



# LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

## B.Com. DEGREE EXAMINATION – COMMERCE

THIRD SEMESTER – APRIL 2019

### 16/17UCO3MC01– COMPANY ACCOUNTS

Date: 24-04-2019  
Time: 01:00-04:00

Dept. No.

Max. : 100 Marks

#### PART- A

Answer ALL Questions:

(10 X 2 = 20)

1. What are the legal provisions relating to allotment of shares?
2. Distinguish between marked applications and unmarked applications.
3. What are the various profits which are not normally available for dividend payment?
4. Define the term “Goodwill”.
5. What is Bonus Share?
6. Praveen Ltd has taken over the business of Mr. S and agreed to pay the purchase price as given below:
  - a) 2,800 Shares of Rs.50 each fully paid @ Rs.60 per share
  - b) Rs.25,000 in 8% preference shares of Rs.100 each issued at premium of 25%
  - c) Rs.20,000 in cash. Calculate Purchase Consideration.
7. A Company issued 10,000 shares of Rs.10 each. Total applications were for 12,000 shares; allotments were made pro-rata. Application money was Rs.2 per share and allotment money Rs.3 per share. R failed to pay the allotment money on his 300 shares. How much is due from R for allotment?
8. R Ltd issues 20,000 equity shares of Rs.10 each at par. The issue was underwritten by K for maximum commission permitted by law. The public applied for and received 16,000 shares. Calculate the commission payable to the underwriter.
9. Goodwill is to be valued at three years purchase of five years average profit. The profits for the last five years of the firm were: 2014 – Rs.2,400; 2015 – Rs.3,000; 2016 – Rs.3,400; 2017 – Rs.3,200 and 2018 – Rs.4,000. Calculate the amount of goodwill.
10. Nanda Ltd took over the business of Ram brothers from 1<sup>st</sup> April 2016. It got the certificate to commence business from 1<sup>st</sup> February 2017. The company got its certificate of incorporation from 1<sup>st</sup> November 2016. Its sales during the first 5 months of the year are double that of remaining months. The company closes its books on 31<sup>st</sup> march. Calculate Time Ratio and Sales Ratio.

**PART- B**

**Answer any FOUR Questions:**

**(4X 10= 40)**

11. On 1<sup>st</sup> July, 2017 ABC Co Ltd., purchased the business of Mr. Raman, a sole proprietor, taking over all the assets with an exception of book debts amounting to Rs.1,25,000 and 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 a commission of 3% on the amounts collected and 1% on the amounts paid. The debtors realized Rs.1,12,000 out of which Rs.68,000 was paid to creditors in full settlement. The company was able to collect Rs.5,000 debt which was previously written off as bad by the sole proprietor. 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% debentures of Rs.100 each at Rs.95 and the balance in cash in settlement of his account with the company. Journalise the above transactions in the books of the company.
12. Explain and illustrate the different methods of calculation of Goodwill.
13. What is Acquisition of Business? Explain the methods of computing purchase consideration on acquisition of business.
14. John Ltd was registered on 1-1-2016 to buy the business of James Brothers as on 1-10-2015 and obtained the certificate of commencement of business on 1-2-2016. The accounts of the company for the period of 12 months ended 30-9-2016 disclosed the net profit Rs.1,25,000 after having charged the following amounts:

**Salary:** Rs.30,000 (There was 4 employees in the pre-incorporation period and 7 in the post incorporation period).

**Wages:** Rs.10,920 (There was 4 workers in the pre-incorporation period and 5 in the post incorporation period and the rates of wages were Rs.160 and Rs.200 per month per worker in pre and post incorporation periods respectively).

**Sales:** Rs.4,80,000 of which Rs.80,000 related to pre-incorporation period.

**Director fee:** Rs.16,000.

You are required to calculate profit for pre and post incorporation periods separately through statement of profit and loss.

15. (a). From the following information calculate the value per equity share based on yield method: (5 Marks)

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 profit
Normal rate of earnings	10%

- (b). Briefly explain the various methods of valuation of shares. (5 Marks)

16. On 31/12/2017 the balance sheet of X Ltd. stood as follows:

Liabilities	Rs	Assets	Rs
30,000 Equity Shares of Rs.10 each fully paid	3,00,000	Buildings	2,00,000
10,000,10% Preference Shares of Rs.10 each	1,00,000	Plant	2,00,000
General Reserve	1,00,000	Stock	1,00,000
P&L A/c	80,000	Debtors	1,00,000
Sundry Creditors	1,20,000	Cash at Bank	1,00,000
	<b>7,00,000</b>		<b>7,00,000</b>

On the above date, the preference shares had to be redeemed at 10% premium. For this purpose the company issued new 5,000 equity shares of Rs. 10 each, at a premium of 10%. Give journal entries to record the above transactions and also prepare the balance sheet after redemption.

