# LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

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

THIRD SEMESTER – **NOVEMBER 2014**

## BC 3502 - COMPANY ACCOUNTS

Date : 31/10/2014 Dept. No. Max. : 100 Marks

Time : 09:00-12:00

**PART - A**

**Answer ALL questions.** **(10 x 2 = 20)**

1. What is meant by over subscription?
2. What are debentures?
3. What is Capital Redemption Reserve?
4. What is the maximum rate of remuneration for managers in case of a public limited company?
5. What are the reasons for conversion of business into a company?
6. What are tangible assets?
7. What is meant by internal reconstruction?
8. X Co. Ltd. Has to redeem redeemable preference shares of the value of Rs. 2,00,000 at a Premium of 10% for which the company has issued 10,000 equity shares of Rs. 10 each at a premium of Rs.2. Calculate the amount to be transferred to capital redemption reserve.
9. Total assets of a firm is Rs. 8,40,000. The liabilities of the firm is Rs. 4,40,000. Normal rate of return in this class of business is 12 ½ % . The firm earned a profit of Rs. 64,000. Calculate goodwill, if it is to be valued at 2 years' purchase of super profit.
10. Compute the Time ratio from the following dates: Date of sale of business to the company 31.12.04. Date of obtaining certificate of incorporation 1.5.05; Date of obtaining certificate to commence business 16.7.05; Date of finalizing the accounts of the company 30.9.05.

**PART – B**

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

11. Explain the various types of debentures which may be issued by a company.

12. Explain the factors that affect the valuation of goodwill.

13. Statement of financial position of Mr. Arun is given below:

| Liabilities | 1.1.2008 (Rs.) | 31.12.2008 (Rs.) | Assets | 1.1.2008 (Rs.) | 31.12.2008 (Rs.) |
|---|---|---|---|---|---|
| Accounts payable | 29,000 | 25,000 | Cash | 40,000 | 30,000 |
| Capital | 7,39,000 | 6,15,000 | Debtors | 20,000 | 17,000 |
| | | | Stock | 8,000 | 13,000 |
| | | | Building | 1,00,000 | 80,000 |
| | | | Other fixed assets | 6,00,000 | 5,00,000 |
| | 7,68,000 | 6,40,000 | | 7,68,000 | 6,40,000 |

(a) There was no drawings b) There were no purchase or sale of the Assets. Prepare Cash flow Statement.

14. T. T. Ltd. issued 50,000 equity shares of Rs.10 each at par. The entire issue was underwritten as follows:

A - 30,000 shares (firm underwriting 4,000)

B - 15,000 shares (firm underwriting 5,000)

C - 5,000 shares (firm underwriting 1,000)

The total applications including firm underwriting were for 40,000shares. The marked applications were as follows:

A – 10,000 shares B – 7,000 shares and C – 3,000 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 when the benefit of firm underwriting is given to individual underwriters and firm underwriting is treated as marked application and amount of commission payable to them assuming the rate to be 2% on issue price.

15. On 30th June 2008, the Balance sheet of S Ltd. stood as follows.

| **Liabilities** | **Rs.** | **Assets** | **Rs.** |
|---|---|---|---|
| Equity share capital | 10,00,000 | Sundry Assets | 14,00,000 |
| Redeemable preference share capital | 4,00,000 | Bank | 5,00,000 |
| P&L A/c | 3,00,000 | | |
| Sundry creditors | 2,00,000 | | |
| | **19,00,000** | | **19,00,000** |

On the above date, the preference shares had to be redeemed. For this purpose, 2,000 equity shares of Rs.100 each were issued at Rs.110. The company also issued 8% debentures totaling Rs.3,00,000. The shares and debentures were immediately subscribed and paid for. The preference shares were duly redeemed. Give necessary journal entries.

16. G Ltd. was registered on 1.7.13 to acquire the running business of S & Co. with effect from 1.1.13.The following was the profit and loss account of the company on 31.12.13:

| **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 stationary & postage | 5,000 | | |
| To selling expenses | 60,000 | | |
| To Director's 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.

17. A public limited company passed the necessary resolution and received sanction of the court for the reduction of its share capital by Rs.5,00,000 for the following purposes. (a)to write off the debit balance of profit and loss account Rs.2,10,000. (b) To reduce the value of plant and machinery by Rs.90,000 and of goodwill by Rs.40,000. (c) To reduce the value of investments to market value by writing off 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 ordinary shares of Rs. 20 each , Rs.15 paid up into 50,000 ordinary shares of Rs.10 each fully paid. Give necessary journal entries in relation to the reduction of share capital and prepare capital reduction account.

## PART – C

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

18. X Ltd. issued for public subscription 20,000 equity shares of Rs.10 each at a premium of Rs.2 per share payable as under:

Rs.2 per share on application; Rs.5 per share (including premium) on allotment; Rs.2 per share on

first call; Rs.3 per share on final call.
Applications for 30,000 shares were received. Allotment was made pro rata to the applicants for 24,000 shares, the remaining applications being rejected. Money overpaid on application was utilized towards sum due on allotment.
Y to whom 800 shares were allotted failed to pay the allotment money, first and second calls money and Z to whom 1,000 shares were allotted failed to pay the last two calls.
These shares were subsequently forfeited after the second call was made. All these forfeited shares were reissued to be fully paid up at Rs.8 per share. Give necessary journal entries to record the above transactions.

19. Moon Co. Ltd. is a company with an authorized capital of Rs.5,00,000 divided into 5,000 equity shares of Rs.100 each on 31.12.2013 of which 2,500 shares were fully called up. The following are the balances extracted from the ledger as on 31.12.13.

**Trial Balance of Moon Co. 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 31.3.14) | 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 the financial statements (Schedule VI) for the year ended 31.12.13. The following information is provided.

a.) Closing stock was valued at Rs.1,91,500.
b.) Depreciation on plant at 15% and on furniture at 10% should be provided.
c.) A tax provision of Rs.8,000 is considered necessary.
d.) The directors declared an interim dividend on 15.8.13 for six months ending June 30, 2013 @ 6%.
e.) Provide for corporate dividend at 17%.

20. From the following information, compute the intrinsic value of an equity share of S Ltd.

| **Liabilities** | **Rs.** | **Assets** | **Rs.** |
|---|---:|---|---:|
| 2,000 equity shares of Rs.100 each, fully paid | 2,00,000 | Land and building | 80,000 |
| 2,000 6% preference shares of Rs.10 each | 20,000 | Plant and machinery | 80,000 |
| General reserve | 50,000 | Book debts | 10,000 |
| 5% debentures of Rs.100 each | 20,000 | Stock in trade | 40,000 |
| Sundry creditors | 20,000 | Cash and bank balance | 70,000 |
| | | Investment in 5% Govt. securities | 20,000 |
| | | Preliminary expenses | 10,000 |
| | **3,10,000** | | **3,10,000** |

i) Fair return on capital employed in this type of business is 10% p.a

ii) Goodwill is to be taken at 4 years purchase value of super profits.

iii) Average of the profits (after deduction of preliminary expenses) for the last seven years is Rs. 38,000. Preliminary expenses to the extent of Rs.2,000 has been written off every year for the last seven years. Profit is more or less stable over years and the same trend is expected to be maintained in the near future. Ignore taxation.

21. a)Explain the legal provisions regarding the issue and redemption of preference shares.

b.)Explain the methods of computing purchase consideration on acquisition of business.

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