



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.Com.DEGREE EXAMINATION –CORPORATE SECRETARYSHIP

THIRD SEMESTER – APRIL 2019

BC 3502– COMPANY ACCOUNTS

Date: 24-04-2019

Dept. No.

Max. : 100 Marks

Time: 01:00-04:00

SECTION – A

ANSWER ALL THE QUESTIONS: (10 X 2 =20 MARKS)

1. What are called unmarked applications?
2. The Directors of a company forfeited 200 Equity Shares of Rs.10 each fully called up on which the final call of Rs.2 has not been paid. The shares were re-issued upon payment of Rs.1,500.
Journalise the above transactions.
3. A company having free reserves of Rs. 60,000 wants to redeem Rs. 2,00,000 preference shares. Calculate the face value of fresh issue of shares of Rs. 10 each to be made at a premium of 10%.
4. What is capital redemption reserve?
5. State the objectives of financial statements.
6. What is cash flow statement?
7. What do you mean by Profit prior to incorporation?
8. Write a note on acquisition of business?
9. From the following particulars, compute the value per equity share capital under Net assets method:

	Rs.
Total assets at market value	49,80,000
Total outside liabilities	19,00,000
2,00,000 Equity shares of Rs. 10 each	20,00,000

10. Goodwill is to be valued at 3 years purchase of five years' average profits. The profits for the last five years of the firm were:
2004 – Rs. 2,400; 2005 – Rs. 3,000; 2006 – Rs. 3,400; 2007 – Rs. 3,200; 2008 – Rs. 4,000.
Calculate the amount of goodwill.

SECTION - B

ANSWER ANY FOUR QUESTIONS: (4 X 10 =40 MARKS)

11. The following underwriting takes place:
A- 6,000 Shares B – 2,500 shares C – 1,500 shares
In addition, there is firm underwriting:
A- 800 shares B – 300 shares C- 1,000 shares
The issue is for 10,000 shares. Total subscription including firm underwriting is for 7,100 shares and the applications include the following marked forms:
A – 1,000 shares: B – 2,000 shares C – 500 shares.
Show the allocation of liability of the underwriters if the firm underwritten shares are treated as unmarked applications.

12. The balance sheet of Abi & Co., Ltd on 31.12.2010 stood as follows:

Liabilities	Rs.	Assets	Rs.
Equity shares of Rs. 100 each	5,00,000	Fixed assets	8,00,000
9% Redeemable Pref. shares of Rs. 100 each	3,00,000	Investments	1,00,000
Securities premium	50,000	Bank balance	2,00,000
Capital reserve	1,00,000	Other current assets	5,00,000
Profit and loss A/c	2,00,000		
10% Debentures	3,00,000		
Creditors	1,50,000		
	16,00,000		16,00,000

Both the redeemable preference shares and debentures were due for redemption on 1.1.2011.

The company arranged for the following:

- It issued 2,000 equity shares of Rs. 100 at a premium of 10%.
- It sold the investments for Rs. 90,000
- It arranged a bank overdraft to the extent necessary.

The redemptions were carried out. Give entries for redemption of preference shares and debentures and balance sheet after redemption.

13. From the following Balance sheets of Royal Ltd., you are required to prepare a Cash Flow Statement as per AS 3.

Liabilities	2011 Rs.	2012 Rs.	Assets	2011 Rs.	2012 Rs.
Share capital	4,00,000	5,00,000	Cash	60,000	94,000
Trade creditors	1,40,000	90,000	Debtors	2,40,000	2,30,000
Profit & loss A/c	20,000	46,000	Stock	1,60,000	1,80,000
			Land	1,00,000	1,32,000
	5,60,000	6,36,000		5,60,000	6,36,000

14. From the following details calculate profit before and after incorporation.

- Time ratio 3:4
- Sales ratio 2:3
- Gross profit Rs. 10,00,000
- Incomes credited to profit and loss account were:
 - Rent received Rs. 18,000
 - Interest received Rs. 50,000
- Expenses :

	Rs.
Salaries	96,000
General expenses	12,000
Discount	40,000
Advertisements	50,000
Preliminary expenses	70,000
Rent	15,000
Stationery	65,000

15. The profits of a company, Limited by shares, for the year ended 31st March 1999 were Rs. 6,00,000. After setting apart amount for interest on borrowings, Taxation and other provisions, the net surplus available to shareholders is estimated at Rs. 1,50,000. The company's capital consisted of :

- (a) 10,000 equity shares of Rs. 100 each, Rs. 50 per share paid up ; and
- (b) 2,500 12% Redeemable preference shares of Rs. 100 each fully paid up.

