LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

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

THIRD SEMESTER – **NOVEMBER 2018**

16/17UCO3MC01– COMPANY ACCOUNTS

Date: 23-10-2018 Dept. No. Max. : 100 Marks

Time: 01:00-04:00

Part – A Answer ALL (10x2=20)

1. What is Rights Issue?
2. What is underwriting?
3. What is purchase consideration?
4. Define goodwill.
5. Distinguish between revenue reserve and capital reserve.
6. Anand Ltd. Purchased land for Rs.80, 000 from kilash Bros. It issued equity shares of Rs.10 each fully paid up in satisfaction of their claim. Pass necessary journal entries.
7. Y Ltd. Wishes to redeem its redeemable preference shares of Rs.2, 00,000 at a premium of 20%. For this purpose, it has decided to make fresh issue of Rs.100 shares at 10% premium and utilize the profits of Rs.42, 000 available for dividend. You are required to calculate the minimum fresh issue of shares that the company has to make.
8. You are required to calculate the Time Ratio for the Pre and Post Incorporation periods and also divide wages between Pre and Post Incorporation from the following particulars: a) Date of Incorporation : 1st June 2009. b) Period of financial accounts: April 2009 to March 2010. c) Total wages – Rs.4, 800. d) Number of workers: Pre- Incorporation Period: 5 and Post- Incorporation Period: 25.
9. Compute the yield value of the equity share on the basis of dividend yield from the information given below: Average Profit after tax – Rs.17, 000; Preference share dividend - Rs.5,400; Transfer to general reserve – 10%; 9000 Equity shares of Rs.10 each fully paid – Rs.90,000; Normal rate of dividend – 9%.
10. Bee Ltd. has 60,000 equity shares of Rs.100 each, Rs.80 per share called up. Now the company decides to pay off Rs.20 per share of the paid up capital and at the same time to reduce the Rs.100 share to Rs.60 share fully paid up by cancelling the unpaid amount. Give journal entries.

Part – B Answer any FOUR (4x10=40)

11. Explain the provisions regarding the redemption of preference shares.
12. What are rules relating to calculation of managerial remuneration?
13. Following a series of losses, XYZ Co. Ltd. Resolved to reduce its capital to 50,000 fully paid Rs.5 shares and to eliminate securities premium account. The company's balance sheet prior to implementation of the scheme was –

Liabilities	Rs.	Assets	Rs.
Share capital -50,000 fully paid shares of Rs.10 each	5,00,000	Goodwill	1,00,000
Securities Premium a/c	50,000	Land & Buildings	1,62,000
Creditors	62,000	Plant & Machinery	2,07,000
Bank overdraft	73,000	Stock	92,000
		Debtors	74,000
		Profit & Loss a/c	50,000
	6,85,000		6,85,000

It was resolved to apply the sum available under the scheme –

i) To write off the goodwill account;

ii) To write off the debit balance of the Profit and Loss accounts;

iii) To reduce the book values of the assets by the following amounts –

a. Land and Buildings Rs.42,000

b. Plant and Machinery Rs.67,000

c. Stock Rs.33,600

iv) To provide a bad debts reserve of 10% of the book value of debtors.

Show the journal entries to give effect to the scheme and prepare the revised balance sheet after its implementation.

14. Chaitanya Chemical Ltd. Planned to set up a unit for manufacture of bulk drugs. For the purpose of financing, the unit and Board of Directors have issued 15, 00,000 equity shares of Rs.10 each, 30% of the issue was reserved for promoters and the balance was offered to the public. M, N & L have come forward to underwrite the public issue in the ratio of 3:1:1 and also agreed for firm underwriting of 30,000, 20,000 and 10,000 shares respectively. The underwriting commission was fixed at 2%. The amount payable on application was Rs. 2.50 per share. The details of subscriptions are:

Marked forms of M - 5, 50,000 shares
Marked forms of N - 2, 00,000 shares
Marked forms of L - 1, 50,000 shares
Unmarked forms - 50,000 shares

You are required to show the allocation of liability among underwriters assuming that the benefit of firm underwriting given to underwriters as marked and the amount of commission payable to them.

15. On 1st January, 1998, GL Ltd. Purchased all the assets and liabilities of Madan but did not did not take over vendors debtors of Rs.47,500. It undertook the responsibility of collecting them and out of this realization pay vendors; creditors of Rs.30,000. Company gets commission for the service @ 5% on payments and 10% on realization. Company realized such a debt of Rs.400 which was previously declared as bad debt. Company has also to pay a contingent liability of Rs.2,000 on account of a claim against the vendors for damages. Realization from debtors amounted to Rs.45,000 and out of this amount Rs.28,000 were paid to creditors in full settlement of their account. Pass the necessary journal entries in the books of the purchasing company.

16. A firm which was carrying on business from 1st January, 2008 gets itself incorporated as a company on 1st May 2008. The first accounts are drawn up to 30th September 2008. The gross profit for the period is Rs. 56,000. The general expenses are Rs. 14,220; directors' fees Rs. 12,000 per annum, formation expenses Rs. 1,500. Rent up to 30th June was Rs. 1,200 per annum, after which it was increased to Rs. 3,000 per annum. Salary of the manager, who, upon incorporation of the company was made a director, was Rs. 6,000 per annum. His remuneration thereafter was included in the above figure of fees to directors.

Prepare profit and loss account showing pre and post incorporation profits. The net sales were Rs. 8,20,000, the monthly average of which for the first four months of 2008 being one half of that remaining period. The company earned a uniform profit. Interest and tax may be ignored.

