LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

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

THIRD SEMESTER – **NOVEMBER 2017**

16UCO3MC01 – COMPANY ACCOUNTS

Date: 04-11-2017 Dept. No. Max. : 100 Marks

Time: 09:00-12:00

Part – A

Answer ALL Questions: **(10x2=20)**

1. What is meant by forfeiture of shares?
2. What is meant by redeemable preference shares?
3. Redeemable preferences shares to be redeemed Rs.10,000. Premium on redemption 10%. Divisible profits available – Rs.2,000. Fresh issue of shares is to be made at 25% premium. Find out the number of fresh issue of shares to be made.
4. What is corporate dividend tax?
5. What are divisible profits?
6. What is purchase consideration?
7. From the following information calculate the intrinsic value of equity share: Sundry Assets- Rs. 12,60,000, Current liabilities – Rs.2,10,000, Preference share capital – Rs.4,00,000, Number of equity shares -60,000.
8. C Ltd. acquired the business of Kamal & Co., for a consideration of Rs.5,00,000. The vendors were paid Rs.1,40,000 in cash and the balance in 10% Debentures of Rs.100 each, issued at 90%. Give journal entries.
9. Define goodwill.
10. What is meant by Alteration Share Capital?

Part – B

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

11. What is Security Premium? State the provisions for the utilization of security premium account.
12. Discuss the SEBI guidelines for the issue of bonus shares.
13. C Ltd. issued 10,50,000 equity shares of Rs.10 each to the public. M, N & L have agreed to underwrite the entire issue in the ratio of 3:1:1 and also agreed for firm underwriting of Rs.30,000; 20,000 and 10,000 respectively. The underwriting commission was fixed at 2%. The amount payable on application was Rs.2.50 per share. The details of subscription are:
    Marked forms of M – 5,50,000 shares
    Marked forms of N – 2,00,000 shares
    Marked forms of L – 1,50,000 shares
    Unmarked forms – 50,000 shares.
    You are required to show the liability of underwriters and determine the commission payable to the underwriters.

14. A company was incorporated on 1st May 2004 acquiring the business of a sole trader with effect from 1st January 2004. The accounts of the company were closed for the first time on 30th September 2004, disclosing a gross profit of Rs.1,68,000. The establishment expenses were Rs.42,600, director’s fees Rs.3,000 per month, preliminary expenses written off Rs.4,000, rent up to June 2004 was Rs.300 per month which was thereafter increased to Rs.750 per month. Salary to the manager was at Rs.1,500 per month who was appointed a director at the time of incorporation of the company.

Prepare a statement showing profits prior and subsequent to incorporation assuming that the net sales were Rs.24,60,000, the monthly average of which for the first four months of 2004 was half of that of the remaining period.

15. Determine the maximum remuneration payable to the part time directors and Manager of Bharat Ltd. (a manufacturing company) under the provisions of the Companies Act from the following particulars:
Before charging any such remuneration, the profit & loss account showed a credit balance of Rs.23,05,000 for the year ended 31st March 2008 after taking into account the following matters:

	Rs.
(i) Profit on sale of investments	2,05,000
(ii) Subsidy received from government	4,10,000
(iii) Loss on sale of fixed assets	65,000
(iv) Ex-gratia to an employee	30,000
(v) Compensation paid to injured workman	75,000
(vi) Provision for taxation	2,79,000
(vii) Bonus to foreign technicians	3,12,000
(viii) Multiple shift allowance	1,00,000
(ix) Special depreciation	75,000
(x) Capital expenditure	5,10,000

Company is providing depreciation as per Section 350 of the companies Act.

16. On 1st January 1998, Gavin Larsen 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 realisation pay vendors' creditors of Rs.30,000. Company gets commission for the service @ 5% on payments and 10% on realisation. Company realised such a debt of Rs.400 which was previously declared ad bad debt. 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 of 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. The following is the Balance Sheet of X Co. Ltd. As on 31.12.2006.