Enquires in the stock market reveal that shares of companies engaged in similar business and declaring a dividend of 15% on equity shares are quoted at a premium of 10%.

On the Basis of yield method, compute the value of the equity share.

16. Bring out the reasons for conversion of the business of a sole trader into a limited company.

17. Following a series of losses, A Co. Ltd. resolved to reduce its capital to 50,000 fully paid Rs. 5 shares and to eliminate securities premium account. The company's balance sheet prior to implementation of the scheme was:

Liabilities	Rs.	Assets	Rs.
Share capital		Goodwill	1,00,000
50,000 fully paid shares of		Land building	1,62,000
Rs. 10 each	5,00,000	Plant and machinery	2,07,000
Securities premium A/c	50,000	Stock	92,000
Creditors	62,000	Debtors	74,000
Bank overdraft	73,000	Profit and 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 account
- 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:

	Rs.
Land and building	42,000
Plan and 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.

SECTION - C

ANSWER ANY TWO QUESTIONS: (2 X 20 =40 MARKS)

18. Sugas Ltd issued 20,000 shares of Rs. 10 each at a premium of Rs. 2 payable as follows:

On application	–	Rs. 2
On allotment	–	Rs. 5 (including premium)
On first call	–	Rs. 2
On final call	–	Rs. 3

Applications for 15,000 shares were received and all these shares were allotted. The first call was made and the amount due thereon was received except the amount on 500 shares. Hence, these shares were forfeited and reissued at Rs. 7 each, as fully paid up.

Pass journal entries in the book of company.

19. SK and Co. which was run by Ram and Siva was taken over by Logu Ltd on 31st December 2015. The Balance Sheet of SK and Co. was as follows:

Liabilities	Rs.	Assets	Rs.
Bills payable	3,700	Bank	2,500
Creditors	12,650	Stock	19,700
General reserve	5,000	Debtors	13,650
Capital accounts		Computer	1,250
Ram	28,250	Furniture	2,300
Siva	15,200	Machinery	22,400
		Goodwill	3,000
	64,800		64,800

The company take over assets and liabilities. The purchase consideration was agreed at Rs. 40,830. Out of this Rs. 33,000 in equity share of Rs. 100 each at 10% premium and for the balance cash is to be given. Logu Ltd valued the stock and computer at 10% and 20% respectively less than the book values. Machinery was valued at Rs. 25,000.

Give journal entries .

20. Prepare a Balance sheet as at 31st March 2013 from the following information of ABC Ltd as required under the companies Act 1956:

	Rs.		Rs.
Term loan	10,00,000	Loss for the year	3,58,000
Creditors	11,45,000	Sundry debtors	12,25,000
Advances	3,72,000	Loan from directors	2,00,000
Cash and bank balances	2,75,000	Provisions for doubtful debts	20,200
Staff advances	55,000	Stock	4,00,000
Provision for tax	1,70,000	Fixed assets (WDV)	51,50,000
Securities premium	4,75,000	Finished goods	7,50,000
Loose tools	50,000		
Investments	2,25,200		
General reserve	20,50,000		
Capital work in progress	2,00,000		

Additional information:

- a) Share capital consists of: 30,000 equity share of Rs. 100 each fully paid up and 10,000 10% preference shares of Rs. 100 each fully paid up.
- b) Term loan is secured.
- c) Depreciation on assets Rs. 5,00,000

21. Discuss in detail about various methods in valuation of goodwill and shares.
