



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.Com. DEGREE EXAMINATION – COMMERCE

THIRD SEMESTER – APRIL 2019

CO 3502– COMPANY ACCOUNTS

Date: 24-04-2019

Dept. No.

Max. : 100 Marks

Time: 01:00-04:00

PART- A

Answer ALL Questions:

(10 X 2 = 20)

1. What do you mean by 'Pro-rata' allotment of shares?
2. What is the need to underwrite the shares?
3. What is the provision for minimum subscription of new issue of shares?
4. Distinguish between 'Ex-Interest' and 'Cum-Interest'.
5. Write a note on 'Vendors Suspense Account'.
6. A company offers to its existing equity shareholders the right to buy one share of Rs.100 each @ Rs.120 for every three shares held. The cum rights quotation in the market for the company's share is Rs.180. Calculate the value of the rights.
7. A Ltd. forfeited 10 equity shares of Rs. 10 each, issued at a premium of 10% for non-payment of the final call of Rs.3 per share. Out of these, 7 shares were reissued @Rs.8 per share as fully paid up. Show the necessary journal entries.
8. A company having free reserves of Rs.60,000 wants to redeem Rs.2,00,000 preference shares. Calculate the face value of fresh issue of shares of Rs.10 each to be made @ a premium of 10%.
9. Z Ltd., purchased fixed assets for Rs.8,00,000 from X and issued 8% debentures of Rs.100 each @ a premium of 20% to settle the purchase price. Show the necessary journal entries.
10. From the following data calculate profit prior to incorporation:
Time ratio 1:2; Sales ratio 1:3; Gross profit Rs.1,70,500; Administrative expenses Rs. 69,600; Expenses relating to sales Rs.18,600; Preliminary expenses Rs. 11,560.

PART- B

Answer any FOUR Questions:

(4X 10= 40)

11. Explain the provision regarding the issue of shares (a) at discount and (b) the utilization of share premium amount?-
12. What is Capital Reduction? What are the provisions of the companies act in regard to the reduction of share capital?
13. A company was incorporated on 1st May 1984 acquiring the business of a sole trader with effect from 1st January 1984. The accounts of the company were closed for the first time on 30th September 1984, disclosing a gross profit of Rs.1,68,000. The establishment expenses were Rs.42,660, directors' fees Rs.3,000 p.m., preliminary expenses written off Rs.4,000, rent up to June was Rs.300 p.m., which was thereafter increased to Rs.750 p.m. Salary to the Manager was at Rs.1,500 p.m., who was appointed as a director at the time of incorporation of the company.
Prepare a statement showing Profit prior and subsequent to incorporation assuming that the net sale were Rs.24,60,000, the monthly average of which for the first four months of 1984 was half of that of the remaining period.
14. A, B & C underwrite 75% of an issue of 40,000 equity shares of Rs.10 each in the ratio of 2:2:1. The underwriters made firm underwriting as follows: A- 4,800 shares; B-4,000 shares; C- 3,200 shares. Marked applications were as under: A- 8,000 shares; B-6,000 shares; C- 2,000 shares. Applications for 35,000 shares were received in all. Prepare a statement showing the total liability of underwriters.
15. On 31/12/2017 the balance sheet of X Ltd. stood as follows:

Liabilities	Rs	Assets	Rs
50,000 Equity Shares of Rs.10 each fully paid	5,00,000	Sundry assets	8,10,000
10 % Redeemable Preference Shares of 1,000 share @ Rs.100 each	1,00,000	Cash@ Bank	90,000
General Reserve	1,00,000		
Capital Reserve	50,000		
Sundry Creditors	1,50,000		
	9,00,000		9,00,000

On the above date, the preference shares had to be redeemed. For this purpose the company made a free issue of 4,500 equity shares of Rs. 10 each, were issued at a premium of 10%. The preference shares were duly redeemed at a premium of 10%. Give journal entries to record the above transactions and also prepare the balance sheet after redemption.

16. On 31st December, 1998, the balance sheet of a limited company disclosed the following position –

Liabilities	Rs	Assets	Rs
Issued capital in Rs.10 shares	8,00,000	Fixed assets	10,00,000
Profit and Loss account	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 December 31st 1998, the fixed assets were independently valued at Rs.7,00,000 and the goodwill at Rs.1,00,000. The net profits for the 3 years were – 1996 – Rs.1,03,200; 1997 – Rs.1,04,000; and 1998 – Rs.1,03,300, of which 20% was placed to reserve, this proportion being considered reasonable in this industry in which the company is engaged and where a fair return on investment may be taken at 10%. Compute the value of the company's share by (a) the net asset method and (b) the yield value method.

