



**LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034**

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

**FOURTH SEMESTER – NOVEMBER 2016**

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

Date: 05-11-2016

Dept. No.

Max. : 100 Marks

Time: 01:00-04:00

**Part – A**

**(10 x 2 = 20 Marks)**

**Answer all Questions**

1. Define a 'Company'.
2. Explain 'Forfeiture of shares'
3. Explain 'Firm Underwriting'
4. How Untraceable shareholders are dealt at the time of Redemption of preference share ?
5. What is corporate Dividend Tax ?
6. What is Acquisition of Business ?
7. Rajan, a small scale industrialist decided to convert his firm into a limited company with effect from 1<sup>st</sup> April 1996. But he obtained the certificate of incorporation on 1<sup>st</sup> August 1996 and certificate to commence business on 1<sup>st</sup> October 1996. His accounts were closed on 31<sup>st</sup> December 1996.  
Find out the time ratio for the purpose of ascertaining pre incorporation profits.
8. A firm earns Rs.1,20,000 as its annual profits, the rate of normal profit being 10%. The assets of the firm amount to Rs.14,40,000 and liabilities to Rs.4,80,000. Find out the value of goodwill by capitalization method.
9. 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 at a premium of 10%.
10. In order to eliminate the accumulated losses of Rs.45,000 from the Balance sheet, a company has decided to convert its 15,000 7% Preference shares of Rs.10 each into 6% Preference share of Rs.10 each, Rs.6 per share paid. Show journal entries in the books of company.

**Part – B**

**Answer any Four Questions**

**(4x10=40 Marks)**

11. Explain the Salient Features of a Company.
12. Briefly explain the different types of underwriting.
13. What is capital Reduction ? and explain the procedure for reducing share capital ?
14. A company has, as its capital 1,00,000. 'A' equity shares of Re. 1 each, fully paid, 1,00,000 'B' equity shares of Re.1 each, 75 paise paid up and 1,00,000 'C' equity share of Re 1 each, 50 paise paid up. The normal average Net profit less tax, of the company is estimated to be Rs.36,000 and the estimated rate of capitalization is 8%. Calculate the value of each class of share.

15. The following is the balance sheet of ABC Limited as on 31-12-93

Liabilities		Assets	
12000 Shares of Rs.10 each	1,20,000	Goodwill	10,000
Less: Calls in arrear Rs.3		Land and building	20,500
Per share on 3000 share	9,000	Machinery	50,850
	----- 1,11,000	Preliminary expenses	1,500
Creditors	15,425	Stock	10,275
Provision for tax	4,000	Debtors	15,000
		Bank	1,500
		Profit and loss	22,000
		Less: Net profit	1,200
			----- 20,800
	-----		-----
	1,30,425		1,30,425
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Machinery value was Rs.10,000 in excess. It is proposed to write down this asset and to extinguish the profit and loss account debit balance and to write off goodwill and preliminary expenses by the adoption of the following scheme.

- Forfeit the share on which calls are outstanding
- Reduce the paid up capital by Rs.3 per share
- Re-issue the forfeited shares at Rs.5 per share
- Utilize the provision for tax if necessary

you are required to draft the journal entries necessary and the balance sheet after carrying out the scheme

16. A company offered for public subscription 20,000 equity shares of Rs.100 each payable as to Rs20 per share on application, Rs.30 on allotment, Rs.20 per share on first call and Rs.30 on final call. The offer was over subscribed by 5,000 shares and the amount due on allotment was received in full . Rs. 3,80,000 and Rs.5,55,000 were received on first call and final call respectively. You are required to give the journal entries for the above information.

17. The balance sheet of ABC & Co., Ltd. On 31-12-1990 stood as follows

Liabilities		Assets	
Equity shares Rs.100 each	5,00,000	Fixed assets	8,00,000
9% Redeemable preference shares Rs.100 each	3,00,000	Investments	1,00,000
Share premium	50,000	Bank balance	2,00,000
Capital reserve	1,00,000	Other current assets	5,00,000
Profit and Loss A/c	2,00,000		
10 % Debentures	3,00,000		
Creditors	1,50,000		
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16,00,000

16,00,000

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Both the redeemable preference share and debentures were due for redemption on 1-1-1991. The company arranged for the following:

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

The redemptions were carried out. Give entries for redemption of preference shares and debentures.

### Part – C

#### Answer any Two Questions

(2x20=40 Marks)

18. From the balance sheets of XYZ Ltd., Prepare a Cash Flow Statement using Indirect Method.

Liabilities	2005	2006	Assets	2005	2006
Equity share capital	3,00,000	4,00,000	Goodwill	1,15,000	90,000
Pref. Share capital	1,50,000	1,00,000	Building	2,00,000	1,70,000
General reserve	40,000	70,000	Plant	80,000	2,00,000
Profit and loss a/c	30,000	48,000	Debtors	1,60,000	2,00,000
Proposed dividend	42,000	50,000	Stock	77,000	1,09,000
Creditors	55,000	83,000	B/R	20,000	30,000
Bills payable	20,000	16,000	Cash	15,000	10,000
Provision for taxation	40,000	50,000	Bank	10,000	8,000
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	6,77,000	8,17,000		6,77,000	8,17,000
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Additional Information :

- a. Depreciation on Plant Rs.10,000 and on Building was Rs.20,000 charged during the year
- b. An interim dividend of Rs.20,000 has been paid in 2006
- c. Income tax Rs.35,000 was paid during 2006

19. Moon and Star Co Ltd., is a company with an authorized capital of Rs.5,00,000 divided into 5000 equity shares of Rs.100 each on 31/12/2003 of which 2,500 shares were fully called up. The following are the balances extracted from the ledger as on 31-12-2003.

Trial balances of Moon & Star Co. Ltd.

Particulars	Debit	Particulars	Credit
Opening stock	50,000	Sales	3,25,000
Purchases	2,00,000	Discount received	3,150
Wages	70,000	Profit and loss	6,220

Discount allowed	4,200	Creditor	35,200
Insurance (upto 31-3-04)	6,720	Reserves	25,000
Salaries	18,500	Loan from managing director	15,700
Rent	6,000	Share capital	2,50,000
General expenses printing	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		

You are required to prepare Profit and Loss Account and a Balance sheet as on that as per schedule VI

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 15-8-2003 for 6 months ending June 30, 2003 @ 6%
- Provide Corporate dividend tax @ 17%.

**20.** The following particulars are available in respect of the business carried on by a trader:

- Profit Earned 1987 – Rs.50,000; 1988 – Rs.60,000; 1989 – Rs.55,000
- Normal rate of Profit 10%
- Sundry Assets is Rs.5,50,210 and current Liabilities are Rs.1,50,210
- Average Capital Employed by the trader is Rs.3,00,000
- Present value of an annuity of one rupee for five years at 10% is Rs.3.78.\
- The Profits include non – recurring profits on an average basis of Rs.4000 out of which it was deemed that even Non- recurring profits had a tendency of appearing at the rate of Rs.1,000 p.a.

You are required to calculate goodwill:

- As per five year purchase of super profits
- As per capitalization of super profit method and
- As per Annuity method.

**21.** What are Preference shares? And What are the Provisions for Redemption of Preference shares under the companies Act 1956 ?

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