LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.Com. DEGREE EXAMINATION – **COMMERCE**

THIRD SEMESTER – **APRIL 2022**

16/17/18UCO3MC01 – COMPANY ACCOUNTS

Date: 17-06-2022 Dept. No. Max. : 100 Marks
Time: 09:00 AM - 12:00 NOON

SECTION A

Answer all the questions: **(10x2=20)**

1. What is capital reserve?
2. Write the meaning underwriting of shares.
3. Mention any two differences between shares and debentures.
4. What is alteration of share capital?
5. Why vendor's suspense account is prepared?
6. What is managerial remuneration?
7. Arvind Ltd., was incorporated on 1st May 2006 to purchase the running business of Vikram and Co. with effect from 1st January 2006. Calculate the time ratio, if the accounts were finalized on 31st December 2006.
8. Goodwill is to be valued at 3 years purchase of five year's average profits. The profits for the last five years of the company were: 2004- Rs.2,400, 2005- Rs.3,000, 2006- Rs.3,400, 2007- Rs.3,200, 2008- Rs.4,000. Calculate the amount of goodwill.
9. A Ltd. issued Rs.4,00,000, 10% debentures of Rs.100 each at a discount of 5% which are repayable after 10 years at par. Pass journal entry for the issue.
10. Sudeep Ltd. has taken over the business of Mr. Pradeep and agreed to pay the purchase price as given below:
    (a) 2,800 shares of Rs.50 per share each fully paid at Rs. 60 per share.
    (b) Rs.25,000 in 8% Preference shares of Rs.100 each issued at premium of 25% and
    (c) Rs.20,000 in cash.
    Compute the amount of purchase consideration payable to Mr. Sandeep.

SECTION B

Answer any four questions **(4x10=40)**

11. Explain the provisions of Sec.80 of the Companies Act relating to the issue and redemption of Preference shares.
12. What is goodwill? Explain the methods for evaluating Goodwill.
13. Explicate the SEBI guidelines for the issue of Bonus shares.
14. Sam Ltd. invited applications from public for Rs. 1,00,000 equity shares of Rs.10 each at a premium of Rs. 5 per share. The entire issue was underwritten by the underwriters A, B, C and D to the extent of 30%, 30%, 20% and 20% respectively.
    The company received application for 70,000 shares from public out of which applications for 19,000, 10,000, 21,000 and 8,000 shares were marked in favour of A,B,C and D respectively.
    Calculate the net liability of each one of the underwriters.

15. Don Ltd. was formed to take over the assets and liabilities of Shrimathi Laxmi and to acquire the adjacent premises. The balance sheet of Shrimathi Laxmi on 31st December 2008 was as follows:

Liabilities	Rs.	Assets	Rs.
Trade creditors	8,000	Cash in hand	2,000
Capital	1,60,000	Cash at Bank	12,000
		Book debts	18,000
		Stock	78,000
		Furniture	10,000
		Land & Buildings	48,000
Total	1,68,000	Total	1,68,000

The purchase consideration was agreed at Rs. 2,00,000 and was to be paid as under:

a. 5,600 equity shares of Rs.20 each fully paid.
b. Rs.68,000 in 6 % preference shares of Rs. 100 each issued at par.
c. Rs. 20,000 in cash.

All the assets and liabilities were valued as per above balance sheet except the book debts which were subject to a bad debts provision of 5%.

The company raised further capital by issue of 15,000 equity shares of Rs. 20 each.

The adjoining premises were purchased for Rs. 1,00,000 and additional stock of Rs. 1,40,000 was obtained from open market.

Prepare the Journal entries and the opening balance sheet in the books of Don Ltd.

16. Raina private Ltd, was incorporated on 1st March 2004 to take over the running concern of Mr. Rowther with effect from 1st November 2003. From the following figures relating to the year ending October 2004, find out the profits available for dividend.

(a) Sales for the year were Rs. 6,00,000 out of which, sales upto 1st March 2004 were Rs. 2,50,000.
(b) Gross profit for the year was Rs. 1,80,000.
(c) The expenses debited to profit and loss account were:

Particulars	Rs.
Rent	9,000
Salaries	15,000
Director's fees	4,800
Interest on debentures	5,000
Audit fees	1,500
Discount on sales	3,600
Depreciation	24,000
General expenses	4,800
Advertising	18,000
Printing & stationery	3,600
Commission on sales	6,000
Bad debts (Rs. 500 relates to debts prior to incorporation)	1,500
Interest on vendor's on purchase consideration upto 1st May 2004	3,000

17. The Ultra Optimist Ltd. went into liquidation. Its assets realized Rs.7,00,000 excluding amount realized by sale of securities held by the secured creditors. The following was the position:

Particulars	Rs.
Share capital : 10,00,000 shares of Rs.10 each	1,00,00,000
Secured creditors (securities realized Rs.8,00,000)	7,00,000
Preferential creditors	1,20,000
Unsecured creditors	28,00,000
Debentures having a floating charge on the assets of the company	50,00,000
Liquidation expenses	1,00,000
Liquidator's Remuneration	1,50,000

Prepare the Liquidator's final statement of Account.

