



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.B.A. DEGREE EXAMINATION – BUSINESS ADMINISTRATION

FOURTH SEMESTER – APRIL 2017

BU 4502/ BU 4504 - COMPANY ACCOUNTS

Date: 25-04-2017
Time: 09:00-12:00

Dept. No.

Max. : 100 Marks

PART - A

Answer all Questions: (10 x 2 = 20 Marks)

1. What is Rights Issue ?
2. What are the reasons for buyback of shares ?
3. Write the journal entry for Bonus issue of shares.
4. List out 4 items that are not deducted from profit while calculating managerial remuneration.
5. What is weighted sale ratio ?
6. What do you mean by acquisition of business ?
7. List out the three methods for calculating Goodwill under Super Profit method.
8. A firm earns a profit of Rs.40,000, and has invested capital amounting to Rs3,00,000. In the same class of business, normal rate of earning is 10%. Calculate goodwill according to capitalization method.
9. Pradeep ltd has taken over the business of Mr. Sandeep and agreed to pay the purchase price as given below:
 - (a) 2,800 shares of Rs.50 each fully paid at Rs.60 per share.
 - (b) Rs.25,000 in 8% preference shares of Rs.100 each issued at premium of 25% and
 - (c) Rs.20,000 in cash.
10. Rajan, a small scale industrialist decided to convert his firm into a limited company with effect from 1st April 1996. But he obtained the certificate of incorporation on 1st August 1996 and the certificate to commence business on 1st October 1996. His accounts were closed on 31st December 1996.

Part – B

Answer any Four Questions :(4x10=40 Marks)

11. Briefly explain the different types of underwriting.
12. List out the Differences between stock and share.
13. What are the need for valuation of Goodwill ?
14. 'A' Co Ltd., was incorporated on May 1, 2008 to take over the business of 'X' & Co as going concern from January 1, 2008. The profit and loss account for the year ending December 31, 2008 was as follows:

Profit and Loss Account of 'A' Co., Ltd., for the year ended 31-12-2008

Particulars	Debit Rs.	Particulars	Credit Rs.
To Rent and Taxes	12,000	By Trading account	
To insurance	3,000	(Gross profit)	1,55,000
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	
	1,55,000	1,55,000
	1,55,000	1,55,000

The total turnover for the year ending December 31, 2008 was Rs.5,00,000 divided into Rs.1,50,000 for the period upto may 1, 2008 and Rs.3,50,000 for the remaining period.

Apportion the year's profit between the pre and post incorporation periods.

15. Following details are available about the business of sugar Ltd.,

- (i) Profit : 1994 – Rs.80,000; IN 1995 – Rs.1,00,000; In 1996 – Rs.1,20,000;
- (ii) Non-recurring income of Rs.8,000 is included in the profit of 1995
- (iii) Profit of 1994 have been reduced by Rs.12,000 because goods were destroyed by fire:
- (iv) Goods have not been incurred but it is thought prudent to insure them in future. The insurance premium is estimated at Rs.800 per year.
- (v) Reasonable remuneration of the proprietor of the business is Rs.12,000 per year but it has not been taken into account for calculation of above mentioned profits.
- (vi) Profit of 1996 include Rs.1,000 income on investment. Calculate goodwill on the basis of three years purchase of the average profit of last three years.

16. The Balance sheet of Exchange ltd., as on 31-3-2009 was as follows:

Liabilities	Rs.	Assets	Rs.
Share capital :		Sundry assets	9,20,000
50,000 equity shares of Rs. 10		Bank balance	6,00,000
Each fully paid	5,00,000		
4,000, redeemable preference			
Shares of Rs.100 fully paid	4,00,000		
Profit and loss A/c	5,20,000		
Creditors	1,00,000		
	15,20,000		15,20,000
	15,20,000		15,20,000

On the above date, the preference shares were redeemed at a premium of 10%. You are required to pass journal entries and give the amended balance sheet.

17. ABC Company Ltd., passed resolution and got court permission for the reduction of its share capital by Rs.5,00,000 for the purpose mentioned as under :

- (i) To write off the debit balances of P&L A/c of Rs.2,10,000
- (ii) To reduce the value of plant and machinery by Rs.90,000 and goodwill by Rs.40,000.

