

LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034



B.Com. DEGREE EXAMINATION – COMMERCE

THIRD SEMESTER – NOVEMBER 2018

CO 3502– COMPANY ACCOUNTS

Date: 23-10-2018
Time: 01:00-04:00

Dept. No.

Max. : 100 Marks

SECTION - A

ANSWER ALL THE QUESTIONS:

(10 x 2 = 20 marks)

1. What do you mean by calls in arrears?
2. 10,000 equity shares of Rs. 20 each are issued for public subscription at a premium of 10%. The full amount is payable on application. Applications were received for 20,000 shares and it was decided to make pro-rata allotment to all the applicants. Journalise the transactions.
3. Give journal entries for bonus issue.
4. Write short note on 'Capital Redemption reserve'.
5. What is managerial remuneration?
6. Define Cash Flow Statement.
7. What do you mean by Acquisition of business?
8. What is Firm underwriting?
9. What is internal Reconstruction?
10. Mention the different methods of valuation of shares.

SECTION – B

ANSWER ANY FOUR QUESTIONS:

(4 x 10 = 40 marks)

11. What is Goodwill? Explain the various factors affecting valuation of goodwill.
12. Discuss the guidelines for issue and redemption of preference shares.
13. Koushik 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 the stamp.
Determine the liability of the underwriters and pass journal entries in the books of Koushik Ltd.
14. ABC Ltd. was incorporated on May 1, 1983 to take over the business of XYZ Ltd. as a going concern from January 1, 1983. The profit and loss account for the year ending December 31, 1983 was as follows:

Dr.		Cr.	
Particulars	Rs.	Particulars	Rs.
Rent and taxes	12,000	By Trading account	1,55,000
Insurance	3,000	(Gross profit)	
Electricity charges	2,400		
Salaries	36,000		
Director's fees	3,000		
Auditor's fees	1,600		
commission	6,000		
Advertisement	4,000		
Discount	3,500		
Office expenses	7,500		
Carriage	3,000		
Bank charges	1,500		
Preliminary expenses	6,500		
Bad debts	2,000		
Interest on loan	3,000		
Net profit	60,000		
	1,55,000		1,55,000

The total turnover for the year ending December 31, 1983 was Rs. 5,00,000 divided into Rs. 1,50,000 for the period upto may 1, 1983 and Rs. 3,50,000 for the remaining period. Ascertain the profits earned prior to the incorporation of the company.

15. The Balance Sheet of Exchange Ltd. as on 31.12.2015 was as follows:

Liabilities	Rs.	Assets	Rs.
Share capital:		Sundry assets	9,20,000
50,000 equity shares of Rs. 10 each, fully paid.	5,00,000	Bank balance	6,00,000
4,000 Redeemable Preference shares of Rs. 100 each fully paid	4,00,000		
Profit and loss A/c	5,20,000		
Creditors	1,00,000		
	15,20,000		15,20,000

On the above date, the preference shares were redeemed at a premium of 10%. You are required to pass journal entries and prepare Balance sheet after redemption.

16. Jaya Ltd. passed resolution and got Court permission for the reduction of its share capital by Rs. 5,00,000 for the purposes mentioned as under:

- To write off the debit balances of P & L A/c of Rs.2,10,000.
- To reduce the value of Plant & Machinery by Rs. 90,000 and goodwill by Rs. 40,000.
- To reduce the value of investments by 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 and by converting 50,000 equity shares of Rs. 20 each on which RS. 15 is paid up into 50,000 equity shares of Rs. 10 each fully paid up.

Pass the journal entries for share capital reduction.

17. Don Allot Ltd. Was formed to take over the assets and liabilities of Shri. Laxman and to acquire the adjacent premises. The balance sheet of Shri. Laxman on 31st December1998 was as follows:

Liabilities	Rs.	Assets	Rs.
Trade creditors	8,000	Cash in hand	2,000
Capital	1,60,000	Cash at bank	12,000
		Book debts	18,000

		Stock	78,000
		Furniture	10,000
		Land and Building	48,000
	1,68,000		1,68,000

The purchase consideration was agreed at Rs.2,00,000 and was to be paid as under –

- i) 5,600 equity shares of Rs.20 each fully paid;
- ii) Rs.68,000 in 6% preference shares of Rs.100 each, fully paid;
- iii) Rs.20,000 in cash.

