



# LOYOLA COLLEGE (AUTONOMOUS) CHENNAI – 600 034

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

**FOURTH SEMESTER – APRIL 2025**

**CO 4502 – COMPANY ACCOUNTS**



Date: 24-04-2025

Dept. No.

Max. : 100 Marks

Time: 09:00 AM - 12:00 PM

## SECTION A

**Answer ANY FOUR of the following**

**4 x 10 = 40 Marks**

1. Explain the provisions of Sec.80 relating to issue and redemption of redeemable preference shares.
2. Explain: (a) Capital Redemption Reserve (b) Pro-rata Allotment (c) Time Ratio (d) Marked Applications (e) Capital Reduction
3. Explain the various types of debentures.
4. The following is the Profit & Loss A/c of BB Patil Ltd., for the year ended 31/12/2020 :

Particulars	₹	Particulars	₹
To Salaries & Wages	1,28,000	By Gross profit	5,08,000
To Directors Fees	4,000	By Capital Profit on sale of Land	25,000
To Repairs	27,000	By Subsidy received from Government	50,000
To Depreciation (including Development Rebate Reserve Rs.16,000)	1,06,000		
To Scientific Research (New Laboratory set up)	20,000		
To General Expenses	15,000		
To Income Tax	1,00,000		
To Proposed Dividends	1,00,000		
To Interest on Debenture	24,000		
To Net Profit	59,000		
	<b>5,83,000</b>		<b>5,83,000</b>

Income tax authorities have allowed ₹ 82,000 as depreciation excluding development rebate. Calculate the remuneration payable to the managing director as per companies Act.

5. The Company issued for subscription 50,000 shares of ₹ 50 each at premium of ₹ 10 each. The entire issue was underwritten as follows:

X-30,000 shares (Firm underwriting – 5,000 shares)

Y-15,000 shares (Firm underwriting – 2,000 shares)

Z- 5,000 shares (Firm underwriting – 1,000 shares)

Out of the total issue 45,000 shares including firm underwriting were subscribed.

The following were the marked forms:

X-16,000 shares; Y-10,000 shares & Z-4,000 shares. Calculate the liability of each underwriter assuming shares are underwritten and treating firm underwriting as marked and unmarked applications.

6. Sri Ram Ltd. has the following balance sheet as on 1.4.2020

Liabilities	₹	Assets	₹
10,000 6% preference shares of ₹10 each	1,00,000	Buildings	2,00,000
30000 equity shares of ₹10each	3,00,000	Plant	2,00,000
General Reserve	1,00,000	Stock	1,00,000
P & L a/c	80,000	Debtors	1,00,000

Creditors	1,20,000	Cash at Bank	1,00,000
	<b>7,00,000</b>		<b>7,00,000</b>

The company decided to redeem its preference shares at 10% premium. For this purpose, it issued new 5,000 equity shares of Rs. 10 each at 10% premium. Show necessary journal entries and balance sheet.

7. A Company was incorporated on 30/06/2022 to acquire the business of M as from 01/01/2022. The accounts for the year ended 31/12/2022 disclosed the following:

(a) There was a Gross Profit of ₹ 2,40,000.

(b) The Sales for the year amounted to ₹ 12,00,000 on which ₹ 5,40,000 were for the first six months.

(c) The expenses debited to P & L A/c included:

Particulars	₹
Director's fees	15,000
Bad debts	3,600
Advertising (Under a monthly contract of ₹ 1,000)	12,000
Salaries	64,000
Preliminary expenses written off	5,000
Donation to political parties given by the company	5,000

Prepare a statement showing profit made before and after incorporation.

8. Vimal who has been carrying on a retail business for the past 20 years, intends selling his business on 31<sup>st</sup> December 2020. It is agreed between Vimal and the buyer that the latter pay ₹1,50,000 for goodwill. From the following particulars supplied by Vimal, calculate the value of goodwill if it were based on four years purchase of the average profits of the last five years including the profit of 2020. Profit earned : 2016-₹30,000; 2017-₹40,000; 2018-₹46,000; 2019-₹55,000; 2020-₹44,000. At the time of acquiring Vimal's business, the buyer was employed as the manager of a similar business on a salary of ₹1,000 per month. The profit of 2020 included income from investment ₹3,500 and the profit of 2017 had been reduced by ₹4,000 being loss on speculation. Similarly, the profits of 2019 had been reduced by ₹6,000 owing to loss from betting.

