LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

**B.Com.** DEGREE EXAMINATION – **COMMERCE**

FOURTH SEMESTER – NOVEMBER 2012

# CO 4502/4500 - COMPANY ACCOUNTS

Date : 03/11/2012 Dept. No. Max. : 100 Marks

Time : 1:00 - 4:00

**PART - A**

**Answer All Questions: (10 X 2 = 20 marks)**

1. Explain the term ‘Firm Underwriting’.
2. What is call money? What is the maximum amount of a call according to table A.?
3. What do you understand by redemption of debenture out of profits.?
4. What are ‘divisible profit’?
5. Write a note on ‘pre – incorporation profit’.
6. How do you calculate ‘Average capital employed’?
7. 5,000 Equity shares of Rs 100 each reduced to Rs 75 each and 1000 preference shares of Rs 50 each is reduced by Rs 25 Pass Journal entries.
8. Amount needed after 5 years for debenture redemption is Rs 60,00,000. Rate of interest on investment expected is 5% Annual investment needed to get Rs 15 after 5 years, Rs 2.71462. Ascertain the annual transfer to sinking fund.
9. Padma co.Ltd was formed for taking over the business of Mr. Ganapathi. The purchase consideration was Rs 1,92,000 which will be settled by issue 960 shares of Rs 100 each at a discount of 5% and balance in cash. Assets taken over were Rs 2,08,000 and liabilities taken over were Rs 28,000. Give journal entries in the books of padma co.Ltd.
10. Calculate Net profit before tax and Extra ordinary items. P&L a/c balance on 31/03/10:

Rs. 10,00,000 and on 31/03/11 Rs 11,00,000 Transfer to General Reserve Rs.10,000,

Proposed Dividend Rs. 25,000, Provision for taxation Rs. 40,000.

**PART – B**

**Answer any FIVE questions: (5 x 8 = 40 marks)**

1. What is ‘acquisition of Business’? Explain the methods of computing purchase consideration on acquisition of business.
2. Explain the Provisions Under sec 78 of the companies Act for the use of share premium.
3. Explain the circumstances under which valuation of shares is essential and discuss the various methods of valuation.
4. WYE Co.Ltd. issued 20,000 shares of Rs.10 each. These shares were underwritten as follows:

X: 10,000 shares, Y: 6,000 shares. The public applied for 16,000 shares which included market application as follows:- X: 2,400 shares; Y: 600 shares.

Determine the obligating of the underwriters.

1. G. Ltd issued 2,000 12% Debentures of Rs.100 each on 1.1.2008 at a discount of 10%, redeemable at premium of 15% in equal annual drawings in two years out of profits. Give journal entries both at the time of issue and redemption of debentures. (ignore the treatment of loss on issue of debentures and interest).
2. From the following Profit & Loss Account of Soundarya Ltd. For the year ended 31.12.2010 and additional data given, calculate commission due to managing director at 5% of net profit. Salary of managing director is to be treated as part payment of the commission.

Profit & Loss A/c of the year ended 31.12.2010.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Rs.** |  | **Rs.** |
| **To opening stock** | **11,000** | **Pay sales** | **1,70,000** |
| **To Bonus (including Rs.500 for 2009)** | **5,000** | **By closing stock** | **15,000** |
| **To Director’s fees** | **3,000** | **By other income:**  **Discount** | **2,000** |
| **To Managing director:**  **Salary:**  **Commission** | **2,000**  **1,000** | **Profit sale of fixed assets** | **1,000** |
| **To Development rebate reserve** | **800** |  |  |
| **To provision for Tax** | **3,000** |  |  |
| **To Establishments Expenses** | **40,000** |  |  |
| **To Loss on sale of investments** | **200** |  |  |
| **To Net profit c/d** | **1,22,000** |  |  |
|  | **1,88,000** |  | **1,88,000** |

The book value of the fixed assets sold was Rs.2,000 and their original cost was Rs.2,600.

1. A company was incorporated on 1st May 2010 acquiring the business of a sole trader with effect from 1st January 2010. The accounts of the company were closed for the first time on 30th September 2010, disclosing a gross profit of Rs.1,68,000. The establishment expenses were Rs.42,660. Directors’ fees Rs.3,000 per month, preliminary expenses written off Rs.4,000, rent upto June, 2010 was Rs.300 per month which was there after increased to Rs.750 per month. Salary to the manager was at Rs.1500 per month who was appointed a director at the time of incorporation of the company.

Prepare a statement showing profits prior and subsequent to incorporation assuming that the net sales were Rs.24,60,000. The monthly average of which for the first four months of 2010 was half of that of the remaining period.