17. (a) Amarnath runs a cosmetic store. His net assets on 31st December 2017 amounted to Rs. 2,50,000. After paying rent of Rs.2,500 a year and a salary of Rs. 12,000 to his manager, he earns a profit of Rs. 75,000. His landlord is interested in acquiring the business. 15% is considered to be reasonable return on capital employed. Calculate the value of goodwill by capitalizing super profits.

(b) The issued share capital of a company was Rs.10,00,000 consisting of 10,000 equity shares of Rs.100 each. The net profits for the last 5 years were Rs.1,00,000, Rs.80,000, Rs.1,20,000, Rs.1,60,000 and Rs.1,40,000 of which 20% was placed to reserves, this proportion being considered reasonable in the industry in which the company is engaged and where a fair investment return may be taken at 12%. Compute the value of company's share by the Yield Value Method.

Part – C Answer any TWO (2x20=40)

18. Wye Ltd. issued for public subscription 20,000 equity shares of Rs. 10 each at a premium of Rs. 2 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 applicants 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 1,000 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. The following is the balance sheet of Harbhajan Ltd., as on June 30th 2017

Liabilities	Amount(Rs.)	Assets	Amount(Rs.)
Share Capital: 30,000 6% redeemable preference shares of Rs.10 each fully paid	3,00,000	Fixed Assets	10,00,000
60,000 equity shares of Rs.10 each fully paid	6, 00,000	Investments	2,10,000
Securities Premium A/c	2, 90,000	Stock	4,40,000
General Reserves	4, 00,000	Sundry debtors	1,60,000
Profit & loss A/c	2,45,000	Cash at bank	2,20,000
Sundry Creditors	1, 95,000		
TOTAL	20, 30,000	TOTAL	20, 30,000

The company exercised its opinion to redeem, on July 1 2017, the whole of the Preference shares at a premium of 5%. To assist in financing the redemption, all the investments were sold, realizing Rs.1, 95,000. On Sep. 1, 2017 the company made a bonus issue of seven equity shares fully paid for every six equity shares held on that date.

The appropriate resolutions were passed and the above transactions were duly completed. You are required to show the journal entries and the balance sheet of the company as it would appear after completion of the transactions.

20. Big Bull Ltd. has a nominal capital of Rs. 6, 00,000 divided into shares of Rs. 10 each. The following Trial Balance is extracted from the books of the company as on 31.12.2007.

Assets	Rs.	Liabilities	Rs.
Calls in arrear	7,500	6% Debentures	3,00,000
Premises (Rs. 60,000 added on 1.7.2007)	3,60,000	P & L A/c (1.1.2007)	14,500
		Creditors	50,000
Machinery	3,00,000	General Reserve	25,000
Interim dividend paid	7,500	Share Capital (Called Up)	4,60,000
Purchases	1,85,000	Bills payable	38,000
Preliminary Expenses	5,000	Sales	4,15,000
Freight	13,100	Provision for Bad debts	3,500
Directors' Fees	5,740		
Bad debts	2,110		
Government Securities	60,000		
Stock (1.1.2007)	75,000		

Furniture Sundry debtors Goodwill Cash Bank Wages General Expenses Salaries Debenture interest	7,200 87,000 25,000 750 39,900 84,800 16,900 14,500 9,000		
	13,06,000		13,06,000

Prepare Final accounts of the company for the year ending 31.12.2007 in the prescribed form after taking into account the following adjustments:
(a) Depreciate machinery by 10% and furniture by 5%.
(b) Write off the preliminary expenses.
(c) Wages include Rs. 10,000 paid for the construction of a compound wall to the premises and no adjustment was made.
(d) Provide 5% for bad debt on sundry debtors.
(e) Transfer Rs. 10,000 to general reserve.
(f) Provide for income tax Rs. 25,000.
(g) Stock on 31.12.2007 was Rs. 1, 01,000.

21. The following is the balance sheet of X Ltd as on 31st March, 2014:

Liabilities	Amount(Rs.)	Assets	Amount(Rs.)
Share capital : 40,000, 6% preference shares of Rs.10 each	4,00,000	Land and Buildings	2,00,000
2,000 equity shares of Rs.100 each, Rs. 75 per share fully paid- up	1,50,000	Plant and Machinery	5,00,000
6,000 equity shares of Rs.100 each, Rs.50 paid	3,00,000	Patents	80,000
5% Debentures	2,00,000	Stock	1,10,000
Creditors	3,60,000	Sundry Debtors	2,20,000
		Cash at bank	60,000
		P & L A/c	2,40,000
TOTAL	14,10,000	TOTAL	14,10,000

On 1st April 2014 the company went into voluntary liquidation. The dividend on preference shares were in arrears for two years. The arrears are payable on liquidation of the company. Creditors include a loan of Rs. 1, 00,000 on mortgage of land and buildings. The assets realized as under: Land and Building- Rs.3,00,000; Plant and Machinery-Rs.4,50,000; Patents –Rs. 75,000; Stock- Rs.1,40,000; Sundry debtors – Rs.1,80,000.
The expenses of liquidation amounted to Rs. 21,800. The liquidator is entitled to a commission of 2% on all assets realized (except cash at bank) and a commission of 1% on amount distributed among unsecured creditors. Preferential creditors amount to Rs.30, 000 (included in creditors). Prepare liquidator's final statement of account.

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