LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

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

FOURTH SEMESTER – **APRIL 2015**

BU 4504/BU 4502/BU 4500 - COMPANY ACCOUNTS

Date : 18/04/2015 Dept. No. Max. : 100 Marks
Time : 09:00-12:00

PART - A

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

1. What do you mean by underwriting of shares?
2. Give the meaning of pro rata allotment.
3. List out any four profits which are normally not available for payment of dividend.
4. What do you mean by corporate dividend tax?
5. What is an adjusted time ratio?
6. What is yield value of shares?
7. Give any three advantages of cash flow statement.
8. 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.
9. A company was incorporated on 1st July 1996 to acquire the running business from 1st April 1996. When accounts were finalized on 31st March 1997, the following facts were noted.
    a. Sales for the year were Rs.4,80,000
    b. The trends of sales were as under during the specified months.
    c. April, July, September, December – Average sales
    d. May, August, October and February – 50% of the average sales.

    You are required to find out the sales ratio for the purpose of ascertaining profits prior to incorporation.
10. From the following information compute the value per equity share under Net Asset method:

Total Assets at Market Value	:	Rs.49,80,000
Total Outside Liabilities	:	Rs.19,00,000
2,00,000 equity shares of Rs.10 each	:	Rs.20,00,000

PART-B

ANSWER ANY FOUR QUESTIONS: (4 x 10 = 40)

11. What are the requirements for the redemption of preference shares as per Section 80 of the Companies Act, 1956.
12. Explain briefly the different methods of valuation of shares.
13. Explain the law relating to calculation of managerial remuneration.

14. Fast forward limited made an issue of 60,000 shares which were underwritten as follows:
‘X’ – 30,000 shares; ‘Y’ – 18,000 shares and ‘Z’ – 12,000 shares
In addition there was Firm underwriting as follows:
‘X’ – 3,000 shares; ‘Y’ – 1,500 shares and ‘Z’ – 4,500 shares.
The total subscriptions including Firm underwriting were for 45,600 shares. The following marked forms were included in the subscriptions.
‘X’ – 9,000 shares; ‘Y’ – 13,500 shares and ‘Z’ – 5,100 shares. Show the allocative of liabilities of each underwriter
    a. If the benefit of ‘firm’ underwriting applications is given to individual underwriters by treating them like ‘Marked forms’.
    b. If the benefit of ‘firm’ underwriting applications is not given to individual underwriters by treating them like ‘UnMarked forms’.
15. The following is the summarised balance sheet of Don Bosco Ltd., as on 31st March 2008.

Liabilities	**Amount (Rs)**	**Assets**	**Amount (Rs)**
Share Capital Authorized Capital: 15,000 6% Redeemable preference shares of Rs. 10 each 50,000 equity shares of Rs.10 each	 1,50,000 5,00,000	Sundry Assets	6,20,000
Paid Up Capital: 11,000 Redeemable Preference Shares of Rs.10 each	1,10,000	Bank	2,10,000
30,000 Equity shares Rs.10 each fully paid up	3,00,000		
Reserve Fund	2,00,000		
Profit & Loss A/c	2,00,000		
Creditors	20,000		
Total	8,30,000	Total	8,30,000

On 6th April 2008, the preference shares were redeemed at a premium of Rs.4. The company could not trace the holders of 1,200 preference shares. On 8th April 2008, a bonus issue of one fully paid equity share for four shares held was made.
Draft necessary Journal entries and prepare the balance sheet of the company after redemption.
16. On 1st July 2009, ABC Co. Ltd., purchased the business of Mr. Ram a sole trader, taking over all the assets with the exception of book debts amounting to Rs.1,25,000 and creditors amounting to Rs.75,000. The company undertook to collect all the book debts and pay off the creditors and for this service; it has to be paid of 3% on the amounts collected and 1% on the amounts paid. The debtors realised Rs.1,12,000 out of which Rs.68,000 was paid to creditors in full settlement. The company was able to collect Rs.5,000 debt which was previously written off as bad by the sole trader. The company was also forced to meet a contingent liability of Rs.3,000 on account of a claim against the vendor for damages. The vendor received Rs.30,000, 10% debentures of Rs. 100 each at 95 and the balance in cash in settlement of his account with the company. Journalise the above transactions in the books of the company.

