LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.B.A. DEGREE EXAMINATION –**BUSINESS ADMINISTRATION**

FOURTH SEMESTER – **APRIL 2018**

BU 4504/ BU 4502 – COMPANY ACCOUNTS

Date: 08-05-2018 Dept. No. Max. : 100 Marks

Time: 01:00-04:00

Part-A

Answer all questions (10*2=20 Marks)

1. Explain pro-rata allotment of shares?
2. What is capital Redemption Reserve?
3. What do you mean by firm underwriting?
4. Define the term" interim Dividend".
5. What are the methods of computing purchase consideration?
6. Anand Ltd. purchased land for Rs.80, 000 from kailash Bros. It issued Equity shares of Rs.10 each fully paid up in satisfaction of their claim. Make journal entries to record these transactions?
7. Redemption of 20,000 preference shares of Rs.100 each was carried Out by utilisation of reserves and by issue of 8,000 Equity shares of Rs.100 at Rs.125.How much should be credited to capital redemption reserve a/c?
8. The Bombay motor Ltd. issued 2,00,000 Equity shares of Rs.10 each. The whole issued was underwritten by Mala. Applications for 1, 60,000 Shares were received in all. Determine the liability of underwriter?
9. Ganesh Ltd., was incorporated on 1st May 1996 to purchase the running business of vinayak and co., with effect from 1st January 1996. The company obtained certificate of commencement of business on24thAugust1996.Calculate the time ratio, if the account were finalised on 31st December 1996.
10. Calculate goodwill, if it is to be calculated at 3 year' purchase of the super Profit .The firm started business with a capital of Rs.40,00,000.the normal Rate of earning in this class of business is 15%.the firm earned Rs.74, 000 as profit during the year.

Part-B

Answer any four questions (4*10=40 Marks)

11. State the provisions for redeeming preference shares
12. What are the different methods of valuing shares of a company?
13. Explain the steps to be followed in detail when same set of books Of accounts are continued on acquisition of a running business?

14. A firm earned net profits during the last three years as follows:

I year - Rs. 36,000

II year - Rs. 40,000

III year- Rs. 44,000

The capital investment of the firm is Rs.1,00,000.

A fair return on the capital having regard to the risk involved is 10%.

Calculate the value of goodwill on the basis of 3 years' purchase of super profit.

15. Bharat Ltd., issues 1,50,000 equity shares. The whole of the issue was underwritten as follows:

X – 50%; Y – 25% and Z – 25%

Applications for the 1,20,000 shares were received in all, out of which applications for 30,000 shares bear the stamp of X, those for 15,000 shares that of Y and those for 30,000 shares that of Z. The remaining application for 45,000 shares did not bear any stamp.

Determine the liability of the underwriters.

16. From the following balance sheet as on 31-12-93 and 31-12-92, prepare a cash flow statement:

BALANCE SHEETS

Liabilities	**1993**	**1992**	**Assets**	**1993**	**1992**
Share capital	1,50,000	1,00,000	Fixed assets	1,50,000	1,00,000
Profit & loss	80,000	50,000	Goodwill	40,000	50,000
General reserve	40,000	30,000	Stock	80,000	30,000
6% debentures	60,000	50,000	Debtors	80,000	50,000
Creditors	40,000	30,000	Bills receivable	20,000	30,000
Outstanding expenses	15,000	10,000	Bank	15,000	10,000
	3,85,000	**2,70,000**		**3,85,000**	**2,70,000**

17. A company was incorporated on 30th June 1984 to acquire the business of Mohan as from 1st January 1984. The accounts for the year ended 31st Dec 1984, disclosed the following.

1. There was a gross profit of Rs. 2,40,000.
2. The sales for the year amounted to Rs 12, 00,000 of which Rs. 5, 40,000 were for the first six months.
3. The expenses debited to profit and loss account included:

Director's fees	Rs 15,000
Bad Debts	Rs 3,600
Advertising (under a monthly contract of Rs 1000)	Rs. 12000
Salaries	Rs. 64,000
Preliminary expenses written off	Rs. 5000
Donations to political parties given by the company	Rs.5000

Prepare a statement showing profit made before and after incorporation.