17. The following is the balance sheet of K Ltd. as at 30/03/2018:

Liabilities	Rs	Assets	Rs
20,000 Equity Shares of Rs.10 each	2,00,000	Fixed assets:	
Reserves & Surplus:		Buildings	2,00,000
P&L A/c 20,000	1,80,000	Machinery	1,00,000
Profit for 2017-18 <u>1,60,000</u>			
7% Debentures	1,40,000	Current assets:	
		Sundry Debtors	1,00,000
		Stock	80,000
Sundry Creditors	80,000	Cash @ bank	1,20,000
	6,00,000		6,00,000

Buildings are undervalued @ Rs.3,00,000 and Machinery @ Rs.80,000. Normal rate of return on average capital employed is 10%. All the assets are worth their book value. You are required to value the goodwill of the company on the basis of 2 years purchase of super profits.

PART- C

Answer any TWO Questions:

(2X 20 = 40)

18. ABC Ltd. issued a prospectus inviting applications for 2,00,000 shares of Rs.10 each at 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.4.00 per share

On final call – Rs.1.00 per share

Application were received for 3,00,000 shares and allotment was made pro-rata to the applicants 2,40,000 shares, the remaining applications being refused. Money received in excess on applications was adjusted the amount due on allotment.

David to whom 4,000 shares were allotted failed to pay the 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 so his shares were also forfeited. All the shares were sold to Robert, credited as fully paid for Rs.8 per share. Pass journal entry to record the above issue of shares and prepare balance sheet.

19. The balance sheet of ABC and Co. Ltd. as on 31-3-2018 stood as follows -

Liabilities	Rs	Assets	Rs
Equity Shares of Rs.100 each	5,00,000	Fixed assets	8,00,000
9% Redeemable pref shares, Rs.100 each	3,00,000	Investment	1,00,000
Securities Premium	50,000	Bank balance	2,00,000
Capital Reserve	1,00,000	Other current assets	5,00,000
P & L account	2,00,000		
10% Debentures	3,00,000		
Creditors	1,50,000		
	16,00,000		16,00,000

Both the redeemable preference shares and debentures were due for redemption on 1-4-2018. The company arranged for the following –

- i) It issued 2,000 equity shares of Rs.100 each at a premium of 10%;
- ii) It sold the investment for Rs.90,000;
- iii) It arranged a bank overdraft to the extent necessary;

The redemption were carried out. Give entries for redemption of preference shares and debentures and balance sheet after redemption.

20. From the under mentioned Trial Balance of A Ltd. prepare Trading and Profit and Loss A/c for the year ended 31/12/2017 and the Balance Sheet as on that date:

Debit Balance	Rs	Credit Balance	Rs
Opening stock	50,000	Share capital	2,50,000
Rent	6,000	Loan from Managing Director	15,700

Purchases	2,00,000	Sales	3,25,000
Wages	70,000	Creditors	35,200
Discount allowed	4,200	Reserves	25,000
Salaries	18,500	Discount received	3,150
Printing	2,400	P & L A/c	6,220
Advertisements	3,800		
Debtors	38,700		
Bonus	10,500		
Plant	1,80,500		
Furniture	17,100		
Calls-in-arrears	5,000		
General expenses	8,950		
Bad debts	3,200		
Insurance upto 31/3/2018	6,720		
Bank	34,700		
	6,60,270		6,60,270

Additional Information:

- The authorized capital of the company is Rs.5,00,000 divided into 5,000 equity shares of Rs. 100 each On 31/12/2017 of which 2,500 shares were fully paid..
- Stock on 31/12/2017 is Rs.1,91,500.
- Depreciate Plant at 15% and on furniture @ 10% should be provided.
- A tax provision of Rs.8,000 is considered necessary.
- The directors declared an interim dividend on 15/08/2017 for 6 months ending June 30, 2017 @ 6%.

21. B Ltd. had the following Balance Sheet as on 31/03/2018.

Liabilities	Rs	Assets	Rs
1,00,000 Equity Shares of Rs.10 each fully paid	10,00,000	Machinery	10,00,000
2,00, 10% Cumulative Preference Share of Rs.100 each fully paid	2,00,000	Goodwill	2,00,000
Sundry Liabilities	10,00,000	Stock	2,50,000
		Debtors	2,00,000
		Bank	5,000
		P&L A/c	5,00,000
	22,00,000		22,00,000

Preference share dividends are in arrears for the last four years and the following scheme of reconstruction is passed by the shareholders and approved by the court:

- 50% of the Preference dividend in arrears is to be paid in cash immediately and preference shareholders have agreed to forego the balance.
- 1,00,000 Equity shares of Rs.10 each to be reduced to an number of equity shares of Re.1 each.
- Plant & Machinery are to be depreciated by 5% and a provision for doubtful debts is to be created @ 10% on debtors.
- All intangible assets and fictitious assets are to be written off.

Pass journal entries to implement the above scheme and draft the reconstructed Balance Sheet.