1. From the following information, calculate the value of good will on the basis of 3 years purchase of super profit.
2. Average capital employed in the business is Rs.20,00,000.
3. Rate of interest expected from capital having regard to the risk involved is 10%.
4. Net trading profits of the firm for the past three years were Rs.3,50,400; Rs.2,80,300; and Rs.3,10,100.
5. Fair remuneration to the partners for their services is Rs,48,000 p.a.
6. Sundry assets of the firm are Rs.23,50,400 and current Liabilities are Rs.95,110.

**PART – C**

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

1. Swan ltd., issued 8,000 9% Redeemable preference shares of Rs.100 each at par 1.7.2004, redeemable at the option of the company on or after 30th June 2010, partly or fully.

Redemption were made out of profit as follows:

1. 1,200 shares on 30th June 2010 at par.
2. 1,600 shares on 31st December 2010 at 10% premium.
3. Remaining shares 30th June 2011 at a premium of 5% by making a fresh issue of 40,000 equity shares of Rs.10 each at premium of Re.1 each,

On 30th June 2011, the company also decided to capitalize 50% of its Capital redemption reserve by issuing bonus shares of Rs.10 each fully paid at a premium of Rs.2.50 per share. Pass necessary entries to record the above transactions.

1. The Silver Ore co.ltd. was formed on 1.4.2007 with an authorized capital of Rs.6,00,000 in shares of Rs.10 each of these 52,000 shares had been issued and subscribed but there was calls in arrear on 100 shares. From the following trial balance as on March 31, 2008, Prepare the Trading and Profit & Loss Account and the Balance sheet:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Rs.** |  | **Rs.** |
| **Cash at bank** | **1,05,500** | **Share Capital** | **5,18,750** |
| **Plant** | **40,000** | **Sale of Silver** | **1,79,500** |
| **Mines** | **2,20,000** | **Interest on F.D. up to Dec.31** | **3,900** |
| **Promotion expenses** | **6,000** | **Dividend on Investment** | **3,200** |
| **Advertising** | **5,000** |  |  |
| **Cartage on plant** | **1,800** |  |  |
| **Furniture & Buildings** | **20,900** |  |  |
| **Administrative Expenses** | **28,000** |  |  |
| **Repairs to plant** | **900** |  |  |
| **Coal and oil** | **6,500** |  |  |
| **Royalties paid** | **10,000** |  |  |
| **Railway Track & wagons** | **17,000** |  |  |
| **Wages of miners** | **74,220** |  |  |
| **Cash** | **530** |  |  |
| **Investment – shares of tin mines** | **80,000** |  |  |
| **Brokerage on above** | **1,000** |  |  |
| **6% FD in syndicate bank** | **89,000** |  |  |
|  | **7,06,350** |  | **7,06,350** |

Adjustments:

1. Depreciate plant and Railways by 10% . Furniture & building by 5%
2. Write off a third of the promotion expenses.
3. Value of silver ore of march 31, 2008 Rs.15,000.
4. The directors forfeited on Dec. 20, 2007, 100 shares on which only Rs.7.50 had been paid.
5. Knight co.ltd went into voluntary liquidation on 31.12.2010 when their balance sheet read as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Liabilities** | **Rs.** | **Assets** | **Rs.** |
| **Issued & subscribed capital: 15,000 10% cumulative preference shares of Rs.100 each fully paid** | **15,00,000** | **Land & Buildings** | **7,50,000** |
| **7,500 Equity shares of Rs.100 each Rs.75 paid** | **5,62,500** | **Plant & Machinery** | **18,75,000** |
| **22,500 equity shares of Rs.100 each Rs.60 paid** | **13,50,000** | **Patents** | **3,00,000** |
| **15% debenture secured by a floating charge** | **7,50,000** | **Stock** | **4,02,500** |
| **Interest outstanding on debentures** | **1,12,500** | **Sundry debtors** | **8,25,000** |
| **Creditors** | **9,56,250** | **Cash at bank** | **2,25,000** |
|  |  | **Profit & Loss a/c** | **8,53,750** |
|  | **52,31,250** |  | **52,31,250** |

Preference dividends were in arrears for 2 years and the creditors included Preferential creditors of Rs.38,000.

The assets were realized as follows: land & Buildings Rs.9,00,000; Plant & machinery Rs.15,00,000; patents Rs.2,25,000; Stock Rs.4,50,000; Sundry debtors Rs.6,00,000.

The expenses of liquidation amounted to Rs.27,250. The liquidator is entitled to a commission of 3% on assets realized except cash. Assuming the final payments including those on debentures were made on 30.6.2011, show the liquidator’s final statement of account.

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