

LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034



B.Com. DEGREE EXAMINATION – COMMERCE

THIRD SEMESTER – APRIL 2023

16/17/18UCO3MC01 – COMPANY ACCOUNTS

Date: 02-05-2023

Dept. No.

Max. : 100 Marks

Time: 01:00 PM - 04:00 PM

SECTION – A

Answer all the questions

10x2=20 marks

1. What is underwriting?
2. Explain “pro-rata” allotment of shares.
3. What are calls-in-arrears?
4. Why Vendor’s suspense account is prepared?
5. What is the meaning of the term convertible debentures?
6. Explain the meaning of “profit prior to Incorporation”.
7. Write any four expenses which will come under the head “other expenses” in financial statements of a company.
8. What is super profit?
9. Arvind Ltd., was incorporated on 1st May 2006 to purchase the running business of Vikram and Co. with effect from 1st January 2006. The company obtained certificate of commencement of business on 24th August 2006. Calculate the time ratio, if the accounts were finalized on 31st December 2006.
10. A Ltd. issued ₹ 5,00,000, 10% debentures of ₹ 100 each at par which are repayable after 10 years at a premium of 10%. Pass journal entry for the issue.

SECTION – B

Answer any four questions

4x10=40 marks

11. Explain the provisions of the companies act regarding the issue of shares at premium.
12. What is goodwill? Explain the methods for evaluating Goodwill.
13. What is the procedure to be followed for reducing share capital?
14. Samuel Ltd. invited applications from public for ₹ 1,00,000 equity shares of ₹ 10 each. The entire issue was underwritten by the underwriters A, B and C to the extent of 40%, 40% and 20% respectively.
The company received application for 80,000 shares from public out of which applications for 20,000, 10,000 and 20,000 shares were marked in favour of A,B and C respectively. The remaining applications did not bear any stamp. Calculate the net liability of each one of the underwriters.

15. The balance sheet of Rahuman & Co. Ltd. on 31.3.2018 stood as follows:

Liabilities	₹	Assets	₹
Equity shares of ₹ 100 each	5,00,000	Fixed Assets	8,00,000
9% Redeemable preference shares of ₹ 100 each	3,00,000	Investments	1,00,000
Securities Premium	50,000	Bank balance	2,00,000
Capital Reserve	1,00,000	Other current assets	5,00,000
P & L A/c	2,00,000		
10% Debentures	3,00,000		
Creditors	1,50,000		
	16,00,000		16,00,000

The redeemable preference shares were due for redemption at 5% on 1.4.2018. The company arranged for the following:

- (i) It issued 2,000 equity shares of ₹ 100 at a premium of 10%.

(ii) It sold the investments for ₹ 90,000.

(iii) It planned to arrange a bank overdraft to the extent if necessary.

The redemption was carried out. Give journal entries for redemption of preference shares.

16. The following is the balance sheet of weak co .ltd as on 31st March 1995

Liabilities	₹	Assets	₹
1,00,000 equity Shares of ₹ 10 each	10,00,000	Land	1,00,000
Sundry creditors	1,73,000	Plant & machinery	2,30,000
		Furniture & Fittings	68,000
		Stock	1,50,000
		Debtors	70,000
		Cash at Bank	5,000
		Profit and loss a/c	5,50,000
	11,73,000		11,73,000

The approval of the court was obtained for the following scheme of reduction of capital:

- The equity shares to be reduced to ₹ 4 per share
- Plant and machinery to be written down to ₹ 1,50,000
- Stock to be revalued at ₹ 1,40,000
- The provision on debtors for doubtful debts to be created ₹ 2,000
- Land to be revalued at ₹ 1,42,000. Pass Journal entries.

17. Don Ltd., was formed to take over the assets and liabilities of Shri laxman and to acquire the adjacent premises. The balance sheet of Shri laxman on 31st December, 1998 was as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
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 and building	48,000
	1,68,000		1,68,000

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

- 5, 600 equity shares of ₹ 20 each, fully paid
- ₹ 68,000 in 6% preference shares of ₹ 100 each issued at par.
- ₹ 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 ₹ 20 each. The adjoining premises were purchased for ₹ 1,00,000 and additional stock of ₹ 1,40,000 was obtained from the open market. Record the above transactions in the books of Don Ltd., through journal entries.

