



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.Com. DEGREE EXAMINATION – CORPORATE SEC.

FOURTH SEMESTER – APRIL 2013

BC 4502/BC 4500 - COMPANY ACCOUNTS

Date: 04/05/2013

Dept. No.

Max. : 100 Marks

Time: 1:00 - 4:00

PART – A

ANSWER ALL QUESTIONS:

(10 x 2 = 20)

1. What do you understand by internal reconstruction?
2. Who is called an underwriter?
3. What is called ex-interest and cum-interest?
4. When do you prepare a vendor suspense account?
5. State the purpose of a Capital Redemption Reserve Account?
6. Y Ltd forfeited 100 shares of Rs 100 each issued at a premium of Rs 20 per share for non-payment of the final call of Rs 20 per share. Give journal for forfeiture.
7. P Ltd redeems 20,000 8% preference shares of Rs 100 each at a premium of 10% out of the profits otherwise available for dividend. Show the amount transferred to CRR.
8. B Ltd has 60000 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 o reduce the Rs 100 share to Rs 60 share fully paid up by cancelling the unpaid amount. Journalise.
9. A company was incorporated on 1st May 2012 to acquire a running business of B &Co from 1st Jan 2012. When accounts were finalized in 31st Dec 2012 the following facts were noted.
 - a. Sales for the year were Rs 10,00,000
 - b. Sales in the second half of the year were double to those in the first half on a monthly average basis. Find the sales ratio for the purpose of pre and post incorporation profits.
10. J Ltd issued 2000 8% debentures of Rs 100 each at a discount of 6%. The debentures are repayable by annual drawings at the end of each year. From the first year onwards at the rate of Rs 40,000 per year. You are required to ascertain the discount amount to be written off each under fluctuating installment method.

PART – B

ANSWER ANY FIVE QUESTIONS:

(5 x 8 = 40)

11. Who are called preferential creditors? Briefly explain the various preferential creditors at the time of the liquidation of the company.

12. The following underwriting of shares takes place.

P – 12,000 shares, Q – 5000 shares , R – 3000 shares

In addition there is firm underwriting P - 1000 shares, Q - 600 shares and R 2000 shares. The issue consists of 20,000 shares. The total subscription including the firm underwriting was 14,200 shares and the forms included the following marked forms.

P- 2000 shares Q - 4000 shares and R 1000 shares.

Show the allocation of liability to underwriters.

13. A ltd had Rs 4,00,000 5% debentures outstanding on 1.1.2012 (redeemable on 31.12.2012). On that date the sinking fund stood at Rs. 3,74,500, represented by Rs 50,000 own debentures purchased at an average price of 99 and Rs 3,30,000 3% stock. The annual installment was Rs 14,200.

On 31st Dec 2012 the investment were realized at Rs 98 and the debentures were redeemed. Prepare the Debenture a/c, Sinking fund and Sinking fund investment account for 2012.

14. Determine the maximum remuneration payable to the part time directors and the Managers of Alpha ltd.

Before charging any such commission the profit and losses account showed a credit balance of Rs 23,05,000 for the year ended 31st march 2012 after taking the following into consideration.

	Rs.
a. Profit on sale of investments	2,05,000
b. Subsidy received from the 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	2,75,000
g. Bonus to foreign technicians	3,12,000
h. Multiple shift allowances	1,00,000
i. Special depreciation	75,000
j. Capital expenditure	5,10,000

Company is providing depreciation as per Section 350 of the company's Act.

15. A company has 10,000 9% preference shares of Rs 100 each fully paid. The company decides to redeem the shares on 31st December 2012 at a premium of 10%. The company makes the following issues.

- a. 6000 equity shares of Rs. 100 each at a premium of 10%
- b. 4000 8% Debentures of Rs. 100 each

- c. The issue was fully subscribed and allotments were made. The redemption was duly carried out. The company has sufficient profits. Journalize.
16. P Ltd was incorporated on 31st July 2010 to purchase the business of H Ltd as on 1st April 2010. The books of accounts disclosed the following on 31st March 2011.
- Sales for the year Rs 32,10,400 (1st April 2010 to 31st July 2010 Rs 8,02,600)
 - Gross profit for the year Rs. 4,12,800 . Managing Director salary Rs 12,000 Preliminary expenses written off Rs 18,000. Company secretary's salary 58,000
 - Bad debts written off Rs 14,890. (prior to 31st July Rs. 4,030)
 - Depreciation on machinery is Rs 25,200, general expenses Rs 51,000 advertising Rs 7,400 Interest on debentures 20,000
 - You are required to prepare a statement apportioning properly the net profits of the a company as a statement showing the profits of pre and post incorporation of P Ltd.

