LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

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

THIRD SEMESTER – **NOVEMBER 2019**

18/17/16UCO3MC01 – COMPANY ACCOUNTS

Date: 29-10-2019 Dept. No. Max. : 100 Marks

Time: 01:00-04:00

SECTION – A

Answer all the questions: **10×2=20**

1. What are Sweat Equity Shares?
2. Give Journal Entry when there is an Issue of Rs.1,00,000 – 9% Debentures at par but repayable at a premium of 5%.
3. What is capital redemption reserve?
4. The ledger accounts of AB Ltd show the following balances
   10% Redeemable Preference Share Capital – Rs.3,00,000
   General Reserve – Rs.80,000
   Securities Premium – Rs.20,000
   Profit and Loss Account- Rs.38,600
   Investment Allowance Reserve – Rs.50,000
   The Company redeems preference shares at a premium of 10% by issue of equity shares of Rs.10 each at a premium of 20%. Fresh issue is made in lots of 100 shares for such amount as it is necessary after utilizing the available resources to the maximum extent. Calculate number of fresh shares issued.
5. What are the objectives of financial statements?
6. From the following particulars of Ganga Ltd you are required to calculate Managerial Remuneration in the following situations
   a) There is only one whole time director
   b) There are two whole time director
   Net Profit before tax provision and managerial remuneration but after depreciation and provision of repairs – Rs.8,70,410. Depreciation – Rs.3,10,000 Repairs Provision – Rs.25,000 Depreciation Allowable – Rs.2,60,000 and Actual Repairs – Rs.15,000
7. What is acquisition of business?
8. PQ Ltd took over the business of P and Q as a going concern and agrees to pay the partners the following
   i) 50,000 equity shares of Rs.10 each at a premium of 20%
   ii) 1,000 8% redeemable preference shares of Rs.100 each at 5% discount.
   iii) Rs.75,000 in cash.

   Compute Purchase Consideration.
9. List out the methods of valuing shares.
10. A Company with a share capital of Rs.5,00,000 divided into 10,000 shares of Rs.50 each on which Rs.35 per share are paid up, decides to consolidate into equity shares of Rs.100 each, Rs.70 paid up. Pass Journal Entries.

SECTION – B

Answer Any FOUR Questions **4×10=40**

11. Discuss the terms and conditions for buy-back of shares.

12. Z ltd issued 50,000 equity shares of Rs.10 each. Of which 40,000 shares were underwritten as follows
    A-15,000 Shares B-15,000 Shares C-10,000 Shares
    Underwriters decided to firm underwrite the following shares: A – 1,000 shares B – 1,500 Shares C – 1,000 Shares.
    Total Subscription excluding firm underwriting but including marked applications amounted to 41,000 shares. The marked applications included in the above were A-11,000 Shares B-12,000 Shares and C-6,000 Shares.
    Determine Underwriter's Liability assuming firm underwriting is treated as Marked.

13. The Balance sheet of Karol Industries Ltd., as on 31st March, 2018 was as follows:

Liabilities	Amount	Assets	Amount
2,000 Preference Shares of Rs.100 each	2,00,000	Goodwill	15,000
4,000 Equity Shares of Rs.100 each	4,00,000	Freehold Properties	2,00,000
5% Mortgage Debentures	1,00,000	Plant & Machinery	3,00,000
Bank Overdraft	50,000	Stock	50,000
Creditors	1,00,000	Debtors	40,000
		P & L A/c	2,45,000
	8,50,000		8,50,000

The company got the following scheme of capital reduction approved by the court:

a. The preference shares to be reduced to Rs.75 per share fully paid up and equity shares to Rs.37.50.
b. The debenture holders took over the stock and book debts in full satisfaction of the amount due to them.
c. The goodwill is to be eliminated.
d. The freehold properties to be depreciated by 50%.
e. The value of the plant and machinery to be increased by Rs.50,000

Give journal entries for the above and prepare the revised balance sheet.

14. A Company incorporated on May 1,2010 acquired a business with effect from 1st January 2010. The general expenses are Rs.14,220. Director remuneration is Rs.1,000 per month. Formation expenses amounted to Rs.1,500. Rent, which till June 30th 2010 was Rs.100 per month was increased to Rs.3,000 per annum from 1st July 2010. The Manager of the earlier firm whose salary was Rs.500 per month was made a director upon the incorporation and his remuneration thereafter is included in the figure of directors' remuneration. The first accounts are closed on 30th September 2010. The Gross profit for the period was Rs.56,000. Prepare profit and loss statement and ascertain pre and post incorporation profits assuming that the net sales were Rs.8,40,000. the monthly average for the first four months of 2010 being one-half of the remaining period.

15. From the data relating to a company in voluntary liquidation, you are asked to prepare liquidator's final statement of account.
    i) Cash with liquidator is Rs.6,73,800 (After all assets are realized and secured creditors and debenture holders are paid)
    ii) Preferential Creditors – Rs.30,000
    iii) Other unsecured creditors – Rs.2,15,000
    iv) 4,000 6% preference shares of Rs.100 each, fully paid.
    v) 2,000 equity shares of Rs.100 each, Rs.75 per share paid up.
    vi) 6,000 equity shares of Rs.100 each, Rs.60 per share paid up.
    vii) Liquidator's Remuneration 2% on preferential and unsecured creditors.
    viii) Preference Dividends were in arrears for 2 years and it is payable on liquidation.

