LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.com. DEGREE EXAMINATION – **CORPORATE SEC.**

THIRD SEMESTER – **NOVEMBER 2013**

BC 3502/BC 4502/BC 4500 – COMPANY ACCOUNTS

Date : 06/11/2013 Dept. No. Max. : 100 Marks
Time : 9:00 - 12:00

PART - A

Answer **ALL** questions: **(10x2=20)**

1. What is sweat equity?
2. State two differences between ‘debentures’ and ‘shares’.
3. What do you mean by intrinsic value of a share?
4. Distinguish between ‘normal profit’ and ‘super profit’.
5. What is Capital Redemption Reserve?
6. A Ltd had a equity capital of 10000 shares of Rs.10 each on 31st March 2013. On that date the company issued bonus shares in the ratio of 1 share for every 2 held, out of its general reserve. Pass entries for the bonus issue.
7. R Ltd issued 1000 debentures of Rs.100 each at par, redeemable at a premium of 5%. Pass journal entries.
8. R Ltd was formed to take over the business of X. the purchase consideration was fixed at Rs.1,92,000, which was settled by the issue of 960 shares of Rs.100 each at a discount of 5%, the balance in cash. Assets taken over Rs.2,08,000 and Liabilities taken over were Rs.28,000. Pass entries for the take over the business of X and the payment of Purchase Consideration.
9. A decided to redeem Rs.6,00,000 preference shares at a premium of 10%. The company had Rs.1,50,000 in general reserve and Rs.37,500 in securities premium. How many equity shares of 100 each should the company issue if these shares are issued at 5% premium.
10. A Ltd issued 1000, 12% debenture of Rs.100 each. 50% of the issue was underwritten by X and 30% by Y. Applications are received for 900 debentures. Calculate the liability of X and Y.

PART - B

Answer ANY **FIVE** questions: (5x8=40)

11. State 4 situations when shares have to be valued? Explain the methods used to value share?
12. Mention 3 expenses which will be disallowed when calculating management remuneration? State the limits to management remuneration.
13. R Ltd was incorporated on 01.04.2012. It took over the running business of A with effect from 01.10.2011. The sales for the period upto 31.03.2012 was Rs.2,70,000 and the sales from 01.04.2012 to 30.09.2012 amounted to Rs.3,30,000.

    The expenses debited to profit and loss account are as follows:

Directors fees	Rs.15,000
Bad debts	Rs. 1,800
Advertisement (Rs.500 per month)	Rs. 6,000
Salaries and general expenses	Rs.32,000
Preliminary expenses	Rs. 3,000

The gross profit for the period from 01.10.2011 to 30.09.2012 was Rs.2,40,000.
Ascertain the profit before and after incorporation.

14. V Ltd declared a public issue of 2,50,000 equity shares of Rs.100 each. The entire issue was underwritten by A,B,C and D in the proportion of 30%, 25%, 25% and 20% respectively. A,B and D had also agreed to firm underwriting of 8,000, 12,000, nil, and 30,000 shares respectively. The total subscription, excluding firm underwriting, and including marked applications, was for 1,80,000 shares. Marked applications received were:
A – 48,000; B – 24,000; C – 40,000; and D – 48,000.
Ascertain the liability of the individual underwriters, assuming the benefit of firm underwriting is not given to individual underwriters.

15. On 1.1.2004 A Limited Company was formed to takeover an established business. It was registered with a nominal capital of Rs.2,00,000 divided as 1000 8% preference shares of Rs.100 each and 1000 equity shares of Rs.100 each. The vendor agreed for the purchase price of Rs.1,16,000. Towards this, 400 fully paid preference shares and 600 fully paid equity shares were allotted and balance was paid in cash.
The assets and liabilities taken over were as follows: Buildings – Rs.50,000, Motor Lorry – Rs.12,400, Cash at Bank – Rs.2,200, Sundry debtors – Rs.29,400, Stock in trade – Rs.36,000, Sundry Creditors – Rs.31,000, Outstanding expenses – Rs.1,000.
The remaining shares were issued to public and all amounts were duly received as follows:
Rs.20 per share on application, Rs.40 on allotment Rs.20 on first call and Rs.20 on final call.
The Company also issued Rs.1,00,000 8% mortgage debentures at a premium of 5%.
Give necessary journal entries in the books of the company and the Balance Sheet.

16. K Limited has 3,00,000 10% preference shares of Rs.10 each redeemable at a premium of 10% on 31 March 2013. On that date the company's balance sheet included general reserve Rs.15,00,000 and profit and loss A/c Rs.5,00,000. The company redeemed its preference shares on that date, for which purpose:
i) Sold investments costing Rs.4,00,000 for Rs.6,00,000
ii) Issued for cash 5,000, 12% debentures of Rs.100 each at par.
iii) Issued 1,00,000 equity shares of Rs.10 at a premium of Rs.4 per share.
Journalize.