17. 'A' Company Ltd., was incorporated on May 1, 2004 to take over the business from the preceding January 1. The accounts were made upto 31st December 2004 as usual and the trading and profit and loss account gave the following results.

Particulars	Amount (Rs)	Particulars	Amount (Rs)
To opening stock To Purchases To gross profit c/d	1,40,000 9,10,000 3,00,000	By sales By closing stock	12,00,000 1,50,000
	13,50,000		**13,50,000**
To rent To director fees To salaries To office expenses To traveller's commission To discounts ToBad debts To audit fees To depreciation To debenture Interest To Net profit	18,000 20,000 51,000 48,000 12,000 15,000 3,000 8,500 6,000 4,500 1,14,000	By gross profit b/d	3,00,000
	3,00,000		**3,00,000**

It is ascertained that the sales for November and December are one half times the average of those of the year, whilst those for February and April are only half the average, all the remaining months having average sales.

Apportion the years profit between the pre and post incorporation periods.

PART - C

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

18. DEF Company 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.3 per share
On allotment	-	Rs.5 per share (including premium)
On first call	-	Rs 2 per share
On final call	-	Rs. 2 per share

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

Mr.Bhat to whom 400 shares were allotted, failed to pay the allotment money and on his subsequent failure to pay the first call, his shares were forfeited. Mr.Lokesh, the holder of 600 shares failed to pay the two calls and so his shares were also forfeited after the second call. Of the shares forfeited, 800 shares were issued to Mr.Seetharaman, credited as fully paid, for Rs.9 per share, the whole of Mr.Bhat's shares being included.

Pass necessary journal entries to record the above issue of shares by the company.

19. Big Bull has a nominal capital of Rs.6,00,000 divided into shares of Rs.10 each. The following Trail Balance is extracted from the books of the company as on 31.12.2012.

Calls in arrear	**7,500**	**6% Debentures**	**3,00,000**
Premises (Rs.60,000 added on 1.7.2012)	**3,60,000**	**P&L A/c (1.1.2012)**	**14,500**

Machinery	**3,00,000**	**Creditors**	**50,000**
Interim dividend paid	**7,500**	**General Reserve**	**25,000**
Purchases	**1,85,000**	**Share Capital (Called up)**	**4,60,000**
Preliminary Expenses	**5,000**	**Bills Payable**	**38,000**
Freight	**13,100**	**Sales**	**4,15,000**
Director's fees	**5,740**	**Provision for bad debts**	**3,500**
Bad debts	**2,110**		
4% Govt. Securities	**60,000**		
Stock (1.1.2012)	**75,000**		
Furniture	**7,200**		
Sundry Debtors	**87,000**		
Goodwill	**25,000**		
Cash	**750**		
Bank	**39,900**		
Wages	**84,800**		
General Expenses	**16,900**		
Salaries	**14,500**		
Debenture Interest	**9,000**		
	13,06,000		**13,06,000**

Prepare final accounts of the company for the year ending 31.12.2002 in the prescribed form after taking into consideration the following:

- Depreciate machinery by 10% and furniture by 5%.
- Write off half of preliminary expenses.
- Wages include Rs.10,000 paid for construction of compound wall to the premises and no adjustment was made.
- Provide 5% for bad and doubtful debts.
- Transfer Rs.10,000 to general reserve
- Provide for income tax Rs. 25,000
- Stock on 31.12.2002 was Rs.1,01,000.

20. On 31st December 2008, the balance sheet of a limited company disclosed the following position:

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Issued Capital in Rs.10 shares	**8,00,000**	**Fixed Assets**	**10,00,000**

P& L account	**40,000**	**Current assets**	**4,00,000**
Reserves	**1,80,000**	**Goodwill**	**80,000**
5% Debentures	**2,00,000**		
Current Liabilities	**2,60,000**		
Total	**14,80,000**	**Total**	**14,80,000**

On 31st December 2008, the fixed assets were independently valued at Rs.7,00,000 and the goodwill at Rs.1,00,000. The Net profits for three years were: 2006 – Rs.1,03,200; 2007 – 1,04,000; 2008 – 1,03,300 of which 20% was placed to reserve, this proportion being considered reasonable in the industry in which the company is engaged and where a fair return on investment may be taken at 10%. Compute the value of the company's share by (a) the net assets method, and (b) the yield method.

21. What is a cash flow statement? Draft the proforma of a cash flow statement.

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