All the assets and liabilities were valued as per above balance sheet except the book debts which were subject to a bad debts provision of 5%. The company raised further capital by issue of 15,000 equity shares of Rs.20 each. The adjoining premises were purchased for Rs.1,00,000 and additional stock of Rs.1,40,000 was obtained from open market. Record the above transactions in the books of Don Allot Ltd. Through journal entries and draft its opening balance sheet.

SECTION – C

ANSWER ANY TWO QUESTIONS:

(2 x 20 = 40 marks)

18. Latha Ltd issued 40,000 shares of Rs. 10 each at a premium of Rs. 2 per share. The shares were payable as follows:

- Rs. 2 on application
- Rs. 5 on allotment (including premium)
- Rs. 5 on first and final call.

All the shares were applied for and allotted. All moneys were received with the exception of the first and final call on 1,000 shares which were forfeited. 400 of these were reissued as fully paid at Rs. 8 per share.

Give the necessary journal entries and prepare balance sheet thereafter.

19. The balance sheet of James Co. Ltd. as on 31s December 1998 was as follows –

Liabilities	Rs.	Assets	Rs.
20,000 shares of Rs.10 each	2,00,000	Land & Building	1,68,000
P & L account	40,000	Plant & Machinery	1,20,000
Debentures	30,000	Furniture & Fittings	10,000
Trade creditors	40,000	5% (Tax free) government bonds	40,000
Provisions for taxations	18,000	Stock	4,000
Proposed dividend	30,000	Book debts	12,000
		Cash	4,000
	3,58,000		3,58,000

The net profits of the company after charging depreciation and taxes were as follows – 1994 – Rs.34,000; 1995 – Rs.38,000; 1996 – Rs.36,000; 1997 – Rs.40,000; 1998 – Rs.38,000.

On 31st December 1998, the Land and Building were valued at Rs.1,90,000; Plant and Machinery at Rs.1,42,000 and Furniture and Fittings at Rs.8,000. 10% represents a fair commercial rate of return on investment in the company. Calculate the value of goodwill basing it at 5 years purchase of super profits for the last five years.

20. Radha Ltd. is a company with an authorised capital of Rs.5,00,000 divided into 5,000 equity shares of Rs. 100 each on 31.12.2003 of which 2,500 shares were fully called up. The following are the balances extracted from the ledger as on 31.12.2003

Trial balance

Opening stock	50,000	Sales	3,25,000
Purchases	2,00,000	Discount received	3,150
Wages	70,000	Profit & Loss A/c	6,220
Discount allowed	4,200	Creditors	35,200
Insurance (upto 31.3.04)	6,720	Reserves	25,000
Salaries	18,500	Loan from managing director	15,700
Rent	6,000	Share capital	2,50,000
General expenses	8,950		
Printing	2,400		
Advertisements	3,800		
Bonus	10,500		
Debtors	38,700		
Plant	1,80,500		
Furniture	17,100		
Bank	34,700		
Bad debts	3,200		
Calls-in arrears	5,000		
	6,60,270		6,60,270

You are required to prepare P & L A/c and Balance sheet. The additional information gives:

- (i) Closing stock was valued at Rs. 1,91,500
- (ii) Depreciation on plant at 15% and on furniture at 10% should be provided.
- (iii) A tax provision of Rs. 8,000 is considered necessary.
- (iv) The directors declared an interim dividend on 15.8.03 for 6 months ending June 30, 2003 @ 6%.

21. On 30th June 1998, the Balance sheet of Sandhiya Ltd., stood as follows –

Liabilities	Rs.	Assets	Rs.
Equity share capital	10,00,000	Sundry Assets	14,00,000
Redeemable pref. sh. capital	4,00,000	Bank	5,00,000
P &L account	3,00,000		
Sundry creditors	2,00,000		
	19,00,000		19,00,000

On the above date, the preference shares had to be redeemed. For this purpose, 2,000 equity shares of 100 each were issued at Rs.110. The company also issued 8% Debentures totalling Rs.3,00,000. The shares and debentures were immediately subscribed and paid for. The preference shares were duly redeemed. Give journal entries and balance sheet after redemption.