17.A company makes an issue of 5000 equity shares of Rs.100 each at 10% discount. The net amount is payable as follows:

On application and allotment	Rs.40
On first call	Rs.25
On final call	Rs.25

A shareholder, holding 100 shares did not pay final call money. His shares were forfeited. Of these, 40 shares were re-issued to Mr.Y at Rs.70 per share.
Journalize.

18. From the following particulars relating to the business of X, compute the value of goodwill on the basis of 3 years purchase of super profits taking average of last four years:
Capital invested – Rs.4,80,000, Market rate of return on investment – 12 %
Rate of risk return on capital invested – 3 %
Managerial remuneration of the proprietor, if employed elsewhere Rs.1,20,000 p.a.
Trading results:

2009	Profit	Rs.2,40,000
2010	Profit	Rs.2,88,000
2011	Loss	Rs. 32,000
2012	Profit	Rs.3,52,000

PART - C

Answer ANY TWO questions: **(2x20=40)**

19. The position of Poddar Ltd, as at 31st March 1998 stood as under:

Liabilities	Rs.	Assets	Rs.
Nominal Capital:		Goodwill	80,000
5,000 6% Pref shares of Rs.100 each	5,00,000	Land and building	75,000
5,000 Equity shares of RS.100 each	5,00,000	Plant and Machinery	90,000
Subscribed capital:		Patents and Trade marks	20,000
2,000 6% Pref.shares of Rs.100 each fully paid	2,00,000	Stock	40,000
		Sundry debtors	39,000
3,000 equity shares of Rs.100 each fully paid	3,00,000	Cash at bank	6,000
		Preliminary expenses	20,000
5% Debentures	1,00,000	Profit and Loss A/c	3,90,000
Debenture interest due	10,000		
Sundry creditors	1,50,000		
	7,60,000		7,60,000

It is believed that the worst is over and that the time has arrived to effect reconstruction.
A revaluation of assets reveals the following:
Land and Buildings RS.95,000; Plant and Machinery Rs.1,12,000; Patents and trade marks RS.5,000; Debtors Rs.32,000; Stock Rs.25,000.
The following scheme is framed and approved by the court.

a) The preference shares be converted into 7 ½ % preference shares of RS.30 each fully paid.
b) The equity shares be converted into shares of Rs.5 each fully paid.
c) The sundry creditors be given the option to either accept 50% of their claims in cash in full satisfaction or to convert their claims into equity shares of Rs.5 each.
d) The revaluation of assets be adopted.

One third (in value) of the creditors accept equity shares for their claims. The rest were paid cash which was raised by issuing 17,000 fully paid equity shares of Rs.5 each to the existing equity shareholders. All shares including preference shares were then consolidated (or subdivided) into equity shares of Rs.10 each.
In view of the unsatisfactory state of affairs of the company, the debenture holders agreed to forgo the interest due on debentures.
Journalise the above transactions and prepare the balance sheet, after the scheme is put into effect.

20. The trial balance of B Ltd on 31st March 2013 stood as follows:

Debit balances	Rs.	**Credit balances**	Rs.
Stock on 1/4/2012	14000	Sales	250000
Purchases	100000	Share capital Rs.10 each	150000
Furniture	45000	Bills payable	12000
Land	175000	14% bank loan	50000
Office supplies	15000	Creditors	25000
Office salaries	30000	Profit & loss a/c (1/4/2012)	43000
Salesmen salaries	20000		
Interest on bank loan	7000		
Insurance premium	2000		
Office rent	33000		
Receivables	42000		
Cash	35000		
Interim dividend	12000		---------
Total	530000	Total	530000

Prepare Final account for the year ending 31/3/2013 according to the format under schedule VI. after taking into consideration the following:

Stock on 31/3/2013 Rs.25000

Stock of office supplies on 31/3/2013 Rs.5000

Provide 5% on receivables for doubtful debts.

Insurance premium relate to a one year policy taken on 1/7/2012.

Provide Rs.4000 depreciation on furniture

Directors propose a final dividend of Re.1 per share.

Provide 10% for dividend tax and 40% for Income tax.

21. The Balance sheets of XYZ Ltd on 31/12/2011 and 31/12/2012 stood as follows:

	2011(Rs)	2012(Rs)		2011(Rs)	2012(Rs.)
Share capital (Rs.10)	1,00,000	1,50,000	Machinery	1,20,000	2,05,000
P/L	50,000	80,000	Investments	30,000	40,000
Bank loan	40,000	50,000	Stock	40,000	60,000
Creditors	20,000	40,000	Debtors	20,000	10,000
Tax provision	10,000	8,000	Cash	10,000	13,000
	2,20,000	3,28,000		2,20,000	3,28,000

a. During the year depreciation Rs15,000 was provided on machinery.
b. Machinery of the book value of Rs.30,000 was sold at a loss of Rs.5,000.
c. Tax provided during the year was Rs.12,000.
d. Investment costing Rs.5,000 was sold during the year for Rs.8,000.

Prepare a Cash Flow statement for the year ending 31/12/2012.

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