

LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034



B.Com. DEGREE EXAMINATION – COMMERCE

FOURTH SEMESTER – APRIL 2023

CO 4502 – COMPANY ACCOUNTS

Date: 02-05-2023

Dept. No.

Max. : 100 Marks

Time: 09:00 AM - 12:00 NOON

SECTION – A

Answer ALL the questions

(10X2=20 marks)

1. Who is a Liquidator?
2. Mention any two types of underwriting?
3. What is meant by Cum-interest of debentures?
4. State any two provisions relating to the redemption of preference shares?
5. What is meant by vendor suspense account?
6. State any two primary objectives of preparing a cash flow statement.
7. Goodwill is to be valued at 3 years purchase of five years' average profits. The profits for the last 5 years of the firm were:
2018 – ₹ 2400; 2019 – ₹ 3000; 2020 – ₹ 3400; 2021 – ₹ 3200; 2022 – ₹4000. Calculate the amount of Goodwill.
8. Victory Ltd., was registered on 01.07.2022 to acquire the running business of Mohammed & Co., with effect from 01.01.2022. Accounts of the company was closed on 31-12-2022. Calculate time ratio.
9. Super Ltd purchased assets of ₹ 3,00,000 and acquired liabilities of ₹.30,000. It issued 8% debentures of ₹100 each at a discount of 10% to satisfy the net purchase price. Pass necessary journal entries in the books of the company.
10. From the following particulars, compute the value per equity share under net assets method: Total assets at market value ₹49, 80,000; Total outside Liabilities ₹19, 00,000; 2,00,000 Equity shares of ₹10 each ₹20, 00,000.

SECTION – B

Answer any four questions

(4 X 10=40 marks)

11. Explain the different types of Debentures.
12. Briefly explain the need and different methods of valuation of shares.
13. Lucky Ltd invited applications for 5,000 equity shares. The whole of the issue was underwritten by the underwriters as follows:
Amar – 2,500 shares, Abdul – 1,000 shares, Akbar 1,500 shares
In addition there was firm underwriting:
Amar – 500 shares, Abdul – 750 shares, Akbar 250 shares
Total subscription including firm underwriting was 4,250 shares and the forms included the following marked forms:
Amar – 1,000 shares, Abdul – 500 shares, Akbar 500 shares.
Show the allocation of liability of the underwriters if the firm underwritten shares are treated as marked applications.

14. From the following particulars, determine the maximum remuneration available to part time director and manager of Bharat Ltd. Profit and loss account showed a credit balance of ₹ 20,00,000 after taking into account the following particulars:

Particulars	Amount	Particulars	Amount
Compensation to injured worker	5,000	Profit on sale of building Cost price ₹ 90,000 WDV ₹ 70,000	80,000
Repairs	5,000	Interest on debentures	10,000
Donation to University	75,000	Provision for taxation	8,50,000
Bonus to foreign technician	20,000	Ex gratia payment to worker	10,000
Special depreciation	40,000	Loss on sale of vehicle	26,000

15. The balance sheet of Reliance Industries Ltd., as at 31-12-2022 was as follows:

Liabilities	Amount	Assets	Amount
Share capital: 18,000 Equity shares of ₹ 100 each	18,00,000	Land and Building	6,00,000
8% Debentures	3,00,000	Goodwill	45,000
Bank Overdraft	3,00,000	Stock	1,30,000
Sundry Creditors	1,50,000	Plant & Machinery	9,00,000
		Debtors	1,40,000
		Preliminary Expenses	20,000
		Cash	15,000
		Profit & Loss A/c	7,00,000
	25,50,000		25,50,000

On the above date, The company adopted the following scheme of reconstruction:

- The equity Shares are to be reduced to shares of ₹40 each fully paid
- Plant & machinery to be depreciated by 30%
- The Fictitious and intangible assets are to be eliminated.
- The Debenture holders took over stock and debtors fully satisfied with their claim.

Give Journal Entries incorporating the above scheme of reconstruction.

16. Fortune Ltd was registered on 1-7-2022 to acquire the running business of Adani & Co., with effect from 1-4-2022. The following was the Profit and Loss account of the company on 31-3-2023

Particulars	Amount	Particulars	Amount
To Office rent	4,000	By gross profit	65,000
To carriage outwards	2,500		
To director's fees	10,000		
To Bad debts	500		
To Preliminary expenses	1,000		
To interest on loan	1,200		
To interest on debentures	3,000		
To net profit	42,800		
	65,000		65,000

- Sales upto 1-7-2022 were ₹ 5,00,000, out of sales of ₹ 25,00,000 for the year.
 - Interest on loan included ₹ 200 which was on a loan taken in July 2022
- Ascertain profit prior to and after incorporation.

