# LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

**B.Com.** DEGREE EXAMINATION – **CORPORATE SECRETARYSHIP**

THIRD SEMESTER – **APRIL 2016**

**BC 3502/BC 4502/BC 4500 – COMPANY ACCOUNTS**

Date: 28-04-2016 Dept. No. Max. : 100 Marks

Time: 09:00-12:00

**PART A**

**ANSWER ALL QUESTIONS** **(10 x 2 = 20 marks)**

1. What is a share? List out the various kinds of shares which can be issued by the companies.
2. What do you understand by the term firm underwriting?
3. List out the various profits which are not normally available for dividend payment.
4. Give the meaning of interim dividend.
5. What are the reasons for conversion of a business of a Sole Trader or Partnership Firm into a Limited Company?
6. What do you mean by yield value of shares?
7. What do you understand by "Alteration of share capital"?
8. From the following data, calculate the amount of fresh issue of shares
   a. Redeemable Preference shares : Rs. 80,000
   b. Premium on Redemption : 5%
   c. Divisible Profits Available : Rs. 15,000
   d. General Reserve Balance : Rs. 6,500
   e. Securities Premium Account: Rs. 4,000
   f. Fresh issue is to be made at a discount of 10%
9. You are required to calculate the time ratio for the pre and post incorporation periods from the following particulars:
   a. Date of Incorporation : 1st June 1999
   b. Period of Financial Accounts : April 1999 to March 2000
   c. Total Wages : Rs. 4,800
   d. Number of Workers: Pre incorporation period – 5; post incorporation period – 25
   e. Also divide the total wages between Pre and Post Incorporation Periods.
10. From the following particulars calculate the value per equity share under the Net assets method:
    a. Total assets at market value: Rs. 49,80,000
    b. Total outside liabilities: Rs.19,00,000
    c. 2,00,000 equity shares of Rs.10 each: Rs.20,00,000

**PART B**

**Answer any FOUR questions:** **(4 x 10 = 40 marks)**

11. Explain the provisions of section 76 of the Companies Act, 1956 relating to underwriting of shares and debentures.
12. Explain briefly the factors affecting the valuation of shares.
13. Swiss Ltd., issued 40,000 equity shares of Rs.10 each at par. The entire issue was underwritten as follows.

    A – 24,000 shares (firm underwriting 3,200 shares)
    B – 10,000 shares (firm underwriting 4,000 shares)
    C – 6,000 shares (firm underwriting 1,200 shares)

The total applications including firm underwriting were for 28,400 shares. The marked applications were as under:

A – 7,200 shares ; B- 9,000 shares; C- 3,200 shares

The underwriting contract provides that credit for unmarked applications be given to the underwriters in proportion to the shares underwritten. Determine the liability of each underwriter if the firm applications are treated as marked applications and the amount of commission payable to them assuming it is the maximum allowable by law.

14. The following is the balance sheet of H Ltd., as on June 30th 2003.

| **Liabilities** | **Amount (Rs)** | **Assets** | **Amount (Rs)** |
|---|---|---|---|
| Share Capital<br>30,000 6% Redeemable preference shares of Rs. 10 each<br>60,000 equity shares of Rs.10 each | <br><br><br>3,00,000<br><br>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 | Debtors | 1,60,000 |
| Creditors | 1,95,000 | Bank | 2,20,000 |
| **Total** | **20,30,000** | **Total** | **20,30,000** |

The company exercised the option to redeem, on July 1st 2003, the whole of the preference shares at a premium of 5%. To assist in financing the redemption the whole of the investments were sold for Rs.1,95,000. On September 1st, 2003 the company made a bonus issue of seven equity shares fully paid for every six equity shares held as on that date. Pass necessary Journal entries.

15. A Company was incorporated on 1st May 2004 to take over the business as a going concern from 1st January of the same year. The turnover for the year ended 31st December was Rs.2,00,000, namely Rs.60,000 for the first period upto 1st May and Rs.1,40,000 for the following period. From the profit and loss account given for the year ended 31st December 2004, you are required to ascertain profits prior to incorporation.

| **Particulars** | **Amount (Rs)** | **Particulars** | **Amount (Rs)** |
|---|---|---|---|
| To rent & rates | 3,240 | By gross Profit | 70,000 |
| To insurance | 720 | | |
| To lighting | 2,040 | | |
| To salaries | 7,800 | | |
| To Director Fees | 2,000 | | |
| To sales discount | 5,000 | | |
| To sales commission | 10,000 | | |
| To General expense | 2,400 | | |
| To carriage outwards | 3,000 | | |
| To bank charges | 420 | | |
| To repairs | 1,380 | | |
| To bad debts | 600 | | |
| To loan interest | 1,200 | | |
| To Net profit | 30,200 | | |
| | 70,000 | | 70,000 |

