LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.com. DEGREE EXAMINATION – **COMMERCE**

THIRD SEMESTER – **NOVEMBER 2013**

CO 3502 – COMPANY ACCOUNTS

Date : 06/11/2013 Dept. No. Max. : 100 Marks
Time : 9:00 - 12:00

PART – A

Answer **ALL** the Questions: (10 x 2 = 20)

1. What is Share Premium? How can it be used?
2. How preference Shares can be redeemed?
3. What are divisible Profits?
4. How do you calculate time ratio and Sales ratio?
5. How do you determine 'Fair Value of Shares'?
6. Under what headings will you classify the following items while preparing a Balance Sheet of a Company?

(i) Preliminary Expenses	(ii) Unclaimed dividend
(iii) Bills Payable	(iv) Loose tools
(v) Securities Premium	(vi) Bills Receivable

7. KN was holding 100 shares of Rs.10/- each which were issued at 10% discount. He paid Rs.2 on application but could not pay allotment money of Rs.3. These shares were forfeited. Make journal entries for forfeitures of shares.
8. What do you mean by Capital Redemption Reserve account?
9. What are the methods of computing purchase consideration? Explain any one of them.
10. Total assets of a firm is Rs.8,40,000/-. The liabilities of the firm is Rs.4,40,000/- Normal rate of return in this class of business is 12.5% The firm earned a profit of Rs.64,000/- Calculate goodwill, if it is to be valued at 2 years purchase of super profit.

PART – B

Answer any **FOUR** questions: (4 X 10 = 40)

11. What are the various types of Debentures which may be issued by a Company? Explain them in detail.
12. Explain in details the provisions containing under Sec.80 of the Companies Act, 1956 relating to issue and Redemption of preference shares.

13. Bharat Ltd., issued 1,50,000 equity shares. The whole of the issue was underwritten as follows:

X – 50% ; Y – 25% and Z – 25%

Applications for the 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. Determine the maximum remuneration payable to the part time directors and Manager of Bharat Ltd. (a manufacturing Company) under Sections 309 and 387 of the Companies Act 1956 from the following particulars:
Before charging any such remuneration, the Profit & Loss account showed a credit balance of Rs.23,05,000 for the year ended 31st March 1998 after taking into account the following matters:

		Rs.
(i)	Profit on sale of investments	2,05,000
(ii)	Subsidy received from Government	4,10,000
(iii)	Loss on sale of fixed assets	65,000
(iv)	Ex-gratia to an employee	30,000
(v)	Compensation paid to injured workman	75,000
(vi)	Provision for taxation	2,79,000
(vii)	Bonus to foreign technicians	3,12,000
(viii)	Multiple shift allowance	1,00,000
(ix)	Special depreciation	75,000
(x)	Capital expenditure	5,10,000

Company is providing depreciation as per Section 350 of the Companies Act 1956.

15. Ganguly Ltd., was formed with an authorised capital of Rs.12,00,000 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 10,000 Bad debts	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 the form of 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.

16. A Company was incorporated on 1st May 1984 acquiring the business of a sole trader with effect from 1st January 1984. The accounts of the company were closed for the first time on 30th September 1984, disclosing a gross profit of Rs.1,68,000. The establishment expenses were Rs.42,660, directors' fees Rs.3,000 per month, preliminary expenses written off Rs.4,000, rent upto June 1984 was Rs.300 per month which was thereafter increased to Rs.750 per month. Salary to the Manager was at Rs.1,500 per month who was appointed a Director at the time of incorporation of the company.

    Prepare a statement showing profits prior and subsequent to incorporation, assuming that the net sales were Rs.24,60,000, the monthly average of which for the first four months of 1984 was half of that of the remaining period.

17. From the following information, compute the value of goodwill as per annuity method.

    Average Capital employed Rs.10,00,000
    Normal rate of Profit 10%
    Profits:
    For 1991 – Rs.1,40,000
    For 1992 – Rs.1,22,000
    For 1993 – Rs.1,70,000

    Profits for 1992 have been arrived at after writing off abnormal loss of Rs.10,000 and profits of 1993 includes a non-recurring income of Rs.22,000. Goodwill is to be calculated on the basis of annuity of 3 years purchase of super profits. The present value of annuity of Re.1 for 3 years at 10% is Rs.2.4868.

