LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

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

THIRD SEMESTER – **NOVEMBER 2017**

CO 3502 – COMPANY ACCOUNTS

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

Time: 09:00-12:00

PART- A

Answer ALL Questions: **(10 X 2 = 20)**

1. What is meant by "Allotment of Shares"?
2. Distinguish between "Marked and Un-marked Applications".
3. What is the meaning of "Redeemable Preference Shares"?
4. What is "Managerial Remuneration"?
5. What is "purchase consideration"?
6. Y Ltd. forfeited 1,000 equity shares of Rs.10 each, issued at a discount of 10% for non-payment of the first call of Rs.2 and the final call of Rs.3 per share. Show the necessary journal entry.
7. G Ltd. issued 60,000, 6% Debentures of Rs.100 each. 60% of the issue was underwritten by B. Applications for 56,000 debentures were received by a company. Determine the liability of B.
8. Redemption of 10,000 preference shares of Rs.100 each was carried out of reserves and out of the issue of 4,000 shares of Rs.100 each @ Rs.95. What is the amount of capital redemption reserve required?
9. A firm earns a profit of Rs.40,000 and has invested capital amounting to Rs.3,00,000. In the same class of business, normal rate of earning is 10%. Calculate goodwill according to capitalization method.
10. In order to eliminate the accumulated losses of Rs.45,000 from the balance sheet, a company has decided to convert its 15,000 7% preference shares of Rs.10 each into 6% preference shares of Rs.10 each, Rs.6 per share paid. Give journal entries to record the above transactions.

PART- B

Answer any FIVE Questions: **(5X 8= 40)**

11. Explain the provisions of the Companies Act regarding redemption of preference shares.
12. Discuss the procedure to be followed for reducing share capital.
13. B Ltd., invited applications for 10,000 shares of Rs.100 each at a discount of 6% payable as follows: On application Rs.30; on allotment Rs.24; on first and final call Rs.40. Applications were received for 9,500 shares and all these were accepted. All moneys due were received except the final call on 250 shares which were forfeited. 150 of the forfeited shares were reissued at Rs.80 per share as fully paid. Give journal entries to record the above transactions and also prepare the balance sheet.

14. U Ltd. issued 1, 00,000 shares which were underwritten as follows: A- 40%; B-30%; C- 20%. The underwriters made firm underwriting as follows: A- 7,500 shares; B-5,000 shares; C- 12,500 shares. The total subscription excluding firm underwriting, but including marked applications were for 50,000 shares as under: A- 20,000 shares; B-12,500 shares; C- 5,000 shares. Prepare a statement showing the liability of underwriters.

15. On 31/12/2016 the balance sheet of S Ltd. stood as follows:

Liabilities	**Rs**	**Assets**	**Rs**
Equity Share Capital	5,00,000	Sundry assets	7,60,000
Redeemable Preference Share Capital	2,00,000	Bank	1,90,000
General Reserve	1,50,000		
Sundry Creditors	1,00,000		
	9,50,000		**9,50,000**

On the above date, the preference shares had to be redeemed. For this purpose, 1,000 equity shares of Rs. 100 each were issued at Rs.110. The shares were immediately subscribed and paid for. The preference shares were duly redeemed. Give journal entries to record the above transactions and also prepare the balance sheet after redemption.

16. X Ltd. had a balance of Rs.1,50,000 in its Profit and Loss account on 1st April 2016. During 2016-17, its profit before tax amounted to Rs. 15,25,000. The income tax provision for the year amounted to Rs. 6,95,000. The company decided to transfer Rs. 1,20,000 to General reserve, Rs. 1,75,000 to sinking fund for redemption of debentures and to pay a dividend for the financial year at the rate of 10%. The company's share capital consisted of 6,00,000 shares of Rs. 10 each. Show the notes to account of reserves and surplus.