SECTION C

Answer any two questions: (2x20=40)

18. Karthick Ltd. offered to public for subscription 1,00,000 14% Preference shares of Rs.100each.Payment was to be made as follows:On application – Rs.30, on allotment- Rs. 40 and on first and final call- Rs.30. Applications were received for all the shares offered and allotment was duly made. All moneys were duly received except the money on call on 100shares which were forefeited after the requisite notices had been served. Later, all the forfeited shares were reissued as fully paid up @ Rs.95 per share. Journalise the transaction and prepare balance sheet.

19. The following was the balance sheet of ABC Ltd as on 31.12.2003.

Liabilities	Rs.	Assets	Rs.
Issued and paid up capital: 12,000 shares of Rs.10 each= 1,20,000 Less: calls in arrears Rs. 3 per share on 3000 shares = 9,000	1,11,000	Goodwill	10,000
Creditors	15,425	Land & building	20,500
Provision for tax	4,000	Machinery	50,850
		Preliminary expenses	1,500
		Stock	10,275
		Debtors	15,000
		Bank	1,500
		P&L A/c = 22,000 Less: net profit for this year = 1,200	20,800
Total	1,30,425	Total	1,30,425

Machinery value was Rs. 10,000 in excess. It is proposed to write down this asset and to extinguish the Profit & Loss A/c debit balance and write off goodwill and preliminary expenses by the adoption of the following scheme.

(a) Forfeit the shares on which the calls are outstanding.
(b) Reduce the paid up capital by Rs. 3 per share.
(c) Re-issue the forfeited shares at Rs.5 per share.
(d) Utilize the provision for tax if necessary.

Write the necessary journal entries and prepare balance sheet.

20. JACK 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 as on 31.12.2012.

Particulars	Rs.	Particulars	Rs.
Calls in arrears	7,500	6% Debentures	3,00,000
Premises (Rs.60,000 added on	3,60,000	P&L A/c (1.1.2016)	14,500

1.7.2016)			
Machinery	3,00,000	Creditors	50,000
Interim dividend paid	7,500	General reserve	25,000
Purchases	1,85,000	Share capital (called up)	4,60,000
Freight	13,100	Sales	4,15,000
Directors fees	5740	Provision for bad debts	3,500
Bad debts	2,110	Bills payable	33,000
4% Govt securities	60,000		
Stock (1.1.2016)	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		
Total	13,01,000	Total	13,01,000

Prepare final accounts of the company for the year ending 31.12.2016.
Following are the adjustments.
(a) Depreciate machinery by 10% and furniture by 5%.
(b) Provide 5% for bad debts on sundry debtors.
(c) Transfer Rs. 10,000 to general reserve.
(d) Provide for income tax Rs. 25,000.
(e) Stock on 31.12.2012 was Rs.1,01,000.

21. Under the articles of a Private Limited company, you as auditor, have to fix annually the fair value of the shares. On 31st December 2018, the company's position was as follows:

Liabilities	Rs.	Assets	Rs.
1,000, 8% Preference shares of Rs.100 each fully paid up	1,00,000	Buildings at cost	80,000
4000, equity shares of Rs.100 each, fully paid up	4,00,000	Furniture at cost	3,000
Reserve fund	1,50,000	Stock in trade (at market value)	4,50,000
Profit & Loss A/c: Balance on 1.1.2018 – 80,000 Profit for 2018 – 4,30,000	5,10,000	4% government securities at cost (face value Rs.4,00,000)	3,80,000
Provision against: Buildings – 10,000 Investments – 45,000	55,000	Book debts – 3,00,000 Less: Provision – 20,000	2,80,000
Creditors	48,000	Cash and bank balances	60,000
		Preliminary expenses	10,000
Total	12,63,000	Total	12,63,000

You are given the following information:

a. The company's prospects for 2019 are equally good.
b. The buildings are now worth Rs.3,50,000.
c. Public companies doing similar business show a profit earning capacity of 15%.
d. Profits for the past 3 years have shown an increase of Rs.50,000 anually.
e. Provide for income tax @ 50% and goodwill is to be valued at 3 years purchase of super profits. Calculate the fair value of shares as on 31st December 2018.

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