LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

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

THIRD SEMESTER – **NOVEMBER 2014**

CO 3502 - COMPANY ACCOUNTS

Date : 31/10/2014 Dept. No. Max. : 100 Marks

Time : 09:00-12:00

SECTION – A

(Answer ALL questions) **(10X2=20)**

1. Give Journal entry for forfeiture of shares issued at a Discount, when both the calls are not paid.
2. What is meant by Sweat Equity shares?
3. Give Journal entry for Debentures of Rs.100 each issued at a premium of 10% and redeemable at par.
4. Give the meaning of CRR.
5. Under what headings will you classify the following items while preparing Balance sheet of a company (a) Preliminary expenses (b) Loose Tools
6. Mention the permissible rate of managerial remuneration for a part-time director when (a) Assisted by M.D or Manager or Whole time Director and (b) Not Assisted by any of them
7. What is meant by Acquisition of Business?
8. Give two items of expenses that are directly shown under Post incorporation period.
9. Define the term 'Goodwill'.
10. Give Journal entry for Conversion of Stock into Shares.

SECTION – B

(Answer any FOUR questions) **(4X10=40)**

11. Write short note on (a) Right Issue of Shares and (b) Firm underwriting.
12. Bring out the various methods of valuation of Goodwill.
13. N & Co purchased assets worth Rs.28,80,000. It issued debentures in satisfaction of the purchase price. Calculate **how many debentures will be issued**.

(a) In case the debentures are of Rs.100 each and are issued at a discount of 4%

(b) In case the debentures of Rs.80 each and are issued at a premium of Rs.10per debenture.

(c) In case the debentures of Rs.100 each are issued at par.

Also, **pass the journal entries** required for the issue of debentures.

14. From the following data, Calculate the amount of fresh issue of shares also pass journal entry for due and payment entry for redemption of pref.shares.

(a) Redeemable Preference Shares	Rs.80,000
(b) Premium on redemption	5%
(c) Divisible profits available	Rs.15,000
(d) General Reserve Balance	Rs.6,500
(e) Securities Premium A/c	Rs.4,000
(f) Fresh issue is to be made at a discount of 10%	

15. Determine the maximum remuneration payable to the part time directors and Manager of Bharat Ltd (a manufacturing company) as per Company Act 1956 from the following particulars: Company is providing depreciation as per section 350 of the Company Act. Before charging any such remuneration, the Profit and 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.
a. Profit on sale of investments	2,05,000
b. Subsidy received from government	4,10,000
c. Loss on sale of fixed assets	65,000
d. Ex-gratia to an employee	30,000
e. Compensation paid to injured workman	75,000
f. Provision for taxation	2,79,000
g. Bonus to foreign technicians	3,12,000
h. Multiple shift allowance	1,00,000
i. Special depreciation	75,000
j. Capital expenditure	5,10,000

16. The Balance sheet of ABC & Co., Ltd on 31.12.2010 stood as follows:

Liabilities	**Rs.**	**Assets**	**Rs.**
Equity Shares of Rs.100 each	5,00,000	Fixed Assets	8,00,000
9% Pref Shares of Rs.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 Account	2,00,000		
10% Debentures	3,00,000		
Creditors	1,50,000		
	16,00,000		**16,00,000**

Both the redeemable preference shares & debentures were due for redemption on 1.1.2011. The company arranged for the following:

(a) It issued 2,000 equity shares of Rs.100 each at a premium of 10%

(b) It sold the investments for Rs.90,000

(c) It arranged a bank overdraft to the extent necessary.

The redemption were carried out. Pass Journal entries.

17. Balance Sheet of Sick Limited as on 31.3.2007

Liabilities	**Rs.**	**Assets**	**Rs.**
6% Pref. shares of Rs.100 each	2,00,000	Goodwill	60,000
Equity shares of Rs.100 each	4,00,000	Fixed Assets	3,00,000
Debentures	1,00,000	Stock	1,50,000
Creditors	1,50,000	Debtors	60,000
		Disc. on debentures	10,000
		Bank	1,000
		P & L A/c	2,69,000
	8,50,000		**8,50,000**

The following reconstruction scheme was approved:

(a) Preference shares be reduced to 8% preference shares of Rs.60 each

(b) Equity shares to be reduced by Rs.80 each

(c) The amount thus made available to be utilized to write off fictitious assets including goodwill and Rs.50,000 from fixed assets.

