LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.B.A. DEGREE EXAMINATION – **BUSINESS ADMINISTRATION**

FOURTH SEMESTER – **APRIL 2013**

BU 4502/BU 4500 - COMPANY ACCOUNTS

Date: 04/05/2013 Dept. No. Max. : 100 Marks

Time: 1:00 - 4:00

PART - A

ANSWER THE FOLLOWING QUESTIONS: (10 x 2 = 20)

1. What do you mean by forfeiture of shares?
2. Give any two points of distinction between shares and debentures.
3. List out any five expenses which are to be divided in "time basis" while computing profits prior to incorporation.
4. What do you mean by corporate dividend tax?
5. What is liquidation of a company?
6. The director's of Z Co Ltd., forfeited 10 shares of Rs.50 each belonging to Dinesh who had paid Rs.5 per share on application, Rs.10 on allotment and Rs.15 on first call but failed to pay the final call of Rs.20. The same shares are then reissued to Mr.Raj as fully paid on the receipt of Rs.400. Pass journal entries with narration to record the forfeiture and reissue of shares.
7. On 1.4.1997 R Ltd., issued 2,500 8% debentures of Rs.100 each at 5% discount. Holders of debentures had option to convert their holdings into equity shares of Rs.100 each at a premium of Rs.25 per share at any time within three years. On 31.3.1998 500 debentures notified their intention to exercise their option. Show the necessary journal entries relating to issue and conversion of debentures.
8. From the following particulars of Ganga Ltd., calculate the managerial remuneration assuming that there are two whole time directors, a part time director and a manager:

	(Rs)
Net profit before provision for income tax and managerial remuneration but after depreciation	8,70,410
Depreciation provided in the books	3,10,000
Depreciation allowable under schedule XIV	2,60,000

9. A firm earned net profits during the last three years as follows: I year Rs.36,000; II year Rs.40,000 and III year Rs.44,000. The capital investment of the firm is Rs.1,00,000. A fair return on the capital, having regard to the risk involved is 10%. Calculate the value of goodwill on the basis of three years purchase of super profits.
10. Give any three advantages of cash flow statement.

PART - B

ANSWER ANY FIVE QUESTIONS ONLY: (5 x 8 = 40)

11. Explain in detail the requirements for the redemption of preference shares as per Section 80 of the Companies Act, 1956.
12. Bring out the different methods of valuation of shares.
13. Explain the different methods of redemption of debentures.
14. Bharat Ltd, issued 1,50,000 equity shares. The whole of the issue was underwritten as follows:

    X – 50%; Y – 25%; and Z - 25%.

    Applications for the 1,20,000 shares were received in all, out of which applications for 30,000 shares had the stamp of X, those for 15,000 shares that of Y and those of 30,000 shares that of Z. The remaining applications of 45,000 shares did not bear any stamp. Determine the liability of the underwriters.
15. Blue Ltd., had Rs.4,00,000 Debenture Redemption Fund in its books on 31.12.1994. The fund was invested in Rs.5,00,000 (nominal value) Port Trust Bonds. On that day, the debentures account showed a balance of Rs.15,00,000. The company sold Rs. 3,00,000 nominal value investment at 84% for the purpose of redeeming Rs.2,50,000 debentures at Rs.100.5. Show the relevant ledger accounts in the books of the Company, ignore brokerage and taxation.
16. Determine the maximum remuneration payable to the part time directors and manager of a manufacturing company under section 309 and 387 of the Companies Act 1956 from the following particulars:

    Before charging any such remuneration, the profit and loss account showed a credit balance of Rs.23,05,000 for the year ended 31st March 2008 after taking into account the following matters.

	(Rs)
Profit on sale of investments	2,05,000

Subsidy received from the government	4,10,000
Loss on sale of fixed assets	65,000
Ex – gratia to an employee	30,000
Compensation paid to injured workmen	75,000
Provision for taxation	2,79,000
Bonus to foreign technicians	3,12,000
Multiple shift allowance	1,00,000
Special depreciation	75,000
Capital expenditure	5,10,000

Company is providing depreciation at per section 350 of the Companies Act 1956.