16. Sick Ltd., had the following balance sheet as on 31.3.2007.

| Liabilities | Amount (Rs) | Assets | Amount (Rs) |
|---|---|---|---|
| Equity shares of Rs.100 each | 4,00,000 | Goodwill | 60,000 |
| 6% Preference Shares of Rs.100 each | 2,00,000 | Fixed assets | 3,00,000 |
| Debentures | 1,00,000 | Stock | 1,50,000 |
| Creditors | 1,50,000 | Debtors | 60,000 |
| | | Bank | 1,000 |
| | | Discount on debentures | 10,000 |
| | | P & L a/c | 2,69,000 |
| **Total** | **8,50,000** | **Total** | **8,50,000** |

The following reconstruction scheme was approved:

a) Preference shares be reduced to 8% preference shares of Rs.60 each
b) Equity shares to be reduced by Rs.80 each
c) The amount thus made available be utilised to write off the fictitious assets including goodwill and Rs.50,000 from fixed assets.
d) Give entries for reconstruction and the final balance sheet.

17. From the following balance sheet of Arvind Ltd., you are required to prepare the cash flow statement as per AS3

| Liabilities | 1989 (Rs) | 1990 (Rs) | Assets | 1989 (Rs) | 1990 (Rs) |
|---|---|---|---|---|---|
| Share Capital | 4,00,000 | 5,00,000 | Cash | 60,000 | 94,000 |
| Creditors | 1,40,000 | 90,000 | Debtors | 2,40,000 | 2,30,000 |
| P&L A/c | 20,000 | 46,000 | Stock | 1,60,000 | 1,80,000 |
| | | | Land | 1,00,000 | 1,32,000 |
| **Total** | **5,60,000** | **6,36,000** | **Total** | **5,60,000** | **6,36,000** |

## PART C (2 x 20 = 40 marks)

**Answer any TWO questions:**

18. Ambitions 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.4.00 per share
On final call - Rs.1.00 per share

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

David, to whom 4,000 shares were issued, 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 these shares were sold to Robert, credited as fully paid for Rs.8 per share.

Pass necessary journal entries to record the above issue of shares by the company.

19. The Maftatlal Manufacturing Company Ltd., was registered with a nominal capital of Rs.12,00,000 divided into shares of Rs.10 each. The following Trail Balance is extracted from the books of the company as on 31.12.2008.

| | **Amount (Rs)** | | **Amount (Rs)** |
|---|---|---|---|
| Premises | 6,00,000 | Sales | 8,30,000 |
| Stock (1.4.2007) | 1,50,000 | 6% debentures | 6,00,000 |
| Furniture | 14,400 | Profit and loss a/c | 29,000 |
| Calls in arrear | 15,000 | Bills payable | 76,000 |
| Plant and Machinery | 6,60,000 | Creditors | 1,00,000 |
| Interim dividend paid | 75,000 | General reserve | 50,000 |
| Debtors | 1,74,000 | Provision for bad debts (1.4.2007) | 7,000 |
| Goodwill | 68,000 | Paid up Share capital | 8,00,000 |
| Cash and bank | 63,300 | | |
| Purchases | 3,70,000 | | |
| Preliminary expenses | 10,000 | | |
| 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 | | |
| Debentures interest paid | 18,000 | | |
| **Total** | **24,92,000** | **Total** | **24,92,000** |

The following adjustments have to be made.

- Stock on 31$^{st}$ March 2008 was valued at Rs.1,90,000
- Write off preliminary expenses
- Provide for half years debenture interest
- The provision for doubtful debts as on 31$^{st}$ March 2008 should be equal to 1% on sales.
- Director's fees are outstanding to the extent of Rs.550 and salaries Rs.1,000.
- Depreciate Plant and Machinery by 5%; premises by 2% and write off Rs.2,400 on furniture.
- Goods to the value of Rs.3,000 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 Account for the year ended 31$^{st}$ March 2008 and the Balance Sheet as on the same date.

20. On 31$^{st}$ December 2008, the balance sheet of a limited company disclosed the following position:

| **Liabilities** | **Amount (Rs)** | **Assets** | **Amount (Rs)** |
|---|---|---|---|
| Issued Capital in Rs.10 shares | 8,00,000 | Fixed Assets | 10,00,000 |
| P& L 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 | | |
| **Total** | **14,80,000** | **Total** | **14,80,000** |

On 31st December 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 – 1,04,000; 2008 – 1,03,300 of which 20% was placed to reserve, this proportion being considered reasonable in the 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 assets method, and (b) the yield method.

21. A. Explain in detail the procedure to be followed for reducing the share capital.
    B. Explain the different methods of computing the purchase consideration on acquisition of business.

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