

LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034



B.Com. DEGREE EXAMINATION – COMMERCE

THIRD SEMESTER – APRIL 2018

CO 3502– COMPANY ACCOUNTS

Date: 05-05-2018
Time: 01:00-04:00

Dept. No.

Max. : 100 Marks

SECTION – A (10*2=20 MARKS) ANSWER ALL QUESTIONS

1. Mention the two types of shares.
2. What do you mean by firm underwriting?
3. What is a preference share?
4. What do you mean by capital redemption reserve?
5. What is Joint Stock Company?
6. Mention the different forms of balance sheet.
7. What do you mean by acquisition of business?
8. What is a debenture?
9. Define goodwill.
10. Mention the different kinds of alteration of share capital.

SECTION – B (4*10=40 MARKS) ANSWER ANY FOUR QUESTIONS

11. Explain the methods of valuation of goodwill
12. Explain the objectives of financial statements.
13. Bharat Ltd., issued 1,50,000 equity shares. The whole of the issue was underwritten as follows:
X-50%; Y-25% & Z-25%.
Applications for 1,20,000 shares were received in all, out of which applications for 30,000 shares had the stamp of X, those for 15,000 shares that of Y and those for 30,000 shares that of Z. The remaining applications for 45,000 shares did not bear any stamp. Determine the liability of the underwriters.
14. Sterling Ltd have part of their share capital in 2,500 6 % Redeemable Preference shares of Rs.100 each. The company decided to redeem the Preference shares at premium of 10%. The general reserve of the company shows a credit balance of Rs. 3,00,000. The directors decide to utilize 60% of the reserve in redeeming the preference shares and the balance is to be met from the proceeds of fresh issue of sufficient number of shares of Rs. 10 each. The premium is to be met from the year's profit and loss appropriation account. Give journal entries to record the above transactions.

15. From the following particulars, determine the maximum remuneration available to a full time director of a manufacturing company. The profit and loss account of the company showed a net profit of Rs. 40,00,000 after taking into account the following items:

- a. Depreciation (including special depreciation of Rs. 40,000) - Rs. 1,00,000
- b. Provision for income tax - Rs. 2,00,000
- c. Donation to political parties - Rs. 50,000
- d. Ex – gratia payment to a worker - Rs. 10,000
- e. Capital profit on sale of assets - Rs. 15,000

16. Ganesh Ltd., was registered on 1.7.97 to acquire the running business of Suneel & Co., with effect from 1.1.97. The following was the profit and loss account of the company on 31.12.97.

Particulars	Rs.	Particulars	Rs.
To office expenses	54,000	By gross profit b/d	2,25,000
To formation expenses (written off)	10,000		
To stationery & postage	5,000		
To selling expenses	60,000		
To director's fees	20,000		
To net profit	76,000		
	2,25,000		2,25,000

You are required to prepare a statement showing profit earned by the company in the pre and post incorporation periods. The total sales for the year took place in the ratio of 1:2 before and after incorporation respectively.

17. The following information is presented for five years ending 31st Dec.1998:

Year	Profits(after tax) Rs.	Taxation Rs.	Transfer to reserve Rs.	Director's remuneration Rs.
1994	25,000	9,000	5,000	2,000
1995	27,500	10,000	6,000	2,250
1996	24,000	7,500	4,000	2,250
1997	32,500	12,500	7,500	2,500
1998	36,000	17,500	7,500	3,000

Fixed assets have been revalued and the same showed an appreciation of Rs. 2,50,000 (depreciation to be provided for @ 10%). The current rate of taxation may be taken @ 50%. Calculate the value of goodwill on the basis of four years' purchase of the last five years' average profits.

SECTION – C (2*20=40 MARKS)
ANSWER ANY TWO QUESTIONS

18. Ambitions Ltd issued a prospectus, inviting applications for 2,00,000 shares of Rs.10 each at a premium of Rs.5 per share, payable as follows:

On application – Rs.2.50 per share

On allotment – Rs.7.50 per share (including premium)

On first call – Rs.4.00 per share

On final call – Rs.1.00 per share

Applications were received for 3,00,000 shares and allotment was made pro-rate to the applicants of 2,40,000 shares, the remaining applications being refused. Money received in excess on the application was adjusted towards the amount due on allotment.