Part-c

Answer any two questions (2*20=40 Marks)

18. Following a series of losses, XYZ Co.Ltd., resolved to reduce its capital to 50,000 fully paid Rs.5 shares to eliminate share premium account. The company's Balance Sheet prior to implementation of the scheme was:

Liabilities	**Rs.**	**Assets**	**Rs.**
Share capital: 50,000 fully paid shares of Rs. 10 each	5,00,000	Goodwill	1,00,000
Securities premium A/c	50,000	Land & Buildings	1,62,000
Creditors	62,000	Plant & Machinery	2,07,000
Bank Overdraft	73,000	Stock	92,000
		Debtors	74,000
		Profit & Loss A/c	50,000
	6,85,000		**6,85,000**

It was resolved to apply the sum available under the scheme:

a) To write off the goodwill account.

b) To write off the debit balance of the Profit & Loss account.

c) To reduce the book values of the assets by the following amounts:

	Rs.
Land & Buildings	42,000
Plant & Machinery	67,000
Stock	33,600

d) To provide a bad debts reserve of 10% of the book value of debtors.

Show the journal entries to give effect to the scheme and prepare the revised balance sheet after its implementation.

19. A Ltd company issued 10,000 shares of Rs. 10 each payable as follows: Rs.3 on application RS.3 on allotment and Rs.4 on first and final call. The company received Rs.13,000 applications. Applications for 1500shares were rejected and the excess application money received on the other 1500 shares. All the amounts due on the shares were received except the call money on 500 shares which were forfeited after due notice. Later 400 of the forfeited shares were reissued at Rs.8 per share. Pass necessary journal entries.

20. The Summarized Balance Sheet of S ltd as on 31.12.1997 was follows:

Liabilities	Rs.	Asset	Rs.
Share capital 5000 9% Redeemable Preference shares of Rs.10 each fully paid	50,000	Fixed Assets	1,00,000
		Investments	20,000
		Cash at bank	18,000
6,000 Equity shares of Rs.10 each, fully paid	60,000	Other current assets	62,000
Profit & Loss a/c	5,000		
Securities Premium	20,000		
General Reserve	40,000		
Sundry Creditors	25,000		
	2,00,000		2,00,000

The company passed the following resolutions on 1st Jan 1998.

a. To redeem the entire preference share capital at a premium of 10%.
b. To issue 2,000 equity shares of Rs.10 each at a premium of Rs. 2 per share, which has been fully subscribed.
c. To sell the investments at Rs.15, 000.
d. To issue bonus shares as fully paid in the ratio of 2:1 to the existing shareholders including the fresh issue.

You are required to pass journal entries and give the amended balance sheet.

21. The Mafatlal manufacturing company Ltd. Chennai, was registered with a nominal capital Rs 12,00,000 in equity shares of Rs 10 each. The following is the list of balances extracted from its books on 31st March 1998.

	Rs		Rs
Premises	6,00,000	Sales	8,30,000
Stock (1.4.97)	1,50,000	6% debentures	6,00,000
Furniture	14,400	Profit and Loss(CR)	29,000
Calls in arrears	15,000	Bills payable	76,000
Plant and Machinery	6,60,000	Sundry Creditors	1,00,000
Interim dividend Paid	75,000	General Reserve	50,000
Sundry debtors	1,74,000	Provisions for	
Goodwill	68,000	Doubtful debts	
Cash and bank balances	63,300	(1.4.97)	7,000
Purchases	3,70,000	Subscribed, called up	
Preliminary Expenses	10,000	and paid up capital	8,00,000
Wages	1,69,730		
General Expenses	13,670		
Advertising	20,000		
Freight	26,230		
Salaries	29,000		
Director's fees	11,450		
Bad debts	4,220		
Debenture interest paid	18,000		
Total	24,92,000	Total	24,92,000

The following adjustments have to be made:

1. Stock on 31st March 1998 was valued at Rs. 1,90,000
2. Write off Preliminary expenses.
3. provide for half year's debenture interest.
4. The provision for doubtful debts on 31st March 1998 should be equal to 1% on sales
5. Director's fees are outstanding to the extent of Rs.550 and salaries Rs.1000
6. Depreciate Plant & Machinery by 5% ; premises by 2% and write off Rs2,400 on furniture.
7. Goods to the value of Rs.3000 were distributed as free samples during the year. But no entry in this respect had been made.

You are required to prepare the statement of Profit and Loss for the year ended 31st march 1998 and balance sheet as on the same date.

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