## SECTION B

Answer ANY THREE of the following

3 x 20 = 60 Marks

9. Manoj & Co was formed to acquire the business of Shanti whose Balance Sheet was as follows:

Liabilities	₹	Assets	₹
Creditors	4,000	Land	24,000
Capital	80,000	Furniture	5,000
		Stock	39,000
		Debtors	9,000
		Bank	7,000
	<b>84,000</b>		<b>84,000</b>

The purchase consideration was agreed at ₹ 1,00,000 which was to be paid as

- 2,800 equity shares of ₹ 20 each,
- ₹ 34,000 in preference shares of ₹ 100 each and
- the balance in cash.

The company raised further capital by issue of 7,500 equity shares of ₹ 20 each. After the receipt of all the money for shares issued, the company purchased buildings worth ₹ 80,000. Pass journal entries and balance sheet in the books of the company.

10. The following is the balance sheet of United Industries Ltd. on 31<sup>st</sup> Dec 2020.

Liabilities	₹	Assets	₹
Share capital:		Goodwill	45,000
6,000 6% Pref. shares of Rs.100 each	6,00,000	Land & Buildings	6,00,000

12,000 Equity shares of Rs.100 each	12,00,000	Plant & Machinery	9,00,000
8% Debentures	3,00,000	P&L A/c	7,00,000
Bank Overdraft	3,00,000	Stock	1,30,000
Sundry Creditors	1,50,000	Sundry Debtors	1,40,000
		Cash at bank	15,000
		Preliminary expenses	20,000
	<b>25,50,000</b>		<b>25,50,000</b>

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

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

Give journal entries incorporating the above scheme and prepare the balance sheet.

11. X Co. Ltd. was incorporated on 1-5-2022 to take over the business of M/s X and Y as a going concern as from 1-1-2022. The P&L A/c of the company for the year ending 31-12-2022 was as follows:

Particulars	₹	Particulars	₹
To Rent and Taes	12,000	By Gross Profit	1,55,000
To Insurance	3,000		
To Electricity Charges	2,400		
To Salaries	36,000		
To Directors' Fees	3,000		
To Auditors' Fees	1,600		
To Commission	6,000		
To Advertisement	4,000		
To Discount	3,500		
To Office Expenses	7,500		
To Carriage	3,000		
To Bank Charges	1,500		
To Preliminary Expenses	6,500		
To Bad Debts	2,000		
To Interest on Loan	3,000		
To Net Profit	60,000		
	<b>1,55,000</b>		<b>1,55,000</b>

The total turnover for the year ending December 31, 2022 was ₹ 5,00,000 divided into ₹ 1,50,000 for the period upto May, 1 2022 and ₹ 3,50,000 for the remaining period.

Prepare the statement showing profit prior to and after incorporation.

12. On 31<sup>st</sup> Dec. 2020 the balance sheet of a limited company disclosed the following position.

Liabilities	₹	Assets	₹
Issued capital in ₹ 10 shares	8,00,000	Fixed assets	10,00,000
Profit & Loss A/c	40,000	Current assets	4,00,000
Reserves	1,80,000	Goodwill	80,000
5% Debentures	2,00,000		
Current Liabilities	2,60,000		
	<b>14,80,000</b>		<b>14,80,000</b>

On Dec. 31, 2020, the fixed assets were independently valued at ₹ 7,00,000 and the goodwill at ₹ 1,00,000. The net profits for the three years were:

2018- ₹ 1,03,200; 2019- ₹ 1,04,000; and 2020 - ₹ 1,03,300 of which 20% was placed to reserve, this proportion being considered reasonable in the industry in which the company is engaged and where a fair return on investment may be taken at 10%. Compute the value of the company's share by (a) the net assets method and (b) the yield method.

13. Gowri Ltd. issued 40,000 shares of ₹ 10 each at a premium of ₹ 2 per share.

The shares were payable as follows:

₹ 2 on application; ₹ 5 on allotment (including premium); ₹ 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 shares were reissued as fully paid at ₹ 8 per share. Give necessary journal entries and show balance sheet.

14. Nayan Ltd. has Authorised Capital of ₹ 5,00,000 divided into shares of ₹ 100 each of which 2,500 shares were fully called up. The following are the balances extracted from the books of the company on 31.12. 2023.

Particulars	₹	Particulars	₹
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 31.3.2024)	6,720	Reserve	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		
	<b>6,60,270</b>		<b>6,60,270</b>

Prepare Final accounts of the company for the year ending 31.12.2023. The following adjustments are given:

(i) Closing stock was valued at ₹ 1,91,500.

(ii) Depreciation on plant at 15% and on furniture at 10% should be provided.

(iii) A tax provision of ₹ 8,000 is considered necessary.

(iv) The directors declared an interim dividend on 15.8.2023 for 6 months ending June 30, 2023 @ 6%.

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