



**LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034**

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

**THIRD SEMESTER – APRIL 2016**

**CO 3502 – COMPANY ACCOUNTS**

Date: 28-04-2016

Dept. No.

Max. : 100 Marks

Time: 09:00-12:00

**PART – A**

Answer **ALL** the questions:

**(10x2=20 marks)**

1. What is meant by Sweat Equity Shares?
2. What is Debenture?
3. What is Preference Share?
4. Redeemable Preference Shares to be redeemed - Rs.4,00,000  
Premium on redemption- 10%  
Divisible profits available –Rs.80, 000  
Fresh issue of equity shares of Rs.10 each is to be made at 25% premium.  
From the above you are required to find out the minimum fresh issue of shares.
5. State the maximum remuneration payable when there is more than one whole time director and part time director when company is not having a whole time director.
6. What is Interim Dividend?
7. What is meant by Intrinsic Value of Shares?
8. List out four expenses which are divided between Pre and Post incorporation period on time basis.
9. Define Goodwill.
10. What is Capital Reduction?

**PART – B**

Answer any **FOUR** questions:

**(4x10=40 marks)**

11. What are the conditions for the redemption of Preference Shares?
12. Draw the format of Cash Flow Statement as per AS-3.
13. United India Co., Ltd. Issued 1,00,000 shares which were underwritten as follows:  
A – 40%, B – 30%, C -20%.  
The under writers 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. The marked applications were as under:  
A – 20,000 shares, B -12,500 shares, C – 5,000 shares. Prepare a statement showing the liability of underwriters. When the benefit of firm applications are given to a) underwritten b) Firm application is treated as unmarked applications.
14. Pankajam Mills Ltd., was incorporated on 31<sup>st</sup> July 2007 to purchase the business of Hemalatha & Co., as on 1<sup>st</sup> April 2007. The books of accounts disclosed the following on 31<sup>st</sup> March 2008.  
(1) Sales for the year Rs.32,10,400 (1<sup>st</sup> April to 31<sup>st</sup> July 2007 Rs. 8,02,600; 31<sup>st</sup> July 2007 to 31<sup>st</sup> July 2008 Rs. 24,07,800).  
(2) Gross profit for the year Rs.4,12,800; Managing director's salary Rs.12,000; Preliminary expenses written off Rs.18,000; Company secretary's salary Rs.58,000.  
(3) Bad debts written off Rs.14, 890 (prior to 31<sup>st</sup> July Rs.4,020, after 31<sup>st</sup> July Rs.10,870).  
(4) Depreciation on machinery Rs.25, 200; General expenses Rs.51,000; Advertising Rs.7,400; Interest on debentures Rs.20,000. You are required to prepare a statement apportioning properly the net profit of the company as between Pre and Post Incorporation.

15. Excel Ltd., made the following issues of debentures on 1-4-2007

- (1) 200 10% debentures of Rs.100 each to settle a creditor who supplied a machine on credit some time ago at a price of Rs.18, 000.
- (2) 300 10% debentures of Rs.100 each for cash at a discount of 5%
- (3) 1,000 10% debentures of Rs.100 each to the bankers as collateral security for a loan of Rs.80, 000.

All the above items are redeemable at par. Pass journal entries to record the above in the books of the company and show how these items are to be shown in the company's balance sheet.

16. On 31<sup>st</sup> Dec. 2008, the balance sheet of Ganesh Ltd., was as follows:

Liabilities	Rs.	Assets	Rs.
Share capital : 15,000 equity Shares of Rs.100 each fully paid	15,00,000	Land & Buildings	6,60,000
Profit & loss A/c	3,09,000	Plant & Machinery	2,85,000
Sundry Creditors	2,31,000	Stock	10,50,000
Bank overdraft	60,000	Sundry debtors	4,65,000
Provision for taxation	1,35,000		
Dividend equalization fund	2,25,000		
	24,60,000		24,60,000

The net profit of the company, after deducting all working charges and providing for depreciation and taxation were as under: 2004 – Rs.2, 55,000; 2005 – Rs.2, 88,000; 2006 – Rs.2, 70,000; 2007 – Rs.3, 00,000; and 2008 – Rs.2, 85,000. On 31<sup>st</sup> Dec.2008, Land & Buildings were valued at Rs.7, 50,000 and Plant & Machinery at Rs.4, 50,000. In view of the nature of the business, it is considered that 10% is a reasonable return on capital. Calculate the value of the company's Goodwill based on 4 years purchase of the super profit.

17. On 31<sup>st</sup> Dec. 2008, the balance sheet of the company was as follows:

Liabilities	Rs.	Assets	Rs.
Share capital in Rs.10 shares	8,00,000	Fixed assets	10,00,000
Profit & loss A/c	40,000	Current assets	4,00,000
Reserves	1,80,000	Goodwill	80,000
5% Debentures	2,00,000		
Current liabilities	2,60,000		
	14,80,000		14,80,000

On 31<sup>st</sup> Dec. 2008, the fixed assets were independently valued at Rs.7, 00,000 and the goodwill at Rs.1, 00,000. The net profits for three years were: 2006 – Rs.1,03,200; 2007 – Rs.1,04,000; and 2008 – Rs.1,03,300 of which 205 was placed to reserve, this proportion being considered reasonable in the industry in which the company is engaged and where fair return on investment may taken at 10%. Compute the value of the company's share by (a) net assets method and (b) the yield method.