Liabilities	**Rs.**	**Assets**	**Rs.**
Share capital: 1,000 6% pref. shares of Rs.10 each 3,000 equity shares of Rs.10 each	 10,000 30,000	Fixed assets Current assets	30,000 25,000
7% debentures	10,000	Preliminary expenses	2,000
Debenture redemption fund	5,000	Discount on issue of debentures	3,000
Depreciation fund	10,000	Profit & loss A/c	12,000
Creditors	7,000		
Total	72,000	Total	72,000

You are supplied with the following information.

(a) Debenture interest is due for one year.

(b) Book debts included in current assets are doubtful to the extent of Rs.2, 000 for which no provision has been made.

(c) The market value of investments included in current assets is Rs.10,000, while the asset has been shown at its cost of Rs.15,000.

Ascertain the value of each equity share by the asset-backing method.

Part – C

Answer any TWO Questions: **(2x20=40)**

18. On 1st April 2009, ABC Ltd. Issued 1,00,000 equity shares of Rs.10 each at Rs.12 per share payable as to Rs.5 on application, Rs.4 on allotment and the balance on call to be made on 1st July 2009. 1,40,000 applications were received. Of the application money received Rs.80, 000 was returned and Rs.1,20,000 was applied towards the allotment. All the share holders paid the call due with exception of one share holder for 1000 shares. These shares are forfeited and reissued as fully paid at Rs.8 per share. Pass journal entries in the books of ABC Limited. and prepare the balance sheet.

19. The following is the summarised balance sheet of Don Bosco Ltd. As on 31st March 2008:

Liabilities	Rs.	Assets	Rs.
Share capital: **Authorised:** 15,000 6% Redeemable Preference shares of Rs.10 each 50,000 Equity shares of Rs.10 each **Paid up capital:** 11,000 6% Redeemable Preference Shares of Rs.10 each 30,000 Equity Shares of Rs.10 each fully paid	 1,50,000 5,00,000 1,10,000 3,00,000	Sundry assets Bank	6,20,000 2,10,000
Profit & Loss A/c	2,00,000		
Reserve Fund	2,00,000		
Sundry Creditors	20,000		
Total	8,30,000	Total	8,30,000

On 6th April 2008, the preference shares were redeemed at a premium of Rs.4 per share. The company could not trace the holders of 1,200 preference shares. On 8th April 2008, a bonus issue of one fully paid equity share for four shares held was made. Show the journal entries to record the above transactions and also prepare balance sheet after redemption.

20. Following balances have been extracted from the books of Jenins Company Ltd.as on 31st March 2014:

Particulars	Dr. Rs.	Cr.Rs.
Machinery	1,60,000	--------
Land & Building	6,74,000	--------
Depreciation on machinery	16,000	--------
Purchases (adjusted)	4,00,000	--------
Closing stock	1,50,000	--------
Wages	1,20,000	--------
Sales	------	10,00,000

Salaries	80,000	--------
Bank overdraft		2,00,000
10% Debentures(issued on 1st April 2013)		1,00,000
Equity share capital- shares of Rs.100 each(fully paid)		2,00,000
Preference share capital-1,000 6% shares of Rs.100 each (fully paid)		1,00,000
Total	16,00,000	16,00,000

The Board of Directors of Jenins Company Ltd. had decided to make the following appropriations:

(i) To declare an equity dividend @ 10% on paid up capital.

(ii) To pay dividend on the preference share capital in full.

(iii) To transfer Rs.2,00,000 to general reserve.

Prepare statement of profit and loss account for the year ended 31st March 2014 and the Balance sheet as at that date in the revised form. Ignore the income tax.

21. The following is the Balance Sheet of United Industries Ltd. On 31st Dec 2008.

Liabilities	**Rs.**	**Assets**	**Rs.**
Share Capital: 6000 6% preference shares of Rs.100 each 12,000 equity shares of Rs.100 each	 6,00,000 12,00,000	Goodwill	45,000
8% Debentures	3,00,000	Land & building	6,00,000
Bank overdraft	3,00,000	Plant & Machinery	9,00,000
Sundry Creditors	1,50,000	Stock	1,30,000
		Debtors	1,40,000
		Cash	15,000
		Profit&loss A/c	7,00,000
		Preliminary expenses	20,000
Total	25,50,000	Total	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 & building 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 reconstructed Balance sheet.

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