David, to whom 4,000 shares were allotted, failed to pay allotment money and on his failure to pay the first call, his shares were forfeited. Madan, the holder of 6,000 shares, failed to pay the two calls and so his shares were also forfeited. All these shares were sold to Robert, credited as fully paid for Rs.8 per share.

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

19. Moon and Star Co. Ltd., is a company with an authorized capital of 5,00,000 dividend into 5,000 equity shares of Rs. 100 each on 31.12.1985 of which 2,500 shares were fully called up. The following are the balances extracted from the ledger as on 31.12.1985

Trial balance of moon & star co., ltd.

Debit	Rs.	Credit	Rs.
Opening stock	50,000	Sales	3,25,000
Purchases	2,00,000	Discount received	3,150
Wages	70,000	Profit & loss a/c	6,220
Discount allowed	4,200	Creditors	35,200
Insurance (upto 31.3.86)	6,720	Reserves	25,000
Salaries	18,500	Loan from managing director	15,700
Rent	6,000	Share capital	2,50,000
General expenses	8,950		
Printing	2,400		
Advertisements	3,800		
Bonus	10,500		
Debtors	38,700		
Plant	1,80,500		
Furniture	17,100		
Bank	34,700		
Bad debts	3,200		
Calls-in-arrears	5,000		
	6,60,270		6,60,270

You are required to prepare Profit & Loss Account for the year ended 31.12.1985 and a balance sheet as on that date. The following further information is given:

- a. Closing stock was valued at Rs. 1,91,500
- b. Depreciation on plant at 15% and on furniture at 10% should be provided.
- c. A tax provision of Rs. 8,000 is considered necessary.
- d. The directors declared an interim dividend on 15.8.85 for 6 months ending June 30, 1985 @ 6%.

20. Ganguly Ltd was formed with an authorized capital of Rs. 10,00,000 divided into equity shares of Rs. 10 each, to acquire the business of 'A' and 'B' whose balance sheet on the date of acquisition was as follows:

Liabilities	Rs.	Assets	Rs.
Capital	6,00,000	Freehold premises	7,00,000
General reserve	4,00,000	Stock	2,00,000
Sundry creditors	2,00,000	Sundry debtors 1,60,000	
		Less: provision for bad debts <u>10,000</u>	1,50,000
		Cash at bank	1,50,000
	12,00,000		12,00,000

The purchase consideration was agreed upon at Rs. 14,00,000 to be paid in Rs. 12,00,000 fully paid equity shares at Rs. 11 and the balance in cash.

Give journal entries to record the above and prepare the balance sheet of Ganguly Ltd. Assuming the vendor's account is finally settled.

21. The paid up capital of science traders Ltd., amounted to Rs. 5,00,000 consisting of 2,000 5% cumulative preference shares of Rs. 100 each and 30,000 equity shares of Rs. 10 each. The preference dividends were in arrears for Rs. 30,000. After a succession of losses incurred by the company, the directors recommended to the shareholders the proposal to reduce the capital to provide a sum sufficient for the following purposes.

- a. To write down the book value of patents by Rs. 70,000; plant & machinery by Rs. 17,000; and tools and implements by Rs. 2,000
- b. To write off debit balance on profit & loss account of Rs. 1,98,000.
- c. Any balance made available by the reduction of capital to be used to write off "experiment and research expenses".

The scheme, duly approved and authorized, provided as follows:

- a. For every five 5% preference shares, three 4% cumulative preference shares, of Rs. 100 each and twenty equity shares of Rs. 2 each.
- b. For every Rs. 10 of accumulated arrears of preference dividend, one equity share of Rs. 2 each and
- c. For every five old equity shares, one new equity share of Rs. 2 each.

You are required to show the necessary journal entries and prepare capital reduction A/c to record the above in the books of the company.