17. On 31.3 2012 the date of liquidation of a company its Balance sheet was as under

Liabilities	Rs	Assets	Rs
Share capital: 7% preference shares	3,00,000	Land and Building	4,00,000
		Plant and Machinery	1,60,000
6000 equity shares of Rs 10 Each Rs 8 paid up	48,000	Stock	4,00,000
3000 equity shares of rs 10 each Rs 7 paid up	21,000	Debtors	6,40,000
6% Debentures of Rs 100 each	12,00,000	Cash at Bank	51,000
Outstanding interest on debenture	72,000		
Creditors	8,000		
Bills Payable	2,000		
	16,51,000		16,51,000

The assets were realized as follows

Land and building Rs 3,50,000, plant and machinery Rs 2,00,000 , Debtors Rs 6,00,000, Stock Rs. 4,61,000 , Liquidation expenses Rs 2,000.

Remuneration of liquidator ½ % on the assets realized including cash and 1% on the amount paid to unsecured creditors. Creditors shown in the Balance sheet included – Rs 2,000 preferential . Interest on debenture is to be paid up 31st May 2012.

Dividend on preference shares is in arrears for 1 ½ years. Legal charges Rs 1000. Prepare Liquidators final statement.

18. Prepare a cash flow statement

	31.12.98	31.12.97
Liabilities		
Share capital	38,000	38,000
P & L appropriation	70,000	5,800
Trade creditors	10,000	6,000
Bills payable	5,200	4,800
	60,200	54,600
Assets:		
Land	12,400	10,000
Patent rights	1,800	1,600
Cash	8,000	12,000
Debtors	38,000	31,000
	60,200	54,600

PART – C

ANSWER ANY TWO QUESTIONS:

(2 x 20 = 40)

19. The summarized Balance sheet of Ambrose co ltd on 31st Dec 2000 was as follows:

Liabilities	Rs	Assets	Rs
Share capital: 2,00,000 equity shares of rs 10 each fully paid	20,00,000	Land and Building	15,00,000
10000 6% preference shares of Rs 100 each fully paid	10,00,000	Plant and Machinery	10,00,000
Bank overdraft	7,00,000	Stock	4,00,000
Sundry creditors	5,00,000	Debtors	3,00,000
		Preliminary expenses	1,00,000
		Profit and loss account	6,00,000
	42,00,000		42,00,000

A scheme of capital reduction was approved on the following terms.

- a. The preference share holders agree that their shares be reduced to fully paid shares of Rs. 50 each and to accept equity shares of Rs 5 each fully paid in lieu of the dividend arrears. The cumulative preference dividend is in arrear for three years.
- b. The equity shareholders agree that their shares be reduced to a fully paid value of Rs 5 each
- c. The authorized capital of the company remain at Rs. 30 lakhs divided into 4,00,000 equity shares of Rs 5 each and 20,000 6% cumulative preference shares of Rs. 50 each.
- d. All the intangible and fictitious assets are to be eliminated and bad debts of Rs 50,000 and obsolete stocks of Rs 80,000 are to be written off.
- e. Give necessary journal entries to record capital reduction and draw a revised balance sheet.

20. K Ltd issued a prospectus inviting applications for 50,000 shares of Rs 10 each. These shares were issued at par on the following terms

On application	Rs. 3
On allotment	Rs. 4
On first call	Rs. 2
On final call	Re.1

Applications were received for Rs 60,000 shares

Allotments were made on the following basis.

- To applicants for 10,000 shares - nil
- To applicants for 20,000 shares - 15,000 shares
- To applicants for 30,000 shares - 25,000 shares

All excess amount paid on application is to be adjusted against amount due on allotment

The shares were fully called and paid up[except amounts of allotment first and final call not paid by those applied for 2000 shares out of the group applying for 20,000 shares

All the shares on which calls were not paid were forfeited by the Board of directors

1000 forfeited shares were reissued fully paid on receipt of Rs. 8 per share.

Show the journal entries in the books of K Ltd.

21. 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

31st Dec 97

	Rs		Rs
Calls in arrear	7,500	6% debenture	3,00,000
Premises (Rs.60000 added on 1.7.97)	3,60,000	P & L a/c 1.1.97	14,500
Machinery	3,00,000	Creditors	50,000
Interim dividend paid	7,500	General reserve	25,000
Purchases	1,85,000	Share capital Called up	4,60,000
Preliminary expenses	5,000	Bills payable	38,000
Freight	13,100	Sales	4,15,000
Directors fee	5,740	Provision for bad debts	3,500
Debenture interest	9,000		
Bad debts	2,110		
4% Govt. securities	60,000		
Stock	75,000		
Furniture	7,200		
Sundry debtors	87,000		
Goodwill	25,000		
Cash	750		
Bank	39,900		

Wages	84,800		
General expenses	16,900		
Salaries	14,500		
	13,06,000		13,06,000

Prepare final accounts of the company for the year ending 31st December in the prescribed form taking into account the following adjustments.

- a. Depreciate machinery by 10% and furniture 5%
- b. Write off half of the preliminary expenses
- c. Wages include Rs 10,000 paid for the construction of a compound wall to premises and no adjustment was made
- d. Provide 5% for bad debts
- e. Transfer Rs 10,000 to general reserve
- f. Provide for income tax Rs 25,000
- g. Closing stock was Rs 1,01,000

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