PART – C

Answer any **TWO** questions: (2 x 20 = 40)

18. Wye Ltd., issued for public subscription 20,000 equity shares of Rs. 10 each at a premium of Rs.2 per share payable as under:

On application	-	Rs.2 per share
On allotment	-	Rs.5 per share (including premium)
On first call	-	Rs.2 per share
On second call	-	Rs.3 per share

    Applications were received for 30,000 shares. Allotment was made pro-rata to the application for 24,000 shares, the remaining applications were refused. Money over paid on application was utilized towards sums due on allotment.

    Akbar to whom 800 shares were allotted, failed to pay allotment and calls money and Babar to whom 1000 shares were allotted failed to pay the two calls. These shares were subsequently forfeited after the second call was made. All the forfeited shares were sold to Charles as fully paid up at Rs.8 per share.

    Show the journal entries in the books of Wye Ltd.

19. Swan Ltd., issued 8,000 9% Redeemable Preference Shares of Rs.100 each at par on 1.7.90, redeemable at the option of the company on or after 30th June 1996, partly or fully.

    Redemptions were made out of Profits as follows:

    (i) 1,200 shares on 30th June 1996 at par
    (ii) 1,600 shares on 31st Dec. 1996 at 10% premium

(iii) Remaining shares on 30th June 1997 at a premium of 5% by making a fresh issue of 40,000 equity shares of Rs.10 each at a premium of Rs.1 each.

On 30th June 1997, the Company also decided to capitalise 50% of its capital redemption by issuing bonus shares of Rs.10 each fully paid at a premium of Rs.2,50 per share. Pass necessary entries to record the above transactions.

20. The Auto parts manufacturing Co., Ltd., was registered with an authorized capital of Rs.7,50,000 divided into 3,000 6% cumulative preference shares of Rs.100 each and 4,500 equity shares of Rs.100 each. The following are the balances taken as on 31.12.98.

	Rs.		Rs.
Stock on 1.1.98	2,41,500	Share Capital 3000 6% cumulative preference shares of Rs.100 each	3,00,000
Delivery Expenses	1,02,000	3,000 equity shares (Rs.75 called up)	2,25,000
General Expenses	21,000	General reserve	82,725
Bills receivable	6,000	P & L A/c (cr)	58,500
Investments: 6000 shares of Rs.10 each in Sunrise Co., Ltd.	60,000	Sales	9,18,600
Preference dividend half year 30.6.1998	9,000	5% debentures	2,10,000
Bank Balance	97,500	Trade Creditors	1,25,520
Goodwill	1,00,000	Provision for taxation	8,800
Trade Debtors	1,67,500		
Freehold properties at cost	3,90,000		
Salaries	1,03,500		
Rent & Rates	38,250		
Furniture at cost	75,000		
Purchases	4,76,500		
Freight & Carriage inwards	3,750		
Debentures interest (half year)	5,250		
Final dividend for 1997	20,250		
Cash in hand	12,145		
	19,29,145		**19,29,145**

Prepare Profit & Loss account for the year ended 31-12-1998 and Balance sheet at that date after taking the following into account:

(i) Closing stock Rs.2,15,000

(ii) Depreciation: 2½ % on freehold property and 6% furniture.

(iii) Bills receivable for Rs.2,500 maturing after 31.12.1998 has been discounted with bank.

(iv) Directors proposed to pay second half year's dividend on pref. shares

(v) 10% dividend on equity shares is proposed.

(vi) Provide 5% towards reserve for doubtful debts on trade debtors.

21. From the following information, compute the "Intrinsic Value" of an equity share of Sunny Ltd.,

Liabilities	Rs.	Assets	Rs.
2,000 equity shares of Rs.100 each fully paid	2,00,000	Land & Building	80,000
2,000 6% preference shares of Rs.10 each	20,000	Plant & Machinery	80,000
General reserve	50,000	Book debts	10,000
5% debentures of Rs.100 each	20,000	Stock-in-trade	40,000
Sundry Creditors	20,000	Cash & Bank balance	70,000
		Investment in 5% Govt. Securities	20,000
		Preliminary expenses	10,000
	3,10,000		3,10,000

(i) Fair return on capital employed in this type of business is 10% p.a.

(ii) Goodwill is to be taken at 4 years purchase value of super profits.

(iii) Average of the profits (after deduction of preliminary expenses) for the last seven years is Rs.38,000. Preliminary expenses to the extent of Rs.2,000 has been written off every year for the last seven years. Profit is more or less stable over years and the same trend is expected to be maintained in the near future, ignore taxation.

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