Pass Journal entries and Prepare Revised Balance Sheet.

SECTION – C

(Answer any TWO questions) **(2 X 20 = 40)**

18. A Limited company issued a prospectus inviting applications for 2000 shares of Rs.10 each at a premium of Rs.2 per share payable as follows:

Rs.2 per share on Application
Rs.5 per share on Allotment (Including Premium)
Rs.3 per share on First Call and
Rs.2 per share on Final Call

Applications were received for 3,000 shares and pro-rata allotment was made on applications for 2,400 shares. Money overpaid on applications was employed towards the sum due on allotment. Ramesh to whom 40 shares allotted fails to pay the allotment and first call money his shares were forfeited.

Mohan to whom 60 shares were allotted fails to pay both the calls and his shares were forfeited after the final call. Of the shares forfeited, 80 shares were sold to Krishna credited as fully paid for Rs.9 per share, the whole of Ramesh's shares being included. Pass Journal entries and show your workings, and prepare balance sheet after the issue.

19. Asit Limited is a company with an authorized capital of Rs.5,00,000 divided into 5,000 equity shares of Rs.100 each. On 31.12.2005, 2,500 shares were fully called up. You are required to prepare Trading and Profit & Loss A/c for the year ended 31.12.2005 and the Balance Sheet as on that date.

	Rs.		**Rs.**
Opening Stock	50,000	Sales	4,25,000
Purchases	3,00,000	Productive wages	70,000
Discount Allowed	4,200	Discount Received	3,150
Insurance upto 31.3.06	6,720	Salaries	18,500
Rent	6,000	General expenses	8,950
Profit & Loss A/c (Cr.)	6,220	Printing & Stationery	2,400
Advertisement	3,800	Bonus	10,500
Debtors	38,700	Creditors	35,200
Plant & Machinery	80,500	Furniture	17,100
Cash & Bank Balance	1,34,700	Reserves	25,000
Loan from M.D	15,700	Bad-debts	3,200
Calls-in-arrears	5,000		

Additional Information:
(a) Closing stock Rs.91,500
(b) Provide depreciation at 15% on Plant & Machinery and 10% on Furniture
(c) Outstanding Liabilities: Wages Rs.5,200; Salary Rs.1,200; Rent Rs.600
(d) Provide 5% dividend on the paid up share capital.

20. Mohan Company Ltd was incorporated on 30.6.2005 to take over the business of Mohan as from 1.1.2005. The financial accounts of the business for the year ended 31.12.2005 disclosed the following information: Ascertain the profit prior to and post incorporation periods.

Particulars	Rs.	Rs.
Sales: Jan – June	1,20,000	
July – Dec	1,80,000	3,00,000
Less: Purchases Jan – June	75,000	
July – Dec	1,20,000	1,95,000
Gross Profit		**1,05,000**
Less: Salaries	15,000	
Selling expenses	3,000	
Depreciation	6,000	
Director's Fees	750	
Debenture Interest	90	24,840
Net Profit		**80,160**

21. On 31.12.2005, the balance sheet of a limited company disclosed the following position:

Liabilities	Rs.	Assets	Rs.
Shares of Rs.10 each	4,00,000	Fixed Assets	5,00,000
Reserves	90,000	Current Assets	2,00,000
P & L Account	20,000	Goodwill	40,000
5% Debentures	1,00,000		
Current Liabilities	1,30,000		
	7,40,000		**7,40,000**

On 31st Dec. 2005, the fixed assets were independently valued at Rs.3,50,000 and the Goodwill at Rs.50,000. The net profits for the three years were:

2003 – Rs.51,600 2004 – Rs.52,000 2005 – Rs.51,650

of which 20% was placed to reserve, this proportion being considered reasonable in the industry in which the company is engaged and where a fair investment return may be taken at 10%.

Compute the value of company's share by (a) Intrinsic Value method (b) Yield Value method and (c) Fair Value method.

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