LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

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

THIRD SEMESTER – **NOVEMBER 2017**

BC 3502 – COMPANY ACCOUNTS

Date: 07-11-2017 Dept. No. Max. : 100 Marks
Time: 09:00-12:00

PART A (10 X 2 = 20)
ANSWER ALL THE QUESTIONS

1. What do you mean by Firm underwriting?
2. Define Common size statement
3. What do you mean by Interim dividend?
4. Write a note on Normal Rate of Return
5. What is Capital Reduction
6. A company forfeited 10 shares of Rs.10 each issued at a premium of 10% for non payment of the final call of Rs.3 per share. Out of these, 7 shares were reissued at Rs.8 per share as fully paid up. Give journal entries for forfeiture and reissue.
7. A company has decided to issue 4,000 equity shares of Rs.100 each at a premium of 10% and utilise the proceeds to redeem 40,000 12% preference shares of Rs.10 each at a premium of 5%. The new issue was fully subscribed and paid up. The preference shares were duly redeemed. Journalise.
8. Give Journal entries if the preference shares are redeemed at par, premium and discount.
9. Ganesh Ltd was incorporated on 1st May 1996 to purchase the running business of Vijay & co. with effect from 1st January 1996. The company obtained certificate of commencement of business on 24th August 1996.

   Calculate the time ratio, if the accounts were finalised on 31st December 1996.
10. Padma Co Ltd was formed for taking over the business of Mr. Ganesh. The purchase consideration was Rs.1,92,000 which will be settled by issue of 900 shares of Rs.100 each and balance in cash. Assets taken over were Rs.2,08,000 and Liabilities taken over were Rs.28,000. Give journal entries in the books of Padma Ltd.

PART B (4 X 10 =40)
ANSWER ANY FOUR

11. Explain forfeiture and reissue of shares.
12. K.K. Ltd issued 50,000 equity shares of Rs.10 each at par. The entire issue was underwritten as follows:

    A - 30,000 Shares (firm underwriting 4000)

    B - 15,000 Shares (firm underwriting 5000)

    C - 5,000 Shares (firm underwriting 1000)

    The total applications including firm underwriting were for 40,000 shares. The marked applications were as follows:

    A - 10,000 Shares; B - 7,000 Shares; and C - 3,000 Shares

    The underwriting contract provides that credit for unmarked applications be given to the underwriters in proportion to the shares underwritten.

    Determine the liability of each underwriter and amount of commission payable to them assuming the rate to be 2% on issue price.

13. A company has 8,000 redeemable preference shares of Rs.100 each fully paid. The company decides to redeem the shares on Sept 30, 2006 at a premium of 7%. The company has sufficient profits but in order to augment liquid funds the following issues are made:

    (a) 3,000 6% debentures of Rs.100 each at Rs.110

    (b) 2,000 equity shares of Rs.100 each at Rs.111

    These issues were fully subscribed and all the amounts were received.

    The redemption was duly carried out. Give journal entries.

14. From the following particulars, ascertain Profit prior to and after incorporation.

    (a) Time ratio - 3 : 5

    (b) Sales Ratio - 4: 6

    (c) Gross profit - Rs.10,00,000

    (d) Expenses debited to Profit and Loss a/c were:

	Rs.
Salaries	96,000
General expenses	12,000
Discount on sales	40,000
Advertisement	50,000
Preliminary expenses	70,000

Rent and Rates	15,000
Printing and stationery	65,000

(e) Incomes credited to Profit and Loss account were:

Rent received	18,000
Interest received	50,000

15. What are financial statements? Discuss its nature and objectives.
16. Average capital employed in Kayal Ltd. Is 35,00,000 whereas net trading profits before tax for the last three years have been Rs.14,75,000; Rs.14,55,000 and Rs.15,25,000. In these three years, the managing director was paid a salary of Rs.10,000 p.m. But now he would be paid a salary of Rs. 12,000 p.m. Normal rate of return expected in the industry in which Kayal Ltd is engaged is 18%. Rate of tax is 50%. Calculate goodwill on the basis of three years' purchase of the super profits.
17. Explain various methods of valuation of shares

PART C (2 X 20 = 40)

ANSWER ANY TWO:

18. Super Star Ltd issued a prospectus inviting applications for 50,000 equity share of Rs.10 each, payable Rs.5 on application (including Rs.2 as premium),Rs.4 on allotment and the balance towards first and final call.

    Applications were received for 65,000 shares. Application money received on 5,000 shares was refunded with letters of regret and allotments were made pro-rata to the applicants of 60,000 shares. Money overpaid on applications including premium was adjusted on account of sums due on allotment.

    Mr. Satish to whom 700 shares were allotted failed to pay the allotment money and his shares were forfeited by the directors on his subsequent failure to pay the call money.

    All the forfeited shares were subsequently sold to Mr.Jagan credited as fully for Rs.9 per share.

    You are required to set out the journal entries and also prepare Balance Sheet.
19. On 31st December 2011, the Balance Sheet of the Failure Company stood as under:

LIABILITIES	Rs.	ASSETS	Rs.
Authorised capital:		Land & Buildings	1,80,000
10,000 shares of Rs.100	10,00,000	Machinery	3,00,000
each	--------------	Furniture	10,000
Paid up Capital:		Stock	90,000
8,000 shares of Rs.100 each	8,00,000	Debtors	80,000

Loan from Apex Ltd	2,00,000	Goodwill	50,000
Creditors	2,00,000	Profit &Loss a/c	4,80,000
		Cash	10,000
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	12,00,000		12,00,000

After carrying out the necessary formalities the following scheme has been agreed upon by the persons concerned:

(i) The Rs. 100 shares are to be reduced to Rs.50 each.

(ii) The 2,000 shares which are unissued, are now to be issued as fully paid. (i.e., at Rs.50 each) to Apex Ltd. In full settlement of their loan.

(iii) The creditors accept Rs. 1,50,000 in fully paid debentures in full settlement of their debts.

(iv) The amount thus rendered available is to be utilised towards writing off goodwill, Profit & Loss Account entirely and the balance to be used for writing down the Machinery a/c.

Give Journal entries to carry out the above scheme and prepare the balance sheet of the company after completion of the scheme.

20. (a) Explain the steps to be followed when same set of books of accounts are continued on acquisition of a running business.

(b) How do you apportion various expenses and incomes between Pre and Post incorporation periods?

21. Swan Ltd., issued 8,000 9% Redeemable preference Shares of Rs.100 each at par on 1.7.90, redeemable at the option of the company on or after 30th June 1996, partly or fully. Redemptions were made out of profits as follows:

(i) 1,200 shares on 30th June 1996 at par

(ii) 1,600 shares on 31st December 1996 at 10% premium

(iii) Remaining shares on 30th June 1997 at a premium of 5% by making a fresh issue of 40,000 equity shares of Rs.10 each at a premium of Rs.1 each

On 30th June 1997, the company also decided to capitalise 50% of its capital redemption reserve by issuing bonus shares of Rs.10 each fully paid at a premium of Rs.2.50 per share. Pass necessary entries to record the above transactions.

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