



**LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034**

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

**FOURTH SEMESTER – NOVEMBER 2013**

**CO 4502/CO 4500 – COMPANY ACCOUNTS**

Date : 11/11/2013

Dept. No.

Max. : 100 Marks

Time : 1:00 - 4:00

**PART – A**

Answer ALL questions.

(10 x 2= 20 marks)

1. What is meant by Capital Redemption Reserve?
2. What are “Super profits”?
3. What is acquisition of business?
4. What do you mean by marked applications and unmarked applications?
5. What is Ex-interest price?
6. What is the formula for ascertaining the Intrinsic value of shares?
7. D. Ltd., forfeited its 200 shares of Rs. 10 each on which Rs. 5 per share was received. Pass entry regarding reissue of all the shares if shares are reissued at Rs. 8 per share, fully paid up.
8. T Ltd., issued 1,000 8% debentures of Rs. 100 each at par, redeemable at a premium of 10%. Give journal entry.
9. Ascertain the remuneration payable to Liquidator at 3% on amounts realised from the data given below:  
Secured creditor : Rs. 50,000 (securities realised by secured creditors : Rs. 60,000)  
Assets realised : Rs. 80,000.
10. 50,000 equity shares of Rs. 10 each fully paid is reduced to shares of Rs. 5 each fully paid. Give journal entry.

**PART – B**

Answer any FIVE questions.

(5 x 8= 40 marks)

11. What are the conditions for redemption of preference shares?
12. Explain the methods of valuation of shares?
13. Write short notes on
  - (i) Cash flow statement
  - (ii) Forfeiture of shares.

14. The Balance Sheet of S Co. Ltd. disclosed the following position as on 31 st December 2008.

Liabilities	Rs.	Assets	Rs.
Share capital: 6,000 equity shares of Rs. 100 each	6,00,000	Goodwill	1,65,000
Profit & 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 the past five years were:

2004- Rs. 30,000; 2005-Rs. 70,000; 2006-Rs. 50,000; 2007- Rs.55,000; 2008 –Rs. 95,000.

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

(iii) Goodwill 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.

15. Determine the maximum remuneration payable to the part time directors and Manager of B 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 31 st March 2008 after taking into account the following matters:

(i) Profit on sale of investments	Rs. 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.

16. G Ltd. was incorporated on 1 st August 2009. It took over the business of M/s S.&S with effect from 1 st April 2009. From the following figures relating to the year ending 31 st March 2010 ascertain profit prior to incorporation and profit after incorporation.

(i) Sales for the year were Rs. 60,00,000 out of which sales up to 1<sup>st</sup> August 2009 were Rs. 25,00,000.

(ii) Gross profit for the year was Rs. 18,00,000.

(iii) The expenses debited to profit and loss account were as follows:

Rent	Rs. 90,000
Salaries	1,50,000
Directors fees	38,000
Interest on debentures	60,000
Audit fees	15,000
Discount on sales	36,000
Depreciation	2,40,000
General expenses	48,000
Advertising	1,80,000
Stationery and printing	36,000
Commission on sales	60,000
Interest to vendors on purchase consideration – up to 1 st October 2009	30,000
Bad debts ( Rs. 5,000 of bad debts relate to bad debts created prior to incorporation.)	15,000

17. E Ltd. made the following issues of debentures on 1.4.2007.

(i) 200 , 10% debentures of Rs. 100 each to settle a creditor who supplied a machine on credit at a price of Rs. 18,000.

(ii) 300, 10% debentures of Rs. 100 each for cash at a discount of 5%.

(iii) 1,000 10% debentures of Rs. 100 each to the bankers as collateral security for a loan of Rs. 80,000.

All the above issues are redeemable at par.

Pass journal entries to record the above in the books of the company and show these items in the company's Balance Sheet.

18. A public limited company adopted a scheme of capital reduction by Rs. 5,00,000 for the following purposes.

(i) To write off the debit balance of profit and loss account Rs. 2,10,000.

(ii) To reduce the value of plant and machinery by Rs. 90,000 and of goodwill by Rs. 40,000.

(iii) To reduce the value of investments by writing off Rs. 80,000.

The reduction was made by converting 50,000 preference shares of Rs. 20 each fully paid to the same number of preference shares of Rs. 15 each fully paid, and by converting 50,000 ordinary shares of Rs.20 each, Rs.15 paid up into 50,000 ordinary shares of Rs. 10 each fully paid. Give journal entries in relation to capital reduction.

#### PART – C

Answer any TWO questions.

(2 x 20 = 40 marks)

19. A Ltd. invited applications for 10,000 shares of Rs. 100 each at a discount of 5% payable as follows.

On application	Rs. 25
On allotment	Rs. 34
On first & final call	Rs. 36

Applications were received for 9,000 shares and all of these were accepted. All money due were received except the first and final call on 100 shares which were forfeited. Of these forfeited shares, 50 shares were reissued at the rate of Rs. 90 as fully paid. Show necessary journal entries in the books of the company.

20. The Alfa Manufacturing Company Ltd. was registered with a nominal capital of Rs. 6,00,000 in equity shares of Rs. 10 each. The following is the list of balances extracted from its books on 31 st Dec. 2006.

Calls - in – arrears	7,500
Premises	3,00,000

Plant & machinery	3,30,000
Interim dividend paid on 1.8.2006	37,500
Stock on 1.1.2006	75,000
Fixtures	7,200
Sundry debtors	87,000
Goodwill	25,000
Cash in hand	750
Cash at bank	39,900
Purchases	1,85,000
Preliminary expenses	5,000
Wages	84,865
General expenses	16,835
Freight and carriage	13,115
Salaries	14,500
Director's fees	5,725
Bad debts	2,110
Debenture interest paid	9,000
Subscribed and fully called up capital	4,00,000
6% debentures	3,00,000
Profit and loss A/c (credit balance)	14,500
Bills payable	38,000
Sundry creditors	50,000
Sales	4,15,000
General reserve	25,000
Bad debts reserve (1.1.06)	3,500

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

- (i) Depreciate plant and machinery by 10%
- (ii) Write off Rs. 500 from preliminary expenses.

(iii) Provide half year's debenture interest due.

(iv) Leave bad and doubtful debts reserve at 5% on sundry debtors.

(v) Closing stock Rs. 95,000.

21. The following particulars relate to a limited company which has gone into voluntary liquidation. You are required to prepare the Liquidator's final statement of account allowing for his remuneration at 3% on the amount realised and 2 ½% on the amount paid to the unsecured creditors.

Share capital issued:

5,000 preference shares of Rs. 100 each – fully paid.

30,000 equity shares of Rs. 10 each fully paid.

12,000 equity shares of Rs. 10 each, Rs. 8 paid up.

Assets realised Rs. 9,24,000 excluding amount realised by sale of securities held by the secured creditors.

Preferential creditors	Rs. 24,000
Unsecured creditors	8,51,094
Secured creditors (security realised Rs. 1,62,000)	1,38,000
Debentures having a floating charge on the assets	3,00,000

Expenses of the liquidation amounted to Rs. 9,000.

A call of Rs. 2 per share on the partly paid equity shares was duly paid except in case of one share holder owning 1,200 shares.

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