17. The following is the balance sheet of S Ltd. as at 30/04/2017:

Liabilities	**Rs**	**Assets**	**Rs**
20,000 Equity Shares of Rs.10 each	2,00,000	Fixed assets	3,60,000
10% Preference Share Capital	1,00,000	Goodwill	20,000
Reserves (including provision for tax Rs. 20,000)	2,00,000	Investments (5% Government bonds)	40,000
9% Debentures	1,00,000	Current assets	2,00,000
Sundry Creditors	35,000	Preliminary expenses	15,000
	6,35,000		**6,35,000**

The average profit of the company after tax is Rs.62,000. Fixed assets are undervalued by Rs.10,000. Normal rate of return is ascertained to be 10%. You are required to value the goodwill of the company at four times of the super profits.

18. Discuss in detail the different methods of calculating Purchase Consideration with suitable examples.

PART- C

Answer any TWO Questions: **(2X 20 = 40)**

19. From the under mentioned Trial Balance of B Ltd. prepare Statement of Profit and Loss A/c for the year ended 31/12/2016 and the Balance Sheet as on that date:

Debit Balance	Rs	Credit Balance	Rs
Opening stock	30,000	Equity share capital 1,000 shares of Rs.100 each	1,00,000
Rent & taxes	6,000	5% Debentures	25,000
Purchases	60,900	Sales	1,75,000
Wages	55,200	Creditors	8,000
Discount	1,500	Bank Overdraft	12,000
Fuel	2,570	Discount	2,200
Building	70,000	Transfer fee	100
Carriage inwards	1,175	Returns inwards	100
Debtors	20,000		
Goodwill	28,000		
Plant & Machinery	25,000		
Loose tools	6,000		
Advertisement	3,000		
General expenses	4,400		
Bad debts	1,030		
Debenture interest (for half year)	625		
Miscellaneous expenses	3,000		
Insurance	1,000		
Cash	3,000		
	3,22,400		**3,22,400**

Additional Information:

a) The authorized capital of the company is Rs.2,00,000.

b) Stock on 31/12/2016 is Rs.2,00,000.

c) Depreciate Plant & Machinery at 9% and revalue Tools at Rs. 4,100.

d) Allow 2.5% discount on debtors and 2% as bad debts reserve.

20. S Ltd. had the following Balance Sheet as on 31/12/2016. From the following reconstruction scheme was approved, give journal entries for the reconstruction and the final Balance Sheet.

Liabilities	Rs	Assets	Rs
Equity Shares of Rs.100 each	4,00,000	Fixed assets	3,00,000
6% Preference Share of Rs.100 each	2,00,000	Goodwill	60,000
Debentures	1,00,000	Stock	1,50,000
Sundry Creditors	1,50,000	Debtors	60,000
		Discount on Debentures	10,000
		Bank	1,000
		P&L A/c	2,69,000
	8,50,000		**8,50,000**

a) Preference shares to be reduced to 8% preference shares of Rs.60 each.

b) Equity share is to be reduced by Rs.80 each.

c) The amount thus made available to be utilized to write off fictitious assets including goodwill and Rs.50,000 from fixed assets.

21. A Company was incorporated on 30/06/2016 to acquire the business of M as from 01/01/2016. The accounts for the year ended 31/12/2016 disclosed the following:

a) There was a Gross Profit of Rs.2,40,000.
b) The sales for the year amounted to Rs.12,00,000 of which Rs.5,40,000 were for the first six months.
c) The expenses debited to P & L A/c included:

Particulars	**Rs**
Directors' fees	15,000
Bad Debts	3,600
Advertising (under a monthly contract of Rs.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.

22. X Co. Ltd., had 10,000 equity shares of Rs.10 each fully paid and 5,000 7% redeemable preference shares of Rs.10 each fully paid, redeemable at a premium of 10%. It had credit balance of Rs.40,000 on profit and loss account and Rs.50,000 on general reserve.

The company resolved:

i. To issue 3,000 equity shares of Rs.10 each at Rs.12 per share in order to provide part of the funds for the redemption of the preference shares.
ii. To redeem the preference shares.
iii. To make a bonus issue of one share for every two held by the existing equity shareholders from the general reserve. The resolutions were carried into effect.

You are required to pass journal entries and prepare ledger accounts and also show the share capital and reserves of the company as they would appear in its balance sheet after the completion of the redemption.