17. From the following information calculate the value per equity share

    a. 5,000 8% preference shares of Rs.100 each – Rs.5,00,000
    b. 75,000 equity shares of Rs.10 each Rs.8 paid up – Rs. 6,00,000
    c. Expected profits per year before tax – Rs.2,80,000
    d. Rate of Tax – 50%
    e. Transfer to general reserve every year – 20% of the profits
    f. Normal rate of earnings – 10%

18. From the following data of a company prepare liquidator's final statement of accounts.

    a. Cash with liquidator (after all assets realised and secured creditors and debenture holders are paid) is Rs.6,73,800.
    b. Preferential creditors to be paid Rs.30,000
    c. Other unsecured creditors Rs.2,15,000
    d. 4,000 6% preference shares of Rs.100 each, fully paid
    e. 2,000 equity shares of Rs.100 each, Rs.75 per share paid up
    f. 6,000 equity shares of Rs.100 each, Rs.60 per share paid up.
    g. Liquidator's remuneration 2% on preferential and other unsecured creditors
    h. Preference dividends were in arrear for 2 years.

PART – C

ANSWER ANY TWO QUESTIONS ONLY: (2 x 20 = 40)

19. X Ltd., issued a prospectus, inviting applications for 20,000 shares of Rs.10 each at a premium of Rs. 2 per share, payable as follows

    On application - Rs.2 per share

On allotment - Rs.5 per share (including premium)

On first call - Rs.2 per share

On final call - Rs.3 per share

Applications were received for 30,000 shares and allotment was made pro-rata to the applicants of 24,000 shares, the remaining applications being refused. Money received in excess of the applications was adjusted towards the amount due on allotment.

Y, to whom 800 shares were allotted failed to pay the allotment money, 1st and 2nd calls and Z to whom 1,000 shares were allotted failed to pay the two calls. These shares were subsequently forfeited after the 2nd call made. All these forfeited shares were reissued to 'W' as fully paid at Rs.8 per share. Give journal entries to record the above transactions.

20. The following is the summarised balance sheet of Anant Ltd., as on 31st March 2008.

Liabilities	(Rs)	Assets	(Rs)
2,000 Equity Shares of Rs.10 each	2,00,000	Goodwill	17,000
1,500 cumulative Preference Share of Rs.100 each	1,50,000	Property (at cost) 1,10,000 Less: depreciation 20,000	90,000
6% debentures	50,000	Machinery (at cost) 2,20,000 Less: depreciation 40,000	1,80,000
Debenture Interest outstanding	3,000	Patents	22,000
Securities premium	50,000	Stock	15,000
Creditors	20,000	Debtors	31,200
		Preliminary expenses	32,000
		Profit & loss a/c	85,800
	4,73,000		**4,73,000**

The following scheme of capital reduction was duly sanctioned by the court

a. Equity shares to be reduced by Rs.90 each
b. Preference shares to be reduced to Rs.90 each
c. The debenture holders to waive their rights over outstanding interest
d. One new equity share paid up to the extent of 50% only to be issued for each RS.100 of gross preference dividend, which has not been declared since April 2006.
e. All credit balances not being the outside liability and all debit balances not being the amounts receivable as well as the intangible assets are to be written off.
f. Any balance available is to be utilised in writing down the fixed assets in proportion to their written down values.

Give journal entries and the balance sheet after the scheme of reduction.

21. From the following balance sheet of K Ltd., make out a cash flow statement.

Balance sheets

Liabilities	2011 (Rs)	2012 (Rs)	Assets	2011 (Rs)	2010 (Rs)
Equity Share Capital	4,50,000	4,50,000	Fixed Assets	4,00,000	3,20,000
General Reserve	3,00,000	3,10,000	Investments	50,000	60,000
P & L A/c	56,000	68,000	Debtors	2,10,000	4,55,000
Creditors	1,68,000	1,34,000	Bank	1,49,000	1,97,000
Mortgage Loan	-	2,70,000	Stock	2,40,000	2,10,000
Provision for taxation	75,000	10,000			
	10,49,000	**12,42,000**		**10,49,000**	**12,42,000**

Additional Information:

i. Investments costing Rs.8,000 were sold for Rs.8,500
ii. Tax provision made during the year was Rs.9,000
iii. During the year part of the fixed assets costing Rs.10,000 was sold for Rs.12,000 and the profit was included in the P&L a/c .

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