LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

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

THIRD SEMESTER – **APRIL 2018**

16UCO3MC01– COMPANY ACCOUNTS

Date: 03-05-2018 Dept. No. Max. : 100 Marks
Time: 09:00-12:00

Part – A

Answer ALL questions: (10x2=20)

1. What is a share?
2. What is Rights Issue?
3. What is underwriting?
4. What are Redeemable Preference Shares?
5. State the maximum remuneration payable (a) when there is more than one whole time director and (b) part time director when company is not having a whole time director.
6. What is Interim Dividend?
7. What is meant by Intrinsic Value of Shares?
8. List out four expenses which are divided between departments on sales basis.
9. Define Goodwill.
10. What is meant by alteration of share capital?

Part – B

Answer any **FOUR** questions:(4x10=40)

11. Swiss Ltd. issued 40,000 equity shares of Rs. 10 each at par. The entire issue was underwritten as follows.

A – 24,000 shares (firm underwriting 3,200 shares)

B – 10,000 shares (firm underwriting 4,000 shares)

C – 6,000 shares (firm underwriting 1,200 shares)

The total applications including firm underwriting were for 28,400 shares. The marked applications were as under:

A - 7,200 shares; B – 9,000 shares and C – 3,200 shares.

The underwriting contract provides that credit for unmarked applications be given to the underwriters in proportion to the shares underwritten.

Determine the liability of each underwriter and the amount of commission payable to them assuming it is the maximum allowed by law.

12. A firm which was carrying on business from 1st January, 2008 gets itself incorporate 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.

13. From the following information calculate the value of goodwill on the basis of 3 years purchase of super profit.

i. Average capital employed in the business is Rs. 20,00,000
ii. Rate of interest expected from capital having regard to the risk involved is 10%
iii. Net trading profits of the firm for the past 3 years were Rs. 3, 50,400; Rs. 2, 80,300 and Rs. 3, 10,100.
iv. Fair remuneration to the partners for their services isRs. 48,000 per annum.
v. Sundry assets of the firm are Rs. 23, 50,400 and current liabilities are Rs. 95,110.

14. Give journal entries in the books of A Co. Ltd. In the following cases:

i. It purchased assets of Rs.5, 00,000 and agreed to pay the price by issuing 9% debentures of Rs.100 each at a premium of 25%.

ii. 200, 10% debentures of Rs.100 each to settle a creditor who supplied a machine on credit some time ago at a price of Rs.18, 000.

iii. 1,000, 8% debentures of Rs.100 each are issued at par redeemable at a premium of 10%.

iv. 1,000, 8% debentures of Rs.100 each are issued at a discount of 5%, redeemable at a premium of 10%.

15. Explain different methods of valuing equity shares.

16. What are preferential payments with regard to company liquidation?

17. What are the conditions for redemption of preference shares?

Part – C

Answer any TWO questions:(2x20=40)

18. Wye Ltd. issued for public subscription 20,000equity shares of Rs.10 each at a premium of Rs.2 per share payable as under:

On application – Rs. 2 per share

On allotment – Rs. 5 per share

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 utilised 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 Journal entries in the books of Wye Ltd.

19. X Co.Ltd., had 10,000 equity shares of Rs. 10 each fully paid and 5,000 7% redeemable preference shares of Rs. 10 each fully paid, redeemable at a premium of 10%. It had a credit balance of Rs 40,000 on profit and loss account and Rs. 50,000 on general reserve.
The company resolved:

i. To issue 3,000 equity shares of Rs. 10 each at Rs. 12 per share in order to provide part of the funds for redemption of the preference shares.
ii. To redeem the preference shares.
iii. To make a bonus issue of one share for every two held by the existing equity shareholders from the general reserve. The resolutions were carried into effect.

You are required to pass journal entries and prepare ledger accounts and also show the share capital and reserves of the company as they would appear in its balance sheet after the completion of the redemption.

20. The Silver Ore Co. Ltd. was formed on 1.4.2007 with an authorised capital of Rs. 6,00,000 in shares of Rs. 10 each of these 52,000 shares had been issued and subscribed but there were calls in arrears on 100 shares. From the following trail balance as on March 31, 2008, prepare Statement of profit & Loss and the Balance Sheet.

	Rs.		Rs.
Cash at bank	1,05,500	Share capital	5,19,750
Plant	40,000	Sale of silver	1,79,500
Mines	2,20,000	Interest on F.D. upto Dec. 31	3,900
Promotion expenses	6,000	Dividend on investment	3,200
Advertising	5,000		
Cartage on plant	1,800		
Furniture & Building	20,900		
Administrative expenses	28,000		
Repairs to plant	900		
Coal and oil	6,500		
Royalties paid	10,000		

Railway track & wagons	17,000		
Wages of miners	74,220		
Cash	530		
Investment- shares of tin mines	80,000		
Brokerage on above	1,000		
6% F.D. in Syndicate Bank	89,000		
Total	7,06,350	Total	7,06,350

Adjustments:

i. Depreciate Plant and Railways by 10%; Furniture & Buildings by 5%
ii. Write off a third of the promotion expenses
iii. Value of silver Ore on March 31, 2008 Rs. 15,000
iv. The directors forfeited on December 20,2007, 100 shares on which only Rs. 7.50 had been paid

21. The following is the Balance Sheet of United Industries Ltd. on 31st December 2008

Liabilities	Rs.	*Assets*	Rs.
Share Capital:		Goodwill	45,000
6,000 6% preference shares of Rs.100 each	6,00,000	Land & Building	6,00,000
		Plant & Machinery	9,00,000
12,000 equity shares of Rs.100 each	12,00,000	Stock	1,30,000
		Debtors	1,40,000
8% Debentures	3,00,000	Cash	15,000
Bank overdraft	3,00,000	Profit & Loss A/c	7,00,000
Sundry creditors	1,50,000	Preliminary expenses	20,000
	25,50,000		25,50,000

On the above date, the company adopted the following scheme of reconstruction:

i. The equity shares are to be reduced to shares of Rs. 40 each fully paid and the preference shares to be reduced to fully paid shares of Rs. 75 each.
ii. The debenture holders took over stock and debtors in full satisfaction of their claims.
iii. The Land & Buildings to be appreciated by 30% and Plant & Machinery to be depreciated by 30%
iv. The fictitious and intangible assets are to be eliminated.
v. Expenses of reconstruction amounted to Rs. 5,000.

Give journal entries incorporating the above scheme of reconstruction and prepare the Balance Sheet after reconstruction.

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