17. Good Luck Ltd was formed with an authorized capital of ₹ 40,00,000 divided into equity shares of ₹10 each, to acquire the business of Mr. Adani whose balance sheet on the date of acquisition was as follows:

Liabilities	Amount	Assets	Amount
Capital	20,00,000	Freehold premises	14,00,000
Sundry creditors	4,00,000	Stock	4,00,000
		Sundry debtors	3,00,000
		Cash at bank	3,00,000
	24,00,000		24,00,000

The purchase consideration was agreed upon at ₹ 28,00,000 to be paid in ₹ 24,00,000 fully paid equity shares at ₹11 and the balance in cash. Give journal entries to record the above and prepare the balance sheet of Good Luck Ltd. assuming the vendor's account is finally settled.

SECTION – C

Answer any two questions

(2 X 20=40 marks)

18. The balance sheet of Deepam Ltd as on 31st December 2022 was as follows:

Liabilities	Amount	Assets	Amount
35,000 shares of ₹ 10 each	3,50,000	Land and buildings	3,36,000
Profit & loss A/c	70,000	Plant and Machinery	2,40,000
Debentures	60,000	Furniture and fittings	20,000
Trade creditors	60,000	Stock	8,000
Provision for taxation	36,000	Book debts	24,000
Proposed dividend	60,000	Cash	8,000
	6,36,000		6,36,000

The net profits of the company after charging depreciation and taxes were as follows: 2018- ₹ 68,000; 2019- ₹ 66,000; 2020- ₹ 72,000; 2021- ₹ 80,000; 2022 - ₹ 66,000. On 31st December 2022, land and buildings were revalued at ₹ 3,80,000; plant and machinery at ₹2,84,000; and furniture and fittings at ₹ 16,000. Normal rate of return is 10%. The present value of annuity of Re.1 for 3 years at 10% is ₹ 2.4868. Calculate the value of goodwill

- As per three years' purchase of average super profit for five years
- As per capitalization of super profit method
- As per annuity of three years purchase of super profit method.

19. The Comparative Balance sheets of Jai Ltd for the two years were as follows:

Liabilities	2021 ₹	2022 ₹	Assets	2021 ₹	2022 ₹
Creditors	40,000	44,000	Cash	10,000	7,000
Loan from bank	65,000	50,000	Debtors	30,000	50,000
Share Capital	1,25,000	1,53,000	Stock	35,000	25,000
Profit & loss A/c	1,00,000	1,45,000	Machinery	80,000	55,000
			Land	1,75,000	2,55,000
	3,30,000	3,92,000		3,30,000	3,92,000

During the year a machine costing ₹10,000 (accumulated depreciation ₹3,000) was sold for ₹ 5, 000. The provision for depreciation against machinery as on 1st Jan 2021 was ₹ 25,000 and on 31st Dec.1993 ₹40,000. Prepare cash flow statement.

20. Sunshine Ltd went into Liquidation on 30.6.2022. Following information is available. Based on this prepare Liquidator's Final Statement allowing for his remuneration at 2 ½ % on assets realised excluding call money received and 2 % on amount paid to unsecured creditors including preferential creditors.

Share Capital:

10,000 8 % preference shares of ₹100 each fully paid.

50,000 equity shares of ₹10 each fully paid.

30,000 equity shares of ₹10 each ₹ 8 paid.

Assets realised ₹20,00,000 excluding the amount realised by sale of securities held by partly secured creditors

Preferential creditors ₹50,000

Unsecured creditors ₹18,00,000

Debentures having floating charge on the assets ₹6,00,000

Partly secured creditors (assets realised ₹ 3,20,000) ₹3,50,000

Liquidation expenses ₹10, 000

A call of ₹ 2 per share on partly paid equity shares was duly received except in case of one shareholder owning 1,000 shares.

21. Following is the trial balance of Cherry Ltd for the year ended 31-3-2022.

Particulars	Debit Amount	Particulars	Credit Amount
Land & Building	5,00,000	Sundry creditors	20,000
Plant & Machinery	4,50,000	General reserve	2,00,000
Goodwill	30,000	Profit & loss A/c(Cr)	90,000
Sundry debtors	50,000	Sales	6,00,000
Director fees	5,000	Purchase returns	15,000
Purchases	4,00,000	Equity share capital	5,00,000
Stock	80,000	8% Debentures	2,00,000
Interest on debentures	8,000	Share transfer fees	3,000
Cash at bank	50,000		
Carriage inwards	5,000		
Salaries	30,000		
Office rent	10,000		
Sales returns	10,000		
	16,28,000		16,28,000

Additional Information:

- Closing stock ₹ 1,00,000
- Outstanding interest on debentures ₹.8,000
- Depreciate: Land & Building @ 5%, Plant and Machinery @ 10%
- Provision for taxation ₹ 5,000
- Director's recommended proposed dividend @ 10%

Prepare the final accounts of the company.

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