LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034



B.B.A.DEGREE EXAMINATION – **BUSINESS ADMINISTRATION**

FOURTH SEMESTER - APRIL 2019

BU 4504- COMPANY ACCOUNTS

Date: 11-04-2019	Dept. No.	Max.: 100 Marks

Time: 01:00-04:00

PART – A

Answer ALL Questions:

 $10 \times 2 = 20$

- 1. What are 'Calls-in-arrears'?
- 2. The Bombay motors ltd., issued 2,00,000 Equity shares of Rs.10 each. The whole issue was underwritten by Mala. Applications for 1,60,000 shares were received in all. Determine the liability of underwriter.
- 3. Redemption of 20,000 preference shares of Rs.100 each was carried out by utilisation of reserves and by issue of 8,000 Equity shares of Rs.100 each at Rs.125. How much should be credited to capital redemption reserve a/c?
- 4. Goodwill is to be valued at 3 years purchase of five years' average profits. The profits for the last five years of the firm were:

2004 - Rs.2,400; 2005 - Rs.3,000; 2006 - Rs.3,400; 2007 - Rs.3,200;

2008 - Rs.4,000

Calculate the amount of goodwill.

- 5. What is 'Yield Method' of valuing Equity shares?
- 6. When can shares be forfeited?
- 7. What is meant by acquisition of business?
- 8. In order to eliminate the accumulated losses of Rs.45,000 from the Balance Sheet, a company has decided to convert its 15,000 7% preference shares of Rs.10 each into 6% preference shares of Rs.10 each, Rs.6 per share paid. Show journal entries in the books of company.
- 9. What do you understand by 'Alteration of Share Capital'?
- 10. State any two items that appear under finance costs.

- 11. A Ltd invited application for 10,000 shares of Rs.100 each at a discount of 5% payable as: on application Rs.25, on allotment Rs.34, on first & final Call Rs.36. Application were received for 9,000 shares. All moneys due were received except the first and final call on 100 shares which were forfeited. Of the forfeited shares, 50 were reissued at Rs.90, as fully paid. Show Journal entries for forfeiture and reissue of shares.
- 12. Explain the provision of Companies Act relating to the issue and redemption of redeemable preference shares.
- 13. Explain the circumstances under which valuation of shares is essential and discuss the various methods of valuation.
- 14. From the following details calculate profit before and after incorporation
 - Time Ratio 3:4
 - Sales Ratio 2:3
 - Gross profit Rs. 5,00,000
 - Expenses:

Salary	96,000
Discount	40,000
Rent	15,000
General expenses	12,000
Advertisement	50,000
Director fees	18,000

- 15. Write short notes on:
 - a. Share Capital
 - b. Securities Premium
 - c. Capital Redemption Reserve
 - d. Contingent Liability
- 16. Sam Ltd invited application from public for 1, 00,000 equity shares of Rs.10 each at a premium of Rs.5 per share. The entire issue was underwritten by the underwriters A, B, C and D to the extent of 30%, 30%, 20% and 20% respectively with the provision of firm underwriting of 3, 000, 2,000, 1,000 and 1,000 shares respectively. The company received applications for 70,000 shares from public out of which application for 19,000, 10,000, 21,000 and 8,000 shares were marked in favor of A,B, C and D respectively. Calculate the liability of the underwriters treating firm underwriting as marked application.
- 17. The Balance Sheet of National Ltd. at 31.12.2011 was as follows:

Liabilities	Rs.	Assets	Rs.
Share capital:		Goodwill	15,000
2000 Preference Shares of 100		Freehold properties	2,00,000
each	2,00,000	Plant	3,00,000
4,000 Equity Shares of Rs.100		Stock	50,000
each	4,00,000	Debtors	40,000
5% Mortgage Debentures	1,00,000	Profit & Loss	2,45,000
Bank Overdraft	50,000		
Creditors	1,00,000		
	8,50,000		8,50,000

The company got the following scheme of reconstruction approved by the court"

• The preference shares to be reduced to Rs.75 per share, fully paid.

- The Debenture holders took over the stock and book debts in full satisfaction of the amount due to them.
- Goodwill is to be eliminated, the freehold properties to be depreciated by 50%, value of plant to be increased by Rs.50, 000, the Profit & Loss to be eliminated.

Give Journal entries and prepare revised Balance sheet.

PART - C

Answer any two questions: $2 \times 20 = 40$

18. Good prospects 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 & final call.

All the shares were applied for and allotted. All moneys were received with the exception of the first & 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, prepare the bank a/c and the balance sheet of the company.

19. The Summarized Balance Sheet of S ltd as on 31.12.2007 was follows:

Liabilities	Rs.	Asset	Rs.
Share capital		Fixed Assets	1,00,000
5000 9% Redeemable Preference shares		Investments	20,000
of Rs.10 each fully paid	50,000	Cash at bank	18,000
6,000 Equity shares of Rs.10 each, fully		Other current	62,000
paid	60,000	assets	
Profit & Loss a/c	5,000		
Securities Premium	20,000		
General Reserve	40,000		
Sundry Creditors	25,000		
	2,00,000		2,00,000

The company passed the following resolutions on 1st Jan 2008.

- To redeem the entire preference share capital at a premium of 10%.
- To issue 2,000 equity shares of Rs.10 each at a premium of Rs. 2 per share, which has been fully subscribed.
- To sell the investments at Rs.15, 000.
- To issue bonus shares as fully paid in the ratio of 2:1 to the existing shareholders including the fresh issue.

You are required to pass journal entries and give the amended balance sheet.

20. Asit Ltd. Is a company with an authorized capital of Rs. 5,00,000divided into 5,000 equity shares of Rs.100 each. On 31.12.2005, 2,500 shares were fully called up.

The following balances were extracted from the ledger of the company as on 31.12.2005

Particulars	Rs.
Stock	50,000
Sales	4,25,000
Purchases	3,00,000
Wages (productive)	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 and stationery	2,400
Advertisement	3,800
Bonus	10,500
Debtors	38,700
Creditors	35,200
Plant & Machinery	80,500
Furniture	17,100
Cash and bank balance	1,34,700
Reserve	25,000
Loan from Managing director	15,700
Bad debts	3,200
Calls-in-arrears	5,000

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.

Additional Information:

- Closing stock Rs.91,500
- Provide deprecation at 15% on plant &machinery and 10% furniture
- Outstanding liabilities: Wages Rs.5,200; Salary Rs.1200; Rent Rs.600
- Provide 5% dividend on the paid up share capital.
- 21. Define goodwill. Explain the need for valuing goodwill and what are the factors affecting goodwill.

