LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.Com. DEGREE EXAMINATION – **CORPORATE SECRETARYSHIP**

THIRD SEMESTER – **NOVEMBER 2016**

BC 3502 – COMPANY ACCOUNTS

Date: 04-11-2016 Dept. No. Max. : 100 Marks

Time: 09:00-12:00

PART A (10 x 2 = 20)

ANSWER ALL THE QUESTIONS

1. What are the different kinds of shares?
2. Give the meaning of firm underwriting.
3. What is known as internal reconstruction?
4. What is meant by corporate dividend tax?
5. What is the maximum remuneration of the following personnel – manager, managing director and a whole time director?
6. List out the factors effecting value of shares.
7. A firm earns Rs.1,20,000 as its annual profits, the rate of normal profit being 10%. The assets of the firm amounted to Rs.14,40,000 and the liabilities Rs.4,80,000. Find out the value of goodwill by capitalisation method.
8. From the following data, calculate the amount of fresh issue of shares
    a. Redeemable Preference shares : Rs. 80,000
    b. Premium on Redemption : 5%
    c. Divisible Profits Available : Rs. 15,000
    d. General Reserve Balance : Rs. 6,500
    e. Securities Premium Account: Rs. 4,000
    f. Fresh issue is to be made at a discount of 10%
9. You are required to calculate the time ratio for the pre and post incorporation periods from the following particulars:
    a. Date of Incorporation : 1^{st} June 1999
    b. Period of Financial Accounts : April 1999 to March 2000
    c. Total Wages : Rs. 4,800
    d. Number of Workers: Pre incorporation period – 5; post incorporation period – 25
    e. Also divide the total wages between Pre and Post Incorporation Periods.
10. What is a cash flow statement?

PART B (4 x 10= 40)

ANSWER ANY FOUR QUESTIONS

11. What are the legal provisions relating to dividend?
12. Define a debenture and how are they classified?
13. What are the different ratios used in computing "Profits prior to incorporation"? and Briefly explain each of them.
14. R Ltd., has an authorised share capital of Rs.2,50,000 comprising of 50,000 6% redeemable cumulative preference shares of Re.1 each and 2,00,000 ordinary shares of Re.1.each. The preference shares are redeemable on 1st July 1983 at Rs.1.05 per share. The summarised balance sheet of the company as on 31st December 1982 was:

Liabilities	**Amount (Rs)**	**Assets**	**Amount (Rs)**
Share Capital Issued and Fully Paid up Preference Ordinary	 50,000 1,00,000	Sundry Assets	1,96,700
Capital Reserve	9,500	Investments	14,000
General Reserve	20,000	Bank balance	28,000
Profit & Loss A/c	42,500		
Creditors	16,700		
Total	**2,38,700**	**Total**	**2,38,700**

The necessary resolutions were duly passed and the following transactions carried through on the dates stated:

On 31st May 1983, in order to provide cash towards the redemption of the preference Shares

a. All the investments were sold for Rs.18,000
b. 20,000 ordinary shares of Re.1 each were issued to the existing shareholders at Rs.1.25 per share fully payable.
c. On 1st July 1983, the preference shares were duly redeemed and on 30th September 1983, a bonus issue of ordinary shares was made at the rate of one new share for every ten shares held.
d. Give the necessary journal entries and prepare the balance sheet.

15. Excel ltd., made a public issue of Rs.80,000 equity shares of Rs.10 each. The entire issue was unerwritten by five underwriters;

    A – 25%; B – 15%; C – 10%; D – 30%; E – 20%.

    Applications bearing the rubber stamp of an underwriter are to be applied in relief of his liability.

    As a result of the issue, the following applications were received

    Bearing rubber stamp of A – 11,000 shares

    Bearing rubber stamp of B – 8,200 shares

    Bearing rubber stamp of C – 7,400 shares

    Bearing rubber stamp of D – 6,600 shares

    Bearing rubber stamp of E – 6,800 shares

    Not bearing any stamp – 24,000 shares

    Total - 64,000 shares.

    You are required to find out the liability of individual underwriters.

16. From the following information calculate value per equity shares;

5,000, 8% preference shares of Rs.100 each	Rs. 5,00,000
75,000 equity shares of Rs.10 each, Rs.8 per share paid up	Rs.6,00,000
Expected profits per year before tax	Rs.2,80,000
Rate of tax	50%
Transfer to General Reserve every year	20% of the profits
Normal rate of earnings	10%

17. On 1st july 2009 ABC Co ltd., purchased the business of Mr.R a sole trader taking over all the assets with the exception of book debts amounting to Rs.1,25,000 and the 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 commission 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 the 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% deebntures of Rs.100 each at Rs.95 and the balance in cash in settlement of his account with the company. Journalise the above transactions.

PART C (2 x 20= 40)

ANSWER ANY TWO QUESTIONS

18. Explain in detail the following:
    a. The benefits and limitations of cash flow statement
    b. The procedure for reducing the share capital
19. Kamakshi Ltd., issued a prospectus inviting applications for 50,000 shares of Rs.10 each. These shares were issued at par on the following terms

    On application – Rs.3

    On allotment – Rs. 4

    On first call – Rs. 2

    On final call – Re. 1

    Applications were receievd for 60,000 shares.

    Allotment was made on following basis.
    a. to applicants for 10,000 shares – in full
    b. to applicants for 20,000 shares – 15,000 shares
    c. to applicants for 30,000 shares – 25,000 shares.

    All excess amount paid on application is to be adjusted against amount due on allotment. The shares were fully called and paid up except amounts of allotment, first and final call not paid by those applied for 2,000 shares out of the group applying for 20,000 shares.

    All the shares on which calls were not paid were forfeited. Of theses forfeited shares 1,000 shares were reissued as fully at Rs.8 per share. Give the journal entries for the above transactions.

20. The auto parts manufacturing Co, Ltd., was registered with the authorised capital of Rs.7,50,000 divided into 3,000 6% cumulative preference shares of Rs.100 each and 4,500 equity shares of Rs.100 each. The following are the balances taken as on 31.12.2008

Debit	**Amount (Rs)**	**Credit**	**Amount (Rs)**
Opening stock	2,41,500	Share capital 3,000 6% cumulative shares of Rs.100 each	3,00,000
Delivery expenses	1,02,000	3,000 equity shares (Rs.75 called up)	2,25,000
General expenses	21,000	General reserve	82,725
Bills receivable	6,000	P&L a/c (Cr)	58,500
Investments	60,000	5% deebntures	2,10,000
Pref. Dividend half year	9,000	Creditors	1,25,520

Bank	97,500	Provision for tax	8,800
Goodwill	1,00,000		
Debtors	1,67,500		
Freehold property at cost	3,90,000		
Salaries	1,03,500		
Rent	38,250		
Furniture at cost	75,000		
Purchases	4,76,500		
Carriage inwards	3,750		
Deebnture interest (half year)	5,250		
Final dividend (2007)	20,250		
Cash	12,145		
Total	**19,29,145**	**Total**	**19,29,145**

Prepare statement of P&L account and balance sheet after taking into account the following adjustments

a. Closing stock Rs.2,15,000
b. Depreciation: 2 ½ % on freehold property and 6% on furniture
c. Bills receiveble Rs.2,500 maturing after 31.12.2008 has been discounted with bank
d. Directors propose to pay second half year's dividend on preference shares.
e. 10% dividend on equity shares is proposed
f. Provide 5% reserve on bad and doubtful debts on trade debtors
g. Provide for corporate dividend tax

21. 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.