20,000 were sold for Rs.5,000 thereby causing a loss of Rs.7,000 on their sale.
 - Shares were issued at 20% premium which is included in the retained earning.
20. The following is the **Trial balance** of 'A' ltd on 31st march 2008

	Debit	Credit
Goodwill	25,000	
cash	750	
Bank	39,900	
Purchases	1,85,000	
Preliminary expenses	5,000	
Share capital		4,00,000
12 % debenture		3,00,000
P & L a/c (cr)		26,250
Calls in arrears	7,500	

Premises	3,00,000	
Plant and Machinery	3,30,000	
Interim dividend	39,250	
Sales		4,15,000
Opening Stock	75,000	
Furniture	7,200	
Sundry debtors	87,000	
wages	84,865	
General expenses	6,835	
Freight	13,115	
Salaries	14,500	
Director's fees	5,725	
Bad debts	2,110	
Debenture interest	18,000	
Bills payable		37,000
Sundry creditors		40,000
General reserve		25,000
Provision for bad debts		3,500
Total	12,46,750	12,46,750

Prepare Profit and Loss account and appropriation account and Balance sheet after making the following adjustments.

- Depreciate plant and machinery by 15%
- Write off Rs 500 from preliminary expenses
- Provide for 6 months interest on debentures
- Provide 5% for bad and doubtful debts on debtors
- Provide for income tax at 50%
- Provide dividend tax at 10%
- Stock on 31st march 2008 was Rs 95,000
- A Ltd was registered with an authorized capital of Rs.6,00,000 in equity shares of Rs.10 each.

21. R Ltd was incorporated on May 1, 2003 to take over the business of P Ltd as a going concern from January 1 2003. The profit and loss account for the year ending 31st Dec 2003 was as follows:

Particulars	Amount	Particulars	Amount
To rent	12,000	By Trading account	1,55,000
To Insurance	3,000	(Gross profit)	
To Electricity	2,400		
To Salaries	36,000		
To Directors fees	3,000		
To Auditors fees	1,600		
To commission	6,000		
To Advertisement	4,000		
To Discount	3,500		
To office expenses	7,500		
To carriage	3,000		
To Bank charges	1,500		
To Preliminary expenses	6,500		
To bad debts	2,000		
To interest on loan	3,000		
To Net profit	60,000		
	1,55,000		1,55,000

The total turnover for the year ending December 31, 2003 was Rs 5,00,000 divided into Rs 1,50,000 for the period up to may 1, 2003 and Rs 3,50,000 for the remaining period. Ascertain the profits earned prior to the incorporation of the company.

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