LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

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

THIRDSEMESTER – APRIL 2017

CO 3502- COMPANY ACCOUNTS

Date: 02-05-2017   Dept. No.   Max. : 100 Marks
Time: 09:00-12:00

Section-A

Answer all the questions:- **(10 x 2 = 20marks)**

1. What do you mean by Over-Subscription?
2. A ltd issued 5,000, 10% Debentures of Rs.100 each payable in full on application itself. What journal entries will be made if debentures are issued at 10% premium?
3. What is Bonus Share?
4. Who is an underwriter?
5. Give the meaning of Unclaimed dividend.
6. What is Sales ratio and Time ratio?
7. What do you understand by the term managerial remuneration?
8. What is purchase consideration?
9. Define Goodwill.
10. Write a note on Capital reduction.

Section-B

Answer any four questions **(4 x 10 = 40marks)**

11. Briefly explain the various methods of valuing shares and goodwill.
12. a) What are the conditions to be adhered while issuing shares at discount?
    b) What are the ways in which the securities premium amount can be utilised?
13. CD Ltd. had issued 1,50,000, 10% preference shares of 10 each, redeemable at a premium of 10% on 31.12.2010. The dividend for 2010 is yet to be paid. The company has adequate balance in general reserve. To provide funds for redemption, the company
    Sold investments costing Rs.2,00,000 for Rs.3,00,000
    Issued for cash 2,500, 15% debentures of Rs.100 at par
    Issued 50,000 equity shares of Rs.10 each at a premium of Rs.4 per share.
    The payment of dividend, premium and capital was duly carried out.
    Show journal entries.
14. Determine the maximum remuneration payable to the part time director and the manager of B Ltd.,. Before charging any such remuneration, the P & L A/c showed a credit balance of Rs.23,10,000 for the year ended 31st March 2007 after taking into account the following:-

Capital expenditure	5,25,000
Subsidy received from government	4,20,000
Special depreciation	70,000
Multiple shift allowance	1,05,000

Bonus to foreign technicians	3,15,000
Provision for taxation	28,00,000
Compensation paid to injured workman	70,000
Ex-gratia to an employee	35,000
Loss on sale of fixed assets	70,000
Profit on sale of Investment	2,10,000

Company is providing depreciation as per the Companies Act.

15. A Co' Ltd., has an authorised capital of Rs.50,00,000/- divided into 1,00,000 equity share of Rs.50/- each. The company issued for subscription 50,000 shares at a premium of Rs.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 – 10,000shares and Z – 4,000 shares.
    Calculate the liability of each underwriter.

16. On 1st January, 1998 McLaren Ltd., purchased all the assets and liabilities of Madan but did not take over vendors debtors of Rs.47,500/-. It undertook the responsibility of collecting them and out of this proceeds pay vendors creditors ofRs..30,000/-. The company gets a commission for the service @ 5% on payments and 10% on realisation. The company realised such a debt of Rs.400/- which was previously declared as bad debt. The company has also to pay a contingent liability of Rs.2,000/- on account of a claim against the vendors for damages. Realisation from debtors amounted to Rs.45,000/- and out this amount Rs.28,000/- were paid to creditors in full settlement of their account. Pass the necessary journal entries in the books of the purchasing company.

17. New Venture Ltd was incorporated on 1st January, 2000 with an authorized capital consisting of 5,000 equity shares of Rs.10 each to take over the running business of Rundown Brothers as from 1st October, 1999. The following is the summarised profit and loss account for the year ended 30th September 2000.

Particulars	Amount	Particulars	Amount
To Cost of Sales for the year	16,000	By Sales:	
To Administration Expenses	1,768	01 / 10 / 1999 to 31 / 12 / 1999	6,000
To Selling Commission	875	01 / 01 / 2000 to 30 / 09 / 2000	19,000
To Goodwill – Written Off	200		
To Interest paid to Vendors (loan settled on 1st February)	373		
To Distribution Expense (60% Variable)	1,250		
To Preliminary Expense (Written Off)	330		
To Debenture Interest	320		
To Depreciation	444		
To Directors Fees	100		
To Net Profit	3,340		
	25,000		25,000

The company deals in one type of product. The unit cost of sales was reduced by 10% in the post-incorporation period as compared to pre-incorporation period in the year.You are required to apportion the net profit amount between pre-incorporation and post-incorporation periods showing the basis of apportionment.

