



LOYOLA COLLEGE (AUTONOMOUS) CHENNAI – 600 034

B.Com. DEGREE EXAMINATION – COMMERCE

THIRD SEMESTER – APRIL 2025

CO 3502 – COMPANY ACCOUNTS



Date: 29-04-2025

Dept. No.

Max. : 100 Marks

Time: 01:00 PM - 04:00 PM

PART-A

Answer any four questions

4x10= 40 Marks

1. Explain the process of forfeiture and reissue of shares with journal entries.
2. Explain the redemption of preference shares at par and at a premium with examples.
3. Define goodwill and explain the factors affecting its valuation.
4. What are the objectives of financial statements? Explain their importance in corporate accounting.
5. B Ltd. issued 1,50,000 equity shares. The whole of the issue was underwritten as follows: X – 50% Y – 25% Z – 25%
Applications for 1,20,000 shares were received, out of which, marked applications were as follows:
30,000 bore the stamp of X
15,000 bore the stamp of Y
30,000 bore the stamp of Z
The remaining 45,000 shares did not bear any stamp. Determine the liability of the underwriters.

6. The given profits for the last five years are: Profit (Rs.)

Year

I	4,800
II	7,200
III	10,000
IV	3,000
V	5,000

To calculate goodwill using the average profit method with a three-year purchase.

7. ABC Ltd. is undergoing internal reconstruction due to financial difficulties.

Balance Sheet

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Equity Share Capital (Rs. 10 each)	10,00,000	Land & Building	4,00,000
10% Debentures	5,00,000	Plant & Machinery	6,00,000
Sundry Creditors	2,00,000	Stock	2,00,000
Outstanding Expenses	50,000	Debtors	3,00,000
		Cash & Bank	50,000
		Profit & loss A/c	2,00,000
	17,50,000		17,50,000

Reconstruction Scheme

- a) Equity Share Capital is reduced to Rs. 5 per share.

- b) Debenture holders agree to waive 20% of their claim.
- c) Sundry Creditors accept 80% of their claim as full settlement.
- d) Land & Building is revalued at Rs. 3,50,000.
- e) Plant & Machinery is written down by Rs. 1,00,000.
- f) Stock is revalued at Rs. 1,80,000.
- g) Profit & Loss Account (Dr.) is to be written off.

8. A firm which was carrying on business from 1st January, 2018 gets itself incorporated as a company on 1st May 2018. The first accounts are drawn upto 30th September 2018. 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 upto 30th June was Rs.1,200 per annum, after which it was increased to Rs.3000 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.

PART-B

Answer any Three questions

3x20= 60 Marks

9. Explain the different methods used for valuing goodwill.

10. Walter Ltd. purchased Land & Buildings costing Rs. 20,00,000 and in payment allotted 20,000 equity shares of Rs. 100 each as fully paid. Further, the company issued 40,000 equity shares to the public. The shares were payable as follows:

On application: Rs. 20 On allotment: Rs. 40 On call: Rs. 40

The public applied for all the shares which were allotted. All moneys were received. Give journal entries and the balance sheet of the company.

11. Sterling Ltd. had 2,500, 6% Redeemable Preference Shares of Rs. 100 each. The company decided to redeem them at a premium of 10%. The general reserve balance was Rs. 3,00,000. The directors decided to use 60% of the reserve for redemption and the balance from a fresh issue of shares of Rs. 10 each. The premium was to be met from the year's Profit & Loss Appropriation Account. Give journal entries to record the transactions.

12. G Ltd., was registered on 1-7-2017 to acquire the running business of S & Co., with effect from 1-1-2017. The following was the profit and loss account of the company on 31-12-2017.

Particulars	Rs.	Particulars	Rs.
To Office expenses	54,000	By Gross profit B/d	2,25,000
To Formation expenses (written off)	10,000		
To Stationery & Postage	5,000		
To Selling Expenses	60,000		
To Directors' Fees	20,000		
To Net Profit	76,000		
Total	2,25,000	Total	2,25,000

You are required to prepare a statement showing profit earned by the company in the pre and post incorporation periods. The total sales for the year took place in the ratio of 1:2 before and after incorporation respectively.

13. Explain the different methods of valuation of shares

14. 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 31.12.2017.

Particulars	Rs.	Particulars	Rs.
Calls in arrear	7,500	6% Debentures	3,00,000
Premises (Rs.60,000 added on 1.7.2017)	3,60,000	P & L A/c (1.1.2017)	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' fees	5,740	Provision for bad debts	3,500
Bad debts	2,110		
4% Government securities	60,000		
Stock (1.1.2017)	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		
Debenture interest	9,000		
Total	13,06,000	Total	13,06,000

Prepare final accounts of the company for the year ending 31.12.2017 in the prescribed form after taking into account the following adjustments

- Depreciate machinery by 10% and furniture by 5%.
- Write off preliminary expenses.
- Wages include Rs. 10,000 paid for the construction of a compound wall to the premises, and no adjustment was made.
- Provide 5% for bad debts on sundry debtors.
- Transfer Rs. 10,000 to general reserve.
- Provide for income tax Rs. 25,000.
- Stock on 31.12.2017 was Rs. 1,01,000.

#####