



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.Com. DEGREE EXAMINATION – CORPORATE SECRETARYSHIP

THIRD & FOURTH SEMESTER – APRIL 2017

BC 3502 / BC 4502 -COMPANY ACCOUNTS

Date: 02-05-2017
Time: 09:00-12:00

Dept. No.

Max. : 100 Marks

PART – A

Answer ALL the Questions:

(10 x 2 = 20)

1. What is meant by over subscription?
2. What is forfeiture of shares?
3. How the Capital Redemption Reserve can be utilised?
4. What is meant by Revenue from operations?
5. Write a short note on Shareholders' funds.
6. What are the important ratios used in computing profits prior to incorporation?
7. What is super profit?
8. E Ltd. Issued 300, 10% debentures of Rs. 100 each for cash at a discount of 5%. Pass journal entry.
9. 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 each at Rs. 125. Calculate the amount to be transferred to capital redemption reserve.
10. A firm was converted into a limited company with effect from 1st April 2006. The certificate of incorporation was obtained on 1st August 2006 and the certificate to commence business on 1st October 2006. Accounts were closed on 31st December 2006. Find out the time ratio.

PART – B

Answer any FOUR Questions:

(4 x 10 = 40)

11. What is acquisition of business? And explain the methods of computing purchase consideration on acquisition of business.
12. Define Goodwill. And explain the different methods of calculation of goodwill.
13. B Ltd., issued 1,50,000 equity shares. The whole of the issue was underwritten as follows:
X – 50%; Y – 25% and Z – 25%.
Applications for 1,20,000 shares was received, out of which applications for 30,000 shares bear the stamp of X, 15,000 shares that of Y and 30,000 shares that of Z. The remaining applications for 45,000 shares did not bear any stamp. Determine the liability of the underwriters.

14. The Balance sheet of E Ltd. as on 31.3.2009 was as follows:

Liabilities	Rs.	Assets	Rs.
Share capital: 50,000 Equity shares of Rs. 10 Each fully paid	5,00,000	Sundry assets	9,20,000
4,000 Redeemable Preference Shares of Rs. 100 each fully paid	4,00,000	Bank balance	6,00,000
Profit and Loss Account	5,20,000		
Creditors	1,00,000		
	15,20,000		15,20,000

On the above date, the preference shares were redeemed at a premium of 10%. Pass necessary journal entries and give the amended balance sheet.

15. A Ltd., passed resolution for the reduction of its share capital by Rs. 5,00,000 for the following purposes :

- (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 shares 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.

16. Average capital employed in K Ltd. is Rs. 35,00,000 whereas net trading profits before tax for the last three years have been Rs. 14,75,000 ; Rs. 14,55,000 ; and Rs. 15,25,000. In these three years, the managing director was paid a salary of Rs. 10,000 per month. But now he would be paid a salary of Rs. 12,000 per month. Normal rate of return is 18%. Rate of tax is 50%. Calculate goodwill on the basis of three years' purchase of the super profits.

17. G Ltd. was registered on 1.7.07 to acquire the running business of S & Co. with effect from 1.1.07. The following was the profit of the company on 31.12.07.

Particulars	Rs.	Particulars	Rs.
To office expenses	54,000	By gross profit B/d	2,25,000
To formation expenses (written off)	10,000		
To stationery & postage	5,000		
To selling expenses	60,000		
To Directors' fees	20,000		
To Net Profit	76,000		
	2,25,000		2,25,000

Prepare a statement showing profit earned by the company in the pre and post incorporation periods. The total sales for the year took place in the ratio of 1:2 before and after incorporation respectively.

Answer any TWO Questions:**(2 x 20 = 40)**

18. C Ltd., issued 40,000 shares of Rs. 10 each at a premium of Rs. 2 per share. The shares were payable as follows:

Rs. 2 on application; Rs. 5 on allotment (including premium); Rs. 5 on first and final call.

All the shares were applied for and allotted. All moneys were received with the exception of the first and final call on 1,000 shares which were forfeited. 400 of these were reissued as fully paid at Rs. 8 per share.

Give necessary journal entries, prepare the bank account and the balance sheet of the company.

19. M Ltd. has an authorised capital of Rs. 5,00,000 divided into 5,000 equity shares of Rs.100 each on 31.12.2012 of which 2,500 shares were fully called up. The following are the balances extracted from the ledger as on 31.12.2012.

Trial Balance of M Ltd.

Debit	Rs.	Credit	Rs.
Opening stock	50,000	Sales	3,25,000
Purchases	2,00,000	Discount received	3,150
Wages	70,000	Profit & loss Account	6,220
Discount allowed	4,200	Creditors	35,200
Insurance (up to 31.3.13)	6,720	Reserves	25,000
Salaries	18,500	Loan from managing director	15,700
Rent	6,000	Share capital	2,50,000
General expenses	8,950		
Printing	2,400		
Advertisements	3,800		
Bonus	10,500		
Debtors	38,700		
Plant	1,80,500		
Furniture	17,100		
Bank	34,700		
Bad debts	3,200		
Calls-in-arrears	5,000		
	6,60,270		6,60,270

Prepare statement of Profit and Loss for the year ended 31.12.2012 and a Balance sheet as on that date (Revised schedule IV). The following further information is given:

- Closing stock was valued at Rs. 1,91,500.
- Depreciation on plant at 15% and on Furniture at 10% should be provided.
- A tax provision of Rs. 8,000 is considered necessary.
- The directors declared an interim dividend on 15.8.12 for 6 months ending June 30, 2012 @6%.
- Provide for corporate dividend tax @17%.

20. On 31.12.08, the Balance sheet of S Ltd was as follows:

Liabilities	Rs.	Assets	Rs.
Share capital: 15,000 equity shares of Rs. 100 each Fully paid	15,00,000	Land and buildings	6,60,000
Profit and loss Account	3,09,000	Plant and 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 equalisation 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 31st December 2008, Land and buildings were valued at Rs. 7,50,000 and plant and machinery at Rs. 4,50,000.

10% is the reasonable rate of return on capital. Good will is to be valued at four years purchase of super profits. Calculate the intrinsic value of the company's share.

21. What is cash flow statement? And explain the provisions of AS- 3 "cash flow statement".