Section-C

Answer any two questions **(2 x 20 = 40marks)**

18. A company issued for public subscription 40,000 equity shares of Rs.10 each at a premium of Rs.2 per share payable as:

On application	Rs. 2 per share
On allotment	Rs. 5 per share (including premium)
On first call	Rs. 2 per share
On second call	Rs. 3 per share

Applications were received for 60,000 shares. Allotment was made prorata to the applicants for 48,000 shares, the remaining applications being refused. Money overpaid on applications was utilized towards amount due on allotment.
Sri Ramdas to whom 1,600 shares were allotted failed to pay the allotment money and first and second call money and ShriHussain to who 2,000 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 ShriByramjee as fully paid up at Rs.8 per share.
Show journal entries to record the above transactions.

19. S Co Ltd has a nominal capital of Rs.5,00,000 in equity share of Rs.10 each. On 31st March 2014, 25,000 shares were fully called up. The following balances were extracted from the books of the company as on 31st March 2014.

	Rs.		Rs.
Stock	50,000	Printing and stationery	2,400
Sales	4,25,000	Advertisement	3,800
Purchases	3,00,000	Bonus	10,500
Wages (Productive)	70,000	Debtors	38,700
Discount allowed	4,200	Creditors	35,200
Discount received	3,150	Plant and machinery	80,500
Insurance upto 30.6.2014	6,720	Furniture	17,100
Salaries	18,500	Cash at bank	1,34,700
Rent	6,000	General reserve	25,000
General expenses	8,950	Loan from managing directors	15,700
Profit and loss a/c (cr)	6,220	Bad debts	3,200
		Calls in arrears	5,000

You are required to prepare trading and profit and loss account for the year ended 31st March, 2014 and the balance sheet in the prescribed form as per schedule 3 of the companies Act as on that date. The following further information is given to you:

i. Closing stock was Rs.91,500
ii. Depreciation is to be charged on plant and machinery and furniture at 15% and 10% respectively.
iii. Outstanding liabilities on 31st March 2014 were:
Wages Rs. 5,200; Salary Rs.1,200; and Rent Rs.600
iv. Dividend for the year ended 31st March 2014 at 5 % is to be provided.
v. Make a provision for taxation at 50%

20. On 31st December, 2015, the balance sheet of a limited company disclosed the following:

Liabilities	Amount	Assets	Amount
Issued Capital in Rs.10 shares	4,00,000	Fixed Assets	5,00,000
Reserves	90,000	Current Assets	2,00,000
Profit & Loss A/c	20,000	Goodwill	40,000
5% Debentures	1,00,000		
Current Liabilities	1,30,000		
	7,40,000		7,40,000

On 31st December, 2015 the fixed assets were independently valued at Rs.3,50,000/- and the goodwill at Rs.50,000/-. The net profits for the three years were:
2013 – Rs.51,600; 2014 – Rs.52,000/-; and 2015 – Rs.51,650 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 investment return may be taken at 10%. Compute the value of the company's share by a) Net Asset Method; and b) Yield Method.

21. The balance sheet of National Industries Ltd on 31st December, 2000 was as under:

Liabilities	Rs.	Assets	Rs.
Share capital		Good will	15,000
2,000 preference shares of Rs.100 each	2,00,000	Freehold premises	2,00,000
4,000 equity shares of Rs.100 each	4,00,000	Plant and machinery	3,00,000
5 % Debentures	1,00,000	Stock in Trade	50,000
Bank overdraft	50,000	Debtors	40,000
Creditors	1,00,000	Profit and loss account	2,45,000
	8,50,000		8,50,000

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

i. The preference shares are to be reduced to Rs.75 per share, fully paid up and equity shares to Rs.37.50.
ii. Debenture holders took over the stock-in-trade and book debts in full satisfaction of the amount due to them.
iii. The goodwill account to be eliminated.
iv. The freehold premises to be depreciated by 50%
v. The value of plant and Machinery to be increased by Rs.50,000

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

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