(iii) To reduce the value of investments by Rs.80,000.

The reduction was made by converting 50,000 preference share of Rs.20 each fully paid to the same number of preference shares of Rs.15 each fully paid and by converting 50,000 equity shares of Rs.20 each on which Rs.15 is paid up into 50,000 equity shares of Rs.10 each fully paid
Pass journal entries to record the share capital reduction.

Part – C

Answer any Two Questions

(2x20=40 Marks)

18. What is a cash flow statement ? How it is prepare under AS 3 using Indirect Method give the format

19. A Ltd., was registered with aauthorised capital of Rs.6,00,000 in equity shares of Rs.10 each. The following is its trail balance on 31st march 2016

Trial Balances of 'A' Ltd.

Particulars	Debit	Particulars	Credit
Goodwill	25,000	Share capital	4,00,000
Cash	750	12% debentures	3,00,000
Bank	39,900	Profit and loss A/c	26,250
Purchases	1,85,000	Sales	4,15,000
Preliminary expenses	5,000	Bills payable	37,000
Calls – in- arrears	7,500	Sundry creditors	40,000
Premises	3,00,000	General reserve	25,000
Plant and machinery	3,30,000	Provision for bad debts	3,500
Interim dividend	39,250		
Stock (1-4-2015)	75,000		
Furniture & fixtures	7,200		
Sundry debtors	87,000		
Wages	84,865		
General expenses	6,835		
Freight and carriage	13,115		
Salaries	14,500		
Directors fee	5,725		
Bad debts	2,110		
Debenture interest paid	18,000		
	<u>12,46,750</u>		<u>12,46,750</u>

Prepare Statement of Profit & Loss and Balance sheet in proper form after making the following adjustments.

- Depreciate plant and machinery by 15%
- Write off preliminary expenses
- Provide for 6 months interest on debentures
- Leave bad and doubtful debts provision at 5% on sundry debtors.
- Provide for income tax at 50%
- Stock on 31-3-2016 was Rs.95,000
- Provide for corporate dividend tax at 17%

20. A Limited company issued a prospectus inviting applications for 2,000 shares of Rs.10 each at a premium of

Rs.2 per share payable as follows:

On application – Rs.2 per share

On allotment Rs.5 per share (including premium)

On first call Rs.3 per share

On final call Rs.2 per share

Applications were received for 3,000 shares and pro-rate allotment was made on applications for 2,400 shares. Money overpaid on applications was employed towards the sum due on allotment .

Ramesh who took 40 shares failed to pay the allotment money and his shares were forfeited on his failure to pay the first call also.

Mohan the holder of 60 shares failed to pay the two calls and his shares were forfeited after the second call

Of the shares forfeited, 80 shares were sold to Krishna credited as fully paid for Rs.9 per share, the whole of ramesh's share being included.

Show the journal entries.

21. the following is the balance sheet of Robert Lee Ltd., as on 31 Dec. 1998.

Liabilities		Assets	
Share capital :		Land & Buildings	1,10,000
20,000 share of Rs. 10 each	2,00,000	Plant & Machinery at	
General reserve	40,000	(cost Less Depreciation)	1,30,000
Taxation reserve	60,000	Trade Marks	20,000
Workmen saving account	30,000	Stock	48,000
Profit and loss a/c	32,000	Debtors	88,000
Sundry creditors	98,000	cash	52,000
		Preliminary expenses	12,000
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	4,60,000		4,60,000
	=====		=====

The plant and machinery is worth Rs.1,20,000 and Land and building have been valued at Rs.2,40,000 by an independent valuer. Rs.8,000 of the Debts are bad. The profits of the company have been as follows: 1996 – Rs.80,000; 1997 – Rs.90,000; and 1998 – Rs. 1,06,000. It is the company's practice to transfer 25 % of the profits to reserve. Ignoring taxation, Find out the value of the share using net asset method and yield method. Similar companies give an yield of 10% on the market value of their shares. Goodwill may be taken to be worth Rs.1,60,000.