17. X Ltd., came up with an issue of 20,00,000 equity shares of Rs.10 each at par. 5,00,000 shares were issued to the promoters and the balance offered to the public was underwritten by three underwriters - A, B and C equally. The firm underwriting is 50,000 shares for each underwriter. Subscriptions were totalled for 12,97,000 shares. The marked applications forms were: A- 4,25,000 shares; B- 4,50,000 shares; C- 3,50,000 shares. The commission was agreed at 5%. Prepare a statement showing the liability of the underwriters and calculate the commission due to each underwriter.

### PART- C

Answer any TWO Questions:

(2X 20 = 40)

18. Rajesh Ltd issued 10,000 equity shares of Rs.10 each payable as under:

Rs.2 on application

Rs.5 on allotment

Rs.3 on first and final call. The Public applied for 8,000 shares which are allotted. All the money due on shares was received except the first and final call on 100 shares. These shares are forfeited and reissued at Rs.8 per share. Show journal entries in the books of the company.

19. 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 Account were;

Salaries - Rs.96,000; General Expenses - Rs.12,000;

Discount on Sales - Rs.40,000; Advertisement. - Rs.50,000;

Preliminary expenses - Rs. 70,000; Rent & Rates - Rs. 15,000;

Printing & Stationary Rs. 65,000.

e) Incomes credited to Profit and Loss A/c were; Rent received - Rs.18,000; Interest received - Rs. 50,000.

20. Hamam Ltd. has a nominal Capital of Rs. 6,00,000 divided into shares of Rs. 10 each. The following Trial Balance is extracted from the books of the company on 31.12. 2017.

	Rs.		Rs.
Call in arrear	7,500	6% debenture	3,00,000
Premises (Rs. 60000 added on 1.7.17)	3,60,000	Profit & loss A/c (1.1.2017)	14,500
Machinery	3,00,000	Creditors	50,000
Interim dividend paid	7,500	General reserve	25,000
Purchases	1,85,000	Share capital Call up	4,60,000
Preliminary expenses	5,000	Bills payable	38,000
Freight	13,100	Sales	4,15,000
Director's fees	5,740	Provision for bad debts	3,500

Bad debts	2,110		
4% Govt. securities	60,000		
Stock (1.1.2017)	75,000		
Furniture	7,200		
Sundry debtors	87,000		
Goodwill	25,000		
Cash	750		
Bank	39,900		
Wages	84,800		
General expenses	16,900		
Salaries	14,500		
Debenture interest	9,000		
	13,06,000		13,06,000

Prepare final accounts of the company for the year ending 31.12.2017 in the prescribed form after taking into account the following adjustment.

- i. Depreciate machinery by 10% and furniture by 5%
- ii. Write off preliminary expenses
- iii. Wages include Rs.10,000 paid for the construction of a compound to the premises and no adjustment was made.
- iv. Provide 5% for bad debts on sundry debtors
- v. Transfer Rs. 10,000 to general reserve
- vi. Provide for income tax Rs. 25,000
- vii. Stock on 31.12.2017 was Rs. 1,01,000

21. B Ltd. had the following Balance Sheet as on 31/03/2018.

<b>Liabilities</b>	<b>Rs</b>	<b>Assets</b>	<b>Rs</b>
1,00,000 Equity Shares of Rs.10 each fully paid	10,00,000	Machinery	10,00,000
2,00, 10% Cumulative Preference Share of Rs.100 each fully paid	2,00,000	Goodwill	2,00,000
Sundry Liabilities	10,00,000	Stock	2,50,000
		Debtors	2,00,000
		Bank	50,000
		Profit and Loss A/c	5,00,000
	22,00,000		22,00,000

Preference share dividends are in arrears for the last four years and the following scheme of reconstruction is passed by the shareholders and approved by the court:

- a) 50% of the Preference dividend in arrears is to be paid in cash immediately and preference shareholders have agreed to forego the balance.
- b) 1,00,000 Equity shares of Rs.10 each are to be reduced to an equal number of equity shares of Re.1 each.
- c) Plant & Machinery are to be depreciated by 5% and a provision for doubtful debts is to be created @ 10% on debtors.
- d) All intangible assets and fictitious assets are to be written off.

Pass journal entries to implement the above scheme and draft the reconstructed Balance Sheet.

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