SECTION – C

Answer any two questions

2x20=40 marks

18. X Ltd. issued for public subscription 2,00,000 shares of ₹ 10 each at a premium of ₹ 5 per share payable as under:

- ₹ 2.50 per share on application;
- ₹ 7.50 per share on allotment (including premium);
- ₹ 4 per share on first call;
- ₹ 1 per share on final call.

Applications for 3,00,000 shares were received. Allotment was made pro-rata to the applicants for 2,40,000 shares, the remaining applications being rejected. Money overpaid was used towards allotment.

Y to whom 4,000 shares were allotted failed to pay the allotment money and on his failure to pay the first call his shares were forfeited and Z to whom 6,000 shares were allotted failed to pay the last two calls. These shares were subsequently forfeited after the final call was made. All these forfeited shares were reissued to W as fully paid at ₹ 8 per share. Give journal entries to record the above transactions.

19. Razaak Ltd. was registered with an authorised capital of ₹ 6,00,000 in equity shares of ₹ 10 each. The following is its Trial Balance on 31st March 1998.

Particulars	Debit(₹)	Credit (₹)
Goodwill	25,000	
Cash	750	
Bank	39,900	
Purchases	1,85,000	
Preliminary expenses	5,000	
Share capital		4,00,000
12% Debentures		3,00,000
P & L A/c (cr)		26,250
Calls-in- arrears	7,500	
Premises	3,00,000	
Plant & Machinery	3,30,000	
Interim Dividend	39,250	
Sales		4,15,000
Stock (1.4.97)	75,000	
Furniture & Fixtures	7,200	
Sundry Debtors	87,000	
Wages	84,865	
General expenses	6,835	
Freight and carriage	13,115	
Salaries	14,500	
Directors' fees	5,725	
Bad debts	2,110	
Debenture interest paid	18,000	
Bills payable		37,000
Sundry Creditors		40,000
General Reserve		25,000
Provision for bad debts		3,500
	12,46,750	12,46,750

Prepare Statement of Profit & Loss and Balance Sheet in proper form after making the following adjustments:

- (1) Depreciate Plant & Machinery by 15%
- (2) Write off preliminary expenses
- (3) Provide for 6 months interest on debentures
- (4) Provide bad and doubtful debts provision at 5% on sundry debtors
- (5) Provide for income tax at 50%
- (6) Stock on 31.3.1998 was ₹ 95,000
- (7) Provide for corporate dividend tax @ 17%.

20. The balance sheet of Saraswathi Ltd disclosed the following position as on 31.12.2008

Liabilities	₹	Assets	₹
6,000 equity shares of ₹ 100 each	6,00,000	Good will	1,65,000
Profit and loss a/c	75,000	Investments	5,25,000
General reserve	2,25,000	Stock	6,60,000
6% Debentures	4,50,000	Sundry debtors	3,90,000
Sundry creditors	1,50,000	Cash at bank	60,000
Workmen's savings bank a/c	3,00,000		
	18,00,000		18,00,000

(i) The profits for past five years are : 2004 = ₹ 30,000; 2005 = ₹ 70,000; 2006 = ₹ 50,000; 2007 = ₹ 55,000 and 2008 = ₹ 95,000.

(ii) The market value of investments was ₹ 3,30,000

(iii) Good will is to be valued at three years purchase of the average annual profits for the last five years.

Find the intrinsic value of each share.

21. The promoters of proposed Ramu Ltd purchased a running business on 1st April 2004 from Mr. Armstrong. The company was incorporated on 1st August 2004. The combined profit and loss account of the company prior to and after the date of incorporation is as under:

Profit and loss A/c for the year ended 31st March 2005

Particulars	₹	Particulars	₹
To rent, rates, insurance, electricity & salaries	15,000	By gross profit	1,75,000
To Directors' fees	4,000	By Discount received from creditors	8,000
To preliminary expenses	5,000		
To carriage outwards & selling expenses	6,000		
To interest paid to vendors	20,000		
To Net profit	1,33,000		
	1,83,000		1,83,000

- i. Sales upto 31st July 2004 were ₹ 5,000 out of the total sales of ₹ 25,00,000 for the year
- ii. Purchases upto 31st July 2004 were ₹ 3,00,000 out of total purchases of ₹ 12,00,000 for the year.
- iii. Interest paid to vendors on 1st February 2005 @12% p.a. on ₹ 2,00,000 being purchase consideration.

From the above information, you are required to prepare a statement showing the profits earned prior to and after incorporation.

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