16. On 1st July 2018 Akbar Co Ltd., purchased the business of Ramesh (sole trader) taking over all the assets with the exception of book debt amounting to Rs.1,25,000 and creditors amounting to Rs.75,000. The company undertook to collect all the book debts and pay off the creditors and for this service, it has to be paid commission of 3% amount collected and 1% on amount paid. The debtors realized Rs.1,12,000 out of which Rs.68,000 was paid to creditors in full settlement. The company was able to collect Rs.5,000 debt which was previously written off as bad debt by the sole trader. The company was also forced to meet a contingent liability of Rs.3,000 on account of a claim against the vendor for damages. The vendor received Rs.30,000, 10% debentures of Rs.100 each at Rs.95 and the balance in cash in settlement of his account with the company. Journalise the above transaction in the books of the company.

17. Explain the various methods of valuation of goodwill.

SECTION – C

Answer Any TWO Questions **2×20=40**

18. Sun Ltd issued a prospectus inviting application for 2,00,000 shares of Rs.10 each at a premium of Rs.5 per share, payable as follows:
On application – Rs.2.5 per share;
On allotment – Rs.7.5 per share (including premium);
On 1st call – Rs.4 per share;
On final call – Rs.1 per share.
Applications were received for 3,00,000 shares and allotment was made pro-rata to the application of 2,40,000 shares, the remaining applications being refused. Dravid to whom 4,000 shares were allotted failed to pay allotment money and on his failure to pay first call, his shares were forfeited. Madhavan, the holder of 6,000 shares failed to pay the two calls and so his shares were forfeited. All these shares were sold to Rupert, credited as fully paid for Rs.8 per share.
Pass journal entries to record the above issue of shares.

19. The balance sheet of Murari Ltd as on 31st March 2013, was as follows

Liabilities		Rs	Assets	Rs
Share Capital – 10,000 equity shares of Rs.10 each		1,00,000	Fixed Assets	1,30,000
1,000 Preference shares of Rs.100	1,00,000		Investments	30,000
(-) Call in arrears on 100 shares	2,000	98,000	Stock	20,000
Securities Premium Account		12,000	Debtors	50,000
Reserve Fund		29,600	Bank	40,600
Profit and Loss Account		10,000		
Creditors		21,000		
Total		2,70,600		2,70,600

On 1st April 2013, fixed assets costing Rs.20,000 were sold for Rs.18,000. On the same date, it was decided to redeem the preference shares at premium of 20% by issuing sufficient number of equity shares subject to leaving a balance of Rs.10,000 in reserve fund. All payments were made except to a shareholder of 50 shares who could not be traced. The Company also made a bonus issue to the existing shareholders in the ratio of 1:10. Give necessary entries and prepare balance sheet.

20. The following balances are extracted from the books of Regency Ltd as on 31st March 2014.

Trial Balance as on 31st March 2014

Particulars	Debit (Rs.)	Credit (Rs.)
Stock on 1st April 2013	51,000	
Purchases	8,10,000	
Sales		11,10,000
Manufacturing Expenses	1,80,000	
Salaries and Wages	26,400	
General Charges	11,000	
Interest		2,600
Profit and Loss Account		30,000
Director’s Fee	1,400	

Dividend for 2012-2013	18,000	
Buildings	1,00,000	
Plant and Machinery	70,000	
Furniture	10,600	
Motor vehicles	40,800	
Stores and Spares	30,000	
Bills Receivables	45,000	
Book Debts	1,14,000	
Investments	8,000	
Share Capital		1,44,000
Pension Fund		46,000
Dividend Equalization Fund		20,000
Tax provision		17,000
Unclaimed Dividends		2,000
Deposits		3,200
Trade Creditors		2,48,000
Cash at Bank	1,06,600	
	16,22,800	**16,22,800**

Additional Information

1. Stock on 31st March 2014 – Rs.73,200
2. Outstanding Manufacturing expenses – Rs.45,000 and Outstanding Wages – Rs.3,000
3. Interest accrued on investments – Rs.400
4. General Charges prepaid – Rs.1,500
5. Provision of Depreciation on building at 2%, Plant and Machinery – 10%, Furniture – 10% and Motor Vehicle – 20%.
6. For current year provide for tax at 40% of net profit.

Prepare Statement of Profit or Loss and Balance Sheet.

21. The following is the balance sheet of Kandagiri Mills Ltd as on 31st March 2010

Liabilities	Rs	Assets	Rs
Equity share Capital	7,00,000	Goodwill	1,00,000
10% Preference Share Capital	5,00,000	Land and Buildings	5,00,000
12% Debentures	3,00,000	Plant and Machinery	6,00,000
Reserves	2,00,000	Investment at Cost (Market value Rs.5,00,000)	3,00,000
Sundry Creditors	1,50,000	Stock	2,50,000
Other current liabilities	50,000	Debtors	10,0,000
		Bank	50,000
Total	19,00,000	Total	19,00,000

Goodwill, Land and Buildings and Plant and Machinery were valued at Rs.1,50,000, Rs.6,00,000 and Rs.5,75,000 respectively. The Profit after tax earned by the company in the last 3 years are 2008 – Rs.2,40,000, 2009 – Rs.3,00,000 and 2010 – Rs.3,25,000. Use weighted average profit for valuation of shares. Normal rate of return is 15%. Face value of Shares is Rs.100. Compute fair value of equity share.