**PART – C**

Answer any **TWO Questions:**

**(2 x 20 = 40 marks)**

18. Ambitious Ltd. issued a prospectus, inviting applications for 2,00,000 shares of Rs.10 each at a premium of Rs. 5 per share, payable as follows: On application- Rs.2.50 per share; On allotment- Rs.7.50 per share (including premium); On first 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 applicants of 2, 40,000 shares, and the remaining applications being refused. Money received in excess on the application was adjusted towards the amount due on allotment.

David, to whom 4,000 shares were allotted, failed to pay allotment money and on his failure to pay the first call, his shares were forfeited. Madan, the holder of 6,000 shares, failed to pay the two calls and his shares were also forfeited. All these shares were sold to Robert, credited as fully paid for Rs. 8 per share. Pass necessary entries to record the above issue of shares by the company.

19. The balance sheet of Harbhajan Singh Ltd., as on 30<sup>th</sup> June 2003:

Liabilities	Rs.	Assets	Rs.
Share capital : 30,000 6% redeemable preference shares of Rs.10 each fully paid 60,000 equity Shares of Rs.10 each fully paid	3,00,000  6,00,000	Fixed assets	10,00,000
Securities premium A/c	2,90,000	Investments	2,10,000
General reserve	4,00,000	Stock	4,40,000
Profit & loss A/c	2,45,000	Sundry debtors	1,60,000
Sundry Creditors	1,95,000	Cash at bank	2,20,000
	20,30,000		20,30,000

The company exercised its option to redeem, on 1<sup>st</sup> July 2003, the whole of the preference shares at a premium of 5%. To assist in financing the redemption, all the investments were sold, realizing Rs.1,95,000. On 1<sup>st</sup> Sep.2003, the company made a bonus issue of seven equity shares fully paid for every six equity shares held on that date. The appropriate resolution was passed and the above transactions were fully completed. You are required to show the journal entries and the balance sheet after redemption.

20. A Ltd. was registered with an authorized capital of Rs.6, 00,000 in equity shares of Rs.10 each. The following is its Trial Balance on 31<sup>st</sup> March 2008.

	Debit Balance (Rs.)	Credit Balance (Rs.)
Goodwill	25,000	---
Cash	750	---
Bank	39,900	---
Purchases	1,85,000	
Preliminary expenses	5,000	
Share capital	---	4,00,000
12% debentures	---	3,00,000
P & L A/c (Cr)	---	26,250
Calls- in arrears	7,500	---
Premises	3,00,000	---
Plant & Machinery	3,30,000	---
Interim Dividend	39,250	---
Sales	---	4,15,000
Stock (1-4-2007)	75,000	---
Furniture & Fixtures	7,200	---
Sundry debtors	87,000	---
Wages	84,865	---
General expenses	6,835	---
Freight & Carriage	13,115	---
Salaries	14,500	---
Director's fees	5,725	---
Bad debts	2,110	---
Debenture interest paid	18,000	---
Bills payable	---	37,000
Sundry creditors	---	40,000
General reserve	---	25,000
Provision for bad debts	---	3,500
	12,46,750	12,46,750

Prepare P&L A/c, P&L Appropriation A/c and Balance Sheet in proper form after making the following adjustments:

- (1) Depreciate plant and machinery by 15%.
- (2) Write off Rs.500 from preliminary expenses.
- (3) Provide for 6 months interest on debentures.
- (4) Provide bad and doubtful provision at 5% on sundry debtors.
- (5) Provide for income tax at 5%
- (6) Stock on 31-3-2008 was Rs. 95,000.

21. (a) Explain the different kinds of Alteration of Share Capital which do not require approval of a court of law.

(b) The following is the balance sheet of Gamma Ltd. as at 31<sup>st</sup> March 2008.

Liabilities	Rs.	Assets	Rs.
Share capital : 2,000 equity Shares of Rs.100 each fully paid	2,00,000	Property (at cost)1,10,000 Less: Depreciation 20,000 -----	90,000
1,500 8% cumulative preference shares of Rs.100 each fully paid	1,50,000		
Debenture interest outstanding	3,000	Machinery (at cost)2,20,000 Less : depreciation 40,000 -----	1,80,000
Share premium	50,000	Goodwill	17,000
Creditors	20,000	Patents	22,000
6%Debentures	50,000	Stock	15,000
		Debtors	31,200
		Preliminary expenses	32,000
		P & L A/c	85,800
	4,73,000		4,73,000

The following scheme of capital reduction was duly sanctioned by court:

- (1) Equity shares to be reduced by Rs.90 each.
- (2) Preference shares to be reduced to Rs.90 each.
- (3) The debenture holders to waive their right over outstanding interest.
- (4) One new equity share paid up to the extent of 50% only to be issued for each Rs.100 of gross preference dividend, which has not been declared since April 2006.
- (5) All credit balances not being the outside liabilities and all debit balances not being the amount receivable as well as the tangible assets are to be written off.
- (6) Any balance available is to be utilized in writing down the fixed assets in proportion to their written down values.

You are required to give journal entries and the balance sheet after the reduction.

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